

EXHIBIT NO. _____

DOCKET NO.: 020412-TP

WITNESS: US LEC

PARTY: US LEC

DESCRIPTION:

1. US LEC's Revised (Redacted) Responses to Staff's 1st Set of Interrogatories

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 020412-TP EXHIBIT NO. 1

COMPANY/

WITNESS: U.S. LEC

DATE: 2/06/03

I.D. # Stip-1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved
issues in negotiation of interconnection
agreement with Verizon Florida Inc. by US
LEC of Florida Inc.

DOCKET NO. 020412-TP

**US LEC OF FLORIDA INC.'S REVISED RESPONSES TO
STAFF'S FIRST SET OF INTERROGATORIES
TO US LEC OF FLORIDA INC.**

Pursuant to Order No. PSC-02-0993-PCO-TP issued July 23, 2002, US LEC of Florida Inc. ("US LEC") submits these Revised Responses to Staff's First Set of Interrogatories (Nos. 1 - 15) to US LEC.

RESPONSES TO INTERROGATORIES:

1. Identify each local calling area within the Tampa LATA currently served by US LEC's switch.

Response: See US LEC's Response to Verizon Interrogatory No. 2, which is incorporated herein by reference.

Respondent: Mr. Frank Hoffmann

2. Does US LEC currently serve customers in the exchanges identified in interrogatory 1? If so, identify the number of customers served in each exchange.

Response: CONFIDENTIAL AND PROPRIETARY INFORMATION.

3. Does US LEC currently offer customers served from its Tampa switch the use of virtual NXX codes? If so, what does US LEC currently charge its customers for this service?

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Response: US LEC currently offers customers served from its Tampa switch the use of virtual NXX codes. US LEC offers customers several different pricing options for virtual NXX arrangements, depending upon the number of calls the customer wishes to receive from a particular area. For example, a US LEC customer that wishes to purchase US LEC's Single Line Foreign Exchange (FX) Service (see tariff at page 71.4), which provides one-way, inbound calling, and enables that customer to receive one call at a time over the FX line, will pay (in addition to the customers' Local Exchange Access Service) a non-recurring charge of \$70.00 per line and monthly recurring charges of \$50.00 per line. In contrast, a customer that wishes to purchase US LEC's Foreign Exchange (FX) Service (see tariff at page 62), which provides two-way full local exchange calling, and enable the customer to receive an unlimited number of calls at any one time, will pay a non-recurring charge of \$500.00 and monthly recurring charges of \$1,000.00.

Respondent: Ms. Wanda Montano

4. Identify each exchange for which US LEC currently assigns virtual NXX codes.

Response: See US LEC's response to Verizon Interrogatory No. 3 and Exhibit A thereto, which is incorporated herein by reference.

Respondent: Ms. Wanda Montano

5. Identify the number of US LEC customers who have been assigned NXX codes and are not physically located in the rate center to which that NXX code is assigned in the Tampa LATA.

Response: CONFIDENTIAL AND PROPRIETARY INFORMATION.

6. Identify the percentage of Verizon originated traffic terminated to US LEC customers utilizing virtual NXX codes.

Response: US LEC does not maintain records in a manner that would permit it to identify the percentage of Verizon originated traffic that is terminated to US LEC customers utilizing virtual NXX codes.

Respondent: Ms. Wanda Montano

7. Does US LEC currently receive reciprocal compensation from any other carrier for termination of calls to its (US LEC's) virtual NXX customers? If so, identify the carrier and the applicable state.

Response: US LEC currently bills and is paid reciprocal compensation from other carriers for termination of calls to its virtual NXX customers. US LEC does not maintain records in a manner that would permit it to identify with specificity all carriers that are paying reciprocal compensation for the termination of calls to US LEC customers that have purchased foreign exchange service. At the same time, US LEC is not aware of any carrier that has put in place processes and procedures for separating FX calls from other, locally dialed calls in any state. As a result, on information and belief, US LEC believes that the following carriers are paying reciprocal compensation on those calls, and that US LEC is paying reciprocal compensation to the following carriers on those calls in the listed states:

Alltel: Georgia, North Carolina

BellSouth: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee

CT Communications: North Carolina

ITC^DeltaCom: Florida, Georgia, North Carolina

KMC Telecom: Florida, Georgia, Louisiana, North Carolina

MCI WorldCom: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee

Sprint: Florida, North Carolina, Tennessee

Time Warner: Florida, North Carolina, Tennessee

XO Communications: Florida, Georgia, Tennessee

Respondent: Ms. Wanda Montano

8. Please describe in detail US LEC's "Local Toll Free " Service.

Response: US LEC's Local Toll Free service allows customers who have no physical

presence within a LATA to appear to have a local presence. This product is a toll-free solution without the 8YY number. US LEC will only establish a Local Toll Free number in a LATA where US LEC has deployed a switch. When a caller dials a US LEC assigned Local Toll Free number, US LEC's local switch, upon termination of the call, will remote call forward the call to a corresponding number at the US LEC customer's location. The call is remote call forwarded wholly within US LEC's interLATA network. US LEC's Local Toll Free service is an optional service available only to US LEC Local customers. Charges for US LEC's Local Toll Free service are in addition to charges for Local Exchange Service found in Section 3 of US LEC's tariff. Both the Local Toll Free number and the associated terminating number must be within the US LEC network.

Respondent: Ms. Wanda Montano

9. Identify the states in which US LEC currently offers this service. If offered in Florida, what does US LEC currently charge its retail customers for this service?

Response: US LEC offers Local Toll Free service in the following states in which it currently operates: Alabama, Florida, Georgia, Indiana, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, Pennsylvania, Tennessee, Virginia.

In Florida, US LEC's tariff provides that the service is offered at the following rates:

Monthly Rate per Local Toll Free Number	\$2.00 (monthly)
Local Toll Free Usage Rate	\$0.025 (per minute)
Installation per Local Toll Free Number	\$100 (non-recurring)

Respondent: Ms. Wanda Montano

10. Identify the percentage of Verizon originated traffic delivered to US LEC's Tampa switch, which terminates to US LEC "Local Toll Free" customers within the Tampa LATA.

Response: US LEC does not maintain records in a manner that would permit it to identify the percentage of Verizon originated traffic that is terminated to US LEC customers utilizing Local Toll Free service within the Tampa LATA. In further response,

US LEC notes that, as described in response to Interrogatory No. 8 above, US LEC's Local Toll Free Service is only offered to customers without a physical presence inside of a LATA. Typically a customer that has established a presence within a LATA will purchase one of US LEC's local or foreign exchange services.

Respondent: Ms. Wanda Montano

11. Does US LEC currently bill reciprocal compensation to Verizon for such traffic? If not, does US LEC contend that it should be able to bill reciprocal compensation for such traffic? Why or why not?

Response: US LEC currently bills reciprocal compensation to Verizon for such traffic, just as Verizon currently bills reciprocal compensation to US LEC for calls made by US LEC customers to Verizon customers that are routed out of the LATA using Verizon's Remote Call Forwarding services.

Respondent: Ms. Wanda Montano

12. Identify the percentage of Verizon originated traffic delivered to US LEC's Tampa switch, which terminated to US LEC "Local Toll Free" customers outside the Tampa LATA.

Response: US LEC does not maintain records in a manner that would permit it to identify the percentage of Verizon originated traffic that is terminated to US LEC customers utilizing Local Toll Free customers outside the Tampa LATA.

Respondent: Ms. Wanda Montano

13. Does US LEC currently bill reciprocal compensation to Verizon for such traffic? If not, does US LEC contend that it should be able to bill reciprocal compensation for such traffic? Why or why not?

Response: US LEC currently bills reciprocal compensation to Verizon for such traffic, just as Verizon currently bills reciprocal compensation to US LEC for calls made by US LEC customers to Verizon customers that are routed out of the LATA using Verizon's Remote Call Forwarding services.

Respondent: Ms. Wanda Montano

14. Does US LEC currently bill reciprocal compensation to any other carrier for the termination of calls from the carrier's customer to US LEC's "Local Toll Free" Service customer? If so, identify each carrier and the applicable state.

Response: US LEC currently bills and is paid reciprocal compensation from other carriers for termination of calls to its customers that have purchased Local Toll Free Service. US LEC does not maintain records in a manner that would permit it to identify with specificity all carriers that are paying reciprocal compensation for the termination of calls to US LEC customers that have purchased Local Toll Free Service; however, on information and belief, US LEC believes that the following carriers are paying reciprocal compensation on those calls in the listed states:

Alltel: Georgia, North Carolina

BellSouth: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee

Concord Telecom: North Carolina

ITC^DeltaCom: Florida, Georgia, North Carolina

KMC Telecom: Florida, Georgia, Louisiana, North Carolina

MCI WorldCom: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee

Sprint: Florida, North Carolina, Tennessee

Time Warner: Florida, North Carolina, Tennessee

XO Communications: Florida, Georgia, Tennessee

Respondent: Ms. Wanda Montano

15. Does US LEC currently pay access charges to any carrier for its "Local Toll Free" traffic? If so, identify the carrier and the applicable state.

Response: US LEC does not currently pay access charges to any carrier for its Local Toll Free traffic.

Respondent: Ms. Wanda Montano

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
[redacted]	St Petersburg	727	323	813	885	Tampa
[redacted] Avenue	St Petersburg	727	321	941	552	Sarasota
Petersburg 33713	St Petersburg	727	456	863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	619	Lakeland
				863	648	Lakeland
				863	648	Lakeland
				863	648	Lakeland
				863	644	Lakeland
				863	701	Lakeland
				863	701	Lakeland
				863	607	Lakeland
				863	904	Lakeland
				863	646	Lakeland

[redacted]	Clearwater	727	797	813	450	Tampa
[redacted]	Clearwater	727	796			
Clearwater Fl 33765	Clearwater	727	799			
	Clearwater	727	725			
	Clearwater	727	669			
	Clearwater	727	450			

[redacted]	Palmetto	941	722	941	552	Sarasota
[redacted] Avenue	Palmetto	941	845			
Palmetto, Fl 34221	Palmetto	941	729			

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
[redacted]	Tampa	813	289	863	904	Lakeland
[redacted] Drive	Tampa	813	769			
mpa, Fl 33607						

[redacted]	Lakeland	863	583	813	747	Tampa
[redacted] Blvd				813	769	Tampa
keland, Fl 33805						

[redacted]	Lakeland	863	603	813	228	Tampa
[redacted] Hills	Lakeland	863	680	813	229	Tampa
keland, Fl 33805	Lakeland	863	683			
	Lakeland	863	686			
	Lakeland	863	687			
	Lakeland	863	688			
	Lakeland	863	904			

[redacted]	Tampa	813	888	727	461	Clearwater
[redacted]	Tampa	813	880			
mpa, Fl 33614	Tampa	813	739			

[redacted]	Bradenton	941	755	941	907	Sarasota
[redacted] Circle				941	907	Sarasota
radenton, Fl 34203				941	907	Sarasota

[redacted]	Bradenton	941	758	727	822	St Petersburg
[redacted] Av.	Bradenton	941	753	941	484	Venice
arasota, Fl 34243	Bradenton	941	739	941	488	Venice
	Bradenton	941	727			
[redacted]	St Petersburg	727	327	813	228	Tampa
[redacted] North	St Petersburg	727	456	813	769	Tampa

US LEC of Florida Tampa LATA

STOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
llas Park, Fl 33782	St Petersburg	727	546			
	St Petersburg	727	547			

acted]	Tampa	813	289	863	686	Lakeland
acted] Blvd	Tampa	813	739			
np, Fl 33609						

acted]	Hudson	727	862	941	373	Sarasota
acted]	Hudson	727	868	727	461	Clearwater
dson, Fl 34667	Hudson	727	869			

acted]	Tampa	813	749	727	373	Clearwater
acted] Avenue	Tampa	813	342			
dsmar, Fl 34677	Tampa	813	814			
	Tampa	813	286			
	Tampa	813	288			

edacted]	Clearwater	727	793	813	749	Tampa
edacted]	Clearwater	727	791			
learwater, Fl 33759						

edacted]	Tampa	813	870	727	456	St Petersburg
edacted]	Tampa	813	871	727	892	St Petersburg
ampa, Fl 33607	Tampa	813	873			
	Tampa	813	874			
	Tampa	813	877			

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
acted	New Port Richey	727	842	813	949	Tampa
acted]	New Port Richey	727	847	813	949	Tampa
t Richey, Fl 34688	New Port Richey	727	849	727	461	Clearwater
	New Port Richey	727	845	727	461	Clearwater
	New Port Richey	727	569	727	461	Clearwater
	New Port Richey	727	848			
	New Port Richey	727	815			

acted]	Tampa	813	751	813	788	Zephyrhills
acted]	Tampa	813	862			
asley Chapel, Fl 33543						

acted]	Tampa	813	315	727	450	Clearwater
acted] Street	Tampa	813	658	727	456	St Petersburg
mpa, Fl 33602	Tampa	813	749	863	535	Bartow
	Tampa	813	751	863	904	Lakeland
	Tampa	813	769	941	552	Satasota
				813	305	Plant City

EXHIBIT NO. 1

DOCKET NO.: 020412-TP

WITNESS: US LEC

PARTY: US LEC

DESCRIPTION:

Composite

1. US LEC's Responses to Staff's 2nd Set of Interrogatories (Nos. 4-8)
2. US LEC's Supplemental Responses to Staff's 2nd Set of Interrogatories

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 020412-TP EXHIBIT NO. 2
COMPANY/ U.S. LEC
WITNESS: 2-06-03
DATE: 2-06-03

I.D. # Stip-2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved)
issues in negotiation of interconnection)
agreement with Verizon Florida Inc. by US)
LEC of Florida Inc.)
_____)

Docket No. 020412-TP

**US LEC OF FLORIDA INC.'S RESPONSES TO
STAFF'S SECOND SET OF INTERROGATORIES
TO US LEC OF FLORIDA INC. (NOS. 4-8)**

Pursuant to Commission Order No. PSC-02-0993-PCO-TP issued July 23, 2002, as amended, in Order No. PSC-02-1485-PCO-TP issued October 30, 2002, and by agreement of Staff and US LEC of Florida Inc. ("US LEC"), US LEC hereby submits these Responses to Staff's Second Set of Interrogatories (Nos. 4 -- 8) to US LEC.

RESPONSES TO INTERROGATORIES:

Staff Interrogatory No. 4(a): Referring to page 17 of US LEC witness Montano's direct testimony, the witness testifies that "if US LEC's customers want to call Voice Information Services connected to Verizon South's network, then Verizon seeks to require US LEC to provide, at its own expense, a separate, dedicated trunk to carry that traffic." Please explain any alternative methods of segregating this traffic for compensation purposes if this Commission determines reciprocal compensation should not apply.

Response: US LEC believes that Verizon South ("Verizon") could implement one of two alternative methods to segregate Voice Information Service ("VIS") traffic for compensation purposes if this Commission determines that the parties' reciprocal compensation obligations should not apply to VIS traffic.

(a) Verizon could create a database of its VIS customers and develop a program or method to identify calls directed to numbers assigned to those VIS customers to ensure that calls to those numbers are excluded from the reciprocal compensation invoices it sends US LEC.

(b) The parties could develop and implement a billing factor similar to the Percent Local Usage ("PLU")/Percent Interstate Usage ("PIU") factors the parties currently use. Under this method, each party must provide the other a list of those telephone numbers assigned to VIS providers on their network to allow the originating party to determine the percentage of traffic it is directing to the other party's VIS providers. This method of segregating VIS traffic would also

require modifications to billing systems to handle an additional factor.

Respondent: Wanda Montano

Staff Interrogatory No. 4(b): Is Verizon's trunk provisioning position consistent with this Commission's decision in the Reciprocal Compensation Order?

Response: Assuming that this question concerns Verizon's trunk proposal relating to the separation and delivery of VIS traffic, then US LEC submits that Verizon's position is inconsistent with the Commission's decision in the Reciprocal Compensation Order. First, Verizon's proposal requires US LEC to establish, at its own expense, a separate dedicated trunk group to the switch serving the VIS platform, which may or may not be the POI selected by US LEC. This violates the Commission's requirement that US LEC has the right to select the POI to which it will deliver all of its traffic.

Second, Verizon's proposal requires a separate trunk group for VIS traffic. Thus, even if this trunk group is delivered to the POI chosen by US LEC, Verizon's requirement that a separate trunk group be devoted solely to VIS traffic violates US LEC's right to choose the method by which it interconnects with and delivers its traffic to Verizon, e.g. separate or combined trunk groups. US LEC submits that this right is implicit in the Commission's determination that the originating carrier bears responsibility for the facilities used to deliver its traffic to the POI. In short, under the Commission's Order US LEC has the right to choose the method it uses to deliver its traffic to Verizon's POI and the right to choose the POI for the delivery of all traffic. Verizon's proposal violates both of these requirements.

Respondent: Wanda Montano

Staff Interrogatory No. 4(c): If the response to interrogatory 4(b) is no, please explain, in detail how US LEC's position differs.

Response: US LEC's position is that US LEC has the right to choose both the POI at which it will deliver its traffic to Verizon and the method by which it will deliver its traffic to the POI. In other words, if US LEC designates a POI that is not the serving switch for Verizon's VIS customer, US LEC is not obligated to establish a separate POI just for VIS traffic. Moreover, if US LEC chooses to deliver all of its traffic to Verizon on a combined trunk group to the POI, Verizon may not require US LEC to establish a separate trunk group for a single category of traffic which cannot be identified and separated from other locally-dialed traffic without numerous adjustments to US LEC's switching translation systems (assuming it is even possible to make such adjustments).

Respondent: Wanda Montano

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Shore

Staff Interrogatory No. 5: Referring to page 18 of US LEC witness Montano's direct testimony, the witness testifies that Voice Information Services traffic, the traffic at issue in Issue 3, "can not be characterized as interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access." Please identify the attributes of Voice Information Services Traffic that support US LEC's position to exclude Voice Information Services traffic from being categorized as:

- a) interstate or intrastate Exchange Access,
- b) Information Access, or
- c) exchange services for Exchange Access or Information Access.

Response: First and foremost, the calls at issue here have all the attributes of all other locally dialed calls: they are dialed using either seven (7) or ten (10) digit local numbers and, without any separate trunking, are transported over existing local interconnection trunks between US LEC and Verizon. For this reason, among others, the categories of traffic that the parties' agreement defines as VIS Traffic fit completely the definition of "Reciprocal Compensation Traffic" that is the basis for the parties' reciprocal compensation obligations.

FCC rules define "Reciprocal Compensation" as an arrangement "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."¹ Similarly, "Reciprocal Compensation Traffic" is defined as "[t]elecommunications traffic originated by a Customer of one party on that party's network and terminated to a Customer of the other party on that other party's network, except for Telecommunications traffic that is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access."²

The categories of traffic included in the definition of "Voice Information Services Traffic" fit this definition: Whether the call is a "recorded voice announcement information or [ii] a vocal discussion program open to the public," it is originated by a customer of one party on that party's network and is terminated by a customer of the other party on that party's network. (*Id.*)

The traffic plainly is not "Exchange Access" traffic, which is defined in the Telecommunications Act as "the offering of access to telephone exchange services or facilities *for the purpose of the origination or termination of telephone toll services.*" 47 U.S.C. § 153 (16) (emphasis added). The term has this same meaning for purposes of the parties' exchange of traffic in Florida because they have defined it in their proposed Interconnection Agreement as having "the

¹ FCC Rule 51.701(e). The FCC defines "telecommunications traffic" as "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." FCC Rule 51.701(b)(1).

² Glossary, Section 2.75.

meaning set forth in the Act.” (Glossary at § 2.33). Thus, VIS traffic is not Exchange Access because it is not toll traffic subject to access charges.

Nor is it properly categorized as “Information Access” traffic, which is not defined in the Act, but rather, is defined in the Modified Final Judgment as “the provision of specialized exchange telecommunications services *by a BOC* in an exchange area in connection with the origination, termination, transmission, switching, forwarding or routing of telecommunications traffic to or from the facilities of a provider of information services.” (*United States v. AT&T*, 552 F. Supp. 131, 229 (D.D.C. 1982) (emphasis added)).

In turn, “Information Services” is defined in the Act as “the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications, and includes electronic publishing, but does not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service.”³

US LEC interprets these definitions to exclude calls to VIS Providers, especially those providers who offer a service that offers “a vocal discussion program open to the public.” That traffic does not fit the definition of “Information Service” and it typically involves a call that originates and terminates in the same local calling area. Indeed, the New York Public Service Commission addressed the issue and concluded that calls to so-called “chatlines” were eligible for reciprocal compensation.⁴

Similarly, to the extent that US LEC provides service to a VIS Provider who offers a “recorded voice announcement information,” that service does not constitute “Information Access” because, by its terms, information access is defined as a service provided “by a BOC”. It does not apply when the service is provided by a competitive local exchange provider. Nor is US LEC aware of any decision by the FCC or any state commission which holds that a call to a recorded voice announcement is not eligible for reciprocal compensation.

In fact, this issue was addressed by the FCC’s Wireline Competition Bureau in the context of arbitrating interconnection agreements between Verizon Virginia and three CLECs—AT&T, Cox Communications and WorldCom—and resolved in a manner favorable to US LEC.⁵ For example, Verizon alleges here that VIS Traffic is excluded from the parties’ reciprocal compensation

³ 47 U.S.C. § 153(20).

⁴ *Proceeding on Motion of the Commission to Reexamine Reciprocal Compensation*, Docket No. 99-C-0529, *Opinion and Order Concerning Reciprocal Compensation*, Order No. 99-10 (N.Y.P.S.C., rel. Aug. 26, 1999).

⁵ *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc., and for Expedited Arbitration*, CC Docket No. 00-218, Memorandum Opinion and Order (Wireline Comp. Bureau, rel. July 17, 2002).

obligations because it is traffic that falls within the scope of Section 251(g) of the Act and, pursuant to the FCC's *ISP Remand Order*, all 251(g) traffic is excluded from reciprocal compensation.⁶ In its arbitration before the Wireline Bureau, Verizon sought to define its reciprocal compensation obligations in exactly the same way that it does here—as excluding “interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access.”⁷ Verizon argued that all 251(g) traffic fell within those defined areas of traffic and, therefore, should be excluded automatically from its reciprocal compensation obligations.⁸ The Wireline Bureau rejected Verizon's argument, stating: “[w]e disagree with Verizon's assertion that every form of traffic listed in section 251(g) should be excluded from section 251(b)(5) reciprocal compensation.”⁹ In essence, the Wireline Bureau concluded that Verizon was relying entirely on the 251(g) arguments that had been rejected by the D.C. Circuit and “decline[d] to adopt Verizon's contract proposals that appear to build on the logic that the court has now rejected.”¹⁰

Respondent: Wanda Montano

⁶ *Response of Verizon Florida Inc. to Petition For Arbitration Filed By US LEC of Florida Inc.* at 17-19.

⁷ Compare, *FCC Arbitration Order* at ¶ 257, quoting, Verizon's Proposed Agreement to WorldCom, Part C, Interconnection Attach., § 7.3.1., with, Verizon's Proposed Agreement to US LEC, Interconnection Attach., § 7.3.1.

⁸ *FCC Arbitration Order* at ¶ 257.

⁹ *Id.* at ¶ 261.

¹⁰ *Id.*

Staff Interrogatory No. 6(a): Please provide US LEC's definition of Voice Information Services Traffic.

Response: VIS is defined in section 5.1 of the Additional Services Attachment of the parties' proposed agreement: "(a) Voice Information Service means a service that provides [i] recorded voice announcement information or [ii] a vocal discussion program open to the public, and (b) Voice Information Service Traffic means intraLATA switched voice traffic, delivered to a Voice Information Service." The issue here, however, is not how the traffic is defined; rather the dispute is focused on (1) Verizon's assertion that this is a separate class of traffic to which the parties' reciprocal compensation obligations do not apply and (2) Verizon's insistence that US LEC must establish, at its own expense, a dedicated trunk group for the delivery of the traffic.

Respondent: Wanda Montano

Staff Interrogatory No. 6(b): Provide a technical diagram that describes the flow of Voice Information Services Traffic from origination to termination.

Response: Please see Exhibit 1 attached hereto. The diagram in Exhibit 1 is an example of a call from a US LEC customer to a VIS provider that is a Verizon customer. In the event that a Verizon customer calls a VIS provider that is a US LEC customer, the call flow would be reversed.

Respondent: Wanda Montano

Staff Interrogatory No. 6(c): Provide a diagram that describes the flow of payments in relation to the diagram in 6b.

Response: If the Commission adopts US LEC's position and determines that reciprocal compensation is due for VIS traffic, then the payments would flow as follows. Where the originating party is a Verizon customer, and the VIS provider is a US LEC customer, then US LEC would bill Verizon reciprocal compensation for that call at the rates set forth in the agreement. Unless the parties enter a separate agreement, US LEC also would bill Verizon for any charges imposed by US LEC's VIS customer. Where the originating party is a US LEC customer, and the VIS provider is a Verizon customer, then Verizon would bill US LEC reciprocal compensation for that call at the rates set forth in the agreement. Unless the parties enter a separate agreement, Verizon also would bill US LEC for any charges imposed by Verizon's VIS customer.

Respondent: Wanda Montano

Staff Interrogatory No. 7: Please provide four examples of Voice Information Services traffic. (If US LEC can not provide four distinct examples, please provide all examples known to US LEC)

Response: In general, VIS traffic will fall into one of two categories: (a) Recorded announcements (*e.g.*, time/temperature, weather information, sports information, etc.) or (b) Vocal discussion programs open to the public (*e.g.*, chatlines).

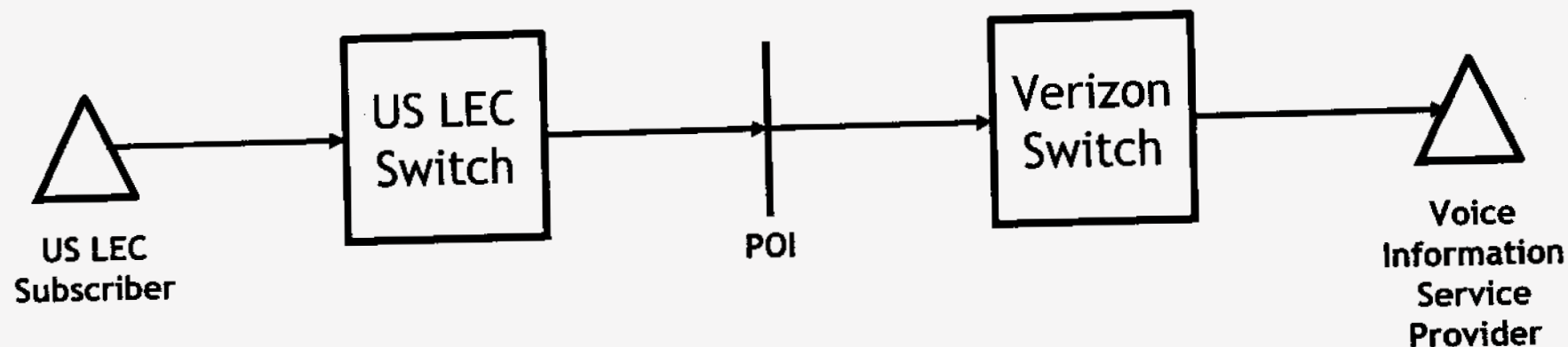
Respondent: Wanda Montano

Staff Interrogatory No. 8: Does US LEC terminate Voice Information Services Traffic?

Response: Yes, but currently not in the Tampa LATA. US LEC provides service to VIS providers and therefore terminates VIS traffic in other markets where it operates. US LEC does not believe that it is providing service to VIS providers in the Tampa LATA. US LEC does not identify VIS as a separate class of service or product offering available to its customers. Moreover, US LEC does not inquire into the use each customer makes of the service it purchases from US LEC.

Respondent: Wanda Montano

Voice Information Service Call Flow Diagram



US LEC

- FL PSC Staff response 6.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved)
issues in negotiation of interconnection)
agreement with Verizon Florida Inc. by US)
LEC of Florida Inc.)
_____)

Docket No. 020412-TP

**US LEC OF FLORIDA INC.'S
SUPPLEMENTAL RESPONSES TO
STAFF'S SECOND SET OF INTERROGATORIES
TO US LEC OF FLORIDA INC.**

Pursuant to Commission Order No. PSC-02-0993-PCO-TP issued July 23, 2002, as amended in Order No. PSC-02-1485-PCO-TP issued October 30, 2002, and by agreement of Staff and US LEC of Florida Inc. ("US LEC"), US LEC submits these Supplemental Responses to Staff's Second Set of Interrogatories (Nos. 1 – 3) to US LEC and Staff's requested clarifications.

SUPPLEMENTAL RESPONSES TO INTERROGATORIES:

- 1(a) In light of this Commission's Reciprocal Compensation Order, Order No. PSC-02-1248-FOF-TP, issued September 10, 2002, specifically pages 25-26, does this Commission's decision support US LEC's position on Issue 1 in this arbitration?

Response: Yes.

Respondent: Wanda Montano

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FLORIDA PUBLIC SERVICE COMMISSION
ST. PETERSBURG, FLORIDA

1(b) If the response to interrogatory 1(a) is yes, please identify the specific provisions of this order that support US LEC's position.

Response: US LEC's position is that US LEC has the right to designate the POI where both parties must physically deliver their originating traffic. US LEC has designated a POI at Verizon's tandem. The following statements in the Reciprocal Compensation Order support this aspect of US LEC's position:

"[W]e find that ALECs have the exclusive right to unilaterally designate single POIs for the mutual exchange of telecommunications traffic at any technically feasible location on an incumbent's network within a LATA."

"[W]e find that an originating carrier has the responsibility for delivering its traffic to the point(s) of interconnection designated by the alternative local exchange company (ALEC) in each LATA for the mutual exchange of traffic."

US LEC's position also requires Verizon to bear financial responsibility for delivering its originating traffic to the POI selected by US LEC. The following statement in the Reciprocal Compensation Order supports US LEC's position:

"[W]e find that an originating carrier is precluded by FCC rules from charging a terminating carrier for the cost of transport, or for the facilities used to transport the originating carrier's traffic, from its source to the point(s) of interconnection in a LATA."

It is also US LEC's position that where US LEC provides the transport from the POI on Verizon's network to US LEC's switch to carry Verizon's originating traffic, Verizon must compensate US LEC for providing this transport. This aspect of US LEC's position is supported by the following statement in the Commission order:

"These rules require an originating carrier to compensate the terminating carrier for transport and termination of traffic through intercarrier compensation." (Emphasis added.)

Respondent: Wanda Montano

1(c) If the response to interrogatory 1(a) is no, please explain, in detail, how US LEC's position differs.

Response: N/A

Respondent: Wanda Montano

2(a) Referring to page 25 of the Reciprocal Compensation Order, Point of Interconnection Designation, does this Commission's decision support US LEC's position on Issue 2 in this arbitration?

Response: Yes.

Respondent: Wanda Montano

2(b) If the response to interrogatory 2(a) is yes, please identify the specific provisions of this order that support US LEC's position.

Response: Issue two concerns whether Verizon may force US LEC either to designate an end office collocation arrangement as a POI or pay Verizon for delivery of Verizon's originating traffic from the end office where US LEC has a collocation arrangement to the POI selected by US LEC. Forcing US LEC to make this choice would deny US LEC its right to select the POI for the mutual exchange of traffic. Forcing US LEC to pay for Verizon's transport from the end office to US LEC's chosen POI would also absolve Verizon of its financial obligation to deliver its traffic to the POI selected by US LEC. Therefore, the Reciprocal Compensation Order supports US LEC's position on Issue two. The relevant statements from the Reciprocal Compensation Order that support US LEC's position are quoted in Response 1(b).

Respondent: Wanda Montano

2(c) If the response to interrogatory 2(a) is no, please explain, in detail, how US LEC's position differs.

Response: N/A

Respondent: Wanda Montano

3(a) Referring to pages 33-34 of the Reciprocal Compensation Order, does this Commission's decision support US LEC's position on Issue 6 in this arbitration?

Response: The Commission's decision does not support either US LEC's position or Verizon's position.

Respondent: Wanda Montano.

3(b) If the response to interrogatory 3(a) is yes, please identify the specific provisions of this order that support US LEC's position.

Response: N/A

Respondent: Wanda Montano

3(c) If the response to interrogatory 3(a) is no, please explain, in detail, how US LEC's position differs.

Response: The discussion at pages 33-34 of the Reciprocal Compensation Order does not support either party's position on Issue 6. The discussion concludes that non-ISP-bound virtual FX traffic is not local traffic automatically subject to reciprocal compensation. Yet as the Commission recognized, the solution proposed by Verizon—imposing access charges—is not the best way to handle the traffic either. Indeed, the Commission also recognized that Verizon bills ALECs reciprocal compensation for its own FX traffic. Without mandating either reciprocal compensation or access charges, the Commission stated that compensation for the *de minimis* amount of non-ISP bound FX traffic should be negotiated by the parties. Verizon and US LEC have not been able to come to an agreement on how they should compensate each other for that traffic.

US LEC has demonstrated that reciprocal compensation for this traffic is appropriate.

Respondent: Wanda Montano

RESPONSES TO STAFF REQUESTS FOR CLARIFICATION:

- 1 Please describe US LEC's position on providing separate trunking to Verizon. (Please provide and explain US LEC's position regarding pay-per-call services versus other VIS traffic if such a distinction exists)

Response: US LEC and Verizon have settled the issue of separate trunking for VIS traffic.

Respondent: Wanda Montano

2(a) Please identify any technical feasibility issues regarding US LEC blocking traffic from its end users to numbers assigned to Verizon's VIS.

Response: N/A

Respondent: Wanda Montano

2(b) If the answer to 2(a) is “none”, please explain why US LEC has not employed such blocking.

Response: N/A

Respondent: Wanda Montano

3(a) Please describe any feasibility issue that would inhibit US LEC from billing its end users when a US LEC end user calls a Verizon operated VIS pay service.

Response: US LEC and Verizon have settled Issue 4.

Respondent: Wanda Montano

- 3(b) If there are not any significant feasibility issues, please describe US LEC's position and rationale on billing its end users when pay-per-call services are used. (If there is a distinction between long distance charges and other pay-per-call services, please explain)

Response: N/A

Respondent: Wanda Montano

- 3(c) If there are not any significant feasibility issues, please explain US LEC's position and rationale on including or not including billing terms and conditions in the agreement with Verizon. (Basically, what are the differences that preclude the parties from agreeing to bill each other respectively for pay-per-call services)

Response: N/A

Respondent: Wanda Montano

EXHIBIT NO. _____

DOCKET NO.: 020412-TP

WITNESS: Verizon

PARTY: Verizon

DESCRIPTION:

Composite

1. Verizon's Responses to Staff's 1st Set of Interrogatories (Nos. 1-9)
2. Verizon's Responses to Staff's 2nd Set of Interrogatories (Nos. 1-8)

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 020412-TP EXHIBIT NO. 3

COMPANY/

WITNESS. Verizon

DATE: 2/06/03

I.D. # Stip-3

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

**VERIZON FLORIDA INC.'S RESPONSES TO
STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1-9)**

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to the July 23, 2002, Order Establishing Procedure, hereby files its responses to Staff's First Set of Interrogatories, which was filed on October 7, 2002.

<u>Interrogatory</u>	<u>Prepared By:</u>
1	Bill Munsell - Negotiations Manager/Legal
2	Bill Munsell - Negotiations Manager/Legal
3	Bill Munsell - Negotiations Manager/Legal
4	Bill Munsell - Negotiations Manager/Legal
5	Bill Munsell - Negotiations Manager/ Yvonne Flynn - Supv-Accounting/Legal
6	Yvonne Flynn - Supv-Accounting
7	Bill Munsell - Negotiations Manager/ Terry Haynes - Sr Staff Cslt-Regulatory
8	Linda Rossy - Spec-Regulatory/Legal
9	Bill Munsell - Negotiations Manager / Terry Haynes - Sr Staff Cslt-Regulatory/Legal

INTERROGATORIES

1. Is Verizon's VGRIPs language contained in any other interconnection agreement? If so, please identify the ALEC and the state in which the agreement applies.

Response:

Verizon's interconnection agreements with the following ALECs contain Verizon's VGRIP language and are effective in the following jurisdictions:

Adelphia — District of Columbia, Delaware, Maryland, Massachusetts, New Hampshire, New York, Pennsylvania, Vermont, and West Virginia

Advanced — Pennsylvania

AirCover — Massachusetts

Broadview — Connecticut, District of Columbia, Delaware, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

Cambrian — District of Columbia, New York, Virginia

Cavalier — District of Columbia

Citizens — Pennsylvania

CTC — District of Columbia, Delaware, New Jersey, Pennsylvania, and Virginia

Cyris — Virginia

Dark Air — Connecticut, Delaware District of Columbia, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Virginia

Dominion — Maryland, New York, and Virginia

D-Tel — Delaware and Pennsylvania

Eagle — New Jersey

Focal — Delaware, District of Columbia, Massachusetts, New Jersey, New York, Pennsylvania, and Virginia

HTC — Pennsylvania

InfoHighway — Virginia

KMC — Connecticut, Delaware, District of Columbia, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and West Virginia

Level 3 — Florida, California, Indiana, Maryland, New Jersey, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, Virginia, and Washington

Levy — New York

Lightship — Maine, Massachusetts, and Vermont

LightWave — Delaware, Rhode Island, and Virginia

LineSystems — Delaware, New Jersey, and Pennsylvania

Log On America — Massachusetts

Looking Glass — District of Columbia, New Jersey, and Virginia

McGraw — Massachusetts

Metropolitan — Virginia

Mid-Maine — Maine

NextGen — New York

NTELOS — Virginia and West Virginia

Otel — Massachusetts and New Hampshire

PNG — Massachusetts, New York, and Pennsylvania

R&B — Virginia

SNiP LiNK — Delaware, New Jersey, and Pennsylvania

Sphera Optical — District of Columbia, Massachusetts, New Jersey, New York,
and Virginia

TMC — Maryland and Virginia

United — District of Columbia, Maine, Massachusetts, New Hampshire, New
Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West
Virginia

US LEC — Virginia

Virginia Global — Virginia

Warwick Valley — New York

Westelcom — New York

In addition, Verizon's interconnection agreements with the following ALECs in Florida (and, in most cases, in other jurisdictions as well) contain Verizon's similar GRIP language, which is described in the Direct Testimony of Peter J. D'Amico at 7-8: Biz-Tel, DSLnet, Excel, Florida Telephone, Global NAPS, Heritage, ICG Telecom, NUI, SBC, Talk Unlimited, VarTec, and Winstar.

Verizon continues to research this request and will provide any pertinent additional information as soon as possible.

2. Please refer to Verizon witness Munsell's rebuttal testimony, page 2, lines 1-7. Under Verizon's proposal, if US LEC chooses to maintain its current architecture, would US LEC be financially responsible for Verizon originating traffic if the call originated in the same local calling area as the US LEC-IP?

Response:

No.

3. Please refer to US LEC witness Hoffman's rebuttal testimony, page 3, lines 9-14. Specify the "negotiated intercarrier compensation rate."

Response:

The proposed agreement does not contain a "negotiated intercarrier compensation rate". Verizon would agree to strike, in Section 7.1.1.3, the words "only the lesser of the negotiated intercarrier compensation rate or".

4. Please refer to US LEC witness Hoffman's rebuttal testimony, page 4, lines 19-23. Identify each "other cost" and the circumstance(s) under which Verizon would incur each cost in transporting its traffic to a US LEC-IP located in another local calling area?

Response:

This referenced language will not apply in the Tampa LATA because Verizon is the sole ILEC in that LATA and will have no need to incur these costs in transporting calls from its customers to customers of US LEC. This language, however, is part of a multi-state template. In other states, Verizon is not the sole ILEC in all of the LATAs in which it operates. In those LATAs, calls subject to reciprocal compensation from Verizon's customers to customers of an ALEC may

have to traverse the network of another ILEC, ALEC, or other transport provider, in order to reach the ALEC-IP. In that event, Verizon would purchase transport and, if necessary, tandem switching from the other carrier.

5. Identify the percentage of Verizon customers utilizing FX numbers.

Response:

Verizon only has data that represents the percentage of Verizon switched lines in-service in Florida that are Foreign Exchange. As of December 2001, that percentage was 0.05738%.

6. Identify the percentage of US LEC originated traffic delivered to Verizon FX customers.

Response:

In February 2002, Verizon performed a study in Florida to identify the amount of traffic that ALECs originated to Verizon FX customers. The percentage of US LEC originated traffic delivered to Verizon FX customers was approximately two one-hundredths of one percent (0.02%) in the study month.

7. Does Verizon currently bill reciprocal compensation to other ALECs when those carriers originate calls to Verizon's FX customers? If so, identify the ALEC and the applicable state.

Response:

Based on the way Verizon's intercarrier billing systems are currently set up in Florida and other states, in the event that an ALEC's customer calls a Verizon FX customer (where the NXX codes of the ALEC customer and the Verizon FX customer are associated with the same Verizon local calling area), Verizon will bill reciprocal compensation for those calls. However, as noted in response to Interrogatory No. 6, in February 2002, Verizon performed a study in Florida to identify the amount of traffic that ALECs originated to Verizon FX customers. The results of the study revealed that the amount of such traffic is quite small — about \$130, or six one-hundredths of one percent of the amount of reciprocal compensation Verizon billed to all ALECs in the study month.

8. What does Verizon charge its customers for FX service?

Response:

Rates for Verizon FX service are found in Section A9.1 of the General Services Tariff. Monthly recurring charges that may apply to FX service are:

- a) Local Channel
- b) Interoffice Channel
- c) Bridging equipment (if required)
- d) Usage charges for calls originated by and terminated to the FX customer
- e) Toll charges will apply for all calls terminating outside the local calling area of the foreign office, but within the LATA.

9. Does Verizon incur additional expenses to transport a call to a US LEC virtual NXX customer physically located outside of Verizon's calling area? If so, please identify each and every additional expense incurred.

Response:

Verizon does not transport calls to US LEC's customers. Verizon hands off calls originated by its customers to US LEC for delivery to US LEC's customers. The physical location of US LEC's customer does, however, affect the cost to Verizon of transporting Verizon-originated traffic, because Virtual NXX arrangements are typically used to provide ALEC customers with a telephone number associated with a calling area remote from the physical location of the ALEC's switch. It is thus often, though not invariably, true that Verizon must transport such calls outside of the calling party's local calling area. In those cases, Verizon incurs additional transport costs and, in certain instances, must perform additional switching, at a Verizon tandem switch. Verizon would ordinarily receive toll charges for such calls, but the Virtual NXX arrangement — for which US LEC charges its customers — permits Verizon's customers to make these calls without incurring toll charges, thereby depriving Verizon of revenue.

VERIFICATION

STATE OF FLORIDA)
) ss.
COUNTY OF HILLSBOROUGH)

BEFORE ME, the undersigned authority, personally appeared Michelle A. Robinson, who deposed and stated that the answers to the First Set of Interrogatories (Nos. 1-9) served on Verizon Florida Inc. by Staff in Docket No. 020412-TP were prepared at her request and she is informed that the responses contained therein are true and correct to the best of her information and belief.

DATED at Tampa, Florida, this 10th day of December, 2002.

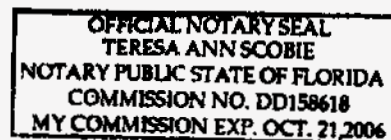


Michelle A. Robinson

Sworn to and subscribed before me this 10th day of December, 2002.



Notary Public
State of Florida



Name Typed or Printed/Commission No.

My Commission Expires:

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Notice of Service and Responses to Staff's First Set of Interrogatories (Nos. 1-9) in Docket No. 020412-TP were sent via overnight delivery(*) on December 27, 2002 and U.S. mail(**) on December 30, 2002 to the parties on the attached list.



Kimberly Caswell

Staff Counsel(*)
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

**VERIZON FLORIDA INC.'S RESPONSES TO
STAFF'S SECOND SET OF INTERROGATORIES (NOS. 1-8)**

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to Rule 1.340, Florida Rules of Civil Procedure, hereby files its responses to Staff's Second Set of Interrogatories (Nos. 1-8), which was filed on January 6, 2003.

<u>Interrogatory</u>	<u>Prepared By:</u>	<u>Title</u>
1	Scott H. Angstreich	Outside Counsel
2	Scott H. Angstreich	Outside Counsel
3	Aaron M. Panner	Outside Counsel
4	Aaron M. Panner	Outside Counsel
5	Aaron M. Panner	Outside Counsel
6	Aaron M. Panner	Outside Counsel
7	Aaron M. Panner	Outside Counsel
8	Aaron M. Panner	Outside Counsel

INTERROGATORIES:

- 1(a) In light of this Commission's Reciprocal Compensation Order, Order No. PSC-02-1248-FOF-TP, issued September 10, 2002, specifically pages 25-26, does this Commission's decision support Verizon's position on Issue 1 in this arbitration?

Response:

The Commission's decision rejects Verizon's position in part and supports it in part. The Commission held, in Docket 000075-TP, that ILECs are "precluded . . . from" charging ALECs for the transport that the ILEC must perform when an ALEC's POI is located outside of the local calling area where a local call originates. Reciprocal Compensation Order at pages 25-26. That decision is inconsistent with Verizon's position that, in the event US LEC refuses Verizon's request to establish a geographically relevant IP, then US LEC should bear the cost of transporting traffic to a point located outside the local calling area where the call originates.

However, the Reciprocal Compensation Order does support Verizon's position that US LEC's proposal, under which Verizon would be required to bear the cost of transporting traffic to US LEC's switch, must be rejected. In the Reciprocal Compensation Order, the Commission found that ALECs have the "right to unilaterally designate single POIs . . . at any technically feasible location *on an incumbent's network within a LATA*" and that "an originating carrier has the responsibility for delivering its traffic to the point(s) of interconnection designated by the [ALEC] in each LATA." Reciprocal Compensation Order at page 25 (emphasis added). Because the POI must be on Verizon's network (*see also* 47 C.F.R. § 51.305(a)(2)), US LEC's proposal that Verizon have the responsibility for delivering its traffic *past* the POI, to US LEC's switch, is contrary to the Commission's order.

- 1(b) If the response to interrogatory 1(a) is yes, please identify the specific provisions of this order that support Verizon's position.

Response:

See response to 1(a).

- 1(c) If the response to interrogatory 1(a) is no, please explain, in detail, how Verizon's position differs.

Response:

See response to 1(a).

- 2(a) Referring to page 25 of the Reciprocal Compensation Order, Point of Interconnection Designation, does this Commission's decision support Verizon's position on Issue 2 in this arbitration?

Response:

See response to 1(a).

- 2(b) If the response to interrogatory 2(a) is yes, please identify the specific provisions of this order that support Verizon's position.

Response:

See response to 1(a).

- 2(c) If the response to interrogatory 2(a) is no, please explain, in detail, how Verizon's position differs.

Response:

N/A

- 3(a) Referring to pages 33-34 of the Reciprocal Compensation Order, does this Commission's decision support Verizon's position on Issue 6 in this arbitration?

Response:

Yes. In this arbitration, Verizon has taken the position that reciprocal compensation does not apply to interexchange traffic, defined by reference to the actual originating and terminating points of the complete end-to-end communication. In the Reciprocal Compensation Order, the Commission adopted this position, holding that "intercarrier compensation for calls to [Virtual NXX] numbers shall be based upon the end points of the particular calls." Reciprocal Compensation Order at page 33. The Commission further held that "calls terminated to end users outside the local calling area in which their NPA/NXXs are homed are not local calls for purposes of intercarrier compensation; therefore we find that carriers shall not be obligated to pay reciprocal compensation for this traffic." *Id.* The Commission's determination "creates a default for determining intercarrier compensation." *Id.*

Verizon concurs with the Commission's reasoning on this point. As the Commission noted, "the classification of traffic as either local or toll has historically been, and should continue to be, determined based on the end points of a particular call." *Id.* at page 30. And the Commission further held that "the proper application of a particular intercarrier compensation mechanism" must also take account of "the jurisdiction of a call as being either local or long distance." *Id.*

The order also supports Verizon's position that access charges should be paid for Virtual NXX traffic, although the Commission did not finally resolve the issue. The Commission agreed with Verizon that Virtual NXX traffic "would be considered *intrastate exchange access*" under federal law" and noted that "it seems reasonable to apply access charges to virtual NXX/FX traffic that originates and terminates in different local calling areas." *Id.* at page 31-32

(emphasis added). At the same time, the Commission left it to the parties to implement the specific compensation method under their interconnection agreements, noting that the parties might find it mutually advantageous to apply bill-and-keep to Virtual NXX traffic. *Id.* At page 33. Verizon believes that the Commission's reasoning indicates that, although parties might *voluntarily* agree to forgo originating access charges on Virtual NXX/FX traffic, access charges apply to such traffic in the absence of a contrary agreement.

- 3(b) If the response to interrogatory 3(a) is yes, please identify the specific provisions of this order that support Verizon's position.

Response:

See response to 3(a).

- 3(c) If the response to interrogatory 3(a) is no, please explain, in detail, how Verizon's position differs.

Response:

N/A

- 4(a) Referring to page 17 of US LEC witness Montano's direct testimony, the witness testifies that "if US LEC's customers want to call Voice Information Services connected to Verizon South's network, then Verizon seeks to require US LEC to provide, at its own expense, a separate, dedicated trunk to carry that traffic." Is it Verizon's position that US LEC should be required to provision separate trunks for Voice Information Service traffic?

Response:

Ms. Montano's testimony relates to Issue 4 in the arbitration. Verizon's position is that US LEC should be required to provide separate trunking only for that separate sub-class of information services traffic for which the Voice Information Service provider imposes a separate charge on the calling party – typically, 900 and 976 numbers.

- 4(b) If the response in 4(a) is "yes," is separate trunking necessary to ensure that the traffic remains distinguishable for compensation purposes? If no, please explain any alternative methods of segregating the traffic that exist for compensation purposes.

*Responsibility being put
on ALEC to block or
afford to Verizon*

Response:

The purpose of segregating caller-paid Voice Information Services is to ensure that such traffic is subject to adequate controls – it is *not* a function of the need to distinguish such traffic for inter-carrier compensation purposes. A Voice Information Service provider might offer recorded astrological information, or answers to crossword puzzles, or other recorded information for a fee to be billed to the caller. Such traffic raises special concerns, because where a carrier provides billing service to its Voice Information Service provider subscriber, it must be able to accurately bill such traffic, and block delivery of such traffic where there is no mechanism for billing the calling party – where, for example, there is no agreement between the originating carrier and the carrier serving the information services provider for end-user billing. Separate trunking is essential to ensure that traffic from ALEC end users to information service providers served by Verizon remains subject to adequate controls. All ALECs have the option of blocking such traffic entirely, and most do so. If they do not, they should be required to establish a separate trunk for delivery of that traffic.

*CAAM
determines*

- 4(c) If the response in 4(a) is "yes," is Verizon's trunk provisioning position consistent with this Commission's decision in the Reciprocal Compensation Order?

Response:

Verizon respectfully submits that the Commission did not address the issue of caller-paid Voice Information Services in the Reciprocal Compensation Order. Verizon believes that separate trunking is necessary and appropriate for the reasons stated above.

- 4(d) If the answer to 4(c) is "yes," please explain.

Response:

N/A

- 4(e) If the answer to 4(c) is "no," please provide the basis for Verizon's position.

Response:

N/A

5. Referring to page 18 of US LEC witness Montano's direct testimony, the witness testifies that Voice Information Services traffic, the traffic at issue in Issue 3, "can not be characterized as interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access." Please identify the attributes of Voice Information Services Traffic that support Verizon's position to categorize this traffic as Information Access, and thus exclude it from reciprocal compensation.

Response:

Ms. Montano's testimony on this point relates to Issue 3 in the arbitration. US LEC's claim that Voice Information Services traffic can *never* constitute "interstate or intrastate exchange access, information access, or exchange services for such access" is incorrect as a matter of law. As the FCC made clear in the *ISP Remand Order*, reciprocal compensation does not apply to "traffic destined for an information service provider" because such traffic falls into the category of "information access." *ISP Remand Order* ¶ 44.¹ The FCC further held that "Congress's reference to 'information access' in section 251(g) was intended to incorporate the meaning of the phrase 'information access' as used in the AT&T Consent Decree" set forth in *United States v. AT&T*.²

The Consent Decree defined "information access" as "the provision of specialized exchange telecommunications services . . . in connection with the origination, termination, transmission, switching, forwarding or routing of telecommunications traffic to or from the facilities of a provider of information services."³ And "information services" were in turn defined as "the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information which may be conveyed via telecommunications."⁴ The definition of Voice Information Services in the proposed agreement at the very least *includes* such traffic, because (among other things) that definition includes calls that are intended to retrieve "recorded voice announcement *information*." US LEC Pet'n, Exh. B at 43, Additional

¹ Although the D.C. Circuit Court of Appeals remanded the *ISP Remand Order* to the FCC, the court explicitly declined to vacate the order, which thus remains binding federal law. See *WorldCom, Inc. v. FCC*, 288 F.3d 429, 434 (D.C. Cir. 2002); see also Memorandum Opinion and Order, *Joint Application of BellSouth Corporation, et al., for Provision of In-Region, InterLATA Services in Georgia and Louisiana*, 17 FCC Rcd 9018, 9173, ¶ 272 (2002) (rules adopted in the *ISP Remand Order* "remain in effect") (Verizon App. Tab 7).

² See *ISP Remand Order* ¶ 44 (citing *United States v. AT&T*, 552 F. Supp. 131, 196, 229 (D.D.C. 1982)).

³ See *id.*

⁴ *AT&T*, 552 F. Supp. at 229.

Services Attachment § 5.1 (emphasis added). The FCC has explicitly held that retrieval of recorded information is an enhanced service, the FCC's term for an information service. See, e.g., Memorandum Opinion and Order, *Petition of Nevada Bell*, 16 FCC Rcd 19255, ¶ 1 (2001) (Verizon App. Tab 11). Moreover, there is no reason that a Voice Information Service could not be set up to operate on an interLATA basis, with "local" access numbers in a variety of cities. Traffic destined for such services would undoubtedly constitute exchange access traffic.

- 6(a) Please provide Verizon's definition of Voice Information Services Traffic.

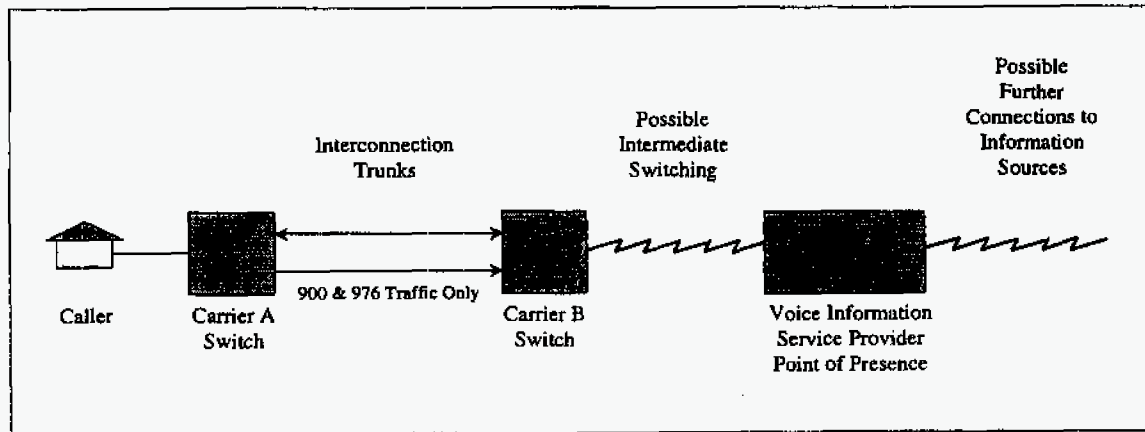
Response:

The definition of Voice Information Services Traffic in Verizon's proposed agreement has caused confusion on two points; Verizon has made clear to US LEC in subsequent negotiations that the definition in the agreement does not fully and accurately represent Verizon's current legal position. In the proposed agreement, Voice Information Service "means a service that provides [i] recorded voice announcement information or [ii] a vocal discussion program open to the public, and (b) Voice Information Services Traffic means intraLATA switched voice traffic, delivered to a Voice Information Service" with certain specified exclusions. However, for purposes of Issue 3, Verizon has made clear that, to the extent its definition of Voice Information Services Traffic could be read more broadly, Verizon's position is that Voice Information Services Traffic should be excluded from the scope of the parties' reciprocal compensation obligations to the extent (and only to the extent) that such traffic is "interstate or intrastate exchange access, information access, or exchange services for such access." See 47 C.F.R. § 51.701(b)(1). It is Verizon's intention to track, not to alter, the terms of federal law.

With respect to Issue 4, Verizon's concern is not with information services traffic generally, but only with that separate sub-class of traffic for which the Voice Information Service provider imposes a separate charge on the calling party. Verizon seeks separate trunking only to the extent that US LEC chooses to allow its customers to call 900 and 976 numbers served by Verizon.

- 6(b) Provide a technical diagram that describes the flow of Voice Information Services Traffic from origination to termination.

Response:



- 6(c) Provide a diagram that describes the flow of payments in relation to the diagram in 6b.

Response:

The flow of payment would depend on the type of traffic. To the extent the traffic at issue is non-900/976 traffic, there would be no inter-carrier compensation, and both the Voice Information Service Provider and the Caller would generally pay local exchange charges. In the case of 900/976 traffic, the caller would incur a separate charge ultimately owed to the Voice Information Service Provider; the method of billing and collections for such charges would depend on the contractual arrangements among the parties. For example, Carrier A might bill its customer, pay Carrier B, and Carrier B might in turn compensate the Voice Information Service Provider. Verizon's concern is that, in the absence of proper controls, the caller might incur charges without any established method for billing and collections.

7. Please provide four examples of Voice Information Services traffic. (If Verizon can not provide four distinct examples, please provide all examples known to Verizon.)

Response:

Four examples of caller-paid Voice Information Services are porn lines, paid chat lines, astrology information lines, and crossword puzzle solution lines. Verizon proposes requiring separate trunking for such caller-paid Voice Information Services. Additional examples of non-caller-paid Voice Information Services, for

which no separate trunking would be required, are automated bank information lines, automated film and ticket information lines.

8. With respect to Issue 5, please define the term "receiving party" and explain how it is to be distinguished from the historical reference of receiving party, such as those found in the proposed agreement. (See section 10 of proposed agreement for example.)

Response:

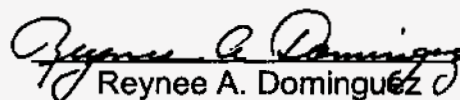
"Receiving party" means the party receiving the telecommunications traffic originated on the originating party's network. The use of the term "receiving" in this context is consistent with the use of that term in other contexts; the only difference is what is being "received." Thus, in the case of section 10 of the proposed agreement, confidential information is being received; in the case of the proposed agreement's inter-carrier compensation provisions, telecommunications traffic is being received.

VERIFICATION

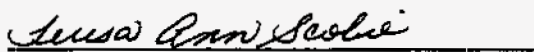
STATE OF FLORIDA)
) ss.
COUNTY OF HILLSBOROUGH)

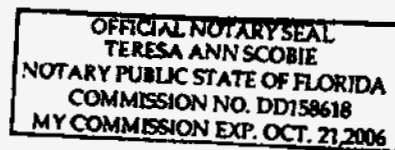
BEFORE ME, the undersigned authority, personally appeared Reynee A. Dominguez, who deposed and stated that the answers to the Second Set of Interrogatories (Nos. 1-8) served on Verizon Florida Inc. by Staff in Docket No. 020412-TP were prepared at his request and he is informed that the responses contained therein are true and correct to the best of his information and belief.

DATED at Tampa, Florida, this 23 day of JANUARY, 2003.


Reynee A. Dominguez

Sworn to and subscribed before me this 23rd day of January, 2003.


Notary Public
State of Florida

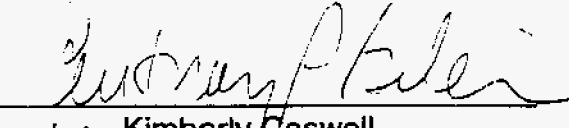


Name Typed or Printed/Commission No.

My Commission Expires:

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Notice of Service and Responses to Staff's Second Set of Interrogatories (Nos. 1-8) in Docket No. 020412-TP were sent via overnight delivery on January 23, 2003 to the parties on the attached list.



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EXHIBIT NO. _____

DOCKET NO.: 020412-TP

WITNESS: Verizon

PARTY: Verizon

DESCRIPTION:

1. Verizon's Responses to Staff's Request for Clarification (Nos 1-7) Interrogatories

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET
NO. 020412-TP EXHIBIT NO. 4
COMPANY/ Verizon
WITNESS. 2/06/03
DATE: 2/06/03

I.D. # Stip-4

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved
issues in negotiation of interconnection
agreement with Verizon Florida Inc. by US
LEC of Florida Inc.

DOCKET NO. 020412-TP
FILED: February __, 2003

**VERIZON FLORIDA, INC. RESPONSES
TO STAFF'S REQUEST FOR CLARIFICATION
(Nos. 1-7)**

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to Rule 1.340, Florida Rules of Civil Procedure, hereby files its responses to Staff's request for clarification, which was received on January 29, 2003.

Interrogatory
1-7

Prepared By:
Aaron M. Panner

Title
Outside Counsel

CLARIFICATIONS:

- 1 Please clarify the specific types of traffic for which Verizon believes that there should be separate trunking, e.g., pay per call services, 900, etc....

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

- 2 Please identify the legal basis that supports Verizon's position to require US LEC to provision separate trunks to a point other than to US LEC's point of interconnection (POI).

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

3. Please clarify all clear technical distinctions that make it feasible to separate Voice Information Service (VIS) traffic from all other local traffic such as specific NXXs, etc....

Response:

To the extent this clarification relates to caller-paid VIS traffic, such as 976 traffic, the parties have agreed to withdraw this issue (Issue 4) from the arbitration. As this question may relate to Issue 3 (reciprocal compensation), Verizon believes it would be feasible for a receiving carrier to distinguish voice information services traffic that is not subject to reciprocal compensation from traffic subject to reciprocal compensation by reference to the voice information service providers' assigned telephone numbers. These assigned numbers would not necessarily have any specific NXX. The originating carrier could not feasibly distinguish such traffic without further information from the receiving carrier.

4. Please describe any alternative methods of segregating VIS traffic known to Verizon, such as those provide by US LEC in its response to Interrogatory No. 4(a).

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

- 5(a). Is it technically feasible for Verizon to block calls from US LEC end users to numbers assigned to Verizon's VIS?

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

- 5(b) If the answer to 4(a) is "yes", please explain why Verizon has not employed such blocking.

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

6. Referring to Verizon's response to Interrogatory 6(a), please provide language that fully and accurately represents Verizon's position regarding VIS traffic.

Response:

The parties have agreed to withdraw Issue 4 from the arbitration. With respect to Issue 3, Verizon's position is set forth in detail below, along with its best-and-final offer language:

Issue 3: (Glossary, Section 2.75; Additional Services Attachment, Section 5.1; Interconnection Attachment, Section 7.3.7).

Issue: Is US LEC entitled to reciprocal compensation for terminating "Voice Information Services" traffic?

US LEC Position: Yes. The traffic that Verizon now seeks to define as Voice Information Services Traffic fits completely the definition of Reciprocal Compensation Traffic that is eligible for reciprocal compensation.

Verizon Position: No. "Voice Information Services" traffic is defined to include only traffic that is not subject to reciprocal compensation under current law.

Verizon position is that the exclusion of Voice Information Services from the scope of the parties' reciprocal compensation obligations is intended simply to track federal law.

Accordingly, Verizon has modified its proposed language to make clear that Voice Information

Services is not subject to reciprocal compensation *to the extent that* such traffic is “interstate or intrastate exchange access, information access, or exchange services for such access.” 47 C.F.R. § 51.701(b)(1).

The proposed language of the relevant provisions is set forth below:

Glossary, Section 2.75 (p. 35): Reciprocal Compensation Traffic.

Telecommunications traffic originated by a Customer of one Party on that Party's network and terminated to a Customer of the other Party on that other Party's network, except for Telecommunications traffic that is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access. The determination of whether Telecommunications traffic is Exchange Access or Information Access shall be based upon Verizon's local calling areas as defined by Verizon. Reciprocal Compensation Traffic does not include: (1) any Internet Traffic; (2) traffic that does not originate and terminate within the same Verizon local calling area as defined by Verizon; (3) Toll Traffic, including, but not limited to, calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXX) basis; (4) Optional Extended Local Calling Scope Arrangement Traffic; (5) special access, private line, Frame Relay, ATM, or any other traffic that is not switched by the terminating Party; (6) Tandem Transit Traffic; or, (7) Voice Information Service Traffic (as defined in Section 5 of the Additional Services Attachment) **to the extent such traffic is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access.** For the purposes of this definition, a Verizon local calling area includes a Verizon non-optional Extended Local Calling Scope Arrangement, but does not include a Verizon optional Extended Local Calling Scope Arrangement.

Additional Services Attachment, Section 5.1 (p. 43): For purposes of this Section 5, (a) Voice Information Service means a service that provides [i] recorded voice announcement information or [ii] a vocal discussion program open to the public, and (b) Voice Information Service Traffic means intraLATA switched voice traffic, delivered to a Voice Information Service. Voice Information Service Traffic does not include any form of Internet Traffic. Voice Information Service Traffic also does not include 555 traffic or similar traffic with AIN service interfaces, which traffic shall be subject to separate arrangements between the Parties. Voice Information Service Traffic is not subject to Reciprocal Compensation charges under Section 7 the Interconnection Attachment **to the extent such traffic is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access.**

Interconnection Attachment, Section 7.3.7 (p. 65): Reciprocal Compensation shall not apply to Voice Information Service Traffic (as defined in Section 5 of the Additional Services Attachment) **to the extent such traffic is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access.**

Verizon notes that this best-and-final offer language was previously presented to US LEC in the course of the parties' arbitration in Pennsylvania.

- 7(a) Please describe any feasibility issue that would inhibit Verizon from billing US LEC when a US LEC end user calls a Verizon operated VIS pay service.

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

- 7(b) If there are not any significant feasibility issues, please describe Verizon's position and rationale on billing US LEC when pay-per-call services are used.

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

- 7(c) If there are not any significant feasibility issues, please explain Verizon's position and rationale on including or not including billing terms and conditions in the agreement with US LEC. (Basically, what are the differences that preclude the parties from agreeing to bill each other respectively for pay-per-call services).

Response:

Verizon and US LEC have agreed to withdraw this issue from the arbitration.

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

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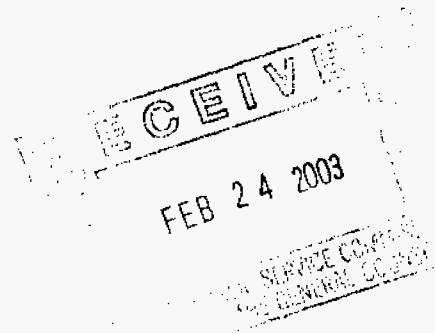
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February 24, 2003

Adam Teitzman, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 370
Tallahassee, FL 32399-0850



Re: Docket No. 020412-TP; Late-Filed Exhibit No. 5

Dear Adam:

As you know, on February 5, 2003, you and I discussed the possibility that US LEC may wish to supplement its discovery responses to Staff's interrogatories and requests for production of documents. As a result of that conversation, US LEC agreed to file any supplemental responses as Late-Filed Exhibit No. 5. However, the discovery responses that we proposed to supply to Staff as Late-Filed Exhibit No. 5, had been sent to Staff in full in US LEC's prior discovery responses. Therefore, US LEC will not be filing any Late-Filed Exhibit No. 5 as there as no discovery responses other than those that US LEC already supplied to Staff. I apologize for any inconvenience. If you have any questions, please do not hesitate to contact me.

Sincerely,

Martin P. McDonnell

MPM/rl

USLEC\Teitzman.221

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 020412-TP EXHIBIT NO. 5
COMPANY/ U. S. LEC
WITNESS: 2/26/03
DATE: 2/26/03

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

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

**US LEC OF FLORIDA INC.'S RESPONSES TO
VERIZON FLORIDA INC.'S FIRST SET OF COMBINED
INTERROGATORIES AND DOCUMENT REQUESTS**

Pursuant Order No. PSC-02-0993-PCO-TP issued July 23, 2002, and subject to its Objections filed Oct. 10, 2002, US LEC of Florida Inc. ("US LEC") submits these Responses to Verizon Florida Inc.'s ("Verizon") First Set of Combined Interrogatories and Requests for Production of Documents ("Requests").

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 020412 EXHIBIT NO. 6
COMPANY/ U.S. L.E.C.
WITNESS. U.S. L.E.C.
DATE: 2/06/03

RESPONSES

1. With respect to the statement at page 8 of Mr. Hoffmann's direct testimony that "US LEC has established POIs at two of those tandems," please identify the tandems to which Mr. Hoffman refers, and state whether, under the parties' current arrangements, there are any other points of interconnection between US LEC's and Verizon's networks in the Tampa LATA.

Response:

Subject to, but without waiving its objection to this request, US LEC responds as follows:

US LEC has established POIs at two Verizon tandems, identified by their CLLI codes of TAMPFLXA01T and TAMPFLXA02T.

There are no other points of interconnection between US LEC's and Verizon's networks in the Tampa LATA.

Respondent:

Mr. Frank Hoffmann

2. With respect to the statement at page 5 of Mr. Hoffmann's direct testimony that "US LEC takes advantage of decreased transport costs to provide service over a large area with a single switch," please identify: (a) each NXX code that has been assigned to US LEC in the Tampa LATA, (b) the local calling area associated with that NXX code, (c) the number of US LEC customers that are collocated at US LEC's switch in Tampa; and (d) the number of US LEC customers that are located within 5 miles of US LEC's switch in Tampa.

Response:

Subject to, and without waiving its objection to this request, identified below are (a) all of the NXX codes that US LEC utilizes in the Tampa LATA in Florida, whether assigned or ported, (b) the local calling areas associated with those codes and (c) the number of customers collocated with US LEC at its switches.

(a) & (b): US LEC has been assigned twenty (20) full NXX codes (727 – 245 [Hudson], 450 [Clearwater], 456 [St. Petersburg], 569 [New Port Richey], 756 [Tarpon Springs]; 813 – 305, 315, 658, 739, 749, 751, 769 [Tampa]; 863 – 508 [Winter Haven], 535 [Bartow], 547 [Haines City], 904 [Lakeland]; 941 – 441 [Venice], 552 [Sarasota], 782 [Bradenton], 845 [Palmetto]) in the Tampa LATA. In addition, US LEC also utilizes ported numbers from five hundred, fifty-one (551) NXX codes in the Tampa LATA (727 – 298, 406, 412, 441, 442, 443, 444, 445, 446, 447, 448, 449, 453, 461, 462, 464, 465, 466, 467, 468, 469, 501, 507, 517, 518, 519, 523, 524, 530, 531, 532, 533, 535, 536, 538, 539, 559, 562, 581, 582, 584, 585, 586, 587, 588, 593, 595, 596, 599, 631, 669, 712, 723, 724, 725, 726, 733, 734, 735, 736, 738, 771, 772, 773, 781, 784, 785, 786, 787, 789, 791, 793, 796, 797, 799 [Clearwater], 379, 697, 819, 856, 857, 861, 862, 863, 868, 869 [Hudson], 372, 375, 376, 774, 815, 816, 817, 834, 836, 838, 841, 842, 843, 844, 845, 846, 847, 848, 849, 859 [New Port Richey], 217, 227, 299, 302, 319, 320, 321, 322, 323, 327, 328, 341, 343, 344, 345, 346, 347, 360, 363, 367, 368, 381, 384, 391, 392, 393, 394, 395, 397, 398, 399, 502, 520, 521, 522, 525, 526, 527, 528, 537, 540, 541, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 556, 557, 561, 563, 564, 566, 567, 568, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 592, 768, 820, 821, 822, 823, 824, 825, 826, 827, 864, 865, 866, 867, 872, 892, 893, 894, 895, 896, 897, 898, 906 [St. Petersburg]; 934, 937, 938, 939, 942, 943, 944, 945 [Tarpon Springs]; 813 – 650, 659, 707, 717, 719, 737, 752, 754, 757, 759, 764 [Plant City]; 202, 204, 207, 209, 218, 221, 222, 223, 224, 225, 226, 227, 228, 229, 231, 232, 233, 234, 236, 237, 238, 239, 241, 242, 243, 247, 248, 249, 250, 251, 253, 254, 258, 259, 264, 265, 269, 270, 272, 273, 274, 275, 276, 277, 281, 282, 286, 287, 288, 289, 290, 301, 307, 314, 318, 348, 350, 353, 354, 356, 357, 375, 396, 414, 470, 483, 496, 552, 554, 558, 584, 604, 612, 615, 620, 621, 622, 623, 626, 627, 628, 630, 631, 632, 635, 636, 637, 639, 663, 664, 671, 672, 673, 674, 677, 740, 741, 801, 805, 806, 827, 828, 830, 831, 832, 835, 837, 839, 840, 844, 866, 868, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 899, 901, 902, 903, 905, 910, 914, 915, 930, 931, 932, 933, 935, 936, 960, 961, 962, 963, 964, 968, 969, 971, 972, 974, 975, 976, 977, 978, 979, 980, 983, 984, 985, 987, 988, 989, 990, 998 [Tampa]; 715, 779, 780, 782, 783, 788 [Zephyr Hills]; 863 – 519, 533, 534, 537, 804 [Bartow]; 635 [Frostproof]; 419, 420, 421, 422, 424, 427, 438, 439 [Haines City]; 692 [Indian Lake]; 638, 676, 678, 679, 696 [Lake Wales]; 413, 499, 510, 603, 606, 607, 614, 616, 619, 644, 646, 647, 648, 665, 666, 667, 668, 669, 680, 682, 683, 686, 687, 688, 701, 709, 802, 815, 816, 853, 858, 859 [Lakeland]; 425, 428, 869 [Mulberry]; 984 [Polk City]; 291, 292, 293, 294, 297, 298, 299, 318, 324, 325, 326, 367, 401, 551, 875, 956, 965, 967, 968 [Winter Haven];

941 – 708, 714, 727, 739, 741, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 755, 756, 758, 761, 778, 779, 792, 794, 795, 798 [Bradenton]; 460, 473, 474, 475 [Englewood]; 322 [Myakka]; 423, 426, 429 [North Port]; 721, 722, 723, 729, 776 [Palmetto]; 296, 312, 316, 329, 330, 331, 341, 342, 343, 346, 349, 351, 355, 359, 360, 361, 362, 363, 364, 365, 366, 371, 373, 377, 378, 379, 382, 383, 387, 388, 487, 706, 906, 907, 917, 921, 922, 923, 924, 925, 926, 927, 929, 951, 952, 953, 954, 955, 957 [Sarasota]; 408, 412, 480, 483, 484, 485, 486, 488, 492, 493, 496, 497, 918, 966 [Venice] that were initially assigned to Verizon.

(c) One customer is collocated at US LEC's switch in the Tampa LATA.

(d) US LEC does not maintain records in a manner that would permit it to identify readily or with specificity the number of US LEC customers that are located within 5 miles of US LEC's switch in Tampa.

Respondent:

Ms. Wanda G. Montano

3. With respect to Ms. Montano's testimony on Issue No. 6, please identify: (a) the number of US LEC customers physically located within the Tampa LATA; (b) the number of US LEC customers in the Tampa LATA that have been assigned at least one telephone number associated with a local calling area in the Tampa LATA other than the one in which the customer is physically located (hereinafter referred to as "Virtual FX numbers"), (c) for each such customer, the number of Virtual FX numbers that each such customer has been assigned, (d) for each such customer, the number of different local calling areas (other than the one in which the customer is physically located) in which each such customer has been assigned at least one Virtual FX number, (e) for each such customer, whether the customer is an Internet service provider, and (f) for each such customer, the distance between such customer's physical location and US LEC's switch in Tampa; (g) for each such customer, the number of Voice Grade Equivalent lines in use by each customer for each number assigned to that customer.

Response:

Subject to, but without waiving its objection to this request, US LEC responds as follows.

(a) US LEC has 819 customers physically located within the Tampa LATA.

(b) US LEC has 18 customers in the Tampa LATA that have been assigned NXX codes in several local calling areas and, while they have physical locations in at least one of those areas, they also have been assigned NXX codes in areas where they have no physical locations.

(c) See attached chart

(d) See attached chart

(e) Only one (1) of the 18 customers identified in response to 3(b) is an ISP. In further response, the ISP customer has physical locations in several local calling areas in the Tampa LATA in addition to having been assigned NXX codes in some calling areas where it has no physical locations.

(f) US LEC does not keep records reflecting the distance between a customer's physical location and its switch.

(g) US LEC does not keep records that count a customers' voice grade equivalent lines.

Respondent:

Ms. Wanda Montano

4. Please describe the network configuration and facilities employed in US LEC's "Local Toll Free" service.

Response:

Local Toll Free service allows an originating caller to dial a local number for delivery to a location outside the originating caller's local calling area. These calls may be intrastate/interLATA or interstate/interLATA. Regardless of where they are delivered, these calls remain wholly on US LEC's network. The call flows as follows :

1. The originating caller dials US LEC customer's local number assigned by US LEC.
2. The call is delivered by the originating carrier to US LEC, where it is terminated by US LEC's switch in the originating LATA.
3. The US LEC switch identifies the number and call-forwards it to another number assigned by US LEC that is outside the originating LATA.
4. The call is delivered to the nearest US LEC Long Distance Platform (LDP) via US LEC's Sonet Ring network.
5. The US LEC LDP identifies the US LEC switch to which the number is homed and forwards the call to the US LEC switch for delivery and termination within the LATA where US LEC's Local Toll Free subscriber resides.

Respondent:

Ms. Wanda G. Montano

5. Please identify: (a) the number of US LEC customers located outside of the Tampa LATA (whether located in another Florida LATA or in another state) that have been assigned at least one telephone number associated with a local calling area in the Tampa LATA, (b) the number of such telephone numbers that each such customer has been assigned, (c) the number of different local calling areas in the Tampa LATA in which each such customer has been assigned a telephone number, (d) whether each such customer is an Internet service provider, (e) whether US LEC has billed Verizon reciprocal compensation for calls made by Verizon customers in the Tampa LATA to any such US LEC customer, and (f) whether US LEC contends that it is entitled to such compensation under federal law, and, if so, the basis for such a contention.

Response:

Subject to, but without waiving its objection to this request, US LEC responds to items (a), (b), (c), (d) and (e) below. Item (f) will be addressed in US LEC's post-hearing brief to be filed herein.

(a) On information and belief, US LEC has 93 customers located outside of the Tampa LATA (either elsewhere in Florida or out of state) who have been assigned at least one telephone number associated with a local calling area in the Tampa LATA.

(b) On information and belief, each customer has been assigned one (1) telephone number.

(c) The 93 numbers are assigned to eight (8) different local calling areas in the Tampa LATA.

(d) None of the customers that have purchased US LEC's Local Toll Free Service is an ISP.

(e) US LEC has billed Verizon reciprocal compensation for calls made by Verizon customers in the Tampa LATA to US LEC customers that have purchased its Local Toll Free Service.

Respondent:

Ms. Wanda Montano

6. If any of the US LEC customers identified in response to Discovery Request 5 do not subscribe to US LEC's "Local Toll Free" service, please identify the service to which each such US LEC customer subscribes, pursuant to which US LEC has assigned that customer a number associated with the Tampa LATA.

Response:

All of the US LEC customers identified in response to DR 5 subscribe to US LEC's Local Toll Free service.

Respondent:

Ms. Wanda G. Montano

7. Please describe the network configuration and facilities employed in the US LEC service(s) identified in response to Discovery Request 6.

Response:

Not applicable.

Respondent:

Ms. Wanda G. Montano

8. With respect to the statement at page 21 of Ms. Montano's rebuttal testimony that distinguishing Virtual FX traffic from local traffic would be "expensive to implement and maintain," please provide the factual basis for that assertion, including any technical documentation.

Response:

Ms. Montano's statement was predicated on her understanding that the only way to distinguish FX traffic from other, locally dialed, calls is to modify a carrier's billing system to flag and segregate calls to numbers identified as associated with some form of FX arrangement. Alternatively, it requires carriers to identify all numbers associated with FX arrangements and to provide this information to other carriers. In either case, it requires carriers to devote some amount of time, effort and resources that it otherwise would not have to devote, to identify all customers with FX arrangements, then to create, modify and maintain on a regular basis billing software and/or lists of those customers for billing purposes. This requires coordination among sales, billing and technology departments and involves a commitment of resources that would be expensive.

Respondent:

Ms. Wanda Montano

9. Please state (a) the amount of reciprocal compensation that US LEC billed to Verizon during the first six months of 2002 on account of traffic originated by Verizon customers within the Tampa LATA; (b) the amount of reciprocal compensation that US LEC billed to Verizon on account of calls originated by Verizon customers within the Tampa LATA to Virtual FX numbers assigned to customers physically located within the Tampa LATA; (c) the amount of reciprocal compensation that US LEC billed to Verizon on account of calls originated by Verizon customers within the Tampa LATA to numbers associated with a local calling area within the Tampa LATA assigned to customers physically located outside the Tampa LATA; (d) the amount of toll charges that US LEC billed its Local Toll Free customers on account of calls originated within the Tampa LATA. If US LEC maintains that it is unable to state this information precisely, please provide an estimate of such amounts and the methodology for calculating the estimate.

Response:

Subject to, but without waiving its objection to this request, US LEC responds as follows:

(a) US LEC billed Verizon a total of approximately \$1,074,000 in reciprocal compensation for traffic exchanged during the first six months of 2002 on account of traffic originated by Verizon customers within the Tampa LATA. US LEC does not maintain records in a manner that would permit it to identify with specificity either the amount of reciprocal compensation that US LEC billed to Verizon on account of calls originated by Verizon customers within the Tampa LATA to Virtual FX numbers assigned to customers physically located within the Tampa LATA (item [b] above), or the amount of reciprocal compensation that US LEC billed to Verizon on account of calls originated by Verizon customers within the Tampa LATA to numbers associated with a local calling area within the Tampa LATA assigned to customers physically located outside the Tampa LATA (item [c] above). With respect to (d), US LEC has billed all of its Local Toll Free customers (collectively) on account of calls originated within the Tampa LATA on average less than \$50 per month in toll charges. US LEC believes that, based on traffic patterns and the number and identity of its FX and Local Toll Free customers, the amount of reciprocal compensation billed to Verizon on account of calls originated by Verizon customers and terminated either to US LEC's FX customers or Local Toll Free customers is not substantial.

Respondent: Ms. Wanda Montano

10. With respect to the statement at page 20 of Ms. Montano's rebuttal testimony that "Verizon's fix is likely to be substantially more expensive than the amount of reciprocal compensation that US LEC receives from its FX customers and the traffic they generate," please provide the amount of reciprocal compensation that US LEC received from its FX customers in the Tampa LATA and the traffic they generated for the first six months of 2002.

Response:

US LEC has objected to this request. Subject to and without waiving its objection, US LEC does not maintain records in a manner that would permit it to identify with specificity the amount of reciprocal compensation that US LEC received from Verizon for traffic directed to its customers in the Tampa LATA who purchase some FX services along with local service in various calling areas or the FX traffic they generated for the first six months of 2002; however, on information and belief, US LEC believes that the amount of reciprocal compensation that is generated by its FX customers is a relatively small portion of the total reciprocal compensation received from Verizon.

Respondent: Ms. Wanda Montano

11. Please provide all terms and conditions of any FX or FX-like services that US LEC offers that enables its customers (whether located in Florida or in another state) to obtain telephone numbers in the Tampa LATA, including, but not limited to, (a) the number of telephone numbers and voice-grade equivalent lines that are provided to the customer as part of the basic FX or FX-like service offered, (b) the cost to obtain additional telephone numbers or voice-grade equivalent lines in a particular local calling area in the Tampa LATA, and (c) the cost to obtain additional telephone numbers in another local calling area in the Tampa LATA in which the customer is not physically located.

Response:

Subject to, and without waiving its objection to this request, US LEC responds as follows.

US LEC offers customers several different pricing options for FX or FX-like arrangements, depending upon the number of calls the customer wishes to receive from a particular area. For example, a US LEC customer that wishes to purchase US LEC's Single Line Foreign Exchange (FX) Service (see US LEC's tariff at page 71.4), which provides one-way, inbound calling, and enables that customer to receive one call at a time over the FX line, will pay (in addition to the customers' Local Exchange Access Service) a non-recurring charge of \$70.00 per line and monthly recurring charges of \$50.00 per line. In contrast, a customer that wishes to purchase US LEC's Foreign Exchange (FX) Service (see US LEC's tariff at page 62), which also provides for one-way, inbound calling, but enables the customer to receive an unlimited number of calls (up to 99 calls at any one time) at any one time, will pay a non-recurring charge of \$500.00 and monthly recurring charges of \$1,000.00.

Respondent:

Ms. Wanda Montano

12. Please provide any documents referred to or relied upon in answering the above discovery requests and any documents that US LEC intends to introduce as exhibits at the hearing.

Response:

US LEC has objected to this request.

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
[redacted]	St Petersburg	727	323	813	885	Tampa
[redacted] Avenue	St Petersburg	727	321	941	552	Sarasota
St Petersburg 33713	St Petersburg	727	456	863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	646	Lakeland
				863	619	Lakeland
				863	648	Lakeland
				863	648	Lakeland
				863	648	Lakeland
				863	644	Lakeland
				863	701	Lakeland
				863	701	Lakeland
				863	607	Lakeland
				863	904	Lakeland
				863	646	Lakeland

[redacted]	Clearwater	727	797	813	450	Tampa
[redacted]	Clearwater	727	796			
Clearwater Fl 33765	Clearwater	727	799			
	Clearwater	727	725			
	Clearwater	727	669			
	Clearwater	727	450			

[redacted]	Palmetto	941	722	941	552	Sarasota
[redacted] Avenue	Palmetto	941	845			
Palmetto, Fl 34221	Palmetto	941	729			

US LEC of Florida

Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
[redacted]	Tampa	813	289	863	904	Lakeland
[redacted] Drive	Tampa	813	769			
Tampa, Fl 33607						

[redacted]	Lakeland	863	583	813	747	Tampa
[redacted] Blvd				813	769	Tampa
Lakeland, Fl 33805						

[redacted]	Lakeland	863	603	813	228	Tampa
[redacted] Hills	Lakeland	863	680	813	229	Tampa
Lakeland, Fl - 33805	Lakeland	863	683			
	Lakeland	863	686			
	Lakeland	863	687			
	Lakeland	863	688			
	Lakeland	863	904			

[redacted]	Tampa	813	888	727	461	Clearwater
[redacted]	Tampa	813	880			
Tampa, Fl 33614	Tampa	813	739			

[redacted]	Bradenton	941	755	941	907	Sarasota
[redacted] Circle				941	907	Sarasota
Bradenton, Fl 34203				941	907	Sarasota

[redacted]	Bradenton	941	758	727	822	St Petersburg
[redacted] Av.	Bradenton	941	753	941	484	Venice
Sarasota, Fl 34243	Bradenton	941	739	941	488	Venice
	Bradenton	941	727			
[redacted]	St Petersburg	727	327	813	228	Tampa
[redacted] North	St Petersburg	727	456	813	769	Tampa

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
Pinellas Park, Fl 33782	St Petersburg	727	546			
	St Petersburg	727	547			

[redacted]	Tampa	813	289	863	686	Lakeland
[redacted] Blvd	Tampa	813	739			
Tamp, Fl 33609						

[redacted]	Hudson	727	862	941	373	Sarasota
[redacted]	Hudson	727	868	727	461	Clearwater
Hudson, Fl 34667	Hudson	727	869			

[redacted]	Tampa	813	749	727	373	Clearwater
[redacted] Avenue	Tampa	813	342			
Oldsmar, Fl 34677	Tampa	813	814			
	Tampa	813	286			
	Tampa	813	288			

[redacted]	Clearwater	727	793	813	749	Tampa
[redacted]	Clearwater	727	791			
Clearwater, Fl 33759						

[redacted]	Tampa	813	870	727	456	St Petersburg
[redacted]	Tampa	813	871	727	892	St Petersburg
Tampa, Fl 33607	Tampa	813	873			
	Tampa	813	874			
	Tampa	813	877			

US LEC of Florida Tampa LATA

CUSTOMER PHYSICAL LOCATION	HOME RATE CENTER	HOME NPA	HOME NXX	FX NPA	FX NXX	FX RATE CENTER
redacted	New Port Richey	727	842	813	949	Tampa
[redacted]	New Port Richey	727	847	813	949	Tampa
Port Richey, Fl 34688	New Port Richey	727	849	727	461	Clearwater
	New Port Richey	727	845	727	461	Clearwater
	New Port Richey	727	569	727	461	Clearwater
	New Port Richey	727	848			
	New Port Richey	727	815			

[redacted]	Tampa	813	751	813	788	Zephyrhills
[redacted]	Tampa	813	862			
Wesley Chapel, Fl 33543						

[redacted]	Tampa	813	315	727	450	Clearwater
[redacted] Street	Tampa	813	658	727	456	St Petersburg
Tampa, Fl 33602	Tampa	813	749	863	535	Bartow
	Tampa	813	751	863	904	Lakeland
	Tampa	813	769	941	552	Satasota
				813	305	Plant City

Kimberly Caswell
Vice President and General Counsel, Southeast
Legal Department



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Tampa, Florida 33601-0110

Phone 813 483-2606
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kimberly.caswell@verizon.com

September 20, 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

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 an original and one copy of Verizon Florida Inc.'s
Notices of Service of Responses to US LEC of Florida Inc.'s First Set of
Interrogatories, First Request for Production of Documents, and First Request for
Admissions in the above matter. This filing is made today based on Verizon's
agreement with US LEC to extend both the due date for Verizon's discovery
responses to September 20 and the due date for rebuttal testimony to September 26.

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

XC: REGULATORY

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 020412-TP EXHIBIT NO. 7
COMPANY/ Verizon
WITNESS: 2/06/03
DATE: 2/06/03

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved	)	Docket No. 020412-TP
issues in negotiation of interconnection	)	Filed: September 20, 2002
agreement with Verizon Florida Inc. by)	
US LEC of Florida Inc.)	
)	

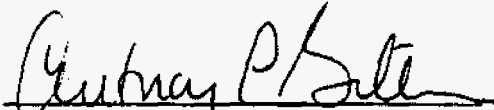

**NOTICE OF SERVICE OF VERIZON FLORIDA INC.'S RESPONSES TO
US LEC OF FLORIDA INC.'S
FIRST SET OF INTERROGATORIES (NOS. 1-34)**

NOTICE IS HEREBY GIVEN that a true and correct copy of Verizon Florida Inc.'s Responses to US LEC of Florida Inc.'s First Set of Interrogatories, which was legally propounded by US LEC on August 27, 2002, was sent via overnight delivery on September 19, 2002, to Kenneth A. Hoffman, Esq., Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, FL 32302-0551 and Michael L. Shor, Esq., Swidler Berlin Shereff Friedman, LLP, 3000 K Street, NW, Suite 300, Washington, DC 20007.

The original and one copy of this Notice were also sent via overnight delivery on September 19, 2002 to the Director, Division of Commission Clerk and Administrative Services, at the Commission. Further service on other parties of record is as set forth on the Certificate of Service, appended hereto.

Respectfully submitted on September 20, 2002.

By:

Kimberly Caswell
Verizon Florida Inc.
Post Office Box 110, FLTC0007
Tampa, Florida 33601
(813) 483-2617

Aaron M. Panner
Scott H. Angstreich
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1615 M Street, N.W., Suite 400
Washington, D.C. 20036
(202) 326-7900

Attorneys for Verizon Florida Inc

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

VERIZON FLORIDA, INC.'S RESPONSES
TO US LEC OF FLORIDA INC.'S FIRST SET OF
INTERROGATORIES (NOS. 1-34)

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to the July 23, 2002, Order Establishing Procedure, hereby files its responses to US LEC of Florida Inc.'s ("US LEC") First Set of Interrogatories, which was filed on August 27, 2002.

Subject to and without waiving any of the objections to US LEC's discovery requests that Verizon filed on September 6, 2002, Verizon responds to US LEC's requests as follows:

<u>Interrogatory</u>	<u>Prepared By:</u>	<u>Title</u>
01	See objections filed 9/6/02	
02-03	Donald E. Albert	Director -- Network Engineering
04-05	Peter J. D'Amico	Sr. Product Manager
06-07-08	See objections filed 9/6/02	
09	Peter J. D'Amico	Sr. Product Manager
10	See objections filed 9/6/02	
11	Peter J. D'Amico	Sr. Product Manager
12--20	Panner/Angstreich	Legal Counsel
21	Terry Haynes	Sr. Staff Consultant -- Regulatory
22	Gary Peisert	Mgr.-Financial Plng. & Analysis
23--25	Terry Haynes	Sr. Staff Consultant - Regulatory
26		
(a)	Mike Shachtman	Sr. Product Manager
(b)	Ann Guanella	Mgr.-Prod Mgt/Prod Dev
(c)	Ann Guanella	Mgr.-Prod Mgt/Prod Dev
(d)	Ann Guanella	Mgr.-Prod Mgt/Prod Dev
(e)	Terry Haynes	Sr. Staff Consultant - Regulatory
	Tricia Mack	Product Manager
(f)	Terry Haynes	Sr. Staff Consultant - Regulatory
(g)	Rebecca Siman	Mgr.-Prod Mgt/Prod Dev
27	Mike Shachtman	Sr. Product Manager
28	Panner/Angstreich	Legal Counsel
29--34	Terry Haynes	Sr. Staff Consultant - Regulatory

Issues One and Two

- 1 Please identify and explain the factors Verizon analyzes when determining how, where, and when to request that an ALEC establish a new ALEC-Interconnection Point ("ALEC-IP") under Section 7.1.1.3 of Verizon's VGRIP proposal.

Response:

Please see the objections to US LEC's discovery requests that Verizon filed on September 6, 2002.

2. Please identify and explain the factors Verizon analyzes when determining whether a trunk and/or dedicated transport is efficiently utilized when that trunk and/or dedicated transport is (a) between two Verizon end offices; (b) between a Verizon end office and a Verizon tandem; (c) between a Verizon end office and a ALEC end office; (d) between a Verizon tandem and a ALEC end office.

Response:

(a), (b), and (d): Verizon evaluates the utilization of final trunk groups based on the ratio of "trunks required" to "trunks in service." For a specific trunk group, "trunks required" is the calculation of the number of trunks needed to provide service at the engineering design level (either B.005 or B.01), based on the traffic demand (offered load/usage) on the trunk group during the study period. "Trunks in service" is the installed number of trunks in operation during that period. Verizon uses this utilization measurement to monitor and provide additional trunks for itself and for ALEC trunk groups that Verizon engineers.

Verizon will review final trunk groups to determine the need to take the following actions: (1) disconnect trunks from underutilized trunk groups that have a utilization level of less than 60 percent; (2) analyze trunk groups that reach a utilization level of 70 percent or greater to determine whether those trunk groups should be augmented; and (3) augment trunk groups that reach a utilization level of 80 percent or greater.

(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.

3. Please state the utilization level that Verizon believes is efficient from a network planning perspective, and any utilization levels that Verizon has used or currently uses in its Total Element Long Run Incremental Cost studies, for each of the trunks and dedicated facility categories listed in the preceding Interrogatory.

Response:

Subject to and without waiving any of the objections to US LEC's discovery requests that Verizon filed on September 6, 2002, Verizon responds to US LEC's requests as follows:

See response to Interrogatory No. 2.

4. Please explain how Verizon proposes to transmit correspondence to US LEC regarding 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 and how Verizon plans to document those costs to prove that it has actually incurred such costs in delivering traffic to US LEC.

Response:

If and when this situation arises, Verizon will identify the "other costs" that Verizon incurs when delivering its traffic to US LEC and provide them in writing to US LEC. As appropriate, Verizon will provide a network diagram and/or the relevant portion of the invoice that Verizon receives from the third party when Verizon purchases transport from that third party.

5. Using the rates in Appendix A of the proposed agreement, and assuming (a) that US LEC maintains its IP at its switch—(located at V&H coordinates 08173/01147 [CLLI TAMQFLTADS1] in the Tampa (952) 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 the 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.

Response:

Under Section 7.1.1.1.1 of the Interconnection Attachment, and assuming no tandem switching is performed and no other costs are incurred, the following calculation is used:

For transport:

Dedicated transport rate per mile	x	# of miles between Verizon originating office and US LEC location	+	fixed dedicated transport rate	=	per minute transport rate
<div style="display: flex; justify-content: space-between;"> average minutes of use for a DS1 </div>						

Using the applicable rates in the proposed agreement, the per minute transport rate is:

$$\frac{(\$0.39 \times [\text{miles}]) + \$25.78}{200000} = \$0.000002 \times \text{miles} + \$0.000129$$

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 \$17.90.

$$(\$0.000002 \times 25) + \$0.000129 = \$0.000179 \times 100000 \text{ minutes} = \$17.90$$

US LEC is capable of performing the calculations for the end offices in the Tampa LATA, 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.

6. Please state whether Verizon and US LEC mutually agreed to the type of interconnection architecture (leased facilities) and financial arrangements underlying that architecture that the parties initially established in the Tampa (952) LATA. Please explain your answer.

Response:

Please see the objections to US LEC's discovery requests that Verizon filed on September 6, 2002.

7. Please state whether Verizon and US LEC mutually agreed to any subsequent changes to the type of interconnection architecture and financial arrangements underlying that architecture. Please explain your answer.

Response:

Please see the objections to US LEC's discovery requests that Verizon filed on September 6, 2002.

8. Please state whether Verizon would be willing to waive the following charges if US LEC would establish a collocated IP as required under option one of VGRIPs: (a) termination charges for the leased facilities US LEC currently utilizes for interconnection with Verizon in the Tampa (952) LATA; (b) any penalties for early termination of the leased facility arrangement US LEC currently utilizes for interconnection with Verizon in the Tampa (952) LATA; and (c) non-recurring

charges for the establishment of a collocation arrangement(s) as a US LEC-IP at the required Verizon tandems in the Tampa (952) LATA.

Response:

Please see the objections to US LEC's discovery requests that Verizon filed on September 6, 2002.

9. 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).

Response:

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's VGRIP proposal.

10. Please explain why Verizon is willing to bear the financial obligation of transporting traffic originated by its customers to a "central" point (Verizon's tandem) if US LEC establishes a collocation arrangement at its IP at Verizon's tandems but Verizon is not willing to bear the financial obligation of transporting traffic originated by its customers to a "central" point (Verizon's tandem) if US LEC utilizes its current method of interconnection to Verizon's tandems.

Response:

Please see the objections to US LEC's discovery requests that Verizon filed on September 6, 2002.

11. 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. If the individual charges in Section 7.1.1.1.1 were not specifically approved by the Florida PSC, please describe in detail how they were developed.

Response:

Subject to and without waiving any of the objections to US LEC's discovery requests that Verizon filed on September 6, 2002, Verizon responds to US LEC's requests as follows:

The charges identified in Section 7.1.1.1.1 are based on the unbundled network element rates for DS-1 transport and tandem switching included in the parties' proposed agreement. Those rates are not subject to dispute here. In addition, the parties' proposed agreement provides that the agreed-upon rates will "be replaced on a prospective basis by such . . . rates . . . as may be approved by the Commission." US LEC Petition App. B, at 119 n.1. This Commission is currently nearing the end of a proceeding (Docket No. 990649B-TP) in which it is establishing unbundled network element rates for Verizon using the Total Element Long-Run Incremental Cost ("TELRIC") methodology that the FCC has interpreted section 252(d) to require. The parties' agreement provides that, if this Commission's decision is appealed, the rates in the agreement shall be those "as may be ordered at the conclusion of such appeal." *Id.*

12. 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.

Response:

See response to Interrogatory No. 11

Issues Three and Four

13. Does Verizon consider a "chatline" to be a "vocal discussion program open to the public?"

Response:

To the extent that US LEC means by "chatline" a "vocal discussion program open to the public," the answer to Interrogatory No. 13 is yes. To the extent US LEC means something else, Verizon cannot respond because US LEC has not provided a definition of "chatline."

14. Does Verizon consider any service in which the calling party is not billed any charges in addition to its local exchange service charge a Voice Information Service? If so, please provide examples of the types of such services.

Response:

Under the proposed agreement, "Voice Information Service means a service that provides [i] recorded voice announcement information or [ii] a vocal discussion program open to the public." Thus, a service providing movie listing information, for example, would constitute a Voice Information Service under the definition in the proposed agreement, whether or not a separate charge for the information was imposed.

15. Does Verizon have the capability to distinguish Voice Information Service traffic from other local traffic?

Response:

Verizon has the capability of distinguishing Voice Information Service traffic that is dialed using distinct NXX codes, such as 976 and 900 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.

16. If your response to the preceding Interrogatory is affirmative, please state the process by which you distinguish such traffic, state how long that process has been in place, where it has been utilized, the volume of traffic covered, and identify all studies you have undertaken to determine the accuracy of the process.

Response:

See response to Interrogatory No. 15.

17. Have you ever billed or received reciprocal compensation for calls received from ALECs for termination to your customers who offer Voice Information Services? Please explain your answer.

Response:

If Voice Information Service traffic that is dialed using distinct NXX codes, including 976 and 900 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.

Issue Five

18. 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.

Response:

"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://gulfoss2.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, 2000), *available at* http://gulfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6511359995

In the case of Internet-bound traffic originated by a Verizon customer through an ISP served by US LEC, US LEC would receive the traffic; Verizon would not know who the terminating carrier would be in such a circumstance.

19. Do you contend that traffic can be "received" but not terminated? Please provide the factual and legal basis for your contention.

Response:

See response to Interrogatory No. 18.

20. Do you contend that there is a difference between a "receiving" party and a "terminating" party with respect to a particular call? Please explain your answer. If answered in the affirmative, please provide an example of such traffic and identify both the receiving and terminating carriers.

Response:

See response to Interrogatory No. 18.

Issue Six

21. 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:

- (a) With Foreign Exchange ("FX") service, calls are rated between originating and terminating customers 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 FX customer would pay charges as defined in Section A9.1 of Verizon's General Services Tariff.
- (b) The FX customer would be billed \$.0559 per originating minute of use and applicable monthly recurring rates for the FX service as specified in Section A9.1 of Verizon's General Services Tariff.
- (c) 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 (although not required to) provide the calling party with a locally rated number, not an FX number that would require the caller to incur toll charges.

(d) It is our understanding that the example describes an intraLATA toll call. Applicable charges would be based on the presubscribed intraLATA toll carrier's rates.

(e) Calls are rated by the interexchange carrier to the FX customer's foreign switch

22. Please explain how you account (for separations or other regulatory purposes) for each of the types of traffic identified in Interrogatory No. 21.

Response:

Calls are accounted for as local or toll based on how the call is rated.

23. Have you ever billed or received reciprocal compensation for calls received from customers of ALECs or other LECs for termination to your FX customers located in Florida? Please explain your answer.

Response:

If an ALEC 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 ALEC customer, Verizon would ordinarily bill (and therefore also receive) reciprocal compensation on such a call. Verizon has determined that in-bound FX traffic constitutes approximately five one-hundredths of one percent of in-bound traffic received from ALECs. Verizon does not believe that reciprocal compensation is due on such traffic.

24. 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:

See response to Interrogatory 21(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.

25. 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:

No.

26. Please state whether you provide the following services in Florida: (a) "Internet Protocol Routing Service," (b) "Single Number Service-Primary Rate Interface," (c) Hub-PRI service, (d) SNS-PRI service, (e) "1-500" service, (f) Remote Call Forwarding, (g) "Virtual Office Solutions," or (h) the functional equivalents of (a)-(g).

Response:

(a) No.

(b) No.

(c) No.

(d) No.

(e) No.

(f) Yes.

(g) No. Virtual Office Solutions (VOS) was a marketing program but is no longer being actively managed, however, the individual products and services are still available. A VOS solution was comprised of available Verizon tariffed and non-tariffed services but consisted primarily of three products - Virtual Office Dial Access (VODA), Virtual Office DSL, and Verizon Managed VPN Service Suite. If a customer wanted Verizon to totally manage the remote access solution, the package was called Managed VOS. VOS itself was not a tariffed service since it was a marketing program. MVOS was not a tariffed service either. MVOS remains available under a custom solution.

(h) For response (f): Verizon offers a variety of call forwarding products which are described in its General Services Tariff section A13. For response (g): A Verizon Account team could still assemble the various tariffed and non-tariffed services to bring a solution to a customer but it would not be managed by the former Verizon VOS team. Any management services for these individual offers would have to be developed through a custom bid process.

27. Please state whether you provide in Florida 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:

No.

28. If the answer to any part of Interrogatory Nos. 25, 26 or 27 is yes, please state the name of each such service, identify the tariff where the product is described, the current effective and canceled tariff pages for each such service for the time period covered by these Discovery Requests, and state the number of customers in the Tampa LATA who purchase each FX-like service.

Response:

Verizon objects to the request for tariff pages because such information is publicly available. Verizon objects to the request for the number of customers who purchase Verizon's service because such information is proprietary and competitively sensitive. Subject to these objections, Remote Call Forwarding can be found in Section A13 (A13.25 and A13.25.2) of Verizon's General Services Tariff; other call forwarding services can also be found in Section A13 of Verizon's General Services Tariff.

29. If the answer to any part of Interrogatory Nos. 25, 26 or 27 is yes, have you ever billed or received reciprocal compensation for calls received from customers of ALECs or other LECs for termination to your customers who have purchased or subscribed to the services identified in Interrogatory Nos. 25, 26 or 27? Please explain your answer.

Response:

The only service that is listed in questions 25, 26 and 27 that is available in Florida is call forwarding. If an ALEC customer originated a call to the directory number assigned to a Verizon customer that has subscribed to Verizon's call forwarding service, then as long as the calling (ALEC) and called (Verizon) NPA-NXX codes are in the same local calling area, Verizon would ordinarily bill (and therefore receive) reciprocal compensation on such a call, even if the call were forwarded to a location outside of the local calling area in which the call originated. Verizon believes that the amount of such traffic is negligible as a percentage of ALEC originated traffic; Verizon does not believe that such calls are subject to reciprocal compensation.

30. 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. Please explain your answer.

Response:

Verizon's costs of delivering traffic depend on the location of the applicable ALEC interconnection point and do not vary depending on the location of the ALEC customer. As Verizon has explained in the testimony of Terry Haynes, ALECs' use of virtual NXX codes may deprive Verizon of appropriate compensation for originating and transporting interexchange traffic.

31. Has Verizon developed a process (automated or otherwise) by which it can separate or identify traffic as FX or FX-Like Services traffic from all other locally dialed traffic on a real-time (or other) basis? If yes, please provide a description of that process.

Response:

Please see Direct Testimony of Terry Haynes, page 24, line 13 through page 25, line 17.

32. 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:

No, this would not require Verizon to implement a new billing system. Verizon cannot respond to this Interrogatory with respect to any other carrier.

33. If the answer to the preceding Interrogatory is yes, what does Verizon project the cost of implementing such a billing system to be?

Response:

N/A

34. If the answer to Interrogatory No. 32 is no, how does Verizon propose to remove FX or FX-Like Services traffic from Verizon's reciprocal compensation bills to US LEC?

Response:

Please see Direct Testimony of Terry Haynes, page 24, line 13 through page 25, line 17.

VERIFICATION

STATE OF FLORIDA)
) ss.
COUNTY OF HILLSBOROUGH)

BEFORE ME, the undersigned authority, personally appeared Michelle A. Robinson, who deposed and stated that the answers to the First Set of Interrogatories (Nos. 1-34) served on Verizon Florida Inc. by US LEC of Florida Inc. in Docket No. 020412-TP, were prepared at her request and she is informed that the responses contained therein are true and correct to the best of her information and belief.

DATED at Tampa, Florida, this 19th day of September, 2002.

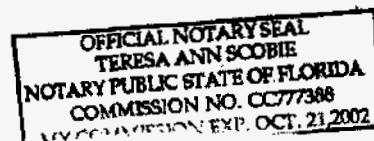


Michelle A. Robinson

Sworn to and subscribed before me this 19th day of Sept., 2002



Notary Public
State of Florida



Name Typed or Printed/Commission No.

My Commission Expires:

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved	)	Docket No. 020412-TP
issues in negotiation of interconnection	)	Filed: September 20, 2002
agreement with Verizon Florida Inc. by)	
US LEC of Florida Inc.)	

**NOTICE OF SERVICE OF VERIZON FLORIDA INC.'S RESPONSES TO
US LEC OF FLORIDA INC.'S
FIRST REQUEST FOR PRODUCTION OF DOCUMENTS
(NOS. 1-10)**

NOTICE IS HEREBY GIVEN that a true and correct copy of Verizon Florida Inc.'s Responses to US LEC of Florida Inc.'s First Request for Production of Documents, which was legally propounded by US LEC on August 27, 2002, was sent via overnight delivery on September 19, 2002, to Kenneth A. Hoffman, Esq., Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, FL 32302-0551 and Michael L. Shor, Esq., Swidler Berlin Shereff Friedman, LLP, 3000 K Street, NW, Suite 300, Washington, DC 20007.

The original and one copy of this Notice were also sent via overnight delivery on September 19, 2002 to the Director, Division of Commission Clerk and Administrative Services, at the Commission. Further service on other parties of record is as set forth on the Certificate of Service, appended hereto.

Respectfully submitted on September 20, 2002

A handwritten signature in black ink, appearing to read "Kimberly Caswell", written over a horizontal line.

Kimberly Caswell
Verizon Florida Inc.
Post Office Box 110, FLTC0007
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(813) 483-2617

Aaron M. Panner
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(202) 326-7900

Attorneys for Verizon Florida Inc.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

**VERIZON FLORIDA INC.'S RESPONSES TO
US LEC OF FLORIDA INC.'S FIRST REQUEST FOR PRODUCTION
OF DOCUMENTS (NOS. 1-10)**

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to the July 23, 2002, Order Establishing Procedure, hereby files its responses to US LEC of Florida Inc.'s ("US LEC") First Request for Production of Documents, which was filed on August 27, 2002.

Subject to and without waiving any of the objections to US LEC's requests that Verizon filed on September 6, 2002, Verizon responds to US LEC's requests as follows:

- 1 Please provide all cost studies and other documents in your possession, custody or control relating to an analysis of Verizon's purported costs based upon a single Interconnection Point ("IP") or Point of Interconnection ("POI") per LATA with an ALEC.

Response:

Verizon does not possess any traffic studies, cost studies, or other documents referenced in these requests.

2. Please provide all traffic studies, cost studies, network planning, and other documents in your possession, custody or control relating to an analysis of Verizon's purported costs of delivering Verizon's originating local traffic to US LEC's IP at its switch in the Tampa (952) LATA.

Response:

See response to request no. 1.

- 3 Please provide documentation supporting your calculation in Interrogatory No. 5.

Response:

The rates used in the calculation are contained in the proposed interconnection agreement, which was Attachment B to US LEC's petition for arbitration.

4. Please provide all documentation supporting your response to Interrogatory No. 9.

Response:

N/A

5. Please provide all documentation supporting your response to Interrogatory No. 11.

Response:

The charges described are contained in the proposed interconnection agreement, which was Attachment B to US LEC's petition for arbitration. Filings in Docket No. 990649B-TP are available on the Commission's web site.

6. Please provide all documentation supporting your response to Interrogatory No. 12.

Response:

See response to request no. 5.

7. Please provide all documents and studies undertaken to determine the accuracy of the process to distinguish traffic as explained in your response to Interrogatory No. 16.

Response:

Verizon is not aware of any documents or studies responsive to this request.

8. Please provide all documentation supporting your answer to Interrogatory No. 22.

Response:

Verizon has been unable to identify any documents directly responsive to this request.

9. Please provide copies of all product descriptions and marketing materials associated with each service offering identified in your response to Interrogatory No. 28.

Response:

Verizon's marketing information for Call Forwarding is publicly available on the Internet at the following sites:

Business:

<http://www22.verizon.com/foryourbusiness/callingfeatures/calforwarding/default.asp>

Residential:

http://www22.verizon.com/foryourhome/SAS/res_fam_avoidmissed.asp

10. Please provide copies of all documents reviewed or relied upon in responding to Request for Admissions Nos. 1-4 and Interrogatory Nos. 1-34 that have not already been provided pursuant to Document Request Nos. 1-9.

Response:

Verizon has reviewed its federal and state tariffs in preparing the responses above. Those tariffs are available on-line.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

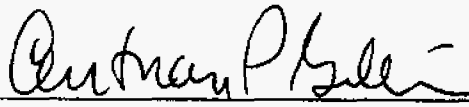

In re: Petition for arbitration of unresolved	)	Docket No. 020412-TP
issues in negotiation of interconnection	)	Filed: September 20, 2002
agreement with Verizon Florida Inc. by)	
US LEC of Florida Inc.)	
)	

**NOTICE OF SERVICE OF VERIZON FLORIDA INC.'S RESPONSES TO
US LEC OF FLORIDA INC.'S
FIRST REQUEST FOR ADMISSIONS (NOS. 1-4)**

NOTICE IS HEREBY GIVEN that a true and correct copy of Verizon Florida Inc.'s Responses to US LEC of Florida Inc.'s First Request for Admissions, which was legally propounded by US LEC on August 27, 2002, was sent via overnight delivery on September 19, 2002, to Kenneth A. Hoffman, Esq., Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, FL 32302-0551 and Michael L. Shor, Esq., Swidler Berlin Shereff Friedman, LLP, 3000 K Street, NW, Suite 300, Washington, DC 20007.

The original and one copy of this Notice were also sent via overnight delivery on September 19, 2002 to the Director, Division of Commission Clerk and Administrative Services, at the Commission. Further service on other parties of record is as set forth on the Certificate of Service, appended hereto.

Respectfully submitted on September 20, 2002.

By: 
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Attorneys for Verizon Florida Inc

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for arbitration of unresolved issues)
in negotiation of interconnection agreement with)
Verizon Florida Inc. by US LEC of Florida Inc.)
_____)

Docket No. 020412-TP

VERIZON FLORIDA INC.'S RESPONSES TO
US LEC OF FLORIDA INC.'S FIRST REQUEST FOR ADMISSIONS
(NOS. 1- 4)

Verizon Florida Inc. ("Verizon"), by counsel and pursuant to the July 23, 2002, Order Establishing Procedure, hereby files its responses to US LEC of Florida Inc.'s ("US LEC") First Request for Admissions, which was filed on August 27, 2002.

Subject to and without waiving any of the objections to US LEC's requests that Verizon filed on September 6, 2002, Verizon responds to US LEC's requests as follows:

- 1 Please admit that Verizon currently delivers its originated traffic to a single US LEC-Interconnection Point ("IP") per LATA in the Tampa (952) LATA. If you do not so admit, please explain the reasons for your denial.

Response:

Verizon admits that it currently delivers traffic originated by its end-user customers in the Tampa LATA for delivery to US LEC customers in that LATA to a single physical point, on US LEC's network, in the Tampa LATA. Verizon denies that the parties' current network architecture is relevant to the question whether federal law affords US LEC the rights that it claims with regard to Issues 1 and 2.

2. Please admit that Verizon is currently financially responsible for the facilities used to deliver its originated traffic to the single US LEC-IP in the Tampa (952) LATA. If you do not so admit, please explain the reasons for your denial.

Response:

Verizon admits that it currently delivers the traffic identified in the response to Request for Admission No. 1 to the point identified in that response, without charge to US LEC. Verizon denies that the parties' current network architecture is relevant to the question whether federal law affords US LEC the rights that it claims with regard to Issues 1 and 2.

3. Please admit that US LEC currently bills, and Verizon currently pays, a non-distance sensitive entrance facility charge for Verizon's use of the portion of the OC-48 facility that is used to deliver Verizon's originating traffic from Verizon's tandem to US LEC's switch. If you do not so admit, please explain the reasons for your denial.

Response:

Verizon avers that US LEC currently bills and Verizon currently pays a DS3 Facility Termination, a DS3 Local Loop, and DS3 Mux charge(s) for a portion of the OC-48 facility that is used to deliver Verizon's originating traffic from Verizon's tandem to US LEC's switch. Verizon is unable to admit or deny whether these charges represent a "non-distance sensitive entrance facility charge." Verizon denies that US LEC's current billing to Verizon is relevant to the question whether federal law affords US LEC the rights that it claims with regard to Issues 1 and 2.

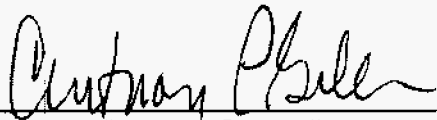
4. Please admit that Verizon-proposed Section 7.1.1.1 permits US LEC to meet its VGRIP obligation by establishing an IP at a Verizon tandem through a third-party collocation site. If you do not so admit, please explain the reasons for your denial.

Response:

Verizon so admits and has already so informed US LEC during discussions between the parties.

CERTIFICATE OF SERVICE

HEREBY CERTIFY that copies of Verizon Florida Inc.'s Notices of Service and Responses to US LEC of Florida Inc.'s First Set of Interrogatories, First Request for Production of Documents, and First Request for Admissions in Docket No. 020412-TP were sent via overnight delivery(*) on September 19, 2002 and U.S. mail(**) on September 20, 2002 to the parties on the attached list.



Kimberly Caswell

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Tallahassee, FL 32399-0850

Kenneth Hoffman(*)
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Rutledge Law Firm
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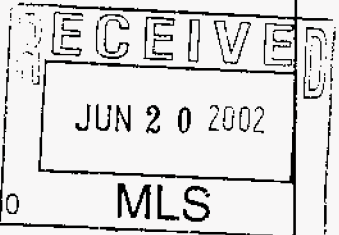
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1
COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION



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

Prehearing Conference

COPY

Commonwealth Keystone
Building
400 North Street
Harrisburg, PA

Friday, May 17, 2002
Commencing at 10:15 a.m.

BEFORE:

LOUIS G. COCHERES, Administrative Law Judge

ALSO BEFORE:

ROBERT A. CHRISTIANSON, Chief Administrative Law
Judge

REPORTER: DANIELLE M. ZAMIAS

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 020412-TP EXHIBIT NO. 8

COMPANY/

WITNESS: U.S. LEC

DATE: 2/06/03

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by the certifying agency.

1 APPEARANCES:

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6 (Via Telephone)

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12 (Via Telephone)

13 For the US LEC

14

15 JULIA A. CONOVER, Esquire

16 ANTHONY E. GAY, Esquire

17 Verizon-Pennsylvania, Inc.

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20 (Via Telephone)

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22

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24

25

1 APPEARANCES (continued):

2

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INDEX TO WITNESSESWITNESSDIRECTCROSSREDIRECTRECROSS

NONE PRESENT

INDEX TO EXHIBITSNUMBERFOR IDENTIFICATIONIN EVIDENCEFor the Complainant:

NONE OFFERED

NUMBERFOR IDENTIFICATIONIN EVIDENCEFor the Respondent:

NONE OFFERED

P R O C E E D I N G S

JUDGE COCHERES:

Good morning, ladies and gentlemen. By now you know my name is Louis Cocheres and I am the Administrative Law Judge assigned to hear the matter of the Petition of US LEC of Pennsylvania, Incorporated for arbitration with Verizon-Pennsylvania, Incorporated pursuant to Section 252(b) of the Telecommunications Act of 1996 at Commission Docket number A-310814F7000.

We're here today by telephone generally. We have all of the major parties represented by a multitude of counsel. And I have here in the conference room with me, as you already know, the Chief Administrative Law Judge, Robert Christianson.

We're here today for our first prehearing conference in this matter and we have --- I have my own agenda to go through. But before we do that, I need to introduce for the record and for the benefit of the court reporter the various parties who are here. And I will caution you that since the court reporter is unlikely to know you by your voice to speak up and start with telling us your name so that she may properly record it. And I'm going to go

1 through what I think should be a list of attendees
2 here. I will try to separate you by parties.

3 Representing US LEC, I have Linda Smith
4 in Harrisburg. And with her are Mr. Rindler, Ms. Cohn
5 and Mr. Shor in Washington D.C. And representing
6 Verizon, I have Ms. Conover, Mr. Gay in Philadelphia
7 and Mr. Panner in Washington D.C. Is there anyone
8 whose name I omitted? Fine.

9 I'm going to assume that Mr. Gay is the
10 lead Counsel this morning for Verizon, unless someone
11 can tell me differently, and Ms. Smith, are you going
12 to be lead Counsel this morning for your attorneys?

13 ATTORNEY SMITH:

14 Your Honor, I believe Mr. Shor will be
15 doing the speaking on behalf of US LEC.

16 JUDGE COCHERES:

17 Thank you. All right, fine. Now, I want
18 you folks to know that I have reviewed the petition,
19 I've reviewed your prehearing memoranda and I have
20 received by e-mail this morning, two Petitions for
21 Admission pro hac vice on behalf of Verizon to admit
22 Mr. Panner and Mr., forgive me, Mr. Angstreich.

23 ATTORNEY PANNER:

24 It's Mr. Angstreich.

25 JUDGE COCHERES:

1 Mr. Angstreich, right, thank you. And I
2 assume that was Mr. Panner who responded?

3 ATTORNEY PANNER:

4 That's right, I'm sorry.

5 JUDGE COCHERES:

6 That's all right. Okay. Let's deal with
7 those first because they are the easiest ones to deal
8 with. If there is no objection to the admission of
9 Mr. Panner and to Mr. Angstreich, those petitions are
10 granted. I subscribe to Judge Weismandel's theory of
11 pro hac vice, which is that Mr. Gay, who will remain
12 responsible generally for this case, although we
13 recognize that Mr. Panner and Mr. Angstreich will be
14 participating, perhaps even in a lead counsel format,
15 for Verizon.

16 Now, I have looked and I appreciate the
17 cooperation that the parties have already shown, not
18 only at the list of issues but my favorite topic is
19 the schedule, the hearing schedule, the purposed
20 litigation schedule that both of you have brought to
21 the table. And I don't recall seeing that you have
22 any major differences in your schedule. It will take
23 me a moment of paper shuffling to find both of them.

24 ATTORNEY SHOR:

25 Your Honor, this is Michael Shor on

1 behalf of US LEC. First, on the schedule, there's
2 only one item that US LEC included in its purposed
3 schedule that we had not discussed with Verizon and
4 that is simply a date by which parties should exchange
5 objections to Discovery if there are any, recognizing
6 that sometimes in these matters, there are some
7 questions that arise and we thought it would be
8 appropriate just to enter and impose a --- since
9 we're going to do this somewhat expeditiously, a
10 deadline for filing objections and that would give the
11 parties time to resolve those in advance to Discovery
12 being due.

13 ATTORNEY GAY:

14 Your Honor, we don't have a problem with
15 that. I think the ---.

16 JUDGE COCHERES:

17 Just a moment, who's speaking?

18 ATTORNEY GAY:

19 This is Anthony Gay, Your Honor, I
20 apologize. Where I'm from with that date, I think we
21 want to address the second issue that I think Mr. Shor
22 is going to refer to.

23 ATTORNEY SHOR:

24 No. Actually, the second issue is US
25 LEC, I believe it also filed motions for pro hac vice.

1 I think.

2 JUDGE COCHERES:

3 Is that Mr. Shor again?

4 ATTORNEY SHOR:

5 Yes, I'm sorry. I know that we had
6 executed some items in connection with that. Linda, I
7 believe those were filed?

8 ATTORNEY SMITH:

9 Yes. Your Honor, those motions were
10 filed prior to the prehearing conference. They were
11 filed simultaneously with the petition.

12 JUDGE CHRISTIANSON:

13 With the actual inch of paper, more or
14 less?

15 JUDGE COCHERES:

16 Just a moment, let me shuffle some papers
17 here and look in my file.

18 ATTORNEY SMITH:

19 It was filed at the same time as the
20 petition, but it was a separate document. It was not
21 included within.

22 JUDGE CHRISTIANSON:

23 I vaguely remember them, yes. Well,
24 we'll shuffle some more papers. This is Bob
25 Christianson. Meanwhile, I just wanted to --- if we

1 can be off the record for a moment, if the Judge is
2 content with that.

3 OFF RECORD DISCUSSION

4 JUDGE COCHERES:

5 Let's go back on the record. I apologize
6 for the delay and I appreciate the help from my
7 colleague and my boss. I now have the motion for pro
8 hac vice on behalf of Mr. Rindler, Ms. Cohn and Mr.
9 Shor, sponsored, of course, by Ms. Smith. And hearing
10 no objection, that motion is also granted and I
11 apologize that it took me so long to find it in such a
12 relatively small file.

13 All right. Now, we were talking about
14 schedules before I was reminded that there was more
15 than one motion outstanding. And Mr. Shor had made
16 the point that US LEC had included an opportunity to
17 make objections and certainly, I don't have a problem
18 with that. Is there a Verizon response?

19 ATTORNEY GAY:

20 Your Honor, we have no problem with the
21 ---.

22 JUDGE COCHERES:

23 Is that Mr. Gay?

24 ATTORNEY GAY:

25 Yes. Correct, Your Honor, this is Mr.

1 Gay. And we have no problem with the June 12
2 objection date.

3 JUDGE COCHERES:

4 Fine. I had one item that I noticed was
5 missing from both of your proposed schedules and that
6 is a date for submitting final and best offers. Does
7 anyone have any strong feelings on when that should be
8 plugged into the schedule?

9 Hearing none, it's been a while since
10 I've done one of these cases and ---.

11 ATTORNEY GAY:

12 Your Honor, this is Anthony Gay for
13 Verizon. You know, to put out a proposal, we can have
14 that at the same time as the reply testimony.

15 ATTORNEY SHOR:

16 This is Michael Shor for US LEC. If I
17 may be guided in this instance by my local Counsel as
18 to whether those are most appropriately filed prior to
19 the hearing or at some point thereafter.

20 ATTORNEY GAY:

21 I will profess having a senior moment
22 right now and I don't recall when that is typically
23 done in Pennsylvania.

24 ATTORNEY SMITH:

25 Well, I would think that you would need

1 to do it prior to the briefing, but any time that you
2 feel that it would be appropriate to do prior to the
3 briefing would be ---.

4 JUDGE COCHERES:

5 Ms. Conover, you're perhaps the most
6 experienced among us all. It's been a couple years
7 since I did the next link arbitration. I remember
8 that we had a final and best offer on the table from
9 each side at that point and it occurs to me that it
10 would have to come in before briefs and my only
11 question is whether it's before or after hearing.

12 ATTORNEY CONOVER:

13 Your Honor, this is Ms. Conover.
14 Actually, it's been done both ways and I did just
15 check on the most recent arbitration, the Yanks
16 arbitration. It was actually done after the hearing,
17 really concurrently with the main brief. So if that's
18 acceptable to you, that might make the most sense.

19 ATTORNEY SHOR:

20 This is Michael Shor for US LEC. I think
21 it makes a great deal of sense to do it after the
22 hearing. And if we do it at the same time,
23 concurrently with the filing of the briefing, I think
24 that would probably work out to everyone's advantage.

25 JUDGE CHRISTIANSON:

1 This is Christianson. Just as a thought,
2 if a major break occurs in the case, it causes you to
3 tell the Judge about it, but to schedule it now, it
4 seems at the most sense after the hearing.

5 JUDGE COCHERES:

6 Yes, I'm inclined to agree about after
7 the hearing. My concern is that each party see the
8 final and best offer before they do the brief because
9 it gives the opportunity for each party to include
10 whatever argument they want about the final and best
11 offer in their brief.

12 ATTORNEY SHOR:

13 Your Honor, Michael Shor for US LEC. In
14 that regard, we've suggested that the post hearing
15 brief should be filed two weeks on the receipt of
16 expedited transcript. Perhaps we could do the final
17 and best offer one week after the receipt of the
18 transcript.

19 JUDGE COCHERES:

20 I like that idea. Is there anyone who
21 has a problem with that?

22 ATTORNEY GAY:

23 It's Anthony Gay for Verizon, Your Honor.
24 We don't have a problem with that. Once we resolve
25 this issue, there is one other issue I'd like to

1 raise.

2 JUDGE COCHERES:

3 Well, I'm sure there's at least one. I
4 will put out a procedural order on this and I will
5 include the final and best offer as due one week after
6 the hearing --- after receipt of the transcript and
7 incidentally, to the best of my knowledge, we're using
8 expedited transcripts, I think on a one-day turnover.
9 So it shouldn't take too long to get it.

10 Okay. That was my main concern about the
11 scheduling. I do note that the parties do not
12 entirely agree as to whether there should be two
13 rounds of briefing or one. And Mr. Gay, you are the
14 proponent of two rounds of briefing, why don't I hear
15 from you first.

16 ATTORNEY GAY:

17 Yes, Your Honor. This is Anthony Gay.
18 It's our position that the post hearing briefs or the
19 reply briefs --- post hearing reply briefs, excuse me,
20 are necessary. Often, parties raise issues in their
21 main briefs, which require a response or a
22 clarification and that's why we think they're
23 necessary. And, you know, it's my understanding that
24 there was a concern on Mr. Shor's part, and I haven't
25 spoken to him directly so I just want to put that out,

1 but it's my understanding that they were concerned
2 about new issues being raised. That is not the
3 purpose of post hearing reply briefs and that's not
4 something we intend to do. The key thought is that
5 main brief --- and while I don't have as much
6 experience as Ms. Conover, I have experience knowing
7 that issues are raised in main briefs that often need
8 clarification for the benefit of both the
9 administrative law judge and the record.

10 JUDGE COCHERES:

11 Mr. Shor, do you have any comments?

12 ATTORNEY SHOR:

13 Yes, thank you, Your Honor. US LEC's
14 feeling on this is that these are not new issues,
15 they're not new issues for Verizon, they're not new
16 issues for US LEC and frankly, they're not necessarily
17 new issues for the Commission. And it does not
18 require the parties to ultimately go through four
19 rounds of briefings, two rounds of post hearing
20 briefing and then two rounds of briefing after a
21 proposed decision has been rendered to state our
22 positions. Verizon knows exactly what US LEC is going
23 to contend and what it's going to argue in the briefs.

24 If the parties feel, after they've looked
25 at the main briefs, that there is, in fact, something

1 that requires clarification, they can always ask for
2 leave to do that. But I think that since these are
3 not new issues, the parties can stay, can include
4 everything in their main briefs that they need to
5 include.

6 The comment that we had made, if there
7 was a reply brief, is that we have unfortunately
8 sometimes been involved in situations where a party
9 does not in their main brief fully set forth the
10 factual and legal basis for their position and they
11 wait until their reply brief to do so, giving the
12 other party no real opportunity, in fact, to reply.

13 And that is really one of the other
14 concerns, that we've seen that too many times. I'm
15 not going to accuse Mr. Gay or Ms. Conover of that,
16 but it has been something that we've experienced and
17 we feel that if there's just one round of briefing,
18 you put everything you've got into that brief and
19 that's it.

20 JUDGE CHRISTIANSON:

21 Well, this is Bob Christianson again. I
22 can speak because Mr. Cocheres I go back to the old
23 rate case days. I think we called it sandbagging back
24 then or something like that.

25 JUDGE COCHERES:

1 Yes, we did.

2 JUDGE CHRISTIANSON:

3 I just ran and got a rules of practice.
4 It doesn't cover that in the rules of practice, but
5 were very strong about what goes into the reply brief,
6 it had to relate to the main brief obviously.

7 ATTORNEY GAY:

8 Yeah, Your Honor ---.

9 JUDGE COCHERES:

10 That's Mr. Gay.

11 ATTORNEY GAY:

12 Both Chief Judge Christianson and Judge
13 Cocheres, you know, it's not our practice to sandbag
14 and I think, you know, Mr. Shor and I came together a
15 while back, you may not remember, but I think, you
16 know, I'm relatively comfortable that he won't sandbag
17 us, you know. I think he can be comfortable that I
18 won't sandbag him or we won't sandbag him.

19 But there are procedures to deal with
20 that and I think it's important to have the schedule
21 set up now because as you get farther down the road
22 and then you have to make some kind of motion for
23 leave to file reply briefs --- I mean, that's all
24 hypothetical.

25 Again, we just think that reply briefs

1 are traditionally accepted in arbitrations, they're
2 done in other proceedings before the PUC and, you know
3 --- Mr. Shor, he's referring to the fact that these
4 --- he alluded to the fact that this proceeding or
5 arbitration is being done in other jurisdictions, but
6 for Pennsylvania, I think we need to have some reply
7 brief so we can deal with the issues raised here.

8 JUDGE COCHERES:

9 Well, Mr. Gay, I think what I'm going to
10 do here is I'm just going to put this issue on a back
11 burner for a moment because there's another way I want
12 to come to it, somewhat more indirectly and I was
13 premature perhaps in raising it now.

14 There is an issue that I think is more
15 important than the problem of reply briefs and that is
16 as I reviewed the prehearing memoranda, there was an
17 interesting dichotomy that I noticed and that is that
18 US LEC retained the flexibility in their memoranda to
19 indicate that there were disputed issues of material
20 fact and Verizon did not. They basically said, Your
21 Honor, this case is all about law and policy.

22 And frankly, it was an issue that I had
23 highlighted when I read the petition for arbitration
24 because I'm having trouble seeing what facts are in
25 dispute. The way the issues are framed, it seems to

1 me that the absolute vast majority of them are issues
2 of law and policy. There may be one or two, and I
3 don't have a specific example on mine, there may be
4 one or two that might have some issues of fact in it,
5 but I couldn't tell. I was willing to give US LEC the
6 benefit of the doubt, but I think I need some more
7 clarity on the record right now.

8 I noticed that you both have identified
9 witnesses. Certainly if this is a problem that
10 involves law and policy, I probably don't need any
11 witnesses.

12 ATTORNEY GAY:

13 Well, Your Honor, I would need ---.

14 JUDGE COCHERES:

15 Who is this?

16 ATTORNEY GAY:

17 This is Anthony Gay, Your Honor. I would
18 --- first, I'd like to defer to Mr. Panner on this
19 because he's had direct discussions with Mr. Shor, but
20 I do think this is something that is more of a law and
21 policy matter as opposed to a factual issue. You
22 know, I'll defer to Mr. Panner just because he's
23 probably had more close discussions with Mr. Shor.

24 JUDGE COCHERES:

25 Actually, I think I want to start with US

1 LEC. What issues did you see in the list that you
2 provided to me and was pretty much confirmed by
3 Verizon that were factual?

4 ATTORNEY SHOR:

5 Thank you, Your Honor. This is Michael
6 Shor for US LEC. I think that if you look at issue
7 one, issue two and issue six right off the top of the
8 bat, those issues, probably more than any other, will
9 involve issues of fact. To the extent that in issue
10 one and issue two, Verizon is contending that it
11 incurs costs in connection with the interconnection
12 framework that the parties agree on, then those ---
13 not the rates, but the actual costs themselves as they
14 are applied in the specific situation would become an
15 issue of fact. To the extent that Verizon is arguing
16 that it is not obtaining the revenue that it believes
17 it might be entitled to under an issue --- under issue
18 six, then that would also be an issue of fact.

19 I would agree with you that the other
20 issues primarily are issues of law and policy. There
21 may be some facts that would impact those, but they're
22 certainly not major. But those three issues jump out
23 at US LEC as ones where there could conceivably be
24 fact questions that would need to be taken into
25 consideration by the ALJ and the Commission in

1 reaching its determination.

2 JUDGE COCHERES:

3 As accepting your premise that issues
4 one, two and six are factual based, given the
5 opportunity to do Discovery and given the knowledge we
6 have that Pennsylvania's not unique here, we're not
7 inventing the wheel for US LEC and Verizon, it's my
8 understanding that you're litigating these issues on
9 the Verizon footprint, perhaps not in every state, but
10 in some of them at least. Do you think it would be
11 possible for the parties to stipulate to the factual
12 background here for these two --- three issues?

13 ATTORNEY SHOR:

14 This is Michael Shor. I mean, we've
15 indicated a willingness to try to do that, but it may
16 turn out after we've completed Discovery that that
17 just simply isn't possible.

18 ATTORNEY PANNER:

19 Your Honor, if I may, this is Aaron
20 Panner. In my experience with these proceedings, it
21 is true that often the facts are not disputed. As you
22 know, probably better than I, you know, a lot of the
23 facts that are disputed don't come down to who did
24 what when, but come down more to issues of, you know,
25 what are the background facts in the industry and

1 concerning things like power costs incurred in the
2 network and so forth that are technical facts that an
3 expert can do a good job of bringing onto the record.
4 Often, there may not be a dispute about a material
5 fact and I think what we tried to reflect in our
6 issues is that there may not be.

7 For instance, there could be a dispute
8 about a material fact that would arise if a certain
9 claim were made about a network configuration or
10 number assignment practices and one of the parties
11 challenged that and that, you know, came into ---
12 became a material issue in the proceedings, then there
13 could actually be a dispute over who has done what,
14 you know, what are the facts on the ground.

15 But I think that it's consistent with the
16 idea that we may not have too many disputes about
17 material fact, the need for Discovery of facts we
18 think would be quite restricted, and yet nonetheless
19 find it useful to hear from an expert witness who
20 understands how things work in the network who could
21 help to explain it on the record of the proceeding.

22 JUDGE COCHERES:

23 Mr. Panner, do you agree with Mr. Shor's
24 evaluation that issues one, two and six are mostly
25 likely to be the fact-based issues?

1 ATTORNEY PANNER:

2 Well, I guess I tend not to agree that
3 there are a lot of --- as I say, as a kind of who has
4 done what, what are the actual facts in the world kind
5 of disputes that would lend themselves to discovery.
6 I do agree that those are the issues where the general
7 factual background and where expert testimony would
8 probably be most important and most useful to the
9 Commission.

10 ATTORNEY SHOR:

11 This is Michael Shor for US LEC. I don't
12 --- if Verizon wants to introduce the testimony of an
13 expert, I'm sure they have the right to do that. I
14 don't necessarily see that as being the essential need
15 --- I don't see that as being a real need for that.
16 The facts are what they are, the costs are what they
17 are. And I don't know that the Commission needs an
18 expert to analyze that, but that's their entitlement
19 and its their right to present their case as they
20 please.

21 ATTORNEY PANNER:

22 I guess, Your Honor, let me correct
23 myself. I've been a little bit loose in referring to
24 them as experts. I guess I mean them as subject
25 matter experts, people who understand the way that the

1 network is set up and works and the history of the way
2 that some of these compensation arrangements and
3 network architecture arrangements have been
4 established. Those are facts that I --- I didn't mean
5 it in the sense of an outside expert who is doing, you
6 know --- who is testifying as an outside expert, but
7 fact witnesses who are subject matter experts. I
8 needed to clarify that. Thank you, Michael, for
9 pointing that out.

10 JUDGE COCHERES:

11 Thank you. Gentlemen, let me approach
12 this a little differently then. Tell me, Mr. Shor,
13 how many jurisdictions is US LEC seeking to arbitrate
14 with Verizon in right now?

15 ATTORNEY SHOR:

16 We will be --- the total number of
17 jurisdictions that we will be litigating issues will
18 be seven. We have filed five petitions to date, there
19 are two more remaining to be filed.

20 JUDGE COCHERES:

21 All right. Would you tell me the first
22 five then?

23 ATTORNEY SHOR:

24 Pennsylvania, Maryland, North Carolina,
25 the District of Columbia, Florida.

1 JUDGE COCHERES:

2 All right. Now, in terms of the time
3 frame that's going on here, are any of those petitions
4 filed procedurally going ahead of this case?

5 ATTORNEY SHOR:

6 Not at this moment, although that may
7 ultimately prove to be the case.

8 ATTORNEY PANNER:

9 And the other thing, Your Honor, that I
10 think they're pointing out is that in North Carolina,
11 they follow a somewhat different procedure in which
12 pre-filed testimony is filed at the time of the filing
13 of the petition and the answer. And so the parties
14 have, in North Carolina, already filed some testimony
15 on these issues.

16 JUDGE COCHERES:

17 All right. What I was trying to get to
18 is again, in the interest of not reinventing the wheel
19 that if we're going to have hearings that you all may
20 have been over the ground sufficiently prior to that
21 time in another jurisdiction that you could again
22 either stipulate to the facts or adopt wholesale
23 portions of the record from other proceedings into
24 this one.

25 ATTORNEY SHOR:

1 If I may, Your Honor, this is Michael
2 Shor for US LEC. We certainly have thought of that as
3 a possibility. It is somewhat complicated by the fact
4 that the Maryland and Pennsylvania arbitrations are
5 between US LEC and the former Bell Atlantic, whereas
6 the North Carolina and Florida are between US LEC and
7 the former GTE.

8 So there are different network
9 configurations and frankly, they would be different
10 costs in each jurisdiction. Although I agree with you
11 that if it is possible to stipulate in portions of
12 records from other proceedings, then that would be in
13 the interest of the economy and we would try to do
14 that.

15 JUDGE COCHERES:

16 And where is the Maryland proceeding in
17 relationship to this one?

18 ATTORNEY SHOR:

19 We have a prehearing conference scheduled
20 for the end of May in that proceeding.

21 JUDGE COCHERES:

22 So are you trying to tell me that I'm out
23 here not only on the cutting edge, but the bleeding
24 edge?

25 ATTORNEY SHOR:

1 You are out on the limb, Your Honor.

2 JUDGE COCHERES:

3 Well, thank you. All right. Then I'll
4 deal with it in that manner. Okay. Let's go back to
5 the need for hearings then. Can I safely assume that
6 one day should do this?

7 ATTORNEY SHOR:

8 Your Honor, this is Michael Shor for US
9 LEC. If this thing goes beyond one day, then we would
10 all need to be --- reconsider. I think one day would
11 be more than sufficient.

12 JUDGE COCHERES:

13 Good. Don't wish for more, it may come
14 true. All right. Do I have any problem out of the
15 Verizon camp on setting it for one day?

16 ATTORNEY PANNER:

17 I think one day would make sense, Your
18 Honor.

19 JUDGE COCHERES:

20 And that was who?

21 ATTORNEY PANNER:

22 I'm sorry, Aaron Panner.

23 JUDGE COCHERES:

24 Okay. Thank you, Mr. Panner. All right.
25 Let's all look at our calendars. You all suggested

1 that we move the hearings into July, which fits nicely
2 with my schedule. You were only one week apart, as I
3 recall. No, I'm sorry. You were both in the week of
4 July 15th. Currently, the only day on my calendar in
5 the week of July 15th that is filled is July 15th. So
6 you tell me, folks, when is a good day for all of you
7 to come to Harrisburg, Pennsylvania?

8 ATTORNEY SHOR:

9 I think Wednesday or Thursday would be
10 the best two days.

11 JUDGE COCHERES:

12 And who was that?

13 ATTORNEY SHOR:

14 I'm sorry. That was Michael Shor for US
15 LEC, Your Honor.

16 JUDGE COCHERES:

17 All right. And the Verizon camp?

18 ATTORNEY GAY:

19 Your Honor, this is Anthony Gay. Either
20 one of those days work fine for me, so we just would
21 need to know what works with Mr. Panner's schedule
22 actually.

23 JUDGE COCHERES:

24 Mr. Panner?

25 ATTORNEY PANNER:

1 I guess I have a small preference for
2 Wednesday, but whatever's more convenient for everyone
3 is fine for me as well.

4 JUDGE COCHERES:

5 Well, Mr. Panner, your small preference
6 and mine coincide, so it will be July 17th. Does
7 anyone have a problem with that date? All right.
8 That will sort of be written in stone. For final and
9 best offers, that makes it the 24th.

10 ATTORNEY SHOR:

11 Well, with the --- excuse me, Your Honor.
12 This is Michael Shor for US LEC. Would the transcript
13 be out the 18th?

14 JUDGE COCHERES:

15 It would be my expectation that it would
16 be. Our court reporters are normally very good about
17 that sort of thing and bring multiple reporters to
18 hearings that may justify a full day's transcript and
19 do it in shifts.

20 ATTORNEY SHOR:

21 Would that then make the one week be the
22 25th instead of the 24th?

23 JUDGE COCHERES:

24 All right. I'll buy into that math. And
25 that will be final and best offers on the 25th. All

1 right.

2 ATTORNEY SMITH:

3 Your Honor, are you going to start the
4 hearing at 10:00 on Wednesday, the 17th or 9:00?

5 JUDGE COCHERES:

6 I can accommodate the parties. I only
7 need to know that you folks want to start earlier.
8 Normally, hearings start at ten o'clock in the morning
9 in this building, but we do make exceptions regularly
10 for people who think they may need an earlier start
11 time. You tell me, 9:00 or 9:30 a better time for
12 you?

13 ATTORNEY SMITH:

14 As a lot of people will be traveling up
15 to Harrisburg, I don't know if we'll be coming in the
16 night before or the morning of. Michael, do you have
17 any preference?

18 ATTORNEY SHOR:

19 I think ten o'clock is fine.

20 JUDGE COCHERES:

21 All right. Verizon?

22 ATTORNEY GAY:

23 Anthony Gay for Verizon. I think 10:00
24 is fine also, taking into account the potential
25 traveling for those of us who are not Pennsylvanians.

1 JUDGE COCHERES:

2 Okay. Fine, ten o'clock it will be. All
3 right.

4 JUDGE CHRISTIANSON:

5 The reply briefs?

6 JUDGE COCHERES:

7 Yes. I come from a background of --- I'm
8 going to move back to the subject of reply briefs.
9 Well, wait a minute. Let me structure the testimony
10 for you. We find it easier and a more structured
11 record if we retain the matrix of issues and their
12 numbers that have been proposed in the petition and I
13 want you to structure your testimony in the same way.

14 Let me tell you what the format that I
15 used for the prior arbitrations that I've been
16 involved in and I think it was fairly successful and
17 it is a good outline form for the hearing as well as
18 your briefs. And that's simply I don't care how many
19 witnesses you're planning to bring, but we will hear
20 the testimony in the order of the issues, not in the
21 order of the witnesses. So if witness number one
22 testifies on issues one, two, seven and eight, that's
23 fine. I'll put them on the stand for issues one and
24 two and when we get to issue number three, we'll just
25 switch to another witness.

1 That creates a record that enables you
2 folks to write your briefs and for me to write my
3 decision in a fairly orderly fashion. It completes
4 each issue as a package and then moves on to the next
5 issue in line. So when you're structuring your
6 witnesses' testimony, that's the way I want to see it,
7 clear delineation between issues. And I appreciate
8 that there may be some overlap between issues, but I
9 want you to accommodate this format as much as you
10 can. And the same would be true of briefs. Does
11 anybody have a problem with that or need to make a
12 comment?

13 ATTORNEY SHOR:

14 Your Honor, this is Michael Shor for US
15 LEC. Let me just interject at this moment. We
16 advised the Commission in our prehearing memo that we
17 have settled two issues.

18 JUDGE COCHERES:

19 Right.

20 ATTORNEY SHOR:

21 And to the extent that you would require
22 a motion for US LEC to withdraw those two issues from
23 the petition, I'd like to make that motion orally at
24 this time. What I understand you to be saying is that
25 even though those issues have been removed, we are not

1 going to renumber the issues to eliminate them, we
2 will go issue six and issue eight and there just will
3 be no issue seven.

4 JUDGE COCHERES:

5 Right. We can just make a brief
6 reference on the record that it's settled.

7 ATTORNEY SHOR:

8 Okay.

9 JUDGE COCHERES:

10 And I will accept your motion and it is
11 granted.

12 ATTORNEY SHOR:

13 Thank you, Your Honor.

14 JUDGE COCHERES:

15 And, you know, that way we keep ---
16 because let's face it, folks, you're going to be
17 litigating in multiple jurisdictions and you probably
18 are going to have similar witnesses on similar
19 subjects everywhere and it will keep your life in a
20 little more order, at least in Pennsylvania. Do I
21 hear any other comments on that subject? Good.

22 Hearing none, let's deal with the issue
23 of reply briefs. I will --- I'm going to accept the
24 suggestion of Verizon and permit reply briefs.
25 Verizon is correct and as the Chief Administrative Law

1 Judge has already pointed out, we have very strict
2 rules around here about what's to be contained in
3 reply briefs and sandbagging is of course not to be
4 permitted. I have no experience with the litigants in
5 front of me that isn't good and I always give the
6 litigants the benefit of the doubt when I'm dealing
7 with them. I will deal most unkindly with the
8 litigant who puts something in their reply brief that
9 is not appropriate, including, and I've had this
10 happen in the past, modifications to final and best
11 offers.

12 So with that in mind, I think I'm almost
13 completed with my part of the agenda, except to ask
14 Mr. Panner and Mr. Gay how soon I can expect the
15 Verizon answer.

16 ATTORNEY PANNER:

17 Your Honor, the answer will be filed on
18 Tuesday, you know, the 25 days statutory deadline.

19 JUDGE COCHERES:

20 Is that Mr. Panner?

21 ATTORNEY PANNER:

22 That was Mr. Panner.

23 JUDGE COCHERES:

24 All right. Fine. I will look forward to
25 receiving that. Now, do you think that there is any

1 need for, and I'm certainly not encouraging this, but
2 I want you to understand that it is available, for us
3 to meet informally either on or off the record between
4 now and the hearing date?

5 ATTORNEY GAY:

6 This is Mr. Gay for Verizon, Your Honor.
7 At the present time, I don't think so. I mean, if
8 something comes up, I'm sure we could work it out.

9 ATTORNEY SHOR:

10 Your Honor, this is Michael Shor for US
11 LEC. I would hope that there will not be any
12 Discovery disputes, but at this point, that's the only
13 substantive item that I can think of that would
14 potentially require your attention. But we're not
15 there yet.

16 JUDGE COCHERES:

17 Okay. I urge you not to have Discovery
18 disputes. Most judges don't like them, I fall into
19 that category of most judges. My format for handling
20 those, if I must, is to set some time frame up that's
21 convenient on short notice to the parties for a
22 conference call and to dispose of those things as
23 quickly and expeditiously as possible because
24 otherwise we're simply impeding the forward progress
25 of this case.

1 The other thought that I had is that in
2 formulating your final and best offers, do you think
3 it would be appropriate or helpful for me to comment
4 after I have seen either your answer from Verizon or
5 all of your pre-filed testimony or after the hearing,
6 perhaps near the conclusion of the hearing, on the
7 parties' positions? In other words, do a very brief
8 evaluation without the benefit of briefs.

9 ATTORNEY PANNER:

10 Your Honor, this is Aaron Panner. I
11 mean, for my part, I think it's always useful to know
12 what the issues are and what the key issues are. I
13 think it will help guide our briefing and make it
14 more, you know, our presentation more useful. You
15 know, certainly late on the date of the hearing, if
16 you were to say, you know, this is kind of how I see
17 things, I think that we would --- certainly Verizon
18 would find that very useful.

19 ATTORNEY SHOR:

20 Your Honor, this is Michael Shor for US
21 LEC. I have to agree it's always helpful to get a
22 sense from the finder of fact how that entity is
23 viewing the parties' cases. I think it would help us
24 in preparing our final and best offer and may narrow
25 substantially the area that you need to deal with

1 formally in a proposed decision.

2 JUDGE COCHERES:

3 Yes. How shall I put this? I'm of two
4 minds on that subject and I don't always bring it up.
5 I will tell you right now that if I decide to offer
6 those comments, and I probably will, that I don't
7 consider them binding. In other words, if I'm able to
8 produce movement and settlement of issues instead of
9 briefs, wonderful, but if I end up having briefs, it
10 may be that in reading your briefs, I may change my
11 mind on an issue and I want to make that perfectly
12 clear up front.

13 But on the other hand, I think that
14 sometimes a view from the top, and I've done this in
15 other cases, helps some parties occasionally with a
16 reality check that they need to understand. And I
17 think I've written enough on telco issues that it
18 shouldn't be too hard to predict where some of my
19 viewpoints are going to come from.

20 But with that idea in mind, I will try,
21 you know, to be prepared to do that at the end of the
22 hearing on July 17th.

23 Now, I believe that completes my agenda.
24 Is there anyone else who has an issue that they need
25 to deal with? I'll start with the Petitioner.

1 ATTORNEY SHOR:

2 Thank you, Your Honor. This is Michael
3 Shor for US LEC. I think that you have identified all
4 of the items that we had raised in our prehearing
5 memorandum and we are comfortable with where we are,
6 where we have wound up on these items.

7 JUDGE COCHERES:

8 Fine. For Verizon?

9 ATTORNEY GAY:

10 This is Anthony Gay, Your Honor.
11 Presently, we're comfortable where things stand.

12 JUDGE COCHERES:

13 All right. I will --- off the record.

14 OFF RECORD DISCUSSION

15 JUDGE COCHERES:

16 At any rate, gentlemen and ladies, I try
17 to be accessible. This will be the highest priority
18 case on my case list, notwithstanding that I actually
19 have another Verizon matter that will be tried the
20 preceding week. But I urge you that if you have some
21 need to talk to me to call my direct dial number,
22 which is (717) 787-9816. And if something arises, and
23 I'm certainly not encouraging it, but if something
24 arises that you think needs my immediate attention and
25 we need to set up a conference call, I'm confident

1 that the Chief Administrative Law Judge will allow me
2 to move things around on my calendar to accommodate
3 this case. It's our desire to get it done as
4 expeditiously as possible. Which brings me to the
5 question, does the Chief have any additional comments
6 for us?

7 JUDGE CHRISTIANSON:

8 No, I think you've covered the ground. I
9 think Yanks was the only one recently that's gone on
10 to the statutory limit, we might call it. We've
11 slipped a little bit, but I think it's good to
12 expedite these to the degree we can and I will move
13 things around as necessary to help out, at least
14 reasonably so. I don't give the Judge all of his
15 druthers, but we try to manage.

16 JUDGE COCHERES:

17 He's a good guy to work for. Ladies and
18 gentlemen, I will also very shortly send out a test
19 e-mail message to all of you just to make sure that I
20 have correctly entered your e-mail addresses. Kindly
21 respond so that when we need to use e-mail to contact
22 each other, that will work. As far as I'm concerned,
23 e-mail is fine as long as the hardcopy follows the
24 next day. Does anyone else have any comments or
25 questions?

1 ATTORNEY SHOR:

2 No, Your Honor, for US LEC.

3 JUDGE COCHERES:

4 And that was Mr. Panner?

5 ATTORNEY SHOR:

6 That was Mr. Shor.

7 JUDGE COCHERES:

8 Thank you, I'm sorry.

9 ATTORNEY GAY:

10 No, Your Honor, for Verizon and this is
11 Mr. Gay.

12 JUDGE COCHERES:

13 Thank you. Well, that being said, I
14 thank you all for coming and the cooperation that
15 you've shown so far and looking forward to meeting you
16 all on July 17th.

17 * * * * *

18 HEARING CONCLUDED AT 10:58 A.M.

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C E R T I F I C A T E

I HEREBY CERTIFY THAT THE FOREGOING PROCEEDINGS
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Petition of USLEC of :
Pennsylvania, Inc., for :
Arbitration with Verizon : Docket No.
Pennsylvania Inc., : A-3108147000
pursuant to Section 252(b) :
of the Telecommunications :
Act of 1996 :

Keystone Building
Plaza Level
400 North Street
Hearing Room 3
Harrisburg, PA

Wednesday, July 17, 2002
Commencing at 10:04 a.m.

BEFORE:
LOUIS COCHERES, Administrative Law Judge

REPORTER: MELISSA L. CHARLTON

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P R O C E E D I N G S

JUDGE LOUIS COCHERES:

Good morning, ladies and

gentlemen. As you're well aware by now, my name is Louis Cocheres. And I'm an Administrative Law Judge appointed to be the Arbitrator in the petition of USLEC of Pennsylvania, Incorporated, for arbitration with Verizon Pennsylvania, Incorporated, pursuant to Section 252 of the Telecommunications Act of 1996, at Commission Docket Number A-3108147000.

We're here today for what I believe will be our initial and only hearing in this matter. I do want to take a few moments to spread a few minor procedural things on the record. I always like to put on the record that I do, in fact, live in an area that is served by major utilities and that I have Verizon as my local exchange carrier. Currently I have MCI as my long distance carrier. I may want to rethink that. And I have AT&T as a cell phone carrier. I like to tell people that up front. If anyone has a problem with it, they should speak up now or forever hold their peace. Thank you.

As I indicated on the record at our prehearing conference and in my prehearing order,

6

1 I want very much to have a fairly uniform and orderly
2 proceeding today in terms of issue presentation. I
3 had hoped that we would be able to retain exactly the
4 same numbering system that USLEC used in its numbering
5 of issues in it's petition. However, I was somewhat
6 chagrined to notice that that wasn't quite followed.
7 But I don't think that's irretrievable. But I do want
8 to go through this hearing issue by issue, hearing
9 from each party for each issue before we move on to
10 the next one. I do that for three reasons. One, it
11 creates an orderly record; two, it means that your
12 briefs can follow the same format; and three, it means
13 my decision can follow the same format. And when that
14 is all taken up as a unit to be reviewed by the
15 Commission, hopefully the orderly record and the
16 wisdom of it all being so organized will be evident to
17 them.

18 Because the witnesses did not all
19 testify in numerical sequence in the sense some
20 witnesses covered some issues and some others, I will
21 swear all of the witnesses at the beginning of this
22 proceeding, because I expect that we are going to be
23 jumping back and forth somewhat between the
24 witnesses. And rather than interrupt the proceeding,
25 I'll just have everybody stand and issue the oath that

1 way.

2 The other thing that I noticed,
3 and I already sent an e-mail notice to all of you was
4 that I reviewed the settlement agreement that you had
5 submitted --- USLEC had submitted with the arbitration
6 petition. And when I reviewed it, since it was the
7 only copy of the agreement that I had, these little
8 white tags indicate things that you indicated were
9 disputed issues. Now, I know you have, in fact,
10 settled many of these little white tags but I don't
11 know which ones, other than to know that your
12 testimony covered a limited number. So before we
13 leave the room today, and I will wait until after the
14 hearing probably, at least until after we hear from
15 the witnesses, I will go through these, as I've
16 highlighted them in my copy, and just touch base with
17 you to make sure that I have covered each and every
18 issue that needed to be disputed. And for those that
19 are no longer disputed, you have an obligation to
20 furnish me with a copy of the language that you have
21 agreed to because I'm supposed to review it. I didn't
22 review everything that's in this particular book. And
23 but I do need to know what's already settled.

24 Now, in terms of already settled,
25 the parties have advised me that at least one of the

1 issues is currently settled that was on the table⁸
2 today. And I've lost track right now off the top of
3 my head of which witness that was, but one of the Bell
4 witnesses, I believe it was issue number 11. Ms.
5 Fleming's issue has been completely settled, as I
6 understand it.

7 ATTORNEY PANNER:

8 That is correct, Your Honor.

9 JUDGE:

10 Fine. I have no problem with
11 that. Again, that's just an example of settlement
12 language that I will need to see as part of this
13 proceedings. Are there any procedural issues use that
14 I need to go on before we move on hearing witnesses
15 testimony?

16 Hearing none, by my count I have
17 four witnesses, two from each side. If you folks
18 would please stand and raise your right hands.

19 WITNESSES SWORN EN MASSE

20 JUDGE:

21 All right. Now, for the purposes
22 of the record, I'm just going to start on my left with
23 the lady wearing the green outfit and ask her to tell
24 me her name.

25 MS. MONTANO:

1 Wanda G. Montano.
2 JUDGE:
3 And the gentleman next to her?
4 MR. HOFFMANN:
5 My name is Frank R. Hoffmann, Jr.
6 JUDGE:
7 Moving around the table.
8 MR. HAYNES
9 Terry A. Haynes.
10 MR. D'AMICO:
11 Pete D'Amico.
12 JUDGE:
13 Fine. All right.
14 ATTORNEY SHOR:
15 I don't recall if during our
16 prehearing conference we had already addressed and
17 identified that we had settled issues seven and ten.
18 JUDGE:
19 Yes. I reviewed that transcript
20 this morning. Interestingly, you did tell me that you
21 had settled two issues but I don't think it was
22 perfectly clear which ones they were. And I just
23 said, fine, which was no more illuminating on the
24 record than you were. So that would be issues seven
25 and ten in the USLEC.

1 ATTORNEY SHOR:

2 And issue 11 as well.

3 JUDGE:

4 Okay. So we're now --- I do have
5 a real basic question and it stems from having
6 reviewed the agreement. The agreement that was
7 provided to me, and I can understand why there was no
8 effective date, because obviously it hasn't been
9 approved but also on page one there was no date for
10 the initial term, were you contemplating an one year,
11 two year, 16 month? How many car payments were you
12 expecting in this agreement? Did you have some term
13 in mind.

14 MR. HOFFMANN:

15 It's my understanding the term of
16 the agreement was to be two years.

17 JUDGE:

18 Mr. Hoffmann, thank you very.

19 ATTORNEY PANNER:

20 I would have to get back to you,
21 Your Honor, on that question. And I can check it in
22 the agreement language, but I don't know the answer.

23 JUDGE:

24 I didn't see anything in the
25 agreement, as I read through it over the last several

1 days, to indicate that there was a particular time
2 frame that the parties have in mind.

3 ATTORNEY SHOR:

4 I think because of the way that
5 it's done is it's pegged to a specific date that once
6 you get --- know what the effective date is, then you
7 know what the termination date is. But you're
8 correct, it doesn't say for a term of X years and
9 beyond Y date if it does not do that.

10 ATTORNEY SHOR:

11 And section two, term and
12 termination, page one, there is a date that needs to
13 be filled in there and I appreciate that you don't
14 have the effective date yet. But I assumed that you
15 had at least a given amount of time available.

16 JUDGE:

17 All right. I have a procedural
18 question for the parties to tell me about, since it's
19 been awhile. Who goes first? The Petitioner?

20 ATTORNEY SHOR:

21 The Petitioner goes first.

22 JUDGE:

23 All right. Then as I recall you
24 have a choice between Ms. Montano and Mr. Hoffmann.

25 ATTORNEY SHOR:

12
1 Your Honor, USLEC will put Mr.
2 Hoffmann on the stand to address issues one and two
3 collectively. And Ms. Montano, after the Cross
4 Examination of Mr. Hoffmann, Ms. Montano will be
5 placed on the stand just for her testimony with
6 respect to those two issues as well.
7 JUDGE:
8 Yes. That leads to a question
9 that I had already written down and that's that the
10 parties seem to be treating one and two as a unit.
11 ATTORNEY SHOR:
12 That's correct.
13 JUDGE:
14 All right. Fine then Mr. Shor
15 will you finish presenting Mr. Hoffmann.
16 ATTORNEY SHOR:
17 USLEC calls Frank R. Hoffmann.
18 JUDGE:
19 Mr. Hoffman, you've been
20 previously sworn.
21 FRANK HOFFMAN, PREVIOUSLY SWORN, CALLED TO TESTIFY
22 DIRECT EXAMINATION.
23 BY ATTORNEY SHOR:
24 Q. Mr. Hoffmann, would you state your name and
25 business address for the record, please?

- 1 A. My name is Frank Hoffmann. I'm located at 6801
2 Morrison Boulevard in Charlotte, North Carolina.
- 3 Q. By whom are you employed?
- 4 A. I'm employed by USLEC.
- 5 Q. And what is your title?
- 6 A. I'm senior interconnection manager.
- 7 Q. Did you cause to have prepared, I believe it was
8 21 pages of Direct testimony filed in this matter on
9 May 31, 2002?
- 10 A. Yes, I did.
- 11 Q. If I asked you those questions today, would your
12 answers be the same?
- 13 A. I would have one revision.
- 14 Q. What revision that is?
- 15 A. That is to change my relative to nine trunks to
16 nine T-1s.
- 17 Q. And what page is that on; do you know?
- 18 ATTORNEY PANNER:
- 19 Frank, I think it's on page 20.
- 20 A. Thank you. Yes, you're absolutely correct, line
21 nine, page 20, continuing onto ten. Nine trunks per
22 day it should be changed to nine T-1s per day.
- 23 BY ATTORNEY SHOR:
- 24 Q. Other than that correction, do you have any other
25 changes, edits or corrections to your direct

1 testimony?

2 A. No, I do not.

3 Q. Did you cause to have prepared seven pages ---
4 six pages of rebuttal testimony filed in this matter
5 on July 9, 2002?

6 A. Yes, I did.

7 Q. Do you have any changes, corrections or additions
8 to that testimony?

9 A. No, I don't.

10 Q. If I ask you those questions today, would your
11 answer be the same?

12 A. Yes, I did.

13 ATTORNEY SHOR:

14 Your Honor, USLEC respectfully
15 moves the admission of the direct and rebuttal
16 testimony of Mr. Frank Hoffmann into the record,
17 subject to Cross Examine.

18 JUDGE:

19 It is the testimonies are
20 admitted, subject to Cross Examine, and in a timely
21 motion. Mr. Panner?

22 ATTORNEY PANNER:

23 Thank you, Judge.

24 CROSS EXAMINATION

25 BY ATTORNEY PANNER:

1 Q. Good morning. I'd like to start by getting your
2 help in explaining to the Commission and Judge
3 Cocheres USLEC's position on issues one and two. And
4 I have here a schematic diagram of the Philadelphia
5 LATA, the Pennsylvania portion of it, which I'll just
6 label in a pen on the bottom VZ-1.

7 ATTORNEY PANNER:

8 If that is all right with you.

9 JUDGE:

10 That is fine, as long as you don't
11 have a VZ-1 as part of your presentation.

12 (Exhibit VZ-1 marked
13 for identification.)

14 BY ATTORNEY PANNER:

15 Q. Now, in this diagram, I have a circled towards
16 the --- I have a large circle to represent the
17 Philadelphia LATA; do you see that?

18 A. Yes.

19 Q. And I have a small circle at the top of the big
20 circle that's labeled the Allentown local calling
21 areas; do you see that?

22 A. Yes, I do.

23 Q. And I also have a slightly larger circle down at
24 the bottom right. It's labeled Philadelphia local
25 calling area; do you see that?

1 A. Yes.

2 Q. And I have a box inside that's Philadelphia local
3 calling area, that's labeled the USLEC switch. Do you
4 see that?

5 A. Correct, yes.

6 Q. Now, is it accurate to say that the USLEC switch
7 is inside the Philadelphia local calling area?

8 A. I believe so.

9 Q. Was it your testimony that it was located ---
10 that your switch is located in Philadelphia local
11 calling area?

12 A. Could you direct me to that portion of the
13 testimony?

14 Q. I'll cover that later. But you'll take it
15 subject to check that you at least believe that the
16 USLEC switch is inside the Philadelphia local calling
17 area?

18 A. Yes.

19 Q. Now, in this diagram, let's suppose that the
20 capital letters A, B, C, D represent customers. Are
21 you with me so far?

22 A. Yes.

23 Q. Now, let's suppose that capital letter A is a
24 Verizon customer and that capital letter D is a USLEC
25 customer. First of all, is it accurate to say that

1 Verizon would have an end office within the local
2 calling area serving that customer A?

3 A. I cannot respond to that. I will assume that we
4 did.

5 Q. Okay. In fact, you testified, did you not, that
6 Verizon's network uses a large number switches, each
7 serving a relatively small area?

8 A. Yes.

9 Q. So it's likely that there would be a switch
10 within the local calling area serving that customer?

11 A. It's possible, yes.

12 Q. If it were --- if it were not within the local
13 calling area, it would be very close by?

14 A. That is also possible.

15 Q. Would you agree at that there are calling areas
16 in Pennsylvania where Verizon has end offices serving
17 customers.

18 ATTORNEY SHOR:

19 I'm going object only to the
20 extent that he's an USLEC witness. I don't know what
21 he knows about Verizon's network. So foundation.

22 BY ATTORNEY PANNER:

23 Q. Mr. Hoffmann, have you ever worked for Verizon?

24 A. Yes, I have.

25 Q. Okay. Do you, in fact, know whether Verizon has

1 any end offices in local calling areas in Philadelphia
2 LATA?

3 A. Not specifically what calling area or what switch
4 is located where, but simply by the fact that you have
5 switches in the LATA and you have local calling areas
6 in the LATA. I must assume that your switches are in
7 local calling areas. Whether you have a switch in
8 every local calling area, I do not know.

9 Q. Fair enough. It's at least possible then that
10 there would be a switch in that Allentown,
11 local Allentown calling area. Do you agree with that?

12 A. Yes.

13 Q. Now, if Verizon customer A --- well, let me ask
14 one further question before I pose my hypothetical.
15 Is it also correct that USLEC does not have a switch
16 in the Allentown local calling area?

17 A. We do not.

18 Q. In fact, you have only the one switch in the
19 Philadelphia LATA, which is, subject to check, inside
20 the Philadelphia local calling area?

21 A. That is correct.

22 Q. Now, so there would be some sort of a long line
23 or loop or some kind of a transport facility that, if
24 you have a customer inside the local calling area in
25 Allentown, there would be some kind of long facility

1 connecting your customer to that switch?

2 A. We would have a facility that would connect our
3 customer with our switch, yes.

4 Q. Now, suppose that a Verizon customer A were to
5 call that USLEC's customer D inside the Allentown
6 local calling area, first of all, A and D could be
7 quite close together; is that correct?

8 A. Yes.

9 Q. Okay. They could be next door neighbors?

10 A. Correct.

11 Q. Okay. And if that Verizon customer A placed a
12 call to the USLEC customer D, is it correct that
13 somehow that call would have to be transported from
14 the Verizon originating end office to the USLEC
15 switch?

16 A. Yes. I believe Verizon would transport that call
17 to the point of interface at Verizon's access tandem
18 and then hand that call off to USLEC switch for
19 termination to our customer D within the Allentown
20 local calling area.

21 Q. Okay. So just to clarify that, you say Verizon
22 would transport the call to its local access tandem
23 and your testimony was what?

24 A. No. I'm sorry. You misunderstood. I stated
25 that Verizon would route that call to the point of

20
1 interface, which USLEC has established that's your
2 access tandem, not your local tan number.
3 Q. Thank you for that clarification. So it's your
4 testimony that USLEC's point --- when you say point of
5 interface, what do you mean?
6 A. I mean the physical point where our networks
7 interconnect.
8 Q. And it's your testimony that that physical point
9 is the USLEC in the Verizon access tandem?
10 A. Both Verizon access tandem within the
11 Philadelphia line, yes.
12 Q. Now, the call would then have to be transported
13 from the access tandem to the Philadelphia local
14 calling area; is that correct, to USLEC switch?
15 A. It is my understanding that Verizon's access
16 tandem is located within the Philadelphia local
17 calling area, as I'm one mile away from the market
18 tandem.
19 Q. Okay. Do you know if the market tandem is
20 serving --- would be serving the call --- that
21 Allentown local calling area call?
22 A. No, I do not.
23 Q. You've testified that the point of interface
24 between the networks is at the Verizon access tandem?
25 A. Right.

1 Q. Is it, therefore, your testimony that the traffic
2 from the access tandem is transported over USLEC's
3 network from the access tandem to the USLEC switch?

4 A. I'm sorry. Could you repeat that again?

5 Q. Was it your testimony that the traffic is
6 transported over USLEC's network to USLEC switch?

7 A. Initially in the Philadelphia LATA, USLEC
8 purchased an OC-12 fiber ring, which was used to
9 transport both parties' traffic between our IPs from
10 my switch to your network and, conversely, from your
11 network through the port to my IP. USLEC outgrew the
12 capacity on that OC-12 and abandoned that facility and
13 purchased an OC-48 from Verizon. It is my
14 understanding Verizon currently uses the abandoned
15 OC-12 to terminate its traffic to USLEC.

16 Q. Okay. Let me clarify. When you say it uses the
17 abandoned OC-12 to terminate the traffic to USLEC, you
18 mean to deliver it to USLEC's switch?

19 A. Correct.

20 Q. And that OC-12 is Verizon's facility or USLEC's
21 facility?

22 A. That facility is Verizon.

23 Q. Okay. So in fact, Verizon is transporting its
24 originating over Verizon's network to USLEC switch; is
25 that correct?

1 A. Yes Verizon is using a facility which USLEC paid
2 non-recurring charges to have installed and paid the
3 monthly recurring charges for a 12-month period while
4 it was in our use.

5 Q. But you're not paying for that facility any
6 longer?

7 A. No, I don't believe.

8 Q. Now, does Verizon receive any compensation from
9 USLEC for transporting a call from Verizon caller A to
10 USLEC switch in the scenario I described?

11 A. I do not believe so.

12 Q. So your answer is no?

13 A. Correct.

14 Q. In fact, in the scenario that we're talking about
15 here there would be no --- well, in the scenario we're
16 talking about here, would Verizon receive any
17 additional compensation from its caller for
18 transporting the call to the USLEC switch in
19 Philadelphia?

20 A. I do not know. That would depend on the calling
21 plan that caller A has purchased from Verizon.

22 Q. So you don't know? Well, let me go back to
23 that. Why would it depend on the calling plan?

24 A. I'm not sure if caller A has a flat rated service
25 or a message rated service or some other type of

1 plan. I'm not familiar with Verizon's calling plans
2 but I do know they we have several.

3 Q. Let me rephrase the question. Would Verizon
4 receive any additional compensation for the call from
5 caller A to caller D because Verizon has transferred
6 the call to another carrier's network --- and
7 transported the call to another carrier's network or
8 would the charge be the same, as if the caller were
9 served by Verizon itself?

10 A. I'm sorry. I'm at a loss. I do not know what
11 Verizon charges customer A, if you have a policy of
12 charging something if it's intranetwork versus handing
13 it off to another carrier.

14 Q. Okay. Now, in your view, in the scenario that I
15 just described where caller A places a call to caller
16 D, would USLEC be entitled to a payment of reciprocal
17 compensation for terminating that call D as an end
18 user?

19 A. Yes.

20 Q. So you would actually require Verizon to pay you
21 despite the fact that Verizon is bearing all of the
22 cost to transport that call to the USLEC switch; is
23 that correct?

24 A. Yes, that is my understanding of what federal
25 rules require.

- 1 Q. Okay. Are you a lawyer?
- 2 A. No, sir.
- 3 Q. Okay. Now, let's suppose that instead of this
4 set that USLEC's switch were in Allentown --- or not
5 USLEC, but CLEC has a switch in Allentown, a single
6 switch. Are you with me so far?
- 7 A. Yes.
- 8 Q. Okay. And suppose that most of the calls that
9 are made between the two networks are originated and
10 terminated to numbers associated with the Philadelphia
11 local calling areas. Are you with me?
- 12 A. Yes.
- 13 Q. And suppose further that --- so that would mean
14 that there would be a very large volume of traffic
15 that Verizon would have to transport all the way up to
16 Allentown without any compensation from USLEC; is that
17 correct?
- 18 A. I can't comment as to the volume. But yes, you
19 would have to transport traffic between those two
20 areas.
- 21 Q. In my hypothetical, if it is a large volume of
22 traffic, Verizon would be responsible for transporting
23 all of that traffic; is that correct?
- 24 A. If the traffic were one way, yes, but if the
25 traffic traveled in both directions, I believe that

1 both carriers would be carrying the calls a similar
2 distances.

3 Q. And if it were Verizon's customer A calling
4 USLEC's customer D, it would be Verizon carrying the
5 call; correct? I guess I shouldn't have used those
6 letters because I'm no longer referring to the
7 diagram, but it's a hypothetical. But if it were
8 Verizon's customer calling USLEC's customer, Verizon
9 would be responsible for the transport to USLEC's
10 switch bearing the cost in your view?

11 A. I'm sorry. What local calling area would be
12 originating the call?

13 Q. If the call originated in Philadelphia and were
14 terminated to a number in Philadelphia, associated
15 with the Philadelphia local calling area, is it your
16 position that Verizon would bear the cost of
17 transporting that call all the way up to Allentown?

18 A. I'm sorry. I must have misunderstood your
19 question. I thought you just stated that the call
20 area, local calling area for Philadelphia, customer A,
21 made a call to another Philadelphia number, which I
22 would assume would be in the Philadelphia local
23 calling --- I'm confused with your reference to
24 Allentown here.

25 Q. I'm still working on the hypothetical where USLEC

1 has or a switch in Allentown --- I'm sorry, CLEC has a
2 switch in Allentown then Verizon would be responsible
3 for transporting that call up to the CLEC switch; is
4 that right?

5 A. Yes, it is my understanding that it is the
6 incumbent LEC's responsibility to transport that call
7 that originates on their network ---

8 Q. And indeed ---?

9 A. --- to the CLEC switch in Allentown.

10 Q. And under the contract language that you have
11 proposed, are you familiar with the contract terms
12 that you proposed?

13 A. Yes.

14 Q. You have been involved with the negotiations; is
15 that right?

16 A. Yes, I have.

17 Q. And under the language that you've proposed, a
18 CLEC could put its switch anywhere at all within the
19 Philadelphia LATA; is that correct?

20 A. Yes.

21 Q. And no matter where the CLEC chose to put its
22 switch, Verizon would be responsible for bearing the
23 cost of transporting its originating locally rating
24 traffic to that switch without compensation; is that
25 your position?

1 A. Yes. As our current arrangements dictate,
2 Verizon is charged a non-distance sensitive entrance
3 facility, which is flat rated.

4 Q. I'm not ---.

5 A. To go from your tandem to my switch.

6 Q. Just to be clear, I'm discussing now USLEC's
7 current proposal?

8 A. Yes.

9 Q. Your proposed language?

10 A. Yes.

11 Q. And that would permit any CLEC, because it's
12 correct that any CLEC would be able to adopt the terms
13 of the agreement that is adopted through this
14 proceeding; is that correct?

15 A. It's my understanding that that is Verizon's
16 obligation. But it's also my understanding that I'm
17 here today to arbitrate an agreement between Verizon
18 and USLEC only.

19 Q. I understand. But thank you for that. I'm going
20 to introduce a second little diagram which I will
21 label VZ-2.

22 (Exhibit VZ-2 marked
23 for identification.)

24 ATTORNEY PANNER:

25 And I'm sorry for not having these

1 pre-labeled. But since I wasn't sure of the order of
2 the witnesses ---.

3 BY ATTORNEY PANNER:

4 Q. I have here a schematic of a local calling area
5 that I've labeled the Allentown local calling area.
6 And are you familiar, as a general matter with
7 Verizon's network architecture?

8 A. On a high level, yes.

9 Q. Okay. And in fact, you testified as to what
10 Verizon's network architecture is; haven't you?

11 A. Yes. I've explained that the access network is
12 somewhat of a hub and spoke type architecture, whereas
13 the local network is a spider web, each point
14 connected to every other point, as I understand
15 Verizon.

16 Q. What I've represented here is A, B and C are
17 Verizon customers. Do you understand that?

18 A. Yes.

19 Q. And D is that USLEC or CLEC customer in this
20 diagram. Do you understand the diagram generally?

21 A. Yes.

22 Q. Now, I'd like to walk through with you the
23 functions that would be performed if caller A, Verizon
24 customer A called Verizon customer B and both were
25 served out of the same end offices I've represented in

1 this diagram. Can you tell me what function Verizon
2 would perform --- let me back up.

3 Do you agree that Verizon would switch that call
4 within its end office to deliver it from customer A to
5 customer B?

6 A. That is possible, yes.

7 Q. What is the other possibility?

8 A. Again, not being an expert on Verizon routing, I
9 would assume you could possibly, given some sort of
10 traffic congestion you might experience, send that
11 call to another office and back.

12 Q. Do you know whether typically a call that was
13 rather from --- routed from one customer to another
14 customer off the same end office would typically be
15 switched within the end office.

16 ATTORNEY SHOR:

17 I'm just going to object to the
18 extent it's continuing to call for speculation by this
19 witness on the functions of Verizon's switches.

20 ATTORNEY PANNER:

21 I'm sure if he doesn't know, he'll
22 inform the Court he doesn't know. He's testified to
23 Verizon's network architecture and how that
24 architecture is set up. If he doesn't know, he'll say
25 he doesn't know.

1 JUDGE:

2 Objection overruled.

3 A. I do not know if you would typically or always
4 switch that call within the office.

5 BY ATTORNEY PANNER:

6 Q. Well, would you agree with me that it is at least
7 possible that it would typically or, indeed, always be
8 switched within the end office?

9 A. It is a possibility that it would be, yes.

10 Q. And then suppose that Verizon customer A would
11 call Verizon customer C, which is being in this
12 diagram served out of different end offices. Are you
13 with me?

14 A. Yes.

15 Q. And is it possible that when Verizon customer A
16 calls customer C, that there would be originating
17 switching out of that end office or to customer A; is
18 that possible?

19 A. Yes.

20 Q. And then it would be transported over the trunk
21 between the end officer and customer A and the end
22 office serving customer C. Is that possible that it
23 would be transported over a trunk between those two
24 end offices?

25 A. Yes, it appears so.

1 Q. You testified that Verizon has a spider web
2 network. Does that mean that in many cases there
3 would be a direct trunk between end offices over which
4 calls are transported between the two end offices?

5 A. Yes.

6 Q. And then Verizon would perform terminating
7 switching in that end office to deliver the call to
8 customer C?

9 A. Yes.

10 Q. Is it also possible in some circumstances that
11 congestion over that trunk would cause the call to
12 overflow flow through Verizon's tandem?

13 A. Yes, I believe it is possible. If you're
14 experiencing congestion between the end offices which
15 customers A and C work out of, that you would possibly
16 route that call to, I believe, a local network.

17 Q. And, in fact, you testified that Verizon's local
18 network is comprised of multiple end office
19 connections between each and every end office and may
20 also cause one or more local tandems used to control
21 traffic connection; correct?

22 ATTORNEY SHOR:

23 On what page?

24 A. Page five, lines 19 through 21.

25 BY ATTORNEY PANNER:

1 Q. Would you agree that I've represented that your
2 testimony there in the schematic here in this diagram?

3 A. Yes.

4 Q. Now, do you know whether --- let me go back to
5 VZ-1, if you would, Mr. Hoffmann.

6 Now, just to review, if there is a call from
7 Verizon customer A to Verizon customer D, is it
8 correct that Verizon would be responsible, first of
9 all for originating --- doing originating switching
10 out of end office A?

11 ATTORNEY SHOR:

12 Excuse me. Do you mean USLEC
13 customer D?

14 ATTORNEY PANNER:

15 Yes, I'm sorry. Let me start
16 again since I misspoke.

17 BY ATTORNEY PANNER:

18 Q. If Verizon customer A were to call USLEC customer
19 D, is it correct that Verizon would perform
20 originating switching out of end office serving
21 customer A?

22 A. Yes, if that was the switch where customer A
23 received dial tone, I would agree.

24 Q. And then Verizon would perform transport between
25 that end office A to USLEC's switch possibly through

- 1 one or even more tandem switches; is that correct?
- 2 A. Correct.
- 3 Q. Okay. And then assuming that D is an end user
- 4 customer, USLEC would perform terminating switching;
- 5 is that correct?
- 6 A. Yes.
- 7 Q. And USLEC would be compensated for that
- 8 terminating switching through reciprocal compensation;
- 9 is that correct?
- 10 A. Yes.
- 11 Q. So to the extent that Verizon didn't have to do
- 12 the terminating switching anymore, it would be paying
- 13 USLEC to perform that function; is that correct?
- 14 A. Yes.
- 15 Q. Now, do you know whether the Pennsylvania
- 16 Commission has performed cost studies to determine the
- 17 cost of performing various functions that you have
- 18 described?
- 19 A. No, I'm not aware of the Pennsylvania Utility
- 20 Commission performing cost studies.
- 21 Q. Okay. Are you familiar with --- in general with
- 22 the fact that public utility commissions, state public
- 23 utility commissions have held proceedings in which
- 24 they have determined the cost of performing the
- 25 various network functions that we've been talking

1 about?

2 A. No. It is my understanding that the Commission
3 reviews cost studies submitted by Verizon relative to
4 Verizon's costs.

5 Q. Do you agree --- let me try to repeat the
6 question because I don't think you quite answered it.
7 Do you agree that state public utility commissions
8 have proceedings in which they determine the costs
9 associated with the various network functions that you
10 and I have been talking about?

11 A. I am familiar with proceedings where the
12 Commission will set rates, but not that they
13 necessarily establish costs.

14 Q. Okay. But you would agree that the Commissions
15 have established rates based on pricing standards in
16 the 1996 Act and FCC regulations?

17 A. Yes, it is my understanding that the Commission
18 approves Verizon rates subject to those orders and
19 rules and regulations.

20 Q. Okay. So it would be correct then that one
21 could using those Commission established rates
22 determine the difference in costs to Verizon of
23 delivering a call from, say, caller A to caller B in
24 the example on VZ-2 and the cost to Verizon of
25 transporting a call from Verizon customer A to USLEC

1 switch in Philadelphia; is that correct?

2 A. Yes, I would assume that one could use the rates
3 and underlying costs to compare those types of
4 scenarios. But it is my understanding Verizon is
5 responsible to transport the traffic that originates
6 on the network to the point of interface selected by
7 the ---.

8 Q. When you say they're responsible, that is a legal
9 conclusion?

10 A. I did not intend it to be.

11 Q. What did you mean by it?

12 A. I mean that it is my understanding that Verizon
13 must bear the costs associated with that traffic that
14 is originated on their network.

15 Q. Again, is that a legal conclusion?

16 A. I do not intend it to be.

17 Q. Okay. Is it possible that USLEC could
18 compensate Verizon, say to Verizon, we'd actually be
19 happy to pay those costs and we'll compensate you? Is
20 that theoretically possible?

21 A. Yes, negotiations allow for parties to agree to
22 waive certain rules that are forwarded to them under
23 the Act. So yes, to the extent that Verizon were to
24 offer me something that I would feel would be worth my
25 paying for traffic, which I do not feel that I'm

1 obligated, then I might consider that.

2 Q. Mr. Hoffmann, I just want to try to clarify for
3 the record, when you say that Verizon must bear costs
4 or is obligated to bear costs, is that a legal
5 conclusion or is it something else?

6 ATTORNEY SHOR:

7 Asked and answered.

8 ATTORNEY PANNER:

9 I don't believe he's responded
10 directly to my question. He said that he did not
11 intend it to be. I've asked him for clarification. I
12 don't think that he satisfactory responded to the
13 question.

14 JUDGE:

15 Mr. Panner, even if it is a legal
16 conclusion, it's not binding on me or the Commission.

17 ATTORNEY PANNER:

18 Thank you, Your Honor.

19 JUDGE:

20 That certainly sounds like his
21 understanding of what your company's obligations are.
22 It doesn't have to be mine.

23 ATTORNEY PANNER:

24 Right. Thank you, Your Honor, I
25 guess what I wanted to clarify is he's testified to or

1 --- he said that he's testifying to certain network
2 and engineering considerations. I wanted to make
3 clear there is no engineering or technical reason that
4 Verizon must bear this cost that this is an allocation
5 of responsibility.

6 ATTORNEY SHOR:

7 Can I object to his speech on the
8 record here? We've got questions and answers.

9 ATTORNEY PANNER:

10 Mr. Shor, you had an objection
11 ---.

12 JUDGE:

13 Let me make this easy. When I'm
14 having a discussion on the record with counsel, that
15 is either side, we'll have a discussion, he wasn't
16 asking the witness a question. He was talking to me
17 and you're certainly welcome to chime in with your
18 side. Mr. Panner, you didn't ask him that question,
19 whether it was a technical engineering reason that
20 there was an obligation there. You seem to be focused
21 on legal issue. I want you to resolve that and move
22 on.

23 ATTORNEY PANNER:

24 Okay.

25 BY ATTORNEY PANNER:

- 1 Q. Is there any technical or engineering reason
2 why Verizon must bear that obligation?
- 3 A. I would say yes.
- 4 Q. Can you tell me what it is?
- 5 A. USLEC has chosen its point of interface at the
6 access tandem. And it is my understanding that that
7 is USLEC's choice, and not Verizon's.
- 8 Q. Mr. Hoffmann, in the testimony we've used two
9 terms, points of interconnection and interconnection
10 point. You're now using a different term, point of
11 interface. Can you explain what you mean by that?
- 12 A. By point of interface, I mean point of
13 interconnection. I use those terms interchangeably.
- 14 Q. And your testimony now is that the point of
15 interconnection between the parties and Philadelphia
16 is at the Verizon access tandem?
- 17 A. Yes.
- 18 Q. Okay. I believe that --- well, I think you'll
19 find that it's your testimony and the testimony of Ms.
20 Montano in this proceeding that the point of
21 interconnection is the USLEC switch. Would you agree
22 with that subject to check?
- 23 A. If you could direct me to it, I would like to
24 check now.
- 25 Q. Well, I guess I'll --- well, this is actually ---

1 there's a reference to --- I believe, there are
2 clearer references elsewhere. Ms. Montano's testimony
3 hasn't been admitted yet. It may be clearer in
4 her's. But in your testimony on page ten at lines 18
5 to 19, it says it makes reference to Verizon's
6 proposing to move USLEC's IP from its switch to a
7 co-location arrangement. That suggested that it's the
8 current IP is USLEC's switch. Would you agree?

9 JUDGE:

10 Which testimony are you in?

11 ATTORNEY PANNER:

12 This is in Mr. Hoffman's testimony
13 on page ten.

14 JUDGE:

15 Is it in rebuttal or direct.

16 ATTORNEY PANNER:

17 His direct. I can read the
18 sentence. I may have confused the matter by
19 paraphrasing.

20 BY ATTORNEY PANNER:

21 Q. It says, this 76-day deadline is well beyond the
22 30-day transition period Verizon proposing for moving
23 USLEC's IP from its switch to a co-location
24 arrangement, that's at lines 17 to 19.

25 A. Yes, USLEC's IP is at its switch. I'm sorry, I

1 thought you had asked me about the point of
2 interconnection.

3 Q. So are you saying that the part of point of
4 interconnection and interconnection point are
5 different under the current agreement?

6 A. For traffic delivered from Verizon to USLEC, I
7 would answer yes.

8 Q. In fact, you testified that Verizon delivers
9 traffic to USLEC switch over Verizon's facilities?

10 A. In Philadelphia, yes. In Pittsburgh, Verizon
11 continues to use the OC-12, as we have not yet
12 outgrown that facility. We purchased an OC-12 fiber
13 ring from Verizon. And then Verizon leases transport
14 back from USLEC to carrier traffic to our IP.

15 Q. Now --- but then you said that we ---.

16 ATTORNEY PANNER:

17 Can I have the Reporter read
18 something back? Would that be all right?

19 JUDGE:

20 Yes, if she can find it.

21 ATTORNEY PANNER:

22 If you could go back to where I
23 asked the question, is there any technical or
24 engineering reason why Verizon should bear that cost,
25 if you could read back his answer to that question.

1 OFF RECORD DISCUSSION

2 COURT REPORTER READS BACK PREVIOUS QUESTIONS AND

3 ANSWERS

4 BY ATTORNEY PANNER:

5 Q. And you've testified that although it's Verizon's
6 responsible to --- although you've chosen --- let's
7 take the Pittsburgh LATA for a moment, you've
8 testified that, although it's Verizon's responsibility
9 to transport the traffic to Verizon access tandem on
10 the point of interface, that nonetheless, Verizon
11 bears the financial responsibility for carrying it
12 even further from the access tandem to USLEC's switch;
13 is that correct?

14 A. No. It's my understanding in Verizon terms is
15 that it is responsible to transport your originated
16 traffic to USLEC's IP. The point of interconnection
17 is simply the point at which the networks are
18 interconnected.

19 Q. Is it your testimony that USLEC is bearing the
20 cost of trans --- under current arrangements, is it
21 your testimony that USLEC is bearing the cost of
22 transporting traffic from Verizon's access tandem to
23 USLEC's switch, that USLEC is bearing that cost?

24 A. No. I would say that that cost is bearing borne
25 by Verizon over facilities that Verizon leases from

1 USLEC.

2 Q. Okay. But you have testified that Verizon is
3 carrying the traffic to the interconnection point at
4 the access --- excuse me, that Verizon is transporting
5 the traffic to the point of interconnection at the
6 access tandem; is that correct?

7 A. Yes, the traffic is transported to that point.

8 Q. But it bears the cost for transporting it, not
9 only to the access tandem, but even further to the
10 USLEC switch; is that correct?

11 A. Yes.

12 Q. Is there a technical or engineering reason why
13 Verizon should bear that cost?

14 A. It is my understanding that Verizon's definition
15 of the IP is the financial point, at which Verizon
16 must bring their traffic, just as USLEC must bring
17 their traffic to your IPs.

18 Q. In your view, that is a technical or engineering
19 reason?

20 A. I'm sorry. Could you re-ask the question?

21 Q. I've asked you about technical or engineering
22 reasons?

23 A. Yes.

24 Q. And then I'll drop this. I've asked you about
25 technical or engineering reasons why Verizon should

1 bear this cost. And you've stated that under the
2 terms of the agreement, Verizon has to bear the cost;
3 is that correct?

4 A. Correct.

5 Q. Okay. Are there any other technical or
6 engineering reasons?

7 A. Not that I can think of.

8 Q. You've testified that under the terms of the
9 agreement proposed by Verizon that Verizon is trying
10 to dictate the physical manner in which USLEC
11 establishes its chosen IP; is that your testimony?

12 A. Yes.

13 Q. Is it correct that under Verizon's proposed
14 contract language that, USLEC may chose any
15 technically feasible point of interconnection?

16 A. Yes, that is my understanding.

17 Q. So, in fact, USLEC may chose whatever physical
18 point interconnection it wishes to under the terms
19 proposed by Verizon?

20 A. Yes.

21 Q. You've also testified that not only that Verizon
22 is trying to dictate the physical point, but also the
23 manner in which USLEC testified it interconnects; is
24 that your testimony?

25 A. Yes.

1 Q. Okay. Is it correct that under the terms
2 proposed by Verizon that USLEC may select from several
3 different interconnection methods?

4 A. Yes.

5 Q. Including, for example, co-location or using an
6 entrance facility or a mid-stand meet, those different
7 methods?

8 A. Yes.

9 Q. Are you aware of any different methods that USLEC
10 might want to use?

11 A. No, I'm not.

12 Q. Okay. You testified in your direct testimony
13 that under Verizon proposal USLEC would be required
14 --- could be required to establish co-location
15 arrangements within 30 days of a Verizon's request.
16 Is that your testimony?

17 A. Yes.

18 ATTORNEY PANNER:

19 I have here, and I don't know,
20 Your Honor, if you want this marked. It's in the
21 records already. It's a portion of the
22 interconnection as marked up by USLEC and submitted
23 with their petition. I could mark it as a separate
24 exhibit if that would be more convenient for the
25 record.

1 JUDGE:

2 I think what you're trying to tell
3 me is that the interconnection agreement, the proposed
4 one was attached to the USLEC position?

5 ATTORNEY PANNER:

6 That's correct.

7 JUDGE:

8 And what you have is an excerpt
9 from it?

10 ATTORNEY PANNER:

11 That's correct.

12 JUDGE:

13 Well, we use the word record
14 somewhat generically around here. If you're talking
15 about the evidentiary proceeding that you're
16 participating in now, it is not part of the record.
17 So I think it would be a good idea for you to make
18 that an exhibit. We can incorporate the document,
19 which probably based on the questions that I have
20 about its content will ultimately be done. But at
21 least in this proceeding thus far, go ahead and make
22 it VZ-3.

23 ATTORNEY PANNER:

24 Thank you, Your Honor.

25 (Exhibit VZ-3 marked

1 for identification.).

2 BY ATTORNEY PANNER:

3 Q. Do you recognize this exhibit, Mr. Hoffmann?

4 A. Yes.

5 Q. Can you tell me what it is?

6 A. It appears to be the interconnection attachment
7 from the interconnection agreement that Verizon and
8 USLEC are currently negotiating.

9 Q. Can you turn with me to the page that has page
10 number 63 on it?

11 A. Yes.

12 Q. And when you say that Verizon could require USLEC
13 to establish a co-location arrangement within 30 days
14 of Verizon's request, are you referring to section
15 7.1.1.3 of Verizon's proposed language, much of which
16 has strike-throughs on it in this copy?

17 A. Yes.

18 Q. Now, I'm going to read from this, and tell me if
19 I've read accurately. It says USLEC may maintain
20 existing CLEC IPs, except that Verizon may request in
21 writing to transition such to USLEC IPs to the USLEC
22 IP described in subsection 7.1.1.1 and 7.1.1.2 above.
23 Have I read that sentence accurately?

24 A. Yes, you have.

25 Q. Then it says, upon such request, the parties

1 shall negotiate mutually satisfactory arrangements for
2 the transition to CLEC IPs that conform to subsections
3 7.1.1.1 and 7.1.1.2 above. Have I read that
4 accurately?

5 A. Yes, you have.

6 Q. And then it says, if the parties have not reached
7 agreement on such arrangements within 30 days, then
8 some consequences follow, which I can go over in a
9 minute. Have I read those portions of those proposed
10 findings accurately?

11 A. Yes.

12 Q. So what is it under this agreement that the
13 parties need to do within 30 days before other
14 consequences are triggered?

15 A. Reach agreement.

16 Q. Okay. Reach agreement. And if they do not
17 reach agreement, there are two options here. A,
18 either party may pursue available dispute resolutions
19 mechanisms initials --- excuse me, two consequences
20 that follow. A, either party may pursue available
21 dispute resolution mechanisms. Is that accurately
22 read?

23 A. Yes.

24 Q. And B, USLEC shall bill and Verizon shall pay
25 only the lesser of the negotiated intercarrier

1 compensation rate or the end office reciprocal
2 compensation rate for the relevant traffic, less
3 Verizon's transport rate, tandem switching rate to the
4 extent that traffic is tandem switched and other costs
5 to the extent that Verizon purchased such transport
6 from USLEC or a third party from Verizon's originating
7 ends office to the USLEC IP; is that correct?

8 A. Yes.

9 Q. Did you see any language in there that, in your
10 opinion, requires USLEC to establish a co-location
11 arrangement within 30 days?

12 A. Subsection B, because it is my understanding and
13 experience in negotiating with Verizon that, number
14 one, I will more than likely not be able to reach an
15 agreement with you in 30 days. And number two, absent
16 an agreement within 30 days Verizon will begin
17 offsetting the reciprocal compensation rate that
18 Verizon pays USLEC in the absence of a co-located
19 point of interconnection.

20 Q. So your testimony is that the parties would be
21 unlikely to agree and so the consequences outlined
22 here, the dispute resolution mechanisms could be
23 invoked and the transport offset would kick in? That
24 would be likely to occur?

25 A. Yes.

1 Q. So USLEC would have to bear some of the transport
2 costs from Verizon's end office to the USLEC switch;
3 is that your testimony?

4 A. Yes. It's my understanding that I would bear all
5 of the costs from the end office to my IP.

6 Q. So there is nothing in this agreement that
7 compels you to establish a co-location arrangement
8 within 30 days; is that right?

9 A. Not if I'm willing to accept a lower compensation
10 rate than has been agreed to in the interconnection
11 agreement; correct.

12 Q. Okay. And just to follow up on that a bit, in
13 your testimony --- in your testimony, you've testified
14 that there were a number of problems that might result
15 if USLEC were to change its current interconnection
16 architecture; is that correct?

17 A. Yes.

18 Q. And is it also right that those consequences
19 would only ensue if USLEC chose to change its current
20 interconnection architecture; correct?

21 A. Correct.

22 Q. And in fact, USLEC could maintain its current
23 interconnection architecture under the agreement as
24 proposed by Verizon; is that correct?

25 A. Yes, if we were willing to transport Verizon's

1 traffic from the originating end office, which my

2 understanding is not our obligation.

3 Q. When you say transport the traffic, you mean ---

4 what do you mean by that?

5 A. Compensate Verizon.

6 Q. Okay. In your testimony on page 12 at line 26,

7 25 to 26, you've testified that under the Verizon

8 proposal, if USLEC does not establish a co-located IP

9 --- this results in USLEC paying for all, emphasized,

10 of Verizon's transport costs within the local calling

11 areas, the words within the local calling area are in

12 italics. Can you explain why you emphasized those

13 words?

14 A. Because I think it's important to note that

15 Verizon is asking me to carry their traffic outside of

16 the local calling area.

17 Q. Can you --- Verizon --- what you've emphasized is

18 that you would bear USLEC would bear Verizon transport

19 calls within the local calling area. And you've just

20 stated that that's because you think it's important to

21 emphasize that we're asking you to bear the costs of

22 transporting it outside the local calling area?

23 A. I'm sorry. I must have misspoke. I wanted to

24 emphasize that not only are we responsible or being

25 asked by Verizon to carry out traffic outside the

1 local calling area, we're also being asked to carry
2 the traffic within the local calling area.

3 Q. Okay. Now, if we can go back to Exhibit Verizon
4 One, and this is admittedly a schematic, but when
5 you're talking about transport within the local
6 calling area, you're talking about the portion of the
7 line between the end office and the edge of the
8 circle; is that correct?

9 A. Yes, within that darkly shaded circle that you
10 have indicated is the Allentown local calling area.

11 Q. And would you, in a call from Allentown --- you
12 may not be familiar enough with the local calling
13 areas, but would you be willing to stipulate to the
14 fact that the mileage of transport within the local
15 calling area is a very small fraction of the total
16 transport mileage involved in transporting a call from
17 the Allentown end office to the USLEC switch?

18 A. I do not know that.

19 Q. This is a map that, unfortunately, is not so easy
20 to read but we'll work on it together. Do you see the
21 this is a map of the Philadelphia and Delaware
22 exchanges. Do you know what an exchange is?

23 A. No. Can you define it for me?

24 Q. Sure. I believe an exchange is another way of
25 referring to a local calling area.

1 A. Okay. I thought they were multiple exchanges
2 within a multiple calling area.

3 JUDGE:

4 You have to speak louder. You're
5 a very soft-spoken but I can't hear you at all when
6 you face away from me and the Court Reporter is having
7 difficulty as well.

8 ATTORNEY PANNER:

9 I'm sorry about the setup, Your
10 Honor, that I've made the witness --- it's due to the
11 setup, I'm sorry about that.

12 BY ATTORNEY PANNER:

13 Q. You're quite correct. A local calling area might
14 include many exchanges. For the purposes of the
15 hearing, I've pointed to Allentown, which is located
16 towards the --- it's certainly in the northern
17 quarter, the northern eighth of the LATA; is that
18 correct?

19 A. Yes, it appears to be.

20 Q. Okay. And Philadelphia is the located down in
21 this portion, Delaware, so it's down in the lower
22 right hand portion of the Philadelphia portion of the
23 LATA; is that correct?

24 A. Yes.

25 Q. Okay. And would you agree with me that one

1 could easily calculate the portion of the transport
2 that was within the local calling area versus the
3 portion of the transport that was outside the local
4 calling area?

5 A. Yes.

6 Q. And would you be willing to pay for the transport
7 from the edge of the local calling area to USLEC
8 switch?

9 A. No.

10 Q. Okay. So, in fact, you're not willing to pay
11 any transport at all; is that correct?

12 A. USLEC is willing to pay for the transport that
13 federal rules and regulations obligate me to pay. And
14 it is my understanding that it is not my responsible
15 to pay for Verizon's originated traffic until it gets
16 to my IP.

17 Q. I'd like to direct you to your direct testimony,
18 page 16. And in that portion of the testimony, you
19 quote from an FCC notice of proposed rule making; is
20 that correct?

21 A. Are you referring to the top of page 16?

22 Q. Yes.

23 A. Yes. I believe that actually begins on the
24 previous page, but I agree.

25 Q. Now, in the last sentence of the FCC report that

1 --- or notice that you've quoted there, it says, is
2 the efficiency concern limited to those instances in
3 which traffic between two networks is unbalanced
4 and/or transport is required beyond a certain
5 distance. Did I read that correctly?

6 A. Yes, you have.

7 Q. Do you believe that effect says concerns are
8 limited to those instances where traffic between two
9 networks is unbalanced and/or transport is required
10 beyond certain distances?

11 A. I think those are at least two of the factors.

12 Q. Okay. What sort of a traffic imbalance would be
13 required before you would have efficiency concerns?

14 A. Given the absence of federal regulations, I'm not
15 aware that there is a traffic balance issue which
16 would trigger USLEC's responsible to move from the
17 current points that they are today.

18 Q. Well, I'm not asking you about what federal
19 regulations require. You've made it a point that you
20 say you've testified, that a single IP does not
21 automatically expenses; is that your testimony?

22 A. Correct.

23 Q. But it is your testimony that it may be
24 expensive; is that correct?

25 A. Yes, it's possible.

1 Q. And one of the factors that would affected is
2 whether there was a traffic imbalance; is that
3 correct?

4 A. Yes. That, I assume, could be one of the factors
5 that, as stated here, the FCC is considering.

6 Q. And has USLEC made a proposal that would limit
7 Verizon's obligations based on the traffic remaining
8 imbalance or uncertain imbalance?

9 A. Yes. I believe that during negotiations we tried
10 to contain or alleviate Verizon's concerns that USLEC
11 would locate its IP. I think the term was used 80
12 miles away.

13 Q. That actually goes to my next question, which is
14 if the interconnection point were at great distance
15 from the location from traffic being originated, that
16 also might be inefficient; is that right?

17 A. Yes, that is possible.

18 Q. So given that --- so you agree that there might
19 be situations where traffic imbalance and/or distance
20 that traffic had to be carried would cause a CLEC
21 selection of point of interconnection to be
22 inefficient?

23 A. Yes, along with other things such as technology
24 employed, facilities availability.

25 Q. You've testified that it is less expensive for

1 Verizon to transport traffic to your chosen point of
2 interconnection than it is for USLEC to perform that
3 function itself; is that correct?

4 A. Could you direct me to my testimony, please?

5 Q. Sure. On page 20, lines 19 through 21, it says
6 if the volume of traffic originated from and/or
7 terminated to an additional Verizon tandem or end
8 office is low, it is more efficient for such traffic
9 to be carried on Verizon's network capacity.

10 A. Yes, that is my testimony. I was confused when
11 you used the term less expensive.

12 Q. Okay. Why is that significant?

13 A. The significance is that if the traffic volume is
14 low, it would be more efficient possibly for Verizon
15 to combine that with other traffic on a common
16 transport facility, as opposed to placing it on a
17 dedicated facility, which would be underutilized.

18 Q. And under VGRIPS (phonetic), would Verizon
19 perform the function that you've suggested would be
20 more efficient for Verizon to perform?

21 A. I'm sorry. Under what scenario with VGRIPS.

22 Q. Well, under Verizon proposal, would Verizon be
23 willing to perform the function of carrying the
24 traffic to the point of interconnection?

25 A. No, I do not believe Verizon is willing to carry

1 the traffic to the point of interconnection, unless it
2 is established via co-location. I believe you're only
3 willing to carry the traffic today if you're
4 compensated by USLEC.

5 Q. But Verizon would be willing to perform the
6 function if it were compensated?

7 A. That is my understanding, yes.

8 Q. Now, from the point of view of efficiency, does
9 it matter --- would the arrangement be more efficient
10 if --- first of all, what do you mean by efficiency?

11 A. By efficiency, I would mean that a facility is
12 being used at least at its minimum capacity. In other
13 words, I believe we have language contained in the
14 interconnection agreement which states that DS-1
15 utilization should not fall below 60 percent.

16 Q. And do you agree that under Verizon proposal or
17 USLEC's proposal, that that efficiency could be
18 gained?

19 A. If traffic volumes were low, yes.

20 Q. So in fact, the efficiency of carrying that
21 traffic over Verizon time and transport doesn't
22 actually say anything about who should ideally bear
23 that cost from an engineering standpoint; is that
24 correct?

25 A. No, from an efficiency standpoint, no. But it is

1 my understanding that it is not USLEC's obligation.

2 Q. So just to clarify, from an efficiency

3 standpoint, it the doesn't matter who bears the cost.

4 Verizon is equally consistent with efficiency, in your

5 view, or at least as consistent with efficiency as

6 USLEC's proposal?

7 A. Again, I believe that would depend on traffic

8 volumes.

9 Q. How would it depend on traffic volumes?

10 A. It would depend on traffic volumes going to and

11 from that end office.

12 Q. Can you explain what you mean?

13 A. Under your VGRIPS proposal, if I were to

14 establish an end office co-location arrangement,

15 Verizon requests the ability that that be turned into

16 USLEC's IP, and that USLEC would then bear the

17 responsibility of transporting that traffic. Verizon

18 could be originating minimum traffic from that office.

19 Q. But to be clear, USLEC refused to perform that

20 function or declined to perform that function; is that

21 right?

22 A. Yes.

23 Q. And then it would bear --- it would have to

24 compensate Verizon on an a use basis for that

25 transport; is that right?

1 A. Under Verizon's current proposal, yes.

2 Q. And if it was a minimal amount of traffic, that
3 compensation would be minimal; is that correct?

4 A. The dollar figure would probably be minimal. But
5 the percentage of offset to the recip (phonetic) comp
6 rate would be the same, whether there was one minute
7 or a million.

8 Q. Correct. But if it's a percentage of a minimal
9 amount, would that --- okay. Just to, again,
10 clarify, your point is that the offset would be the
11 same as a percentage. But if it was a minimal amount
12 of traffic, the dollar figure at stake would be
13 minimal; is that correct?

14 A. The dollar figure, yes, could be small.

15 Q. Okay. You've also testified that if Verizon
16 cannot demonstrate the costs that it incurs in
17 transporting traffic to USLEC's point of
18 interconnection, that it should not be able to
19 recover; is that correct?

20 A. I do not believe those are my exact words. But
21 it is my understanding or belief that it is Verizon's
22 responsible to prove if a form of interconnection is
23 expensive.

24 Q. And in your testimony, I'll direct you to your
25 testimony at page 16, there is a paragraph that be

1 begins line 16. I'm going to ask you some questions
2 about it.

3 ATTORNEY SHOR:

4 What page?

5 ATTORNEY PANNER:

6 Page 16 of the testimony,
7 beginning at line 16.

8 BY ATTORNEY PANNER:

9 Q. You've offered three reasons why Verizon's costs
10 may be minimal. It says, it may have facilities
11 already available. Is that what --- to carry the
12 originating traffic. Is that your testimony?

13 A. Yes.

14 Q. It's also correct that Verizon may not have
15 facilities available; is that correct?

16 A. Yes.

17 Q. And you have some experience with rate setting,
18 is that correct, in your background?

19 A. Many years ago, yes.

20 Q. And was it your experience that when a new
21 service was offered over an existing facility, that it
22 was offered for free?

23 A. Local services.

24 Q. What was your experience in rate setting?

25 A. My experience was in access-based services.

- 1 Q. So if an access service was provided over an
2 existing service, was it provided for free?
- 3 A. If by free you mean below costs, I do not believe
4 so.
- 5 Q. By free I mean free of costs.
- 6 A. I do not believe so, no. I do not believe that a
7 service would be offered for free where Verizon
8 incurred the costs.
- 9 Q. So Verizon could incur a costs, even if there was
10 an existing facility; is that your testimony?
- 11 A. Yes, that's possible.
- 12 Q. And you also testified that there may be only a
13 deminimous traffic volume exchange for that local
14 calling area; is that your correct?
- 15 A. Yes.
- 16 Q. It's true that there may be a very large traffic
17 area; is that not correct?
- 18 A. Yes, that is possible.
- 19 Q. And it's also true that if there were deminimous
20 traffic volume, the amount of compensation which USLEC
21 would be required to pay for transport under Verizon's
22 proposal would be very deminimous; is that correct?
- 23 A. Yes. But USLEC's position on this, as I've
24 stated is not related to whether the costs is
25 deminimous or rather large, that USLEC was not

1 believe it is our obligation to compensate Verizon for
2 transporting that traffic.

3 Q. Okay. So in fact, even if Verizon bore
4 extremely high cost, you would require --- you would
5 say that Verizon would have to bear that cost?

6 A. It is my understanding that that is Federal
7 regulations.

8 Q. Also to close the loop, you also say that the
9 distance between the local calling and the CLEC IP may
10 be minimum?

11 A. Yes.

12 Q. But it may not; is that correct?

13 A. Yes.

14 Q. And in fact, you could chose any location under
15 your proposal within LATA; is that correct?

16 A. Yes, I can.

17 Q. And that cost may be very high; is that correct?

18 A. No.

19 Q. Why not?

20 A. Because as we currently do today, and as USLEC
21 has proposed, the distance would be mitigated by the
22 fact that USLEC charges no more than a non-distance
23 flat rated entrance facility. So that charge would be
24 the same if I was five miles or 80 miles.

25 Q. But wouldn't Verizon bear the cost of

1 transporting the traffic over that 80 miles?

2 A. It would not be a mileage sensitive cost.

3 Q. Is that your testimony, that USLEC would not
4 charge mileage sensitive costs for a facility used to
5 transport traffic from any point 80 miles away to the
6 USLEC switch, is that correct, if it were a USLEC
7 facility?

8 A. From the point of interface to USLEC's IP, yes.

9 Q. But you've testified the point of interface is
10 the access tandem; correct?

11 A. Yes. I'm sorry. But you had mentioned any
12 facility. I didn't want to answer based on something
13 else that Verizon might purchase from USLEC, other
14 than an interconnection facility.

15 Q. I'm just trying to clarify. You've testified
16 that Verizon's cost depended, in part, upon the local
17 calling area and the USLEC IP?

18 A. Yes. I've testified that that might be one of
19 the factors, yes.

20 Q. And so wouldn't you agree that that suggests a
21 rate if that would add costs?

22 A. In conjunction with the other factors, yes, I
23 would agree.

24 ATTORNEY PANNER:

25 I have no further questions at

1 this time, Mr. Hoffmann. Thank you.

2 A. Thank you.

3 JUDGE:

4 Let's go off the record for a
5 moment.

6 OFF RECORD DISCUSSION

7 JUDGE:

8 Mr. Shor?

9 ATTORNEY SHOR:

10 Yes, thank you, Your Honor.

11 REDIRECT EXAMINATION

12 BY ATTORNEY SHOR:

13 Q. Just a few questions, Mr. Hoffmann. Do you
14 recall Mr. Panner asking you initially with reference
15 to VZ Exhibit One, that USLEC would be connected to
16 its customer D in the Allentown calling area by some
17 sort of facility? Do you recall that?

18 A. Yes.

19 Q. How would, in fact, USLEC be connected to its
20 customer, and let's assume from the Allentown calling
21 area?

22 A. USLEC would use an a combination of the OC-48
23 that USLEC purchases from Verizon out of their
24 intrastate access tariff, in conjunction with a DS-1
25 or DS-3 facility. More than likely purchase the FCC

1 tariff from the Verizon office within the Allentown
2 local calling area.

3 Q. And who would be responsible for the financial
4 costs of those facilities?

5 A. USLEC.

6 Q. And now, just let me see if you understand this.
7 Mr. Panner has drawn a diagram which he states
8 represents the Allentown calling area. Do you see
9 that? It's VZ-1 and also in VZ-2?

10 A. Yes.

11 Q. And he's identify two boxes in this diagram in
12 the Allentown calling area, which you have represented
13 are end offices serving Allentown. Do you see those?

14 A. Yes.

15 Q. Do you know for a fact how many end offices serve
16 the Allentown local calling office?

17 A. No, I do not.

18 Q. It could be one?

19 A. Yes, that's possible.

20 Q. And do you recall Mr. Panner asking you some
21 questions about the transport of the call when Verizon
22 customer A and Allentown called USLEC customer D
23 located in Allentown; do you recall that?

24 A. No.

25 Q. And he asked you to explain how the call would go

1 from the Allentown calling area to USLEC switch; is

2 that right?

3 A. Yes.

4 Q. And he discussed the transport that Verizon would

5 incur in carrying that call to the USLEC switch; is

6 that right?

7 A. Yes.

8 Q. How did USLEC get the call to its customer, call

9 customer D in Allentown?

10 A. USLEC transports that call over the facilities

11 that we lease from Verizon and third parties from

12 USLEC switch to caller D in the Allentown local

13 calling area.

14 Q. And who bears the cost of transporting the call

15 to caller D?

16 A. USLEC.

17 Q. Let's reverse the situation for a minute, if you

18 let's have USLEC caller D in Allentown call Verizon

19 caller A in Allentown. How does USLEC get the call

20 from caller D to Verizon?

21 A. USLEC would carry that call from caller D in the

22 Allentown local calling area over the DS-1 or DS-3

23 loop, which USLEC purchases from Verizon and would

24 then place that on the facility, either fiber ring or

25 transport that we may purchase from a third party to

1 USLEC switch. And they transport that to Verizon's

2 IP.

3 Q. Which is where, as you understand it?

4 A. In the Philadelphia local calling area.

5 Q. At its tandem?

6 A. Yes.

7 Q. So as I understand it, the call goes --- USLEC

8 carries the call from USLEC customer D to its switch,

9 which we agree is somewhere in Philadelphia, and then

10 take it is to Verizon's IP and its access channel; is

11 that right?

12 A. Yes.

13 Q. Who pays the transports cost for USLEC's

14 transport of that call?

15 A. USLEC.

16 Q. Does Verizon pay USLEC for transporting that

17 call?

18 A. They pay reciprocal compensation to terminate the

19 call.

20 Q. They pay reciprocal ---?

21 A. I'm sorry. I got the directions confused no,

22 USLEC pays for that. We pay for the facility that

23 carries the call from caller D to USLEC's switch over

24 to Verizon's IP, and then we pay Verizon reciprocal

25 compensation to terminate that call.

1 Q. So not only do you incur the transport cost of
2 taking the call from Allentown to Philadelphia and
3 handing it to Verizon's access tandem, you also have
4 to pay Verizon the terminating function?

5 A. Correct.

6 Q. And do you have any idea in Pennsylvania whether
7 the traffic between USLEC and Verizon is balanced?

8 A. It's my understanding that the traffic is roughly
9 in balance.

10 Q. So roughly the same number of calls are going
11 from USLEC to Verizon as are coming from Verizon to
12 USLEC?

13 A. That is my understanding.

14 Q. So roughly the transport costs that Verizon
15 incurs are roughly the same as the transport costs
16 that USLEC incurs?

17 A. That would be correct.

18 Q. Now, I think Mr. Panner also used the same
19 example but kind of reversed it and had customers in
20 Philadelphia and a switch in Allentown. I think that
21 was a hypothetical that was used. Would there be any
22 difference in the way the call is transported in that
23 scenario, if a USLEC customer in Philadelphia is
24 calling a Verizon customer in Philadelphia with the
25 switch in Allentown?

- 1 A. My understanding, it would be the reverse of the
2 situation you just discussed.
- 3 Q. And again, USLEC would bear the cost of
4 transporting the call from its customers to Verizon's
5 IP?
- 6 A. Correct.
- 7 Q. And would pay Verizon termination function for
8 taking the calls to its customer?
- 9 A. Yes, we would.
- 10 Q. Now, at several times there was some discussions
11 about a point of interconnection, which I think may
12 have also been referred to as a point of interface,
13 and an interconnection point. What is your
14 understanding of the point of interconnection? What
15 is it?
- 16 A. The point of interconnection, as I understand it,
17 is the physical point at which networks interconnect.
- 18 Q. And what --- and just so I understand, your use
19 to the phrase point of interface means the same thing?
- 20 A. Yes.
- 21 Q. And what do you understand the phrase
22 interconnection point to mean?
- 23 A. The interconnection point is the point on the
24 respective parties' networks wherein financial
25 responsibility to terminate the call begins. And that

1 has always been Verizon's access tandems for
2 termination of numbers or their end office for numbers
3 that subtandem end office and, conversely, USLEC's IP
4 has been USLEC's switch.

5 Q. So as you understand the traffic that USLEC
6 originates, where does it hand that traffic off to
7 Verizon?

8 A. We hand that off to Verizon at Verizon's IP.

9 Q. And USLEC is responsible for taking the traffic
10 to Verizon's IP; is that correct?

11 A. Correct.

12 Q. And how many different locations has USLEC
13 established points of interconnection or IPs with
14 Verizon for delivery of its traffic?

15 A. In Pennsylvania, I believe that number would be
16 four.

17 Q. And where are they?

18 A. In the Philadelphia LATA, that would be the
19 market access tandem and the Fort Washington access
20 tandem. And in Pittsburgh that would be the downtown
21 access tandem and the Oakland access tandem.

22 Q. Now, I believe Mr. Panner was discussing with you
23 some of the factors in determining the costs of
24 transporting traffic from the local boundary to the
25 switch; do you recall that?

- 1 A. Yes.
- 2 Q. And he discussed with you traffic volume?
- 3 A. Yes.
- 4 Q. And balance?
- 5 A. I believe so.
- 6 Q. Traffic balance. What other factors enter into
- 7 the equation of determining the costs of transporting
- 8 traffic?
- 9 A. The other factors, as I believe I've testified,
- 10 are facilities availability, the engineering type of
- 11 the facility, traffic volumes, distance. There's is a
- 12 number of factors involved.
- 13 Q. Would any of those factors alone be the
- 14 determining factor?
- 15 A. No, I do not believe so.
- 16 Q. And in any different situation, it could be a
- 17 combination of those factors that would impact the
- 18 costs?
- 19 A. Yes, that would be possible.
- 20 Q. And those factors are also in play in the concept
- 21 of efficiency; is that right?
- 22 A. Yes.
- 23 Q. Do any one of those factors alone determine
- 24 whether a particular method or particular route is
- 25 effective or not?

- 1 A. No, I do not believe so.
- 2 Q. And so again, it's a combination of factors?
- 3 A. Yes.
- 4 Q. Now, you've talked and Mr. Panner asked you some
5 questions about methods of interconnection. Do you
6 recall that?
- 7 A. Yes.
- 8 Q. And he suggested that USLEC had the ability to
9 choose several different methods of interconnection.
10 Do you recall that?
- 11 A. Yes.
- 12 Q. And do you recall what those methods of
13 interconnection are?
- 14 A. Yes, I believe so. I believe the three options
15 available are to purchase an entrance type facility
16 from Verizon, to purchase facilities from a third
17 party or to co-locate.
- 18 Q. Now, Verizon also has a proposal that was either
19 known as GRIPS or VGRIPS. Are you familiar with that?
- 20 A. GRIPS, yes.
- 21 Q. And under GRIPS, what does that mean?
- 22 A. The GRIPS proposal, as I understand it, requires
23 USLEC to establish an IP in every local calling area.
- 24 Q. And VGRIPS, what does that mean?
- 25 A. Virtual geographically relative interconnection

- 1 points requires USLEC to establish its point of
2 interface, via co-location and allow Verizon to
3 declare any end office co-location which USLEC
4 establishes to also be declared as an IP.
- 5 Q. And if USLEC declines to co-locate, what other
6 option is available?
- 7 A. If we decline to relocate, there really is no
8 option for USLEC. We are forced at that point to
9 compensate Verizon for traffic they originate from
10 their end office to USLEC's IP.
- 11 Q. Does USLEC co-location as a method of
12 interconnection?
- 13 A. No, we don't.
- 14 Q. Why is that?
- 15 A. Basically, it's not part of our business plan.
- 16 Q. Are there any economic reasons?
- 17 A. Yes. Co-location is extremely expensive.
- 18 Q. And so since USLEC does not now co-locate in
19 Pennsylvania under VGRIPS, USLEC would have to
20 establish expensive co-location sites at any number of
21 points selected by Verizon?
- 22 A. Yes.
- 23 Q. Alternatively, if USLEC declines, then what would
24 happen?
- 25 A. Under the current proposal, USLEC would have to

1 compensate Verizon for its originated traffic from
2 their originating end office to USLEC's IP.

3 Q. So if we go back to the scenario in VZ-1 where
4 Verizon customer A is calling USLEC customer D and
5 Verizon is carrying the traffic to USLEC's IP at its
6 switch, currently Verizon pays for that transport; is
7 that correct?

8 A. Yes.

9 Q. And under VGRIPS, is it your testimony that USLEC
10 would now have to bear that cost?

11 A. Yes.

12 Q. So that in addition to paying for the transport
13 cost when its customer D calls Verizon customer A,
14 which you already bear; is that right?

15 A. Yes.

16 Q. You would also have to bear the cost of Verizon
17 transport when its customer calls USLEC's customer; is
18 that correct?

19 A. Yes.

20 Q. So USLEC, in essence, would be bearing the entire
21 cost of transporting Verizon's traffic and USLEC's
22 traffic; is that correct?

23 A. Yes.

24 ATTORNEY SHOR:

25 I have no further questions.

1 JUDGE:

2 Any Redirect?

3 ATTORNEY PANNER:

4 Just a little bit. Sorry.

5 JUDGE:

6 No need to apologize. You have
7 the right.

8 REDIRECT EXAMINATION

9 BY ATTORNEY PANNER:

10 Q. You've testified that traffic between the two
11 networks is roughly in balance; is that right?

12 A. Yes.

13 Q. What do you mean by that?

14 A. Roughly in balance, it's my understanding that
15 current traffic is approximately two to three to one
16 in the State of Pennsylvania. And for a network
17 that's been out for basically about three years,
18 that's about as close to balance as you can get at
19 this point.

20 Q. So you're saying that USLEC receives two to three
21 times as much traffic as it originates?

22 A. Correct.

23 Q. Do you know if USLEC actually serves any
24 customers in Allentown?

25 A. I do not know. You would have to look to the

1 discovery responses we provided based on the rate
2 centers where we've been assigned NXXs and have
3 customers. I do not recall if Allentown is one of
4 them.

5 Q. In your discovery responses which were not marked
6 confidential you stated that you had an NXX code in
7 Allentown. Does that mean that you have customers in
8 Allentown?

9 A. Yes.

10 Q. Have you testified that you have virtual NXX
11 arrangements in Pennsylvania?

12 ATTORNEY SHOR:

13 Objection. That's not this
14 witness.

15 BY ATTORNEY PANNER:

16 Q. Have you reviewed USLEC's discovery responses and
17 have you reviewed the testimony of Ms. Montano? I
18 know those are two questions. But you can answer
19 both, if you can,?

20 A. Yes, I have.

21 Q. Are you familiar, either of your own knowledge or
22 from documents in this case, that USLEC provides a
23 virtual FX service in Pennsylvania?

24 ATTORNEY SHOR:

25 Object to the extent that this

1 goes beyond the scope of Redirect.

2 ATTORNEY PANNER:

3 I don't think it goes beyond the
4 scope of Redirect. He was asking about the cost that
5 would be incurred in transporting traffic to
6 Allentown. It is important to establish whether that
7 is a hypothetical or whether costs are incurred.

8 JUDGE:

9 I'll allow it.

10 A. I'm sorry, repeat the question.

11 BY ATTORNEY PANNER:

12 Q. The question is, do you offer virtual FX service
13 in Pennsylvania? Do you provide virtual FX service in
14 Pennsylvania?

15 A. USLEC provides foreign exchange service. We do
16 not have a service called virtual NXX. But, yes, we
17 provide foreign exchange service in the State of
18 Pennsylvania.

19 Q. So in fact, the fact that you have numbers in
20 Allentown does not mean necessarily that you have any
21 customers in Allentown; is that correct.

22 ATTORNEY SHOR:

23 Objection, mischaracterizes his
24 testimony.

25 ATTORNEY PANNER:

1 I asked him if it is correct.

2 ATTORNEY SHOR:

3 He testified that he does.

4 ATTORNEY PANNER:

5 I asked him if it is correct, the
6 fact that you --- okay. I'll allow the Judge to rule
7 on the objection before I talk on.

8 JUDGE:

9 Thank you. Would there be a
10 problem with him answering that question.

11 ATTORNEY SHOR:

12 Go ahead.

13 JUDGE:

14 He asked if it's correct. It
15 seems to me there are two possible answers. One, it
16 is correct or, two, it is not correct.

17 ATTORNEY SHOR:

18 Fine.

19 JUDGE:

20 Okay.

21 A. I have reviewed the discovery responses and Wanda
22 Montano's testimony. And the manner in which the
23 information that was provided to me for the discovery
24 responses indicate that that NXS in Allentown is being
25 used to provide service to customers in Allentown. My

1 recollection is that the six foreign exchange
2 customers that USLEC has in Pennsylvania, none of them
3 are in that rate center.

4 Q. You've said that none of the customer are in the
5 rate center. But that doesn't mean that some of those
6 customers might not have been assigned Allentown
7 numbers?

8 A. I do not know.

9 Q. Are you familiar with USLEC's rate structure in
10 Pennsylvania?

11 A. No, I'm not.

12 Q. Okay. Does USLEC --- are you familiar with ---
13 I'll ask you a question. If you know the answer
14 obviously you'll answer. If you don't know, you don't
15 know you don't.

16 Is USLEC free to charge more to provide service
17 to customers in Allentown than it is --- than it
18 charges to customers who are located in Philadelphia?

19 A. I do not know.

20 Q. Is USLEC compliant with VGRIPS in --- does USLEC
21 have arrangements with other incumbent local exchange
22 carriers in other states that comply with your
23 understanding of Verizon's VGRIPS proposal?

24 ATTORNEY SHOR:

25 Objection as to relevance. It

1 goes beyond the scope of Redirect.

2 ATTORNEY PANNER:

3 I'll withdraw the question.

4 BY ATTORNEY PANNER:

5 Q. In your understanding of VGRIPS, would a third
6 party co-location satisfy the requirement for
7 co-location?

8 A. Yes.

9 Q. Can you explain what a third party co-location
10 arrangement is?

11 A. A third party co-location, as I understand it
12 from the aspect of complying with VGRIPS is where
13 USLEC uses a third party's co-location arrangement and
14 transport to transport our traffic from our IP to the
15 point of interface with Verizon and, conversely,
16 Verizon hands off their traffic at that point of
17 interface via a facility provided by that third party
18 co-locator.

19 Q. So USLEC would comply with VGRIPS without
20 establishing any co-location arrangement in
21 Pennsylvania; isn't that correct?

22 A. We would have to establish arrangements with
23 third-party co-locators, which is completely different
24 from the interconnection architecture I've established
25 over the last three years with Verizon.

1 ATTORNEY PANNER:

2 I have no further questions.

3 JUDGE:

4 Are we finished with this

5 witness? Mr. Shor? Let's go off the record for a

6 moment.

7 OFF RECORD DISCUSSION

8 ATTORNEY SHOR:

9 I think I just have one two follow

10 ups to the Recross.

11 RECROSS EXAMINATION

12 BY ATTORNEY SHOR:

13 Q. You recall Mr. Panner asking you about the

14 assignment and usage of NXX codes?

15 A. Yes.

16 Q. And he asked you whether the NXX assignment to

17 Allentown was being utilized by customers physically

18 located in Allentown?

19 A. Yes.

20 Q. Now, USLEC provided Verizon with a list of NXX

21 codes that it utilizes throughout Pennsylvania. Do

22 you recall that?

23 A. Yes.

24 Q. To your knowledge, does USLEC have customers

25 physically located in the local calling areas where

1 those rate centers are?

2 A. Yes.

3 Q. Each and every one of them?

4 A. Yes.

5 ATTORNEY SHOR:

6 I have no further questions.

7 ATTORNEY PANNER:

8 No further questions.

9 JUDGE:

10 Fine. The witness is excused.

11 Thank you for coming, sir.

12 A. Thank you.

13 JUDGE:

14 I can't see any point in starting
15 the next witness before going to lunch. And my
16 assumption is that we will come back from lunch and do
17 Mrs. Montano's testimony on issues one and two only
18 before we switch over to the Verizon side.
19 Recognizing that she does go beyond one and two, I
20 only find that interesting, but I do not want to build
21 the record differently. So if you could all be back
22 in your seats by about 1:30, that would probably work
23 very well.

24 ATTORNEY SHOR:

25 In terms of timing, how long do

1 you intend to go today?

2 JUDGE:

3 Until we are finished.

4 ATTORNEY SHOR:

5 Thank you. I will be brief.

6 LUNCH BREAK TAKEN

7 JUDGE:

8 Good afternoon, ladies and

9 gentleman. I see we have Mrs. Montano in the witness
10 seat. Mr. Shor?

11 ATTORNEY SHOR:

12 Yes, USLEC calls Wanda Montano to
13 the behalf of USLEC.

14 WANDA MONTANO, PREVIOUSLY SWORN, CALLED TO TESTIFY

15 JUDGE:

16 Ms. Montano, I know you've already
17 taken the oath as a witness. So it's up to you and
18 your counsel to proceed.

19 A. Thank you.

20 DIRECT EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Ms. Montano, would you please state your full
23 name and business address for the record?

24 A. Wanda G. Montano, 6801 Morrison Boulevard,
25 Charlotte, North Carolina, 28311.

- 1 Q. By whom are you employed?
- 2 A. USLEC Corp.
- 3 Q. What is your title?
- 4 A. Vice president, regulatory and industry affairs.
- 5 Q. Did you cause to be prepared 34 pages of direct
- 6 testimony that were filed this proceeding on May 31,
- 7 2002?
- 8 A. Yes, I did.
- 9 Q. Do you have any changes or corrections to that
- 10 testimony?
- 11 A. Yes. On page 21 at line four, the answer was
- 12 that we do not currently utilize service. And we have
- 13 done additional research to determine that, in fact,
- 14 we do have six customers in Pennsylvania that purchase
- 15 foreign exchange services from USLEC.
- 16 Q. Do you have any other changes or corrections to
- 17 your testimony?
- 18 A. No, I do not.
- 19 Q. If I would ask you those questions today, your
- 20 answers be the same?
- 21 A. Yes, they would.
- 22 Q. And did you cause to have prepared 14 pages of
- 23 rebuttal pages that were filed in this proceeding on
- 24 July 9, 2002?
- 25 A. Yes, I did.

1 Q. Do you have any changes or corrections to this
2 testimony?

3 A. No, I do not.

4 Q. If I were to ask you these questions today, would
5 your answers be the same?

6 A. Yes.

7 ATTORNEY SHOR:

8 Your Honor, on behalf of USLEC I
9 respectfully move the admission of the direct and
10 rebuttal testimony of Wanda G. Montano into the
11 record, subject to Cross Examine.

12 JUDGE:

13 USLEC statement 2.0 and 2.1 are
14 admitted, subject to Cross Examine and any timely
15 motions. Mr. Panner?

16 ATTORNEY PANNER:

17 Thank you, Your Honor. Before I
18 begin my cross examination, I'd like to clear up one
19 matter. I'd like to move the admission of the
20 exhibits marked VZ-1, VZ-2 and VZ-3.

21 JUDGE:

22 They're admitted without
23 objection.

24 ATTORNEY PANNER:

25 Thank you, Your Honor.

1 CROSS EXAMINATION

2 BY ATTORNEY PANNER:

3 Q. Good morning, Ms. Montano.

4 A. Hi.

5 Q. You testified in your testimony that under FCC
6 decisions, the default rule is the physical connection
7 of the party's network and the demarcation mark
8 indication of financial responsibility are at the same
9 point that's in your direct testimony at page 45, line
10 22 to page five, line one; is that correct?

11 A. Yes, it is.

12 Q. To be clear, that's a legal conclusion; is that
13 correct?

14 A. Yes, it is.

15 Q. And also to be clear, did you understand Mr.
16 Hoffmann to testify that under the parties current
17 arrangement the point of physical demarcation and the
18 point of --- excuse me, the point of physical
19 connection and the demarcation of financial
20 responsibility is not the same?

21 A. I believe that's what Mr. Hoffmann said, but I'd
22 like to clarify that. USLEC's position is that for
23 traffic that Verizon terminates to USLEC, both the POI
24 and the IP are at our switch. Traffic in the opposite
25 direction, we deliver that traffic to you at your

1 tandem. The term IP is something that Verizon has
2 created for the context of this agreement and does not
3 exist in any legal or regulatory documentation.

4 Q. Okay. That is fine. But it is certainly
5 possible to talk about a different physical connection
6 from the demarcation of financial responsible, that is
7 certainly possible to talk about?

8 A. Certainly.

9 Q. In your testimony on page six, at lines five to
10 six, you say that the Act and the FCC recognize that
11 new entrances such as USLEC must be able to determine
12 the most efficient location for the exchange of
13 traffic. Is that your testimony?

14 A. Yes, it is.

15 Q. Is that a legal conclusion?

16 A. I would consider it both a legal and a business
17 conclusion as well, because those are the rules that
18 are set in place under which we operate.

19 Q. So it would be correct to say it's a legal
20 conclusion?

21 A. I answered it. I said it was both a legal and a
22 business conclusion.

23 Q. In what way is it a business conclusion and not a
24 legal conclusion?

25 A. Because the industry in which both of our

1 companies operate is regulated by state utility
2 commissions as well as it's FCC. And their decisions
3 are interpreted by the courts. Those becomes the
4 rules of the road for any company that chooses to
5 operate in this environment and offer services.
6 Therefore, it becomes the frame work for our business
7 plan.

8 Q. Is that framework a legal framework or is it
9 something else?

10 A. I consider it to be both.

11 Q. You say that USLEC must be able to determine the
12 most efficient location for the exchange of traffic.

13 What do you mean by the most efficient location?

14 A. The location at which point we will exchange
15 traffic with our partners, such as Verizon.

16 Q. What does the term most efficient location mean?

17 A. I think it is a technical description in terms of
18 what technically works.

19 Q. Can you be more specific? So any arrangement
20 that technically works is the most efficient?

21 A. Not necessarily.

22 Q. How would you distinguish a more efficient from a
23 less efficient technically possible arrangement?

24 A. I think we would look at the network design of
25 what we are purchasing from Verizon and other vendors,

- 1 the vendor which we are providing service to our
2 customers to determine, based on that, what works in
3 terms of the closest or point of interconnection to a
4 network.
- 5 Q. The closest point of interconnection to what?
- 6 A. Your network.
- 7 Q. To our network?
- 8 A. To our partner's network.
- 9 Q. So I just want to --- you've testified --- you've
10 chosen the words that are the most efficient
11 location.
- 12 A. Uh-huh (yes).
- 13 Q. You're testifying that the most efficient
14 location is the location --- well, let me back up.
15 You've testified that Verizon has a ubiquitous network
16 in the Philadelphia LATA; didn't you?
- 17 A. Yes, I have.
- 18 Q. Just to clarify that, do you know if Verizon
19 provides services to all areas in the Philadelphia
20 LATA?
- 21 A. It is my understanding that Verizon is the
22 incumbent LEC in that territory, yes.
- 23 Q. Subject to check, is it possible that there are
24 actually independents who also provide services?
- 25 A. Yes, I believe Commonwealth Telephone also

1 provides service in that LATA as well.

2 Q. So it would actually be --- there are some
3 portions of the LATA where Verizon provides services?
4 Do you believe that that's correct?

5 A. Yes.

6 Q. So when you say that a place is closer to Verizon
7 network, what do you mean?

8 A. Based on the services that we are purchasing from
9 Verizon in order to service our customers, which as
10 Mr. Hoffmann has described, is an OC-48 ring, and we
11 purchase that out of your special access tariff from
12 the wholesale part of your business, then we will
13 interconnect with you at some point off of that ring
14 network. And so we look at that ring design and where
15 it goes. We typically run it through your tandem
16 offices so we can make sure that we have done an
17 efficient design of our network to efficiently
18 exchange change traffic between the two companies.

19 Q. So for traffic originated by Verizon, you would
20 pick up the traffic at various points on Verizon's
21 network where it was most efficient?

22 A. It is not our responsible to pick up Verizon's
23 traffic, it is your responsibility to deliver traffic
24 to me at my point of interconnection.

25 Q. I'm not asking you about what our responsibility

1 is. I'm asking about what the current arrangements
2 are. You testified that you would have a point of
3 interconnection in various places on Verizon's
4 network?

5 A. The points of interconnection that you're
6 describing are for the traffic that I originate that I
7 deliver to Verizon.

8 Q. And now I'm asking you about the traffic that
9 Verizon customers originate. How would you decide
10 what the most --- how would you decide what the most
11 efficient place is to pick up that traffic?

12 A. We determine what the IP is and we have selected
13 our switch at the IP.

14 Q. And why is that the most efficient point?

15 A. Because we believe that that is our legal right
16 to make that decision.

17 Q. Okay. Do you doubt that Verizon --- strike
18 that.

19 You've testified that the requirement that USLEC
20 designate an end office co-location as an
21 interconnection point would require USLEC to mirror
22 Verizon's architecture; is that your testimony?

23 A. Yes, it is.

24 Q. First of all, does USLEC have any co-location or
25 anything in the Philadelphia LATA?

1 A. No, we don't.

2 Q. Now, if you were co-located in a particular end
3 office, would you by definition already have
4 facilities in place in that location?

5 A. I don't understand your question.

6 Q. Okay. What don't you understand?

7 A. What you mean by facilities.

8 Q. Would you have some kind of facility, any kind of
9 equipment in place at that co-location rate?

10 A. Typically when a CLEC built the co-location cage
11 at a CO, there is some equipment that they install
12 there.

13 Q. Okay. And would that equipment be connected to
14 your network in some way by some kind of transport
15 facility?

16 A. If USLEC's business plan included co-location,
17 then, yes. But since our business plan does not
18 include co-location, you know, it's a theoretical
19 question.

20 Q. Okay. So the dispute over section 7.1.1.3 is
21 purely theoretical?

22 A. I couldn't consider that to be theoretical
23 because you're asking us to include language in the
24 interconnection agreement that would allow you to
25 force us to change the way that we do business by

- 1 requiring us to co-locate.
- 2 Q. Under 7.1.1.3, under your understanding?
- 3 A. Would you give me a copy, please? I'm not going
4 to ---.
- 5 Q. Certainly. This has been previously entered as
6 Verizon Exhibit Three. Excuse me, I may have confused
7 you because I referred to the wrong section. I'm glad
8 you brought the agreement in front --- so I can put
9 the agreement in front of us so we can correct the
10 record. I'm really referring to 7.1.1.2,, which is
11 the provision that refers to a situation where USLEC
12 had a co-location site.
- 13 A. Okay.
- 14 Q. And it says here that the beginning of the
15 section is at anytime that USLEC establishes the
16 co-location site at a Verizon end office. Have I read
17 that correct?
- 18 A. Yes.
- 19 Q. So this would only apply in a situation where
20 USLEC establishes an end office co-location
21 arrangements?
- 22 A. If you take it out of context, yes. If you leave
23 it in context to 7.1.1.3, our concern is that Verizon
24 could force us to do this.
- 25 Q. Okay. Is that your concern is that Verizon

1 could force you to do that, even if you didn't chose
2 to establish an end office co-location arrangement?

3 A. Absolutely.

4 Q. And that's your main concern?

5 A. I wouldn't characterize it as a main concern.

6 It's one of our concerns.

7 Q. What are your other concerns?

8 A. There is the issue with the 30 days in terms of
9 negotiating things. And if you look at the track
10 record we have with negotiating anything with Verizon,
11 it's nothing that can be done in 30 days. And
12 secondly, we have an existing architecture for which
13 we are paying you special access retail rates. And
14 I'm sure that the wholesale side of your business
15 would not be pleased to leave that business. And we
16 do not want to disrupt our network and our customers.
17 And again, the track record that we had with Verizon,
18 anytime we've tried to re-groom our network or move
19 customers is that customers go out of service. You
20 guys do not do a very good job of moving customers
21 around for us.

22 Q. Again, getting back to the language of 7.1.1.2,
23 it begins --- it says at any time that USLEC
24 establishes a co-location site at a Verizon end
25 office. Is that what that language says?

1 A. Yes.

2 Q. Okay. Now, would this provision apply in any
3 circumstance, in your understanding, with this
4 provision 7.1.1.2 apply in any circumstance where
5 USLEC did not establish a co-location or site at a
6 Verizon end office?

7 A. I believe my earlier answer was that if you take
8 that paragraph out of context, no. But if you leave
9 it in connection to the agreement, yes.

10 Q. And can you explain to me how that paragraph
11 would apply in context?

12 A. If you read the next paragraph, the concern that
13 we have is that --- except that Verizon may request in
14 writing to transition such USLEC IPs. You can request
15 it in writing, I can say no. Then we go into dispute
16 resolution. And we continue to have this issue. I
17 have an existing network architecture. It works. It
18 is not broken. Why do I need to change?

19 Q. Okay. Just to be very clear, if I were to say
20 to you that provision 7.1.1.2 applies only in a
21 circumstance where USLEC establishes a co-location
22 site at a Verizon end office, either standing alone or
23 in context, would that eliminate your objections to
24 7.1.1.2?

25 A. Based on the track record of six years that I've

1 been dealing with Verizon, no, I have no level of
2 confidence.

3 Q. Thank you. But if I were to say that aside from
4 the fact that you might not take it as true, if it
5 were true, would you have any other objection to that
6 provision?

7 A. Well, our objection would be the language at the
8 end of the paragraph that says that Verizon will pay
9 us last year transport rate, tandem switching rate and
10 those issues. We would not agree to that rating
11 schedule.

12 Q. Do you have any --- and I apologize if this is
13 asked and answered. I want to make sure it's clear on
14 the record. But do you have any plans to establish an
15 end office co-location site during the term of this
16 agreement in Philadelphia or Pittsburgh LATA?

17 A. Not at this time.

18 Q. Okay. Do you agree that there are some
19 circumstances where an incumbent LEC may require a
20 separate point of demarcation or where it would be
21 appropriate for the state Commission to require a CLEC
22 to establish a point of financial do mark indication
23 different from the physical point of interconnection
24 in the LATA.

25 ATTORNEY SHOR:

1 Objection as to form. It's a
2 compound question.

3 ATTORNEY PANNER:

4 I'll try to rephrase it.

5 BY ATTORNEY PANNER:

6 Q. Do you agree that there are circumstances where a
7 state commission could require a CLEC to establish a
8 point of financial demarcation, as you've referred to
9 it in your testimony, different from the physical
10 point of interconnection of the two networks?

11 A. I don't think it's my right to speculate on what
12 any state commission might or might not do. That's
13 within their purview, within the frame work of their
14 statute and their rules.

15 Q. Have you testified that there are circumstances
16 where it would be appropriate for a state commission
17 to establish a separate IP where CLEC requires an
18 extensive form of interconnection?

19 A. Is there something in my testimony that you would
20 like me to look at?

21 Q. Well, it's on page two. There's a question and
22 answer that begins on line 12. And then there was an
23 answer at line 16 to 18?

24 A. Is this rebuttal or direct?

25 Q. I'm sorry. It's in your rebuttal. I apologize.

1 A. Okay.

2 Q. So we're discussing the bottom of page two. I've
3 referred you to the question and then the answer at
4 line 16 to 18. You testified that there are
5 circumstances where a state commission may require a
6 CLEC to establish a separate IP from it's point of
7 interconnection?

8 A. Yes.

9 Q. Did you sponsor a question in discovery
10 concerning the location, the NXX codes that USLEC has
11 in service in the Philadelphia LATA?

12 A. Yes, I did.

13 Q. Do you know if USLEC is able to charge more when
14 it serves a customer that is located further from its
15 switch for providing a local service?

16 A. USLEC is a non-dominant carrier and, as such, has
17 no market power. We use market-based pricing and we
18 have to charge our customers in accordance with what
19 the market will bear. I doubt they would let me
20 charge them more than you would charge them.

21 Q. I'll ask it again. Do you charge your customers
22 more, depending on how far they are located from your
23 switch in the Philadelphia LATA?

24 A. We do market-base price. Assuming that Verizon,
25 and I am speaking solely from memory, that Verizon has

1 zoned pricing, based on how far customers are in
2 density zones. If we are pricing against those
3 density zones then, yes, we may charge differently
4 based on those zones. It may also be a function of
5 what Verizon charges us for the underlying facility.
6 However, I am not the marketing person for USLEC.
7 Q. Let me try to establish --- you've made a
8 statement about what Verizon charges. Are you
9 familiar with Verizon local exchange rates in
10 Pennsylvania?

11 ATTORNEY SHOR:

12 Objection. I believe that
13 mischaracterizes the witness' testimony.

14 ATTORNEY PANNER:

15 You can --- if you'd like to read
16 back the answer, you can decide whether you want to
17 maintain the objection. I would say she that she did
18 talk about the Verizon charge to the customer.

19 ATTORNEY SHOR:

20 The last answer was what Verizon
21 charges her.

22 A. I general know about the tariffs. I am not an
23 expert on them.

24 BY ATTORNEY PANNER:

25 Q. Do you know if Verizon charges a greater rate for

1 basic local service based on the customer's distance
2 from the end office serving the customer?

3 A. No, I do not.

4 Q. Do you know if Verizon can charge more when a
5 customer makes a call that is delivered to a USLEC
6 customer, Verizon has to route that call over a
7 distance USLEC switch?

8 A. I have no idea what your pricing policies are.

9 Q. So you don't know whether, in fact, Verizon has
10 any mechanism to recover the increased cost of
11 delivering a call to the USLEC switch?

12 ATTORNEY SHOR:

13 Objection, assumes facts not in
14 evidence.

15 BY ATTORNEY PANNER:

16 Q. Mr. Hoffmann testified, did he not, that he
17 wanted to calculate the difference in costs between
18 delivering a call within the local calling area for
19 Verizon and the cost of transporting a call to the
20 USLEC switch, less the termination compensation
21 payments that Verizon would have to make; did he not?

22 A. I believe so.

23 Q. And it's at least theoretically possible that
24 that amount might be --- that that might result in the
25 fact that it is more expensive for Verizon to

1 transport the traffic.

2 ATTORNEY SHOR:

3 Objection. Speculation.

4 ATTORNEY PANNER:

5 I think it's a legitimate

6 question. Could it be more expensive?

7 JUDGE:

8 I'll allow it. Overruled.

9 A. Anything is possible.

10 ATTORNEY PANNER:

11 I'm going to mark this VZ-4. I

12 should note that it's a portion of USLEC's

13 Pennsylvania local tariff. I believe that file

14 tariffs are judicially noticeable. And this is a

15 portion of the tariff only. It's not the complete

16 tariff. And the tariff was --- so this is a portion

17 of the tariff, not the complete tariff.

18 (Exhibit VZ-4 marked

19 for identification.)

20 BY ATTORNEY PANNER:

21 Q. First of all, do you recognize this document?

22 A. Yes, I do.

23 Q. Can you tell me what it is?

24 A. It is the tariff that we had filed with the

25 Pennsylvania Public Utility Commission.

1 Q. Can you please turn to --- as I say, it's an
2 excerpt from the tariff but it should be in order.
3 Could you turn to section four, original page two?
4 You'll see that the section numbers in the original
5 page numbers are at the top right. And this is
6 entitled section four, exchange access service; is
7 that correct?

8 A. Yes, it is.

9 Q. And it says 4.2 explanation of rate schedules; is
10 that correct?

11 A. Yes, it is.

12 Q. Now, is it correct that your rate schedule is
13 dependent on the distance of the customer's serving
14 wire center from the USLEC switch?

15 ATTORNEY SHOR:

16 Your Honor, I'd like to object at
17 this point to this document because Counsel has told
18 me that it's a portion of a tariff. Counsel has told
19 me what he thinks it is. But there are obviously
20 pages that are missing here that this witness does not
21 have an opportunity to refer to, does not have an
22 opportunity to direct her attention to. And I think
23 that asking this witness to draw conclusions based on
24 this document that he has proffered is inappropriate.

25 JUDGE:

1 Mr. Panner, do you have the whole
2 document present?

3 ATTORNEY PANNER:

4 I do, although I'm afraid there
5 are pieces pulled out of it. I should note that this
6 is --- actually, this document is available on USLEC's
7 website.

8 JUDGE:

9 Well, we don't have this available
10 in this hearing room right now. Mr. Shor, the normal
11 remedy that we impose for this kind of objection is to
12 put the whole tariff in. I would prefer not to do
13 that just because, undoubtedly, it's just going to
14 clutter the record. But what I'm going to do is I'm
15 going to allow, based on Mr. Panner's representations
16 the questioning to continue. During the break, I will
17 rely on you and Mr. Panner to get together, to review
18 the entire document. And if you have some problem
19 with any portion of the document which is missing and
20 that is not part of the excerpt, you will certainly be
21 permitted during Redirect to introduce whatever you
22 think is necessary.

23 ATTORNEY SHOR:

24 Thank you.

25 ATTORNEY PANNER:

1 Madam Court Reporter, could you
2 read back the last question?

3 COURT REPORTER READS BACK PREVIOUS QUESTION

4 A. It appears from the tariff that it is.

5 ATTORNEY PANNER:

6 I have nothing further as to these
7 issues, I should say.

8 ATTORNEY SHOR:

9 Your Honor, just in light of your
10 request earlier regarding the procedure and the order
11 for witnesses, the testimony that we submitted from
12 Ms. Montano addressed all of her witnesses. And we
13 felt it would be more appropriate just to submit it
14 all at once.

15 JUDGE:

16 Yes. And I do understand that and
17 I appreciate that she addressed all of the issues that
18 were the forthcoming from your side of the fence, and
19 I have no problem with that. It's just a situation
20 where I'd like to hear Verizon's side of the story on
21 issues one and two next. I also appreciate that ---
22 did you say you finished Cross Examine.

23 ATTORNEY PANNER:

24 Yes.

25 JUDGE:

1 Fine. I think it would be
2 appropriate now to take a break, for you and Mr.
3 Panner to discuss that tariff, and if you have
4 Redirect for Ms. Montano --- wait a minute. I'm sorry
5 before we go there, sometimes I have questions for
6 witnesses. And I do. Would you turn to page nine of
7 the testimony.

8 ATTORNEY SHOR:

9 Direct?

10 JUDGE:

11 Direct. And I would like you to
12 focus on lines 20 and 21. Do you see that?

13 A. Yes, sir.

14 JUDGE:

15 On lines 20 and 21 you are
16 suggesting that the Verizon proposal is inconsistent
17 with both FCC rules and Commission precedent. Do you
18 see that?

19 A. Yes.

20 JUDGE:

21 And when you speak of the
22 Commission, what commission are you talking about?

23 A. The Pennsylvania Commission.

24 JUDGE:

25 And when you speak of Commission

1 precedent, what precedent are you talking about?

2 A. It's my understanding that we relied upon Sprint,
3 the focal and the third circuit decisions.

4 JUDGE:

5 Fine. Move on to page 29,
6 please.

7 A. I'm sorry?

8 JUDGE:

9 Page 29.

10 A. Thank you.

11 JUDGE:

12 And this is more of a question in
13 lieu of resolving some confusion that I have. Because
14 you did not quite number your issues the same way you
15 did in your petition. I lost track of which issues
16 were settled and which weren't.

17 A. Okay.

18 JUDGE:

19 On page 29, line 13 is that issue
20 which you have marked as issue number seven settled on
21 advice of counsel? The answer is yes.

22 ATTORNEY SHOR:

23 Yes.

24 JUDGE:

25 Fine. , that's what I needed to

1 ---.

2 A. That's not right.

3 ATTORNEY PANNER:

4 That's not right.

5 ATTORNEY PANNER:

6 It should be issue eight. It
7 should be issue eight subject to Mr. Shor's agreement.

8 ATTORNEY SHOR:

9 That is correct.

10 JUDGE:

11 Okay. So it is issue number
12 eight because that's when I read it, I labeled it ---
13 I noticed it was labeled issue seven. I labeled it
14 eight and then I couldn't figure out whether it was
15 settled or not.

16 ATTORNEY SHOR:

17 I'd like to tell you that it was
18 settled, but it wouldn't be in a way that was
19 favorable, I'm sure.

20 JUDGE:

21 Well, that's what I needed to
22 know. Is it settled? And the answer is no. And it
23 was issue eight. That's what I really needed to
24 know. Fine. Now, having finished that examination,
25 is there any continued Cross Examination.

1 ATTORNEY PANNER:

2 No, Your Honor.

3 JUDGE:

4 Fine. Now, let's take that
5 break. And I'll let you and Mr. Panner signal when
6 you're ready and Redirect can continue.

7 ATTORNEY SHOR:

8 I'd just like to see what he has
9 for the whole tariff.

10 ATTORNEY PANNER:

11 Sure.

12 ATTORNEY SHOR:

13 And ask only if the portions that
14 are missing are the portions that are included here in
15 Exhibit VZ-4 or whether there are other aspects or
16 portions of the tariff that are not here at all.

17 ATTORNEY PANNER:

18 The only portion of the tariff
19 that, I'm not sure it exists because it's not included
20 here, is on your website the table of contents
21 indicate that there is a section 11 which is maps.
22 And that was not on the website.

23 JUDGE:

24 Let's go off the record for this
25 discussion.

1 OFF RECORD DISCUSSION

2 ATTORNEY SHOR:

3 USLEC is satisfied with the
4 portion of the tariff that is identified as VZ-4 and
5 we'll withdraw the objection. With that tariff, we
6 have a very short Redirect.

7 REDIRECT EXAMINATION

8 BY ATTORNEY SHOR:

9 Q. Ms. Montano, do you recall a question from Mr.
10 Panner concerning the ability of a state commission to
11 accept a separation from the point of interconnection
12 or point of financial demarcation in a network?

13 A. Yes, I do.

14 Q. What do you understand to be the factors involved
15 in making that decision?

16 A. The preparation and submission of cost studies by
17 the incumbent.

18 Q. To your understanding, is there a standard that
19 must be met in order for that separation to be met?

20 A. There has to be a proof that there is a
21 difference in the cost structure.

22 Q. That it's the same, more or less?

23 A. It is more expensive.

24 Q. To your knowledge, have you seen any evidence in
25 this record from Verizon that USLEC's choice of

1 interconnection is expensive?

2 A. No, I have not.

3 ATTORNEY SHOR:

4 I have nothing further.

5 JUDGE:

6 Mr. Panner?

7 RECROSS EXAMINATION

8 BY ATTORNEY PANNER:

9 Q. Just one thing, Ms. Montano, if I may. Your
10 statement as to what Verizon is required to show, is
11 that your understanding of what the legal requirements
12 are?

13 A. Yes, it is.

14 ATTORNEY PANNER:

15 I have nothing further.

16 JUDGE:

17 If there is nothing additional for
18 the witness, the witness is excused at this time with
19 the idea that she will be returning to the witness
20 stand to testify on the remaining issues.

21 ATTORNEY SHOR:

22 Your Honor, with respect to issue
23 one and two, USLEC rests its case.

24 JUDGE:

25 Fine, thank you.

1 ATTORNEY PANNER:

2 Your Honor, if I could just clean
3 up one thing on the record, I'll try not to do this
4 again, I'd like it move the admission of --- there
5 being no objection, I'd like to move the admission of
6 Exhibit VZ-4.

7 JUDGE:

8 It's admitted without objection.

9 JUDGE:

10 All right. Mr. Panner, do you
11 have a witness for me on issues one and two?

12 ATTORNEY PANNER:

13 Verizon would like to call Mr.
14 Pete D'Amico on issues one and two, Your Honor.

15 PETE D'AMICO, PREVIOUSLY SWORN, CALLED TO TESTIFY

16 JUDGE:

17 Mr. D'Amico, I would only remind
18 you that I administered the witness oath to you
19 earlier. You continue to be bound by that oath?
20 A. Okay.

21 JUDGE:

22 Mr. Panner?

23 ATTORNEY PANNER:

24 Thank you

25 DIRECT EXAMINATION

1 BY ATTORNEY PANNER:

2 Q. Would you please state your name and business
3 address?

4 A. My name is Pete D'Amico. My business address is
5 417 Seventh Avenue, Pittsburgh, Pennsylvania.

6 Q. And who employs you?

7 A. Verizon.

8 Q. And what is your title?

9 A. I'm a senior specialist in the interconnection
10 product management group.

11 Q. And did you cause to be prepared 18 pages of
12 direct testimony that was filed in this matter on May
13 31st, 2002?

14 A. Yes.

15 Q. Do you have any corrections that you wish to make
16 to your testimony that was submitted on May 31st?

17 A. No.

18 Q. If these same questions were asked of you today,
19 would your answers be the same?

20 A. Yes.

21 Q. Did you also cause to be prepared ten pages of
22 rebuttal testimony?

23 A. Yes.

24 Q. And it was filed on July 9th, 2002?

25 A. Correct.

113
1 Q. Do you have any correction to make to that
2 testimony?
3 A. No.
4 Q. If those same questions were asked of you today,
5 would your answers be the same?
6 A. Yes.
7 ATTORNEY PANNER:
8 We offer the direct and rebuttal
9 testimony of Pete D'Amico, subject to Cross.
10 JUDGE:
11 The direct and rebuttal testimony
12 of Mr. D'Amico is admitted subject to Cross
13 Examination and any timely motions. Mr. Shor?
14 ATTORNEY SHOR:
15 Your Honor, the Cross Examination
16 will be handled my colleague, Ms. Finn.
17 JUDGE:
18 All right. Thank you?
19 CROSS EXAMINATION
20 BY ATTORNEY FINN:
21 Q. Mr. D'Amico, as I understand your testimony, you
22 believe that Verizon's proposal complies with FCC
23 rules; is that correct?
24 A. Yes. I believe I mentioned that in my direct
25 testimony.

1 Q. And so it would be fair to state that you are
2 generally familiar with the FCC's rules?

3 A. Yes, high level, very high level.

4 Q. Now, would you agree with me that the FCC has
5 rules that an ILEC must offer the CLEC the opportunity
6 to interconnect at one technically feasible point per
7 LATA?

8 A. Yes.

9 Q. And in that regard, you have testified that
10 VGRIPS gives USLEC the right to chose a single
11 physical connection to Verizon network in each LATA;
12 correct?

13 A. Correct.

14 Q. And so in this manner you think that VGRIPS
15 complies with the single technically feasible POI per
16 LATA?

17 A. Yes, because VGRIPS actually addresses the
18 financial responsibility of the transport, when
19 Verizon delivers calls to the USLEC in this case
20 outside of the local calling area.

21 Q. And to address the transport responsibility by
22 establishing separate points that you're calling the
23 interconnection point or IP; correct?

24 A. Correct.

25 Q. And you testified that USLEC, under VGRIPS, has

- 1 the option to chose its IP; is that correct?
- 2 A. There is language in the VGRIP proposal that
3 address where the USLEC IP is. And depending on where
4 it is, there is also language that states whether or
5 not it's geographically relevant or not. So in answer
6 to your question, yes, USLEC has options under
7 Verizon's VGRIP proposal that impact their
8 interconnection point.
- 9 Q. And as I understand it, the first such option as
10 defined by Verizon's VGRIPS proposal is that USLEC may
11 establish an IP via co-location at each Verizon tandem
12 where USLEC assigns numbers?
- 13 A. Yes, that's Verizon's proposal. And the design
14 of that was to address a central point where the
15 parties could agree on the financial responsibility
16 for the exchange of the traffic.
- 17 Q. And would you agree --- I can't remember which
18 one testified, Mr. Hoffmann or Ms. Montano talked
19 about the fact that Verizon has two access tandems in
20 both the Philadelphia and the Pittsburgh LATAs?
- 21 A. I would --- I'm not sure. I'm sure that there's
22 two in Pittsburgh, since that's where I'm from.
23 Philadelphia, I believe, that's the case as well.
- 24 Q. Okay. Let's take Pittsburgh, since you're
25 familiar with Pittsburgh. So you're saying that the

1 physical IP after two Verizon tandems is a north
2 central location. Is that your testimony?

3 A. Yes.

4 Q. And you understand that today Verizon delivers
5 its traffic to an IP at USLEC's switch?

6 A. Yes. That is the way I understand.

7 Q. And that is one location within the LATA;
8 correct?

9 A. I believe it's in downtown Pittsburgh.

10 Q. So by central location, you're not saying to what
11 point?

12 A. No, when I say central location, in looking at
13 the LATA as a whole, there are numerous local calling
14 areas. And a CLEC is able to have NXX codes or
15 prefixes that have those rates assigned to them
16 throughout the LATA. And so what VGRIP is trying to
17 address is the situation where traffic would be coming
18 in from all points within the LATA, that we would be
19 billing or charging our end user a local haul. But
20 yet we would be hauling it as though it were a toll
21 call. And so the tandems are central locations where
22 Verizon has facilities coming in and out of them that
23 in our proposal we are willing to transport outside
24 the calling area to that point.

25 Q. So you're talking about central locations on

- 1 Verizon?
- 2 A. Yes.
- 3 Q. And as part of preparing --- in your testimony,
4 did you ever testify to the distance that USLEC switch
5 is from the Verizon tandems?
- 6 A. I don't think so. I may have heard or read
7 somewhere that it was fairly close. But I wasn't sure
8 if that was Philly or the Pittsburgh scenario.
- 9 Q. So you didn't actually go and look at part of
10 that structure and determine what the distance is that
11 you're transporting traffic from the tandem to the
12 USLEC switch today?
- 13 A. Again, the issue isn't the distance from the
14 tandem. The issue is the distance from the
15 originating local calling area into the USLEC switch.
- 16 Q. But your tandem is a central location, according
17 to your testimony?
- 18 A. Our tandem is a central location, yes.
- 19 Q. And it's possible that USLEC switch can be
20 located within a mile of your central location?
- 21 A. Sure. It could be further than that as well.
- 22 Q. And so that's the first option. Can we call that
23 --- it's a co-location tandem; correct?
- 24 A. Yes.
- 25 Q. So can we call that a physical IP?

1 A. Sure.

2 Q. Okay. I want to call it physical IP because we
3 also have this concept of a virtual IP. That's the
4 second option, the virtual IP?

5 A. Somehow they've gotten numbered. But you know,
6 we'll call them the second option.

7 Q. Let's call it the physical IP option versus the
8 virtual IP option and then I won't screw up the
9 numbers. How about that?

10 A. That's fine.

11 Q. So the physical IP option is a physical
12 connection between type of networks; correct?

13 A. Yes.

14 Q. Now, I believe Mr. Panner discussed with Mr.
15 Hoffmann USLEC has a number of methods of
16 interconnection it can choose from under this
17 contract?

18 A. Yes, I remember that.

19 Q. But you just testified that the physical IP has
20 to be co-location; isn't that correct?

21 A. Again, that's part of the VGRIP proposal. One of
22 the arrangements that a CLEC could enter into under
23 this proposal is to have a physical co-location
24 arrangement where Verizon would drop off the charge,
25 yes.

- 1 Q. But in order to establish a physical IP under
2 VGRIPS, USLEC cannot use an entrance facility?
- 3 A. I'm not sure what an entrance facility is. I
4 mean, I know what an entrance facility is, but it
5 means different things to different people. So could
6 you clarify what you mean by entrance facilities?
- 7 ATTORNEY SHOR:
8 Was the contract Verizon ---?
- 9 ATTORNEY PANNER:
10 The interconnection is Verizon
11 Three.
- 12 ATTORNEY FINN:
13 Would you mind sharing that with
14 the witness?
- 15 BY ATTORNEY FINN:
16 Q. Could you please turn to page 52?
17 A. I'm there.
- 18 Q. Section 2.1.3.
19 A. Okay.
- 20 Q. USLEC may use any of the following methods for
21 interconnection with Verizon. Do you see that?
22 A. Yes.
- 23 Q. And it lists three things there doesn't it?
24 A. No.
- 25 Q. Co-location facility established by USLEC?

1 A. Correct.

2 Q. Co-location or entrance facility established by a
3 third party that is used by USLEC?

4 A. Correct.

5 Q. And the third option here is entrance facility
6 and transport obtained by Verizon?

7 A. Okay.

8 Q. So those are the options I'm talking about.

9 A. Okay.

10 Q. So is it your testimony that USLEC can use
11 co-location to establish the physical IP?

12 A. Use co-location, yes.

13 Q. And I understand from the discussion earlier that
14 USLEC can also use third party co-location to
15 establish in physical IP; correct?

16 A. Yes.

17 Q. But this third option, this entrance facility
18 option, under the VGRIPS proposal, as you've written
19 it in the contract, USLEC may not use this option to
20 establish physical IP?

21 A. Not the way that this proposal is drafted at this
22 point, correct.

23 Q. Okay. Now, are you familiar with the FCC rules
24 that requires Verizon to offer CLEC any technically
25 able method of interconnection?

1 A. Yeah, I've heard it.

2 Q. Okay. So in defining the physical IP under
3 VGRIPS and limiting that physical IP to co-location,
4 isn't it true that Verizon was not complying with this
5 ---?

6 A. No. Again, the IP deals with the financial
7 aspects of it. So either Verizon would physically
8 take the traffic to USLEC's switch or point of
9 interconnection and then you get into, well, how can
10 Verizon be compensated for the transport when it hauls
11 it outside of a calling area. As far as your question
12 about, are there other ways that we could physically
13 meet at the tandem, I suppose there are, we haven't
14 drafted language that would address another physical
15 IP at the tandem, other than the co-location regimen.

16 Q. But you've drafted language that addresses
17 another method of interconnection in section 2.1.3?

18 A. Yes.

19 Q. Another physical method of interconnection?

20 A. Which address the point of interconnection, as
21 opposed to the VGRIP section which addresses the
22 financial aspect of the transport.

23 Q. Right, but didn't you also agree with me that the
24 physical IP is also a physical demarcation between the
25 networks? Isn't that what a POI is?

1 A. A POI is a physical point where the networks
2 twist the wires. If you will.

3 Q. Okay. And is there a physical POI at a
4 co-location cage where the networks twist the wires?

5 A. Sure. If that is where, in that example, the POI
6 and the IP would be in the same location. You could
7 also have a situation where the POI, a point of
8 interconnection, and the IP, the interconnecting point
9 are in two different locations.

10 Q. And did you hear USLEC's witness' testimony
11 earlier today that they do not co-locate in Verizon in
12 the State of Pennsylvania today?

13 A. Yes, I did hear that.

14 Q. So would it be safe to say that the current
15 network architecture does not comply with the physical
16 IP option of the VGRIPS; isn't that correct?

17 A. Correct.

18 Q. Can you turn to page six of your testimony,
19 please?

20 A. Sure.

21 JUDGE:

22 I'm assuming the direct?

23 ATTORNEY FINN:

24 Direct, thank you.

25 BY ATTORNEY FINN:

- 1 Q. Starting around line 12, you discuss your
2 interpretation of the Commission's ruling in the
3 Verizon/Sprint arbitration; right?
- 4 A. Yes.
- 5 Q. Based on your testimony, isn't it your
6 understanding that the Sprint IPs do not actually have
7 to be at Verizon tandems?
- 8 A. Under the Sprint arbitration decision, no, they
9 do not have to be tandem.
- 10 Q. So in fact, if they're not at the tandems, the
11 Sprint IPs could be at the Sprint switch; correct?
- 12 A. Yes, based on this result.
- 13 Q. Move to the virtual IP option?
- 14 A. Okay.
- 15 Q. The virtual IP option can only be established at
16 a Verizon end office; correct?
- 17 A. What would happen is when Verizon transports the
18 traffic from a local calling area to a distant point,
19 and the example that we like to use a lot, even though
20 we're in Harrisburg is from Allentown to Philadelphia
21 which is, I believe, 40 or 50 miles between the two.
22 So in that case, Verizon would be carrying that
23 traffic outside of a calling area to Philadelphia.
24 And then the compensation arrangement would kick in, I
25 guess.

1 Q. Mr. D'Amico, I think I asked you if the virtual
2 IP is only the Verizon end office. Is the virtual IP
3 at the Verizon end office?

4 A. Yes.

5 Q. It's not at the Verizon tandem?

6 A. No.

7 Q. So we could have a physical IP at the tandem but
8 we can't have a virtual IP at the tandem?

9 A. Yes.

10 JUDGE:

11 I'm sorry. What was the question
12 there? You can have a physical IP at the tandem but
13 not a ---?

14 ATTORNEY FINN:

15 Virtual IP.

16 JUDGE:

17 All right.

18 BY ATTORNEY FINN:

19 Q. Can you turn to page ten of your testimony,
20 direct, please?

21 A. Okay.

22 Q. This was actually your Philadelphia/Allentown
23 example we're discussing here?

24 A. Here we go.

25 Q. So just walking through, you say here, if USLEC

125

1 agrees to pick up traffic at Verizon tandem, if it
2 locates case its POI there --- well, let's stop there
3 for a second. USLEC has a POI with Verizon tandem
4 today; correct?

5 A. Which LATA? In Philly?

6 Q. In Philly. We'll use Philly.

7 A. It's my understanding that the POI is at USLEC
8 switch. Verizon has built facilities all the way to
9 the USLEC switch in Philadelphia. So I would say that
10 the POI is at the USLEC switch.

11 Q. So that's the delivery of Verizon's originated
12 traffic to USLEC?

13 A. Yes.

14 Q. But USLEC also has a POI at the Verizon tandem
15 for the delivery of USLEC's originated traffic to
16 Verizon?

17 A. Actually, I would say that the POI in that
18 scenario is also the USLEC switch because USLEC is
19 purchasing or leasing facilities from Verizon.

20 Q. So by leasing the facilities, USLEC doesn't
21 become the owner of those facilities for purposes of
22 network demarcation?

23 A. I'm not sure if you're getting into semantics on
24 that. I would still look at it as the POI is at the
25 switch, even though USLEC is paying for those

1 facilities or leasing those facilities, those are
2 still Verizon --- part of Verizon's network.

3 Q. Okay. Turning back to your testimony here on
4 the bottom of page ten?

5 A. Okay.

6 Q. If USLEC agrees to pick up traffic at Verizon
7 tandems, by pick up here, do you mean financially
8 pickup?

9 A. Can you help me with the line number?

10 Q. I'm sorry, line 20.

11 A. Okay. Yes.

12 Q. Now, starting the very last sentence, line 23.

13 A. Okay.

14 Q. If USLEC chose to place its POIs in places that
15 were not at the VGRIP location, Verizon would deliver
16 its traffic to USLEC's chosen POI location, but would
17 recover the additional transport and other costs for
18 delivering the traffic to that location. I read that
19 correctly?

20 A. Yes, that was good.

21 Q. I'd like to focus on additional transport?

22 A. Okay.

23 Q. So on the prior page, you said if USLEC agrees to
24 pick up financially traffic at Verizon tandems but now
25 you're saying if they don't agree to pick them up at

1 the tandems, you're going to move the financial
2 demarcation point and recover your additional
3 transport costs?

4 A. Yeah. Again, it's part of the compromise
5 proposal. Under the one scenario, Verizon is hauling
6 traffic outside of local calling area. But it's
7 willing to do that to meet at a central location, in
8 particular the location arrangement at the tandem. If
9 that doesn't occur, then Verizon is still hauling
10 traffic from the originating point to the POI that is
11 outside of the local calling area. And so the
12 language then talks about, well, how can Verizon be
13 compensated as far as costs? And that's where you get
14 into that financial piece of it.

15 Q. But so you're willing to haul the traffic to the
16 tandem, the central location only if USLEC is
17 co-located there?

18 A. That is the proposal, yes.

19 Q. And if they refuse co-location, if they want to
20 use an entrance facility as their physical method of
21 interconnection, you are not willing to haul the
22 traffic to the tandem?

23 A. Again, that option hasn't been, I guess, kicked
24 around very much. It may have come up in a lot of
25 talks. But at this point, this is our proposal.

1 Q. Okay. Understood. Under the physical IP,
2 you've stated that you'll be paying for a portion of
3 transport outside of the local calling area; correct?

4 A. Yes.

5 Q. Under the virtual IP, I think you've also stated
6 that USLEC would be paying for a portion of the
7 transport inside the local calling area; correct?

8 A. Right. Right now, the language states that that
9 measurement, if you will, for the transport recovery
10 is based on the than the originating end office.

11 Q. Okay. So can we turn back to page ten?

12 A. Sure.

13 Q. And look at the sentence that begins on line
14 13?

15 A. Okay.

16 Q. And can you just read that sentence, please, into
17 the record?

18 A. It starts if the CLEC elects not to?

19 Q. Yes.

20 A. If the CLEC elects not to establish a POI at the
21 VGRIP locations, then Verizon will deliver its traffic
22 to another CLEC designated location and the CLEC will
23 be financially responsible for the transport outside
24 of the local calling area.

25 Q. So those last couple of words outside the local

- 1 calling area, that's not exactly correct; is it?
- 2 A. No. Well, I guess you're trying to break that
- 3 apart to say that that's implied with only outside of
- 4 the local calling area?
- 5 Q. Yes.
- 6 A. I think what I meant there was the measurement as
- 7 defined in our proposal which would be between the
- 8 originating end office and the and the USLEC point of
- 9 interconnection.
- 10 Q. I'm sorry. Can you say that again?
- 11 A. If you read this in the purest sense, you may be
- 12 inclined to think that it is from the border, the
- 13 boundary the USLEC point of interconnection. And I
- 14 apologize if that is what misleading. But in reality,
- 15 the proposal in the language is from the originating
- 16 end office, which may or may not be at the edge of
- 17 that local calling area.
- 18 Q. Right, okay. I just wanted to clarify that.
- 19 Thank you.
- 20 A. Okay.
- 21 Q. And we talked about the central location earlier?
- 22 A. Yes.
- 23 Q. So you were asking for the opportunity under
- 24 VGRIPS to kind of aggregate Verizon traffic and pick a
- 25 central location on the Verizon network. And at that

1 Verizon network you'll deliver the traffic; correct?

2 A. Yes.

3 Q. And am I correct in stating that under VGRIPS,

4 USLEC is not permitted to pick a central location on

5 USLEC's network to aggregate traffic and ask Verizon

6 to pick it up there?

7 A. Could you run that question by me? I got my ---.

8 Q. Under VGRIPS, if the USLEC customers are

9 originating the call, is USLEC permitted to ask

10 Verizon to come to a central location on USLEC's

11 network to pick up USLEC's traffic?

12 A. So you're talking about traffic in the other

13 direction.

14 Q. Correct.

15 A. Actually, VGRIP address the delivery of Verizon's

16 traffic to a CLEC. So I kind of put that in a little

17 box, if you will. However, in the other direction,

18 Verizon has established its tandems and its end

19 offices to serve that call party as its

20 interconnection point throughout the LATA.

21 Q. So USLEC has to both pick up Verizon traffic on

22 Verizon's network and deliver USLEC traffic to Verizon

23 network; is that correct?

24 A. Well, they have to deliver it to Verizon's IP,

25 yes, that is correct. USLEC doesn't have to pick up

- 1 the traffic. Again, Verizon would deliver it but then
2 you get into the financial aspect of it.
- 3 Q. So financially, they have to pick it up?
- 4 A. Yes.
- 5 Q. They have to pickup the tab?
- 6 A. There is some financial obligation under certain
7 arrangements.
- 8 Q. And the Verizon IPs where USLEC delivers its
9 traffic, they are at the Verizon tandems?
- 10 A. For traffic that is tandem routed, if you will.
11 There is two ways that traffic can be delivered on
12 Verizon's network. One is if it goes to the tandem,
13 Verizon will then take it from the tandem and deliver
14 to the end office that subtandems that tandem. Just
15 maybe to give a high level, in case people aren't
16 familiar with tandems. Think of a tandem as a hub or
17 the middle of the spoke and then the middle of the
18 wheel. And all of these spokes go out with end
19 offices around them?
- 20 A. So that would be one option where the traffic
21 could get delivered to the tandem. The second option
22 would be a direct end office trunk to that Verizon end
23 office that serves the subscribers from that end
24 office.
- 25 Q. So in that case --- in a direct trunking

1 environment, the Verizon IPs would be that end office
2 serving those calling parties?

3 A. Yes.

4 Q. Okay. And today, is it your understanding that
5 USLEC bears financial responsibility for delivering
6 its originating traffic to the Verizon IP, whether it
7 be located at the tandem or the end office?

8 A. Yes. That's the arrangement. And then they are
9 charged the appropriate reciprocal compensation rate
10 based on tandem or end office route.

11 Q. And it is also your understanding that USLEC
12 bears that responsibility even if it's call originates
13 --- if it switches in another local calling area?

14 A. Yes. What happens is USLEC decides --- first
15 they decide where they want their switch to be and
16 then they also decide where they want to deliver the
17 traffic and how they want to deliver the traffic to
18 Verizon.

19 Q. And today under the parties' current arrangement,
20 Verizon delivers its originating traffic to USLEC's
21 switch; correct?

22 A. I believe that is the case in Philadelphia. I'm
23 not sure about the Pittsburgh, based on what Mr.
24 Hoffmann said this morning. I know there are plans to
25 install a direct facility into --- or there may be

1 plans to install a direct facility into the USLEC
2 switch or we may be riding the USLEC facility, in
3 which case I believe we may be getting billed for some
4 transport charges.

5 Q. So maybe just to put it more simply, right now
6 Verizon is financially responsible for delivering its
7 originating traffic to USLEC's switch?

8 A. Yeah, because the current agreement doesn't
9 really have any framework around where the USLEC IP
10 is, designated as their switch.

11 Q. And today, Verizon bears that responsibility
12 whether or not the switch is in the local calling area
13 where the Verizon call originated?

14 A. Yeah, that's why we're here. That's been going
15 on, not only with USLEC, but with other CLECs. And
16 we're bringing it up as an issue and a concern and
17 we're trying to come up with proposals such as VGRIP
18 that can address how Verizon can recover its costs.

19 Q. And as I understand your testimony, the basis,
20 the reason why you think you have the right to move
21 the IP is that a single point per LATA is expensive?

22 A. It is expensive in situations where Verizon is
23 hauling traffic from local calling areas outside of
24 that location, yes.

25 Q. So your definition of expensive is as soon as it

1 leaves the local calling area?

2 A. I guess my definition of expensive is Verizon
3 hauling traffic outside of the local calling area to a
4 distant point of interconnection into the CLEC
5 establishes as their interconnection point and yet
6 we're charging our end users a local call. So there
7 is kind of a disconnect there. It looks like it's one
8 thing but in reality it's being called 50 or 60 miles
9 away.

10 Q. Where in your testimony can I find an explanation
11 of what costs your local rates cover?

12 A. I don't think I get into that depth, mainly
13 because I'm not sure all of the ins and outs of how
14 the local exchange tariffs are derived. But I do know
15 that when Verizon customer A calls Verizon customer B
16 in the local calling area, the call originates or
17 terminates within that local calling area. When
18 Verizon customer A calls Verizon customer B in, you
19 know, Allentown to Philadelphia, then that would be an
20 inter-LATA call.

21 Q. It would be an inter-LATA toll call if they're
22 both Verizon customers?

23 A. Yes. Sure.

24 Q. Okay. But does the routing of the call, that
25 doesn't necessarily change the jurisdiction of the

1 call; does it?

2 A. Well, again I wasn't trying to change the
3 jurisdiction. I was just trying to point out that
4 Verizon is charging this call, as though it's a local
5 call, but hauling this call to a distant point. And
6 that transport piece is a cost and Verizon is not
7 recovering that cost.

8 Q. But you have nothing in your testimony that says
9 --- strike that.

10 Isn't there a difference between a local rate and
11 what it costs Verizon to provide that local service?

12 A. I'm not sure I know the answer to that, because I
13 just don't know that much about local rates.

14 Q. Okay. But you submitted cost studies in this
15 Docket?

16 A. No, we haven't submitted any cost studies. What
17 we've tried to do is, in the situation where there is
18 transport, we've pointed to the union tariff, the
19 unbundled network element tariff in Pennsylvania. And
20 we've looked at the interoffice costs for interoffice
21 unbundled dedicated transport, I believe.

22 Q. But you don't have figures on the amount of
23 traffic that's exchanged between USLEC and Verizon in
24 your estimate; do you?

25 A. No, I don't.

1 Q. And you don't have figures on the amount of that
2 traffic that's exchanged, that never leaves the local
3 calling area; do you?

4 A. No, no. The language that we've tried to put
5 together was designed to address the situation, both
6 for USLEC and other carriers into this particular
7 agreement. And if there isn't a problem, then there
8 isn't anything that's needed to be done. So looking
9 at specific, you know, minutes and other aspects,
10 we're looking at this more at a higher level.

11 Q. But you've testified that you have an
12 interconnection area where you're hauling your traffic
13 outside the local calling area to USLEC?

14 A. Correct.

15 Q. And you've testified that that's a problem?

16 A. Correct.

17 Q. But you haven't quantified that problem; is that
18 correct?

19 A. No, I have not.

20 Q. And Mr. D'Amico, in order for a form of
21 interconnection to be expensive, doesn't there have to
22 be a benchmark to which to compare it to measure what
23 is expensive?

24 A. I'm not sure. I mean, I guess any point where
25 Verizon is incurring these costs outside of the local

1 calling area, that is a situation that we're trying to
2 address. There are some cases where the magnitude is
3 very high with other CLECs are cumulative with all
4 CLECs. And there may be situations where it's
5 relatively low. So I'm not sure that I answered your
6 question. But that was the best job I can.

7 Q. Just to make sure I understand, it's your
8 testimony that as soon as it leaves the local calling
9 area, it's is an expensive cost that you think Verizon
10 should be able to recover?

11 A. Yes. And also, there is language that talks
12 about, you know, USLEC can keep its existing
13 interconnection points, however, Verizon can ask for
14 blah, blah, blah. I understand USLEC saying, you
15 know, I'm not sure I trust you because as soon as we
16 sign this, you're going to ask for that. But I mean,
17 there could be situations where we look at the
18 existing IPs or the existing arrangements. And it
19 stays the same. We've tried to draft this language so
20 that, here are some guidelines and then the operation
21 folks who look at the network workings can decide if
22 the problem is there and if they need to correct it.

23 Q. So Mr. D'Amico, if you know what the typical
24 Verizon local calling area distance is?

25 A. No. I would imagine it varies.

1 Q. Okay. But whether the calling area is ten miles
2 wide or 50 miles wide, it's not expensive until it
3 crosses that boundary; is that correct?

4 A. There could be other reasons where it's expensive
5 within that local calling area. In other words, it
6 still could be within this local calling area but you
7 know, there is a mountain and we have to go to the top
8 of the mountain or something odd. But looking
9 specifically at this scenario without any extreme
10 circumstances, VGRIP is designed to address that
11 expense --- that expensive arrangement when it's
12 hauled outside of a calling area.

13 Q. Did you just say that it might be more expensive
14 to haul a local call inside of a local calling area
15 because of terrain or distance or something maybe that
16 it would be better to haul it long distance?

17 A. No. I think what I wanted to say was, you can't
18 assume, just because the interconnection was within
19 the local calling area, that there couldn't be other
20 circumstances that would make it expensive as well.

21 Q. But Verizon is willing --- let me ask it this way
22 under FCC rules, do you think Verizon has an
23 obligation to bear the costs of delivering the traffic
24 to a CLEC if that delivery point is within the local
25 calling area?

1 A. I think you're asking me an interpretation of the
2 FCC rules. And I kind of like to stay away from
3 that. I mean, I'd like to --- it's my understanding
4 that would satisfy the FCC rules. But again, that's
5 me as a product manager as opposed to me as a fine
6 attorney.

7 Q. Understood. Well, if Verizon bearing the
8 transport cost within the local calling area, is
9 consistent with FCC rules? Is it your testimony that
10 Verizon can also refuse to bear those costs within the
11 local calling area?

12 A. No.

13 Q. Actually, under the virtual IP option, aren't you
14 shifting calls within the local calling to USLEC or
15 are you refusing to ---?

16 ATTORNEY PANNER:

17 Asked and answered.

18 ATTORNEY FINN:

19 Okay. I'll withdraw.

20 BY ATTORNEY FINN:

21 Q. Mr. D'Amico, let's turn to rebuttal page eight,
22 please?

23 A. Okay.

24 Q. On this page at the bottom, you're citing to the
25 FCC Intercarrer Compensation rule making; correct?

1 A. Like line 18, starting there?

2 Q. Right.

3 A. Yes, I mentioned this NPRM thing.

4 Q. So you've read the NPRM?

5 A. Not the whole thing.

6 Q. So you've read the NPRM?

7 A. Not the whole thing. But I've dabbled on parts
8 of it. It's been a while. I'm sure there's going to
9 be a ruling on it soon.

10 ATTORNEY FINN:

11 Your Honor, I'd like to introduce
12 USLEC Exhibit Number One.

13 JUDGE:

14 So marked.

15 (USLEC Exhibit One marked
16 for identification.)

17 BY ATTORNEY FINN:

18 Q. Mr. D'Amico, does this document look familiar?

19 A. Yeah.

20 Q. Does it look like it's the NPRM that you cite on
21 page eight of your testimony?

22 A. Yeah.

23 Q. I should have mentioned, these are just
24 excerpts. Can you please turn to, I'm sorry,
25 paragraph 114?

1 A. Okay.

2 Q. And you see about halfway through that paragraph
3 where it starts, assuming?

4 A. Uh-huh (yes). Yes.

5 Q. Can you read from there to the end of the
6 paragraph, please?

7 A. Assuming that the ILEC receives reciprocal
8 compensation for transporting terminating traffic, how
9 precisely does the distant POI unfairly burden the
10 LEC? Is the efficiency concern limited to those
11 instances in which traffic between two networks is
12 unbalanced and/or where traffic is required beyond a
13 certain distance? We seek comment on these questions
14 and any other issues related to the interplay between
15 our single POI rules and our reciprocal compensation
16 rules.

17 Q. Mr. D'Amico, is it your understanding that these
18 questions in this paragraph are part of the FCC's
19 efforts to investigate allocation of transport
20 responsible between.

21 ATTORNEY PANNER:

22 I object. I think it goes beyond
23 the scope of his Direct.

24 ATTORNEY FINN:

25 Well, I think he's sitting this

1 NPRM as supports that Verizon can allocate the
2 transport under its ---.

3 ATTORNEY PANNER:
4 I didn't understand your question
5 maybe.

6 JUDGE:
7 Let me simply overrule your
8 objection, okay.

9 ATTORNEY FINN:
10 I'm sorry. Can you read the
11 question back.

12 COURT REPORTER READS BACK PREVIOUS QUESTION.

13 BY ATTORNEY FINN:

14 Q. Between LEC, interconnect LEC.

15 A. It appears that they are asking for questions ---
16 they're asking for comments on some of these questions
17 and other issues related to this.

18 Q. So the FCC has asked about the distance, traffic
19 balance ---

20 A. Uh-huh (yes), yes.

21 Q. --- and other issues; correct?

22 A. In this paragraph, yes.

23 Q. Okay. And yet you've testified that it's
24 Verizon's position that, as soon as it leaves the
25 local calling area, Verizon shouldn't have to pay,

1 unless it agrees to pay if we establish a physical IP?

2 A. Yes. Again, we're trying to address the
3 situation where Verizon is hauling traffic outside
4 local calling area, to a point of interjection where
5 the CLEC is determined.

6 Q. And so the FCC appears to be examining a number of
7 factors to determine how to allocate transport
8 responsibility; correct?

9 A. Yes, it looks like based on some of these
10 questions, sure.

11 Q. So in other words the FCC is not examining solely
12 the question of whether ILECs transporting the call
13 outside of the local calling area?

14 A. In this paragraph, I don't see the match to that
15 specific question, although again they say any other
16 issues related to the interplay.

17 Q. So presumably this is an issue that Verizon
18 raised before the FCC?

19 ATTORNEY PANNER:

20 Objection.

21 JUDGE:

22 And the basis is?

23 ATTORNEY PANNER:

24 Foundation.

25 JUDGE:

1 Thank you.

2 ATTORNEY FINN:

3 The foundation is he said any
4 other issues that parties may want to raise before the
5 FCC.

6 JUDGE:

7 I didn't hear him testify at all
8 about what Verizon's position in front of the FCC was
9 going to be on this. So I'm going to agree with Mr.
10 Panner and sustain the objection.

11 ATTORNEY FINN:

12 Okay.

13 BY ATTORNEY FINN:

14 Q. Mr. D'Amico, are you aware what Verizon's
15 position on this NPRM is?

16 A. I don't know all of the --- I wasn't part of the
17 drafting for who our response was to this NPRM or if
18 we're involved.

19 Q. Mr. D'Amico, would you expect Verizon to take
20 inconsistent positions before a State Public utility
21 Commission the FCC.

22 ATTORNEY PANNER:

23 Objection, argumentative.

24 ATTORNEY FINN:

25 I'm just asking what he thinks

1 Verizon might do. I don't think it was

2 argumentative. I'm sorry.

3 JUDGE:

4 I don't think it's argumentative

5 either. But there isn't too far you can go in this

6 direction.

7 ATTORNEY FINN:

8 Understood.

9 JUDGE:

10 He can answer this if he knows the

11 answer.

12 A. I would think that would raise questions. But I

13 don't know how they set the policy, state versus

14 regulatory FCC issues.

15 BY ATTORNEY FINN:

16 Q. Okay. Thank you. I'll stop. Mr. D'Amico, are

17 you familiar with the FCC file reports?

18 A. Less than --- not very much, no.

19 Q. Are you familiar with the concept that the rates

20 ILEC charge CLECs are subject to the '96 Act

21 standards?

22 A. Again, it seems like there's a lot of activity.

23 There has always been a lot of activity when I hear

24 the word tolerate. And I don't know what the latest

25 impact is on that. I believe I read somewhere, maybe

1 in our discovery or something, or somewhere else, that
2 when Verizon files its union rates in, I guess,
3 Pennsylvania and other states, I think it said they're
4 telecompliant. But again, I'm not really the expert
5 on that.

6 ATTORNEY FINN:

7 I'd like to mark another exhibit,
8 USLEC Number Two.

9 (USLEC Exhibit Two marked
10 for identification.)

11 JUDGE:

12 So marked. Tell us what it is.

13 ATTORNEY FINN:

14 Well, this is an excerpt of the
15 FCC rules, 47 CFR.

16 JUDGE:

17 Let me make it perfectly clear
18 that I only want an excerpt of the rules. I don't
19 want all of them in the record.

20 BY ATTORNEY FINN:

21 Q. Mr. D'Amico, what I've handed you is an excerpt
22 of the Federal Communications Commissions Rules, which
23 are found in 47 CFR?

24 A. Okay.

25 Q. Are you familiar with these rules?

147
1 A. Yeah. It's been awhile since I've studied them
2 but, yes, I've seen these before.
3 Q. Okay. Can you turn to subpart F, pricing of
4 elements, please?
5 A. What does that mean?
6 Q. I'm sorry. It's at the top of the page, it says
7 subpart F.
8 JUDGE:
9 It's about the second or third
10 page back.
11 A. I got you.
12 BY ATTORNEY FINN:
13 Q. Okay. 51.501, scope A, can you read that,
14 please.
15 ATTORNEY PANNER:
16 Your Honor, I'm going to object to
17 this line. I'm not aware of anything in Mr. D'Amico's
18 testimony that addresses the application of --- if I'm
19 mistaken about that then I'll stand corrected, but I
20 don't believe that he's testified to that application.
21 ATTORNEY FINN:
22 Well, I think he's testified to
23 costs. He talked about Verizon's costs and how
24 Verizon should be able to recover its transport
25 costs. And in order for Verizon to recover its

1 transport costs, I think they have to comply with FCC
2 rules in order to recover the costs. And so I wanted
3 to explore whether or not Mr. D'Amico has adequately
4 testified to costs in his testimony.

5 ATTORNEY PANNER:

6 I don't understand how his
7 understanding of the FCC's telrate (phonetic) rules
8 would be relevant to that.

9 JUDGE:

10 Do you want to explain how you
11 think it's relevant.

12 ATTORNEY FINN:

13 Well, I think he's testified that
14 it costs Verizon more to transport the costs of local
15 calling air and they want to recover that.

16 JUDGE:

17 He certainly testified repeatedly
18 that they want reimbursed for that cost.

19 A. I mentioned it a couple of times.

20 ATTORNEY FINN:

21 And he's also testified that
22 additional transports cost more. I guess I'm looking
23 for the cost basis and I'm trying to explore it
24 through the FCC rules.

25 JUDGE:

1 Did he provide a cost basis that
2 you were able to find in his testimony.

3 ATTORNEY FINN:

4 No, he did not.

5 JUDGE:

6 Well, if he didn't provide one,
7 then the issue is the legal one; isn't it? If he
8 provided no factual basis in your estimation as
9 Counsel for USLEC, then didn't he reduce the issue to
10 being a legal one, if at all?

11 ATTORNEY FINN:

12 Okay. I'll withdraw the
13 question. Thank you.

14 JUDGE:

15 Thank you.

16 A. Do I still need this?

17 BY ATTORNEY FINN:

18 Q. No. Okay. Can we please turn to page two of
19 your rebuttal testimony?

20 A. Yes.

21 Q. Beginning on line six, are you with me?

22 A. I'm with you. Line six, page two.

23 Q. You state, if, as is the case with many state
24 LECs, these six customers are internet service
25 providers, then it is likely that they have been

1 assigned numbers in all or nearly all of the NSX codes
2 that USLEC has obtained; correct?

3 A. That's what it says, yes.

4 Q. Mr. D'Amico, what is the basis for that
5 statement?

6 A. Well, it's been my experience as a product
7 manager, that we have situations with CLECs that serve
8 ISP providers. And that what they do is there will be
9 40 or 50 NXS codes and then they'll have individual
10 numbers within those 40 or 50 codes. And folks will
11 dial into the internet and Verizon will transport that
12 traffic to that point of interconnection and then
13 they'll hand it off to the ISP that a lot of times is
14 very close to where that U.S. --- where that CLEC is
15 located.

16 Q. So as to USLEC, you do not have any facts to
17 support this statement?

18 A. No, that's why I started with if, a little word.

19 Q. And are you aware that USLEC has submitted
20 supplemental discovery responses to Verizon verifying
21 that its six foreign exchange customers are not ISP?

22 A. Ask me that again.

23 Q. Are you aware that USLEC has submitted
24 supplemental discovery responses to Verizon verifying
25 that USLEC's six foreign exchange customers are not

1 ISPs?

2 A. I think I heard that, but I didn't store it
3 because that gets more into the FX issue. The point
4 here I was trying to make was about the situation.
5 But subject to check, I would agree with that.

6 Q. Okay. But you were using this example to make a
7 point on issues one and two; correct?

8 A. Sure. Yeah.

9 Q. And now, this example is false as to USLEC?

10 A. Again, assuming that that supplemental thing came
11 in, yes, at this time that would not be the case for
12 USLEC, however, that could change in the future, I
13 guess.

14 Q. Okay. Let's see. The next sentence, moreover,
15 it is likely that these six customers are located at
16 or only a very short distance from USLEC switches and
17 account for the vast majority of the traffic that
18 Verizon sends to USLEC. Do you see that statement?

19 A. I see that.

20 Q. And again, that statement, because you're using
21 it is likely, that was not based on facts about
22 USLEC's network?

23 A. Correct.

24 Q. And, in fact, are you aware that as part of those
25 supplemental discovery responses, USLEC has verified

1 that none of its customers are collocated at the
2 switches in Pennsylvania?

3 A. Should I look at those responses or just say
4 subject to check? Yes.

5 Q. Okay.

6 JUDGE COCHERE:

7 Take your time.

8 A. Thank you.

9 BY ATTORNEY FINN:

10 Q. So if that is the case then this statement with
11 respect to USLEC is false?

12 A. At this time, yes.

13 Q. All right. Let's turn to page six of your
14 rebuttal, please.

15 A. Okay.

16 Q. Line 12.

17 A. Line 12.

18 Q. Thus, it is clear that under USLEC's proposal
19 Verizon would, and this is in quotes, incur specific
20 costs for which it is not already compensated by the
21 services it provides its customers that originate its
22 traffic, closed quotes.

23 A. Yes.

24 Q. What is the basis for this statement?

25 A. The basis being an example or basis being how

1 many situations do I know of that this is occurring
2 in?

3 Q. Well, you're talking about specific costs here?

4 A. Right. I think what I'm saying is that --- and
5 it gets back to that --- it's a local call, we're
6 getting local rates from our end user and the piece
7 that's going outside is the piece that I'm addressing.

8 Q. But you have haven't addressed --- you haven't
9 put a dollar figure on the records?

10 A. No. Gosh, no.

11 Q. And also --- I'm sorry if we discussed this
12 earlier, but we discussed the relationship between
13 your customers rates and Verizon's costs. And you're
14 not clear what that relationship is?

15 A. Right.

16 ATTORNEY FINN:

17 Just a moment, Your Honor. I'm
18 sorry.

19 JUDGE:

20 Certainly.

21 SHORT BREAK TAKEN

22 BY ATTORNEY FINN:

23 Q. Mr. D'Amico, on pages nine and ten of your
24 rebuttal testimony you say TSR Wireless order?

25 A. Yes, but can I go back just to clear up the

1 record for a second on that previous question you just
2 asked me?

3 Q. I think that's your Counsel's job on Redirect.

4 A. Okay. All right. Page ten?

5 Q. Page nine and ten, you said the TSR Wireless
6 order; correct?

7 A. Okay.

8 Q. Are you generally familiar with that order?

9 A. Again, they all start to bleed together after a
10 while, but, yes.

11 Q. So it's your testimony that in TSR the FCC held
12 that the recip comp rules apply to traffic exchange
13 between LEC and paging carriers?

14 A. Yeah, this particular one addressed TSR Wireless,
15 which is, I believe, a pager carrier, or was. It
16 probably still is.

17 Q. And you state that the FCC did not address the
18 issue of whether CLEC must be financially responsible,
19 but TSR is about a paging carrier, not a CLEC; right?

20 A. Right.

21 Q. And do you know if TSR addressed the issue of
22 when a paging carrier must be financially responsible?

23 A. I can't recall the whole aspects of it.

24 Q. Do you know if the FCC's rules, reciprocal
25 compensation rules apply to both CLEC and to paging

1 carriers?

2 A. Yes, but I believe they may have kind of carved
3 them out a little differently with something about
4 MTA.

5 Q. Right. Are you aware that in a LEC, the paging
6 carrier scenario, that MTA is the equivalent of a
7 local calling area?

8 ATTORNEY PANNER:

9 Objection, calls for a legal
10 conclusion to which he hasn't testified.

11 ATTORNEY FINN:

12 Well, he testified about some
13 differences and that difference being the MTA and so
14 I'm trying to clarify the difference.

15 JUDGE:

16 You did open the door. Objection
17 overruled.

18 A. Again, I know there is the term MTA in the MTC
19 order and it applies to wireless. As far as all of
20 the nuances about that and why the MTC stated what
21 they stated, I'm not sure?

22 ATTORNEY FINN:

23 Can we have a moment?

24 JUDGE:

25 Certainly.

1 OFF RECORD DISCUSSION

2 BY ATTORNEY FINN:

3 Q. I'm sorry to jump around here. Can we go back to
4 page eight of your Direct testimony?

5 A. As soon as I find it. Yes, page eight. Okay.

6 Q. Beginning at line four, you stated that under
7 USLEC's suggested approach Verizon would be required
8 to carry the call many miles through multiple switches
9 on its way to USLEC's POI; correct?

10 A. Yes.

11 Q. And the reason Verizon has to carry the call
12 through multiple switches because that is how Verizon
13 designed its network; correct?

14 A. Actually when I say multiple switches, it could
15 either mean switched, physically switched through the
16 switch or is passing through that wire center. But,
17 yes, based on Verizon's network, that's the way it
18 would be run.

19 Q. And USLEC had nothing to do with Verizon's
20 network design; correct?

21 A. Correct.

22 ATTORNEY FINN:

23 Okay. I'm done with Cross. Thank
24 you.

25 JUDGE:

1 All right. Are you sure you're
2 done now?

3 ATTORNEY FINN:

4 Nothing further, Your Honor.

5 JUDGE:

6 Thank you. I think Verizon should
7 have a couple minutes to discuss its witness. And I
8 need one or two minutes off the record with Ms. Finn
9 and Ms. Smith.

10 OFF RECORD DISCUSSION

11 JUDGE:

12 Go back on the record. Before I
13 let you do that, I actually have a question, if I can
14 find it. Mr. D'Amico, would you turn to page two of
15 your rebuttal testimony, please.

16 A. Okay.

17 JUDGE:

18 Looking at the bottom of the page,
19 your question beginning on line 16 and your answer
20 beginning on line 19, do you need a minute to take a
21 look at that?

22 A. Hold on a second.

23 JUDGE:

24 I'll take that to be a yes.

25 A. Yes. Okay. I'm ready.

1 JUDGE:

2 If I understand your point for
3 that question and answer, it is to emphasize that
4 USLEC is handing traffic to Verizon at more than one
5 POI; is that right?

6 A. Yes.

7 JUDGE:

8 However, it is accepting Verizon
9 originated traffic only at its switch in each LATA; is
10 that right?

11 A. Yes.

12 JUDGE:

13 And my question for you then is
14 sort of almost a double negative, but do I understand
15 you correctly that you are not suggesting that it is
16 not technically feasible for USLEC to receive Verizon
17 originated traffic at those particular POIs?

18 A. Correct, it is technically feasible.

19 JUDGE:

20 Fine. That's all I needed to
21 know. Thank you. Now, Counselor.

22 REDIRECT EXAMINATION

23 BY ATTORNEY PANNER:

24 Q. Mr. D'Amico, you'll recall that Ms. Finn asked
25 you if a USLEC customer in Allentown called a Verizon

1 town customer in Allentown, who would bear the cost of
2 transporting that call from Allentown to the Verizon
3 POI connection?

4 A. Yes, I recall that.

5 Q. And you testified, did you not, that USLEC, if
6 the USLEC customer originated the call, would carry
7 the call to the Verizon tandem or the Verizon end
8 offices, as the case may be?

9 A. Correct.

10 Q. Now, if a call is going from a USLEC customer in
11 Allentown to a Verizon customer in Allentown, how far
12 is that call going end to end?

13 A. What's happening is because USLEC has decided to
14 locate their switch in Philadelphia, even though the
15 parties may be across the street, USLEC has to carry
16 that call to their switch in Philadelphia and then
17 carry it back. So it's really --- you know, the
18 reason that situation is occurring is because of the
19 location of where USLEC has put its switch.

20 Q. So it's really the location of USLEC's switch
21 that has caused those costs?

22 A. Yes.

23 Q. And did you understand Ms. Montano to testify
24 this morning that if USLEC has higher costs for
25 serving a customer far from its switch, that it's free

1 to charge more for that service?

2 A. Yes, I do remember that was the tariff thing.

3 And my listening to that was that it sounds like if a

4 USLEC customer --- you know, the distance that it's

5 located from the USLEC switch impacts what they pay.

6 Q. And in the case of a Verizon customer, does

7 Verizon receive greater compensation for carrying that

8 call or if it has to go all the way to ---.

9 ATTORNEY FINN:

10 Objection.

11 JUDGE:

12 Let him finish the question.

13 ATTORNEY FINN:

14 Sorry.

15 ATTORNEY PANNER:

16 A little bird tells me what the

17 objection is going to be.

18 BY ATTORNEY PANNER:

19 Q. Let me start the question over again.

20 A. Yeah. Start over.

21 Q. Can Verizon charge more for a call that must be

22 transported to the USLEC switch than it does if the

23 call is carried and delivered entirely on Verizon's

24 network within the local calling area?

25 ATTORNEY FINN:

1 Objection.

2 JUDGE:

3 Now, what's the ground?

4 ATTORNEY FINN:

5 Leading.

6 ATTORNEY PANNER:

7 Actually, Your Honor, I don't

8 think it was leading. I posed a hypothetical question

9 and I asked him whether there would be an additional

10 charge posed. It's an open-ended question. He can

11 answer yes or no. I understand how it's leading. I

12 didn't suggest facts that are not in evidence or

13 anything else.

14 JUDGE:

15 I agree. Objection overruled.

16 BY ATTORNEY PANNER:

17 Q. I'll say it again.

18 A. No, I got it.

19 JUDGE:

20 Please don't.

21 A. I was just trying to figure out if I should say

22 something or not. I usually write one on my left hand

23 and one on my right. Again, although I'm not a local

24 exchange tariff whiz, I believe the way it works is if

25 a Verizon customer calls a Verizon customer in that

1 local calling area, you know, that's the rate.

2 If the Verizon customer calls a USLEC customer,
3 because the rates that are associated with USLEC NSX
4 is Allentown, then the same rates would apply.

5 BY ATTORNEY PANNER:

6 Q. If Verizon agrees to a particular term with
7 USLEC, as an interconnection product manager, are you
8 familiar with whether other CLECs could adopt those
9 same terms?

10 A. Yes. Without getting into all of the rules of
11 what they call MFNing, they are opting into a
12 contract, other carriers are able to opt into or take
13 advantage of those same terms or conditions is my
14 understanding.

15 Q. And in your experience as a product manager in
16 Pennsylvania, are there CLECs who serve mostly or many
17 ISP customers?

18 A. Yes.

19 Q. And then I want to also, just to clarify
20 something that Ms. Finn was asking you about and my
21 Co-Counsel helpfully handed to me and then I promptly
22 turned away from it, on page two of your rebuttal
23 testimony, okay, at line six, are you asserting there
24 that USLEC does, in fact, have six customers who are
25 internet service providers?

1 A. No. Again, the word if creates a hypothetical
2 and, you know, it also addresses, where I say that is
3 the case --- that is the case with many other LECs,
4 that this situation based on my experience occurs and
5 if it isn't occurring today with Picker (phonetic)
6 CLEC, it could occur tomorrow just because of the way
7 the contract language is written. It kind of opens up
8 a loophole, if you will, or maybe encourages that type
9 of activity.

10 Q. And also another CLEC could opt into that
11 agreement, is that your understanding?

12 A. Yes, correct.

13 Q. Okay. And just to clarify also, when you say,
14 moreover, it is likely that these six customers are
15 located at USLEC switches, were you speaking there as
16 a factual assertion or as a hypothetical?

17 A. That was tied to the first spot of the if. It
18 was just a continuation.

19 ATTORNEY PANNER:

20 I have nothing further, Your
21 Honor.

22 ATTORNEY FINN:

23 Can I have a moment, please?

24 JUDGE:

25 Certainly.

1 ATTORNEY FINN:

2 I think I have just one or two
3 questions, Your Honor.

4 JUDGE:

5 I normally don't impose limits.

6 ATTORNEY FINN:

7 Understood.

8 RE CROSS EXAMINATION

9 BY ATTORNEY FINN:

10 Q. Mr. D'Amico, you and Mr. Panner were just talking
11 about Verizon's rates and what Verizon can charge its
12 customers; correct?

13 A. Yes.

14 Q. And I think you were talking about whether or not
15 Verizon could vary that rate based on the distance it
16 has to carry the traffic? Did I understand that
17 correctly?

18 ATTORNEY PANNER:

19 I object on the basis it
20 mischaracterizes prior testimony.

21 JUDGE:

22 I disagree. The objection is
23 overruled.

24 A. Do you want to ask that again or do you want me
25 to say something?

1 BY ATTORNEY FINN:

2 Q. Do you remember what the question was or do you
3 want it read back?

4 A. Would you read it back?

5 COURT REPORTER READS BACK PREVIOUS QUESTION

6 A. What we were discussing was two scenarios, one
7 Verizon's situation and that's governed by our local
8 exchange tariff, and Verizon to USLEC situation and
9 that too is governed by Verizon's local exchange
10 tariff. So I think the point that I was trying to
11 make was that I'm not sure of what the rates are and
12 how they're developed and all of that, but they would
13 treat that call the same way as far as billing the end
14 user, the Verizon end user.

15 Q. Okay. So are you familiar with Verizon's rate
16 structure, local calling rate structure?

17 A. No, other than to the billing system when it
18 bills that end user, it looks at the --- that that
19 call to Allentown looks like a call to Allentown. I
20 guess it doesn't know that it's going to a USLEC,
21 wherever it's going to.

22 Q. Are you familiar with Verizon's extended area
23 service?

24 A. No.

25 ATTORNEY PANNER:

1 Objection.

2 ATTORNEY FINN:

3 I'm done. Thank you. Nothing
4 further. I'm sorry, just a moment. Your Honor, I
5 think since Mr. Panner asked about the location of
6 USLEC customers and whether or not they were ISPs,
7 we'd like to introduce as an exhibit to get it into
8 the record the supplemental discovery response that we
9 talked about earlier.

10 ATTORNEY PANNER:

11 I object, Your Honor, we haven't
12 --- well, they haven't laid a foundation for it.
13 They --- there is nothing in there --- I mean, there
14 has been no --- there has been no foundation for this
15 response and it hasn't been properly introduced by a
16 witness.

17 ATTORNEY SHOR:

18 Can I respond to that?

19 ATTORNEY PANNER:

20 They've had control of the
21 information from the beginning. They could have put
22 it in their testimony from beginning.

23 JUDGE:

24 Now do you have a response?

25 ATTORNEY SHOR:

1 Can I please respond?

2 JUDGE:

3 Yes.

4 ATTORNEY SHOR:

5 The parties had various discovery
6 disputes that we attempted to resolve and we
7 ultimately didn't resolve that.

8 JUDGE:

9 Yes, and I appreciate that.

10 ATTORNEY SHOR:

11 And we did it in a way that
12 provided more information for both of us. There have
13 been questions that Mr. D'Amico has been asked and
14 answered by both USX Counsel and his Counsel
15 concerning virtual and foreign exchange customers, the
16 location of those customers and the types of customers
17 and that was followed up on Redirect. And in Recross
18 we are simply introducing as an exhibit marking and
19 showing, if he wants to say he's never seen it or
20 whatever and we have to deal with it separately, we'll
21 deal with it separately. But I think an appropriate
22 foundation has been laid.

23 JUDGE:

24 Well, you may be right that an
25 appropriate foundation has been laid, but more

1 importantly than that, you already have the
2 information of record in this proceeding, because
3 during Cross Examination by Ms. Finn, Mr. D'Amico
4 accepted subject to check all of her representations
5 about the contents of the supplemental discovery,
6 therefore, it is on the record. I don't see that
7 Verizon could have any grounds for disputing it unless
8 they are about to examine that supplemental discovery
9 and say, no, it doesn't say that. I somehow am
10 inclined to believe that Ms. Finn had no reason to
11 misrepresent her own discovery to the opposite side.

12 So with that in mind, I find that
13 it is immaterial that you've offered that particular
14 exhibit and it's not necessary to put it in the
15 record. Is there anything else for this witness?

16 ATTORNEY FINN:

17 Nothing further.

18 JUDGE:

19 Fine. This witness having
20 testified only on issues one and two is excused.

21 ATTORNEY PANNER:

22 Your Honor, is it all right if Mr.
23 D'Amico now leaves and goes to the airport?

24 JUDGE:

25 Yes, certainly.

1 OFF RECORD DISCUSSION

2 ATTORNEY SHOR:

3 Your Honor, as a matter of
4 cleanup, you had asked earlier regarding the numbering
5 in Ms. Montano's testimony and I double checked and I
6 think the item on page 31 that is identified as issue
7 eight should now be remarked as issue nine.

8 JUDGE:

9 And that's in her Direct
10 testimony?

11 ATTORNEY SHOR:

12 Yes. I think it's 31 at the
13 bottom or it may be --- depending on how it got marked
14 is the issue --- the identification of the issue at
15 the very bottom.

16 JUDGE:

17 Yes, I had already marked it issue
18 number nine.

19 ATTORNEY SHOR:

20 Are you ready for the next
21 witness?

22 JUDGE:

23 No, actually we have one more bit
24 of old business with Ms. Finn.

25 ATTORNEY FINN:

1 Yes. I can't find the one I wrote
2 on, but I think I just found another one, so we'll
3 write on it again.

4 JUDGE:

5 And now that you've written on it
6 would you like to move it into evidence?

7 ATTORNEY FINN:

8 Yes, Your Honor. USLEC would like
9 to move USLEC Exhibit One into evidence.

10 JUDGE:

11 Admitted without objection. Is
12 USLEC Exhibit Number Two identified and withdrawn?

13 ATTORNEY FINN:

14 Yes, USLEC Exhibit Number Two is
15 identified and withdrawn.

16 JUDGE:

17 Fine. All right. Now, I believe
18 we are back to Ms. Montano, who by virtue of her prior
19 appearance continues to be under oath and is now
20 responsible for the remainder and numerical order of
21 the issues that are left in this proceeding. And
22 Mr. Shor, I find it hard to believe you would need
23 to do much introduction, but whatever you think is
24 necessary.

25 ATTORNEY SHOR:

1 Ms. Montano is available for Cross
2 Examination on issues three, four, five, six, eight
3 and nine.

4 JUDGE:

5 Yes. And I quite agree. Mr.
6 Panner.

7 ATTORNEY PANNER:

8 Thank you.

9 WANDA MONTANO, PREVIOUSLY SWORN, RECALLED TO TESTIFY
10 RECROSS EXAMINATION
11 BY ATTORNEY PANNER:

12 Q. Ms. Montano, on issues three and four, you've
13 testified that Voice Information Services traffic ---
14 and this is your Direct testimony, on page --- I
15 apologize. On page 12, line 22 and then going over to
16 page 13, line one, you've testified that Voice
17 Information Services traffic, as defined in the
18 agreement, quote, cannot be characterized as
19 interstate or intrastate exchange access, information
20 access or exchange services for exchange access or
21 information access, is that your testimony?

22 A. Yes, it is.

23 Q. Is that a legal conclusion?

24 A. It is my understanding of the issue.

25 Q. Is it a legal conclusion?

1 A. I think the legal conclusions are for the Judge

2 to draw, not for me.

3 Q. Is it a legal conclusion?

4 ATTORNEY SHOR:

5 Asked and answered.

6 ATTORNEY PANNER:

7 I disagree. It hasn't been
8 answered.

9 BY ATTORNEY PANNER:

10 Q. It's a simple yes or no. Is it a legal
11 conclusion or is it not a legal conclusion?

12 ATTORNEY SHOR:

13 Asked and answered.

14 JUDGE:

15 I'm at the point in the day where
16 I don't particularly care. If it's a legal
17 conclusion, I'll deal with it any way I want. If it's
18 not a legal conclusion, I'll regard it as factual
19 text.

20 BY ATTORNEY PANNER:

21 Q. I'll pass on now to issue five. Ms. Montano, do
22 you know what it means for USLEC to receive traffic
23 from Verizon's network?

24 A. Are you talking about the testimony that begins
25 on page 16?

1 Q. I'm simply asking the question, do you know what
2 it means for USLEC to receive traffic from Verizon's
3 network?

4 A. Based on the definition that you guys have
5 proposed in the interconnection agreement?

6 Q. If I say to you that USLEC has received traffic
7 from Verizon's network, do you know what I mean?

8 A. No, because we don't use that word. We use
9 originating and terminating.

10 Q. So your testimony is that you do not know what it
11 means?

12 A. Not in terms of an industry standard term, in
13 terms of how traffic flows.

14 Q. Okay. I'd like to go on to issue six. Does
15 USLEC --- first of all, can you describe for me what a
16 traditional FX service is?

17 A. My understanding of foreign exchange service is
18 that a customer has a location in one calling area and
19 would like for customers of their business in a
20 calling area to be able to make a local call to them
21 rather than a toll call.

22 Q. And do you know how Verizon provisions a
23 traditional FX service?

24 A. No, I do not.

25 Q. Okay. Now, does USLEC offer FX service?

- 1 A. Yes, we do.
- 2 Q. Now, would you agree that it's possible to
- 3 provision FX service by offering switching service out
- 4 of an end office and then provisioning a dedicated
- 5 line from that end office to a customer location in a
- 6 different local exchange? Would that be possible?
- 7 A. Can you break that into smaller pieces?
- 8 Q. Sure. In a traditional --- have you read the
- 9 testimony of Mr. Haynes?
- 10 A. Yes, I have.
- 11 Q. In that testimony, I believe he describes a
- 12 traditional FX service as one in which --- and I'll
- 13 try to break it down for you, one in which a customer
- 14 purchases service in a foreign end office and then
- 15 purchases transport from that end office to the
- 16 customer location in a different exchange. Do you
- 17 understand that?
- 18 A. Yes, I do.
- 19 Q. Okay. Does USLEC offer FX service in this
- 20 fashion?
- 21 A. Yes, we do.
- 22 Q. So you offer service in a fashion where you have
- 23 --- you have a customer who is located in --- okay.
- 24 Let me break that down. When you offer FX service, is
- 25 your switch --- do you require --- is your switch

- 1 always in the exchange area associated with the NXX
2 code assigned to the customer?
- 3 A. No, it is not.
- 4 Q. So it might well be true that the switch is quite
5 distant from the local exchange area associated with
6 the assigned NXX code; is that correct?
- 7 A. Yes.
- 8 Q. And, in fact, you would offer FX service,
9 offering NXX codes associated with any NXX code in the
10 LATA where you have assigned numbers out of one switch
11 in the LATA; is this correct?
- 12 A. That's correct.
- 13 Q. Now, compared to offering --- if you offer FX
14 service, do you impose an additional charge?
- 15 A. Yes, we do.
- 16 Q. Do you know how much that charge is?
- 17 A. I believe it's \$1,000 a month, plus \$500
18 non-referring charge, plus hunting fees. There are
19 antilog trunk fees as well, I believe of \$12 a month.
- 20 Q. Okay. Now, what additional costs do you have
21 when you're --- I'll withdraw that question.
- 22 I'm going to go to the board here and I'll try to
23 ---.
- 24 OFF RECORD DISCUSSION
- 25 BY ATTORNEY PANNER:

1 Q. I'm going to draw a schematic here. I'm going to
2 call this exchange area A. And I'm going to call this
3 exchange area B. And we're going to have a customer
4 here, we'll call him customer X. I'm going to have a
5 customer here, we'll call her customer Y. Now, can
6 you tell me is the call from X to Y a local call?

7 A. That would depend on what Verizon's tariff says
8 is the calling area between A and B.

9 Q. But as I've described this, this is outside the
10 exchange area for the subscriber X. So it's in a
11 different exchange area, no EAS, nothing fancy. It's
12 just there is a local exchange area here, a local
13 exchange area here, a call connect, a call Y, is that
14 a local call?

15 A. Could you define exchange area for me because
16 we've talked about local calling areas and serving
17 wire centers, that's a term that I don't understand.

18 Q. Okay. A local exchange area is an area in which
19 calls between customer stations are considered local
20 ---

21 A. Okay.

22 Q. --- where the stations are located within the
23 exchange area. Is the call from X to Y --- and I
24 believe that's paraphrasing the way that's defined in
25 the tariff subject to check. But is a call from X to

- 1 Y a local call?
- 2 A. As you've defined it, yes.
- 3 Q. X is in exchange area A?
- 4 A. Uh-huh (yes).
- 5 Q. Y is in exchange area B, a different exchange
- 6 area?
- 7 A. Yes.
- 8 Q. Is a call from X to Y a local call?
- 9 A. I don't believe so.
- 10 Q. Okay. So the answer is no?
- 11 A. That's correct.
- 12 Q. Okay. Well, what if the NPA/NXX of the X
- 13 customer and the Y customer are, in fact, associated
- 14 with the same local calling area? In other words, you
- 15 could have a customer here, Y, right, who has an NPA,
- 16 an assigned NPA/NXX associated with the local calling
- 17 area A, ---
- 18 A. Okay.
- 19 Q. --- would it still be an interexchanged call?
- 20 A. No, that would be a foreign exchange call.
- 21 Q. It can be a local call?
- 22 A. It would be a local call because the customer has
- 23 purchased foreign exchange.
- 24 Q. So in your view that would be defined as a local
- 25 call?

1 A. Yes.

2 Q. Would the reciprocal compensation apply to that
3 call?

4 A. Yes.

5 Q. Okay. In fact, so X --- let me just clarify one
6 thing. Even if USLEC's switch is here and Verizon is
7 the one transporting the traffic all the way to here,
8 not only in your view is Verizon not entitled to any
9 compensation for this transport, Verizon must pay
10 USLEC to deliver that call to Y; is that correct?

11 A. I believe that that pricing structure would apply
12 regardless of whether your company is offering the
13 foreign exchange or mine. The traffic flows in both
14 directions, so, yes.

15 Q. Okay. So the answer is, yes, we would have to
16 pay you in that circumstance?

17 A. Yes. And you would have to pay me in the
18 opposite direction.

19 Q. Okay. That's fine.

20 A. I'm sorry. Let me correct that. I would have to
21 pay you in the opposite direction.

22 Q. That's fine. That's what you think we're
23 entitled to?

24 A. That is the way the networks work today and that
25 is the way the rules are today.

- 1 Q. Okay. And you're charging an extra, you said I
2 think it was, 500 ticks and \$1,000 a month or 1,000
3 ticks, \$500 a month, to deliver the call from this
4 customer Y for this FX service; is that correct?
- 5 A. The charges that we apply to the customer have to
6 do with the facility that the customer purchases from
7 us to get from one calling area to the other.
- 8 Q. But, in fact, the customer in my example is
9 located right next to your switch, isn't he, or she?
10 Y is she. So Y is located right next to your switch
11 in my example; isn't she?
- 12 A. Yes.
- 13 Q. And yet you're charging her extra to provide this
14 FX service; is that correct?
- 15 A. That's the nature of the service, yes.
- 16 Q. Thank you. Now, let me ask you one more
17 question. You've testified, have you not, --- let me
18 ask you one further question. You've testified, have
19 you not, that the NPA/NXXs of these two customers is
20 the same, that it's a local call but it's reciprocal
21 compensation; is that correct?
- 22 A. I'm sorry. Could you restate that?
- 23 Q. You've testified that --- and I didn't really say
24 that exactly right, so thanks. If the NPA/NXXs of the
25 two customers are associated with the same local

1 calling area, that it's a local call but it's
2 reciprocal compensation, is that your testimony?
3 A. Yes, it is.
4 Q. Now, suppose that I told you that customer Y was
5 located in South Carolina and customer X was located
6 in Pennsylvania, would your conclusion change that
7 it's a local call?
8 A. Yes, my conclusion would change, but USLEC
9 wouldn't offer that service to its subscribers.

10 ATTORNEY PANNER:
11 Your Honor, I'd like to mark
12 Exhibit VZ-5.

13 JUDGE:
14 So marked.
15 (Exhibit VZ-5 marked
16 for identification.)

17 JUDGE:
18 What is it?

19 ATTORNEY PANNER:
20 It is a printout of a page from
21 the USLEC website describing the long distance and
22 toll free services that USLEC offers.

23 ATTORNEY SHOR:
24 Do you have one more?

25 ATTORNEY PANNER:

1 Sure.

2 ATTORNEY SHOR:

3 Thank you.

4 BY ATTORNEY PANNER:

5 Q. Okay. Can you turn to page two and go down to
6 the third bolded heading. And I'm going to read
7 that. It says, local toll free trademark service, is
8 that correct, is that the heading?

9 A. Yes.

10 Q. It says local toll free service allows your
11 customers in another city to make a local call to you,
12 is that correctly read?

13 A. Yes.

14 Q. And it says USLEC's local toll free service lets
15 you establish local phone number across the USLEC
16 footprint, is that what it says?

17 A. Yes.

18 Q. What is the USLEC footprint?

19 A. I did not write this so I have no idea who the
20 author is or what was meant. I can speculate that in
21 --- when we, within the company talk about footprint,
22 it's the 14 states that we provide service in.

23 Q. Then it says this unique inbound calling service
24 allows anyone to place a, quote, free, end quote,
25 local call to you from anywhere within USLEC's

1 territory with you picking up the charges at a lower

2 cost; is that correct?

3 A. Yes.

4 ATTORNEY PANNER:

5 I have no further questions.

6 ATTORNEY SHOR:

7 Just a minute.

8 REDIRECT EXAMINATION

9 BY ATTORNEY SHOR:

10 Q. Just a couple of questions on Redirect,

11 Ms. Montano. In the diagram that was drawn,

12 Mr. Panner was asking you about the charges that USLEC

13 assesses on to its FX customers for service; do you

14 recall that?

15 A. Yes.

16 Q. And he propositied (phonetic) to you the situation

17 where the FX customer is located, I think he put it,

18 near the USLEC switch; do you recall that?

19 A. Yes, sir.

20 Q. Do you know whether any of USLEC's FX customers

21 in Pennsylvania are located near the USLEC switch?

22 A. Yes, I believe they are.

23 Q. What's that distance?

24 A. I believe it is less than five miles.

25 Q. And are there others that are located at greater

1 distances?

2 A. Yes, there are.

3 Q. What are those distances?

4 A. I think there is one at 12 miles.

5 Q. And do you have any recollection what the average
6 distance is?

7 A. No, I don't, but I believe it's in the discovery
8 that we submitted.

9 Q. And with respect to the information from the
10 website that you were just asked about, do you know
11 how that service is provisioned?

12 A. I believe it is provisioned as an enhancement to
13 our toll free service, inbound 800 service.

14 Q. So that it could, in fact, be a corollary to the
15 800 service that USLEC also offers?

16 A. Yes.

17 Q. Are you aware of any customers in the
18 Pennsylvania area who utilize this service to permit
19 customers to call them outside of the State of
20 Pennsylvania?

21 A. No, I'm not.

22 ATTORNEY SHOR:

23 I have nothing further.

24 ATTORNEY PANNER:

25 Just one thing.

1 RE CROSS EXAMINATION

2 BY ATTORNEY PANNER:

3 Q. You said it's a corollary to your 800 service?

4 A. Uh-huh (yes).

5 Q. But the switch would nonetheless recognize it ---

6 Verizon's switch would nonetheless route it and rate

7 it as a local call; is that correct?

8 A. From the ---.

9 ATTORNEY SHOR:

10 Objection, calls for speculation

11 by the witness as to how Verizon's switch would read

12 it. She says she is guessing as to how it's

13 provisioned.

14 ATTORNEY PANNER:

15 Your Honor, she has testified

16 extensively about how in the industry calls are rated

17 and routed.

18 JUDGE:

19 Ms. Montano, try to answer the

20 question to the best of your ability.

21 A. Yes, sir. My speculation on how we provide this

22 service is that the customer would have an 800 number

23 or an 8XX number. Your switch would see that, it

24 would do the appropriate dip into the impact database

25 and determine whether or not that call would get

1 routed either to the customer's interexchange pick or
2 would get routed to us over USLEC Net, which is our
3 long distance service.

4 BY ATTORNEY PANNER:

5 Q. When you hear the phrase local phone numbers, do
6 you think that that phrase includes 800 numbers?

7 A. It could.

8 Q. Okay. And would you have to pay access charges
9 on such calls?

10 A. It depends on how it's routed. If this
11 particular customer --- because we also have a long
12 distance product, if they were pic'd, P-I-C apostrophe
13 D, they pic'd us to be their long distance service,
14 then we would carry that traffic on our network
15 because we have a backbone network that connects our
16 switches and deliver it to the customer on the other
17 end, in which case no access charges would apply
18 because I would be the sole carrier of the call.

19 If the customer is pic'd to Verizon for a long
20 distance service or AT&T or anyone else, then, yes,
21 access charges would apply.

22 COURT REPORTER READS BACK PREVIOUS ANSWER

23 BY ATTORNEY PANNER:

24 Q. Just to clean up the record. Do you know if
25 USLEC pic'd an interexchange carrier for a Verizon

1 local customer if USLEC has to pay access charges on

2 long distance traffic that that customer originates?

3 A. Let me see if I can restate your question because

4 I'm not sure I understand it. Are you asking whether

5 a Verizon local customer could pick USLEC as their

6 long distance carrier?

7 Q. Okay. Well, that's part of it.

8 JUDGE:

9 That's the first part.

10 A. The answer is yes.

11 BY ATTORNEY PANNER:

12 Q. Okay. And if that were the case, would USLEC

13 have to pay access charges to Verizon on long distance

14 calls made by that customer?

15 A. Yes.

16 Q. Okay. So, in fact, access charges --- whether

17 access charges are due doesn't depend on whether USLEC

18 is pic'd by XC or not?

19 A. It depends on the call routing.

20 ATTORNEY PANNER:

21 Okay. I have nothing further.

22 JUDGE:

23 Any Redirect on that basis?

24 ATTORNEY SHOR:

25 No.

1 JUDGE:

2 The witness is excused and thank
3 you for coming.

4 OFF RECORD DISCUSSION

5 JUDGE:

6 And do you want to introduce this
7 witness to us?

8 ATTORNEY PANNER:

9 Sure.

10 TERRY HAYNES, PREVIOUSLY SWORN, CALLED TO TESTIFY

11 DIRECT EXAMINATION

12 BY ATTORNEY PANNER:

13 Q. Can you state your name and business address?

14 A. Yes. I'm Terry Haynes, 600 Hidden Ridge, Irving,
15 Texas and the ZIP is 75038.

16 Q. Who is your employer?

17 A. I'm employed by Verizon as a manager and the
18 regulator person.

19 JUDGE:

20 And Mr. Haynes, I want to welcome
21 you to the hearing this morning and also remind you
22 that early this morning you took your oath as a
23 witness?

24 A. Yes, sir.

25 JUDGE:

1 And you continue to be in that
2 position now.

3 A. I understand.

4 JUDGE:

5 Thank you. Could you give your
6 title, please?

7 A. Manager of the state regulatory.

8 BY ATTORNEY PANNER:

9 Q. Did you cause to have prepare for this proceeding
10 this 20 --- well, 20 pages of Direct testimony?

11 A. Yes, I did.

12 Q. Dated May 31st, 2002?

13 A. Yes.

14 Q. Do you have any corrections to make to that
15 testimony?

16 A. No.

17 Q. If those same questions were asked of you today
18 would you give the same answers?

19 A. Yes, I would.

20 Q. Did you cause to have prepared 14 pages of
21 rebuttal testimony that was filed on July 9th, 2000?

22 A. Yes, I did.

23 Q. Do you have any corrections to make to that?

24 A. None to that.

25 Q. If you were asked the same questions today would

1 you give the same answers?

2 A. Yes, I would.

3 ATTORNEY PANNER:

4 I offer his testimony subject to
5 Cross Examination.

6 JUDGE:

7 The Direct testimony of Mr. Haynes
8 and the rebuttal testimony of Mr. Haynes are admitted
9 subject to Cross Examination and any timely motion.
10 And we have one small old business thing to clean up
11 and that is VZ Exhibit Five.

12 ATTORNEY PANNER:

13 Thank you, Your Honor. I'd like
14 to move admission of Verizon Exhibit Five.

15 JUDGE:

16 Admitted without objection.

17 Mr. Shor.

18 ATTORNEY SHOR:

19 Thank you, Your Honor.

20 CROSS EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Mr. Haynes, my name is Michael Shor. I'm here as

23 Counsel for USLEC of Pennsylvania. I'd like to ask

24 you a few questions this afternoon, please.

25 Mr. Haynes, to your knowledge does Verizon offer a

1 service known as foreign exchange in Pennsylvania?

2 A. Yes, they do.

3 Q. And how does that work?

4 A. It's my understanding that it is provisioned in a
5 manner --- I'll try to use some examples. Let's use
6 the Allentown, Philadelphia example. They seem
7 popular today. If I had an Allentown customer that
8 wanted to have a virtual or foreign exchange presence
9 in the Philadelphia location, that customer would
10 negotiate with Verizon for that service. As part of
11 that service they would lease a loop (phonetic) that
12 would connect the location in Allentown with the
13 location in Philadelphia. And they would have a
14 virtual presence, if you will, from the Philadelphia
15 location back to Allentown or you could turn it around
16 and use it the other way. So it would involve having
17 a lease to loop plus a local service number type of
18 service.

19 Q. So as I understand it, Verizon would assign a
20 telephone number to a customer who is physically
21 located in Allentown?

22 A. Yes.

23 Q. And has an NPA/NXX that is associated with the
24 Philadelphia local calling area?

25 A. That's correct.

1 Q. Okay. And in essence, that gives that Allentown
2 customer what we called a virtual presence in the
3 Philadelphia calling area?

4 A. Yes. Their physical location would still be in
5 Allentown, but the loop that they would pay for that
6 connects the two towns together would be the
7 compensation Verizon would get in lieu of what would
8 normally be toll calls.

9 Q. And that arrangement allows customers in
10 Philadelphia to call the Allentown customer without
11 incurring a toll charge; is that correct?

12 A. That's correct. We get our compensation and that
13 loss that we experience is recovery for the cost for
14 that loop that's leased between the two points.

15 Q. Do you have any idea approximately how many
16 customers in Pennsylvania utilize Verizon's foreign
17 exchange service?

18 A. I don't know. We were trying to find an easy way
19 to get that information in our system. I understood
20 that was a data request. I don't think we got it, but
21 we were looking for it.

22 Q. Do you generally have an idea across Verizon's
23 footprint how many people utilize foreign exchange
24 service?

25 A. Percentage-wise it's extremely small. I had a

1 chance to look into it awhile back for another
2 situation and it turned out to be much less than one
3 percent of our total customers.

4 Q. But that could still be a fairly substantial
5 number of customers even though it's a small
6 percentage of Verizon's total customer base?

7 A. Yes. If you have a base of 70 million
8 nationally, it would be a big number. If you have a
9 base of whatever it is locally --- I don't know the
10 exact numbers.

11 Q. Do you have any idea what the Verizon customer
12 base is in Pennsylvania?

13 A. I think I remember reading somewhere around six
14 million customers. I don't know that to be --- I
15 wouldn't swear to that, but it's just a rough number.

16 Q. Math has never been one of my strong points, but
17 one percent of six million is 1,000.

18 ATTORNEY PANNER:

19 It would be something with a six
20 in it.

21 BY ATTORNEY SHOR:

22 Q. So it's something less than 6,000?

23 A. I would probably agree it's something less than
24 6,000.

25 Q. So it's within the range of maybe 4,000 to 6,000

1 customer utilize it?

2 A. Again, I just remember the number in Florida
3 being much less than one percent. I don't remember if
4 it's .8, .5. I don't recall.

5 Q. Now, to your knowledge, is Verizon's foreign
6 exchange legal in Pennsylvania?

7 A. It's my understanding that it's a tariff service
8 that we express to the Commission and the Commission
9 approved it.

10 Q. Okay. And as I understand it, Verizon has been
11 billing and collecting reciprocal compensation from
12 CLEC whose customer have been calling Verizon's FX
13 customers?

14 A. That is an understanding that I would agree with
15 and I want to elaborate on that understanding. The
16 system that we have in place was built --- and I'd
17 have to get some information, historical information
18 to confirm how it is here in Pennsylvania, but I know
19 from my experience, which is more former GT than
20 former Bell Atlantic, we have had a system in place
21 for a very long time that was built from the idea that
22 a call that originated at one NPA/NXX and terminated
23 another NPA/NXX compared those two to determine if it
24 was going to be treated as a local or if it was going
25 to be treated as an access call. And that was based

1 on the premise that we didn't have other providers
2 like CLEC. We had us, then ILEC, another ILEC which
3 we principally exchanged traffic with and that was
4 generally balanced, roughly 50 percent one way, 50
5 percent the other so there wasn't an issue, concerned
6 on our part.

7 So our billing system wasn't built to take into
8 consideration the possibility that we might have a lot
9 of traffic going one way. And elaborating on that, I
10 guess what I'm trying to say is that if we had a
11 literal comparison of the termination and origination
12 point, by our definition a call that originates in one
13 place and terminates in another that's not local at
14 that point should be entitled to access.

15 So I believe I expressed in my testimony that has
16 been submitted that we would be willing to work with a
17 CLEC. And we, in fact, offered to do that, as an
18 example. We said we realized we have traffic that's
19 coming from you to us and vice versa. In those
20 situations where we've been treating that as recip
21 comp, we'd be willing to work to get a measurement
22 established to put in a tool that would allow us to
23 compensate with access rather than recip comp.

24 Q. Thanks. But I just want to see if I can do a
25 short form summary. The answer is that, yes, Verizon

- 1 has been billing and collecting recip comp from CLEC
2 for calls to Verizon's FX customers?
- 3 A. Yeah, just based on the fact that the system
4 doesn't have a way to differentiate at this point.
- 5 Q. And, in fact, because the billing system and the
6 routing system can't distinguish?
- 7 A. It doesn't have a tool built into it, that's
8 correct.
- 9 Q. Okay. It looks at the NPA/NXXs and if they're
10 associated with the same local calling area it's rated
11 to the originating caller as a local call?
- 12 A. That's correct.
- 13 Q. And if the NPA/NXX is assigned in one instance to
14 --- if the NPA/NXX as the calling party is associated
15 with the CLEC and the NPA/NXX of the call party is
16 associated with Verizon foreign exchange customer,
17 Verizon will bill that CLEC recip comp?
- 18 A. Right. Once again, because the system has no
19 intelligence to do otherwise.
- 20 Q. Now, does Verizon offer a service known as
21 Enhanced Intellilink, PRI hub service in Pennsylvania?
- 22 A. Yes, they do, that's my understanding.
- 23 Q. Can you tell me how that service works?
- 24 A. I can give a broad description. I'm not a
25 literal expert but I've had the experts tell me a

1 little bit about it. As I understand, we have two
2 services that are very similar in terms of --- not
3 only that and something else called IPRS. So you've
4 got the service you just described and another one.
5 In both cases, as I understand, the service is a local
6 customer is trying to reach lease services by the ISP
7 termination. So they try to get ahold of the internet
8 service provider.

9 So we have an end user that dials into the switch
10 and that switch recognizes the number being dialed as
11 one that's part of the service that an ISP has paid
12 for. And it routes that call or that communication to
13 a hub and the hub then hands off via the dedicated
14 loop that the ISP pays for, the traffic that's destined
15 for the internet. And the compensation we receive in
16 that case, I know there is a state tariff for the
17 service you described and there is a federal tariff
18 for the other services, but both services we receive
19 compensation. The transport portion of that based on
20 the monthly rates that the customer for the service
21 would pay --- so we got a rate that's including that
22 transport ---.

23 Q. Now, to your knowledge, does the customer who
24 purchased the service, are they given NPA/NXXs that
25 are associated with local calling areas?

- 1 A. Yes, they are.
- 2 Q. So it's not a 1-800 or a 1-500 type service ---
- 3 A. As I understand ---.
- 4 Q. --- in this particular one?
- 5 A. In the example I just described, I believe it has
- 6 an add-on if they want to use it, that being the
- 7 customer, of having 1-500 options, it's my
- 8 understanding generally they chose the local numbers,
- 9 but it does have an option.
- 10 Q. And to your knowledge, do any of the ISPs that
- 11 that service is sold to, co-locate with Verizon in any
- 12 of its switches?
- 13 A. Honest to goodness, my understanding of the
- 14 general arrangement of it, I don't know. I know we
- 15 have the hubs, but I'm not sure how far they are
- 16 located away from those hubs, where it passes off. I
- 17 do know they have a link, but I don't know how far
- 18 those links run before it reaches the ISP. I don't
- 19 know.
- 20 Q. Is it possible that some of those customers are
- 21 co-located with ---?
- 22 A. It's certainly possible, yes.
- 23 Q. Let me finish the question.
- 24 A. I'm sorry.
- 25 Q. It's possible that some of those customers are

1 co-located within Verizon switches?

2 A. It's certainly possible. If they've leased space
3 from us I would think it's an arrangement they can
4 secure.

5 Q. To your knowledge, is it possible for the ISP
6 customer, the end user customer, to be located outside
7 of the LATA within which the local calling numbers are
8 assigned?

9 A. As I understand the infrastructure that's in
10 place, let me use Pennsylvania since it's what we're
11 addressing, for the structure here we have 30 some
12 hubs deployed across the state and they have links in
13 from the various local central offices to those hubs.
14 Once it reaches those hubs, I believe the ISP provider
15 can order its dedicated loop and it can be any length
16 it wants to be at that point because they're buying a
17 loop, not necessarily from us. They can buy it from
18 anybody. And we simply took it to that loop and sent
19 it to wherever it terminated.

20 Q. So you don't necessarily know where it
21 terminates?

22 A. No, I don't, honestly. Somebody that's a product
23 expert may have some idea, but I don't.

24 Q. So to your knowledge could it possibly terminate
25 outside of the LATA where the local calling numbers

1 are assigned?

2 A. In my understanding of it, theoretically it
3 could. I don't have the precise knowledge about any
4 perimeters that might have been established to prevent
5 that. I just don't know the details.

6 Q. Thank you. And like Verizon's foreign exchange
7 service, in essence, this gives the Enhanced
8 Intellilink customer a virtual presence in a calling
9 area where it has no physical locations?

10 A. Well, the similitudes between the two that I
11 find significant to me is that in both cases Verizon
12 is compensated for the transport that it's provided
13 across the distance because our concern has been
14 around the issue of whether or not transports are
15 going to be provided free of charge and several CLECs
16 have asked us to provide it versus being compensated
17 to be transported to go some distance.

18 Q. But focusing on the service that's provided to
19 the ISPs --- and let's stick with our Allentown and
20 Philadelphia example. We can have an ISP that's
21 located in this instance in Philadelphia.

22 A. Right.

23 Q. And maybe they're located in Allentown because
24 the real estate costs are cheaper. But let's put them
25 in Allentown and they want a Philadelphia number and

1 they choose, for whatever reason, to utilize this
2 service, it gives that ISP in Allentown a virtual
3 presence, if you will, in Philadelphia?

4 A. Yeah. Physically speaking, the way I'd
5 understand that example, we have a hub somewhere close
6 to Allentown. It may not be in Philadelphia. It may
7 be fairly close to Allentown. It's based on quantity
8 of hauls coming into the hub. And they would have an
9 arrangement where the end user that's using an ISP
10 would call into our switch and the switch would then
11 hand off to the hub, however close it might be, it
12 could be as far away as Philadelphia but my guess is
13 based on having, I think 38 hubs in the state, it
14 would be fairly close to Allentown.

15 Q. But the question is it gives the ISP located in
16 Allentown a virtual presence in Philadelphia? People
17 can call that number in Philadelphia and think that
18 the ISP is located there?

19 A. Let me back up and be sure I'm understanding
20 you. Because maybe what you just said and what I'm
21 saying are at odds with each other. If we have an
22 Allentown end user trying to reach somebody
23 subscribing to this service, they're going to have a
24 number that appears to be local to Allentown. And
25 when it connects it's going to hand off to hub fairly

1 close to Allentown based on the number of products we
2 have in the state. And then from that hub it will go
3 over to a dedicated loop somewhere. It may go to
4 Philadelphia if that's where your device is located.
5 It may stay in Allentown as you indicated if they have
6 cheap real estate.

7 Q. We're not necessarily looking at how it's routed
8 or routed rather, but it gives --- the end user, in
9 essence, gets a presence in a calling area where it
10 does not have a physical facility?

11 A. Well, it would have a one-way presence there,
12 that would be similar --- one way when you compare it
13 to FX. FX that we provide, forces two ways, it works
14 both directions and it's voice service where this is
15 focused on ISP only.

16 Q. And it's a data service?

17 A. Yes, strictly focused on data service.

18 Q. And it allows customers in Philadelphia to call
19 an ISP located in Allentown without incurring the cost
20 of a toll charge?

21 A. Yes, if you turn the situation around it would be
22 possible to do that.

23 Q. To your knowledge, is Verizon's Enhanced
24 Intellilink PRI hub service legal in Pennsylvania?

25 A. It's my understanding it's a service that's been

1 approved.

2 Q. And without getting into numbers, is it your
3 understanding that there are some customers in
4 Pennsylvania who utilize that service?

5 A. I think we did some discovery on that and I
6 understood that we got data from Pittsburgh, which was
7 like five or six customers and there is just a handful
8 around Philadelphia.

9 ATTORNEY SHOR:

10 Would you mind marking that
11 portion of that answer as confidential? I did not ask
12 for ---.

13 JUDGE:

14 Go off the record.

15 OFF RECORD DISCUSSION

16 JUDGE:

17 Our off the record discussion
18 reflected that Counsel for USLEC was trying earnestly
19 to honor his commitment to treat confidential
20 information as confidential, however, Verizon has
21 kindly waived it for that brief answer.

22 ATTORNEY SHOR:

23 Thank you.

24 BY ATTORNEY SHOR:

25 Q. And as I understand it, Mr. Haynes, Verizon has

1 billed and collected reciprocal compensation from CLEC
2 whose customers may have called Enhanced Intellilink
3 customers served by Verizon?

4 A. To the degree that it's occurred, I have to deal
5 in theory rather than practices, I don't know if there
6 have been any actual costs terminated. But in theory,
7 it could have been.

8 Q. Were you involved in the preparation of Verizon's
9 supplemental responses to USLEC's discovery?

10 A. I reviewed the answers, in some cases I
11 contributed.

12 ATTORNEY SHOR:

13 Okay. Let me mark as USLEC --- we
14 marked Two and withdrew it, so USLEC Three. And I
15 regret to tell you that I'm not competent enough to
16 have the proper number of copies. So if we could
17 share some. This is one for you.

18 BY ATTORNEY SHOR:

19 Q. Have you had a chance to look at this document
20 before?

21 A. Yes, I have. In fact, I brought a copy with me.
22 I think I've got one if we need an extra.

23 Q. If you would turn to page 12, please.

24 A. Yes.

25 Q. Interrogatory Number 74, do you see that?

1 A. Yes, I do.

2 Q. Let me just read this into the record and let you
3 tell me if I did it correctly. Have you ever billed
4 or received reciprocal compensation for calls received
5 from customers of CLEC or other LEC for termination to
6 your customers who have purchased or subscribed to
7 FX-like services, do you see that, please explain your
8 answer?

9 A. Yes, I do.

10 Q. And I will represent to you subject to reviewing
11 the document, that Enhanced Intellilink was identified
12 as an FX-like service.

13 A. Yes.

14 Q. Do you see the Answers to see response to
15 Interrogatory Number 59?

16 A. Yes, I do.

17 Q. If you go back to page ten, do you see the
18 response to Interrogatory 59?

19 A. Yes.

20 Q. Let me read that into the record, please. If a
21 CLEC customer originated a call to a Verizon FX
22 customer with an assigned NXX code associated with the
23 same local calling area as the NXX code of the
24 originating CLEC customer, Verizon would ordinarily
25 bill, paren, and therefore, also receive, closed

1 paren, reciprocal compensation on such a call, do you
2 see that?

3 A. Yes.

4 Q. Now, that answer has been incorporated into the
5 Answer to Interrogatory Number 74.

6 A. Yes.

7 Q. So would you agree with me then that Verizon has
8 billed and received reciprocal compensation for calls
9 from CLEC to Enhanced Intellilink customers?

10 A. I think we're both saying the same thing, meaning
11 that actually if it's happened --- I would agree that
12 if that would have been billed --- but I don't know if
13 it has happened.

14 Q. I was interpreting this as saying that it has
15 happened?.

16 A. No. In this case, I think the way this is
17 worded, I think I had a hand in wording it, because
18 none of us knew for sure if it had taken place. So if
19 it occurred this way, then it would be handled that
20 way.

21 Q. That's fair. Now, I think you mentioned this
22 earlier, does Verizon offer internet protocol routing
23 service in Pennsylvania?

24 A. It's my understanding they do.

25 Q. And for simplicity sake we will refer to that as

1 IPRS?

2 A. Yes.

3 Q. And how does that service work?

4 A. In essence, what we've just described is very
5 similar, the differences with IPRS is that it has
6 additional functionality built into the service. It's
7 a federally tariffed rather than state tariffed
8 product. And they actually do management of the
9 system. As a contrast to the other service, it's my
10 understanding talking to the product manager, that if
11 --- IPRS not only get this inactivity into the hub,
12 they also do network managing in the process. So they
13 get a higher level of access to their internet service
14 provider and internet service provider benefit from
15 that enhanced management. They have somebody watching
16 the network at all times to make sure if there is an
17 outage or a blockage starting to occur that they can
18 take care of that. The other service, that's not the
19 case. They have the delivery, but they don't have
20 this other enhancement management of the process.

21 JUDGE:

22 Excuse me. Just for my neophyte
23 understanding, enhanced management is the watching the
24 line?

25 A. Yes. That's the part that I understand about.

1 There may be more features that I'm not an expert on,
2 but that was a significant feature, the product
3 manager ---.

4 JUDGE:

5 Your level of expertise is far
6 above mine, please continue, Counsel.

7 ATTORNEY SHOR:

8 Thank you.

9 BY ATTORNEY SHOR:

10 Q. And with IPRS, again, Verizon assigns a telephone
11 number to a customer in Allentown, ---

12 A. Yes.

13 Q. --- who may be physically located in
14 Philadelphia?

15 A. Yes.

16 Q. And allows individuals in Philadelphia to call
17 that number, ---

18 A. Yes.

19 Q. --- as if it was a local call?

20 A. That is correct.

21 Q. Okay. And to your knowledge, is that service
22 legal in Pennsylvania?

23 A. To my understanding, it's a federally tariffed
24 product, but I'm not aware of any issues that have
25 grown up in Pennsylvania.

1 Q. Okay. And to your knowledge, are there some
2 customers in Pennsylvania who utilize that service?

3 A. Once again, this is probably the secret number we
4 had awhile ago, but there is a small number of
5 customers, I understand, in the Pennsylvania area.

6 Q. And again, Verizon has billed and collected
7 reciprocal compensation for calls from CLEC customers
8 to Verizon's IPRS customer?

9 A. And this would be the same theoretical answer I
10 gave a minute ago. To the degree that it's occurred,
11 the system would have handled it that way. There are
12 many sections I believe it would have been held with a
13 recip comp type charge applied to it, because that's
14 how the system is designed.

15 Q. Now, with your FX service, foreign exchange, your
16 Enhanced Intellilink, your IPRS service, in each of
17 those services you have Verizon assigning --- and
18 telephone numbers with NPA/NXXs that are not
19 physically --- that do not correspond with the
20 location where the customer is located?

21 A. That is correct.

22 Q. Now, I'd appreciate if you could clarify an
23 aspect of your testimony, if you would, please.

24 A. Yes.

25 Q. And let me direct you to some statements that you

1 made. First on page 15 of your Direct testimony, and
2 I'm hoping I've got this right, at lines one to three,
3 you state, in essence, that USLEC will remain free to
4 market its virtual NXX service?

5 A. I'm sorry. Bear with me. Apparently I picked
6 the wrong one or I printed out something different
7 than yours. Page 15, lines one through three?

8 Q. Where it says at the end USLEC will remain free
9 to market its virtual NXX service and receive whatever
10 compensation for that service its end users are
11 willing to pay, do you see that?

12 A. Yes, I do.

13 Q. And now on that same page at lines 10 to 12, you
14 state that USLEC could offer the service, referring to
15 the foreign exchange service, and it will continue to
16 provide the same benefits to USLEC's customers, do you
17 see that?

18 A. Yes, I do.

19 Q. Now, on page seven of your Direct testimony, at
20 lines 12 to 13, you state that, quote, such virtual
21 NXX assignments are not permitted in Pennsylvania, but
22 they do occur in other states, do you see that?

23 A. Yes, I do.

24 Q. And on page ten of your Direct testimony, at line
25 15, you state that it is improper for USLEC to assign

1 virtual NXX codes --- is it ten.

2 ATTORNEY SHOR:

3 I'm reading the question.

4 BY ATTORNEY SHOR:

5 Q. You were asked whether it is improper for USLEC
6 to assign virtual NXX codes to its customers and you
7 say yes?

8 A. Based on my understanding of an order ---.

9 Q. And then finally, on page ten of your rebuttal,
10 at lines nine to ten, you state that if virtual FX
11 arrangements are consistent with other regulatory
12 requirements, and you note parenthetically, in
13 Pennsylvania they are not, do you see that?

14 A. Yes, I do.

15 Q. Okay. Now, please clarify for me your
16 understanding, can USLEC market an FX service similar
17 to the services that we've just described that are
18 offered by Verizon and assign telephone numbers to a
19 customer who is physically located in a calling area
20 that is different than the calling area where the
21 NPA/NXX is assigned?

22 A. My understanding, based on the Focal order
23 (phonetic) decision is that, in the Focal decision the
24 company was instructed not to assign numbers that were
25 not geographically relevant to the customers.

1 ATTORNEY SHOR:

2 Now, Your Honor, Mr. Haynes has
3 referred to the MFS-2 order and the Focal order in his
4 testimony and we would like to refer to the transcript
5 of that in our briefing. I believe that the
6 Commission's rules typically require me to submit a
7 certified copy, which we are happy to do. I believe
8 Verizon probably already has a copy. If you would
9 like me to submit a certified copy I will do that. If
10 there is one available already, that's fine. If not,
11 we'll submit it in accordance with our briefing.

12 JUDGE:

13 Tell me what you mean by is there
14 one available.

15 ATTORNEY SHOR:

16 I believe the Commission probably
17 already has one in its files.

18 JUDGE:

19 Yes.

20 ATTORNEY SHOR:

21 Your Honor, we will provide a
22 certified copy for you. It's amazing how I pick these
23 things up.

24 JUDGE:

25 I might add that if it is

1 available in the files, and it normally is, it may
2 well be on microfiche by now and I'm not going to the
3 movies.

4 ATTORNEY SHOR:

5 I'd be happy to get it for you.

6 JUDGE:

7 Thank you.

8 BY ATTORNEY SHOR:

9 Q. You refer to the Focal decision?

10 A. Yes.

11 Q. And you also note that that cites the MFS-2
12 order?

13 A. Right. I think the MFS-2 order kind of started
14 with --- and my reading, very quickly, a few weeks
15 back, and then updating, there were three different
16 orders that I understood, the Focal One and Two and
17 the MFS-2. And I understand the MFS-2 kind of brought
18 the issue up and the Focal One and Two orders actually
19 clarified some of the intentions of the MFS-2 order,
20 as I understood them already.

21 Q. Did you participate in the Focal proceeding?

22 A. Not at all, had nothing to do with it. All I did
23 was read the orders very quickly.

24 Q. And did you participate in the MFS-2 proceeding?

25 A. No, I did not.

- 1 Q. Did you read the transcript of the Focal
2 proceeding?
- 3 A. No, all I read was the order.
- 4 Q. Did you read the transcript of the MFS-2
5 proceeding?
- 6 A. No, I did not.
- 7 Q. Did you read any of the pleadings that were filed
8 in connection with either of those two proceedings?
- 9 A. No, I did not. All I read were the orders.
- 10 Q. So you have no idea how the issues in those
11 proceedings were actually framed; do you?
- 12 A. No, I do not.
- 13 Q. Okay. Now, is it your understanding the MFS-2
14 order applies to all carriers?
- 15 A. My understanding is very limited in that regard.
16 I'd have to go back and refresh myself to the order as
17 far as the details of it.
- 18 Q. Well, the question I have is that you've said to
19 me that you believe that your foreign exchange service
20 and your Enhanced Intellilink service and IPRS
21 service, which are all similar FX services, which
22 involve the assignment of NXX codes, are legal in
23 Pennsylvania, but I'm getting the sense from you that
24 it is not legal for USLEC to do the same thing, is
25 that your testimony?

1 A. I think we're probably distinguishing something
2 that maybe we haven't clearly distinguished. What I
3 described in my written testimony and verbally now,
4 has to do with virtual FX assignment. If there were
5 what I would call an equivalent FX assignment provided
6 by any CLEC, which means they would come to the
7 environment or the loop that connects point A to
8 point B, from a Verizon perspective, subject to the
9 agreement by the State Commission, because the
10 Commission's order relative to the Focal decision, I'm
11 sure would supersede anything I would suggest, but our
12 concern has been over the compensation, not over the
13 assignment of the numbers themselves.

14 Q. Well, that's what I'm not sure on, because I get
15 the sense from you that it's your testimony that USLEC
16 is doing something improper?

17 A. That's my understanding reading the orders.

18 Q. Please let me finish the question.

19 A. I'm sorry.

20 Q. It's my understanding that on the one hand you
21 believe that USLEC is doing something improper,
22 although when Verizon does the same thing it is
23 proper. And at the same time you're saying USLEC can
24 continue to offer the service and I don't quite
25 understand that contrast.

1 A. And I'm not equating them to be exactly identical
2 based on how I define them.

3 Q. Are you saying that only if USLEC provisions of
4 foreign exchange service in precisely the same way
5 that Verizon does then USLEC is entitled to do it?

6 A. I'm saying that if they provision in a similar
7 manner, where identical would suggest they use the
8 same facilities. But if they're provisioning in a
9 similar manner, I would submit that they would have an
10 equivalent FX service being provided.

11 Q. So in bottom, you don't really know whether the
12 way USLEC provisions its service is improper or not;
13 do you?

14 A. I applied my comments to virtual FX or the way it
15 was defined in the Focal orders. So if your company
16 that you're representing is not provisioned in that
17 manner, then I would withdraw the comments. If
18 they're provisioned in that matter then that could
19 still apply.

20 Q. When you say in that manner, what does that mean?

21 A. Meaning virtual NXX assignment, where there is no
22 facility actually leased or obtaining point A to
23 point B.

24 Q. So if USLEC has customers, not necessarily FX
25 customers, but has customers in every rate center

- 1 where it has been assigned an NXX code, okay, ---
- 2 A. I'm following.
- 3 Q. --- and is serving physical customers all of
- 4 those rate centers, ---
- 5 A. Yes.
- 6 Q. --- then if by chance USLEC has a customer, an FX
- 7 customer who is assigned an NXX code in one of those
- 8 rate centers, this provisioning of service is in your
- 9 mind proper?
- 10 A. If it goes over a lease arrangement, either that
- 11 we provided or a third party provides, I would see
- 12 that as equivalent. Let me add to that, too. The
- 13 concern I'm expressing was not directed specifically
- 14 to just the environment we're discussing with USLEC.
- 15 I'm concerned about the broader application of this,
- 16 as Mr. D'Amico mentioned a minute ago, to the degree
- 17 that a certain decision is made in this proceeding,
- 18 even if USLEC is using legitimate facilities they're
- 19 leasing or purchasing from somebody, the way the
- 20 current write-up is written in my mind opens the door
- 21 for somebody else to come in and use it, in what I
- 22 would determine to be an improper manner, more like
- 23 the Focal decision alluded to.
- 24 Q. Now, this arbitration, though, is between Verizon
- 25 and USLEC; is it not?

1 A. Yes, but the concern I share with Mr. D'Amico is
2 that it could be adopted by somebody else depending on
3 the outcome.

4 Q. But this proceeding is not between Verizon and
5 all other CLECs; is it?

6 A. It's not between Verizon and all other CLECs.
7 But the decisions made can be adopted by any other
8 CLEC.

9 Q. And if Verizon believes that a CLEC adopts an
10 agreement from USLEC is doing something improper it
11 has appropriate legal remedies to deal with that;
12 doesn't it?

13 A. I would think they could approach it.

14 Q. Let's talk about intercarrier compensation for FX
15 services in general.

16 A. Yes.

17 Q. As a general proposition would you agree with me
18 that when it comes to intercarrier compensation there
19 should be some relationship between the compensation a
20 carrier charges and the services, functions or
21 facilities that it actually provides?

22 A. Maybe we can have some specifics and I'll either
23 agree or disagree. Generally speaking it sounds okay,
24 but I would like to see clearer examples.

25 Q. We'll go through there, but as a general

1 proposition, there should be a relationship between

2 ---?

3 A. I would think there would be generally, yes. But

4 the exception I would probably identify is, from a

5 Verizon perspective, we have local rates that

6 generally, from my experience nationally, are below

7 costs. So sometimes we make above cost margins and

8 things that we have to offset that.

9 Q. Now, we may cover some ground here that we talked

10 about at the very beginning, if we do, I'm sorry. I

11 just want to try to move quickly. The services at

12 issue here today, when --- as I understand your

13 testimony, when a Verizon customer today calls another

14 Verizon customer today, Verizon's billing systems

15 compare the NPA/NXXs of the originating and

16 terminating callers to determine whether the call will

17 be rated as local or toll?

18 A. That is correct.

19 Q. And so in the retail environment, Verizon

20 classifies a call as local or toll based upon the

21 originating and terminating NXX ---?

22 ATTORNEY PANNER:

23 Objection, mischaracterizes prior

24 testimony.

25 ATTORNEY SHOR:

1 I'm asking a separate question,
2 not based on prior testimony.

3 ATTORNEY PANNER:
4 I withdraw the objection.

5 JUDGE:
6 Fine.

7 BY ATTORNEY SHOR:

8 Q. Would you like the question repeated?

9 A. Yes.

10 Q. In the retail environment, Verizon classifies a
11 call as local or toll based upon the originating and
12 terminating NXX codes; is that right?

13 A. That's my understanding of the retail
14 environment. That's my understanding how the system
15 works.

16 Q. And as we said earlier, I think, when the NPA/NXX
17 code of the calling party is associated with the ---
18 and the NPA/NXX code of the call party are associated
19 with the same local calling area, Verizon rates and
20 bills that call as if it was local?

21 A. From the local user perspective, yes, they could
22 look at that as a local call for the person initiating
23 the call.

24 Q. Let's kind of get into some of the specifics
25 here. And I tend to like to use the example of a

1 Verizon customer in Allentown, the Allentown calling
2 area, who is calling a customer in Philadelphia, and
3 the FX customer in Philadelphia is a florist?

4 A. So we've got a Verizon end user in Allentown
5 calling a Philadelphia florist.

6 Q. And the Philadelphia florist has an FX number
7 assigned to Allentown; okay?

8 A. Okay.

9 Q. And so a Verizon customer in Allentown is
10 attempting to reach the other Verizon customer, the
11 florist, who has been assigned the telephone number
12 used in the FX service that is local to the Allentown
13 calling area; okay?

14 A. I understand the example.

15 Q. And as I understand it, Verizon provides a
16 dedicated connection to the FX customer?

17 A. Yes, they charge the person receiving that
18 service and actually charge for that transport.

19 Q. Okay. So in this situation, the Verizon customer
20 who calls the florist in Philadelphia is rated and
21 billed for a local call ---

22 A. That's correct.

23 Q. --- as if the florist was actually located in
24 Allentown?

25 A. That's correct.

1 Q. And if USLEC's customer in Allentown called
2 Verizon's FX customer, the florist in Philadelphia,
3 using the Allentown NPA/NXX, then Verizon billed and
4 received reciprocal compensation for the calls?

5 ATTORNEY PANNER:

6 Objection, foundation. You asked
7 if an USLEC customer made the call.

8 ATTORNEY SHOR:

9 I'm sorry. Yes, that's correct,
10 Verizon would bill and receive reciprocal compensation
11 for the call.

12 ATTORNEY PANNER:

13 I'm sorry. Withdraw.

14 OFF RECORD DISCUSSION

15 ATTORNEY PANNER:

16 I did resolve it. I understood
17 his question and I believe the witness did, too.
18 Please respond.

19 A. My response would be that the system that we have
20 in place today would treat that as a recip comp call.
21 But I think in my written testimony that has been
22 provided, that Verizon would agree that that --- from
23 our perspective if the USLEC or another CLEC initiated
24 that call to the florist, assuming that Verizon is
25 involved in that process, would be willing to change

1 that to an access arrangement rather than recip comp,
2 it's simply a function of our billing system. It
3 doesn't have a way to distinguish.

4 BY ATTORNEY SHOR:

5 Q. And I appreciate your explanation. We're just
6 focusing on what happens today, not --- we'll get to
7 the future, I promise you.

8 A. I just wanted to clarify.

9 Q. Okay. Now, let's turn to the FX service that
10 USLEC offers and let's stick with the florist
11 example. Now, we have a USLEC florist in Philadelphia
12 who is assigned a telephone number with an NXX code
13 associated with Allentown; okay?

14 A. Okay.

15 Q. And that foreign exchange service offered by
16 USLEC allows the florist physically located in
17 Philadelphia to have a presence in the Allentown
18 calling area, just the same as Verizon's FX service,
19 foreign exchange service does; is that right?

20 A. From the customer perspective of it, Verizon or
21 other persons located in Allentown, they would have
22 the same functionality. The concern that I
23 continually express is how it gets from Allentown to
24 Philadelphia and that's the part that I'm exploring
25 and distinguishing potentially.

1 Q. I appreciate that. And like Verizon's FX
2 service, USLEC's FX service, the florist in
3 Philadelphia, can receive calls from customers in the
4 Allentown local calling area without those customers
5 incurring local charges?

6 A. That's right, because the customer in
7 Philadelphia that's USLEC'S FX customer in the
8 example, is paying a differential of that service.

9 Q. And just like Verizon's FX service, USLEC's FX
10 service permits the florist in Philadelphia to reach a
11 broader customer base without having to put a
12 greenhouse in the store in Allentown; is that right?

13 A. Let me be careful. You used the term reach a
14 broader customer base. Do you mean that they can
15 reach out and touch on the other end, meaning they
16 have a two-way connection?

17 Q. They have the ability with a local number in
18 Allentown, the whole Allentown population now has the
19 ability to call the florist in Philadelphia without
20 incurring --- without the florist having to put a
21 facility and whatever else he would do in Allentown?

22 A. Well, here is where --- once again, I'm
23 distinguishing potentially between what you're
24 describing as FX and what I'm describing as FX. The
25 FX service we provided in all instances, and I am

1 aware of a two-way service, if the florist in
2 Philadelphia that we're using as an example, wanted to
3 call an Allentown customer they could pick up the FX
4 line and reach through that connection over to
5 Allentown and reach one of those customers as a local
6 call. The experience that I've had with other CLECs,
7 I don't know how USLEC provisions, because other CLECs
8 I found that that's not possible. It's not an
9 equivalent FX service.

10 Q. Now, if you assume with me for these purposes ---
11 I'm not saying USLEC does or doesn't.

12 A. I'm just stating that distinction.

13 Q. And I'm just saying assume with me that it does.

14 A. Assuming.

15 Q. For these purposes, the florist in Philadelphia
16 has the ability to be called by all of Allentown
17 within that local calling area for a local call.

18 A. We're still not agreeing with the distinction I
19 just made. I'm understanding you to say there's one
20 way that people in Allentown can call the florist.

21 Q. That's all I'm focusing on right now.

22 A. But you're using the same term and I'm trying to
23 be very, very careful to distinguish what you're
24 calling FX and saying it's equivalent to what I'm
25 calling FX. I'm not saying that it's equivalent.

- 1 Q. I'm asking you to assume that it is.
- 2 A. Well, I'm saying it's part of the assumption.
- 3 And I have to assume that the florist in Philadelphia
- 4 can call back to that same connection and reach out on
- 5 a local basis to people in Allentown.
- 6 Q. I'm asking you to make that assumption.
- 7 A. Okay. Under that assumption then I would
- 8 describe those as being local.
- 9 Q. And in both instances with two-way ability, the
- 10 florist in Philadelphia now has the ability --- when I
- 11 say reach, have a larger --- have the population of
- 12 Allentown call him or her without incurring toll
- 13 charges?
- 14 A. That's correct. I would agree to that.
- 15 Q. I think you would agree that that service
- 16 benefits the florist, whether it's offered by USLEC or
- 17 Verizon, by permitting that florist a larger customer
- 18 base to sell his products to?
- 19 A. I think that's consistent with my testimony. I
- 20 suggested that somebody being offered FX services is
- 21 getting a valuable service from the company offering
- 22 that service.
- 23 Q. Okay. And then also the other people who benefit
- 24 are the people in Allentown who now have another
- 25 florist they can call?

- 1 A. Right. They have a chance to make local calls.
- 2 Q. Now, assume with me that USLEC provides local
- 3 service in Allentown, ---
- 4 A. Okay.
- 5 Q. --- okay, and has customers in Allentown, so that
- 6 in that circumstance when a Verizon customer in
- 7 Allentown calls a USLEC customer physically located in
- 8 Allentown, okay, the call is transported, as we
- 9 discussed earlier, by Verizon to the USLEC IP switch
- 10 and USLEC takes the call back and terminates it to its
- 11 customer; is that right?
- 12 A. That's my understanding of call routing, yes.
- 13 Q. Okay. And in this scenario, USLEC has been
- 14 billing Verizon reciprocal compensation for the
- 15 services it renders in terminating that call; is that
- 16 right?
- 17 A. That would be my understanding of how --- with
- 18 respect to it. But I don't know for sure that that's
- 19 what's taking place, but that that would be normal.
- 20 Q. Now, going back to the example of the florist in
- 21 Philadelphia with the NPA/NXX, when the Verizon
- 22 customer calls that Philadelphia customer with the
- 23 Allentown NPA/NXX Verizon still takes the call to the
- 24 USLEC IP and hands it off to USLEC, who then
- 25 terminates it to the FX customer; correct?

1 A. Based on it being the florist using FX provided
2 to USLEC, yes.

3 Q. And I believe that's the case that USLEC --- that
4 USLEC billed Verizon for reciprocal compensation for
5 this call and Verizon has been paying reciprocal of
6 these amounts, is that your understanding?

7 A. Well, the second part I don't know what we have
8 or have not been paying. And I actually don't know
9 exactly what's been billed either. So you're in areas
10 that I haven't been exposed to the details. I can't
11 affirm or deny them.

12 Q. Okay. Subject to check, and I think we could do
13 that, USLEC has billed Verizon for that call and since
14 there is no ISP involved, subject to check I believe
15 that Verizon has been paying those reciprocal
16 compensation invoices; okay?

17 A. Subject to check, you accept that that's what
18 happened.

19 Q. Now, in both scenarios where the USLEC customer
20 is physically located in Allentown as is the Verizon
21 customer and where the USLEC customer is in
22 Philadelphia with the Allentown NPA/NXX, Verizon has
23 performed exactly the same functions; has it not?

24 A. From a network routing perspective, yes, it is
25 deposited, they call it the same on the USLEC network.

- 1 Q. That's right. It has taken the call and
2 delivered it to the USLEC IP?
- 3 A. Yes, that's what I understand.
- 4 Q. And as we discussed, Verizon's responsibilities
5 don't change depending on the physical location of
6 USLEC's customers; do they?
- 7 A. The distinction I make is related to the
8 origination and termination of the call. My
9 understanding of our arrangements in the State of
10 Pennsylvania is if a call originates in one local
11 calling area and terminates in another, unless there
12 are special circumstances that's a toll call, where
13 inter-LATA toll ---.
- 14 Q. I'm asking you to focus on the services that
15 Verizon performs in both of those situations.
- 16 A. Well, I'm focusing on the service, but I'm trying
17 to distinguish that the functionality versus the
18 handling of it from an income versus outflow of
19 revenue is different.
- 20 Q. From a simple engineering technical perspective,
21 network perspective, the call is handled in exactly
22 the same manner?
- 23 A. Exactly the same manner from a functionality
24 perspective, yes.
- 25 Q. Okay. Thank you. But as I understand your

1 testimony, Verizon now believes that it should not pay
2 USLEC reciprocal compensation for the call because, as
3 you're indicating you believe the call originates in
4 one local calling area and terminates in another local
5 calling area?

6 A. That's correct.

7 Q. Have I accurately stated your position?

8 A. That is correct.

9 Q. Okay, Verizon now believes that in this situation
10 it is no longer appropriate to determine whether the
11 call is local or toll for intercarrier compensation
12 purposes by referring to the NPA/NXXs of the numbers;
13 is that right?

14 A. I need to be careful how I answer that because
15 truthfully, to the best of my understanding of our
16 processes, we've never depended on the numbers to make
17 that determination. We simply found in years gone by
18 that the numbers accurately reflected the physical
19 location. So it was a good type of approach from a
20 billing system perspective. If you understand that
21 the numbers and the people go together, you can build
22 it to the billing system and assessment that said if
23 this number and this number appear to be local to one
24 another, bill it that way. But that doesn't mean that
25 we assumed in all cases that that was the right way to

1 bill it simply based on the numbers. It's based on
2 the physical termination point all along.

3 Q. But from the advent of local competition in
4 Pennsylvania and the advent of FX services by
5 competing carriers up until some point in time,
6 Verizon did, in fact, --- Verizon's billing system
7 did, in fact, continue to look at the NPA/NXXs of the
8 calling and called parties to determine whether a call
9 should be rated as local or toll?

10 A. That is certainly true.

11 Q. And when it came to intercarrier compensation, up
12 until some point in time, Verizon had still ---
13 Verizon's billing system had still looked to the
14 NPA/NXXs of the originating and terminating number to
15 determine whether reciprocal compensation or access
16 charges were due; is that correct?

17 A. That's my understanding.

18 Q. And to the extent that a CLEC was utilizing
19 foreign exchange service, Verizon's billing system
20 looked at the call, looked at the NPA/NXX of the
21 originating and terminating party and if it was
22 associated with the same local calling area where the
23 Verizon customer originated the call, Verizon would
24 pay reciprocal compensation and where Verizon
25 terminated the call, Verizon would be paid reciprocal

1 compensation for that call?

2 A. Based on the existing system that's in place,
3 that's correct.

4 Q. That is correct. I'm not asking you whether you
5 think it's right or not, that's what was done?

6 A. Yes, I agree that that is what physically took
7 place.

8 Q. But now Verizon is saying, in the context of this
9 agreement, that they don't want to do that anymore,
10 that Verizon, in the context of an FX environment, no
11 longer wants to just simply rely on the originating
12 and terminating NPA/NXXs to determine whether a call
13 is eligible for reciprocal compensation or access
14 charges; is that correct?

15 A. The answer I provide is a little broader. I
16 would reaffirm what I said a minute ago. We have
17 learned that the assumption that we made here dealing
18 with the billing system, meaning that the number and
19 the physical location of the customer coincide 100
20 percent of the time, for the most part. That was our
21 experience. We built a billing system around that.
22 We're finding with more recent experience with CLECs,
23 that that's oftentimes not the case. So we can't
24 assume that the number that we're comparing it to is
25 actually physically in the same local calling area.

1 So we're having to adopt our debt to that situation.

2 Q. Are you going to be changing your billing systems
3 to pull out traffic that is going to FX customers?

4 ATTORNEY PANNER:

5 Objection, foundation. I
6 withdraw. Go ahead.

7 A. I have a response to it. We have offered ---.

8 BY ATTORNEY SHOR:

9 Q. Sometimes that doesn't matter.

10 A. We have offered on a special study basis the
11 study, the results --- we've done that recently. I
12 keep using Florida as an example because I've recently
13 been down this path. In Florida we offered to study
14 on a periodic basis the traffic by which we can do ---
15 and then settle up with the CLECs involved, saying
16 this much traffic is here, we've measured it, we've
17 got a study that produces it and reimburse them for
18 that traffic.

19 Q. So it would not be done based on the specific
20 telephone numbers, but it would be based on ---
21 estimates based on some statistical survey of traffic?

22 A. No. In the case of Florida, we actually
23 identified all of our FX numbers and were able to
24 identify all of the traffic originated by CLECs to
25 those FX numbers.

1 Q. Would you expect CLEC to develop that same
2 database in terms of how they would bill you?

3 A. In terms of my understanding, ---.

4 ATTORNEY PANNER:

5 Objection. Has he testified to
6 what a CLEC would do about its billing system?

7 ATTORNEY SHOR:

8 That's what I'm asking. It's
9 Cross Examination.

10 ATTORNEY PANNER:

11 I object. You haven't established
12 he has any foundation how the CLEC billing systems are
13 set up.

14 ATTORNEY SHOR:

15 We have established that
16 reciprocal compensation will not be based on --- will
17 not be paid based on NPA/NXXs. And he has said that
18 Verizon has changed his billing system to pull it out
19 and I'm asking him whether he now believes that CLEC
20 will have to do the same thing. That's the
21 foundation.

22 A. Well, I can provide a ---.

23 ATTORNEY SHOR:

24 You have to wait for the Judge.

25 A. I'm sorry. Excuse me.

1 JUDGE:

2 The objection is overruled. Now
3 you can answer.

4 A. I can provide a partial answer. I don't think I
5 can address what system requirements, if any, will be
6 required by CLEC. But for us to accurately handle it
7 from our perspective, in other words, if we were
8 delivering traffic to USLEC'S FX number, as an
9 example, we would need to have a data dump, saying
10 here are the numbers that are FX numbers, so we would
11 know when traffic delivered to them were FX or outside
12 of the local calling area. We'd have to have that
13 information provided to us so we would know at that
14 time that's what's happening.

15 Q. Do you intend to charge your originating callers,
16 callers who call CLEC FX numbers, originating for toll
17 calls?

18 A. In my understanding of how the service would be
19 offered, and this is my speculation and I'm going to
20 classify it as speculation, if USLEC, for example, in
21 the Philadelphia, Allentown example, the florist ---
22 is receiving \$1,000 a month from the florist to
23 terminate that service, that FX service, then I would
24 understand that to be the compensation they're getting
25 for the service and I would expect them to pay us

- 1 access for originating the call through the process
2 and terminating it.
- 3 Q. Are you going to charge your customers toll
4 charges?
- 5 A. No, it would not make sense because the access
6 charge would be our compensation.
- 7 Q. Would you be willing at the same time to pay
8 access charges to CLEC, to the extent that CLEC
9 customers call Verizon FX customers?
- 10 A. Yes. To build on that, that's exactly what we
11 offered to do recently.
- 12 Q. Do you know when the decision was made to stop
13 paying reciprocal compensation for FX service calls?
- 14 A. I don't know, no. As far as if you're asking, do
15 I know when Verizon made the decision to stop?
- 16 Q. Yes.
- 17 A. No, I don't know.
- 18 Q. Do you know who made the decision?
- 19 A. No, I don't.
- 20 Q. Do you know why they made it?
- 21 A. I don't know the history behind it. I know it
22 was stopped, I've heard that, but I wasn't involved in
23 the discussion that built up to that decision so I
24 really don't know.
- 25 Q. Did you know who was involved in making that

1 determination.

2 ATTORNEY PANNER:

3 Objection. It's been asked and
4 answered.

5 ATTORNEY SHOR:

6 I asked him who was involved.

7 A. No, and I don't ---.

8 ATTORNEY PANNER:

9 Wait. There is an objection
10 pending.

11 JUDGE:

12 And this one is sustained and you
13 don't have to answer that question.

14 BY ATTORNEY SHOR:

15 Q. If I already asked it, I'm not trying to be
16 difficult. So your plan relies on developing a
17 database of FX customers that you can utilize to pull
18 traffic out as it's going through the switch; is that
19 right?

20 A. If we had a list of all of the FX numbers that
21 all of the CLEC had, or what I call virtual FX numbers
22 because it's really more of what I've seen rather than
23 true FX service, but if I had a list of that I could
24 bill that into our billing system and have it
25 accommodate that.

- 1 Q. But you have to develop a database of your own FX
2 customers; don't you?
- 3 A. Yes, and that's easy to do truthfully. And we
4 have to go in and do a data dump, which normally
5 involves an assist. You can't just pick a number up
6 and call somebody and say I need it in 30 seconds,
7 it's a little more involved than that. But it's not a
8 lengthy process. We did it with a few weeks notice in
9 Florida.
- 10 Q. But you have to update it, too; don't you?
- 11 A. Oh, yes, it would have to be kept current.
- 12 Q. Do you have any idea how much it costs to
13 establish such a system?
- 14 A. We checked in Florida and doing the data assist
15 like I'm describing, which is more or less an ad hoc
16 system, it's not a full system enhancement, it's
17 fairly inexpensive.
- 18 Q. You're going to have to update it regularly;
19 right?
- 20 A. What we proposed in Florida is to do annual
21 look-up of the situation once a year and pay based on
22 that.
- 23 Q. And you also have to change your billing system
24 to accommodate, not just the switch data system, but
25 also the billing system itself to account for that;

1 don't you?

2 A. I don't think we do in the case of what I
3 understood took place in Florida. I think all we did
4 was offered to do an annual assist, which means pull
5 all of the data out, look at it, figure what the
6 dollar then is and then offer to pay the CLECs for
7 that.

8 Q. So you're only talking about doing an annual
9 true-up (phonetic), not reflecting it the monthly
10 billings?

11 A. Well, we said that we'd be willing in that
12 situation once we did an annual assessment, to pay out
13 a prorated amount per month based on the look-up.

14 Q. And when you say fairly inexpensive to do it,
15 what does that mean?

16 A. Well, in the case of Florida, it was in the
17 thousands of dollars range. It wasn't hundreds of
18 thousands or ---.

19 Q. For the entire state?

20 A. Yes.

21 Q. But what's the customer database in Florida?

22 A. In Florida the customer amount is around \$3
23 million as I recall.

24 Q. So it's conceivable that it would be double the
25 amount in Pennsylvania or more ---?

1 A. It probably won't be depending on how the system
2 is it prepared because when you do a data system, the
3 data system runs ---.

4 Q. So is it your understanding that if the
5 Commission adopts your proposal, a CLEC like USLEC
6 would have to implement some kind of system as well to
7 identify that database of customers?

8 A. Well, going down the path of what I'm proposing
9 is adopted, then what I would expect to happen is ---
10 true FX numbers are assigned by USLEC or other CLEC,
11 that we would be provided a list of those numbers,
12 just the physical numbers so we could properly adjust
13 our billing system.

14 Q. And you would supply the CLEC with your list of
15 numbers?

16 A. We provide a --- if we needed to, I guess we
17 could. What we also do in the case of Florida is
18 simply to do the assist for them.

19 Q. So in essence, it adds another step to the
20 billing process because you have to identify customers
21 to pull out traffic that are directed to them; is that
22 right?

23 A. Well, once again, in the case of how we often do
24 it, we do an annual assessment so it doesn't involve a
25 moment-by-moment and day-by-day kind of thing. We

1 accumulate the records and run a ---.

2 Q. And the other part of your proposed language is
3 that to the extent the FX calls cross local calling
4 areas, they would be classified as inter-LATA toll
5 calls and you would claim an entitlement to impose
6 originating access charges when a Verizon customer
7 calls an USLEC FX customer; is that right?

8 A. That's correct.

9 Q. Now, you don't actually provide access service in
10 the traditional sense in that situation; do you?

11 A. Help elaborate on that.

12 Q. How is access service typically provided
13 inter-LATA?

14 A. Inter-LATA using Allentown and Philadelphia
15 example, the Allentown customer calls Philadelphia,
16 they incur a toll charge for that call if it's a
17 typical inter-LATA toll call. And depending on who
18 carries the call, let's say it's all Verizon just for
19 the sake of discussion, the Allentown customer would
20 pay the toll charge. Verizon would get compensation
21 for the transport determination from the toll charge
22 inter-LATA.

23 Q. How is it routed?

24 A. It would route --- I'm guessing because I'm not
25 an infrastructure expert in this area, but I would

1 imagine it would go to a tandem located somewhere
2 close to the Allentown area, depending how many ---
3 they may transport to another tandem close to
4 Philadelphia that would ---.

5 Q. But it goes across Verizon's access network, not
6 its local network; is that right?

7 A. Right. It would pass through the access network,
8 yes.

9 Q. But in the FX scenario, the calls are passed
10 through the local network; is that right?

11 A. Well, actually they're passed --- in our FX
12 decision they're passed through dedicated facilities
13 so they bypass the normal access arrangement through a
14 dedicated facility.

15 Q. They are on the local network until they reach
16 the end office where the network with a dedicated
17 facility is --- I don't think honed is the word?

18 A. Yeah. I think we're not quite saying the same
19 thing. Using the FX example between Allentown and
20 Philadelphia, the customer would initiate what appears
21 to be a local call to the customer that's actually
22 physically located in Philadelphia. It could go to
23 the switch and from the switch it would actually be
24 going over a dedicated facility all the way up to
25 Philadelphia.

1 Q. But it has to get to the switch that serves that
2 first local calling area; doesn't it?

3 A. What I'm saying is it doesn't go to the tandem
4 environment. It goes for a dedicated loop. It has to
5 go to the tandem to get there.

6 Q. But in the FX environment that CLECs typically
7 utilize, the calls are all handled over the local
8 network; aren't they?

9 A. Well, what I think happens, and I'm not familiar
10 with the USLEC example, but I've seen other providers,
11 CLEC equivalent providers, they normally give us a
12 switch location in the local exchange. That's
13 physically close to their FX customers, what we've
14 seen time and time again. I'm not saying that USLEC's
15 situation, but that's what I've seen with other CLEC
16 providers frequently.

17 Q. But the call goes from the Verizon customer to
18 the end office, is handled by Verizon, perhaps through
19 a tandem, delivered to USLEC switch?

20 A. That's I think more typical, yes.

21 Q. Okay. And again, that routing is the same
22 whether the USLEC customer is in Philadelphia or is
23 physically located back in Allentown?

24 ATTORNEY PANNER:

25 Asked and answered.

1 ATTORNEY SHOR:

2 We have summarized the testimony
3 that witnesses give in the context of helping them ask
4 questions. If he's answered it once before, fine. If
5 not, a simple yes or no is not going to hurt.

6 JUDGE:

7 Frankly, I have forgotten whether
8 it's been asked or answered. You may answer. Please
9 answer it.

10 A. I was going to answer yes.

11 BY ATTORNEY SHOR:

12 Q. Okay. So even though you technically are not
13 providing access service for an inter-LATA toll call,
14 the way you typically route an inter-LATA toll call,
15 you still contend you were entitled to charge
16 originating access?

17 A. Based on the fact that it originates and
18 terminates to distinct non-local areas, yes.

19 Q. Is part of your rationale for this approach that
20 you feel that you're losing inter-LATA toll revenue
21 for these calls?

22 A. In terms of the other CLECs that I've worked
23 with, yes.

24 Q. But here you've got a situation where USLEC has
25 six customers, using FX services, none of them are

1 ISPs, okay, you believe you're losing inter-LATA toll
2 revenue based on USLEC service and that's one reason
3 why you want to do this?

4 A. Well, it gets back to our discussion a little bit
5 earlier. If I were of the understanding that USLEC is
6 only going to have six customers and none of those are
7 going to use the approach I've seen other providers
8 use, then I would be less concerned about the
9 environment. But the fact that if the approach as
10 I've see it offered is adopted and other providers opt
11 into that provision, it would open up the door for
12 providers basically to have a funnel of traffic that
13 would route from the Allentown example from Allentown
14 to Philadelphia, it would be --- it could tend to
15 encourage that type of construction of traffic.

16 Q. And the concern is a loss of inter-LATA toll
17 revenue?

18 A. It's a loss of inter-LATA toll revenue and an
19 over-utilization of a route. It artificially, from
20 what I've observed builds up use for a route that
21 currently wasn't being used at that level. It was
22 actually cost increase, building a facility to
23 accommodate an arrangement whereby we're transporting
24 under other suggestions free of charge from point A to
25 point B, and we also have to pay recip comp has been

1 the approach that was suggested.

2 Q. But for the loss revenue argument to have any
3 significant impact, doesn't it assume that the caller
4 in Allentown will call the florist in Philadelphia if
5 she knew it was going to be a toll call, even if she
6 knew it was going to be a toll call?

7 A. The loss revenue has a degree --- if it was a
8 situation, for example, where it's going to always go
9 to an ISP, I would suggest to myself, if it were me I
10 probably wouldn't make the call. But if it's going to
11 another type of entity, for example, let's say it's
12 going to an insurance company that would have
13 purchased a 1-800 number but instead they decide to
14 use one of these arrangements, we would lose out on
15 the access that would have been associated with the
16 1-800 number.

17 Q. So just let me summarize, and it may have been
18 asked and answered ---.

19 ATTORNEY SHOR:

20 I have no further questions.

21 ATTORNEY PANNER:

22 Can you just give me one minute?

23 I'll try not to have a full break.

24 SHORT BREAK TAKEN

25 ATTORNEY PANNER:

1 I'd like to introduce Verizon
2 Exhibit Six, VZ-6, which is also a printout from the
3 USLEC website describing USLEC's local services
4 products.

5 JUDGE:
6 So marked.
7 (Exhibit VZ-6 marked
8 for identification.)

9 REDIRECT EXAMINATION
10 BY ATTORNEY PANNER:
11 Q. Do you recognize this as a printout of a website?
12 A. That's what it appears to be, yes.
13 Q. Do you see at the bottom left it says,
14 http://www.uslec.com/local_service.htm?
15 A. Yes, I do.
16 Q. Can you turn to page two of this exhibit?
17 A. Yes.
18 Q. Can you go down under the bold where it says
19 enhanced local services?
20 A. I see that part.
21 Q. And do you see the fourth bullet point, it says,
22 foreign exchange?
23 A. Yes, I do.
24 Q. Can you read that?
25 A. Foreign exchange service involves the inbound

1 only call toll free to the calling party, which is
2 paid for by the calling party. It desired --- the
3 service includes a listing of the foreign white and
4 yellow pages of the ILEC directory.

5 Q. So just to emphasize, it says, it's an inbound
6 only service from USLEC; is that right?

7 A. That's what I understand this offering describes,
8 yes.

9 Q. So in this arrangement, as described here on
10 USLEC's website, they would only receive traffic but
11 they wouldn't allow their customers to make any call?

12 A. That's what it indicates to me.

13 Q. And they say it's toll free to the calling party,
14 what does that mean to you?

15 A. They means that if I were --- using the Allentown
16 example, if the Allentown customer would call one of
17 these numbers it would be toll free to the Allentown
18 customer.

19 Q. But toll free, does that suggest --- what does
20 that suggest, in the absence of this service would be
21 imposed on the party?

22 A. Well, when I see the words toll free I think of
23 1-800 like services is what I normally associate with
24 it. So I was going to simply say, that that would to
25 say to me that if I was getting a service like this, I

1 would expect it to be handled very much like a 1-800
2 service, so the person originating the call would not
3 pay a toll. The person receiving the call would pay
4 for that extra service being provided because they
5 would be getting a benefit from it.

6 Q. Okay. And in those times of toll free
7 arrangements, how is the originating carrier usually
8 compensated?

9 A. The originating carrier generally gets access
10 payments for being the party that starts the call.

11 Q. And, in fact, USLEC has --- we've seen evidence
12 here today that USLEC gets a great deal of additional
13 revenue from USLEC FX customers for providing internet
14 service; is that correct.

15 ATTORNEY SHOR:

16 Objection to the to the
17 characterization great deal.

18 JUDGE:

19 The numbers are on the record and
20 they speak for themselves, Counsel.

21 ATTORNEY PANNER:

22 I'll rephrase, so it will make my
23 opposing Counsel more comfortable.

24 BY ATTORNEY PANNER:

25 Q. There has been introduced today that USLEC is

1 receiving hundreds of dollars a month for providing

2 FX service in Pennsylvania?

3 A. That was my understanding of the testimony.

4 Q. Okay. And yet USLEC's position is that they
5 should nonetheless be paid by Verizon for sending this
6 traffic to USLEC; is that correct?

7 A. That was my understanding.

8 Q. And indeed, USLEC --- is it correct that --- that
9 Ms. Montano testified that many of USLEC's FX
10 customers are located close to USLEC's switch?

11 ATTORNEY SHOR:

12 Objection, mischaracterizes her
13 testimony.

14 BY ATTORNEY PANNER:

15 Q. Did she testify that some of them are located
16 close to the switch?

17 A. That was my understanding of the testimony.

18 Q. Less than five miles she said?

19 A. Yes.

20 Q. So it might be --- let me ask you, if I can, do
21 you know whether --- now, let me strike that last ---.

22 The loop that would be connecting the switch to
23 the USLEC customer in that circumstance would actually
24 be --- sure, it would be less than five miles, if the
25 customer would have been less than five miles of the

1 USLEC switch; is that correct?

2 A. Based on the testimony, that would have to be
3 less than five miles, yes.

4 Q. Okay. But if USLEC had a customer in Allentown,
5 there would be a whole lot more transport from ---
6 back to Allentown; is that correct?

7 A. I need to be sure I understand what you mean.
8 I'm not sure I understand.

9 Q. If USLEC were serving --- I interrupted you and I
10 apologize.

11 A. I'm just saying I didn't understand the example
12 clearly, so I want to make sure I understand it
13 clearly.

14 Q. Actually, I'll withdraw the question.

15 ATTORNEY PANNER:

16 I have nothing further for this
17 witness, Your Honor.

18 ATTORNEY SHOR:

19 Just a very short few.

20 RE-CROSS EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Does Verizon charge its FX customers an
23 additional for the FX service they buy?

24 A. Yes, that's my understanding. They charge for
25 the carrying of the call from point A to point B that

1 transport ---.

2 Q. And for the facility itself?

3 A. Right.

4 Q. And how much do they charge?

5 A. I don't know the local rates, but it's a mileage
6 based charge, I don't know what the rate is per mile.

7 Q. Is there a non-return charge for the facility?

8 A. I'm not an expert on this part, so I don't know
9 all of the things --- I can't tell you without going
10 back to the tariff.

11 Q. Do you know if there are monthly charges for the
12 facility?

13 A. It's my understanding that they are monthly
14 charges, yes.

15 Q. And they're also mileage sensitive?

16 A. That's my understanding.

17 Q. Do you have any understanding whether any of
18 Verizon's FX customers are located within five miles
19 of the serving switch?

20 A. I don't know the makeup of the FX customers. I
21 know generally how they approach the request but I
22 don't know physically how they're located with respect
23 to the switch.

24 Q. Would you agree with me that it would be possible
25 for a Verizon FX customer to be located within five

1 miles of the end office it serves in?

2 A. I would agree that theoretically it's possible,
3 but practically speaking what I'm seeing has been that
4 the customer in practical terms is in a community some
5 distance from the community they want to have a
6 presence in. So it's usually whatever the distance
7 between those two local calling areas is is the
8 distance to the switch.

9 Q. So it would be five miles?

10 A. It could theoretically be. I'd say generally
11 it's probably further than that.

12 Q. It could be ten miles?

13 A. Ten, 15, 20.

14 Q. And Verizon has been collecting reciprocal
15 compensation from CLECs for calls that CLEC customers
16 make to Verizon's FX customers?

17 A. That's my testimony, that we've been doing it ---
18 basically the system doesn't have a way to
19 differentiate.

20 ATTORNEY SHOR:

21 I have nothing further. I'd like
22 to move the admission of USLEC Exhibit Three into the
23 record.

24 JUDGE:

25 Admitted, without objection.

1 ATTORNEY PANNER:

2 And, Your Honor, I'd like to move
3 the admission of Exhibit VZ-6.

4 JUDGE:

5 Admitted without objection. Have
6 we finished with this witness?

7 ATTORNEY SHOR:

8 We have.

9 ATTORNEY PANNER:

10 I have, Your Honor. Thank you.

11 JUDGE:

12 Then fine, the witness is excused
13 and thank you for coming, sir. Now, is there anything
14 else that the parties need to present to me? Good.

15 ATTORNEY SHOR:

16 You had asked to go through the
17 agreement, would it be at all possible for Counsel to
18 do that another time and place and come back and tell
19 you instead of doing it now?

20 JUDGE:

21 Well, that is about what I was ---
22 I was about to launch into that. I do have some
23 procedural issues to go through with the parties with
24 respect to the briefing schedule and the final and
25 best offer and I was going to launch into the

1 questions I had about the agreement. Let's go off the
2 record for a few minutes.

3 OFF RECORD DISCUSSION

4 JUDGE:

5 Let's go back on the record. In
6 the interest of your personal schedules, I'll try to
7 make this as brief as possible. First of all, my
8 prehearing order number two sets forth the briefing
9 schedule, that your final and best offers are due July
10 25th, that the main briefs are due August 1st and the
11 reply briefs are due August 9th. And when I say due,
12 I mean due in hand on or before four o'clock in the
13 afternoon.

14 Now, during the course of your
15 witnesses' testimony they have referred and you as
16 lawyers have referred to a variety of Commission
17 precedents and FCC precedents and FCC regulations and
18 court decisions. And my access --- it is my
19 understanding, that I am to expedite these proceeding
20 even though the parties have graciously waived the
21 statutory deadlines. So that I must inform you that
22 my access to finding some of these decisions is
23 limited.

24 ATTORNEY SHOR:

25 We'll make copies.

1 JUDGE:

2 Right. I don't need court
3 decisions. I'm sure there are court reporters that
4 are published that I can find without a problem. When
5 it comes to finding historic Pennsylvania Public
6 Utility Commission information, I do have some
7 difficulties. I have the global order as it's called
8 and I have the implementation order readily available
9 in my own office. But beyond that, for example, the
10 MFS-2 and 3 decisions are not readily available. And
11 the same thing is true --- I'm sure somewhere in the
12 building I can find FCC regulations, full text of FCC
13 decisions, which tend to be extremely lengthy. I
14 would prefer that you two agree on the excerpts that
15 you need to provide to me. I don't want to put
16 anybody to the expense of killing all of those trees
17 just to make copies of material that I'm not going to
18 use.

19 I have reserved as per the request
20 of USLEC, the opportunity to file a late filed
21 exhibit, that USLEC Exhibit Number Four, which is to
22 be a certified copy of the MFS phase two transcript.
23 And, again, I would urge you to agree with Mr. Panner
24 on what excerpts you need to identify. I remember
25 that proceeding went on for quite awhile. While I

1 probably don't and cannot get easily access to the
2 orders, the Commission may --- the transcripts would
3 even be worse. And I'm not encouraging you to do give
4 me that.

5 All right. I would like you and
6 Mr. Panner to review the agreement that was filed as
7 part of the petition, which is the only copy of the
8 agreement that I have. And I will tell you, for your
9 ease of your operation, where I found things and look
10 at page 25, look at page 31, 33, 35, 43, 52, 61, 64,
11 65, 66, 71, 115. On all of those identified pages,
12 you have identified disagreements and disputed issues.

13 I have a variety of questions,
14 some of them very simple, some of them very stupid.
15 For example, on page 114, it appears that there is a
16 typographical error in one of the rates quoted by
17 Verizon. Oh, I beg your pardon, I've got the wrong
18 page number. On page 134, if you look there at
19 engineering quarry is listed at \$122.34. On the
20 immediately proceeding and the immediately following
21 pages the same engineering quarry is listed as
22 \$123.24. There has been a transposition, I believe,
23 with numbers. It's just one of those crazy things I
24 picked up while I was reading through this thing and
25 thought, well, gee, those numbers are different and

1 sure enough, they were.

2 Decide what you want is right,
3 because I'm supposed to take a look at this agreement
4 and approve the whole thing, what's settled and what's
5 not. I have questions on pages one, which is that
6 term of how long this agreement is supposed to last.
7 Thirty-seven (37), 38, 57, 58, and there is nothing on
8 page 114 but my own written question. And I'm sure
9 it's an easy one to answer. I will tell you what the
10 question is because it's a blank page, otherwise
11 you'll think I'm really crazy and maybe I am. But my
12 question is are all of the prices quoted for USLEC and
13 for Verizon on the following pages tariff rates as set
14 forth and a currently approved Pennsylvania Public
15 Utility Commission or FCC final order.

16 And the reason I ask that question
17 is that I was the Judge who handled Verizon's first
18 uni-rate case, but not the second. And I know that
19 the loose ends from the first one may not yet be
20 cleared up.

21 Now, I will --- it currently
22 appears on my schedule that I have an open day
23 tomorrow and that I have a consumer complaint-type
24 case on Friday and a prehearing conference that should
25 not last very long on Monday. And Tuesday is also

1 completely open. I would appreciate it if you,
2 meaning Mr. Panner and Mr. Shor, would contact me to
3 set up a conference call, given the availability so
4 that we can go through some of the things that I'm not
5 discussing now. All right? And the reason I suggest
6 in the immediate future is that will get us under the
7 window of the availability of the transcript so that
8 you will not be of two minds as to whether to
9 telephone right ---. I urge both parties to continue
10 negotiating, to notify me promptly if you're able to
11 reach settlement. I had promised today that I would
12 give you an overview of my view of how I would decide
13 issues. I will substantially abbreviate that for you
14 right now. My first question will be, what does the
15 Act say. Does it require the result that a party is
16 asking about and then in no secret fashion --- I
17 worked backwards to, does FCC require it, does my
18 Commission require it, do the court cases require it.

19 The other thing is is that when we
20 started this case you informed me that you were
21 essentially litigating on a multiple front basis
22 throughout the Verizon footprint. It sure would be
23 nice to be told that some other state had decided some
24 of these issues ahead of me. But at the time you told
25 me I was out there on the bleeding edge. There is a

1 possibility because you have not talked to me since
2 then that that may have changed.

3 ATTORNEY PANNER:

4 The edge is only bleeding all the
5 harder.

6 ATTORNEY SHOR:

7 You were the first.

8 JUDGE:

9 Some people get all of the luck.

10 Okay. It will be up to you, Mr. Shor, to supply the
11 copies, the appropriate number of copies to the Court
12 Reporter, as well as me. What is a reasonable amount
13 of time for you to accomplish the certified copy of
14 the transcript?

15 ATTORNEY SHOR:

16 I have no idea. My local Counsel
17 is not here. I just don't know.

18 JUDGE:

19 Well, let me put it ---.

20 ATTORNEY SHOR:

21 Excuse me. Since we're not going
22 to do the whole thing, I need to work with Mr. Panner
23 so I just don't know.

24 JUDGE:

25 Okay. Since the Court Reporter is

1 under the obligation to provide the transcript in
2 three business days, I'm going to assume that that's
3 too short a time period for you. And we can discuss a
4 conference call much longer than those three days you
5 need, that will require you to be --- to take the
6 Court Reporter out of the loop and deal with me in
7 terms of sending it to me and/or to the secretary's
8 office. I will require you to agree on a matrix for
9 the brief in terms of issues. In other words, make
10 sure that each of you has a matching issue number one,
11 a matching issue number two. If you want to combine
12 them, that's fine. I understand that. But you have
13 about eight issues total. Make your numbers match so
14 that your briefs are head to head on the same number
15 all the way through. My decision will be written that
16 way and the Commission will understand it that way.

17 We will discuss later the format
18 for providing the finalized language that you have but
19 I haven't seen yet. Does anybody else have anything
20 else that we're aware that I need to deal with,
21 because this is --- as far as I'm concerned this is
22 the last opportunity to put something on the Court
23 Reporter's record. The conference call will not be
24 reported unless you specifically request it and then
25 we will jump through hoops to make that happen. And I

1 have no problem with doing that. I just have to know
2 about it in advance.

3 ATTORNEY SHOR:

4 I think we're set.

5 JUDGE:

6 Okay. In this case, I want to
7 thank you, both sides for their cooperation. It's
8 very easy to slip into a litigated unprofessional
9 posture. I did not see that today and I always
10 appreciate that in my courtroom. I don't tell
11 everybody in my courtroom that, unless it actually
12 occurs. And I really do appreciate the cooperation
13 that you've shown so far. I think we've made pretty
14 good progress today. I wish you all a safe trip
15 home.

16 * * * * *

17 HEARING CONCLUDED AT 6:00 P.M.

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COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
USLEC of Pennsylvania, Inc. Petition for : Docket No.
 Arbitration with Verizon Pennsylvania, Inc. : A-310814F7000
 pursuant to Section 252(b) of the :
 Telecommunications Act of 1996. :
 :
 Telephonic Conference Call :
 :
 ----- x

Pages 262 through 316

Conference Room A
 Commonwealth Keystone Building
 Harrisburg, Pennsylvania

Tuesday, July 23, 2002

Met, pursuant to adjournment, at 1:32 p.m.

BEFORE:

LOUIS G. COCHERES, Administrative Law Judge

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WITNESSES

(None.)

WITNESS INDEX

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EXHIBIT INDEXNUMBERFOR IDENTIFICATION IN EVIDENCEUSLEC

4 (USLEC Pennsylvania Local Tariff)
TO BE PROVIDED

5 (MFS II Transcript)
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P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE LOUIS G. COCHERES: Good afternoon, ladies and gentlemen, as you know by now, my name is Louis Cocheres and I'm the Administrative Law Judge assigned to hear the matter of Petition of USLEC of Pennsylvania, Incorporated for Arbitration with Verizon Pennsylvania, Incorporated pursuant to Section 252(b) of the Telecommunications Act of 1996 at Commission Docket No. A-310814F7000. We're here today for a conference call that is on the record, one that we set up towards the end of the hearing that we had on July 17.

For the record, I have Mr. Shor and Ms. Finn representing USLEC, and Mr. Panner representing Verizon.

Good afternoon, ladies and gentlemen.

MR. SHOR: Good afternoon, Your Honor.

JUDGE COCHERES: That was Mr. Shor.

MR. PANNER: This is Aaron Panner. Good afternoon.

JUDGE COCHERES: Yes, until the court reporter figures out who you are, you're going to have to say your names when you begin speaking, or otherwise it will all be done by me.

MS. FINN: This is Tamar Finn. Good afternoon.

JUDGE COCHERES: Thank you.

The reason for this conference is the fact that we weren't quite finished with all the administrative details

1 involved in the arbitration that we started last week. Now,
2 what I suggest, unless the parties have some better plan, is
3 that I would like to start by going through the agreement
4 and going to all of the pages that I've marked as being in
5 dispute. I won't represent that I have a comprehensive list
6 here, I tried to make it as complete as possible, and it may
7 well be that you found some that I didn't.

8 Mr. Panner, I'm going to start with you because you
9 actually volunteered, I believe, to tell me how long you
10 believe this agreement should be in effect. Remember, that
11 was page 1 of the agreement.

12 MR. PANNER: Yes, Your Honor. I believe the parties
13 are in agreement that the agreement should have a two-year
14 term from the effective date.

15 JUDGE COCHERES: Twenty-four months.

16 MR. PANNER: Yes.

17 JUDGE COCHERES: Okay. Now, I think we can go
18 through the rest of the parts that I have tabbed as disputed
19 sections of the agreement, and we'll start with the easy
20 part and just ask, when I get to them, first of all, are
21 they still disputed, and if the answer is no, then I will
22 just rely on you to provide me with some language; if the
23 answer is yes, it will get a little more complicated,
24 because I think we'll have some obligation to decide whether
25 it was something covered during the petition proceeding that

1 we had on the record earlier last week or whether it's
2 something we have to think about and whether we'll need
3 statements of counsel or something to get us through.

4 MR. SHOR: Your Honor, clarification please.

5 JUDGE COCHERES: Certainly.

6 MR. SHOR: For example, when we just agreed with
7 respect to page 1 on the term of the agreement, would you
8 want us to submit on Thursday, with our best and final, a
9 version of the contract that would, for instance, on page 1,
10 indicate that it's a term of 24 months, or to actually
11 replace, where an issue was disputed but has now been
12 settled, to include the settlement language so that the
13 document you have before you contains only those items that
14 are in dispute and all of the language agreed on?

15 JUDGE COCHERES: I have to make sure I understood
16 what you offered me.

17 Conceptually, we need to, one, incorporate the
18 agreement into the record, which we have not done. It
19 doesn't have to be this particular version, although I'm
20 tempted to do it just because we referred to this particular
21 version on the record. Two, I think the parties have some
22 obligation to provide me with a complete text of all agreed-
23 upon language. I don't care particularly if it's attached
24 to your final and best offer or if it's attached to your
25 reply briefs, but I think you have some obligation to

1 provide all the language that you've agreed upon.

2 As for this very first section, "Term and
3 Termination," on page 1, I'm not particularly concerned. I
4 realize, the way the language is set up, that you intended,
5 at least my reading of it is that you intended to put in the
6 start date, which you can't do until the Commission approves
7 it, and then that would automatically give you two years to
8 put in the termination date. I think it's only necessary
9 that somewhere along the line you two agree, and you have,
10 essentially, on the record, that it's two years.

11 MR. PANNER: Your Honor, just to clarify, the reason
12 that it's not generally done to put two years from the
13 effective date is that it's led to litigation over whether
14 the agreement has a two-year term or whether it expires at a
15 date certain, and so it's actually the FCC's recommendation
16 that the parties be very specific, and that's precisely why
17 the parties are in a situation where they can't define the
18 ending date until they know what the starting date will be.

19 JUDGE COCHERES: I have no problem with that
20 whatsoever. That's the way you've written up the language
21 of that portion of the agreement. It's just that it was an
22 empty slot and I had to ask.

23 MR. PANNER: I understand. Your Honor, just to
24 elaborate slightly on what I think Mr. Shor is proposing and
25 what you have just said, if -- and I think it would make

1 sense since it is what the parties have been working with to
2 this point -- we put in the version of the contract that
3 USLEC submitted with its petition on the record and then
4 keyed our additional submissions off of that, I think as we
5 go through we may find that it's pretty easy to define what
6 language relates to which issue, and then what we can do is
7 simply going through issue by issue in our best and final --
8 I should say, in our best and finals or in our reply, we can
9 simply provide you with the agreed-to language and identify
10 specifically what remains in dispute.

11 JUDGE COCHERES: Yes. Somewhere along the line we
12 have to narrow it down to what's disputed and what isn't.

13 MR. PANNER: But the situation here, because the
14 parties have agreed to so much, there are literally more
15 than a hundred pages where there are no disputed portions at
16 all, and I guess really for the clarity of presentation, I
17 think to be able to address the specific ones that are
18 disputed rather than putting in a whole new contract might
19 be better, at least from Verizon's point of view.

20 JUDGE COCHERES: So what you're telling me is you
21 want to give me excerpts of the undisputed language; is that
22 what you're saying?

23 MR. PANNER: Well, what I would say is, in other
24 words, in the record we'll incorporate this full agreement.
25 For our best and finals we will say, "With respect to a

1 certain issue, here is our proposed language for Section X,"
2 and then either at that time -- and I think it does make
3 sense to do it at that time, as Mr. Shor suggested -- with
4 respect to the settled issues, put in the agreed-to
5 language, you know, that the parties between them have
6 agreed to language that covers the issues that have been
7 identified as being resolved. So we can put that in at the
8 time of best and finals so that those can kind of be
9 scratched off the list and the only provisions that will
10 remain will be those things that -- and I think this is
11 really the way that USLEC presented it in the first
12 instance; when there's an issue presented, we can identify
13 the specific provisions at issue.

14 JUDGE COCHERES: Well, I take it what you're also
15 telling me is that once you get to your best and finals,
16 you're going to stop negotiating?

17 MR. PANNER: No.

18 JUDGE COCHERES: All right. See, that's my point.

19 MR. PANNER: No, I'm not saying that, but what I am
20 saying is that when we get to our best and finals, we can
21 show what has been resolved already.

22 JUDGE COCHERES: Right.

23 MR. PANNER: And then, to the extent the parties
24 settle other issues, we'll obviously, you know, promptly
25 inform you --

1 JUDGE COCHERES: There you go.

2 MR. PANNER: -- and let you know that that's been
3 pulled off the table.

4 JUDGE COCHERES: Okay. All right. I certainly have
5 no problem with your supplying as much agreed-upon language
6 as you can with the best and finals. I laud your efforts, I
7 appreciate that, and I encourage you to do so.

8 I would also like to make it perfectly clear, and I
9 think it is clear, that I want you all to continue
10 negotiating. I would like nothing more than to be told that
11 certain issues are off the table and that I don't have to
12 write about them anymore.

13 That being said, if you wouldn't mind, I'd like to
14 now just sort of go through the disputed issues that I've
15 identified and have you tell me whether or not they're
16 already off the table.

17 The next item would be on page 5, at the bottom of
18 the page. Item 9.3 is identified as a disputed item.

19 MS. FINN: Your Honor, that is part of Issue 10,
20 which the parties have settled, so we will be able to
21 provide you with negotiated language when we submit the BFO.

22 JUDGE COCHERES: Great. Moving on to page 25.

23 MR. PANNER: Your Honor, I think there is something
24 on page 12.

25 MR. SHOR: Actually, at page 6 there's a continuation

1 of that Section 9.3.

2 JUDGE COCHERES: I was taking 6 and 5 as being
3 settled; is that true?

4 MR. SHOR: That is true.

5 JUDGE COCHERES: And then someone else, I believe,
6 perhaps Mr. Panner, said something about page 15?

7 MR. PANNER: Yes, Your Honor. It's actually page 12.

8 JUDGE COCHERES: Twelve; thank you. Yes, I did miss
9 that.

10 MR. PANNER: That issue has also been settled, Your
11 Honor.

12 JUDGE COCHERES: That's everything on page 12?

13 MR. PANNER: Yes.

14 JUDGE COCHERES: All right.

15 MR. PANNER: That's Issue 11, I believe.

16 JUDGE COCHERES: All right. I am naively writing all
17 this down in ink on the agreement. I'd better mark that
18 particular page since I did not have it marked.

19 The next page I have is 25. Is there anything that I
20 missed?

21 MS. FINN: No. I believe that's the next page, Your
22 Honor. On page 25, that's part of Issue 8, and that
23 language is still disputed.

24 JUDGE COCHERES: Okay. Issue 8. All right.

25 The next item I move to is page 31, unless somebody

1 has something else.

2 MS. FINN: No. That's correct, Your Honor. Section
3 2.45 is part of Issue 1 and that is still disputed.

4 JUDGE COCHERES: All right. I move next to page 33.

5 MS. FINN: Yes. That is part of Issue 5 and Issue 6,
6 and it is still disputed language.

7 JUDGE COCHERES: All right. Just humor me for a
8 moment with a diversion here. Did I understand the
9 testimony at the hearing to say that internet traffic cannot
10 be distinguished from voice traffic?

11 MR. PANNER: Your Honor, I'm not sure that issue was
12 the subject of testimony in the hearing. It may have been
13 the subject of an aside, but I don't actually recall.

14 MR. SHOR: Your Honor, I do remember there being a
15 discussion, in the context of virtual foreign exchange
16 traffic, that traffic was indistinguishable. Since the
17 issue of ISP came up tangentially in that context, it may
18 have come up there, but I don't recall specifically.

19 JUDGE COCHERES: I thought perhaps that one of the
20 witnesses, in providing some background material on those
21 issues, indicated that when it comes through the switch,
22 that there's no way to distinguish internet traffic from
23 voice traffic.

24 MR. SHOR: That may have been the case.

25 JUDGE COCHERES: Yes. Okay. Thank you for

1 clarifying that point for me.

2 Moving right along to page 35.

3 MR. PANNER: Yes, Your Honor. Issue, I should say
4 Provision 2.75, definition 2.75, the disputed language
5 involves Issue 3, and it remains disputed.

6 JUDGE COCHERES: Okay. And does that run onto page
7 36 as well? No.

8 MR. PANNER: I don't show anything on page 36.

9 JUDGE COCHERES: Nor do I. All right. The next
10 items I have begin on page 43 and involve two disputed
11 items, one in paragraph 5.1 and one in paragraph 5.3. Do
12 both paragraphs continue to be disputed?

13 MR. PANNER: Yes, Your Honor.

14 JUDGE COCHERES: All right.

15 MR. SHOR: Your Honor, they relate to Issues 3 and 4.

16 MR. PANNER: Just to clarify, disputed item 5.1
17 relates to Issue 3, disputed item 5.3 relates to Issue 4 and
18 also Issue 5.

19 JUDGE COCHERES: All right. Gentlemen, let me
20 emphasize a point here that I'm noticing, and that is that
21 unless we specify what page number we are dealing with in
22 this agreement, the paragraph numbers are, by your planning,
23 repetitive, so that when you notify me that a particular
24 item is settled and you're giving me correct language, make
25 certain you specify what page number of the agreement; and I

1 will take that page number sort of under advisement under
2 the theory that with different word processing systems,
3 unless you intend to continue to use these page numbers,
4 they may be off just a little bit. But what I want to make
5 sure is that when you provide undisputed language to me,
6 that we have it narrowed down completely as to the paragraph
7 and section and page number, any other information you can
8 give me, so I'm not looking at the wrong language in the
9 wrong place.

10 MR. SHOR: Your Honor, at the bottom, what you have
11 here is -- at the early part of the document is I think the
12 basic contract itself, and there are following different
13 attachments; there's a glossary.

14 JUDGE COCHERES: Right.

15 MR. SHOR: For example, paragraph 5.1 and 5.3 we were
16 referring to was in the Additional Services Attachment,
17 which would only have one paragraph 5. We will make certain
18 that we identify it by attachment, paragraph and page
19 number.

20 JUDGE COCHERES: Yes, because the page numbers in my
21 document are sequential, so each page number is unique. We
22 may be in a completely different attachment, and we may be
23 in a completely similar paragraph number, but the page
24 numbers are always unique.

25 The next item that I have is on page 52 in the

1 Interconnection Attachment, paragraph 2.1.2.

2 MR. PANNER: Your Honor, that relates to Issue 5, and
3 it remains under dispute.

4 JUDGE COCHERES: Okay. I move next to page 61 --

5 MR. SHOR: Your Honor, I believe you had identified
6 page 57 and 58 as matters with questions?

7 JUDGE COCHERES: Right. And I thought I would go
8 back and do the questions separately. I just wanted to go
9 through disputed language first.

10 MR. SHOR: Okay.

11 JUDGE COCHERES: Thank you for pointing that out.

12 At the bottom of page 61, beginning with paragraph
13 7.1.1.1. and rolling over through all of page 62 and onto
14 page 63, quite a bit of disputed language there, folks.
15 Have we made any progress?

16 MR. PANNER: Your Honor, I don't think we've made any
17 progress. Those are issues -- that's basically Issues 1
18 and 2.

19 JUDGE COCHERES: I thought it might be.

20 The next item I would have is on page 64, reciprocal
21 compensation, paragraph 7.2.

22 MR. SHOR: Your Honor, that relates to Issue number
23 6. That is still in dispute.

24 JUDGE COCHERES: All right. That takes me to page
25 65.

1 MR. SHOR: Your Honor, that relates to Issue 8. That
2 is still in dispute. Actually up top, 7.3.7 relates to
3 Issue 3, and Sections 8.1 and 8.1.1 relate to Issue 8.

4 JUDGE COCHERES: All right.

5 Thank you, Ms. Finn, for prompting Mr. Shor.

6 MR. SHOR: I can't win for losing, can I?

7 JUDGE COCHERES: That takes me to page 66. I see two
8 disputed items at the top of the page.

9 MR. PANNER: Your Honor, those both relate to Issue
10 5. They remain in dispute.

11 JUDGE COCHERES: We're almost at the end of my list.
12 Page 71.

13 MS. FINN: Your Honor, Section 12.4 relates to Issue
14 7, which the parties have settled.

15 JUDGE COCHERES: Okay. And the last thing that I
16 have listed is in the Pricing Attachment on page 115.

17 MR. PANNER: Yes, Your Honor, that relates to Issue
18 9. That is not resolved.

19 JUDGE COCHERES: Thank you.

20 All right, ladies and gentlemen, did I miss anything?

21 MS. FINN: Your Honor, with regard to the disputed
22 language in the contract, I believe you've covered it all.

23 JUDGE COCHERES: Good. Good. I get anxious about
24 missing stuff.

25 Now, Mr. Shor, I promised that I would go back and

1 ask some of my questions. That would take us to page 37 of
2 the agreement, for starters.

3 Now, basically I have a conceptual problem here
4 dealing with some of -- is this your definitional section?

5 MR. SHOR: Yes.

6 JUDGE COCHERES: Can I safely assume that Mr. Panner
7 on behalf of Verizon and Mr. Shor on behalf of USLEC agree
8 that internet traffic coming through the switch cannot be
9 distinguished from voice traffic? Do you both agree to
10 that?

11 MR. SHOR: Yes.

12 JUDGE COCHERES: Mr. Panner?

13 MR. PANNER: Your Honor, I'm not sure I know what you
14 mean by that. It certainly can be distinguished. Whether
15 it is generally done is a different question. The reason,
16 the FCC, as you know, has a rule in place that allows the
17 parties to deal with the issue of internet bound traffic
18 without the necessity of separately tracking it, but it
19 certainly could be tracked. If the question is, is it
20 routed differently, then I think we could agree that the
21 answer is no.

22 JUDGE COCHERES: Well, here's my conceptual problem
23 -- before I do that, Mr. Panner, does Verizon track it? Can
24 Verizon measure it?

25 MR. PANNER: Can and do they are two different

1 questions. They could do so --

2 JUDGE COCHERES: But do they?

3 MR. PANNER: They do not generally do so, no.

4 JUDGE COCHERES: Okay. Well, looking at your
5 definition, for example, for toll traffic, included in the
6 toll traffic definition is an exclusion for measured
7 internet traffic.

8 MR. PANNER: Yes, Your Honor.

9 JUDGE COCHERES: And what I don't understand is if it
10 is possible to measure it, and Verizon doesn't measure it,
11 and USLEC doesn't measure it, what is measured internet
12 traffic doing in the agreement?

13 MR. PANNER: Well, Your Honor, it's a defined term.
14 Measured internet traffic is defined, in essence, --

15 JUDGE COCHERES: Yes. On page 33 at the top of the
16 page as a disputed issue.

17 MR. PANNER: Right. Although the core of the issue
18 is not disputed; that is, everyone agrees that there is a
19 category of traffic, of ISP bound or internet bound traffic,
20 that is treated, under the FCC's rules, differently from
21 local traffic or, I don't mean to be contentious about it,
22 sort of conventional voice traffic.

23 JUDGE COCHERES: Right, Mr. Panner.

24 MR. PANNER: So the point is that the definition is
25 used -- what the FCC has said, as you know, is that the

1 parties can, without separately tracking the traffic, apply
2 an algorithm that is based on the assumption that any
3 traffic within a -- because internet traffic tends to be --
4 well, internet traffic is one way, inbound to the ISP --
5 that the parties can use the fact that traffic may be out of
6 balance as a good indicator of the fact that some of the
7 traffic may be ISP bound; and so the parties can agree -- or
8 I should say the parties are required to use a default, 3 to
9 1 default, in the absence of an agreement to do something
10 different. So that is all traffic that's within a 3 to 1
11 ratio is treated as non-internet; any traffic that's above a
12 3 to 1 ratio is treated as internet bound traffic, and that
13 may affect the reciprocal compensation rate that applies to
14 that traffic.

15 JUDGE COCHERES: Okay.

16 MR. SHOR: Your Honor, let me just respond briefly,
17 if I may. I think that it would be fair to say that the
18 entire area of compensation for internet bound traffic is in
19 a state of flux.

20 JUDGE COCHERES: You're right.

21 MR. SHOR: And Mr. Panner is correct to some extent;
22 the FCC has tried to distinguish internet traffic from voice
23 traffic in the compensation arena, but it's struck out --
24 it's at strike two so far, as far as the D.C. Circuit is
25 concerned. And I would suspect that it is not a foregone

1 conclusion that they're ever going to be able to figure out
2 a way to do it, in part because of your initial question,
3 which is: is the traffic distinguishable from voice
4 traffic? I think that the correct answer to that is if you
5 don't know the telephone number of the ISP, there is in fact
6 no way to distinguish it; that the characteristics -- if you
7 could open up a fiber optic cable or a line and look at the
8 traffic, it would all look exactly the same, it is handled
9 the same, it's routed the same, and the only distinction,
10 the only way that people have ever been able to develop to
11 "measure" it is by throwing in a database of telephone
12 numbers that are assigned to internet service providers and
13 flagging traffic that goes to that service provider. To the
14 extent that even the FCC's compensation framework is under
15 some cloud, the entire area is in flux, and I don't know
16 that it's -- you know, the parties are trying under the best
17 of circumstances to come up with a way to reflect what is a
18 constantly shifting situation.

19 MR. PANNER: Your Honor, I don't know -- I would be
20 happy to have a long discussion about the rules governing
21 ISP bound traffic. In fact, the parties don't have any
22 disagreement as to the basic issue of how ISP bound traffic
23 should be treated. The parties agree there's a federal rule
24 in place right now, and they agree as to what it is; it's
25 reflected in the agreement. There is a disagreement about

1 what should happen if, as has not happened, that federal
2 rule is vacated. We will be governed by federal law in that
3 area. There is a federal rule in place, and there's really
4 no place for people to go further. Again, that will be the
5 subject of briefing.

6 Again, if you want to have some sort of argument
7 about it now, I would be happy to, but the point is, in
8 answer to your question, it's quite correct that the FCC has
9 adopted a rule that makes it unnecessary for the parties
10 actually to track the traffic. It's also quite correct that
11 the ISP Remand Order was reversed in the D.C. Circuit. It's
12 also correct that the D.C. Circuit specifically declined to
13 vacate the rules, so they remain in effect. I'm sure that
14 Mr. Shor, although he wouldn't have put it that way, would
15 agree with everything I just said.

16 MR. SHOR: But it's also true that there's been a
17 request for rehearing on the issue of not vacating the
18 order, and that request has not been denied.

19 JUDGE COCHERES: Yet.

20 MR. PANNER: That's true. The law may change; it
21 always could. Again, if you want to have argument on that
22 issue, we can, and I want to fully respond to Your Honor's
23 question about it, but I think the reason why the term is
24 used is to reflect the requirements of the FCC's rules. The
25 disagreements that the parties have about how the traffic

ought to be treated actually does not relate to the difficulty or otherwise of tracking internet traffic as a separate category of traffic.

JUDGE COCHERES: Okay. I really do not want to bog us down with an argument. As I read through this part of the agreement, I knew you two -- and I know it's a very sensitive topic; internet service providers and reciprocal compensation have been fought over long and hard. I agree with most of what both of you have said, mainly because I can't remember all of it, but mostly because I think telco attorneys generally have a very difficult job in that you are trying desperately to implement business plans on what can only be described as the shifting sands of legal opinions as they come out of the FCC and the Courts and the local Commissions. I do not envy you your job. I have enough trouble with my own; I don't want yours. But I was concerned that you should use terminology in the agreement in terms of the words "measured internet traffic" and then have testimony on the record which indicated that it basically couldn't be distinguished from anything else. I appreciate that you two have different positions on the subject of what should be done in response to whatever the D.C. Circuit and the FCC do, and frankly, I've lost track of in whose court the ball currently is. It doesn't matter; I think we're best served by going on to my next series of

1 questions. Thank you both.

2 My next questions deal -- incidentally, page 38 was
3 the same thing; I just noticed the terminology being used
4 over again. If you move to page 57, I do have questions on
5 a different subject.

6 Now, on page 57, in the middle of the page, is
7 paragraph 2.4.13, and I want to try and understand what the
8 parties intended by this language. Let me give you as a
9 prelude some of my own background here that highlighted this
10 particular paragraph for me.

11 As it turns out, in Pennsylvania, Judge Gesoff, from
12 Pittsburgh, and I were assigned the first Commission case
13 dealing with establishing Commission-approved carrier-to-
14 carrier performance assurance guidelines and penalties and
15 what-have-you, so I have some basic knowledge that this
16 stuff exists, that it went through my Commission and it was
17 approved -- that some plan was approved, not precisely what
18 Judge Gesoff and I recommended, but that doesn't matter; a
19 plan was put into effect. Then I know that Judge Schnierle
20 recently completed -- and when I say recently, in our
21 Commission that means within the last year -- recently
22 completed a decision on the same topic as a revision to
23 those plans, and that he suggested that they basically adopt
24 the New York plan; and that the Commission has not yet acted
25 to do that in a final form.

1 What I'm looking at when I see that -- and you must
2 understand that while I did review the language of this
3 agreement, it is complex and I won't pretend to you for a
4 moment that I thoroughly absorbed and divined every word
5 that you were trying to give me, but what I was trying to do
6 was understand what Verizon was agreeing to or not agreeing
7 to.

8 Am I correct, Mr. Panner, when I look at this
9 paragraph, that it's Verizon's position that it continues to
10 be bound by my Commission's approved carrier-to-carrier
11 performance standards?

12 MR. PANNER: Your Honor, to be honest with you, I
13 have had no discussion with my client about this issue, but
14 I certainly read it the way that you do. It provides that
15 it will not be subject to performance measurements and
16 remedies under this agreement, but then it provides "except
17 as otherwise required by applicable law under any FCC or
18 Commission-approved carrier-to-carrier performance assurance
19 guidelines or plans," so presumably if it were required, I
20 suppose -- to be honest with you, I probably should simply
21 defer the question because, as I say, I haven't talked to my
22 client about it and I don't know precisely what my client's
23 position is on the significance of that language.

24 JUDGE COCHERES: Well, Mr. Panner -- and this is true
25 for Mr. Shor and Ms. Finn as well -- today's the day,

1 fellas. I'm going to have to take your word for it. I do
2 not have the luxury of taking more time to understand what
3 your client's position is. I'm reading it this way. Mr.
4 Panner, you have told me that you read it this way as well.
5 I appreciate your candor, and unless there is something
6 outrageously different that I'm missing, that's the way this
7 record is going to sit.

8 MR. PANNER: Well, Your Honor, if I can just point
9 out that, as I read this language, it would depend on
10 whether -- in other words, to the extent that performance
11 assurance plans are sort of public law, that is, "We as a
12 Commission want to know how you're doing, and if you're not
13 doing well enough, certain consequences may follow," and
14 assuming that the Commission doesn't provide for carriers to
15 opt out, then that would seem to certainly cover -- that
16 would certainly seem to be preserved by or not called into
17 question by this language.

18 JUDGE COCHERES: Yes. And that is precisely my
19 understanding. I will tell you quite candidly, my concern
20 about asking the question is that I have to approve this
21 agreement, or recommend approving this agreement, based on
22 the idea that it is in the public interest; and I can tell
23 you quite clearly that your reading and mine coincide and,
24 therefore, I believe it is in the public interest, because
25 I'm not about to allow an agreement to be approved without

1 calling it to my Commission's attention that there's some
2 effort to opt out, because I don't believe that that would
3 be in the public interest. I want my bias clearly showing
4 on the record here that my understanding is that it is not
5 possible to opt out of those standards.

6 In the commonest of language, the whole purpose of
7 the performance standards and metrics that Judge Gesoff and
8 I initially tried to set up is based on the premise that
9 Verizon is not going to offer perfect service to the CLECs,
10 and the only real question is: when you deviate from
11 perfect service, how far do you have to deviate before
12 Verizon is not treating the CLECs equitably? In a nutshell,
13 that's what the whole case was about, and I wanted to make
14 sure that this particular paragraph preserved that.

15 Now, the following paragraph, 2.4.14, my question is
16 in a different format. Is there any reason to be concerned
17 about allocating the cost of making this decision? I can't
18 tell, if you withdraw your traffic from a two-way
19 interconnection trunk and install a one-way interconnection
20 trunk, whether that is a seamless, costless activity and
21 whether or not the parties have ever thought about it. Is
22 there something else in the agreement that relates to this?
23 Am I, you know, just concerned about an item that needn't be
24 a problem? I'm not trying to create problems for you folks,
25 I'm just trying to avoid them.

1 MR. PANNER: Your Honor, if I could?

2 JUDGE COCHERES: Mr. Shor?

3 MR. PANNER: This is Aaron Panner.

4 JUDGE COCHERES: All right.

5 MR. PANNER: And Mr. Shor will correct me if I'm
6 wrong.

7 The issue of whether traffic is carried over a trunk
8 is different from the question of who is actually paid to
9 put the facilities there and who has ordered facilities to
10 be in a certain place. In other words, for instance, --

11 JUDGE COCHERES: Mr. Panner?

12 MR. PANNER: Yes.

13 JUDGE COCHERES: It appears to me from this paragraph
14 that the parties have established a two-way trunk and that
15 one party has decided that it should be one-way.

16 MR. PANNER: No, I don't believe that's correct, Your
17 Honor. Actually, I do believe that the parties use one-way
18 trunks.

19 JUDGE COCHERES: Well, this --

20 MR. PANNER: This is generalized language; it's a
21 template that applies to many different CLECs.

22 JUDGE COCHERES: Correct.

23 MR. PANNER: So there may be CLECs who are carrying
24 traffic over two-way trunks, but if they are not, then this
25 language simply wouldn't come into play.

1 JUDGE COCHERES: Correct. I'm sorry if you
2 misunderstood me. What I thought this particular paragraph
3 was based on was the concept that your client, Verizon, and
4 USLEC had established a two-way trunk, and then, after
5 having done that, one of you decides you want it to be a
6 one-way trunk. And this paragraph, I thought, applied to
7 what has to be done in terms of giving notice and diverting
8 traffic to making it a one-way trunk. I'm asking, my
9 question was, basically: is there any cost associated with
10 this and is it something that the parties are concerned
11 with?

12 MR. PANNER: I think the charges that would be
13 associated with different service arrangements are covered
14 by other provisions in the agreement and the cost of the
15 transition per se. Again, there may be one-time fixed
16 charges associated with establishing certain service
17 arrangements.

18 JUDGE COCHERES: Okay.

19 MR. PANNER: But I don't know that this particular
20 scenario causes any additional concerns.

21 JUDGE COCHERES: Okay.

22 MR. SHOR: Your Honor, I would just make the gut
23 level assumption that any time you're switching from a
24 particular trunking arrangement to another trunking
25 arrangement, that there will be some costs involved, but I

1 have not heard my client express any concern over the
2 allocation of those costs in the agreement. I'm not sure
3 that it's fully addressed per se in the agreement, but I
4 have not heard them express any concern over it.

5 JUDGE COCHERES: Perfect. That is exactly what I
6 wanted to hear. If you folks aren't concerned, I'm not
7 concerned. Again, I'm not trying to create a problem, I'm
8 trying to avoid one. If you folks aren't concerned, I'm not
9 concerned, but I saw that as one example of things that,
10 where people change their minds or do things, there's -- you
11 know, quite often the transition costs somebody something.
12 I will rely on Mr. Panner saying that he thought it was
13 covered in other portions of the agreement, and Mr. Shor
14 saying his client didn't seem to be concerned, and I'm
15 willing to give it up at that.

16 Now, is there some other comment?

17 (No response.)

18 JUDGE COCHERES: Let me move on then to a question I
19 asked Mr. Panner at the hearing, and I wrote the question
20 personally on page 114, which is the blank page that
21 precedes the Pricing Attachment. Let me give Mr. Panner my
22 biases and insights again.

23 I was the Administrative Law Judge for the Commission
24 that did Verizon's first unbundled network rate case, and so
25 I recognized, much to my own amazement, many of the terms

1 and items that were being priced out in the Pricing
2 Attachment. What I could not say with any certainty was
3 that these were prices that either I had recommended or that
4 the Commission had approved in a final order.

5 It has since been my understanding that the
6 Commission has at least allowed some of the UNE rates to
7 become effective on a temporary basis, and I will also say
8 that your agreement calls for the use of the tariffed rate
9 and that the tariffed rate is subject to change, so that
10 when I looked at the question again, I said to myself: if
11 these rates are not subject to a final Commission order --
12 and I suspect most of them are not -- that they will change
13 when the Commission comes around to doing a final order and
14 directing the tariffs be filed. In addition, once again,
15 Judge Schnierle has been batting second position on
16 unbundled network elements and has just finished a decision
17 within the last couple months setting new rates for UNEs for
18 Verizon, so there is the potential that the tariffs will
19 change not only once but twice in the near, near future.

20 Mr. Panner, are you able to agree with my recitation
21 of history here?

22 MR. PANNER: That all sounds -- I'm not as familiar
23 with the history as you are, I'm afraid, but that sounds
24 correct, and it certainly is correct that the rates for all
25 tariffed services that are reflected in here should reflect

1 the tariff rate, and often they simply do so by cross-
2 reference.

3 JUDGE COCHERES: Having said that, I am concerned
4 that the dark fiber charges and conditions have not been
5 necessarily approved in any form by my Commission.

6 Do you have anything on that in particular, Mr.
7 Panner?

8 MR. PANNER: I think that's correct, Your Honor, and
9 that's why these are -- that might well be an example of a
10 place where the rates that are here may be a result of
11 agreement or prior arbitration. I simply don't know.
12 Certainly, our position is that to the extent there is a
13 tariff that's approved, then those rates would control.

14 JUDGE COCHERES: Well, my reservations with dark
15 fiber are sincere. I recognize some terms and conditions
16 which I certainly did not recommend in my decision, and I
17 don't believe the Commission has adopted anything, but I can
18 always check on that.

19 Now, amazingly, that takes me almost to the end of my
20 questions, particularly if you tell me that I was right in
21 spotting that one typographical error in the entire
22 agreement on page 134.

23 MR. PANNER: Oh, the --

24 JUDGE COCHERES: The engineering query.

25 MR. PANNER: The engineering query. Yes, Your Honor,

1 I believe that the 122 figure is incorrect and it should be
2 123.

3 JUDGE COCHERES: Yes. All right. Now, that takes
4 care of my questions dealing with the agreement, but there
5 are some other items on my agenda that I need to talk about.

6 First of all, can I safely assume that, as ardent
7 telco attorneys, you are aware that the FCC has at least
8 issued a massive decision in part in Virginia proceedings
9 involving what, AT&T and two other CLECs?

10 MR. SHOR: Cox and MCI metro. Yes, Your Honor.

11 JUDGE COCHERES: And you, too, Mr. Panner?

12 MR. PANNER: Yes, I'm aware of the decision, Your
13 Honor.

14 JUDGE COCHERES: Am I correct that there are some
15 issues covered by that FCC decision that are also involved
16 in this proceeding?

17 MR. SHOR: Yes, Your Honor, that is correct.

18 MR. PANNER: I would agree with that, Your Honor.

19 JUDGE COCHERES: I haven't had the courage to try and
20 print it yet, but I will print it; I'll use our high-speed
21 printer somehow --

22 MR. SHOR: Your Honor, we will be attaching that, if
23 you'd like, as part of the notebook of cases.

24 JUDGE COCHERES: No, do not do that. I am not in
25 favor of killing forests to feed photocopiers. It's my

1 understanding that decision is over 300 pages long and I had
2 intended to start reading it in the very near future. I
3 have it right now in my computer on a PDF file and I'll work
4 with it from there. I'm assuming that since I have it on a
5 PDF file, that my page numbers will coincide with yours. I
6 urge you to cite to that decision; it is available to me. I
7 don't encourage you to be doing stacks of materials, unless,
8 of course, you tell me you've already done it. Now, if it's
9 already done, fine, but if not, don't do it.

10 That's one thing. The next thing, again, is for Mr.
11 Panner.

12 Mr. Panner, when I reviewed the testimony presented
13 by USLEC, and I think we agreed at the hearing, they
14 presented testimony on Issues 1, 2, 3, 4, 5, 6, 8 and 9,
15 and, quite frankly, your witnesses did not.

16 MR. PANNER: That's correct, Your Honor.

17 JUDGE COCHERES: Good. I'm glad that you're aware of
18 this, because my assumption is, given the fact that your
19 witnesses presented no factual evidence on those -- a
20 limited number of issues, and I believe that was probably 3,
21 4, 5, and I can't remember --

22 MR. PANNER: Eight and 9, Your Honor.

23 JUDGE COCHERES: Eight and 9; thank you. Given that
24 you did not present factual evidence on that, that you
25 regard, at best, you regard those issues as legal issues.

1 MR. PANNER: That's correct, Your Honor.

2 JUDGE COCHERES: Fine. I wanted to confirm that on
3 the record with you. I couldn't imagine your company just
4 cavalierly omitting reference to those issues in your
5 planned testimony.

6 MR. PANNER: No, Your Honor. We certainly responded
7 in our answer to the petition as to each of those issues
8 and, as you say, we felt that no testimony was required
9 because there were no factual issues that we needed to
10 introduce.

11 JUDGE COCHERES: All right. Now, I had directed you
12 folks, at the end of the hearing, to agree on a matrix of
13 issues, and I certainly very much appreciated our discussion
14 earlier today on the disputed issues that you carefully
15 identified which issues were involved as continuing to be
16 disputed and which numbers that they were associated with.

17 Have you done that for purposes of presenting your
18 briefs, agreed on a matrix of issues?

19 MR. PANNER: Your Honor, our agreement was that we
20 would adopt the original numbering scheme to avoid
21 confusion, so that the issues that will be presented for
22 decision will be Issues 1, 2, 3, 4, 5, 6, 8 and 9.

23 JUDGE COCHERES: Fine. I appreciate that, and I
24 think it will add a great deal of organization not only to
25 your briefs but my decision and hopefully the Commission's

1 order.

2 I had told you that I would go through the issues
3 that you presented and try and give you some guidance on
4 where I sit on certain issues, to the best of my abilities.
5 Were you satisfied with what I presented in the courtroom?
6 And you can say no and not insult me.

7 MR. PANNER: Your Honor, this is Aaron Panner going
8 first, foolishly, no doubt. I thought that what you said
9 was helpful. I think that what you presented was really
10 more a manner in which you planned to resolve the issues
11 than your take on them at this point. As you've pointed
12 out, there's been a new FCC decision that you'll want to
13 review that may have an effect on how you are seeing these
14 various issues.

15 JUDGE COCHERES: Yes, you're right.

16 MR. PANNER: I think that if you have additional
17 insights into how you think, you know, what issues are
18 bothering you with respect to any of the particular issues,
19 Verizon certainly would be interested to hear that.
20 Obviously, we will be addressing the implications of the FCC
21 decision where appropriate. Also, I think, at least for me,
22 the hearing was very helpful in terms of clarifying what the
23 disputed points of fact versus disputed points of policy
24 versus disputed points of law are, and we'll try to address
25 those in the hopes of persuading you and in the hopes of

1 producing a record that will be helpful to the Commission in
2 the course of time.

3 MR. SHOR: Your Honor, this is Michael Shor,
4 hopefully smartly waiting for Mr. Panner to lead first.

5 I would agree that the approach you discussed with us
6 at the hearing was helpful in the sense of setting forth the
7 framework that you're going to use to approach it, but at
8 the same time, I think it also suggested that the resolution
9 turns on the presence or absence in any one of those
10 particular locations of requirements of law, which I found
11 helpful. I did not -- I think we all learned -- we learned
12 about the FCC's arbitration order the next day, and I think
13 I would agree, I think we all would agree, that it is worth
14 pursuing and perusing to determine the impact, if any, on
15 this case. It may change, it may reinforce, it may do
16 nothing to some of the issues, since I don't know that every
17 single one of them was covered. But I found your approach
18 to be very helpful and appreciate the effort you took.

19 If you have an indication or inclination to go
20 further and discuss some of the specifics, we of course
21 would be willing and happy to listen to that and be guided
22 accordingly.

23 JUDGE COCHERES: Well, I don't need much
24 encouragement, Mr. Shor. Let me add some things. My
25 problem is now that we're not at the end of the hearing, I

1 don't have the issues at my fingertips to talk about, but I
2 think I can do that. Wait a minute.

3 (Judge Cocheres perusing documents.)

4 JUDGE COCHERES: What I'm looking for, basically, and
5 I found it, is USLEC's original petition. I can follow
6 along in the USLEC petition to Issues 1 and 2, which I think
7 we've pretty much agreed are going to be treated as a unit.

8 My understanding of the Act is that the CLEC gets to
9 pick its point of interconnection. This is an issue where I
10 don't see a huge amount of factual dispute. For one thing,
11 you're already interconnected. Neither one of you is
12 denying that interconnection exists or where it exists or
13 how you've gone about the process of giving traffic back and
14 forth to one another, and that's fine, but it then becomes a
15 question of using the process that I told you about to make
16 a decision as to whether or not compensation, which seems to
17 be at the heart of this issue, should flow differently than
18 -- well, in favor of one side or the other.

19 I cannot tell you that I have a strong feeling from
20 the federal statute or the developments of the law since
21 then. I will read the Act again and I will read whatever
22 applicable FCC items that you refer me to in the briefs, but
23 on Issues 1 and 2, all I remember off the top of my head is
24 that the CLEC gets to pick the point of interconnection. I
25 don't think that the story stops there anymore, but that's

1 what I remember from the Act, and I'm not sure that that's
2 any more helpful to you than what I told you last week.

3 I'll move on to Issue number 3, if I can find it.

4 Yes. That concerns the transportation of voice information
5 services. In this instance, I think it will be incumbent on
6 Verizon particularly, but no less USLEC -- USLEC seems to be
7 taking a position that, how shall I put this, it's not that
8 anybody has the burden of proof here. Again, what I see
9 Verizon trying to do is to carve out a new category of
10 communication information. If Verizon can point to
11 something in the statute or FCC decisions that enhances
12 their position, I will read it with great interest, but
13 again, my understanding of the statute particularly is that
14 there is nothing in the statute that requires special
15 treatment for voice information services traffic only.

16 Now, if there is something subsequent to the statute
17 in an FCC decision, then I am simply not aware of it. I
18 will look at it quite closely to determine where I will go
19 on this issue. But if this is an attempt by Verizon to
20 create a category which had not existed in the past, I'm not
21 likely to be able to adopt it.

22 Issue number 4 is another voice information service
23 item. Again, this seems to be a Verizon proposition and I'm
24 looking for some support for their position in particular.

25 Category number 5, terminating party and receiving

1 party terminology. I'm looking for some authentication of
2 this position. It appears again to be a Verizon proposition
3 in the agreement. If Mr. Panner can point me to some
4 authority which has adopted this position that is not
5 outside the industry standard, which appears to be the USLEC
6 position, I will certainly be very interested in reading it
7 and seeing if it is particularly applicable to this
8 situation.

9 Issue number 6, which I've lost some of the buzz
10 words since last week, but foreign exchange service, either
11 real or virtual, however you want to categorize that.
12 Frankly, you both better have pretty dazzling briefs on this
13 subject. I understand what the concept is, my difficulty is
14 my lack of familiarity with the subject matter. It appears
15 from your positions that you both have, how shall I put
16 this, that it is a term that's used in the industry. What I
17 am not familiar with is the limitations on either party
18 using it, so I will be looking carefully at your briefs and
19 your final and best offers on this subject as a reflection
20 of what is currently going on in the industry. I don't have
21 a real good feeling for this. My sense is that both Verizon
22 and USLEC have some authority to point to, and I will be
23 interested to know what it is and see it in some detail. Of
24 course, I'm also speaking without having looked at the
25 Virginia FCC decision, so I don't know at this point what

1 other issues are involved.

2 Issue 8 and 9 are the last two issues. This is the
3 ISP internet bound traffic, Issue number 8. I am concerned
4 more about the USLEC position in this instance. On the one
5 hand, I think it is laudable that USLEC recognizes the
6 potential for a problem and wants to deal with it in this
7 interconnection agreement. On the other hand, I can see
8 that Verizon -- and I know that this has been a sore point
9 with all of the ILECs, that reciprocal compensation for ISP
10 traffic has been a real concern, and I am only certain that
11 there will be more litigation on the issue until we get
12 something finalized from the FCC.

13 That being said, I think it is -- it looks to me as
14 if on this particular issue, USLEC is making the
15 proposition. I will be looking for support in your brief on
16 this particular issue to verify your position. My
17 understanding -- and like I said, I understand where Verizon
18 is coming from here, and they're not the only ILEC to be
19 concerned about this issue, but they have time after time
20 agreed in the text of the language and language of your
21 agreement that they will be bound by applicable law, be it
22 federal, be it state, be it FCC order, be it Commission
23 regulation, whatever, and I know of nothing in any of those
24 bodies of law that currently authenticates the USLEC
25 position. If there is room for give and take, things that

1 USLEC wants, this may be something that USLEC may consider
2 giving up.

3 Now, Issue number 9. Issue number 9 deals with both
4 tariffed and non-tariffed prices. I think it divides along
5 those lines as well. I have absolutely no problem allowing
6 the agreement to have the flexibility to incorporate new,
7 approved, tariffed pricing as it comes into effect. I think
8 that's wise, I think that's a recognition that there is a
9 review process of the tariffs that takes effect, that all
10 parties get a forum in which to be heard, be it in front of
11 my Commission or in front of the FCC or wherever you decide
12 that this is going to happen.

13 The second half I have extreme difficulty with as far
14 as non-tariffed pricing is concerned. I can even subdivide
15 that, and dark fiber may be the perfect example. If, as I
16 currently believe, dark fiber is not a tariffed price in
17 Pennsylvania, and the terms and conditions for getting dark
18 fiber service are not currently tariffed in Pennsylvania,
19 and as I earnestly hope that dark fiber will become a
20 tariffed price and the terms and conditions will become a
21 tariffed item in Pennsylvania, then I have no problem with
22 the agreement being flexible enough to incorporate, again, a
23 change to a tariffed item which I know the tariff has been
24 subjected to the regulatory review process. But I will not
25 grant, I will not recommend, and I doubt that my Commission

1 will allow one party, in this instance Verizon, but it could
2 be either one, the unfettered discretion to change terms of
3 the agreement without some form of review.

4 It seems to me that if this agreement has a two-year
5 life span, that it's not hardly an agreement if you haven't
6 agreed on prices. So to the extent that there will be non-
7 tariffed prices as a part of this agreement, I am extremely
8 reluctant to grant Verizon the opportunity to change those
9 prices at its discretion. I think I have encountered
10 similar circumstances where Verizon or other ILECs have
11 requested unfettered discretion to change a term of the
12 agreement; I think you would be hard-pressed to find any
13 time where I have adopted that position.

14 Now, folks, I don't know -- and this often happens to
15 me as a Judge -- I don't know if I've helped you or hurt
16 you. I don't know if that's made your subsequent
17 negotiations easier or more difficult. But I will tell you
18 that that is my view from the top. It's the way I see
19 things shaking out. I hope it helps expedite your
20 negotiation of the issues. Certainly, I have given pretty
21 clear directions on some of the issues. If you don't like
22 the direction I'm going, negotiate a different one.

23 Does anybody have any questions?

24 MR. SHOR: Your Honor, I wanted to thank you for
25 going through that. I found it extremely helpful.

1 JUDGE COCHERES: Well, you found it extremely helpful
2 mainly because you think I'm going to rule in your favor on
3 more issues than not.

4 MR. SHOR: No. I found it extremely helpful because
5 it helps me to focus the areas where I need to develop and
6 expand my brief.

7 JUDGE COCHERES: Well, we'll get back to the size of
8 briefs in just a moment.

9 Mr. Panner, I think you understood pretty clearly
10 where I was coming from?

11 MR. PANNER: Your Honor, I can agree with Mr. Shor
12 that that was very helpful.

13 JUDGE COCHERES: All right. Let's talk about briefs
14 for a moment. Currently in Commission regulations we have a
15 60-page limit on main briefs and -- I didn't bring my
16 regulations into my conference room here, so I'm thinking
17 it's like 30 or 40 pages on reply briefs.

18 Is that going to work for you two?

19 MR. PANNER: That's far more than we'll need, Your
20 Honor.

21 MR. SHOR: Your Honor, I'm actually trying to strive
22 towards brevity.

23 JUDGE COCHERES: I love it when a plan comes
24 together. Thank you, gentlemen. Okay. Good. What I find
25 is that the longer your briefs are, the more time it takes

1 me to read them, the more time it takes me to do the
2 decision.

3 MR. SHOR: I just feel that if I can't say it and say
4 it succinctly, I'm not doing my client any service.

5 JUDGE COCHERES: Okay. I should tell you that my
6 brain works for short periods of vigorous activity followed
7 by other periods of varying degrees of dormancy, so I have
8 exhausted my current agenda that I recall and was able to
9 reconstruct from our hearing last week.

10 Is there anything that we have not discussed that
11 still remains on your agendas, gentlemen?

12 MR. SHOR: Your Honor, we have one housekeeping
13 matter that I discussed earlier with Mr. Panner, and it
14 regards the Verizon Exhibit 4, which was a portion of
15 USLEC's Pennsylvania tariff. The parties have agreed to
16 replace that with the full tariff, if that is something that
17 Your Honor will entertain.

18 JUDGE COCHERES: That's fine. Do we need to put an
19 exhibit number on that?

20 MR. SHOR: I think, if it's okay with the Court, we
21 will just replace it.

22 JUDGE COCHERES: Just for purposes of clarity of the
23 record, since we already have an identified Exhibit 4 and it
24 is in possession of our other court reporter, who will
25 submit it, why don't you call the new one Exhibit 4 Revised?

1 MR. PANNER: Your Honor, actually, this issue didn't
2 come up between Mr. Shor and me, although he did say "Can I
3 replace it," but I do think it would actually make more
4 sense for him simply to, just for clarity of numbering, to
5 introduce it as a new exhibit USLEC, whatever it is, but I
6 don't have any objection to it being introduced.

7 JUDGE COCHERES: All right; wait a minute.

8 (Judge Cocheres perusing document.)

9 MR. SHOR: I think it would be USLEC Exhibit 4, if we
10 did that.

11 JUDGE COCHERES: Yes. That's fine. That will be the
12 -- I'm sorry, I've lost track. Which tariff is that?

13 MR. SHOR: I believe that that is the --

14 JUDGE COCHERES: Verizon tariff?

15 MR. SHOR: No. That's the USLEC tariff.

16 JUDGE COCHERES: Okay.

17 MR. SHOR: USLEC's Pennsylvania local tariff.

18 JUDGE COCHERES: Fine.

19 My court reporter has reminded me that she's
20 responsible for gathering those exhibits. We'll clear up
21 that little administrative detail at the end.

22 MR. SHOR: And finally, we are still trying to
23 determine exactly how we will go about submitting the full
24 MFS II transcript. I do not have a date for you yet. My
25 local counsel is exploring that.

1 JUDGE COCHERES: Yes. I saw her in the Secretary's
2 file room this morning.

3 I think it is incumbent upon you, since it is a late-
4 filed exhibit, and in all fairness to Mr. Panner, I think he
5 should be allowed to see it before you get into the briefing
6 stage. Does that sound --

7 MR. SHOR: That's fair.

8 JUDGE COCHERES: My hope is that you can -- when is
9 your final and best offer due, the end of this week?

10 MR. SHOR: Thursday.

11 JUDGE COCHERES: Thursday. Do you think you would be
12 able to get it to him by Thursday?

13 MR. SHOR: If not then, by Friday at the latest.

14 JUDGE COCHERES: Okay. Mr. Panner, I trust that
15 works for you?

16 MR. PANNER: That's fine, Your Honor.

17 JUDGE COCHERES: Okay. And that was to be a late-
18 filed exhibit, as I recall?

19 MR. SHOR: Yes, Your Honor.

20 JUDGE COCHERES: That would be USLEC No. 5.

21 MR. SHOR: Yes.

22 JUDGE COCHERES: Wait a minute; let me just check on
23 that for you.

24 (Judge Cocheres perusing documents.)

25 JUDGE COCHERES: That should be USLEC Exhibit 5.

1 Mr. Shor, is there any chance that you will be able
2 to give Mr. Panner some preview of what is involved in that
3 exhibit? Call it an abundance of caution, and again, I'm
4 not trying to create problems but prevent them, what I don't
5 want to happen is for you, Mr. Shor, to designate certain
6 excerpts from that testimony and make up an exhibit, send it
7 to Mr. Panner on Friday and have him take a look at it and
8 say, "Well, gee, they left out what I thought were some of
9 the more important parts."

10 MR. SHOR: I understand. I agree with that. I don't
11 think there's any secret that we would be utilizing the
12 transcript for the proposition relating to the assignment of
13 NXX codes, and our attempt -- apparently when that
14 proceeding was underway, they did not do it, as you wisely
15 did, issue by issue, but did it witness by witness, and it
16 would be my hope that we would be able to incorporate or to
17 include in the exhibit all testimony, from whatever source,
18 relating to the assignment of NXX codes.

19 JUDGE COCHERES: All right.

20 MR. SHOR: Now, if there's a portion of that
21 transcript beyond that that he wishes to use, I guess I'd
22 like to know, but that's the only reason I'm utilizing it.

23 JUDGE COCHERES: Mr. Panner, do you have any
24 thoughts?

25 MR. PANNER: Maybe I can get with Mr. Shor off line,

1 Your Honor. I haven't seen the transcript. I have no idea
2 what portions of it he's contemplating using. Although he's
3 made a general description of what the purpose of it is,
4 it's really not clear to me what the argument is or how it
5 really even relates to the issues that are presented for
6 decision in this case. So that said, it's difficult for me
7 to say whether I think what he has proposed is reasonable or
8 unreasonable or what he wants to put in is reasonably put in
9 or not. I just haven't seen any of it, so I don't know.

10 JUDGE COCHERES: All right. Then let me resolve this
11 in this way. Mr. Panner, you're going to have the burden of
12 reviewing the document and distributing it to your client
13 for review as quickly as possible, because if, by chance,
14 there is something that you think was omitted that is
15 crucial to your side of the case, then it will be incumbent
16 on you to notify me as quickly as possible. It's not that
17 I'm encouraging you to do that, but I do want you to have a
18 fair opportunity. The absolute general rule is if the
19 excerpt is offered, that the whole thing can come in. Well,
20 the last thing I want is the whole MFS II transcript to come
21 into this proceeding. But, on the other hand, Mr. Panner, I
22 want you to have the opportunity to review it and to discuss
23 it with your client in a most expeditious fashion so that if
24 there is, by any chance, anything else that needs to come
25 in, I know about it as quickly as possible and we do that as

1 quickly as possible.

2 MR. PANNER: Your Honor, can I propose one
3 alternative, and I would understand if you rejected it, but
4 it seems to me possibly sensible, given the shortness of
5 time and the bulkiness of the documents that we're talking
6 about. Would it make any sense simply to stipulate that if
7 there are additional portions of the transcript that we
8 wanted to rely upon in our briefing, that we could attach
9 them as exhibits to our briefing, having provided them to
10 Mr. Shor in advance? That way it would just give us some
11 additional time; we wouldn't have to involve you, frankly,
12 in the decision. I'm sure Mr. Shor would agree that that's
13 a reasonable -- well, I won't speak for him. I think he
14 might agree that that's a reasonable approach. That way it
15 gives us the opportunity, if, in fact, there are portions of
16 the transcript that we think are necessary to clarify the
17 testimony that he introduces, that it could simply be
18 introduced, it would be before Your Honor for your
19 consideration, and as you say, it would simply reflect the
20 fact that transcript relevant portions were admitted.

21 JUDGE COCHERES: Mr. Shor, do you agree to that?

22 MR. SHOR: Your Honor, I don't have any problem with
23 it because as long as I get it in sufficient time either to
24 address in my main brief or my reply brief, I don't think
25 I'll be suffering any prejudice. I'm only offering the

1 transcript for a fairly limited purpose, and I don't know
2 that there's going to be much beyond that that I would
3 expect Mr. Panner to introduce since it's my goal to try to
4 include all testimony on that subject. I would suppose the
5 only -- I think I can work with it. If I have a problem,
6 I'll let you know. I mean, if he introduces something
7 completely extraneous from that transcript that has nothing
8 to do with the numbering issue that we're introducing it
9 for, then I suppose in some measure I could be prejudiced if
10 I don't then, in turn, have all of the parts of the
11 transcript that he's relying on.

12 JUDGE COCHERES: Okay.

13 MR. SHOR: So as long as we're focusing on the same
14 issue, I don't have a problem with it. If it gets expanded
15 beyond that, then it potentially creates a problem.

16 JUDGE COCHERES: Let me say a few words about some
17 real extreme personal biases that I have.

18 Mr. Panner, I'm going to make an exception to a
19 longstanding general and emotionally enforced rule in my
20 hearing rooms and allow you the leeway to do as you have
21 asked because Mr. Shor has basically agreed. Let me put
22 this limitation on it, and that is, simply, your only
23 opportunity to include that other material, in conference
24 with Mr. Shor, will be your main brief, and that it is
25 limited, as Mr. Shor has carefully tried to do in his

1 presentation, to the NXX issues, because I certainly do not
2 want to be reviewing the entire portions of the MFS II
3 transcript for issues that we have not talked about in this
4 proceeding.

5 Is that clear to you, sir?

6 MR. PANNER: It is, Your Honor, and I certainly can
7 work with that.

8 JUDGE COCHERES: Okay. The reason I say that is that
9 if you put the stuff in your main brief and he feels the
10 need to respond, his only opportunity would be the reply
11 brief.

12 MR. PANNER: Yes. That doesn't even give me pause.
13 Of course, I wouldn't include something in the reply that
14 hadn't been included in the opening brief, so long as,
15 again, I am given sufficient notice as to what he's planning
16 to include, and as Your Honor has mentioned, he's agreed to
17 provide that by Friday, so that should be sufficient time.

18 JUDGE COCHERES: Okay; good. Now, I will tell you,
19 gentlemen, I'm taking a deep breath when I do that, and I'll
20 tell you why. It has long been my position, something I
21 learned when I was a litigator, that I absolutely hate the
22 concept of extra-record evidence being attached to someone's
23 brief, and I have usually railed long and hard, both from
24 the bench and in my written decisions, about that subject.
25 I don't think that's normally fair to the parties. I am

1 very clearly giving you, Mr. Panner, in particular, an
2 exception to that rule. Ms. Conover will be stunned, I
3 assure you.

4 MR. PANNER: No doubt I wouldn't have asked if I were
5 more experienced, Your Honor.

6 JUDGE COCHERES: That's all right. I think the
7 situation warrants it or I would not allow an exception to
8 the rule, but I think that the press of time is upon us. As
9 I made very clear earlier, this case is the highest priority
10 on my docket and I want to get it off my docket as
11 expeditiously as possible. But I really was concerned that
12 we should find a way to extend to Mr. Panner the opportunity
13 to present something if he thought Mr. Shor had, for lack of
14 a better term -- and it's not artful -- shortchanged him. I
15 am comfortable with allowing that exception, and I am
16 particularly comfortable because I am comfortable with the
17 way both of you litigate. I told you at the hearing that I
18 did appreciate your professionalism, and I expect it to
19 continue for the remainder of this proceeding.

20 It occurs to me, moving on to the next subject, that
21 I have yet to say the magic words necessary, and I will do
22 it now, and that is that I will incorporate, by reference,
23 the agreement supplied to me by USLEC in its petition as the
24 base document that we have discussed, so that it is in the
25 record and that you gentlemen are free to cross-reference it

1 by page number and section number in your briefs and in the
2 subsequent documents that you must prepare for my review.

3 MR. SHOR: Your Honor, I hate to ask this, to reveal
4 my ignorance of Pennsylvania procedure, but would I be
5 correct in assuming that the parties can refer to the
6 petition and answer without specifically asking the Court to
7 include that in the record?

8 JUDGE COCHERES: No, you would not be correct.
9 Pleadings are generally not part of the record, the
10 evidentiary record, of the proceeding. That goes back to
11 something we discussed last week. Here in Pennsylvania we
12 are frankly somewhat sloppy about using the word "record."
13 On the one hand, the record, as most lawyers understand it,
14 is the pleadings, the transcript, the exhibits, everything.
15 On the other hand, the evidentiary record in Pennsylvania is
16 everything that I say is in the record and part of the
17 transcript. I have no problem, if you want me to, Mr. Shor,
18 of including as incorporated into the evidentiary record
19 both the USLEC petition and the Verizon response.

20 MR. SHOR: Your Honor, I think, in the interest of
21 completeness and caution, I would like to request that
22 USLEC's petition, and I'm assuming that Mr. Panner would not
23 oppose to having Verizon's response included in the
24 evidentiary record.

25 MR. PANNER: I think that's a good idea, Your Honor.

1 JUDGE COCHERES: I do, too, so both of those
2 documents, in their entirety, are incorporated into the
3 evidentiary record.

4 Are there any other procedural matters that I need to
5 deal with?

6 MR. SHOR: I believe we have identified and resolved
7 all of them, Your Honor.

8 JUDGE COCHERES: Mr. Panner?

9 MR. PANNER: I have nothing further, Your Honor.

10 JUDGE COCHERES: Well, gentlemen and Ms. Finn, I
11 certainly appreciate all of your help this afternoon. You
12 have been very helpful to me in helping me with the
13 agreement and isolating the disputed language. I think we
14 have laid the framework for at least our best shot at making
15 this case work.

16 Thank you very much for your cooperation.

17 MR. SHOR: Thank you.

18 MR. PANNER: Thank you, Your Honor.

19 JUDGE COCHERES: Now, before you sever the
20 connection, I will go off the record and allow the court
21 reporter to address you, because there is some business that
22 she needs to transact with you in terms of things you've
23 said and things you might want to buy.

24 (Whereupon, at 3:04 p.m., the telephonic conference
25 call was concluded.)

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC.

By: Judith A. Valencik
Judith A. Valencik

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Developing a Unified Inter-carrier) CC Docket No. 01-92
Compensation Regime)

NOTICE OF PROPOSED RULEMAKING

Adopted: April 19, 2001

Released: April 27, 2001

Comment Date: 90 days after publication in the Federal Register

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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 Matter 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 Inter-carrier 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

§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:

(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:

(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 §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

Pike & Fischer's COMMUNICATIONS REGULATION

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.

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.

§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.

**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

**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.

Request for Admission No. 3

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.

(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,

Julia A. Conover
Verizon Pennsylvania Inc.

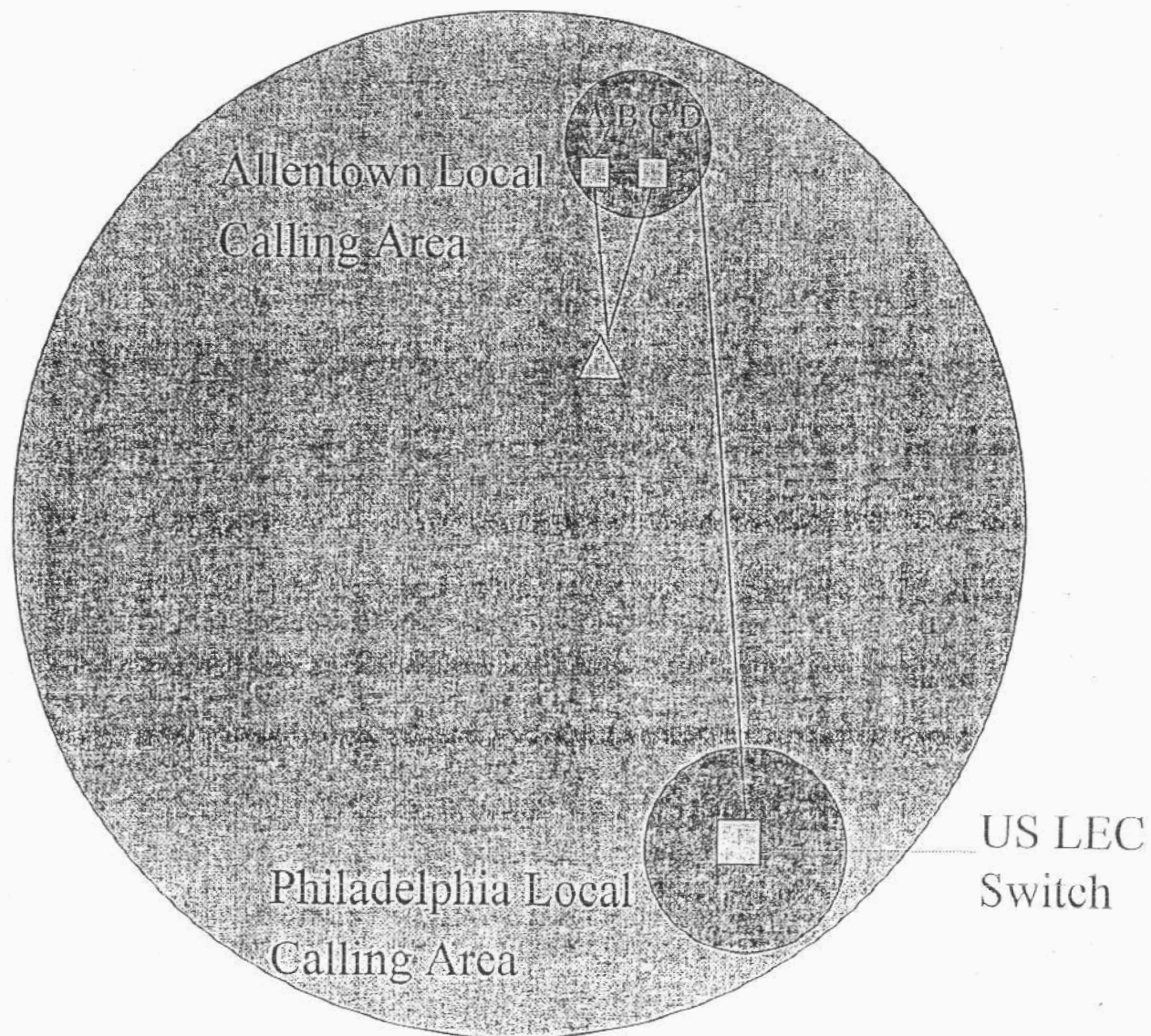
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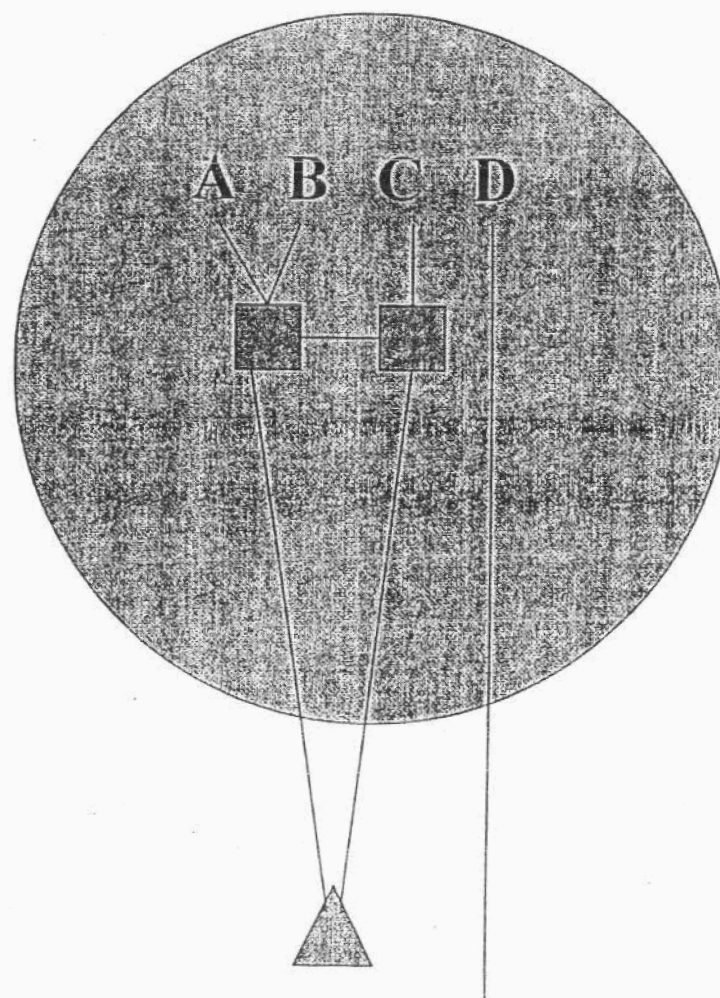
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Allentown Local Calling Area



VZ-2

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.
- 2.1.5 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

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 uni-directional 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 subtend 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 ROI 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/101XXX) 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.

US LEC of Pennsylvania Inc.

Supplement #1

Telephone - Pa P. U. C. No. 1

Preface

First Revised Title Page

Cancels Original Title Page

US LEC of Pennsylvania Inc.
Morrocroft III
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

Issued: December 10, 2001

Effective: December 11, 2001

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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

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CHECK SHEET

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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 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 obligate 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 SERVICES8.9 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</u> <u>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 AREAS10.1 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 AREAS10.1 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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Products

Long distance and toll-free services

- ▲ [ADVANTAGE Flat Rate plan](#)
- ▲ [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 T
 Local
 Long distance
 and toll-free
 Internet and enhanced
 Additional
 Satisfaction guarantee
 and SLAs
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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 \(dial-tone\)](#)
- ▲ [Local calling](#)
- ▲ [Line features](#)
- ▲ [Enhanced local services](#)

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ADVANTAGE T

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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

VZ-6

- 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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Document Index Report**Run Time:** 5:18 PM**Run Date:** 06/12/2002**Page:** 1 of 1**Client ID:** 11545**Client Name:** Swidler Berlin Shereff Friedman LLP**Matter ID:** 6850-0040**Matter Name:** Pennsylvania**Folder ID:** 22229**Folder Title:** PA A-310814F7000 I/M/O Petition of US LEC of Pennsylvania Inc. for Arbitration with Verizon-Pennsylvania, Inc. pursuant to section 252(b) of the Telecommunications Act of 1996**Insert ID:** S23235**Insert Title:** PA A-310814F7000 - TESTIMONY - I/M/O Petition of US LEC of Pennsylvania Inc. for Arbitration with Verizon-Pennsylvania, Inc. pursuant to section 252(b) of the Telecommunications Act of 1996

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0001	Direct Testimony of Wanda G. Montano of behalf of US Lec of Pennsylvania	05/31/2002
0002	Direct Testimony of Frank B. Hoffman, Jr. on behalf of US Lec of Pennsylvania	05/31/2002
0003	Direct Testimony of Terry Haynes of behalf of Verizon Pennsylvania	05/31/2002
0004	Direct Testimony of Karen Fleming on behalf of Verizon Pennsylvania	05/31/2002
0005	Direct Testimony of Peter J. D'Amico on behalf of Verizon Pennsylvania	05/31/2002

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

-----)	
Petition of US LEC of Pennsylvania, Inc.)	
for Arbitration with Verizon Pennsylvania Inc.	)	Docket No: A-310814F7000
Pursuant to Section 252(b) of the)	
Telecommunications Act of 1996)	
-----)	

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

May 31, 2002

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

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

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

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

Q. WHAT IS THE ESSENCE OF THE DISPUTE AMONG THE PARTIES REGARDING THE POI AND IP?

A. The issue boils down to how to allocate fairly the transport costs between Verizon and the US LEC when Verizon delivers originating traffic from a local calling area to a US LEC POI that is located outside of that local calling area. US LEC wants Verizon to bear 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 MCI Metro 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) ("*MCI Metro 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.

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." *MCImetro 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 VERZION'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.	)	Docket No: A-310814F7000
Pursuant to Section 252(b) of the)	
Telecommunications Act of 1996)	
-----)	

**DIRECT TESTIMONY
OF KAREN FLEMING ON BEHALF OF
VERIZON PENNSYLVANIA INC.**

May 31, 2002

I. WITNESS BACKGROUND AND OVERVIEW

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Karen Fleming. My business address is 1320 North Court House Road, Arlington, Virginia.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Verizon Services Corp. as a Manager - Risk Management. In that position, I am responsible for managing Verizon's bond, crime and fidelity and relocation programs. I also provide training and consultation support for risk management, contracts and contractors' insurance. This includes consultation on facilities-based agreements, including collocation.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I have fifteen years of experience in the telecommunications industry as an employee of Verizon and its predecessor companies. Prior to my employment with Verizon, I was the risk manager for Arlington County, Virginia for five years. Prior to that, I spent a year and a half at The Hartford Insurance Company handling multi-line claims. I received a Bachelor of Science degree at State University of New York. In addition, I received a Chartered Property Casualty Underwriter (CPCU) and an Associate in Risk Management (ARM) designation from the Insurance Institute of America (IIA).

Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

1 **A.** The purpose of my testimony is to address Issue 11, which concerns the level of
2 insurance that US LEC should be required to maintain under the proposed
3 agreement.

4 **Q. WHAT LIABILITY INSURANCE COVERAGE SHOULD US LEC**
5 **OBTAIN?**

6 **A.** Verizon's proposed insurance requirements are set forth in § 21 of the General
7 Terms and Conditions section of the interconnection agreement. US LEC should
8 obtain this coverage prior to having access to Verizon's network and other assets,
9 and should maintain it during the term of the interconnection agreement. Such
10 insurance coverage should include:

- 11 • Commercial General Liability: \$2,000,000.
- 12 • Commercial Motor Vehicle Liability Insurance: \$2,000,000.
- 13 • Excess Liability Insurance (umbrella): \$10,000,000.
- 14 • Worker's Compensation Insurance as required by law.
- 15 • Employer's Liability Insurance: \$2,000,000.
- 16 • All risk property insurance (full replacement cost) for US LEC's real and
17 personal property located at a collocation site or on Verizon premises,
18 facility, equipment or right-of-way.

18 In addition,

- 19 • Deductibles, self-insured retentions or loss limits must be disclosed to
20 Verizon.
- 21 • US LEC shall name Verizon as an additional insured.
- 22 • US LEC shall provide proof of insurance and report changes in insurance
23 periodically.
- 23 • US LEC shall require contractors that will have access to Verizon
 premises or equipment to procure insurance.

1 **Q. WHY IS THE LIABILITY INSURANCE COVERAGE YOU DESCRIBE**
2 **NECESSARY?**

3 **A.** Verizon is required to enter into interconnection agreements with CLECs. The
4 presence of US LEC's equipment and personnel on Verizon's property that results
5 from interconnection puts Verizon's network, personnel, and assets at an
6 increased risk for damage and injury in many ways: (i) the risk of injury to its
7 employees, (ii) the risk of damage or loss of its facilities and network, (iii) the risk
8 of fire or theft, (iv) the risk of security breaches, and (v) possible interference
9 with, or failure of, the network. In light of interconnection requirements and
10 associated increased risk, it is reasonable for Verizon to seek protection of its
11 network, personnel, and other assets in the event a CLEC has insufficient
12 financial resources to pay for the damage or injury it causes. In § 20 of the
13 General Terms and Conditions section, US LEC agrees to indemnify Verizon for
14 any damage US LEC causes as a result of its gross negligence or intentionally
15 wrongful acts. Verizon's proposed insurance requirements in § 21 provide the
16 financial guarantee to support the promised indemnification. Verizon's recent
17 experience with CLEC bankruptcies reveals that insurance coverage is often the
18 only source of recovery.

19 **Q. DOES VERIZON MAINTAIN INSURANCE?**

20 **A.** Yes. Verizon maintains an extensive insurance program that is financially sound,
21 protecting both parties should they be liable, jointly and severally, for the
22 wrongful acts of the other.

23 **Q. IS VERIZON'S PROPOSAL CONSISTENT WITH OBLIGATIONS OF**
24 **OTHER CARRIERS?**

1 A. Yes. Verizon's proposed insurance requirements here are consistent with the
2 insurance amounts it requires of other carriers.

3 **Q. WHY AREN'T US LEC'S PROPOSED INSURANCE REQUIREMENTS**
4 **REASONABLE?**

5 A. US LEC's amendments to Verizon's proposed § 21 of the General Terms and
6 Conditions Attachment would substantially lower the insurance amounts. US
7 LEC's proposal would provide inadequate coverage in light of the risks for which
8 the insurance is procured and should therefore be rejected. General problems with
9 US LEC' proposals are highlighted below:

10 § 21.1.1 US LEC advocates reducing Verizon's proposed limit on Commercial
11 General Liability Insurance from \$2,000,000 to \$1,000,000. This
12 insurance protects Verizon in the case of loss arising out of incidents
13 involving US LEC, its employees, or its contractors. A level of
14 \$2,000,000 is commercially reasonable and consistent with the level
15 carried by other companies.

16 § 21.1.2 US LEC proposes reducing the limit on Commercial Motor Vehicle
17 Liability Insurance from \$2,000,000 to \$1,000,000. US LEC must
18 provide commercial automobile liability insurance adequate to protect
19 Verizon's facilities for US LEC's vehicles or those of its subcontractors
20 in the performance of the agreement. Again, a level of \$2,000,000 is
21 commercially reasonable and consistent with the level carried by other
companies.

§ 21.1.4 An employer's liability limit of \$2,000,000, rather than US LEC's
proposed \$100,000 per occurrence, is more appropriate given the
possible risks of liability in the workplace. Employer's liability
coverage provides protection for employees in the event the employer is
found to be grossly negligent. Examples include taking money-saving
short-cuts on safety, standards, and equipment that could put employees
in harm's way. Verizon's exposure might arise not only in cases of joint
work between Verizon and US LEC, but could also arise in cases
involving sub-standard performance or other situations caused by
contractors hired by US LEC. This is an area of increasing claims

1 activity, and although these claims still remain relatively infrequent, they
2 are often quite severe.

3 **Q. CAN YOU ELABORATE ON WHY US LEC'S PROPOSED REDUCTION**
4 **OF THE \$2,000,000 IN COMMERCIAL GENERAL LIABILITY**
5 **INSURANCE, COMMERCIAL MOTOR VEHICLE LIABILITY**
6 **INSURANCE, AND EMPLOYER'S LIABILITY INSURANCE IS**
7 **UNREASONABLE?**

8 **A.** Yes. US LEC's proposed coverage is simply inadequate in light of the risk to
9 Verizon's network, personnel, and assets. It is not unusual for *individuals* to have
10 more than \$1,000,000 coverage for liabilities associated with their residence and
11 personal autos. Tort judgments, including costs and legal fees, routinely exceed
12 \$1,000,000, making US LEC's proposal obviously insufficient. Damage to
13 Verizon's network or assets or injury to even one Verizon employee resulting
14 from any single occurrence could easily and significantly exceed the limits of US
15 LEC's proposed coverage, and the coverage provided by the Excess Liability
16 Insurance Policy may not be sufficient to respond to a catastrophic loss.

17 **Q. DOES VERIZON'S COLLOCATION TARIFF REQUIRE CLECS TO**
18 **MAINTAIN INSURANCE COVERAGE?**

19 **A.** Yes. The insurance coverage required under the collocation tariff – PUC No. 218
20 – is quite similar to the coverage required in Verizon's proposed interconnection
21 agreement. That tariff requires comprehensive general liability coverage of \$2
22 million per incident with a policy aggregate of \$4 million; employer's liability
23 coverage of \$2 million, statutory workers' compensation coverage, \$10 million in
excess liability coverage, as well as automobile liability coverage and contractual
liability coverage.

1 Q DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes, it does.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

-----)	
Petition of US LEC of Pennsylvania, Inc.)	
for Arbitration with Verizon Pennsylvania Inc.)	Docket No: A-310814F7000
Pursuant to Section 252(b) of the)	
Telecommunications Act of 1996)	
-----)	

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

May 31, 2002

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
THE TERMS RELEVANT TO THE DISCUSSION.**

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

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

19 An "**exchange area**" is the territory served by an exchange.

20 A "**rate center**" is a specified location (identified by a vertical and horizontal
21 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**
THE END-TO-END COMMUNICATION APPLY TO RECIPROCAL
COMPENSATION?

16 **A.** Yes. The FCC has always held that reciprocal compensation does not apply to
17 interexchange traffic, whether interstate or intrastate, but only to traffic that remains
18 within a single local calling area. The FCC confirmed this in its April 2001 *ISP Remand*
19 *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.**
10 **DO YOU AGREE?**

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

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

23 Q. **DO YOU AGREE WITH US LEC'S CLAIM THAT ENFORCING THE FCC'S**
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 Adelphia 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.

Anthony E. Gay
Regulatory Counsel
Law Department



May 31, 2002

Verizon Pennsylvania Inc.
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Via Hand Delivery

The Honorable Louis G. Cocheres
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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

Dear Judge Cocheres:

Enclosed is the Direct Testimony of witnesses Peter D'Amico, Karen Fleming
and Terry Haynes on behalf of Verizon Pennsylvania Inc. in the Arbitration between US
LEC of Pennsylvania Inc. and Verizon.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,


Anthony E. Gay

AEG/slb
Enc.

cc: Attached Certificate of Service

CERTIFICATE OF SERVICE

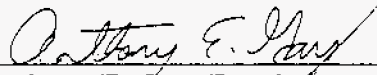
I, Anthony E. Gay, Esq., hereby certify that I have this day served a true copy of the Direct Testimony of witnesses on behalf of Verizon Pennsylvania Inc., in the matter of Petition for Arbitration Filed by US LEC of Pennsylvania Inc., upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 31st day of May, 2002.

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Michael L. Shor
Robin F. Cohn
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3000 K Street, NW, Suite 300
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Anthony E. Gay, Esquire
VERIZON PENNSYLVANIA INC.
1717 Arch Street, 32NW
Philadelphia, PA 19103
(215) 963-6023

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Petition of US LEC of Pennsylvania	:	Docket No. A-310814F7000
Inc. for Arbitration with Verizon-Pennsylvania	:	
Inc. Pursuant to Section 252(b) of the	:	
Telecommunications Act of 1996	:	

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

USLEC St. 1.0

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 colocated 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.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Petition of US LEC of Pennsylvania	:	Docket No. A-310814F7000
Inc. for Arbitration with Verizon-Pennsylvania	:	
Inc. Pursuant to Section 252(b) of the	:	
Telecommunications Act of 1996	:	

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

US LEC St.2.0

DATE: MAY 31, 2002

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 Intercarrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, FCC 01-132, ¶ 70 (rel. April 27, 2001) (“*Intercarrier 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.

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

Q: WHAT ACTION DO YOU RECOMMEND THE COMMISSION TAKE?

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

ISSUES 3 AND 4 (GLOSSARY, SECTION 2.75; ADDITIONAL SERVICES ATTACHMENT, SECTIONS 5.1 AND 5.3; INTERCONNECTION ATTACHMENT, SECTION 7.3.7)

Q: PLEASE DESCRIBE THE ISSUES IN DISPUTE.

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

1 In contrast, in Sections 2.16 of the Glossary and 8.5.2 and 8.5.3 of the
2 Interconnection Attachment dealing with the definition of an "IP" (Interconnection
3 Point), Verizon abandons the "terminating party" designation and, instead, refers to
4 traffic delivered to the "receiving party" and provides no valid reason why, in these
5 limited sections, the term "receiving party" should replace the more standard
6 "terminating party". Similarly, Section 2.56 of the Glossary refers to the "receiving
7 party", not the "terminating party" when defining Measured Internet Traffic.

8 **Q: WHY DOES THIS INCONSISTENCY CONCERN US LEC?**

9 **A:** In the first place, Verizon has offered no satisfactory explanation for the distinction
10 between "receiving" and "terminating". In the absence of such an explanation, US LEC
11 is not willing to abandon decades of precedence in engineering, measuring and billing for
12 traffic.

13 Second, the Commission will recall that in several enforcement actions and
14 arbitration proceedings, Verizon, among other incumbents, argued that it had no
15 obligation to compensate CLECs for calls to ISPs because the traffic did not "terminate"
16 there. US LEC and other CLECs argued differently and the Commission decided on
17 several occasions that, for purposes of reciprocal compensation, calls to ISPs would be
18 treated as local and viewed as terminating at the ISP.

19 Third, the FCC assumed exclusive jurisdiction over ISP-bound traffic in its April
20 2001 Internet Order and that Order sets forth the terms and conditions under which the
21 parties will compensate each other for ISP-bound traffic. However, the United States
22 Court of Appeals for the District of Columbia recently remanded that Order to the FCC,
23 while leaving in place the interim compensation framework that it established. In the

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 which may actually reside in Harrisburg -- without incurring the cost of a toll call. Such
2 an arrangement would allow the state to provide services in rural areas without building
3 or renting space in those localities and without relocating employees.

4 Carriers use virtual NXX codes because they allow them to respond to customer
5 demand through the use of new and innovative services. In 1997 and 1998, there was
6 considerable discussion about the benefits to be expected from competition in the local
7 exchange market. Some of the more important expected benefits were that competition
8 would drive competitors to develop and utilize networks efficiently in order to gain
9 competitive advantages, by allowing them to serve customers at lower cost. Verizon's
10 proposal would constitute an artificial impediment to this natural progression of a
11 developing competitive market, and would deny Pennsylvania residents the associated
12 benefits.

13 **Q: IS THIS NXX CODE ISSUE SIMPLY AN ASPECT OF THE ISP**
14 **COMPENSATION ISSUE?**

15 **A:** No. Although many ISPs do use virtual NXX arrangements, these services are also used
16 by other businesses and organizations that want to maintain a local telephone number in
17 some community where they do not have a physical presence. This issue therefore
18 affects ordinary local voice telephone calls as well as ISP traffic.

19 **Q: IS IT UNLAWFUL OR AGAINST ANY RULES FOR CLECS TO PROVIDE**
20 **VIRTUAL NXX'S TO THEIR CUSTOMERS?**

21 **A:** No. The use of virtual NXX codes is not unlawful or in any other way improper.
22 Verizon, itself, provides several virtual NXX services, such as FX service, to its
23 customers, including ISPs. Indeed, nobody complained about such uses of NXX codes

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-

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

Q: WHY IS VERIZON'S PROPOSED LANGUAGE PROBLEMATIC?

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

Q: HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?

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

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.

DILWORTH PAXSON LLP

LAW OFFICES

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Linda C. Smith
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May 31, 2002

VIA HAND DELIVERY

Administrative Law Judge Louis G. Cocheres
Pennsylvania Public Utility Commission
2nd Floor West
Commonwealth Keystone Building
Harrisburg, PA 17120

**RE: 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**

Dear Administrative Law Judge Cocheres:

Enclosed please find two copies of the Direct Testimony of Frank R. Hoffman, Jr. US LEC St. 1.0 and the Direct Testimony of Wanda G. Montano US LEC St. 2.0 in the above-referenced case.

Copies have been served on the parties listed on the attached certificate of service.

Very truly yours,



Linda C. Smith

LCS/sw
cc: Wanda G. Montano

Enclosure

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below via electronic and first class mail.

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Linda C. Smith

Dated: May 31, 2002

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

-----)	
Petition of US LEC of Pennsylvania, Inc.)	
for Arbitration with Verizon Pennsylvania Inc.	)	Docket No: A-310814F7000
Pursuant to Section 252(b) of the)	
Telecommunications Act of 1996)	
-----)	

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

July 9, 2002

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.

1

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

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

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

22

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.	)	Docket No: A-310814F7000
Pursuant to Section 252(b) of the)	
Telecommunications Act of 1996)	
-----)	

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

July 9, 2002

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 ORIGINATES 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.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Petition of US LEC of	:	Docket No. A-310814F7000
Pennsylvania Inc. for Arbitration	:	
with Verizon-Pennsylvania	:	
Inc. Pursuant to Section 252(b) of the	:	
Telecommunications Act of 1996	:	

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

US LEC St. 2.1

DATE: JULY 9, 2002

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.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Petition of US LEC of Pennsylvania	:	Docket No. A-310814F7000
Inc. for Arbitration with Verizon-Pennsylvania	:	
Inc. Pursuant to Section 252(b) of the	:	
Telecommunications Act of 1996	:	

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

US LEC St. 1.1

DATE: JULY 9, 2002

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

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.

US LEC Exhibits

MD Arbitration:

Transcript Volumes I, II, and III

- US LEC 1: Hoffman Direct Testimony
- US LEC 2: Hoffman Rebuttal Testimony
- US LEC 3: Montano Direct Testimony
- US LEC 4: Montano Rebuttal Testimony
- US LEC 5: FCC WCB Arbitration Award – POIs
- US LEC 6: excerpt from VZ-VA 271 application (p.13)
- US LEC 7: section of FCC WCB Arbitration Award – compensation for Internet Traffic
- US LEC 8: section of FCC WCB Arbitration Award – compensation for FX Traffic
- US LEC 9: FX schematic - Columbia + Essex + Annapolis
- US LEC 10: VZ-MD's responses to US LEC's 1st set of DRs
- US LEC 11: 2 pgs from VZ's website re virtual office solutions

- Verizon 1: US LEC/VZ-MD redline ICA
- Verizon 2: schematic of Baltimore LATA & Essex LCA
- Verizon 3: schematic of Essex LCA
- Verizon 4: map Baltimore LATA
- Verizon 5: US LEC/VZ-PA arbitration transcript
- Verizon 6: US LEC-MD PSC Tariff No. 1
- Verizon 7: D'Amico Direct Testimony
- Verizon 8: D'Amico Rebuttal Testimony
- Verizon 9: website print out of US LEC's products/services
- Verizon 10: schematic (2 circle) drawn up at hearing
- Verizon 11: schematic (3 circle) drawn up at hearing
- Verizon 12: excerpt from Sprint/VZ-FL Interconnection Agreement
- Verizon 13: Haynes Direct Testimony
- Verizon 14: Haynes Rebuttal Testimony

- Staff 1: Corrected Steven Molnar Rebuttal Testimony

COPY

VOLUME I

PUBLIC SERVICE COMMISSION OF MARYLAND

IN THE MATTER OF THE : Case No. 8922
ARBITRATION OF US LEC : PREHEARING
OF MARYLAND, INC. VERSUS: CONFERENCE
VERIZON MARYLAND, INC. :

Public Service Commission
William Donald Schaefer Tower
6 St. Paul Street
19th Floor Hearing Room
Baltimore, Maryland 21202
Thursday, May 30, 2002- 10:00 a.m.

BEFORE:

DAVID L. MOORE
HEARING EXAMINER

Reported by:

William Bodenstein, Notary Public

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P R O C E E D I N G S

(10:00 a.m.)

HEARING EX. MOORE: Good morning. I am David L. Moore, Public Service Commission hearing examiner. The case on the docket this morning is Public Service Commission Case Number 8922 in the matter of the arbitration of US LEC of Maryland, Inc. Versus Verizon Maryland, Inc. Pursuant to 47 USC Section 252V.

Would counsel at counsel's table identify yourselves for the record, please, starting with the gentleman at my left.

MR. HILL: Good morning. David A. Hill, general counsel for Verizon, Maryland.

MR. PANNER: Aaron Panner, I'm with Kellogg, Huber, Hansen, Todd & Evans, and I am counsel for Verizon Maryland, Inc.

MR. BOONE: Good morning, Your Honor. James W. Boone on behalf of the staff. I'd like to also note Janice Flynn on behalf of the staff as well.

MS. COHN: Good morning. Robin Cohn from Swidler, Berlin, Shereff, Friedman on behalf

1 of US LEC of Maryland.

2 MR. SHOR: Good morning, Your Honor.
3 Michael Shor of Swidler, Berlin, Shereff,
4 Friedman, also counsel for US LEC.

5 HEARING EX. MOORE: All right. We're
6 here this morning for a prehearing conference
7 basically to give me some orientation as to where
8 we are and to set out a procedural schedule and
9 identify any particular procedural and
10 substantive matters that we need to address at
11 this point in the proceeding. And basically to
12 lay out a road map that ultimately gets us to the
13 point where the case is ripe for decision by me.

14 I'll open it up to you, Mr. Hill.

15 MR. HILL: I'll let Mr. Panner speak.
16 The parties have reached a general agreement with
17 I think one caveat to a procedural schedule that
18 we think would work that we'd like to submit to
19 you, and I'll let Mr. Panner speak to that.

20 HEARING EX. MOORE: All right, Mr.
21 Panner, I'll listen to you.

22 MR. PANNER: Thank you. That's right,
23 we have agreed to a schedule that would govern

1 testimony and discovery prior to the hearing and
2 have suggested a possible date for a hearing that
3 would work for counsel for both sides and for our
4 witnesses, I believe.

5 The only issue that remains to be
6 resolved is the question of posthearing briefing.
7 Both sides agree that there should be
8 simultaneous opening briefs, but we think it
9 would be helpful to have reply briefs a week
10 thereafter. It helps to focus the issues and I
11 believe that US LEC thinks that such a reply
12 brief wouldn't be necessary. I'll let them give
13 their own reasons.

14 That really is the only issue that needs
15 to be resolved.

16 HEARING EX. MOORE: What is impeding
17 your resolution of that?

18 MR. PANNER: I think it is not
19 obviously a pitched battle, but we think that it
20 would be useful to have a reply brief. There was
21 some expression of concern that reply briefs lead
22 to sandbagging. That is certainly not the reason
23 that we want it. But we think that it's helpful

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2 argument in their opening brief, here is our
3 answer to that specific argument.

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7 the schedule for it, just a week. We would see
8 them being short and really focused on responding
9 to specific arguments in the opening briefs.

10 We think that would be helpful to you
11 and helpful in building a record. So that's our
12 position on that issue.

13 HEARING EX. MOORE: Okay. Ms. Cohn?

14 MR. SHOR: If I may address it, Your
15 Honor.

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17 MR. SHOR: We have agreed on the
18 procedural schedule. We had some question about
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22 will be intimately familiar with everything.

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1 this commission are full enough as it is, and we
2 just don't need another round. Is it going to
3 kill me if you were to suggest that we do a reply
4 brief? Obviously not. We just don't think it's
5 necessary.

6 HEARING EX. MOORE: Mr. Boone, do you
7 have a nickel in the slot?

8 MR. BOONE: I do not. The only comment
9 I'll make, I mean, if there is a disagreement,
10 I'm not sure you necessarily have to set a
11 briefing schedule at this point in time. Perhaps
12 we could address that issue at the hearing at a
13 later date. It could become a moot issue by
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12 it is my understanding, that they are available
13 for the commission as well. So either one of
14 those two days would be appropriate.

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16 hearing, only one day would be needed? Or should
17 we look at blocking out the 20th and the 21st?

18 MR. SHOR: You could block it out. We
19 will have had two hearings by the time we get
20 here. But my experience from litigating these
21 issues in other instances is that a one day
22 hearing will more than suffice.

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19 LEC understands that this schedule takes us
20 outside of the nine month statutory framework set
21 up in the Act.

22 We have discussed with Verizon and US
23 LEC is prepared, for these purposes, to waive the

1 nine month requirement.

2 HEARING EX. MOORE: Okay. You are
3 putting a waiver on the record at this point?

4 MR. SHOR: Yes, sir.

5 HEARING EX. MOORE: Okay.

6 MR. SHOR: I don't know at this point
7 whether there will be discovery disputes. We
8 have not exchanged discovery yet.

9 HEARING EX. MOORE: I wouldn't
10 encourage them.

11 MR. SHOR: Nobody goes into it looking
12 for one.

13 HEARING EX. MOORE: One thing I can
14 guarantee you, if you present me with a discovery
15 dispute, I will render a decision on that that
16 will make neither side happy. I can guarantee
17 that.

18 So it behooves you to work in the spirit
19 of cooperation to get your discovery issues
20 resolved in a way that is mutually satisfactory
21 to each of you, rather than to present it to me.
22 I don't have any problems with deciding, but I
23 can tell you based on past practices and past

1 history that parties generally are not happy with
2 the way I resolve discovery issues. A word to
3 the wise should be sufficient.

4 MR. SHOR: Just in final, in terms of
5 the testimony and the briefing--

6 HEARING EX. MOORE: Not to cut you off.
7 One other thought with respect to this discovery,
8 too.

9 Once this procedural schedule is in
10 place, one of the things that always needles me
11 is when discovery issues pop up that have
12 ultimately an impact on the procedural schedule.
13 Somebody takes the position that because
14 discovery hasn't been provided or the nature of
15 discovery is not what was anticipated, now we
16 need to readjust the procedural schedule.

17 That's another position I don't like to
18 be in because it simply throws things off. This
19 schedule gets factored into my schedule and
20 oftentimes when parties start readjusting and
21 wanting to readjust the schedule, it not only
22 impacts their case, but it impacts what is on our
23 overall calendar.

1 So I don't like discovery issues. I hope
2 we won't have a problem in that regard in this
3 case.

4 MR. SHOR: I think we have built enough
5 time into the schedule that if the parties
6 believe it's necessary to come to you to resolve
7 a discovery dispute, that there appears to be
8 sufficient time built in that that would not take
9 place.

10 US LEC will certainly heed your
11 admonition and consider that. I do want to put
12 on the record that the parties have discussed and
13 agreed that whether it's rebuttal testimony or if
14 ordered a reply brief, that they will in fact in
15 both instances be replies and will not be
16 introducing new materials that would prevent a
17 party from responding to it.

18 I think that we have worked with Verizon
19 in good faith on this issue in other states and
20 are looking forward to continue to do that and
21 anticipate that that will not be a problem. I
22 think we have agreed that both sides would
23 reserve the right to cry foul if that

1 representation is in any way violated and
2 something appears in a reply brief that would
3 then otherwise be beyond the scope of rebuttal.

4 So we have tried to work cooperatively
5 on all of this.

6 HEARING EX. MOORE: For the sake of
7 completeness, I think what I'd like to do is go
8 ahead and calendar some dates for reply briefs.

9 But I will reserve the right at some
10 point to indicate whether I think it would be
11 necessary to actually submit reply briefs to me.
12 For the sake of having dates on the calendar and
13 everybody knowing what the anticipated schedule
14 is, let's go ahead and come up with those dates.

15 MR. SHOR: If I may, Your Honor. With
16 the hearing that's scheduled for the 20th and the
17 21st of August, I'm assuming that we would have a
18 transcript. If we go to the 21st, I'm assuming
19 that with seven days, we could have a transcript
20 by the 28th.

21 If we take two weeks out from there,
22 that will take us to September 11th, a rather
23 unfortunate anniversary, but that would take us

1 to that date for filing of initial briefs. If we
2 were to calendar the reply brief a week later, it
3 would be the 18th.

4 MR. PANNER: That all sounds fine to
5 Verizon.

6 HEARING EX. MOORE: Okay. So on 9/11,
7 we would be looking at simultaneous filing of
8 posthearing briefs with a reply, if needed,
9 coming in a week later on the 18th. That works
10 for me.

11 Let me just recap and make sure my notes
12 are in order. June 10th is the date set for the
13 initial filing of direct testimony, and that
14 would be a simultaneous filing of direct
15 testimony by the parties. June 17th is the date
16 for the exchange of discovery. June 24th is the
17 date for noting any objections to discovery.

18 July 8th is the date for responding to
19 discovery. July 29th is the date for the
20 simultaneous filing by the parties of rebuttal
21 testimony. And August 20 and 21 are dates set
22 for the hearing. September 11 is the date set
23 for simultaneous filing of posthearing briefs,

1 and September 18 is the date set for the filing
2 of reply brief, if necessary. Did I get all that
3 right?

4 MR. SHOR: Yes, Your Honor.

5 HEARING EX. MOORE: All right. What
6 else do we have?

7 MR. SHOR: I'd just like to request a
8 clarification, if I could, in terms of service.
9 Would it be acceptable to the Commission to file
10 materials initially with the Commission
11 electronically, with a Fed-Ex delivery the next
12 day? Or how do you want that handled?

13 HEARING EX. MOORE: Jim, give me some
14 guidance on that.

15 MR. BOONE: My recollection is we are
16 not receiving electronic filings, it is still a
17 paper filing process. But I'd have to check into
18 that. But my understanding is it is still a
19 paper filing. Electronic copy is required, but
20 it's paper filing.

21 MR. SHOR: We'll stay with that.

22 MR. HILL: I can shed some light on
23 that. I think there has been a decision made,

1 certainly in other matters that Verizon has had
2 with the Commission, that there is still a
3 requirement, Mr. Boone is correct, for the paper
4 filing. Electronic service is in addition to,
5 but not in lieu of the paper file.

6 MR. SHOR: We are certainly in
7 agreement with the paper filing. The question
8 was simply one of timing.

9 HEARING EX. MOORE: Right. Let's go
10 with the paper filing.

11 MR. SHOR: Okay.

12 HEARING EX. MOORE: We're not quite
13 there yet, but we're heading towards it.
14 Eventually we will get there. All right.

15 Are there any other matters that we need
16 to deal with this morning?

17 MR. SHOR: I don't think so, Your
18 Honor.

19 HEARING EX. MOORE: All right. Clearly
20 we have very able counsel in this case and we'd
21 expect you all to continue to work cooperatively.
22 I have seen some of the papers that have been
23 filed in this matter and apparently there are a

1 number of things you have already worked out
2 amongst yourselves.

3 I would encourage you in the spirit of
4 that cooperation to continue to work in that
5 regard. I don't have any problems with deciding
6 a substantive issue if you give it to me, but I
7 can almost guarantee you that to the extent that
8 you can work it out yourselves and I don't have
9 to decide it, you might be overall a little bit
10 happier with the result that you get.

11 Anything else? Thank you all very much.
12 I look forward to working with you as we get this
13 matter resolved.

14 (Whereupon, at 10:25 a.m., the
15 prehearing conference in Case No. 8922 was
16 concluded.)

17 -----

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23

REPORTER'S CERTIFICATE

-----X

IN THE MATTER OF : Case No.

THE ARBITRATION OF : 8922

US LEC OF MARYLAND :

VERSUS VERIZON :


MARYLAND, INC. :

-----X

LOCATION OF HEARING: Baltimore, Maryland

DATE OF HEARING: Thursday, May 30, 2002

I hereby certify that the foregoing
proceeding was reported by me, and that the
transcript is true, accurate and complete, to the
best of my knowledge and belief.



Court Reporter

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In The Matter Of:

*Case No. 8922 - Arbitration of US LEC of v.
Maryland, Inc. v. Verizon Maryland, Inc.*

*Prehearing Conference, pp. 1-20
Vol. 1, May 30, 2002*

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[1] VOLUME I
[2] PUBLIC SERVICE COMMISSION OF MARYLAND
[3]
[4]
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[7] OF MARYLAND, INC. VERSUS: CONFERENCE
[8] VERIZON MARYLAND, INC. :
[9]
[10] Public Service Commission
[11] William Donald Schaefer Tower
[12] 6 St. Paul Street
[13] 19th Floor Hearing Room
[14] Baltimore, Maryland 21202
[15] Thursday, May 30, 2002 - 10:00 a.m.
[16]
[17] BEFORE:
[18] DAVID L. MOORE
[19] HEARING EXAMINER
[20]
[21]
[22] Reported by:
[23] William Bodenstein, Notary Public

Page 2

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[1] APPEARANCES (Continued)
[2] On behalf of Maryland Public Service Commission:
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[4] and
[5] JANICE FLYNN, ESQUIRE
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[7] Public Service Commission of Maryland
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[14] On behalf of US LEC:
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[16] and
[17] ROBIN F. COHN, ESQUIRE
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[23] rfcohn@swidlaw.com

Page 4

[1] PROCEEDINGS
[2] (10:00 a.m.)
[3] HEARING EX. MOORE: Good morning. I am
[4] David L. Moore, Public Service Commission hearing
[5] examiner. The case on the docket this morning is
[6] Public Service Commission Case Number 8922 in the
[7] matter of the arbitration of US LEC of Maryland,
[8] Inc. versus Verizon Maryland, Inc. pursuant to 47
[9] USC Section 252V.
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[5] **HEARING EX. MOORE:** Okay.

[6] **MR. SHOR:** I don't know at this point
[7] whether there will be discovery disputes. We
[8] have not exchanged discovery yet.

[9] **HEARING EX. MOORE:** I wouldn't
[10] encourage them.

[11] **MR. SHOR:** Nobody goes into it looking
[12] for one.

[13] **HEARING EX. MOORE:** One thing I can
[14] guarantee you, if you present me with a discovery
[15] dispute, I will render a decision on that that
[16] will make neither side happy. I can guarantee
[17] that.

[18] So it behooves you to work in the spirit
[19] of cooperation to get your discovery issues
[20] resolved in a way that is mutually satisfactory
[21] to each of you, rather than to present it to me.
[22] I don't have any problems with deciding, but I
[23] can tell you based on past practices and past

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[1] history that parties generally are not happy with
[2] the way I resolve discovery issues. A word to
[3] the wise should be sufficient.
[4] **MR. SHOR:** Just in final, in terms of
[5] the testimony and the briefing --
[6] **HEARING EX. MOORE:** Not to cut you off.
[7] One other thought with respect to this discovery,
[8] too.

[9] Once this procedural schedule is in
[10] place, one of the things that always needles me
[11] is when discovery issues pop up that have
[12] ultimately an impact on the procedural schedule.
[13] Somebody takes the position that because
[14] discovery hasn't been provided or the nature of
[15] discovery is not what was anticipated, now we
[16] need to readjust the procedural schedule.

[17] That's another position I don't like to
[18] be in because it simply throws things off. This
[19] schedule gets factored into my schedule and
[20] oftentimes when parties start readjusting and
[21] wanting to readjust the schedule, it not only
[22] impacts their case, but it impacts what is on our
[23] overall calendar.

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[1] So I don't like discovery issues. I hope
[2] we won't have a problem in that regard in this
[3] case.

[4] **MR. SHOR:** I think we have built enough
[5] time into the schedule that if the parties
[6] believe it's necessary to come to you to resolve
[7] a discovery dispute, that there appears to be
[8] sufficient time built in that that would not take
[9] place.

[10] US LEC will certainly heed your
[11] admonition and consider that. I do want to put
[12] on the record that the parties have discussed and
[13] agreed that whether it's rebuttal testimony or if
[14] ordered a reply brief, that they will in fact in
[15] both instances be replies and will not be
[16] introducing new materials that would prevent a
[17] party from responding to it.

[18] I think that we have worked with Verizon
[19] in good faith on this issue in other states and
[20] are looking forward to continue to do that and
[21] anticipate that that will not be a problem. I
[22] think we have agreed that both sides would
[23] reserve the right to cry foul if that

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[1] representation is in any way violated and
[2] something appears in a reply brief that would
[3] then otherwise be beyond the scope of rebuttal.

[4] So we have tried to work cooperatively
[5] on all of this.

[6] **HEARING EX. MOORE:** For the sake of
[7] completeness, I think what I'd like to do is go
[8] ahead and calendar some dates for reply briefs.

[9] But I will reserve the right at some
[10] point to indicate whether I think it would be
[11] necessary to actually submit reply briefs to me.
[12] For the sake of having dates on the calendar and
[13] everybody knowing what the anticipated schedule
[14] is, let's go ahead and come up with those dates.

[15] **MR. SHOR:** If I may, Your Honor. With
[16] the hearing that's scheduled for the 20th and the
[17] 21st of August, I'm assuming that we would have a
[18] transcript. If we go to the 21st, I'm assuming
[19] that with seven days, we could have a transcript
[20] by the 28th.

[21] If we take two weeks out from there,
[22] that will take us to September 11th, a rather
[23] unfortunate anniversary, but that would take us

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[1] to that date for filing of initial briefs. If we
[2] were to calendar the reply brief a week later, it
[3] would be the 18th.

[4] **MR. PANNER:** That all sounds fine to
[5] Verizon.

[6] **HEARING EX. MOORE:** Okay. So on 9/11,
[7] we would be looking at simultaneous filing of
[8] posthearing briefs with a reply, if needed,
[9] coming in a week later on the 18th. That works
[10] for me.

[11] Let me just recap and make sure my notes
[12] are in order. June 10th is the date set for the
[13] initial filing of direct testimony, and that
[14] would be a simultaneous filing of direct
[15] testimony by the parties. June 17th is the date
[16] for the exchange of discovery. June 24th is the
[17] date for noting any objections to discovery.

[18] July 8th is the date for responding to
[19] discovery. July 29th is the date for the
[20] simultaneous filing by the parties of rebuttal
[21] testimony. And August 20 and 21 are dates set
[22] for the hearing. September 11 is the date set
[23] for simultaneous filing of posthearing briefs,

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[1] and September 18 is the date set for the filing
[2] of reply brief, if necessary. Did I get all that
[3] right?
[4] **MR. SHOR:** Yes, Your Honor.
[5] **HEARING EX. MOORE:** All right. What
[6] else do we have?
[7] **MR. SHOR:** I'd just like to request a
[8] clarification, if I could, in terms of service.
[9] Would it be acceptable to the Commission to file
[10] materials initially with the Commission
[11] electronically, with a Fed-Ex delivery the next
[12] day? Or how do you want that handled?
[13] **HEARING EX. MOORE:** Jim, give me some
[14] guidance on that.
[15] **MR. BOONE:** My recollection is we are
[16] not receiving electronic filings, it is still a
[17] paper filing process. But I'd have to check into
[18] that. But my understanding is it is still a
[19] paper filing. Electronic copy is required, but
[20] it's paper filing.
[21] **MR. SHOR:** We'll stay with that.
[22] **MR. HILL:** I can shed some light on
[23] that. I think there has been a decision made,

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[1] certainly in other matters that Verizon has had
[2] with the Commission, that there is still a
[3] requirement, Mr. Boone is correct, for the paper
[4] filing. Electronic service is in addition to,
[5] but not in lieu of the paper file.
[6] **MR. SHOR:** We are certainly in
[7] agreement with the paper filing. The question
[8] was simply one of timing.
[9] **HEARING EX. MOORE:** Right. Let's go
[10] with the paper filing.
[11] **MR. SHOR:** Okay.
[12] **HEARING EX. MOORE:** We're not quite
[13] there yet, but we're heading towards it.
[14] Eventually we will get there. All right.
[15] Are there any other matters that we need
[16] to deal with this morning?
[17] **MR. SHOR:** I don't think so, Your
[18] Honor.
[19] **HEARING EX. MOORE:** All right. Clearly
[20] we have very able counsel in this case and we'd
[21] expect you all to continue to work cooperatively.
[22] I have seen some of the papers that have been
[23] filed in this matter and apparently there are a

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[1] number of things you have already worked out
[2] amongst yourselves.
[3] I would encourage you in the spirit of
[4] that cooperation to continue to work in that
[5] regard. I don't have any problems with deciding
[6] a substantive issue if you give it to me, but I
[7] can almost guarantee you that to the extent that
[8] you can work it out yourselves and I don't have
[9] to decide it, you might be overall a little bit
[10] happier with the result that you get.
[11] Anything else? Thank you all very much.
[12] I look forward to working with you as we get this
[13] matter resolved.
[14] (Whereupon, at 10:25 a.m., the
[15] prehearing conference in Case No. 8922 was
[16] concluded.)
[17]
[18]
[19]
[20]
[21]
[22]
[23]

Page 20

[1] REPORTER'S CERTIFICATE

[2] _____X
[3] IN THE MATTER OF : Case No.
[4] THE ARBITRATION OF : 8922
[5] US LEC OF MARYLAND :
[6] VERSUS VERIZON :
[7] MARYLAND, INC. :
[8] _____X
[9]
[10] LOCATION OF HEARING: Baltimore, Maryland
[11]
[12] DATE OF HEARING: Thursday, May 30, 2002
[13]
[14]
[15] I hereby certify that the foregoing
[16] proceeding was reported by me, and that the
[17] transcript is true, accurate and complete, to the
[18] best of my knowledge and belief.
[19]
[20]
[21] Court Reporter
[22]
[23]

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1 VOLUME II
2 PUBLIC SERVICE COMMISSION OF MARYLAND
3
4 - - - - - :
5 IN THE MATTER OF THE :
6 ARBITRATION OF US LEC : CASE NO. 8922
7 OF MARYLAND, INC., VERSUS :
8 VERIZON MARYLAND, INC. :
9 - - - - - :

10
11 Public Service Commission
12 William Donald Schaefer Tower
13 6 St. Paul Street
14 19th Floor Hearing Room
15 Baltimore, Maryland 21202
16 Tuesday, August 20, 2002 - 10:07 a.m.
17

18 BEFORE: DAVID L. MOORE
19 Hearing Examiner
20

21
22 Reported by:
23 Diane K. D'Argenio, RPR-RMR

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1 P R O C E E D I N G S
2 (10:07 a.m.)
3 HEARING EX. MOORE: Ladies and
4 gentlemen, good morning, today is Tuesday, August
5 20th, 2002, the time is now 10:07 a.m. I'm David
6 L. Moore, Public Service Commission Hearing
7 Examiner. The case on the docket for the morning
8 is Public Service Commission Case No. 8922, in
9 the matter of the arbitration of US LEC of
10 Maryland, Inc., versus Verizon Maryland, Inc.,
11 pursuant to 47 USC Section 252-B.
12 Would counsel at counsel table
13 identify yourselves for the record, if you would,
14 please.
15 MR. SHOR: Good morning, Your Honor.
16 Michael Shor, of Swidler, Berlin, Shereff &
17 Friedman, counsel for US LEC of Maryland.
18 HEARING EX. MOORE: Okay, Mr. Shor.
19 MS. FINN: Good morning, Tamar Finn,
20 also with Swindler, Berlin, Shereff, & Friedman.
21 MR. ANGSTREICH: Good morning, Your
22 Honor. Scott Angstreich with Kellogg, Huber,
23 Hansen, Todd & Evans representing Verizon.

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1 MR. PANNER: Aaron Panner with
2 Kellogg, Huber, Hansen, Todd & Evans,
3 representing Verizon.
4 MS. FLYNN: Janice M. Flynn for the
5 Staff of the Public Service Commission.
6 HEARING EX. MOORE: Sure, I know you.
7 Anybody else?
8 MR. HILL: Mr. Moore, David Hill for
9 Verizon. I'm on the record, but will be just
10 watching the proceedings this morning.
11 HEARING EX. MOORE: Okay. You're
12 welcome to sit at counsel table.
13 MR. HILL: It's not necessary. I
14 didn't want to crowd the folks who will be doing
15 the work.
16 HEARING EX. MOORE: All right,
17 Mr. Hill.
18 Okay. The proceeding today is
19 pursuant to the previously issued June 3rd, 2002
20 procedural schedule. I take it that we're going
21 to be dealing with all unresolved issues
22 remaining or pertaining to this arbitration
23 matter. Is that correct?

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1 MR. SHOR: That is correct, Your
2 Honor.
3 HEARING EX. MOORE: Do you have any
4 good news to give me? Have you been able to
5 resolve even further the issues that were on the
6 table last time we met?
7 MR. SHOR: I believe that issue 10 has
8 been resolved; issue 7 has been resolved; and
9 issue 11 has been resolved. So the issues that
10 will be before you today are issues 1, 2, 3, 4,
11 5, 6, 8, and 9.
12 HEARING EX. MOORE: Mr. Shor, give me
13 an idea of what the timetable is, what you
14 anticipate doing today, and the reason I raise
15 the question is because there's a matter that I'm
16 going to have to take care of for about an hour
17 during the course of the day, and my intention is
18 to incorporate it within the luncheon recess, and
19 I would think that whatever we do this morning we
20 ought to shoot for trying to get things resolved
21 for luncheon break to start at around 12:45. And
22 take a lunch from 12:45 until 2. Resuming at 2.
23 Is there any chance that we could get done

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1 today?

2 MR. SHOR: Your Honor, the parties
3 have, the parties are propounding a total of four
4 witnesses, Staff has one witness. We had a prior
5 hearing on the arbitration between the parties in
6 Pennsylvania, and we approached that not on a
7 witness order but on an issue order. So that we
8 dealt, all the witnesses on issue 1 and 2 went,
9 and then all the other issues went. And we found
10 that that worked well. We were able to conclude
11 the Pennsylvania hearing, with almost the same
12 kind of time table for lunch, by approximately
13 5:00. And I would like to think that the parties
14 have been able to refine dramatically their
15 cross-examination questions so that we could
16 still meet that goal. We'd certainly like to.
17 And I don't think that the time frame that you
18 discussed for a lunch break that would permit you
19 to deal with another matter should necessarily
20 impact on that.

21 HEARING EX. MOORE: So it's your view
22 that we could potentially wrap everything up
23 today?

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1 MR. SHOR: Yes, Your Honor. We've
2 also, in that regard we've dispensed with opening
3 and closing statements and witness summaries to
4 try to speed the proceedings. All the parties
5 have agreed to do that.

6 HEARING EX. MOORE: Okay. I might
7 want to prevail upon you because it's helpful for
8 my orientation to get an opening statement and
9 maybe even a closing. The need for closing will
10 sort of be dictated by what happens during the
11 course of the hearing. But I think, in fact I
12 can tell you, anticipate giving me a brief
13 opening statement to sort of orientate me to
14 where we are.

15 MR. SHOR: Yes, sir.

16 HEARING EX. MOORE: All right. If we
17 can get everything resolved today, that will take
18 care of the potential problem that I would be
19 having tomorrow. If we have to go into tomorrow
20 we'd be facing the same kind of thing that we're
21 looking at today, just sort of orienting the
22 hearing so that we can break in at a time that I
23 can have about an hour and 15 minutes during the

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1 course of the day to deal with another matter.
2 But if we can finish today we won't even have to
3 address that.

4 Okay. Any preliminary matters that
5 need to be brought to my attention before we get
6 started?

7 MR. PANNER: No, Your Honor.

8 HEARING EX. MOORE: Okay. Are we
9 ready to proceed?

10 MR. SHOR: Yes, Your Honor.

11 HEARING EX. MOORE: Is it with you,
12 Mr. Shor?

13 MR. SHOR: Yes. Your Honor, the
14 matter before the Hearing Examiner today is the
15 evidentiary hearing on US LEC's arbitration
16 petition. The petition and the hearing present
17 several issues for you to consider, and
18 ultimately for the PSC to resolve, and they fall
19 into generally two product categories. One is US
20 LEC's interconnection architecture with Verizon,
21 how that architecture is organized, where it's
22 set up, and who bears responsibility for the cost
23 of transporting traffic. And the next area deals

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1 to some extent with some compensation issues.

2 On the interconnection architecture
3 issue, that is probably one of the more critical,
4 the most critical issue that confronts the
5 parties. US LEC submits that according to the
6 Act, the Telecommunications Act as implemented by
7 the FCC, and this Commission, it is entitled to
8 choose one point in the LATA from which to
9 deliver traffic to Verizon -- I'm sorry, receive
10 traffic from Verizon, and is entitled to do that
11 at the most technically feasible point, and that
12 according to the FCC regulations both parties
13 bear the cost of transporting traffic on each
14 other's network so that US LEC bears the
15 responsibility for transporting all of its
16 originating traffic to the point where it
17 delivers that traffic, hands off that traffic to
18 Verizon, and Verizon is then responsible for
19 terminating that traffic. And conversely, we
20 read the Act as requiring Verizon to bear all the
21 costs of transporting traffic on its side of the
22 network to the point where it delivers it to US
23 LEC and then US LEC has, assumes the

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1 responsibility for taking that traffic and
2 terminating to its customers.

3 This issue has been litigated before
4 this Commission on several occasions, and was
5 recently the subject of an arbitration conducted
6 by the Wireline Competition Bureau at the FCC.
7 And US LEC respectfully submits on this issue
8 that the weight of the law weighs in favor of US
9 LEC's position, that we're entitled to choose one
10 technically feasible point and that each party is
11 to bear the cost of the originating traffic on
12 its side of the network.

13 The other issues, the compensation
14 issues, we believe that with respect to issues 3
15 and 4 dealing with voice information services
16 traffic, that Verizon is attempting to carve out
17 yet another category of traffic from the parties'
18 reciprocal compensation obligations. Traffic
19 that otherwise fits within the definition of
20 reciprocal compensation traffic in the agreement
21 and is trying to carve that out and exclude it
22 from their compensation arrangements without any
23 basis in law or in fact.

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1 And this issue 4, which is related to
2 that, relates to the question of whether US LEC
3 is required to install a separate dedicated trunk
4 for delivering traffic to voice information
5 service providers who are served by Verizon. It
6 is our position that if Verizon has issues with
7 traffic going to its information service
8 providers, then it needs to deal with it on its
9 side of the network and it cannot impose facility
10 requirements on US LEC without demonstrating that
11 there's a need for those facilities or that the
12 traffic supports that need.

13 The next item is the compensation
14 arrangement that deals with how the parties will
15 compensate each other for so-called foreign
16 exchange arrangements. For decades, carriers
17 have looked at the NPA-NXX of the originating and
18 terminating parties to determine whether the call
19 would be rated and routed and billed as local or
20 toll and indeed to this date the parties continue
21 to do that.

22 Whether that's, whether the traffic
23 physically originates and terminates in a local

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1 calling area or whether through an FX arrangement
2 the traffic may conceivably terminate outside of
3 that calling area. That has governed the
4 parties' intercarrier compensation arrangements,
5 Verizon has admitted that it has billed and
6 received reciprocal compensation for calls
7 terminating to its FX customers, as has US LEC,
8 and now Verizon wants to change that without any
9 real serious proposal as to how to separate the
10 traffic, or any real reason for separating it.

11 So US LEC submits that the parties
12 should continue to base their intercarrier
13 compensation obligations by reference to the
14 NPA-NXX of the calling and called parties. This
15 was also the subject of the recent FCC
16 arbitration decision, and in that case the
17 Wireline Competition Bureau accepted the position
18 that US LEC advocates here.

19 The next is an attempt by US LEC to
20 try to avoid further litigation in the area of
21 compensation for ISP-bound traffic. The parties
22 agree that at this point in time the compensation
23 arrangements for ISP traffic are governed by the

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1 FCC, the framework set out in the FCC remand
2 order. The legal framework for that order has
3 been remanded back to the FCC by the D.C. Circuit
4 and US LEC is concerned that there is a distinct
5 possibility the FCC is not going to be able to
6 justify that compensation arrangement, and is
7 concerned that the D.C. Circuit could vacate it.

8 Wanting to avoid additional litigation
9 and additional problems for this Commission, US
10 LEC proposed a compromise. In essence saying if
11 that compensation framework gets set aside or
12 vacated by the D.C. Circuit we're prepared to
13 still live with the rate structure. We may not
14 necessarily agree that the rates are appropriate,
15 but we're prepared to live with it in the
16 interest of stability, certainty, and avoiding
17 future litigation.

18 And the final issue that the parties
19 are litigating deals with how the pricing
20 structure of the agreement will be carried out
21 through the course of the agreement. US
22 LEC determined the agreement. US LEC contends
23 that if a price is negotiated and set in the

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1 agreement or is set by the Commission in the
2 agreement and there are no tariffs that govern
3 that, in other words, if the service is bought
4 from the agreement and not from any tariff, then
5 that should be the price that governs that
6 service or that facility or that arrangement for
7 the life of the contract. Unless the Commission
8 does a formal cost study, in which case they're
9 applicable, the parties' changes in the
10 applicable law provisions would prevail.

11 Verizon's position is even if a
12 service exists only in the interconnection
13 agreement, if after that agreement is signed,
14 sealed and delivered, Verizon turns around and
15 then tariffs that service, where there was no
16 tariff before, they can change the price. And
17 the price in the tariff will govern.

18 And US LEC's position is if we're
19 buying a service out of a tariff and we know in
20 advance we're buying a service out of the tariff,
21 then we recognize we're bound by that tariff.
22 And if that tariff changes, then subject to the
23 protections that are available to us to object to

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1 a tariff, we're prepared to live with that.

2 The same should be true in the
3 interconnection agreement. If we've got an
4 agreement and we've got a price and the price is
5 governed by that agreement then barring some
6 action by the Commission to change that through a
7 formal cost study Verizon shouldn't be allowed to
8 change it by simply tariffing the service.

9 In a nutshell, those are the issues
10 that we're dealing with today and those are US
11 LEC's positions on those issues.

12 HEARING EX. MOORE: Okay.

13 MR. SHOR: I'm sorry. I did leave one
14 out.

15 HEARING EX. MOORE: Too late.

16 MR. SHOR: Okay.

17 HEARING EX. MOORE: No, go ahead.

18 MR. SHOR: I'm sorry. Issue No. 5
19 addresses the question of nomenclature within the
20 agreement. It is US LEC's view that if we look
21 back over the course of telecom history there
22 have been originating parties and there have been
23 terminating parties. Calls are originated, calls

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1 are terminated, and that's what's determined the
2 way parties exchange traffic, measure traffic and
3 bill each other for traffic. And Verizon is
4 unhappy with the phrase terminating party, and
5 wants to institute a new concept called the
6 receiving party.

7 That's not defined in the agreement,
8 but it would change the way the parties relate to
9 each other by taking the whole idea away, the
10 whole idea of originating and terminating traffic
11 and now having originating and receiving
12 traffic. And I would like to say that it should
13 be straightforward and simple and I'd like to say
14 we can get it out of the way but we have had so
15 much litigation in this Commission and others
16 over the concept of terminating traffic, that we
17 are deeply concerned that if we accept it, the
18 idea of receiving traffic, and yet reciprocal
19 compensation obligations were still defined in
20 terms of a terminating party as opposed to a
21 receiving party, then we would be back here again
22 in further litigation on whether we're entitled
23 to be compensated because it goes to the

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1 receiving party, not the terminating party, or
2 traffic is received and not terminated. So I
3 would like to think we could have gotten rid of
4 it but given again the litigation that has run
5 rampant throughout the country, we simply can't
6 agree to that change in nomenclature without a
7 fear that it's going to change the party's
8 compensation obligations.

9 HEARING EX. MOORE: So on this point
10 you're going to be asking me to come up with a
11 definition or are you going to be giving me a
12 choice of two or more definitions to choose from
13 to apply to your agreement?

14 MR. SHOR: There's only two options.
15 It's either going to be, at various points of the
16 agreement it's going to be the terminating party
17 or it's going to be the receiving party. Verizon
18 has not defined it. Terminating party we contend
19 is fairly clear and understood and is a term in
20 common usage and practice in the industry,
21 receiving party is new and we would submit that
22 the onus is on Verizon to define it. They did
23 not submit any testimony on the subject.

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1 HEARING EX. MOORE: Okay. All right.
2 Who should I be listening to for Verizon?
3 MR. PANNER: Your Honor, Mr. Panner.
4 HEARING EX. MOORE: Mr. Panner.
5 MR. PANNER: There are a number of
6 issues in this proceeding that are governed by
7 the plain requirements of federal law and they
8 are somewhat interstitial, really, in the
9 agreement, but there are two very significant
10 issues here that really go to whether competition
11 in Maryland will develop according to the
12 situation in which carriers who can offer real
13 efficiencies are able to succeed or whether as
14 the FCC warned, abilities to exploit regulatory
15 rules that permit a carrier to shift costs to the
16 incumbent rather than bear the cost of the
17 services they provide will permit that carrier to
18 flourish, based on that misallocation of costs
19 rather than on any real efficiency.
20 HEARING EX. MOORE: You agree with
21 Mr. Shor's broad formulation of the issues as
22 being basically two, one dealing with
23 architecture and the responsibility for

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1 compensation of the traffic on that architecture
2 and the second being the broad issues dealing
3 with compensation?
4 MR. PANNER: With the exception of
5 issue 4, which I think really has to do with
6 neither of those issues. I think that's
7 basically correct.
8 HEARING EX. MOORE: Is that the
9 nomenclature issue?
10 MR. PANNER: No, issue 4 has to do
11 with the separate trunking for certain types of
12 voice information service traffic.
13 HEARING EX. MOORE: All right. Go
14 ahead.
15 MR. PANNER: In issue 1 the question
16 is whether, when a CLEC and the terms in this
17 agreement will be available to any CLEC, when a
18 CLEC chooses to adopt a certain architecture to
19 serve its customers and that architecture imposes
20 significant costs on Verizon to transport traffic
21 from a distant local calling area to the US LEC's
22 switch, the question is whether US LEC should be
23 permitted to impose all the costs of transporting

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1 the traffic to the switch on Verizon or whether
2 it should bear a fair portion of those costs.
3 Those are costs for which Verizon is not
4 otherwise compensated under the rate structure.

5 It's comparable to the type of
6 transport work in many cases that Verizon would
7 have to do to transport an intraLATA toll call
8 but Verizon is receiving no compensation for that
9 from its customers. US LEC, by contrast, when it
10 has to transport traffic a distance to its
11 customers, it can impose a different rate
12 structure and collect additional compensation
13 from its customers. So the question is should US
14 LEC be able to require Verizon to bear the cost
15 of its expensive interconnection arrangement by
16 requiring Verizon to transport the traffic.

17 Now, the FCC has said that if a CLEC
18 chooses an expensive interconnection arrangement
19 that it can be required to bear a fair portion of
20 that, the cost of that expensive interconnection
21 arrangement, and the testimony this morning will
22 explain why the choice that US LEC wants to make
23 for its interconnection architecture is indeed

□00042

1 such an expensive choice. And again, if the
2 Commission adopts a rule that requires Verizon to
3 bear those costs, what it will do is send the
4 wrong pricing, the wrong party will be bearing
5 the cost of the choice that's made by the CLEC
6 and the CLEC will not, neither the CLEC's
7 customers nor the CLEC will face the correct
8 incentive to adopt an efficient, appropriate
9 architecture to serve its customers. The true
10 costs of that architecture should be reflected in
11 the costs that the carrier is required to bear,
12 the carrier's customers are required to bear.
13 And that's really the essence of the parties'
14 disagreement on interconnection architecture.

15 We will explain in our briefs
16 subsequently that our interconnection
17 architecture proposals are consistent, both with
18 the prior decisions of this Commission on this
19 issue, and with the FCC's determinations on this
20 issue in prior orders.

21 With respect to issue 3, that deals
22 with voice information services traffic. That's
23 really a purely legal issue. The parties have

□00043

1 agreed that traffic that is intrastate or
2 interstate, exchange access, information access,
3 or exchange services for exchange access or
4 information access. That's a phrase from the
5 FCC's rules. The parties have agreed that that
6 is not subject to reciprocal compensation.

7 And so the question is simply is voice
8 information access, voice information services,
9 does it fall within that category. Verizon's not
10 trying to carve out anything new, Verizon's not
11 trying to create any type of exemption that is
12 not in the law that indeed the parties have not
13 already agreed to. The simple question is the
14 proper characterization of a particular type of
15 traffic here. And Verizon's bottom line is that
16 to the extent this traffic falls within that
17 category as defined in federal law it should not
18 be subject to reciprocal compensation.

19 Issue 4 also deals with types of voice
20 information services traffic. But it really does
21 not have to do with compensation issues. The
22 evidence will show this morning that this, the
23 type of traffic at issue here, that is traffic

□00044

1 for which a separate charge is imposed by the
2 voice information services provider is the type
3 of traffic that US LEC does not permit its
4 customers to originate. It will not allow its
5 customers to make these calls, so that the
6 requirement for separate trunking really should
7 be a matter that does not concern them.

8 The reason for the separate trunking
9 as will be explained in the briefs deals with the
10 proper control and billing of 976 type traffic.
11 It's charges, it's traffic for which separate
12 charges are imposed, it's important to be able to
13 control that traffic because callers can incur
14 fees, and there has to be a way to collect those
15 fees, those charges from the person making the
16 call.

17 As I say, the evidence will show this
18 morning US LEC won't even permit its customers to
19 make these calls. So its objection to the
20 requirement that they, if they chose to send it,
21 that it be over a trunk that can be controlled
22 and monitored properly is something that has not
23 been explained.

□00045

1 Issue 5, I note that deals with the
2 question of whether receiving or terminating is
3 an appropriate term to use. Now, as Mr. Shor
4 said, there's been a great deal of litigation
5 over the meaning of terminating. Terminating is
6 not defined in the agreement either that I'm
7 aware.

8 And the fact is that the FCC has held
9 that certain types of traffic that are being
10 exchanged here do not terminate, are not
11 terminated by the carrier receiving it. The
12 carrier receives it, passes it on to another
13 entity, for instance, an Internet service
14 provider, and that may be terminated at a later
15 point.

16 The issue is not one, we're not asking
17 you to resolve this issue of what does it mean to
18 terminate traffic. It's an issue that we believe
19 is clear under federal law but we're not asking
20 you to resolve it. The key point is that we have
21 issued a, we have used a neutral term,
22 receiving. It's a term that Mr. Shor used in his
23 opening statement to refer to traffic that we

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1 send to US LEC. So it's something that's readily
2 understandable when traffic is received. It
3 doesn't mean anything different from what
4 received means in any other normal, everyday
5 context.

6 And what we are trying to do is avoid
7 litigating this issue of what this term, what
8 this word terminating means, a word that is, has
9 been the cause of a considerable amount of
10 litigation. We use the term receiving to refer
11 to traffic that indisputably is terminated as
12 well as traffic for which there is at a minimum a
13 great deal of controversy over whether it's
14 terminated. What US LEC is trying to do is gain
15 a collateral litigation advantage. We propose a
16 neutral term that doesn't raise these problems,
17 they've insisted in injecting this issue into
18 this proceeding when it really doesn't belong
19 here.

20 Issue 6 deals with virtual FX traffic,
21 as Mr. Shor explained. Now, in a virtual FX
22 arrangement as the evidence will show this
23 morning, what's happening is that there may be a

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1 customer, say, in Columbia, Maryland, but they
2 want to have a telephone number in, say, Essex.
3 The Essex local calling area. Because that
4 permits them to give, to advertise that number so
5 people in Essex can call that number without
6 incurring a toll charge.

7 The evidence will show this morning
8 that US LEC charges its customers for this
9 service. The evidence will show this morning
10 that they advertise the service based on the
11 ability of the, on the customers being able to
12 offer those distant Verizon subscribers the
13 ability to make a call without incurring a toll
14 charge. And yet what US LEC would have this
15 Commission do is require Verizon, even though
16 Verizon is the one who is being deprived of the
17 toll charges that would normally apply to this
18 call, because the call, the evidence will show
19 that the call is traveling exactly as would have
20 an intraLATA toll call from Essex to Columbia
21 Maryland, over Verizon's facilities. They want
22 to not only deprive Verizon of the intraLATA toll
23 charges that would ordinarily apply, but they

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1 want Verizon actually to pay them for the
2 privilege of delivering the traffic all the way
3 from Essex to Columbia in the form of reciprocal
4 compensation.

5 And that is precisely the type of
6 arrangement the FCC has said encourages
7 regulatory arbitrage, that undermines healthy
8 competition in the local market, and so they
9 think this issue is a very serious one. The
10 Commission has never addressed it, and to permit
11 payment or reciprocal compensation on virtual FX
12 traffic is to encourage a practice that really
13 undermines genuine local competition.

14 There's nothing necessarily wrong with
15 setting up this type of arrangement, it's not
16 that it's a bad thing to do, but then the payment
17 of compensation should be rational. That is, US
18 LEC should be paying Verizon for originating this
19 traffic, rather than the other way around.
20 Because Verizon is essentially originating a
21 toll-free traffic that US LEC delivers to its
22 customers in every toll-free arrangement, all
23 sorts of 800 number arrangements. The carrier

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1 who delivers the traffic pays the originating
2 carrier access charges, and that's Verizon's
3 position in this proceeding with respect to
4 toll-free traffic that happens to be set up on a
5 virtual FX basis.

6 Issue 8 deals with what should happen
7 if federal law, the current requirements of
8 federal law change. Frankly, this Commission
9 doesn't have the authority to impose anything but
10 what federal law requires in this area. US LEC
11 is not trying to preserve what federal law
12 currently requires, they want to change what
13 federal law requires, they want to change the
14 rate structure by eliminating the rate caps that
15 the FCC imposed, and the FCC noted these rate
16 caps were extremely important because it's the
17 rate caps that prevent greater exploitation of
18 what the FCC said was a regulatory arbitrage
19 opportunity that was undermining competition,
20 namely payment of reciprocal compensation on
21 nonISP bound traffic.

22 So what US LEC has proposed is
23 inappropriate on the merits, but more important,

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1 this Commission, the federal rule governs this
2 issue and if the federal rule should change, the
3 parties have a change of law provision in their
4 agreement that will incorporate that change of
5 law.

6 But the parties should not be, no
7 arrangement should be imposed that US LEC
8 believes will be to its private advantage by
9 eliminating a rate cap that it may find or a
10 volume cap that it may find onerous.

11 And with respect to issue 9, again,
12 what US LEC is attempting to do is to establish
13 arbitrage opportunities for itself. Tariffs, as
14 you know, are generally applicable rates. They
15 apply to all carriers, they're binding on
16 Verizon. If there is a tariff charge that
17 governs, Verizon believes that that should govern
18 all carriers equally.

19 Tariffs as you know are not adopted
20 without an opportunity for appropriate regulatory
21 review, whether they're filed in the federal
22 jurisdiction or in this jurisdiction. And what
23 US LEC wants to be able to do is say well, I have

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1 a rate in my agreement, if I like it, I keep it.
2 If there's a better rate in the tariff, I'll take
3 the service under the tariff, because it would be
4 available to me.

5 All that Verizon is saying is that
6 where there's a binding rate that binds Verizon
7 and all CLECs, it ought to bind US LEC as well.
8 They shouldn't gain any special advantage, and
9 that's what issue 9 is about, Your Honor.

10 And I think that that covers the
11 issues that remain for a decision here.

12 Verizon has indeed offered testimony
13 with respect to issues of interconnection
14 architecture and then the virtual FX issues. We
15 believe that the remaining issues are purely
16 issues of law and policy that will be, that the
17 Commission can decide based on the papers.

18 HEARING EX. MOORE: Okay. Ms. Flynn?

19 MS. FLYNN: Your Honor, Staff's
20 approach in this case was to look at the issues,
21 and see which ones we felt had public policy
22 concerns beyond the US LEC and Verizon's
23 agreement. We selected the issues 1 and 2

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1 primarily because we felt that the Commission had
2 recently looked at this issue, had looked at it
3 in the past, and again, recently in the spring
4 decision looked at it, and come to a
5 determination. And we felt that the US LEC
6 position more closely followed what the
7 Commission just decided in January in the Sprint
8 arbitration. We're not saying they're identical
9 positions, US LEC and Sprint are identical
10 positions, but the US LEC positions are closer to
11 what the Sprint decision was, and that was a full
12 Commission decision, so we felt bound to that
13 decision.

14 Obviously, bound to the Sprint
15 decision, I felt US LEC was closer to the Sprint
16 decision than the Verizon position in this case.

17 And that was recently bolstered by the
18 FCC's order in the Virginia arbitration that some
19 parties have referred to. We felt this order
20 came out very closely in favor of the US LEC
21 position, and that in that respect we filed
22 testimony to support that position.

23 The other issue we addressed was issue

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1 No. 6, which was the routing unit rating of
2 calls.

3 HEARING EX. MOORE: I thought you said
4 you were addressing issues 1 and 2.

5 MS. FLYNN: 1 and 2. We did 1 and 2
6 and then we also did issue 6. And issue 6 was
7 the issue of virtual FX traffic. And here again,
8 while I don't believe the Commission has
9 specifically addressed this issue recently, the
10 FCC order did, and once again, we believe that
11 the FCC order came out in favor of the US LEC
12 position. And because of that we feel that's the
13 right position for the Commission to come to at
14 this time, and we filed testimony to support
15 that.

16 And that's really all Staff came to do
17 in this case. And that's what we have.

18 HEARING EX. MOORE: Do you plan to put
19 on a witness?

20 MS. FLYNN: Yes, Mr. Molnar filed
21 rebuttal.

22 HEARING EX. MOORE: Okay, Mr. Molnar.

23 MS. FLYNN: Yes.

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1 HEARING EX. MOORE: Okay. That gives
2 me a pretty good orientation. Are we ready to
3 proceed, Mr. Shor?

4 MR. SHOR: Yes, Your Honor. We are.
5 US LEC calls Frank Hoffmann to the stand.
6 Whereupon,

7 FRANK R. HOFFMANN, JR.
8 A witness, was called for examination by counsel
9 on behalf of US LEC, and, having been first duly
10 sworn, was examined and testified as follows:

11 HEARING EX. MOORE: Sir, state your
12 full name and business address for the record.

13 THE WITNESS: My name is Frank R.
14 Hoffmann, Jr. I work for US LEC Corporation, I'm
15 located at 6801 Morrison Boulevard, in Charlotte,
16 North Carolina.

17 HEARING EX. MOORE: Are your witnesses
18 going to, I think you telegraphed to me before
19 that you had structured your witnesses according
20 to the issues that I'm going to be facing. Is
21 that how you're going to proceed?

22 MR. SHOR: Yes, Your Honor.

23 Mr. Hoffmann addresses issues 1 and 2, issues 1

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1 and 2 really work together. They are so closely
2 linked that to separate would really not be
3 viable, and Mr. Hoffmann will offer testimony
4 only as to issues 1 and 2.

5 HEARING EX. MOORE: Okay. All right.
6 Witness with you.

7 DIRECT EXAMINATION

8 BY MR. SHOR:

9 Q. Thank you. Mr. Hoffmann, did you
10 cause to have prepared 23 pages of direct
11 testimony that was filed in this matter on or
12 about June 10, 2002?

13 A. Yes.

14 Q. Do you have any changes to that
15 testimony?

16 A. No.

17 Q. If I asked you those questions today,
18 would your answers be the same?

19 A. Yes.

20 MR. SHOR: Your Honor, US LEC would
21 respectfully submit or request the direct
22 testimony of Frank Hoffmann on behalf of US LEC
23 of Maryland be admitted subject to

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1 cross-examination.

2 Q. Mr. Hoffmann, did you cause to have
3 prepared seven pages of rebuttal that was filed
4 in this matter on or about August 9, 2002?

5 A. Yes.

6 Q. Do you have any changes to that
7 testimony?

8 A. No.

9 Q. If I asked you those questions today,
10 would your answers be the same?

11 A. Yes.

12 MR. SHOR: Your Honor, US LEC would
13 ask the Commission to admit the rebuttal
14 testimony of Frank R. Hoffmann on behalf of US
15 LEC of Maryland, Inc., subject to
16 cross-examination.

17 I have copies for the Commission and
18 the reporter.

19 HEARING EX. MOORE: Okay.

20 MR. SHOR: Your Honor, Mr. Hoffmann is
21 available for cross-examination.

22 MS. FLYNN: Your Honor, have we had
23 these exhibits marked 1 and 2?

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1 MR. SHOR: Do you typically mark
2 testimony as exhibits?
3 HEARING EX. MOORE: Yeah. Did you
4 give a set to the reporter?
5 MR. SHOR: I did.
6 HEARING EX. MOORE: Okay. Why don't.
7 MR. SHOR: I wasn't sure in Maryland
8 whether the practice was to mark the testimony as
9 exhibits or simply admit that as testimony and
10 then identify exhibits. If you'd like to mark
11 these as US LEC Exhibits 1 and 2, that's fine.
12 HEARING EX. MOORE: Right. We can
13 mark them as we go along. Why don't you do
14 that. Mark the direct testimony dated June 10 of
15 Mr. Hoffmann as US LEC Exhibit 1, and the
16 rebuttal testimony dated August 9, 2002, as US
17 LEC Exhibit 2.

(US LEC Exhibit Nos. 1 and
2 were marked for
identification.)

21 MR. ANGSTREICH: Thank you, Your
22 Honor.

CROSS-EXAMINATION

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1 BY MR. ANGSTREICH:
2 Q. Mr. Hoffmann, I'd like, before we get
3 started, to make sure we're all using terminology
4 in the same manner. And specifically on issues 1
5 and 2 the terminology issue is point of
6 interconnection, or P-O-I or POI, and
7 interconnection point or IP, thankfully not
8 described as IP. I just want to make sure, as I
9 understand it, are you familiar with the
10 responses to the Staff's data request that US LEC
11 filed?
12 A. Yes, I am.
13 Q. Do you recall that one of the
14 responses suggested that Mr. Hoffmann does use
15 the term IP in the same manner as defined by
16 Verizon?
17 A. Yes.
18 Q. And just to make clear, the
19 interconnection point or IP is the point where
20 financial responsibility for traffic passes from
21 the originating carrier to the receiving carrier?
22 A. Correct.
23 Q. And as far as point of

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1 interconnection, that's not a disputed definition
2 in the parties, between parties, is it?

3 A. I do not believe so.

4 MR. ANGSTREICH: Just to get this out
5 of the way, Your Honor, US LEC attached to its
6 petition a copy of a marked-up interconnection
7 agreement reflecting proposals by Verizon and
8 then strike-throughs and double underlines
9 reflecting proposals by US LEC. Is that already
10 part of the record or should we introduce that as
11 an exhibit?

12 HEARING EX. MOORE: Let's introduce it
13 as an exhibit.

14 MR. ANGSTREICH: We'll mark this as
15 Verizon 1.

16 (Verizon Exhibit No. 1 was
17 marked for
18 identification.)

19 BY MR. ANGSTREICH:

20 Q. Sir, if you'll turn to the glossary
21 section of the agreement.

22 I believe it's page 34. If you'll
23 look at Section 2.66.

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1 There are no cross-outs or double
2 underlines to indicate that there's a dispute on
3 point of interconnection, is there?

4 A. No.

5 Q. I just wanted to confirm that.

6 Under the party's current arrangement
7 where are the points of interconnection in the
8 Baltimore LATA?

9 A. The Baltimore LATA points of
10 interconnection are located at the Charles Street
11 access tandem, the Annapolis access tandem, and
12 the Pikesville local tandem.

13 Q. Just to make clear, are there any
14 connections in the Baltimore LATA between the
15 parties' networks?

16 A. Not that I'm aware of, given my
17 understanding of point of interface and that the
18 point of interface must be on Verizon's network.

19 Q. I'm sorry, you used the term point of
20 interface?

21 A. I did that before. Point of
22 interconnection, I'm sorry.

23 Q. Do they mean the same?

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1 A. To me they do. Not always to
2 everyone.

3 Q. That's all right. Going back to the
4 interconnection point, under Verizon's proposed
5 definition the interconnection point does not
6 also have to be a point of interconnection, is
7 that correct?

8 A. That is correct.

9 HEARING EX. MOORE: I'm sorry, ask
10 that question again?

11 Q. Sure. Under Verizon's proposed
12 definitions, an interconnection point or IP does
13 not also have to be a point of interconnection or
14 POI?

15 A. Correct.

16 Q. Under the parties' current
17 arrangement, what is the interconnection point
18 for Verizon originated traffic in the Baltimore
19 LATA?

20 A. US LEC's switch.

21 Q. And US LEC's switch is not at the
22 Charles Street or Annapolis tandem or the
23 Pikesville local tandem?

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1 A. No, it's not.

2 Q. It's located in Columbia, Maryland; is
3 that correct?

4 A. That is correct.

5 Q. So currently the US LEC IP is not in
6 fact located at the point of interconnection?

7 A. Correct.

8 Q. I'd like to give you a schematic of
9 the Baltimore LATA.

10 If I may approach, Your Honor.

11 HEARING EX. MOORE: Yes, sir.

12 MR. ANGSTREICH: I have here what I'd
13 like to mark as Verizon Exhibits 2 and 3.

14 (Verizon Exhibit Nos. 2
15 and 3 were marked for
16 identification.)

17 HEARING EX. MOORE: Which one is 2?
18 The Baltimore LATA?

19 MR. ANGSTREICH: The Baltimore LATA.

20 We'll start with the one with the
21 bigger circle on it.

22 BY MR. ANGSTREICH:

23 Q. Just to walk through the Baltimore

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1 LATA diagram to make sure that when we talk about
2 this schematic we're all on the same page here,
3 the large circle shaded in sort of medium gray
4 represents the Baltimore LATA, which obviously is
5 not circular in nature. The small circle at the
6 top is the Essex local calling area, as you can
7 see. And US LEC has obtained telephone numbers
8 associated with the Essex local calling area? Is
9 that correct, Mr. Hoffmann?

10 A. Subject to check, I would agree.

11 Q. Do you know if US LEC has customers
12 physically located in the Essex calling area?

13 A. If we have a code in Essex, yes, we
14 do.

15 Q. Now, the triangle near the Essex local
16 calling area which is not marked is the Verizon
17 local tandem which serves the Essex local calling
18 area. Just to keep you oriented on the diagram,
19 oriented on the circle, down at the bottom right
20 is Columbia local calling area and the box inside
21 the US LEC switch which we already discussed is
22 located in Columbia.

23 I'd like to look at the Essex local

□00064

1 calling area blow-up, which is the same thing you
2 see on the big diagram, only easier on the eyes.
3 Mr. Hoffmann, assuming that the capital letters
4 here represent customers, with A, B and C being
5 Verizon customers and D being a US LEC customer,
6 the box as being end offices, the triangle again
7 being a tandem switch, do you agree that A and B
8 are served out of the same end office in this
9 diagram?

10 A. Yes, it appears that way.

11 Q. Whereas C is served out of the second
12 end office?

13 A. Yes, I see that.

14 Q. And then D, and you may have to look
15 back at the big diagram to see the end of this
16 line, you see a line running out from C out to
17 the space, it actually attaches to the US LEC
18 switch. If US LEC were to serve a customer in
19 Essex it would be some kind of long loop or
20 transport facility connecting that customer to
21 the US LEC switch, is that correct?

22 A. Yes, they would be connected to our
23 switch.

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1 Q. Now, I'd like to just take you through
2 examples where people in our pictures call each
3 other.

4 So let's assume that A and B, both
5 Verizon customers served out of the same end
6 office, telephone each other. Now, are you
7 familiar with the way Verizon's network
8 architecture is set up?

9 A. Not really.

10 Q. Not really. Did you testify as to the
11 way Verizon's network architecture is set up?

12 A. I testified on a high level as a
13 layman's understanding of your access network
14 versus your local network.

15 Q. Did you use to work for Verizon,
16 Mr. Hoffmann?

17 A. Yes, sir, I did. About five years
18 ago.

19 Q. Did the network change significantly
20 to your knowledge in the last five years?

21 A. I really couldn't say.

22 Q. You testified that Verizon's network
23 uses a large number of switches each serving a

□00066

1 relatively small area?

2 A. Yes, I did.

3 Q. And that Verizon's local network is
4 comprised of multiple end office connections
5 between each and every end office?

6 A. Yes, I did.

7 Q. And may include one or more local
8 tandems used to control traffic congestion?

9 A. Yes.

10 Q. And that the type of network is
11 typically referred to as a spider web network
12 architecture?

13 A. Yes.

14 Q. Thank you.

15 Now, in completing a call from person
16 A to person B here, would you agree that Verizon
17 would normally switch that call within the end
18 office in order to complete the call from A to B?

19 A. I would agree if they both draw a dial
20 tone from that office, yes.

21 Q. Now, how about Verizon's now person A
22 has now decided to place a phone call to person
23 C? Would Verizon perform originating switching

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1 out of the end office on the left in the diagram?
2 A. I would believe so, yes.
3 Q. And then that call would normally be
4 transported over the trunk that's shown
5 connecting the two boxes?
6 A. Customer A to C?
7 Q. Customer A to C, yes, sir.
8 A. Yes, I would assume the first route
9 would be interoffice facility.
10 Q. And then Verizon would then perform
11 terminating switching at the second end office,
12 the box on the right, in order to complete the
13 call to C?
14 A. I believe that would be correct.
15 Q. Now, you mentioned that going over the
16 trunk would be the first option. Is it possible
17 that in some circumstances congestion on the
18 trunk would cause the call to be routed through
19 the local tandem which is the triangle?
20 A. Yes, I would agree.
21 Q. But the norm, it sounded like you said
22 would be for the traffic to be transported
23 directly between the end offices?

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1 A. Yes. If existing capacity was there,
2 yes, it would go that way.
3 Q. Would Verizon ever transport this call
4 to Columbia in order to complete it?
5 A. I couldn't answer that question.
6 Q. If Verizon doesn't have any tandem
7 switches in Columbia, would Verizon ever
8 transport it to Columbia in order to complete the
9 call?
10 A. I don't believe I'm in a position to
11 answer that question.
12 Q. Let's assume that person A is going to
13 call US LEC's customer, which is person D. To
14 complete that call, is it correct the call would
15 again be switched at the end office that is
16 attached to A?
17 A. Yes.
18 Q. We've got to go back to the picture of
19 the Baltimore LATA to see where US LEC's switch
20 is. But is it correct that after being switched,
21 after the originating switching in the end
22 office, that call would then be transported from
23 the Verizon end office to US LEC's switch in

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1 Columbia?

2 A. Yes, it would be. My assumption would
3 be that Verizon would transport the call which
4 originated with your end user A to the point of
5 interconnection, at the, I really couldn't say.
6 I would assume it would be either the Pikesville
7 local tandem or the Charles Street access
8 tandem. And then over a facility to US LEC's
9 switch, and then US LEC would transport that call
10 back to your customer D in the Essex local
11 calling area.

12 Q. Okay. So as far as the distance from
13 the Essex local calling area to the switch in
14 Columbia, Verizon would perform the transport and
15 possibly some tandem switching to get to the
16 point from here to there? (Indicating.)

17 A. Yes. And it is my understanding that
18 that is Verizon's obligation under federal
19 regulations.

20 Q. And that's a legal understanding? A
21 legal statement?

22 A. That is not my intent. That is my
23 understanding of the regulations and how they

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1 apply to the industry.

2 MR. SHOR: Would counsel please allow
3 the witness to finish?

4 MR. ANGSTREICH: I'm sorry. I'll
5 definitely do that.

6 Q. It's not a technical or engineering
7 requirement, though?

8 A. No. Not that I'm aware.

9 Q. Thank you. Do you know how far it is
10 from Essex to Columbia?

11 A. No, I do not.

12 Q. Would you accept subject to check that
13 it's about 20 miles?

14 A. I'll accept that subject to check,
15 yes.

16 Q. And so currently does Verizon or US
17 LEC bear the costs of transporting this call or
18 we're presuming from A to D those 20 miles?

19 A. I'm sorry, could you repeat that?
20 From A to --

21 Q. Well, the portion of it from A to US
22 LEC's switch. Does Verizon or US LEC bear the
23 cost of that transport currently?

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1 A. Verizon bears that cost.
2 Q. And that would also be true under US
3 LEC's proposal in this proceeding?
4 A. That Verizon would continue to bear
5 that cost? Yes, sir.
6 Q. Thank you.
7 As compared to a call between A and B
8 that we've discussed previously, does A pay
9 Verizon anything more when it chooses to call D?
10 A. That would really depend on the
11 calling plan that A has purchased from Verizon.
12 I'm not sure I can answer that question.
13 Q. If D is located in Essex, D could be
14 A's neighbor, is that correct?
15 A. It's possible, yes.
16 Q. If D is A's neighbor, they might even
17 have telephone numbers with the same exact NPA
18 and NXX codes. The first six digits of their
19 phone number could be identical?
20 A. This is A calling D?
21 Q. Yes.
22 A. Assuming that US LEC ported D's
23 number, yes.

□00072

1 Q. When A places a call to the person who
2 has the same first six digits, that's normally
3 billed as a local call?
4 A. I'm not able to answer that question.
5 Q. So you're unaware if Verizon received
6 any additional compensation for transporting the
7 call from the end office in Essex to US LEC's
8 switch, that it doesn't receive when it
9 transports the call either as we've discussed
10 within the end office from A to B or between the
11 two end offices from A to C?
12 A. I wouldn't know whether you got more
13 or less compensation, or if you had subsidies
14 involved in other rates that may possibly
15 compensate you for those calls. I simply cannot
16 answer that question. I'm sorry.
17 Q. You mentioned that after the call gets
18 to the US LEC switch, US LEC then transports it
19 back to its customer in Essex, D. And then US
20 LEC would then perform terminating switching in
21 its switch in Columbia?
22 A. Yes, we would.
23 Q. And this is essentially the same

□00073

1 function that Verizon would perform in our A
2 calling C example, in the end office that serves
3 C?

4 A. Relative to terminating switching,
5 yes, I would agree.

6 Q. That's what I was referring to. And
7 US LEC would be compensated by Verizon for
8 performing that switching termination?

9 A. Through reciprocal compensation of
10 toll rates, yes, I agree.

11 Q. I'm sorry, I want to talk about C, you
12 can see in the diagram on the Baltimore LATA
13 who's attached to and served out of US LEC's
14 switch in Columbia and he's a Columbia customer.
15 Now let's assume A, instead of calling D, now
16 decides to call E. Do you know if that's an
17 intraLATA toll call from A to E?

18 A. I do not know.

19 Q. Would you accept subject to check that
20 Columbia is not part of the Essex local calling
21 area under Verizon's normal rate plans?

22 A. I would accept that, yes.

23 Q. And so if it is an intraLATA toll

□00074

1 call, then when A calls E, A pays an intraLATA
2 toll carrier, who might be Verizon, toll charges
3 for that call?

4 A. I would believe so, yes.

5 Q. Now, to transport the call from A to
6 E, Verizon again does originating switching in
7 its end office serving A, is that correct?

8 A. Yes, you would.

9 Q. And it again transports the call from
10 the switch in Essex to US LEC's switch in
11 Columbia, is that correct?

12 A. Yes.

13 Q. It may well go over the same trunks
14 and through the same tandems as the call from A
15 to D as far as getting from the end office switch
16 in Essex to the US LEC switch in Columbia?

17 A. I do not know, but that's possible.

18 Q. But just to confirm when the call is
19 from A to E, Verizon receives toll charges from
20 its customer?

21 A. Normally I believe you're correct,
22 yes.

23 Q. But when Verizon, when A calls D,

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1 Verizon does not receive those toll charges?
 2 A. No.
 3 Q. Enough with the schematic. I have a
 4 map of the actual Baltimore LATA.
 5 I'd just like to pass around, mark
 6 this as 4.
 7 (Verizon Exhibit No. 4 was
 8 marked for
 9 identification.)
 10 BY MR. ANGSTREICH:
 11 Q. Now, the piece of this map that we're
 12 interested in is the one labeled LATA 3, which is
 13 in the four grays, to my eye the lightest.
 14 Now, under the language -- I'm sorry,
 15 would you like more time to study the exhibit?
 16 A. No, that's fine.
 17 Q. Under the language that US LEC has
 18 proposed here, would US LEC's interconnection
 19 point have to be in Columbia?
 20 A. No.
 21 Q. So US LEC's interconnection point
 22 could be down at this far tip of the LATA? At
 23 the very bottom of LATA No. 3?

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1 A. Yes, that is correct.
 2 Q. The top left corner, top right corner,
 3 right smack dab in the center?
 4 A. Anywhere within the LATA, yes.
 5 Q. And this is true of any other CLEC
 6 that would opt into or could opt into the
 7 agreement that's approved as part of this
 8 arbitration, correct?
 9 A. Yes, it's my understanding that
 10 Verizon has those, however, should Verizon feel
 11 someone is abusing their interconnection
 12 responsibilities you could bring that cause to
 13 the Commission and litigate.
 14 Q. I'm sorry, Mr. Hoffmann, what do you
 15 mean by abusing?
 16 A. I would assume, placing that IP in a
 17 location that Verizon felt was not appropriate.
 18 Q. I'm sorry, could you be a little more
 19 specific?
 20 A. No, I'm sorry, I can't.
 21 Q. I guess I'm still having trouble
 22 understanding this notion of how if a CLEC was
 23 abusing, your word, Verizon could bring an

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1 action. Would placing the interconnection point
2 too far away from -- if you could just give an
3 example of what would constitute abuse or may
4 well, what in your mind would constitute abuse?
5 MR. SHOR: Objection. I think it
6 calls for speculation by the witness because he
7 said he felt that, his testimony was if Verizon
8 felt a CLEC was abusing. He certainly wasn't
9 suggesting that he had his own definition of
10 abuse. So I think it's calling for speculation.
11 HEARING EX. MOORE: Can you answer the
12 question?
13 THE WITNESS: No, I'm truly not
14 prepared to give examples.
15 HEARING EX. MOORE: Move on.
16 MR. ANGSTREICH: Thank you, Your
17 Honor.
18 BY MR. ANGSTREICH:
19 Q. Wherever US LEC put its
20 interconnection point under US LEC's proposal,
21 Verizon would have to transport traffic to that
22 point.
23 A. And US LEC would charge a nondistant-

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1 sensitive entrance facility for that.
2 Q. I don't believe you answered my
3 question. I think there might have been an
4 implicit "yes." If US LEC puts its
5 interconnection point anywhere in the LATA,
6 Verizon will be responsible for transporting
7 traffic to that point?
8 A. Yes. That is my understanding of
9 Verizon's obligations under federal regulations.
10 Q. And Verizon would not receive any
11 compensation from US LEC for this transport?
12 A. From US LEC for a call that originated
13 on Verizon's network? No. It is not my
14 understanding I'm obligated to pay you anything.
15 Q. And that's, that's reflected in US
16 LEC's proposal here?
17 A. Yes, I believe it is.
18 Q. Now, in response to the data request
19 that Staff submitted, US LEC, I'm sorry, you're
20 familiar with those, yes?
21 A. Yes, I am.
22 Q. Now, US LEC stated in those responses
23 that it locates its switch, which I understand is

□00079

1 its interconnection point, as close to Verizon's
2 tandems as economically possible in order to
3 minimize the distance between the switch and the
4 tandem. Is that correct?

5 A. Yes, I believe that is correct.

6 Q. And we've discussed that US LEC's
7 switch in the Baltimore LATA is in Columbia,
8 Maryland?

9 A. Yes, we have.

10 Q. Do you know which tandem is the
11 closest tandem to US LEC's switch?

12 A. Access tandem I believe is Charles
13 Street. The closest tandem I believe is
14 Pikesville.

15 Q. Do you know how far it is from US
16 LEC's switch in Columbia to Verizon's access
17 tandem on Charles Street which, just to make
18 sure, is the Baltimore Charles Street as opposed
19 to Charles Street somewhere else?

20 A. I believe it's 14 miles.

21 Q. I have 15, but 14 I can work with.

22 Now let's assume there are two people,
23 two US LEC customers, one's located in Columbia,

□00080

1 the other one is in Baltimore. Both have
2 purchased the exact same local exchange package
3 from US LEC. Is it possible that US LEC would
4 charge the customer in Baltimore more than it
5 charged the customer in Columbia?

6 A. I'm sorry, I'm not familiar with our
7 marketing practices or our local service
8 tariffs.

9 Q. Okay. You had mentioned that in our
10 example of the call from A to D, back to our
11 picture of the Baltimore LATA, that US LEC, after
12 it receives the traffic at its switch, would have
13 to then send the traffic back to D in Essex.

14 A. Correct.

15 Q. US LEC doesn't always have to send the
16 traffic back to the local calling area where it's
17 originated, is that correct?

18 A. No, the call will terminate wherever
19 the end user is resident.

20 Q. So if there was an end user resident
21 in, say, the Columbia local calling area such as
22 person E in this diagram here, E could have a
23 telephone number that's associated with the Essex

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1 local calling area?

2 A. Yes, if they purchased foreign
3 exchange service, yes.

4 Q. And US LEC has in fact assigned
5 telephone numbers associated with the local
6 calling area to customers that are actually
7 located in some other local calling area?

8 MR. SHOR: Your Honor, this witness is
9 not put forward on issue 6. This witness is here
10 on issues 1 and 2 and these questions deal
11 directly with issue 6.

12 MR. ANGSTREICH: I disagree, Your
13 Honor. The issues also deal, the questions,
14 pardon, also deal with issues 1 and 2, and
15 specifically the statement in Mr. Hoffmann's
16 testimony to the effect that US LEC serves people
17 from a wide variety of areas from its switch in
18 Columbia. If the people are actually located in
19 Columbia but have numbers associated with other
20 local calling areas, then they're serving a much
21 smaller area.

22 HEARING EX. MOORE: I'll allow the
23 question. Can you answer the question,

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1 Mr. Hoffmann?

2 MR. SHOR: Could you repeat the
3 question, please?

4 (The record was read by the reporter.)

5 A. No, I believe you've misinterpreted my
6 testimony. What I was attempting to impart is
7 that we have a single switch that serves a large
8 area. I do not believe in any way I was
9 indicating that people in that large area are
10 assigned numbers from other local calling areas.

11 Q. If I could refer you to page 6 of your
12 rebuttal testimony. Lines 8 through 12. Do you
13 have a copy up there?

14 A. Actually, no.

15 (Hanging.)

16 Q. Now, at lines 8 through 12 if I'm
17 reading this correctly, you say that US LEC does
18 provide foreign exchange service to some
19 customers in Maryland, and has never requested an
20 NXX code for the sole purpose of providing
21 foreign exchange service.

22 A. Yes, that is correct.

23 Q. So US LEC has assigned telephone

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1 numbers to customers who are located in one area
2 when the number is associated with a different
3 area, an area where they're not physically
4 resident? That's what I understand that to mean.

5 A. Yes, and I believe that was contained
6 in US LEC's discovery response to Staff.

7 Q. I'd like to move now to Verizon's
8 proposal in this proceeding. And you've
9 testified that Verizon is trying to dictate US
10 LEC's physical network architecture, is that
11 correct?

12 A. Yes, it is.

13 HEARING EX. MOORE: What are you
14 referring to?

15 MR. ANGSTREICH: Here I'm referring to
16 Mr. Hoffmann's direct testimony at page 8. Which
17 the precise lines I will quote, Your Honor. I
18 believe it's lines 10 and 11. Actually I was
19 referring to line 15, I apologize.

20 Q. Now, under Verizon's proposal, is it
21 correct that US LEC can choose any technically
22 feasible point of interconnection on Verizon's
23 network?

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1 A. No. And the reason I say that is
2 because Verizon has attached conditions to each
3 of the three options I have available to me which
4 makes them unpalatable and penalizes me for not
5 using the type of interconnection at the location
6 that Verizon desires me to interconnect.

7 Q. I'm sorry. And those relate to US
8 LEC's choice of point of interconnection?

9 A. No, those relate to my form of
10 interconnection.

11 Q. I was talking just about the place of
12 interconnection right now.

13 A. Yes. You have restricted my choice of
14 POI in that it must be at the tandem and that it
15 must be established at a collocation or I'm
16 penalized, and you move my IP to a virtual
17 location at your originating end offices.

18 Q. Can you explain what you mean by
19 penalty or penalize?

20 A. Penalize means you reduce the
21 reciprocal compensation rate I receive for
22 terminating a call.

23 Q. And how does Verizon, how is that,

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1 quote-unquote, penalty calculated under Verizon's
2 proposal?

3 A. My understanding is you use a
4 combination of things. Being UNE rates, rates
5 you may pay to a third party, costs that you may
6 incur from US LEC and other costs.

7 Q. Let's start with UNE rates. Can you
8 explain what you mean by UNE rates?

9 A. Unbundled network element rates.

10 Q. And those are set by Verizon or by the
11 Maryland State Commission?

12 A. Those are rates which are set by the
13 Commission.

14 Q. And Maryland, the Maryland Commission,
15 do you have familiarity with how the Maryland
16 Commission set those rates?

17 A. No, I do not.

18 Q. Do you have familiarity with how state
19 commissions in general set unbundled network
20 element rates?

21 A. No, I don't.

22 Q. Are you familiar with the standards in
23 the 1996 Telecommunications Act with respect to

000086

1 unbundled network rates?

2 A. No, I have not been responsible for
3 cost studies in many years. I'm not familiar.

4 Q. I'm sorry, you just mentioned cost
5 studies.

6 A. Correct.

7 Q. Cost studies have something to do with
8 the rates that are established under the 1996
9 Act?

10 A. It's my understanding, I'm sorry, I
11 didn't mean to interrupt.

12 Q. Are the cost studies related to rates
13 that are set under the 1996 Act for unbundled
14 network elements?

15 A. My understanding is there is an
16 association between costs and rates.

17 Q. Have you heard the term TELRIC?

18 A. Yes, I have.

19 Q. Are you aware that stands for Total
20 Element Long Run Incremental Cost?

21 A. I believe you're right.

22 Q. Are you aware that the Supreme Court
23 has described the rates that are established

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1 through the TELRIC method as all but
 2 confiscatory?
 3 A. No, I'm not aware of that.
 4 Q. Are you aware the rates established
 5 under unbundled network elements are generally
 6 very low?
 7 A. Rates that are very low, I'm sorry, I
 8 don't follow you.
 9 HEARING EX. MOORE: I wish you both
 10 would keep your voices up so I could hear.
 11 THE WITNESS: I'm sorry.
 12 MR. ANGSTREICH: I'm sorry.
 13 HEARING EX. MOORE: Keep your voice
 14 up.
 15 BY MR. ANGSTREICH:
 16 Q. But the unbundled network element
 17 rates as you said do bear a relation to costs?
 18 A. I believe they're based on costs.
 19 Q. Actually, you have the interconnection
 20 agreement still out there, don't you?
 21 A. Yes, I do.
 22 Q. If you'll turn to page 63.
 23 A. Yes.

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1 Q. If you'll look at a mostly crossed-out
 2 paragraph of 7.1.1.3.
 3 A. Yes.
 4 Q. And maybe ten lines from the bottom of
 5 that paragraph on the right-hand side there's a
 6 B.
 7 A. Yes, I see that.
 8 Q. Is this portion the portion that you
 9 were describing or referring to as the penalty?
 10 A. Yes.
 11 Q. If we could just step through that for
 12 a second, it says that US LEC shall, and I'm
 13 reading through the strike-through here, US LEC
 14 shall bill and Verizon shall pay only the lesser
 15 of the negotiated intercarrier compensation rate
 16 or the end office reciprocal compensation rate
 17 for relevant traffic, less Verizon's transport
 18 rate.
 19 Now, is that transport rate calculated
 20 using the unbundled network element rates?
 21 A. I believe the response you provided in
 22 discovery utilized the UNE rate for direct
 23 transport. I could be wrong.

□00089

1 Q. And in calculating the amount of the
2 so-called penalty, that would be the transport
3 incurred in our Baltimore picture from the Essex
4 end office to the Columbia, to US LEC's switch in
5 Columbia?

6 A. Yes, that is correct.

7 Q. I'm sorry, Mr. Hoffmann?

8 A. My response was yes.

9 Q. And as far as the adjustment to the
10 reciprocal compensation rate the next one is,
11 mentions tandem switching. Is that also
12 calculated using the unbundled network element
13 rate?

14 A. I do not know.

15 Q. Would you accept subject to check that
16 that's Verizon's understanding?

17 A. Subject to check, yes. But it was not
18 included in your discovery response, so --

19 Q. And that would be for the tandem
20 switching actually performed in transporting the
21 call? If any, admittedly, from the Essex end
22 office to US LEC's switch in Columbia?

23 A. As Verizon has no direct end office

□00090

1 trunking from your network to mine, therefore,
2 all of your traffic is being tandem switched, I
3 would assume that tandem switching element would
4 apply to the penalty.

5 Q. So the cost would be adjusted by the
6 amount of tandem switching that Verizon actually
7 performs to transport the call?

8 A. Correct.

9 Q. And the last reference is to other
10 costs. And there I think you had listed a number
11 of things but they are to the extent that Verizon
12 purchases transport from US LEC or a third
13 party. That's what it says.

14 A. Correct.

15 Q. And those would be Verizon's actual
16 costs?

17 A. Based on whatever you purchased, yes,
18 they would be the actual costs.

19 Q. So just to summarize, if US LEC as you
20 said is forced to have its costs adjusted, the
21 costs would reflect the actual transport and
22 switching that Verizon performed in transporting
23 the call from Essex to Columbia?

□00091

1 A. Correct. The costs for which I do not
2 believe I'm obligated under federal regulations
3 to pay.

4 Q. I understand that that's our
5 disagreement, I just wanted to confirm.
6 Mr. Hoffmann, you testified in Pennsylvania, is
7 that correct?

8 A. Yes, sir.

9 Q. On these same issues?

10 A. Yes, I did.

11 Q. And I believe I was not there but
12 Mr. Panner was there at that time, he was
13 questioning you.

14 A. Yes, he was.

15 MR. ANGSTREICH: Your Honor, if I can
16 approach, I'd like to introduce a portion of that
17 transcript.

18 HEARING EX. MOORE: Yes.

19 MR. ANGSTREICH: And I'm referring
20 here to page 43 of the transcript. Lines 13
21 through 16. If you could read the question and
22 then the answer.

23 HEARING EX. MOORE: Just a minute.

□00092

1 This is Verizon No. 5.

2 MR. SHOR: Your Honor, I think instead
3 of having excerpts, the parties have agreed that
4 Exhibit 5 will be the whole transcript. We will
5 have to provide copies of the whole transcript
6 after the hearing, if that's acceptable with
7 you.

8 HEARING EX. MOORE: Okay. What I have
9 here is only a part of the transcript?

10 MR. ANGSTREICH: Yes. Actually we do
11 have one copy of the whole transcript.

12 MR. SHOR: No, because we'll copy it
13 two-sided.

14 HEARING EX. MOORE: Why is it
15 necessary to have the whole transcript?

16 MR. SHOR: In case we need to refer to
17 it later instead of marking another portion of it
18 as a separate exhibit.

19 (Verizon Exhibit No. 5 was
20 marked for
21 identification.)

22 HEARING EX. MOORE: Okay. All right.
23 At this point we're at page 43?

□00093

1 MR. ANGSTREICH: That's correct.
2 HEARING EX. MOORE: And what's your
3 question.

4 BY MR. ANGSTREICH:

5 Q. Mr. Hoffmann, if you could read from
6 lines 13 through 16 on that page.

7 Is it correct that under Verizon's
8 proposed contract language, that US LEC may
9 choose any technically feasible point of
10 interconnection?

11 A. Yes, that is my understanding.

12 Q. That's not exactly the same answer --
13 strike that. I'm sorry. You've testified,
14 Mr. Hoffmann, and here I'm referring to your
15 direct testimony on page 10 at lines 8 through
16 11. That under Verizon's proposal US LEC could
17 be required to establish collocation arrangements
18 within 30 days. Is that correct?

19 A. Yes.

20 Q. Which section of Verizon --

21 HEARING EX. MOORE: I'm sorry, page 10
22 in the transcript?

23 MR. ANGSTREICH: I'm sorry, Your

□00094

1 Honor, we switched to Mr. Hoffmann's direct
2 testimony.

3 HEARING EX. MOORE: So I can set the
4 transcript aside?

5 MR. ANGSTREICH: For now, yes.

6 HEARING EX. MOORE: All right.

7 MR. ANGSTREICH: And I am referring to
8 page 10 at lines 8 through 11.

9 BY MR. ANGSTREICH:

10 Q. Which section of Verizon's proposal is
11 it that could require US LEC to establish a
12 collocation within 30 days?

13 MR. SHOR: I'm going to object simply
14 to the extent that the lines he refers to in the
15 direct do not make any specific reference to 30
16 days. In the testimony, rather.

17 MR. ANGSTREICH: I would refer Your
18 Honor to line 21 on the same page, which does
19 make reference to a 30-day transmission period
20 Verizon proposes for moving the IP from the
21 switch to a collocation arrangement.

22 HEARING EX. MOORE: This all appears
23 to be a part of the same response to the same, to

□00095

1 one question, right?

2 MR. ANGSTREICH: That's correct.

3 HEARING EX. MOORE: Okay. I'll
4 overrule the objection.

5 BY MR. ANGSTREICH:

6 Q. Which part of Verizon's proposal is it
7 that would require US LEC to establish a
8 collocation arrangement within 30 days?

9 A. I believe that would be Section
10 7.1.1.3, the interconnection attachment.

11 Q. And that's on page 63 of the
12 interconnection agreement which we passed out
13 earlier. Marked as Verizon Exhibit 1. Most of
14 that paragraph is struck through, but I'd like to
15 start with the portion that's not struck
16 through. Which says that in any LATA where the
17 parties are already interconnected prior to the
18 effective date of the agreement, US LEC may
19 maintain its existing IP. Is that correct?

20 A. That is correct, but that's not the
21 entire sentence.

22 Q. I stopped at that point. I'll
23 continue with the rest of the sentence. US LEC's

□00096

1 current IP is the IP at its switch in Columbia?

2 A. In the Baltimore LATA, yes.

3 Q. Continuing on with that sentence, it
4 says that Verizon may request in writing to
5 transition that IP to the IPs, the geographically
6 relevant IPs described in two prior sections
7 above. Is that correct?

8 A. You're paraphrasing, but yes, you're
9 correct.

10 Q. It says after that, upon such request,
11 the parties shall negotiate mutually satisfactory
12 arrangements for that transition. I'm
13 paraphrasing correctly again?

14 A. I believe so, yes.

15 Q. Now, it says, if the parties have not
16 reached agreement on such arrangements within 30
17 days, one of two things happen. Either the
18 parties may pursue available dispute resolution
19 mechanisms, or the cost adjustment provision that
20 we've just discussed, or were discussing earlier
21 kicks in. Is that correct?

22 A. No. I disagree. A may happen. B
23 most definitely does happen. And that is the B

000097

1 you referred to earlier, which I referred to as
2 Verizon's penalty.

3 Q. But if the parties haven't, what is it
4 that has to happen in 30 days, Mr. Hoffmann,
5 according to this section of the proposed
6 agreement?

7 A. The parties need to negotiate.

8 Q. They don't have to establish a
9 collocation arrangement in 30 days.

10 A. Well, if I wanted to avoid the penalty
11 I would have to.

12 Q. There's no provision in the agreement
13 that requires, in the sense that it obligates, in
14 the sense that US LEC would be in violation of
15 the agreement if it chose not to establish a
16 collocation arrangement, is there?

17 A. If I'm willing to accept less than the
18 negotiated reciprocal compensation rate, no, I do
19 not have to establish collocation.

20 Q. You make reference in your testimony
21 to a number of consequences that would follow if
22 US LEC actually were forced to, strike that, if
23 US LEC actually did establish collocation

000098

1 arrangements. Is that correct?

2 A. Could you point me to my testimony,
3 please?

4 Q. By all means.

5 On page 10 at line 15, for example,
6 there's a reference to a collocation cost.

7 Further back, on lines 19 through 24,
8 continuing on through page 19 at the top of 20,
9 there's a question on why US LEC objects to
10 designate some collocation arrangements as IPs.
11 On page 20, lines 15 through 21, line 11, just
12 picking those in skimming through.

13 So you would agree that your testimony
14 suggests that if US LEC actually established
15 collocation arrangements there would be
16 consequences to its network architecture that
17 would follow?

18 A. Yes, because that would be a change to
19 my existing architecture.

20 Q. But if US LEC did not establish those
21 collocations, none of those consequences would
22 occur?

23 A. The collocation-related consequences,

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1 no. But I would still have a transport offset to
2 my recip comp rate.

3 Q. Mr. Hoffmann, turning to that cost
4 adjustment of transport offset, you've testified,
5 and here I'm referring to your rebuttal testimony
6 on page 3, lines 21 and 22. Do you have a copy
7 of that, Mr. Hoffmann?

8 A. Yes, I do.

9 Q. You make reference to Verizon's
10 proposal requiring US LEC to assume financial
11 responsibility for transport costs within the
12 local calling area. And you've emphasized the
13 word within. Can you explain why you've
14 emphasized that word?

15 A. Yes. Could you repeat what page it
16 was on again, please?

17 Q. Page 3, the word within appears on
18 line 22.

19 A. The reason that is emphasized, in
20 other states, I'm not sure whether it has
21 happened in Maryland, some commissions have found
22 that CLECs are responsible for transport outside
23 the local calling area. And what I'm trying to

□00100

1 point out here is that in Verizon's proposal you
2 want me to pay for transport within the local
3 calling area as well. So that's why that is
4 italicized.

5 Q. Thank you. Can we look back at the
6 picture of the Baltimore LATA for a second.

7 This is not drawn to scale. I do have
8 the map also if you'd like to use that. Would
9 you agree that the distance from the end office
10 to the edge of the local calling area is
11 relatively short as compared to the much longer
12 distance from the edge of the local calling area
13 to US LEC's switch?

14 A. There does appear to be a difference
15 given the way you've drawn this diagram.

16 Q. Would you agree that it would be easy
17 to calculate the portion of transport that was
18 outside the local calling area versus the portion
19 that was in the local calling area?

20 A. To calculate the portion of the
21 distance within the local calling area versus the
22 portion that's without?

23 Q. That's correct.

000101

1 A. I would assume that that could be
2 done.

3 Q. Would US LEC be willing to pay for the
4 transport that Verizon performs from the edge of
5 the local calling area to US LEC's switch?

6 A. No.

7 Q. US LEC is not willing to pay for any
8 of this transport, whether it's within or without
9 the local calling area, is that correct?

10 A. No. Nor is it my understanding that
11 US LEC is obligated to pay for that cost.

12 Q. Again you're testifying as to your
13 understanding of the requirements of federal law?

14 A. Yes, sir.

15 Q. Mr. Hoffmann, you've testified here if
16 you turn a couple of pages in your rebuttal
17 testimony to page 5, line 14, that Verizon has
18 offered no explanation for why a geographically
19 relevant interconnection point must be
20 established via collocation. Is that correct?

21 A. That is correct.

22 Q. Have you reviewed Verizon's responses
23 to US LEC's discovery requests?

000102

1 A. Yes.

2 Q. Did Verizon state there that it would
3 consider a counterproposal by US LEC that
4 modified Verizon's virtual geographically
5 relevant interconnection point proposal, or
6 VGRIP, to include multiple interconnection
7 options?

8 A. Yes, but it is my understanding again,
9 subject to federal regulations, that I'm only
10 required to establish a single point of
11 interconnection rather than multiple.

12 Q. So if US LEC could establish
13 geographically relevant interconnection points as
14 Verizon defined in Verizon's proposal using any
15 methods that US LEC saw fit, would US LEC agree
16 to Verizon's proposal?

17 A. You say geographically relevant versus
18 virtual. Do you mean GRIPs or VGRIPs?

19 Q. I mean what's referred to in, on pages
20 62, well, yes. 62 and 63 of the interconnection
21 agreement, and 61, 62 and 63, on 7.1.1.1, and
22 7.1.1.2. Which refers to geographically relevant
23 interconnection points.

000103

1 A. So that's your virtually
2 geographically relevant interconnection point
3 proposal.

4 Q. It is the proposal that Verizon's made
5 in this proceeding.

6 A. I would not agree to the extent that
7 Verizon gets to pick the points or that there
8 must be multiple.

9 Q. So US LEC's position is that
10 regardless of the methods available, it only has
11 to establish a single IP in each LATA that it
12 operates in?

13 A. Correct.

14 Q. Going to your direct testimony,
15 Mr. Hoffmann, page 16; you quote from paragraph
16 199 of the local competition order, and this
17 starts at line 4 and ends at line, actually, I'm
18 only interested in lines 9 to 13. And if you
19 could read the portion that starts with the word
20 of course on line 9 through the end of that
21 paragraph.

22 A. Of course, a requesting carrier that
23 wishes a technically feasible but expensive

000104

1 interconnection would, pursuant to Section
2 252-D-1, be required to bear the cost of that
3 interconnection, including a reasonable profit.

4 Q. So would you agree that consistent
5 with the portion that you've just read that if a
6 CLEC selects a network architecture that
7 qualifies as expensive, then the CLEC would have
8 to compensate an incumbent carrier for additional
9 cost that the incumbent bears?

10 A. That appears to be what this sentence
11 says. However, I do not believe the federal FCC
12 has instituted rules relative to this issue, nor
13 do I believe Verizon has put forth any evidence
14 indicating that my choice is expensive.

15 Q. Well, turning on to that, if you look
16 at the next page, lines 1 and 2, you state that a
17 single IP per LATA is not automatically
18 expensive.

19 HEARING EX. MOORE: Where are you
20 referring to?

21 MR. ANGSTREICH: His direct testimony,
22 page 17, lines 1 and 2, automatically appears at
23 the line of start 2.

□00105

1 Q. Does this mean that US LEC's proposal
2 which allows -- strike that. US LEC's proposal,
3 just to confirm, allows it to have only a single
4 IP per LATA, correct?

5 A. That is correct.

6 Q. So having a single IP per LATA under
7 US LEC's proposal could in fact be expensive
8 under paragraph 199, is that correct?

9 A. I do not know.

10 Q. You've testified that it's not
11 automatically expensive.

12 A. Correct.

13 Q. Does that not imply that it could be
14 expensive?

15 A. I would assume it would be possible.

16 Q. When you referred earlier to a CLEC
17 creating or selecting an abusive interconnection
18 scheme, were you referring to a scheme that would
19 be expensive under paragraph 199?

20 MR. SHOR: I think it was asked and
21 objected to and the objection was sustained.

22 MR. ANGSTREICH: I don't remember an
23 objection.

□00106

1 HEARING EX. MOORE: Let me hear your
2 question again.

3 (The record was read by the reporter.)

4 A. I would assume from Verizon --

5 HEARING EX. MOORE: Wait a minute.

6 THE WITNESS: I'm sorry.

7 HEARING EX. MOORE: Can you answer the
8 question?

9 THE WITNESS: Yes.

10 HEARING EX. MOORE: Okay. I will
11 overrule the objection.

12 A. It is my assumption, given the focus
13 Verizon has placed on what they call an expensive
14 form of interconnection, that you would possibly
15 consider that to be an abuse.

16 Q. Turning back to page 16,
17 Mr. Hoffmann. There's a second block quote on
18 that page at the bottom. And here you're quoting
19 some questions from a notice of proposed
20 rule-making that the FCC issued in April, 2001.
21 The last sentence, if you could read that, sir.

22 A. Is the efficiency concern limited to
23 those instances in which traffic between two

□00107

1 networks is unbalanced and/or where transport is
2 required beyond a certain distance.

3 Q. Now, are those factors that would be
4 relevant to determining whether a CLEC's
5 interconnection choice is expensive under
6 paragraph 199?

7 A. That is what the FCC is asking for
8 information on. I do not know if they would
9 consider that to be expensive or not as they have
10 not yet ruled.

11 Q. You've suggested that Verizon has not
12 demonstrated that US LEC's choice is expensive.
13 Is that correct?

14 A. Yes, I made that statement.

15 Q. In assessing Verizon's showing on that
16 score, would the questions whether traffic
17 between the two networks is unbalanced or
18 transport is required beyond a certain distance
19 be relevant to your assessment?

20 A. I don't know that my assessment is
21 important. I believe it's the assessment of the
22 FCC or the state Commission as to whether a form
23 of interconnection is expensive or not.

□00108

1 Q. Has US LEC made any proposals that
2 would limit Verizon's obligations when traffic is
3 out of balance by a certain, when traffic is out
4 of balance?

5 A. No, I do not believe there's any
6 proposal relative to traffic balance in the
7 interconnection agreement.

8 Q. Has US LEC made any proposals that
9 would limit Verizon's obligations based on how
10 far away US LEC locates its interconnection
11 point?

12 A. Yes.

13 Q. Could you describe that proposal?

14 A. We have proposed that U.S. LEC would
15 continue to charge Verizon a nondistant-sensitive
16 entrance facility from the point of
17 interconnection to US LEC's interconnection
18 point, to mitigate Verizon's concerns relative to
19 distance, and that Verizon would continue to pay
20 that rate under the new agreement, just as US LEC
21 pays for the interconnection facility from our IP
22 to your POI, and pays that to either Verizon or a
23 third-party transport provider.

000109

1 Q. Is that in your proposed language in
2 the interconnection agreement, Mr. Hoffmann?

3 Do you need more time, Mr. Hoffmann?

4 A. Yes. As you know, it's a rather large
5 document. I don't know that I can put my finger
6 on it right at this moment.

7 HEARING EX. MOORE: Are you aware,
8 what he's looking for, where it's located?

9 MR. ANGSTREICH: No. I'm asking the
10 question, if you're willing to point it out
11 later, that's fine as well. I don't have
12 follow-up questions either way.

13 A. I believe it would be on page 53.

14 Q. Save us all the trouble. And I'm
15 sorry, where on 53?

16 A. In Section 2.1.5.3.

17 Q. Thank you.

18 A. Which states a nondistance-sensitive
19 entrance facility obtained from US LEC, from the
20 POI to the US LEC IP.

21 Q. Thank you. If I could turn back again
22 to page 17 of your testimony. And I'm referring
23 to the paragraph at lines 11 through 18.

000110

1 Actually, I'm sorry, 11 through 17. In this
2 paragraph you point to three reasons why the cost
3 of a single IP per LATA could vary. Is that
4 correct?

5 A. Yes.

6 Q. The first of them states that Verizon
7 may have facilities already available to carry
8 Verizon's originating traffic from the local
9 calling area to US LEC's IP. Is that correct?

10 A. Yes. Facilities is one variable.

11 Q. It's also correct, though, that
12 Verizon may not have those facilities available?

13 A. Highly unlikely, but possible.

14 Q. And even if there were an existing
15 facility Verizon still incurs costs using an
16 existing facility, is that correct?

17 A. Depending on whether that facility is
18 fully depreciated, yes, there may be some cost
19 involved.

20 Q. You've also testified that there might
21 only be a de minimis amount of traffic exchanged
22 from a local calling area.

23 A. Correct.

000111

1 Q. It's also correct that there might be
2 a very large amount of traffic?
3 A. Correct.
4 Q. And if the traffic volume were de
5 minimis, then the amount US LEC would be required
6 to pay under the offset would also be de
7 minimis? Is that correct?
8 A. The cost that I referred to US LEC is
9 not obligated to pay? Yes.
10 Q. And if the costs, if the amount of
11 traffic were not de minimis but were in fact
12 extremely large, we've discussed US LEC's
13 proposal that would mitigate those costs to
14 Verizon, is that correct? Based on balance of
15 traffic?
16 A. That is correct. I do not believe
17 either party made a proposal based on traffic
18 balance. US LEC or Verizon.
19 Q. And finally, you testified that the
20 third factor is the distance from the local
21 calling area to the IP might be minimal.
22 A. Yes.
23 Q. Of course, it might not be as well?

000112

1 A. That is very possible.
2 Q. And if it was very far away, if on our
3 map of the Baltimore LATA, the switch were down
4 here at the bottom, and the calling area was
5 about as far as away as you can get up here at
6 the top, US LEC's proposal, pardon, strike that,
7 the cost might be very high?
8 A. I couldn't say whether it be high or
9 low.
10 Q. You testified that the distance has
11 something to do with whether or not there are
12 substantial costs, with the result from a single
13 IP per LATA?
14 A. But it is not a factor that can be
15 analyzed alone.
16 MR. ANGSTREICH: I think I'm done with
17 this witness, Your Honor.
18 HEARING EX. MOORE: Okay. Ms. Flynn?
19 CROSS-EXAMINATION
20 BY MS. FLYNN:
21 Q. I just wanted to clarify some of the
22 terms, this is a highly technical area, I think
23 it's easy to get lost with the proposals and what

E00113

1 the proposals are. You talked on, I believe it
2 was page 63, you were talking about the penalty,
3 what you characterized as the penalty in Section
4 7.1.1.3. Is the penalty you're referring to the
5 same thing as the transport offset or is that two
6 different things?

7 A. They are one and the same.

8 Q. And that consists of, if you could
9 just, could you walk us through how this would be
10 calculated?

11 A. My understanding of page 63,
12 7.1.1.3-B, the first part states US LEC shall
13 bill and Verizon shall pay only the lesser of the
14 negotiated intercarrier compensation rate or the
15 end office reciprocal compensation rate for
16 relevant traffic.

17 Q. So it's only the lesser of the
18 negotiated intercarrier compensation rate?

19 A. That's the first part.

20 Q. Do you know what that is?

21 A. Well, there are two rates contained in
22 the interconnection agreement. There's a rate
23 for traffic that US LEC terminates, originates,

E00114

1 rather, terminates on Verizon's network through
2 their tandem, and there's a tandem reciprocal
3 compensation rate. They also have an end office
4 reciprocal compensation rate which is slightly
5 lower which is for traffic directly terminated to
6 Verizon's end office. US LEC is then compensated
7 for traffic it terminates for Verizon based on
8 the blend of traffic I send them.

9 So in other words, today all of my
10 traffic terminates to Verizon's access tandem.
11 Therefore I pay Verizon the access tandem
12 reciprocal compensation rate. And the pricing
13 attachment of the interconnection agreement
14 dictates that they pay me that same rate.
15 However, right off the bat here in B, they're
16 immediately only going to pay me first of all the
17 lower rate.

18 Q. Or the negotiated intercarrier
19 compensation rate. Is that different than the
20 end office reciprocal compensation rate?

21 Do you have a separately negotiated
22 intercarrier compensation rate in this agreement
23 or are they the same as the

□00115

1 Commission-determined end office termination
2 rate?

3 A. The rates are Commission-determined.

4 Q. You understand my question.

5 A. Yes.

6 Q. Okay. So we're dealing with the end
7 office reciprocal compensation rate?

8 A. Right. So when you start in B, the
9 first thing is I'm going to get the lower end
10 office rate regardless of the mix of my traffic
11 I'm terminating to Verizon. Then Verizon will
12 deduct the transport rate. I would assume
13 multiplied by the mileage between their
14 originating end office and my IP.

15 Q. And that's how transport rates are
16 calculated, based on mileage? Is that correct?

17 A. Okay. The next item would be tandem
18 switching rate to the extent the traffic is
19 tandem switched. And other costs. To the extent
20 Verizon buys something either from US LEC or a
21 third party. I have no control over the
22 appropriateness of the other costs that Verizon
23 may choose to transport their traffic to me.

□00116

1 That's my understanding of how the calculation is
2 based.

3 Q. Thank you for that. I'd like to also
4 go to the timing issue. You said that if the
5 parties have not reached an agreement within 30
6 days, then this would apply. If the parties did
7 reach an agreement within 30 days, would you then
8 have time to build out your collocation before
9 this would kick in? If you understand my
10 question.

11 A. No. I cannot provision collocation in
12 30 days under Verizon's interface.

13 Q. Right, I know you can't. But if you
14 agreed that you would collocate and the
15 collocation took 76 days to provision, would this
16 tandem, would this, what you call the transport
17 offset apply in the interim under this
18 agreement?

19 A. As you know, it's possible. The
20 parties could agree to virtually anything.
21 Absent that agreement, and simply relying on the
22 interconnection agreement in front of me, it
23 states, I'm now hearing your question more

□00117

1 clearly. No, the agreement states that if I
2 reach agreement within 30 days, then neither A
3 nor B would apply.

4 Q. Okay. That's just what I wanted to
5 understand.

6 A. But my experience is I have not been
7 able to negotiate anything within 30 days.

8 Q. Could you also, I have one more
9 question, and that is on page 53, your entrance
10 facility 2.1.5.3 section. If you could explain
11 that, what would this charge be? What would it
12 consist of, I mean, the nondistance-sensitive
13 entrance facility?

14 HEARING EX. MOORE: Where are we
15 looking at?

16 MS. FLYNN: On page 53 of the
17 interconnection agreement, at the top paragraph.

18 HEARING EX. MOORE: I see.

19 BY MS. FLYNN:

20 Q. Provision of nondistance-sensitive
21 entrance facility. I just want you to explain
22 what that is, how that differs from a collocation
23 arrangement.

□00118

1 A. The entrance facility is a dedicated,
2 flat rated, nondistance-sensitive, nonusage-
3 sensitive facility, and the rate would come from
4 US LEC's Maryland state tariff.

5 Q. I'm just really trying to understand
6 what an entrance facility is, I guess would be
7 the question, very basic. Very high level.

8 A. Either a DS-1 or a DS-3.

9 HEARING EX. MOORE: What is that?

10 A. A DS-1 is a, gosh, talks about a
11 transmission level, a speed, I believe it is 1.5
12 Meg, megabits. Contains 24 voice grade channels,
13 can carry 24 simultaneous conversations. Is a
14 two-way facility, versus a DS-3 which has a
15 higher capacity, I believe it's 145, contains 28
16 DS-1s, each DS-1 then containing the 24 voice
17 grade equivalents. So I believe a DS-3 has 672
18 channels and a DS-1 has 24.

19 MS. FLYNN: That's all I have.

20 HEARING EX. MOORE: Redirect?

21 MR. SHOR: Could we take a short break
22 to focus on redirect?

23 HEARING EX. MOORE: Sure. How much

000119

1 time do you need?
 2 MR. SHOR: Five minutes.
 3 HEARING EX. MOORE: Let's take a
 4 ten-minute break and reconvene at, let's come
 5 back at five minutes after 12. No, make that ten
 6 minutes after 12.
 7 (Recess taken -- 11:58 a.m.)
 8 (After recess -- 12:10 p.m.)
 9 HEARING EX. MOORE: Okay. Redirect.
 10 MS. FINN: Yes, sir. I'll be doing
 11 redirect.
 12 REDIRECT EXAMINATION
 13 BY MS. FINN:
 14 Q. Mr. Hoffmann, can you pull out Verizon
 15 Exhibit 1 again, please?
 16 I'm sorry, Verizon Exhibit 2. Do you
 17 recall the discussion where you were discussing
 18 about a call going from A to B and a call from A
 19 to C and a call from A to D?
 20 A. Yes.
 21 Q. And you discussed Verizon's
 22 originating transport responsibilities?
 23 A. Yes, we did.

000120

1 Q. Can you also talk about what happens
 2 when US LEC receives the call from Verizon?
 3 A. When US LEC --
 4 MR. ANGSTREICH: Objection. Not
 5 within the scope of the direct testimony.
 6 MR. PANNER: Of the cross.
 7 MR. ANGSTREICH: Of the cross. Pardon
 8 me.
 9 MS. FINN: Well, you were going
 10 through the scenarios of a call from A to D and
 11 I'm just talking about the rest of the call
 12 completion.
 13 MR. SHOR: I think it is within the
 14 scope. You talked about the facility from US LEC
 15 to its customer and US LEC taking the call to the
 16 customer.
 17 MR. PANNER: And that was the scope of
 18 the cross-examination, Your Honor, was with
 19 respect to a call from a Verizon customer to a US
 20 LEC customer. There was no question in the
 21 cross-examination about a call from a US LEC
 22 customer to a Verizon customer. So I don't
 23 understand what the redirect refers to.

000121

1 MR. SHOR: That's not what she asked.
2 MS. FINN: I'm still talking about a
3 call from Verizon A to US LEC D.
4 MR. PANNER: Sorry, Your Honor.
5 HEARING EX. MOORE: So you withdraw
6 the objection?
7 MR. ANGSTREICH: Yes. You can
8 answer.
9 HEARING EX. MOORE: The question again
10 is I think, take it you're going after the
11 reverse set of call circumstance?
12 MS. FINN: Right now I'm just trying
13 to talk about A to D. When the call originates
14 with Verizon customer A.
15 HEARING EX. MOORE: And you want to go
16 to D?
17 MS. FINN: To D. And I'm asking
18 Mr. Hoffmann, US LEC accepts the call from
19 Verizon, and what happens after that?
20 A. When US LEC accepts the call at their
21 switch, our IP, we're then responsible to
22 transport that call to the customer's location.
23 In this scenario it would be up to customer D in

000122

1 the Essex local calling area.
2 HEARING EX. MOORE: Wait a minute.
3 Just a second. Let me go back because it's a
4 little confusing. Where does it, in your
5 example, your question, what's the originating
6 point of the call?
7 MS. FINN: Customer A.
8 HEARING EX. MOORE: The call starts at
9 customer A and goes to customer D, is that your
10 question?
11 MS. FINN: Correct.
12 HEARING EX. MOORE: Verizon's customer
13 A and D is your customer?
14 MS. FINN: Correct.
15 HEARING EX. MOORE: Okay.
16 And your answer again?
17 A. In that situation, when the call is
18 accepted at US LEC's switch, US LEC will then
19 transport that call to the customer's location,
20 wherever that customer may be within the LATA.
21 In this case we would transport the call back to
22 the Essex local calling area to customer D.
23 HEARING EX. MOORE: So somehow or

□00123

1 another the call from customer A has to somehow
2 or another get from A to E? And then goes from E
3 back to D?

4 THE WITNESS: If you would like to
5 reference the US LEC switch as E, yes. I believe
6 Verizon set up this diagram E was another end
7 user.

8 HEARING EX. MOORE: Oh, I'm sorry.

9 THE WITNESS: Similar to A, B, C and
10 D.

11 HEARING EX. MOORE: I'm sorry. I
12 called it E only because the E is pointing to the
13 square. I really meant the square which is the
14 US LEC switch.

15 THE WITNESS: Yes. They would
16 transport that call I would assume through the
17 point of interconnection at either the access
18 tandem or local tandem in the Baltimore LATA. I
19 would receive it at my switch and I would then
20 transport that call to my end user D, to
21 terminate it.

22 HEARING EX. MOORE: Okay. Let me,
23 since you mentioned that, the triangle on this

□00124

1 diagram, could be, is this, this could be either
2 the tandem on Charles Street or in Pikesville?
3 Is that what this triangle is supposed to --

4 MR. ANGSTREICH: I think I said it was
5 the Pikesville, the local tandem, but I would
6 have to --

7 MR. MOORE: All right. So when you
8 set this up, the triangle represents the
9 Pikesville tandem?

10 MR. ANGSTREICH: That's correct.

11 HEARING EX. MOORE: Okay, I'm sorry.
12 Go ahead.

13 BY MS. FINN:

14 Q. Mr. Hoffmann, let's actually talk a
15 little bit about the call pattern because there's
16 no line here between the Pikesville tandem and
17 your switch.

18 A. Correct.

19 Q. But somehow when Verizon originates
20 the traffic it comes from customer A and it gets
21 to their tandem, actually when they deliver it.
22 What do they deliver it over? There should be a
23 line there, right?

000125

1 A. Yes. They would deliver the call from
2 their tandem to US LEC's switch over what I have
3 termed an entrance facility.

4 Q. Could you just to make sure
5 everybody's clear, could you explain the entrance
6 facility again and what US LEC proposes to
7 charge?

8 A. Yes. An entrance facility is a
9 facility which connects the two networks, traffic
10 which terminates on US LEC's network, that
11 facility would enter our network, and is composed
12 of the requisite number of wires necessary to
13 establish either a DS-1 or a DS-3 facility.
14 Which Verizon would use to terminate its traffic
15 to US LEC.

16 HEARING EX. MOORE: Let me, I'm a
17 nontechnical person, so bear with me. Let me
18 make sure I understand something. The unseen
19 line between the triangle which represents the
20 Pikesville tandem and the square representing the
21 US LEC switch is connected, then, by what you
22 characterize as an entrance facility?

23 THE WITNESS: Yes, sir.

000126

1 HEARING EX. MOORE: And that entrance
2 facility is either, is either a D-1 or a D-3,
3 whatever?

4 THE WITNESS: Yes, sir.

5 HEARING EX. MOORE: Okay. All right.
6 Go ahead.

7 BY MS. FINN:

8 Q. Mr. Hoffmann, if the distance between
9 that triangle, Verizon access tandem, and the US
10 LEC switch, the square, does it matter if that
11 distance is one or 14 miles to the rate that US
12 LEC would charge for that facility?

13 A. No. US LEC's proposal has that
14 facility rated at a nondistance-sensitive,
15 nonusage-sensitive flat rate. So from a cost
16 perspective, the purchaser of that facility
17 should be indifferent as to the distance because
18 there is not a distance component included in the
19 rate for the entrance facility.

20 Q. And then when US LEC transports the
21 traffic back to customer D over this line between
22 your switch and customer D, who bears the cost of
23 that transport?

000127

1 A. US LEC bears that cost.
 2 Q. And what compensation do you receive
 3 from Verizon for terminating that call?
 4 A. Verizon would pay US LEC either
 5 reciprocal compensation or toll charges,
 6 depending upon the originating and terminating
 7 telephone call.
 8 Q. And under Verizon's VGRIPs
 9 proposal --
 10 A. Under Verizon's VGRIPs proposal, US
 11 LEC would not only be responsible for the cost to
 12 transport the call from our switch to customer D,
 13 but we would also be responsible for the cost
 14 from the central office serving customer A to US
 15 LEC's switch, and the Verizon proposal is that
 16 that would be distance-sensitive.
 17 Q. Now, Mr. Hoffmann, I'd like to reverse
 18 the situation and talk about a call going from US
 19 LEC customer D to a Verizon customer A.
 20 MR. ANGSTREICH: Objection.
 21 HEARING EX. MOORE: Give me the
 22 question again?
 23 Q. I'd like to talk about a call that

000128

1 begins at US LEC customer D and is delivered,
 2 terminated to Verizon customer A.
 3 HEARING EX. MOORE: Okay.
 4 MR. ANGSTREICH: She hasn't asked a
 5 question, but we sort of telegraphed this
 6 objection some time ago.
 7 HEARING EX. MOORE: All right. Ask
 8 the question.
 9 Q. Mr. Hoffmann, who is responsible for
 10 bearing the transport cost of bringing the call
 11 from customer D to US LEC's switch?
 12 MR. ANGSTREICH: Objection, Your
 13 Honor, outside the scope of cross.
 14 HEARING EX. MOORE: The coin has two
 15 sides on it. If you've described for me the face
 16 side of the coin, why shouldn't I be entitled to
 17 hear about a description of the reverse side of
 18 that coin?
 19 MR. ANGSTREICH: The VGRIP proposal
 20 that we're discussing, Your Honor, only pertains
 21 to what you referred to as the tails side of the
 22 coin. The parties are in agreement as to the
 23 flip side. It's not a disputed issue in this

□00129

1 arbitration.

2 HEARING EX. MOORE: He says it's not a
3 disputed issue as to, as it relates to your
4 question of going from D, to A.

5 MS. FINN: What is a disputed issue is
6 what's a fair allocation of transport costs and
7 Verizon has raised that numerous times, what is a
8 fair allocation of transport costs, and I think
9 in order to show the allocation of transport
10 costs, you need to look at the total transport
11 costs for exchanging traffic between the
12 parties.

13 HEARING EX. MOORE: The allocation of
14 transport costs relates to what issue?

15 MS. FINN: Issues 1 and 2.

16 HEARING EX. MOORE: And you told me
17 Mr. Hoffmann is to deal with issues 1 and 2?

18 MS. FINN: That's correct.

19 HEARING EX. MOORE: I'll overrule the
20 objection.

21 A. The call that would originate with US
22 LEC customer D and terminate at Verizon customer
23 A, US LEC would be responsible to carry that call

□00130

1 from customer D's location in the Essex local
2 calling area to US LEC's switch or IP in the
3 Columbia local calling area, we would then
4 transport that call over the entrance facility
5 which US LEC purchased from Verizon or a third
6 party to the tandem. So US LEC would be
7 responsible for carrying that call from D to our
8 switch to the point of interface, and then paying
9 Verizon reciprocal compensation or toll to
10 terminate the call.

11 Q. So Mr. Hoffmann, when the call
12 originates with customer D, US LEC carries the
13 call from D to its switch and back to --

14 MR. PANNER: Objection. Sorry, I
15 thought you were done.

16 HEARING EX. MOORE: Let her ask the
17 question.

18 MR. SHOR: Are we dealing with two
19 objecting counsel or one?

20 MR. PANNER: You argued another
21 objection, Michael.

22 HEARING EX. MOORE: I'm not going to
23 get into that. I can sort it out. Let her ask

000131

1 the question. Go ahead, Ms. Finn, ask the
2 question.
3 BY MS. FINN:
4 Q. So Mr. Hoffmann, when US LEC
5 originates a call, it's responsible for carrying
6 it to US LEC's switch and then to Verizon's
7 tandem, correct?
8 MR. ANGSTREICH: Objection, Your
9 Honor.
10 A. Correct.
11 MR. ANGSTREICH: The question is
12 leading.
13 MR. PANNER: Withdraw it.
14 HEARING EX. MOORE: This is redirect.
15 Next question.
16 BY MS. FINN:
17 Q. Mr. Hoffmann, do you remember when you
18 discussed the LATA and how US LEC, under US LEC's
19 proposal, could put its switch anywhere in that
20 LATA?
21 A. Yes, I recall.
22 Q. And what is US LEC's proposal to kind
23 of mitigate any concern Verizon might have over

000132

1 where US LEC locates its switch within the LATA?
2 A. US LEC has hoped to mitigate Verizon's
3 concern on this issue of our locating our switch
4 in the far corner of a LATA by charging only a
5 nondistance entrance facility which is not
6 sensitive, which is not changed based on
7 distance.
8 Q. Do you also remember when you
9 discussed various factors that could influence
10 the cost of an interconnection arrangement?
11 A. Yes, I do.
12 Q. And in your opinion, is any single one
13 of those factors determinative?
14 A. No. All factors must be considered in
15 conjunction with one another.
16 Q. And do you also remember the
17 discussion about what you call the transport
18 penalty and how it's calculated?
19 A. Yes.
20 Q. And the discussion of UNE rates and
21 your understanding of UNE rates?
22 A. Yes, I recall that.
23 Q. I believe you said UNE rates are cost

□00133

1 based?

2 A. Yes, it's my understanding that UNE
3 rates are composed of cost plus some amount of
4 profit that the ILEC is allowed to earn.

5 So those rates are cost plus.

6 Q. Then do you recall the discussion
7 about whether or not the parties would agree
8 within 30 days to establish a collocated US LEC
9 IP?

10 A. Yes, I recall that discussion.

11 Q. Mr. Hoffmann, do you have experience
12 negotiating with Verizon?

13 A. Yes, quite extensive experience.

14 Q. And in your experience, will you be
15 able to negotiate that within 30 days?

16 A. I'd say it's highly improbable. I've
17 never been able to get Verizon to agree with me
18 on virtually anything within 30 days or 60 days.
19 In fact, I believe this negotiation session
20 started last November.

21 MS. FINN: I have nothing further,
22 Your Honor.

EXAMINATION

□00134

1 BY HEARING EX. MOORE:

2 Q. Let me, Mr. Hoffmann, ask you
3 something to clarify something in my own mind.
4 Tell me again, the question that was presented to
5 you was a call originating on Verizon to your
6 customer D and terminating with Verizon's
7 customer A. Tell me again what the cost was or
8 you gave a description as to what the
9 compensation was to be and you said that, well,
10 tell me again what the compensation is for that,
11 for the routing of that call.

12 A. Yes, Your Honor. The compensation,
13 when I deliver the call to the point of
14 interface, which would be at the triangle, the
15 compensation which I would pay Verizon would be
16 either recip comp for a local call or toll for
17 them to terminate that call to customers A, B or
18 C. The other costs involved in completing that
19 call would be the cost which US LEC would incur
20 to get the customer's traffic from their location
21 D to the US LEC switch in the circle marked with
22 a E, then along an entrance facility which US LEC
23 would purchase, from the US LEC switch to the

□00135

1 triangle. So I would have network costs getting
2 from D to my switch and then from my switch to
3 Verizon's tandem, and then in addition I would
4 pay Verizon either recip comp or toll access
5 rates to complete that call.

6 Q. Okay. What would determine whether
7 you would, would pay reciprocal compensation for
8 a call?

9 A. The originating and terminating NXX of
10 the originating and terminating, calling and
11 called party.

12 HEARING EX. MOORE: All right. That's
13 all I have at this point. Any further
14 questions?

15 MR. ANGSTREICH: Just one, Your
16 Honor.

RE CROSS-EXAMINATION

17 BY MR. ANGSTREICH:

18 Q. Mr. Hoffmann, you were discussing the
19 call from D when D calls A, and we had discussed
20 when A calls D. Do you have any sense of what
21 proportion of the traffic is in each type of
22 call? That is, how often -- I'll just stop
23

□00136

1 there.

2 A. No, I'm not aware.

3 Q. I'm sorry. Let me see if I can
4 clarify. Do you have any sense of what the
5 traffic balance is currently between the two
6 parties' networks?

7 A. No, I'm not aware of what the current
8 balance is. I believe it is roughly in balance,
9 though, but I do not know the specific ratio.

10 MR. ANGSTREICH: Thank you. Nothing
11 further.

12 HEARING EX. MOORE: Anything further
13 from Mr. Hoffmann?

14 MR. SHOR: No, Your Honor.

15 HEARING EX. MOORE: May he step down?

16 MR. SHOR: Yes.

17 HEARING EX. MOORE: Thank you, sir.
18 (Witness excused.)

19 HEARING EX. MOORE: This witness has
20 been kind of long. Can you give me an idea of
21 what remains?

22 MR. SHOR: Ms. Montano for issues 1
23 and 2, and you'd have to ask him how long his

000137

1 cross is going to be.
 2 HEARING EX. MOORE: So you're just
 3 going to have two witnesses?
 4 MR. ANGSTREICH: I don't expect a very
 5 long cross.
 6 MR. SHOR: The judge had wanted to
 7 break at 12:45.
 8 MR. PANNER: Unless you need a lot of
 9 time to prepare her redirect.
 10 MR. SHOR: No.
 11 HEARING EX. MOORE: Let's get your
 12 second witness, at least get that witness on.
 13 MR. SHOR: Your Honor, US LEC calls
 14 Ms. Wanda Montano to the stand.
 15 Whereupon,
 16 WANDA G. MONTANO
 17 a witness, was called for examination by counsel
 18 on behalf of US LEC, and, having been first duly
 19 sworn, was examined and testified as follows:
 20 HEARING EX. MOORE: Ma'am, state your
 21 full name and business address for the record.
 22 THE WITNESS: Wanda G. Montano, US LEC
 23 Corp., 6801 Morrison Boulevard, Charlotte, North

000138

1 Carolina.
 2 HEARING EX. MOORE: Witness with you.
 3 DIRECT EXAMINATION
 4 BY MR. SHOR:
 5 Q. Ms. Montano, did you cause to have
 6 prepared 33 pages of direct testimony to be filed
 7 in this matter on or about June 10th, 2002?
 8 A. Yes, I did.
 9 Q. Do you have any changes or corrections
 10 to that testimony?
 11 A. No, I do not.
 12 Q. If I was to ask you these questions
 13 today, would your answers be the same?
 14 A. Yes, they would.
 15 MR. SHOR: Your Honor, US LEC would
 16 ask the Commission to admit the direct testimony
 17 of Wanda G. Montano on this matter subject to
 18 cross-examination.
 19 (US LEC Exhibit No. 3 was
 20 marked for
 21 identification.)
 22 BY MR. SHOR:
 23 Q. Did you cause to have prepared 19

000139

1 pages of rebuttal testimony filed in this matter
2 on or about August 9, 2002?

3 A. Yes, I did.

4 Q. Do you have any changes or corrections
5 to that testimony?

6 A. No, I do not.

7 Q. If I asked you those questions today
8 would your answers be the same?

9 A. Yes, they would.

10 MR. SHOR: Your Honor, US LEC
11 respectfully requests you admit the direct and
12 rebuttal testimony of Wanda G. Montano on behalf
13 of US LEC subject to cross-examination. I have
14 copies for the Commission and for the reporter.
15 May I approach.

16 HEARING EX. MOORE: Yes. In the
17 interest of convenience may I give the reporter,
18 this will be, the direct testimony will be US LEC
19 Exhibit 4, and the rebuttal testimony -- 3,
20 rather, and the rebuttal would be US LEC 4.

21 HEARING EX. MOORE: Yeah, let her mark
22 it first.

23 (US LEC Exhibit Nos. 3 and

000140

1 4 were marked for
2 identification.)

3 MR. SHOR: Ms. Montano is available
4 for cross-examination.

5 CROSS-EXAMINATION

6 BY MR. ANGSTREICH:

7 Q. Ms. Montano, Mr. Hoffmann and I were
8 discussing a case where US LEC has a customer
9 located in Columbia and a customer located in
10 Baltimore. Is there, we're assuming they're
11 purchasing the same calling package from US LEC.
12 Is it possible that they would pay different
13 prices for a package?

14 A. Yes, it is.

15 Q. Why would they pay different prices
16 for a package?

17 A. US LEC does market-based pricing based
18 on our cost structure. Since we purchase most of
19 our underlying facilities from Verizon and you
20 charge me differently based on different mileage
21 bands that I buy from you, that I would in turn
22 charge my customers different mileage bands.

23 MR. ANGSTREICH: Your Honor, if I

□00141

1 could approach, I just want to introduce US LEC's
 2 tariff which discusses some of these issues Ms.
 3 Montano and I were discussing.
 4 HEARING EX. MOORE: Yes.
 5 MR. ANGSTREICH: The portion I'm
 6 referring to here is what's on page original
 7 sheet 53.
 8 HEARING EX. MOORE: This is Verizon
 9 Exhibit 6.
 10 MR. SHOR: Is this the full tariff?
 11 They're not consecutively numbered, there are
 12 some dot pages, so it's not necessarily the 53rd
 13 page.
 14 HEARING EX. MOORE: This is Verizon
 15 6.
 16 (Verizon Exhibit No. 6 was
 17 marked for
 18 identification.)
 19 MR. SHOR: What page are you referring
 20 to?
 21 MR. ANGSTREICH: Original sheet 53.
 22 BY MR. ANGSTREICH:
 23 Q. Just quickly, this page lists three

□00142

1 different schedules based on the distance the
 2 customer is from US LEC's switch?
 3 A. That's correct.
 4 Q. And the distance break points are at
 5 10 miles and 16 miles?
 6 A. Yes.
 7 Q. So the customer in Essex who is about
 8 20 miles away would pay even more than the
 9 customer in Baltimore?
 10 A. That appears to be correct.
 11 MR. ANGSTREICH: I'm done, Your
 12 Honor.
 13 MS. FLYNN: I have no questions for
 14 this witness.
 15 HEARING EX. MOORE: Any redirect?
 16 MR. PANNER: Your Honor, I just want
 17 to note that we're going to recall Ms. Montano
 18 for the remaining issues, but we're done with
 19 issues 1 and 2.
 20 MR. SHOR: Wait a minute. I just have
 21 one redirect.
 22 MR. ANGSTREICH: No, we're done. We
 23 were saying we were done.

000143

1 HEARING EX. MOORE: I was looking back
2 to you on redirect. Go ahead.
3 REDIRECT EXAMINATION
4 BY MR. SHOR:
5 Q. Since we've had an extensive cross.
6 Am I correct in understanding that the
7 difference in price structure for US LEC is due
8 to the different prices that the services you
9 purchase from Verizon cost you?
10 A. That's correct.
11 Q. And that those are distance-sensitive
12 costs that Verizon charges you?
13 A. That is correct.
14 MR. SHOR: I have nothing further.
15 HEARING EX. MOORE: Okay. May Ms.
16 Montano step down?
17 MR. SHOR: For issues 1 and 2, yes. I
18 think it makes sense for her -- yes, because
19 we'll go to Pete now. After lunch.
20 (Witness excused.)
21 HEARING EX. MOORE: I understand. All
22 right. Where are we?
23 MR. PANNER: Your Honor, we can take

000144

1 advantage, if you want to take advantage of the
2 time, we could swear our witness and introduce
3 his testimony just to save the five minutes that
4 that would take after lunch.
5 HEARING EX. MOORE: Okay, we can do
6 that.
7 This is your witness on issue 1 and
8 2?
9 MR. PANNER: Yes, Your Honor. And
10 Your Honor, I'll take, just so that you know
11 who's, I'm sorry that you're getting the stereo,
12 I'll take care of introducing his testimony.
13 HEARING EX. MOORE: Okay. No
14 problem.
15 Whereupon,
16 PETER D'AMICO
17 a witness, was called for examination by counsel
18 on behalf of Verizon, and, having been first duly
19 sworn, was examined and testified as follows:
20 HEARING EX. MOORE: Sir, state your
21 full name and business address for the record.
22 THE WITNESS: My name is Peter J.
23 D'Amico, D, apostrophe, A-M-I-C-O. I'm an

000145

1 employee of Verizon, my business address is 416
2 7th Avenue, Pittsburgh, Pennsylvania.

3 HEARING EX. MOORE: Witness with you.

4 DIRECT EXAMINATION

5 BY MR. PANNER:

6 Q. Mr. D'Amico, did you cause to have
7 prepared 17 pages of direct testimony dated June
8 10th, 2002, in this proceeding?

9 A. Yes.

10 Q. If those same questions were asked of
11 you today would your answers be the same?

12 A. Yes.

13 MR. PANNER: Your Honor, I'd like to
14 introduce the direct testimony of Mr. D'Amico as
15 Verizon Exhibit 7. Subject to
16 cross-examination.

17 HEARING EX. MOORE: Very well.

18 (Verizon Exhibit No. 7 was
19 marked for
20 identification.)

21 BY MR. PANNER:

22 Q. Mr. D'Amico, did you cause to have
23 prepared 14 pages of rebuttal testimony dated

000146

1 August 9, 2002 that was introduced and earlier
2 filed in this proceeding?

3 A. Yes, I did.

4 Q. Do you have any changes to make to
5 that rebuttal testimony?

6 A. Yes, as a matter of fact I do. On
7 page 10, starting on line 7, in the sentence that
8 starts under US LEC's, currently it says rate
9 guide. I would like to change that to tariff.

10 MR. SHOR: What line is that?

11 THE WITNESS: It's page 10, line 7.

12 Q. And it starts with what?

13 MR. PANNER: We've got a small
14 correction and it does make sense to give you the
15 testimony to look at but we'll introduce it after
16 the change. We'll pass it out as an exhibit. It
17 is demonstrative. I apologize for the
18 confusion. We're now to the rebuttal testimony
19 where he has a correction. And you were looking
20 at the direct.

21 HEARING EX. MOORE: Okay.

22 Q. Mr. D'Amico, you were describing a
23 change that you had to your testimony on, to your

000147

1 rebuttal testimony dated August 9th, 2002 on page
2 10 at line 7?

3 A. Yes. Again, the sentence starts,
4 under US LEC's rate guide. Instead of it saying
5 rate guide it should say tariff.

6 Q. And are there other changes to make?

7 A. Yes. The sentence after that on line
8 8, it says see US LEC's rate guide, instead of
9 rate guide, replace that with Maryland tariff.
10 And right after that where it says Section 6.1.2,
11 replace that with Section 5.2.

12 Q. So it should be US LEC's Maryland
13 tariff Section 5.2? Is that correct?

14 A. Correct.

15 Q. And are there any other changes?

16 A. Yes. On that same line 9, within the
17 parentheses where it has a customer, instead of
18 it being a capital A, it should be a lower case
19 a, as well as instead of it being an upper case
20 or capital C it should be a lower case c in
21 customer.

22 Following through, on that same line 9
23 where it says distance between the customers,

000148

1 again that's a capital upper case C, it should be
2 a lower case c. And then the last change is
3 instead of it saying on line 10, respective ILEC,
4 it should say dominant.

5 Q. So that would then read, if I were to
6 read through with your corrections, the
7 parenthetical phrase would say, a customer's rate
8 schedule is dependent on the distance between the
9 customer's dominant serving wire center and the
10 US LEC switch? Is that correct?

11 A. Yes.

12 Q. Thank you. Do you have any other
13 changes or corrections to make to your testimony?

14 A. No, sir.

15 Q. Aside from that correction, if you
16 were asked these questions today, would you give
17 the same answers?

18 A. Yes.

19 MR. PANNER: I introduce Mr. D'Amico's
20 rebuttal testimony as Verizon Exhibit 8. Subject
21 to cross-examination.

22 HEARING EX. MOORE: Very well.

23 (Verizon Exhibit No. 8 was

000149

1 marked for
2 identification.)
3 HEARING EX. MOORE: Very well. Does
4 that conclude?
5 MR. PANNER: We offer Mr. D'Amico for
6 cross-examination, Your Honor.
7 HEARING EX. MOORE: Okay. Verizon 7
8 and 8 shall be admitted.
9 (Verizon Exhibit Nos. 7
10 and 8 were received in
11 evidence.)
12 HEARING EX. MOORE: Okay. Let's break
13 for recess at this point and reconvene at 2:00.
14 (Recess taken -- 12:45 p.m.)
15 (After recess -- 2:00 p.m.)
16 HEARING EX. MOORE: We're back on the
17 record. Are we ready for this witness,
18 Mr. Shor?
19 MR. SHOR: Yes, Your Honor.
20 MS. FINN: I'll be cross-examining
21 Mr. D'Amico, Your Honor.
22 HEARING EX. MOORE: Okay.
23 CROSS-EXAMINATION

000150

1 BY MS. FINN:
2 Q. Good afternoon, Mr. D'Amico.
3 A. Good afternoon.
4 Q. Mr. D'Amico, as I understand your
5 testimony, you believe that separating the POI or
6 the physical point of interconnection from the IP
7 or the financial point of demarcation where
8 transport responsibility shifts is consistent
9 with FCC rules, is that correct?
10 A. Yes.
11 Q. And you have testified that VGRIPs,
12 the Verizon proposal in this proceeding, gives US
13 LEC the right to choose the IP where that
14 financial responsibility shifts? Is that
15 correct?
16 A. They can choose the IP, but in
17 association with that choice Verizon's VGRIP
18 proposal has certain aspects to it.
19 Q. So basically Verizon defines the
20 choices US LEC may make?
21 A. It lists them, defines, however you
22 want to say that, yes.
23 Q. As I understand it, one of the choices

000151

1 is that US LEC may establish an IP via
2 collocation at each Verizon tandem where US LEC
3 assigns local telephone numbers; is that correct?

4 A. Yes.

5 Q. Correct me if I'm wrong but another
6 option is that US LEC may establish a virtual IP
7 as a Verizon end office? Correct?

8 A. Yes.

9 Q. Now, turning to the first option,
10 would you agree with me in this case that the IP
11 is a physical connection between the parties'
12 networks?

13 A. In the case of a collocation
14 arrangement, yes.

15 Q. So can we call this the physical IP
16 for purposes of our discussion?

17 A. Sure.

18 Q. Would you agree with me that a
19 physical IP is the same thing as a POI, a place
20 where the two wires of two networks twist
21 together, basically?

22 A. Again, they're at the same place, so
23 in the example you just mentioned, the POI and

000152

1 the physical IP would be at the same location.
2 Yes.

3 Q. Same location, but they're not the
4 same thing? Can you explain that?

5 A. Correct. They're two different terms,
6 therefore, I wouldn't combine them together to
7 say that they're, you know, the definition
8 becomes one, even though they're in the same
9 location. The point of interconnection is the
10 physical wires twisting, and the physical IP in
11 this example is the point of financial
12 responsibility. They just happen to be in the
13 same location in your example.

14 Q. Okay. The contract that Verizon has
15 submitted I believe as Exhibit 1. Are you
16 familiar with Section 2.1.3 of the
17 interconnection attachment?

18 A. Yeah. I mean, I don't have it in
19 front of me, but I'm familiar with the
20 interconnection attachment.

21 Q. Would you like to have it in front of
22 you?

23 A. That would probably help.

000153

1 MR. ANGSTREICH: I have a copy, it's
2 not the entire one, but I believe it has the
3 sections you want. (Handing.)

4 Q. Section 2.1.3 lists the methods that
5 US LEC may choose to interconnect with Verizon,
6 correct?

7 HEARING EX. MOORE: What page is
8 that?

9 MS. FINN: I'm sorry. It's on page
10 52.

11 A. Yes.

12 Q. And those methods include a
13 collocation arrangement established by US LEC, a
14 collocation or entrance facility established by a
15 third party, or an entrance facility and
16 transport link that US LEC purchases from
17 Verizon. Correct?

18 A. Correct.

19 Q. But isn't it true that under VGRIPs US
20 LEC may only use collocation to establish the
21 physical IP?

22 A. I'm not sure I would say that. Again,
23 that's one option where the IP would be at the

000154

1 collocation cage, but they could also have a
2 situation where Verizon carries its traffic to
3 the US LEC switch and that's where we get into
4 this so-called offset, the transport offset.

5 Q. But I asked you about a physical IP.
6 And in order to establish a physical IP, doesn't
7 US LEC have to do that through collocation?

8 A. Yeah, under that arrangement, sure.

9 Q. And US LEC may not use an entrance
10 facility to establish a physical IP, is that
11 correct? Under your proposal?

12 A. I'm trying to think if there could be
13 an example. I suppose, there could be an example
14 where an entrance facility is used. I'm just
15 having a hard time picking one out at the
16 moment. In other words, let's just say that US
17 LEC has an IP at a Verizon end office and that IP
18 is used for traffic from that Verizon end office
19 to that IP. For traffic from throughout the rest
20 of the LATA, or to, from traffic from an area
21 that is served by that tandem, if US LEC has a
22 collocation cage in that particular tandem, then
23 I guess it's possible that Verizon could lease

□00155

1 entrance facilities from US LEC for that traffic
2 from the Verizon end office to that Verizon
3 tandem.

4 Q. But I'm talking about the
5 establishment of the US LEC IP.

6 A. Yes. That's what I was talking
7 about.

8 Q. And that Verizon would lease entrance
9 facilities from US LEC to establish a US LEC IP?

10 A. Yeah. For that traffic from, I guess
11 it would be all traffic with the exception of
12 traffic from that particular end office. Verizon
13 could, I'm not sure how probable, but could lease
14 entrance facilities from US LEC from that end
15 office collocation to their collocation at the
16 tandem.

17 Q. And do you know, does this happen
18 today? Is this a remote possibility or --

19 A. It doesn't happen today with US LEC.
20 I can't say that other CLECs haven't done that.

21 Q. Can you please turn to page 62 of the
22 contract?

23 A. Okay.

□00156

1 Q. I'm going to focus on the top
2 paragraph which is all struck through, just a
3 minute, please. It's 7.1.1.1, begins at the
4 bottom of 61 and carries over to page 62.
5 Towards the bottom of that first paragraph, do
6 you see the sentence that begins in the US LEC as
7 a receiving party?

8 A. Hold on.

9 Q. These lines are kind of making me
10 dizzy here. So this is a paragraph on page 62?

11 A. Yes. And it's near the end?

12 Q. It's, well, in my copy it's 14 lines
13 up.

14 A. Okay. Thank you.

15 Q. So that reads in the US LEC as a
16 receiving party, US LEC will establish
17 geographically relevant IPs by establishing an IP
18 at a collocation site at each Verizon tandem in a
19 LATA. Correct?

20 A. Yes, that's what it says.

21 Q. So that requires US LEC to use a
22 collocation arrangement to establish an IP at its
23 tandem, correct?

□00157

1 A. Yes.

2 Q. Mr. D'Amico, did you review the
3 parties' current network architecture
4 arrangements in preparing your testimony?

5 A. A little bit.

6 Q. Did you hear Mr. Hoffmann testify
7 today that US LEC interconnects with Verizon
8 through purchase of entrance facilities to your
9 tandems?

10 A. Yeah, this morning he mentioned the
11 use of entrance in, I think the switch was in
12 Columbia.

13 Q. So it would be fair to say, with
14 respect to that arrangement, that the entrance
15 facility does not qualify as a physical IP under
16 that section we just read, 7.1.1.1?

17 A. Not under that section, no.

18 Q. Can you point me to another section in
19 the contract that permits US LEC to establish a
20 physical IP via an entrance facility?

21 A. Other than the example that I gave
22 you?

23 Q. Well, you gave me an example but I'd

□00158

1 like to know where that is in the contract.

2 A. Oh, okay.

3 I guess maybe the only other spot is
4 on page 63, 7.1.1.3. And that's talking about
5 LATAs where the parties have already
6 interconnected.

7 Q. Mr. D'Amico, under the Section
8 7.1.1.3, doesn't Verizon have the right to
9 request that parties change their current network
10 architecture?

11 A. Yes.

12 Q. And the right to make that request is
13 in Verizon's sole discretion, correct?

14 A. Yes.

15 Q. So during the term of this agreement
16 Verizon could decide that the entrance facility
17 no longer suffices and ask US LEC to establish a
18 collocated IP, correct?

19 A. Correct. Which again we would either,
20 we'd have to agree in 30 days on an arrangement,
21 and if either of the parties couldn't agree or US
22 LEC decided they didn't want to establish an IP
23 at the tandem, then again we would have this

00159

1 provision with the compensation of the
2 transport.

3 Q. Can you please turn to page 11 of your
4 direct testimony?

5 A. Okay.

6 Q. On lines 5 through 6 you state that
7 Verizon is willing to incur this extra --

8 HEARING EX. MOORE: What page? I'm
9 sorry.

10 MS. FINN: Page 11 of the direct.
11 Lines 5 through 6.

12 Q. You state that Verizon is willing to
13 incur this extra transport cost in exchange for
14 the ability to deliver its traffic to US LEC at a
15 more central location.

16 First, Mr. D'Amico, what do you mean
17 by extra?

18 A. Extra would be the transport from a
19 local calling area outside of the tandem
20 location. In other words, I believe we used
21 Essex this morning as an example, so if traffic
22 originated from Essex from the Essex local
23 calling area, Verizon would be willing to carry

00160

1 that traffic to the tandem and then even though
2 we're carrying that traffic outside of the local
3 calling area, and charging our customer a local
4 call in this example, we're incurring transport
5 outside of the local calling area. And so that's
6 what it's referring to as extra.

7 Q. So the extra is transport outside of
8 the local calling area?

9 A. Yes.

10 Q. And I take it since you said you're
11 willing to deliver it to the tandem that by more
12 central location you mean the Verizon tandem?

13 A. Yes.

14 Q. But isn't it true that Verizon is only
15 willing to incur this extra transport if US LEC
16 establishes a collocated IP at the Verizon
17 tandem?

18 A. That's the current proposal, yes. The
19 VGRIP.

20 Q. So in other words, the current
21 entrance facility at Charles Street, Verizon is
22 not willing to incur extra transport to deliver
23 traffic to US LEC there?

□00161

1 A. Well, if the question is is Verizon
2 willing to deliver our traffic over US LEC
3 entrance facilities, and not be charged for that,
4 that would be something that we could discuss.
5 But if your question is is Verizon willing to
6 deliver its traffic over entrance facilities and
7 then be charged for those, that basically defeats
8 the purpose of us recovering our costs.

9 Q. So are you recovering your costs
10 through requiring US LEC to pay collocation?

11 A. No, we're still incurring some costs,
12 again, to get it from the various local calling
13 areas to the Verizon tandem. But as our
14 proposal, as a compromise position, we're willing
15 to do that so that we could drop it off at, you
16 know, at this centralized location.

17 Q. But as the proposal stands right now
18 in the contract you're only willing to do that if
19 you drop it off at a collocation arrangement at
20 your tandem.

21 A. Yes, that's the current language.

22 Q. Mr. D'Amico, today under the parties'
23 current network architecture Verizon is

□00162

1 delivering, is financial responsible for
2 delivering its traffic all the way to US LEC's
3 switch, is that correct?

4 A. That's the current arrangement, I
5 believe, yes.

6 Q. Can you turn to page 4 of your direct,
7 please.

8 A. Okay.

9 Q. At lines 6 through 12. You are citing
10 the Maryland Commission's MFS order, correct?

11 A. Yes.

12 Q. And I believe you cited for the
13 proposition that a CLEC can choose its POI so
14 long as it interconnects at one point within each
15 access tandem serving area within a LATA,
16 correct?

17 A. Yes.

18 Q. Correct. Is it your testimony that
19 Verizon can limit US LEC's choice of establishing
20 a physical IP collocation and still be in
21 compliance with this MFS order?

22 A. Could you run that by me again?

23 Q. Is it your testimony that Verizon can

□00163

1 limit US LEC's choice of establishing a physical
2 IP collocation and still be in compliance with
3 this order?

4 A. Yeah.

5 Q. So you read the MFS order to require a
6 collocated IP in each access tandem area?

7 A. It doesn't get that specific. In
8 other words, Verizon's proposal, I don't think
9 violates this order. It may, it adds more
10 language or it adds more parameters to the
11 arrangements.

12 Q. Mr. D'Amico, are you familiar with the
13 FCC rules that require Verizon to offer any
14 technically feasible method of interconnection to
15 a CLEC?

16 A. Yeah, I mean, I've heard the term, the
17 sentence, I can't give you the legal background
18 to it.

19 Q. Would it be fair to state that an
20 entrance facility is a technically feasible
21 method of interconnection?

22 A. Sure. But again, we're not limiting
23 the ability of an entrance facility. What we're

□00164

1 trying to say is if Verizon delivers it to the US
2 LEC switch, we're looking for a way to compensate
3 Verizon for that transport that's outside the
4 local calling area. And that's our proposal to
5 do it. The VGRIP.

6 Q. Is it also your testimony that if
7 Verizon has only one tandem in a LATA, Verizon
8 can designate additional VGRIP locations at end
9 offices within the tandem serving area?

10 A. Yes.

11 Q. And there's no limit to the number of
12 additional VGRIPs locations Verizon may
13 designate, is there?

14 A. I don't think the language is that
15 specific, no. It's just, it's kind of open.

16 Q. Is it your testimony that Verizon can
17 designate these additional POIs or physical IPs
18 within a single access tandem area and still be
19 in compliance with the MFS order?

20 A. Again, we're talking about
21 interconnection points, and the final result is
22 that we could still be delivering Verizon traffic
23 as we do today to US LEC, it just gets into the

00165

1 compensation of that transport.

2 Q. Mr. D'Amico, I'm asking about the
3 physical points that you could ask US LEC to
4 designate within an access tandem serving area
5 and you can ask them to designate more than one
6 when you only have a single tandem, correct?

7 A. Well, see, you're asking about IPs.
8 An IP is associated with a financial obligation.
9 The point of interconnection is a different
10 story. That's a physical thing.

11 Q. But we're talking about a physical
12 IP. Are you saying because you change the name
13 to physical IP it's somehow no longer subject to
14 the MFS order or the FCC rules?

15 MR. PANNER: For the term physical IP,
16 it was introduced by counsel, it was not a term
17 that Mr. D'Amico introduced or used. So he
18 didn't, I think it's argumentative and
19 misrepresents prior testimony to suggest that he
20 used the term in a certain way. She introduced
21 the term and asked him to accept a certain
22 definition of it and now she's trying to use it
23 to suggest that he said something that he didn't,

00166

1 Your Honor.

2 HEARING EX. MOORE: I'm not sure I
3 heard that it way. I'll overrule the objection.
4 Answer the question, if you can.

5 A. What was the question again?

6 MS. FINN: Would you please read that
7 back.

8 (The record was read by the reporter.)

9 A. I think, and this is where I'm going
10 to have to just not give my opinion so much as
11 just what I've seen. In my testimony I've said
12 that the VGRIP proposal doesn't violate the FCC
13 rules. So this is the VGRIP proposal, so I would
14 say that it doesn't violate the FCC rules, but
15 again, I'm not an attorney. And that would be
16 some legal discussion on that point, I guess.

17 Q. Can you please turn to page 12 of your
18 testimony, direct again?

19 A. Okay.

20 Q. On this page I believe you discuss the
21 Maryland Commission's ruling in the Verizon/
22 Sprint arbitration. Correct?

23 A. I see the U.S., or the North Carolina.

000167

1 Q. I'm sorry, you know what? I read the
2 wrong number. It should be on page 5. I
3 apologize. Page 5, beginning at line 12.

4 A. Yes. That's the Sprint Maryland
5 arbitration. With Verizon.

6 Q. Mr. D'Amico, isn't it true that when
7 the Commission arbitrated the agreement between
8 Sprint and Verizon, the Commission actually
9 adopted Sprint's proposal over Verizon's VGRIPs
10 proposal?

11 A. Yes, they did.

12 Q. And isn't it your understanding that
13 under this, the Sprint arbitration, the Sprint
14 IPs do not have to be at Verizon's tandems but
15 only within a reasonable proximity of Verizon's
16 switching centers?

17 A. Yes, that was one aspect of it. There
18 was additional parameters about call volumes and
19 distances.

20 Q. Mr. D'Amico, Verizon has not proposed
21 any call volume thresholds or distance thresholds
22 in this proceeding, have they?

23 A. Correct.

000168

1 Q. As you understand the Commission's
2 decision, Sprint does not have to collocate to
3 establish its IPs, does it?

4 A. No. Not under that order.

5 Q. And in fact according to your
6 testimony, if the Sprint IPs do not have to be at
7 Verizon's switching centers the Sprint IPs could
8 be at Sprint's switch?

9 A. Yes. And again, obviously we had an
10 issue with that, and we still feel that although
11 they tried to address our concerns, with
12 expensive interconnection points, we're not sure
13 that the Sprint arrangement goes all the way to
14 do that.

15 Q. But Verizon is complying with the
16 Sprint arbitration order?

17 A. Yes, they are.

18 Q. I'd like to turn to the virtual IP
19 option under VGRIPs now. And I think you've
20 stated that US LEC doesn't have to establish
21 these physical IPs, instead it can establish
22 virtual IPs, correct?

23 A. Yes.

□00169

1 Q. And the virtual IP may only be
2 established in a Verizon end office, not a
3 tandem, correct?

4 A. Correct.

5 Q. Now, can you turn to page 10 of your
6 direct testimony, please.

7 A. Okay.

8 Q. Beginning at line 18. If US LEC chose
9 to place its POIs in places that are not at VGRIP
10 locations, Verizon would deliver its traffic to
11 US LEC's chosen POI location, but could recover
12 the additional transport and other costs for
13 delivering the traffic to that location. Do you
14 see that?

15 A. Yes.

16 Q. Mr. D'Amico, if Verizon wants to
17 deliver its traffic to US LEC at a central
18 location which I think you defined before as
19 Verizon's tandem, but US LEC wants to keep its
20 current IP at its switch, shouldn't the
21 additional transport cost be measured from the
22 Verizon tandem to the US LEC switch?

23 A. No, I don't believe so. Again, under

□00170

1 this proposal, which is basically a compromise
2 position, Verizon is still hauling this traffic
3 from all of these various local calling areas.
4 So I mean, picture the LATA and then all of these
5 dots as local calling areas and then US LEC has a
6 switch in Columbia.

7 Verizon is willing to incur all of the
8 added transport from these various local calling
9 areas because again, remember, we're just getting
10 a local call from our end user, but yet normally
11 a call from all of these outlying areas to
12 Columbia would be a toll call. So it's kind of
13 out of balance. It's a local call from a Verizon
14 billing its end user perspective but yet we're
15 incurring this, the cost to carry it as a toll
16 call.

17 So you've got to take into
18 consideration all of that transport and what
19 we're saying, I'll tell you what we can do is
20 establish a point at the tandem, Verizon will
21 carry it this distance, even though it's outside
22 the local calling area, but in exchange for that,
23 US LEC, pick it up at the tandem. Now, if you

000171

1 don't want to do that, we've already compromised
2 on this piece, and so by compromising, by just
3 saying, well, if I don't want to do it at the
4 tandem, I'll just do this five-mile or ten-mile
5 whatever this leg is, you've eliminated the
6 compromise that Verizon has on this portion. So
7 you're basically doing a compromise of a
8 compromise. So that's, I mean, that's what the
9 VGRIP proposal is, and that's how we've, you
10 know, outlined it.

11 Q. Mr. D'Amico, do you know what volume
12 of traffic Verizon has to deliver outside of a
13 local calling area in order to get it to US LEC's
14 IP?

15 A. Other than someone mentioned to me
16 that the ratio is like five to one, I don't know
17 how much of that is, and the five being Verizon
18 delivering traffic to US LEC versus US LEC
19 sending, you know, so it's five calls versus one
20 call, I don't know how much of that is carried
21 outside the local calling area, but whether it's,
22 you know, a lot or a little, a little today or
23 could be a lot tomorrow, and this arrangement is

000172

1 shared by other CLECs. So CLECs could also have,
2 create a, you know, a cost issue for Verizon, or
3 the cumulative effect of all of the CLECs having
4 Verizon carry this traffic out to the local
5 calling area is what we're trying to address.

6 Q. Mr. D'Amico, do you know the distances
7 Verizon currently delivers its traffic from local
8 calling areas to the US LEC switch based on the
9 current traffic patterns?

10 A. Again, I don't have any of those
11 specifics of distances or volumes or anything of
12 that nature.

13 Q. Isn't it true that under the virtual
14 IP option that Verizon is not willing to bear the
15 cost of transport within the local calling area?

16 A. I'm not sure, could you expand on
17 that.

18 Q. Under the virtual IP option --

19 A. Okay. So basically the language says
20 from the originating end office, to the US LEC
21 switch. And so I mean, that's what the language
22 says. It could travel within the local calling
23 area. In other words, if you drew a symmetrical

□00173

1 circle and said that the end office is in the
2 middle, then there could be some transport within
3 the local calling area. You could also have it
4 near the ends as well.

5 Q. Or it could be on the far end of the
6 local calling area?

7 A. Yes.

8 Q. So US LEC, under the virtual IP option
9 US LEC bears the cost of transporting Verizon's
10 originating traffic within the local calling
11 area?

12 A. Yes. Under the VGRIP proposal, but
13 again, I thought I heard this morning that US LEC
14 doesn't want to pay for any of it, so I guess if
15 we just focused on that point, then, and that's
16 our only issue, then you might be able to hammer
17 down on that.

18 Q. Can you turn to page 2 of your
19 testimony, please?

20 A. We're still on direct, right?

21 Q. Still on direct.

22 A. Okay.

23 Q. Do you see lines 11 to 14?

□00174

1 A. Yes.

2 Q. I'm going to paraphrase here. If US
3 LEC chooses a single point in a LATA it should be
4 financially responsible for hauling the call when
5 the call leaves the local calling area?

6 A. Yes.

7 Q. So that's not entirely correct because
8 US LEC is also responsible for hauling the call
9 within the local calling area within the virtual
10 IP option, correct?

11 MR. PANNER: Objection. Compound.

12 HEARING EX. MOORE: Can you answer?

13 A. I mean, that's what this is saying,
14 that they should be responsible for the traffic
15 outside the local calling area. Yes.

16 Q. Didn't you just testify that under the
17 virtual IP US LEC is also responsible for
18 transport within the local calling area?

19 A. Under that piece of VGRIP, yes. And
20 again you, have to remember that the VGRIP is a
21 package.

22 Q. Mr. D'Amico, doesn't this sentence
23 describe that piece of VGRIP?

000175

1 A. This describes the scenario that
2 Verizon is trying to address.

3 Q. Which I've said is the virtual IP
4 option?

5 A. The virtual IP is Verizon's remedy to
6 the fact that it's hauling calls outside of the
7 local calling area, and VGRIP is an attempt to
8 address those costs. It's a package.

9 Q. The virtual IP remedy, so to speak,
10 for your cost of hauling calls outside the local
11 calling area includes your cost of hauling the
12 call within the local calling area.

13 MR. PANNER: Objection. Asked and
14 answered.

15 HEARING EX. MOORE: Overruled.

16 THE WITNESS: That means I answer it,
17 right?

18 MR. PANNER: Yes.

19 A. I usually write them on my hand.

20 Yes. And again, for that little piece
21 or whatever that piece is, that's what the
22 language states in the VGRIP proposal.

23 Q. And it could be little, it could be

000176

1 large, we don't know because we don't know the
2 distances involved here.

3 A. Well, I would say, yeah, without
4 getting into specifics of the size of the local
5 calling area, again, the meat of the issue is
6 from the local calling area to the US LEC
7 switch.

8 Q. Going back to the MFS and Sprint
9 orders you cited on pages 4 and 5?

10 A. Okay.

11 Q. Do you recall that those orders also
12 addressed each LEC's financial responsibility for
13 delivering its originating traffic to the single
14 POI per access tandem serving area?

15 HEARING EX. MOORE: Would you repeat
16 that, please?

17 Q. Yeah. Do you recall that those orders
18 also addressed each LEC's financial
19 responsibility for delivering its originating
20 traffic to the single POI per access tandem
21 serving area?

22 A. So this is the MFS as well as the --

23 Q. As well as the Sprint.

000177

1 A. -- Sprint. Definitely the Sprint
2 addressed it, I'm not sure about the MFS
3 agreement.
4 Q. But the Sprint order said that each
5 LEC was financially responsible for delivering
6 its traffic to the POI?
7 A. I'm not sure if it used POI or if it
8 said, you know, Sprint could pick its IP and --
9 Q. But it used one or the other term,
10 correct?
11 A. Right.
12 Q. Mr. D'Amico, today under the parties'
13 existing architecture US LEC is financially
14 responsible for getting its traffic to Verizon's
15 switches, correct?
16 A. Correct.
17 Q. And US LEC bears that financial
18 responsibility even if US LEC's switch is outside
19 the local calling area where US LEC delivers a
20 call to Verizon, correct?
21 A. Yes. US LEC decides where it locates
22 its switch and therefore they have to get it to
23 Verizon's IPs, and there's various ways to do

000178

1 that, various transport options.
2 Q. And I think we already discussed that
3 under the current arrangements Verizon bears
4 financial responsibility for carrying its
5 originating traffic to US LEC's switch. I'd like
6 to ask if Verizon bears that responsibility
7 whether or not US LEC's switch is within the
8 local calling area where the call originated.
9 Under today's arrangements.
10 A. I'm not sure, but I don't believe, I'm
11 not that familiar with today's contract.
12 Q. But it's your understanding that you
13 bear financial responsibility to deliver
14 Verizon's originating traffic to US LEC's switch?
15 A. Yes.
16 Q. And Verizon's VGRIPs proposal
17 addresses Verizon's originating traffic, not US
18 LEC's originating traffic, correct?
19 A. Correct.
20 Q. So under VGRIPs, Verizon can ask US
21 LEC to pick up the tab beginning at Verizon's end
22 office, but US LEC may not ask Verizon to pick up
23 the tab beginning at US LEC's switch?

□00179

1 A. Correct. And I mean, again, the issue
2 is, in today's environment, Verizon is hauling
3 its traffic to the US LEC switch. And that
4 traffic is going out, I won't say is going
5 outside, the language, the proposed language that
6 we're trying to do is address the situations
7 where we're hauling a call outside the local
8 calling area. So the current arrangement, even
9 though we're doing it, we're incurring costs that
10 we're not able to recover. And that's why we
11 have this as an issue.

12 Q. Mr. D'Amico, can you point me to a
13 dollar figure in your testimony that shows me the
14 costs you're incurring under today's arrangement?

15 A. No. I don't have any specific numbers
16 on studies or anything that Verizon has done.

17 Q. So you haven't done any cost or
18 traffic studies that you've submitted in this
19 proceeding?

20 A. No. Again, we're identifying the
21 issue, I think even the Maryland Commission has
22 agreed that there is a situation where Verizon
23 could be hauling it long distances and delivering

□00180

1 it to a CLEC's point of interconnection. So to
2 quantify that, we haven't gone that step, but
3 clearly the problem is there, and folks have
4 recognized it, and other than the Sprint
5 agreement, in Maryland, which attempts to reduce
6 our concerns, which we don't think has gone far
7 enough, I mean, that's why we're here.

8 Q. Mr. D'Amico, I think you cited the
9 FCC's NPRM in your rebuttal testimony? On page
10 12.

11 A. Probably. Yeah. It's on page 12 of
12 the rebuttal.

13 Q. Were you here for discussion with
14 Mr. Hoffmann about some of the factors the FCC is
15 considering as part of that NPRM?

16 A. Yeah. I mean, I don't know if I was
17 focused in on it, but I was sitting in the back
18 there.

19 Q. Would you like to see a copy of the
20 NPRM?

21 A. No.

22 Q. And two of the factors the FCC is
23 discussing, and I think it actually came out of a

000181

1 quote of Mr. Hoffmann's testimony, we could also
2 give you that if you wanted to look at it, were
3 the balance of traffic and distance, do you
4 recall that?

5 A. Yeah.

6 Q. Do you agree that costs could vary
7 based on the balance of traffic?

8 A. If there's a lot of traffic coming
9 from Verizon to the CLEC, that would heighten the
10 situation. That would increase our costs. So in
11 that scenario, yes, balance of traffic definitely
12 has a bigger factor.

13 Q. And could costs also vary based on
14 distance?

15 A. Yeah. I mean, I'm not a cost person,
16 but typically they do.

17 Q. Could the costs also vary based on the
18 terrain over which the carrier has to transport
19 the traffic?

20 A. You mean if you have to go over the
21 Grand Canyon?

22 Q. Or over the mountains?

23 A. Or over the mountain? I suppose, but

000182

1 I don't know how they engineer that.

2 Q. And is it possible that costs could
3 vary based on whether or not facilities are
4 already available or you have to augment
5 facilities and build new ones?

6 A. Let me think about that one.

7 If you have to build brand new
8 facilities, there's costs associated with that.
9 If you have to augment something that's existing,
10 I guess there would be different costs associated
11 with that. But again, I'm not sure that I'm the
12 right cost guy to, I'm just kind of saying, you
13 know, it makes sense to me.

14 Q. But do I understand your testimony
15 that even though many factors could influence the
16 cost of delivering traffic, you think the
17 Commission should consider interconnection as
18 expensive as soon as the call leaves the local
19 calling area?

20 A. Sure.

21 Q. Can you please turn to the, I believe
22 you used Sparks Glencoe in your testimony on page
23 7. Direct.

000183

1 A. Okay.
2 Q. I believe in this example you're
3 discussing a call from a Verizon customer located
4 in Sparks Glencoe to a US LEC customer that is
5 also located in Sparks Glencoe, is that correct?
6 A. Yes. On page 7.
7 Q. Now, on lines 19 through 20, you say
8 normally the call described above would be
9 charged as an intraLATA toll call because of how
10 it was routed. Correct?
11 A. Yes.
12 Q. So if this call was between two
13 Verizon customers located in Sparks Glencoe, and
14 it was routed through Columbia for some reason,
15 would Verizon be charging its customers a toll
16 call?
17 A. No. I think the example that I was
18 trying to make was that normally a call from
19 Sparks Glencoe to Columbia would be an intraLATA
20 toll call.
21 Q. But Sparks Glencoe to Sparks Glencoe
22 would be a local call?
23 A. Correct.

000184

1 Q. And if US LEC picks up the Sparks
2 Glencoe call in Columbia and carries it back to
3 Sparks Glencoe for termination, US LEC cannot
4 charge you terminating access charges, correct?
5 A. Right.
6 Q. They'd charge you for reciprocal
7 compensation?
8 A. Excluding all that ISP stuff, yes.
9 Q. Can we turn to your rebuttal testimony
10 now. On page 2.
11 A. Okay.
12 Q. Lines 12 through 13. You state
13 nonetheless, these customers may very well have
14 been assigned numbers in all or nearly all of the
15 NXX codes that US LEC has obtained.
16 A. Okay.
17 Q. Mr. D'Amico, what is the basis for
18 this statement, please?
19 A. Let me catch up.
20 I think the point that I was trying to
21 make here is that the CLEC may not actually haul
22 the call back to the local calling area, and they
23 may deliver it to a customer that's right across

□00185

1 the street from their switch.
2 Q. Okay. But isn't this sentence talking
3 about numbers and NXX codes? I mean, I
4 understand your physical transport argument but I
5 think this sentence talks about US LEC could have
6 assigned, you know, numbers from NXX, a hundred
7 NXX codes to a single customer. And I'm asking
8 you what's the basis for that statement.
9 A. It could do that.
10 Q. But you don't know if in fact US LEC
11 does that?
12 A. No.
13 Q. It's just speculation?
14 A. That's something that could happen.
15 And if US LEC isn't doing it, and again I don't
16 have information whether they are or they aren't,
17 they could.
18 Q. The next sentence. Moreover, it is
19 likely that these customers are located only a
20 very short distance from US LEC's switches.
21 Again, can you tell me the basis for that
22 statement?
23 A. That's kind of a general thing where

□00186.

1 we've run into this situation, where the
2 customers are right across the street. And
3 they're, the call isn't actually going back to
4 the local calling area.
5 Q. So it's a general situation, but
6 you're not sure if it's specific to US LEC?
7 A. No. And I think it gets more into the
8 VFX issue, which is, what, 3 and 4?
9 Q. Six, I believe.
10 A. Six.
11 Q. But you included it in your testimony
12 on issues 1 and 2.
13 A. Right.
14 Q. That's why I'm asking you questions
15 about it.
16 A. Right.
17 Q. You understand.
18 A. Right.
19 Q. And then I think it's the very next
20 sentence, thus, these customers could well
21 account for the vast majority of the traffic that
22 Verizon sends to US LEC.
23 A. Correct.

000187

1 Q. Again, this is a general statement and
2 you don't have traffic studies so you're not sure
3 if it applies to US LEC?

4 A. Correct. And I'm not even sure if we
5 did have traffic studies, if we would know where
6 that end user of US LEC's is physically located.

7 Q. Can you please turn to the Q and A at
8 the top of page 5 of your rebuttal. I'm afraid
9 we're going back to entrance facilities here.

10 A. Okay.

11 Q. Do you still have the contract in
12 front of you, Mr. D'Amico?

13 A. Sure.

14 Q. Can you look at page 53, Section
15 2.1.5.3?

16 A. Okay.

17 Q. First of all, that section doesn't
18 have any red line in it, right?

19 A. No.

20 Q. So presumably this is a section the
21 parties have agreed to?

22 A. Yep.

23 Q. Can you read that section, please?

000188

1 You don't have to read it out loud, just read it
2 for yourself to make sure you understand it.

3 A. I was going to say. The whole thing?

4 Q. Yes.

5 A. Okay.

6 Q. In your testimony, you seem to say
7 that Verizon is not responsible for paying a
8 nondistance-sensitive entrance facility.

9 A. Correct. Well, I think this example
10 is saying, you know, hey, Verizon delivered to US
11 LEC's switch and if you don't want to do that,
12 then you can buy an entrance facility from US LEC
13 to do that. And my response to that is we're
14 hauling these calls from outside the local
15 calling area, and it's kind of going in the other
16 direction for us to pay for that entrance
17 facility as opposed to either being compensated
18 for our transport or delivering it to a
19 collocation arrangement.

20 Q. Mr. D'Amico, doesn't Section 2.1.5.3
21 say that Verizon can agree to pay US LEC for that
22 entrance facility?

23 A. Yes, but this is the example that I

□00189

1 gave before, where Verizon would be delivering
2 traffic from throughout the LATA to an end
3 office, to a collocation arrangement that US LEC
4 has at a Verizon end office. And then purchasing
5 entrance facilities from US LEC to get to their
6 IP at the tandem collocation arrangement. That's
7 the scenario that, the one that I can think of
8 that addresses this.

9 Q. But this Section 2.1.5.3 doesn't say
10 anything about it being at an end office.

11 A. No. It's very generic. It says this
12 is what can happen.

13 Q. So if the POIs at the Verizon tandem
14 and the US LEC IP is at the US LEC switch, then
15 doesn't the section state that Verizon would pay
16 an entrance facility?

17 A. No. Because if, under the VGRIP
18 Verizon wouldn't be responsible to get to the US
19 LEC IP.

20 Q. All right. But I'm stating that under
21 the US LEC position, if the POI is at the tandem,
22 and the US LEC IP is at its switch, the section
23 says Verizon can use a nondistance-sensitive

□00190

1 entrance facility obtained from US LEC from the
2 POI, which is at the Verizon tandem to the US LEC
3 IP, which under US LEC's position is at its
4 switch. Correct?

5 A. Yes. I mean this section works both
6 with Verizon's VGRIP proposal as well as US LEC's
7 proposal. So you kind of have to go back to
8 Section whatever, 7, to look at the respective
9 parties' proposals or language on IPs and all
10 that.

11 Q. Mr. D'Amico, if the entrance facility
12 is nondistance-sensitive, do you agree that it
13 would address any concern about distance between
14 a Verizon tandem and a US LEC switch?

15 A. We still would have a situation where
16 Verizon is hauling that traffic from all of these
17 points, the local calling areas throughout the
18 LATA to the Verizon tandem.

19 Q. But if the Commission is concerned
20 about that distance between Verizon's tandem and
21 US LEC's switch, the nondistance-sensitive
22 entrance facility eliminates that distance
23 concern from the tandem to the US LEC switch.

□00191

1 Correct?

2 A. Let me just make sure I understand the
3 scenario. Today we're incurring costs from all
4 the local calling areas to the US LEC or to the
5 tandem. And we're not recovering those costs
6 through our end user, but under US LEC's
7 proposal, we would then pay a nondistance-
8 sensitive entrance facility. It just seems to be
9 going in the wrong direction. We're incurring
10 added costs instead of recovering our costs from
11 carrying outside the local calling areas.

12 Q. Mr. D'Amico, you're still not
13 answering my question.

14 A. Sorry. Try it again.

15 Q. If we look solely at the piece between
16 the Verizon tandem and the US LEC switch, and if
17 the Commission is concerned about the distance,
18 you know, if US LEC's switch is located one mile
19 versus 50 miles from Verizon's tandem, the
20 nondistance-sensitive nature of an entrance
21 facility addresses that concern for that piece of
22 the tandem to the US LEC switch.

23 A. For that specific isolated piece, if

□00192

1 Verizon wanted to purchase transport from US LEC,
2 that would address it. If Verizon's
3 self-provisioned, then we would be building that
4 50 miles or whatever it is. So the choice would
5 be build 50 miles, versus lease an entrance
6 facility.

7 Q. And I think you stated earlier that
8 Verizon's costs of delivering its traffic from
9 the local calling area to the tandem are not
10 recovered in its end user rates? Did I hear that
11 correctly?

12 A. That's my understanding.

13 Q. And where in your testimony can I find
14 evidence of that?

15 A. Evidence of where I said it?

16 Q. Evidence of the cost Verizon incurs to
17 deliver the traffic from the local calling area
18 to the tandem, first.

19 A. Other than me describing a situation
20 where point A to point B is normally a toll call,
21 but yet we're not allowed to recover intraLATA
22 toll from the end user, I mean, that's an
23 example. I don't have the costs broken out of

000193

1 what that is.

2 Q. And have you submitted the rates that
3 you charge your local customers in this docket?

4 A. No.

5 Q. Let's go to page 9 of your rebuttal,
6 please.

7 Lines 3 to 5, I guess. In this
8 example I think we're talking about a Verizon
9 customer in Sparks Glencoe calling another
10 Verizon customer in Sparks Glencoe. Right?

11 A. Yes.

12 Q. You state in completing that call,
13 Verizon bears the cost of switching the traffic
14 in an end office and if necessary transporting
15 the call between two end offices in that local
16 calling area? Correct?

17 A. Correct.

18 Q. And I assume based on your testimony
19 that you would do that for a local rate paid by
20 your customer?

21 A. Yes. I mean the local tariffs would
22 cover what we charge our local end user.

23 Q. And as we discussed earlier under the

000194

1 virtual IP option, Verizon will not bear the cost
2 of transport within that local calling area but
3 US LEC will pay that transport cost, correct?

4 A. This is back to the virtual IP at the
5 end office?

6 Q. Yes.

7 A. Yes.

8 Q. Mr. D'Amico, do you reduce the rate
9 your local customer pays since US LEC is now
10 compensating you for transport within the local
11 calling area?

12 A. No. And we don't add the rate either
13 when Verizon carries it outside the local calling
14 area to a US LEC location. From what I
15 understand, Verizon's local exchange tariffs
16 define the local calling area and they set those
17 rates. The VGRIP is trying to address the
18 transport outside of that calling area.

19 Q. Mr. D'Amico, you keep saying outside
20 the local calling area. Which concerns me
21 because I think we've established that VGRIPs
22 also requires US LEC to pay for transport within
23 the local calling area. And --

□00195

1 A. Under that aspect, yes. Sorry.
2 MR. PANNER: She hasn't asked a
3 question. And, you know, he's made a statement,
4 it seems to me you've explored it thoroughly, so
5 I would object to any further questions along
6 this line.

7 HEARING EX. MOORE: Overruled.

8 Q. Mr. D'Amico, are you aware that
9 Verizon operates a local tandem in the Baltimore
10 LATA?

11 A. I think that's Pikesville? Yes.

12 Q. And can you please explain the
13 function of a local tandem?

14 A. It's used for the delivery of
15 intraLATA traffic.

16 Q. Is it used for the delivery of local
17 calls?

18 A. In exchanging local calls with CLECs,
19 yes.

20 Q. But not from a Verizon customer to a
21 Verizon customer, the calls never overflow to a
22 local tandem?

23 A. Yeah, there's overflow through

□00196

1 tandems.

2 Q. So it's possible for the local rate
3 paid by your customer you will switch it through
4 a local tandem?

5 A. Yes.

6 Q. And under the virtual IP option in
7 VGRIPs, if you switch a call from a Verizon
8 customer to a US LEC customer through a local
9 tandem, isn't it true that under the virtual IP
10 option you propose to charge US LEC for that
11 tandem switching?

12 A. Yes. It says applicable switching, I
13 believe, in the language.

14 Q. Again Mr. D'Amico, do you know if you
15 reduce the rate paid by the Verizon end user
16 customer since US LEC is paying for that tandem
17 switching?

18 A. Same answer that I gave before. No,
19 we do not, as well as we do not increase it in
20 the other situation.

21 Q. Turning to page 10 of your rebuttal
22 now. I believe lines 7 through 10. You're
23 discussing US LEC's tariff.

000197

1 A. Yes.
2 Q. Are you aware of whether US LEC serves
3 business customers primarily?
4 A. No.
5 Q. Are you aware if Verizon charges
6 different rates for residential and business
7 customers?
8 A. I think they do.
9 Q. And are you aware whether or not
10 Verizon's rates include a distance factor?
11 MR. PANNER: Objection. Foundation,
12 beyond the scope of his direct.
13 MS. FINN: I think Mr. D'Amico has
14 testified about the local rates, and the toll
15 rates, and whether or not the local rates cover
16 the cost of carrying the call some distance, and
17 he's also testified about US LEC's rates and how
18 they include a distance factor, and so I'm trying
19 to explore if Verizon's local rates include a
20 distance factor, when they're calculating local
21 rates.
22 HEARING EX. MOORE: You say it's
23 beyond the scope?

000198

1 MR. PANNER: He has not testified to
2 Verizon's rate structure or to the nature of
3 Verizon's business rates or what they contain, so
4 I don't see why, I don't see where, I don't
5 think, he's just said he's not that familiar with
6 the rates. I don't see where the foundation is
7 or how this is beyond, how this goes to anything
8 in the direct testimony.
9 HEARING EX. MOORE: I'm inclined to
10 agree. I'll sustain the objection.
11 Q. Can you turn to page 11 of your
12 rebuttal testimony now, please.
13 A. Okay.
14 Q. Lines 9 through 11, it looks like.
15 Accordingly those rates, and I think you're
16 referring to the UNE rates here, provide a means
17 for calculating the uncompensated expenses that
18 Verizon incurs as a result of US LEC's chosen
19 network architecture. Do you see that?
20 A. I do see that.
21 Q. So you would agree with me that you
22 talked about a means but you haven't done these
23 calculations?

□00199

1 A. Well, sure, they've, when we filed our
2 unbundled network element rates for transport
3 there was a, you know, a big proceeding, you
4 know, to formalize those rates. And so what I'm
5 trying to do here is not determine what they are,
6 you know, because either they've already been or
7 it's in an open proceeding. I'm just saying that
8 those would recover the costs from the end office
9 to the US LEC switch.

10 Q. In order to determine those costs
11 you'd have to know the distance, the minutes of
12 use, to apply those rates?

13 A. Yeah. Sure. You would have to
14 establish some assumptions or some criteria.

15 Q. And you would have to put those two
16 together in order to establish the cost that
17 Verizon incurs?

18 A. Sure. I think there's a formula
19 somewhere to do that. Or address that.

20 Q. On that line 10, Mr. D'Amico, you also
21 talk about uncompensated expenses.

22 A. Yes.

23 Q. And Mr. D'Amico, can you please point

□00200

1 me to the place in your testimony where you show
2 the expenses you incur, and compare that to the
3 local rates your customers pay?

4 A. I don't do that.

5 Q. I'm sorry?

6 A. I don't show that comparison.

7 Q. Can you turn back to page 9 of your
8 rebuttal?

9 A. Okay.

10 Q. You say the local service rates that
11 Verizon charges its customers compensate Verizon
12 for performing those tasks? Do you see that?

13 HEARING EX. MOORE: Where?

14 MS. FINN: I'm sorry. Lines 5 to 6.

15 A. Yes.

16 Q. And those tasks include switching the
17 traffic in an end office and if necessary
18 transporting the call between the end offices?

19 A. Right.

20 Q. That's from the prior sentence?

21 A. Yes.

22 Q. And then down at the bottom of the
23 page, line 21, beginning at line 21. I'm sorry,

□00201

1 beginning at line 22, I guess we need to read
2 both sentences together. Under US LEC's proposal
3 it would not be required to compensate Verizon
4 for that transport and switching. Nor would
5 Verizon receive compensation for those costs from
6 any other source.

7 Do you see that?

8 A. Correct.

9 MS. FINN: Your Honor, I guess I'd
10 like to ask you to revisit the objection
11 Mr. Panner raised because I think that these
12 sentences show that Mr. D'Amico is trying to
13 testify about the relationship between the costs
14 and its local rates. And that's why I'd like to
15 explore distances considered.

16 HEARING EX. MOORE: I think you're
17 right. I reverse my earlier decision. You can
18 ask that question.

19 MR. PANNER: Your Honor --

20 HEARING EX. MOORE: It's his
21 testimony. This is cross.

22 MR. PANNER: Actually his testimony
23 went to something different, but I'm happy to

□00202

1 have her go ahead.

2 HEARING EX. MOORE: Okay. Go ahead.

3 Q. So Mr. D'Amico, do you know if
4 Verizon's local rates are calculated by reference
5 to some kind of distance factor?

6 A. I don't know.

7 Q. Thank you. Let's turn to the last
8 page of your rebuttal testimony, please.

9 On this page I believe you discuss
10 the recent arbitration order of the Wireline
11 Bureau of the FCC, right?

12 A. Yes.

13 Q. I'm sorry. Can we go back to the
14 rates issue for one brief moment.

15 A. Sure.

16 Q. I think you testified earlier that
17 there is probably a difference between Verizon's
18 residential and business rates?

19 A. I think they treat them differently,
20 yeah.

21 Q. Do you know if the difference could
22 include something like a distance factor or the
23 facilities that the business customers purchase?

000203

1 A. No. I just remember from my early
2 days as a service rep in the business office
3 there was a residential group and there was a
4 business group, so I assume they treat them
5 differently.

6 Q. So is it possible that Verizon could
7 recover some of its costs from higher rates
8 charged to business customers?

9 MR. PANNER: Objection.

10 HEARING EX. MOORE: Basis?

11 MR. PANNER: Foundation. He's
12 testified that he doesn't know about that.

13 MS. FINN: I think he's talking about
14 uncompensated costs, and I'm trying to explore
15 what he believes his rates compensate for. And
16 he knows that there are differences between
17 residential and business rates.

18 HEARING EX. MOORE: Does that mean
19 that if he knows there's a difference because he
20 knows that, that it automatically flows that that
21 difference is a source of compensation?

22 MS. FINN: No, I'm asking if he knows
23 that.

000204

1 HEARING EX. MOORE: Okay. Answer the
2 question.

3 BY MS. FINN:

4 Q. Do you know, due to any difference in
5 local and business rates, if business rates
6 compensate Verizon for some of the costs it
7 incurs?

8 A. No, I don't know that.

9 Q. Now back to the last page of your
10 rebuttal.

11 A. Okay.

12 Q. On lines 11 through 12, I guess going
13 a little bit farther, you said that the Bureau's
14 decision does not cite or discuss the FCC's
15 holding in the local competition order, and
16 you're referring to paragraph 199 there. Do you
17 see that?

18 A. Yes.

19 Q. Mr. D'Amico, I take it you reviewed
20 this order to make sure that the Wireline Bureau
21 did not cite paragraph 199?

22 A. The relevant sections that address my
23 issues.

□00205

1 MS. FINN: I'd like to introduce, mark
2 as Exhibit US LEC No. 5 an excerpt of this FCC
3 order, Your Honor.

4 (US LEC Exhibit No. 5 was
5 marked for
6 identification.)

7 MS. FINN: May I approach?

8 HEARING EX. MOORE: Yes.

9 How much more do you have, Ms. Finn?

10 HEARING EX. MOORE: Okay. When a
11 lawyer says ten minutes you double that and it
12 comes a little bit closer to how much it's going
13 to take.

14 MR. SHOR: You asked how much time she
15 would have, you didn't ask how much he would
16 have.

17 HEARING EX. MOORE: All right.

18 THE WITNESS: Ten minutes for me.

19 BY MS. FINN:

20 Q. Mr. D'Amico, does this look like the
21 order you cite in your testimony?

22 A. Yes. Part of it.

23 Q. Can you please turn to page 25.

□00206

1 A. Okay.

2 Q. Do you see towards the bottom of that
3 top paragraph, do you see that footnote 113?

4 A. Yes.

5 Q. Can you read the sentence that ends at
6 footnote 113, please.

7 A. Verizon maintains that its proposal is
8 consistent with the Commission's Local
9 Competition First Report and Order, which stated
10 that a requesting carrier that wishes a
11 technically feasible but expensive
12 interconnection would, pursuant to Section
13 252-D-1, be required to bear the cost of that
14 interconnection.

15 Q. And footnote 113 cites to paragraph
16 199 of that order? Is that correct?

17 A. Yes.

18 Q. So in fact this order does cite to
19 that paragraph? Isn't that true?

20 A. I mean, it states that, you know,
21 Verizon maintains that, but it doesn't really say
22 anything one way or the other about it.

23 Q. But it does cite to that paragraph.

□00207

1 A. Yeah, if you want to --

2 Q. And are you aware that in this order,
3 the Wireline Bureau rejected Verizon's VGRIPs
4 proposal in favor of the proposals propounded by
5 the CLECs?

6 A. Yeah, I had heard that.

7 Q. And Mr. D'Amico, do you recall that
8 discussion we had about that nondistance-
9 sensitive entrance facility?

10 A. Yes.

11 Q. Can you please turn to page 34 of this
12 order?

13 A. Okay.

14 Q. Can you read paragraph 64, please.

15 A. Verizon argues that if the Commission
16 does not accept the VGRIPs proposal, it should
17 permit Verizon to address its legitimate
18 transport concerns by preventing the petitioners
19 from charging it distance-sensitive rates for
20 transport.

21 Q. Mr. D'Amico, does that sound like the
22 nondistance-sensitive entrance facility US LEC is
23 proposing?

□00208

1 A. Yeah. I mean, it's related to it.

2 Q. Mr. D'Amico, are you aware that in
3 this order the Wireline Bureau actually found
4 that Verizon has to pay distance-sensitive rates
5 for that transport?

6 A. Yes. And I --

7 Q. Then turning back to your rebuttal
8 testimony, lines 14 and 15, you state, finally, I
9 note that the Bureau's order has not yet been
10 reviewed by the FCC. Do you see that?

11 A. I do see that, yes.

12 Q. Mr. D'Amico, is Verizon complying with
13 the Bureau's order right now as far as you know?

14 A. Yes. Well, it's my understanding that
15 there was time frames to come up with contract
16 language, and, you know, go through that, so
17 they're doing that, those steps to comply with
18 it.

19 Q. And Mr. D'Amico, are you aware that
20 Verizon has offered CLECs in Virginia the
21 interconnection arrangements ordered by the
22 Wireline Bureau?

23 A. Yeah, I think they did.

00209

1 Q. And Mr. D'Amico, is it your
2 testimony -- Your Honor, US LEC would like to
3 mark another exhibit, Exhibit No. 6. And this is
4 the Verizon Virginia application for 271
5 authority. An excerpt.

6 May I approach?

7 HEARING EX. MOORE: Yes.

8 (US LEC Exhibit No. 6 was
9 marked for
10 identification.)

11 BY MS. FINN:

12 Q. Could you please turn to page 13 of
13 this application.

14 A. Okay.

15 Q. Do you see towards the bottom of the
16 page, right before the last paragraph starts,
17 Verizon is sending an industry letter advising
18 CLECs in Virginia that Verizon will accept such
19 requests from CLECs?

20 A. Yes.

21 Q. Are you aware if Verizon has actually
22 sent that letter?

23 A. I think they have.

00210

1 Q. And such requests refers back to the
2 interconnection architecture ordered in the
3 Wireline Bureau order? Is that correct?

4 A. I think it addressed everything in the
5 order.

6 Q. Okay. So Verizon has offered that to
7 all CLECs in Virginia, is Verizon willing to
8 offer it to US LEC in this proceeding?

9 A. I'm pretty sure, you know, the letter
10 stated in Virginia, our position in Maryland is
11 what it is. Is our VGRIP proposal.

12 Q. Mr. D'Amico, why are you unwilling to
13 offer what the Wireline Bureau ordered in
14 Maryland?

15 MR. PANNER: Objection.

16 HEARING EX. MOORE: Overruled.

17 MR. PANNER: I thought it
18 mischaracterized, but perhaps I'm mishearing.

19 HEARING EX. MOORE: What's the basis
20 for the objection?

21 MR. PANNER: I thought it
22 mischaracterized prior testimony, but I may be
23 mishearing. I take it what they meant to ask him

000211

1 is why Verizon is not offering the Wireline
2 Bureau. But I didn't hear it that way. That's
3 why I objected.

4 HEARING EX. MOORE: Okay. Ask your
5 question again, Ms. Finn.

6 MS. FINN: I'm happy to phrase it that
7 way. I'm not sure if I did actually.

8 MR. PANNER: You said why are you
9 offering it in Maryland.

10 HEARING EX. MOORE: No, it was just
11 the opposite. I thought why are you offering it
12 in Virginia and not in Maryland.

13 MR. PANNER: Oh, okay.

14 A. In Virginia we're abiding by the
15 order, and in Maryland, we don't feel that the
16 Virginia order, although the Virginia order says
17 that our proposal is, it complies with FCC rules,
18 so we don't feel that in Maryland that we're
19 violating, you know, the rules, and so we're
20 trying to address the transport issue.

21 The FCC Bureau, in a way, and maybe
22 this is just my characterization, said that NPRM
23 was going to look more into the transport issue,

000212

1 and while we're glad that that's going to happen,
2 we feel that, you know, a state could look at it
3 right now just as other states have done in North
4 Carolina and South Carolina and Ohio and other
5 states, and because we're not violating any of
6 the FCC rules, we could address it in Maryland.

7 Q. Mr. D'Amico, the Wireline Bureau did
8 find that the CLEC's proposal was more consistent
9 with FCC rules than VGRIPs, right?

10 A. Yes.

11 Q. And it did not limit its decision to
12 Virginia law, correct?

13 A. I don't know how that worked.

14 Q. But it applied federal rules? You
15 know that it did apply federal rules?

16 A. I'm pretty sure it looked at the
17 federal rules.

18 Q. So the only difference between
19 Verizon's willingness to offer the proposal in
20 Virginia and not willing to offer it in Maryland
21 is 50 miles? The distance between Virginia and
22 Maryland?

23 MR. PANNER: Objection.

000213

1 Mischaracterizes prior testimony.
 2 HEARING EX. MOORE: It's
 3 argumentative. I'll sustain.
 4 MS. FINN: Nothing further, Your
 5 Honor.
 6 HEARING EX. MOORE: Ms. Flynn.
 7 MS. FLYNN: Good afternoon,
 8 Mr. D'Amico.
 9 HEARING EX. MOORE: Before you get
 10 started, we're not going to get done today,
 11 right?
 12 MR. SHOR: It depends on what time you
 13 want to finish.
 14 HEARING EX. MOORE: What does that
 15 mean? If I want to finish at ten o'clock tonight
 16 you could get done today?
 17 MR. SHOR: I don't know how much
 18 cross-examination they have for Ms. Montano on
 19 the remaining issues and I don't know how much
 20 cross-examination he has for the Staff witness,
 21 Mr. Molnar.
 22 But you're probably right.
 23 HEARING EX. MOORE: So after

000214

1 Mr. D'Amico we're looking at Ms. Montano again.
 2 MR. SHOR: First Mr. Molnar, then
 3 Ms. Montano, and Mr. Haynes.
 4 MR. PANNER: Verizon's witness on
 5 issue 6.
 6 HEARING EX. MOORE: We're going to be
 7 here tomorrow.
 8 Can we wrap up with Mr. D'Amico
 9 today?
 10 MR. SHOR: Yes.
 11 HEARING EX. MOORE: Because I need to
 12 tell my boss for scheduling purposes for
 13 something else that we're doing that we're going
 14 to be going tomorrow and we can make other
 15 adjustments. It's not going to impact what we do
 16 tomorrow, but it will impact the other matter
 17 that needs to be dealt with. Okay? So why don't
 18 we count on finishing Mr. D'Amico today, then
 19 adjourn and reconvene tomorrow morning at 10.
 20 MR. SHOR: I thought maybe perhaps we
 21 could, if we finish with Mr. Molnar today we
 22 would completely finish up issues 1 and 2,
 23 although he does offer testimony on issue 6.

□00215

1 MS. FLYNN: We agreed earlier that you
2 would just ask questions on issue 6, out of turn,
3 so we could complete Mr. Molnar in one piece. We
4 wouldn't have to recall him to the stand.

5 MR. SHOR: That's fine with me, but
6 I'll leave it up to your discretion. I'm more
7 than happy to address him tomorrow as well.

8 HEARING EX. MOORE: We've got it
9 scheduled for two days, I'd just as soon, my
10 brain starts to fog over at a certain point in
11 time, especially dealing with stuff like this.

12 And I know you all, as important as
13 this is, you don't want me trying to make
14 decisions with a foggy brain. So it would be
15 better if we wrap up today and come back
16 tomorrow. And I'm fresh, you're fresh, and we
17 can do it correctly.

18 MR. SHOR: Okay, go ahead.

19 CROSS-EXAMINATION

20 BY MS. FLYNN:

21 Q. Mr. D'Amico, I have very little for
22 you. You were the same witness who testified in
23 the Sprint arbitration proceeding, were you not?

□00216

1 A. Yes.

2 Q. And are you familiar with the decision
3 that came out of the Sprint arbitration?

4 A. Yes.

5 Q. I have a copy of that decision here,
6 and I would hope you will read one paragraph of
7 it that discusses the VGRIP decision in
8 Maryland.

9 A. Okay.

10 MR. PANNER: Your Honor, could we know
11 what he's looking at?

12 MS. FLYNN: Yes. This is the Sprint,
13 I'm sorry. This is the Commission order, it's
14 page 30. And this was issued October 1, 2001.

15 MS. FLYNN: It's page 29.

16 MR. PANNER: Mine says October 24.
17 Are we talking about the same order?

18 MS. FLYNN: October 24. I'm sorry.
19 My eyes are going. It's terrible.

20 A. So upon down to where?

21 Q. Down to the end of the highlighting.

22 A. Okay. Upon consideration of this
23 issue, we believe that the policies established

□00217

1 in the MFS decision govern this area and that
 2 Verizon's GRIP and VGRIP would subvert such prior
 3 decision and effectively penalize CLECs for their
 4 right to choose the point of interconnection in
 5 the access tandem serving area. During the
 6 testimony in this case, it became clear that
 7 Verizon disagrees with the provisions of the MFS
 8 decision that co-carriers are required to
 9 establish only one interconnection point within
 10 the tandem serving area, and that there was no
 11 requirement to pay for transport beyond such
 12 interconnection point.

13 Q. Now, Mr. D'Amico, was the VGRIP
 14 proposal that you proposed here in the Sprint
 15 decision the same as the one you're proposing
 16 today?

17 A. Yeah. Fundamentally the same thing.

18 Q. And is it the same VGRIP proposal that
 19 you proposed before the FCC?

20 A. Pretty much the same thing.

21 Q. But you're unwilling to, well, I won't
 22 do the follow-up question.

23 MS. FLYNN: That's all I have, Your

□00218

1 Honor.

2 HEARING EX. MOORE: Any redirect?

3 MR. PANNER: We will have a little
 4 bit, Your Honor. Could we have five minutes?

5 HEARING EX. MOORE: Yeah. Why don't
 6 we, 3:35. Reconvene at 3:35.

7 (Recess taken -- 3:27 p.m.)

8 (After recess -- 3:35 p.m.)

9 HEARING EX. MOORE: Okay. Where were
 10 we. Redirect?

11 MR. ANGSTREICH: Redirect, Your
 12 Honor.

13 HEARING EX. MOORE: Go ahead.

14 REDIRECT EXAMINATION

15 BY MR. ANGSTREICH:

16 Q. Mr. D'Amico, during her questioning,
 17 Ms. Finn used the term physical IP. Is that term
 18 in the agreement or Verizon's version of the
 19 agreement?

20 A. No. In Verizon's agreement there's
 21 two terms. Point of interconnection, which is
 22 the physical twisting of the wires, if you will,
 23 and then there's the interconnection point, which

□00219

1 is a financial responsibility point.

2 Q. So those two might overlap?

3 A. Correct. Those, even though they're
4 separate defined terms, they could be in the same
5 location, as well as being in different
6 locations.

7 Q. Another suggestion that Ms. Finn made
8 is in the interconnection agreement Verizon
9 defines the possible interconnection points that
10 US LEC can choose -- off the record.

11 (Discussion off the record.)

12 Q. US LEC could maintain its not
13 geographically relevant interconnection point at
14 its switch, though. Under Verizon's proposal.

15 A. Yes. Yes. Under that scenario, the
16 physical location would remain the same, the POI
17 would remain the same, it's just that the IP
18 would be a financial aspect and we would recover
19 the transport that way.

20 Q. Ms. Finn also asked some questions
21 about calls in the Sparks Glencoe local calling
22 area.

23 A. Yes.

□00220

1 Q. Now, earlier, I had a discussion with
2 Mr. Hoffmann about the Essex local calling area.
3 For purposes of that discussion is there any
4 relevant difference between Essex and Sparks
5 Glencoe?

6 A. No.

7 Q. If it's okay I'm going to say Essex
8 because it's shorter. If there are two customers
9 in Essex, two Verizon customers, would Verizon
10 ever transport the call to Columbia in order to
11 complete the local call?

12 A. No.

13 Q. But if there's a US LEC customer in
14 Essex and a Verizon customer calls a US LEC
15 customer in Essex, would Verizon transport the
16 call to Columbia?

17 A. Yes. US LEC's switch is located in
18 Columbia so Verizon would have to transport that
19 call down to Columbia.

20 Q. If US LEC's switch were located in
21 Annapolis, would Verizon have to transport it
22 there?

23 A. Yes.

000221

1 Q. Would Verizon ever, assuming US LEC's
2 switch is not in Essex or in the Essex local
3 calling areas, would Verizon ever be able to
4 complete a call between a US LEC customer, I'm
5 sorry, a Verizon customer in Essex to a US LEC
6 customer in Essex without the call leaving the
7 local calling area?

8 A. Not if their point of interconnection
9 was located outside the local calling area in
10 this example.

11 Q. So is it correct to say that 100
12 percent of the time, every call from a Verizon
13 customer to a US LEC customer in Essex would
14 leave the local calling area?

15 A. Yes. In that example.

16 Q. Ms. Finn also asked about the
17 calculation of the costs that Verizon incurs as a
18 result of that transport. You had mentioned
19 something about a formula. Are you suggesting
20 that it's just a question of math?

21 A. What I was referring to was the
22 calculation of the offset. As a way to use the
23 unbundled network element rates and to apply some

000222

1 assumptions to that and to come up with an
2 operational way to apply that offset.

3 Q. But assuming you know the distance and
4 the number of switches, it's just multiplication
5 then?

6 A. Correct.

7 Q. Can I borrow your copy of the Sprint
8 arbitration, because your paginations are a
9 little bit different than mine.

10 May I approach, Your Honor.

11 HEARING EX. MOORE: Yes.

12 MR. SHOR: What page are you looking
13 at?

14 MR. ANGSTREICH: The bottom of page
15 29.

16 BY MR. ANGSTREICH:

17 Q. Mr. D'Amico, if you could read from
18 accordingly, it's very long, to the end of the
19 paragraph?

20 A. Okay. Accordingly, we reaffirm our
21 prior interconnection policies contained in the
22 MFS decision, including the requirement of one
23 point of interconnection per access tandem

□00223

1 serving area with the general policy that
2 carriers are responsible for their own traffic up
3 to the point of interconnection.

4 Q. Can you stop right there for a second,
5 Mr. D'Amico. Under US LEC's proposal, Verizon is
6 required to transport traffic -- is required to
7 bear financial responsibility for carrying its
8 originating traffic up to the point of
9 interconnection or the IP?

10 A. To the interconnection point, the IP.

11 Q. Continue reading, thank you.

12 A. However, in recognition of Verizon's
13 concerns that distantly located points of
14 interconnection could result in high costs, we
15 accept the Sprint compromise proposal as a
16 reasonable measure to protect Verizon from
17 absorbing unreasonably high costs for transport
18 of traffic.

19 The Sprint compromise would require
20 the establishment of additional interconnection
21 locations once traffic reaches certain volumes
22 and distances, while also requiring new
23 facilities to be established within a reasonable

□00224

1 proximity of Verizon's switching centers.

2 We believe this proposal strikes a
3 reasonable compromise to protect Verizon from the
4 cited fear of long and expensive interconnection
5 points chosen by Sprint while preserving the
6 right of CLECs to choose interconnection points,
7 which right we believe is necessary to enhance
8 the competitive environment and establishment of
9 new companies.

10 Q. Thank you, Mr. D'Amico. One final
11 question. The Sprint agreement, is US LEC able
12 to opt into that?

13 A. Yes.

14 Q. I have one follow-up question. Can
15 you describe what it means for a company to opt
16 into an agreement?

17 A. Basically, the term that I've heard is
18 MFN, most favored nations. It basically says
19 that, and I forget what part of the rules, but
20 one CLEC can adopt the provisions of another
21 carrier in that state. So US LEC could come in
22 and say I want the Sprint agreement, and we would
23 process that.

□00225

1 Q. So that means US LEC could get the
2 precise terms that this Commission has already
3 established in the Sprint order for its own
4 interconnection agreement?

5 A. Yes, it's my understanding.

6 MR. ANGSTREICH: Thank you very much.
7 No further questions at this time.

8 EXAMINATION

9 BY HEARING EX. MOORE:

10 Q. I have a question. In this case, what
11 is the interconnection point or the point of
12 interconnection? Is it at the Pikesville
13 tandem?

14 A. The, in the current example, or the
15 current architecture, US LEC's interconnection
16 point is at their switch. And so therefore,
17 Verizon is responsible to get its traffic to US
18 LEC's switch, even though those calls are coming
19 from outside of the various calling areas.

20 Q. I'm having difficulty visualizing
21 this. So I heard earlier that looking at this
22 diagram which was Verizon Exhibit 2, and correct
23 me if I'm wrong now at this point, is this a

□00226

1 reflex of the current architecture that's being
2 addressed in this agreement? Or is this just an
3 example for purposes of discussion?

4 MR. PANNER: Your Honor, I think that
5 it's a schematic that represents the, that
6 represents the call flow and where the wires go,
7 and I think that under the current architecture,
8 and obviously US LEC will correct me to the
9 extent I get this wrong, under the current
10 architecture and the current arrangement, the
11 question of financial responsibility is that we,
12 that Verizon is bearing the cost and the burden
13 of getting the call to the US LEC switch over
14 those wires. Often they're, who is, who actually
15 lays the wires in the ground or what's called
16 provisioning a facility, that I don't know the
17 answer to that.

18 I don't know precisely how those are
19 set up under the current arrangement. But the
20 question financial responsibility is we're
21 responsible to get it there and we may make
22 different arrangements to do that, including
23 sometimes there will be a situation where Verizon

□00227

1 will purchase the use of a facility that US LEC
2 had provisioned by Verizon in the first place.
3 So that actually who's doing the work and putting
4 the physical wires in the ground doesn't
5 necessarily reflect who bears the responsibility,
6 but in terms of who bears the financial
7 responsibility, it's Verizon bears the
8 responsibility under the current arrangement to
9 get the call to the US LEC switch.

10 MR. SHOR: In answer to your question
11 about the specific diagram, the only piece of it
12 that I know is fact is that US LEC's switch is in
13 Columbia. And Mr. Hoffmann testified that there
14 are, US LEC has POIs at the Charles Street
15 tandem, the Pikesville tandem, and the Annapolis
16 tandem. I don't know that those are specifically
17 represented on that schematic.

18 HEARING EX. MOORE: Right. They're
19 not. Okay. I'm trying to get a visual picture
20 of, because apparently conceptually what I've
21 heard thus far is that, one of the arguments is
22 that I thought I heard you say, Mr. Shor, that in
23 your view Verizon's position was one in which it

□00228

1 was causing or seeking to bring about a change in
2 your client's architecture. And that from your
3 point of view, that that wasn't something that
4 was appropriate or should be done. Is that a
5 generalized characterization that's correct?

6 MR. SHOR: That is correct. It's
7 either that we have to change the architecture or
8 they impose what we have termed transport
9 penalties on us.

10 HEARING EX. MOORE: So where is the
11 physical connection of your system to Verizon's
12 network? That's at the Columbia switch? Is what
13 you're telling me?

14 MR. SHOR: The physical connections --

15 HEARING EX. MOORE: That's where the
16 systems, that's where the plug goes into the
17 wall?

18 MR. SHOR: It's my understanding the
19 physical connections are at the three tandems.
20 The plugs go in the wall in Annapolis, Charles
21 Street, and Pikesville.

22 HEARING EX. MOORE: Okay. And that,
23 the physical connection is different from the

□00229

1 point of, from the POI? From the POI?

2 MR. SHOR: The physical connection is
3 the POI.

4 HEARING EX. MOORE: So there are three
5 POIs?

6 MR. SHOR: Yes. US LEC I think
7 delivers traffic to those three POIs to Verizon.

8 MR. PANNER: I think, Your Honor, at
9 least it was Mr. Hoffmann's testimony that they
10 pick up traffic there as well.

11 HEARING EX. MOORE: Okay. That makes
12 sense. Okay.

13 MR. PANNER: Your Honor, once you
14 figure this out you can explain it to counsel.

15 HEARING EX. MOORE: Between now and
16 the end of the day tomorrow hopefully I'll have
17 enough of an understanding of it that we can make
18 an intelligent decision.

19 All right. Who's next?

20 MR. SHOR: We have to, let me see if
21 we have any recross. I don't believe we do, let
22 me just double-check.

23 HEARING EX. MOORE: All right.

□00230

1 MR. SHOR: We have nothing further.

2 HEARING EX. MOORE: May Mr. D'Amico
3 step down?

4 MS. FLYNN: I have nothing further.

5 HEARING EX. MOORE: All right. Thank
6 you, sir.

7 (Witness excused.)

8 HEARING EX. MOORE: We're finished for
9 the day, I take it. We will reconvene at 10. I
10 can tell you based on the other matter I was
11 suggesting that I will have to deal with when we
12 start tomorrow, we'll go from 10 to about 12.
13 Precisely at 12, we can't go beyond 12:00. We'll
14 break an hour, hour and 15 minutes for lunch and
15 reconvene at, say, 1:15, and hopefully finish
16 up.

17 MR. SHOR: Would it assist Your Honor
18 if we started at 9:30?

19 HEARING EX. MOORE: I don't have any
20 problems with that. I'll be here. It's you all
21 who are coming from different places, and traffic
22 tends to thin out a little bit if people have to
23 get here by ten, but if you want to be here at

000231

1 9:30 so we can start at 9:30, that's fine with
 2 me.
 3 Is it okay with you, Madam Reporter?
 4 THE REPORTER: Yes.
 5 MR. SHOR: Off the record.
 6 (Discussion off the record.)
 7 MR. PANNER: Your Honor, just to
 8 clarify, Mr. D'Amico has a flight this evening
 9 and will not be back, if that's all right with
 10 Your Honor.
 11 HEARING EX. MOORE: That's fine. If
 12 nobody else has any need for any further
 13 testimony for any other witness that has
 14 testified, you're free to release them.
 15 All right. Thank you all very much.
 16 We'll see you first thing tomorrow morning at
 17 9:30.
 18 (Whereupon, the hearing on Case No.
 19 8922 adjourned at 3:54 p.m.)
 20 -----
 21
 22
 23

000232

1 REPORTER'S CERTIFICATE
 2
 3 - - - - - :
 4 IN THE MATTER OF THE :
 5 ARBITRATION OF US LEC : CASE NO. 8922
 6 OF MARYLAND, INC., VERSUS :
 7 VERIZON MARYLAND, INC. :
 8 - - - - - :
 9
 10
 11 LOCATION OF HEARING: Baltimore, Maryland
 12
 13 DATE OF HEARING: Tuesday, August 20, 2002
 14
 15
 16 I hereby certify that the foregoing
 17 proceeding was reported by me, and that the
 18 transcript is true, accurate and complete, to the
 19 best of my knowledge and belief.
 20
 21
 22 _____
 23 Court Reporter

□00233

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1	E X H I B I T S		
2			
3	EXHIBIT NUMBER	IDENTIFIED	RECEIVED
4	US LEC 1	57	
5	US LEC 2	57	
6	US LEC 3	139	
7	US LEC 4	139	
8	US LEC 5	205	
9	US LEC 6	209	
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11	VERIZON 1	59	
12	VERIZON 2	62	
13	VERIZON 3	62	
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17	VERIZON 7	145	149
18	VERIZON 8	148	149
19			
20			
21			
22			
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00235

1 VOLUME III
2 PUBLIC SERVICE COMMISSION OF MARYLAND
3
4 - - - - - :
5 IN THE MATTER OF THE :
6 ARBITRATION OF US LEC : CASE NO. 8922
7 OF MARYLAND, INC., VERSUS :
8 VERIZON MARYLAND, INC. :
9 - - - - - :

10
11 Public Service Commission
12 William Donald Schaefer Tower
13 6 St. Paul Street
14 19th Floor Hearing Room
15 Baltimore, Maryland 21202
16 Wednesday, August 21, 2002 - 9:30 a.m.
17

18 BEFORE: DAVID L. MOORE
19 Hearing Examiner
20

21
22 Reported by:
23 Diane K. D'Argenio, RPR-RMR

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P R O C E E D I N G S

(9:30 a.m.)

HEARING EX. MOORE: Good morning,
ladies and gentlemen. Today is Wednesday, August
21st, 2002, the time is now 9:34 a.m. I'm David
L. Moore, Public Service Commission Hearing
Examiner, the case on the docket for this morning
is continuation of a matter that got started
yesterday, Public Service Commission Case
No. 8922, in the matter of US LEC of Maryland,
for arbitration with Verizon Maryland, Inc.,
pursuant to 47 USC 252-B, Communications Act of
1934, as amended by the Telecommunications Act of
1996.

For the record, will counsel identify
themselves, please, starting with you, Mr. Shor.

MR. SHOR: Thank you, Your Honor.
Good morning, Michael Shor, Swidler, Berlin,
Shereff & Friedman, for Petitioner US LEC of
Maryland, Incorporated.

MR. PANNER: Aaron Panner, Kellogg,
Huber, Hansen, Todd & Evans, for Verizon
Maryland, Inc.

000239

1 MR. ANGSTREICH: Scott Angstreich,
2 also Kellogg, Huber, Hansen, Todd & Evans, also
3 for Verizon.

4 MS. FLYNN: And Janice M. Flynn for
5 the Staff of Public Service Commission.

6 HEARING EX. MOORE: Thank you very
7 much. Ready to resume?

8 MR. SHOR: Your Honor, if possible, we
9 would like to request a slight shift from the
10 order we had discussed yesterday. My remaining
11 witness has a flight, and we'd like to put her on
12 the stand now as opposed to the order we had
13 discussed yesterday, if that's acceptable to
14 you.

15 HEARING EX. MOORE: That's fine.

16 MR. SHOR: Also as a preliminary
17 housekeeping matter US LEC would like to move the
18 admittance of the prefiled direct and rebuttal
19 testimony of Mr. Frank Hoffmann who was subject
20 to cross-examination yesterday. And we'd also
21 like to move the admission of US LEC Exhibits 5
22 and 6, which were introduced during the
23 cross-examination of Mr. D'Amico yesterday

00240

1 afternoon.

2 HEARING EX. MOORE: Okay. Any
3 objection?

4 MR. PANNER: No objection, Your
5 Honor.

6 MS. FLYNN: None.

7 HEARING EX. MOORE: Without objection,
8 those exhibits shall be admitted into the record.

9 (US LEC Exhibit Nos. 1 and
10 2 were received in
11 evidence.)

12 (US LEC Exhibit Nos. 5 and
13 6 were received in
14 evidence.)

15 MR. SHOR: As well as the testimony of
16 Mr. Hoffmann?

17 HEARING EX. MOORE: Yes.

18 MR. SHOR: Your Honor, US LEC would
19 like to call Ms. Wanda Montano to the stand. She
20 has offered testimony on the remaining issues
21 that are still in dispute between the parties.
22 We have already marked her prefiled direct and
23 rebuttal testimony as Exhibits I believe 3 and

000241

1 4. US LEC 3 and US LEC 4.
 2 HEARING EX. MOORE: That's correct.
 3 Just as a way of letting you know what
 4 I anticipate for the morning, I look to, I think
 5 11:45 as the break point for the morning, and
 6 we'll break, let's say from 11:45 to 1:15. That
 7 should give me enough time to take care of the
 8 other matter. Hopefully we can get all of this
 9 taken care of today in terms of remaining
 10 witnesses for the hearing. Is that your all's
 11 sense?
 12 MR. ANGSTREICH: Yes, Your Honor.
 13 MR. SHOR: I'd like to say we could
 14 finish by 11:00, but that's overly optimistic.
 15 HEARING EX. MOORE: All right. If we
 16 can, we can. If not, as I say, when we put this
 17 on the schedule it was blocked out for two days.
 18 So aside from the matter that I need to take care
 19 of, we're here for the duration. Okay.
 20 MR. SHOR: Ms. Montano is available
 21 for cross-examination on issues 3, 4, 5, 6, and 8
 22 and 9.
 23 HEARING EX. MOORE: Ms. Montano, you

000242

1 were previously sworn yesterday and you're still
 2 under oath.
 3 THE WITNESS: Yes, sir.
 4 Whereupon,
 5 WANDA G. MONTANO
 6 a witness, was called for examination by counsel
 7 on behalf of US LEC, and, having been previously
 8 duly sworn, resumed and testified further as
 9 follows:
 10 CROSS-EXAMINATION
 11 BY MR. PANNER:
 12 Q. Good morning, Ms. Montano.
 13 A. Good morning.
 14 Q. Under the agreed terms of the
 15 agreement as it now stands between the parties,
 16 do you agree that traffic that is intrastate or
 17 interstate, exchange access, information access
 18 or exchange services for exchange access or
 19 information access is not subject to reciprocal
 20 compensation?
 21 THE WITNESS: Can I read over your
 22 shoulder just to see the words he said?
 23 (Reading realtime screen.)

000243

1 A. As those words were defined in the ISP
2 remand order and subject to whatever happens to
3 that order on remand, yes, I would agree with
4 your statement.

5 Q. And just to clarify, if you would look
6 at Verizon Exhibit 1, which is the marked-up
7 interconnection agreement.

8 MR. SHOR: Do you have a copy for her?
9 (Hanging.)

10 Q. If you could turn to page 64.
11 Provision 7.3.1, could you read that?

12 A. Reciprocal compensation shall not
13 apply to interstate or intrastate exchange
14 access, information access, or exchange services
15 for exchange access or information access.

16 Q. And there's no red lining or other
17 marks on that paragraph, is that correct?

18 A. No.

19 Q. So the parties have agreed to that
20 term, is that right?

21 A. Yes.

22 Q. So would you also agree that under the
23 plain terms of that provision, that any traffic

000244

1 that is in fact interstate or intrastate,
2 exchange access, information access, or exchange
3 services for exchange access or information
4 access is not subject to reciprocal
5 compensation?

6 MR. SHOR: Asked and answered.

7 HEARING EX. MOORE: Overruled.

8 A. Yes.

9 Q. Okay. Can you now turn, please, to
10 page 43 of Exhibit 1. And if you could look to
11 proposed Section 5.1. Would you agree that under
12 that definition, voice information service is
13 defined to mean a service that provides either
14 recorded voice announcement information or a
15 vocal discussion program open to the public?

16 A. This is a disputed item in the
17 negotiations between the parties, but as it is
18 written, those words are there.

19 Q. Okay. So I've correctly represented
20 what, how voice information services are
21 defined?

22 A. As it's written, yes.

23 Q. Can you describe your understanding of

000245

1 what it means to, what recorded voice
2 information, recorded voice announcement
3 information is?

4 A. My understanding is that it's things
5 like time, temperature, information services that
6 are typically referred to with a 976 prefix on
7 the call.

8 Q. So would you agree that such services
9 allow the caller to retrieve information?

10 A. Yes.

11 Q. Can you describe US LEC's proposal
12 with respect to treatment of voice information
13 services?

14 A. US LEC's proposal on voice information
15 services is that it is, that Verizon is
16 attempting to carve out a class of services to be
17 exempt from recip comp that we do not believe
18 should happen.

19 Q. Okay. So --

20 A. It's local traffic and we should be
21 able to bill for it.

22 Q. I understand that's your position, but
23 what would you propose, would you propose

000246

1 deleting the definition of voice information
2 services from the agreement?

3 A. Yes, we would.

4 MR. PANNER: That's all I have on
5 issue 3, Your Honor.

6 And I'm going to move on to issue 4.

7 Q. Ms. Montano, what are caller-paid
8 information services?

9 A. Is that in my testimony somewhere?

10 Q. It's not in your testimony, it is in
11 US LEC's Maryland tariff.

12 A. May I see the tariff?

13 Q. Certainly.

14 MR. PANNER: It's already in the
15 admitted, Your Honor, as Exhibit 6.

16 May I approach the witness, Your
17 Honor?

18 HEARING EX. MOORE: Yes, you may.
19 (Handing.)

20 A. Do you have a page reference?

21 Q. I do. If you could go to Section 5.1
22 of the tariff, which is original sheet 52.

23 If you would look at the second

00247

1 paragraph on this page, it says the Company
2 service cannot be used to originate calls to
3 other telephone companies, caller-paid
4 information services, e.g. 900, 976. Did I read
5 that correctly?

6 A. Yes, you did.

7 Q. What are caller-paid information
8 services?

9 A. I believe the example that's given
10 there is the one that I spoke of earlier. 900,
11 976 calls.

12 Q. So they're calls that are made for
13 purposes of retrieving information?

14 A. Yes.

15 Q. And what's the significance of
16 caller-paid?

17 A. As opposed to an 800 or a toll-free
18 number.

19 Q. Can you explain to --

20 A. In 900 and 976 calls, the person who
21 originates the call pays for the call. So in the
22 case of 900, it's similar to a toll call, it
23 typically goes the to help desk, I think there

00248

1 are some other applications of inbound calls
2 where people are retrieving information and the
3 calls are typically fairly expensive, they
4 require a significant billing arrangement that we
5 have chosen not to get into and not to
6 implement. We've blocked the calls, and we tell
7 our customers that.

8 Q. So you block all calls to caller-paid
9 information services?

10 A. I can't say that we block all calls, a
11 particular customer may on an individual basis
12 ask us to permit them to make the calls, and then
13 we have to go out and make arrangements to do
14 that. But for the most part it is our standard
15 default unless the customer requests otherwise.

16 Q. Are you aware whether you permit any
17 customers in Maryland to make those calls?

18 A. I am not aware of Maryland.

19 Q. And according to your tariff, calls to
20 those numbers and other numbers used for
21 caller-paid information services will be blocked
22 by the Company's switch? Is that correct?

23 A. That's correct.

000249

1 Q. Now, you said that the charges for
2 these calls are typically, I think you said very
3 high. I may be using the wrong modifier, but you
4 said there are significant charges imposed?

5 A. As opposed to normal LD charges, yes.

6 Q. LD being long distance?

7 A. Yes.

8 Q. So are the charges for the
9 telecommunication service?

10 A. They are charges from the Company that
11 is providing the information service that are
12 significant.

13 Q. I see. So the charges are not for the
14 transmission, the long distance service, the
15 charges are for the information that's retrieved?

16 A. That's correct. It's a bundled
17 service. When you call into a 900 number and you
18 pay \$1.95 a minute to get your horoscope read,
19 for example, then you're paying for that
20 information, and let's say it's \$1.95 a minute
21 and that all goes, and the transmission is part
22 of that.

23 Q. Now, so the caller pays a separate

000250

1 charge -- strike that. Do you object to the
2 requirement for separate trunking for such calls?

3 A. Yes, I do.

4 Q. Why?

5 A. Because we don't believe that we need
6 a separate trunk group, nor do we believe that
7 this traffic should be carved out in any way that
8 would segregate it as being different.

9 Q. But you agree the traffic is different
10 from telecommunications traffic in that there's a
11 separate and very high charge imposed? Is that
12 correct?

13 A. By the information provider, not by
14 the telecom provider.

15 Q. And who's responsible for billing
16 that? For billing that charge?

17 A. It depends on how it's set up with the
18 information provider.

19 Q. Might the telephone company be
20 responsible for billing that charge?

21 A. If the billing arrangements are in
22 place, yes.

23 Q. But you stated that you do not

000251

1 generally permit your customers to originate this
2 traffic? Is that right?
3 A. That's correct.
4 Q. So the separate trunking requirement
5 would impose no obligation on you, is that
6 correct?
7 A. It would impose an obligation if you
8 would force me to do that.
9 Q. But if you didn't originate any such
10 traffic, you wouldn't be required to do that? Is
11 that correct?
12 A. I guess not.
13 Q. What is US LEC's proposal with respect
14 to that disputed Section 5.3 which relates to the
15 separate trunking requirement?
16 A. Are we back to the interconnection
17 agreement now?
18 Q. Yes, we are.
19 MR. PANNER: And that is also on page
20 43, Your Honor.
21 A. Our proposal with regard to anything
22 to do with this particular item is that it should
23 be struck in its entirety from the agreement.

000252

1 MR. PANNER: I'll be moving on to
2 issue 5, Your Honor.
3 Q. Ms. Montano, were you here yesterday
4 when Mr. Shor made his opening statement in this
5 case?
6 A. Yes, I was.
7 Q. And were you here yesterday when
8 Mr. Hoffmann testified?
9 A. Yes, I was.
10 Q. Did you hear Mr. Shor refer to traffic
11 that US LEC receives from Verizon?
12 A. It's possible.
13 Q. Would you accept subject to check that
14 Mr. Shor referred to traffic that US LEC receives
15 from Verizon?
16 A. Yes.
17 Q. Did you hear Mr. Hoffmann make
18 repeated reference to traffic that US LEC
19 receives from Verizon?
20 A. Subject to check, yes.
21 Q. Did you know what they meant?
22 A. Without either one of them explaining
23 what they meant, I would not care to speculate.

00253

1 Q. So it's your testimony that when
2 Mr. Shor referred to traffic that US LEC receives
3 from Verizon, you did not know what he meant?

4 A. No.

5 Q. Did you ask him what he meant
6 afterwards?

7 A. No.

8 Q. So your lawyer made a reference to
9 traffic received from Verizon, you found that
10 incomprehensible, and yet you did not ask him
11 what he meant?

12 A. No.

13 MR. SHOR: To the extent he would be
14 inquiring into any communications that might have
15 taken place they would have been privileged and I
16 think that's about as far as I'm going to let her
17 go. She said there were no conversations but
18 he's inquiring beyond that.

19 MR. PANNER: I withdraw it.

20 HEARING EX. MOORE: It's withdrawn.

21 BY MR. PANNER:

22 Q. Did you ask Mr. Hoffmann what he meant
23 when he referred to receiving traffic?

00254

1 A. No.

2 Q. Does Mr. Hoffmann work for you?

3 A. Yes, he does.

4 Q. Did you not find it strange that your
5 employee would use a term that you found
6 incomprehensible during testimony?

7 MR. SHOR: Objection.
8 Mischaracterized her testimony. She didn't say
9 she found it incomprehensible, she said without
10 asking Mr. Hoffmann she didn't know how he was
11 using it.

12 HEARING EX. MOORE: Rephrase the
13 question, if you can.

14 Q. You didn't ask your employee why he
15 used a term you did not understand when he
16 referred to traffic which was at issue in this
17 proceeding?

18 A. No.

19 Q. Have you ever received a letter?

20 A. Yes.

21 Q. Do you know what the word receives
22 means in that context?

23 A. Yes.

□00255

1 Q. Has US LEC ever received traffic from
2 Verizon in the State of Maryland?

3 A. We have had traffic terminated to us
4 by Verizon in the State of Maryland.

5 Q. You're saying that Verizon terminates
6 that traffic?

7 A. Yes.

8 Q. It's your testimony that when Verizon
9 originates traffic it also terminates it?

10 A. It terminates it to my network if it's
11 destined to my subscribers, yes.

12 Q. Do you pay Verizon, when Verizon
13 originates and terminates calls to your network,
14 do you pay reciprocal compensation for that
15 termination?

16 A. No, because when the traffic
17 terminates to us we charge them.

18 Q. But you're saying that Verizon
19 terminates that traffic?

20 A. The words originating and terminating
21 are used to indicate the direction of the traffic
22 when we discuss whether traffic is coming into or
23 out of a network.

□00256

1 Q. And you just said that Verizon
2 terminates traffic to US LEC. Is that correct?

3 A. Yes.

4 Q. So when Verizon, a Verizon caller
5 makes a call that is delivered to a US LEC
6 customer, Verizon terminates the traffic?

7 A. Yes, it terminates it into my
8 network.

9 Q. Okay. And who should be paid
10 reciprocal compensation? Is it the party that
11 terminates the traffic?

12 A. It is the network that originates the
13 call that is -- that pays reciprocal compensation
14 to terminate the call on the other network.

15 Q. But you said in a call that a Verizon
16 customer makes Verizon terminates the call. Is
17 that correct?

18 A. To a point on my network, yes. I then
19 pick up the call and carry it.

20 Q. But who performs the termination
21 function?

22 A. How do you define termination
23 function?

000257

1 Q. How do you define termination
2 function.

3 MR. SHOR: Objection. This is getting
4 a little argumentative.

5 MR. PANNER: Your Honor, the key
6 question here is whether the word receiving is
7 more appropriate than the word terminating. One
8 of the objections that Mr. Shor made in his
9 opening statement is the word received is not
10 defined. She has asked me how I defined
11 terminating, I didn't use the term, she used the
12 term, I'm asking her how she is using the term.

13 MR. SHOR: I'm just suggesting that
14 it's getting a little argumentative.

15 HEARING EX. MOORE: Overruled.

16 BY MR. PANNER:

17 Q. How do you define termination. You've
18 been repeatedly referring to Verizon terminating
19 a call to US LEC's network. How do you define
20 that term?

21 A. It's the point at which a call leaves
22 your network and therefore it's terminated at
23 your network and it hits someone else's network.

000258

1 Q. Are you familiar with the 1998 FCC
2 ruling that held that -- strike that. Are you
3 familiar with the 1999 FCC ruling in which the
4 FCC reiterated its conclusion that calls bound
5 for ISPs do not terminate, are not terminated by
6 the carrier serving the ISP but continue on to
7 points on the Internet?

8 A. Is that a legal conclusion you're
9 asking me to draw?

10 Q. I'm asking if you're familiar with
11 that word.

12 A. Yes.

13 Q. Thank you.

14 MR. PANNER: I have nothing further on
15 issue 5, Your Honor. I'll move on to issue 6.

16 Q. Ms. Montano, does US LEC offer FX
17 service in Maryland?

18 A. Yes, we do.

19 Q. Can you describe for the Hearing
20 Examiner what an FX service is?

21 A. A foreign exchange service allows a
22 subscriber in one area to have a local number in
23 another area for purposes of its customers

000259

1 reaching them without having to pay toll
2 charges.

3 Q. How many FX customers does US LEC have
4 in Maryland?

5 A. Eleven.

6 Q. And Ms. Montano, really just to clear
7 up a confusion, I'd like to introduce now Verizon
8 Exhibit 9. However, there's a, which will be
9 the -- may I have a moment, Your Honor?

10 HEARING EX. MOORE: Sure.

11 MR. PANNER: Forget it. I won't
12 introduce it.

13 Q. Ms. Montano, are you familiar with
14 your responses to the Staff data request?

15 A. Yes.

16 Q. And are you aware of your response to
17 the question does US LEC currently use virtual FX
18 service, skipping ahead, if yes, please explain
19 the type and quantity of such service
20 arrangements? Are you familiar with US LEC's
21 response to that question?

22 MS. FLYNN: Your Honor, could I just,
23 could you tell me what question that is?

000260

1 MR. PANNER: It's question 7.

2 Q. Are you familiar with the fact that US
3 LEC responded that it provides virtual FX service
4 to 12 customers in the State of Maryland?

5 A. Yes.

6 Q. Was that incorrect?

7 A. Yes, it was.

8 Q. So it's 11?

9 A. It's 11.

10 Q. Does US LEC have any customers outside
11 of Maryland to which US LEC assigns numbers,
12 Maryland numbers?

13 A. Can you repeat that again?

14 Q. Does US LEC have any customers located
15 outside of Maryland to which US LEC assigns
16 Maryland numbers?

17 A. Yes.

18 Q. Do you know how many of those
19 customers there are?

20 A. Subject to check, I believe it is 14.

21 Q. Fourteen.

22 A. Yes.

23 Q. And those are not identified in your

000261

1 responses to the interrogatories?

2 A. No.

3 Q. So there's 14 additional customers
4 with Maryland numbers who are, who were not
5 identified in response to the Staff or our
6 interrogatory concerning FX service in Maryland?

7 A. That is correct, except that we do not
8 provide foreign exchange service to them.

9 Q. Okay. We'll get to that.

10 Now, returning to the question of your
11 FX customers -- let me return to one further
12 question. You said that for the customers who
13 are outside of Maryland you do not provide FX
14 service to those customers?

15 A. That's correct.

16 Q. What service do you provide?

17 A. We provide them with a service that we
18 call local toll-free, where a subscriber that is
19 anywhere within our 14-state service area may
20 call that subscriber, reach our switch in that
21 distant city, the call is terminated there as a
22 local call, we regenerate that call on our long
23 distance network, carry it across our long

000262

1 distance network and deliver it to that
2 subscriber, who has purchased that Maryland
3 number, and the Maryland subscriber pays long
4 distance calls, a long distance call for that
5 service.

6 Q. We'll be spending a lot of time on
7 this later, but, or some time on this later, but
8 to clarify, are any of those 14 customers that
9 you referred to located either in the District of
10 Columbia or in northern Virginia within the 236
11 LATA?

12 A. No.

13 Q. Returning to FX service, foreign
14 exchange service provided to customers in
15 Maryland, do you impose a charge for foreign
16 exchange service?

17 A. Yes, we do.

18 Q. And in fact, the charge is, if I
19 remember correctly, a \$1,000 nonrecurring charge
20 plus \$500 each month for this charge? Is that
21 correct?

22 A. Actually, you have it backwards. The
23 nonrecurring is \$500 and the monthly recurring is

000263

1 \$1,000.

2 Q. So customers are paying \$12,000 a year
3 for this service? Is that correct?

4 A. If they purchase the full year
5 service, yes.

6 Q. Is that charge on top of other local
7 exchange service charges that you impose on those
8 customers?

9 A. Typically the customers are also
10 purchasing local service from us and so they
11 would be paying whatever charges relate to the
12 other services that they purchase. They could
13 also be purchasing data and Internet services as
14 well.

15 Q. Can you explain for the Hearing
16 Examiner what your customers get for that \$1,000
17 a month?

18 A. They receive a phone number in a
19 distant calling area that allows customers to
20 reach them there. For example, you could have a
21 florist here in Baltimore who wanted a number in,
22 who wanted local service in some distant city
23 here in Maryland. And they could call locally,

000264

1 they could get business here in their Baltimore
2 office, and that's why we would do that.

3 MR. PANNER: I'd like now to introduce
4 Verizon Exhibit 9.

5 (Verizon Exhibit No. 9 was
6 marked for
7 identification.)

8 BY MR. PANNER:

9 Q. Do you recognize this?

10 A. It appears to be a printout from our
11 website.

12 MR. PANNER: I move the admission of
13 Verizon Exhibit 9.

14 HEARING EX. MOORE: Any objection?

15 MS. FLYNN: None.

16 HEARING EX. MOORE: Without objection,
17 Verizon Exhibit 9 is admitted.

18 (Verizon Exhibit No. 9 was
19 received in evidence.)

20 MR. PANNER: Your Honor, as an aside,
21 we'll go back at a subsequent point and clean up
22 the admission of the prior exhibits.

23 HEARING EX. MOORE: I understand.

000265

1 BY MR. PANNER:

2 Q. If you could turn to the second page
3 of this exhibit. And go down to near the bottom
4 of the page, the second paragraph from the
5 bottom. It describes foreign exchange as an
6 enhanced local service, is that correct?

7 A. Yes.

8 Q. It says this involves inbound-only
9 calls. Is that correct?

10 A. Yes.

11 Q. Toll-free to the calling party,
12 correct?

13 A. Yes.

14 Q. Which is paid for by the called
15 party.

16 A. Yes.

17 Q. It also says if desired the service
18 includes a listing in the foreign White and
19 Yellow Pages of the incumbent local exchange
20 carrier's directory. Is that correct?

21 A. Yes.

22 Q. So as you've described it, if your
23 foreign exchange customer was assigned a number

000266

1 that was associated with the area where that
2 customer is actually located, the calls at issue
3 would be toll calls, is that correct?

4 A. That's correct.

5 Q. And US LEC is being paid by its
6 customer so that the calling party will not incur
7 a toll charge. Is that correct?

8 A. That's correct.

9 Q. And according to this, when you say
10 which is paid for by the called party, you're
11 referring to the toll charges, is that correct?

12 A. Yes.

13 Q. So you're being paid toll charges by
14 your customer on these calls? Is that correct?

15 A. No, that's not correct. We are being
16 paid the flat rate per month charge.

17 Q. In lieu of toll charges?

18 A. That's correct.

19 Q. To be clear, if a Verizon customer
20 makes the call, the toll charges that are being
21 paid in lieu of, they're making a payment in lieu
22 of toll charges, that was your testimony,
23 correct?

000267

1 A. Yes.

2 Q. The toll charges are ones that the
3 Verizon customer would have paid to Verizon, is
4 that correct?

5 A. Yes. Or to whoever their long
6 distance pick is.

7 Q. And if it was, just to explain, when
8 you say a long distance pick, it might be the
9 case that a local customer could use another
10 carrier to carry intraexchange LATA toll call
11 charges?

12 A. That's correct.

13 Q. And in that case the intraLATA toll
14 charges would be paid to that carrier, is that
15 correct?

16 A. Yes.

17 Q. And in that case the intraLATA toll
18 carrier would pay access charges to Verizon, is
19 that correct?

20 A. I can't speak to what your
21 relationship is with other interexchange
22 carriers.

23 Q. So you don't know if there would be

000268

1 access charges paid?

2 A. No, I do not.

3 Q. Does US LEC ever act as an intraLATA
4 toll carrier for an ILEC customer?

5 A. No, we do not.

6 Q. Would you accept subject to check that
7 on intraLATA toll calls carried by an
8 interexchange carrier that there are access
9 charges paid?

10 MR. SHOR: I'm going to object to that
11 one. I think she said she doesn't know. If
12 that's something he wants to prove with his
13 witness, he can.

14 HEARING EX. MOORE: Sustained.

15 Q. Now, you have stated that US LEC is
16 paid by its customer to relieve the Verizon
17 customer of the necessity of paying toll
18 charges. Have I summarized your testimony
19 correctly?

20 MR. SHOR: Objection.
21 Mischaracterizes. She talked about an
22 originating party, not necessarily Verizon.

23 MR. PANNER: I asked her if I've

□00269

1 characterized her testimony correctly. If I
2 haven't, I'm sure she'll correct me.

3 HEARING EX. MOORE: Well, can you
4 answer that question?

5 THE WITNESS: Yes, sir.

6 HEARING EX. MOORE: Answer it.

7 A. No, I do not believe you've
8 characterized my testimony correctly. The caller
9 who's calling any foreign exchange service
10 customer, whether it's provided by US LEC, by
11 Verizon, by any independent telephone company or
12 any other CLEC --

13 I lost my train of thought.

14 What I'm trying to say is there are
15 multiple carriers that can originate a call to a
16 foreign exchange number that terminates on
17 anybody else's network that provides the same
18 service.

19 Q. In the case of a call from a Verizon
20 customer, to a US LEC foreign exchange service,
21 and let me first add, with that issue in mind,
22 those are the calls at issue in this proceeding,
23 correct?

□00270

1 A. I suppose.

2 Q. We're not talking about calls
3 originated by other carriers because those
4 wouldn't be on Verizon's network, would they?

5 A. They potentially could be if they came
6 through your tandem as a transit function.

7 Q. Okay. But they're not originated by
8 Verizon, do you agree?

9 A. No.

10 Q. Is transit traffic at issue in this
11 proceeding?

12 A. I do not believe so.

13 Q. It's not, is that right? The parties
14 have settled any issue regarding transit traffic,
15 is that correct?

16 A. I believe so.

17 Q. So we are talking about traffic that's
18 originated on Verizon's network and sent to a US
19 LEC FX customer, is that correct?

20 A. And traffic that originates on the US
21 LEC network that's sent to a Verizon foreign
22 exchange subscriber.

23 Q. Okay. But in terms of US LEC's FX

000271

1 service we're talking about Verizon originated
2 calls, not calls originated by somebody else?

3 A. Yes.

4 Q. And in the case of those calls, it's
5 your testimony that US LEC's customers paid a
6 charge, a payment in lieu of the toll charges
7 that the Verizon customer would otherwise incur.
8 Is that correct?

9 A. Yes.

10 Q. Now, do you provide any other service
11 for the \$1,000 a month?

12 A. I do not believe so.

13 Q. Now, what payment do you propose to
14 make to Verizon in lieu of the toll charges that
15 Verizon would have been able to collect if you
16 had not set up this FX arrangement?

17 A. I don't believe that's been discussed
18 by the parties.

19 Q. Isn't the issue in this proceeding
20 intercarrier compensation for these calls?

21 A. Yes, I believe our position is that
22 the calls are local calls and should be subject
23 to reciprocal compensation.

000272

1 Q. So you're being paid a payment in lieu
2 of toll charges by your customer, correct?

3 A. Yes. So is Verizon when they offer
4 the service.

5 Q. Fine. But your position is that
6 Verizon should nonetheless pay you, is that
7 correct?

8 A. And your position is that when the
9 call is in reverse I should pay you. In fact,
10 Mr. Haynes' testimony says that those calls are
11 happening and that today I am paying you for
12 recip comp calls because you can't segregate
13 them.

14 Q. Okay. Can you read that response
15 back.

16 (The record was read by the reporter.)

17 Q. What is Verizon's position with
18 respect to reciprocal compensation for FX calls?

19 A. I believe your position is that it
20 should be not included.

21 Q. And that's true whether the calls go
22 from US LEC to Verizon or from Verizon to US LEC,
23 isn't that correct?

000273

1 A. I believe so.

2 Q. So you mischaracterized Verizon's
3 position when you said that we thought that those
4 calls should be subject to reciprocal
5 compensation, didn't you?

6 A. What I said was that you had testified
7 that you in fact are sending, are billing me for
8 those calls today.

9 Q. No, what you said was that when, that
10 when the call was in reverse that we should pay
11 you. Wasn't that your testimony?

12 A. Our position is that FX calls are
13 local calls and should be subject to reciprocal
14 compensation regardless of which direction the
15 call originates in.

16 Q. You testified to what Verizon's
17 position is and you've been involved in these
18 negotiations. I'd like you to, you also stated
19 that Verizon's position is that these calls
20 should be subject to reciprocal compensation when
21 they're sent to Verizon. Do you believe that's
22 Verizon's position or did you misspeak?

23 MR. SHOR: Your Honor, I believe this

000274

1 is getting a little argumentative.

2 MR. PANNER: Your Honor, she
3 characterized --

4 HEARING EX. MOORE: It is to some
5 extent, but I think he's trying to get some
6 clarification. I'll allow it at this point.

7 A. Mr. Panner, this has been a long and
8 drawn-out negotiation. The point -- are you
9 going to let me finish?

10 Q. Yes.

11 A. The point is that you, Verizon's
12 position may be that these calls should not be
13 included. Our position is that they should be
14 included. In the discussions that we have had
15 with your, with representatives of Verizon, their
16 position is it is very difficult if not
17 impossible to identify the calls. Therefore, and
18 the position you've also taken in the
19 negotiations is that the calls are de minimis.

20 Q. Just to clarify, Verizon's position in
21 the negotiation as you understand it is that FX
22 and FX type calls, calls that are interexchange
23 on an end-to-end basis should not be subject to

□00275

1 reciprocal compensation whichever direction they
2 flow, isn't that correct?

3 A. No, that is not correct. My belief is
4 that Verizon's position is that calls that
5 originate to my subscribers that have virtual FX,
6 have foreign exchange numbers, should not be
7 subject.

8 Q. Can you turn to Exhibit 1?

9 HEARING EX. MOORE: Which Exhibit 1?
10 Verizon Exhibit 1?

11 MR. PANNER: Verizon Exhibit 1, Your
12 Honor. Page 64.

13 Q. If you could look at provision 7.2 in
14 the middle of the page. If you could read the
15 last sentence of that provision as it was
16 proposed by Verizon, that is, with the strike-
17 throughs, and without the added underlined
18 language?

19 A. The designation of traffic as
20 reciprocal compensation traffic for purposes of
21 reciprocal compensation shall be based on the
22 actual and terminating points of the complete
23 end-to-end communication.

□00276

1 Q. If I can read that, it says the
2 designation of traffic as reciprocal compensation
3 traffic for purposes of reciprocal compensation
4 shall be based on the originating and terminating
5 points of the complete end-to-end communication.
6 Have I read that right?

7 A. That's what I read.

8 Q. Thank you.

9 Can you explain to me how that
10 language distinguishes between traffic going from
11 US LEC to Verizon and traffic that's going from
12 Verizon to US LEC?

13 A. It doesn't.

14 Q. So the rule is that Verizon has
15 proposed is identical for Verizon and for US LEC,
16 is that correct?

17 A. It appears to be so.

18 Q. So Verizon has always proposed that
19 for US LEC traffic sent, originated traffic sent
20 to Verizon that the actual originating and
21 terminating points of the call should control?
22 Is that correct?

23 A. I can't speak to the term "always,"

000277

1 because this is just the final. I don't know
2 what may have happened in earlier iterations.

3 Q. Fair enough. In the proposal that we
4 have before us here that was proposed to US LEC,
5 Verizon proposed that traffic originated by US
6 LEC would be treated, would be subject to
7 reciprocal compensation if, well, the
8 determination whether it should be subject to
9 reciprocal compensation would be based on its
10 actual end-to-end nature? Is that correct?

11 A. That's correct.

12 Q. And is it your understanding that an
13 FX call would not be subject to reciprocal
14 compensation based on its end-to-end nature under
15 Verizon's understanding?

16 A. I don't understand your question.

17 MR. SHOR: Could you read it back,
18 please?

19 (The record was read by the reporter.)

20 A. I simply don't understand what you're
21 asking me.

22 Q. Fine. If there is an FX, foreign
23 exchange call that is interexchanged on an

000278

1 end-to-end basis, what is your understanding of
2 Verizon's position with regard to whether that
3 call is subject to reciprocal compensation?

4 A. My understanding is it would not be
5 subject to reciprocal compensation.

6 Q. Thank you.

7 I realize there was a little bit of a
8 detour so if these questions have been asked and
9 answered, I apologize in advance, but I return to
10 my outline after a bit of a detour.

11 For calls that Verizon customers
12 originate to your foreign exchange customers, you
13 don't wish to pay Verizon anything for that, for
14 those calls? Is that correct?

15 A. That's correct.

16 Q. And you want Verizon to pay you, is
17 that correct?

18 A. Reciprocal compensation, yes. It's a
19 local call.

20 Q. Even though your customers are paying
21 you \$1,000 a month in lieu of the toll charges?
22 Is that correct?

23 A. That's correct.

□00279

1 Q. And the toll charges are ones that
2 Verizon's customers would otherwise pay on the
3 calls at issue here?
4 A. Yes.
5 Q. What innovative technology do you use
6 to provide this service?
7 A. Can you define innovative?
8 Q. You stated that you use innovative
9 technology to provide this service. What did you
10 mean?
11 A. Where did I say that?
12 Q. Leaving aside for a moment whether you
13 said it before, do you believe that US LEC uses
14 innovative technology to provide this service?
15 A. I believe that we use whatever state
16 of the art technology that is there that is built
17 into our switches or network. Whether I
18 characterize it as innovative, I don't know.
19 Q. So what's special about -- do you use
20 any technology for providing virtual FX services
21 that you don't use for providing any other
22 services?
23 A. I'm not a technical expert, I'm not an

□00280

1 engineer, but subject to check, I would say no.
2 Q. If we could turn to page 21 of your
3 direct testimony. Could you read lines 10 to 12?
4 A. Customers want to use virtual NXX
5 codes because it allows them to take advantage of
6 state of the art, currently-available
7 technologies to allow consumers to reach their
8 businesses without having the disincentive of a
9 toll call.
10 Q. And you've now testified that there
11 are no innovative technologies used to provide
12 this service, is that correct?
13 MR. SHOR: Objection.
14 Mischaracterizes her testimony. That's not what
15 she said.
16 HEARING EX. MOORE: Can you answer the
17 question?
18 THE WITNESS: I answered it earlier,
19 Your Honor. I said I'm not an engineer, I'm not
20 a technical expert, but subject to check I
21 believe we use whatever technology is in our
22 network that we use to provide other services.
23 Most of the communication companies operate using

□00281

1 the same technical platforms.

2 Q. When you say -- okay.

3 MR. PANNER: Your Honor, I'm going to
4 use the white board for a minute to do a little
5 bit of rudimentary diagramming.

6 Q. Now, what I've drawn on the board,
7 Ms. Montano, is a diagram in which we have two
8 separate distant local calling areas. Area A and
9 area B. Do you understand that?

10 A. Yes.

11 Q. Now, if there is a call from customer
12 X to customer Y, where X is located in local
13 calling area A, and customer Y is located in that
14 different local calling area B, is that a local
15 call?

16 A. It would depend on their provider's
17 tariffs and what they define as a local calling
18 area.

19 Q. Well, I just stated that that's local
20 calling area A and local calling area B is
21 separate. You said that you understood that. So
22 local, as we've defined this, as we've drawn the
23 diagram, customer Y is in a different local

□00282

1 calling area. It's not within the local calling
2 area for caller X. Do you understand that?

3 A. Yes.

4 Q. Is the call from X to Y a local call?

5 A. Not as you've defined it.

6 Q. So that call from X to Y is not a
7 local call as you've defined it?

8 A. Yes.

9 Q. Now suppose customer Y has been
10 assigned an NPA-NXX code assigned to area A.
11 Still your testimony is it's not a local call.
12 Correct?

13 A. You're saying that customer Y now has
14 a phone number in area A?

15 Q. Yes.

16 A. That's now a local call.

17 Q. But before you said the call from X to
18 Y was not a local call.

19 A. If the NPA-NXX is associated with
20 customer Y, is in Y, no, that's toll because
21 that's the way he's defined in the rating
22 schedules of whatever company is providing the
23 service. If they now have, if customer Y now has

000283

1 a number in A, then that now becomes a local
2 call.

3 Q. So now it's a local call.

4 A. I assume the customer's purchasing
5 foreign exchange out of either Verizon's tariff
6 or mine.

7 Q. So if customer Y has a -- let's say
8 that this is Essex and this is Columbia. Even
9 though Y is Columbia because it's been assigned a
10 number associated with Essex, it's now a local
11 call?

12 A. Yes.

13 Q. Now, let's say that that customer Y is
14 in Columbia, South Carolina. Is that a local
15 call?

16 A. No, that's an interexchange call.

17 Q. That's an interexchange call. So it's
18 not correct that the NPA-NXX defines the
19 destination of the call as local, is that
20 correct?

21 A. Industry standard rating practices
22 looks at the beginning, at the originating
23 NPA-NXX and the terminating NPA-NXX and

000284

1 determines how a call is routed and rated.

2 Q. But you stated that even though the
3 call is rated and routed according to NPA-NXX, if
4 the customer is located in Columbia, South
5 Carolina it's not a local call, it's an
6 interexchange call, is that correct?

7 A. It depends on the service that the
8 customer has purchased from their
9 telecommunications provider.

10 Q. It was your testimony -- so you
11 testified earlier that a call from customer X to
12 customer Y, if customer Y has an NPA-NXX
13 associated with that local calling area, and if
14 customer Y is located in Columbia, South
15 Carolina, you said that's an interexchange call.
16 That was your testimony, correct?

17 A. No. That mischaracterized my
18 testimony. If the customer, if Y is in Columbia,
19 South Carolina and X is in Columbia, Maryland,
20 and they have numbers associated with those local
21 calling areas, then that is an interexchange
22 call. If the customer in Columbia, South
23 Carolina now has a number that is associated

□00285

1 Columbia, Maryland, the call from a Columbia,
2 Maryland subscriber to that Columbia, Maryland
3 number is a local call.
4 Q. So it's your testimony that -- are you
5 familiar with interLATA FX service?
6 MR. SHOR: Your Honor, is there a
7 reason why he's standing over here?
8 HEARING EX. MOORE: Sort of try and
9 limit yourself to the area of the board, and not
10 approach the witness unless it's absolutely
11 necessary.
12 BY MR. PANNER:
13 Q. Are you familiar with interLATA FX
14 service?
15 A. I'm familiar with the two words. I
16 don't know what you mean when you put them
17 together, though.
18 Q. Okay. I'd like to turn to page 14 of
19 your rebuttal testimony. And I'd like you to
20 read the portions of lines 16 and 17 that come
21 after that colon.
22 A. In that case, the FCC ruled that an
23 interLATA FX call was not a local call for the

□00286

1 purposes of compensation and thus access charges
2 were due.
3 Q. What is an interLATA FX call?
4 A. Well, it appears that it is a call
5 that crosses a LATA boundary.
6 Q. You've testified about what the FCC
7 held with respect to interLATA FX calls. Did you
8 know what you were talking about when you
9 referred to an interLATA FX call?
10 A. Yes.
11 Q. What did you mean?
12 A. A call that crosses a LATA boundary.
13 Q. Would it also be a call in which the
14 NPA-NXX of the calling party and the called party
15 are associated with the same local calling area?
16 A. Yes.
17 Q. And your testimony is that the FCC
18 held that that was not a local call. Is that
19 correct?
20 A. Yes.
21 Q. So when you testified before that the
22 NPA, if the NPA-NXX of the customer is in Essex
23 or Columbia, for that matter, Maryland, and the

E00287

1 customer in Columbia, South Carolina were
2 associated with the same local calling area, when
3 you testified that that would be a local call,
4 your testimony was contrary to what the FCC held
5 in that order, is that correct?

6 MR. SHOR: It calls for a legal
7 conclusion by the witness.

8 MR. PANNER: The witness has testified
9 as to what the FCC held.

10 HEARING EX. MOORE: Hold on. Ask the
11 question again?

12 Q. You stated earlier that if a calling
13 party and a called party both had NPA-NXX codes,
14 telephone numbers, associated with the same local
15 calling area in Maryland, that that would be a
16 local call even if the customer who is being
17 called was physically located in another state
18 and another LATA. Was that your testimony?

19 A. Subject to check, yes.

20 Q. And yet you testified here that the
21 FCC ruled that an interLATA FX call was not a
22 local call for the purposes of compensation. Is
23 that correct?

E00288

1 A. Yes.

2 Q. So your earlier statement was contrary
3 to what the FCC ruled.

4 MR. SHOR: Calls for a legal
5 conclusion by the witness. The FCC order speaks
6 for itself.

7 MR. PANNER: I'm asking her to
8 characterize her own testimony with respect to
9 the FCC order that she has herself interpreted in
10 her testimony.

11 MR. SHOR: Your Honor, he's not --

12 HEARING EX. MOORE: Hold on, I'm
13 thinking about this.

14 MR. SHOR: I need to respond to some
15 of this. He hasn't discussed how the service in
16 that order was provisioned.

17 HEARING EX. MOORE: Let me think about
18 it because I'm inclined to, because I thought
19 with regard to the question I heard from
20 Ms. Montano something in addition. I thought
21 what I heard you say earlier was as to whether
22 it's local or something else, it depends on the
23 nature of what it is that the customers have

000289

1 purchased from the provider. Is that what you
2 said?

3 THE WITNESS: Yes, sir.

4 HEARING EX. MOORE: So it sounds like,
5 and you can correct me if I'm wrong, it sounds
6 like the customer could purchase something from
7 the provider that wouldn't necessarily fit
8 directly into this definition that Mr. Panner is
9 now proposing. Is that correct?

10 THE WITNESS: I believe so.

11 HEARING EX. MOORE: Okay.

12 BY MR. PANNER:

13 Q. If you could tell us what that is,
14 Ms. Montano.

15 A. A company could design a product that
16 provided a customer with different calling
17 patterns for different prices. I can't speculate
18 on what a particular company might do. But there
19 are different configurations that are out there.

20 Q. Can you describe for me what an
21 interLATA FX service is?

22 HEARING EX. MOORE: Well, we've been
23 over that. I think even I understand that at

000290

1 this point based on what the witness has said.
2 It's interLATA if the calls transfer across an
3 intraLATA boundary. You know, I don't need to
4 hear that again. But it sounds like, to my
5 untrained technical ear, it sounds like you could
6 have an arrangement in which you have these calls
7 crossing an intraLATA boundary, which would
8 ordinarily make them a toll call, but it be
9 treated based on the package that's been
10 purchased by the customer, could be treated as a
11 local call. Is that what you're saying?

12 THE WITNESS: Yes.

13 MR. PANNER: Your Honor, then I'm
14 going have to explore this for a long time
15 because it's very important, this is really the
16 heart of this issue, and I think there's been a
17 lot of things said that have, frankly, confused
18 the record. And I'm going to have to spend a lot
19 of time on this to try to get it straight.
20 Because the assignment of NPA-NXX codes and the
21 call patterns and who's paying what to whom,
22 those are issues that nailing it down is
23 absolutely at the heart of this issue.

□00291

1 MR. SHOR: Your Honor, can I object to
2 this speech that's going on here? If he has
3 questions, let him ask them.

4 HEARING EX. MOORE: Counsel is making
5 an argument to me that he's trying to persuade me
6 to a point of view to rule on, essentially rule
7 on a motion. Or an objection.

8 It seems to me, to try and focus this,
9 that what, the attention needs to be placed on --
10 strike that.

11 MR. PANNER: Your Honor, if you'll
12 give me a few more minutes I'll try to wrap it
13 up. But, you know, it's going to take longer and
14 be more difficult if Mr. Shor imposes asked and
15 answered objections because the questions may
16 sound similar but the distinctions are
17 important. Obviously, you know, he's going to
18 object as he wishes and I'll respond to the
19 objections but I'm going to try to do it as
20 quickly and efficiently as I can to explain the
21 point.

22 HEARING EX. MOORE: Well, the
23 important thing is that I end up with the

□00292

1 appropriate understanding of everybody's position
2 so that those matters in dispute can be fairly
3 resolved.

4 MR. SHOR: Your Honor, I've never
5 intended to impose any limits on what he asks,
6 how he asks it, and my only objection initially
7 was that it called for a legal conclusion by the
8 witness. I've not imposed any asked and answered
9 objections. I personally think he's made his
10 point, but he can do whatever he wants.

11 HEARING EX. MOORE: You don't have to
12 explain your logic. I understand what's going
13 on.

14 BY MR. PANNER:

15 Q. I apologize for the mess, but I'll try
16 to walk you through this, Ms. Montano.

17 Now, I've drawn a diagram here on
18 which I have three circles, one is Essex,
19 Maryland, one is Columbia, Maryland, one is
20 Columbia, South Carolina. Now, in all the calls
21 I'm going to discuss with you, X is a Verizon
22 customer, and the box inside there is the Verizon
23 end office switch. Do you understand that?

000293

1 A. Yes.

2 Q. Just to try to be somewhat faithful to
3 the technical way in which these calls are
4 routed, I've drawn a triangle here which is a
5 tandem switch. Do you understand what a tandem
6 switch is?

7 A. Yes.

8 Q. And for, would you agree with me that
9 a tandem switch is a place where traffic from
10 many different switches is collected and then
11 routed so that it can be routed more efficiently?

12 A. Yes.

13 Q. And then I've shown traffic being
14 routed out of this tandem to a box here which I
15 will label POP. Do you know what a POP is?

16 A. No.

17 Q. Do you know a point of presence is?

18 A. Yes.

19 Q. Have you ever heard that referred to
20 as a POP?

21 A. Yes, I've heard it referred to as a
22 POP. I don't understand what context you're
23 using it in, though.

000294

1 Q. Fair enough. But you're familiar with
2 the idea of an IXC's POP?

3 A. Yes.

4 Q. Do you know that an IXC's POP is the
5 place within a local area where a long distance
6 carrier picks up traffic? Is that right?

7 A. Yes.

8 Q. Then routes it over to the long
9 distance network? Is that right?

10 A. Yes.

11 Q. And this box here represents US LEC's
12 switch. Do you understand that?

13 A. Yes.

14 Q. Now, is it correct that in an
15 interLATA FX call, this customer Z who is located
16 in Columbia, South Carolina, would be assigned a
17 number associated with that local calling area in
18 Essex? Is that correct?

19 A. Are you asking me if we provide that
20 service? As an FX?

21 MR. PANNER: Can you read back the
22 question?

23 (The record was read by the reporter.)

000295

1 A. Mr. Panner, I have no idea because I
2 don't know who's assigning the phone number and
3 who's providing the service.

4 HEARING EX. MOORE: Let me ask
5 something because she said something that sort of
6 caught my ear. Is the diagram that he's drawn
7 and the hypothetical that he's posing, is that
8 reflective of the service that is provided by US
9 LEC?

10 THE WITNESS: No, sir, it's not.

11 HEARING EX. MOORE: Or would be
12 providing under this agreement?

13 THE WITNESS: No, sir, it's not.

14 HEARING EX. MOORE: So why are we
15 dealing with this hypothetical?

16 MR. PANNER: Well, Your Honor --

17 Q. Ms. Montano, do you have a situation
18 where you would receive a call at your switch
19 here, for this customer Z in Columbia, South
20 Carolina, assigned a number associated with
21 Essex? I don't ask in particular, but for
22 example, do you offer service like that?

23 A. The long distance portion of my

000296

1 company does, yes. We provide it pursuant to our
2 long distance tariffs.

3 Q. So US LEC does provide the service
4 like the one I've drawn on the board? Is that
5 correct?

6 A. We provide a service where a customer
7 in Columbia, South Carolina could have a number
8 in Maryland. Is terminated as a local call by an
9 originating network to us, is a local call that
10 terminates there. We then remote call forward
11 the call on our long distance network and we
12 charge the customer a long distance charge for
13 that call.

14 Q. But then it's correct that US LEC has
15 a service where it assigns a customer in
16 Columbia, South Carolina, a number in, associated
17 with, for example, Essex, Maryland, and the
18 caller from, Verizon caller from Essex would make
19 that call to the US LEC customer in South
20 Carolina without incurring toll charges. Is that
21 right?

22 A. No, the customer pays a toll charge.

23 Q. The calling party pays a toll charge?

□00297

1 Is that your testimony?

2 A. No, I did not say the calling party
3 does.

4 Q. So it's correct that the calling party
5 does not incur a toll charge. Is that right?

6 A. That's correct.

7 Q. Now, in the case of interLATA FX
8 service provided that you've talked about in your
9 testimony, it's correct, is it not, that the call
10 is routed by Verizon to the IXC's point of
11 presence, and then the call is taken over the
12 IXC's long distance network and then is delivered
13 eventually to that customer Z? Is that correct?

14 MR. SHOR: Could you read back the
15 question, please.

16 (The record was read by the reporter.)

17 MR. SHOR: I believe that
18 mischaracterizes her testimony because he's
19 talked about an interexchange call and then an
20 interLATA FX call and it's my understanding that
21 they're different.

22 MR. PANNER: Let me clarify, Your
23 Honor, because I realize there's ambiguity. Let

□00298

1 me try to clarify.

2 BY MR. PANNER:

3 Q. You referred in your rebuttal
4 testimony to interLATA FX calls that are not
5 local calls that are subject to access charges.
6 Is that correct?

7 A. Yes.

8 Q. And in that case the call is routed to
9 the IXC's point of presence, and that's a switch,
10 isn't it?

11 A. It could be. I am not privy to how
12 interexchange carriers design their networks.

13 Q. So you're not aware whether an IXC's
14 point of presence includes a switch?

15 A. Sometimes they do. It's possible it
16 doesn't.

17 Q. But it could?

18 A. It could.

19 Q. It could be a switch. Correct?

20 A. Yes.

21 Q. And then the IXC would route that call
22 over its long distance network? Is that right?

23 A. Yes.

□00299

1 Q. And it would be delivered to that
2 customer Z in Columbia, is that correct?

3 MR. SHOR: Your Honor, I don't know
4 whether he's characterizing the type of service
5 that was at issue in the FCC's order or whether
6 he's coming up with his own type of service, and
7 yet he's asking her questions about the FCC order
8 without telling us that that's the way they did
9 it. So I'm having a bit of a disconnect here.

10 MR. PANNER: Ms. Montano seemed to
11 understand the questions. If she doesn't
12 understand, I'm sure she'll ask for
13 clarification.

14 HEARING EX. MOORE: I think, if she
15 doesn't understand, if you don't understand his
16 question or the underlying assumption of his
17 question or you think there's an underlying
18 assumption in the question that you don't agree
19 with, so indicate. You don't have to answer
20 something or attempt to answer something that you
21 don't understand.

22 THE WITNESS: Yes, sir.

23 MR. PANNER: Can you read back the

□00300

1 question?

2 (The record was read by the reporter.)

3 A. Yes.

4 Q. Now, US LEC offers a service that it
5 calls, I believe it calls it local toll-free
6 service? Is that right?

7 A. Yes.

8 Q. And in a local toll-free service, you
9 offer customers in distant local calling areas
10 the opportunity to get numbers associated with
11 other local calling areas, is that right?

12 A. Yes.

13 Q. Now, in the case of those calls, the
14 local toll-free calls, I'm going to describe the
15 routing, you correct me if I'm wrong. I'll give
16 you the opportunity to correct me. That call
17 would originate with the Verizon customer in, for
18 example, Essex, correct?

19 A. Yes.

20 Q. Verizon would route it through a
21 tandem to US LEC's switch? Is that right?

22 A. I believe so.

23 Q. US LEC would then route that call over

000301

1 its long distance network? Is that correct?
2 A. That's correct.
3 Q. And deliver it to the customer Z? Is
4 that correct?
5 A. That's correct.
6 Q. So in substance the call's identical
7 to the interLATA FX call in terms of its
8 routing. Is that correct?
9 A. I would say that it's not identical
10 because the call terminates in our switch in
11 Columbia and we regenerate a new call through the
12 use of remote call forwarding.
13 Q. Who makes that second call?
14 A. We do.
15 Q. US LEC does?
16 A. Yes.
17 Q. So US LEC is the calling party?
18 A. Yes.
19 Q. Is that your position?
20 A. Yes.
21 HEARING EX. MOORE: Let me put a bow
22 on my train of thought with respect to the last
23 question. So therefore, that in your view makes

000302

1 it identical or not identical to an otherwise
2 interLATA call simply because the call terminates
3 on the LEC's switch and then, according to your
4 description, is regenerated to go forward to
5 Columbia, South Carolina.
6 THE WITNESS: That's correct.
7 HEARING EX. MOORE: And for that
8 reason, it's that mechanism that says that that
9 call is not identical to an otherwise interLATA
10 call that would go from X to the POP to
11 Columbia?
12 THE WITNESS: Yes, sir.
13 HEARING EX. MOORE: Okay.
14 BY MR. PANNER:
15 Q. Are you familiar with any FCC
16 decisions, I'm asking if you're familiar with
17 them, that have considered the question whether
18 intermediate switching of a call of the nature of
19 the intermediate switching that US LEC is
20 performing here permits a carrier to treat a call
21 as two calls?
22 A. No.
23 Q. You're not familiar with any such?

□00303

1 A. No.

2 Q. And you would agree with the issue of
3 whether you're correctly characterizing that
4 termination is really a legal issue that this
5 Commission should consider?

6 MR. SHOR: Can you repeat that
7 question, please?

8 Q. You've made a statement that it should
9 be treated, that the call should be treated
10 differently in these two examples because in one
11 case it terminates at your switch and you
12 regenerate a new call and in the other case there
13 is no such termination. Is that right?

14 A. Yes.

15 Q. Would you agree that whether that call
16 terminates is a legal issue for this Commission
17 to decide in this proceeding?

18 A. I believe so. I'm not a lawyer.

19 Q. Okay. What function is being
20 performed in the US LEC switch that makes that
21 call terminate?

22 A. Remote call forwarding.

23 Q. Can you explain that to the Hearing

□00304

1 Examiner and to me?

2 A. This is a layman's explanation because
3 I'm not a technical engineer. My understanding
4 is that the call terminates, there is a software
5 function in the switch that the user has
6 programmed or someone has programmed that says
7 when a call comes to this number, regenerate it
8 some place else. And this is the new destination
9 number. And that remote call forwarding is
10 available to almost anyone. So for example, if
11 at home I wanted, if I went to the beach for the
12 week and I wanted to remote call forward my
13 number at home, I could do that in my home
14 switch. Then I would be responsible for the long
15 distance charges that would be incurred when
16 those calls were call forwarded from my home to
17 my beach house.

18 Q. Okay. So there's nobody in the switch
19 who answers, there's nobody sitting in the switch
20 who picks up the phone and says, oh, now I have
21 to make a new call, correct?

22 A. No.

23 Q. So the point of the view of the call

000305

1 flow, the call flows through the switch to the
2 ultimate destination; is that right?
3 A. No, when the call terminates to that
4 local number, the switch sees that it's coming in
5 and there's a function, a software function that
6 says oh, I now have to dial a new number, and the
7 switch then dials that new number.
8 Q. The switch does it?
9 A. Yes.
10 Q. So it comes into the switch and goes
11 out of the switch?
12 A. Yes.
13 Q. Goes through the switch?
14 A. Yes.
15 Q. That's what switches do, isn't that
16 right? They connect calls through from the
17 calling party to a called party, along different
18 switches? That's what switches are for, isn't
19 that right? Routing calls?
20 A. Yes.
21 Q. Now, would you agree that the
22 functionality -- strike that. In the case of the
23 interLATA, what we've agreed is an interLATA FX

000306

1 service here, customer Z is paying their
2 interexchange carrier for the privilege of being
3 able to receive calls from Essex without customer
4 X incurring a toll charge. Isn't that right?
5 A. I believe so.
6 Q. In the case of US LEC's local
7 toll-free service, customer Z is paying US LEC
8 for the privilege of being able to receive calls
9 from Essex without the Verizon caller incurring a
10 toll charge, isn't that right?
11 A. Yes.
12 Q. So the functionality is identical,
13 isn't that right?
14 MR. SHOR: Objection to the
15 characterization functionality. The result may
16 be the same, but I don't know what he means by
17 functionality.
18 MR. PANNER: If she doesn't understand
19 she will ask for clarification or she won't
20 understand.
21 THE WITNESS: I don't understand what
22 he means by functionality.
23 BY MR. PANNER:

00307

1 Q. The service that's being provided is
2 identical in the two situations, the function
3 that's being provided, the service that's --

4 A. Are you asking me if the function is
5 different when the remote call forwarding is
6 involved versus a traditional foreign exchange
7 service?

8 MR. PANNER: I'll withdraw the
9 question.

10 Q. In your rebuttal testimony on page 14
11 at lines 13 through 16, you talk about an FCC
12 case in which AT&T allegedly could have routed
13 calls from Baltimore to Atlanta so that a caller
14 in Baltimore would appear to be making a local
15 call when it was instead answered in Atlanta. Do
16 you see that?

17 A. Yes.

18 Q. Would that be an accurate description
19 of your local toll-free service, leaving aside
20 the, I don't know if you provide service in
21 Georgia, but leaving that aside, would you agree
22 that that's an accurate description of your local
23 toll-free service?

00308

1 A. Yes.

2 Q. You've testified, have you not, that
3 NPA-NXX designations have traditionally governed
4 intercarrier compensation?

5 A. Yes.

6 Q. Can you give me an example of a
7 holding from any Commission, from anybody, that
8 relates to that issue prior to 1996?

9 A. No.

10 Q. Can you provide me any documentation
11 with respect to that claim?

12 MR. SHOR: Your Honor, I don't think
13 this is a time for discovery. If he wanted it
14 during discovery, he could have asked it.

15 MR. PANNER: Exploring foundation,
16 Your Honor.

17 HEARING EX. MOORE: What was the
18 question again?

19 MR. PANNER: Sure. She's made a
20 statement, Your Honor, that NPA-NXX codes of the
21 called number and the calling -- excuse me, the
22 NPA-NXX code, the number, to put it simply,
23 defines intercarrier compensation that is what

000309

1 the carriers have to pay each other when a call
2 is made from a customer of one to a customer of
3 another. That was her, that's her testimony.

4 HEARING EX. MOORE: Okay.

5 MR. PANNER: So I want to know what
6 her basis for saying this, she's asserted there's
7 a tradition, I want to know the --

8 HEARING EX. MOORE: Well, ask it that
9 way. Ask what's the basis for that contention.

10 MR. PANNER: I'm exploring. She said
11 there's no regulatory decision, I'm asking if
12 she's aware of any industry documentation that
13 would back that up.

14 A. I did not say that there was no
15 orders, I said I wasn't personally familiar with
16 them. So you mischaracterized my testimony.
17 Secondly, I believe --

18 Q. I'm sure the --

19 A. If I had opportunity to do the
20 research and provide you with the documentation
21 that it would come out of either the ordering and
22 billing form, ATIS, or would come out of some
23 sort of Telcordia documentation.

_00310

1 HEARING EX. MOORE: What was that
2 last --

3 THE WITNESS: Telcordia. Telcordia is
4 a company based in New Jersey formerly known as
5 BELLCORE, and was formerly owned by the Bell
6 Operating Companies and created at divestiture
7 for the purpose of providing technical
8 information.

9 Q. Would you agree with me that in the
10 order you discussed, the Bell Atlantic
11 Pennsylvania order that you discussed in your
12 rebuttal that the FCC held that NPA-NXX
13 designations did not govern intercarrier
14 compensation in that circumstance of interLATA FX
15 traffic?

16 MR. SHOR: Objection to the extent
17 that it calls for her to make a legal
18 conclusion.

19 HEARING EX. MOORE: I take it he's
20 asking about what is meant by what she's saying
21 in her testimony. Is that fair?

22 MR. PANNER: Yes, Your Honor. She's
23 testified to what that order holds and she's also

□00311

1 made statements about what the tradition is with
2 respect to these designations and so I want to
3 explore that.

4 A. I don't have the order in front of me
5 so I would have no, I could not answer the
6 question.

7 Q. In your rebuttal testimony, you've
8 stated that the FCC ruled that an interLATA FX
9 call was not a local call for the purposes of
10 compensation and thus access charges were due.
11 Is that correct?

12 A. That's what it says.

13 Q. And that's your testimony, isn't it?

14 A. Yes.

15 Q. And yet in those calls the NPA-NXX
16 designations are associated with the same local
17 calling area, isn't that right?

18 A. I don't have the order in front of
19 me. I cannot answer the question.

20 Q. You said before that in that case, a
21 call that was, that AT&T could have routed a call
22 from Baltimore to Atlanta so that a caller in
23 Baltimore would appear to be making a local

□00312

1 call. What does that mean, appear to be making a
2 local call?

3 MR. SHOR: Your Honor, would you ask
4 the counsel if he's not going to be at the board
5 to please not approach the witness?

6 HEARING EX. MOORE: Yeah. Can you
7 sort of limit --

8 MS. FLYNN: Your Honor, I have an
9 objection to that as well, this pacing back and
10 forth. I know it's not intentional.

11 MR. PANNER: I'll sit down.

12 MS. FLYNN: Yeah. Generally we do sit
13 down when we cross-examine witnesses here. I
14 know it wasn't intentional, but it is
15 distracting.

16 MR. PANNER: I didn't mean to be
17 distracting.

18 HEARING EX. MOORE: Sure.

19 A. I believe you've asked me what I mean
20 by using the words would appear to be.

21 HEARING EX. MOORE: Where is that at?

22 MR. PANNER: It's in here, rebuttal
23 testimony at lines 15 and 16, Your Honor. On

000313

1 page 14.

2 HEARING EX. MOORE: All right.

3 A. I believe it's a description of the
4 fact that if the call, caller is calling a local
5 number, it appears it's a local call from their
6 perspective of making the call.

7 Q. And so when you say it appears to be a
8 local number, you're saying that the NPA-NXX
9 designations would require it to be treated,
10 would, that the NPA-NXXs are associated with the
11 same local calling area? Is that right?

12 A. Yes.

13 Q. And in that case, you would agree,
14 then, would you not, that the NPA-NXX codes do
15 not govern intercarrier compensation?

16 A. No, I don't think I would agree with
17 that.

18 Q. Well, you've testified that for
19 purposes of compensation, it was not a local call
20 and thus access charges are due. Is that
21 correct?

22 A. Yes.

23 Q. And you've testified that the NPA-NXX

000314

1 codes are associated with the same local calling
2 area, is that correct?

3 A. Yes.

4 Q. So even though the NPA-NXX codes are
5 associated with the same local calling area, for
6 purposes of intercarrier compensation it is not
7 treated as a local call. Is that correct?

8 MR. SHOR: Your Honor, the difficulty,
9 I'm objecting because I think there's a
10 disconnect between what he's asking and what
11 she's testifying. She's testified that it
12 depends on the service that's provided by the
13 carrier and it depends on how it's provided.
14 He's asking her questions about an FCC order
15 without saying anything about the similarity or
16 how that service was provisioned. So she's said
17 there may be circumstances, he's asking about an
18 order and if he wants to lay a foundation as to
19 how it was provided in that particular
20 circumstance, fine. Otherwise, she's answered
21 the question and we need to move on.

22 MR. PANNER: Your Honor, they have
23 made a statement about the NPA-NXX designations

□00315

1 govern intercarrier compensation traditionally.
2 That statement, I'm getting at the foundation of
3 that statement. I believe that she has testimony
4 that shows that that is incorrect. I'm trying to
5 draw that out, and frankly, the witness is being,
6 is simply answering questions in ways that I
7 think the record will reflect require
8 clarification. So what I'm trying to do is get
9 that clarification.

10 MR. SHOR: But he's asking her about a
11 particular order without stating at all how the
12 service in that order was provided or how the
13 specific call was routed when the witness has
14 testified that there are different ways of
15 providing it.

16 MR. PANNER: No, Your Honor.

17 MR. SHOR: Since it depends as the
18 witness has stated on how it's provided I believe
19 there's a disconnect.

20 MR. PANNER: Your Honor, I have not
21 asked her about a particular call, about the
22 results of the particular order beyond what she
23 herself testified. She has made a statement

□00316

1 about NPA-NXX designations governing intercarrier
2 compensation. It's quite clear I'm trying to
3 draw out from her how she squares that statement
4 with her statements in her rebuttal testimony
5 concerning this FCC order.

6 Now if there are reasons that these
7 issues that Mr. Shor is trying to raise are
8 relevant, I'm sure she'll explain that in her
9 testimony. But it's very important to the issue
10 in this case, it's just at the heart of the
11 issue, you know, how NPA-NXX designations relate
12 to intercarrier compensation as opposed to call
13 rating and routing. That's what this issue is
14 about so it's very important to be clear about
15 what her position is with respect to these
16 issues. So it's very important for purposes of
17 the record I'm trying to build to present to Your
18 Honor in the brief and to present to the
19 Commission that we are clear about what's at
20 issue in, for example, the case that she
21 discusses in her rebuttal testimony.

22 MR. SHOR: And that's the point. He's
23 talking about a specific case, and asking her to

00317

1 draw conclusions about the specific case without
2 discussing with her how the service was provided
3 in that specific case. When she has testified,
4 and he may like it, he may not like it, that the
5 way she provides it, she believes is different.

6 MR. PANNER: Your Honor, if he wants
7 to do redirect and get how the, that's what
8 redirect may be about, but I'm asking her
9 questions.

10 MR. SHOR: I'm just making an
11 objection.

12 MR. PANNER: These are perfectly
13 reasonable questions and perfectly understandable
14 questions that she can respond to. And I don't,
15 they're absolutely relevant. He hasn't suggested
16 that they're not. They haven't been asked and
17 answered, so he's not suggesting that, so he's
18 suggesting there's other information. I'm asking
19 a question. If she doesn't understand it she
20 won't answer.

21 MR. SHOR: The specific objection here
22 is foundation. Because he's not laid the
23 foundation for the specific question that he's

00318

1 asking.

2 MR. PANNER: Your Honor, she's
3 testified in her rebuttal testimony as to what
4 the FCC held in a particular case. How can there
5 possibly be an objection on foundation. She's
6 testified to it.

7 MR. SHOR: You have not explored with
8 her on the --

9 HEARING EX. MOORE: Gentlemen, hold
10 on. I've heard enough.

11 MR. SHOR: That's the foundation.

12 HEARING EX. MOORE: I've heard
13 enough. I am, at this point I'm somewhat
14 inclined to agree with Mr. Shor. Because quite
15 frankly, his suggestion is that the complete
16 foundation has not been sufficiently laid as it
17 relates to this particular FCC order. An order
18 that, the questions that you are now asking can
19 be properly answered.

20 And I tend to agree with that because
21 in listening to the questions, I'm, in my head
22 I'm trying to make the appropriate comparisons,
23 if you will. The appropriate comparisons being

□00319

1 is the situation that you are interrogating the
2 witness about, that in effect are we comparing an
3 apple to an apple, an orange to an orange, or are
4 we comparing an apple to an orange. And I can't
5 make that distinction in my own head, and I think
6 that's because there are certain assumptions that
7 are being made by both the questioner and the
8 answerer of the question about what is in the
9 underlying FCC order. Which I have no
10 understanding of at all.

11 So I'm somewhat at a loss, quite
12 frankly, in trying to keep separated in my own
13 mind the distinctions that you are attempting to
14 make with the questions that you ask. Now, I'm
15 not trying to tell you how to do it, but if I
16 were I think dealing with trying to point out
17 inconsistencies in the testimony of the witness
18 with whatever the appropriate reality is, I would
19 extract out of that testimony the statement, and
20 ask that witness to, with the appropriate
21 foundation as to whatever the reality is that
22 you're dealing with, then ask that witness how
23 this statement squares with this reality that

□00320

1 you're trying to compare it to.

2 That would allow me to have some
3 understanding of the comparison that you're
4 trying to make a -- am I making sense?

5 MR. PANNER: What I am trying to do,
6 and I realize that there's a lot of, there's been
7 a lot of backing and filling, and I'm doing my
8 best to work with the witness here.

9 HEARING EX. MOORE: Sure.

10 MR. PANNER: And to ask questions that
11 can be answered in a straightforward way, and
12 certainly what I'm trying to do is bring out from
13 the witness the relevant similarities, the
14 relevant facts that are in her testimony, in her
15 characterization of the services at issue here.
16 And explain, through the use of her testimony,
17 and admittedly sometimes the punch line may not
18 be immediately evident, hopefully it will be by
19 the end of the proceeding, if not today, after
20 the briefs have been filed. But the facts that
21 I'm trying to bring out here, and perhaps part of
22 the problem is I'm just trying to take her too
23 far and I should be more content to allow the

□00321

1 facts to sit in the record and then use them
2 later, Your Honor. And I'd be happy to do that
3 if you give me, if you can indulge me with a
4 couple more minutes, perhaps I could do that in a
5 way that will permit me to build the record that
6 I need and will not unduly --

7 HEARING EX. MOORE: We're now within a
8 half an hour of when I intend to break for the
9 morning session. Can we finish with this witness
10 within that time frame?

11 MR. PANNER: Certainly, Your Honor.
12 As to the issues, this is the last one I have.

13 HEARING EX. MOORE: Okay. How soon?

14 THE WITNESS: My flight's at 12:30.

15 MR. PANNER: I'll try to wrap it up,
16 Your Honor, it wasn't my intention to go so
17 long.

18 HEARING EX. MOORE: Okay. Be as
19 expeditious as you can.

20 MR. PANNER: I'll certainly try.

21 BY MR. PANNER:

22 Q. You talk about an FCC case in which
23 AT&T allegedly could have routed calls from

□00322

1 Baltimore to Atlanta, so that a caller in
2 Baltimore could appear to be making a local call
3 when it was, instead, answered in Atlanta. That
4 was your characterization of the order, is that
5 correct?

6 A. Yes.

7 Q. So it's your understanding of the
8 order that based on NPA-NXX codes assigned that
9 the call appeared local? Is that correct?

10 A. Yes.

11 Q. And it's also your testimony in that
12 case that the FCC held that for purposes of
13 intercarrier compensation, access charges were
14 due. Is that correct?

15 A. Yes.

16 MR. PANNER: I won't go any further.

17 Q. Now, under US LEC's proposal, if
18 NPA-NXX codes of two customers are associated
19 with the same local calling area, would the
20 originating party be required to pay reciprocal
21 compensation?

22 A. Yes.

23 Q. Even if it were an interLATA FX call?

000323

1 A. No.

2 Q. What language is in the US LEC
3 proposal that makes that clear?

4 A. I really don't know. I'd have to take
5 a long time to look through the agreement.

6 MR. PANNER: Okay. I have nothing
7 further, Your Honor.

8 HEARING EX. MOORE: Okay. Ms. Flynn?
9 Do you want a shot?

10 MS. FLYNN: I just have a couple
11 questions I want to clarify for the record.
12 Because there were some terms that, frankly, I
13 didn't understand.

14 CROSS-EXAMINATION

15 BY MS. FLYNN:

16 Q. In the very beginning of Mr. Panner's
17 cross, you discussed the traffic not subject to
18 reciprocal compensation. That's at page 64,
19 Section 7.3.1. And he pointed out that in your
20 markup of the agreement, you would have deleted
21 the definition of voice information services,
22 which was page 43. That's Section 5.1. So my
23 question to you is does that render meaningless a

000324

1 portion at least of Section 7.3.1 you would have
2 deleted? Would that render that meaningless? Is
3 this something that should be marked out or have
4 I misunderstood it? Actually, it's page 64.

5 A. I don't know. I think I'd have to
6 think about that one.

7 Q. Okay. I just wanted to ask the
8 question.

9 You also referred to a LATA 236. What
10 is that?

11 A. That's the Washington, D.C. LATA, and
12 our switch in northern Virginia serves the
13 Maryland portion of that LATA. And we
14 interconnect at the Chevy Chase tandem to provide
15 services to customers on the Maryland side of
16 that LATA.

17 Q. The Washington, D.C. LATA, would that
18 be on this map, LATA 4? Or, is Washington, D.C.
19 its own LATA?

20 A. Washington, D.C. is its own LATA and
21 it includes a portion of Virginia, it includes
22 the District itself, and a portion of Maryland.

23 Q. So that would be, Verizon Exhibit 4,

□00325

1 would that be that white section here? Or is
2 that --

3 A. I've not seen that.

4 Q. Let me show that to you.

5 A. This is the Virginia portion. The
6 square is the District of Columbia, and then
7 there's a portion of this area in Maryland that's
8 also part of that LATA.

9 Q. But it's not, that is not the same as
10 LATA 4?

11 A. This document was produced I believe
12 by Verizon, it defines LATA 4 as being the
13 Maryland portion of the Washington LATA.

14 Q. All right, thank you.

15 Why would a customer prefer, I don't
16 know if this is a question that you can answer,
17 but why would a customer prefer the virtual FX
18 service to an 800 number for its customers?

19 A. I think it's more a matter of
20 perception to the customer as to whether or not
21 you have a local presence. 800 numbers sometimes
22 are seen as, well, I could be in California,
23 offering a service in Baltimore, versus if you've

□00326

1 got a local number it looks like you are local,
2 and I think it's all just marketing semantics
3 more than anything.

4 Q. Is there an economic benefit to having
5 a virtual FX service over an 800 number to the
6 customer? Are 800 numbers a lot more expensive
7 to the customer or can you answer that?

8 A. Without speaking to what different
9 companies provide in terms of their pricing, I
10 really couldn't answer the question
11 definitively.

12 MS. FLYNN: Fair enough. Thank you.
13 That's all I have.

14 REDIRECT EXAMINATION

15 BY MR. SHOR:

16 Q. I'll try to be quick.

17 In connection with issue 3 and the
18 voice information services in the questions from
19 Mr. Panner and from Ms. Flynn, the question came
20 up, Ms. Flynn directed your attention to 7.3.1 of
21 the interconnection agreement on page 64. And
22 you talked about reciprocal compensation shall
23 not apply to interstate or intrastate exchange

□00327

1 access, information access or exchange services
2 for exchange access or information access. Do
3 you see that?

4 A. Yes, sir.

5 Q. And she asked you whether that
6 definition, that section would need to be deleted
7 or whether the discussion of voice information
8 service would render that section moot. Do you
9 remember that?

10 A. Yes.

11 Q. Would it be fair to say that there is
12 some traffic that would fit within Section 7.3.1
13 that is not voice information services traffic?

14 A. Yes.

15 Q. So therefore that definition would
16 apply to traffic outside of voice information
17 services?

18 A. That's correct.

19 Q. And there would be no need to
20 eliminate that definition?

21 A. That's correct.

22 Q. Are you familiar with the FCC, the
23 recent decision of the FCC Wireline Competition

□00328

1 Bureau arbitration?

2 MR. PANNER: Objection.

3 A. Yes.

4 HEARING EX. MOORE: Basis?

5 MR. PANNER: Outside the scope of the
6 cross. She wasn't asked about that.

7 MR. SHOR: I just asked if she was
8 familiar with the order. I'm about to explore
9 the substance.

10 HEARING EX. MOORE: Okay. You can ask
11 is she familiar. You may be cut off if there's a
12 follow-up.

13 BY MR. SHOR:

14 Q. So to your knowledge did the Wireline
15 Competition Bureau in that case address whether
16 the definition of Internet traffic is included
17 the traffic that is defined here in Section
18 7.3.1?

19 A. Yes, it did.

20 MR. PANNER: Objection.

21 HEARING EX. MOORE: I'm going to
22 overrule.

23 MR. SHOR: I'd like to mark as US LEC

□00329

1 Exhibit 7 a section of the FCC, the arbitration
2 order in the Wireline Competition Bureau's
3 arbitration.

4 (US LEC Exhibit No. 7 was
5 marked for
6 identification.)

7 MR. PANNER: Your Honor, if I could
8 renew my objection. If Mr. Shor could identify
9 what portion of my cross-examination this relates
10 to, I'd be grateful.

11 MR. SHOR: Whether reciprocal
12 compensation is due for this traffic.

13 MR. PANNER: Your Honor, I didn't ask
14 her that question.

15 MR. SHOR: You most certainly did.

16 HEARING EX. MOORE: Counsel.

17 Are you suggesting your efforts to get
18 at the compensation issue did not relate to this
19 FCC order?

20 MR. PANNER: I don't believe, Your
21 Honor, that any question that I asked her, that
22 this FCC order goes to that. Obviously there's
23 no question that Mr. Shor will use this FCC order

_00330

1 in his briefing and that's entirely appropriate,
2 but I don't see what basis there is for asking
3 the witness about an order about which I did not
4 ask her and where he has identified no issue on
5 which I did examine her that this goes to.

6 MR. SHOR: I'm not aware that
7 cross-examination, that I am not allowed to
8 redirect on an issue that he raised and bring in
9 some extraneous material solely if he raises the
10 existence of the order.

11 HEARING EX. MOORE: He has a point.
12 It's an appropriate point to raise an objection
13 to redirect that goes beyond the scope of the
14 cross. All I'm trying to tease out is whether or
15 not your reference to this order or this portion
16 of the order at this point goes to any issue that
17 he addressed in his cross.

18 MR. SHOR: He discussed, he
19 questioned, examined the witness on the
20 definition of reciprocal compensation traffic
21 which is defined in Section 7.3.1 and discussed
22 with her whether or not there was something that
23 the parties agreed to and discussed with her the

□00331

1 relationship of that traffic to voice information
2 services traffic. And suggested to her, asked
3 her whether she felt that that traffic would be
4 eligible for reciprocal compensation.

5 MR. PANNER: Your Honor --

6 MR. SHOR: Excuse me.

7 MR. PANNER: I didn't realize you
8 weren't finished, Mr. Shor. Sorry.

9 MR. SHOR: And I am now doing redirect
10 examination on that issue and that's the extent
11 of it.

12 MR. PANNER: Your Honor, the record
13 will reflect that I did not ask her if voice
14 information services traffic fell within that
15 definition. And I did not ask her if it was
16 subject to reciprocal compensation.

17 HEARING EX. MOORE: I tend to agree on
18 that point and I think you may be right. My
19 question is whether or not the issue of
20 compensation, I take it as it relates to the FX
21 service, which is what you were trying to get at,
22 that is my --

23 MR. SHOR: This is a different issue,

□00332

1 Your Honor.

2 MR. PANNER: Your Honor, this relates
3 and I realize it now feels like ancient history,
4 but this relates to issue 3 which is whether
5 voice information services traffic should be
6 subject to reciprocal compensation. So as I say,
7 I don't, Mr. Shor has stated that in my direct I
8 brought out issues of whether voice information
9 services fell into -- let me put that a little
10 more precisely. He's suggesting that I asked
11 Ms. Montano whether voice information services
12 fell within the definition in 7.3.1. I did not
13 ask her that question.

14 He also suggests that I asked her
15 whether such traffic is subject to reciprocal
16 compensation under the agreement. Again, I don't
17 believe I asked her that question. And so I
18 don't see a basis for redirect on this issue.

19 MR. SHOR: He did ask her what US
20 LEC's position was, he did explore with her
21 whether voice information services would fit
22 these categories, and he's certainly discussed
23 the issue of whether it's subject to recip comp,

D00333

1 which is the main issue in this proceeding.
2 Whether he asked a specific question or not does
3 not define the scope of redirect. I would submit
4 to you.

5 MR. PANNER: And Your Honor, I would
6 submit that that's precisely what defines the
7 scope of redirect is whether it goes to an issue,
8 normally what the purpose of that is if there's a
9 factual statement that she made in response to a
10 question that needs to be clarified, you know, I
11 welcome Mr. Shor to ask the question that would
12 clarify that. But what's happening here is he's
13 trying to introduce additional direct testimony,
14 in my view, about what the FCC order held. Again
15 I know I'm going to see the FCC order in the
16 briefing and that's fine, but I don't think it's
17 an appropriate topic for redirect. I think it
18 goes outside the scope of the cross, Your Honor.

19 HEARING EX. MOORE: I think I'm going
20 to overrule the objection.

21 MR. SHOR: As I leaf back in my notes
22 it looks like the very first question you asked
23 made reference for the witness to page 43,

D00334

1 Section 5.1.

2 MR. PANNER: Your Honor, there's no
3 question that I did explore with her the
4 definition of voice information services in the
5 agreement and I did explore with her what the
6 agreement provides with respect to certain
7 categories of traffic, but as to the issues that
8 Mr. Shor has identified, I don't believe I asked
9 her any questions. I don't want, I'm not trying
10 to delay this needlessly, but I don't think that
11 redirect should be an opportunity to set up a
12 soapbox.

13 MR. SHOR: My notes are not always 100
14 percent clear, but I wrote the question as any
15 traffic that is within 7.3.1 is not subject to
16 reciprocal compensation, and the witness answered
17 yes.

18 MR. PANNER: If it's going to that
19 issue, what 7.3.1 provides, I don't understand
20 how the FCC order goes to that.

21 MR. SHOR: I haven't had an
22 opportunity to examine the witness on it yet.

23 HEARING EX. MOORE: I'm going to

00335

1 overrule the objection. Go ahead.

2 BY MR. SHOR:

3 Q. Would you please direct your attention
4 to paragraph 257. Would you read, please, the
5 first sentence which goes down to footnote 864.

6 A. The petitioners assert that Verizon's
7 proposed contract, which provides that reciprocal
8 compensation does not apply to interstate or
9 intrastate exchange access, information access,
10 or exchange services for exchange access or
11 information access, is over-inclusive and could
12 be read to exclude from reciprocal compensation
13 not only ISP-bound traffic, but also other forms
14 of information access traffic, or more broadly,
15 all of the traffic types listed in Section 251-G.

16 Q. Now, is your understanding the
17 quotation there that begins at the last line of
18 page 126 and goes up to, through three-quarters
19 of the line on 127 is essentially the same as the
20 definition in 7.3.1 of our proposed contract?

21 A. Yes, it is.

22 Q. Would you please direct your attention
23 to page 128, paragraph 261. Would you read that

00336

1 first sentence in, please?

2 A. We disagree with Verizon's assertion
3 that every form of traffic listed in Section
4 251-G should be excluded from Section 251-B-5
5 reciprocal compensation.

6 Q. Would it be your understanding and
7 only your understanding that based on this
8 arbitration order, that voice information
9 services traffic would be eligible for reciprocal
10 compensation under this agreement?

11 A. Yes, it would.

12 MR. PANNER: Objection.

13 Q. Now, with respect --

14 MR. PANNER: Objection. I have an
15 objection.

16 MR. SHOR: She's already answered.

17 MR. PANNER: He's asked a question, he
18 hasn't laid a foundation.

19 HEARING EX. MOORE: What was the
20 question again?

21 MR. SHOR: I asked based on her
22 understanding of the FCC's order would voice
23 information services traffic be eligible for

□00337

1 reciprocal compensation under the parties'
2 agreement.

3 MR. PANNER: And I object that he laid
4 a foundation, it's leading, and it's outside the
5 scope of the direct. That question is entirely
6 inappropriate, Your Honor.

7 HEARING EX. MOORE: I'm going to
8 overrule.

9 BY MR. SHOR:

10 Q. Thank you. With respect to issue 4 on
11 the question of direct trunking for voice
12 information services traffic, I believe you were
13 questioned on whether US LEC currently blocks
14 that traffic?

15 A. Yes, I do.

16 Q. Do you recall that? You recall that
17 you said typically the default provision is that
18 US LEC does block that unless the customer
19 requests otherwise?

20 A. Yes.

21 Q. So there are in fact circumstances
22 under which customers could be entitled to have
23 access to voice information services?

□00338

1 A. That's correct.

2 Q. And in fact US LEC could change its
3 policy and not block those calls, is that right?

4 A. That's correct.

5 Q. So therefore the trunking requirement
6 that would be imposed by the agreement could have
7 a financial impact on US LEC, is that right?

8 A. Yes, it could.

9 Q. Now, with respect to issue No. 5,
10 addressing the concept of terminating or
11 receiving party, do you remember that discussion?

12 A. Yes, sir.

13 Q. Do you remember the discussion about
14 terminating or receiving? Would you direct your
15 attention, please, to page 64 of the Verizon
16 Exhibit 1.

17 A. Yes, sir.

18 Q. Section 7.2. Would you please read
19 the first sentence of that provision, paragraph
20 into the record, please?

21 A. The parties shall compensate each
22 other for the transport and termination of
23 reciprocal compensation traffic delivered to the

□00339

1 terminating party in accordance with Section
2 251-B-5 of the Act at the rates stated in the
3 pricing attachment.

4 Q. That doesn't refer to traffic being
5 received, does it?

6 A. No, it does not.

7 Q. And it doesn't set the parties'
8 compensation obligations with respect to who is
9 the receiving party, does it?

10 A. No, it does not.

11 Q. And if you look at the bottom of that
12 paragraph, would you read again, forgetting for a
13 moment the strike-through and the underline, so
14 that you would read it -- sorry. Let me read the
15 sentence as it was originally written. The
16 designation of traffic as reciprocal compensation
17 traffic for purposes of reciprocal compensation
18 shall be based on the actual originating and
19 terminating end point -- terminating points of
20 the complete end-to-end communication. Do you
21 see that?

22 A. Yes, sir.

23 Q. Does it refer to receiving points

□00340

1 there?

2 A. No, it does not.

3 Q. Thank you. Now, I will try to get
4 through issue 6 as quickly as I possibly can.

5 Are you familiar again with the, are
6 you aware that the FCC arbitration order
7 addressed the question of reciprocal compensation
8 for FX traffic?

9 A. Yes, it did.

10 Q. And are you aware that there was a
11 discussion in that order concerning the NPA-NXX
12 designations?

13 A. Yes.

14 MR. SHOR: I'd like to mark as US LEC
15 Exhibit 8, a section of the FCC order addressing
16 toll rating and virtual foreign exchange.

17 (US LEC Exhibit No. 8 was
18 marked for
19 identification.)

20 BY MR. SHOR:

21 Q. Now, do you recall the discussion
22 about whether the NPA-NXX designation governs
23 compensation?

000341

1 A. Yes, sir.
 2 Q. You remember we had quite a discussion
 3 about this. Would you direct your attention,
 4 please, to paragraph 301.
 5 HEARING EX. MOORE: What page?
 6 MR. SHOR: Page 143.
 7 A. Yes, sir.
 8 Q. Would you please read that paragraph
 9 into the record?
 10 A. We agree with the petitioners that
 11 Verizon has offered no viable alternative to the
 12 current system, under which carriers rate calls
 13 by comparing the originating and terminating
 14 NPA-NXX codes. We therefore accept the
 15 petitioners' proposed language and reject
 16 Verizon's language that would rate calls
 17 according to their geographical end points.
 18 Verizon concedes that NPA-NXX rating is the
 19 established compensation mechanism not only for
 20 itself, but industrywide. The parties all agree
 21 that rating calls by their geographical starting
 22 and ending points raises billing and technical
 23 issues that have no concrete, workable solutions

000342

1 at this time.
 2 Q. Now, based on your review of that
 3 order, is your understanding that Wireline
 4 Competition Bureau directed that the parties use
 5 the NPA-NXXs of the originating and terminating
 6 parties to govern intercarrier compensation
 7 arrangements?
 8 A. Yes, it is.
 9 Q. Thank you. Now, you had a number of
 10 questions about this diagram that Mr. Panner drew
 11 involving Essex, Columbia, Maryland and Columbia,
 12 South Carolina, do you recall that?
 13 A. Yes, sir.
 14 Q. Do you recall he asked you a number of
 15 questions about how the various calls were
 16 transferred and he asked you some questions about
 17 an FCC order addressing a service known as
 18 interLATA FX service? Do you recall that?
 19 A. Yes, sir.
 20 Q. Do you know how the service in that
 21 particular order was provisioned?
 22 A. No, I do not.
 23 Q. Do you have any idea whether the call

□00343

1 that was at issue or calls that were at issue in
2 that particular order terminated in the LATA
3 where the call originated and then were
4 regenerated and sent out?

5 A. I have no idea how they worked.

6 Q. And yet US LEC, as I understand it,
7 your distinction between a service where the call
8 does not terminate in the LATA but rather is just
9 handled as one continuous call from the
10 originating party to the terminating party
11 differs from US LEC's service. Is that correct?

12 A. That's correct.

13 Q. What is that essential difference?

14 A. The essential difference is that call
15 terminates and we regenerate the call.

16 Q. So in fact in your service the call
17 terminates in Maryland and is regenerated before
18 going someplace else.

19 A. That's correct.

20 Q. Now, do you recall Ms. Flynn asked you
21 a question the distinction between virtual FX
22 service and 800 service?

23 A. Yes, sir.

□00344

1 Q. As I understand it, US LEC's service
2 that's provided here is not virtual FX, is that
3 right?

4 A. That's correct.

5 Q. What is it called?

6 A. It's called local toll-free.

7 Q. Can you direct me to, you have the
8 local tariff there which is Verizon Exhibit 6?

9 A. Yes.

10 Q. Can you direct me to the point in that
11 tariff where US LEC's local toll-free service is
12 described?

13 A. It's not in this tariff.

14 Q. And why is that?

15 A. Because it's in our long distance
16 tariff.

17 Q. And as you understand it there is a
18 fundamental difference between US LEC's foreign
19 exchange service and US LEC's local toll-free
20 service?

21 MR. PANNER: Objection.

22 A. Yes.

23 MR. PANNER: Objection.

□00345

1 HEARING EX. MOORE: What is the
2 objection?

3 MR. PANNER: It's leading.

4 HEARING EX. MOORE: Overruled.

5 BY MR. SHOR:

6 Q. Now, there were some other
7 conversation, other questions that dealt with the
8 call from area -- I'm going to have to, I won't
9 eliminate your drawing here, you had X in area A
10 and Y in area B. Do you recall that?

11 A. Yes, sir.

12 Q. And you recall that Mr. Panner asked
13 you whether the call from X to Y in that
14 arrangement without any expanded service or any
15 FX, whether that was an intraLATA toll call? Do
16 you recall that?

17 MR. PANNER: Objection.
18 Mischaracterizes my question.

19 HEARING EX. MOORE: Overruled.

20 A. Yes, sir.

21 Q. And you recall he asked you to discuss
22 the situation where Y has a number associated
23 with X's local calling area. Do you recall that?

□00346

1 A. Yes, sir.

2 Q. And he asked you whether that becomes
3 a local call. Do you recall that?

4 A. Yes, sir.

5 Q. In fact, isn't it just rated as a
6 local call?

7 A. Yes, sir.

8 Q. It doesn't become a local call, it's
9 rated to the originating caller as a local call,
10 is that correct?

11 A. That's correct.

12 Q. Now, as you understand it, with US
13 LEC's switch in area B, if in fact customer Y in
14 area A is a US LEC customer, do you understand
15 how that call is routed?

16 A. Yes, sir.

17 Q. How is it routed?

18 A. The call is still routed by Verizon to
19 our interconnection point, slash, POI. I've
20 probably got the terms mixed up. But wherever
21 they hand off their traffic to us. And then we
22 deliver that call to our customer, whether it's a
23 toll call or whether it's an FX call.

□00347

1 Q. So in this arrangement, Verizon takes
2 the call from X to US LEC's switch, is that
3 right?

4 A. That's correct.

5 Q. And US LEC takes the call and brings
6 it back to Y, is that correct?

7 A. That's correct.

8 Q. Now, in this situation where Y in area
9 B simply has the number associated there, what
10 does Verizon do?

11 A. Same thing that they did in the other
12 scenario.

13 Q. So Verizon brings the call from
14 calling area A to US LEC's switch, is that right?

15 A. That's correct.

16 Q. The service that Verizon provides, is
17 that any different when the call goes back to
18 area A or whether it stays in area B?

19 A. No, it's not.

20 Q. So the services that Verizon provides
21 does not change depending on the location of the
22 called party.

23 A. That's correct.

□00348

1 Q. And based on your understanding of
2 cost, would you agree that the cost that Verizon
3 incurs to carry the call to US LEC's switch is
4 the same?

5 A. It is.

6 Q. Now, to your knowledge, does Verizon
7 offer an FX product?

8 A. Yes, they do.

9 Q. To your knowledge does it provide a
10 similar functionality?

11 A. Yes, it does.

12 Q. And under the current arrangement if
13 the US LEC customer calls a Verizon customer that
14 utilizes FX service, has Verizon been billing US
15 LEC reciprocal compensation for that call?

16 A. Yes, they have.

17 Q. To your knowledge has US LEC been
18 paying it?

19 A. Yes, we have to.

20 Q. To the extent that any toll charges
21 have been lost, has Verizon offered to pay you
22 any of those during this period?

23 A. No, they have not.

□00349

1 Q. So the way that the parties have
2 exchanged traffic to date, and let me make sure
3 that this is correct. In both instances with
4 both foreign exchange products, each carrier has
5 been billing and paying the other reciprocal
6 compensation.

7 A. That's correct.

8 MR. SHOR: Your Honor, I've got one
9 more minute, I'm trying to finish.

10 MR. PANNER: Your Honor, I'm going to
11 have to recross, and it's going to be pretty
12 long.

13 HEARING EX. MOORE: Let's ask your
14 question.

15 MR. SHOR: Well, if he's doing recross
16 and she's going to miss her flight, then I'd just
17 as soon not have to rush. If there's no way he's
18 going to finish in, if there's no way she can get
19 out and you've got to break, then I'd prefer not
20 to have to rush it. I could explore this on
21 redirect in greater detail.

22 MR. PANNER: Your Honor, I need to
23 recross. I mean, he's introduced, I know he goes

□00350

1 very fast, he's introduced a lot of stuff. It's
2 stuff, I'm sorry, I've got to go over it.
3 There's been a number of statements made with
4 respect to, you know, what work is being done
5 with Verizon's FX service with respect to this
6 FCC order. I've got to go into it.

7 HEARING EX. MOORE: What time is your
8 flight, ma'am?

9 THE WITNESS: 12:30.

10 HEARING EX. MOORE: You say you've
11 already checked in?

12 THE WITNESS: Yes, sir.

13 MR. PANNER: Your Honor, I can try to
14 do it, if you can go to noon I can try to do it
15 in 15 minutes.

16 THE WITNESS: I'm going to miss the
17 flight no matter what at this point.

18 HEARING EX. MOORE: How much of an
19 imposition would it be for you to stay here? At
20 this point?

21 THE WITNESS: I'll do whatever the
22 Court needs me to do.

23 HEARING EX. MOORE: How much more time

□00351

1 would you need to recross this witness?

2 MR. PANNER: On the issues that

3 Mr. Shor has raised, I think I could do that in a
4 short time, 15 minutes. But, you know, there's
5 really, there are a few issues I think need to be
6 drawn out, Your Honor, but it's not, I don't
7 think it will be extensive. But I do need a
8 recross.

9 HEARING EX. MOORE: Are there matters
10 that could be dealt with on the brief? Because
11 quite frankly, at this point, I have a pretty
12 good conceptual framework based on your cross
13 already and based on what Mr. Shor has done on
14 redirect. That these matters could be addressed
15 in briefing if there are some things that you
16 really think need to come to my attention because
17 it would have an impact on the ultimate outcome.

18 MR. PANNER: Well, Your Honor, I hate
19 to be the bad guy, obviously.

20 HEARING EX. MOORE: I'm not, don't
21 characterize it that way.

22 MR. PANNER: You're asking me if I
23 want to waive recross, I don't think it would be,

□00352

1 I don't think it would be appropriate. As I say,
2 I can do it very fast, but I do think that
3 Mr. Shor has raised issues on his redirect that
4 need to be clarified.

5 HEARING EX. MOORE: Okay.

6 THE WITNESS: Can we go off the record
7 for a minute?

8 (Discussion off the record.)

9 HEARING EX. MOORE: Why don't we go
10 ahead and break in a minute and reconvene at
11 1:15.

12 MR. SHOR: If this is the case I have
13 not finished my redirect.

14 HEARING EX. MOORE: I understand.
15 You've got one more question.

16 MR. SHOR: I may have a little bit
17 more because I was trying to rush to get her
18 out.

19 (Luncheon recess -- 11:48 a.m.)

20
21
22
23

000353

A F T E R N O O N S E S S I O N

(1:13 p.m.)

HEARING EX. MOORE: Okay.

MR. SHOR: I just have a few more
questions on redirect, Your Honor.

HEARING EX. MOORE: Okay.

BY MR. SHOR:

Q. Ms. Montano, do you remember there was
some questioning from Mr. Panner concerning the
charges that US LEC, the rates that US LEC
charges customers for foreign exchange services?

A. Yes.

Q. Do you know whether by any chance
Verizon charges foreign exchange service for
those customers?

A. Yes, they do.

Q. Do you have any understanding as to
what rates they charge?

A. In their toll service tariff there is
a rate per mile and there's a rate for up to 25
miles, and then if it's over 25 there's a
secondary rate you add to that, and if it's
greater than 50 miles you add a third rate, and

000354

then there is a charge per path.

Q. Path, what does that mean?

A. That means that for every path that
the customer can receive a call on they have to
pay for the channel. I think it's around \$14 a
month.

Q. So as you understand it there are
charges that Verizon assesses on its customers
for the privilege of using foreign exchange
service?

A. That's correct.

Q. Do you have any understanding as to
what US LEC's customers get for the charges that
they pay?

A. Yes, for the flat rate that we provide
the customer they get 99, they can have 99
simultaneous calls coming in.

Q. Do you have any understanding as to
whether the charges that US LEC has for a foreign
exchange are competitive with services, similar
services provided by other carriers?

A. We believe that they are.

Q. I believe you testified that US LEC's

000355

1 foreign exchange customers also typically
2 purchase local exchange service?

3 A. That's correct.

4 Q. Is it your understanding that US LEC's
5 foreign exchange services typically have physical
6 locations in addition to whatever virtual
7 locations they may obtain?

8 A. I'm sorry.

9 Q. Is it your understanding that a
10 foreign exchange customer that US LEC has will
11 have an office somewhere in Maryland?

12 A. Yes, they will.

13 Q. And that they will get local service
14 out of that office?

15 A. They will.

16 Q. And that they may just purchase a
17 presence in a different calling area through US
18 LEC's foreign exchange service but they do have a
19 presence in Maryland?

20 A. Absolutely.

21 MR. SHOR: I have nothing further on
22 redirect, Your Honor.

23 HEARING EX. MOORE: Mr. Panner.

000356

1 MR. PANNER: Thank you.

2 CROSS-EXAMINATION

3 BY MR. PANNER:

4 Q. Ms. Montano, I'd like to direct your
5 attention first of all to the exhibit that
6 Mr. Shor introduced at the beginning of your
7 cross, which I'm having trouble locating, I'm
8 afraid.

9 MR. SHOR: Which one?

10 MR. PANNER: I believe it's --

11 HEARING EX. MOORE: No. 7?

12 MR. PANNER: On the front of it it
13 says definition of Internet traffic.

14 MR. SHOR: Yes.

15 BY MR. PANNER:

16 Q. You read part of the language in
17 paragraph 257, on page 127 there's also a
18 statement that says Cox argues that Verizon's
19 proposed language improperly reverses the
20 presumption in Section 251-G, exempting the
21 traffic type listed therein from reciprocal
22 compensation rather than as the statute requires,
23 leaving in place previous compensation regimes

000357

1 until they have been superseded by new rules.

2 Do you see where it says that?

3 A. Yes.

4 Q. Do you agree with Cox's argument
5 there?

6 A. I can't render an opinion at this
7 point. The reason why is you've got a
8 one-sentence summary of what was probably a very
9 long argument in Cox's reply brief that was
10 footnoted. And without going looking at their
11 reply brief I would prefer not to. Because I
12 really don't know until I understand all the
13 different pieces.

14 Q. Okay. Well, let's take out the words
15 Cox argues that. Then it says, Verizon's
16 proposed language improperly reverses, et
17 cetera. Leaving aside its characterization as
18 Cox's argument, do you agree with that statement,
19 that Verizon's proposed language improperly
20 reverses the presumption, et cetera, et cetera?

21 A. I don't know whether I agree or not
22 agree, without sitting down and analyzing what
23 they're saying here. I think you're putting me

000358

1 on the spot here to make a legal -- a conclusion
2 that I'm not prepared to make without studying it
3 further.

4 Q. Would you agree with me that the
5 language, that Verizon's proposed language
6 referred to here is the exact language to which
7 US LEC has already agreed to govern reciprocal
8 compensation?

9 A. No, I wouldn't agree with you until
10 I've had an opportunity to study it. You've got
11 one sentence that I need to understand better.

12 Q. Okay. Here it says reciprocal -- I'm
13 not referring to that sentence anymore,
14 Ms. Montano.

15 HEARING EX. MOORE: Where are you
16 referring to?

17 MR. PANNER: It says reciprocal
18 compensation.

19 HEARING EX. MOORE: Where are you
20 referring to?

21 MR. PANNER: In paragraph 257 it
22 refers to proposed language, and the language is
23 quoted in the first sentence which Ms. Montano

00359

1 read before and rendered an opinion on, Your
2 Honor, in response to Mr. Shor's question, that
3 said that reciprocal compensation does not apply
4 to interstate or intrastate exchange access,
5 information access or exchange services for
6 information access and exchange access.

7 Q. Would you agree that that was
8 Verizon's proposed language?

9 A. Yes.

10 Q. Now, if I take you to paragraph 7.3.1
11 of the proposed agreement, on page 64 of
12 Exhibit 1, you testified before that US LEC has
13 agreed to that language. Is that right?

14 A. Yes, I have.

15 Q. Can you read that language again? I
16 know you read it earlier but I'd like you just to
17 read it for the Hearing Examiner, please.

18 A. Reciprocal compensation shall not
19 apply to interstate or intrastate exchange
20 access, information access, or exchange services
21 for exchange access or information access.

22 Q. So the fact that the FCC did not
23 accept that language doesn't affect the fact that

00360

1 US LEC has already agreed to it here, isn't that
2 right?

3 A. Yes.

4 MR. PANNER: Your Honor, I've written
5 up some diagrams that relate to what was written
6 on the board and I haven't asked, Mr. Shor has
7 had a brief chance to look at them, I have not
8 shown them to Ms. Flynn. I don't know if
9 Mr. Shor is going to have any objections to them,
10 but maybe we can speed this up, work that out
11 later to try to speed things up for Ms. Montano
12 and let her out of here.

13 HEARING EX. MOORE: Very well.

14 Q. Now, this is a diagram Mr. Shor drew
15 showing a local calling area A, a local calling
16 area B, a Verizon customer X, a US LEC customer
17 Y?

18 A. Yes.

19 Q. He also showed a situation, did he
20 not, where there was a US LEC customer Y in that
21 local calling area, is that right?

22 A. Uh-huh. Yes.

23 Q. Now, in the case, in this diagram that

□00361

1 Mr. Shor drew there's a customer Y located here
2 in the local calling area B which I take it is
3 Columbia because that's the US LEC switch, is
4 that right?

5 A. That's right.

6 Q. So customer Y is located close to the
7 US LEC switch, is that right?

8 A. In that diagram, yes.

9 Q. Do you have foreign exchange customers
10 that are located close to your switch in
11 Maryland?

12 MR. SHOR: Objection to the use of the
13 word close. What does it mean? Foundation.

14 HEARING EX. MOORE: Are you really
15 asking if you have customers in the Columbia area
16 where the switch is?

17 MR. PANNER: That's a good start.

18 Q. Do you have foreign exchange customers
19 in the Columbia area where the switch is?

20 A. Subject to check I believe we have two
21 in Columbia.

22 Q. Would you agree that a customer that's
23 within five miles of the switch is close?

□00362

1 A. Sure.

2 Q. And do you have FX customers that are
3 within five miles of your switch?

4 A. Not knowing how large the Columbia
5 local calling area is I can't say they're within
6 five miles. I know that we have a couple of
7 customers who are within the Columbia local
8 calling area.

9 Q. Certainly it's possible they could be
10 within five miles, but you don't know?

11 A. Yes.

12 Q. So they could be close?

13 A. Yes.

14 Q. In this call from the Verizon customer
15 X to this US LEC customer Y that's located in the
16 Columbia area, this is Essex, this is Columbia.
17 Who's doing the longer haul? Verizon that's
18 getting it to your switch, or US LEC that's
19 getting it from the switch to the customer?

20 MR. SHOR: Can I ask a point of
21 clarification in that example? Is Y physically
22 located, is it an FX call or is it a, what kind
23 of call is it?

000363

1 MR. PANNER: Your Honor, I don't see
2 how that's an objection to my question. If she
3 doesn't understand the question she'll ask for
4 clarification. I really think that Mr. Shor is
5 using the objections as an opportunity to try to
6 make suggestions to the witness and I don't think
7 that that's fair.

8 HEARING EX. MOORE: Is this an
9 objection?

10 MR. SHOR: It was an objection.
11 Rephrase question. Objection as to form.

12 HEARING EX. MOORE: Overruled. If you
13 can answer the question, answer the question. If
14 you can't or if it's not clear, you indicate you
15 can't answer it or it's not clear.

16 THE WITNESS: Yes, sir.

17 HEARING EX. MOORE: She's the one
18 that's responding to the questions, not you.

19 MR. SHOR: Okay.

20 A. Are we talking about, and I'm asking
21 this because we've had the objection in the
22 middle of this and I want to make sure I
23 understand the question. Are we talking about an

000364

1 FX call? A foreign exchange call?

2 Q. Why does it matter whether we're
3 talking about a foreign exchange call?

4 HEARING EX. MOORE: Well, let me
5 interject because it kind of matters to me.
6 Because again, you need to play to my brain,
7 okay.

8 MR. PANNER: I'm trying to do that,
9 Your Honor.

10 HEARING EX. MOORE: And everybody else
11 in here as far as I'm concerned is an expert.
12 I'm not in this area. I'm not an expert in this
13 area. So if you leave me in a fog, you know, you
14 don't help yourself.

15 MR. PANNER: I agree with that, Your
16 Honor, and I'm doing my best to clarify.

17 HEARING EX. MOORE: So to talk about
18 calls in one breath and an FX call in another
19 breath and some other kind of call in the third
20 breath, to me it all gets jumbled up into being a
21 thing called a call ultimately, and if you don't
22 want me treating it that way, then you need to
23 make the appropriate distinction so that I can

000365

1 keep this stuff straight in my head.

2 MR. PANNER: I appreciate that, Your
3 Honor. And I think that, well, that's fine. I
4 certainly do want it to be clear and I certainly
5 do think those distinctions may be important.

6 BY MR. PANNER:

7 Q. So let's take the example of a call
8 where Y is not an FX customer. So this is a call
9 from X to Y. Not an FX customer, Y is a US LEC
10 customer. Verizon takes the call to the US LEC
11 switch. Is that right? Responsible for taking
12 the call to US LEC's switch in your view?

13 A. They're responsible for getting the
14 call to my POI. My point of interconnection.
15 Which happens to be the switch.

16 Q. Okay. Ms. Montano, if you introduce
17 additional complications into your answer I'm
18 going to have to try to clarify them and that's
19 going to take longer. Are you responsible for
20 getting the call to your switch? Excuse me. Is
21 Verizon responsible for getting the call to your
22 switch? Yes or no.

23 HEARING EX. MOORE: Can you answer the

000366

1 question yes or no?

2 THE WITNESS: I'm thinking. Just give
3 me a moment.

4 My understanding of our network
5 architecture is that we have a point of
6 interconnection with Verizon in each of your
7 access tandem serving areas and that's where you
8 get the call to us and then we carry it the rest
9 of the way.

10 Q. Is it your position that Verizon is
11 only responsible for paying for that transport up
12 to the access tandem?

13 A. To our point of interconnection in the
14 access tandem area.

15 I'm sorry. I'm confused. You're
16 right.

17 Q. So, to back up --

18 HEARING EX. MOORE: What's right, that
19 you're responsible for getting the call to the
20 switch?

21 THE WITNESS: There's a physical
22 demark and financial demark and I was getting the
23 two confused and I apologize. Verizon is

000367

1 responsible for getting the call to my switch.

2 Q. And that's true whether it's an FX
3 call or a local call as we'd all agree is a local
4 call, isn't that right?

5 A. Yes.

6 Q. So in the case of Y, whether it's a
7 local customer or an FX customer, who's doing the
8 longer haul? We're talking about, again, this is
9 a diagram that you responded to before, Mr. Shor
10 drew it, you didn't express any complication
11 about understanding it. Y is within the local
12 calling area B, which we assume is Columbia
13 because the US LEC switch is there, and we have
14 another local calling area. Who is doing the
15 longer haul?

16 A. In that particular call I would assume
17 Verizon is carrying it more miles.

18 Q. Now, if we're talking about a foreign
19 exchange service, Mr. Shor asked you about the
20 charges that you impose. How many telephone
21 numbers do they get for that payment?

22 A. One.

23 Q. They get one number.

000368

1 A. There is an opportunity for them to
2 purchase additional numbers.

3 Q. What, how would they purchase
4 additional numbers?

5 A. By subscribing to them for \$12 a month
6 each.

7 Q. So for each number they pay \$12 a
8 month?

9 A. That's correct.

10 Q. So they could obtain numbers in -- in
11 your discovery responses you said that you have
12 been -- would you accept subject, well, it was in
13 your discovery responses that you've been
14 assigned 23 full or partial NXX codes in the
15 Baltimore LATA. Do you recall that response?

16 A. Yes.

17 Q. So for \$12 a month per number, a
18 customer could get numbers throughout the
19 Baltimore LATA?

20 MR. SHOR: Objection.
21 Mischaracterizes the witness' testimony.

22 Q. Is that correct?

23 HEARING EX. MOORE: Wait a minute.

000369

1 Can you answer the question?

2 THE WITNESS: Yes.

3 HEARING EX. MOORE: Objection

4 overruled.

5 A. I don't know that I have enough
6 knowledge to know from our marketing folks
7 whether or not that \$12 is for additional numbers
8 in the same calling area, like if they decided
9 they wanted three numbers for whatever, or if
10 that's across the LATA. I just don't know what
11 the answer is.

12 Q. So you've testified that for \$12 a
13 month, I just want to make sure I understand
14 where your testimony stands. You've testified
15 that for \$12 month an FX customer could get
16 additional numbers?

17 A. That's correct.

18 Q. Per number.

19 A. Yes.

20 Q. But you don't know whether those
21 numbers could be in various local calling areas?

22 A. No, I don't. I never thought to ask
23 my marketing people that clarifying question.

000370

1 Q. Incidentally, when you deliver an FX
2 call to that customer Y, as opposed to a local
3 call to that customer Y, what additional function
4 are you performing?

5 A. Transport.

6 Q. In which case?

7 A. In the foreign exchange case.

8 Q. You're providing additional transport
9 in the foreign exchange case?

10 A. Yes.

11 Q. Can you explain to me where the
12 transport, where the transport starts and where
13 it goes?

14 A. The transport that we provide goes
15 from our switch to the customer's location.

16 Q. Now, in the foreign exchange case you
17 agree we're talking about a call from X to Y. So
18 in the foreign exchange case Y is over here in
19 the foreign exchange, right?

20 A. Yes.

21 Q. So the transport you're talking about
22 is the piece within the local calling area
23 between the US LEC switch and the customer Y, is

D00371

1 that correct?

2 A. In that particular example, yes.

3 Q. And in this case it's a local call,
4 the transport is going all the way here, right?

5 A. Yes.

6 Q. If you're offering that service you'd
7 be hauling the call all the way back, right?

8 A. Yes.

9 Q. But you're charging this customer
10 more, isn't that right?

11 A. You're confusing apples and oranges.
12 In one case a customer is buying one service and
13 in another case the customer is buying another
14 service. And as I understand it our retail rates
15 are not at issue in this hearing.

16 Q. Well --

17 HEARING EX. MOORE: Let me, for my own
18 information, you say differences in service, the
19 difference being one is an FX service and the
20 other is what, just local dialing?

21 THE WITNESS: Basic local service.
22 Local dialing.

23 HEARING EX. MOORE: All right.

D00372

1 BY MR. PANNER:

2 Q. So in one case you've assigned a
3 number that's in a different place and in the
4 other case you've assigned a number that's
5 associated with the local calling area?

6 A. When a customer purchases foreign
7 exchange from US LEC they are purchasing not only
8 foreign exchange, they're also purchasing local
9 service from us. As well. We don't provide one
10 without the other.

11 Q. Right. But you make a separate charge
12 for local service, is that right?

13 A. That's correct.

14 Q. Mr. Shor asked you in the case of a
15 foreign exchange call, he said that when the call
16 from X goes to Y, he said -- strike that. You
17 testified that Verizon provides FX service, is
18 that right?

19 A. Yes.

20 Q. Suppose the situation is reversed and
21 we're talking about a call from US LEC's local
22 exchange customer Y to the Verizon customer, a
23 Verizon foreign exchange customer located in

□00373

1 Essex, X. Do you understand the scenario?

2 A. No, I don't. Would you repeat it
3 again?

4 Q. Sure. Suppose that a US LEC customer
5 located in Columbia, Y, calls a Verizon foreign
6 exchange customer X.

7 A. Yes.

8 Q. Do you know what, so that this foreign
9 exchange customer in Essex has been assigned a
10 number associated with the Columbia local calling
11 area. Do you understand that scenario?

12 A. Yes.

13 Q. Do you know what office, what central
14 office the Verizon foreign exchange customer gets
15 local exchange service out of?

16 Let me try to refine that question, so
17 I'll withdraw the previous one. Would a Verizon
18 foreign exchange customer with a Columbia number
19 get service out of a central office located, a
20 central office serving the Columbia exchange or a
21 central office serving the Essex exchange?

22 A. I'm not an expert on Verizon's network
23 design, but I would assume that they're going to

□00374

1 draw dial tone out of their local office where
2 they are physically located. Geographically
3 located. Which would in this case be Essex.

4 Q. So would you accept --

5 A. As a contrast --

6 Q. You made reference -- I'm sorry, if
7 you want to continue your answer?

8 A. I'd just say as a contrast US LEC uses
9 one switch to serve the entire LATA and that is
10 the equivalent of us having a switch in each
11 local calling area.

12 Q. You said you looked at Verizon's
13 tariff, isn't that right?

14 A. I've looked at a number of Verizon's
15 tariffs over my career.

16 Q. You testified to what Verizon's tariff
17 requires for FX service, didn't you?

18 A. Yes.

19 Q. You did. Okay. Now, are you familiar
20 with the fact that the tariff says that when you
21 purchase foreign exchange service you get local
22 exchange service out of the foreign office, not
23 local office?

000375

1 A. No, I'm not.

2 Q. Are you familiar with the fact that
3 what you're paying for foreign service is a
4 private line or dedicated transport from the
5 office associated with the foreign exchange
6 through to your location outside that exchange?
7 Are you familiar with that?

8 A. No.

9 Q. So are you familiar with the fact that
10 those charges are based on the functions that
11 Verizon is actually performing when it provides
12 that service?

13 A. I'm sorry, I don't understand the
14 question.

15 HEARING EX. MOORE: Let me ask
16 something. What difference does it make?
17 Verizon's architecture is not US LEC's
18 architecture.

19 MR. PANNER: Well, Your Honor, that's
20 true. But Mr. Shor spent some time on redirect
21 asking Ms. Montano about Verizon's charges and so
22 I think it's important to illustrate that in the
23 case of Verizon, the charges that the customer is

000376

1 paying, well --

2 HEARING EX. MOORE: All you're saying
3 is that the charges that a Verizon customer pays
4 is based on Verizon's architecture. It sounds
5 like it to me.

6 MR. PANNER: That's right, Your Honor,
7 and I'm contrasting that to the situation with US
8 LEC where the charges have no relation to the
9 architecture.

10 HEARING EX. MOORE: Well, that sounds
11 more like a conclusion at this point.

12 MR. PANNER: That's right. We have to
13 introduce the evidence to get to the conclusion,
14 Your Honor.

15 HEARING EX. MOORE: All right. Go
16 ahead.

17 MR. PANNER: Do you know what, Your
18 Honor, at that, I have nothing further so I'm
19 willing to sit down. Thank you.

20 HEARING EX. MOORE: Okay. Ms. Flynn,
21 do you have anything based on that?

22 MS. FLYNN: No, Your Honor. Thank
23 you.

□00377

1 MR. SHOR: I have maybe two or three
2 based on his recross.
3 HEARING EX. MOORE: Okay. This is the
4 last bite at this apple.
5 MR. SHOR: Yes. I understand.
6 REDIRECT EXAMINATION
7 BY MR. SHOR:
8 Q. Ms. Montano, do you recall Mr. Panner
9 asking you questions about the transport here
10 between local calling area A and local calling
11 area B?
12 A. Yes, sir.
13 Q. He asked you first about a call in a
14 situation where US LEC's customer Y is physically
15 located in the Columbia exchange. Do you recall
16 that?
17 A. Yes, sir.
18 Q. And the Verizon customer is physically
19 located in the Essex exchange.
20 A. Yes, sir.
21 Q. These are two different calling areas,
22 is that right?
23 A. Yes, sir.

□00378

1 Q. Is that a local call or a toll call?
2 A. I believe it's a toll call.
3 Q. If it's a toll call, is the call going
4 to be routed necessarily by Verizon directly to
5 US LEC's switch in the same way a local call
6 would be routed?
7 A. I believe it would be routed the same
8 way.
9 Q. Verizon would, as a, doesn't depend on
10 who the customer has chosen --
11 MR. PANNER: Objection. Asked and
12 answered.
13 MR. SHOR: I haven't asked and answered
14 anything.
15 HEARING EX. MOORE: Overruled.
16 BY MR. SHOR:
17 Q. Does it depend on who the Verizon
18 customer has chosen as its intraexchange carrier?
19 A. Yes, I testified to that earlier and I
20 forgot to include that in this round of the
21 answer.
22 Q. So depending on who the carrier has
23 chosen it may be routed differently?

000379

1 A. That's correct.

2 Q. And if it's a local call with the US
3 LEC customer in the Essex exchange, then it goes
4 to US LEC's switch and then US LEC brings it back
5 to Essex; is that right?

6 A. That's correct.

7 Q. Now, Mr. Panner asked you some
8 questions where US LEC's foreign exchange
9 customer is located in the Columbia exchange; is
10 that right?

11 A. Yes.

12 Q. Do you have foreign exchange customers
13 who are located in other parts of Maryland?

14 A. Yes, I do.

15 Q. Any in Annapolis?

16 A. Subject to check I believe there's
17 one.

18 Q. Any north of Baltimore, east of
19 Baltimore?

20 A. Yes, sir.

21 Q. So there are some potentially, forgive
22 me for going over here, we have a calling area C
23 and US LEC's foreign exchange customer in its

000380

1 physical location there; is that right?

2 A. That's right.

3 Q. So in that case physically the US LEC
4 foreign exchange customer with a physical
5 location in calling area C, and let's call that
6 Annapolis, could have a number associated with
7 Essex, is that right?

8 A. That's correct.

9 Q. And in that case, Verizon is going to
10 take that call and deliver it to US LEC's
11 switch. Is that right?

12 A. That's correct.

13 Q. And US LEC is going to deliver it from
14 Columbia down to Annapolis; is that right?

15 A. Yes, sir.

16 Q. Would you consider that to be close to
17 US LEC's switch?

18 A. No, I would not.

19 Q. And who provides the function of
20 getting the call from US LEC's switch to US LEC
21 foreign's exchange customer in Annapolis?

22 A. US LEC does.

23 MR. SHOR: Thank you. I have nothing

00381

1 further.
2 HEARING EX. MOORE: Okay. I take it
3 Ms. Montano, you may step down.
4 THE WITNESS: Thank you, sir.
5 HEARING EX. MOORE: Thank you.
6 (Witness excused.)
7 HEARING EX. MOORE: Mr. Shor, who's up
8 next?
9 MR. SHOR: Your Honor, US LEC will
10 rest its case. I would like to move the
11 admission of the US LEC exhibits that were
12 introduced today and also move for admission into
13 evidence formally of Ms. Montano's direct and
14 rebuttal testimony.
15 HEARING EX. MOORE: Okay. I have on
16 my personal list, US LEC Exhibits 1 through 8.
17 So you want to move all of those in?
18 MR. SHOR: That's correct, Your
19 Honor.
20 HEARING EX. MOORE: Any objection?
21 MS. FLYNN: No.
22 HEARING EX. MOORE: Without objection,
23 US LEC Exhibits 1 through 8 shall be moved into

00382

1 evidence.
2 MR. SHOR: And Ms. Montano's direct
3 and rebuttal testimony.
4 HEARING EX. MOORE: Yes.
5 (US LEC Exhibit Nos. 3 and
6 4 were received in
7 evidence.)
8 (US LEC Exhibit Nos. 7 and
9 8 were received in
10 evidence.)
11 HEARING EX. MOORE: All right, who's
12 next?
13 MR. SHOR: Your Honor, could we do
14 some housekeeping. We have some schematics of
15 some of these diagrams, and I suppose what I
16 should probably do is identify --
17 HEARING EX. MOORE: Yeah, we need to
18 identify those and get them in.
19 MR. PANNER: That's what I was about
20 to do, Your Honor.
21 MR. SHOR: Off the record?
22 HEARING EX. MOORE: Yes.
23 (Discussion off the record.)

00383

1 HEARING EX. MOORE: How are we going
2 to label those, LEC or Verizon exhibits?
3 MR. SHOR: Since I have drawn this
4 diagram I would label this US LEC Exhibit 9.
5 HEARING EX. MOORE: And which one is
6 that?
7 MR. SHOR: May I show Your Honor?
8 HEARING EX. MOORE: Yes.
9 MR. SHOR: It is the initial diagram
10 we had of Columbia A and B with Essex
11 representing A and Columbia representing B, since
12 that's what we were referring to, and then adding
13 C down here which we referred to as Annapolis.
14 So it would be a schematic of the foreign
15 exchange.
16 HEARING EX. MOORE: Okay.
17 (US LEC Exhibit No. 9 was
18 marked for identification
19 and received in evidence.)
20 MR. PANNER: Your Honor, just again as
21 a housekeeping matter, first I'd like to, and I
22 think some of these exhibits I may have already
23 moved the admission of. But I have nine Verizon

00384

1 exhibits so far and I'd like to make sure they're
2 all admitted into the record.
3 HEARING EX. MOORE: Right. According
4 to my personal exhibit list you've got nine
5 exhibits. So you want to move in all nine?
6 MR. PANNER: I'd like to move these
7 in. If Mr. Shor would like me to identify them I
8 will, but otherwise I'd like to move them in at
9 this time.
10 MR. SHOR: I'm okay.
11 HEARING EX. MOORE: Any objection?
12 (No response.)
13 HEARING EX. MOORE: Without objection
14 Verizon Exhibits 1 through 9 are admitted into
15 evidence.
16 (Verizon Exhibit Nos. 1
17 through 9 were received in
18 evidence.)
19 MR. PANNER: Your Honor, I'd also like
20 to move the admission, as long as Ms. Flynn has
21 no objection, of Verizon's Exhibits 10 and 11.
22 Which are the schematics that I drew up on the
23 board earlier. That's the first very simple

000385

1 one. And the second one which we had so much fun
2 with.
3 HEARING EX. MOORE: Why don't we call
4 the two-circle one schematic 1 and it's Exhibit
5 No. 10.
6 HEARING EX. MOORE: And the
7 three-circle one is schematic 2 and it's Exhibit
8 No. 11.
9 (Verizon Exhibit Nos. 10
10 and 11 were marked for
11 identification and
12 received in evidence.)
13 MR. SHOR: Your Honor, off the record
14 again.
15 (Discussion off the record.)
16 HEARING EX. MOORE: We're going to
17 take a five-minute recess.
18 (Recess taken -- 1:50 p.m.)
19 (After recess -- 1:52 p.m.)
20 HEARING EX. MOORE: Are you up,
21 Ms. Flynn?
22 MS. FLYNN: Yes, I am.
23 HEARING EX. MOORE: Okay.

000386

1 MS. FLYNN: Your Honor, I'd like to
2 call Steve Molnar to the stand.
3 Whereupon,
4 STEVEN MOLNAR
5 a witness, was called for examination by counsel
6 on behalf of Staff, and, having been first duly
7 sworn, was examined and testified as follows:
8 HEARING EX. MOORE: Mr. Molnar, for
9 the record state your name and business address?
10 THE WITNESS: My name is Steve Molnar,
11 my address is 6 St. Paul Street, Baltimore,
12 Maryland 21202.
13 HEARING EX. MOORE: Ms. Flynn, your
14 witness.
15 DIRECT EXAMINATION
16 BY MS. FLYNN:
17 Q. Ms. Molnar, can you state your
18 position?
19 A. Regulatory economist in public
20 communications with the Public Service
21 Commission.
22 Q. Do you have before you a document
23 which has been labeled as the direct testimony of

□00387

1 Steve Molnar, consisting of ten pages of text and
2 two attachments?

3 A. Yes.

4 Q. Mr. Molnar, did you prepare this
5 document?

6 A. Yes.

7 Q. Do you have any additions or
8 corrections to make to this document?

9 A. Yes, I have three corrections. Well,
10 the cover page, my testimony should be labeled
11 rebuttal testimony rather than direct testimony.

12 On page 2, line 4, the issue numbers
13 should read, 1, 2 and 6, not 2, 3 and 6. And
14 finally, on page 7, the number in the footnote
15 was omitted, it should be footnote No. 9. That's
16 all my corrections.

17 Q. Thank you. With those corrections, if
18 I were to ask you the questions contained in this
19 document today, would your answers be the same?

20 A. Yes.

21 MS. FLYNN: Your Honor, Staff would
22 like to have this document marked as Staff
23 Exhibit No. 1. And moved into evidence at this

□00388

1 time.

2 HEARING EX. MOORE: Do you have any
3 copies?

4 MS. FLYNN: Yes. One.

5 HEARING EX. MOORE: Do they have
6 copies?

7 MS. FLYNN: Yes. It's been prefiled.

8 We'd ask that it be moved into

9 evidence at this time.

10 HEARING EX. MOORE: Any objection?

11 (No response.)

12 HEARING EX. MOORE: Without objection,
13 the corrected rebuttal testimony of Steven Molnar
14 should be admitted into evidence.

15 (Staff Exhibit No. 1 was
16 marked for identification
17 and received in evidence.)

18 MS. FLYNN: The witness is available
19 for cross-examination.

20 MR. PANNER: Your Honor, a couple
21 points. First, Mr. Angstreich will be
22 questioning Mr. Molnar with respect to issues 1
23 and 2 and I'll be doing issue 6, and that's the

000389

1 way we divided up before, I take it there's no
2 problem with doing that?

3 MS. FLYNN: I have no problem.

4 HEARING EX. MOORE: That will be
5 fine.

6 MR. SHOR: I'm going to reserve. I
7 have no questions at this time.

8 HEARING EX. MOORE: All right.
9 Witness with you.

10 MR. ANGSTREICH: I'll start then, Your
11 Honor.

12 CROSS-EXAMINATION

13 BY MR. ANGSTREICH:

14 Q. Mr. Molnar, you testified about the
15 Sprint agreement that the Commission approved
16 last year; is that correct?

17 A. Yes.

18 Q. I assume you reviewed the agreement in
19 preparation of the testimony?

20 A. Yes.

21 MR. ANGSTREICH: If I may approach,
22 Your Honor. I'd like to introduce as Verizon
23 Exhibit 12, I believe, a copy of an excerpt of

000390

1 that agreement.

2 MR. SHOR: Agreement?

3 MR. ANGSTREICH: It's the actual
4 interconnection agreement that was approved.
5 (Verizon Exhibit No. 12
6 was marked for
7 identification.)

8 BY MR. ANGSTREICH:

9 Q. Mr. Molnar, I'd like to direct your
10 attention to page 115 which is only about six or
11 seven pages into the document. And specifically
12 to Section 1.2.3.1. Give me a second. If you
13 could turn back one page to page 114 and look at
14 Section 1.2.2.1.1. It's the third numbered
15 paragraph on page 114. If you could just read
16 that short sentence into the record, sir?

17 A. Sprint shall make available to Verizon
18 at least one Sprint IP in each LATA.

19 Q. And if you go down two paragraphs to
20 1.2.2.1.3, if you could read that.

21 A. In addition to Sprint's obligations
22 under Sections 1.2.2.1.1, and 1.2.2.1.2 above,
23 Sprint shall make available to Verizon the

□00391

1 Sprint-IPs provided for in Section 1.2.3.1
2 below.

3 Q. Now we'll turn to Section 1.2.3.1 on
4 page 115. To speed things up, if I could
5 summarize here, would you agree that this section
6 of the agreement says that Sprint shall make
7 available to Verizon technically feasible points
8 of interconnection which includes three different
9 subsections, jumping down now to 1.2.3.1.3, the
10 bottom of the page, which is in addition to the
11 preceding two paragraphs, upon request by Verizon
12 and subject to certain conditions in the
13 following subsections, Sprint shall make
14 available to Verizon additional technically
15 feasible points of interconnection at which
16 Verizon can deliver traffic to Sprint, and
17 virtual points of interconnection as described
18 below, and that each such point of
19 interconnection shall be the Sprint IP for
20 traffic delivered by Verizon to that point of
21 interconnection.

22 A. Sorry, what paragraph are you
23 referring to?

□00392

1 Q. It's 1.2.3.1.3, on 115 to 116. It's
2 the carryover paragraph on those two pages.

3 A. Yes.

4 Q. Now I'd like to jump to page, just to
5 make sure the "yes" is that there will, Sprint
6 may be required to establish additional physical
7 or virtual points of interconnection which will
8 serve as the Sprint IP? In addition to the other
9 ones that it's required to establish?

10 A. The language says that Sprint shall
11 make available additional technically feasible
12 interconnection points. I'm not sure about if it
13 requires them to do that.

14 Q. Does it say that it shall do so upon
15 request by Verizon?

16 A. Yes.

17 Q. And subject to certain conditions?

18 A. Yes.

19 Q. So presuming the conditions are met
20 and Verizon makes the request, they would have to
21 do that?

22 A. Presumably, yes.

23 Q. If we could turn to page 117. Most of

□00393

1 this page is taken up with paragraph
2 1.2.3.1.3.6. We'll just call subsubparagraph six
3 to save everybody some time. And this,
4 Mr. Molnar, do you agree, discusses the situation
5 in which Sprint does not make available to
6 Verizon a physical point of interconnection
7 pursuant to the preceding provisions, of this set
8 of paragraphs?

9 A. Yes.

10 Q. And in that case, does this section
11 provide that Sprint shall make available a
12 virtual point of interconnection?

13 A. Yes.

14 Q. And just to go back to before, these
15 points of interconnection, whether physical or
16 virtual, will also be an interconnection point or
17 IP?

18 A. Yes.

19 Q. If such a virtual interconnection
20 point is created, we look at the large paragraph
21 for whatever reason that covers, goes left to
22 right across the entire page. Does that
23 paragraph state that for traffic delivered by

□00394

1 Verizon to Sprint, Sprint shall compensate
2 Verizon for that transport?

3 A. Yes, and it goes on, yes.

4 Q. And does it go on to state that the
5 compensation shall be from the virtual point of
6 interconnection to the physical point of
7 interconnection?

8 A. Yes.

9 Q. And does it state that, this is about
10 midway through the paragraph, that the rate for
11 transporting shall be an amount equal to the
12 charges provided for in part 4, Section 1-B?

13 A. Yes.

14 Q. And part of this excerpt includes
15 that, I believe it's the next to last, I
16 apologize, I appear not to have included that.
17 Would you accept subject to check that Section --
18 will you accept subject to check that part 4,
19 Section 1-B includes the unbundled network
20 element rates?

21 A. Sure.

22 Q. Thank you. Mr. Molnar, in preparing
23 your testimony, did you review the Staff brief

00395

1 that was submitted during the Sprint proceeding?

2 A. No.

3 Q. May I show you a copy of that brief?

4 A. Sure.

5 MR. ANGSTREICH: I'd like to mark this
6 as Verizon Exhibit 13.

7 MS. FLYNN: Your Honor, to complete
8 the record, I really think that we should have,
9 if not the complete agreement, at least the
10 section you referred to in terms of unbundled
11 network elements.

12 MR. ANGSTREICH: I'd be happy to
13 supplement the record also, there were a number
14 of issues, really only this one is relevant here,
15 but I'd be happy to provide the entire Staff
16 brief as well.

17 MS. FLYNN: Yes. I'd like to know
18 where you're going with this, with the Staff
19 brief.

20 (Verizon Exhibit No. 13
21 was marked for
22 identification.)

23 BY MR. ANGSTREICH:

00396

1 Q. Mr. Molnar, does this appear to be a
2 Staff brief filed in the arbitration proceeding
3 between Sprint and Verizon Maryland from last
4 year?

5 A. Yes, it is.

6 Q. And if you turn to page 13 of that
7 brief. If you could read the first sentence of
8 the second full paragraph on that page which
9 begins "in fact."

10 A. In fact, Sprint's witness Hunsucker
11 acknowledged that it is reasonable for a CLEC to
12 be responsible for the transport costs once the
13 traffic reaches a material threshold.

14 Q. And if you look at the next
15 paragraph. Is it correct that this discusses the
16 seven rules for interconnection points that the
17 Maryland Commission set forth in the MFS
18 Intelenet order?

19 A. Yes, it does.

20 Q. And if you turn to the top of page 14,
21 if you could read the first actual sentence of
22 that page which begins these seven rules?

23 A. These seven rules govern points of

000397

1 interconnection and the proposal outlined herein
2 is consistent with these rules.

3 Q. Just to make clear, the proposal
4 outlined herein is the Sprint proposal that was
5 ultimately adopted, is that correct?

6 A. I don't believe so. I believe Staff
7 had a different position.

8 Q. If you could turn back to page 13. If
9 you could read the second sentence of that full
10 paragraph, the second full paragraph which you
11 read a portion of previously?

12 A. Staff proposes?

13 Q. Yes.

14 A. Staff proposes a threshold of 24 or
15 more trunks as the point at which Sprint will be
16 required to provide its own transport.

17 Q. And by own transport, you understand
18 that to mean from some place prior to the point
19 of interconnection to Sprint's IP?

20 A. I assume so, but I don't know that for
21 sure.

22 Q. And on page 14, when the brief says
23 that the proposal is consistent with these rules,

000398

1 do you agree that what the brief is saying is
2 that the proposal under which the CLEC rather
3 than Verizon would bear certain transport costs
4 is consistent with the MFS Intelenet seven
5 rules?

6 MS. FLYNN: Objection. Your Honor, I
7 think that the attorney is putting my witness in
8 an unfair advantage of, he said that he was
9 familiar with the Sprint agreement but not
10 necessarily the Staff brief and Staff position in
11 that prior case, and I think to ask him to draw
12 conclusions as to what position Staff may have
13 took in its initial brief in this proceeding is
14 really unfair to Mr. Molnar.

15 HEARING EX. MOORE: Well, if
16 Mr. Molnar can't answer the question, he can
17 indicate he can't answer the question.

18 A. Could you repeat the question?

19 MR. ANGSTREICH: Could you repeat the
20 question.

21 (The record was read by the reporter.)

22 A. That's what the brief says, yes.

23 Q. Now you testified on page 8 of your

T00399

1 testimony that US LEC's proposal most closely
2 reflects the prior decision of this Commission.
3 Is that correct?

4 A. Yes.

5 Q. But the Sprint agreement as we've
6 discussed, Mr. Molnar, provides for the
7 possibility of there being multiple IPs? Is that
8 correct?

9 A. Yes, it does.

10 Q. But you've also testified that under
11 US LEC's proposal, US LEC could maintain a single
12 IP per LATA, is that correct?

13 A. That's all they're obligated to do,
14 yes.

15 Q. So no matter what Verizon requests, US
16 LEC could consistently refuse to establish a
17 second IP in a LATA?

18 A. I'm sorry, could you repeat that one
19 more time.

20 Q. No matter what Verizon requests, how
21 reasonable or unreasonable, US LEC could
22 consistently refuse to establish a second IP per
23 LATA under their proposal here?

T00400

1 A. I believe so. I mean, that's my
2 position, yes.

3 Q. And that's no matter what the traffic
4 volume is?

5 A. Unless the parties agree to thresholds
6 that might change the number of IPs. Right now
7 we don't have them.

8 Q. So the parties have not agreed to any
9 such thresholds?

10 A. That's my understanding.

11 Q. Were you here for Mr. Hoffmann's
12 testimony?

13 A. Yes.

14 Q. Did you hear Mr. Hoffmann state that
15 US LEC would not agree to such thresholds?

16 A. I don't recall it, but he may have
17 said that. I don't recall it.

18 Q. In addition, as we discussed, the
19 Sprint agreement provides for virtual IPs, is
20 that correct?

21 A. I'm not sure.

22 Q. If we look back on page 117 of the
23 agreement. The long thin paragraph at the top of

00401

1 the page, does it not say that Sprint shall make
2 available to Verizon a virtual point of
3 interconnection?

4 A. I'm sorry, what page are you on?

5 Q. Page 117.

6 A. And where are you reading from?

7 Q. About a third of the way through the
8 thin, long paragraph.

9 A. Yes, it does state that.

10 Q. And going back to the top of page 116,
11 does it not say that each such point of
12 interconnection shall be the Sprint IP?

13 A. Yes, it does.

14 Q. And if we look back at page 115 we see
15 that both points are either a physical point or a
16 virtual point of the interconnection?

17 A. Yes.

18 Q. So you agree that the Sprint agreement
19 provides for the possibility of virtual IPs?

20 A. Yes, it does.

21 Q. US LEC's proposal does not provide for
22 the possibility of virtual IPs, does it?

23 A. It does not nor does it have to,

00402

1 that's correct.

2 Q. I didn't catch the second half.

3 A. It does not, nor in my view does it
4 have to.

5 Q. But the Sprint proposal does provide
6 for that?

7 A. Yes.

8 Q. And as we discussed on page 117, the
9 Sprint agreement provides that at least in some
10 instances it will be Sprint and not Verizon that
11 will be responsible for the transport costs that
12 we've discussed here.

13 A. Yes, it does.

14 Q. US LEC's proposal does not provide
15 that, does it?

16 A. It does not, nor does it have to.

17 Q. But it does not?

18 A. It does not, that's right.

19 Q. I'm sorry, one last point. On pages 5
20 to 6 of your testimony, sir, you testified that a
21 Sprint-like arrangement would reduce Verizon's
22 cost of transport in certain instances -- I'm
23 sorry, back up. A Sprint-like arrangement if

□00403

1 adopted here would reduce Verizon's cost of
2 transport in certain instances because US LEC
3 would be responsible for the transport costs, is
4 that correct?

5 A. Yes.

6 MR. ANGSTREICH: I have nothing
7 further on issues 1 and 2. I believe Mr. Panner
8 has some questions on issue 6.

9 MR. PANNER: I do, Your Honor,
10 thanks.

11 HEARING EX. MOORE: Witness with you.

12 CROSS-EXAMINATION

13 BY MR. PANNER:

14 Q. Good afternoon, Mr. Molnar.

15 A. Good afternoon.

16 Q. In your testimony, on page 10, you
17 refer to Verizon attempting, and I'm now quoting,
18 to change Commission policy through provisions in
19 interconnection agreements?

20 A. Yes.

21 Q. What Commission policy are you
22 referring to now?

23 A. The requirements for interconnection.

□00404

1 The MFS decision that only provides or only
2 requires one interconnection point or one point
3 of interconnection per access tandem serving
4 area.

5 Q. So you're referring there to
6 interconnection architecture?

7 A. Yes.

8 Q. You are not referring to virtual FX
9 traffic?

10 A. Well, certainly that's another matter
11 that's unresolved at this point.

12 Q. It's unresolved at this point?

13 A. Yes.

14 Q. So the Commission has not resolved
15 that issue?

16 A. Not with respect to virtual FX, no.

17 Q. So Verizon is not seeking a change in
18 the Commission's policy at all, is it?

19 A. Well, no, there is no policy on
20 virtual FX.

21 Q. Oh, okay. So in fact Verizon is not
22 trying to make a change, the Commission has to
23 adopt one policy or the other?

000405

1 A. Well, Verizon is prescribing a certain
2 mechanism for virtual FX that we think is
3 inappropriate but as you say, it's not a change
4 but it would be a mechanism for it --

5 Q. Not a change?

6 A. Yes.

7 HEARING EX. MOORE: Mr. Molnar, keep
8 your voice up, sir.

9 Q. You just stated that we think it's
10 inappropriate. Is that correct?

11 A. Yes.

12 Q. Can you show me where in your
13 testimony you explain that?

14 A. That I think which is inappropriate?
15 Virtual FX?

16 Q. You just said you think it's
17 inappropriate. What were you referring to?

18 A. I don't recall what I said.

19 Q. Okay. We were talking about the
20 treatment of virtual FX traffic, is that right?

21 A. Okay.

22 Q. And you testified that you believe
23 Verizon's position is inappropriate?

000406

1 A. Could you direct me where I said that.

2 Q. Well, that's what I'm asking. You
3 said we think it's inappropriate during the
4 cross-examination here. I'm asking you where you
5 made that, where that testimony is in your
6 rebuttal testimony.

7 A. I haven't offered an explanation in
8 depth and we basically relied on what the FCC did
9 with respect to virtual FX. I think the FCC
10 acknowledged that there could be issues
11 associated with virtual FX but at the same time
12 they recognized that there were technical issues,
13 perhaps billing problems that were unresolved,
14 and until those were examined in some sort of
15 detailed way, it felt that the language that the
16 petitioners in the arbitration proceeding were
17 proposing was the more appropriate solution for
18 that particular matter.

19 Q. So you're simply referring to what the
20 FCC found?

21 A. Basically, yes.

22 Q. Have you done your own investigation?

23 A. I wouldn't call it an investigation.

00407

1 I think there are potential issues with virtual
2 FX service that relate to transport costs. I
3 think those matters require more examination than
4 what you can do in an arbitration case because
5 there are certain time constraints that we have
6 here. There was some discussion this morning
7 about segregating traffic or problems with
8 segregating traffic. The FCC made references to
9 certain other problems. Those are the kinds of
10 things that I think could be resolved before this
11 Commission and apparently the FCC can't do
12 anything more at this point.

13 Q. Have you looked into the issue of
14 whether it's possible to segregate this traffic?

15 A. No.

16 Q. So you have no idea whether there are
17 technical issues related to it at all except for
18 what the FCC says, is that right?

19 A. That's correct.

20 Q. But you do believe that there are
21 issues related to whether the costs are allocated
22 in an appropriate way for reciprocal compensation
23 as paid, is that what you said earlier?

00408

1 A. I think there could be issues related
2 to transport costs, yes.

3 Q. So the Commission has to resolve that
4 issue, they haven't resolved it before, they have
5 to resolve it in this proceeding, isn't that
6 right?

7 A. No. They can't, I don't believe the
8 Commission can resolve it in this proceeding
9 because it's a complicated issue that I think
10 needs some amount of investigation that requires
11 discovery, it requires a whole lot of review
12 before I think this matter can be resolved. And
13 I think that's pretty much what the FCC found as
14 well.

15 Q. Well, so what you're saying is if the
16 Commission doesn't resolve it, what's the
17 resolution?

18 A. Well, the Commission will resolve it
19 if it's presented to them in some sort of generic
20 way. I don't think that can be done in the
21 context of an arbitration proceeding.

22 Q. I'm just, you know, you're a
23 regulatory economist. They have to adopt a rule,

00409

1 don't they?

2 A. They can't adopt a rule until the
3 problem is presented.

4 Q. Isn't it presented in this
5 arbitration?

6 A. It is presented in this arbitration,
7 but this isn't the correct forum that would allow
8 them to come to a reasonable conclusion in my
9 opinion. And if the FCC could not do it, I don't
10 believe we could do it.

11 Q. So you're saying that whatever the
12 Commission does would be unreasonable?

13 MS. FLYNN: Objection. Your Honor. I
14 think that's --

15 MR. PANNER: I withdraw it.

16 HEARING EX. MOORE: Very well.

17 BY MR. PANNER:

18 Q. You agree that the Commission has to
19 resolve this issue.

20 A. Well, they don't have to resolve it
21 until it's presented to them as an issue.
22 Outside of the scope of an arbitration
23 proceeding.

00410

1 Q. Would you agree that there was
2 testimony today that demonstrated that there are
3 calls that Verizon originates that go to US LEC
4 customers that are virtual FX calls?

5 A. Yes, and as I stated earlier, I
6 believe there are issues associated with cost
7 recovery for transport.

8 Q. As it was described this morning do
9 you think that rate is a regulatory arbitrage
10 problem?

11 A. I don't know.

12 Q. Did you look into that?

13 A. No.

14 Q. Don't you think that would be relevant
15 to the Commission's resolution of this issue?

16 A. It would be if they were examining the
17 issue in a generic proceeding.

18 Q. So they should adopt a wrong rule
19 because it's not a generic proceeding?

20 MS. FLYNN: Objection, Your Honor.

21 A. I don't believe it's the wrong rule.

22 HEARING EX. MOORE: Sustained.

23 A. I believe the policy --

000411

1 HEARING EX. MOORE: You don't have to
2 answer, I sustained the objection.

3 BY MR. PANNER:

4 Q. Is there any sound basis in regulatory
5 economics for treating these calls as local
6 calls?

7 A. Yes, because that's what FX service
8 is, it's a local service. It provides local
9 calling to a distant exchange.

10 Q. For purposes of intercarrier
11 compensation is there any sound reason --

12 A. Yes, it's a local call.

13 Q. Okay. So you're saying it's a local
14 call. Is that your testimony?

15 A. Yes.

16 Q. The call travels from exchange A to
17 exchange B, is that correct?

18 A. Yes.

19 Q. Still local?

20 A. Yes.

21 Q. Who gets the compensation for -- does
22 US LEC's customer pay them for the service?

23 A. It doesn't matter. It's a local call

000412

1 because of the NXX code assignment.

2 Q. I asked you a question. Does US LEC's
3 customer pay US LEC for the service?

4 A. For which service?

5 Q. For foreign exchange service.

6 A. If they're a foreign exchange
7 customer, yes.

8 Q. Okay. Well, we're talking about a
9 foreign exchange call, aren't we?

10 So, and we heard testimony this
11 morning that those payments are for, are in lieu
12 of toll charges, aren't they?

13 A. Yes.

14 Q. Why would the customer make payments
15 in lieu of toll charges if it's a local call?

16 A. The call is rated as a local call, the
17 call is transported on a long distance base. I
18 mean, that's what FX service is.

19 Q. And who's doing the transport?

20 A. Verizon.

21 Q. So who should be compensated for the
22 transport?

23 A. Well, that's an issue that needs to be

000413

1 resolved.

2 Q. On what basis would Verizon not
3 properly be compensated for that?

4 A. It's a local call.

5 Q. When you say it's a local call what do
6 you mean?

7 A. It's a local call to the calling
8 party.

9 Q. It's a local call to the calling
10 party. Are toll-free calls, in a toll-free call,
11 does the originating carrier collect any
12 additional compensation from the calling party?

13 A. No.

14 Q. And yet the originating carrier is
15 paid access charges for such calls, isn't it?

16 A. Yes.

17 Q. It is. Okay. And in an interLATA FX
18 arrangement here, did you hear testimony about
19 that this morning?

20 A. Yes.

21 Q. And in an interLATA FX call there's no
22 additional charge, it's a locally rated call,
23 isn't it?

000414

1 A. I don't recall the substance of the
2 discussion, but I believe that's correct.

3 Q. Okay. And yet the interexchange
4 carrier is required to pay access charges for
5 such a call, isn't it?

6 A. Yes.

7 Q. And that's because it's getting access
8 to the local exchange, isn't it?

9 A. Yes.

10 Q. And in this example, US LEC also is
11 getting access to the local exchange, isn't it?

12 A. Yes.

13 Q. So shouldn't Verizon get compensated
14 for that?

15 A. Well, that's an issue that has to be
16 resolved.

17 MR. PANNER: I have nothing further,
18 Your Honor.

19 HEARING EX. MOORE: Mr. Shor?

20 MR. SHOR: Just a couple of questions.

21 HEARING EX. MOORE: You don't have to
22 ask a question if you're not going to advance the
23 ball.

000415

1 MR. SHOR: I'll stop. I don't have
2 any questions for this witness.
3 HEARING EX. MOORE: Any redirect?
4 MS. FLYNN: I --
5 HEARING EX. MOORE: Same rule applies
6 to you.
7 MS. FLYNN: I do have redirect.
8 HEARING EX. MOORE: If you can't
9 advance the ball, don't ask the question.
10 REDIRECT EXAMINATION
11 BY MS. FLYNN:
12 Q. Mr. Molnar, when you were asked if
13 that was considered a local call, you were
14 explaining why. Could you explain why you
15 believe that is a local call? The call that
16 Mr. Panner was discussing with you?
17 A. The calling party is dialing a local
18 exchange code and therefore it's rated as a local
19 call, and the calling party does not pay a toll
20 call.
21 Q. The other question I have is if you
22 could explain what the, how the FCC left this
23 issue in its Virginia arbitration.

000416

1 A. The FCC, as I stated earlier, the FCC
2 recognized that there were issues that at least
3 in their view were not resolvable or the
4 solutions were not known at this point in time,
5 and they did note that they would examine the
6 issue further in a rule-making proceeding that is
7 now under way. So that they can obtain industry
8 input and parties that wish to raise this matter
9 as well as other issues can do that.
10 MS. FLYNN: That's all I have. Thank
11 you.
12 HEARING EX. MOORE: May Mr. Molnar
13 step down?
14 Thank you, sir.
15 (Witness excused.)
16 HEARING EX. MOORE: Who's next?
17 MR. PANNER: The last witness, Your
18 Honor, I believe is Mr. Terry Haynes. And if I
19 could go off the record for a second.
20 (Discussion off the record.)
21 Whereupon,
22 TERRY A. HAYNES
23 a witness, was called for examination by counsel

E00417

1 on behalf of Verizon, and, having been first duly
2 sworn, was examined and testified as follows:

3 HEARING EX. MOORE: Sir, state your
4 full name and business address for the record.

5 THE WITNESS: My name is Terry A.
6 Haynes, business address is 600 Hidden Ridge,
7 Irving, Texas, zip is 75038.

8 MR. PANNER: Your Honor, just one
9 housekeeping matter before I introduce the
10 witness. Mr. Angstreich introduced a portion of
11 the Sprint agreement, we're going to provide the
12 entire agreement. He also introduced a portion
13 of the Staff brief, we'll provide the entire
14 Staff brief and introduce those as, and we'd like
15 to introduce those as Verizon Exhibits I believe
16 12 and 13.

17 HEARING EX. MOORE: Is that absolutely
18 necessary?

19 MR. PANNER: Well, for the purposes of
20 clarity of the record I thought Your Honor might
21 want to have those to refer to. If you'll take
22 judicial notice of them, then we don't need to
23 introduce. I believe those are noticeable

E00418

1 documents, they were filed with the Commission,
2 and the other is a filed interconnection
3 agreement, so if you'd prefer to do it on
4 judicial notice, we'd prefer, it makes the record
5 less bulky.

6 MS. FLYNN: Your Honor, if I could
7 just interject. The Staff brief is easily
8 obtainable from the website. The Verizon
9 Virginia, the Verizon/Sprint arbitration order is
10 not that easily obtainable.

11 MR. PANNER: We'd be happy to provide
12 it to counsel on an informal basis. Whatever
13 Your Honor prefers.

14 HEARING EX. MOORE: The Sprint --

15 MS. FLYNN: I wouldn't necessarily ask
16 for the entire agreement, just the UNE rate
17 section that you referred to.

18 HEARING EX. MOORE: That would be that
19 section 4?

20 MS. FLYNN: Right.

21 HEARING EX. MOORE: Yeah.

22 MR. PANNER: We're sorry about that,
23 Your Honor, obviously there are a lot of

□00419

1 documents to get together and we meant to include
2 that.

3 HEARING EX. MOORE: Yeah, if you want
4 to include that, that might suffice, rather than
5 the whole thing. If I need the whole thing I
6 have access to it.

7 MR. PANNER: Fine. So the Staff
8 brief, I'll be happy to provide a copy to
9 Mr. Shor, if that will be convenient, and then
10 we'll go ahead and introduce the excerpts from
11 the Sprint agreement as Exhibit 12.

12 HEARING EX. MOORE: That's fine.

13 MR. PANNER: We'll supplement that.
14 (Verizon Exhibit No. 12
15 was marked for
16 identification and
17 received in evidence.)

18 DIRECT EXAMINATION

19 BY MR. PANNER:

20 Q. Mr. Haynes, did you cause to have
21 prepared direct testimony, 19 pages long, dated
22 June 10th, 2002 in this proceeding?

23 A. Yes, I did.

□00420

1 Q. And do you have any, if I were to ask
2 you the questions that are contained in this
3 document today, would your answers be the same?

4 A. They would be the same with one
5 correction.

6 Q. Okay.

7 A. There was a typographical error on
8 page 13. At the bottom of the page, the word
9 compensation is spelled creatively.

10 Q. Okay. Mr. Haynes, I think you may be
11 talking about your rebuttal testimony.

12 A. No, I'm looking at direct testimony.

13 Q. I should have known better than to
14 disagree. Can you show me where that is?

15 A. The question is, do you agree with US
16 LEC's claims that enforces the FCC's reciprocal,
17 and the version I have which I think is the last
18 one is spelled C-O-M-E-P and it should be P-E.

19 Q. Thank you, Mr. Haynes. To make
20 absolutely clear, if you see the numbering is not
21 quite right, but between lines 4 and 5 of the
22 direct testimony. It says at the beginning of
23 the line it says reciprocal and it should be

000421

1 compensation rules rather than -- if that's
2 correct on your copy.

3 MR. SHOR: I don't see where he's
4 talking about here.

5 MR. PANNER: On page 13.

6 MR. SHOR: In the question. There you
7 go.

8 A. I didn't catch it until I was
9 rereading it. So my apologies.

10 Q. The questions are entirely my
11 responsibility. So. Do you have any other
12 corrections to make to your direct testimony?

13 A. Not to the direct, I do not.

14 Q. And did you cause to have prepared 16
15 pages of rebuttal testimony dated August 9th?

16 A. Yes, I did.

17 Q. And do you have some corrections to
18 make to that?

19 A. I have one correction on page 6. We
20 had a gremlin, the wrong state on line 4. It has
21 Pennsylvania, it should read Maryland.

22 Q. Okay. And aside from this correction,
23 if I were to ask you the questions today, would

000422

1 your answers be the same?

2 A. Yes, they would.

3 MR. PANNER: Your Honor, I offer into
4 evidence the direct testimony of Terry Haynes as
5 Verizon Exhibit 13 and the rebuttal testimony.

6 HEARING EX. MOORE: That would be 14
7 according to my list.

8 MR. PANNER: Your Honor, do you want
9 the Staff brief rather than subject to judicial
10 notice into the record?

11 MS. FLYNN: I thought the Staff brief
12 was going to be judicially noted.

13 MR. PANNER: It's whatever is more
14 convenient for you really.

15 HEARING EX. MOORE: It's not an
16 exhibit. So we're looking at direct testimony is
17 13, rebuttal is 14.

18 MR. PANNER: Yes, Your Honor.

19 (Verizon Exhibit Nos. 13
20 and 14 were marked for
21 identification and
22 received in evidence.)

23 MR. PANNER: Verizon offers the

000423

1 witness for cross-examination, Your Honor.

2 HEARING EX. MOORE: Mr. Shor.

3 CROSS-EXAMINATION

4 BY MR. SHOR:

5 Q. Good afternoon, Mr. Haynes, it is a
6 pleasure to see you again.

7 A. Likewise.

8 Q. Thank you for bearing with us through
9 some possibly unrelated and also unrelated
10 testimony today, yesterday and today. I do have
11 just a few questions I'd like to ask you,
12 please. Does Verizon offer a service known as
13 foreign exchange in Maryland?

14 A. I believe they do. I'm more generally
15 knowledgeable in some other states but I believe
16 they have a similar service here.

17 Q. Do you know how foreign exchange
18 service works?

19 A. I know the general concept. Can I
20 explain it? Yes.

21 Q. Would you, please?

22 A. Our foreign exchange as it's generally
23 offered nationally involves a customer, much like

000424

1 the examples we used earlier, and we could pick
2 two disparate towns where they're nonlocal to one
3 another, and the customer that's requiring a
4 service gets a presence with a number that's
5 associated some distance from them in the other
6 local calling area.

7 And then Verizon provides a dedicated
8 facility from point A to point B, and that
9 dedicated facility then allows two-way
10 conversation over that connection, so a foreign
11 exchange customer would have the option of
12 receiving calls from around the area where the
13 other calling number is associated. It would
14 also be able to make calls outward to customers
15 in that remote area. So in the examples we used
16 earlier there could be a two-way communication
17 between the points.

18 Q. So as I understand it, with its
19 foreign exchange service, Verizon assigns a
20 telephone number to a customer who is physically
21 located in a calling area different than the
22 calling area where the NPA-NXX is assigned?

23 A. That is correct.

D00425

1 Q. And would it be fair to say that that
2 FX service gives that customer in essence a
3 presence in the calling area in which the
4 customer is not physically located?

5 A. That is correct. It actually allows
6 them to, by virtue of the person requesting the
7 service, buying it from us, they in a sense get a
8 toll service provided much like a very limited
9 capacity 1-800 service in a sense because they
10 can only receive calls from that one other local
11 area that the service is tied to. So it's like a
12 mini 1-800 type service using local numbers
13 instead.

14 Q. And it allows individuals who reside
15 in the foreign exchange to reach that customer
16 via a local call, not a toll call?

17 A. That's correct. And the compensation
18 for what would have been toll traffic is actually
19 paid by the FX customer through their monthly
20 rate.

21 Q. So in fact Verizon does charge its FX
22 customers for service?

23 A. Yes. The people that are buying pay

D00426

1 us compensation we think is reasonable to make up
2 for the toll traffic that we would have received
3 if we were on the other end initiating the call.

4 Q. So in part the charges are intended to
5 compensate Verizon for the loss of the toll
6 revenue?

7 A. Yes.

8 Q. Do you know whether Verizon advertises
9 its FX services offering that benefit to
10 customers?

11 A. I really don't know how they promote
12 it in the tariff. I presume it's described in
13 some detail in the tariff, but I don't know how
14 they describe it.

15 Q. Do you know in its retail offerings to
16 potential customers, does it advertise foreign
17 exchange service to those customers as giving
18 them the ability to have customers reach them
19 with a local call instead of a toll?

20 A. I think what it would communicate, and
21 this is once again speculation on my part based
22 on some experience with the general nature of the
23 calls, my understanding is that a customer buying

000427

1 FX service from us would understand, an easy
2 example I'm familiar with in another state, I
3 might be a small business like an appliance
4 business or an air conditioning company. They
5 have a nearby town and they'd like to make it
6 possible for the nearby town in the area they'd
7 be able to serve and be able to reach them
8 locally, they may only be a few miles away, but
9 if it's normally a toll call, they'd like to have
10 the capability for that nearby town to reach them
11 without that customer incurring a toll charge.
12 So they buy the service and I think they
13 understand what that's getting as far as that
14 provision of the FX.

15 Q. My question is whether you have any
16 knowledge of whether Verizon advertises its
17 service as offering that capability?

18 A. Oh, I don't know how, once again, I'm
19 not sure how they advertise or promote. I'm
20 really not acquainted with that portion of it.

21 Q. Do you have any idea how many FX
22 customers Verizon has in Maryland?

23 A. I do not.

000428

1 Q. Do you have any idea across Verizon's
2 territory how many FX customers it may have in
3 any particular location or area?

4 A. The only statistic that I have that
5 may be helpful is in Florida we recently did an
6 FX study trying to analysis how much traffic we
7 received coming into Verizon from CLEC
8 customers. We were trying to determine that. So
9 if that's any indication, Florida would suggest
10 it's about half of one percent of our customer
11 base.

12 Q. A half to one percent?

13 A. A half of one percent.

14 Q. Do you know how many customers Verizon
15 has in Maryland?

16 A. I meant to get the number and I don't
17 know the number. I should be able to tell you
18 but I didn't check that before coming in.

19 Q. Would it be reasonable to assume it's
20 somewhere in excess of a million?

21 A. I would think certainly. Several
22 million I would imagine, but I just didn't bring
23 the number in with me.

000429

1 Q. So it's fair to say Verizon would have
2 several thousand FX customers in Maryland?

3 A. I think that's reasonable.

4 Q. Do you know if any of Verizon's FX
5 customers are collocated in Verizon with any of
6 its switches?

7 A. I don't know. I would be surprised if
8 they were but I don't know that.

9 Q. Do you have any idea of the average
10 distance between a Verizon FX customer and the
11 switch serving the physical location?

12 A. No, I really haven't researched it so
13 I don't have any idea of the statistics.

14 Q. Any idea whether they could be
15 situated close by those switches, and close being
16 defined as Mr. Panner did earlier as within five
17 miles?

18 A. It would be hard for me to speculate.
19 I would think generally it's going to be from one
20 populated area to another, so I think the
21 customer buying the service would be within a few
22 miles of the switch where they're normally
23 getting local dial tone.

000430

1 Q. So it could be anywhere from five
2 miles to more than that?

3 A. I think it could probably easily range
4 from one to ten or 12 miles without any question
5 about it. Just the normal serving area that we
6 have.

7 Q. So am I correct in understanding that
8 when a Verizon customer calls a Verizon FX
9 customer, the originating caller is rated as if
10 they had made a local call?

11 A. That's correct. They're rated as a
12 local, that's correct.

13 Q. And it is billed as a local call to
14 that customer?

15 A. To that customer, yes. It's treated
16 as a normal local call to the customer
17 originating traffic toward one of Verizon's FX
18 numbers.

19 Q. And as I understand it, when a CLEC
20 customer here, let's say US LEC, if a US LEC
21 customer calls Verizon's foreign exchange
22 customer, the call is also -- strike that. When
23 a US LEC customer calls a Verizon FX customer,

□00431

1 Verizon has been billing US LEC reciprocal
2 compensation for that call?

3 A. That's my understanding. I'd like to
4 elaborate on my answer to that because the
5 background for it I think is important. For the
6 number of years that I've been around the phone
7 business, which is 23. Now, most of that time
8 the understanding was that the number and the
9 physical location coincided with one another. So
10 based on that coincidental factor they built the
11 billing system saying if the number and physical
12 location are good accurate depicators of those two
13 things, then I can use the number for billing
14 purposes.

15 But a few years back with the 1996 Act
16 and where business has developed competition,
17 it's no longer a safe bet to assume that the
18 physical location of the customer and the number
19 coincide. So the billing system is built with
20 that understanding thinking that they coincide
21 with one another but now it's no longer safe
22 based on our experience to expect it to always be
23 that way. So in our position that we proposed

□00432

1 here we're saying from our own perspective we
2 have billed it that way because of the way the
3 system is built, but we don't agree that it's
4 fairly charging US LEC or other companies that
5 are terminating traffic to our FX customers. It
6 should be treated as access traffic.

7 Q. But up until at least at this point in
8 time, it is correct to say that Verizon has been
9 billing and collecting recip comp from US LEC and
10 other carriers for calls to your FX customers?

11 A. I'm comfortable we've been asking for
12 it. I don't know what the collection
13 arrangements have been, but I feel comfortable
14 that we ask for it because that's what the system
15 automatically does based on how it's designed.

16 Q. Do you have any idea what a Verizon
17 customer pays for FX service?

18 A. I think actually Ms. Montano had more
19 knowledge of our present arrangements than I do,
20 to be honest. She went over more detail on this
21 than I had. I know it varies between the
22 distance the points are served, but beyond that I
23 don't know any specific dollar amount.

□00433

1 Q. Do you know any specific dollar
2 amounts in any states at all?

3 A. No, I really haven't researched that,
4 and I know it's distance-sensitive, but beyond
5 that, and it goes up, and I didn't know it was by
6 bands like Ms. Montano covered earlier, I wasn't
7 aware of the 25 and 50 miles, but I did know it
8 was distance-sensitive. As you stretch it out
9 further you pay more.

10 Q. Now, does Verizon offer a service
11 known as enhanced IntelliLinQ PRI hub service in
12 Maryland?

13 A. Yes, they do. Well, I believe they do
14 in Maryland. It's my understanding in most of
15 the former NYNEX and Bell Atlantic states it's
16 offered. I'd have to confirm it's in Maryland
17 but I believe it is.

18 Q. Just for ease of reference we'll call
19 that enhanced IntelliLinQ. How does that service
20 work?

21 A. The service is a data-only service
22 that's offered primarily to ISP providers or
23 people that would have ISP type services. And

□00434

1 the way that it functions, a local caller, I
2 guess we could go back to the examples we have
3 here, if you were in Essex and you were an IP or
4 an ISP that wanted to have that service you would
5 have a hub, a box where the calls are
6 concentrated somewhere within the LATA. And that
7 box would allow the traffic from Essex to flow
8 into the local switch in Essex, and then from
9 that local switch it may or may not pass through
10 the tandem. It would be delivered to a
11 concentration point that Verizon builds extra.
12 They actually buy a box that pulls this traffic
13 together and once it reaches that box, it's then
14 handed off to the Internet service provider over
15 a dedicated link that the Internet service
16 provider buys separately. It's not a part of the
17 service.

18 Q. So that allows ISPs to have local
19 numbers in a variety of local calling areas?

20 A. Yes. They normally locate one of
21 these concentration boxes, I'd have to check the
22 Maryland architecture, see how it's set up here,
23 but I know in some states they have as many as 20

000435

1 or 30 of these concentration boxes, so generally
2 you have traffic routed from these disparate
3 points across the LATA into, in most cases a
4 local presence that would come to a physical box
5 that's very close to the end user customer.

6 And -- I'm sorry --

7 Q. Go ahead.

8 A. I was just going to add to that, the
9 service is a one-way service, it is one way
10 meaning that the outgoing, there's no way to
11 outgo to that customer, that customer has to
12 initiate the contact by dialing a phone number.
13 They reach that ISP through a dial-up process.

14 Q. So it is possible for an ISP served by
15 Verizon to have a number, a local number in every
16 local calling area within the Baltimore LATA?

17 A. That is possible, yes.

18 Q. As I understand it that ISP would not
19 have a physical presence in every calling area,
20 it's simply a virtual presence?

21 A. They would have a virtual presence in
22 the sense that all this traffic in that local
23 presence across the LATA would be concentrated

000436

1 together and delivered to this box that Verizon
2 has deployed somewhere within the LATA.

3 Q. And again as we say that gives that
4 ISP a virtual presence in all those calling
5 areas?

6 A. That is correct.

7 Q. And that permits the ISP's customers
8 to reach the ISP by dialing a local call?

9 A. That's correct. They dial a local
10 office number that would be available to them to
11 reach that ISP.

12 Q. And otherwise, if the ISP only had a
13 physical presence somewhere, in order to reach
14 that ISP from a distant calling area it would
15 involve a toll call?

16 A. Some sort of toll call, either that or
17 a 1-800 number, one of the two.

18 Q. And if the individuals calling the ISP
19 are CLEC customers, do you know whether Verizon
20 has been billing recip comp?

21 A. Actually, I don't know. I mean, I
22 would, well, I'd be speculating. I don't know
23 for sure.

000437

1 MR. SHOR: I'd like to mark as US LEC
2 Exhibit 10 a copy of Verizon Maryland's responses
3 to US LEC of Maryland's first set of discovery
4 requests.

5 (US LEC Exhibit No. 10 was
6 marked for
7 identification.)

8 BY MR. SHOR:

9 Q. Let me direct your attention first,
10 please, to page 10. Interrogatory No. 60. The
11 question reads, have you, Verizon, ever billed or
12 received reciprocal compensation for calls
13 received from customers of CLECs or other LECs
14 for termination to your FX customers located in
15 Maryland. Please explain your answer.

16 Do you see the answer?

17 A. Yes, I do.

18 Q. Let me try to see if I can read this.
19 If a CLEC customer originates a call to a Verizon
20 FX customer with an assigned NXX code associated
21 with the same local calling area as the NXX code
22 of the originating CLEC customer, Verizon would
23 ordinarily bill, paren, and therefore also

000438

1 receive, close paren, reciprocal compensation on
2 such a call. Do you see that?

3 A. Yes, I do.

4 Q. Does that fairly state your
5 understanding of what has transpired today?

6 A. Yes. I think it amplifies what I said
7 a minute ago.

8 Q. And if you look on page 62, question,
9 page 11, question No., interrogatory No. 62. It
10 says, please state whether you offer any FX-like
11 service. Do you currently offer any services or
12 products to your customers other than your FX
13 service under which a customer can obtain a
14 telephone number with an NXX associated with a
15 local calling area that is different from the
16 local calling area in which the customer has a
17 physical presence.

18 Do you see that?

19 A. Yes.

20 Q. And you see the answer?

21 A. Yes.

22 Q. It says, Verizon offers enhanced
23 IntelliLinQ PRI hub service and Internet protocol

000439

1 routing service in Maryland.

2 A. Yes, I see that.

3 Q. And then if you direct your attention
4 to page 13, interrogatory No. 75, have you ever
5 billed or received reciprocal compensation for
6 calls received from customers of CLECs or other
7 LECs with termination to your customers who have
8 purchased or subscribed to FX-like services. Do
9 you see that?

10 A. Yes, I do.

11 Q. And you see it directs US LEC to the
12 response to interrogatory No. 60. Do you see
13 that?

14 A. Yes, I do.

15 Q. And interrogatory No. 60 as we pointed
16 out states that if a CLEC customer originated a
17 call to a Verizon customer then Verizon would
18 bill and receive it?

19 A. Yes, I see that.

20 Q. Would bill and receive reciprocal
21 compensation. Would it be fair to say if a CLEC
22 customer calls a Verizon-enhanced IntelliLinQ
23 customer where the number is associated with the

000440

1 CLEC's number, that Verizon has billed and
2 received reciprocal compensation for that?

3 A. That's why I say it's possible. I
4 wasn't certain it was possible, this suggests to
5 me it was possible, but I was just not positive.

6 Q. Do you know how many enhanced
7 IntelliLinQ customers Verizon has in Maryland?

8 A. Unless we provide it in here, I
9 don't. I've checked it in other states and I
10 know it's varied, but --

11 Q. Let me ask you this: In a situation
12 where Verizon has received authority to provide
13 interLATA services, is it possible for an
14 enhanced IntelliLinQ service customer to have the
15 physical location outside of the LATA in which
16 its numbers are assigned?

17 MR. PANNER: Objection. Foundation.

18 HEARING EX. MOORE: Can you answer the
19 question?

20 THE WITNESS: Yes, I can.

21 HEARING EX. MOORE: Overruled.

22 A. Because the word possible was in your
23 question, correct?

□00441

1 Q. Yes.

2 A. In answering the question, it goes
3 back to the kind of broad description I gave a
4 moment ago. Whenever we concentrate the traffic
5 together to this hub device that's part of the
6 service that Verizon deploys extra, it's not part
7 of the normal switch infrastructure. I know for
8 example it's not unusual to spend tens of
9 millions of dollars to deploy that extra
10 infrastructure for this service. When they
11 deploy that, the hand-off to the ISP customer is
12 leased separately and that connection could go
13 wherever they paid for it.

14 So in answer to your question, it
15 could, it could not. I wouldn't know with
16 certainty. It depends on where it starts and
17 where it stops. It's going to start at the hub,
18 but however much transport they're willing to pay
19 to get it to some other point where their data
20 switch is located, that would be determined by
21 whether it's inside the LATA or outside the LATA
22 as I understand it.

23 Q. So assume for me just for a minute

□00442

1 that Verizon has received authority in Maryland
2 for interLATA services, just make that assumption
3 with me.

4 A. Okay.

5 Q. Would it be possible then for an
6 enhanced IntelliLinQ customer to have its
7 physical location in Richmond, Virginia?

8 A. Once again, based on where they buy
9 the beginning of that hub connection and where it
10 terminates, if they bought a link from the hub
11 and let's say it's right in the middle of one of
12 the LATAs in Maryland to Richmond, Virginia, if
13 they're willing to pay for the transport as a
14 separated dedicated link then, yes, it could.

15 Q. And you said that if a CLEC customer
16 calls a Verizon customer, Verizon-enhanced
17 IntelliLinQ customer with the number associated
18 with that CLEC customer's local calling area,
19 that Verizon would be billing and receive
20 reciprocal compensation for that call, is that
21 right?

22 A. Would be, well, I need to be careful.
23 I want to be sure I understand the example.

000443

1 We're saying that a Verizon end user, for
2 example, dials the number that's associated with
3 the ISP provider that's purchased service from
4 us.

5 Q. No, we're saying a CLEC customer in
6 Maryland calls Verizon's enhanced IntelliLinQ
7 customer in Maryland who has purchased possibly a
8 transport to its physical location in Richmond,
9 Virginia.

10 A. Right.

11 Q. So it is possible that Verizon has
12 billed the CLEC reciprocal compensation for that
13 call?

14 A. I would say under the current
15 understanding I have it would be possible, yes.

16 Q. And now let me just go back to the FX
17 arrangement for a minute, the foreign exchange.
18 Again assume with me that Verizon has been
19 granted interLATA authority in a particular
20 state, possibly Maryland or elsewhere. Would it
21 be possible for Verizon's foreign exchange
22 customer to be physically located outside of the
23 LATA?

000444

1 A. To my understanding of the service,
2 no.

3 Q. But with enhanced IntelliLinQ that is
4 possible?

5 A. Once again, the IntelliLinQ service is
6 a data service, it's not a voice service. It's
7 strictly aimed at transmission of a data
8 connection to that hub. So it's not equivalent
9 to our FX service in my understanding of it.

10 Q. In your understanding, assuming that
11 we've got an enhanced IntelliLinQ customer who is
12 in Maryland and it has local calling numbers
13 throughout Maryland, that the charges that
14 Verizon imposes on the customer in part recovers
15 the lost toll revenue from the calls from the
16 local customer to the ISP?

17 A. I'll try to respond to that, be sure I
18 capture what you said, see if I get it right
19 back. My understanding is the product has been
20 priced in such a way that it allows a charge to
21 be built into the cost of the service that
22 compensates Verizon's network portion for the
23 network transport provided. So we're financially

□00445

1 made whole from a network provision perspective
2 by that charge being built into the service
3 itself.

4 Q. And is that in part, please forgive my
5 ignorance here, in part is that replacing the
6 lost toll revenue?

7 A. Yes, it would.

8 Q. Now, does Verizon, I believe we noted
9 that Verizon does offer a service called Internet
10 protocol routing?

11 A. Yes, IPR, yes.

12 Q. How does that work?

13 A. It is actually almost identical to the
14 other service in terms of the functionality.
15 It's the same concept, it provides a way to bring
16 the traffic together, concentrate it, pass it
17 along. The telling difference as I understand it
18 between the two products from talking to the
19 product managers, because I'm not an expert in
20 either one but I know a little bit about each,
21 the main difference is one has with it a network
22 management feature. So in one product you have
23 the functionality provided that's basically

□00446

1 identical in the other product, the difference
2 being that if you buy the IPRS you get a center
3 that manages the network that watches it, makes
4 sure it's always up and running. With the other
5 service you have no guarantee built in, somebody
6 kind of watching over your shoulder making sure
7 everything is running properly. So one has a
8 little risk if you want to provide a very high
9 level of service where there's no outage, the
10 other doesn't have that guaranteed built-in
11 protection.

12 Q. But with your IPRS service, I
13 understand that's basically offered to ISPs?

14 A. That's correct.

15 Q. And in that situation the ISP could
16 have a local number in all of the Baltimore
17 LATAs' local calling areas?

18 A. Yes, that's correct.

19 Q. And like with your enhanced
20 IntelliLinQ service, the ISP has a physical
21 location some place else and all the calls are
22 routed to that?

23 A. That is correct.

□00447

1 Q. And like with the enhanced
2 IntelliLinQ, in that arrangement if there's
3 proper authority the IPRS customer could be
4 outside of the LATA?

5 A. Yes. As I understand it, once again,
6 that link that they provide for themselves they
7 buy from us or a long distance provider or
8 somebody, whoever they hire or purchase that link
9 from, they can go physically anywhere.

10 Q. And like with the other FX and FX-like
11 services, to the extent that a CLEC customer
12 dials in to one of Verizon's IPRS customers, and
13 it's using a local number associated with the
14 CLEC's local calling, customer's local calling
15 area, Verizon potentially has been billing and
16 receiving recip comp for that call?

17 A. I think that's what is happening. I
18 believe that would be the case just based on how
19 the system is built to work, designed to work.

20 Q. Again with the IPRS service the
21 charges that Verizon imposes or applies to the
22 service in part are designed to compensate it for
23 lost toll revenue?

□00448

1 A. Yes, it's designed so that that
2 transport piece that's part of the service has a
3 compensation element designed into the service.
4 So we're made whole financially as a result of
5 the transport provided.

6 Q. Would you agree with me that if the
7 CLEC customer in I think Essex, calls, in the
8 absence of IPRS would call the ISP in Columbia,
9 let's say, that that would be a toll call?

10 A. If they dialed it directly unless they
11 use something like the 1-800 number, if they
12 dialed it directly to the other number it would
13 be a toll call.

14 Q. And in that arrangement the CLEC would
15 be entitled to access charges for giving its
16 customer access to the Verizon customer in
17 Columbia?

18 A. In that case as I understand it it
19 would be a basic voice call that would be used
20 for data purposes, so I think, yes, it would.

21 Q. And under the current arrangement with
22 the enhanced IntelliLinQ services and the IPRS,
23 CLECs are not being compensated for the lost toll

□00449

1 revenue that they lose out on?

2 A. I think the distinction here once
3 again is it's not exactly equivalent to the voice
4 grade service, it's data only. One's federally
5 tariffed, one's state tariffed, so there are some
6 distinctions in how they work and what
7 functionality they provide.

8 Q. But in the absence of those services
9 those customers would be making toll calls?

10 A. I would agree unless there was some
11 other provision made they'd have to get to the
12 provider somehow.

13 Q. Do you know how many IPRS customers
14 are located in Maryland?

15 A. No, but based on other states I'd say
16 there are anywhere from 10 to 30 probably. I've
17 seen some numbers in other states and they seem
18 to range about that, but I don't think we had a
19 data request and I didn't explore it with the
20 provider we had internally.

21 Q. Do you know if any IPRS customers are
22 collocated with Verizon at its switches?

23 A. I don't know with any certainty, no, I

□00450

1 can't answer that. I physically just don't
2 know. I haven't asked that question. I think
3 within Verizon I can find out.

4 Q. Do you know whether those IPRS
5 customers have their physical locations that are
6 close as we've defined it here, that are close to
7 Verizon's switches?

8 A. Once again, I'm just in the dark on
9 the answer because I haven't explored it with the
10 people that do know a lot about it.

11 Q. But you don't have any, but it's
12 certainly possible that a Verizon IPRS customer
13 is within five miles or so of a Verizon switch?

14 A. It's certainly possible, yes.

15 Q. An enhanced IntelliLinQ customer could
16 also be located within five miles or so --

17 A. Once again it's possible, yes.

18 Q. Just let me finish.

19 A. Sorry, excuse me.

20 Q. Just because of the way it comes out
21 on the transcript, it looks a little -- your
22 answer comes before the end of my question.

23 So it's possible that an enhanced

000451

1 IntelliLinQ customer is located within five miles
2 or so of a Verizon switch?

3 A. Yes, it is possible.

4 Q. What is remote call forwarding?

5 A. Remote call forwarding is a feature
6 that most enhanced switches, any switch that has
7 any intelligence at all is able to provide by
8 allowing a customer, I'll use myself as an
9 example, if I was at my house and wanted to have
10 my calls directed to a neighbor's house if I were
11 visiting for the evening, for example, I could
12 have remote call forwarding programmed to forward
13 the call to my neighbor a few blocks away or
14 across town.

15 Q. Could it be forwarded across state
16 lines?

17 A. It could be forwarded anywhere you
18 need to forward it to as far as remote call
19 forwarding works.

20 Q. And in fact it allows people to reach
21 you using a local number wherever you are,
22 doesn't it?

23 A. It allows somebody dialing my number

000452

1 if I've programmed it to remote call to reach
2 wherever I've directed the call to.

3 Q. So even if you were not physically
4 located, say, in Dallas?

5 A. I'm in the Dallas area, correct.

6 Q. So even if you're in Houston, if
7 somebody calls your Dallas number, they can reach
8 you wherever you are?

9 A. If I have set it to a specific number
10 in Houston in that example, yes, they can reach
11 me.

12 Q. Assume with me for a minute that the
13 person who's trying to reach you, just so that
14 we're here in Maryland, let's assume with me that
15 you live in Baltimore.

16 A. Okay.

17 Q. Do you happen to know where Hagerstown
18 is?

19 A. I know I've seen it on the map, but I
20 don't remember geographically where it is.

21 Q. It's west of Baltimore. Heading out
22 that way. Assume with me for a minute that you
23 have a Baltimore phone number and you decide

□00453

1 you're going to go to Hagerstown for a weekend.
2 And as I understand it in the remote call
3 forwarding, you could program your phone to
4 direct those calls to you in Hagerstown.

5 A. Yes, you could.

6 Q. And assume with me for a minute that
7 for whatever reason a US LEC customer wants to
8 reach you.

9 A. Yes.

10 Q. And they dial you at your home. Now,
11 if you're at home, when that US LEC customer
12 calls you, and the US LEC customer is in
13 Baltimore, you have a US LEC customer in
14 Baltimore calling you in Baltimore, it's your
15 understanding that that is a local call?

16 A. That's what I understand.

17 Q. Is it your understanding that Verizon
18 would be entitled to reciprocal compensation on
19 that call?

20 A. On a local-to-local call, that's what
21 I understand.

22 Q. Let's assume you've remote call
23 forwarded your call out to Hagerstown, US LEC

□00454

1 calls your number in Baltimore, is Verizon still
2 entitled to bill you reciprocal compensation for
3 that call?

4 A. I guess it gets back to my
5 understanding. I would think since it appears to
6 be a local-to-local call our system will treat it
7 in that fashion as a local call and bill it
8 accordingly.

9 Q. Would you agree with me that remote
10 call forwarding is similar to an FX arrangement,
11 not identical but similar to it?

12 A. Not really because of the significant
13 network differences involved. I see them as very
14 different services.

15 Q. Would you see it, though, as providing
16 you with a presence in Baltimore when you are not
17 in fact in Baltimore?

18 A. On an intermittent basis, yes, it
19 could do that.

20 Q. But it does do that?

21 A. The difference I would see in the
22 example you just used in the Baltimore-
23 Hagerstown, if I were in Baltimore and I was, a

000455

1 US LEC customer is calling me, I would complete a
2 call to that switch, the switch would in turn
3 from my house location perspective create a toll
4 call that would go out over somebody's network,
5 it wouldn't necessarily go over Verizon's
6 network, it would go over ours, it might go over
7 an AT&T or WorldCom or somebody else's connection
8 and be delivered to Hagerstown. So there would
9 be compensation issues very different from that
10 with FX service.

11 Q. Let's assume that for whatever reason
12 that you decide to go to Virginia Beach and you
13 wanted to remote call forward your calls to
14 Virginia Beach. Could you do that?

15 A. Yes, I could.

16 Q. So if a US LEC customer in Baltimore
17 wanted to reach you and dialed your Baltimore
18 number, it would be remote call forwarded to
19 Virginia Beach?

20 A. If it was set up that way, yes, it
21 would.

22 Q. Under the current arrangement Verizon
23 could bill US LEC reciprocal compensation for

000456

1 that call, couldn't it?

2 A. I believe that's how the system would
3 handle that call, yes.

4 Q. Do you know how many remote call
5 forward customers Verizon has in Maryland?

6 A. I really don't have any, even a broad
7 gauge percentage. I don't have any idea, to be
8 honest.

9 Q. What is virtual office solutions?

10 A. I don't know. Is that one I testified
11 to that I don't remember testifying to? I don't
12 recall that one.

13 MR. SHOR: I'd like to mark as US LEC
14 Exhibit 11, a copy of two pages from a Verizon
15 Maryland website.

16 (US LEC Exhibit No. 11 was
17 marked for
18 identification.)

19 BY MR. SHOR:

20 Q. Take a moment to look at that.

21 A. It's not a product I'm familiar with
22 internally so it would be my reading of it to
23 gain familiarization.

□00457

1 Q. Go right ahead.
2 (Pause.)
3 Q. Have you had a chance to look at that?
4 A. I've scanned it very quickly.
5 Q. If you look in the first paragraph of
6 text under the photo, where it says virtual
7 office solutions provides the flexibility today's
8 businesses need to create alternate work
9 environments. Do you see that?
10 A. Yes, I do.
11 Q. A comprehensive solution that blends
12 voice services with managed Internet connectivity
13 and a virtual private network?
14 A. Yes, I see that.
15 Q. If you look down where it says
16 benefits of virtual office solutions?
17 A. Yes, I do.
18 Q. Would read the line that begins cost
19 savings?
20 A. It says cost savings through advanced
21 technology. Dial up from almost anywhere with a
22 local call to get greater control over
23 access-related costs.

□00458

1 Q. Now, do you have any understanding
2 that a virtual office solution in part allows
3 Verizon customers to set up the ability for their
4 employees to reach them from pretty much anywhere
5 with a local call?
6 MR. PANNER: Objection. Foundation.
7 A. I think I can answer that.
8 MR. PANNER: Objection pending.
9 Okay. If he can answer.
10 HEARING EX. MOORE: Can you answer?
11 THE WITNESS: I can, but it's going to
12 be a very honest answer. I have no
13 familiarization at all with how the service is
14 provisioned so I really can't provide a useful
15 answer to you because I just don't know anything
16 about the service. I'd have to go and explore it
17 internally to find out what they described here
18 as to how it works.
19 BY MR. SHOR:
20 Q. It does seem to suggest that it's
21 possible for a customer, Verizon's customer's
22 employees to reach that office through a local
23 call regardless of where they are, doesn't it?

000459

1 A. What you're suggesting and what it
2 actually entails is what I'd have to dig into to
3 find out.

4 Q. Certainly that is a possibility, isn't
5 it?

6 A. I think you could read that into it.
7 Once again, I just don't know what they really
8 envisioned when they make those statements.

9 Q. And in essence it's possible that
10 through this product a Verizon customer could
11 have what appears to be a local presence in an
12 area where it has no physical location, is that
13 right?

14 MR. PANNER: Objection. Foundation.

15 A. Once again, until I have a chance --
16 HEARING EX. MOORE: Mr. Haynes, an
17 objection is interposed. Wait until I rule on
18 it.

19 MR. SHOR: As much as I might like
20 your answer he gets to decide.

21 THE WITNESS: I apologize.

22 HEARING EX. MOORE: Did you say
23 objection, foundation again?

000460

1 MR. PANNER: Correct, Your Honor.
2 He's testified that he's not familiar with the
3 service and Mr. Shor is now purely asking him to
4 speculate about what might be possible. That's
5 not evidence.

6 MR. SHOR: But he has also, and
7 frankly, Your Honor, I'm a little concerned
8 because we asked for Verizon to identify FX-like
9 services and I've discovered a couple that appear
10 to be FX-like services that I didn't hear
11 anything about until I went to look at it. Now
12 he is here as Verizon's witness on FX
13 arrangements and if he doesn't know the answer to
14 my questions, he's smart enough to tell me.

15 HEARING EX. MOORE: I'm going to
16 sustain the objection.

17 MR. SHOR: Would you just read back
18 the question that I asked, so I don't do it
19 again.

20 (The record was read by the reporter.)

21 BY MR. SHOR:

22 Q. I'm sure if I'm treading on thin ice
23 Mr. Panner will pull it out from me. But I'm

□00461

1 going to try something here. Assume with me for
2 a minute if you would, please, that the virtual
3 office solutions product is similar to an FX-type
4 arrangement.

5 A. Actually I can assume with you, but I
6 was actually reading the wording carefully again
7 and to me I could solve this with a 1-800 number
8 and it doesn't tell me that it's not a 1-800
9 number.

10 Q. It does say you dial up from almost
11 anywhere with a local call?

12 A. To me I can dial a 1-800 number, to me
13 a local call as a consumer, local in the sense as
14 an end user, I'm not paying toll so I'm not sure
15 from a product marketing perspective how they
16 promote it. I just don't know. If I were an end
17 user I would construe that to be local if I could
18 dial 1-800 and reach you.

19 Q. Mr. Haynes, you understand the concept
20 of a local call, do you not?

21 A. I do.

22 Q. And what does that mean to you?

23 A. It means generally that I'm dialing a

□00462

1 number that will not cause me to incur a toll
2 charge.

3 Q. And do you understand what a toll-free
4 number is?

5 A. Yes, I do.

6 Q. And do you understand the distinction
7 between a local number and a toll-free number?

8 A. Yes, I do.

9 Q. What is that distinction?

10 A. The toll-free number, the person
11 that's bought the toll-free service like 1-800
12 for example, is paying for the transport costs
13 involved and the person initiating the call is
14 making the equivalent of a local call in the
15 sense to them because they're not paying toll to
16 reach that customer or reach that other point.

17 Q. So it's your testimony that a local
18 call and a toll-free call are the same thing?

19 A. No, what I'm trying to describe is
20 from an end user perspective, functionally
21 speaking, and that's what I'm not sure if this
22 depicts. If I were an end user making the call,
23 as long as I don't have to pay for it, whether it

□00463

1 goes through a 1-800 number or a local number
2 that's right here, it's not going to make a
3 difference to me as an end user if I don't have
4 to pay for it.

5 Q. But when somebody says you can dial a
6 local call do you typically, if you don't have
7 ten-digit dialing, do you typically dial an area
8 code?

9 A. If it's a local call typically I dial
10 either ten digits or seven digits depending on
11 the numbering scheme in the area.

12 Q. If it's an area where there's no
13 ten-digit dialing do you dial an area code?

14 A. If it's not ten-digit dialing then I
15 dial a seven-digit call.

16 Q. When you dial a toll-free what would
17 you dial?

18 A. You dial the full 1-800, 1-888 in
19 front of the seven-digit you're trying to reach.

20 Q. And typically when you see a number
21 advertised as toll-free, what does that mean to
22 you?

23 A. It means to me as a consumer if I'm

□00464

1 dialing it I'm not going to have to pay anything
2 to reach that number.

3 Q. What does it mean in terms of what
4 you're going to have to dial?

5 A. It means I'll have to dial the ten
6 digits that are there. The 1-888 and the seven
7 digits following.

8 Q. And if something says you're going to
9 dial a local call, what does that mean to you as
10 dialer?

11 A. As I would dial I would normally think
12 it's going to be ten or seven digits, except in
13 some areas it may be 11 digits.

14 Q. In that context where the US LEC
15 Exhibit 11 refers to dial up from almost anywhere
16 with a local call, doesn't that mean to you that
17 it typically involves dialing a seven or a
18 ten-digit local number?

19 A. What I'm trying to characterize in my
20 testimony is I'm not certain because I haven't
21 seen the details to the product offering. And
22 I'm saying that I could use the word local to
23 define exactly what I think you've implied that

□00465

1 it means, but I could also, knowing how some
2 people market things and even our internal
3 marketing people, if they equate one thing with
4 another, I don't know how precise the people
5 writing this up were. That's the question I
6 have. I don't know how precise the marketing
7 agent was that wrote this out.

8 Q. Can you give me an example where
9 Verizon has advertised a toll-free number as a
10 local number?

11 A. No I can't, because I'm not familiar
12 that well with our advertising.

13 Q. Can you give me an example where
14 Verizon has advertised a local number as a
15 toll-free number?

16 A. No.

17 Q. Wouldn't you generally, wouldn't you
18 agree with me that the general public, you can
19 disagree if you wish, the general public
20 interprets the term local call to mean dialing a
21 seven-digit local number?

22 A. I think it gets back to semantics.
23 And this is my semantics I guess for me

□00466

1 personally. If I don't have to pay a toll charge
2 to reach somebody, I could say most of the
3 numbers around me are local numbers and I would
4 certainly agree that that number is my neighbor
5 close by, but in terms of the impact to me
6 financially, I kind of put everything in the same
7 basket for me personally.

8 Q. I'm asking your understanding of how
9 the general public would interpret a local call
10 versus a toll-free call.

11 A. Then I have trouble giving you an
12 answer, to be honest.

13 Q. You believe that the general public
14 typically confuses a local call with a toll-free
15 call?

16 MR. PANNER: Objection.
17 Mischaracterizes his testimony.

18 HEARING EX. MOORE: He's asking a
19 different question.

20 A. Yeah. I think you were.

21 MR. PANNER: I believe, Your Honor, he
22 characterizes, at least as he phrased the
23 question I said you believe, so forth. So I

□00467

1 think he was characterizing, I thought that he
2 was trying to characterize the prior thing. If
3 he simply meant to ask it as an open-end question
4 then I have no objection to it. Although it was
5 asked.

6 HEARING EX. MOORE: Overruled.

7 A. And the question was do I believe the
8 general public --

9 Q. Would confuse?

10 A. -- would confuse a toll call.

11 Q. A toll-free call with a local call?

12 A. In terms of the digits they see on the
13 page, no, I don't think they get that confused.
14 In terms of the impact to the bill, I'm thinking
15 of relatives and family and memory, I know I
16 think most of them package everything that they
17 don't have to pay extra for together in their own
18 minds. If I don't have to pay extra for it I
19 treat them all alike myself. I don't make a big
20 distinction.

21 Q. So looking at this virtual office
22 solutions material, do you believe that the
23 general public would look at the phrase dial up

□00468

1 from almost anywhere with a local call, do you
2 believe that the general public would view that
3 as a local call or as a toll-free call involving
4 an 800 number?

5 A. I think we're back to speculating what
6 the general public believes this says and I don't
7 know.

8 Q. You don't, you have no understanding
9 at all of what you think the general public --

10 HEARING EX. MOORE: Well, at this
11 point, I know where you're trying to get him to
12 go, but he's not going there.

13 MR. SHOR: Okay.

14 Q. Now, as I understand it, Verizon is
15 not disputing the fact that a carrier can assign
16 a telephone number to a customer who's physically
17 located in a different calling area, is that
18 right?

19 A. That is correct.

20 Q. But the dispute here is really about
21 what the carrier's, how the carriers compensate
22 each other --

23 A. That's -- sorry.

000469

1 Q. For example, changing those calls?
2 A. That is correct.
3 Q. And I think I'd like, would you agree
4 with me that as a general proposition, when it
5 comes to intercarrier compensation, a carrier
6 should be able to charge only for the functions,
7 facilities and services that it actually
8 provides?
9 A. I don't believe I would agree with
10 that.
11 Q. You would not.
12 A. No.
13 Q. What do you think a carrier should be
14 able to charge for that?
15 A. I believe the carrier ought to work
16 within the terms of the agreement and any
17 applicable tariffs that might be appropriate to
18 that agreement.
19 Q. Do you think a carrier should be able
20 to charge for a service that it doesn't provide?
21 A. Can you give me an example so I could
22 follow it through on what you're saying?
23 Q. Well, let's see. Do you think a

000470

1 carrier, if a carrier does not provide access
2 service, should it be entitled to charge for
3 access service?
4 A. How are you defining access service?
5 Q. How do you define it?
6 A. I define it in terms of a call that
7 originates and terminates in two distinct local
8 calling areas one from another.
9 Q. And if, how do you understand access
10 service works?
11 A. My general understanding is back to
12 our picture on the wall over there we've got X
13 and Y that are two local calling areas disparate
14 from one another. If I was making a typical toll
15 call from X to Y, the customer at X that's
16 initiating the call would go over somebody's
17 network, and we could make it Verizon's, make it
18 simple, and it would be terminated at Y, and in
19 that case the originating customer that's making
20 the call would be charged toll by Verizon for the
21 creation of that call. And it would be
22 terminated at Y on the other end, and there would
23 be terminating access applied to that, and there

□00471

1 would be a payment to the terminating agent on
2 the other end.

3 Q. Does Verizon route a toll call
4 differently from a local call?

5 A. I think it depends on the
6 interconnection between us and whatever company
7 we're interconnecting with.

8 Q. Right. Now let's assume we have X and
9 Y in local calling areas A and B up there, and
10 both are Verizon customers. How would Verizon
11 route that call?

12 A. Generally I think in that example we'd
13 need a tandem, in most cases between X and Y, not
14 in all cases, but I think generally. If there
15 were enough traffic between X and Y they could
16 have a direct trunk, but in most cases they are
17 distinct from one another. They'd probably go
18 through a tandem in between so it would be
19 originated at that end, go through a tandem, and
20 terminate at the Y end.

21 Q. So it could conceivably go through two
22 tandems?

23 A. Potentially I think.

□00472

1 Q. And if Verizon is the intraLATA toll
2 carrier, Verizon would carry that entire call
3 across those tandems?

4 A. I would think so in that example, yes.

5 Q. If the customer has chosen another
6 carrier as their intraLATA toll carrier, Verizon
7 would hand it off to that carrier somewhere?

8 A. Yes. In that case, if they handed it
9 off to MCI or AT&T or someone else, Verizon
10 having initiated the call would refer the
11 originating termination or access charge, not
12 termination charge, they get paid for that and
13 hand it off to the interconnecting carrier and
14 then the terminating agent at the other end,
15 whatever company that would be, would have a
16 terminating access charge they receive.

17 Q. And if the -- thank you.

18 Now, should there be some relationship
19 between the costs that a carrier incurs and the
20 compensation the carrier receives for providing a
21 service?

22 A. Ask that again?

23 Q. Should there be some relationship

□00473

1 between the calls that a carrier receives and the
2 compensation that it receives for a particular
3 service?

4 A. I think the word relationship is
5 probably a careful one I'd want to respond to
6 carefully.

7 Q. Okay, respond carefully.

8 A. We have tariff provisions for certain
9 types of services that are not cost-based
10 necessarily. There are services that we provide
11 that help offset the below cost income we receive
12 for local service. So to say that everything we
13 have available to somebody is cost-based and is
14 going to be priced slightly over cost, I don't
15 think would fairly depict how it's set up.

16 Q. So in fact there are some
17 circumstances where you believe it's perfectly
18 appropriate to charge substantially more than the
19 cost that Verizon incurs?

20 A. I think that's a true statement
21 because it's something that we've negotiated over
22 the years with the Commission to help financially
23 keep us viable as a company.

□00474

1 Q. Now, I believe you've stated in your
2 testimony that carriers look to the NPA-NXXs of
3 the calling and called parties to determine how a
4 call should be rated. Is that correct?

5 A. That is true from the standpoint of
6 the person making the call. We look at their
7 number and we look at the number they're calling
8 to determine how it's going to be rated to that
9 customer making the call.

10 Q. And doesn't it also determine how the
11 call will be routed?

12 A. Yes, it does. It determines where
13 it's going to be delivered to, that's correct.

14 Q. And I believe at page 5 of your direct
15 testimony on lines 16 to 20, it says that local
16 exchange carriers, paren, LECs, retail tariffs
17 and billing system use the NXX codes of the
18 calling and called parties to ascertain the
19 originating and terminating rate centers'
20 exchange areas of the call.

21 A. That's correct.

22 Q. And then if the rate center exchange
23 area of the called parties as determined by the

□00475

1 called number NXX code is included in the
2 originating subscriber's local calling area, then
3 the call is established as a local call. Is that
4 right?

5 A. That's correct.

6 Q. And by the same token, if the rate
7 center exchange area of the called party again
8 determined by the NXX code of the called number
9 is outside the local calling area of the caller,
10 then the call is determined to be toll. Is that
11 right?

12 A. That is correct.

13 Q. So in the situation where one Verizon
14 customer calls another Verizon customer, when the
15 NPA-NXX of the called party is associated with
16 the same local calling area as the NXX of the
17 calling party, it's rated and billed as if it's a
18 local call?

19 A. That is correct.

20 Q. Isn't it also true that at least up to
21 this point Verizon has used the rate center
22 assignment for intercarrier compensation
23 purposes?

□00476

1 MR. PANNER: Objection. Asked and
2 answered.

3 HEARING EX. MOORE: Overruled.

4 A. I think as I explained a while ago the
5 diagram we have in place for the billing process
6 has been in place literally for decades and it
7 was built on the premise that the called number
8 and the originating number accurately represented
9 the physical locations of the customer. So the
10 actual bill charge associated is tied to the
11 numbers only by virtue of the fact that we also
12 thought it fairly represented the physical
13 location of those customers.

14 Q. The answer I believe is yes. Would
15 that be correct, that to this point in time, you
16 have used the NPA-NXX of the calling and called
17 parties to determine intercarrier compensation?

18 A. Yes. The system has been built so it
19 works that way.

20 Q. Yes. Thank you.

21 Now, currently, when, in our example
22 up here, we've identified A as the Essex calling
23 area and B as the Columbia calling area. Is that

□00477

1 right?
2 A. Yes. Columbia, Maryland?
3 Q. That's right. Where X is a Verizon
4 customer and Y is a US LEC customer.
5 A. Yes.
6 Q. Under the current arrangement when X
7 wants to call Y, X is physically located in Essex
8 and Y is physically located in Essex. As I
9 understand it, Verizon takes the call to US LEC's
10 switch, is that right?
11 A. That is my understanding, yes.
12 Q. And hands it off to US LEC.
13 A. Yes.
14 Q. And US LEC brings the call back to its
15 customer in Essex?
16 A. That's my understanding.
17 Q. And where, changing the example, US
18 LEC's customer Y is physically located in
19 Columbia, Maryland, but has an NXX code
20 associated with Essex, Verizon still brings the
21 call to US LEC's switch. Is that right?
22 A. Well, the similarity here I think is
23 interesting because when, the situation you just

□00478

1 described is exactly what we do if it's an
2 intraLATA call. Between us and US LEC. It's
3 identical.
4 Q. Verizon brings the call from its
5 customer in Essex to US LEC's switch. Is that
6 right?
7 A. That's correct. On an intraLATA call
8 as well.
9 Q. I'm focusing right now, Mr. Haynes, on
10 a local call. We can address intraLATA --
11 A. I'm sorry, excuse me.
12 HEARING EX. MOORE: Answer his
13 questions.
14 THE WITNESS: Will do. Yes.
15 Q. So the call still goes to US LEC's
16 switch?
17 A. Yes, that's correct.
18 Q. And US LEC is still responsible for
19 getting the call from its switch to its customer?
20 A. That's correct.
21 Q. And when US LEC's customer has its
22 physical location in Annapolis, and it has a
23 local calling, a number associated with Essex,

000479

1 Verizon still takes the call to US LEC's switch.
2 Does it not?

3 A. Yes.

4 Q. And US LEC still delivers the call to
5 Annapolis, is responsible for delivering the call
6 to Annapolis; is that right?

7 A. That's my understanding, they're
8 responsible for getting it there. I don't know
9 how they make that arrangement, though.

10 Q. So whether US LEC's customer is
11 located in Essex or Columbia, Maryland or
12 Annapolis, each of those three arrangements,
13 Verizon is only responsible for taking the call
14 to US LEC's switch. Is that correct?

15 A. Based on the example given that's my
16 understanding. What I don't know is how, from Y
17 we get down to C, because that could be done with
18 a remote call forwarding arrangement and it would
19 still travel over our network based on what I
20 understood of US LEC's provisions.

21 Q. I was positing the example US LEC's
22 customer is physically located in Annapolis and
23 US LEC is providing that service.

000480

1 A. What I'm positing with you, though, is
2 the possibility that the way that it gets from Y
3 to C might still be over our network.

4 Q. So that US LEC might lease space on
5 your network?

6 A. They might lease it or they may do it
7 by using FX and transferring it as local, it
8 could perhaps be local from Y to C.

9 Q. Do you have any reason to know whether
10 US LEC provisions its services that way?

11 A. No, I'm trying to separate an
12 assumption is they are somehow responsible for
13 getting it to Y from C and paying for it, and I
14 don't know whether they are or not.

15 Q. So you really don't know whether
16 they're paying for it or not?

17 A. No, I don't. Rather than making the
18 assumption they are fully responsible for maybe
19 leasing it from us, I don't know how they're
20 getting it from one place to another.

21 Q. For purposes of this proceeding here
22 today, I'd like you to assume with me that US LEC
23 is providing the service from its switch in

□00481

1 Columbia to its customer in Annapolis over its
2 facilities.

3 A. Over its leased or built facilities?

4 Q. Over its facilities.

5 A. Okay.

6 Q. And in each of those arrangements,
7 whether the US LEC customer is located in Essex
8 or Columbia, Maryland or Annapolis, Verizon's
9 responsibility is to take the call to US LEC's
10 switch?

11 A. No disagreement on that. We have to
12 get it there for the call to be completed.

13 Q. I believe it's the case that up until
14 now, US LEC has billed Verizon reciprocal
15 compensation for the call from the Verizon
16 customer in Essex to the US LEC customer in
17 Essex. Is that correct?

18 A. I believe that's my understanding. If
19 it appears to originate and terminate locally,
20 then I think they're treating it with reciprocal
21 compensation.

22 Q. And US LEC has billed Verizon
23 reciprocal compensation for the calls that go to

□00482

1 its FX customers whether it's physically located
2 in Columbia because the number appears to be
3 associated with your customer's local calling
4 area?

5 A. That's my understanding.

6 Q. And in fact as we've established, if
7 the situation was reversed, if X was a US LEC
8 customer and Y was a Verizon foreign exchange
9 customer, Verizon has been billing US LEC
10 reciprocal compensation for that call?

11 A. And that's consistent with my
12 testimony, yes.

13 Q. Now, as I understand Verizon's
14 position here today, Verizon is asking the
15 Commission to change that historical system.

16 A. Verizon is asking for the Commission
17 to treat this in more the fashion I was
18 describing a minute ago as an intraLATA call
19 because that to us is what it is. It would be
20 equivalent to the toll call because the work that
21 is done is precisely the same as an intraLATA
22 toll call, there's no distinction in terms of the
23 work provided.

□00483

1 Q. You're asking the Commission to direct
2 the parties to base their intercarrier
3 compensation arrangements on the actual
4 originating and end points of the call?

5 A. That is correct.

6 Q. But as I understand it, if the parties
7 continue to use FX arrangements, you're not going
8 to charge your customer X a toll charge for
9 making what you contend is an intraLATA toll
10 call, is that correct?

11 A. The reason for not charging them that
12 is because it appears to be a local call to them
13 and they're dialing a number that in their
14 understanding is a local call.

15 Q. Is the answer to my question yes?

16 A. I better get you to reask the question
17 then.

18 Q. Verizon is not going to charge its
19 customer in Essex a toll call for calling US
20 LEC's customer who is physically located in
21 Columbia.

22 A. US LEC's FX customer?

23 Q. Correct.

□00484

1 A. No, they would not.

2 Q. So the only thing that would change is
3 how US LEC and Verizon compensate each other?

4 A. That would be the change as I
5 understand it, yes.

6 Q. So the originating caller will still
7 be rated as a local call?

8 A. That's correct.

9 Q. And it will still be routed to US
10 LEC's switch?

11 A. That's correct.

12 Q. Do you know when Verizon decided to
13 start treating calls to FX customers as toll
14 calls which should not be obligated to pay
15 reciprocal compensation?

16 A. I don't know the specific date, but I
17 know it's been being discussed internally as to
18 how to approach it for more than a year. As far
19 as thinking it through. The challenge is that
20 we've got a very expensive system that's been
21 built and created that handles it one way and
22 it's not a simple matter, the analogy is it's
23 like turning the Titanic. Our billing system is

□00485

1 very complex, is very large, so it's not a simple
2 matter overnight to make it work tomorrow.

3 MR. SHOR: Off the record.

4 (Discussion off the record.)

5 Q. But you think that the subject has
6 been in discussion for over a year?

7 A. That's my understanding, because I
8 remember a discussion I was involved in
9 approximately a year ago where this was talked
10 about.

11 Q. Was it talked about in the context of
12 affirmatively changing Verizon policy?

13 A. Yes, it was discussed in those terms,
14 saying that we have an issue that we have not
15 addressed previously and we need to address it.

16 Q. Who participated in that meeting?

17 A. It was a very limited phone
18 conversation as I recall, and I don't remember
19 everybody that was on it. I remember there were
20 probably four, five, six people present. It was
21 like a conference bridge that I participated in.

22 MR. PANNER: Your Honor, can I go off
23 the record for one moment?

□00486

1 HEARING EX. MOORE: Yes.

2 (Discussion off the record.)

3 HEARING EX. MOORE: Why don't we go
4 back on the record and raise it as an objection
5 and let me deal with it.

6 MR. SHOR: I just asked who was on the
7 call. I haven't gotten any further. He's told
8 me about a call and he's told me the subject of
9 the call.

10 HEARING EX. MOORE: You asked about a
11 call, were told the subject, object.

12 MR. PANNER: There's no question on
13 the table. So far what's happened, we can go
14 ahead, if he asks a further question that's
15 objectionable I'll interpose the objection, Your
16 Honor.

17 HEARING EX. MOORE: Okay.

18 BY MR. SHOR:

19 Q. Do you have any idea what made anyone
20 within Verizon raise recip comp for FX calls as
21 an issue?

22 A. I think we were looking at the fact
23 that we had not previously considered the fact

000487

1 that traffic coming to our own FX numbers was
2 truly originating and terminating in two distinct
3 local calling areas. We said previously we had
4 not had an issue with that because most of that
5 traffic was exchanged between us and other ILECs
6 and it was more or less in balance so there
7 wasn't an issue with a lot of traffic going one
8 way and a lot going the other, it was pretty much
9 balanced so there wasn't a concern between, say,
10 us and Bell South in Florida is an example I'm
11 familiar with.

12 So since we weren't unfairly treating
13 them and they weren't unfairly treating us, it
14 was pretty much even. I'm acquainted now with
15 situations where we have FX traffic going to
16 virtual FX numbers, as an example in New York I'm
17 aware of a CLEC that has 1620 minutes in our
18 direction, one minute coming back our way. So
19 that type of imbalance causes me, we've got to
20 pay attention. Is it fair the way it's being
21 played out.

22 Q. Is it your testimony that if the
23 traffic between a CLEC and Verizon is relatively

000488

1 balanced that that concern doesn't exist?

2 A. In my definition of balance, plus or
3 minus a few percentage points. I've had other
4 people use, in recent testimony said imbalance
5 was one minute our way or, I'm sorry, one minute
6 our way, three minutes the other way. I don't
7 consider that imbalance, but somebody else did.
8 So it's a relative definition of what's in
9 balance.

10 Q. Assuming for those purposes that
11 traffic is relatively in balance, 50-50, 60-40,
12 55-45, you're saying. If that's the case are you
13 saying it's not a concern?

14 A. If it's relatively even back and forth
15 both directions, then the financial implications
16 for either party would be very similar.

17 Q. So what you're in essence saying is
18 your concern arose because you felt that Verizon
19 was paying more money out in recip comp for FX
20 traffic than it was getting in?

21 A. What I'm saying is we actually had
22 identified what I considered a gaming of the
23 system.

000489

1 Q. Is it a gaming of the system if you
2 have to pay more money to somebody than they pay
3 to you?

4 MR. PANNER: Objection.
5 Argumentative.

6 HEARING EX. MOORE: Sustained.

7 Q. What do you mean by gaming of the
8 system?

9 A. From my perspective, what I've seen is
10 an opportunity that some providers, CLECs
11 primarily, have looked at and they said, if I
12 assign a number that, using the example here, the
13 X and Y example, the X and Y example, if you've
14 got a customer located in Y location, they get a
15 local number assigned to them, Verizon completes
16 the call over the same facilities as we discussed
17 a minute ago, but by only making one change, and
18 that's the number that's associated with that
19 customer, it goes from being something that we
20 receive payment for to something suddenly that
21 we're fully responsible for, plus paying for that
22 on top of that.

23 Q. Doesn't that sound like your enhanced

000490

1 IntelliLinQ product?

2 A. No.

3 Q. Why is that?

4 A. To me what we're providing with
5 IntelliLinQ, we're providing the capability for a
6 customer at a remote location to dial through
7 their switch with a dial-up connection.
8 Verizon's receiving payment for the transport
9 that goes from that remote location to the hub.
10 And then the provider at the hub is also paying
11 for the transport through us or somebody else to
12 wherever their ISP connection is.

13 Q. Aren't you also billing CLECs
14 reciprocal compensation when their customers call
15 them?

16 A. That's what I think you discovered a
17 minute ago, our billing system is set up if it's
18 completed as a local call to that switch, the
19 billing system is going to treat it as a
20 reciprocal compensation call.

21 Q. Do you consider Verizon to be gaming
22 the situation if it takes advantages of the local
23 numbers assigned to its enhanced IntelliLinQ

000491

1 customers and billing CLECs recip comp?

2 A. I'm using the word gaming for somebody
3 taking advantage of an opportunity. I don't see
4 us taking advantage of an opportunity in that
5 sense.

6 Q. So even though a CLEC offers local
7 numbers to ISPs through virtual FX arrangements
8 and Verizon offers local numbers to ISPs through
9 enhanced IntelliLinQ, you don't view those as the
10 same thing?

11 A. I distinguished them in terms of the
12 compensation Verizon receives from the transport.

13 Q. So it all depends on how much Verizon
14 receives, is that it?

15 A. I think it's whether or not Verizon is
16 fairly compensated for the transport provided.

17 Q. What if the CLEC is not fairly
18 compensated for the transport provided. Is the
19 CLEC entitled to be compensated as well?

20 A. I think that could be discussed in an
21 interconnection agreement as to what's fair.

22 Q. So in essence it's an economic
23 arrangement. Verizon felt that it was paying

000492

1 more in reciprocal compensation than it was
2 getting.

3 A. If you're saying it's that simple, I
4 do not believe that it is.

5 Q. Well, Verizon was paying recip comp
6 and it wasn't getting transport, is that right?

7 A. What Verizon was doing with the
8 virtual FX delivery, as I've defined, is they are
9 actually being asked to deliver the call and pay
10 for the privilege of delivering the call, and
11 then the user on the other end is paying a
12 substantial amount of money to US LEC for that
13 service as well. Verizon does not have an
14 equivalent product offering that matches that as
15 I understand it.

16 Q. So you don't know what Verizon charges
17 for its foreign exchange, do you?

18 A. I don't know the precise numbers, but
19 I know it's distance-sensitive, as I said. It
20 varies based on how far away the customer is from
21 the location they're trying to receive traffic
22 from.

23 Q. And you don't know whether the charges

00493

1 that Verizon assesses to its foreign exchange
2 customers ultimately equals or perhaps exceeds
3 the charges that US LEC imposes on it, do you?

4 A. Well, to my understanding I've not got
5 a clear detailed description of what is provided
6 based on what I've seen in the tariff for US LEC
7 so I don't have a basis upon which to compare the
8 two.

9 Q. Now when did you, Verizon decided at
10 some point that it didn't want to pay recip comp
11 for CLECs foreign exchange traffic anymore. Is
12 that right?

13 A. I think what I said is Verizon became
14 aware of the situation, decided it needed to be
15 addressed.

16 Q. How do you propose to address it?

17 A. We have a two-prong option that we've
18 described I think in my rebuttal testimony that
19 gives two options. There could be others. Two
20 options that we've come up with. One option is
21 to have a study performed similar to what Verizon
22 has performed, we did a study recently in Florida
23 because we were discussing this with another CLEC

00494

1 in Florida and we discovered in Florida that we
2 analyzed all the data for a period of a month
3 that was traffic being delivered to our FX
4 numbers, and that's how we came up with the
5 one-half of one percent. We got the number that
6 way, we discovered it through the analysis that
7 was done.

8 And then we equated that to how much
9 money was on the table and we found out it was
10 about \$70 for all CLECs combined for that month
11 and we offered at that point to pay them. We
12 said here's \$70, we'll split it up among all of
13 you, and there were a bunch of them involved, we
14 said we'd be glad to work out something where we
15 would pay that to you, but we said by the same
16 token, whenever the traffic is going the other
17 way, we want to work out a similar process.
18 Either you guys do what we did, which is do a
19 simple study, or you can give us a list of the FX
20 numbers, we don't care about the customer names
21 or anything about them, and we'll do the study
22 for you.

23 Q. Aren't you still relying on the NPA

000495

1 and NXX of the call number?

2 A. No, we're identifying based on the
3 provision of the records to us, not the record
4 with the name but the number. If you tell us
5 that it's an FX number, we know it's going to be
6 delivered outside the local calling area.

7 Q. But you're not basing it on the end
8 point of the call, you're basing on the number?

9 A. No, we're basing it on where the
10 customer is located that the call is going to.

11 Q. You're using the NPA-NXX, aren't you?

12 A. For the billing system, but the
13 billing system has to be told separately that
14 it's outside the local calling area because it
15 doesn't know that.

16 Q. But it's still based on the NPA-NXX of
17 the number?

18 MR. PANNER: Object --

19 A. Let me respond. I think we're getting
20 around what the billing system does to do the
21 analysis. The billing system in every instance
22 compares numbers because that's how it's
23 designed. I have to tell the billing system the

000496

1 number that appears to be local is not. I have
2 to give that information, otherwise it doesn't
3 know how to deal with it.

4 Q. I don't mean to belabor the point, but
5 the billing system for separating the traffic is
6 the same as the billing system for paying it and
7 it's based on the number of the party, not the
8 physical location.

9 A. We're back to the discussion we had
10 earlier. I made the statement, I don't back up
11 from it at all. The billing system was built
12 many, many years ago, and for decades the
13 physical customer location and the number were
14 good equivalents. And it was a safe bet for the
15 people building the systems to design it that
16 way. If we had known 20 years ago that we'd
17 always have the customer location somehow
18 factored in, we would have built it differently,
19 I presume.

20 Q. Do you have Verizon Exhibit 1 there,
21 the interconnection agreement?

22 A. No, I do not.

23 (Handing.)

000497

1 HEARING EX. MOORE: How much longer do
2 you have?

3 MR. SHOR: Maybe ten minutes.

4 MR. PANNER: Your Honor, the record
5 will reflect that was actually Ms. Finn.

6 MR. SHOR: But I was the one that gave
7 the estimate.

8 HEARING EX. MOORE: I'll tell you
9 what. Before we go on to that, why don't we give
10 ourselves a brief five-minute break.

11 (Recess taken -- 3:37 p.m.)

12 (After recess -- 3:44 p.m.)

13 HEARING EX. MOORE: Back on the
14 record.

15 BY MR. SHOR:

16 Q. Would you look, please, at page 64.

17 A. I see it.

18 Q. And the paragraph 7.2.

19 A. Yes, I see it.

20 Q. And if I'm, correct me if I'm reading
21 this incorrectly, Verizon's proposal is that the
22 designation of traffic as reciprocal compensation
23 traffic for purposes of reciprocal compensation

000498

1 shall be based on the actual originating and
2 terminating points of the complete end-to-end
3 communication. Is that correct?

4 A. Yes.

5 Q. So that is predicated on the physical
6 origination point and the physical termination
7 point. Is that right?

8 A. It's physical locations in both cases,
9 yes.

10 Q. And your proposal, however, is
11 dependent upon or is based on programming your
12 switches with the NPA-NXXs of the numbers, of FX
13 numbers, is that right?

14 A. I think it's a little different in
15 probably I could explain it a little better to
16 maybe make more sense. The explanation being
17 that today, if the switch perceives the call to
18 be local, the billing system does not create a
19 record. So to have us track this type of traffic
20 that it described from a billing system
21 perspective we would have to say whenever these
22 FX numbers that a CLEC has provided us with are
23 dialed, all the records around those numbers, so

00499

1 for example, the NPA-NXX 1, 2, 3, 4, 5, 6, 7,
2 they would be collected on all calls to those
3 numbers, and then we have the database of just
4 the FX numbers and extract that out and say
5 that's the traffic that went to the FX numbers.

6 Q. So am I correct that it's based on the
7 NPA-NXX of the FX customer?

8 A. It's based on the physical location
9 and the actual way that we would do the
10 manipulation of the number would be using those
11 numbers to get the data.

12 Q. But you don't look at the physical
13 location, you tell the switch to look at the
14 NPA-NXX, don't you?

15 MR. PANNER: Your Honor, I object
16 because he's been through this three or four
17 times with the witness. He's asked these
18 questions two or three times. I don't have any
19 problem with Mr. Haynes continuing to say it, but
20 time is short and he's asked these questions
21 numerous times.

22 HEARING EX. MOORE: Overruled. You
23 are getting close to the point of beating the

00500

1 horse that if not is dead is dying slowly.

2 MR. SHOR: I think that was actually
3 the last whip.

4 HEARING EX. MOORE: I think I
5 understand the point that you're trying to make.

6 MR. SHOR: I'll move on.

7 BY MR. SHOR:

8 Q. Now, I assume that under your system
9 you would provide CLECs information pertaining to
10 your FX customers?

11 A. We'd be happy to or we could do the
12 study I proposed and provide the data. We could
13 do it either way.

14 Q. Would that include providing CLECs
15 with numbers of your enhanced IntelliLinQ
16 customers?

17 A. We'd have to discuss it, but I don't
18 see why that would be different. That would be a
19 matter for discussion in the interconnection
20 agreement I would think.

21 Q. Your IPRS customers?

22 A. That's what I meant. I don't know if
23 we have to know if there are confidential issues

000501

1 associated with those, to the best of my
2 knowledge, but I'd have to go back and confer
3 with someone about those products to find out if
4 there's anything unique about them.

5 Q. What about your remote call forwarding
6 customers?

7 A. What about them?

8 Q. Would you provide those numbers as
9 well?

10 A. Well, to my degree of guessing I'd say
11 it's a rather large quantity of customers.

12 Q. But we've agreed that you've billed
13 reciprocal compensation on calls that have been
14 remote call forwarded to distant locations and in
15 order for your system to work to everyone's fair
16 advantage, you would need to provide those
17 numbers, wouldn't you?

18 A. I think what we've agreed to is that
19 the remote call forwarding feature has the
20 capability, exercise to do this. Now, the
21 question is do a lot of people use the feature
22 that way. I have the feature available to me but
23 I've never used it to send it long distance

000502

1 because that means every single call I receive,
2 whether it's one of my teenagers at home that
3 wants to call, it goes to that number wherever it
4 is. And I wouldn't elect arbitrarily to run up a
5 long distance bill on my own home number
6 arbitrarily. It would have to be a very unique
7 situation for me to do that.

8 Q. So you really have no way of knowing
9 in how many instances remote call forwarding
10 customers utilize that aspect of that service?

11 A. No, I would just speculate it's very
12 small because of the unknown toll charges you
13 would incur as a result.

14 Q. But you don't know either way?

15 A. No. I do not.

16 Q. So in the absence of providing those
17 numbers you would still then essentially be
18 billing CLECs recip comp for calls that were
19 remote call forwarded to distant locations?

20 A. In the absence of any other treatment,
21 I would think yes. Of any other provisions made
22 for it.

23 Q. Now, are you familiar with the order

□00503

1 that the FCC issued in the recent arbitration
2 arrangement?

3 A. I skimmed it a couple, three weeks
4 back, yes. Just to the degree I went through
5 certain sections of it rather quickly.

6 MR. SHOR: Could you provide the
7 witness, please, with US LEC Exhibit 8.

8 (Hanging.)

9 THE WITNESS: Thank you.

10 Q. Just take a look and make sure that's
11 the portion of the order that you remember
12 looking at.

13 A. This looks familiar.

14 Q. In fact you testified about that order
15 in your rebuttal testimony, did you not?

16 A. Yes, that's correct. That's what I
17 said. I scanned it and included comments from it
18 or based on it.

19 Q. Would it be fair to say that Verizon
20 made the same, strike that. Were you the witness
21 who provided testimony to the FCC?

22 A. No, I was not.

23 Q. Do you know who was?

□00504

1 A. I believe I understand who it was, I'm
2 not certain of the name, but I believe I know who
3 it was.

4 Q. Does the name Steve Pitterly ring a
5 bell?

6 A. That's the name I would speculate.
7 I'm not sure.

8 Q. Do you know Mr. Pitterly?

9 A. He works in the same building. I
10 don't know him well, but I know him.

11 Q. Do you know if he participated in that
12 call you were discussing a few moments ago
13 regarding FX traffic and the need to examine the
14 issue?

15 A. To the best of my recollection, no.

16 Q. Is it your understanding that Verizon
17 made the same arguments against paying recip comp
18 for CLEC to FX customers at the FCC that it is
19 making to this Commission in that proceeding?

20 MR. PANNER: Your Honor, I'm going to
21 object to that because I'd like him to lay a
22 foundation.

23 HEARING EX. MOORE: What was the

000505

1 question again? Do you know if?

2 MR. SHOR: I said would it be fair to
3 say that Verizon has made the same arguments to
4 the FCC that it's making here. He said he's read
5 the order, he relied on it in his rebuttal
6 testimony, and I'm just asking if he has any
7 reason, if he believes it's fair to say that the
8 arguments are the same.

9 HEARING EX. MOORE: Can you answer
10 that question?

11 THE WITNESS: I can answer it I think
12 in part. It will be an answer, it will be an
13 honest answer, at least I can tell you what I
14 know.

15 HEARING EX. MOORE: The objection is
16 overruled.

17 A. What I'm not aware of is all the
18 details and our position that we took when that
19 order was considered, I think it was quite some
20 time back, probably a year ago when we were in
21 there providing our information. So the degree
22 of detail that was included in that, for example,
23 I don't think any of the provisions we've made

000506

1 recently of how we could evaluate the
2 compensation aspect were considered there to the
3 best of my understanding. I don't think we said
4 we had an option that we could go and do what I
5 said a few minutes ago, which is put together
6 some information based on the FX numbers. I'm
7 sure we didn't do that study until actually
8 February of this year in Florida, so I think it
9 was past when any of that took place.

10 Q. Take a look at paragraph 286, I'm
11 focusing on arguments you made against it. See
12 in the fifth line down where it says, Verizon
13 objects to the petitioners' call rating regime
14 because it allows them to provide a virtual
15 foreign exchange, paren, virtual FX, service that
16 obligates Verizon to pay reciprocal compensation
17 while denying it access revenues for calls that
18 go between Verizon's legacy rate centers.

19 Do you see that?

20 A. Yes.

21 Q. Does that sort of sum up the position
22 you're arguing to this Commission?

23 A. I think it certainly contains part of

□00507

1 the argument that we're presenting.

2 Q. You have to pay reciprocal
3 compensation and you don't get compensation?

4 A. Yes, I think that's what we've covered
5 earlier. I've stated that, yes.

6 Q. Would it be fair to say that the FCC
7 did not accept those arguments?

8 A. I think it's more accurate to say that
9 they said there were issues as they perceived
10 them with the billing process because there were
11 none presented. We didn't have a reasonable
12 presentation, as I understand it at the time, we
13 didn't say that we have a tool that we've
14 developed to make an estimate of the traffic.

15 Q. If you look at paragraph 302 on page
16 144, Verizon did in fact propose that the
17 petitioners conduct a traffic study to develop a
18 factor to account for the virtual FX traffic that
19 appears to be local. Correct?

20 A. Well, what I'm reading in 302 it says,
21 however, Verizon --

22 Q. First please focus on the portion that
23 I've read to you.

□00508

1 MR. PANNER: Is he going to allow the
2 witness to answer the question?

3 MR. SHOR: The witness isn't answering
4 the question.

5 HEARING EX. MOORE: Just a minute.
6 Complete what you were getting ready to say.

7 A. Well, I was reading 302, the sentence
8 there, and I noted that, however, Verizon's
9 contract fails to lay out such a mechanism in any
10 detail.

11 Q. First, does in fact the paragraph say
12 that you propose, proposed that the petitioners
13 should conduct a traffic study to develop a
14 factor to account for the virtual FX traffic?

15 A. This summary says that, yes.

16 Q. And that is in fact what you're
17 suggesting be done here, one of the options that
18 are available.

19 A. Actually, what I've proposed here is a
20 little more detailed than a traffic study. I
21 equate the traffic study, I believe that was
22 proposed here similar to the study that's
23 proposed for ISP-bound traffic where you look for

□00509

1 ratios, three-to-one ratios, and I think what was
2 proposed here as I understand, and I haven't got
3 a lot of detail on this, I never saw it written
4 out, but I roughly understood they said let's
5 look at kind of a general slack for a short
6 period of time and use that as basis to anything,
7 just everything going forward.

8 Q. To figure out a factor to account for
9 it, is that right?

10 A. Right, and that's not necessarily what
11 I've proposed as the solution. It's one of the
12 solutions.

13 Q. It is one of solutions you've
14 proposed?

15 A. Right.

16 Q. And you're correct, the next sentence
17 says that Verizon's contract fails to lay out
18 such a mechanism in any detail?

19 A. Correct.

20 Q. Would you direct me to the provision
21 of this contract that lays out the mechanism
22 you've discussed in your testimony?

23 A. As I understand it, it was not in here

□00510

1 at the time it was formulated so I don't believe
2 it's present.

3 Q. There is no such mechanism, is there?

4 A. I'm sorry?

5 Q. There is no such mechanism in the
6 proposed contract, is there?

7 A. To the best of my understanding, no,
8 but I wasn't a party to creating the contract
9 language.

10 Q. Would you agree with the statement in
11 paragraph 302 that Verizon concedes that
12 currently there is no way to determine the
13 physical end points of the communication and
14 offers no specific contract proposal to make that
15 determination?

16 A. Let me be careful about that
17 response. I think the proposal I proposed
18 doesn't give us a mechanical way to determine it,
19 we'd actually have to have help, somebody telling
20 us what those end points are. But I would agree
21 if this implies by looking at the number can I
22 tell, no, I cannot.

23 Q. And in fact your arrangement for

□00511

1 dealing with FX numbers does not rely on the end
2 points, it relies on the number of the FX
3 customer?

4 A. Once again I think we're back to
5 semantics. My position is that the numbers
6 associated physically with the location can be
7 used to drive the billing system effort but our
8 position is that it should be based on the
9 originating and terminating physical points. Not
10 on the numbers themselves.

11 Q. And it would be fair to say that in
12 the FCC arbitration, the Virginia arbitration,
13 that the FCC Wireline Competition Bureau rejected
14 Verizon's proposal?

15 A. They rejected it based on their lack
16 of seeing a mechanism that would allow for
17 effective billing.

18 Q. And there's no mechanism in this
19 agreement either?

20 A. Not at this point, no, there's not.

21 Q. Now, are you aware that in its 271
22 application for interLATA authority in Virginia
23 that Verizon has stated affirmatively that it

□00512

1 would comply with the arrangements set forth in
2 the interconnection, in the arbitration order and
3 make them available to CLECs?

4 MR. PANNER: Objection. Foundation.

5 A. I'm not at all familiar -- excuse me,
6 I realize I spoke too soon. I apologize.

7 HEARING EX. MOORE: I know you're
8 speaking at a rate to help you get out of here,
9 but if you hear an objection, you need to give me
10 a chance to do my job. Otherwise I'm sitting up
11 here and I'm not needed.

12 What's the basis of your objection?

13 MR. PANNER: You know what, Your
14 Honor, let's save some time. I'll allow Mr. Shor
15 to go ahead.

16 HEARING EX. MOORE: Okay.

17 MR. SHOR: Would you please pass the
18 witness US LEC Exhibit 6.

19 (Handing.)

20 BY MR. SHOR:

21 Q. Let me show you what's been marked as
22 US LEC Exhibit 6. Just take a moment to glance
23 at that.

□00513

1 Would you look at page 13, please. Do
2 you see the paragraph that begins, the only full
3 paragraph that begins in the interim?

4 A. Yes.

5 Q. Would you read that, please?

6 A. It says --

7 Q. Just read it to yourself.

8 A. Okay. Excuse me.

9 I've read it.

10 Q. Am I correct that it says in part that
11 CLECs in Verizon's former Bell Atlantic service
12 territory may also request in interconnection
13 negotiations those service offerings and
14 arrangements that the Commission found in the
15 Virginia arbitration order to be required by
16 applicable law?

17 A. That is what it says, yes.

18 Q. Were you here yesterday when
19 Mr. D'Amico was on the stand?

20 A. I was here for most of it. I stepped
21 out a couple of times. I didn't hear everything
22 but I heard most of it.

23 Q. Do you recall the questions and the

□00514

1 examination that was directed at the Verizon's
2 271 application?

3 A. I think I heard part of it. I did
4 step out at one point so I don't think I heard
5 all of it.

6 Q. Do you recall him stating that Verizon
7 in Virginia was complying with the arbitration
8 order in Virginia?

9 A. I heard that part, yes.

10 Q. Did you hear him say that Verizon had
11 sent an industry letter advising CLECs in
12 Virginia that Verizon will accept such requests
13 from CLECs?

14 A. I recall him saying that, yes.

15 Q. Is Verizon making that arrangement,
16 recip comp for FX traffic which the FCC directed
17 to be applied in Virginia, is Verizon making that
18 available to US LEC in Maryland?

19 A. I don't know.

20 Q. Are you prepared to make it available
21 to US LEC in Maryland?

22 A. I think we're getting into the details
23 of contract negotiations. I'm here to talk about

000515

1 issue 6, but I don't know the details of the
2 contract negotiations.

3 MR. SHOR: I have nothing further,
4 Your Honor.

5 HEARING EX. MOORE: To sort of ask
6 what was the basis of the last question, in
7 perhaps a different way, based on what you know,
8 what you do know, and I'm impressed by the
9 expertise that you have and that you've displayed
10 in your testimony, would you have a view as to
11 why what's being involved in Virginia with
12 respect to this shouldn't be offered in Maryland?

13 THE WITNESS: Based on my readings
14 that I just saw it seems to suggest that it
15 should be. Based on my understanding. I'm
16 fairly good on the technical part, I'm not very
17 good on legal. So --

18 HEARING EX. MOORE: Even from a
19 technical point of view, is there anything in
20 your reservoir of knowledge at this point that
21 would suggest to you that what is being offered
22 in Virginia should not be similarly offered here
23 in Maryland?

000516

1 A. Well, the distinction I would make
2 based on my reading of the Virginia order, and as
3 I said, I read it rather quickly a couple weeks
4 back, the Commission did make the statement that
5 since Verizon had not come forward with a
6 proposal that was workable, that was my literal
7 interpretation of it, that they said let's go
8 with the position that the CLECs imposed but they
9 left the door open that Verizon could come back
10 in, as my read of it, to pursue that. So I saw
11 the door being opened, and since we've moved
12 ahead and said we have a workable solution going
13 forward, I think we want to put the workable
14 solution in any future contract negotiations that
15 we have.

16 HEARING EX. MOORE: I understand. All
17 right, thank you.

18 Do you want a piece of this, too?

19 MS. FLYNN: Just one question. And
20 it's along the same lines of the question that
21 you just asked.

22 HEARING EX. MOORE: Go ahead.

23 CROSS-EXAMINATION

000517

1 BY MS. FLYNN:

2 Q. If Verizon does offer these
3 arrangements in, to CLECs in Virginia, wouldn't
4 CLECs in Maryland also be able to opt in under
5 the cross-border opting provisions?

6 A. I believe so, but once again I'm not
7 an expert.

8 MR. PANNER: Your Honor, objection.
9 There's no foundation. He has no, knows nothing
10 about cross-border.

11 THE WITNESS: You're right, I don't.

12 HEARING EX. MOORE: I'll sustain that
13 objection.

14 MS. FLYNN: We'll do it some other
15 way, then. Thank you.

16 HEARING EX. MOORE: Is that all?

17 MS. FLYNN: Yes.

18 HEARING EX. MOORE: May Mr. Haynes
19 step down?

20 MR. PANNER: I just have a couple of
21 things, real quick.

22 HEARING EX. MOORE: I was trying to
23 get you off.

000518

1 THE WITNESS: Well, I'm shooting for a
2 7:30 flight.

3 REDIRECT EXAMINATION

4 BY MR. PANNER:

5 Q. I just want to clarify, Mr. Shor asked
6 you a number of questions about Verizon's FX
7 service.

8 A. Yes.

9 Q. When Verizon provisions an FX service,
10 the FX customer draws dial tone out of a distant
11 end office; isn't that correct?

12 A. That is because there's a dedicated
13 facility that connects their physical location to
14 a distant end office where they draw dial tone.
15 That's correct.

16 Q. So in fact the foreign exchange
17 customer is always located at a significant
18 distance from the end office where the service is
19 provided; is that correct?

20 A. Generally, yes.

21 Q. That's what makes it a foreign
22 exchange service?

23 A. Yes.

00519

1 Q. Now, Mr. Shor also referred to whether
2 if traffic were balanced, if that would eliminate
3 Verizon's concern with respect to reciprocal
4 compensation for FX and NXX type traffic. Do you
5 remember those questions?

6 A. Yes, I do.

7 Q. To clarify, what would have to be in
8 balance for Verizon's concerns to go away?

9 A. Well, what I would premise is that
10 they'd have to be in balance based on the FX
11 portion of the service, and if we were comparing
12 local to local, I'd also expect the local to
13 local to be in balance, relatively speaking.

14 Q. But the key is if overall traffic is
15 in balance that's irrelevant, is that correct?

16 A. That's correct. They'd have to be
17 separately looked at.

18 Q. It's whether the FX portion of the
19 traffic is in balance?

20 A. Yes.

21 Q. Okay. Now, Mr. Shor discussed a
22 number of different types of services that
23 Verizon offers that provide an FX functionality

00520

1 or an FX-like functionality, is that correct?

2 A. That's correct.

3 Q. Is it Verizon's position that that
4 traffic should be treated any differently from
5 the, from US LEC's virtual exchange traffic,
6 virtual foreign exchange traffic?

7 A. No, we propose that the treatment be
8 equal in both directions.

9 Q. So if a US LEC customer made a call to
10 a Verizon FX customer, is Verizon is offering to
11 pay access charges?

12 A. That's correct.

13 Q. Because you think that's fair?

14 A. Because it's originating and
15 terminating two distinct local calling areas and
16 it's equal either direction as far as the
17 approach.

18 Q. So under Verizon's proposal, the
19 parties would be, the treatment would be
20 absolutely symmetrical, is that correct?

21 A. That is correct.

22 Q. In the case of Verizon FX services and
23 FX-like services, who would originate the vast

000521

1 majority of the calls to such numbers?

2 MR. SHOR: Objection. Foundation.

3 HEARING EX. MOORE: I'm sorry, ask the
4 question again?

5 Q. In the case of Verizon FX and FX-like
6 services, who would originate the vast majority
7 of the calls to those numbers?

8 MR. SHOR: And the objection is
9 foundation.

10 HEARING EX. MOORE: Can you answer the
11 question?

12 THE WITNESS: I believe I can.

13 HEARING EX. MOORE: Overruled.

14 A. Generally since we have the
15 preponderance of the physical customers, our
16 customers can originate calls for the most part
17 to our FX customers and to their FX customers.
18 It's going to be Verizon customers that will make
19 most of the calls because they have the lion's
20 share of the customer base.

21 Q. And Mr. Shor asked you about the
22 traffic study that you did in Florida? Is that
23 right?

000522

1 A. Yes.

2 Q. And you found that the reciprocal
3 compensation that Verizon had charged incorrectly
4 to FX numbers amounted to, you said \$70?

5 A. It's my understanding, from the report
6 I read it was about \$70 for the month they looked
7 at the total for all CLECs combined.

8 Q. For the entire month all CLECs
9 combined, \$70?

10 A. Correct.

11 Q. How many customers does Verizon have
12 in Florida?

13 A. Verizon has about, if I remember
14 correctly, about 2.5 million customers. And I
15 don't know how many CLEC customers. I don't have
16 records of that. But that would be CLEC
17 customers dialing Verizon FX numbers that were
18 being looked at.

19 Q. And Verizon offered to make good on
20 those amounts? Is that correct? Is that right?

21 A. We analyzed the information and shared
22 it with the CLECs and said here's what our
23 research has shown, and I think at that point we

□00523

1 said we'd be willing to work with them to arrange
2 a compensation mechanism.

3 MR. PANNER: I have nothing further,
4 Your Honor.

5 MR. SHOR: Just a couple of follow-up
6 on recross, Your Honor.

7 RECROSS-EXAMINATION

8 BY MR. SHOR:

9 Q. On the traffic study that you
10 conducted and the proposal you've made, you've
11 referred to that as workable. Has that been
12 subjected to any scrutiny by any Commission?

13 A. To the best of my knowledge, no. It's
14 been shared recently in this type of forum with a
15 couple of commissions, but it wasn't going
16 through any type of rigorous evaluation.

17 Q. So at this point the only assessment
18 as to whether it's workable or not is Verizon's?

19 A. That's correct.

20 Q. And with respect to -- nothing
21 further.

22 HEARING EX. MOORE: Are we done with
23 Mr. Haynes?

□00524

1 MR. PANNER: Your Honor, we may be
2 done.

3 HEARING EX. MOORE: Okay. Mr. Haynes,
4 you can step down, sir.

5 THE WITNESS: Thank you, sir.
6 (Witness excused.)

7 MR. SHOR: Your Honor, US LEC would
8 like to move the admission of exhibits, whatever
9 ones we introduced. The ones we introduced.

10 HEARING EX. MOORE: I think it would
11 be 10 and 11.

12 MR. SHOR: Yes.

13 HEARING EX. MOORE: Any objection?
14 (No response.)

15 HEARING EX. MOORE: Without objection
16 US LEC Exhibits 10 and 11 are admitted into the
17 record.

18 (US LEC Exhibit Nos. 10
19 and 11 were received in
20 evidence.)

21 HEARING EX. MOORE: Okay. Anything
22 else?

23 MR. SHOR: No, Your Honor.

□00525

1 HEARING EX. MOORE: So we are
2 concluded?

3 MR. SHOR: We are concluded with the
4 evidence. I hesitate to bring it up, but you did
5 say when we began this that you might want a
6 closing statement and I'm hoping that you won't
7 need one.

8 HEARING EX. MOORE: I'm going to
9 indicate that I don't need one.

10 All right. This has been a very
11 interesting and spirited presentation. I want to
12 compliment all of you, counsel have done a very
13 good job of making this presentation to me. It's
14 always a pleasure to be on this side of the bench
15 when you've got good counsel in front of you
16 giving good presentations, making good arguments.
17 I appreciate everything that you've done. I can
18 assure you I look forward to completion of the
19 rest of the procedural schedule with the filing
20 of the briefs, and once I get that, I will sit
21 down with this mountain of paper and attempt to
22 do justice to all. Thank you all very much.
23 Appreciate it.

□00526

1 MR. PANNER: Thank you, Your Honor.

2 MR. SHOR: Thank you.

3 (Discussion off the record.)

4 MR. SHOR: Your Honor, maybe we ought
5 to go back on the record a minute. When we had
6 our first conference here I think in May we had
7 presented to you the question of whether one
8 round of briefs or two would be required. US LEC
9 still believes that we can say everything we need
10 to say in one brief and that we don't need a
11 reply brief. Verizon had asked for the
12 opportunity to file a reply brief and you had
13 indicated in May that you would reserve judgment
14 on that. We can either resolve that now or you
15 can wait until after you get the first round.

16 HEARING EX. MOORE: I don't have the
17 schedule in front of me. Are you all filing
18 simultaneous briefs?

19 MR. SHOR: The transcript under our
20 schedule is due the 28th, the first briefs are
21 due the 11th, reply briefs are due the 18th.

22 MR. ANGSTREICH: It's simultaneous
23 briefing, Your Honor.

000527

1 HEARING EX. MOORE: Yeah. I think
 2 that's sufficient. I'm not going to have a need
 3 for reply briefs.
 4 MR. SHOR: So just one round of briefs
 5 on the 11th.
 6 HEARING EX. MOORE: Right. Give me
 7 your best shot in that round and we'll go forward
 8 from there.
 9 MR. SHOR: Thank you.
 10 (Whereupon, the hearing on Case No.
 11 8922 was concluded at 4:12 p.m.)
 12 -----
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000528

REPORTER'S CERTIFICATE

1
 2
 3 - - - - - :
 4 IN THE MATTER OF THE :
 5 ARBITRATION OF US LEC : CASE NO. 8922
 6 OF MARYLAND, INC., VERSUS :
 7 VERIZON MARYLAND, INC. :
 8 - - - - - :
 9

10
 11 LOCATION OF HEARING: Baltimore, Maryland
 12
 13 DATE OF HEARING: Wednesday, August 21, 2002
 14

15
 16 I hereby certify that the foregoing
 17 proceeding was reported by me, and that the
 18 transcript is true, accurate and complete, to the
 19 best of my knowledge and belief.
 20

21
 22 _____
 23 Court Reporter

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1	E X H I B I T S		
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3	US LEC 1		240
4	US LEC 2		240
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VOLUME III

2 PUBLIC SERVICE COMMISSION OF MARYLAND

3

4 -----:

5 IN THE MATTER OF THE :

6 ARBITRATION OF US LEC : CASE NO. 8922

7 OF MARYLAND, INC., VERSUS :

8 VERIZON MARYLAND, INC. :

9 -----:

10

11 Public Service Commission

12 William Donald Schaefer Tower

13 6 St. Paul Street

14 19th Floor Hearing Room

15 Baltimore, Maryland 21202

16 Wednesday, August 21, 2002 - 9:30 a.m.

17

18 BEFORE: DAVID L. MOORE

19 Hearing Examiner

20

21

22 Reported by:

23 Diane K. D'Argenio, RPR-RMR

00236

1 APPEARANCES:

2

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23

00237

1 APPEARANCES: (Continued)

2

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7 Public Service Commission of Maryland

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12

00433

1 Q. Do you know any specific dollar
2 amounts in any states at all?

3 A. No, I really haven't researched that,
4 and I know it's distance-sensitive, but beyond
5 that, and it goes up, and I didn't know it was by
6 bands like Ms. Montano covered earlier, I wasn't
7 aware of the 25 and 50 miles, but I did know it
8 was distance-sensitive. As you stretch it out
9 further you pay more.

10 Q. Now, does Verizon offer a service
11 known as enhanced IntelliLinQ PRI hub service in
12 Maryland?

13 A. Yes, they do. Well, I believe they do
14 in Maryland. It's my understanding in most of
15 the former NYNEX and Bell Atlantic states it's
16 offered. I'd have to confirm it's in Maryland
17 but I believe it is.

18 Q. Just for ease of reference we'll call
19 that enhanced IntelliLinQ. How does that service
20 work?

21 A. The service is a data-only service
22 that's offered primarily to ISP providers or
23 people that would have ISP type services. And

00434

1 the way that it functions, a local caller, I
2 guess we could go back to the examples we have
3 here, if you were in Essex and you were an IP or
4 an ISP that wanted to have that service you would
5 have a hub, a box where the calls are
6 concentrated somewhere within the LATA. And that
7 box would allow the traffic from Essex to flow
8 into the local switch in Essex, and then from
9 that local switch it may or may not pass through
10 the tandem. It would be delivered to a
11 concentration point that Verizon builds extra.
12 They actually buy a box that pulls this traffic
13 together and once it reaches that box, it's then
14 handed off to the Internet service provider over
15 a dedicated link that the Internet service
16 provider buys separately. It's not a part of the
17 service.

18 Q. So that allows ISPs to have local
19 numbers in a variety of local calling areas?

20 A. Yes. They normally locate one of
21 these concentration boxes, I'd have to check the
22 Maryland architecture, see how it's set up here,
23 but I know in some states they have as many as 20

00435

1 or 30 of these concentration boxes, so generally
2 you have traffic routed from these disparate
3 points across the LATA into, in most cases a
4 local presence that would come to a physical box
5 that's very close to the end user customer.

6 And -- I'm sorry --

7 Q. Go ahead.

8 A. I was just going to add to that, the
9 service is a one-way service, it is one way
10 meaning that the outgoing, there's no way to
11 outgo to that customer, that customer has to
12 initiate the contact by dialing a phone number.
13 They reach that ISP through a dial-up process.

14 Q. So it is possible for an ISP served by
15 Verizon to have a number, a local number in every
16 local calling area within the Baltimore LATA?

17 A. That is possible, yes.

18 Q. As I understand it that ISP would not
19 have a physical presence in every calling area,
20 it's simply a virtual presence?

21 A. They would have a virtual presence in
22 the sense that all this traffic in that local
23 presence across the LATA would be concentrated

00436

1 together and delivered to this box that Verizon
2 has deployed somewhere within the LATA.

3 Q. And again as we say that gives that
4 ISP a virtual presence in all those calling
5 areas?

6 A. That is correct.

7 Q. And that permits the ISP's customers
8 to reach the ISP by dialing a local call?

9 A. That's correct. They dial a local
10 office number that would be available to them to
11 reach that ISP.

12 Q. And otherwise, if the ISP only had a
13 physical presence somewhere, in order to reach
14 that ISP from a distant calling area it would
15 involve a toll call?

16 A. Some sort of toll call, either that or
17 a 1-800 number, one of the two.

18 Q. And if the individuals calling the ISP
19 are CLEC customers, do you know whether Verizon
20 has been billing recip comp?

21 A. Actually, I don't know. I mean, I
22 would, well, I'd be speculating. I don't know
23 for sure.

00437

1 MR. SHOR: I'd like to mark as US LEC
2 Exhibit 10 a copy of Verizon Maryland's responses
3 to US LEC of Maryland's first set of discovery
4 requests.

5 (US LEC Exhibit No. 10 was
6 marked for
7 identification.)

8 BY MR. SHOR:

9 Q. Let me direct your attention first,
10 please, to page 10. Interrogatory No. 60. The
11 question reads, have you, Verizon, ever billed or
12 received reciprocal compensation for calls
13 received from customers of CLECs or other LECs
14 for termination to your FX customers located in
15 Maryland. Please explain your answer.

16 Do you see the answer?

17 A. Yes, I do.

18 Q. Let me try to see if I can read this.
19 If a CLEC customer originates a call to a Verizon
20 FX customer with an assigned NXX code associated
21 with the same local calling area as the NXX code
22 of the originating CLEC customer, Verizon would
23 ordinarily bill, paren, and therefore also

00438

1 receive, close paren, reciprocal compensation on
2 such a call. Do you see that?

3 A. Yes, I do.

4 Q. Does that fairly state your
5 understanding of what has transpired today?

6 A. Yes. I think it amplifies what I said
7 a minute ago.

8 Q. And if you look on page 62, question,
9 page 11, question No., interrogatory No. 62. It
10 says, please state whether you offer any FX-like
11 service. Do you currently offer any services or
12 products to your customers other than your FX
13 service under which a customer can obtain a
14 telephone number with an NXX associated with a
15 local calling area that is different from the
16 local calling area in which the customer has a
17 physical presence.

18 Do you see that?

19 A. Yes.

20 Q. And you see the answer?

21 A. Yes.

22 Q. It says, Verizon offers enhanced
23 IntelliLinQ PRI hub service and Internet protocol

00439

1 routing service in Maryland.

2 A. Yes, I see that.

3 Q. And then if you direct your attention
4 to page 13, interrogatory No. 75, have you ever
5 billed or received reciprocal compensation for
6 calls received from customers of CLECs or other
7 LECs with termination to your customers who have
8 purchased or subscribed to FX-like services. Do
9 you see that?

10 A. Yes, I do.

11 Q. And you see it directs US LEC to the
12 response to interrogatory No. 60. Do you see
13 that?

14 A. Yes, I do.

15 Q. And interrogatory No. 60 as we pointed
16 out states that if a CLEC customer originated a
17 call to a Verizon customer then Verizon would
18 bill and receive it?

19 A. Yes, I see that.

20 Q. Would bill and receive reciprocal
21 compensation. Would it be fair to say if a CLEC
22 customer calls a Verizon-enhanced IntelliLinQ
23 customer where the number is associated with the

00440

1 CLEC's number, that Verizon has billed and
2 received reciprocal compensation for that?

3 A. That's why I say it's possible. I
4 wasn't certain it was possible, this suggests to
5 me it was possible, but I was just not positive.

6 Q. Do you know how many enhanced
7 IntelliLinQ customers Verizon has in Maryland?

8 A. Unless we provide it in here, I
9 don't. I've checked it in other states and I
10 know it's varied, but --

11 Q. Let me ask you this: In a situation
12 where Verizon has received authority to provide
13 interLATA services, is it possible for an
14 enhanced IntelliLinQ service customer to have the
15 physical location outside of the LATA in which
16 its numbers are assigned?

17 MR. PANNER: Objection. Foundation.

18 HEARING EX. MOORE: Can you answer the
19 question?

20 THE WITNESS: Yes, I can.

21 HEARING EX. MOORE: Overruled.

22 A. Because the word possible was in your
23 question, correct?

00441

1 Q. Yes.

2 A. In answering the question, it goes
3 back to the kind of broad description I gave a
4 moment ago. Whenever we concentrate the traffic
5 together to this hub device that's part of the
6 service that Verizon deploys extra, it's not part
7 of the normal switch infrastructure. I know for
8 example it's not unusual to spend tens of
9 millions of dollars to deploy that extra
10 infrastructure for this service. When they
11 deploy that, the hand-off to the ISP customer is
12 leased separately and that connection could go
13 wherever they paid for it.

14 So in answer to your question, it
15 could, it could not. I wouldn't know with
16 certainty. It depends on where it starts and
17 where it stops. It's going to start at the hub,
18 but however much transport they're willing to pay
19 to get it to some other point where their data
20 switch is located, that would be determined by
21 whether it's inside the LATA or outside the LATA
22 as I understand it.

23 Q. So assume for me just for a minute

00442

1 that Verizon has received authority in Maryland
2 for interLATA services, just make that assumption
3 with me.

4 A. Okay.

5 Q. Would it be possible then for an
6 enhanced IntelliLinQ customer to have its
7 physical location in Richmond, Virginia?

8 A. Once again, based on where they buy
9 the beginning of that hub connection and where it
10 terminates, if they bought a link from the hub
11 and let's say it's right in the middle of one of
12 the LATAs in Maryland to Richmond, Virginia, if
13 they're willing to pay for the transport as a
14 separated dedicated link then, yes, it could.

15 Q. And you said that if a CLEC customer
16 calls a Verizon customer, Verizon-enhanced
17 IntelliLinQ customer with the number associated
18 with that CLEC customer's local calling area,
19 that Verizon would be billing and receive
20 reciprocal compensation for that call, is that
21 right?

22 A. Would be, well, I need to be careful.
23 I want to be sure I understand the example.

00443

1 We're saying that a Verizon end user, for
2 example, dials the number that's associated with
3 the ISP provider that's purchased service from
4 us.

5 Q. No, we're saying a CLEC customer in
6 Maryland calls Verizon's enhanced IntelliLinQ
7 customer in Maryland who has purchased possibly a
8 transport to its physical location in Richmond,
9 Virginia.

10 A. Right.

11 Q. So it is possible that Verizon has
12 billed the CLEC reciprocal compensation for that
13 call?

14 A. I would say under the current
15 understanding I have it would be possible, yes.

16 Q. And now let me just go back to the FX
17 arrangement for a minute, the foreign exchange.
18 Again assume with me that Verizon has been
19 granted interLATA authority in a particular
20 state, possibly Maryland or elsewhere. Would it
21 be possible for Verizon's foreign exchange
22 customer to be physically located outside of the
23 LATA?

00444

1 A. To my understanding of the service,
2 no.

3 Q. But with enhanced IntelliLinQ that is
4 possible?

5 A. Once again, the IntelliLinQ service is
6 a data service, it's not a voice service. It's
7 strictly aimed at transmission of a data
8 connection to that hub. So it's not equivalent
9 to our FX service in my understanding of it.

10 Q. In your understanding, assuming that
11 we've got an enhanced IntelliLinQ customer who is
12 in Maryland and it has local calling numbers
13 throughout Maryland, that the charges that
14 Verizon imposes on the customer in part recovers
15 the lost toll revenue from the calls from the
16 local customer to the ISP?

17 A. I'll try to respond to that, be sure I
18 capture what you said, see if I get it right
19 back. My understanding is the product has been
20 priced in such a way that it allows a charge to
21 be built into the cost of the service that
22 compensates Verizon's network portion for the
23 network transport provided. So we're financially

00445

1 made whole from a network provision perspective
2 by that charge being built into the service
3 itself.

4 Q. And is that in part, please forgive my
5 ignorance here, in part is that replacing the
6 lost toll revenue?

7 A. Yes, it would.

8 Q. Now, does Verizon, I believe we noted
9 that Verizon does offer a service called Internet
10 protocol routing?

11 A. Yes, IPR, yes.

12 Q. How does that work?

13 A. It is actually almost identical to the
14 other service in terms of the functionality.
15 It's the same concept, it provides a way to bring
16 the traffic together, concentrate it, pass it
17 along. The telling difference as I understand it
18 between the two products from talking to the
19 product managers, because I'm not an expert in
20 either one but I know a little bit about each,
21 the main difference is one has with it a network
22 management feature. So in one product you have
23 the functionality provided that's basically

00446

1 identical in the other product, the difference
2 being that if you buy the IPRS you get a center
3 that manages the network that watches it, makes
4 sure it's always up and running. With the other
5 service you have no guarantee built in, somebody
6 kind of watching over your shoulder making sure
7 everything is running properly. So one has a
8 little risk if you want to provide a very high
9 level of service where there's no outage, the
10 other doesn't have that guaranteed built-in
11 protection.

12 Q. But with your IPRS service, I
13 understand that's basically offered to ISPs?

14 A. That's correct.

15 Q. And in that situation the ISP could
16 have a local number in all of the Baltimore
17 LATAs' local calling areas?

18 A. Yes, that's correct.

19 Q. And like with your enhanced
20 IntelliLinQ service, the ISP has a physical
21 location some place else and all the calls are
22 routed to that?

23 A. That is correct.

00447

1 Q. And like with the enhanced
2 IntelliLinQ, in that arrangement if there's
3 proper authority the IPRS customer could be
4 outside of the LATA?

5 A. Yes. As I understand it, once again,
6 that link that they provide for themselves they
7 buy from us or a long distance provider or
8 somebody, whoever they hire or purchase that link
9 from, they can go physically anywhere.

10 Q. And like with the other FX and FX-like
11 services, to the extent that a CLEC customer
12 dials in to one of Verizon's IPRS customers, and
13 it's using a local number associated with the
14 CLEC's local calling, customer's local calling
15 area, Verizon potentially has been billing and
16 receiving recip comp for that call?

17 A. I think that's what is happening. I
18 believe that would be the case just based on how
19 the system is built to work, designed to work.

20 Q. Again with the IPRS service the
21 charges that Verizon imposes or applies to the
22 service in part are designed to compensate it for
23 lost toll revenue?

00448

1 A. Yes, it's designed so that that
2 transport piece that's part of the service has a
3 compensation element designed into the service.
4 So we're made whole financially as a result of
5 the transport provided.

6 Q. Would you agree with me that if the
7 CLEC customer in I think Essex, calls, in the
8 absence of IPRS would call the ISP in Columbia,
9 let's say, that that would be a toll call?

10 A. If they dialed it directly unless they
11 use something like the 1-800 number, if they
12 dialed it directly to the other number it would
13 be a toll call.

14 Q. And in that arrangement the CLEC would
15 be entitled to access charges for giving its
16 customer access to the Verizon customer in
17 Columbia?

18 A. In that case as I understand it it
19 would be a basic voice call that would be used
20 for data purposes, so I think, yes, it would.

21 Q. And under the current arrangement with
22 the enhanced IntelliLinQ services and the IPRS,
23 CLECs are not being compensated for the lost toll

00449

1 revenue that they lose out on?

2 A. I think the distinction here once
3 again is it's not exactly equivalent to the voice
4 grade service, it's data only. One's federally
5 tariffed, one's state tariffed, so there are some
6 distinctions in how they work and what
7 functionality they provide.

8 Q. But in the absence of those services
9 those customers would be making toll calls?

10 A. I would agree unless there was some
11 other provision made they'd have to get to the
12 provider somehow.

13 Q. Do you know how many IPRS customers
14 are located in Maryland?

15 A. No, but based on other states I'd say
16 there are anywhere from 10 to 30 probably. I've
17 seen some numbers in other states and they seem
18 to range about that, but I don't think we had a
19 data request and I didn't explore it with the
20 provider we had internally.

21 Q. Do you know if any IPRS customers are
22 collocated with Verizon at its switches?

23 A. I don't know with any certainty, no, I

00450

1 can't answer that. I physically just don't
2 know. I haven't asked that question. I think
3 within Verizon I can find out.

4 Q. Do you know whether those IPRS
5 customers have their physical locations that are
6 close as we've defined it here, that are close to
7 Verizon's switches?

8 A. Once again, I'm just in the dark on
9 the answer because I haven't explored it with the
10 people that do know a lot about it.

11 Q. But you don't have any, but it's
12 certainly possible that a Verizon IPRS customer
13 is within five miles or so of a Verizon switch?

14 A. It's certainly possible, yes.

15 Q. An enhanced IntelliLinQ customer could
16 also be located within five miles or so --

17 A. Once again it's possible, yes.

18 Q. Just let me finish.

19 A. Sorry, excuse me.

20 Q. Just because of the way it comes out
21 on the transcript, it looks a little -- your
22 answer comes before the end of my question.

23 So it's possible that an enhanced

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE
ARBITRATION OF US LEC OF
MARYLAND INC. VS. VERIZON
MARYLAND INC. PURSUANT TO
47 U.S.C. § 252(b)**

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Case No. 8922

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

DATE: JUNE 10, 2002

US Lec #1

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 Maryland Inc. ("US LEC"), and its operating
4 subsidiaries, including the Petitioner in this proceeding. My business address is
5 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
20 Affairs, Carrier Relations, Marketing and Finance. My responsibilities during this period
21 included cost of service studies, rate development and tariff administration, performance

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

12 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MARYLAND PUBLIC**
13 **SERVICE COMMISSION?**

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

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

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

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

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

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

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

18 US LEC typically serves a market by deploying a single switch and leasing
19 transport. This transport takes the form of point-to-point circuits and fiber ring facilities.
20 Because US LEC's switch supports both line and trunk connections, the transport is used
21 to provide both interconnection with the ILEC and US LEC customer's local loops. With
22 this network architecture, US LEC takes advantage of decreased transport costs to

1 provide service over a large area with a single switch. For example US LEC has one
2 switch in Maryland, located in Columbia. This switch serves the Baltimore LATA and
3 numerous local calling areas within that LATA. In addition, US LEC's switch in
4 McLean, Virginia, serves the District of Columbia LATA, including a portion of
5 Maryland.

6 **Q: PLEASE CONTRAST US LEC'S NETWORK ARCHITECTURE WITH**
7 **VERIZON'S.**

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

1 ISSUES 1 AND 2 (Glossary, Section 2.45; Interconnection Attachment, Sections 7.1.1.1,
2 7.1.1.1.1, 7.1.1.2, 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 **MARYLAND?**

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 the Baltimore LATA in 2000 and in the
15 District of Columbia LATA (which includes a portion of Maryland) 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 the Baltimore LATA and maintains a single US LEC-IP at
19 its switch in Columbia. US LEC also offers service in the District of Columbia LATA,
20 which includes a portion of Maryland, and maintains a single US LEC-IP at its switch in
21 McLean, Virginia. Similarly, Verizon maintains its IP(s) at Verizon's tandem switch(es)

1 in each LATA. US LEC delivers its originating traffic to the Verizon-IP(s) via its point-
2 to-point circuits and fiber ring facilities that connect US LEC's switch to Verizon's
3 tandem(s). Additionally, US LEC has agreed that where it delivers at least 200,000
4 minutes of use per month to a Verizon end office, it will deliver such traffic to that end
5 office via direct end office trunks it purchases from Verizon. Verizon delivers its
6 originating traffic to the US LEC-IP, located at US LEC's switch.

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

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

1 Verizon calls these "options" because VGRIPs gives US LEC the right to decline
2 Verizon's requests to establish these new collocated IPs. However, if US LEC exercises
3 this right and retains its preferred physical network architecture, the so-called "option
4 three" of VGRIPs shifts the financial responsibility for transporting all of Verizon's
5 originating traffic, beginning at the Verizon *end office*, from Verizon to US LEC. Thus
6 in one way or another, adoption of VGIPs would force US LEC to change either the
7 physical or financial aspect of its preferred, and existing, interconnection architecture
8 with Verizon.

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

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

1 Q: WHY DOES US LEC PREFER TO MAINTAIN THE EXISTING
2 ARCHITECTURE RATHER THAN ADOPT THE NEW ARCHITECTURE
3 PROPOSED BY VERIZON IN CONTRACT NEGOTIATIONS?

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

15 In addition to imposing an undue collocation cost burden on US LEC, Verizon's
16 transition timeframe is also impossible to meet. Under agreed-to language in the contract
17 (Collocation Attachment, Section 1.3.1), if US LEC has properly forecasted a need for
18 collocation six months prior to its application date, and if conditioned space is readily
19 available, Verizon does not have to turn over a collocation arrangement until 76 days
20 after US LEC submits its application and application fee. This 76-day deadline is well
21 beyond the 30-day transition period Verizon's proposes for moving US LEC's IP from its
22 switch to a collocation arrangement, making Verizon's proposed transition not only
23 unreasonable, but impossible to meet. To date, however, US LEC has not used

1 collocation arrangements as part of its network architecture and therefore has never
2 submitted a collocation forecast to Verizon. Therefore, Verizon would not be bound by
3 the 76-day deadline. US LEC believes this discrepancy, between collocation
4 provisioning intervals and Verizon's proposed transition period, exposes the truth about
5 Verizon's IP proposal. It is designed solely to disadvantage Verizon's competitor,
6 US LEC.

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

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

19 **A:** No. A close reading of the contract reveals that most of the IPs Verizon seeks to have
20 US LEC establish are more than just points of financial demarcation. Under "option
21 one," US LEC *must* establish its IP through collocation at the Verizon tandem.
22 Similarly, under so-called "option two," US LEC "may" designate an end office
23 collocation arrangement as its IP. Thus under either "option" one or two, the IP is more

1 than just a point of financial demarcation, it is an additional, physical connection
2 between US LEC's network and Verizon's network if US LEC wishes to avoid Verizon's
3 transport penalty (defined in 7.1.1.1.1).

4 **Q: VERIZON SAYS THAT SECTION 7.1.1.1.1 IS APPROPRIATE COST SHARING.**
5 **(RESPONSE AT 14) PLEASE RESPOND.**

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

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

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

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

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

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

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

21 As Verizon recognizes elsewhere in the contract, dedicated trunks should be
22 efficiently utilized. That is why the parties have agreed, in Section 2.3.1.3.1 of the

1 Interconnection Attachment, that each tandem trunk group should maintain a minimum
2 utilization rate of 60% and, in Section 2.2.4 of the Interconnection Attachment, that
3 direct end office trunks should be established only when the traffic threshold meets or
4 exceeds 200,000 minutes of use. However, if Verizon uses a dedicated facility to carry
5 its originating traffic under "option three," it would be ignoring these principles and tying
6 up valuable public switched telephone network ("PSTN") resources by dedicating
7 facilities to its exchange of traffic with US LEC regardless of utilization levels or volume
8 of minutes. Thus, adopting Verizon's "option three" could result in Verizon
9 provisioning unnecessary, excess transport capacity, encouraging inefficient network
10 behavior by Verizon, all in an effort to impose a costly and inefficient method of
11 interconnection on US LEC.

12 **Q: PLEASE RESPOND TO VERIZON'S ALLEGATION THAT ITS PROPOSAL IS**
13 **A REASONABLE ALLOCATION OF TRANSPORT COSTS BETWEEN THE**
14 **PARTIES. (RESPONSE AT 14)**

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

1 any financial obligation to transport the traffic it exchanges with competitive local
2 exchange carriers ("CLECs").

3 **Q: VERIZON ALLEGES THAT US LEC SHOULD BEAR THE COSTS OF ITS**
4 **CHOSEN NETWORK DESIGN. (RESPONSE AT 5) PLEASE RESPOND.**

5 **A:** US LEC does bear the costs of its chosen network design. Contrary to Verizon's
6 unsupported allegations (Response at 8), US LEC serves a diverse base of customers that
7 are physically located in the local calling areas it serves. As such, when US LEC's
8 switch is located in one local calling area and its customer is located in another, US LEC
9 must haul its customer's traffic to US LEC's switch and deliver that traffic to Verizon at
10 Verizon's IP (located at the Verizon tandem). In addition, US LEC must pay Verizon
11 reciprocal compensation for delivering US LEC's traffic from the Verizon IP to the
12 Verizon end user, whether or not the IP and the end user are located in the same local
13 calling area. Similarly, when a Verizon customer calls a US LEC customer, US LEC
14 must accept the traffic at its designated IP and deliver that traffic to its end user
15 customer, even if that customer is located in another local calling area, such as Sparks
16 Glencoe, the example Verizon uses in its Response (pp. 7-8). Thus US LEC bears the
17 cost of its network design choices.

18 **Q: VERIZON ARGUES THAT ITS COST-SHIFTING PROPOSALS ARE**
19 **JUSTIFIED BECAUSE A SINGLE POI PER LATA IS EXPENSIVE.**
20 **(RESPONSE AT 13) DO YOU AGREE?**

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

4 To support its “expensive interconnection” theory, Verizon relies on paragraph
5 199 of the *Local Competition Order*, which states:

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

14 I understand that the FCC is currently considering rules that would clarify
15 whether a particular request for interconnection is “expensive.”² But Verizon selectively
16 quotes only one of the questions the FCC is considering relative to so-called “expensive”
17 interconnection. (Response at 13) The remainder of the paragraph Verizon quoted from
18 shows that the FCC is considering US LEC’s position as well:

19 Or, by requiring carriers to pay ILECs for transport outside a local
20 calling area, are we forcing the competitive carrier into an
21 inefficient replication of the ILEC network? Assuming that the
22 ILEC receives reciprocal compensation for transporting
23 terminating traffic, how precisely does a distant POI unfairly
24 burden the LEC? Is the efficiency concern limited to those
25 instances in which traffic between two networks is unbalanced
26 and/or where transport is required beyond a certain distance?³

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

³ *Id.* at ¶ 114.

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

6 **Q: WHAT EVIDENCE DO YOU SUGGEST THE COMMISSION REQUIRE OF**
7 **VERIZON TO PROVE ITS "EXPENSIVE INTERCONNECTION" THEORY?**

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

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

19 **Q: ARE THERE OTHER FINANCIAL CONSIDERATIONS THE COMMISSION**
20 **SHOULD TAKE INTO ACCOUNT IN EVALUATING THE PARTIES'**
21 **POSITIONS?**

1 A: Yes. The Commission must consider the financial impact of Verizon's VGRIPs proposal
2 on competition. As the U.S. Court of Appeals for the Third Circuit recently held:

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

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

19 **Q: LET'S RETURN TO THE PHYSICAL NETWORK ARCHITECTURE IMPACTS**
20 **OF VERIZON'S PROPOSAL. WHY DOES US LEC OBJECT TO**
21 **DESIGNATING A COLLOCATION ARRANGEMENT THAT US LEC HAS**
22 **ESTABLISHED AT A VERIZON END OFFICE AS A US LEC-IP?**

23 A: Verizon's proposal would require US LEC to plan and pay for additional, and potentially
24 inefficient and unnecessary, capacity for each collocation arrangement. For example,

1 although US LEC does not currently collocate in Verizon end offices, if US LEC decided
2 to order collocation in the future, it is possible that US LEC would not know if Verizon
3 wished to designate the new arrangement as a US LEC-IP until *after* that arrangement
4 was provisioned. CLECs typically design and use end office collocation arrangements to
5 access the incumbent's unbundled local loops. The traffic from those loops is aggregated
6 and, where necessary, multiplexed, at the CLEC's collocation site and transported back to
7 the CLEC's switch via transport the CLEC leases from the incumbent or another carrier.
8 Moving the CLEC-IP to an established end office collocation arrangement would require
9 that the CLEC add equipment in its collocation space and extra transport to carry the
10 Verizon-originated traffic from the collocation site back to the CLEC switch. Thus,
11 under Verizon's proposal, the CLEC's space requirements, equipment costs, and
12 transport costs would all increase. Furthermore, because the volume of traffic originating
13 from that end office may not fill a DS-1, US LEC may be forced to provide, and
14 inefficiently strand, a facility that will be underutilized. This is inconsistent with
15 Section 2.2.4 of the contract. In that section, the parties have agreed that a DS-1 is the
16 volume of traffic that will justify direct end office trunking for the delivery of one party's
17 traffic to the other. However, notwithstanding the lack of sufficient traffic volume,
18 Verizon's proposed language in Section 7.1.1.2 would require that US LEC designate a
19 collocation site US LEC had established at a Verizon end office as a US LEC-IP in order
20 to avoid Verizon's transport penalty (defined in Section 7.1.1.1.1). This would effectively
21 force US LEC to provide an underutilized direct end office facility to carry Verizon's
22 originating traffic back to US LEC's switch even though Verizon itself would not

⁴ *MCI Telecommunication Corp. et al. v. Bell Atlantic-Pennsylvania et al.*, 271 F.3d 491, 517 (3d Cir. 2001).

1 establish a direct end office connection to US LEC if the collocation arrangement did not
2 exist.

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

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

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

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

20 Interconnecting two networks requires not only facilities, but also careful
21 planning and other necessary support systems. For example, moving from an existing IP

1 to a new physical IP could involve a facilities build or facilities augmentation, submitting
2 new trunk orders, and switch translations. All of this consumes scarce personnel and
3 network resources that could otherwise be used to grow US LEC's business and expand
4 its customer base. Furthermore, I understand that Verizon imposes a turn-up limit of 10
5 T-1s per day. This means that after all the planning and network engineering is
6 completed, it could still take an inordinate amount of time to make the transition to a new
7 US LEC-IP. Thus during the transition period, Verizon could effectively stop US LEC's
8 ability to win new customers and jeopardize the growth of US LEC's existing customers'
9 business. Requiring US LEC to transition to a new physical US LEC-IP would therefore
10 give Verizon a competitive advantage in either retaining its existing customers or
11 winning customers new to the market during the transition period.

12 **Q: HOW DOES TRAFFIC VOLUME AFFECT THE ENGINEERING AND**
13 **FINANCIAL ASPECTS OF IPS?**

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

18 Each carrier needs to install or lease transmission facilities and equipment to
19 deliver its originating traffic to the other party's IP. Of course Verizon has been in this
20 business for over 100 years and has built ubiquitous facilities to transport traffic
21 throughout its serving area. Since Verizon already has facilities in place that can carry
22 the traffic the parties exchange, and therefore benefits from economies of scale and the

1 technological advances in transport capacity, its costs to switch and transport the
2 incremental traffic it exchanges with US LEC are relatively low. Both parties benefit
3 from these economies of scale -- Verizon for its originating traffic and US LEC for its
4 terminating traffic. Furthermore, the amount of Verizon traffic that is destined for
5 US LEC likely makes up only a very small percentage of the total traffic Verizon
6 transports over its common network capacity.

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

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

21 **A:** The Commission should adopt US LEC's proposal on Issues 1 and 2 because it preserves
22 the parties' existing interconnection architecture, appropriately allocates the financial

1 burden of traffic exchange, is consistent with sound network engineering practices, and
2 promotes efficient network deployment.

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

4 **A: Yes.**

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE
ARBITRATION OF US LEC OF
MARYLAND INC. VS. VERIZON
MARYLAND INC. PURSUANT TO
47 U.S.C. § 252(b)**

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Case No. 8922

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

DATE: AUGUST 9, 2002

US Lec #2

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 DIRECT
4 TESTIMONY IN THIS DOCKET ON JUNE 10, 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 witness
8 Peter J. D'Amico concerning Issues 1 and 2 in US LEC's arbitration petition.

9 Q: DO YOU AGREE WITH MR. D'AMICO THAT THE DISPUTE BETWEEN THE
10 PARTIES REGARDING THE POI AND IP CONCERNS HOW TO ALLOCATE
11 FAIRLY THE COSTS OF TRANSPORTING TRAFFIC? (D'AMICO AT 3:18-22)

12 A: While allocating transport costs between Verizon and US LEC is one of the aspects of
13 the dispute in Issues 1 and 2, it is not the only one. These issues also concern US LEC's
14 ability to maintain its established point of interconnection, as well as its preferred method
15 of interconnection, with Verizon throughout the term of this agreement without incurring
16 Verizon's transport penalty.

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

22

1 A: No. In response to Interrogatory No. 24 Verizon assumes "that no tandem switching or
2 other costs are incurred". This is highly improbable, as Verizon would only impose their
3 transport penalty if US LEC did not establish *collocated* IPs at Verizon's tandems (or
4 refused to identify an established US LEC end office collocation arrangement as an IP).
5 Since US LEC does not collocate at Verizon's end offices, Verizon's implementation of
6 their transport penalty would only occur if US LEC established either non-collocated
7 POIs at Verizon's tandem(s) (as US LEC does today), or chose a technically feasible POI
8 at a location other than Verizon's tandem(s). Therefore, Verizon's originated traffic will
9 always be tandem switched. The only possible exception to Verizon tandem switching
10 all traffic bound for US LEC's network is in the extreme case of when Verizon originates
11 in excess of 200,000 minutes-of-use per month from a specific Verizon end office to US
12 LEC; a situation that does not exist today. Therefore, if the cost of tandem switching is
13 included in Verizon's transport penalty that US LEC would incur under VGRIPs (if US
14 LEC retains its current network architecture), the revised calculation demonstrates that
15 Verizon would deprive US LEC of approximately 36% of the negotiated reciprocal
16 compensation rate.

17 Q: **DO YOU AGREE WITH VERIZON'S CHARACTERIZATION OF ITS**
18 **VIRTUAL IP PROPOSAL AS REQUIRING US LEC TO COMPENSATE**
19 **VERIZON FOR TRANSPORT WHEN THE CALL LEAVES THE LOCAL**
20 **CALLING AREA IN WHICH IT ORIGINATED? (D'AMICO AT 2:11-14)**

21 A: No. As Verizon's calculation and the text of the Verizon contract language shows, its
22 proposals *require* US LEC to pay for Verizon's transport costs *within* the local calling
23 area, beginning at Verizon's originating end office switch, if US LEC refuses to establish

1 the *collocated* physical IPs “requested” by Verizon. As I understand it, that simply does
2 not comply with the requirements of the Act as interpreted by the FCC or this
3 Commission’s orders. In short, Verizon would force US LEC to either establish multiple
4 physical *collocated* IPs or assume financial responsibility for all of Verizon’s transport
5 obligations.

6 **Q: VERIZON CLAIMS THAT US LEC WILL NOT ACCEPT VERIZON-**
7 **ORIGINATED TRAFFIC AT THE POIs US LEC HAS ESTABLISHED IN**
8 **MARYLAND. (VERIZON RESPONSE TO STAFF DATA REQUEST NO. 19)**
9 **PLEASE RESPOND.**

10 **A:** Verizon is correct with respect to the POIs US LEC has agreed to establish at a Verizon
11 end office. However, US LEC is willing to accept Verizon-originated traffic at the POIs
12 US LEC has already established at Verizon’s tandems so long as Verizon continues to
13 compensate US LEC, via a non-distance sensitive entrance facility charge, for providing
14 the transport between the POI and US LEC’s switch. It is my understanding that the
15 FCC Wireline Competition Bureau (“Wireline Bureau”) recently confirmed that it is
16 entirely appropriate for a CLEC to charge an ILEC for the use of this facility because it is
17 being used to deliver the ILEC’s traffic to the CLEC’s network.¹

18 **Q: MR. D’AMICO STATES THAT VERIZON WANTS TO DELIVER ITS TRAFFIC**
19 **TO US LEC AT A MORE CENTRAL LOCATION. (D’AMICO AT 9:23-10:1)**
20 **PLEASE RESPOND.**

¹ *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218 *et al.*, Memorandum Opinion and Order, DA 02-1731, ¶¶ 66, 68 (Wireline Competition Bureau, rel. July 17, 2002) (“*FCC Arbitration Order*”).

1 A: Verizon is aggregating and delivering its traffic to US LEC at a central location today –
2 US LEC's switch. As I understand Mr. D'Amico's testimony, however, he does not
3 equate "central location" with "single location." Rather, by "central location," what he
4 really means is at Verizon's tandem switches; via collocation no less! As I stated earlier,
5 US LEC is willing to allow Verizon to deliver its traffic to US LEC at POIs US LEC has
6 established at Verizon tandems, provided that (1) US LEC does not have to change its
7 established method of interconnection at Verizon's tandems and (2) Verizon continues to
8 compensate US LEC for a non-distance sensitive entrance facility, at the rate contained
9 in Verizon's own Maryland state access tariff, to transport Verizon's traffic to US LEC's
10 switch.

11 Q: DO YOU KNOW WHY VERIZON'S VGRIPs PROPOSAL REQUIRES US LEC
12 TO USE A COLLOCATION ARRANGEMENT TO ESTABLISH AN IP AT
13 VERIZON'S TANDEMS?

14 A: No. Verizon offers no explanation of why VGRIPs requires a collocated IP. In fact, at
15 an earlier stage in negotiations, Verizon offered US LEC a slightly different, and more
16 onerous, Geographically Relevant Interconnection Points ("GRIPs") proposal. Under
17 GRIPs US LEC would be permitted to choose the type of physical IP (Interconnection
18 Attachment, Section 2.1.3), but would be forced to establish a physical IP in every
19 Verizon local calling area. This further indicates the anticompetitive nature of Verizon's
20 proposals, both GRIPs and VGRIPs, which are designed to foist unnecessary costs on US
21 LEC and to improve Verizon's bottom line through increased collocation revenues.

22 Q: MR. D'AMICO CLAIMS THAT US LEC MAY NOT HAVE TO TRANSPORT
23 VERIZON'S TRAFFIC FROM US LEC'S SWITCH BACK TO US LEC'S

1 CUSTOMER IN ANOTHER LOCAL CALLING AREA BECAUSE OF THE
2 "MAGIC TRICK" UNDER WHICH US LEC WOULD INSTEAD DROP OFF
3 THE CALL TO A CUSTOMER COLLOCATED AT US LEC'S SWITCH IN
4 COLUMBIA. (D'AMICO AT 8:13-9:2) PLEASE RESPOND.

5 A: First, Ms. Montano's testimony addresses Verizon's mischaracterization of this practice,
6 referred to in US LEC's tariff as foreign exchange service, as a "magic trick." Second,
7 US LEC does not have any customers that are collocated at its switch in Columbia,
8 Maryland. See US LEC Response to Verizon Interrogatory No. 4. Third, while US LEC
9 does provide foreign exchange service to some non-ISP customers in Maryland, US LEC
10 has never requested an NXX code for the sole purpose of providing foreign exchange
11 service. US LEC does not request an NXX code unless US LEC has a customer that is
12 physically located within the rate center for which US LEC has requested an NXX code.

13 Q: MR. D'AMICO MENTIONS A COUPLE OF TIMES THAT US LEC HAS
14 "MISREAD" VERIZON'S PROPOSED CONTRACT LANGUAGE. (D'AMICO
15 AT 11:14, 12:6-7) PLEASE RESPOND.

16 A: US LEC has not misread Verizon's proposed contract language. Mr. D'Amico may not
17 agree with US LEC's position, or with the words I use to describe their proposed contract
18 language. Verizon prefers words like "choice" and "may refuse" and "significant
19 compromise." But the bottom line is that through VGRIPs, Verizon would force US
20 LEC to "choose" between one of two equally unacceptable options. US LEC would
21 either have to establish multiple physical connections to Verizon's network, at locations
22 dictated by Verizon and using methods dictated by Verizon, or relieve Verizon of its
23 current financial responsibility for transporting Verizon's customers' traffic. In other

1 words, US LEC must either establish the physical network architecture Verizon prefers
2 today, or pay to transport all of Verizon's originating traffic, including transport within
3 the local calling area beginning at Verizon's end office switch where the call originated.

4 **Q: VERIZON ARGUES THAT ITS COST-SHIFTING PROPOSALS ARE**
5 **JUSTIFIED BECAUSE A SINGLE POI PER LATA IS EXPENSIVE. (D'AMICO**
6 **AT 14) DO YOU AGREE?**

7 **A:** No. As I mentioned in my direct testimony, there are a number of factors that contribute
8 to the cost of interconnecting two networks, including available facilities, traffic volume,
9 and distance. Verizon has not presented any evidence on any of those facts to support its
10 allegations that it is "expensive" to interconnect with US LEC under the parties' current
11 architecture.

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

13 **A:** Yes.

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE)
ARBITRATION OF US LEC OF)
MARYLAND INC. VS. VERIZON)
MARYLAND INC. PURSUANT TO)
47 U.S.C. § 252(b))

Case No. 8922

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

DATED: JUNE 10, 2002

US Lec #3

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 Maryland Inc.
4 ("US LEC"), and its operating subsidiaries, including the Petitioner in this proceeding.
5 My 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
16 South Carolina (Sales Executive) for AT&T (Charlotte, N.C.) During 1997-1998 I was
17 Vice 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 MARYLAND**
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 and applicability of changes to Verizon's tariffed and non-tariffed rates (Issue 8).

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

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

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

15 **Q: PLEASE EXPLAIN THE FCC'S RULES OF THE ROAD.**

16 **A:** The first "rule of the road" is that US LEC is entitled to select a single, technically
17 feasible POI in a Local Access and Transport Area ("LATA") for the exchange of traffic
18 with Verizon. The second "rule" is that each LEC bears the burden of delivering local
19 traffic originated by its customers to the POI and recovers such costs in the rates charged
20 to its end users. Unlike Verizon's proposed contract terms, under FCC decisions, the
21 default rule is that the physical connection of the Parties' networks and the demarcation
22 of financial responsibility are at the same point. Therefore, together, these rules require
23 that US LEC select the IP and bear the financial responsibility for carrying traffic

1 originated by its customers to the IP and, conversely, Verizon must bear the financial
2 responsibility for carrying traffic originated by its customers to the IP.

3 **Q: HOW DO THESE RULES APPLY TO THE PARTIES' INTERCONNECTION**
4 **ARRANGEMENTS IN MARYLAND?**

5 **A:** US LEC has one switch in Maryland, located in Columbia, that serves the Baltimore
6 LATA. In addition, US LEC's switch in McLean, Virginia, serves the District of
7 Columbia LATA, which includes a portion of Maryland. In each of these LATAs,
8 US LEC's IP is located at its switch. US LEC has established POIs at each Verizon
9 Access Tandem where US LEC has been assigned NXX codes and provides local
10 exchange services to its end users.

11 **Q: HAS THE MARYLAND COMMISSION APPLIED THE FCC'S "RULES OF**
12 **THE ROAD" BEFORE?**

13 **A:** It is not clear to me that the Maryland Commission has had that opportunity. It appears
14 that the first time the Commission addressed this issue was in the MFS case, which
15 predated the 1996 Act. In the MFS case, the Commission determined that a CLEC
16 should establish a single POI, which would also be a single IP under Verizon's contract
17 terms, in each ILEC access tandem serving area. Subsequently, when this issue arose in
18 the Sprint arbitration with Verizon, the Commission compared a Verizon proposal and a
19 Sprint compromise proposal to its prior MFS decision and adopted the Sprint
20 compromise. The *Sprint Arbitration Order* does not directly address the conflict
21 between the pre-1996 Act MFS requirement that the CLEC establish a single POI per
22 access tandem serving area and the FCC's 1996 Act requirement that a CLEC establish a
23 single POI per LATA.

1 **Q: WHAT IS THE CRUX OF THE DISPUTE IN ISSUES 1 AND 2?**

2 **A:** From a policy perspective, US LEC has three major problems with Verizon's Virtual
3 Geographically Relevant Interconnection Points ("VGRIPs") proposal. First, Verizon
4 wants the right to designate the IP (whether physical or virtual) or, given that US LEC
5 has already designated one IP in each LATA in which it provides service in Maryland, to
6 require US LEC to transition to additional IPs (whether physical or virtual) unilaterally
7 designated by Verizon. Second, Verizon wants to designate the method US LEC must
8 use to interconnect with Verizon. Third, if US LEC fails to comply with Verizon's
9 demands, Verizon wants to penalize US LEC by imposing transport charges for
10 Verizon's originating traffic, from the Verizon end office to US LEC's IPs, regardless of
11 whether or not US LEC's IP is located within the access tandem serving area where the
12 call originated. In short, US LEC agrees with the Commission's prior determination that
13 Verizon's VGRIPS proposal would "effectively penalize CLECs for their right to choose
14 the point of interconnection."¹ The additional network reasons for rejecting Verizon's
15 proposed interconnection structure are addressed in more detail in Frank Hoffmann's
16 testimony concerning Issues 1 and 2.

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

19 **A:** The Act and the FCC recognize that new entrants, such as US LEC, must be able to
20 determine the most efficient location for the exchange of traffic. The Act grants CLECs,
21 not Verizon, the right to select the IP. Under 47 U.S.C. § 251(c)(2)(B), Verizon must

¹ *Arbitration of Sprint Communications Company, L.P. vs. Verizon Maryland Inc., Pursuant to Section 252(b) of the Telecommunications Act of 1996, Case No. 8887, Order No. 77320, 28 (Oct. 24, 2001) ("Sprint Arbitration Order").*

1 provide interconnection at any technically feasible point selected by US LEC. As the
2 Third Circuit recently held:

3 The decision where to interconnect and where not to
4 interconnect must be left to WorldCom, subject only to
5 concerns of technical feasibility. Verizon has not presented
6 evidence that it is not technically feasible for WorldCom to
7 interconnect at only one point within a LATA. Nor has
8 Verizon shown that it is technically necessary for
9 WorldCom to interconnect at each access tandem serving
10 area. *The PUC's requirement that WorldCom interconnect*
11 *at these additional points is not consistent with the Act.*²

12 Under binding FCC rules, unless Verizon can meet its burden of showing that US LEC's
13 single IP in each LATA is not technically feasible, it must offer such interconnection to
14 US LEC.³ Furthermore, the fact that the parties have already interconnected at a single
15 US LEC-IP in each LATA (as Frank Hoffmann testifies), is evidence that US LEC's
16 requested form of interconnection is technically feasible.⁴

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

19 **A:** As Frank Hoffmann explains, US LEC does not use collocation as its method of inter-
20 connection with Verizon and, as such, is not collocated at any Verizon office in any
21 LATA in Maryland. Nor does US LEC wish to change its method of interconnecting
22 with Verizon. Rather, US LEC prefers to exercise its right under the Act as well as other
23 agreed-to sections of the contract to choose one of the three methods the parties have

² *MCI Telecommunications Corp. et al. v. Bell Atlantic-Pennsylvania et al.*, 271 F.3d 491, 518 (3d Cir. 2001) (emphasis added).

³ *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) (subsequent history omitted) ("*Local Competition Order*").

⁴ *Id.* at ¶ 204.

1 identified as acceptable interconnection methods. US LEC's right to select an entrance
2 facility or other method of interconnection is also granted by Section 251(c)(2), which
3 permits US LEC to select any technically feasible method of interconnection that will be
4 used to establish the IP.⁵

5 Under Verizon's proposed contract language, however, Verizon wants US LEC to
6 interconnect through collocation at Verizon's tandems, and to establish an IP at any other
7 collocation arrangement US LEC may establish at a Verizon end office, or pay for
8 Verizon's originating tandem switching costs and all of Verizon's transport costs,
9 beginning at the Verizon end office where the call originates. These so-called "options"
10 require US LEC to mirror Verizon's legacy network architecture (either physically or
11 financially), which may not be the most efficient forward-looking architecture for an
12 entrant deploying a new network, and therefore constitutes a barrier to entry.

13 **Q: PLEASE EXPLAIN THE THIRD PROBLEM CONCERNING VERIZON'S**
14 **TRANSPORT PENALTY.**

15 **A:** Verizon's transport penalty, the so-called "third option," is included in Sections 7.1.1.1.1,
16 7.1.1.2, and 7.1.1.3(b) of its proposed contract language. It provides that US LEC must
17 reduce its reciprocal compensation charges to Verizon if US LEC fails to establish (1) a
18 collocated IP at each Verizon tandem, (2) an IP at US LEC's collocation site at a Verizon
19 end office, or (3) a collocated IP at a Verizon tandem or end office within thirty (30) days
20 of Verizon's request to transition the parties' existing architecture to the IPs mandated by

⁵ *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).

Verizon. By reducing the termination rate Verizon pays to US LEC, Verizon effectively is charging US LEC for transporting Verizon-originated traffic from Verizon's end office over Verizon's network to the established IP. Under Verizon's position, US LEC could be "charged" for transport from a Verizon end office to US LEC's IP, even if US LEC's IP was located in the same access tandem serving area. As the Commission previously found, "the shifting of costs to CLECs envisioned by the Verizon proposals would be a disincentive to many carriers and to competition in the provision of local telecommunications service."⁶

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

A: Yes. As the FCC has noted, "[u]nder our current rules, the originating telecommunications carrier bears the costs of transporting traffic to its point of interconnection with the terminating carrier."⁷ The FCC has explained the basis of requiring each LEC to bear this cost:

In essence, the originating carrier holds itself out as being capable of transmitting a telephone call to any end user, and *is responsible for paying the cost of delivering the call to the network of the co-carrier who will then terminate the call.* Under the Commission's regulations, *the cost of the facilities used to deliver this traffic is the originating carrier's responsibility*, because these facilities are part of the originating carrier's network. *The originating carrier recovers the costs of these facilities through the rates it charges its own customers for making calls.* This regime represents "rules of the road" under which all carriers operate,

⁶ *Sprint Arbitration Order* at 28.

⁷ *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 and which make it possible for one company's customer to
2 call any other customer even if that customer is served by
3 another telephone company.⁸
4

5 This view is endorsed by this Commission, which found that "carriers are responsible for
6 their own traffic up to the point of interconnection."⁹

7 Verizon's obligation to deliver its originating traffic to US LEC's IP is not
8 conditioned on US LEC establishing the collocated IPs Verizon is trying to require
9 through its contract proposals. As such, we believe Verizon's transport penalty proposal
10 is inconsistent with both FCC rules and Commission precedent.

11 **Q: VERIZON ARGUES THAT IT MAY CHARGE US LEC FOR ITS**
12 **ORIGINATING TRANSPORT BECAUSE VERIZON IS ACTING AS A**
13 **TRANSPORT PROVIDER CONSISTENT WITH RULE 51.703(b). (RESPONSE**
14 **AT 13) PLEASE RESPOND.**

15 **A:** I disagree. Verizon cannot simply reclassify charges for delivering traffic Verizon
16 originates to US LEC as transport vendor charges. Rule 51.703(b) provides that "A LEC
17 may not assess charges on any other telecommunications carrier for telecommunications
18 traffic that originates on the LEC's network." The FCC has interpreted this rule to
19 prohibit charges to recover a LEC's costs of originating traffic "regardless of how the
20 LEC chooses to characterize those costs."¹⁰ In addition, where Verizon provides a
21 facility that is dedicated to the exchange of traffic between US LEC (e.g., as a "transport

⁸ *TSR Wireless, LLC. v. U S 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).

⁹ *Sprint Arbitration Order* at 29.

¹⁰ *TSR Wireless* at ¶ 26.

provider”), Section 51.709(b) also limits the amount Verizon may charge US LEC. Specifically, Section 51.709(b) provides that:

(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.

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

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

A: Yes. If Verizon were allowed to identify US LEC-IPs for delivery of Verizon's originating traffic to US LEC and require US LEC to build or buy facilities to reach those IPs, it would be able to disadvantage US LEC and impose additional and unwarranted costs on new entrants. In effect, by requiring US LEC to move its IP to Verizon's end office, Verizon is again abdicating its responsibility to transport its own customers' traffic to the IP selected by US LEC. Indeed, if Verizon were allowed such discretion, it could force CLECs essentially to duplicate the incumbent's network. Such a result is not in the public interest and would impede the development of competition. The right of CLECs to choose interconnection points “is necessary to enhance the

competitive environment and establishment of new companies”¹¹ and the Commission should uphold that right by rejecting Verizon’s proposal.

Q: WHAT ACTION DO YOU RECOMMEND THE COMMISSION TAKE?

A: The Commission should find that US LEC has the right to maintain its single US LEC-IP in each LATA, and, at US LEC’s option, its current interconnection method. The Commission should reject Verizon’s attempts to mandate the location of IPs and the method of interconnection and Verizon’s transport penalty proposal.

ISSUES 3 AND 4 (GLOSSARY, SECTION 2.75; ADDITIONAL SERVICES ATTACHMENT, SECTIONS 5.1 AND 5.3; INTERCONNECTION ATTACHMENT, SECTION 7.3.7)

Q: PLEASE DESCRIBE THE ISSUES IN DISPUTE.

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

¹¹ *Sprint Arbitration Order* at 29.

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
3 US 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 database 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
16 US LEC's customers and destined for Voice Information Services connected to
17 Verizon's 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
20 US LEC in the position of trying to segregate traffic which it simply cannot identify
21 through any technically feasible, cost effective means. Also as before, this would slow
22 the operation of US LEC's switch as it would have to identify calls destined for a
23 Verizon-served Voice Information Services Provider, separate those calls from all other

1 traffic destined for Verizon's customers, and then send that traffic down a dedicated
2 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.

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

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

16 **A:** Historically, as well as currently, when it comes to billing, measuring and engineering
17 purposes, traffic is referred to as either originating or terminating. Thus, in any call,
18 there is an originating party served by an originating carrier and a terminating party
19 served by a terminating carrier. Against this long-standing, historical backdrop, Verizon
20 seeks to interject the entirely new concept of a "receiving party". Verizon does not
21 define the term "receiving party" and US LEC is concerned that Verizon will use the

1 concept of a "receiving party" to escape some of its compensation obligations, which are
2 grounded in the traditional 'originating party—terminating party' designations.

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

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

8 **Q: DOES THE AGREEMENT USE EITHER "TERMINATING PARTY" OR**
9 **"RECEIVING PARTY" CONSISTENTLY THROUGHOUT?**

10 **A:** No, it does not. For example, in section 7.2, the parties agree that they will compensate
11 each other for the "transport and termination" of Reciprocal Compensation Traffic. In
12 turn, "Reciprocal Compensation" is defined with respect to the "transport and
13 termination" of "Reciprocal Compensation Traffic", which, itself, is defined with
14 reference to traffic that is "terminated on the other Party's Network."

15 In contrast, in Sections 2.16 of the Glossary and 8.5.2 and 8.5.3 of the
16 Interconnection Attachment dealing with the definition of an "IP" (Interconnection
17 Point), Verizon abandons the "terminating party" designation and, instead, refers to
18 traffic delivered to the "receiving party" and provides no valid reason why, in these
19 limited sections, the term "receiving party" should replace the more standard
20 "terminating party". Similarly, Section 2.56 of the Glossary refers to the "receiving
21 party", not the "terminating party" when defining Measured Internet Traffic.

22 **Q: WHY DOES THIS INCONSISTENCY CONCERN US LEC?**

1 A: In the first place, Verizon has offered no satisfactory explanation for the distinction
2 between "receiving" and "terminating". In the absence of such an explanation, US LEC
3 is not willing to abandon decades of precedence in engineering, measuring and billing for
4 traffic.

5 Second, the Commission will recall that in several enforcement actions and
6 arbitration proceedings, Verizon, among other incumbents, argued that it had no
7 obligation to compensate CLECs for calls to ISPs because the traffic did not "terminate"
8 there. US LEC and other CLECs argued differently and the Commission decided on
9 several occasions that, for purposes of reciprocal compensation, calls to ISPs would be
10 treated as local and viewed as terminating at the ISP.

11 Third, the FCC assumed exclusive jurisdiction over ISP-bound traffic in its April
12 2001 Internet Order and that Order sets forth the terms and conditions under which the
13 parties will compensate each other for ISP-bound traffic. However, the United States
14 Court of Appeals for the District of Columbia recently remanded that Order to the FCC,
15 while leaving in place the interim compensation framework that it established. In the
16 event that compensation framework is later overturned or vacated by the Court of
17 Appeals, then jurisdiction over ISP-bound traffic could, at least for some period of time,
18 revert to the Commission. In that instance, US LEC believes Verizon would seize on the
19 "receiving party" designation in the Agreement and contend that US LEC is not entitled
20 to any compensation for ISP-bound traffic because US LEC has conceded that the traffic
21 does not terminate at the ISP; rather, it is simply "received" there. In order to avoid that
22 result, US LEC believes that the agreement should refer consistently to the "terminating

1 party" for all purposes—establishing an IP, measuring traffic, billing for traffic and
2 paying for traffic.

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

4 **A:** The Commission should accept US LEC's position and direct that all references in the
5 Agreement to a party that is terminating traffic should refer to that party as the
6 "terminating party". Further, all references to the party "receiving" traffic or to the
7 "receiving party" should refer instead to the party "terminating" traffic and to the
8 "terminating party".

9 **ISSUE 6 (GLOSSARY, SECTION 2.56; INTERCONNECTION ATTACHMENT,**
10 **SECTION 7.2)**

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

12 **A:** There are really two issues in dispute under this single heading. First, Verizon is
13 obligated to pay intercarrier compensation for all calls originated by Verizon customers
14 to US LEC line numbers with "NXX" codes associated with the calling party's local
15 calling area. Calls are conventionally rated and routed throughout the U.S. telephone
16 industry based upon the NXX codes of the originating and terminating numbers. There is
17 no reason to deviate from this convention now. These local calls are routed to the
18 interconnection point or POI for local traffic and handed off just as any other local call
19 would be. This practice should be continued such that calls between an originating and
20 terminating NXX associated with the same local calling area are rated and routed as
21 local.

22 The second issue in dispute is whether Verizon should be allowed to impose per-
23 minute originating switched access charges for carrying such calls to the parties' POI. As

1 outside the local calling area. Verizon provides no evidence that such calls increase its
2 costs as compared to other local calls in any way such that additional or different cost
3 recovery is justified. Verizon also fails to show that changing this historical system as it
4 suggests would provide any benefits to the public interest. In contrast, maintaining the
5 existing system will provide significant benefits to consumers and would be consistent
6 with the goal of increasing competitive offerings for consumers in Maryland.

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

9 **A:** NXX codes are the fourth through sixth digits of a ten-digit telephone number. For
10 example, in the main telephone number for the Commission, 410-767-8000, the NXX
11 code is "767".

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

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

16 **Q: HOW IS THE RATING OF CALLS IMPACTED BY THE NUMBERS ASSIGNED**
17 **TO CUSTOMERS?**

18 **A:** Standard industry procedure provides that each NXX code is associated with a particular
19 rate center within a local calling area.¹² (A single rate center may have more than one
20 NXX code, but each code is assigned to one and only one rate center.) This uniquely
21 identifies the end office switch serving the NXX code, so that each carrier that is routing
22 a call knows which end office switch to send the call to. However, it is not uncommon

¹² A rate center is a geographic location with specific vertical and horizontal coordinates used for determining mileage, for rating local or toll calls.

1 for NXX codes to be assigned to customers who are not physically located in the local
2 calling area where the NXX is "homed". When an ILEC provides this arrangement, it
3 typically is called foreign exchange or FX service. This type of arrangement also may be
4 referred to as "Virtual NXX" because the customer assigned the telephone number has a
5 "virtual" presence in the calling area associated with that NXX. Calls to these customers
6 are still routed to the end office switch associated with the NXX code, but then are routed
7 within the terminating carrier's network to the called party's actual physical location.

8 **Q: WHY WOULD CARRIERS OR THEIR CUSTOMERS WANT A VIRTUAL NXX**
9 **CODE?**

10 **A:** Customers want to use virtual NXX codes because it allows them to take advantage of
11 state-of-the-art, currently available technologies to allow consumers to reach their
12 businesses without having the disincentive of a toll call. It also allows businesses and
13 organizations to provide service in other areas before they actually have facilities or
14 offices in those areas. Absent such calling plans, consumers would have to wait for
15 carriers to build out their networks – which could take years and millions of dollars. For
16 instance, so-called virtual NXX arrangements enable ISPs, among other customers, to
17 offer local dial-up numbers throughout Maryland, including in more isolated, rural, areas
18 of the State. Access to the Internet is affordable and readily available in all areas of the
19 state because these NXX arrangements allow ISPs to establish a small number of points
20 of presence ("POPs") that can be reached by dialing a local number regardless of the
21 physical location of the Internet subscriber. Rural small businesses especially benefit
22 from low-cost Internet access and increasingly depend on such access to remain
23 competitive. Thus, taking advantage of state-of-the-art technologies through virtual NXX

1 arrangements allows affordable Internet access, particularly in isolated and rural areas,
2 and this not only benefits Maryland's consumers but also promotes economic
3 development.

4 Other organizations, such as the Maryland State government, may also want to
5 make use of virtual NXX arrangements to allow residents to contact state agencies –
6 which may actually reside in Baltimore or Annapolis – without incurring the cost of a toll
7 call. Such an arrangement would allow the state to provide services in rural areas without
8 building or renting space in those localities and without relocating employees.

9 Carriers use virtual NXX codes because they allow them to respond to customer
10 demand through the use of new and innovative services. In 1997 and 1998, there was
11 considerable discussion about the benefits to be expected from competition in the local
12 exchange market. Some of the more important expected benefits were that competition
13 would drive competitors to develop and utilize networks efficiently in order to gain
14 competitive advantages, by allowing them to serve customers at lower cost. Verizon's
15 proposal would constitute an artificial impediment to this natural progression of a
16 developing competitive market, and would deny Maryland residents the associated
17 benefits.

18 **Q: IS THIS NXX CODE ISSUE SIMPLY AN ASPECT OF THE ISP**
19 **COMPENSATION ISSUE?**

20 **A:** No. Although many ISPs do use virtual NXX arrangements, these services are also used
21 by other businesses and organizations that want to maintain a local telephone number in
22 some community where they do not have a physical presence. This issue therefore
23 affects ordinary local voice telephone calls as well as ISP traffic.

1 Q: IS IT UNLAWFUL OR AGAINST ANY RULES FOR CLECS TO PROVIDE
2 VIRTUAL NXX'S TO THEIR CUSTOMERS?

3 A: No. The use of virtual NXX codes is not unlawful or in any other way improper.
4 Verizon, itself, provides several virtual NXX services, such as FX service, to its
5 customers, including ISPs. Indeed, nobody complained about such uses of NXX codes
6 until CLECs had some success in attracting ISP customers and the ILECs began looking
7 for ways to avoid compensating them for serving and terminating calls to ISPs.

8 Q: PLEASE DESCRIBE THE IMPACT OF VERIZON'S PROPOSED LANGUAGE
9 WITH RESPECT TO THE CUSTOMER'S PHYSICAL LOCATION IN MORE
10 DETAIL.

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

22 Q: HOW WOULD VERIZON EVADE ITS INTERCARRIER COMPENSATION
23 OBLIGATIONS TO US LEC BY LIMITING COMPENSATION TO CALLS

1 **TERMINATING TO A CUSTOMER WITH A PHYSICAL PRESENCE IN THE**
2 **SAME LOCAL CALLING AREA AS THE ORIGINATING CALLER?**

3 **A:** Deviating from the historical practice of rating a call based upon the NXX codes of the
4 originating and terminating number would give Verizon the ability to arbitrarily re-
5 classify local calls as toll calls. This is because under Verizon's proposed language, it
6 would be nearly impossible and much more economically burdensome for US LEC (or
7 any other CLEC in a similar situation) to utilize virtual NXXs in the provision of service
8 to its customers.

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

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

20 **A:** No. First, as mentioned elsewhere in my testimony, LECs are not allowed to impose
21 access charges upon local traffic. Nevertheless, and despite this specific prohibition,
22 there is no additional cost incurred by Verizon when a virtual NXX is provided to a
23 CLEC customer, because Verizon carries the call the same distance (to the IP) and incurs

1 the same costs (in terms of local interconnection facilities used) regardless of the physical
2 location of the "virtual NXX" customer. Verizon's obligations and costs are therefore the
3 same in delivering a call originated by one of its customers, regardless of whether the call
4 terminates at a so-called "virtual" or "physical" NXX behind the CLEC switch.

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

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

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

18 **A:** Not at all. Setting aside the fact that intercarrier compensation for local traffic is
19 governed by the reciprocal compensation rules of the FCC,¹³ and that access charges are
20 imposed on traffic other than local traffic, access charges are not cost-based, and it has
21 been federal and state policy in recent years to drive access charges down to forward-
22 looking economic cost. It makes no sense to impose an out-dated compensation regime

¹³ 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 on an artificial category of traffic. At a time when regulators and the industry are looking
2 to move to more competitive market models by eliminating implicit subsidies in
3 telecommunications rates and intercarrier payments, it would seem contrary to that
4 movement to suddenly foist originating switched access charges on a certain type of local
5 traffic. The costs of originating this traffic do not differ from any other local call, and
6 thus there is absolutely no economic or policy justification for imposing switched access
7 charges on US LEC for traffic originated by Verizon customers.

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

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

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

1 call any other customer even if that customer is served by
2 another telephone company.¹⁴
3

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

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

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

15 **Q: IT APPEARS THAT YOU HAVE PLACED SPECIAL EMPHASIS ON THE**
16 **NEGATIVE IMPACTS ON RURAL AREAS OF THE STATE ASSOCIATED**
17 **WITH THE ADOPTION OF VERIZON'S POSITION. WHY WOULD RURAL**
18 **AREAS BE PARTICULARLY IMPACTED?**

19 **A:** One of the most significant advantages of incumbency is the ubiquitous network of the
20 ILEC. For the most part, this network was bought and paid for by Verizon customers
21 over time, and Verizon had rates approved by the Commission that would allow it to
22 recover its costs of network deployment. Providers such as US LEC are in some cases
23 constrained from offering services on a widespread basis because they do not have the
24 advantage of having the ratepayer financed ubiquitous network that Verizon does.

¹⁴ *TSR Wireless* at ¶34. (emphasis added) (footnotes omitted).

1 Therefore, market entry is often confined to the more densely populated areas. The
2 intercarrier compensation for virtual NXX service as proposed by US LEC in this
3 arbitration would help to equalize these inherent inequities, at least for some customers,
4 by allowing US LEC to offer service state-wide, even to the more lightly populated areas
5 of Maryland. Without this competitive equalization, US LEC would only be able to
6 reach such areas at some point in the future, if at all, thereby denying rural residents and
7 businesses the benefits of competition.

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

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

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

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

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

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

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

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

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

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

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

22 **A:** US LEC proposes to modify Section 8.1 of the Interconnection Attachment to provide
23 that the parties will be governed by the FCC's Internet Order and the rate framework set

1 forth therein. Similarly, US LEC added Section 8.1.1 to provide that if that Internet
2 Order is reversed, set aside or vacated on appeal, the parties will continue to compensate
3 each other for exchanging Internet Traffic using the rate structure in that Order, but
4 without applying the growth caps or new market limitations that no longer would be
5 applicable in the event of a reversal.

6 Finally, US LEC proposed a modification to Section 50.2 of the General Terms
7 and Conditions to preclude Verizon from terminating payments to US LEC for ISP-
8 bound traffic if the Internet Order is reversed. As Section 50.2 was written by Verizon, it
9 would have allowed Verizon to terminate any provision of the Agreement that provides
10 for the payment by Verizon to US LEC of compensation related to traffic, including, but
11 not limited to, Reciprocal Compensation and other types of compensation for termination
12 of traffic delivered by Verizon to US LEC. Then, if Verizon chose to exercise that right
13 of termination, it would have forced the Parties to negotiate appropriate substitute
14 provisions for compensation related to traffic. Section 50.2 further provided that if,
15 within sixty (60) days after Verizon's notice of termination, the Parties are unable to
16 agree in writing upon mutually acceptable substitute provisions for compensation related
17 to traffic, either Party may submit their disagreement to dispute resolution in accordance
18 with Section 14 of this Agreement.

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

20 **A:** Given the long battles between CLECs and ILECs over compensation for ISP-bound
21 traffic that have been waged for years in Maryland and elsewhere—indeed, the
22 Commission is currently involved with extensive litigation between Verizon and CLECs
23 over the implementation of the FCC's Internet Order—US LEC sees Verizon's position

1 as ensuring months of fruitless negotiations and possibly additional years of endless
2 litigation over US LEC's entitlement to a payment stream that this Commission
3 previously held was proper.

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

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

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

10 **Q: PLEASE EXPLAIN THE PARTIES' DISAGREEMENT ABOUT THE**
11 **APPLICABILITY OF CHANGES TO VERIZON'S TARIFFED AND NON-**
12 **TARIFFED RATES.**

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

20 US LEC disagrees with the language proposed by Verizon in Section 1.5 of the
21 pricing attachment. Although US LEC agrees to be bound by tariffed rates that change
22 during the term of the parties' agreement in those cases where the parties have specified
23 that tariffed rates are to govern (and likewise recognizes that rates may justifiably be

1 altered due to changes in Applicable Law), it disputes Verizon's attempt to retain the
2 discretion to modify its non-tariffed rates at will.

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

5 **A:** As I have already explained, US LEC seeks certainty in the pricing of the services it
6 obtains from Verizon and does not believe that Verizon should be permitted to modify its
7 non-tariffed rates at will. With regard to any rates that the parties have negotiated and
8 incorporated into the parties' interconnection agreement, the rates should remain fixed for
9 the term of the agreement. It would be anticompetitive and detrimental to US LEC if
10 Verizon had the unfettered ability and sole discretion to modify its non-tariffed rates. No
11 justification exists for a pricing approach that puts US LEC at Verizon's mercy and
12 potentially subjects US LEC to an endless array of rate changes which are likely to
13 increase US LEC's costs of doing business with Verizon.

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

16 **A:** No. US LEC acknowledges that tariffed rates may be altered during the term of the
17 agreement due to changes in applicable tariffs where the parties have agreed that tariffed
18 rates will apply to the particular rate element or service in question, and that changes in
19 Applicable Law may result in rate modifications. However, US LEC objects to Verizon's
20 effort to maintain the unilateral authority to change its non-tariffed rates at will, and these
21 rates should remain fixed unless the Applicable Law provisions of the parties' agreement

1 apply. Verizon should not be permitted to exercise the unlimited ability to make
2 subsequent modifications to rates that the parties have already agreed to.

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

4 **A: Yes.**

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE
ARBITRATION OF US LEC OF
MARYLAND INC. VS. VERIZON
MARYLAND INC. PURSUANT TO
47 U.S.C. § 252(b)**

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Case No. 8922

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

DATE: AUGUST 9, 2002

US Lec #1

1 Q: PLEASE STATE YOUR NAME FOR THE RECORD.

2 A: My name is Wanda G. Montano.

3 Q: ARE YOU THE SAME WANDA G. MONTANO WHO FILED DIRECT
4 TESTIMONY IN THIS DOCKET ON JUNE 10, 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 witness
8 Peter J. D'Amico concerning Issues 1 and 2 in US LEC's arbitration petition and the
9 testimony of Terry Haynes concerning Issue 6 in US LEC's arbitration petition.

10 **ISSUES 1 AND 2 -- INTERCONNECTION**

11 Q: PLEASE RESPOND TO VERIZON'S ARGUMENT THAT IT MAY REQUIRE A
12 SEPARATE IP WHERE THE CLEC REQUESTS AN "EXPENSIVE" FORM OF
13 INTERCONNECTION. (D'AMICO AT 16:8-17:2).

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

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

1 already compensated for the costs of delivering traffic originated by its customers
2 through the revenues it 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 routinely are required to prove that
6 they are entitled to a certain rate structure by proving the costs that they allegedly incur.
7 This situation is no different. Verizon is asking the Commission to impose a cost onto
8 US LEC and Verizon claims that it is entitled to impose those costs because, allegedly,
9 US LEC's chosen network design is "expensive." Verizon should be required to prove
10 that allegation.

11 The costs of interconnecting two networks arise in part from the differences
12 between the two networks and in part from the factors noted in Mr. Hoffmann's
13 testimony (available facilities, traffic volume, and distance). If the Commission were to
14 adopt Verizon's proposal without proof, it would have to ignore the fact that Verizon,
15 through its own chosen network design, contributes to the cost of interconnecting two
16 different networks. It would also have to ignore the fact that Verizon is already receiving
17 compensation from its customers for providing them access to the PSTN and therefore
18 could be compensated twice for performing one function. Adopting Verizon's proposal
19 would favor Verizon's network design by imposing all the costs of interconnecting US
20 LEC's and Verizon's networks on US LEC. Such a result is not in the public interest
21 and would impede the development of competition.

² *TSR Wireless, LLC. v. U S West Communications, Inc.,*, File Nos. E-98-13, E-98-15, E-98-16, E-

1 **Q: HAS VERIZON SUBMITTED ANY COST STUDIES IN THIS PROCEEDING?**

2 **A: No. In fact, Verizon has admitted in response to US LEC's interrogatories that it does**
3 **not have any such studies:**

4 **Interrogatories No. 7 and 9**

5
6 7. Please provide all cost studies and other documents in your
7 possession, custody or control relating to an analysis of Verizon's
8 purported costs based upon a single Interconnection Point or Point
9 of Interconnection per LATA with a CLEC.

10
11 9. Please provide all traffic studies, cost studies, network
12 planning, and other documents in your possession, custody or
13 control relating to an analysis of Verizon's purported costs of
14 delivering Verizon's originating local traffic to US LEC's IP at its
15 switch in (a) the DC (236) LATA and (b) the Baltimore (238)
16 LATA:

17
18 **Response to Interrogatories No. 7 and 9**

19
20 Verizon does not possess any traffic studies, costs studies,
21 or other documents referenced in these interrogatories.³
22

23 **Q: MR. D'AMICO ALLEGED THAT STATEMENTS IN THE FCC'S 1996 LOCAL**
24 **COMPETITION ORDER AND PENNSYLVANIA 271 ORDER SUPPORT**
25 **VERIZON'S POSITION THAT THE POI AND IP CAN BE AT SEPARATE**
26 **LOCATIONS. (D'AMICO AT 16:10-22) DID A MORE RECENT DECISION BY**
27 **THE FCC'S WIRELINE COMPETITION BUREAU ADDRESS THE**
28 **SEPARATION OF THE POI AND IP?**

29 **A: Yes. In that decision, the FCC's Wireline Competition Bureau ("Wireline Bureau")**
30 **stepped into the shoes of the Virginia State Corporation Commission to arbitrate**

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).

³ Verizon Response to US LEC Interrogatory No. 7 & 9.

1 interconnection disputes between Verizon and three CLECs: AT&T, Cox
2 Communications and MCI WorldCom. The Wireline Bureau's Order appears to reject
3 Verizon's proposal to establish an IP that is on Verizon's network prior to the point of
4 physical interconnection where the CLEC has agreed to accept Verizon's traffic.⁴ In
5 other words, the Wireline Bureau rejected Verizon's proposal to make the CLEC
6 financially responsible for Verizon's originating transport to deliver its traffic to the POI.
7 As I have previously stated, US LEC is willing to use the terms POI and IP, but only if
8 they are applied consistent with FCC rules.

9 **Q: DO YOU BELIEVE THAT *FCC ARBITRATION ORDER* IS RELEVANT TO**
10 **THIS ARBITRATION?**

11 **A:** Yes. Acting as the arbitrator, the Wireline Bureau had to interpret and apply Sections
12 251 and 252 of the Act and the FCC's implementing regulations to the positions of the
13 parties, just as this Commission must do.

14 **Q: DID THE WIRELINE BUREAU ADDRESS INTERCONNECTION ISSUES**
15 **SIMILAR TO THOSE THAT THE PARTIES ARE ARBITRATING IN THIS**
16 **PROCEEDING?**

17 **A:** Yes, it did. The Wireline Bureau reviewed Verizon's VGRIPs proposal—which is
18 substantially similar to the proposal at issue here—and proposals by the three CLECs
19 involved in the arbitration. The Wireline Bureau described those proposals, and

⁴ *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc., and for Expedited Arbitration*, CC Docket No. 00-218, Memorandum Opinion and Order, ¶ 53 (Wireline Comp. Bureau, rel. July 17, 2002) ("*FCC Arbitration Order*").

1 ultimately rejected Verizon's VGRIPs proposal. The Wireline Bureau stated its rationale
2 for rejecting Verizon's proposal as follows:

3 Under Verizon's proposed language, the competitive LEC's
4 financial responsibility for the further transport of Verizon's traffic
5 to the competitive LEC's point of interconnection and onto the
6 competitive LEC's network would begin at the Verizon-designated
7 competitive LEC IP, rather than the point of interconnection. By
8 contrast, under the petitioners' proposals, each party would bear
9 the cost of delivering its originating traffic to the point of inter-
10 connection designated by the competitive LEC. The petitioners'
11 proposals, therefore, are more consistent with the Commission's
12 rules for Section 251(b)(5) traffic, which prohibit any LEC from
13 charging any other carrier for traffic originating on that LEC's
14 network; they are also more consistent with the right of
15 competitive LECs to interconnect at any technically feasible
16 point.⁵

17
18 Based on this description, I believe that the Wireline Bureau considered a CLEC proposal
19 similar to the one that US LEC has offered in this proceeding.

20 **Q: DID THE WIRELINE BUREAU ADDRESS A CLAIM LIKE US LEC'S THAT**
21 **VERIZON IS FINANCIALLY RESPONSIBLE FOR DELIVERING ITS**
22 **TRAFFIC TO US LEC'S NETWORK?**

23 **A:** Yes. The Order states that under current FCC rules, "all LECs are obligated to bear the
24 cost of delivering traffic originating on their networks to interconnecting LECs' networks
25 for termination."⁶ The Order goes on to explain that this means "Verizon must pay
26 petitioners for transporting Verizon-originated traffic from the place where petitioners
27 interconnect with Verizon's network to the petitioner's network" in cases where the
28 petitioner provides that facility.⁷ I believe this supports US LEC's position.

⁵ FCC Arbitration Order at ¶ 53.

⁶ FCC Arbitration Order at ¶ 67.

⁷ FCC Arbitration Order at ¶ 68.

1 Q: MR. D'AMICO ALLEGES THAT IN THE *SPRINT ARBITRATION ORDER*, THIS
2 COMMISSION ADOPTED A VERSION OF VERIZON'S VGRIP PROPOSAL.
3 (D'AMICO AT 6:10-11) DO YOU AGREE WITH THIS STATEMENT?

4 A: No. As I stated in my initial testimony, in the *Sprint Arbitration Order*, this Commission
5 rejected Verizon's proposal, which I understand is the same VGRIPs proposal that
6 Verizon offers in this proceeding.⁸

7 Q: DO YOU AGREE WITH MR. D'AMICO THAT THE SPRINT PROPOSAL
8 ADOPTED BY THE COMMISSION IS "ESSENTIALLY THE SAME" AS
9 VGRIPS? (D'AMICO AT 6:11-14)

10 A: No. Mr. D'Amico himself points out one significant difference, Sprint is not required to
11 establish an additional POI or virtual IP until the parties are exchanging 8.9 million
12 minutes of use ("MOU") at the location requested by Verizon. He also notes other
13 differences on page five of his testimony. For example, he implies that there is a distance
14 component, as well as the 8.9 million MOU component, before Sprint can be required to
15 establish additional POIs/virtual IPs. Furthermore, he also testifies that the additional
16 POIs/virtual IPs do not have to be at Verizon's switching centers (as required by
17 VGRIPs) but only "within a reasonable proximity" of them. In addition, I am not aware
18 of any restrictions on the methods of interconnection placed on the additional Sprint POI
19 – in other words, unlike VGRIPs, Sprint could establish a POI using a method other than
20 collocation. Nor am I aware of any requirement that Sprint either designate an end office
21 collocation arrangement as a physical POI or establish a virtual IP at that end office, as

1 VGRIPs option three would require US LEC to do. Finally, Mr. D'Amico testified on
2 page 6 that Sprint must compensate Verizon for transporting traffic from the virtual IP to
3 the physical POI at UNE rates. As I understand VGRIPs, Verizon could impose not only
4 UNE rates on US LEC, but "other costs" as well. See Interconnection Attachment,
5 Verizon Proposed Section 7.1.1.1.1. Therefore, I believe Verizon's contract language is
6 significantly different, and more onerous, than the compromise proposal this Commission
7 adopted in the *Sprint Arbitration Order*.

8 **Q: VERIZON CLAIMS THAT IT IS NOT SEEKING TO CHANGE COMMISSION**
9 **POLICY THAT REQUIRES LECS TO INTERCONNECT AT ONE POINT IN**
10 **EACH VERIZON ACCESS TANDEM SERVING AREA: (VERIZON RESPONSE**
11 **TO STAFF DATA REQUEST NO. 3) PLEASE RESPOND.**

12 **A:** I disagree. Mr. D'Amico implies that VGRIPs complies with this Commission's policy.
13 However, as US LEC stated in its response to Staff Data Request No. 3, US LEC does
14 not believe that VGRIPs complies with this Commission policy:

15 US LEC submits that Verizon's proposal does not comport
16 with the Commission's policy for the following three reasons: (1)
17 Verizon requires that US LEC establish an IP at a collocation site
18 at each Verizon Tandem in a LATA (or at such other wire centers
19 in the LATA designated by Verizon, which could result in more
20 than one point of interconnection per access tandem serving area).
21 Verizon should not be allowed to require collocation (US LEC
22 does not typically use collocation as its preferred method of inter-
23 connection), to require US LEC to establish IPs at locations other
24 than access tandems (i.e., local tandems or end offices), or to
25 designate unilaterally other wire centers at its sole discretion. US
26 LEC believes that all of these requirements go beyond what the
27 Commission has specified in its interconnection policy. (2)

⁸ *Arbitration of Sprint Communications Company, L.P. vs. Verizon Maryland Inc., Pursuant to Section 252(b) of the Telecommunications Act of 1996, Case No. 8887, Order No. 77320, 25 (Oct. 24, 2001) ("Sprint Arbitration Order").*

1 Verizon wants the ability to designate a US LEC established end
2 office collocation arrangement (which is not used for intercon-
3 nection, but to deliver traffic to its customers) as a US LEC IP.
4 Verizon should not be allowed to designate additional IPs in an
5 access tandem serving area under the Commission's policy. (3)
6 Verizon wishes to charge US LEC for the transport of Verizon's
7 originated traffic from the Verizon end office to the US LEC IP if
8 US LEC does not establish its POIs via collocation or refuses to
9 allow Verizon to declare a US LEC end office collocation arrange-
10 ment an IP. Verizon wishes to reduce the negotiated reciprocal
11 compensation rate it pays to US LEC by an amount equal to
12 Verizon's transport rate, tandem switching rate, and other costs,
13 from Verizon's originating end office to the US LEC IP. Nothing
14 in the Commission's policy permits Verizon to shift to US LEC the
15 costs of transporting Verizon's originating traffic within the access
16 tandem serving area. Verizon should not be allowed to
17 manipulate the reciprocal compensation rate to escape the
18 responsibility of transporting its originated traffic to US LEC's IP.
19

20 Further, I understand that this Commission has already determined that Verizon's GRIP
21 and VGRIP proposals would subvert the interconnection policies established in the
22 Commission's *MFS* order.⁹

23 **Q: MR. D'AMICO REFERS TO STATE COMMISSION DECISIONS THAT HE**
24 **CLAIMS SUPPORT VERIZON'S POSITION. (D'AMICO AT 15) ARE YOU**
25 **AWARE OF OTHER STATE COMMISSION DECISIONS THAT SUPPORT US**
26 **LEC'S POSITION?**

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

⁹ *Sprint Arbitration Order* at 28.

1 Q: PLEASE SUMMARIZE YOUR RECOMMENDATION FOR ISSUES ONE AND
2 TWO.

3 A: The recent Arbitration Order by the Wireline Bureau appears to confirm that US LEC's
4 proposal is more consistent with current FCC rules than Verizon's. The Commission
5 should adopt US LEC's proposal.

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

7 Q. DO YOU AGREE WITH MR. HAYNES' STATEMENT THAT THE
8 COMMISSION "NEED NOT ADDRESS THE APPLICATION OF INTRASTATE
9 ACCESS CHARGES TO VIRTUAL FX TRAFFIC" BECAUSE THEY ARE
10 COVERED IN THE PARTIES' TARIFFS? (Haynes at 2, 14).

11 A: Not at all. It may be true that access charges are governed by the parties' tariffs, but the
12 Commission must decide, in the first instance, whether virtual FX, or virtual NXX
13 arrangements are subject to the parties' reciprocal compensation obligations. Under
14 Verizon's proposed language, so-called virtual NXX traffic would be viewed as intra-
15 LATA toll calls and subject to the parties' tariffs for the purposes of compensation, even
16 though those same calls would still be rated, routed and treated as local for the calling
17 party. Under US LEC's proposal, virtual NXX traffic would continue to be treated as
18 local and subject to the parties' reciprocal compensation obligations, which is consistent
19 with that traffic being treated as local for the calling party.

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

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

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

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

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

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

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

8 **A:** No. Verizon is comparing two completely different situations. In the traditional context
9 of interexchange calls, a carrier will compare the originating and terminating point of the
10 call in assessing interstate (as opposed to intrastate) access charges on a third party. But
11 a carrier initially compares the originating and terminating NXXs to determine whether
12 the call is a local call subject to reciprocal compensation or a toll call subject to access
13 charges. As noted above, virtual NXX calls are in fact rated as local calls, are routed as
14 local calls, are billed to the end user as such, and have been billed as local for intercarrier
15 compensation purposes, as well. Moreover, Mr. Haynes confuses the issue by addressing
16 conditions that existed prior to the Telecommunications Act of 1996. In the pre-Act era,
17 there was no local competition in Maryland and, therefore, no reciprocal compensation.
18 It is axiomatic that with competition only in interexchange services, all intercarrier
19 compensation would be between interexchange carriers and the incumbent local
20 exchange carriers in the form of access charges that were dependent on the originating
21 and terminating points of the end-to-end call. That just is not the case anymore.

1 **Q. DOES US LEC HAVE ANY FX CUSTOMERS IN MARYLAND?**

2 **A:** Yes, it appears that within Verizon's serving area, three (3) US LEC customers in the
3 Maryland portion of the Washington, D.C. LATA, and eight (8) US LEC customers in
4 the Baltimore LATA utilize virtual NXX arrangements; that is, they have been assigned
5 NXX codes in several local calling areas and, while they have physical locations in at
6 least one of those areas, they also have been assigned NXX codes in areas where they
7 have no physical locations.

8 **Q. DOES US LEC OFFER ANY OTHER SERVICE THAT APPEARS TO PROVIDE**
9 **CUSTOMERS WITH A "VIRTUAL" NXX?**

10 **A:** Yes, US LEC offers a tariffed long-distance service known as "Local Toll Free."
11 Essentially, it allows a customer physically located in another LATA or another state to
12 obtain a local number in a Maryland exchange. The difference between Local Toll Free
13 and FX service is that a call to a US LEC "Local Toll Free" number terminates in the
14 exchange associated with that NXX. US LEC then re-originates the call and routes it
15 over long-distance lines to the customer's physical location. US LEC's customer pays
16 the long-distance charges associated with the call.

17 **Q. VERIZON CLAIMS THAT US LEC WANTS A "FREE RIDE" FOR VERIZON'S**
18 **"VALUABLE SERVICE" IN CARRYING US LEC'S TRAFFIC (Haynes at 11).**
19 **PLEASE RESPOND.**

20 **A:** There is no "free ride" at issue here. Regardless of where US LEC's customer is located,
21 Verizon routes the call precisely the same way: it is delivered to US LEC at the IP and,
22 from that point on, US LEC incurs all the costs of transporting the call to its customer's
23 location. As noted in issues one (1) and two (2) of this proceeding, it is Verizon's

1 responsibility to carry traffic to the IP that US LEC has selected. That responsibility does
2 not change if the called party has a virtual NXX. It is at the IP that US LEC receives the
3 financial responsibility for the traffic, regardless of the physical location of the customer.
4 These architecture issues are discussed in greater detail by Mr. Hoffmann.

5 **Q: DO YOU AGREE WITH MR. HAYNES' ASSERTION THAT US LEC IS NOT**
6 **ENTITLED TO COMPENSATION FOR TERMINATING CALLS TO VIRTUAL**
7 **NXX CUSTOMERS BECAUSE THOSE CUSTOMERS ALREADY PAY FOR**
8 **THE SERVICE? (Haynes at 11).**

9 **A:** No, I do not. Again, Mr. Haynes is confusing the issue. All end users pay their carriers
10 for the privilege of being able to originate and terminate calls. Inter-carrier compensation,
11 on the other hand, addresses an entirely different situation—the costs incurred by carriers
12 to terminate calls. The FCC has acknowledged that carriers incur costs in originating and
13 terminating calls and also has acknowledged that in a competitive environment, the
14 carrier originating a call avoids the termination costs associated with that call when it
15 hands the 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 that carrier
18 for the costs it incurs in providing the terminating services. Thus, in this situation, US
19 LEC most assuredly provides a valuable service to Verizon customers—it enables those
20 Verizon customers to call entities or individuals served by US LEC. US LEC incurs
21 costs in providing those services—costs that, for these purposes, are assumed to equal
22 those incurred by Verizon—and is entitled to be compensated by Verizon for providing
23 those services.

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

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

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

22 Further, Verizon's example is not at all applicable here. The portion of the *AT&T*
23 case that Verizon refers to dealt with an interstate, *interLATA* FX service. That is an

1 extreme example that is not at all comparable to a Virtual NXX assignment within the
2 same LATA, as is the issue in this proceeding. The Commission should assign no weight
3 to the case and example cited by Verizon.

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

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

13 question[ing] whether this traffic should be considered 'local' for
14 purposes of section 251(b)(5) in light of the ESP exemption, by
15 which the Commission has allowed information service providers
16 at their option to be treated for compensation purposes (but not for
17 jurisdictional purposes) as end users.¹²

18
19 Upon further review of the *Declaratory Ruling*, the FCC concluded that the D.C. Circuit
20 may have been right in its analysis of FCC precedent:

21 We do recognize, however, that the court was concerned by how
22 one would categorize this traffic under our *prior* interpretation of

¹⁰ *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).

¹¹ *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*").

¹² *ISP Traffic Order* at ¶ 28.

1 section 251(b)(5), which focused on whether or not ISP-bound
2 calls were 'local.' That inquiry arguably implicated the compen-
3 sation mechanism for the traffic (which included a local com-
4 ponent), as well as the meaning of 'termination' in the specific
5 context of section 251(b)[.]¹³
6

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

14 Further, in conjunction with the *ISP Traffic Order*, the FCC issued a Notice of
15 Proposed Rulemaking to completely overhaul the existing intercarrier compensation
16 regimes and replace them with a single, unified intercarrier compensation regime.¹⁵ The
17 FCC has identified the use of "virtual central office codes" as an issue to be resolved in
18 its rulemaking proceeding on such a unified intercarrier compensation regime.¹⁶ Thus,
19 the issue of the proper regulatory treatment of traffic using virtual central office codes
20 ultimately will be addressed by the FCC. Until that time, however, this Commission
21 retains the jurisdiction to determine, as it should, that calls using virtual NXX arrange-
22 ments properly are eligible for reciprocal compensation.

¹³ *Id.* at ¶ 56 (italics in original).

¹⁴ *Id.* at ¶ 45 (emphasis added).

¹⁵ *Developing a Unified Intercarrier Compensation Regime*, CC Dkt. No. 01-92, Notice of Proposed Rulemaking, FCC 01-132 (rel. Apr. 27, 2001).

¹⁶ *Id.* at ¶ 115.

1 **Q. DID THE WIRELINE BUREAU ADDRESS FX ARRANGEMENTS IN ITS**
2 **RECENT ARBITRATION DECISION?**

3 **A:** Yes. Verizon and the CLECs involved in the arbitration all addressed the issue of
4 whether calls to FX numbers would be entitled to reciprocal compensation. It is apparent
5 that Verizon made precisely the same arguments to the FCC that its affiliate, Verizon
6 Maryland, makes here. In its conclusion, the Wireline Bureau rejected Verizon's
7 arguments entirely, stating as follows:

8 We agree with the petitioners that Verizon has offered no viable
9 alternative to the current system, under which carriers rate calls
10 by comparing the originating and terminating NPA-NXX codes.
11 We therefore accept the petitioners' proposed language and reject
12 Verizon's language that would rate calls according to their
13 geographical end points. Verizon concedes that NPA-NXX rating
14 is the established compensation mechanism not only for itself, but
15 industry-wide. The parties all agree that rating calls by their
16 geographical starting and ending points raises billing and
17 technical issues that have no concrete, workable solutions at this
18 time.¹⁷
19

20 **Q. DO YOU AGREE WITH MR. HAYNE'S CHARACTERIZATION OF THE**
21 **FLORIDA COMMISSION STAFF RECOMMENDATION REGARDING**
22 **VIRTUAL NXX TRAFFIC (Haynes at 14-15)?**

23 **A:** No, I do not. Verizon claims that the Staff Recommendation in Florida Docket No.
24 000075-TP resolved the issue of disputed virtual NXX code issues between Verizon's
25 Florida affiliate and various CLECs in Verizon's favor.¹⁸ Verizon argues that because the
26 Florida commission found that virtual NXX traffic is not local traffic, no reciprocal
27 compensation is payable on such traffic.

¹⁷ *FCC Arbitration Order at ¶ 301.*

1 **Q. IS VERIZON'S POSITION CORRECT?**

2 **A:** No, I do not believe it is. The Florida Staff Recommendation suggested that calls to
3 virtual NXX customers located outside of the local calling area to which the NXX is
4 assigned should not be considered local calls, a recommendation with which US LEC
5 disagrees. However, Verizon's claim that the Staff Recommendation settled the issue of
6 what compensation mechanism is applicable to virtual NXX traffic is wrong, and
7 Verizon's representation that the Florida Staff Recommendation established that such
8 calls are not eligible for reciprocal compensation is likewise simply incorrect. In fact, the
9 Staff Recommendation Verizon cites explicitly states that because the record before it did
10 not include the factual information necessary to make an assessment about whether recip-
11 rocal compensation or access charges should apply to virtual NXX traffic, the issue is
12 "better left for parties to negotiate in individual interconnection agreements."¹⁸ Indeed,
13 the Florida Commission has not resolved the issue of whether reciprocal compensation is
14 payable on such traffic (although it has been asked to do so by US LEC, which filed an
15 arbitration against Verizon South raising issues similar to those raised in Maryland).

16 **Q. WHAT ABOUT THE OTHER STATE COMMISSION DECISIONS CITED BY**
17 **MR. HAYNES?**

18 **A:** Mr. Haynes refers to several state commission decisions which he claims support
19 Verizon's position on Issue 6. At the same time, numerous other commissions have ruled
20 in favor of US LEC's position, and we will address those decisions in our Brief.

¹⁸ See December 5, 2001 Florida Public Service Commission Agenda Conference, Docket 000075-P, Adoption of November 21, 2001 Staff Recommendation, Issue 15.

¹⁹ Staff Recommendation at 96.

1 **Q: WHAT ACTION DOES US LEC RECOMMEND THE COMMISSION TAKE ON**
2 **THE ISSUE OF VIRTUAL NXX?**

3 **A:**We suggest that, in light of common practice throughout the industry to rely on the
4 NPA/NXX of calling and called parties to determine the rating and routing of a call, as
5 well as a carrier's compensation obligations for calls, and in light of the FCC's recent
6 ruling on the issue adopting the position advocated here by US LEC, the Commission
7 rule in US LEC's favor on this issue.

8 **Q: DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

9 **A:**Yes.

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
In the Matter of Petition of WorldCom, Inc.)	
Pursuant to Section 252(e)(5) of the)	
Communications Act for Preemption of the	)	CC Docket No. 00-218
Jurisdiction of the Virginia State Corporation)	
Commission Regarding Interconnection)	
Disputes with Verizon Virginia Inc., and for)	
Expedited Arbitration)	
)	
In the Matter of Petition of Cox Virginia)	
Telcom, Inc. Pursuant to Section 252(e)(5) of)	
the Communications Act for Preemption of the	)	CC Docket No. 00-249
Jurisdiction of the Virginia State Corporation)	
Commission Regarding Interconnection)	
Disputes with Verizon-Virginia, Inc. and for)	
Arbitration)	
)	
In the Matter of Petition of AT&T)	
Communications of Virginia Inc., Pursuant to)	
Section 252(e)(5) of the Communications Act	)	CC Docket No. 00-251
for Preemption of the Jurisdiction of the)	
Virginia Corporation Commission Regarding)	
Interconnection Disputes With Verizon)	
Virginia Inc.)	
)	

MEMORANDUM OPINION AND ORDER

Adopted: July 17, 2002

Released: July 17, 2002

By the Chief, Wireline Competition Bureau:

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I. INTRODUCTION

1. In this order, we issue the first of two decisions that resolve questions presented by three petitions for arbitration of the terms and conditions of interconnection agreements with Verizon Virginia, Inc. (Verizon). Following the enactment of the Telecommunications Act of 1996 (1996 Act),¹ the Commission adopted various rules to implement the legislatively mandated, market-opening measures that Congress put in place.² Under the 1996 Act's design, it has been largely the job of the state commissions to interpret and apply those rules through arbitration proceedings. In this proceeding, the Wireline Competition Bureau, acting through authority expressly delegated from the Commission, stands in the stead of the Virginia State Corporation Commission. We expect that this order, and the second order to follow, will provide a workable framework to guide the commercial relationships between the interconnecting carriers before us in Virginia.

2. The three requesting carriers in this proceeding, AT&T Communications of Virginia, Inc. (AT&T), WorldCom, Inc. (WorldCom) and Cox Virginia Telcom, Inc. (Cox) (collectively "petitioners"), have presented a wide range of issues for decision. They include issues involving network architecture, the availability of unbundled network elements (UNEs), and inter-carrier compensation, as well as issues regarding the more general terms and conditions that will govern the interconnecting carriers' rights and responsibilities. As we discuss more fully below, after the filing of the initial pleadings in this matter, the parties conducted extensive discovery while they participated in lengthy staff-supervised mediation, which resulted in the

¹ See Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996). We refer to the Communications Act of 1934, as amended by the 1996 Act and other statutes, as the Communications Act, or the Act. See 47 U.S.C. §§ 151 *et seq.*

² See, e.g., *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499 (1996) (*Local Competition First Report and Order*) (subsequent history omitted); *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking, 15 FCC Rcd 3696 (1999) (*UNE Remand Order*).

settlement of a substantial portion of the issues that the parties initially presented. After the mediation, we conducted over a month of hearings at which both the petitioners and Verizon had full opportunity to present evidence and make argument in support of their position on the remaining issues. We base our decisions in this order on the analysis of the record of these hearings, the evidence presented therein, and the subsequent briefing materials filed by the parties.

3. Many of the issues that the parties have presented raise significant questions of communications policy that are also currently pending before the Commission in other proceedings. For example, certain of the network architecture issues implicate questions that the Commission is addressing through its ongoing rulemaking relating to inter-carrier compensation.³ The Commission's pending triennial review of UNEs also touches on many of the issues presented here.⁴ While we act, in this proceeding, under authority delegated by the Commission,⁵ the arbitration provisions of the 1996 Act require that we decide all issues fairly presented.⁶ Accordingly, in addressing the issues that the parties have presented for arbitration – the only issues that we decide in this order – we apply current Commission rules and precedents, with the goal of providing the parties, to the fullest extent possible, with answers to the questions that they have raised.

4. In our review of each issue before us, we have been mindful of recent court decisions relating to the Commission's applicable rules and precedent. Most significantly, we recognize that the United States Court of Appeals for the District of Columbia Circuit recently issued an order reviewing two Commission decisions that set forth rules governing unbundled network elements (UNEs) and line sharing.⁷ The court's order remanded the *UNE Remand Order* for further action by the Commission, and it vacated and remanded the *Line Sharing Order*. Because the court remanded the *UNE Remand Order* without vacating or otherwise

³ *In the Matter of Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, 16 FCC Rcd 9610 (2001).

⁴ *See Review of Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338; *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98; *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Notice of Proposed Rulemaking, FCC 01-361, 16 FCC Rcd 22781 (2001) (*Triennial UNE Review NPRM*).

⁵ *See* 47 U.S.C. § 155(c)(1); *see also Procedures for Arbitrations Conducted Pursuant to Section 252(e)(5) of the Communications Act of 1934, as amended*, 16 FCC Rcd 6231, 6233, paras. 8-10 (2001) (*Arbitration Procedures Order*) (delegating authority to the Bureau to conduct and decide these arbitration proceedings).

⁶ *See* 47 U.S.C. § 252(b)(4)(C) (state commission shall resolve each issue in petition and response); *id.* § 252(c) (state commission shall resolve by arbitration any open issue).

⁷ *See United States Telecom Ass'n v. FCC*, 290 F.3d 415 (D.C. Cir. 2002) ("*USTA v. FCC*"). The court reviewed two Commission decisions: the *UNE Remand Order* and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, 14 FCC Rcd 20912 (1999) (*Line Sharing Order*).

modifying it, its rules governing the availability of UNEs remain in effect pending further action by the Commission in response to the court's order. Similarly, because the Commission has sought rehearing of the court's order, the effect of that order has been stayed, even with respect to the line sharing rules, until further action by the court.⁸ Accordingly, to the extent they are implicated in issues presented by the parties, we apply the Commission's existing UNE and line sharing rules. To the extent that these rules are modified in the future, the parties may rely on the change of law provisions in their respective agreements.

5. This order is the first of two that will decide the questions presented for arbitration. Below, we decide the "non-cost" issues that the parties have raised. Specifically, we resolve those issues that do not relate to the rates that Verizon may charge for the services and network elements that it will provide to the requesting carriers under this agreement. We have determined that it will best serve the interests of efficiency and prompt resolution of the parties' disputes to issue our decision on these non-cost issues in advance of the pricing decision, which will follow.

6. The requesting carriers in this proceeding, AT&T, WorldCom and Cox, originally brought their interconnection disputes with Verizon to the Virginia State Corporation Commission (Virginia Commission), as envisioned in section 252(b).⁹ In the case of each requesting carrier, the Virginia Commission declined to arbitrate the terms and conditions of an interconnection agreement under federal standards, as required by section 252(c) of the Act.¹⁰

⁸ See Petition of FCC and United States for Rehearing or Rehearing *En Banc*, D.C. Circuit Nos. 00-1012, *et al.* & 00-1015, *et al.*, filed July 8, 2002.

⁹ 47 U.S.C. § 252(b). WorldCom filed an arbitration petition with the Virginia Commission. See *Petition of MCI Metro Access Transmission Services of Virginia, Inc. and MCI WorldCom Communications of Virginia, Inc. for Arbitration of an Interconnection Agreement with Bell Atlantic-Virginia, Inc.*, Case No. PUC000225 (filed with Virginia Commission Aug. 10, 2000). Cox requested a declaratory ruling reconsidering the Virginia Commission's prior refusals to apply federal law in arbitrating interconnection disputes and, in the event the Virginia Commission granted that request, sought the arbitration of its interconnection dispute. See *Petition of Cox Virginia Telcom, Inc., for Declaratory Judgment and Conditional Petition for Arbitration*, Case No. PUC000212 (filed with Virginia Commission July 27, 2000). AT&T also requested a declaratory ruling that the Virginia Commission would arbitrate its interconnection dispute. See *Petition of AT&T Communications of Virginia, Inc., et al., for Declaratory Judgment*, Case No. PUC000261 (filed with Virginia Commission Sept. 25, 2000); AT&T subsequently sought arbitration of its interconnection dispute with Verizon. See *Application of AT&T Communications of Virginia, Inc., et al., for Arbitration*, Case No. PUC000282 (filed with Virginia Commission Oct. 20, 2000).

¹⁰ 47 U.S.C. § 252(c). Section 252(c) requires that, in arbitrating an interconnection agreement, a state commission apply the "requirements of section 251, including the regulations prescribed by the Commission pursuant to section 251" and apply the pricing standards of section 252(d). 47 U.S.C. § 252(c)(1) - (2). The Virginia Commission declined to follow section 252(c), offering instead to apply Virginia state law in its disposition of the three requesting carriers' disputes with Verizon. See *Petition of MCI Metro Access Transmission Services of Virginia, Inc. and MCI WorldCom Communications of Virginia, Inc., for Arbitration of an Interconnection Agreement with Bell Atlantic-Virginia, Inc.*, Case No. PUC000225, Order, at 3 (issued by Virginia Comm'n Sept. 13, 2000) (*WorldCom Virginia Order*); *Petition of Cox Virginia Telcom, Inc.*, Case No. PUC000212, Order of Dismissal, at 5 (issued by Virginia Comm'n Nov. 1, 2000); *Petition for Declaratory Judgment and Application for* (continued....)

The Virginia Commission explained that it had concluded it could not apply federal standards in interconnection arbitrations without potentially waiving its Eleventh Amendment sovereign immunity, which it did not have the authority to do.¹¹ The three requesting carriers then petitioned the Commission to preempt the Virginia Commission pursuant to section 252(e)(5).¹² The Commission granted those petitions in January of 2001 and assumed jurisdiction to resolve the requests for arbitration.¹³

7. On January 19, 2001, the same date on which it granted WorldCom's preemption petition, the Commission issued an order governing the conduct of section 252(e)(5) proceedings in which it has preempted the arbitration authority of state commissions. The order delegates to the Chief of the Bureau the authority to serve as the Arbitrator.¹⁴ As discussed at greater length below, the Commission also revised the interim rule that it had previously adopted and established a hybrid scheme of "final offer" arbitration for interconnection arbitrations. The revised standard grants the Arbitrator the "discretion to require the parties to submit new final offers, or adopt a result not submitted by any party, in circumstances where a final offer

(Continued from previous page)

Arbitration of AT&T Communications of Virginia, Inc., et al., Case Nos. PUC000261 and PUC000282, Order, at 3 (issued by Virginia Comm'n Nov. 22, 2000).

¹¹ See, e.g., *WorldCom Virginia Order* at 2. Cf. *Petition of Cavalier Telephone, LLC*, Case No. PUC990191, Order, at 3-4 (issued by Virginia Comm'n June 15, 2000) ("We have concluded that there is substantial doubt whether we can take action in this matter solely pursuant to the Act, given that we have been advised by the United States District Court for the Eastern District of Virginia that our participation in the federal regulatory scheme constructed by the Act, with regard to the arbitration of interconnection agreements, effects a waiver of the sovereign immunity of the Commonwealth.").

¹² *Petition of WorldCom, Inc., Pursuant to Section 252(e)(5) of the Communications Act*, CC Docket No. 00-218, (filed Oct. 26, 2000); *Petition of Cox Virginia Telcom, Inc. Pursuant to Section 252(e)(5) of the Communications Act*, CC Docket No. 00-249 (filed Dec. 12, 2000); *Petition of AT&T Communications of Virginia, Inc. Pursuant to Section 252(e)(5) of the Communications Act*, CC Docket No. 00-251 (filed Dec. 15, 2000).

¹³ *Petition of WorldCom, Inc. for Preemption of Jurisdiction of the Virginia State Corporation Commission Pursuant to Section 252(e)(5) of the Telecommunications Act and for Arbitration of Interconnection Disputes with Verizon-Virginia, Inc.*, CC Docket No. 00-218, Memorandum Opinion and Order, 16 FCC Rcd 6224 (2001) (*WorldCom Preemption Order*); *Petition of Cox Virginia Telecom, Inc. for Preemption of Jurisdiction of the Virginia State Corporation Commission Pursuant to Section 252(e)(5) of the Telecommunications Act and for Arbitration of Interconnection Disputes with Verizon-Virginia, Inc.*, CC Docket No. 00-249, Memorandum Opinion and Order, 16 FCC Rcd 2321 (2001); *Petition of AT&T Communications of Virginia, Inc. for Preemption of Jurisdiction of the Virginia State Corporation Commission Pursuant to Section 252(e)(5) of the Telecommunications Act and for Arbitration of Interconnection Disputes with Verizon-Virginia, Inc.*, CC Docket No. 00-251, Memorandum Opinion and Order, 16 FCC Rcd. 2326 (2001).

¹⁴ *Arbitration Procedures Order*, 16 FCC Rcd 6233. The Commission's rules governing review of action taken on delegated authority are found at 47 C.F.R. § 1.115. At the time of the *Arbitration Procedures Order*, the Commission delegated its authority to the Chief of the Common Carrier Bureau. Since then, the Bureau has been renamed the Wireline Competition Bureau. See *In the Matter of Establishment of the Media Bureau, Wireline Competition Bureau and Consumer and Governmental Affairs Bureau*, Order, 17 FCC Rcd 4672 (2002).

submitted by one or more of the parties fails to comply with the Act or the Commission's rules."¹⁵

II. PROCEDURAL HISTORY

8. In March, 2001, as required by the *Procedural Public Notice*, the parties contacted the Arbitrator to schedule a pre-filing conference.¹⁶ On March 22, 2001, the parties met with the Arbitrator and Bureau staff to discuss a list of issues identified in the *Procedural Public Notice*, including the status of negotiations, procedures to be followed in the arbitration proceeding, potential consolidation of the proceedings, and a procedural schedule. On March 27, we issued a letter ruling on several issues raised during the pre-filing conference. Among other rulings, we set a procedural schedule, under which the parties were to conduct discovery and file testimony throughout the summer. The evidentiary hearing was scheduled for September, 2001 and post-hearing briefs were to be due in October, 2001. At the request of the parties, we postponed until July 2, 2001, the due date for cost studies, which originally were to be filed with the petitions for arbitration. The parties preferred that they be permitted to file separate petitions, with the option of later seeking consolidation of the proceedings; however, we instructed them each to assign shared issues the same number, to facilitate staff's review.

9. On April 23, AT&T, Cox and WorldCom filed separate petitions for arbitration. Consistent with the *Procedural Public Notice*, each petition contained a Request for Arbitration, listing with specificity both the resolved and unresolved issues, along with the relevant contract language, and a Statement of Relevant Authority for each issue. On May 31, 2001, Verizon filed its Answer, responding to each issue raised by petitioners, and raising additional issues. On June 18, petitioners filed their responses to Verizon's additional issues. In all, petitioners identified approximately 180 issues in their initial petitions, some of them raised jointly, and Verizon raised an additional 68 issues in its Answer.

10. *Supervised Negotiations.* On July 10, 2001, the Arbitrator convened a status conference to discuss, among other things, parties' efforts to simplify or settle issues and the schedule for the remainder of the proceeding. At this meeting, the parties jointly requested that Bureau staff assist with the settlement of certain issues, through supervised negotiations or mediation, and agreed to identify a list of "mediation issues." The parties also requested a delay of several weeks in all aspects of the procedural schedule, to allow them to focus on settlement negotiations, and to accommodate their request for an additional "surrebuttal" round of written testimony on cost issues.

¹⁵ See 47 C.F.R. § 51.807(f)(3).

¹⁶ Procedures Established For Arbitration Of Interconnection Agreements Between Verizon and AT&T, Cox, and WorldCom, CC Docket Nos. 00-218, 00-249, 00-251, Public Notice, DA 01-270 (rel. Feb. 1, 2001) (*Procedural Public Notice*) (setting forth additional procedures, including requirements regarding contents of arbitration petition and response, discovery process and conduct of the evidentiary hearing).

b. Discussion

28. We deny, in whole, WorldCom's motion to strike. With respect to the substantial majority of the issues for which WorldCom alleges that Verizon submitted new language, WorldCom's motion is moot, either because we reject Verizon's proffered language, or because the parties had settled the issue by the end of the hearing.⁵³ For other issues that WorldCom identifies, the language Verizon proposed in November was more favorable to WorldCom than Verizon's previous proposals, and we therefore perceive no prejudice that WorldCom could have suffered arising from any inability to respond to the new proposals.⁵⁴ Additionally, we conclude that WorldCom had ample opportunity, during the initial and reply briefs, to respond to any changes in Verizon's November language.⁵⁵ Lastly, on one issue, Verizon's November language, while not identical to its earlier proposal, does not differ in any legally or operationally significant respect.⁵⁶

IV. UNRESOLVED ISSUES

A. Standard of Review

29. Section 252(c) of the Act sets forth the standard of review to be used in arbitrations by the Commission and state commissions in resolving any open issue and imposing conditions upon the parties in the interconnection agreement.⁵⁷ This section states that any decision or condition must meet the requirements of section 251 and accompanying Commission regulations, establish rates in accordance with section 252(d), and provide an implementation schedule.⁵⁸ As mentioned earlier, section 252(e)(5) requires the Commission to issue an order preempting a state commission that fails to act to carry out its responsibilities under section 252, and to assume the responsibility of the state commission. In its *Local Competition First Report*

⁵³ See, e.g., Network Architecture Issues I-1, III-2, III-4, IV-1, IV-8, IV-11; Inter-carrier Compensation Issues I-6, III-5, IV-35; UNE Issues III-6, III-7, III-8, III-9, III-10, III-11/IV-19, IV-23, IV-24, IV-25, VI-3-B; Business Process Issue IV-56 (settled); Rights of Way Issue III-13-H (settled); General Terms and Conditions Issues I-11, IV-101, IV-110 (settled).

⁵⁴ See, e.g., Inter-carrier Compensation Issue I-5 (language regarding calling party number percentage requirement changes from 95 to 90); General Terms and Conditions Issue III-15 (Verizon agrees to provide WorldCom additional information regarding Verizon's inability to obtain intellectual property rights).

⁵⁵ See, e.g., Inter-carrier Compensation Issue I-5 (WorldCom fully briefed issues relating to compensation for ISP-bound traffic); UNE Issues III-12 (WorldCom counsel cross examined Verizon witness on language WorldCom now challenges as late-proposed), IV-18 (despite opportunity in two briefs, WorldCom failed to identify how Verizon's language conflicted with statute or regulations).

⁵⁶ See *infra*, Issue IV-45, n.2300.

⁵⁷ 47 U.S.C. § 252(c).

⁵⁸ 47 U.S.C. § 252(c)(1)-(3).

and Order, the Commission promulgated rule 51.807 implementing section 252(e)(5).⁵⁹ Rule 51.807 provides, among other things, that (a) the Commission is not bound to apply state laws or standards that would have otherwise applied if the state commission were arbitrating the section 252 proceeding; (b) except as otherwise provided, the Commission's arbitrator shall use final offer arbitration; and (c) absent mutual consent of the parties, the Arbitrator's decision shall be binding on the parties.⁶⁰

30. Based on the states' experience arbitrating interconnection disputes since 1996, the Commission modified rule 51.807 last year to provide the Arbitrator additional flexibility to resolve interconnection issues.⁶¹ Specifically, rule 51.807(f)(3) was amended so that, if a final offer submitted by one or more parties fails to comply with the other requirements of this rule, or if the Arbitrator determines in unique circumstances that another result would better implement the Act, the Arbitrator has discretion to direct the parties to submit new final offers or to adopt a result not submitted by any party that is consistent with section 252 of the Act and the Commission's rules adopted pursuant to that section.⁶² In its order approving this modification, the Commission explained that it would not identify those unique circumstances under which the Arbitrator could conclude that another result is appropriate. Below, we attempt to summarize two main categories of those instances in which we have found it necessary to depart from the proposals of the parties.

31. *Modifying to Achieve Consistency with the Act and Commission Rules.* In certain instances, we have modified one party's proposal, rather than either adopt one party's proposal or reject both and direct the parties to submit new final offers.⁶³ In these instances, where modification of the language can bring the agreement into conformity with the Act and Commission rules, we find that it conserves administrative resources to direct the parties simply to submit a compliance filing containing the corrected language that we provide.⁶⁴ Furthermore, just as the Commission recognized that the Arbitrator may conduct issue-by-issue final offer arbitration (as opposed to selecting one entire proposed contract over another), so too we find that, for certain issues, it is appropriate *within* an issue to select language from both parties to

⁵⁹ *Local Competition First Report and Order*, 11 FCC Rcd at 16127-32, paras. 1283-95.

⁶⁰ See 47 C.F.R. § 51.807(b), (d), (h).

⁶¹ See *Arbitration Procedures Order*, 16 FCC Rcd at 6232, paras. 4-6.

⁶² See 47 C.F.R. § 51.807(f)(3); *Arbitration Procedures Order*, 16 FCC Rcd at 6232, para. 5.

⁶³ See, e.g., Issues III-3/III-3-A, III-11, and III-12.

⁶⁴ We note that, on a few occasions, we have directed a petitioner and Verizon to incorporate corrected language provided by a second petitioner or by Verizon to that second petitioner (after determining that neither the first petitioner's proposal nor Verizon's proposal to that first petitioner was consistent with our rules or the Act). See Issues III-1/III-2/IV-1 and III-3/III-3-A. Similarly, we have determined that, in at least one issue, the proposals offered by the parties are unnecessary and language adopted elsewhere in the contract addresses their concerns. See, e.g., Issue III-8.

resolve the dispute (i.e., to choose one subsection from one party and another subsection from the other party) or to adopt some but not all of a party's proposal.⁶⁵ We reiterate that we base our decisions on current Commission rules and precedent, and therefore reject or modify parties' proposals that extend beyond existing law.

32. *Modifying to Reflect Concessions Made at Hearing or on Other Issues.* During the course of the hearings, the parties made numerous concessions or compromises, some of which were incorporated into their most recent contract proposals⁶⁶ and several of which were not.⁶⁷ In those instances where one party clearly indicated that it supported or no longer opposed the other party's conceptual proposal or contract language⁶⁸ or indicated that it was willing to modify its own proposal to reflect the other party's concerns,⁶⁹ we determine that it is appropriate to direct the parties to submit language conforming to such statements.⁷⁰

33. We also feel it necessary to comment on a theme running through many of the issues in this proceeding. In response to a petitioner's proposal that simply paraphrases or quotes a particular Commission rule, Verizon often indicates that its proposed language requires it to comply with the requirements of "applicable law," and argues that the petitioner's language is therefore unnecessary. We generally determine that Verizon should prevail on such issues. If there is no disagreement between the parties about what is the "applicable law" (e.g., the relevant section of the Act, Commission rule or order) and the petitioner's proposed language is a mere recitation of that Commission rule or order, we typically conclude that the petitioner's proposal adds little to no value to the contract. Simply memorializing a Commission requirement in an interconnection agreement is unnecessary to ensure a carrier's rights or make clear a carrier's obligations with respect to that requirement. Indeed, we find it unlikely that quoting or

⁶⁵ See, e.g., Issues IV-74 (finding that both parties had legitimate concerns that could be addressed harmoniously by adopting language from each proposal), V-12, and IV-45. In this regard, we note that the parties defined the content of each numbered issue without our involvement. See also, e.g., Issues IV-4, III-9, and IV-32 (adopting part, but not all, of a carrier's proposal).

⁶⁶ See, e.g., Issue III-10 (AT&T modifying its proposal by eliminating many "operational details" to address Verizon's concern about the level of detail in AT&T's earlier proposal).

⁶⁷ See, e.g., Issues III-4-B (directing parties to file compliance language incorporating AT&T's agreement, expressed during hearing and in post-hearing briefs, to return a firm order confirmation within a certain number of days).

⁶⁸ See, e.g., Issues I-7/III-4 (Verizon's witness testifying that WorldCom's 15 percent overhead proposal "sounds fine to us"). See also Tr. at 1501.

⁶⁹ See, e.g., Issue VI-3-B (WorldCom indicating that it is willing to delete one section of its proposal).

⁷⁰ See, e.g., Issue IV-5. Also, in resolving one issue related to assurance of payment, we determine that it is appropriate to apply a compromise offered in another issue, concerning insurance. For these two issues (Issues VI-1-N and VI-1-P), we find that our rationale for adopting the compromise in one issue is equally applicable to the second.

paraphrasing a Commission rule in the parties' contract would reduce the likelihood of disputes over interpretation of that rule.

34. Including language that requires Verizon to comply with all applicable law affords a petitioner the same contractual remedies that would be available if the contract paraphrased the relevant Commission rule. Moreover, for those issues that we arbitrate, quoting a Commission rule will not "grandfather" or insulate it from the contract's change of law clause. To be clear, pursuant to section 252(a), and subject to the disclosure requirements of section 252(h), parties are permitted to negotiate terms and conditions without regard to subsections (b) and (c) of section 251.⁷¹ In other words, if they so choose, the parties may memorialize in the contract a Commission rule or directive and exempt it from the agreement's change of law language. Similarly, they may agree to terms that are not compelled by, or are even inconsistent with, sections 251(b) and (c) of the Act. However, if the parties have not reached such an understanding and have asked the Commission to arbitrate their dispute, we will do so based on existing law and expect that any change in that law will be reflected in the contract. Notwithstanding this general approach towards use of the term "applicable law," we find that language clarifying a particular rule, or adding details of how the rule should operate in a commercial environment, may well be appropriate for adoption, if the proposed language is consistent with the Commission's rules and the Act.⁷²

35. Finally, we note briefly that, in addressing the parties' disputes, we attempt to dispose fully of the substantive issue that the parties have presented and to provide adequate direction on how the parties should memorialize our decision in their respective interconnection agreements. As discussed above, our decision may take the form of adopting or rejecting proffered language, or adopting one side's language in modified form. We emphasize, however, that we have largely restricted ourselves to addressing the issues and the contract language that the parties have directly placed at issue through their presentations during the hearings we conducted and, most importantly, through their post-hearing briefs. There may be instances in which we have not specifically spoken to particular contract language because neither party addressed it in their advocacy, although it may have appeared in the contracts that the parties submitted after the hearings or even have appeared under a particular issue number in the JDPL. In those cases, we expect that the parties will generally be able to apply the analysis of the relevant portion of this order and the Commission precedents discussed therein to resolve any remaining disputes that they may have relating to contract language that the parties – and therefore the Bureau – left unaddressed.

⁷¹ See 47 U.S.C. § 252(a), (h).

⁷² See, e.g., Issue VI-3-B, *infra*.

B. Network Architecture

1. Issues I-1/VII-1/VII-3/VII-4 (Single Point of Interconnection and Related Matters)⁷³

a. Introduction

36. The parties disagree about language governing interconnection between the parties, and associated operational and cost issues. In general, petitioners argue that the Commission's rules clearly establish their right to interconnect at a single point in each Local Access and Transport Area (LATA), and that this chosen point of interconnection (POI) represents the financial demarcation point between the parties. Verizon, on the other hand, argues that it should not have to bear the cost of inefficient network design choices made by competing LECs, and proposes contract language which, it argues, represents the most reasonable solution to the operational and cost issues caused by the CLECs' chosen interconnection choices.

37. Specifically, Verizon proposes language requiring AT&T, Cox and WorldCom to establish "geographically relevant interconnection points" (GRIPs) or "virtually geographically relevant interconnection points" (VGRIPs) with Verizon at designated or agreed upon points on the carriers' networks. While the GRIPs and VGRIPs interconnection proposals differ in various respects, under both plans the petitioners would be required to designate one or more "interconnection points" (IPs) within each LATA. Each carrier's IP, which may be different from the physical POI, would function as a point of demarcation of financial responsibility for the further transport of traffic delivered to its network. Under Verizon's GRIPs proposal to Cox, geographically relevant competitive LEC IPs would be located within the Verizon local calling area of equivalent Verizon end users, but would be positioned no more than 25 miles from the Verizon rate center of the Verizon NXX serving equivalent Verizon end users. Under the VGRIPs proposal, geographically relevant competitive LEC IPs would be located at a collocation site at each tandem office in a multiple-tandem LATA, at each Verizon end office in a single-tandem LATA, or at other Verizon-designated wire centers in LATAs with no tandem offices.

38. The petitioners oppose the inclusion of this language, arguing that it undermines their right to select a single technically-feasible POI in each LATA. They further argue that Verizon's proposed language is inconsistent with the Commission's rules, which prevent Verizon from assessing charges for traffic subject to reciprocal compensation that originates on Verizon's network. In lieu of Verizon's language, petitioners propose language implementing

⁷³ Because these issues present interrelated sets of contract language and disputed matters, we address them together. Issue I-1 concerns the financial implications of establishing a "single point of interconnection" in a LATA, and the parties' proposals defining their respective obligations to compensate each other for delivering traffic. Issue VII-4 addresses Verizon's proposed terms to AT&T for lowering reciprocal compensation payments under its "VGRIPs" compensation proposal. Issues VII-1 and VII-3 both address Verizon's objection to AT&T not using the term "interconnection point" in its interconnection proposal presented for arbitration. Issue VII-1 also addresses additional Verizon objections to AT&T's proposed Schedule 4, containing AT&T's interconnection proposal.

their own view of the Commission's rules.⁷⁴ Verizon raises additional specific objections to AT&T's proposed language, designated as Issues VII-1, VII-3 and VII-4, which we address at the end of this section.

39. As set forth below, we adopt petitioners' language and reject Verizon's. In making our determination on this issue, we look to the Commission's orders and rules governing interconnection and reciprocal compensation, particularly the Commission's *Local Competition First Report and Order* and Commission Rules 51.305 and 51.703.⁷⁵

b. Point of Interconnection (Issues I-1 and VII-4)

(i) Positions of the Parties

40. AT&T contends that Verizon's VGRIPs proposal would enable Verizon to select the locations where each parties' traffic is delivered to the other's network for termination, and would transfer a substantial amount of the costs for Verizon's originating traffic, such as Verizon's originating transport costs, to AT&T.⁷⁶ AT&T argues that these features of VGRIPs render it inconsistent with the Act and the Commission's rules. AT&T also objects to Verizon's language lowering its reciprocal compensation payments to AT&T if AT&T does not allow Verizon to deliver traffic to AT&T at a Verizon-designated end office (the AT&T IP).⁷⁷ According to AT&T, this is another way of transferring Verizon's costs of delivering traffic onto AT&T, by circumventing Verizon's obligations to pay reciprocal compensation to AT&T.⁷⁸

41. AT&T states that both the Act and the Commission's rules provide that new entrants may interconnect at any technically feasible point.⁷⁹ AT&T relies in part on the Commission's *SWBT Texas 271 Order*, citing it for the proposition that section 251 and the Commission's implementing rules "require an incumbent LEC to allow a competitive LEC to interconnect at any technically feasible point," including "the option to interconnect at only one technically feasible point in each LATA."⁸⁰ AT&T further states that under the Commission's

⁷⁴ See AT&T's November Proposed Agreement, Sch. 4; WorldCom's November Proposed Agreement, Attach. IV, §§ 1.1 through 1.1.3.3, and 1.3 through 1.3.2; and Cox's November Proposed Agreement, Sec. 4.2.2.

⁷⁵ See *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 (1996) (*Local Competition First Report and Order*); 47 C.F.R. § 51.305; 47 C.F.R. § 51.703.

⁷⁶ See AT&T Brief at 12. AT&T's objections are directed at Verizon's VGRIPs proposal only, which AT&T states was the only Verizon interconnection proposal put at issue with respect to AT&T. See *id.* at 12 and n.24.

⁷⁷ See AT&T Brief at 71.

⁷⁸ See *id.* at 72.

⁷⁹ See *id.* at 6.

⁸⁰ See *id.* at 7, citing *Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of* (continued....)

rules each carrier is responsible for its costs to deliver originating local traffic to the point of interconnection.⁴¹ Specifically, AT&T states that the Commission's rules implementing the reciprocal compensation provisions in section 252(d)(2)(A) preclude an incumbent LEC from charging carriers for local traffic that originates on the incumbent LEC's network.⁴²

42. AT&T contends that, as provided in its proposal, each party should be financially responsible for (1) transporting its own originating traffic to the point of interconnection on the terminating party's network; and (2) paying for any transport and termination of the traffic to the end user on the terminating party's network.⁴³ Accordingly, AT&T rejects Verizon's claims that the petitioners' interconnection proposals require Verizon to subsidize virtually all of the costs of interconnection. AT&T argues that Verizon has presented no evidence of the extent of the additional costs (such as the cost of transporting originating traffic to a competitive LEC's POI) that Verizon claims it must bear as a result of the petitioners' interconnection proposals. AT&T further argues that, while Verizon may in fact pay incrementally more to transport its traffic in a competitive market than it would if it were the sole service provider, the Act does not insulate Verizon from all costs that result from opening local telecommunications markets to competition.⁴⁴

43. AT&T also disputes the claim that its proposed language implicitly endorses the concept of an IP. According to AT&T, the AT&T language Verizon cites is simply a reflection of the Commission's rules defining transport for purposes of reciprocal compensation. AT&T states that its language, consistent with these rules, reflects the fact that the POI is the location where the transport portion of reciprocal compensation begins.⁴⁵ Finally, AT&T also disputes Verizon's claim that AT&T's arguments regarding points of interconnection represents, somehow, an impermissible change of position.⁴⁶

44. Cox also disagrees with Verizon's proposals, offering objections similar to those of AT&T.⁴⁷ According to Cox, section 251(c)(2) of the Act and Commission Rule 51.305(a)(2)

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the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas, Memorandum Opinion and Order, 15 FCC Rcd 18354, 18390, para. 78 (2000) (*SWBT Texas Order*).

⁴¹ See AT&T Brief at 5.

⁴² See *id.* at 9, citing 47 C.F.R. § 51.703(b) (for traffic subject to reciprocal compensation, prohibiting any LEC from charging other telecommunications carriers for traffic originating on the LEC's network). See also 47 U.S.C. § 252(d)(2)(A).

⁴³ See AT&T Reply at 2.

⁴⁴ See *id.* at 3.

⁴⁵ See *id.* at 34-35, citing 47 C.F.R. § 51.701(c).

⁴⁶ See AT&T Brief at 66-67.

⁴⁷ Cox believes that Verizon has formally offered only its GRIPs proposal to Cox, and not its VGRIPs proposal. See Cox Objection and Request for Sanctions at 1-3. Nonetheless, while preserving its procedural objection to (continued....)

require that competitive LECs be allowed to select any technically feasible point of interconnection within an incumbent LEC's network.⁸⁸ As did AT&T, Cox argues that Commission Rule 51.703(b) prevents an incumbent LEC from evading this requirement by imposing on a competitive LEC charges for transporting the incumbent LEC's traffic to the competitive LEC.⁸⁹ Cox argues that, as the Commission's *TSR Wireless Order* demonstrates, Verizon's GRIPs and VGRIPs proposals violate these provisions of the Act and the Commission's rules. Cox states that, in the *TSR Wireless Order*, the Commission held that a LEC cannot avoid its obligations to deliver traffic to another carrier's point of interconnection by charging the carrier for delivering traffic to the point of interconnection, regardless of how the LEC characterizes those charges.⁹⁰ According to Cox, Verizon's GRIPs and VGRIPs proposals violate the Commission's holding in the *TSR Wireless Order*, because Verizon's proposals would make Cox, rather than Verizon, responsible for the costs of delivering Verizon-originated traffic to Cox.⁹¹

45. Additionally, Cox argues that Verizon's proposals would limit Cox to collecting the end office rate for reciprocal compensation, rather than the tandem rate, for traffic Verizon delivers to Cox for termination.⁹² According to Cox, these provisions violate the Commission's rules governing the treatment of competitive LEC switches for the purposes of calculating reciprocal compensation.⁹³ Cox also argues that Verizon has not clarified its proposed offset of transport and other costs against competitive LEC charges for delivery of Verizon's originating traffic. Cox asserts it is unclear precisely what would offset the competitive LEC charges under Verizon's proposal.⁹⁴ In addition, Cox argues that some elements of Verizon's proposals are arbitrary and unreasonable.⁹⁵ For example, Cox states that Verizon's own witness admitted that, under its GRIPs proposal, the 25-mile threshold triggering Verizon's selection of IPs is a number without basis in any engineering principle.⁹⁶ Cox also states that, while Verizon's VGRIPs

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Verizon's VGRIPs language, Cox's post-hearing briefs address substantive concerns with both proposals. See Cox Brief at n.3.

⁸⁸ See Cox Brief at 7; 47 U.S.C. § 251(c)(2); 47 C.F.R. § 51.305(a)(2).

⁸⁹ See Cox Brief at 7; 47 C.F.R. § 51.703(b).

⁹⁰ See Cox Brief at 7-8, citing *TSR Wireless, LLC v. US West Communications, Inc.*, 15 FCC Red 11166 (2000) (holding that LECs may not charge for either transport or facilities for traffic they deliver to paging companies), *aff'd sub nom. Qwest Corp. v. FCC*, 252 F.3d 462 (D.C. Cir. 2001).

⁹¹ See Cox Brief at 7.

⁹² See *id.* at 9.

⁹³ See *id.* at 9, citing 47 C.F.R. § 51.711(a)(3). Both AT&T and WorldCom raise similar objections to proposed Verizon language under Issue III-5, *infra*.

⁹⁴ See Cox Brief at 12-13, citing Tr. at 1361-63.

⁹⁵ See Cox Brief at 13-16.

⁹⁶ See *id.* at 13.

proposal provides for competitive LEC compensation of Verizon's originating transport costs in a single-tandem LATA, Verizon regularly bears the costs of transport within its own network to a distant tandem in a single-tandem LATA.⁹⁷

46. WorldCom objects to Verizon's GRIPs and VGRIPs proposals for similar reasons to those offered by AT&T and Cox. Specifically, WorldCom also believes Verizon's proposals contravene WorldCom's right under the Commission's rules to select any technically feasible point of interconnection and not to be charged for delivery of Verizon's traffic to the point of interconnection.⁹⁸ WorldCom states that, although Verizon purports to recognize the competitive LEC's right to select the point or points of interconnection, Verizon's proposals ignore one critical aspect of that principle: the carrier that originates traffic is financially responsible for transporting the traffic to the point of interconnection with the other carrier's network. Instead, according to WorldCom, Verizon's proposal relieves Verizon of its obligation to deliver its originating traffic to the network of a co-carrier, and shifts to the co-carrier Verizon's cost of facilities used to deliver its originating calls.⁹⁹ WorldCom also objects that Verizon's proposals are non-mutual, shifting financial responsibility only when WorldCom receives Verizon's originating traffic, without any corresponding shift when WorldCom delivers traffic to Verizon.¹⁰⁰

47. In addition, WorldCom objects to provisions in Verizon's GRIPs and VGRIPs proposals which it argues would allow Verizon to transform WorldCom collocation arrangements into physical points of interconnection. WorldCom argues that collocation arrangements, which are quite expensive to establish, are typically not established by WorldCom for interconnection but for access to unbundled network elements (UNEs).¹⁰¹ WorldCom also objects to provisions in Verizon's proposals allowing Verizon to reduce its reciprocal compensation payments in those instances where WorldCom does not agree to a Verizon-designated IP.¹⁰² WorldCom objects that this language effectively permits Verizon to charge transport and tandem switching to WorldCom for Verizon's originating traffic,¹⁰³ and contravenes WorldCom's right to receive symmetrical reciprocal compensation.¹⁰⁴

⁹⁷ See *id.* at 13.

⁹⁸ See WorldCom Brief at 6.

⁹⁹ See *id.* at 10.

¹⁰⁰ See *id.* at 14; WorldCom Reply at 12-13.

¹⁰¹ See WorldCom Brief at 11-12.

¹⁰² Specifically, Verizon's proposal would reduce reciprocal compensation by the amount of its end office rate less transport and tandem switching rates. See WorldCom Brief at 12-13.

¹⁰³ See *id.* at 12-13.

¹⁰⁴ See *id.* at 15.

48. Verizon objects to the petitioners' interconnection proposals on the grounds that they require Verizon to bear the entire cost of transporting traffic to competitive LEC points of interconnection, even though these transport costs are the result of the competitive LECs' interconnection and network architecture choices.¹⁰⁵ Verizon states that its local traffic bound for a competitive LEC's customer often must leave the Verizon legacy local calling area before reaching the competitive LEC's customer. Verizon states that it must incur the cost to transport the call to the competitive LEC's chosen point of interconnection, which may be outside the originating local calling area. Verizon claims that this problem is exacerbated when competitive LECs offer "virtual FX" or virtual foreign exchange service, by assigning NPA-NXX codes associated with a particular rate center or local calling area to customers physically located outside of that rate center or local calling area. This allows these customers to receive calls rated as local rather than toll even though the FX customer is located in a different local calling area than the caller.¹⁰⁶ According to Verizon, it incurs costs to transport traffic bound for a competitive LEC's virtual FX customer in another local calling area, yet it would not receive toll revenues from its own end user, nor would it receive compensation for originating access service from the competitive LEC. Instead, Verizon would be required to pay reciprocal compensation to the competitive LEC, for what it regards as toll traffic.¹⁰⁷

49. Verizon contends that its VGRIPs proposal, which it maintains it has offered to all three petitioners, represents the most reasonable solution to the operational and cost issues raised by the competitive LECs' interconnection choices.¹⁰⁸ Verizon argues that the contract should explicitly differentiate between the terms "POI" (referring to a physical point of interconnection) and "IP" (referring to the demarcation point for financial responsibility). Verizon suggests that, notwithstanding AT&T's objections to Verizon's use of these two terms, AT&T's proposed language implicitly contains the same distinction. Specifically, Verizon states that AT&T's language would allow it to designate an AT&T collocation at a Verizon tandem as Verizon's POI, but financially obligate Verizon to transport its traffic to the terminating AT&T switch.¹⁰⁹

50. Verizon does not dispute that competitive LECs can determine where they will physically interconnect with Verizon's network. Accordingly, it explains that its VGRIPs proposal provides each party with a menu of interconnection options, and would allow petitioners to select one technically feasible point of interconnection in a LATA, if they chose to configure their network in that manner.¹¹⁰ Verizon states that the competitive LEC IPs are the

¹⁰⁵ See Verizon Network Architecture Brief at 2.

¹⁰⁶ Verizon states that many of the competitive LECs' virtual FX customers are internet service providers (ISPs). See Verizon Network Architecture Brief at 2. The parties deal more fully with the issues of virtual FX service and assignment of NPA-NXX codes in Issue I-6, *infra*.

¹⁰⁷ See Verizon Network Architecture Brief at 2-3.

¹⁰⁸ See *id.* at 2.

¹⁰⁹ See *id.* at 20-21, citing AT&T's November Proposed Agreement to Verizon, Sch. 4, Part A, § 1.5.

¹¹⁰ See Verizon Network Architecture Brief at 5-6 and 21.

points beyond which the competitive LEC would be *financially* responsible for the further transport of traffic to its network. According to Verizon, its VGRIPs proposal, by establishing competitive LEC IPs, merely shifts onto competitive LECs some of the costs Verizon incurs to transport traffic to the point of interconnection.¹¹¹ Verizon adds that, under the terms of its VGRIPs proposal, a competitive LEC's IP may very well be outside the Verizon local calling area in which traffic originates; in such circumstances, Verizon would absorb the transport costs it incurs to carry traffic to the IP. According to Verizon, this aspect of VGRIPs represents a significant compromise for Verizon.¹¹² Verizon maintains that its proposal is consistent with the Commission's *Local Competition First Report and Order*, which stated that "a requesting carrier that wishes a 'technically feasible' but expensive interconnection would, pursuant to section 252(d)(1), be required to bear the cost of that interconnection."¹¹³ Verizon cites interconnection arbitration orders by the South Carolina Public Service Commission (South Carolina Commission) and the North Carolina Utilities Commission (North Carolina Commission) approving incumbent LEC interconnection proposals similar to Verizon's VGRIPs proposal.¹¹⁴ Verizon also states that the U.S. Court of Appeals for the Third Circuit has recognized that state commissions may consider shifting onto a competitive LEC the costs that a competitive LEC's choice of points of interconnection would otherwise impose on the incumbent LEC.¹¹⁵

(ii) Discussion

51. We adopt the petitioners' proposed interconnection language, rather than Verizon's proposed language implementing its "GRIPS" and "VGRIPS" proposals.¹¹⁶ We find

¹¹¹ See *id.* at 5-8.

¹¹² See *id.* at 6.

¹¹³ See *id.* at 8, quoting *Local Competition First Report and Order*, 11 FCC Rcd at 15603, para. 199.

¹¹⁴ See Verizon Network Architecture Brief at 12-16, citing South Carolina Commission, *Petition of AT&T Communications of the Southern States, Inc., for Arbitration of Certain Terms and Conditions of a Proposed Interconnection Agreement with BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. Section 252*, Docket No. 2000-527-C, Order on Arbitration, Order No. 2001-079 (2001); North Carolina Commission, *In the Matter of Arbitration of Interconnection Agreement Between AT&T Communications of the Southern States, Inc., and TCG of the Carolinas, Inc., and BellSouth Telecommunications, Inc., Pursuant to the Telecommunications Act of 1996*, Docket Nos. P-140, Sub 73, P-646, Sub 7 (2001).

¹¹⁵ See Verizon Network Architecture Brief at 16, citing *MCI Telecommunications Corp. v. Bell Atlantic Pennsylvania*, 271 F.3d 491, 518 (3rd. Cir. 2001).

¹¹⁶ With respect to AT&T, we adopt AT&T's November Proposed Agreement, §§ 4.1 *et seq.* and 4.2 *et seq.*, and Schedule 4 (except for certain provisions modified or rejected elsewhere in this Order, such as in Issue III-3/III-3-a and Issue V-1/V-8); and reject Verizon's November Proposed Agreement, §§ 1.45(a), 1.63, 4.1 *et seq.*, 4.2 *et seq.*, 5.7.3 and 5.7.6 *et seq.* With respect to Cox, we adopt Cox's November Proposed Agreement, § 4.2 *et seq.*; and reject Verizon's November Proposed Agreement, § 4.2.2 *et seq.* With respect to WorldCom, we adopt WorldCom's November Proposed Attachment IV, §§ 1.1 through 1.1.3.3, and 1.3 through 1.3.2; and reject Verizon's November Proposed Agreement, Part B, §§ 2.49 and 2.71, and Interconnection Attachment, §§ 2.1 *et seq.*, 2.5, 7.1 *et seq.* and 7.5 *et seq.*

that petitioners' language more closely conforms to the Commission's current rules governing points of interconnection and reciprocal compensation than do Verizon's proposals. Because we adopt the petitioners' proposals, rather than Verizon's, we also determine that WorldCom's motion and Cox's objection are moot with respect to Issue 1-1.

52. Under the Commission's rules, competitive LECs may request interconnection at any technically feasible point.¹¹⁷ This includes the right to request a single point of interconnection in a LATA.¹¹⁸ The Commission's rules implementing the reciprocal compensation provisions in section 252(d)(2)(A) prevent any LEC from assessing charges on another telecommunications carrier for telecommunications traffic subject to reciprocal compensation that originates on the LEC's network.¹¹⁹ Furthermore, under these rules, to the extent an incumbent LEC delivers to the point of interconnection its own originating traffic that is subject to reciprocal compensation, the incumbent LEC is required to bear financial responsibility for that traffic. The interplay of these rules has raised questions about whether they lead to the deployment of inefficient or duplicative networks.¹²⁰ The Commission is currently examining the interplay of these rules in a pending rulemaking proceeding.¹²¹ As the Commission recognized in that proceeding, incumbent LECs and competitive LECs have taken opposing views regarding application of the rules governing interconnection and reciprocal compensation.¹²²

53. We find that the petitioners' proposed language more closely conforms to our existing rules and precedent than do Verizon's proposals.¹²³ Verizon's interconnection proposals

¹¹⁷ See 47 U.S.C. § 251(c)(2); 47 C.F.R. § 51.305(a)(2).

¹¹⁸ See *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, 16 FCC Rcd 9610, 9634, 9650, paras. 72, 112 (2001) (*Intercarrier Compensation NPRM*); *SWBT Texas 271 Order*, 16 FCC Rcd at 18390, para. 78 n.174.

¹¹⁹ See 47 C.F.R. § 51.703(b).

¹²⁰ See *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9617, para. 14.

¹²¹ See *id.*, 16 FCC Rcd at 9650-52, paras. 112-14.

¹²² See *id.*, 16 FCC Rcd at 9650, para. 112.

¹²³ We note that the Commission declined to find that policies similar to GRIPs and VGRIPs violated the Act in the *Verizon Pennsylvania 271 Order*. See *Application of Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks, Inc., and Verizon Select Services, Inc. for Authorization to Provide In-Region, InterLATA Services in Pennsylvania*, Memorandum Opinion and Order, 16 FCC Rcd 17419, 17474-75, para. 100 (2001) (*Verizon Pennsylvania 271 Order*). The Commission has not, however, required that all "new and unresolved interpretive disputes about the precise content of an incumbent LEC's obligations" be resolved in a Bell Operating Company's (BOC) favor in order for the BOC's section 271 application to be granted. See *Joint Application by SBC Communications Inc., Southwestern Bell Tel. Co., and Southwestern Bell Communications Services, Inc., d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, Memorandum Opinion and Order, 16 FCC Rcd 6237, 6246-47, para. 19 (2001) (*SWBT Kansas/Oklahoma 271 Order*). Thus, the *Verizon Pennsylvania 271 Order* is not determinative of the question we address here, which is whether Verizon's or petitioners' language is more consistent with the Act and our rules.

require competitive LECs to bear Verizon's costs of delivering its originating traffic to a point of interconnection beyond the Verizon-specified financial demarcation point, the IP. Specifically, under Verizon's proposed language, the competitive LEC's financial responsibility for the further transport of Verizon's traffic to the competitive LEC's point of interconnection and onto the competitive LEC's network would begin at the Verizon-designated competitive LEC IP, rather than the point of interconnection.¹²⁴ By contrast, under the petitioners' proposals, each party would bear the cost of delivering its originating traffic to the point of interconnection designated by the competitive LEC. The petitioners' proposals, therefore, are more consistent with the Commission's rules for section 251(b)(5) traffic, which prohibit any LEC from charging any other carrier for traffic originating on that LEC's network; they are also more consistent with the right of competitive LECs to interconnect at any technically feasible point.¹²⁵ Accordingly, we adopt the petitioners' proposals.

54. Verizon raises serious concerns about the apportionment of costs caused by a competitive LEC's choice of points of interconnection, such as, for example, the apportionment of costs for virtual FX traffic transported to distant points of interconnection.¹²⁶ As we have noted, the Commission is currently examining similar concerns on an industry-wide basis in a pending rulemaking proceeding.¹²⁷ Should the Commission's rules governing interconnection and reciprocal compensation change during that proceeding, we expect the agreements' change of law provisions to apply. As we indicate above, however, in this proceeding, we will decide the issues presented based on the Commission's existing rules, and the petitioners' interconnection proposals more closely conform to those rules than do Verizon's proposals.

c. Additional Interconnection Language (Issues VII-1 and VII-3)

(i) Positions of the Parties

55. The arguments raised by Verizon under Issues VII-1 and VII-3 overlap considerably with the questions addressed above under Issue I-1, and relate to the same sections of proposed language. While we thus discuss most of these arguments above, we discuss in this section a number of other specific criticisms raised by Verizon relating to AT&T's proposed Section 4. Specifically, Verizon contends:

¹²⁴ See Verizon Network Architecture Brief at 6. Verizon states that a competitive LEC could discharge that financial responsibility, for example, by purchasing UNE transport from Verizon. See *id.* at 6.

¹²⁵ 47 C.F.R. § 51.703(b).

¹²⁶ For a more extensive discussion of Verizon's concerns regarding virtual FX traffic, see *infra*, Issue I-6.

¹²⁷ See *Intercarrier Compensation NPRM* at 9634-38, 9650-52, paras. 69-77, 112-15.

- AT&T has wasted time and resources by unilaterally changing provisions that the parties agreed upon during negotiations.¹²⁸
- AT&T's proposed language allowing it to interconnect "at any technically feasible point" is too broad and vague, as the New York Commission recently held.¹²⁹
- AT&T's proposal does not provide Verizon with many interconnection options, defaulting to providing Verizon's POI at the AT&T end office switch in the absence of mutual agreement.¹³⁰
- AT&T uses the term "ESIT" in its proposed language, referring to intraLATA toll and local traffic, which would lead to treating intraLATA toll traffic subject to the Virginia Commission's tariffing authority in the same manner as section 251(b)(5) traffic.¹³¹
- AT&T's proposals contain timelines that are unnecessarily rigid, yet overly broad and vague.¹³²
- AT&T's proposed language governing transition and trunk conversion costs unfairly holds Verizon responsible for half of AT&T's costs whenever AT&T decides to alter its existing network and interconnection arrangements with Verizon.¹³³ Verizon suggests that its own proposal is consistent with the New York Commission's recent determination that AT&T should pay for all relevant, incremental costs triggered by its actions during a network transition.¹³⁴

¹²⁸ See Verizon Network Architecture Brief at 21-22. For example, with respect to the parties' trunk group proposals, Verizon asserts that AT&T should have merely offered a redline comparison of AT&T's and Verizon's proposals if it wanted to point out any differences in the proposals, instead of putting already agreed upon language in dispute. See, *id.* at 23-24.

¹²⁹ See Verizon Network Architecture Brief at 22, citing Case 01-C-0095, *AT&T Petition for Arbitration to Establish an Interconnection Agreement with Verizon*, Order Resolving Arbitration Issues, at 28 (issued July 30, 2001) (*New York Commission AT&T Arbitration Order*) (in which, according to Verizon, the NY Commission adopted the same "POI" options offered here by Verizon).

¹³⁰ See Verizon Network Architecture Brief at 22-23.

¹³¹ See *id.* at 23.

¹³² See *id.* at 24, citing AT&T's November Proposed Agreement to Verizon, Sch. 4, Part B, § 3 (timelines for transitioning to new interconnection arrangements).

¹³³ See Verizon Network Architecture Brief at 24, citing AT&T's November Proposed Agreement to Verizon, Sch. 4, Part B, § 3 *et seq.*

¹³⁴ See Verizon Network Architecture Brief at 24, citing *New York Commission AT&T Arbitration Order* at 29.

- AT&T's proposal to interconnect with Verizon at a point of presence (POP) hotel or customer premise would be discriminatory because AT&T is uniquely advantaged, as a result of conditions dating back to the AT&T divestiture, by sometimes having wire centers in the same building as Verizon.¹³⁵

56. AT&T responds to Verizon's objections to its proposed Schedule 4. Specifically, AT&T argues that any "reorganization" of its language prior to the hearing was almost entirely non-substantive, and was intended to make its language conform more closely to the structure of Verizon's model contract.¹³⁶ AT&T also contends that its use of the term "ESIT" to refer to local and toll traffic does not cause problems. AT&T states that the parties have agreed to carry both local and toll traffic on the same trunks, and apply a percent local usage factor to determine the relative amounts of reciprocal compensation and access charges owed to terminating carriers. AT&T argues that its treatment of toll traffic is thus consistent with section 251(b)(5) of the Act as well as Virginia's treatment of intrastate toll traffic.¹³⁷ To address Verizon's concerns regarding payment for network transitions, AT&T states that it has modified its language to make clear that each party bears its own non-recurring charges for network transitions.¹³⁸ The proposed language for intra-building interconnection is consistent with AT&T's right to interconnection at any technically feasible point, and would not allow the parties to grandfather existing interconnection arrangements indefinitely.¹³⁹

(ii) Discussion

57. We reject Verizon's several arguments opposing inclusion of AT&T's Schedule 4 for the following reasons, and find that this proposed language is consistent with applicable law and precedent.

- Verizon's objection to AT&T's restructuring of its proposed language on trunk groups is without merit: there is simply no requirement that a petitioner for arbitration under section 252(b) must present the Arbitrator with the same language discussed during previous voluntary negotiations.

¹³⁵ See Verizon Network Architecture Reply at 12.

¹³⁶ See AT&T Brief at 70, citing AT&T's November Proposed Agreement to Verizon, Sch. 4, Part C.

¹³⁷ See AT&T Reply at 33-34. AT&T also disputes Verizon's concerns that AT&T's use of the term ESIT carries any slamming implications. See *id.* at 34. According to AT&T, both parties have agreed that intrastate toll traffic will be carried to the end user's chosen intraLATA toll provider, over the exchange access trunks corresponding to that particular provider.

¹³⁸ See AT&T Brief at 69.

¹³⁹ See *id.* at 67. AT&T explains that its language merely allows the parties to *agree mutually* to grandfather existing interconnection arrangements while they transition to new ones.

- We disagree with Verizon's contention that AT&T's language allowing it to interconnect at any technically feasible point is too broad and vague.¹⁴⁰ AT&T's proposed language restates its rights under the Act and the Commission's implementing rules, and lists several examples ("tandems, end offices, outside plant and customer premises") of what might constitute technically feasible points.¹⁴¹
- We reject Verizon's objection that AT&T's proposed language offers Verizon fewer interconnection options than for itself. The standards governing incumbent LEC interconnection under section 251(c)(2) of the Act simply do not apply to competitive entrants like AT&T.
- We find Verizon's objection to AT&T's use of the term ESIT to be lacking. As AT&T explains, the use of this term merely recognizes the parties' agreement to exchange 251(b)(5) traffic and toll traffic on the same trunk groups, applying a percentage of use factor to determine the portion of traffic subject to reciprocal compensation and the portion subject to access charges. Verizon fails to explain how this does violence to Virginia's regime governing intrastate access.
- We reject Verizon's claim that AT&T's proposes an unnecessarily rigid and unworkable plan for implementing network reconfigurations consistent with the contract language adopted herein. Verizon offers no support for its claim – for example, it does not explain why AT&T's proposed 45-day timeline for developing an implementation plan is unworkable. AT&T's proposed timetable appears reasonable and, even if the target dates to be impractical, the proposal envisions using the contract's dispute resolution process in the event any deadlines are missed.
- With respect to AT&T's language governing trunk conversion costs, we find that AT&T's modified language adequately addresses Verizon's stated concern that AT&T would require Verizon to pay AT&T's costs for trunk conversion.
- We reject Verizon's arguments that AT&T's language allowing it to interconnect at any technically feasible point, including a customer premises (*i.e.*, intra-building interconnection), discriminates against other carriers. Technically feasible interconnection is the right of every competitive entrant. The fact that AT&T in some instances, by the development of historical events, maintains wire centers on the same premises as Verizon hardly renders its proposed language discriminatory against other carriers.

2. Issues I-2/VII-5 (Distance-Sensitive Rates and Transport of Verizon Traffic from the IP to the POI)

¹⁴⁰ See AT&T's November Proposed Agreement to Verizon, Sch. 4, Part A, § 1.1.

¹⁴¹ See 47 U.S.C. § 251(c)(2); 47 C.F.R. § 51.305.

a. Introduction

58. Verizon proposes language that would preclude petitioners from charging it distance-sensitive rates for "entrance facilities," in order to limit its transport costs in the event that it does not prevail on Issue I-1. These "entrance facilities" are interconnection facilities petitioners provide to Verizon that are used to transport Verizon-originated traffic to the petitioners' networks.¹⁴² Verizon argues its proposed language would limit its transport costs in LATAs where a petitioner establishes only one, or few, points of interconnection (POIs). With respect to WorldCom, and as discussed in Issue I-1, Verizon seeks to include language requiring WorldCom to establish an interconnection point (IP) with Verizon, separate from the physical POI. The IP, rather than the POI, would serve as the demarcation of Verizon's financial responsibility for further transport of traffic.¹⁴³ Petitioners oppose Verizon's proposed language.¹⁴⁴ We reject Verizon's proposed language.

b. Positions of the Parties

59. AT&T opposes Verizon's language; it proposes no language of its own. AT&T believes that Issue I-2 presents the question of price caps for competitive LEC services, which, it argues under Issue I-9, are inconsistent with law.¹⁴⁵ Thus, AT&T argues that it should be able to

¹⁴² The following sections of Verizon's proposed contracts raise the distance-sensitive rate issue. With respect to AT&T, under Issue VII-5: Verizon's November Proposed Agreement to AT&T, § 4.2.7; see Verizon Network Architecture (NA) Brief at 17, n.32. At the hearing, counsel for Verizon stated that Issue VII-5 is the same as Issue I-2. See Tr. at 2708-09. With respect to Cox for Issue I-2: Verizon's November Proposed Agreement to Cox, §§ 4.3.8, 4.5.3; see Verizon NA Brief at 17, n.32; see also Cox Objection and Request for Sanctions at Exhibit 3. Verizon's November Proposed Contract to Cox, § 4.2.4, which Cox also identifies as at issue (see Second Revised Joint Decision Point List, Network Architecture (Nov. 2, 2001), at 26), was withdrawn by Verizon in its November contract filing. See Verizon November Proposed Agreement to Cox, at 17-18. With respect to WorldCom: Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., § 2.1.3.5.1; see Verizon NA Brief at 17, n.32. WorldCom explains, however, that the "distance-sensitive rate" aspect of Issue I-2 is inapplicable to it because Verizon brings traffic on its own facilities to the point of interconnection with WorldCom. See n.165, *infra*. WorldCom also contests Verizon's proposed § 2.1.3.5.1 as part of the general language contested under Issue I-1. See Second Revised Joint Decision Point List, Network Architecture, Issue I-1, at 17.

¹⁴³ As discussed below, WorldCom frames its Issue I-2 differently than AT&T and Cox and, accordingly, challenges under Issue I-2 a different portion of Verizon's proposed contract, which it also challenges under Issue I-1. See Second Revised Joint Decision Point List, Network Architecture, Issue I-1, at 18-19 (challenging Verizon proposed §§ 7.1.1.2, 7.1.1.3, 7.1.1.3.1, 7.1.3), Issue I-2, at 24-25 (same).

¹⁴⁴ In November, Verizon modified its proposed language to Cox. See Verizon's November Proposed Agreement to Cox, § 4.5.3; see also Cox Objection and Request for Sanctions at Exhibit 3 (comparing Issue I-2 language in Revised Joint Decision Point List with Issue I-2 language in Second Revised Joint Decision Point List). Cox filed an Objection and Request for Sanctions, arguing that this language introduces a new approval requirement. See Cox Objection and Request for Sanctions at 2, 11-12.

¹⁴⁵ With respect to Issue I-2, AT&T consistently has cross-referenced its Issue I-9 argument. See, e.g., AT&T Ex. 4 (Direct Testimony of R. Kirchberger), at 3; AT&T Statement of Unresolved Issues at 280-81. Neither AT&T nor Verizon identified in any of the Joint Decision Point Lists any language from either party's proposed contract as at (continued....)

recover its distance-sensitive charges for any transport it provides from Verizon's network to its own.¹⁴⁶ As in Issue I-1, AT&T argues that each party has the financial obligation to deliver its originating traffic to the POI. This means that Verizon must fully compensate AT&T for costs that AT&T incurs to deliver Verizon-originated traffic to that point (*i.e.*, if Verizon uses AT&T entrance facilities for this purpose).¹⁴⁷ Accordingly, AT&T objects to Verizon's proposed language that precludes distance-sensitive rates.¹⁴⁸ Verizon's complaint that it is hostage to paying AT&T transport ignores the reality that Verizon is the incumbent with the ubiquitous network and rarely needs to lease facilities from any carrier, a point which Verizon conceded at the hearing.¹⁴⁹

60. Cox argues that Verizon's proposal would create an asymmetrical relationship. Verizon would bar Cox from charging distance-sensitive rates for the transport of Verizon-originated traffic over Cox facilities,¹⁵⁰ but would still charge Cox distance-sensitive rates for carrying Cox-originated traffic over Verizon's transport facilities.¹⁵¹ Cox argues that asymmetrical rates are not justified in this matter for three reasons. First, Cox notes that it has proposed language under which Verizon could self-provision transport up to the "entrance facility point" for Cox's switching offices (*i.e.*, up to the Verizon wire center closest to the Cox switch).¹⁵² Cox estimates that in Virginia the distance between its switch and the nearest Verizon serving wire center does not exceed four miles.¹⁵³ Thus, if Verizon chooses this alternative, it would pay Cox no more than a four-mile entrance facility charge. Verizon's witness acknowledged that this is a reasonable distance for which to pay transport charges.¹⁵⁴ Second, Cox argues, the fact that the current and proposed agreements both allow for mid-span meets

(Continued from previous page)

issue under Issue I-2. As noted, at the hearing, counsel for Verizon stated that Issue VII-5, which is a Verizon-designated AT&T issue, is the same as Issue I-2. *See* Tr. at 2708-09.

¹⁴⁶ *See* Tr. at 2707.

¹⁴⁷ *See* AT&T Brief at 73.

¹⁴⁸ *See* Verizon's November Proposed Agreement to AT&T, § 4.2.7.

¹⁴⁹ AT&T Brief at 73 n.247, citing Tr. at 1237-38. Moreover, as discussed with respect to Issue V-2, AT&T claims that, when the situation is reversed and AT&T purchases transport from Verizon for the same purpose, Verizon wants to charge AT&T distance-sensitive, market-based exchange access rates – Verizon's highest tariffed rate. *Id.* This, AT&T argues, is clearly inequitable. *Id.*

¹⁵⁰ *See* Cox Brief at 17.

¹⁵¹ *See* Cox Brief at 17, citing Tr. at 1255-56; Verizon Ex. 18 (Rebuttal Testimony of D. Albert and P. D'Amico), at 12.

¹⁵² *See* Tr. at 1021-23; Cox Ex. 1 (Direct Testimony of F. Collins), at 11-12; *see also* Cox November Proposed Agreement to Verizon, § 4.3.4.

¹⁵³ Cox Brief at 17, citing Cox Ex. 2 (Rebuttal Testimony of F. Collins), at 13; Tr. at 1028-29.

¹⁵⁴ Cox Brief at 17-18, citing Tr. at 1259.

largely eliminates Verizon's concerns because Verizon can control when and if it will pay distance-sensitive rates to Cox.¹⁵⁵ Third, although Verizon argues that elimination of mileage-sensitive rates is essential to protect it from the situation in which a competitive LEC chooses a single POI in a LATA and places it far distant from the Verizon end-office, Cox has already agreed to multiple IPs in Virginia. Accordingly, Cox asserts, the problem of the single POI does not exist with respect to Cox.¹⁵⁶ Allowing Verizon to charge Cox distance-sensitive rates, while denying Cox the same opportunity, forces Cox to subsidize Verizon's services.¹⁵⁷

61. Moreover, Cox argues, several regulatory control mechanisms already ensure that Cox's rates are reasonable. These include common carrier rules requiring nondiscriminatory rates and state and federal regulatory oversight of Cox's rates and practices.¹⁵⁸ Verizon has admitted that it does not deem any of Cox's rates to be unreasonable and has never challenged them before a regulatory body.¹⁵⁹

62. Finally, Cox argues, Verizon's November VGRIPs language, which also would give Verizon the sole right to designate IPs (while continuing to limit Cox to non-distance-sensitive charges),¹⁶⁰ violates two settled Commission policies.¹⁶¹ First, it is contrary to the Commission's determination that competitive LECs are permitted to choose their POIs.¹⁶² Second, it would require the Commission to revise its policy of treating Cox and Verizon as co-carriers and treat Cox as a subservient carrier.¹⁶³ Cox contends the Commission has stated that each carrier derives a benefit from interconnection and each should be required to bear the reasonable cost of it.¹⁶⁴

¹⁵⁵ Cox Brief at 18, citing Tr. at 1022-24.

¹⁵⁶ Cox Brief at 18, citing Tr. at 1252-53.

¹⁵⁷ Cox Brief at 19.

¹⁵⁸ Cox Reply at 11-12.

¹⁵⁹ Cox Reply at 12, citing Cox Exhibits 22-24 (the only Cox rate Verizon deems unreasonable is a late fee; Verizon has not filed a complaint against Cox but would do so if it deemed Cox rates unreasonable).

¹⁶⁰ See Cox Objection and Request for Sanctions at Exhibit 3 (comparing Issue 1-2 language in Revised Joint Decision Point List with Issue 1-2 language in Second Revised Joint Decision Point List).

¹⁶¹ Cox Reply at 11.

¹⁶² See Cox Brief at 19, citing *Local Competition First Report and Order*, 11 FCC Rcd at 15608-09; 47 C.F.R. § 51.305(a); Cox Reply at 11.

¹⁶³ Cox Reply at 11, citing *Local Competition First Report and Order*, 11 FCC Rcd at 15981[sic. 15781, para. 553].

¹⁶⁴ Cox Brief at 17, citing *Local Competition First Report and Order*, 11 FCC Rcd at 15981[sic. 15781, para. 553].

63. According to WorldCom, Issue I-2 is different from Cox's Issue I-2 and does not concern distance-sensitive charges.¹⁶³ WorldCom states that, in a co-carrier environment, Verizon is responsible for delivering its traffic to the physical POI.¹⁶⁴ Under Verizon's proposed section 7.2 to WorldCom, however, WorldCom would be obligated to receive Verizon-originated traffic at points that Verizon designates as "WorldCom IPs" and then would be required to provide transport and termination of Verizon's traffic from that point.¹⁶⁵ Under Verizon's proposal, typically, a "WorldCom IP" would be at a point on Verizon's network before the POI, and WorldCom would not be able to assess charges other than reciprocal compensation for terminating traffic from the WorldCom IP.¹⁶⁶ Accordingly, WorldCom would have to provide "free transport" to Verizon between the WorldCom IP and the POI.¹⁶⁷ Reciprocal compensation does not reimburse WorldCom for the cost of this transport between the WorldCom IP and the POI,¹⁷⁰ because reciprocal compensation only recovers the cost of tandem switching by the terminating carrier, transport from that carrier's tandem to the terminating office, and end-office switching.¹⁷¹

64. Verizon argues that if the Commission does not accept the VGRIPs proposal, it should permit Verizon to address its legitimate transport concerns by preventing the petitioners

¹⁶³ WorldCom Brief at 18 n.12. WorldCom explains that under the parties' current arrangement, Verizon is "able to self-provision facilities for the delivery of its traffic to WorldCom, and there is no factual basis for its proposal to limit WorldCom's transport charges to a non-distance-sensitive charge." WorldCom Reply at 19. Accordingly, Verizon's proposal to limit transport charges to a non-distance-sensitive charge is inapplicable to WorldCom.

¹⁶⁶ WorldCom Brief at 19 n.13.

¹⁶⁷ See WorldCom Brief at 18 & n.12; Verizon's November Proposed Agreement to WorldCom, Interconnection Attach., § 7.2 (compensation for transport and termination of § 251(b)(5) traffic shall be at the rates stated in the Pricing Attachment which "are to be applied at the MCI-IP for traffic delivered by Verizon for termination by MCI Except as expressly specified in this Agreement, no additional charges shall apply for the termination from the IP to the customer" of such traffic). Section 7.2 was not identified by either party in the Joint Decision Point Lists as at issue under either Issue I-1 or I-2.

¹⁶⁸ See WorldCom Brief at 18, citing WorldCom Ex. 3 (Direct Testimony of D. Grieco and G. Ball) at 28. The IP is either a Verizon end office or multiple Verizon tandems. These are not the POI in a multi-tandem LATA. WorldCom Brief at 18-19, citing WorldCom Ex. 3, at 29.

¹⁶⁹ WorldCom Brief at 18, citing WorldCom Ex. 3, at 28.

¹⁷⁰ *Id.*

¹⁷¹ *Id.* at 19. Moreover, WorldCom argues, if it were, for example, to provide transport of Verizon traffic between a Verizon end-office (one potential manifestation of the WorldCom IP) and the POI at the Verizon tandem -- an average distance of ten miles in Virginia -- WorldCom should be able to charge for this transport service. WorldCom Brief at 19, citing WorldCom Ex. 3, at 28-29; WorldCom Reply at 20, citing WorldCom Ex. 15 (Rebuttal Testimony of D. Grieco and G. Ball), at 30-31. Further, any restriction on such a charge, such as limiting it to a non-distance-sensitive charge, would be unreasonable. See WorldCom Reply at 20. WorldCom would be providing transport over some distance, and limiting WorldCom's ability to levy a reasonable charge would force WorldCom to provide transport at below cost rates. See *id.*

from charging it distance-sensitive rates for transport.¹⁷² It claims that its proposal protects it from being penalized if a competitive LEC locates only one or a limited number of POIs in the LATA.¹⁷³ Through its proposal, Verizon seeks options, just as the competitive LECs have options, to limit the costs of interconnection. If the competitive LECs can unilaterally dictate the location of the POI without assuming any financial responsibility for that choice, refuse to provide collocation,¹⁷⁴ and unilaterally dictate how to establish the mid-span meet,¹⁷⁵ Verizon has no options other than to purchase transport from the competitive LECs.¹⁷⁶ Verizon's proposal would preclude petitioners from charging excessive rates when Verizon delivers its traffic to a distant competitive LEC POI.¹⁷⁷

65. In response to Cox's claim that it should be treated as a co-carrier, Verizon argues that Cox only wants such treatment when it is to Cox's benefit.¹⁷⁸ Verizon should be given the same choices as competitive LECs.¹⁷⁹ Consistent with petitioners' desire to be treated as "co-carriers," they should be willing to offer Verizon the same opportunities they have to limit interconnection costs.¹⁸⁰ Otherwise, petitioners should not be permitted to charge Verizon distance-sensitive rates for transport because Verizon's choice as to where it may deliver traffic is limited.¹⁸¹ Verizon's lack of interconnection choices, combined with the competitive LECs' option to choose whatever interconnection method they desire, could operate to maximize Verizon's costs.¹⁸²

c. Discussion

¹⁷² Verizon NA Brief at 16.

¹⁷³ Verizon NA Brief at 16-17, citing Tr. at 1255, 18; *see also* Tr. at 2708-05.

¹⁷⁴ *See infra*, Issue I-3.

¹⁷⁵ Verizon says if it were able to establish mid-span meets with competitive LECs on terms and conditions agreeable to Verizon, then the mid-span meet would obviate the need for Verizon to collocate, but argues that the competitive LECs also want the unilateral ability to dictate how to accomplish the mid-span meet. Verizon NA Reply at 11, citing Issue III-3.

¹⁷⁶ Verizon NA Brief at 17; Verizon NA Reply at 11 n.32.

¹⁷⁷ *See* Verizon NA Brief at 17.

¹⁷⁸ Verizon NA Reply at 10, citing Cox Brief at 17.

¹⁷⁹ Verizon NA Reply at 11.

¹⁸⁰ *Id.* at 12.

¹⁸¹ *Id.* at 11.

¹⁸² *Id.* at 18.

66. Consistent with our decisions on Issues I-1 and I-9, we rule for petitioners on this issue. In Issue I-1, we rejected Verizon's GRIPs and VGRIPs proposals. Accordingly, and for the reasons we articulate under Issue I-1, we reject Verizon's proposal to WorldCom to establish an IP that is distinct from the POI.¹⁸³ We also will not prohibit distance-sensitive rates when Verizon uses petitioners' facilities to transport traffic originating on its network to petitioners' networks. Accordingly, we reject Verizon's proposed language.¹⁸⁴

67. Verizon's contract proposals on Issue I-2 arise out of its complaints about the rules concerning where a carrier must deliver traffic originating on its network to the terminating carrier. Specifically these rules establish that: (1) competitive LECs have the right, subject to questions of technical feasibility, to determine where they will interconnect with, and deliver their traffic to, the incumbent LEC's network¹⁸⁵; (2) competitive LECs may, at their option, interconnect with the incumbent's network at only one place in a LATA¹⁸⁶; (3) all LECs are obligated to bear the cost of delivering traffic originating on their networks to interconnecting LECs' networks for termination¹⁸⁷; and (4) competitive LECs may refuse to permit other LECs to collocate at their facilities.¹⁸⁸

68. One result of these rules, which Verizon addresses in Issue I-2, is that sometimes Verizon must pay petitioners for transporting Verizon-originated traffic from the place where

¹⁸³ Thus, we reject section 4.5.3 of Verizon's November Proposed Agreement to Cox, which requires Cox to provide additional IPs in a LATA upon request. Because we reject Verizon's VGRIPs proposal, and find in favor of petitioners on Issue I-2, we deny as moot Cox's Objection and Request for Sanctions with respect to this issue. Further, because we reject Verizon's VGRIPs proposal, we also reject Verizon's proposed language to WorldCom in section 7.2. See Verizon's November Proposed Agreement to WorldCom, Interconnection Attach., § 7.2.

¹⁸⁴ Thus, in addition to the VGRIPs language we reject above, we reject Verizon's November Proposed Agreement to AT&T, § 4.2.7; Verizon's November Proposed Agreement to Cox, §§ 4.3.8 and 4.5.3; and Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., §§ 2.1.3.5.1 and 7.2. Because we reject Verizon's VGRIPs proposal, and find in favor of petitioners on Issue I-2, we deny as moot Cox's Objection and Request for Sanctions with respect to this issue.

¹⁸⁵ 47 U.S.C. § 251(c)(2); 47 C.F.R. § 51.305(a); *Local Competition First Report and Order*, 11 FCC Rcd at 15608, para. 209.

¹⁸⁶ See *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, 16 FCC Rcd 9610, 9634, 9650-51, paras. 72, 112 (2001) (*Intercarrier Compensation Rulemaking*); *SWBT Texas 271 Order*, 15 FCC Rcd 18354, 18390 at para. 78 & n.170.

¹⁸⁷ This precept stems from rules 51.703(b) and 51.709(b), which on the one hand preclude all LECs from charging other carriers for local traffic that the LEC originates, 47 CFR § 51.703(b), and on the other hand permit carriers providing transmission facilities between two networks to recover from the interconnecting carrier "only the costs of the proportion of that trunk capacity used by [the] interconnecting carrier to send traffic that will terminate on the providing carrier's network." 47 CFR § 51.709(b)(emphasis added); see also *Local Competition First Report and Order*, 11 FCC Rcd at 16027-28, para. 1062.

¹⁸⁸ See *infra*, Issue III-3.

petitioners interconnect with Verizon's network to the petitioners' networks.¹⁸⁹ Thus, using Cox as an example, because Cox has statutory rights to choose the point where it interconnects with Verizon, and to collocate at a Verizon facility, the interconnection facility between Verizon's network and Cox's network may be owned by Cox. But, Verizon complains, because it does not have reciprocal statutory rights, if Cox is unwilling to let it collocate, Verizon cannot build its own interconnection facility to deliver its traffic to Cox's network.¹⁹⁰ In that case, in order to deliver its traffic to Cox, Verizon may have to purchase transport from Cox and pay a distance-sensitive rate component. Verizon complains about the distance-sensitive pricing of these transport facilities in Issue I-2. Because Cox chooses the interconnection point between the two networks, Verizon cannot control the distance over which it may be required to purchase transport.

69. Although we recognize, as we did in Issue I-1, that Verizon raises serious concerns about the apportionment of costs caused by competitive LECs' choice of points of interconnection,¹⁹¹ we do not believe that limiting competitive LECs' transport charges for carrying Verizon-originated traffic is the appropriate way to address these concerns. Rather, we agree with AT&T that, by limiting the rates that petitioners charge for facilities that are used by Verizon to transport Verizon-originated traffic, Verizon's proposal would effectively constitute a price cap for competitive LEC services. As we discuss with respect to Issue I-9, however, the Bureau, acting as the Virginia Commission in this proceeding, is authorized by section 252 to determine just and reasonable rates to be charged by Verizon, not petitioners.¹⁹² Accordingly, here, we cannot limit petitioners' rates for these transport facilities. To the extent that it believes that petitioners' rates for these facilities, including the distance-sensitive rate component, are unjust and unreasonable, Verizon may challenge them in proceedings before the Virginia

¹⁸⁹ As discussed in Issue I-1, Verizon argues that the place where the competitive LECs interconnect with Verizon's network is not necessarily the location where Verizon would choose to route its traffic, particularly if that location is distant from the place where the traffic originates on Verizon's network. Thus, in Issue I-1, Verizon argues that it could be inconvenient and expensive for Verizon to route, across its own facilities, all traffic destined for the place where the competitive LEC chooses to interconnect with Verizon (which could also be, at the competitive LECs' option, the only point of interconnection in that LATA). In Issue I-1, Verizon seeks to limit transport over its own facilities. Specifically, in Issue I-1, and with respect to WorldCom in Issue I-2, Verizon seeks to require the competitive LECs either to physically pick up the Verizon traffic at an earlier point on Verizon's network or to pay Verizon for carrying the Verizon traffic across its own network to the competitive LEC network. In Issue I-1, we rejected this aspect of Verizon's proposal.

¹⁹⁰ See Tr. at 1134-36; Verizon NA Brief at 17-18; Verizon NA Reply at 9-10. We note that the Verizon witness testified that it need not always collocate to interconnect at the CLEC switch. See Tr. at 1143-44; see generally *id.* at 1137-44.

¹⁹¹ See *supra*, Issue I-1.

¹⁹² See *infra*, Issue I-9.

Commission.¹⁹³ Also, Verizon may advocate alternative payment regimes before the Commission in the pending *Inter-carrier Compensation Rulemaking* docket.¹⁹⁴

70. Moreover, although Verizon complains that it should not be forced to buy transport from petitioners, we note that this is not the only method that Verizon uses to deliver its traffic to them. Cox presented evidence showing that, under its current agreement with Verizon, the parties interconnect and exchange a substantial amount of traffic through a mid-span meet, under which each party transports its own traffic up to the meet point.¹⁹⁵ Cox also states that it has agreed with Verizon to include mid-span meet interconnection provisions in the parties' new agreement, which will permit Verizon to continue to control its costs and engineer and provision its own facilities.¹⁹⁶ The Verizon witness did not dispute this testimony.¹⁹⁷ In Issue III-3, we decide the terms under which AT&T and WorldCom may establish mid-span meets with Verizon.¹⁹⁸

71. Finally, although it is true that the statute permits competitive LECs to choose where they may deliver their traffic to the incumbent,¹⁹⁹ carriers do not always deliver originating traffic and receive terminating traffic at the same place.²⁰⁰ The "single point of interconnection" rule benefits the competitive LEC by permitting it to interconnect for delivery of its traffic to the incumbent LEC network at a single point. It does not preclude the parties from agreeing that the incumbent may deliver its traffic to a different point or additional points that are more convenient for it. It appears from the record that AT&T and Cox have offered to negotiate such additional

¹⁹³ See *id.* As we note in our discussion of Issue I-9, Verizon has presented no evidence that any of the petitioners are charging it unreasonable rates and, with respect to Cox, has admitted it would challenge any unreasonable rates.

¹⁹⁴ *Inter-carrier Compensation Rulemaking*, 16 FCC Rcd 9610.

¹⁹⁵ See Tr. at 1022; 1260; Cox Ex. 2, at 13.

¹⁹⁶ See Cox Ex. 1, at 12, citing Cox Proposed Agreement to Verizon at § 4.4. Cox also demonstrated that it currently offers two interconnection points in the Norfolk LATA, which is one of two LATAs in Virginia where these carriers currently interconnect. See Tr. at 1252-53; see also Cox's November Proposed Agreement to Verizon at § 4.2.3.

¹⁹⁷ See Tr. at 1260.

¹⁹⁸ See *infra*, Issue III-3.

¹⁹⁹ 47 U.S.C. § 251(c)(2).

²⁰⁰ The Commission's rules define "interconnection" as the "linking of two networks for the mutual exchange of traffic." 47 C.F.R. § 51.5. The parties' respective obligations to interconnect with each other, however, arise from different provisions of the Act. Incumbent LECs are required by section 251(c)(2) to permit any requesting telecommunications carrier to interconnect "for the transmission and routing of telephone exchange service and exchange access" with the incumbent's network "at any technically feasible point within the [incumbent] carrier's network." Non-incumbent carriers, on the other hand, are required by section 251(a)(1) "to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers."

points with Verizon.²⁰¹ WorldCom already permits Verizon to self-provision transport to WorldCom's facility.²⁰² To the extent that Verizon seeks prophylactically to "address future situations as well as other CLECs adopting this agreement,"²⁰³ we do not think that is appropriate in this proceeding, particularly given the evidence presented, and thus decline to do so.

3. Issue 1-3 (Reciprocal Collocation)

a. Introduction

72. Section 251(c)(6) of the Act requires incumbent LECs to permit the collocation of equipment at the incumbent's premises.²⁰⁴ Verizon seeks the reciprocal right to collocate equipment at the premises of AT&T, Cox, and WorldCom, so that it can reduce its costs of transporting traffic to their networks.²⁰⁵ The petitioners oppose this request. We reject Verizon's proposal.

b. Positions of the Parties

73. The petitioners assert that the Commission lacks authority to compel them to offer collocation to Verizon.²⁰⁶ They argue that the Commission's rules forbid state commissions from imposing incumbent LEC obligations on competitive LECs,²⁰⁷ and that several state commissions have held that competitive LECs cannot be required to offer collocation.²⁰⁸ They claim that Congress distinguished between incumbent LECs and competitive LECs in enacting the

²⁰¹ For example, AT&T's contract permits the parties to mutually agree to points where Verizon may interconnect with AT&T for delivery of its traffic, in addition to AT&T's switch. See AT&T's November Proposed Agreement to Verizon, Sch. 4, Part A, § 1.3, Part B § 2; see also AT&T Ex. 3 (Direct Testimony of D. Talbot & J. Schell, Jr.), at 139. Cox's witness testified that, in Virginia, Cox is willing to accept Verizon traffic from Verizon facilities within four miles from the Cox switch. See Tr. at 1021-23; see also Cox's November Proposed Agreement to Verizon at § 4.3.4. Verizon's witness agreed that was a reasonable distance. Tr. at 1259. In this regard we note that both parties have a duty to negotiate in good faith the terms and conditions of interconnection agreements. 47 U.S.C. § 251(c)(1).

²⁰² See WorldCom Reply at 19.

²⁰³ See Tr. at 1261-62.

²⁰⁴ 47 U.S.C. § 251(c)(6).

²⁰⁵ Verizon's November Proposed Agreement to AT&T, §§ 4.2.2.3, 13.5; Verizon's November Proposed Agreement to Cox, §§ 4.3.4 (to the extent it addresses collocation), 4.3.5, 13.10; Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., §§ 2.1.3.3-2.1.3.4. See also Tr. at 1265-66 (testimony of Verizon witness Albert).

²⁰⁶ AT&T Brief at 31; Cox Brief at 20; WorldCom Brief at 20.

²⁰⁷ Cox Brief at 20-21, citing 47 C.F.R. § 51.223(a).

²⁰⁸ See, e.g., AT&T Brief at 33; Cox Brief at 21.

Telecommunications Act of 1996 based on the incumbents' market power, and that the Commission should not redraw Congress's blueprint for promoting competition.²⁰⁹ The petitioners state that, although they cannot be compelled to do so, they will allow Verizon to collocate at their premises in certain circumstances.²¹⁰

74. Verizon recognizes that section 251(c)(6) applies to incumbent LECs, not competitive LECs, and that the Act does not require the petitioners to offer collocation at their premises.²¹¹ Verizon maintains, however, that nothing in the Act prohibits the Commission from allowing Verizon to interconnect with the petitioners at their premises.²¹² According to Verizon, fairness dictates that it have interconnection choices comparable to those available to the competitive LECs.²¹³ Verizon states that the collocation rights it requests would reduce its costs of delivering its originating traffic to the petitioners' networks.²¹⁴ Verizon argues that the petitioners should allow Verizon to collocate at their premises and otherwise help minimize Verizon's transport costs.²¹⁵

c. Discussion

75. We reject Verizon's position and proposed contract language on this issue.²¹⁶ Verizon has not suggested any provision in the Act or the Commission's rules that requires petitioners to provide collocation to Verizon. Instead, Verizon argues that fairness dictates that it have collocation choices comparable to those available to competitive LECs.²¹⁷ Verizon's collocation obligations, however, arise primarily under section 251(c)(6) of the Act, which requires incumbent LECs, but not competitive LECs, to provide collocation to other carriers.²¹⁸ Indeed, in the *Local Competition First Report and Order*, the Commission decided not to impose

²⁰⁹ AT&T Brief at 31-33; Cox Brief at 21; WorldCom Brief at 20 n.15; WorldCom Reply at 22.

²¹⁰ AT&T Brief at 33-34; Cox Brief at 21; WorldCom Brief at 20 n.15.

²¹¹ Verizon NA Brief at 19; Verizon Ex. 4 (Direct Testimony of D. Albert & P. D'Amico), at 29; Tr. at 1263-65 (testimony of Verizon witness Albert).

²¹² Verizon NA Brief at 19; Tr. at 1263-65 (testimony of Verizon witness Albert).

²¹³ Verizon NA Brief at 19.

²¹⁴ *Id.* at 19-20; Verizon NA Reply at 11-12.

²¹⁵ Verizon NA Reply at 11-12.

²¹⁶ See Verizon's November Proposed Agreement to AT&T, §§ 4.2.2.3, 13.5; Verizon's November Proposed Agreement to Cox, §§ 4.3.4 (to the extent it addresses collocation), 4.3.5, 13.10; Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., §§ 2.1.3.3-2.1.3.4.

²¹⁷ Verizon NA Brief at 19.

²¹⁸ See *Verizon Pennsylvania Order*, 16 FCC Rcd at 17475, para. 102 (stating that the 1996 Act does not impose a collocation obligation on non-incumbents); Verizon NA Brief at 19.

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August 1, 2002

VIA HAND DELIVERY

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REDACTED -
For Public Inspection

Re: Application by Verizon Virginia Inc., Verizon Long Distance Virginia Inc., Verizon Enterprise Solutions Virginia Inc., Verizon Global Networks Inc., and Verizon Select Services of Virginia Inc., for Authorization To Provide In-Region, InterLATA Services in Virginia

Dear Ms. Dortch:

This is the cover letter for the Application by Verizon Virginia Inc., Verizon Long Distance Virginia Inc., Verizon Enterprise Solutions Virginia Inc., Verizon Global Networks Inc., and Verizon Select Services of Virginia Inc., for Authorization To Provide In-Region, InterLATA Services in Virginia ("the Application").

This Application contains confidential information. We are filing confidential and redacted versions of the Application.

1. The Application consists of (a) a stand-alone document entitled Application by Verizon Virginia for Authorization To Provide In-Region, InterLATA Services in Virginia ("the Brief"), and (b) supporting documentation. The supporting documentation is organized as follows:

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- a. Appendix A includes declarations and attachments thereto in support of the Brief;
 - b. Appendices B through P consist of various materials including selected portions of the Virginia Public Utilities Commission proceedings, third-party OSS evaluations, Carrier-to-Carrier Guidelines, interconnection agreements, and additional supporting documents;
 - c. Appendix Q consists of Carrier-to-Carrier reports, Trend Reports, and Summary Measurements Reports.
2. Specifically, we are herewith submitting for filing:
- a. One original of only the portions of the Application that contain confidential information (in paper form, except for certain materials that are being filed only on CD-ROM);
 - b. One original of a redacted Application (in paper form);
 - c. One copy of the redacted Application (in paper form);
 - d. Two CD-ROM sets containing the Brief and the supporting-documentation portion of the redacted Application; and
 - e. Four additional copies of the redacted Application (partly in paper form and partly on CD-ROM), so that each Commissioner may receive a copy.

3. We are also tendering to you certain copies of this letter and of portions of the Application for date-stamping purposes. Please date-stamp and return these materials.

4. Under separate cover, we are submitting copies (redacted as appropriate) of the Application to Ms. Janice Myles, Policy and Program Planning Division, Wireline Competition Bureau, Federal Communications Commission, Room 5-C-327, 445 12th Street, SW, Washington, D.C. 20554. We are also submitting copies (redacted as appropriate) to the Department of Justice, to the Virginia State Corporation Commission, and to Qalex (the Commission's copy contractor).

Thank you for your assistance in this matter. If you have any questions, please call me at 703-351-3860 or Steven McPherson at 703-351-3083.

Very truly yours,


Michael E. Glover

Encs.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of

Application by Verizon Virginia Inc.,
Verizon Long Distance Virginia Inc.,
Verizon Enterprise Solutions Virginia
Inc., Verizon Global Networks Inc., and
Verizon Select Services of Virginia
Inc., for Authorization To Provide
In-Region, InterLATA Services in
Virginia

WC Docket No. 02-214

APPLICATION BY VERIZON VIRGINIA FOR AUTHORIZATION TO PROVIDE
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ATTACHMENTS

Attachment A: Figures

- Exhibit 1. Verizon's Checklist Compliance in Virginia Under the 1996 Act
- Exhibit 2. Local Competition in Virginia
- Exhibit 3. Proportionate Facilities-Based CLEC Lines (at time of Application)
- Exhibit 4. Proportionate Facilities-Based Residential CLEC Lines (at time of Application)

Attachment B: Required Statements

Attachment C: Detailed Index of Appendices

APPENDICES

Appendix A: Declarations

- Volume 1. Tab A — Declaration of Paul A. Lacouture and Virginia P. Ruesterholz (Competitive Checklist)
- Volume 2. Tab B — Joint Declaration of Kathleen McLean, Raymond Wierzbicki, and Catherine T. Webster (Operations Support Systems)
- Volume 3. Tab C — Joint Declaration of Elaine M. Guerard, Julie A. Canny, and Marilyn C. DeVito (Performance Measurements)

Tab D — Joint Declaration of Robert W. Woltz, Jr., Patrick A. Garzillo, and Marsha S. Prosini (Pricing)

Tab E — Declaration of Susan C. Browning (Section 272 Compliance)

Tab F — Declaration of John A. Torre (Local Competition)

Appendices B-Q: State Record Material and C2C Reports. See Brief Attachment C.

INTRODUCTION AND SUMMARY

The local market in Virginia is open, the checklist is satisfied, and consumers are now entitled to the enormous benefits that experience has shown will follow from Verizon's entry into the long distance business. Verizon's Application to provide interLATA services originating in Virginia should be granted.

This Application presents a clear-cut case for approval because Verizon has taken the same extensive steps to open its local markets in Virginia as it has taken in *eight* other Verizon states — which contain *75 percent* of Verizon's access lines — where the Commission has found that Verizon satisfies the requirements of the 1996 Act in all respects. Verizon uses substantially the same processes and procedures to provide the various checklist items in Virginia as it uses in its 271-approved states — Pennsylvania, New Jersey, New York, Massachusetts, Rhode Island, Vermont, Maine, and Connecticut. And, as in all of those states, competitors in Virginia are using the various checklist items in commercial volumes to enter the local market through all three entry paths available under the Act.

As the facts on the ground demonstrate, local competition is thriving in Virginia. As of May 2002, competing carriers already served approximately 763,000 lines, more than *85 percent* of which were served in whole or in part over facilities they have deployed themselves. Indeed, Virginia has proportionately more *facilities-based* competition than *any* of the other states that have been granted section 271 authority, at the time applications were filed in those states. See Brief Att. A, Ex. 3. Virginia likewise has proportionately more facilities-based *residential* competition than any other 271-approved state. See id. Ex. 4. There are *three* cable operators in Virginia that are providing telephone service over their cable networks and that, along with other facilities-based carriers, collectively serve at least 192,000 residential lines. And, of course, these carriers *offer* service to a far greater number of households.

Moreover, as was the case in Verizon's prior applications, Verizon's operations support systems ("OSS") in Virginia are in place, operational, and handling large commercial volumes. For example, in 2001, Verizon's pre-ordering systems processed more than 2.1 million transactions in Virginia and its ordering systems processed more than 650,000 transactions. And in just the first six months of this year, Verizon's systems in Virginia processed more than 1.1 million pre-ordering transactions and more than 385,000 ordering transactions.

At the same time, Verizon's performance has been excellent across the board. Verizon measures its performance in providing access to the checklist items in Virginia under comprehensive performance measurements adopted by the Virginia State Corporation Commission ("SCC"). These measurements are predominantly the same as those developed in New York and that are in use both in New York and in many of Verizon's other 271-approved states. From April through June 2002 — the most recent three-month period for which data are available — Verizon's performance under the SCC-approved measurements demonstrates that it:

- met the intervals for providing interconnection trunks to CLECs *100 percent* of the time;
- met the intervals for providing physical collocation arrangements to CLECs *100 percent* of the time;
- completed more than *99 percent* of CLECs' platform orders, and *99 percent* of CLECs' stand-alone voice-grade loop orders, on time;
- completed more than *98 percent* of CLECs' hot-cut orders on time;
- met nearly *99 percent* of its installation appointments for CLECs' unbundled DSL-capable loops; and
- met more than *99 percent* of its installation appointments for CLECs' resale orders that did not require the dispatch of a Verizon technician, and more than *98 percent* of resale orders that did require a dispatch.

Verizon's real-world experience also is confirmed by an independent third-party test by KPMG that Verizon passed with flying colors. Acting under the supervision of the SCC, KPMG evaluated 545 different aspects of Verizon's systems, and found that Verizon satisfied the test criteria for all but three. On two of those three items, there was no problem with Verizon's systems; KPMG's findings were merely inconclusive due to an insufficient sample size in its test. And Verizon has fully resolved the issues relating to the third item identified by KPMG.

Just as Verizon's performance in Virginia clearly satisfies the requirements of the 1996 Act, so do its wholesale rates. The Virginia SCC established TELRIC-compliant rates for the vast majority of network elements — all those established by this Commission's Local Competition Order — including unbundled loops, switching, and transport. In addition, this Commission is establishing rates for all network elements in an arbitration proceeding that is now complete and awaiting a final decision. In the meantime, Verizon is charging TELRIC-compliant rates for all elements, including those that were not included in the SCC's UNE-pricing decision. Moreover, the loop rates in Virginia are TELRIC-compliant for the separate and independent reason that they satisfy the Commission's established benchmark standard when compared to the recently established New York rates. Finally, while the switching rates set by the SCC comply fully with this Commission's TELRIC rules, Verizon also has agreed to true-up these rates to the switching rates this Commission establishes in the arbitration proceeding. By ensuring that the rates CLECs ultimately pay for switching are the rates set by this Commission, this additional step eliminates any conceivable concerns about those rates.

Verizon also is subject to a Performance Assurance Plan in Virginia that parallels the plans in Verizon's 271-approved states, which the Commission found provide "strong assurance that the local market will remain open after [Verizon] receives section 271 authorization." And

the remedy payments at risk annually in Virginia are proportionately the same as the remedy amounts at risk under the plans in Verizon's 271-approved states.

As the Commission has recognized, Verizon's long distance entry also will produce enormous benefits. Indeed, actual experience proves that Verizon's entry will both promote local competition and create significant benefits for customers of long distance service.

Local competition has increased dramatically in those in-region states where Verizon and other Bell companies have been authorized to provide long distance service. In New York, for example, local competition exploded after Verizon's entry: competitors in New York served just over one million lines at the time of Verizon's application; today they serve more than three million lines. One independent consumer group has estimated that the increase in *local* competition as a result of Verizon's entry is saving consumers in New York up to *\$400 million per year*. And that same consumer group has estimated that the increase in *long distance* competition as a result of Verizon's entry is already saving consumers in New York up to nearly *\$300 million per year*.

By any measure, therefore, Verizon's entry into the long distance market in other states has greatly enhanced both local and long distance competition. Consumers in Virginia — where Verizon's local markets are open to the same degree as in these other states — are now entitled to receive these same benefits.

The Commission should grant this Application.

I. VERIZON'S APPLICATION SATISFIES THE REQUIREMENTS OF SECTION 271(c)(1)(A).

Verizon easily meets the requirements to file this Application under so-called "Track A."

See 47 U.S.C. § 271(c)(1)(A).¹ Whether they are viewed collectively or individually, competitors in Virginia are providing service predominantly over their own facilities to both residential and business subscribers. See Report of Alexander F. Skirpan, Jr., Hearing Examiner, Verizon Virginia Inc., To Verify with the Conditions Set Forth in 47 U.S.C. § 271(c), Case No. PUC-2002-00046, at 10 (July 12, 2002) ("Hearing Examiner's Report") (App. C, Tab 29) ("No party to this proceeding has challenged Verizon Virginia's assertion that it satisfies the requirements of § 271(c)(1)(A). There is no dispute that multiple competitors are providing telephone exchange service to residential and business customers either exclusively or predominantly over their own telephone facilities.").

On a collective basis, even by the most conservative of estimates, competing carriers in Virginia served at least 655,000 lines as of May 2002 either wholly or partially over facilities they deployed themselves (including in all cases their own switches), which is more than seven times the number they serve through resale. See Torre Decl. Att. 1, ¶ 4. As of that same date, competing carriers served approximately 192,000 *residential* lines using facilities they deployed themselves, which is more than six times the number of residential lines they served through resale. See *id.* Att. 1, ¶ 5. Overall, therefore, competing carriers in Virginia unquestionably are providing service on a predominantly facilities basis.

Moreover, just as this is true overall, it also is true of individual carriers. For example, looking just at four of the largest carriers in Virginia, they too are providing service

¹ Both Bell Atlantic and GTE were incumbent LECs in Virginia prior to the merger of these two companies to form Verizon; references to Verizon in Virginia mean the former Bell Atlantic serving area in Virginia.

predominantly over their own facilities to business and residential subscribers, both individually and collectively.

1. **AT&T.** — AT&T provides service to business and residential customers in Virginia using facilities it has deployed itself. See id. Att. 1, ¶ 23.² These facilities include AT&T's extensive cable network that reaches about 150,000 Virginia homes. See Torre Decl. Att. 1, ¶ 23, n.21. Although the information available to Verizon necessarily understates the number of facilities-based lines, AT&T serves approximately *** access lines in Virginia either wholly or partially over facilities it has deployed itself (including in all cases its own local switches). See id. Att. 1, ¶ 24. This includes approximately *** residential lines that AT&T appears to serve over its own cable network. See id. AT&T also serves approximately *** business lines and approximately *** residential lines through UNE platforms. See id.³

2. **Cox.** — Cox provides service to business and residential customers in Virginia using facilities it has deployed itself, including at least 1,800 route miles of fiber and three local circuit switches in Norfolk and Newport News. See Torre Decl. Att. 1, ¶ 27.⁴ Cox also provides service over its cable network in Hampton Roads, and parts of Newport News, Williamsburg, and Virginia Beach. See Torre Decl. Att. 1, ¶ 27. While the information available to Verizon necessarily understates the number of facilities-based lines, Cox serves approximately

² AT&T's interconnection agreement with Verizon was approved in 1997. See App. O, Tab 2.

³ As the Commission previously has held, lines served through unbundled network elements (including pre-assembled platforms of such elements) qualify as a competitor's own facilities for purposes of the Track A requirements. See Michigan Order ¶ 101; Kansas/Oklahoma Order ¶¶ 41-42.

⁴ Cox's interconnection agreement with Verizon was approved in 1997. See App. O, Tab 5.

*** access lines — including approximately *** residential lines — either wholly or partially over facilities that it has deployed itself (including in all cases its own local switches). See id. Att. 1, ¶ 28. Cox serves only *** business lines through resale. See id.

3. **Comcast.** — Comcast provides service to business and residential customers in Virginia using its cable network in northern Virginia. See id. Att. 1, ¶ 29.⁵ While the information available to Verizon necessarily understates the number of facilities-based lines, Comcast serves approximately *** access lines — including approximately *** residential lines — either wholly or partially over facilities that it has deployed itself (including in all cases its own local switches). See Torre Decl. Att. 1, ¶ 30. Comcast does not appear to serve any customers in Virginia through resale. See id.

4. **Cavalier.** — Cavalier Telephone offers local services in Virginia to business and residential customers using its own extensive networks that include three local switches and at least 450 route miles of fiber. See id. 1, ¶ 25.⁶ While the information available to Verizon necessarily understates the number of facilities-based lines, Cavalier serves approximately *** access lines — including more than *** residential lines — either wholly or partially over facilities that it has deployed itself (including in all cases its own local switches). See Torre Decl. Att. 1, ¶ 26. In contrast, Cavalier serves only *** lines via resale, only *** of which serve residential customers. See id.

⁵ Comcast is the successor to Jones Intercable's interconnection agreement with Verizon, which was approved in 2001. See App. O, Tab 5.

⁶ Cavalier's interconnection agreement with Verizon was approved in 1999. See App. O, Tab 3.

II. VERIZON SATISFIES ALL REQUIREMENTS OF THE COMPETITIVE CHECKLIST.

Verizon unquestionably satisfies the requirements of the competitive checklist in Virginia. Verizon is making all 14 checklist items available on substantially the same terms and using substantially the same processes and procedures as it uses in its eight other 271-approved states — states that contain 75 percent of Verizon's total access lines. See Lacouture/Ruesterholz Decl. ¶ 8.⁷

Verizon also is providing each of the checklist items in large commercial quantities. For example, as of June 2002, Verizon had provided competing carriers in Virginia with approximately 233,000 interconnection trunks; 198,000 unbundled loops (including DSL loops and platforms); 87,000 resold lines; 397,000 directory listings; 518,000 ported numbers; and 590 in-service collocation arrangements. See Lacouture/Ruesterholz Decl. ¶¶ 17, 50, 94, 322, 356, 372; Brief Att. A, Ex. 1.

Moreover, Verizon provides service to CLECs in Virginia using the same interfaces and gateway systems as it uses in 271-approved states. See McLean/Wierzbicki/Webster Decl. ¶ 8.⁸ With the enactment of the 1996 Act, Verizon was required to develop many new wholesale interfaces, systems, and processes for competing carriers, and Verizon has taken part in industry collaborative proceedings to help it develop these systems. See McLean/Wierzbicki/Webster Decl. ¶ 24. Using input from these proceedings, Verizon developed a common set of wholesale

⁷ There currently is no ongoing litigation under 47 U.S.C. § 252(c)(6) that relates to Verizon's approved interconnection agreements in Virginia.

⁸ See also First Louisiana Order ¶¶ 1, 3 (where an aspect of an applicant's checklist showing is "materially indistinguishable" from a showing in another state, the Commission will use its prior determination "as a starting point for [its] review" and "review any new data or information" from the parties only "to determine whether a different result is justified"); Second Louisiana Order ¶ 56 (where BOC "provides access to a particular checklist item through a region-wide process, such as its OSS, [the Commission] will consider both region-wide and state specific evidence in [its] evaluation of that checklist item").

interfaces and gateway systems across the entire footprint of the former Bell Atlantic — including Virginia and the other 271-approved states. See id. And, of course, the Commission has already found that these interfaces, gateways, processes, and procedures meet all the requirements of the Act. See Pennsylvania Order ¶ 11; New Jersey Order ¶ 75; New York Order ¶ 82; Massachusetts Order ¶¶ 50, 70, 90, 95, 97, 102; Rhode Island Order ¶¶ 58-71; Vermont Order ¶¶ 39-40; Maine Order ¶ 35; Connecticut Order ¶ 51.⁹

While the underlying OSS in Virginia differ in some respects from those in Verizon's 271-approved states, they are just as checklist compliant. The former Bell Atlantic service area in Virginia is now served by Verizon Virginia, which historically was part of the Chesapeake and Potomac ("C&P") Telephone Company. See McLean/Wierzbicki/Webster Decl. ¶ 26.¹⁰ There is a single set of OSS serving Virginia and the other former C&P states. See McLean/Wierzbicki/Webster Decl. ¶ 26. Like the systems in Verizon's 271-approved states, the systems serving Virginia and the other C&P states are handling significant commercial volumes with a high degree of quality. These systems also have been subject to a third-party test by KPMG that Verizon passed with flying colors.

⁹ During the course of the state proceedings, AT&T argued that Verizon should be required to demonstrate compliance with the checklist in the former GTE territory in Virginia. As the Commission has held, however, "the Act does not require Verizon to make a showing of checklist compliance with respect to the former GTE operating company . . . in order to obtain section 271 authorization." Pennsylvania Order ¶ 8; see also id. ¶ 134. That determination — which AT&T has not appealed — is clearly correct because the checklist applies only to BOCs, see 47 U.S.C. § 271(d)(3)(A), and the former GTE local operating companies in Virginia are not themselves BOCs, but rather "affiliate[s]" of BOCs, see id. § 153(4)(C).

¹⁰ The other C&P jurisdictions are Maryland, West Virginia, and the District of Columbia. See McLean/Wierzbicki/Webster Decl. ¶ 26. When the Bell System was broken apart in 1984, C&P became part of Bell Atlantic, together with the Bell operating companies serving Pennsylvania, New Jersey, and Delaware. Bell Atlantic then merged with NYNEX (which served New York, Connecticut, Massachusetts, Rhode Island, Maine, Vermont, and New Hampshire) in 1997, and the combined company retained the Bell Atlantic name.

Moreover, the Virginia SCC has conducted a comprehensive investigation of Verizon's checklist compliance that is entitled to maximum deference under the Commission's well-settled precedent.¹¹ In Virginia, the formal docket in the SCC's section 271 proceeding has seen submissions totaling thousands of pages from at least 11 main parties other than Verizon; it involved five days of hearings, filling more than 1,300 pages of transcript. The SCC also relied on the extensive work that it performed in other dockets, including a proceeding to establish wholesale rates. See infra pp. 45-51. The SCC's evaluation contained all of the elements that the Commission has found to "exemplif[y] the way in which rigorous state proceedings can contribute to the success of a section 271 application." New York Order ¶ 8. In particular, the SCC conducted an extensive proceeding with "full and open participation by all interested parties," id.; supervised "extensive independent third party testing" of Verizon's OSS, id.; adopted "clearly defined performance measures and standards," id.; and adopted "performance assurance measures that create a strong financial incentive for post-entry compliance," id. See also, e.g., Massachusetts Order ¶ 2; Pennsylvania Order ¶ 3; New Jersey Order ¶ 2.¹² Based on this extensive investigation, the SCC's Hearing Examiner released a 170-page report that

¹¹ See, e.g., New York Order ¶ 51 ("Given the 90-day statutory deadline to reach a decision on a section 271 application . . . where the state has conducted an exhaustive and rigorous investigation into the BOC's compliance with the checklist, we may give evidence submitted by the state substantial weight."); Texas Order ¶ 4 (according state commission decision "substantial weight based on the totality of its efforts and the extent of expertise it has developed on section 271 issues").

¹² While certain competitors will likely argue, as they did during the course of the state proceedings, that the Virginia SCC is not in a position to make findings regarding Verizon's Application because it decided not to arbitrate Verizon's interconnection agreements with CLECs, there is no merit to such claims. It is the right of a state commission not to arbitrate under section 252(e)(5) of the Act, and the Act affords states that exercise that right the same ability to conduct an evaluation of a Bell company's checklist compliance and consult with this Commission regarding its findings as it does with respect to states that choose to arbitrate themselves. See 47 U.S.C. § 271(d)(2)(B).

concludes that "Verizon Virginia currently complies with each of the fourteen Checklist Items."

Hearing Examiner's Report at 171.

As summarized below, the conclusions of the SCC's Hearing Examiner are supported by overwhelming evidence.

First, Verizon's actual performance in providing access to each of the 14 checklist items is excellent across the board. During the most recent three-month period for which data are available, Verizon's performance in Virginia has been excellent. From April through June 2002, Verizon completed on time at least 98 percent — and in most instances 99 percent or more — of CLECs' interconnection trunks, physical collocation arrangements, unbundled loops (including stand-alone loops, hot cuts, platforms, and DSL-capable loops), and non-dispatch resale orders. See Lacouture/Ruesterholz Decl. ¶¶ 27, 52, 98, 113, 142, 215, 379.

Second, as noted above, Verizon's systems have undergone independent third-party testing that Verizon passed with flying colors. See McLean/Wierzbicki/Webster Decl. ¶¶ 11, 22. Like the tests in Verizon's 271-approved states on which it was modeled, the KPMG test in Virginia was "broad in scope," "independent and blind," and used a "military-style test standard." Massachusetts Order ¶¶ 44-45; see also Pennsylvania Order ¶ 31. This test accordingly provides "persuasive evidence of Verizon's OSS readiness." Massachusetts Order ¶ 46. Altogether, the KPMG test evaluated 545 separate areas relating to Verizon's systems; Verizon satisfied all but three test points — 99.5 percent; two issues were inconclusive due to an insufficient sample size used in the KPMG test, and the third issue Verizon has fully resolved. See McLean/Wierzbicki/Webster Decl. ¶ 22; KPMG, Verizon Virginia OSS Evaluation Project Final Report (Version 2.0) (Apr. 15, 2002) ("KPMG Final Report") (App. D, Tab 5).

Third, Verizon reports its performance in Virginia under measurements that “track Verizon’s performance on functions essential to an open, competitive local market.”

Massachusetts Order ¶ 237; see Pennsylvania Order ¶ 3; Guerard/Canny/DeVito Decl. ¶ 31.

Verizon uses measurements in Virginia that are based on the New York measurements. See Guerard/Canny/DeVito Decl. ¶ 15, 17; Hearing Examiner’s Report at 70 (“the Commission has established comprehensive performance measurements . . . that are comparable to the performance measurements adopted in New York, Pennsylvania, and New Jersey”). And, going forward, Verizon will continue to track the New York measurements in Virginia. See Guerard/Canny/DeVito Decl. ¶ 16, 23-24. The Commission has previously found these performance measurements acceptable. See New York Order ¶¶ 438-439; Massachusetts Order ¶¶ 243-244 (approving measurements that were substantially the same as those used in New York); Pennsylvania Order ¶¶ 3, 125, 127 (same); Rhode Island Order ¶ 108 (same); Vermont Order ¶ 74 (same); Maine Order ¶ 63 (same); New Jersey Order ¶ 176 (same).

Finally, Verizon is subject to a comprehensive Performance Assurance Plan in Virginia that mirrors the plan in New York and Massachusetts. The Virginia Plan places approximately \$206 million in remedy payments at risk annually, an amount that is proportionately the same as the amounts at risk in Massachusetts and New York, see Guerard/Canny/DeVito Decl. ¶ 86, and that the Commission has found provides “assurance that the local market will remain open after Verizon receives section 271 authorization,” Massachusetts Order ¶ 236. Consequently, this Plan provides added assurance that Verizon will continue to provide high-quality service to competing carriers.

Despite all this, competitors still will likely claim that this Application is premature and that it should be denied. In particular, competitors are likely to claim that this Commission has

only recently issued a decision in the Virginia arbitration proceeding, and that Verizon somehow has not yet done enough to demonstrate that it will comply with the terms of that order. There is no merit to such claims. The Virginia Arbitration Order¹³ gives Verizon 45 days to modify its interconnection agreements with WorldCom, AT&T, and Cox, to make them consistent with the Commission's findings. See Virginia Arbitration Order ¶¶ 766-768. The parties are now assessing the Commission's decision and preparing interconnection agreements in accordance with that decision. See Lacouture/Ruesterholz Decl. ¶ 13. Once those conforming agreements are signed and approved they will be available for adoption by CLECs pursuant to the terms of the Act. See id.

In the interim until the relevant agreement is completed and approved, CLECs in Verizon's former Bell Atlantic service territory also may request in interconnection negotiations those service offerings and arrangements that the Commission found in the Virginia Arbitration Order to be required by applicable law, but which are not currently incorporated in any existing interconnection agreement in Virginia. See id. ¶ 14. Verizon is sending an industry letter advising CLECs in Virginia that Verizon will accept such requests from CLECs. See id.¹⁴

Competitors also are likely to argue that this Application is premature because this Commission has not yet issued a final decision with respect to pricing issues in the Virginia

¹³ See Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, Memorandum Opinion and Order, CC Docket Nos. 00-218, 00-249 & 00-251, DA 02-731 (FCC rel. July 17, 2002) ("Virginia Arbitration Order") (App. P, Tab 14).

¹⁴ Cf. Massachusetts Order ¶¶ 175-181 (finding that Verizon had satisfied the requirements of the Act with respect to line splitting, and was not merely making promises of future compliance, where Verizon had sent an industry letter to CLECs about a month after it filed its application, and about three weeks after the Commission adopted new line-splitting requirements, and where Verizon had offered to "incorporate[] line splitting contract language reflecting this policy into its Model Interconnection Agreement").

arbitration proceeding. But, as the Commission has repeatedly held, the fact that there are ongoing pricing proceedings that might affect a Bell company's offerings in the future does not affect whether a BOC satisfies the checklist at the time it files its application. For example, the Commission approved BellSouth's rates in Georgia despite the fact that there were ongoing proceedings to set new cost-based rates for UNEs in that state. See Georgia/Louisiana Order ¶ 96 ("we do not believe that the existence of a new Georgia cost docket, without more, should affect our review of the currently effective rates submitted with BellSouth's section 271 application . . . As a legal matter, we see nothing in the Act that requires us to consider only section 271 applications containing rates approved within a specific period of time before the filing of the application itself."). The Commission has likewise approved the rates in Rhode Island, Massachusetts, and New York, despite the fact that there were ongoing pricing proceedings in each of those states at the time Verizon filed those respective applications. See Rhode Island Order ¶ 31; Massachusetts Order ¶ 36; New York Order ¶ 247; see also AT&T, 220 F.3d at 617 ("If new information automatically required rejection of section 271 applications, we cannot imagine how such applications could ever be approved in this context of rapid regulatory and technological change.").

Moreover, competitors cannot legitimately claim that the wait for a final decision from this Commission has somehow affected the development of local competition in Virginia. As noted above, and described in detail below, Virginia has proportionately more facilities-based competition — including for residential customers — than any state that has been granted section 271 authority, at the time applications were filed in those states. And competitors are using the Act's other modes of entry in significant volumes as well. See infra Section IV(A).

Beyond their complaints regarding this Commission's Virginia arbitration proceeding, the issues that CLECs raised during the course of the state proceedings were based largely on stale or anecdotal evidence, involve claims that this Commission has rejected in prior section 271 proceedings, or already have been addressed by the Virginia SCC. In addition, CLECs raised a few complaints that were either individual carrier disputes that are not relevant to this proceeding or requests that Verizon be required to modify its checklist offerings in ways that go beyond the requirements of the Act. See Hearing Examiner's Report at 1 (noting that "many of the issues raised [in the state proceeding] concerned matters pending in other proceedings before the FCC").

In any event, the Commission repeatedly has made clear that it will evaluate a BOC's performance "based on the totality of the circumstances," and "an apparent disparity in performance for one measure, by itself, may not provide a basis for finding noncompliance with the checklist," Texas Order ¶ 58, if "the performance demonstrated by all the measurements as a whole" shows parity, Kansas/Oklahoma Order ¶ 32. Similarly, the fact that a measure may appear to reflect such a disparity does not necessarily mean that the applicant has not complied with the checklist if the disparity has "little or no competitive significance," or may be traced to CLEC behavior or other "factors outside of [the applicant's] control." New York Order ¶¶ 59, 202; see also Massachusetts Order ¶ 13 ("We may find that statistically significant differences exist, but conclude that such differences have little or no competitive significance in the marketplace. In such cases, we may conclude that the differences are not meaningful in terms of statutory compliance."); Kansas/Oklahoma Order ¶ 32 ("We may also find that the reported performance data is impacted by factors beyond a BOC's control, a finding that would make us less likely to hold the BOC wholly accountable for the disparity.").

Applying these standards here, it is abundantly clear that the checklist requirements are satisfied.

A. Interconnection (Checklist Item 1).

Verizon provides the same forms of interconnection in Virginia that it provides in states that have already received section 271 approval, and provides them using the same processes and procedures that it uses in those states. Moreover, as in Verizon's 271-approved states, real-world experience in Virginia proves that Verizon is able to meet the large and increasing demand for interconnection. See Hearing Examiner's Report at 28 (concluding that Verizon "meets the requirements . . . to provide interconnection").

1. Interconnection Trunks.

Verizon provides competing carriers in Virginia with the same kinds of interconnection trunks that it provides in its 271-approved states, and provides them using the same processes and procedures that it uses in those states. In Verizon's 271-approved states, the Commission found that Verizon provided interconnection to competing carriers that was "equal in quality to the interconnection Verizon provides to its own retail operations, and on terms and conditions that are just, reasonable, and nondiscriminatory." Massachusetts Order ¶ 183; see also Pennsylvania Order ¶ 99; New Jersey Order ¶ 154; Rhode Island Order ¶ 73; Vermont Order ¶ 45; Maine Order ¶ 52. The Commission also found that Verizon "makes interconnection available at any technically feasible point," and that it therefore demonstrates checklist compliance. Massachusetts Order ¶ 182.¹⁵ The same is true here.

¹⁵ Verizon provides interconnection trunks under interconnection agreements. See Lacouture/Ruesterholz Decl. ¶ 16. Verizon provides interconnection to the trunk sides of end office switches and to Verizon's signaling network, and provides both one-way and two-way trunks, 64 Kbps Clear Channel trunks, and traditional 56 Kbps trunks. See id. ¶¶ 16, 21-22. Verizon also will accept requests from CLECs for interconnection at other technically feasible points. See id. ¶ 16.

Through May 2002, Verizon has provided 30 competing carriers with approximately 233,000 interconnection trunks in Virginia. See Lacouture/Ruesterholz Decl. ¶ 17. To put these totals in perspective, this represents more than half the number of trunks Verizon has connecting its switches in the entirety of its own interoffice network in Virginia. See id. Through these trunks, CLECs are exchanging an average of approximately 1.4 billion minutes of traffic per month with Verizon. See id. ¶ 19.

Verizon provides interconnection trunks on time, even in the face of strong commercial demand. See Hearing Examiner's Report at 25 ("I agree with Verizon Virginia that its commercial performance in Virginia was good."). From April through June 2002, Verizon met the installation appointments for providing interconnection trunks to CLECs 100 percent of the time in Virginia. See Lacouture/Ruesterholz Decl. ¶ 27.¹⁶ Verizon also has undertaken extraordinary efforts to accommodate the demand for interconnection trunks. For example, in 2001, Verizon increased the number of trunks between Verizon's network and CLEC networks by approximately 58 percent in Virginia. See Lacouture/Ruesterholz Decl. ¶ 18. Verizon also has adopted the same trunk forecasting process in Virginia that it uses in its 271-approved states. See id. ¶ 24. Finally, Verizon provides trunks to competing carriers that are of comparable or better quality than those it provides to itself. See id. ¶ 30.

¹⁶ As the Commission has recognized, "the Carrier Working Group in New York has decided to eliminate the 'average interval completed' series of metrics" beginning with the November 2001 report month. Rhode Island Order ¶ 70; see Lacouture/Ruesterholz Decl. ¶ 28. As of June 2002, these measurements are no longer reported in Virginia. See Guerard/Canny/DeVito Decl. ¶ 53. Accordingly, the Commission should focus on the missed appointment measurements instead, which the "Commission has given substantial weight . . . in previous section 271 applications." Rhode Island Order ¶ 70; see New Jersey Order ¶ 138 ("We conclude, as we have in prior section 271 orders, that the average completed interval metric is not the most accurate measure of provisioning timeliness."); Massachusetts Order ¶ 92 (finding that the average completed interval "data are not an accurate indicator of Verizon's performance").

During the course of the state proceeding in Virginia, several CLECs complained about Verizon's position regarding the physical location of the interconnection points for the exchange of traffic with CLECs. One of the issues resolved in the Virginia Arbitration Order was network architecture. See id. ¶ 37. The Commission selected the petitioner's network architecture proposals over Verizon's geographically relevant interconnection point ("GRIP") proposal. See id. As noted above, the arbitration parties are now incorporating the network architecture terms adopted in the Virginia Arbitration Order into their interconnection agreements. See id. Verizon's GRIP proposal, however, is not the only form of network interconnection available to CLECs in Virginia. See id. Verizon has entered interconnection agreements with CLECs in Virginia that allow the CLEC to select a single point of interconnection in the LATA. See id.

2. Collocation.

Verizon provides competitors in Virginia with essentially the same forms of collocation as it provides in its states that have received section 271 approval, using the same processes and procedures. See id. ¶ 42.¹⁷ The Commission previously found that Verizon's collocation offerings "satisfy the requirements of sections 251 and 271 of the Act," and that Verizon has taken "steps necessary to implement the collocation requirements contained in the [Collocation Order] and the Collocation Reconsideration Order."¹⁸ Massachusetts Order ¶ 194; see

¹⁷ On June 28, 2002, the SCC approved a settlement joint settlement agreement between Verizon and various CLECs to resolve certain collocation rate issues. See Laconture/Ruesterholz Decl. ¶ 43. This settlement puts to rest issues that several CLECs raised during the course of the state proceedings regarding Verizon's rates. See Hearing Examiner's Report at 27 (noting that SCC's approval of joint settlement agreement "answer[s] most of the issues complained of by Cavalier," and that the "remaining issues . . . fail to support a finding that such practices preclude an efficient carrier a reasonable opportunity to compete").

¹⁸ Deployment of Wireline Services Offering Advanced Telecommunications Capability, First Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 4761 (1999) ("Collocation Order"), vacated in part, GTE Serv. Corp. v. FCC, 205 F.3d 416 (D.C. Cir. 2000); Deployment of Wireline Services Offering Advanced Telecommunications Capability, Order on

Pennsylvania Order ¶ 99; New Jersey Order ¶ 154; Rhode Island Order ¶¶ 73-74; Vermont Order ¶ 45; Maine Order ¶ 52. The same is true in Virginia. Verizon also has modified its collocation offerings and processes to comply with the Collocation Remand Order.¹⁹ See Lacouture/Ruesterholz Decl. ¶ 42.

Through May 2002, Verizon has placed in service about 590 collocation arrangements in central offices located throughout Virginia. See id. ¶ 50. Competitors are now collocated in central offices that serve 92 percent of Verizon's business lines in Virginia, and 83 percent of its residential lines. See Torre Decl. Att. 1, ¶ 10.

As in Verizon's 271-approved states, Verizon provides every form of collocation that is required by the Commission's rules.²⁰ First, in addition to standard physical arrangements, Verizon provides shared, adjacent, and "cageless" forms of collocation in accordance with the Commission's rules. See Lacouture/Ruesterholz Decl. ¶¶ 45, 62; Collocation Order ¶¶ 41-42. Cageless collocation arrangements now represent approximately 54 percent of the collocation arrangements in Verizon's central offices in Virginia. See Lacouture/Ruesterholz Decl. ¶ 50.

Reconsideration and Second Further Notice of Proposed Rulemaking in CC Docket No. 98-147 and Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, 15 FCC Rcd 17806 (2000) ("Collocation Reconsideration Order").

¹⁹ Deployment of Wireline Services Offering Advanced Telecommunications Capability, Fourth Report and Order, 16 FCC Rcd 15435 (2001) ("Collocation Remand Order"), petitions for review denied, Verizon Tel. Cos. v. FCC, Nos. 01-1371 & 01-1379 (D.C. Cir. June 18, 2002).

²⁰ As in Verizon's 271-approved states, Verizon charges CLECs in Virginia for power based on the quantity of load amps they request rather than the quantity of fused amps. See Lacouture/Ruesterholz Decl. ¶ 79. CLECs in all of these states may determine for themselves the quantity of load amps they desire for each feed. See id. The practices in Virginia are the same as those in Verizon's other 271-approved states, where the Commission found that Verizon's collocation power charges were "just, reasonable, and nondiscriminatory." Massachusetts Order ¶ 199; see also Pennsylvania Order ¶ 104; New Jersey Order ¶ 154; Rhode Island Order ¶ 73; Vermont Order ¶ 45; Maine Order ¶ 52. In Virginia, the SCC has reviewed and approved the collocation power rates. See Lacouture/Ruesterholz Decl. ¶ 80.

Second, Verizon permits CLECs the option of establishing controlled-environment vaults or similar structures adjacent to Verizon central offices in which physical collocation space is unavailable. See id. ¶ 64; Collocation Order ¶ 44; Collocation Reconsideration Order ¶¶ 45-47.

Third, Verizon provides virtual collocation, and has provided approximately 100 such arrangements for CLECs in Virginia. See Lacouture/Ruesterholz Decl. ¶¶ 43, 50. Fourth, Verizon offers collocation at remote terminals in the same manner as the Commission found compliant in Verizon's 271-approved states. See Lacouture/Ruesterholz Decl. ¶ 72; Pennsylvania Order ¶ 99; New Jersey Order ¶ 154; Massachusetts Order ¶ 196; Rhode Island Order ¶¶ 73-75; Vermont Order ¶ 45; Maine Order ¶ 52.²¹ Finally, Verizon provides collocation within intervals adopted by the state commissions in Virginia: 76 business days for physical arrangements; 60 business days for virtual arrangements; and 45 calendar days for physical and virtual collocation augments. See Lacouture/Ruesterholz Decl. ¶ 51; see also Massachusetts Order ¶ 195 (finding that comparable intervals satisfied the checklist); New York Order ¶¶ 73-75 & n.157 (same).

Verizon provides collocation in a timely manner. From April through June 2002, Verizon completed all new physical and virtual collocation arrangements and augments in Virginia on time. See Lacouture/Ruesterholz Decl. ¶ 52. And in the event volumes grow further, KPMG has confirmed that Verizon has processes in place to forecast workload to ensure resources are available. See KPMG Final Report at 82-87.

²¹ During the course of the state proceedings, Covad claimed that it was too costly for it to collocate a DSLAM at or near a remote terminal. See Lacouture/Ruesterholz Decl. ¶ 73. But whether or not Covad considers collocation at remote terminals to be a commercially viable business strategy has nothing to do with whether Verizon complies with the FCC's rules or this checklist item. See id.

Verizon also has taken the same extraordinary steps as it has taken in its 271-approved states to make collocation space available in its central offices. For example, Verizon will allow CLECs in Virginia to tour a central office within 10 days in those rare instances where it cannot accommodate a request for physical collocation, and it will file space-exhaustion notifications as required by the state commissions in those states upon determining that space is not available. See Lacouture/Ruesterholz Decl. ¶ 59. Verizon also has implemented methods and procedures to identify when a central office runs out of space for physical collocation, and to post this information on its Website within 10 days of when this occurs. See id. ¶ 55.

B. Unbundled Network Elements (Checklist Items 2, 4, 5, and 6).

Verizon provides competing carriers in Virginia with commercial volumes of unbundled network elements, including unbundled local loops, local switching, and local transport. Verizon provides these network elements using the same processes and procedures that it uses in Verizon states that have received section 271 approval. Through May 2002, Verizon has provided approximately 197,000 unbundled loops to CLECs. See id. ¶ 94. Moreover, Verizon has kept pace with increasing demand; it consistently delivers unbundled elements on time, when competing carriers request them. The Hearing Examiner found that “Verizon Virginia is offering nondiscriminatory access to network elements in accordance with the requirements of § 251(c)(3).” Hearing Examiner’s Report at 77.

1. Unbundled Local Loops.

Verizon makes available to competing carriers in Virginia the same types of unbundled loops it makes available in its states that have received section 271 approval, and provides them using substantially the same processes and procedures as it uses in those states. See Lacouture/Ruesterholz Decl. ¶ 91; Pennsylvania Order ¶¶ 76-92 (finding that Verizon’s provision of unbundled loops satisfies the Act); New Jersey Order ¶ 136 (same); Massachusetts

(ii) Discussion

254. We agree with Verizon that the general change of law provision in each interconnection agreement is sufficient to address any changes that may result from the ongoing proceedings relating to the *ISP Intercarrier Compensation Order*. None of the petitioners demonstrates that the general change of law provision would be inadequate to effectuate any court decision that reverses, remands or otherwise modifies the *ISP Intercarrier Compensation Order*. Verizon has asserted, as to Cox, that its general change of law provision's renegotiation terms would be activated by a reversal, other court decision, or remand of the *ISP Intercarrier Compensation Order*.⁸⁵⁷ It appears that the same is true for the change of law provisions in the agreements with AT&T and WorldCom.⁸⁵⁸ Additionally, the dispute resolution procedures incorporated into the parties' general change of law provisions are sufficient to address the petitioners' concerns that any change of law would trigger protracted negotiations when Verizon has no incentive to reach agreement.⁸⁵⁹ Therefore, in light of the agreed-to general change of law provisions and related dispute resolution procedures, we reject the petitioners' proposed change of law provisions that are specific to this issue.⁸⁶⁰

255. We also find troubling those portions of AT&T and WorldCom's proposed change of law provisions that would retroactively increase the compensation due for delivery of ISP-bound traffic in the event of any stay, modification or (in the case of WorldCom) remand of the *ISP Intercarrier Compensation Order*.⁸⁶¹ These proposals sweep too broadly and could, as Verizon argues, be triggered by a modification or remand that did not reject, or even address, the

⁸⁵⁷ Tr. at 1790-92. See Verizon's November Proposed Agreement to Cox, § 27.

⁸⁵⁸ See Verizon's November Proposed Agreement to AT&T, § 27; see also Issues IV-113/VI-1-E *infra* (adopting WorldCom's proposed section 25.2 of Part A).

⁸⁵⁹ For example, according to the agreed-to general change of law provisions between Cox and Verizon, the parties commit to two rounds of good-faith negotiations that cannot exceed 45 days each. If they still cannot reach agreement, either side may file a complaint with the Virginia Commission or take other appropriate regulatory or legal action. See Verizon's November Proposed Agreement to Cox, § 28.9. See also Verizon's November Proposed Agreement to AT&T, § 28.11; Verizon's November Proposed Agreement to WorldCom, Part A, § 14; WorldCom's November Proposed Agreement to Verizon, Part A § 13; Issue IV-101 (dispute resolution provisions).

⁸⁶⁰ Accordingly, we reject AT&T's November Proposed Agreement to Verizon, § 5.7.5.2.5; WorldCom's November Proposed Agreement to Verizon, Part C, Attach. I, § 8.6; and Cox's November Proposed Agreement to Verizon, § 5.7.7.1(c).

⁸⁶¹ AT&T proposes that upon a stay, reversal or modification of the order, "then (1) ISP-bound Traffic shall be deemed Local Traffic retroactive to the effective date of this Agreement; (2) any compensation that would have been due under this Agreement since its effective date for the exchange of ISP-bound traffic shall immediately be due and payable." AT&T's November Proposed Agreement to Verizon, § 5.7.5.2.5. WorldCom proposes that certain contract provisions, including rates, "may be voided by either Party . . . if any legislative, regulatory, or judicial action, rule, or regulation modifies, reverses, vacates, or remands the ISP Remand Order, in whole or in part," adding that ISP-bound traffic would be deemed section 251(b)(5) traffic, and retroactive payment would be due. WorldCom's November Proposed Agreement to Verizon, Part C, Attach. I, § 8.6.

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order's rate structure for ISP-bound traffic. Indeed, we note that the D.C. Circuit's recent remand of the *ISP Intercarrier Compensation Order* likely would have triggered at least WorldCom's proposed language, even though the court expressly declined to reach the issue of rates for ISP-bound traffic.

d. Definition of "Internet Traffic"

256. In the *ISP Intercarrier Compensation Order*, the Commission determined that ISP-bound traffic is not subject to the reciprocal compensation provisions of section 251(b)(5).⁸⁶² Generally speaking, the order focused on traffic bound for ISPs over the public switched telecommunications network, which the Commission referred to as "ISP-bound traffic." Because the order "carved out" ISP-bound traffic as one category of traffic not subject to section 251(b)(5) reciprocal compensation, the parties argue about precisely how to define the rest of the universe of traffic that is not subject to section 251(b)(5) reciprocal compensation. Verizon also proposes the term "Measured Internet Traffic" to define the traffic that is bound for an ISP and therefore not subject to reciprocal compensation under section 251(b)(5).

(i) Positions of the Parties

257. The petitioners assert that Verizon's proposed contract, which provides that reciprocal compensation does not apply to "interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access,"⁸⁶³ is over-inclusive and could be read to exclude from reciprocal compensation not only ISP-bound traffic, but also other forms of information access traffic, or more broadly, all of the traffic types listed in section 251(g).⁸⁶⁴ Cox argues that Verizon's proposed language improperly reverses the presumption in section 251(g), exempting the traffic types listed therein from reciprocal compensation, rather than, as the statute requires, leaving in place previous compensation regimes until they have been superseded by new rules.⁸⁶⁵

258. WorldCom complains that Verizon's defined term, "Measured Internet Traffic," which incorporates another Verizon-defined term -- "Internet Traffic" -- defines ISP-bound traffic more broadly than does the *ISP Intercarrier Compensation Order* and therefore generates

⁸⁶² See *ISP Intercarrier Compensation Order*, 16 FCC Rcd at 9166-74, paras. 34-47. As we note above, this order has been remanded to the Commission. See *WorldCom, Inc. v. FCC*, 288 F.3d 429 (D.C. Cir. 2002).

⁸⁶³ See, e.g., Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., § 7.3.1.

⁸⁶⁴ WorldCom Brief at 80; Cox Reply at 22-23; see Verizon's November Proposed Agreement to AT&T, § 1.68(a); Verizon's November Proposed Agreement to WorldCom, Part C, Interconnection Attach., § 7.3.1; Verizon's November Proposed Agreement to Cox, § 1.60a. According to WorldCom, exclusion of information access services could affect "traffic to other enhanced service providers that has traditionally been treated as local." WorldCom Brief at 80.

⁸⁶⁵ Cox Reply at 23, citing 47 U.S.C. § 251(g).

285. We disagree with Verizon's criticism of Cox's language implementing the growth cap for 2002.⁹⁴⁵ Verizon asserts that "the number of ISP-bound minutes for which [Cox] is entitled to compensation in 2001 may be *less* than the 2001 cap itself."⁹⁴⁶ While that may be true, the calculation of minutes to which Cox was entitled to compensation in 2002 is the product of the cap in 2001 and the 10 percent growth factor. The *ISP Inter-carrier Compensation Order* established a baseline – the first quarter of 2001 – as a starting point for all subsequent calculations. The growth cap for 2002 does not reflect a calculation independent of the first quarter of 2001, based on actual traffic for the whole of 2001.

2. Issue I-6 (Toll Rating and Virtual Foreign Exchanges)

a. Introduction

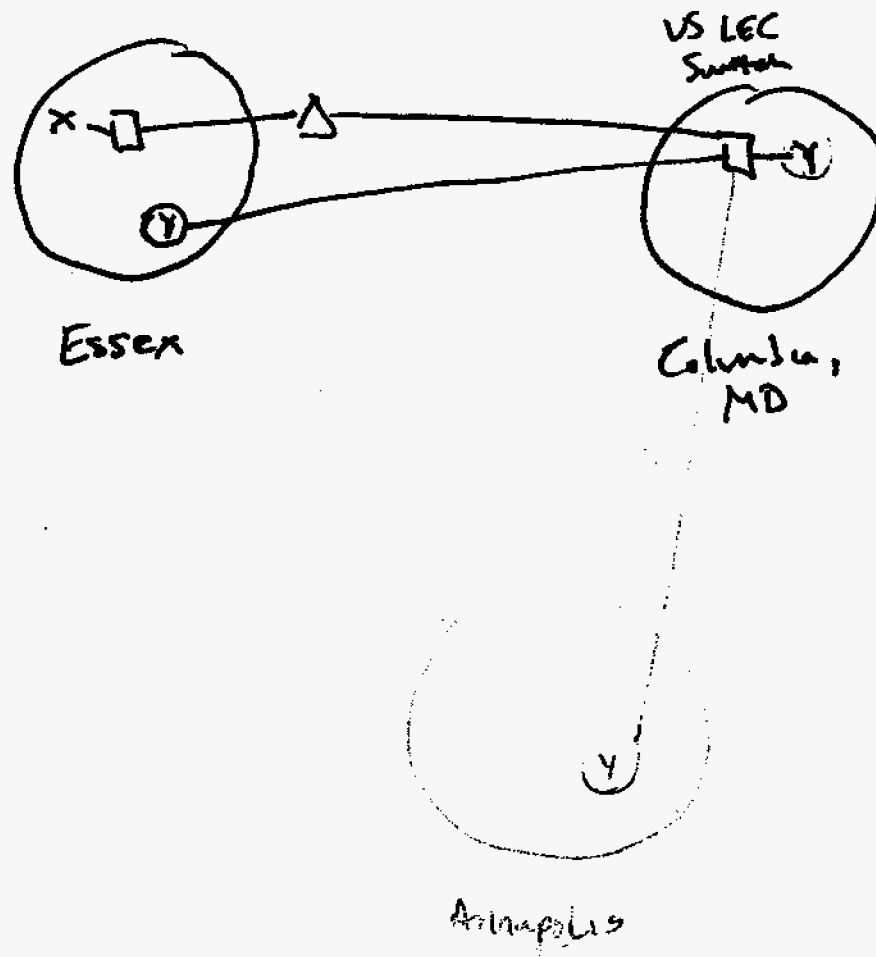
286. The parties disagree over how to determine whether a call passing between their networks is subject to reciprocal compensation (traditionally referred to as "local") or access charges (traditionally referred to as "toll"). The petitioners advocate a continuation of the current regime, which relies on a comparison of the originating and terminating central office codes, or NPA-NXXs, associated with a call. Verizon objects to the petitioners' call rating regime because it allows them to provide a virtual foreign exchange ("virtual FX") service that obligates Verizon to pay reciprocal compensation, while denying it access revenues, for calls that go between Verizon's legacy rate centers. This virtual FX service also denies Verizon the toll revenues that it would have received if it had transported these calls entirely on its own network as intraLATA toll traffic. Verizon argues simply that "toll" rating should be accomplished by comparing the geographical locations of the starting and ending points of a call.

287. Of particular importance to this issue is a comparison of the two sides' FX services. When Verizon provides FX service ("traditional FX"), it connects the subscribing customer, via a dedicated private line for which the subscriber pays, to the end office switch in the distant rate center from which the subscriber wishes callers to be able to reach him without incurring toll charges. Verizon then assigns the FX subscriber a number associated with the distant switch. By contrast, when the petitioners provide their virtual FX service, they rely on the larger serving areas of their switches to allow callers from a distant Verizon legacy rate center to reach the virtual FX subscriber without incurring toll charges. Thus, the petitioners simply assign the subscriber an NPA-NXX associated with the rate center the subscriber designates and rely on their switches' broad coverage, rather than a dedicated private line, to transport the calls between legacy rate centers.

⁹⁴⁵ Accordingly, we also adopt Cox's proposed section 5.7.7.4(b), but revise it by replacing the last sentence with the following: "The cap for total Internet Traffic minutes for 2002 is calculated by increasing the cap for total Internet Traffic minutes for 2001 by ten percent." Finally, we adopt Cox's proposed sections 5.7.7.4(c)-(e) without revision.

⁹⁴⁶ See Verizon IC Brief at 10 n.4.

13 Dec #8



US LEC #9

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

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

Case No. 8922

**VERIZON MARYLAND INC.'S RESPONSES TO
US LEC OF MARYLAND INC.'S FIRST SET OF DISCOVERY REQUESTS**

Verizon Maryland Inc. ("Verizon") hereby submits the following responses to the requests included in US LEC of Maryland Inc.'s ("US LEC") First Set of Discovery Requests (filed June 17, 2002).

Subject to and without waiving any of Verizon's objections (filed June 24, 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 District of Columbia (236) LATA and (b) the Baltimore (238) 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 District of Columbia and Baltimore 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.

Request for Admission No. 3

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 DC (236) LATA and (b) the Baltimore (238) LATA. If you do not so admit, please explain the reasons for your denial.

US LEC
10

Response to Request for Admission No. 3

Verizon admits that it currently delivers the traffic identified in the response to Request for Admission No. 1 to the points identified in that response, using facilities that it owns, without charge to US LEC.

Request for Admission No. 10

Please admit that Verizon-proposed Section 7.1.1.1 permits US LEC to meet its VGRIP obligation by establishing an IP at a Verizon tandem through a third-party collocation site. If you do not so admit, please explain the reasons for your denial.

Response to Request for Admission No. 10

Verizon so admits and has already so informed US LEC during discussions between the parties.

Interrogatory No. 1

To the extent not identified through pre-filed testimony, identify each person whom you expect to call as an expert witness in this proceeding, state the subject matter on which each expert is expected to testify, the substance of the facts and opinions to which the expert is expected to testify, and a summary of the grounds for each opinion and identify all documents which the expert has reviewed or relied upon for the facts and opinions to which he will testify.

Response to Interrogatory No. 1

All such matters are identified through pre-filed testimony.

Interrogatory No. 2

Please identify and explain the factors Verizon analyzes when determining how, where, and when to establish an Interconnection Point or Point of Interconnection with a CLEC.

Response to Interrogatory No. 2

Verizon's Interconnection Points ("IPs") are established at the end office serving the terminating Verizon end-user customer, or at the tandem serving the terminating end office. The tandem and end office switches serving a particular customer are the designated wire center

switches, as provided in the Local Exchange Routing Guide ("LERG"), that include translations and terminate the appropriate trunking facilities to complete calls to that Verizon customer.

Moreover, the reciprocal compensation rates established by the Maryland Public Service Commission ("PUC") are based on efficient Verizon IPs for end office and tandem routed calls using the terminating end office and tandem serving the terminating end office.

Interrogatories No. 7 and 9

7. Please provide all cost studies and other documents in your possession, custody or control relating to an analysis of Verizon's purported costs based upon a single Interconnection Point or Point of Interconnection per LATA with a CLEC.

9. Please provide all traffic studies, cost studies, network planning, and other documents in your possession, custody or control relating to an analysis of Verizon's purported costs of delivering Verizon's originating local traffic to US LEC's IP at its switch in (a) the DC (236) LATA and (b) the Baltimore (238) LATA.

Response to Interrogatories No. 7 and 9

Verizon does not possess any traffic studies, cost studies, or other documents referenced in these interrogatories.

Interrogatories No. 16-17

16. Please identify and explain the factors Verizon analyzes when determining whether a trunk and/or dedicated transport is efficiently utilized when that trunk and/or dedicated transport is (a) between two Verizon end offices; (b) between a Verizon end office and a Verizon tandem; (c) between a Verizon end office and a CLEC end office; (d) between a Verizon tandem and a CLEC end office.

17. Please state the utilization level that Verizon believes is efficient from a network planning perspective for each of the trunks and dedicated facility categories listed in DR 16.

Response to Interrogatories No. 16-17

(a), (b), and (d): Verizon evaluates the utilization of final trunk groups based on the ratio of "trunks required" to "trunks in service." For a specific trunk group, "trunks required" is the calculation of the number of trunks needed to provide service at the engineering design level

(either B.005 or B.01), based on the traffic demand (offered load/usage) on the trunk group during the study period. "Trunks in service" is the installed number of trunks in operation during that period. Verizon uses this utilization measurement to monitor and provide additional trunks for itself and for CLEC trunk groups that Verizon engineers.

Verizon will review final trunk groups to determine the need to take the following actions: (1) disconnect trunks from underutilized trunk groups that have a utilization level of less than 60 percent; (2) analyze trunk groups that reach a utilization level of 70 percent or greater, to determine whether those trunk groups should be augmented; and (3) augment trunk groups that reach a utilization level of 80 percent or greater.

(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 05635/01612 (CLLI TYCRVA03DSO) in the DC (236) LATA and at V&H coordinates 05550/01587 (CLLI CLMAMDJTDSO) in the Baltimore (238) 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 the 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:

$$\frac{(\$0.375 \times [\text{miles}]) + \$30.61}{200000} = \$0.000002 \times \text{miles} + \$0.000153$$

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 \$20.30.

$$(\$0.000002 \times 25) + \$0.000153 = \$0.000203 \times 100000 \text{ minutes} = \$20.30$$

US LEC is capable of performing the calculations for the end offices in the District of Columbia and Baltimore 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 Maryland PSC established for the specified facilities. The Maryland PSC has found that these rates were set pursuant to basic TELRIC principles and comply with TELRIC. *See* Md. P.S.C. Order No. 74365, dated July 2, 1998.

Interrogatories No. 46-47

46. Does Verizon have the capability to distinguish Voice Information Service traffic from other local traffic?

47. If your response to DR 46 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. 46-47

Verizon has the capability of distinguishing Voice Information Service traffic that is dialed using distinct NXX codes, including 976 and 915 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. 48

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. 48

If Voice Information Service traffic that is dialed using distinct NXX codes, including 976 and 915 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. 50, 51, and 53

50. 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.

51. Do you contend that traffic can be "received" but not terminated? Please provide the factual and legal basis for your contention.

53. 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. 50, 51, and 53

"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://gulfoss2.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, 2000), *available at* http://gulfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6511359995.

Interrogatory No. 56

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. 56

(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: Verizon Maryland Inc., P.S.C.-Md.-No. 204, § 3.

(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. 57

Please explain how you bill each end user (or IXC) for each of the types of traffic identified in DR 56, and provide all documentation supporting your answer.

Response to Interrogatory No. 57

(a)-(d) Calls would be billed as they are rated, as described in Verizon's Response to Interrogatory No. 56.

- (e) Such calls would be billed by the interexchange carrier.

Interrogatory No. 58

Please explain how you account (for separations or other regulatory purposes) for each of the types of traffic identified in DR 56, and provide all documentation supporting your answer.

Response to Interrogatory No. 58

Calls are accounted for as local or toll based on how the call is rated.

Interrogatory No. 60

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 Maryland? Please explain your answer.

Response to Interrogatory No. 60

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. 61

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. 61

See Response to Interrogatory 56(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. 62

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. 62

Verizon offers Enhanced IntelliLinQ PRI Hub Service and Internet Protocol Routing Service in Maryland.

Interrogatory No. 63

Please state whether you provide "Internet Protocol Routing Service" in Maryland.

Response to Interrogatory No. 63

Yes.

Interrogatory No. 64

Please state whether you provide "Single Number Service-Primary Rate Interface," Hub-PRI service, SNS-PRI service, or their functional equivalents, in Maryland.

Response to Interrogatory No. 64

See Response to Interrogatory No. 62.

Interrogatory No. 65

Please state whether you provide in Maryland 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. 65

Both Enhanced IntelliLinQ PRI Hub Service and Internet Protocol Routing Service provide this functionality.

Interrogatory No. 66

Is "1-500" service available to ISPs in Maryland?

Response to Interrogatory No. 66

Yes.

Interrogatory No. 67

If the answer to DRs 62, 63, 64, 65, or 66 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 DC and Baltimore LATAs who purchase each FX-like service.

Response to Interrogatory No. 67

See Responses to Interrogatories No. 62-66. Internet Protocol Routing Service is described in Verizon's Tariff F.C.C. No. 1, § 16.5 and in Verizon Maryland Inc., P.S.C.-Md.-No. 203, § 29. Enhanced IntelliLinQ PRI Hub Service is described in Verizon Maryland Inc. P.S.C.-Md.-No. 203, § 14. 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. 75

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. 75

See Response to Interrogatory No. 60. 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. 81

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. 81

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. 84

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. 84

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 inbound traffic received from CLECs.

Interrogatory No. 86

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. 86

No with respect to Verizon. Verizon cannot respond to this Interrogatory with respect to any other carrier.

Interrogatory No. 87

If the answer to DR 86 is yes, what does Verizon project the cost of implementing such a billing system to be?

Response to Interrogatory No. 87

N/A.

Respectfully submitted,



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July 15, 2002

Attorneys for Verizon Maryland Inc.

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AGREEMENT

by and between

US LEC OF MARYLAND INC.

and

**VERIZON MARYLAND INC.,
f/k/a BELL ATLANTIC MARYLAND, INC.**

FOR THE STATE OF

MARYLAND

VZ #1

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AGREEMENT

PREFACE

This Agreement ("Agreement") shall be deemed effective upon Commission approval pursuant to Section 252 of the Act (the "Effective Date"), between US LEC of Maryland Inc. ("US LEC"), a corporation organized under the laws of the State of North Carolina with offices at 6801 Morrison Boulevard, Charlotte, North Carolina 28211 and Verizon Maryland Inc., f/k/a Bell Atlantic - Maryland, Inc. ("Verizon"), a corporation organized under the laws of the State of Maryland with offices at 1 East Pratt Street, Baltimore, Maryland 21202 (Verizon and US LEC may be referred to hereinafter, each, individually as a "Party", and, collectively, as the "Parties").

GENERAL TERMS AND CONDITIONS

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, pursuant to Section 252 of the Act, Verizon and US LEC hereby agree as follows:

1. The Agreement

- 1.1 This Agreement includes: (a) the Principal Document; (b) the Tariffs of each Party applicable to the Services that are offered for sale by It in the Principal Document (which Tariffs are incorporated into and made a part of this Agreement by reference); and, (c) an Order by a Party that has been accepted by the other Party.
- 1.2 Except as otherwise expressly provided in the Principal Document (including, but not limited to, the Pricing Attachment), conflicts among provisions in the Principal Document, Tariffs, and an Order by a Party that has been accepted by the other Party, shall be resolved in accordance with the following order of precedence, where the document identified in subsection "(a)" shall have the highest precedence: (a) the Principal Document; (b) the Tariffs; and, (c) an Order by a Party that has been accepted by the other Party. The fact that a provision appears in the Principal Document but not in a Tariff, or in a Tariff but not in the Principal Document, shall not be interpreted as, or deemed grounds for finding, a conflict for the purposes of this Section 1.2.
- 1.3 This Agreement constitutes the entire agreement between the Parties on the subject matter hereof, and supersedes any prior or contemporaneous agreement, understanding, or representation, on the subject matter hereof. Except as otherwise provisioned in the Principal Document, the Principal Document may not be waived or modified except by a written document that is signed by the Parties. Subject to the requirements of Applicable Law, a Party shall have the right to add, modify, or withdraw, its Tariff(s) at any time, without the consent of, or notice to, the other Party.

2. Term and Termination

- 2.1 This Agreement shall be effective as of the Effective Date and, unless cancelled or terminated earlier in accordance with the terms hereof, shall continue in effect until two years after expected date of signature (the "Initial Term") (**DATE**). Thereafter, this Agreement shall continue in force and effect unless and until cancelled or terminated as provided in this Agreement.
- 2.2 Either US LEC or Verizon may terminate this Agreement effective upon the expiration of the Initial Term or effective upon any date after expiration of the

Initial Term by providing written notice of termination at least ninety (90) days in advance of the date of termination.

- 2.3 If either US LEC or Verizon provides notice of termination pursuant to Section 2.2 and on or before the proposed date of termination either US LEC or Verizon has requested negotiation of a new interconnection agreement, unless this Agreement is cancelled or terminated earlier in accordance with the terms hereof (including, but not limited to, pursuant to Section 12), this Agreement shall remain in effect until the earlier of: (a) the effective date of a new interconnection agreement between US LEC and Verizon; or, (b) the date one (1) year after the proposed date of termination.
- 2.4 If either US LEC or Verizon provides notice of termination pursuant to Section 2.2 and by 11:59 PM Eastern Time on the proposed date of termination neither US LEC nor Verizon has requested negotiation of a new interconnection agreement, (a) this Agreement will terminate at 11:59 PM Eastern Time on the proposed date of termination, and (b) the Services being provided under this Agreement at the time of termination will be terminated, except to the extent that the Purchasing Party has requested that such Services continue to be provided pursuant to an applicable Tariff or SGAT.

3. Glossary and Attachments

The Glossary and the following Attachments are a part of this Agreement:

Additional Services Attachment
Interconnection Attachment
Resale Attachment
UNE Attachment
Collocation Attachment
911 Attachment
Pricing Attachment

4. Applicable Law

- 4.1 The construction, interpretation and performance of this Agreement shall be governed by (a) the laws of the United States of America and (b) the laws of the State of Maryland, without regard to its conflicts of laws rules. All disputes relating to this Agreement shall be resolved through the application of such laws.
- 4.2 Each Party shall remain in compliance with Applicable Law in the course of performing this Agreement.
- 4.3 Neither Party shall be liable for any delay or failure in performance by it that results from requirements of Applicable Law, or acts or failures to act of any governmental entity or official.
- 4.4 Each Party shall promptly notify the other Party in writing of any governmental action that limits, suspends, cancels, withdraws, or otherwise materially affects, the notifying Party's ability to perform its obligations under this Agreement.
- 4.5 If any provision of this Agreement shall be invalid or unenforceable under Applicable Law, such invalidity or unenforceability shall not invalidate or render unenforceable any other provision of this Agreement, and this Agreement shall be construed as if it did not contain such invalid or unenforceable provision;

provided, that if the invalid or unenforceable provision is a material provision of this Agreement, or the invalidity or unenforceability materially affects the rights or obligations of a Party hereunder or the ability of a Party to perform any material provision of this Agreement, the Parties shall promptly renegotiate in good faith and amend in writing this Agreement in order to make such mutually acceptable revisions to this Agreement as may be required in order to conform the Agreement to Applicable Law.

- 4.6 If any final and unstayed legislative, regulatory, judicial or other governmental decision, order, determination or action, or any change in Applicable Law, materially affects any material provision of this Agreement, the rights or obligations of a Party hereunder, or the ability of a Party to perform any material provision of this Agreement, the Parties shall promptly renegotiate in good faith and amend in writing this Agreement in order to make such mutually acceptable revisions to this Agreement as may be required in order to conform the Agreement to Applicable Law.
- 4.7 Notwithstanding anything in this Agreement to the contrary, if, as a result of any final and unstayed legislative, judicial, regulatory or other governmental decision, order, determination or action, or any change in Applicable Law, Verizon is not required by Applicable Law to provide any Service, payment or benefit, otherwise required to be provided to US LEC hereunder, then Verizon may discontinue the provision of any such Service, payment or benefit. Verizon will provide ninety (90) days prior written notice to US LEC of any such discontinuance of a Service, unless a different notice period or different conditions are specified in this Agreement (including, but not limited to, in an applicable Tariff) or Applicable Law for termination of such Service in which event such specified period and/or conditions shall apply.

5. Assignment

Neither Party may assign this Agreement or any right or interest under this Agreement, nor delegate any obligation under this Agreement, without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. Any attempted assignment or delegation in violation of this Section 5 shall be void and ineffective and constitute default of this Agreement.

6. Assurance of Payment

- 6.1 Upon request by Verizon, US LEC shall provide to Verizon adequate assurance of payment of amounts due (or to become due) to Verizon hereunder.
- 6.2 Assurance of payment of charges may be requested by Verizon if US LEC (a) in Verizon's reasonable judgment, at the Effective Date or at any time thereafter, does not have established credit with Verizon, (b) in Verizon's reasonable judgment, at the Effective Date or at any time thereafter, is unable to demonstrate that it is creditworthy, (c) fails to timely pay a bill rendered to US LEC by Verizon, or (d) admits its inability to pay its debts as such debts become due, has commenced a voluntary case (or has had a case commenced against it) under the U.S. Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization, winding-up, composition or adjustment of debts or the like, has made an assignment for the benefit of creditors or is subject to a receivership or similar proceeding.
- 6.3 Unless otherwise agreed by the Parties, the assurance of payment shall, at Verizon's option, consist of (a) a cash security deposit in U.S. dollars held by

Verizon or (b) an unconditional, irrevocable standby letter of credit naming Verizon as the beneficiary thereof and otherwise in form and substance satisfactory to Verizon from a financial institution acceptable to Verizon. The cash security deposit or letter of credit shall be in an amount equal to two (2) months anticipated charges (including, but not limited to, both recurring and non-recurring charges), as reasonably determined by Verizon, for the Services to be provided by Verizon to US LEC in connection with this Agreement.

- 6.4 To the extent that Verizon elects to require a cash deposit, the Parties intend that the provision of such deposit shall constitute the grant of a security interest in the deposit pursuant to Article 9 of the Uniform Commercial Code as in effect in any relevant jurisdiction.
- 6.5 If payment of interest on a cash deposit is required by an applicable Verizon Tariff or by Applicable Law, interest will be paid on any such cash deposit held by Verizon at the higher of the interest rate stated in such Tariff or the interest rate required by Applicable Law.
- 6.6 Verizon may (but is not obligated to) draw on the letter of credit or cash deposit, as applicable, upon notice to US LEC in respect of any amounts to be paid by US LEC hereunder that are not paid within thirty (30) days of the date that payment of such amounts is required by this Agreement.
- 6.7 If Verizon draws on the letter of credit or cash deposit, upon request by Verizon, US LEC shall provide a replacement or supplemental letter of credit or cash deposit conforming to the requirements of Section 6.2.
- 6.8 Notwithstanding anything else set forth in this Agreement, if Verizon makes a request for assurance of payment in accordance with the terms of this Section, then Verizon shall have no obligation thereafter to perform under this Agreement until such time as US LEC has provided Verizon with such assurance of payment.
- 6.9 The fact that a deposit or a letter of credit is requested by Verizon hereunder shall in no way relieve US LEC from compliance with the requirements of this Agreement (including, but not limited to, any applicable Tariffs) as to advance payments and payment for Services, nor constitute a waiver or modification of the terms herein pertaining to the discontinuance of Services for nonpayment of any amounts payment of which is required by this Agreement.

7. Audits

- 7.1 Except as may be otherwise specifically provided in this Agreement, either Party ("Auditing Party") may audit the other Party's ("Audited Party") books, records, documents, facilities and systems for the purpose of evaluating the accuracy of the Audited Party's bills. Such audits may be performed once in each Calendar Year; provided, however, that audits may be conducted more frequently (but no more frequently than once in each Calendar Quarter) if the immediately preceding audit found previously uncorrected net inaccuracies in billing in favor of the Audited Party having an aggregate value of at least \$1,000,000.
- 7.2 The audit shall be performed by independent certified public accountants selected and paid by the Auditing Party. The accountants shall be reasonably acceptable to the Audited Party. Prior to commencing the audit, the accountants shall execute an agreement with the Audited Party in a form reasonably acceptable to the Audited Party that protects the confidentiality of the information disclosed by the Audited Party to the accountants. The audit shall take place at

a time and place agreed upon by the Parties; provided, that the Auditing Party may require that the audit commence no later than sixty (60) days after the Auditing Party has given notice of the audit to the Audited Party.

- 7.3 Each Party shall cooperate fully in any such audit, providing reasonable access to any and all employees, books, records, documents, facilities and systems, reasonably necessary to assess the accuracy of the Audited Party's bills.
- 7.4 Audits shall be performed at the Auditing Party's expense, provided that there shall be no charge for reasonable access to the Audited Party's employees, books, records, documents, facilities and systems necessary to assess the accuracy of the Audited Party's bills.

8. Authorization

- 8.1 Verizon represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and has full power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.
- 8.2 US LEC represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina, and has full power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.
- 8.3 US LEC Certification.

Notwithstanding any other provision of this Agreement, Verizon shall have no obligation to perform under this Agreement until such time as US LEC has obtained such FCC and Commission authorization as may be required by Applicable Law for conducting business in Maryland. US LEC shall not place any orders under this Agreement until it has obtained such authorization. US LEC shall provide proof of such authorization to Verizon upon request.

9. Billing and Payment; Disputed Amounts¹

- 9.1 Except as otherwise provided in this Agreement, each Party shall submit to the other Party on a monthly basis in an itemized form, statement(s) of charges incurred by the other Party under this Agreement.
- 9.2 Except as otherwise provided in this Agreement, payment of amounts billed for Services provided under this Agreement, whether billed on a monthly basis or as otherwise provided in this Agreement, shall be due, in immediately available U.S. funds, on the later of the following dates (the "Due Date"): (a) the due date specified on the billing Party's statement; or, (b) twenty (20) days after the date the statement is received by the billed Party. Payments shall be transmitted by electronic funds transfer.
- 9.3 **[DISPUTED ITEM]** If any portion of an amount billed by a Party under this Agreement is subject to a good faith dispute between the Parties, the billed Party shall give notice to the billing Party of the amounts it disputes ("Disputed Amounts") and include in such notice the specific details and reasons for disputing each item. ~~A Party may also dispute prospectively with a single notice a class of charges that it disputes.~~ Notice of a dispute may be given by a Party at any time, either before or after an amount is paid, and a Party's payment of an amount shall not constitute a waiver of such Party's right to subsequently dispute its obligation to pay such amount or to seek a refund of any amount paid;

provided, however, if the billed party fails to provide a notice of dispute within sixty (60) days of the invoice date for the amount in question, then the billed party shall be deemed to have waived any disputes as to those amounts. The billed Party shall pay by the Due Date all undisputed amounts. Billing disputes shall be subject to the terms of Section 14, Dispute Resolution.

- 9.4 Undisputed charges due to the billing Party that are not paid by the Due Date, shall be subject to a late payment charge. The late payment charge shall be in an amount specified by the billing Party which shall not exceed a rate of one-and-one-half percent (1.5%) of the overdue amount (including any unpaid previously billed late payment charges) per month.
- 9.5 Although it is the intent of both Parties to submit timely statements of charges, failure by either Party to present statements to the other Party in a timely manner shall not constitute a breach or default, or a waiver of the right to payment of the incurred charges, by the billing Party under this Agreement, and, except for assertion of a provision of Applicable Law that limits the period in which a suit or other proceeding can be brought before a court or other governmental entity of appropriate jurisdiction to collect amounts due, the billed Party shall not be entitled to dispute the billing Party's statement(s) based on the billing Party's failure to submit them in a timely fashion.

10. Confidentiality

- 10.1 As used in this Section 10, "Confidential Information" means the following information that is disclosed by one Party ("Disclosing Party") to the other Party ("Receiving Party") in connection with, or anticipation of, this Agreement:
- 10.1.1 Books, records, documents and other information disclosed in an audit pursuant to Section 7;
- 10.1.2 Any forecasting information provided pursuant to this Agreement;
- 10.1.3 Customer Information (except to the extent that (a) the Customer information is published in a directory, (b) the Customer information is disclosed through or in the course of furnishing a Telecommunications Service, such as a Directory Assistance Service, Operator Service, Caller ID or similar service, or LIDB service, or, (c) the Customer to whom the Customer Information is related has authorized the Receiving Party to use and/or disclose the Customer Information);
- 10.1.4 Information related to specific facilities or equipment (including, but not limited to, cable and pair information);
- 10.1.5 any information that is in written, graphic, electromagnetic, or other tangible form, and marked at the time of disclosure as "Confidential" or "Proprietary;" and
- 10.1.6 any information that is communicated orally or visually and declared to the Receiving Party at the time of disclosure, and by written notice with a statement of the information given to the Receiving Party within ten (10) days after disclosure, to be "Confidential" or "Proprietary".

Notwithstanding any other provision of this Agreement, a Party shall have the right to refuse to accept receipt of information which the other Party has identified as Confidential Information pursuant to Sections 10.1.5 or 10.1.6.

- 10.2 Except as otherwise provided in this Agreement, the Receiving Party shall:
- 10.2.1 use the Confidential Information received from the Disclosing Party only in performance of this Agreement; and,
 - 10.2.2 using the same degree of care that it uses with similar confidential information of its own (but in no case a degree of care that is less than commercially reasonable), hold Confidential Information received from the Disclosing Party in confidence and restrict disclosure of the Confidential Information solely to those of the Receiving Party's Affiliates and the directors, officers, employees, Agents and contractors of the Receiving Party and the Receiving Party's Affiliates, that have a need to receive such Confidential Information in order to perform the Receiving Party's obligations under this Agreement. The Receiving Party's Affiliates and the directors, officers, employees, Agents and contractors of the Receiving Party and the Receiving Party's Affiliates, shall be required by the Receiving Party to comply with the provisions of this Section 10 in the same manner as the Receiving Party. The Receiving Party shall be liable for any failure of the Receiving Party's Affiliates or the directors, officers, employees, Agents or contractors of the Receiving Party or the Receiving Party's Affiliates, to comply with the provisions of this Section 10.
- 10.3 The Receiving Party shall return or destroy all Confidential Information received from the Disclosing Party, including any copies made by the Receiving Party, within thirty (30) days after a written request by the Disclosing Party is delivered to the Receiving Party, except for (a) Confidential Information that the Receiving Party reasonably requires to perform its obligations under this Agreement.
- 10.4 Unless otherwise agreed, the obligations of Sections 10.2 and 10.3 do not apply to information that:
- 10.4.1 was, at the time of receipt, already in the possession of or known to the Receiving Party free of any obligation of confidentiality and restriction on use;
 - 10.4.2 is or becomes publicly available or known through no wrongful act of the Receiving Party, the Receiving Party's Affiliates, or the directors, officers, employees, Agents or contractors of the Receiving Party or the Receiving Party's Affiliates;
 - 10.4.3 is rightfully received from a third person having no direct or indirect obligation of confidentiality or restriction on use to the Disclosing Party with respect to such information;
 - 10.4.4 is independently developed by the Receiving Party;
 - 10.4.5 is approved for disclosure or use by written authorization of the Disclosing Party (including, but not limited to, in this Agreement); or
 - 10.4.6 is required to be disclosed by the Receiving Party pursuant to Applicable Law, provided that the Receiving Party shall have made commercially reasonable efforts to give adequate notice of the requirement to the Disclosing Party in order to enable the Disclosing Party to seek protective arrangements.

- 10.5 Notwithstanding the provisions of Sections 10.1 through 10.4, the Receiving Party may use and disclose Confidential Information received from the Disclosing Party to the extent necessary to enforce the Receiving Party's rights under this Agreement or Applicable Law. In making any such disclosure, the Receiving Party shall make reasonable efforts to preserve the confidentiality and restrict the use of the Confidential Information while it is in the possession of any person to whom it is disclosed, including, but not limited to, by requesting any governmental entity to whom the Confidential Information is disclosed to treat it as confidential and restrict its use to purposes related to the proceeding pending before it.
- 10.6 The Disclosing Party shall retain all of the Disclosing Party's right, title and interest in any Confidential Information disclosed by the Disclosing Party to the Receiving Party. Except as otherwise expressly provided in this Agreement, no license is granted by this Agreement with respect to any Confidential Information (including, but not limited to, under any patent, trademark or copyright), nor is any such license to be implied solely by virtue of the disclosure of Confidential Information.
- 10.7 The provisions of this Section 10 shall be in addition to and not in derogation of any provisions of Applicable Law, including, but not limited to, 47 U.S.C. § 222, and are not intended to constitute a waiver by a Party of any right with regard to the use, or protection of the confidentiality of, CPNI provided by Applicable Law.
- 10.8 Each Party's obligations under this Section 10 shall survive expiration, cancellation or termination of this Agreement.

11. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

12. Default

If either Party ("Defaulting Party") fails to make a payment required by this Agreement (including, but not limited to, any payment required by Section 9.3 of undisputed amounts to the billing Party) or materially breaches any other material provision of this Agreement, and such failure or breach continues for thirty (30) days after written notice thereof from the other Party, the other Party may, by written notice to the Defaulting Party, (a) suspend the provision of any or all Services hereunder, or (b) cancel this Agreement and terminate the provision of all Services hereunder.

13. Discontinuance of Service by US LEC

- 13.1 If US LEC proposes to discontinue, or actually discontinues, its provision of service to all or substantially all of its Customers, whether voluntarily, as a result of bankruptcy, or for any other reason, US LEC shall send written notice of such discontinuance to Verizon, the Commission, and each of US LEC's Customers. US LEC shall provide such notice such number of days in advance of discontinuance of its service as shall be required by Applicable Law. Unless the period for advance notice of discontinuance of service required by Applicable Law is more than thirty (30) days, to the extent commercially feasible, US LEC shall send such notice at least thirty (30) days prior to its discontinuance of service.

- 13.2 Such notice must advise each US LEC Customer that unless action is taken by the US LEC Customer to switch to a different carrier prior to US LEC's proposed discontinuance of service, the US LEC Customer will be without the service provided by US LEC to the US LEC Customer.
- 13.3 Should a US LEC Customer subsequently become a Verizon Customer as a result of US LEC discontinuing service, US LEC shall provide Verizon with all information necessary for Verizon to establish service for the US LEC Customer, including, but not limited to, the US LEC Customer's billed name, listed name, service address, and billing address, and the services being provided to the US LEC Customer.
- 13.4 Nothing in this Section 13 shall limit Verizon's right under this agreement (including, but not limited to, rights set forth in sections 2 and 12 hereof) to cancel or terminate this Agreement or suspend provision of Services under this Agreement.

14. Dispute Resolution

- 14.1 Except as otherwise provided in this Agreement, any dispute between the Parties regarding the interpretation or enforcement of this Agreement or any of its terms shall be addressed by good faith negotiation between the Parties. To initiate such negotiation, a Party must provide to the other Party written notice of the dispute that includes both a detailed description of the dispute or alleged nonperformance and the name of an individual who will serve as the initiating Party's representative in the negotiation. The other Party shall have ten Business Days to designate its own representative in the negotiation. The Parties' representatives shall meet at least once within 45 days after the date of the initiating Party's written notice in an attempt to reach a good faith resolution of the dispute. Upon agreement, the Parties' representatives may utilize other alternative dispute resolution procedures such as private mediation to assist in the negotiations.
- 14.2 If the Parties have been unable to resolve the dispute within 45 days of the date of the initiating Party's written notice, either Party may pursue any remedies available to it under this Agreement, at law, in equity, or otherwise, including, but not limited to, instituting an appropriate proceeding before the Commission, the FCC, or a court of competent jurisdiction.

15. Force Majeure

- 15.1 Neither Party shall be responsible for any delay or failure in performance which results from causes beyond its reasonable control ("Force Majeure Events"), whether or not foreseeable by such Party. Such Force Majeure Events include, but are not limited to, adverse weather conditions, flood, fire, explosion, earthquake, volcanic action, power failure, embargo, boycott, war, revolution, civil commotion, act of public enemies, labor unrest (including, but not limited to, strikes, work stoppages, slowdowns, picketing or boycotts), inability to obtain equipment, parts, software or repairs thereof, acts or omissions of the other Party, and acts of God.
- 15.2 If a Force Majeure Event occurs, the non-performing Party shall give prompt notification of its inability to perform to the other Party. During the period that the non-performing Party is unable to perform, the other Party shall also be excused from performance of its obligations to the extent such obligations are reciprocal to, or depend upon, the performance of the non-performing Party that has been prevented by the Force Majeure Event. The non-performing Party shall use

commercially reasonable efforts to avoid or remove the cause(s) of its non-performance and both Parties shall proceed to perform once the cause(s) are removed or cease.

15.3 Notwithstanding the provisions of Sections 15.1 and 15.2, in no case shall a Force Majeure Event excuse either Party from an obligation to pay money as required by this Agreement.

15.4 Nothing in this Agreement shall require the non-performing Party to settle any labor dispute except as the non-performing Party, in its sole discretion, determines appropriate.

16. Forecasts

In addition to any other forecasts required by this Agreement, upon request by Verizon, US LEC shall provide to Verizon forecasts regarding the Services that US LEC expects to purchase from Verizon, including, but not limited to, forecasts regarding the types and volumes of Services that US LEC expects to purchase and the locations where such Services will be purchased.

17. Fraud

Each party assumes responsibility for all fraud associated with its Customers and accounts. Neither party shall bear responsibility for, nor have any obligation to investigate or make adjustments to the other party's account in cases of, fraud by the other party's Customers or other third parties.

18. Good Faith Performance

The Parties shall act in good faith in their performance of this Agreement. Except as otherwise expressly stated in this Agreement (including, but not limited to, where consent, approval, agreement or a similar action is stated to be within a Party's sole discretion), where consent, approval, mutual agreement or a similar action is required by any provision of this Agreement, such action shall not be unreasonably withheld, conditioned or delayed.

19. Headings

The headings used in the Principal Document are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning of the Principal Document.

20. Indemnification

20.1 Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party ("Indemnified Party"), the Indemnified Party's Affiliates, and the directors, officers and employees of the Indemnified Party and the Indemnified Party's Affiliates, from and against any and all Claims that arise out of bodily injury to or death of any person, or damage to, or destruction or loss of, tangible real and/or personal property of any person, to the extent such injury, death, damage, destruction or loss, was proximately caused by the grossly negligent or intentionally wrongful acts or omissions of the Indemnifying Party, the Indemnifying Party's Affiliates, or the directors, officers, employees, Agents or contractors (excluding the Indemnified Party) of the Indemnifying Party or the Indemnifying Party's Affiliates, in connection with this Agreement.

20.2 Indemnification Process.

- 20.2.1 As used in this Section 20, "Indemnified Person" means a person whom an Indemnifying Party is obligated to indemnify, defend and/or hold harmless under Section 20.1.
- 20.2.2 An Indemnifying Party's obligations under Section 20.1 shall be conditioned upon the following:
- 20.2.3 The Indemnified Person: (a) shall give the Indemnifying Party notice of the Claim promptly after becoming aware thereof (including a statement of facts known to the Indemnified Person related to the Claim and an estimate of the amount thereof); (b) prior to taking any material action with respect to a Third Party Claim, shall consult with the Indemnifying Party as to the procedure to be followed in defending, settling, or compromising the Claim; (c) shall not consent to any settlement or compromise of a Third Party Claim without the written consent of the Indemnifying Party; (d) shall permit the Indemnifying Party to assume the defense of a Third Party Claim (including, except as provided below, the compromise or settlement thereof) at the Indemnifying Party's own cost and expense, provided, however, that the Indemnified Person shall have the right to approve the Indemnifying Party's choice of legal counsel.
- 20.2.4 If the Indemnified Person fails to comply with Section 20.2.1 with respect to a Claim, to the extent such failure shall have a material adverse effect upon the Indemnifying Party, the Indemnifying Party shall be relieved of its obligation to indemnify, defend and hold harmless the Indemnified Person with respect to such Claim under this Agreement.
- 20.2.5 Subject to 20.2.6 and 20.2.7, below, the Indemnifying Party shall have the authority to defend and settle any Third Party Claim.
- 20.2.6 With respect to any Third Party Claim, the Indemnified Person shall be entitled to participate with the Indemnifying Party in the defense of the Claim if the Claim requests equitable relief or other relief that could affect the rights of the Indemnified Person. In so participating, the Indemnified Person shall be entitled to employ separate counsel for the defense at the Indemnified Person's expense. The Indemnified Person shall also be entitled to participate, at its own expense, in the defense of any Claim, as to any portion of the Claim as to which it is not entitled to be indemnified, defended and held harmless by the Indemnifying Party.
- 20.2.7 In no event shall the Indemnifying Party settle a Third Party Claim or consent to any judgment with regard to a Third Party Claim without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned or delayed. In the event the settlement or judgment requires a contribution from or affects the rights of an Indemnified Person, the Indemnified Person shall have the right to refuse such settlement or judgment with respect to itself and, at its own cost and expense, take over the defense against the Third Party Claim, provided that in such event the Indemnifying Party shall not be responsible for, nor shall it be obligated to indemnify or hold harmless the Indemnified Person against, the Third Party Claim for any amount in excess of such refused settlement or judgment.

- 20.2.8 The Indemnified Person shall, in all cases, assert any and all provisions in applicable Tariffs and Customer contracts that limit liability to third persons as a bar to, or limitation on, any recovery by a third-person claimant.
- 20.2.9 The Indemnifying Party and the Indemnified Person shall offer each other all reasonable cooperation and assistance in the defense of any Third Party Claim.
- 20.3 Except as otherwise provided in Section 20.1 above, each Party agrees that it will not implead or bring any action against the other Party, the other Party's Affiliates, or any of the directors, officers or employees of the other Party or the other Party's Affiliates, based on any claim by any person for personal injury or death that occurs in the course or scope of employment of such person by the other Party or the other Party's Affiliate and that arises out of performance of this Agreement.
- 20.4 Each Party's obligations under this Section 20 shall survive expiration, cancellation or termination of this Agreement.

21. Insurance

- 21.1 US LEC shall maintain during the term of this Agreement and for a period of two years thereafter all insurance and/or bonds required to satisfy its obligations under this Agreement (including, but not limited to, its obligations set forth in Section 20 hereof) and all insurance and/or bonds required by Applicable Law. The insurance and/or bonds shall be obtained from an insurer having an A.M. Best insurance rating of at least A-, financial size category VII or greater. At a minimum and without limiting the foregoing undertaking, US LEC shall maintain the following insurance:

[DISPUTED ITEMS – 21.1.1 – 21.1.5]

- 21.1.1 Commercial General Liability Insurance, on an occurrence basis, including but not limited to, premises-operations, broad form property damage, products/completed operations, contractual liability, independent contractors, and personal injury, with limits of at least \$21,000,000 combined single limit for each occurrence.
- 21.1.2 Commercial Motor Vehicle Liability Insurance covering all owned, hired and non-owned vehicles, with limits of at least \$21,000,000 combined single limit for each occurrence.
- 21.1.3 Excess Liability Insurance, in the umbrella form, with limits of at least \$10,000,000 combined single limit for each occurrence.
- 21.1.4 Worker's Compensation Insurance as required by Applicable Law, and Employer's Liability Insurance with limits of not less than \$2,0100,000 per occurrence with a \$500,000 policy limit.
- 21.1.5 All risk property insurance on a full replacement cost basis for all of US LEC's real and personal property located at any Collocation site or otherwise located on or in any Verizon premises (whether owned, leased or otherwise occupied by Verizon), facility, equipment or right-of-way.

- 21.2 Any deductibles, self-insured retentions or loss limits ("Retentions") for the foregoing insurance must be disclosed on the certificates of insurance to be provided to Verizon pursuant to Sections 21.4 and 21.5, and Verizon reserves the right to reject any such Retentions in its reasonable discretion. All Retentions shall be the responsibility of US LEC.
- 21.3 US LEC shall name Verizon and Verizon's Affiliates as additional insureds on the foregoing liability insurance.
- 21.4 US LEC shall, within two (2) weeks of the Effective Date hereof at the time of each renewal of, or material change in, US LEC's insurance policies, and at such other times as Verizon may reasonably specify, furnish certificates or other proof of the foregoing insurance reasonably acceptable to Verizon. The certificates or other proof of the foregoing insurance shall be sent to: Director - Contract Performance & Administration, Verizon Wholesale Markets, 600 Hidden Ridge, HQEWMNOTICES, Irving, TX 75038.
- 21.5 US LEC shall require its contractors, if any, that may enter upon the premises or access the facilities or equipment of Verizon or Verizon's affiliates to maintain insurance in accordance with Sections 21.1 through 21.3 and, if requested, to furnish Verizon certificates or other adequate proof of such insurance acceptable to Verizon in accordance with Section 21.4
- 21.6 If US LEC or US LEC's contractors fail to maintain insurance as required in Sections 21.1 through 21.5, above, Verizon may (but shall not be obligated to) purchase such insurance and US LEC shall reimburse Verizon for the cost of the insurance.
- 21.7 Certificates furnished by US LEC or US LEC's contractors shall contain a clause stating: "Verizon Maryland Inc., f/k/a Bell Atlantic - Maryland, Inc. shall be notified in writing at least thirty (30) days prior to cancellation of, or any material change in, the insurance."

22. Intellectual Property

- 22.1 Except as expressly stated in this Agreement, this Agreement shall not be construed as granting a license with respect to any patent, copyright, trade name, trademark, service mark, trade secret or any other intellectual property, now or hereafter owned, controlled or licensable by either Party. Except as expressly stated in this Agreement, neither Party may use any patent, copyrightable materials, trademark, trade name, trade secret or other intellectual property right, of the other Party except in accordance with the terms of a separate license agreement between the Parties granting such rights.
- 22.2 Except as stated in Section 22.4, neither Party shall have any obligation to defend, indemnify or hold harmless, or acquire any license or right for the benefit of, or owe any other obligation or have any liability to, the other Party or its Affiliates or Customers based on or arising from any Third Party Claim alleging or asserting that the provision or use of any service, facility, arrangement, or software by either Party under this Agreement, or the performance of any service or method, either alone or in combination with the other Party, constitutes direct, vicarious or contributory infringement or inducement to infringe, or misuse or misappropriation of any patent, copyright, trademark, trade secret, or any other proprietary or intellectual property right of any Party or third person. Each Party, however, shall offer to the other reasonable cooperation and assistance in the defense of any such claim.

22.3 NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE PARTIES AGREE THAT NEITHER PARTY HAS MADE, AND THAT THERE DOES NOT EXIST, ANY WARRANTY, EXPRESS OR IMPLIED, THAT THE USE BY EACH PARTY OF THE OTHER'S SERVICES PROVIDED UNDER THIS AGREEMENT SHALL NOT GIVE RISE TO A CLAIM OF INFRINGEMENT, MISUSE, OR MISAPPROPRIATION OF ANY INTELLECTUAL PROPERTY RIGHT.

22.4 US LEC agrees that the Services provided by Verizon hereunder shall be subject to the terms, conditions and restrictions contained in any applicable agreements (including, but not limited to software or other intellectual property license agreements) between Verizon and Verizon's vendors. Verizon agrees to advise US LEC, directly or through a third party, of any such terms, conditions or restrictions that may limit any US LEC use of a Service provided by Verizon that is otherwise permitted by this Agreement. At US LEC's written request, to the extent required by Applicable Law, Verizon will use Verizon's best efforts, as commercially practicable, to obtain intellectual property rights from Verizon's vendor to allow US LEC to use the Service in the same manner as Verizon that are coextensive with Verizon's intellectual property rights, on terms and conditions that are equal in quality to the terms and conditions under which Verizon has obtained Verizon's intellectual property rights. US LEC shall reimburse Verizon for the cost of obtaining such rights.

23. Joint Work Product

The Principal Document is the joint work product of the Parties, has been negotiated by the Parties, and shall be fairly interpreted in accordance with its terms. In the event of any ambiguities, no inferences shall be drawn against either Party.

24. Law Enforcement.

24.1 Each Party may cooperate with law enforcement authorities and national security authorities to the full extent required or permitted by Applicable Law in matters related to Services provided by it under this Agreement, including, but not limited to, the production of records, the establishment of new lines or the installation of new services on an existing line in order to support law enforcement and/or national security operations, and, the installation of wiretaps, trap-and-trace facilities and equipment, and dialed number recording facilities and equipment.

24.2 A Party shall not have the obligation to inform the other Party or the Customers of the other Party of actions taken in cooperating with law enforcement or national security authorities, except to the extent required by Applicable Law.

24.3 Where a law enforcement or national security request relates to the establishment of lines (including, but not limited to, lines established to support interception of communications on other lines), or the installation of other services, facilities or arrangements, a Party may act to prevent the other Party from obtaining access to information concerning such lines, services, facilities and arrangements, through operations support system interfaces.

25. Liability

25.1 As used in this Section 25, "Service Failure" means a failure to comply with a direction to install, restore or terminate Services under this Agreement, a failure to provide Services under this Agreement, and failures, mistakes, omissions, interruptions, delays, errors, defects or the like, occurring in the course of the provision of any Services under this Agreement.

- 25.2 Except as otherwise stated in Section 25.5, the liability, if any, of a Party, a Party's Affiliates, and the directors, officers and employees of a Party and a Party's Affiliates, to the other Party, the other Party's Customers, and to any other person, for Claims arising out of a Service Failure shall not exceed an amount equal to the pro rata applicable monthly charge for the Services that are subject to the Service Failure for the period in which such Service Failure occurs.
- 25.3 Except as otherwise stated in Section 25.5, a Party, a Party's Affiliates, and the directors, officers and employees of a Party and a Party's Affiliates, shall not be liable to the other Party, the other Party's Customers, or to any other person, in connection with this Agreement (including, but not limited to, in connection with a Service Failure or any breach, delay or failure in performance, of this Agreement) for special, indirect, incidental, consequential, reliance, exemplary, punitive, or like damages, including, but not limited to, damages for lost revenues, profits or savings, or other commercial or economic loss, even if the person whose liability is excluded by this Section has been advised of the possibility of such damages.
- 25.4 The limitations and exclusions of liability stated in Sections 25.1 through 25.3 shall apply regardless of the form of a claim or action, whether statutory, in contract, warranty, strict liability, tort (including, but not limited to, negligence of a Party), or otherwise.
- 25.5 Nothing contained in Sections 25.1 through 25.4 shall exclude or limit liability:
- 25.5.1 under Sections 20, Indemnification, or 41, Taxes.
 - 25.5.2 for any obligation to indemnify, defend and/or hold harmless that a Party may have under this Agreement.
 - 25.5.3 for damages arising out of or resulting from bodily injury to or death of any person, or damage to, or destruction or loss of, tangible real and/or personal property of any person, or Toxic or Hazardous Substances, to the extent such damages are otherwise recoverable under Applicable Law;
 - 25.5.4 for a claim for infringement of any patent, copyright, trade name, trade mark, service mark, or other intellectual property interest;
 - 25.5.5 under Section 258 of the Act or any order of FCC or the Commission implementing Section 258; or
 - 25.5.6 under the financial incentive or remedy provisions of any service quality plan required by the FCC or the Commission.
- 25.6 In the event that the liability of a Party, a Party's Affiliate, or a director, officer or employee of a Party or a Party's Affiliate, is limited and/or excluded under both this Section 25 and a provision of an applicable Tariff, the liability of the Party or other person shall be limited to the smaller of the amounts for which such Party or other person would be liable under this Section or the Tariff provision.
- 25.7 Each Party shall, in its tariffs and other contracts with its Customers, provide that in no case shall the other Party, the other Party's Affiliates, or the directors, officers or employees of the other Party or the other Party's Affiliates, be liable to such Customers or other third-persons for any special, indirect, incidental, consequential, reliance, exemplary, punitive or other damages, arising out of a Service Failure.

26. Network Management

- 26.1 Cooperation.** The Parties will work cooperatively in a commercially reasonable manner to install and maintain a reliable network. US LEC and Verizon will exchange appropriate information (e.g., network information, maintenance contact numbers, escalation procedures, and information required to comply with requirements of law enforcement and national security agencies) to achieve this desired reliability. In addition, the Parties will work cooperatively in a commercially reasonable manner to apply sound network management principles to alleviate or to prevent traffic congestion and subject to Section 17, to minimize fraud associated with third number billed calls, calling card calls, and other services related to this Agreement.
- 26.2 Responsibility for Following Standards.** Each Party recognizes a responsibility to follow the standards that may be agreed to between the Parties and to employ characteristics and methods of operation that will not interfere with or impair the service, network or facilities of the other Party or any third parties connected with or involved directly in the network or facilities of the other.
- 26.3 Interference or Impairment.** If a Party ("Impaired Party") reasonably determines that the services, network, facilities, or methods of operation, of the other Party ("Interfering Party") will or are likely to interfere with or impair the Impaired Party's provision of services or the operation of the Impaired Party's network or facilities, the Impaired Party may interrupt or suspend any Service provided to the Interfering Party to the extent necessary to prevent such interference or impairment, subject to the following:
- 26.3.1** Except in emergency situations (e.g., situations involving a risk of bodily injury to persons or damage to tangible property, or an interruption in Customer service) or as otherwise provided in this Agreement, the Impaired Party shall have given the Interfering Party at least ten (10) days' prior written notice of the interference or impairment or potential interference or impairment and the need to correct the condition within said time period; and,
- 26.3.2** Upon correction of the interference or impairment, the Impaired Party will promptly restore the interrupted or suspended Service. The Impaired Party shall not be obligated to provide an out-of-service credit allowance or other compensation to the Interfering Party in connection with the suspended Service.
- 26.4 Outage Repair Standard.** In the event of an outage or trouble in any Service being provided by a Party hereunder, the Providing Party will follow Verizon's standard procedures for isolating and clearing the outage or trouble in a manner consistent with its obligations to act in a non-discriminatory manner.

27. Non-Exclusive Remedies

Except as otherwise expressly provided in this Agreement, each of the remedies provided under this Agreement is cumulative and is in addition to any other remedies that may be available under this Agreement or at law or in equity.

28. Notice of Network Changes

If a Party makes a change in the information necessary for the transmission and routing of services using that Party's facilities or network, or any other change in its facilities or network that will materially affect the interoperability of its facilities or network with the

other Party's facilities or network, the Party making the change shall publish notice of the change at least ninety (90) days in advance of such change, and shall use reasonable efforts, as commercially practicable, to publish such notice at least one hundred eighty (180) days in advance of the change; provided, however, that if an earlier publication of notice of a change is required by Applicable Law (including, but not limited to, 47 CFR 51.325 through 51.335) notice shall be given at the time required by Applicable Law.

29. Notices

29.1 Except as otherwise provided in this Agreement, notices given by one Party to the other Party under this Agreement:

29.1.1 shall be in writing;

29.1.2 shall be delivered (a) personally, (b) by express delivery service with next Business Day delivery, (c) by First Class, certified or registered U.S. mail, postage prepaid, or (d) by facsimile telecopy, with a copy delivered in accordance with (a), (b) or (c), preceding; and

29.1.3 shall be delivered to the following addresses of the Parties:

To US LEC:

Wanda G. Montano
Vice President Regulatory and Industry Affairs
US LEC Corporation
6801 Morrison Boulevard
Charlotte, NC 28211
Telephone Number: 704-319-1074
Facsimile Number: 704-602-1074
Internet Address: wmontano@uslec.com

with a copy to:

General Counsel
US LEC Corporation
6801 Morrison Boulevard
Charlotte, NC 28211
Telephone Number: 704-319-1119
Facsimile Number: 704-602-1119
Internet Address: sturley@uslec.com

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: 972-718-5988
Facsimile Number: 972-719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets
1515 North Court House Road
Suite 500
Arlington, VA 22201
Facsimile: 703-351-3664

or to such other address as either Party shall designate by proper notice.

Notices will be deemed given as of the earlier of (a) where there is personal delivery of the notice, the date of actual receipt, (b) where the notice is sent via express delivery service for next Business Day delivery, the next Business Day after the notice is sent, (c) where the notice is sent via First Class U.S. Mail, three (3) Business Days after mailing, (d) where notice is sent via certified or registered U.S. mail, the date of receipt shown on the Postal Service receipt, and (e) where the notice is sent via facsimile telecopy, if the notice is sent on a Business Day and before 5 PM. in the time zone where it is received, on the date set forth on the telecopy confirmation, or if the notice is sent on a non-Business Day or if the notice is sent after 5 PM in the time zone where it is received, the next Business Day after the date set forth on the telecopy confirmation.

30. Ordering and Maintenance

US LEC shall use Verizon's electronic Operations Support System access platforms to submit Orders and requests for maintenance and repair of Services, and to engage in other pre-ordering, ordering, provisioning, maintenance and repair transactions. If Verizon has not yet deployed an electronic capability for US LEC to perform a pre-ordering, ordering, provisioning, maintenance or repair, transaction offered by Verizon, US LEC shall use such other processes as Verizon has made available for performing such transaction (including, but not limited, to submission of Orders by telephonic facsimile transmission and placing trouble reports by voice telephone transmission).

31. Performance Standards

- 31.1 Verizon shall provide Services under this Agreement in accordance with the performance standards required by Applicable Law, including, but not limited to, Section 251(c) of the Act.
- 31.2 To the extent required by Appendix D, Section V, "Carrier-to-Carrier Performance Plan (Including Performance Measurements)," and Appendix D, Attachment A, "Carrier-to-Carrier Performance Assurance Plan," of the Merger Order, Verizon shall provide performance measurement results to US LEC.
- 31.3 US LEC shall provide Services under this Agreement in accordance with the performance standards required by Applicable Law.

32. Point of Contact for US LEC Customers

- 32.1 US LEC shall establish telephone numbers and mailing addresses at which US LEC Customers may communicate with US LEC and shall advise US LEC Customers of these telephone numbers and mailing addresses.
- 32.2 Except as otherwise agreed to by Verizon, Verizon shall have no obligation, and may decline, to accept a communication from a US LEC customer, including, but not limited to, a US LEC Customer request for repair or maintenance of a Verizon Service provided to US LEC.

33. Predecessor Agreements

- 33.1** Except as stated in Section 33.1.1 or as otherwise agreed in writing by the Parties:
- 33.1.1** any prior interconnection or resale agreement between the Parties for the State of Maryland pursuant to Section 252 of the Act and in effect immediately prior to the Effective Date is hereby terminated; and
 - 33.1.2** any Services that were purchased by one Party from the other Party under a prior interconnection or resale agreement between the Parties for the State of Maryland pursuant to Section 252 of the Act and in effect immediately prior to the Effective Date, shall as of the Effective Date be subject to and purchased under this Agreement.
- 33.2** Except as otherwise agreed in writing by the Parties, if a Service purchased by a Party under a prior interconnection or resale agreement between the Parties pursuant to Section 252 of the Act was subject to a contractual commitment that it would be purchased for a period of longer than one month, and such period had not yet expired as of the Effective Date and the Service had not been terminated prior to the Effective Date, to the extent not inconsistent with this Agreement, such commitment shall remain in effect and the Service will be purchased under this Agreement; provided, that if this Agreement would materially alter the terms of the commitment, either Party make elect to cancel the commitment.
- 33.3** If either Party elects to cancel the commitment pursuant to the proviso in Section 33.1.1, the Purchasing Party shall not be liable for any termination charge that would otherwise have applied. However, if the commitment was cancelled by the Purchasing Party, the Providing Party shall be entitled to payment from the Purchasing Party of the difference between the price of the Service that was actually paid by the Purchasing Party under the commitment and the price of the Service that would have applied if the commitment had been to purchase the Service only until the time that the commitment was cancelled.

34. Publicity and Use of Trademarks or Service Marks

- 34.1** A Party, its Affiliates, and their respective contractors and Agents, shall not use the other Party's trademarks, service marks, logos or other proprietary trade dress, in connection with the sale of products or services, or in any advertising, press releases, publicity matters or other promotional materials, unless the other Party has given its written consent for such use, which consent the other Party may grant or withhold in its sole discretion.
- 34.2** Neither Party may imply any direct or indirect affiliation with or sponsorship or endorsement of it or its services or products by the other Party.
- 34.3** Any violation of this Section 34 shall be considered a material breach of this Agreement.

35. References

- 35.1** All references to Sections, Appendices and Exhibits shall be deemed to be references to Sections, Appendices and Exhibits of this Agreement unless the context shall otherwise require.

- 35.2 Unless the context shall otherwise require, any reference to a Tariff, agreement, technical or other document (including Verizon or third party guides, practices or handbooks), or provision of Applicable Law, is to such Tariff, agreement, document, or provision of Applicable Law, as amended and supplemented from time to time (and, in the case of a Tariff or provision of Applicable Law, to any successor Tariff or provision).

36. Relationship of the Parties

- 36.1 The relationship of the Parties under this Agreement shall be that of independent contractors and nothing herein shall be construed as creating any other relationship between the Parties.
- 36.2 Nothing contained in this Agreement shall make either Party the employee of the other, create a partnership, joint venture, or other similar relationship between the Parties, or grant to either Party a franchise, distributorship or similar interest.
- 36.3 Except for provisions herein expressly authorizing a Party to act for another Party, nothing in this Agreement shall constitute a Party as a legal representative or Agent of the other Party, nor shall a Party have the right or authority to assume, create or incur any liability or any obligation of any kind, express or implied, against, in the name or on behalf of the other Party unless otherwise expressly permitted by such other Party in writing, which permission may be granted or withheld by the other Party in its sole discretion.
- 36.4 Each Party shall have sole authority and responsibility to hire, fire, compensate, supervise, and otherwise control its employees, Agents and contractors. Each Party shall be solely responsible for payment of any Social Security or other taxes that it is required by Applicable Law to pay in conjunction with its employees, Agents and contractors, and for withholding and remitting to the applicable taxing authorities any taxes that it is required by Applicable Law to collect from its employees.
- 36.5 Except as otherwise expressly provided in this Agreement, no Party undertakes to perform any obligation of the other Party, whether regulatory or contractual, or to assume any responsibility for the management of the other Party's business.
- 36.6 The relationship of the Parties under this Agreement is a non-exclusive relationship.

37. Reservation of Rights

- 37.1 Notwithstanding anything to the contrary in this Agreement, neither Party waives, and each Party hereby expressly reserves, its rights: (a) to appeal or otherwise seek the reversal of and changes in any arbitration decision associated with this Agreement; (b) to challenge the lawfulness of this Agreement and any provision of this Agreement; (c) to seek changes in this Agreement (including, but not limited to, changes in rates, charges and the Services that must be offered) through changes in Applicable Law; and, (d) to challenge the lawfulness and propriety of, and to seek to change, any Applicable Law, including, but not limited to any rule, regulation, order or decision of the Commission, the FCC, or a court of applicable jurisdiction. Nothing in this Agreement shall be deemed to limit or prejudice any position a Party has taken or may take before the Commission, the FCC, any other state or federal regulatory or legislative bodies, courts of applicable jurisdiction, or industry fora. The provisions of this Section shall survive the expiration, cancellation or termination of this Agreement.

- 37.2 US LEC acknowledges US LEC has been advised by Verizon that it is Verizon's position that this Agreement contains certain provisions which are intended to reflect Applicable Law and Commission and/or FCC arbitration decisions.
38. **Subcontractors**
- A Party may use a contractor of the Party (including, but not limited to, an Affiliate of the Party) to perform the Party's obligations under this Agreement; provided, that a Party's use of a contractor shall not release the Party from any duty or liability to fulfill the Party's obligations under this Agreement.
39. **Successors and Assigns**
- This Agreement shall be binding on and inure to the benefit of the Parties and their respective legal successors and permitted assigns.
40. **Survival**
- The rights, liabilities and obligations of a Party for acts or omissions occurring prior to the expiration, cancellation or termination of this Agreement, the rights, liabilities and obligations of a Party under any provision of this Agreement regarding confidential information (including but not limited to, Section 10, indemnification or defense (including, but not limited to, Section 20, or limitation or exclusion of liability (including, but not limited to, Section 25, and the rights, liabilities and obligations of a Party under any provision of this Agreement which by its terms or nature is intended to continue beyond or to be performed after the expiration, cancellation or termination of this Agreement, shall survive the expiration, cancellation or termination of this Agreement.
41. **Taxes**
- 41.1 In General. With respect to any purchase hereunder of Services, if any federal, state or local tax, fee, surcharge or other tax-like charge (a "Tax") is required or permitted by Applicable Law or a Tariff to be collected from the Purchasing Party by the Providing Party, then (a) the Providing Party shall properly bill the Purchasing Party for such Tax, (b) the Purchasing Party shall timely remit such Tax to the Providing Party and (c) the Providing Party shall timely remit such collected Tax to the applicable taxing authority.
- 41.2 Taxes Imposed on the Providing Party. With respect to any purchase hereunder of Services, if any federal, state or local Tax is imposed by Applicable Law on the receipts of the Providing Party, and such Applicable Law permits the Providing Party to exclude certain receipts received from sales for resale to a public utility, distributor, telephone company, local exchange carrier, telecommunications company or other communications company ("Telecommunications Company"), such exclusion being based solely on the fact that the Purchasing Party is also subject to a tax based upon receipts ("Receipts Tax"), then the Purchasing Party (a) shall provide the Providing Party with notice in writing in accordance with Section 41.6 of this Agreement of its intent to pay the Receipts Tax and (b) shall timely pay the Receipts Tax to the applicable tax authority.
- 41.3 Taxes Imposed on Customers. With respect to any purchase hereunder of Services that are resold to a third party, if any federal, state or local Tax is imposed by Applicable Law on the subscriber, end-user, Customer or ultimate consumer ("Subscriber") in connection with any such purchase, which a Telecommunications Company is required to impose and/or collect from a Subscriber, then the Purchasing Party (a) shall be required to impose and/or

collect such Tax from the Subscriber and (b) shall timely remit such Tax to the applicable taxing authority.

41.4 Liability for Uncollected Tax, Interest and Penalty. If the Providing Party has not received an exemption certificate from the Purchasing Party and the Providing Party fails to bill the Purchasing Party for any Tax as required by Section 41.1, then, as between the Providing Party and the Purchasing Party, (a) the Purchasing Party shall remain liable for such unbilled Tax and (b) the Providing Party shall be liable for any interest assessed thereon and any penalty assessed with respect to such unbilled Tax by such authority. If the Providing Party properly bills the Purchasing Party for any Tax but the Purchasing Party fails to remit such Tax to the Providing Party as required by Section 41.1, then, as between the Providing Party and the Purchasing Party, the Purchasing Party shall be liable for such uncollected Tax and any interest assessed thereon, as well as any penalty assessed with respect to such uncollected Tax by the applicable taxing authority. If the Providing Party does not collect any Tax as required by Section 41.1 because the Purchasing Party has provided such Providing Party with an exemption certificate that is later found to be inadequate by a taxing authority, then, as between the Providing Party and the Purchasing Party, the Purchasing Party shall be liable for such uncollected Tax and any interest assessed thereon, as well as any penalty assessed with respect to such uncollected Tax by the applicable taxing authority. If the Purchasing Party fails to pay the Receipts Tax as required by Section 41.2, then, as between the Providing Party and the Purchasing Party, (x) the Providing Party shall be liable for any Tax imposed on its receipts and (y) the Purchasing Party shall be liable for any interest assessed thereon and any penalty assessed upon the Providing Party with respect to such Tax by such authority. If the Purchasing Party fails to impose and/or collect any Tax from Subscribers as required by Section 41.3, then, as between the Providing Party and the Purchasing Party, the Purchasing Party shall remain liable for such uncollected Tax and any interest assessed thereon, as well as any penalty assessed with respect to such uncollected Tax by the applicable taxing authority. With respect to any Tax that the Purchasing Party has agreed to pay, or is required to impose on and/or collect from Subscribers, the Purchasing Party agrees to indemnify and hold the Providing Party harmless on an after-tax basis for any costs incurred by the Providing Party as a result of actions taken by the applicable taxing authority to recover the Tax from the Providing Party due to the failure of the Purchasing Party to timely pay, or collect and timely remit, such Tax to such authority. In the event either Party is audited by a taxing authority, the other Party agrees to cooperate fully with the Party being audited in order to respond to any audit inquiries in a proper and timely manner so that the audit and/or any resulting controversy may be resolved expeditiously.

41.5 Tax exemptions and Exemption Certificates. If Applicable Law clearly exempts a purchase hereunder from a Tax, and if such Applicable Law also provides an exemption procedure, such as an exemption-certificate requirement, then, if the Purchasing Party complies with such procedure, the Providing Party shall not collect such Tax during the effective period of such exemption. Such exemption shall be effective upon receipt of the exemption certificate or affidavit in accordance with the terms set forth in Section 41.6. If Applicable Law clearly exempts a purchase hereunder from a Tax, but does not also provide an exemption procedure, then the Providing Party shall not collect such Tax if the Purchasing Party (a) furnishes the Providing Party with a letter signed by an officer requesting such an exemption and citing the provision in the Applicable Law which clearly allows such exemption and (b) supplies the Providing Party with an indemnification agreement, reasonably acceptable to the Providing Party

(e.g., an agreement commonly used in the industry), which holds the Providing Party harmless on an after-tax basis with respect to its forbearing to collect such Tax.

- 41.6 All notices, affidavits, exemption-certificates or other communications required or permitted to be given by either Party to the other, for purposes of this Section 41, shall be made in writing and shall be delivered in person or sent by certified mail, return receipt requested, or registered mail, or a courier service providing proof of service, and sent to the addressees set forth in Section 29 as well as to the following:

To Verizon:

Tax Administration
Verizon Communications
1095 Avenue of the Americas
Room 3109
New York, NY 10036

To US LEC:

Telecommunications Tax Manager
US LEC Corporation
6801 Morrison Boulevard
Charlotte, NC 28211

Either Party may from time to time designate another address or other addressees by giving notice in accordance with the terms of this Section. Any notice or other communication shall be deemed to be given when received.

42. Technology Upgrades

Notwithstanding any other provision of this Agreement, Verizon shall have the right to deploy, upgrade, migrate and maintain its network at its discretion, and to the extent permitted by Applicable Law. The Parties acknowledge that Verizon, at its election, may deploy fiber throughout its network and that such fiber deployment may inhibit or facilitate US LEC's ability to provide service using certain technologies. Nothing in this Agreement shall limit Verizon's ability to modify its network through the incorporation of new equipment or software or otherwise. US LEC shall be solely responsible for the cost and activities associated with accommodating such changes in its own network.

43. Territory

- 43.1 This Agreement applies to the territory in which Verizon operates as an Incumbent Local Exchange Carrier in the State of Maryland.
- 43.2 Notwithstanding any other provision of this Agreement, Verizon may terminate this Agreement as to a specific operating territory or portion thereof if Verizon sells or otherwise transfers its operations in such territory or portion thereof to a third-person. Verizon shall provide US LEC with at least 90 calendar days prior written notice of such termination, which shall be effective upon the date specified in the notice. Verizon shall be obligated to provide Services under this Agreement only within this territory.

44. Third Party Beneficiaries

Except as expressly set forth in this Agreement, this Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein shall create or be construed to provide any third-persons (including, but not limited to, Customers or contractors of a Party) with any rights (including, but not limited to, any third-party beneficiary rights) hereunder. Except as expressly set forth in this Agreement, a Party shall have no liability under this Agreement to the Customers of the other Party or to any other third person.

45. 251 and 271 Requirements

45.1 The Parties agree that the satisfactory and timely performance of the terms of this Agreement may be construed by an appropriate regulatory authority as satisfying Verizon's obligations under Section 251 of the Act.

45.2 The Parties understand and agree that this Agreement will be filed with the Commission and may thereafter be filed with the FCC as an integral part of an application by Verizon or an Affiliate of Verizon pursuant to Section 271(d) of the Act.

46. 252(i) Obligations

46.1 To the extent required by Applicable Law, each Party shall comply with Section 252(i) of the Act and Appendix D, Sections 30 through 32, of the Merger Order ("Merger Order MFN Provisions").

46.2 To the extent that the exercise by US LEC of any rights it may have under Section 252(i) or the Merger Order MFN Provisions results in the rearrangement of Services by Verizon, US LEC shall be solely liable for all costs associated therewith, as well as for any termination charges associated with the termination of existing Verizon Services.

47. Use of Service

Each Party shall make commercially reasonable efforts to ensure that its Customers comply with the provisions of this Agreement (including, but not limited to the provisions of applicable Tariffs) applicable to the use of Services purchased by it under this Agreement.

48. Waiver

A failure or delay of either Party to enforce any of the provisions of this Agreement, or any right or remedy available under this Agreement or at law or in equity, or to require performance of any of the provisions of this Agreement, or to exercise any option which is provided under this Agreement, shall in no way be construed to be a waiver of such provisions, rights, remedies or options.

49. Warranties

EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY MAKES OR RECEIVES ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES PROVIDED, OR TO BE PROVIDED, UNDER THIS AGREEMENT AND THE PARTIES DISCLAIM ANY OTHER WARRANTIES, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE WARRANTIES AGAINST INFRINGEMENT, AND WARRANTIES ARISING BY TRADE CUSTOM, TRADE USAGE, COURSE OF DEALING OR PERFORMANCE, OR OTHERWISE.

50. Withdrawal of Services

50.1 Notwithstanding anything contained in this Agreement, except as otherwise required by Applicable Law, and as specified in Section 4, Verizon may terminate its offering and/or provision of any Service under this Agreement upon ninety (90) days prior written notice to US LEC.

50.2 **[DISPUTED ITEM]** Notwithstanding anything contained in this Agreement, except as otherwise required by Applicable Law, and as specified in Section 4 and Section 8 of the Interconnection Attachment, Verizon may with ninety (90) days prior written notice to US LEC terminate any provision of this Agreement that provides for the payment by Verizon to US LEC of compensation related to traffic, including, but not limited to, Reciprocal Compensation and other types of compensation for termination of traffic delivered by Verizon to US LEC. Following such termination, except as otherwise agreed in writing by the Parties, Verizon shall be obligated to provide compensation to US LEC related to traffic only to the extent required by Applicable Law. If Verizon exercises its right of termination under this Section, the Parties shall negotiate in good faith appropriate substitute provisions for compensation related to traffic; provided, however, that except as otherwise voluntarily agreed by Verizon in writing in its sole discretion, Verizon shall be obligated to provide compensation to US LEC related to traffic only to the extent required by Applicable Law. If within sixty (60) days after Verizon's notice of termination the Parties are unable to agree in writing upon mutually acceptable substitute provisions for compensation related to traffic, either Party may submit their disagreement to dispute resolution in accordance with Section 14 of this Agreement.

SIGNATURE PAGE

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date.

US LEC OF MARYLAND INC.

VERIZON MARYLAND INC.

By: _____

By: _____

Printed: Wanda G. Montano

Printed: Jeffrey A. Masoner

Title: Vice President, Regulatory and Industry
Affairs

Title: Vice President – Interconnection Policy and
Planning

GLOSSARY

1. General Rule

- 1.1 The provisions of Sections 1.2 through 1.4 and Section 2 apply with regard to the Principal Document. Terms used in a Tariff shall have the meanings stated in the Tariff.
- 1.2 Unless the context clearly indicates otherwise, when a term listed in this Glossary is used in the Principal Document, the term shall have the meaning stated in this Glossary. A defined term intended to convey the meaning stated in this Glossary is capitalized when used. Other terms that are capitalized, and not defined in this Glossary or elsewhere in the Principal Document, shall have the meaning stated in the Act. Additional definitions that are specific to the matters covered in a particular provision of the Principal Document may appear in that provision. To the extent that there may be any conflict between a definition set forth in this Glossary and any definition in a specific provision, the definition set forth in the specific provision shall control with respect to that provision.
- 1.3 Unless the context clearly indicates otherwise, any term defined in this Glossary which is defined or used in the singular shall include the plural, and any term defined in this Glossary which is defined or used in the plural shall include the singular.
- 1.4 The words "shall" and "will" are used interchangeably throughout the Principal Document and the use of either indicates a mandatory requirement. The use of one or the other shall not confer a different degree of right or obligation for either Party.

2. Definitions

2.1 Act.

The Communications Act of 1934 (47 U.S.C. §151 et seq.), as from time to time amended (including, but not limited to, by the Telecommunications Act of 1996).

2.2 ADSL (Asymmetrical Digital Subscriber Line).

A transmission technology on twisted pair copper Loop plant, which transmits an asymmetrical digital signal of up to 8 Mbps toward the Customer and up to 1 Mbps from the Customer, as specified in ANSI standards T1.413-1998 and Bell Atlantic Technical Reference TR-72575.

2.3 Affiliate.

Shall have the meaning set forth in the Act.

2.4 Agent.

An agent or servant.

2.5 Agreement.

This Agreement, as defined in Section 1 of the General Terms and Conditions.

2.6 Ancillary Traffic.

All traffic that is destined for ancillary services, or that may have special billing requirements, including but not limited to the following: Directory Assistance, 911/E911, Operator Services (IntraLATA call completion), IntraLATA third party, collect and calling card, 800/888 database query, LIDB, and Voice Information Services Traffic as described in Section 5 of the Additional Services Attachment.

2.7 ANI (Automatic Number Identification).

The signaling parameter that refers to the number transmitted through the network identifying the billing number of the calling party.

2.8 Applicable Law.

All effective laws, government regulations and government orders, applicable to each Party's performance of its obligations under this Agreement.

2.9 ASR (Access Service Request).

An industry standard form, which contains data elements and usage rules used by the Parties to add, establish, change or disconnect services or trunks for the purposes of interconnection.

2.10 BFR (Bona Fide Request).

The process described in the Network Element Attachment that prescribes the terms and conditions relating to a Party's request that the other Party provide a UNE that it is not otherwise required to provide under the terms of this Agreement.

2.11 Business Day.

Monday through Friday, except for holidays.

2.12 Calendar Quarter.

January through March, April through June, July through September, or October through December.

2.13 Calendar Year.

January through December.

2.14 CCS (Common Channel Signaling).

A method of transmitting call set-up and network control data over a digital signaling network separate from the public switched telephone network facilities that carry the actual voice or data content of the call.

2.15 Central Office.

A local switching system for connecting lines to lines, lines to trunks, or trunks to trunks for the purpose of originating/terminating calls over the public switched telephone network. A single Central Office may handle several Central Office codes ("NXX"). Sometimes this term is used to refer to a telephone company building in which switching systems and telephone equipment are installed.

2.16 Central Office Switch.

A switch used to provide Telecommunications Services, including, but not limited to, an End Office Switch or a Tandem Switch. A Central Office Switch may also be employed as a combination End Office/Tandem Office Switch.

2.17 Claims.

Any and all claims, demands, suits, actions, settlements, judgments, fines, penalties, liabilities, injuries, damages, losses, costs (including, but not limited to, court costs), and expenses (including, but not limited to, reasonable attorney's fees).

2.18 CLEC (Competitive Local Exchange Carrier).

Any Local Exchange Carrier other than Verizon that is operating as a Local Exchange Carrier in the territory in which Verizon operates as an ILEC in the State of Maryland. US LEC is or shortly will become a CLEC.

2.19 CLLI Codes.

Common Language Location Identifier Codes.

2.20 CMDS (Centralized Message Distribution System).

The billing record and clearing house transport system that LECs use to exchange out collects and in collects as well as Carrier Access Billing System (CABS) records.

2.21 Commission.

Maryland Public Service Commission

2.22 CPN (Calling Party Number).

A CCS parameter that identifies the calling party's telephone number.

2.23 CPNI (Customer Proprietary Network Information).

Shall have the meaning set forth in Section 222 of the Act, 47 U.S.C. § 222.

2.24 Cross Connection.

For a Collocation arrangement, the facilities between the collocating Party's equipment and the equipment or facilities of the housing Party (such as the housing Party's digital signal cross connect, Main Distribution Frame, or other suitable frame or panel).

2.25 Customer.

A third party residence or business end-user subscriber to Telephone Exchange Services provided by either of the Parties.

2.26 Digital Signal Level.

One of several transmission rates in the time-division multiplex hierarchy.

- 2.27 DS0 (Digital Signal Level 0).
The 64kbps zero-level signal in the time-division multiplex hierarchy.
- 2.28 DS1 (Digital Signal Level 1).
The 1.544 Mbps first-level signal in the time-division multiplex hierarchy.
- 2.29 DS3 (Digital Signal Level 3).
The 44.736 Mbps third-level signal in the time-division multiplex hierarchy.
- 2.30 EMI (Exchange Message Interface).
Standard used for the Interexchange of telecommunications message information between local exchange carriers and Interexchange carriers for billable, non-billable, sample, settlement and study data. Data is provided between companies via a unique record layout that contains Customer billing information, account summary and tracking analysis. EMI format is contained in document SR-320 published by the Alliance for Telecom Industry Solutions.
- 2.31 End Office Switch or End Office.
A switching entity that is used to terminate Customer station Loops for the purpose of interconnection to each other and to trunks.
- 2.32 Entrance Facility.
The facilities between a Party's designated premises and the Central Office serving that designated premises.
- 2.33 Exchange Access.
Shall have the meaning set forth in the Act.
- 2.34 Extended Local Calling Scope Arrangement.
An arrangement that provides a Customer a local calling scope (Extended Area Service, "EAS"), outside of the Customer's basic exchange serving area. Extended Local Calling Scope Arrangements may be either optional or non-optional. "Optional Extended Local Calling Scope Arrangement Traffic" is traffic that under an optional Extended Local Calling Scope Arrangement chosen by the Customer terminates outside of the Customer's basic exchange serving area.
- 2.35 FCC.
The Federal Communications Commission.
- 2.36 FCC Internet Order.
Order on Remand and Report and Order, *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Inter-carrier Compensation for ISP Bound Traffic*, FCC 01-131, CC Docket Nos. 96-98 and 99-68, (adopted April 18, 2001).
- 2.37 FCC Regulations.

The final and unstayed, effective regulations promulgated by the FCC, as amended from time to time.

2.38 HDSL (High-Bit Rate Digital Subscriber Line).

A transmission technology that transmits up to a DS1 level signal, using any one of the following line codes: 2 Binary/1 Quaternary (2B1Q), Carrierless AM/PM, Discrete Multitone (DMT), or 3 Binary/1 Octal (3BO).

2.39 ILDC (Integrated Digital Loop Carrier).

A subscriber Loop carrier system that integrates within the switch at a DS1 level, which is twenty-four (24) Loop transmission paths combined into a 1.544 Mbps digital signal.

2.40 ILEC (Incumbent Local Exchange Carrier).

Shall have the meaning stated in the Act.

2.41 Inside Wire or Inside Wiring.

All wire, cable, terminals, hardware, and other equipment or materials, on the Customer's side of the Rate Demarcation Point.

2.42 Internet Traffic.

Any traffic that is transmitted to or returned from the Internet at any point during the duration of the transmission.

2.43 InterLATA Service.

Shall have the meaning set forth in the Act.

2.44 IntraLATA.

Telecommunications that originate and terminate within the same LATA.

2.45 IP (Interconnection Point). [DISPUTED ITEM]

~~For Reciprocal Compensation Traffic, the point at which a Party who receives Reciprocal Compensation Traffic from the other Party assesses Reciprocal Compensation charges for the further transport and termination of that Reciprocal Compensation Traffic.~~ "Interconnection point" or "IP" means the switching, Wire Center, or similar network node in a Party's network at which such Party accepts Local Traffic from the other Party. Verizon IPs include any Verizon End Office, for the delivery of traffic terminated to numbers served out of that End Office, and /or any Verizon access Tandem Office, for the delivery of traffic to numbers served out of any Verizon End Office that subtends that access Tandem Office. US LEC IPs include any US LEC Switch, for the delivery of traffic terminated to numbers terminated out of that Switch.

2.46 ISDN (Integrated Services Digital Network).

A switched network service providing end-to-end digital connectivity for the simultaneous transmission of voice and data. Basic Rate Interface-ISDN (BRI-ISDN) provides for digital transmission of two (2) 64 kbps bearer channels and one (1) 16 kbps data and signaling channel (2B+D). Primary Rate Interface-

ISDN (PRI-ISDN) provides for digital transmission of twenty-three (23) 64 kbps bearer channels and one (1) 64 kbps data and signaling channel (23B+D).

2.47 IXC (Interexchange Carrier).

A Telecommunications Carrier that provides, directly or indirectly, InterLATA or IntraLATA Telephone Toll Services.

2.48 LATA (Local Access and Transport Area).

Shall have the meaning set forth in the Act.

2.49 LEC (Local Exchange Carrier).

Shall have the meaning set forth in the Act.

2.50 LERG (Local Exchange Routing Guide).

A Telcordia Technologies reference containing NPA/NXX routing and homing information.

2.51 LIDB (Line Information Data Base).

Line Information databases which provide, among other things, calling card validation functionality for telephone line number cards issued by Verizon and other entities and validation data for collect and third number-billed calls (e.g., data for billed number screening).

2.52 Line Side.

An End Office Switch connection that provides transmission, switching and optional features suitable for Customer connection to the public switched network, including loop start supervision, ground start supervision and signaling for BRI-ISDN service.

2.53 Loop.

A transmission path that extends from a Main Distribution Frame, DSX-panel, or functionally comparable piece of equipment in a Customer's serving End Office, to the Rate Demarcation Point (or NID if installed at the Rate Demarcation Point) in or at the Customer's premises. The actual transmission facilities used to provide a Loop may utilize any of several technologies.

2.54 LSR (Local Service Request).

An industry standard form, which contains data elements and usage rules, used by the Parties to establish, add, change or disconnect resold Telecommunications Services and Network Elements.

2.55 MDF (Main Distribution Frame).

The primary point at which outside plant facilities terminate within a Wire Center, for interconnection to other Telecommunications facilities within the Wire Center. The distribution frame used to interconnect cable pairs and line trunk equipment terminating on a switching system.

2.56 Measured Internet Traffic. [DISPUTED ITEM]

Dial-up, switched Internet Traffic originated by a Customer of one Party ("Originating Party") on that Party's network at a point in a LATA Verizon local calling area, and delivered to a Customer or an Internet Service Provider served by the other Party ("Terminating Party"), on that other Party's network at a point in the same LATA Verizon local calling area. ~~Verizon local calling areas shall be as defined by Verizon. For the purposes of this definition, a Verizon local calling area includes a Verizon non-optional Extended Local Calling Scope Arrangement, but does not include a Verizon optional Extended Local Calling Scope Arrangement. Calls originated Measured Internet Traffic does not include:~~ (1) any traffic that is carried by a third party carrier at any point between the Customer of the Originating Party and the Customer or Internet Service Provider served by the Terminating Party; or (2) traffic that is carried by a Party on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXX) basis, ~~are not considered Measured Internet Traffic.~~

2.57 MECAB (Multiple Exchange Carrier Access Billing).

A document prepared by the Billing Committee of the Ordering and Billing Forum (OBF), which functions under the auspices of the Carrier Liaison Committee (CLC) of the Alliance for Telecommunications Industry Solutions (ATIS). The MECAB document, published by Telcordia Technologies as Special Report SR-BDS-000983, contains the recommended guidelines for the billing of an Exchange Access Service provided by two or more LECs, or by one LEC in two or more states, within a single LATA.

2.58 MECOD (Multiple Exchange Carriers Ordering and Design Guidelines for Access Services - Industry Support Interface).

A document developed by the Ordering/Provisioning Committee under the auspices of the Ordering and Billing Forum (OBF), which functions under the auspices of the Carrier Liaison Committee (CLC) of the Alliance for Telecommunications Industry Solutions (ATIS). The MECOD document, published by Telcordia Technologies as Special Report SR-STS-002643, establishes methods for processing orders for Exchange Access Service that is to be provided by two or more LECs.

2.59 Merger Order.

The FCC's ORDER "In re Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer of Control of Domestic and International Section 214 and 310 Authorizations and Application to Transfer of a Submarine Cable Landing License", Memorandum Opinion and Order, FCC CC Docket No. 98-184, FCC 00-221 (June 16, 2000), as modified from time to time.

2.60 NANP (North American Numbering Plan).

The system of telephone numbering employed in the United States, Canada, Bermuda, Puerto Rico and certain Caribbean islands. The NANP format is a 10-digit number that consist of a 3-digit NPA Code (commonly referred to as the area code), followed by a 3-digit NXX code and 4 digit line number.

2.61 Network Element.

Shall have the meaning stated in the Act.

2.62 NID (Network Interface Device).

The Verizon provided interface terminating Verizon's Telecommunications network on the property where the Customer's service is located at a point determined by Verizon. The NID contains an FCC Part 68 registered jack from which Inside Wire may be connected to Verizon's network.

2.63 NPA (Numbering Plan Area).

Also sometimes referred to as an area code, is the first three-digit indicator of each 10-digit telephone number within the NANP. There are two general categories of NPA, "Geographic NPAs" and "Non-Geographic NPAs". A Geographic NPA is associated with a defined geographic area, and all telephone numbers bearing such NPA are associated with services provided within that geographic area. A Non-Geographic NPA, also known as a "Service Access Code" or "SAC Code" is typically associated with a specialized Telecommunications Service that may be provided across multiple geographic NPA areas. 500, 700, 800, 888 and 900 are examples of Non-Geographic NPAs.

2.64 NXX, NXX Code, Central Office Code or CO Code.

The three-digit switch entity indicator (i.e. the first three digits of a seven-digit telephone number).

2.65 Order.

An order or application to provide, change or terminate a Service (including, but not limited to, a commitment to purchase a stated number or minimum number of lines or other Services for a stated period or minimum period of time).

2.66 POI (Point of Interconnection).

The physical location where the one Party's facilities physically interconnect with the other Party's facilities for the purpose of exchanging traffic.

2.67 Port.

A line card (or equivalent) and associated peripheral equipment on an End Office Switch that interconnects individual Loops or individual Customer trunks with the switching components of an End Office Switch and the associated switching functionality in that End Office Switch. Each Port is typically associated with one (or more) telephone number(s) that serves as the Customer's network address. The Port is part of the provision of unbundled Local Switching Element.

2.68 Principal Document.

This document, including, but not limited to, the Title Page, the Table of Contents, the Preface, the General Terms and Conditions, the signature page, this Glossary, the Attachments, and the Appendices to the Attachments

2.69 Providing Party.

A Party offering or providing a Service to the other Party under this Agreement.

2.70 Purchasing Party.

A Party requesting or receiving a Service from the other Party under this Agreement.

2.71 Rate Center Area.

The geographic area that has been identified by a given LEC as being associated with a particular NPA-NXX code assigned to the LEC for its provision of Telephone Exchange Services. The Rate Center Area is the exclusive geographic area that the LEC has identified as the area within which it will provide Telephone Exchange Services bearing the particular NPA-NXX designation associated with the specific Rate Center Area.

2.72 Rate Center Point.

A specific geographic point, defined by a V&H coordinate, located within the Rate Center Area and used to measure distance for the purpose of billing for distance-sensitive Telephone Exchange Services and Toll Traffic. Pursuant to Telcordia Practice BR-795-100-100, the Rate Center Point may be an End Office location, or a "LEC Consortium Point Of Interconnection."

2.73 Rate Demarcation Point.

The physical point in a Verizon provided network facility at which Verizon's responsibility for maintaining that network facility ends and the Customer's responsibility for maintaining the remainder of the facility begins, as set forth in this Agreement, Verizon's applicable Tariffs, if any, or as otherwise prescribed under Applicable Law.

2.74 Reciprocal Compensation.

The arrangement for recovering, in accordance with Section 251(b)(5) of the Act, the FCC Internet Order, and other applicable FCC orders and FCC Regulations, costs incurred for the transport and termination of Reciprocal Compensation Traffic originating on one Party's network and terminating on the other Party's network (as set forth in Section 7 of the Interconnection Attachment).

2.75 Reciprocal Compensation Traffic. [DISPUTED ITEM]

Telecommunications traffic originated by a Customer of one Party on that Party's network and terminated to a Customer of the other Party on that other Party's network, except for Telecommunications traffic that is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access. The determination of whether Telecommunications traffic is Exchange Access or Information Access shall be based upon Verizon's local calling areas as defined by Verizon. Reciprocal Compensation Traffic does not include: (1) any Internet Traffic; (2) traffic that does not originate and terminate within the same Verizon local calling area as defined by Verizon; (3) Toll Traffic, including, but not limited to, calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXX) basis; (4) Optional Extended Local Calling Scope Arrangement Traffic; (5) special access, private line, Frame Relay, ATM, or any other traffic that is not switched by the terminating Party; or, (6) Tandem Transit Traffic; or, (7) ~~Voice Information Service Traffic (as defined in Section 5 of the Additional Services Attachment).~~ For the purposes of this definition, a Verizon local calling area includes a Verizon non-optional Extended Local Calling Scope Arrangement, but does not include a Verizon optional Extended Local Calling Scope Arrangement.

2.76 Retail Prices.

The prices at which a Service is provided by Verizon at retail to subscribers who are not Telecommunications Carriers.

2.77 Routing Point.

A specific geographic point identified by a specific V&H coordinate. The Routing Point is used to route inbound traffic to specified NPA-NXXs. The Routing Point must be located within the LATA in which the corresponding NPA-NXX is located. However, the Routing Point associated with each NPA-NXX need not be the same as the corresponding Rate Center Point, nor must it be located within the corresponding Rate Center Area, nor must there be a unique and separate Routing Point corresponding to each unique and separate Rate Center Area.

2.78 Service.

Any Interconnection arrangement, Network Element, Telecommunications Service, Collocation arrangement, or other service, facility or arrangement, offered by a Party under this Agreement.

2.79 SS7 (Signaling System 7).

The common channel out-of-band signaling protocol developed by the Consultative Committee for International Telephone and Telegraph (CCITT) and the American National Standards Institute (ANSI). Verizon and US LEC currently utilize this out-of-band signaling protocol.

2.80 Subsidiary.

A corporation or other person that is controlled by a Party.

2.81 Switched Access Detail Usage Data.

A category 1101XX record as defined in the EMI Telcordia Practice BR-010-200-010.

2.82 Switched Access Summary Usage Data.

A category 1150XX record as defined in the EMI Telcordia Practice BR-010-200-010.

2.83 Switched Exchange Access Service.

The offering of transmission and switching services for the purpose of the origination or termination of Toll Traffic. Switched Exchange Access Services include but may not be limited to: Feature Group A, Feature Group B, Feature Group D, 700 access, 800 access, 888 access and 900 access.

2.84 Tandem Switch.

A switching entity that has billing and recording capabilities and is used to connect and switch trunk circuits between and among End Office Switches and between and among End Office Switches and carriers' aggregation points, points of termination, or points of presence, and to provide Switched Exchange Access Services. Nothing contained in this definition waives either Party's rights with

respect to the interpretation or applicability of 47 CFR Section 51.711(a)(3).

2.85 Tariff.

2.85.1 Any applicable Federal or state tariff of a Party, as amended from time-to-time; or

2.85.2 Any standard agreement or other document, as amended from time-to-time, that sets forth the generally available terms, conditions and prices under which a Party offers a Service.

The term "Tariff" does not include any Verizon statement of generally available terms (SGAT) which has been approved or is pending approval by the Commission pursuant to Section 252(f) of the Act.

2.86 Telcordia Technologies.

Telcordia Technologies, Inc., formerly known as Bell Communications Research, Inc. (Bellcore).

2.87 Telecommunications Carrier.

Shall have the meaning set forth in the Act.

2.88 Telecommunications Services.

Shall have the meaning set forth in the Act.

2.89 Telephone Exchange Service.

Shall have the meaning set forth in the Act.

2.90 Third Party Claim.

A Claim where there is (a) a claim, demand, suit or action by a person who is not a Party, (b) a settlement with, judgment by, or liability to, a person who is not a Party, or (c) a fine or penalty imposed by a person who is not a Party.

2.91 Toll Traffic.

Traffic that is originated by a Customer of one Party on that Party's network and terminates to a Customer of the other Party on that other Party's network and is not Reciprocal Compensation Traffic, Measured Internet Traffic, or Ancillary Traffic. Toll Traffic may be either "IntraLATA Toll Traffic" or "InterLATA Toll Traffic", depending on whether the originating and terminating points are within the same LATA.

2.92 Toxic or Hazardous Substance.

Any substance designated or defined as toxic or hazardous under any "Environmental Law" or that poses a risk to human health or safety, or the environment, and products and materials containing such substance. "Environmental Laws" means the Comprehensive Environmental Response, Compensation, and Liability Act, the Emergency Planning and Community Right-to-Know Act, the Water Pollution Control Act, the Air Pollution Control Act, the

Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, and all other Federal, State or local laws or governmental regulations or requirements, that are similar to the above-referenced laws or that otherwise govern releases, chemicals, products, materials or wastes that may pose risks to human health or safety, or the environment, or that relate to the protection of wetlands or other natural resources.

2.93 Traffic Factor 1.

For traffic exchanged via Interconnection Trunks, a percentage calculated by dividing the number of minutes of interstate traffic (excluding Measured Internet Traffic) by the total number of minutes of interstate and intrastate traffic.
$$\left(\frac{\text{Interstate Traffic Total Minutes of Use (excluding Measured Internet Traffic Total Minutes of Use)}}{\text{Interstate Traffic Total Minutes of Use} + \text{Intrastate Traffic Total Minutes of Use}} \right) \times 100$$
. Until the form of a Party's bills is updated to use the term "Traffic Factor 1," the term "Traffic Factor 1" may be referred to on the Party's bills and in billing related communications as "Percent Interstate Usage" or "PIU."

2.94 Traffic Factor 2.

For traffic exchange via Interconnection Trunks, a percentage calculated by dividing the combined total number of minutes of Reciprocal Compensation Traffic and Measured Internet Traffic by the total number of minutes of intrastate traffic.
$$\left(\frac{\text{Reciprocal Compensation Traffic Total Minutes of Use} + \text{Measured Internet Traffic Total Minutes of Use}}{\text{Reciprocal Compensation Traffic Total Minutes of Use} + \text{Measured Internet Traffic Total Minutes of Use} + \text{Intrastate Traffic Total Minutes of Use}} \right) \times 100$$
. Until the form of a Party's bills is updated to use the term "Traffic Factor 2," the term "Traffic Factor 2" may be referred to on the Party's bills and in billing related communications as "Percent Local Usage" or "PLU."

2.95 Trunk Side.

A Central Office Switch connection that is capable of, and has been programmed to treat the circuit as, connecting to another switching entity, for example, to another carrier's network. Trunk side connections offer those transmission and signaling features appropriate for the connection of switching entities and cannot be used for the direct connection of ordinary telephone station sets.

2.96 UDLC (Universal Digital Loop Carrier).

UDLC arrangements consist of a Central Office Terminal and a Remote Terminal located in the outside plant or at a customer premises. The Central Office and the Remote Terminal units perform analog to digital conversions to allow the feeding facility to be digital. UDLC is deployed where the types of services to be provisioned by the systems cannot be integrated such as non-switched services and UNE Loops.

2.97 V and H Coordinates Method.

A method of computing airline miles between two points by utilizing an established formula that is based on the vertical and horizontal coordinates of the two points.

2.98 Voice Grade.

Either an analog signal of 300 to 3000 Hz or a digital signal of 56/64 kilobits per second. When referring to digital Voice Grade service (a 56-64 kbps channel), the terms "DS0" or "sub-DS1" may also be used.

2.99 Wire Center.

A building or portion thereof which serves as the premises for one or more Central Office Switches and related facilities.

ADDITIONAL SERVICES ATTACHMENT

1. Alternate Billed Calls

- 1.1 The Parties will engage in settlements of intraLATA intrastate alternate-billed calls (e.g., collect, calling card, and third-party billed calls) originated or authorized by their respective Customers in accordance with an arrangement mutually agreed to by the Parties.

2. Dialing Parity - Section 251(b)(3)

Each Party shall provide the other Party with nondiscriminatory access to such services and information as are necessary to allow the other Party to implement local Dialing Parity in accordance with the requirements of Section 251(b)(3) of the Act.

3. Directory Assistance (DA) and Operator Services (OS)

- 3.1 Either Party may request that the other Party provide the requesting Party with nondiscriminatory access to the other Party's directory assistance services (DA), IntraLATA operator call completion services (OS), and/or directory assistance listings database to the extent that such services are offered by a Party. If either Party makes such a request, the Parties shall enter into a mutually acceptable written agreement for such access.
- 3.2 US LEC shall arrange, at its own expense, the trunking and other facilities required to transport traffic to and from the designated DA and OS switch locations.

4. Directory Listing and Directory Distribution

To the extent required by Applicable Law, Verizon will provide directory services to US LEC. Such services will be provided in accordance with the terms set forth herein.

4.1 Listing Information.

As used herein, "Listing Information" means a US LEC Customer's primary name, address (including city, state and zip code), telephone number(s), the delivery address and number of directories to be delivered, and, in the case of a business Customer, the primary business heading under which the business Customer desires to be placed, and any other information Verizon deems necessary for the publication and delivery of directories.

4.2 Listing Information Supply.

US LEC shall provide to Verizon on a regularly scheduled basis, at no charge, and in a format required by Verizon or by a mutually agreed upon industry standard (e.g., Ordering and Billing Forum developed), all Listing Information and the service address for each US LEC Customer whose service address location falls within the geographic area covered by the relevant Verizon directory. US LEC shall also provide to Verizon on a daily basis, (a) information showing US LEC Customers who have disconnected or terminated their service with US LEC; and (b) delivery information for each non-listed or non-published US LEC Customer to enable Verizon to perform its directory distribution responsibilities. Verizon shall promptly provide to US LEC, (normally within forty-eight (48) hours

of receipt by Verizon, excluding non-Business Days), a query on any listing that is not acceptable.

4.3 Listing Inclusion and Distribution.

Verizon shall include, on a nondiscriminatory basis and consistent with any obligations it may have under Applicable Law, each US LEC Customer's Primary Listing in all appropriate alphabetical directories (both print and electronic) and, for business Customers, in the appropriate classified (Yellow Pages) directories (both print and electronic) in accordance with the directory configuration, scope and schedules determined by Verizon in its sole discretion, and shall provide initial distribution of such directories to such US LEC Customers in the same manner it provides initial distribution of such directories to its own Customers. "Primary Listing" means a Customer's primary name, address, and telephone number. Listings of US LEC's Customers shall be interfiled with listings of Verizon's Customers and the Customers of other LECs included in the Verizon directories. US LEC shall pay Verizon's tariffed charges for additional and foreign alphabetical listings and other alphabetical services (e.g. caption arrangements) for US LEC's Customers. Verizon will not require a minimum number of listings per order.

4.4 Verizon Information.

Upon request by US LEC, Verizon shall make available to US LEC the following information to the extent that Verizon provides such information to its own business offices: a directory list of relevant NXX codes, directory and "Customer Guide" close dates, publishing data, and Yellow Pages headings. Verizon also will make available to US LEC, upon written request, a copy of Verizon's alphabetical listings standards and specifications manual.

4.5 Confidentiality of Listing Information.

Verizon shall accord US LEC Listing Information the same level of confidentiality that Verizon accords its own listing information, and shall use such Listing Information solely for the purpose of providing directory-related services; provided, however, that should Verizon elect to do so, it may use or license US LEC Listing Information for directory publishing, direct marketing, or any other purpose for which Verizon uses or licenses its own listing information, so long as US LEC Customers are not separately identified as such; and provided further that US LEC may identify those of its Customers who request that their names not be sold for direct marketing purposes, and Verizon shall honor such requests to the same extent it does so for its own Customers. Verizon shall not be obligated to compensate US LEC for Verizon's use or licensing of US LEC Listing Information.

4.6 Accuracy.

Both Parties shall use commercially reasonable efforts to ensure the accurate publication of US LEC Customer listings. At US LEC's request, Verizon shall provide US LEC with a report of all US LEC Customer listings normally no more than ninety (90) days and no less than thirty (30) days prior to the service order close date for the applicable directory. Verizon shall process any corrections made by US LEC with respect to its listings, provided such corrections are received prior to the close date of the particular directory.

4.7 Indemnification.

US LEC shall adhere to all practices, standards, and ethical requirements established by Verizon with regard to listings. By providing Verizon with Listing Information, US LEC warrants to Verizon that US LEC has the right to provide such Listing Information to Verizon on behalf of its Customers. US LEC shall make commercially reasonable efforts to ensure that any business or person to be listed is authorized and has the right (a) to provide the product or service offered, and (b) to use any personal or corporate name, trade name, trademark, service mark or language used in the listing. US LEC agrees to release, defend, hold harmless and indemnify Verizon from and against any and all claims, losses, damages, suits, or other actions, or any liability whatsoever, suffered, made, instituted, or asserted by any person arising out of Verizon's publication or dissemination of the Listing Information as provided by US LEC hereunder.

4.8 Liability.

Verizon's liability to US LEC in the event of a Verizon error in or omission of a listing shall not exceed the lesser of the amount of charges actually paid by US LEC for such listing or the amount by which Verizon would be liable to its own customer for such error or omission. US LEC agrees to take all reasonable steps, including, but not limited to, entering into appropriate contractual provisions with its Customers, to ensure that its and Verizon's liability to US LEC's Customers in the event of a Verizon error in or omission of a listing shall be subject to the same limitations of liability applicable between Verizon and its own Customers as set forth in Verizon's applicable tariffs.

4.9 Service Information Pages.

Verizon shall include all US LEC NXX codes associated with the geographic areas to which each directory pertains, to the extent it does so for Verizon's own NXX codes, in any lists of such codes that are contained in the general reference portion of each directory. US LEC's NXX codes shall appear in such lists in the same manner as Verizon's NXX information. In addition, when US LEC is authorized to, and is offering, local service to Customers located within the geographic area covered by a specific directory, at US LEC's request, Verizon shall include, at no charge, in the "Customer Guide" or comparable section of the applicable alphabetical directories, US LEC's critical contact information for US LEC's installation, repair and Customer service, as provided by US LEC, and such other essential local service oriented information as is agreed to in writing by the Parties, including appropriate identifying logo. Such critical contact information shall appear alphabetically by local exchange carrier and in accordance with Verizon's generally applicable policies. US LEC shall be responsible for providing the necessary information to Verizon by the applicable close date for each affected directory.

4.10 Directory Publication.

Nothing in this Agreement shall require Verizon to publish a directory where it would not otherwise do so.

4.11 Other Directory Services.

US LEC acknowledges that if US LEC desires directory services in addition to those described herein, such additional services must be obtained under separate agreement with Verizon's directory publishing company.

5. Voice Information Service Traffic

5.1 **[DISPUTED ITEM]** For purposes of this Section 5, (a) Voice Information Service means a service that provides [i] recorded voice announcement information or [ii] a vocal discussion program open to the public, and (b) Voice Information Service Traffic means intraLATA switched voice traffic, delivered to a Voice Information Service. Voice Information Service Traffic does not include any form of Internet Traffic. Voice Information Service Traffic also does not include 555 traffic or similar traffic with AIN service interfaces, which traffic shall be subject to separate arrangements between the Parties. ~~Voice Information Service Traffic is not subject to Reciprocal Compensation charges under Section 7 the Interconnection Attachment.~~

5.2 If a US LEC Customer is served by resold Verizon dial tone line Telecommunications Service or a Verizon Local Switching UNE, to the extent reasonably feasible, Verizon will route Voice Information Service Traffic originating from such Service or UNE to the appropriate Voice Information Service connected to Verizon's network unless a feature blocking such Voice Information Service Traffic has been installed. For such Voice Information Service Traffic, US LEC shall pay to Verizon without discount any Voice Information Service provider charges billed by Verizon to US LEC. US LEC shall pay Verizon such charges in full regardless of whether or not US LEC collects such charges from its own Customer.

5.3 **[DISPUTED ITEM]** ~~US LEC~~The Parties shall have the option to route Voice Information Service Traffic that originates on its own network to the appropriate Voice Information Service connected to ~~Verizon's the other Party's network~~. In the event ~~US LEC~~ exercises such option, ~~US LEC~~ will establish, at its own expense, a dedicated trunk group to the ~~Verizon Voice Information Service serving switch~~. This trunk group will be utilized to allow ~~US LEC~~ to route Voice Information Service Traffic originated on its network to ~~Verizon~~. For such Voice Information Service Traffic, unless ~~US LEC~~the originating Party has entered into a written agreement with ~~Verizon the terminating Party~~ under which ~~US LEC~~the originating Party will collect from ~~US LEC~~its Customer and remit to ~~Verizon the terminating Party~~ the Voice Information Service provider's charges, ~~US LEC~~the originating Party shall pay to ~~Verizon the terminating Party~~ without discount any Voice Information Service provider charges billed by ~~Verizon the terminating Party~~ to ~~US LEC~~the originating Party. ~~US LEC~~The originating Party shall pay ~~Verizon the terminating Party~~ such charges in full regardless of whether or not ~~US LEC~~the originating Party collects such charges from its own Customer.

6. Intercept and Referral Announcements

6.1 When a Customer changes its service provider from Verizon to US LEC, or from US LEC to Verizon, and does not retain its original telephone number, the Party formerly providing service to such Customer shall provide a referral announcement ("Referral Announcement") on the abandoned telephone number which provides the Customer's new number or other appropriate information, to the extent known to the Party formerly providing service. Notwithstanding the foregoing, a Party shall not be obligated under this Section to provide a Referral Announcement if the Customer owes the Party unpaid overdue amounts or the Customer requests that no Referral Announcement be provided.

6.2 Referral Announcements shall be provided, in the case of business Customers, for a period of not less than one hundred and twenty (120) days after the date the Customer changes its telephone number, and, in the case of residential Customers, not less than thirty (30) days after the date the Customer changes its telephone number; provided that if a longer time period is required by Applicable Law, such longer time period shall apply. Except as otherwise provided by

Applicable Law, the period for a referral may be shortened by the Party formerly providing service if a number shortage condition requires reassignment of the telephone number.

- 6.3 This referral announcement will be provided by each Party at no charge to the other Party; provided that the Party formerly providing service may bill the Customer its standard Tariff charge, if any, for the referral announcement.

7. Originating Line Number Screening (OLNS)

Upon US LEC's request, Verizon will update its database used to provide originating line number screening (the database of information which indicates to an operator the acceptable billing methods for calls originating from the calling number (e.g., penal institutions, COCOTS).

8. Operations Support Systems (OSS) Services

8.1 Definitions.

The terms listed below shall have the meanings stated below:

- 8.1.1 Verizon Operations Support Systems: Verizon systems for pre-ordering, ordering, provisioning, maintenance and repair, and billing.
- 8.1.2 Verizon OSS Services: Access to Verizon Operations Support Systems functions. The term "Verizon OSS Services" includes, but is not limited to: (a) Verizon's provision of US LEC Usage Information to US LEC pursuant to Section 8.3 below; and, (b) "Verizon OSS Information", as defined in Section 8.1.4 below.
- 8.1.3 Verizon OSS Facilities: Any gateways, interfaces, databases, facilities, equipment, software, or systems, used by Verizon to provide Verizon OSS Services to US LEC.
- 8.1.4 Verizon OSS Information: Any information accessed by, or disclosed or provided to, US LEC through or as a part of Verizon OSS Services. The term "Verizon OSS Information" includes, but is not limited to: (a) any Customer Information related to a Verizon Customer or a US LEC Customer accessed by, or disclosed or provided to, US LEC through or as a part of Verizon OSS Services; and, (b) any US LEC Usage Information (as defined in Section 8.1.6 below) accessed by, or disclosed or provided to, US LEC.
- 8.1.5 Verizon Retail Telecommunications Service: Any Telecommunications Service that Verizon provides at retail to subscribers that are not Telecommunications Carriers. The term "Verizon Retail Telecommunications Service" does not include any Exchange Access service (as defined in Section 3(16) of the Act, 47 U.S.C. § 153(16)) provided by Verizon.
- 8.1.6 US LEC Usage Information: For a Verizon Retail Telecommunications Service purchased by US LEC pursuant to the Resale Attachment, the usage information that Verizon would record if Verizon was furnishing such Verizon Retail Telecommunications Service to a Verizon end-user retail Customer. For a Verizon Local Switching Network Element purchased by US LEC pursuant to the Network Element Attachment, the usage information that Verizon would record if Verizon was using

such Local Switching Network Element to furnish a Verizon Retail Telecommunications Service to a Verizon end-user retail Customer.

- 8.1.7 Customer Information: CPNI of a Customer and any other non-public, individually identifiable information about a Customer or the purchase by a Customer of the services or products of a Party.

8.2 Verizon OSS Services.

- 8.2.1 Upon request by US LEC, Verizon shall provide to US LEC Verizon OSS Services. Such Verizon OSS Services will be provided in accordance with, but only to the extent required by, Applicable Law.
- 8.2.2 Subject to the requirements of Applicable Law, Verizon Operations Support Systems, Verizon Operations Support Systems functions, Verizon OSS Facilities, Verizon OSS Information, and the Verizon OSS Services that will be offered by Verizon, shall be as determined by Verizon. Subject to the requirements of Applicable Law, Verizon shall have the right to change Verizon Operations Support Systems, Verizon Operations Support Systems functions, Verizon OSS Facilities, Verizon OSS Information, and the Verizon OSS Services, from time-to-time, without the consent of US LEC.
- 8.2.3 To the extent required by Applicable Law, in providing Verizon OSS Services to US LEC, Verizon will comply with Verizon's applicable OSS Change Management Guidelines, as such Guidelines are modified from time-to-time, including, but not limited to, the provisions of the Guidelines related to furnishing notice of changes in Verizon OSS Services. Verizon's OSS Change Management Guidelines will be set out on a Verizon website.

8.3 US LEC Usage Information.

- 8.3.1 Upon request by US LEC, Verizon shall provide to US LEC US LEC Usage Information. Such US LEC Usage Information will be provided in accordance with, but only to the extent required by, Applicable Law.
- 8.3.2 US LEC Usage Information will be available to US LEC through the following:
- 8.3.2.1 Daily Usage File on Data Tape.
- 8.3.2.2 Daily Usage File through Network Data Mover (NDM).
- 8.3.3 US LEC Usage Information will be provided in an Alliance for Telecommunications Industry Solutions EMI format.
- 8.3.4 Daily Usage File Data Tapes provided pursuant to Section 8.3.2.1 above will be issued each day, Monday through Friday, except holidays observed by Verizon.
- 8.3.5 Except as stated in this Section 8.3, subject to the requirements of Applicable Law, the manner in which, and the frequency with which, US LEC Usage Information will be provided to US LEC shall be determined by Verizon.

8.4 Access to and Use of Verizon OSS Facilities.

- 8.4.1 Verizon OSS Facilities may be accessed and used by US LEC only to the extent necessary for US LEC's access to and use of Verizon OSS Services pursuant to this Agreement.
- 8.4.2 Verizon OSS Facilities may be accessed and used by US LEC only to provide Telecommunications Services to US LEC Customers.
- 8.4.3 US LEC shall restrict access to and use of Verizon OSS Facilities to US LEC. This Section 8 does not grant to US LEC any right or license to grant sublicenses to other persons, or permission to other persons (except US LEC's employees, agents and contractors, in accordance with Section 8.4.7 below), to access or use Verizon OSS Facilities.
- 8.4.4 US LEC shall not (a) alter, modify or damage the Verizon OSS Facilities (including, but not limited to, Verizon software), (b) copy, remove, derive, reverse engineer, or decompile, software from the Verizon OSS Facilities, or (c) obtain access through Verizon OSS Facilities to Verizon databases, facilities, equipment, software, or systems, which are not offered for US LEC's use under this Section 8.
- 8.4.5 US LEC shall comply with all practices and procedures established by Verizon for access to and use of Verizon OSS Facilities (including, but not limited to, Verizon practices and procedures with regard to security and use of access and user identification codes).
- 8.4.6 All practices and procedures for access to and use of Verizon OSS Facilities, and all access and user identification codes for Verizon OSS Facilities: (a) shall remain the property of Verizon; (b) shall be used by US LEC only in connection with US LEC's use of Verizon OSS Facilities permitted by this Section 8; (c) shall be treated by US LEC as Confidential Information of Verizon pursuant to Section 10 of the General Terms and Conditions; and, (d) shall be destroyed or returned by US LEC to Verizon upon the earlier of request by Verizon or the expiration or termination of this Agreement.
- 8.4.7 US LEC's employees, agents and contractors may access and use Verizon OSS Facilities only to the extent necessary for US LEC's access to and use of the Verizon OSS Facilities permitted by this Agreement. Any access to or use of Verizon OSS Facilities by US LEC's employees, agents, or contractors, shall be subject to the provisions of this Agreement, including, but not limited to, Section 10 of the General Terms and Conditions and Section 8.5.2.3 of this Attachment.
- 8.5 Verizon OSS Information.
 - 8.5.1 Subject to the provisions of this Section 8, in accordance with, but only to the extent required by, Applicable Law, Verizon grants to US LEC a non-exclusive license to use Verizon OSS Information.
 - 8.5.2 All Verizon OSS Information shall at all times remain the property of Verizon. Except as expressly stated in this Section 8, US LEC shall acquire no rights in or to any Verizon OSS Information.
 - 8.5.2.1 The provisions of this Section 8.5.2 shall apply to all Verizon OSS Information, except (a) US LEC Usage Information, (b) CPNI of US LEC, and (c) CPNI of a Verizon

- Customer or a US LEC Customer, to the extent the Customer has authorized US LEC to use the CPNI.
- 8.5.2.2 Verizon OSS Information may be accessed and used by US LEC only to provide Telecommunications Services to US LEC Customers.
- 8.5.2.3 US LEC shall treat Verizon OSS Information that is designated by Verizon, through written or electronic notice (including, but not limited to, through the Verizon OSS Services), as "Confidential" or "Proprietary" as Confidential Information of Verizon pursuant to Section 10 of the General Terms and Conditions.
- 8.5.2.4 Except as expressly stated in this Section 8, this Agreement does not grant to US LEC any right or license to grant sublicenses to other persons, or permission to other persons (except US LEC's employees, agents or contractors, in accordance with Section 8.5.2.5 below), to access, use or disclose Verizon OSS Information.
- 8.5.2.5 US LEC's employees, agents and contractors may access, use and disclose Verizon OSS Information only to the extent necessary for US LEC's access to, and use and disclosure of, Verizon OSS Information permitted by this Section 8. Any access to, or use or disclosure of, Verizon OSS Information by US LEC's employees, agents or contractors, shall be subject to the provisions of this Agreement, including, but not limited to, Section 10 of the General Terms and Conditions and Section 8.5.2.3 above.
- 8.5.2.6 US LEC's license to use Verizon OSS Information shall expire upon the earliest of: (a) the time when the Verizon OSS Information is no longer needed by US LEC to provide Telecommunications Services to US LEC Customers; (b) termination of the license in accordance with this Section 8; or (c) expiration or termination of this Agreement.
- 8.5.2.7 All Verizon OSS Information received by US LEC shall be destroyed or returned by US LEC to Verizon, upon expiration, suspension or termination of the license to use such Verizon OSS Information.
- 8.5.3 Unless sooner terminated or suspended in accordance with this Agreement or this Section 8 (including, but not limited to, Section 2.2 of the General Terms and Conditions and Section 8.6.1 below), US LEC's access to Verizon OSS Information through Verizon OSS Services shall terminate upon the expiration or termination of this Agreement.
- 8.5.4 Audits.
- 8.5.4.1 Verizon shall have the right (but not the obligation) to audit US LEC to ascertain whether US LEC is complying with the requirements of Applicable Law and this Agreement with regard to US LEC's access to, and use and disclosure of, Verizon OSS Information.

8.5.4.2 Without in any way limiting any other rights Verizon may have under this Agreement or Applicable Law, Verizon shall have the right (but not the obligation) to monitor US LEC's access to and use of Verizon OSS Information which is made available by Verizon to US LEC pursuant to this Agreement, to ascertain whether US LEC is complying with the requirements of Applicable Law and this Agreement, with regard to US LEC's access to, and use and disclosure of, such Verizon OSS Information. The foregoing right shall include, but not be limited to, the right (but not the obligation) to electronically monitor US LEC's access to and use of Verizon OSS Information which is made available by Verizon to US LEC through Verizon OSS Facilities.

8.5.4.3 Information obtained by Verizon pursuant to this Section 8.5.4 shall be treated by Verizon as Confidential Information of US LEC pursuant to Section 10 of the General Terms and Conditions; provided that, Verizon shall have the right (but not the obligation) to use and disclose information obtained by Verizon pursuant to this Section 8.5.4 to enforce Verizon's rights under this Agreement or Applicable Law.

8.5.5 US LEC acknowledges that the Verizon OSS Information, by its nature, is updated and corrected on a continuous basis by Verizon, and therefore that Verizon OSS Information is subject to change from time to time.

8.6 Liabilities and Remedies.

8.6.1 Any breach by US LEC, or US LEC's employees, agents or contractors, of the provisions of Sections 8.4 or 8.5 above shall be deemed a material breach of this Agreement. In addition, if US LEC or an employee, agent or contractor of US LEC at any time breaches a provision of Sections 8.4 or 8.5 above and such breach continues for more than ten (10) days after written notice thereof from Verizon, then, except as otherwise required by Applicable Law, Verizon shall have the right, upon notice to US LEC, to suspend the license to use Verizon OSS Information granted by Section 8.5.1 above and/or the provision of Verizon OSS Services, in whole or in part.

8.6.2 US LEC agrees that Verizon would be irreparably injured by a breach of Sections 8.4 or 8.5 above by US LEC or the employees, agents or contractors of US LEC, and that Verizon shall be entitled to seek equitable relief, including injunctive relief and specific performance, in the event of any such breach. Such remedies shall not be deemed to be the exclusive remedies for any such breach, but shall be in addition to any other remedies available under this Agreement or at law or in equity.

8.7 Relation to Applicable Law.

The provisions of Sections 8.4, 8.5 and 8.6 above with regard to the confidentiality of information shall be in addition to and not in derogation of any provisions of Applicable Law with regard to the confidentiality of information, including, but not limited to, 47 U.S.C. § 222, and are not intended to constitute a

waiver by Verizon of any right with regard to protection of the confidentiality of the information of Verizon or Verizon Customers provided by Applicable Law.

8.8 Cooperation.

US LEC, at US LEC's expense, shall reasonably cooperate with Verizon in using Verizon OSS Services. Such cooperation shall include, but not be limited to, the following:

- 8.8.1 Upon request by Verizon, US LEC shall by no later than the fifteenth (15th) day of the last month of each Calendar Quarter submit to Verizon reasonable, good faith estimates of the volume of each type of OSS transaction that US LEC anticipates submitting in each week of the next Calendar Quarter.
- 8.8.2 US LEC shall reasonably cooperate with Verizon in submitting orders for Verizon Services and otherwise using the Verizon OSS Services, in order to avoid exceeding the capacity or capabilities of such Verizon OSS Services.
- 8.8.3 US LEC shall participate in cooperative testing of Verizon OSS Services and shall provide assistance to Verizon in identifying and correcting mistakes, omissions, interruptions, delays, errors, defects, faults, failures, or other deficiencies, in Verizon OSS Services.

8.9 Verizon Access to Information Related to US LEC Customers.

- 8.9.1 Verizon shall have the right to access, use and disclose information related to US LEC Customers that is in Verizon's possession (including, but not limited to, in Verizon OSS Facilities) to the extent such access, use and/or disclosure has been authorized by the US LEC Customer in the manner required by Applicable Law.
- 8.9.2 Upon request by Verizon, US LEC shall negotiate in good faith and enter into a contract with Verizon, pursuant to which Verizon may obtain access to US LEC's fully implemented operations support systems (including, systems for pre-ordering, ordering, provisioning, maintenance and repair, and billing) and information contained in such systems, to permit Verizon to obtain information related to US LEC Customers (as authorized by the applicable US LEC Customer), to permit Customers to transfer service from one Telecommunications Carrier to another, and for such other purposes as may be permitted by Applicable Law. Such contract shall include protections for US LEC's intellectual property similar to those set forth for Verizon's intellectual property in Section 21.4 of the General Terms and Conditions.

8.10 Verizon Pre-OSS Services.

- 8.10.1 As used in this Section 8, "Verizon Pre-OSS Service" means a service which allows the performance of an activity which is comparable to an activity to be performed through a Verizon OSS Service and which Verizon offers to provide to US LEC prior to, or in lieu of, Verizon's provision of the Verizon OSS Service to US LEC. The term "Verizon Pre-OSS Service" includes, but is not limited to, the activity of placing orders for Verizon Services through a telephone facsimile communication.

- 8.10.2 Subject to the requirements of Applicable Law, the Verizon Pre-OSS Services that will be offered by Verizon shall be as determined by Verizon and Verizon shall have the right to change Verizon Pre-OSS Services, from time-to-time, without the consent of US LEC.
- 8.10.3 Subject to the requirements of Applicable Law, the prices for Verizon Pre-OSS Services shall be as determined by Verizon and shall be subject to change by Verizon from time-to-time.
- 8.10.4 The provisions of Sections 8.4 through 8.8 above shall also apply to Verizon Pre-OSS Services. For the purposes of this Section 8.10: (a) references in Sections 8.4 through 8.8 above to Verizon OSS Services shall be deemed to include Verizon Pre-OSS Services; and, (b) references in Sections 8.4 through 8.8 above to Verizon OSS Information shall be deemed to include information made available to US LEC through Verizon Pre-OSS Services.

8.11 Cancellations.

Verizon may cancel orders for service which have had no activity within thirty-one (31) consecutive calendar days after the original service due date.

9. Poles, Ducts, Conduits and Rights-of-Way

- 9.1 Verizon shall afford US LEC non-discriminatory access to poles, ducts, conduits and rights-of-way owned or controlled by Verizon. Such access shall be provided in accordance with, but only to the extent required by, Applicable Law, pursuant to Verizon's applicable Tariffs, or, in the absence of an applicable Verizon Tariff, Verizon's generally offered form of license agreement, or, in the absence of such a Tariff and license agreement, a mutually acceptable agreement to be negotiated by the Parties.
- 9.2 US LEC shall afford Verizon non-discriminatory access to poles, ducts, conduits and rights-of-way owned or controlled by US LEC. Such access shall be provided pursuant to US LEC's applicable Tariffs, or, in the absence of an applicable US LEC Tariff, US LEC's generally offered form of license agreement, or, in the absence of such a Tariff and license agreement, a mutually acceptable agreement to be negotiated by the Parties. The terms, conditions and prices offered to Verizon by US LEC for such access shall be no less favorable than the terms, conditions and prices offered to US LEC by Verizon for access to poles, ducts, conduits and rights of way owned or controlled by Verizon.

10. Telephone Numbers

- 10.1 This Section applies in connection with US LEC Customers served by Telecommunications Services provided by Verizon to US LEC for resale or a Local Switching Network Element provided by Verizon to US LEC.
- 10.2 US LEC's use of telephone numbers shall be subject to Applicable Law the rules of the North American Numbering Council and the North American Numbering Plan Administrator, the applicable provisions of this Agreement (including, but not limited to, this Section 10), and Verizon's practices and procedures for use and assignment of telephone numbers, as amended from time-to-time.
- 10.3 Subject to Sections 10.2 and 10.4, if a Customer of either Verizon or US LEC who is served by a Verizon Telecommunications Service ("VTS") or a Verizon Local Switching Network Element ("VLSNE") changes the LEC that serves the

Customer using such VTS or VLSNE (including a change from Verizon to US LEC, from US LEC to Verizon, or from US LEC to a LEC other than Verizon), after such change, the Customer may continue to use with such VTS or VLSNE the telephone numbers that were assigned to the VTS or VLSNE for the use of such Customer by Verizon immediately prior to the change.

- 10.4 Verizon shall have the right to change the telephone numbers used by a Customer if at any time: (a) the Customer requests service at a new location, that is not served by the Verizon switch and the Verizon rate center from which the Customer previously had service; (b) continued use of the telephone numbers is not technically feasible; or, (c) in the case of Telecommunications Service provided by Verizon to US LEC for resale, the type or class of service subscribed to by the Customer changes.
- 10.5 If service on a VTS or VLSNE provided by Verizon to US LEC under this Agreement is terminated and the telephone numbers associated with such VTS or VLSNE have not been ported to a US LEC switch, the telephone numbers shall be available for reassignment by Verizon to any person to whom Verizon elects to assign the telephone numbers, including, but not limited to, Verizon, Verizon Customers, US LEC, or Telecommunications Carriers other than Verizon and US LEC.
- 10.6 US LEC may reserve telephone numbers only to the extent Verizon's Customers may reserve telephone numbers.

11. Routing for Operator Services and Directory Assistance Traffic

For a Verizon Telecommunications Service dial tone line purchased by US LEC for resale pursuant to the Resale Attachment, upon request by US LEC, Verizon will establish an arrangement that will permit US LEC to route the US LEC Customer's calls for operator and directory assistance services to a provider of operator and directory assistance services selected by US LEC. Verizon will provide this routing arrangement in accordance with, but only to the extent required by, Applicable Law. Verizon will provide this routing arrangement pursuant to an appropriate written request submitted by US LEC and a mutually agreed-upon schedule. This routing arrangement will be implemented at US LEC's expense, with charges determined on an individual case basis. In addition to charges for initially establishing the routing arrangement, US LEC will be responsible for ongoing monthly and/or usage charges for the routing arrangement. US LEC shall arrange, at its own expense, the trunking and other facilities required to transport traffic to US LEC's selected provider of operator and directory assistance services.

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.

2.1.5 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

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 uni-directional 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 output 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 subtend 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.~~

7.1.1.1.2 ~~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, then US LEC shall permit Verizon to establish physical interconnection at the US LEC IP, to the extent such physical interconnection is technically feasible.~~

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 NPA-NXX rate center and the terminating NPA-NXX rate center ~~points of the complete end-to-end communication.~~

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/101XXX) 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~~terminates 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 subtend 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 grand-fathered, 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.

RESALE ATTACHMENT

1. General

Verizon shall provide to US LEC, in accordance with this Agreement (including, but not limited to, Verizon's applicable Tariffs) and the requirements of Applicable Law, Verizon's Telecommunications Services for resale by US LEC; provided, that notwithstanding any other provision of this Agreement, Verizon shall be obligated to provide Telecommunications Services to US LEC only to the extent required by Applicable Law and may decline to provide a Telecommunications Service to US LEC to the extent that provision of such Telecommunications Service is not required by Applicable Law.

2. Use of Verizon Telecommunications Services

2.1 Verizon Telecommunications Services may be purchased by US LEC under this Resale Attachment only for the purpose of resale by US LEC as a Telecommunications Carrier. Verizon Telecommunications Services to be purchased by US LEC for other purposes (including, but not limited to, US LEC's own use) must be purchased by US LEC pursuant to other applicable Attachments to this Agreement (if any), or separate written agreements, including, but not limited to, applicable Verizon Tariffs.

2.2 US LEC shall not resell:

2.2.1 Residential service to persons not eligible to subscribe to such service from Verizon (including, but not limited to, business or other nonresidential Customers);

2.2.2 Lifeline, Link Up America, or other means-tested service offerings, to persons not eligible to subscribe to such service offerings from Verizon;

2.2.3 Grandfathered or discontinued service offerings to persons not eligible to subscribe to such service offerings from Verizon; or

2.2.4 Any other Verizon service in violation of a restriction stated in this Agreement (including, but not limited to, a Verizon Tariff) that is not prohibited by Applicable Law.

2.2.5 In addition to any other actions taken by US LEC to comply with this Section 2.2, US LEC shall take those actions required by Applicable Law to determine the eligibility of US LEC Customers to purchase a service, including, but not limited to, obtaining any proof or certification of eligibility to purchase Lifeline, Link Up America, or other means-tested services, required by Applicable Law. US LEC shall indemnify Verizon from any Claims resulting from US LEC's failure to take such actions required by Applicable Law.

2.2.6 Verizon may perform audits to confirm US LEC's conformity to the provisions of this Section 2.2. Such audits may be performed twice per calendar year and shall be performed in accordance with Section 7 of the General Terms and Conditions.

- 2.3 US LEC shall be subject to the same limitations that Verizon's Customers are subject to with respect to any Telecommunications Service that Verizon grandfathers or discontinues offering. Without limiting the foregoing, except to the extent that Verizon follows a different practice for Verizon Customers in regard to a grandfathered Telecommunications Service, such grandfathered Telecommunications Service: (a) shall be available only to a Customer that already has such Telecommunications Service; (b) may not be moved to a new service location; and, (c) will be furnished only to the extent that facilities continue to be available to provide such Telecommunications Service.
- 2.4 US LEC shall not be eligible to participate in any Verizon plan or program under which Verizon Customers may obtain products or services which are not Verizon Telecommunications Services, in return for trying, agreeing to purchase, purchasing, or using, Verizon Telecommunications Services.
- 2.5 In accordance with 47 CFR § 51.617(b), Verizon shall be entitled to all charges for Verizon Exchange Access services used by interexchange carriers to provide service to US LEC Customers.

3. Availability of Verizon Telecommunications Services

- 3.1 Verizon will provide a Verizon Telecommunications Service to US LEC for resale pursuant to this Attachment where and to the same extent, but only where and to the same extent, that such Verizon Telecommunications Service is provided to Verizon's Customers.
- 3.2 Verizon shall apply a wholesale discount to promotions in accordance with the requirements set forth in 47 CFR 51.613 to the extent such requirements remain Applicable Law.
- 3.3 To the extent required by Applicable Law, the Verizon Telecommunications Services to be provided to US LEC for resale pursuant to this Attachment will include a Verizon Telecommunications Service customer-specific contract service arrangement ("CSA") (such as a customer specific pricing arrangement or individual case based pricing arrangement) that Verizon is providing to a Verizon Customer at the time the CSA is requested by US LEC.

4. Responsibility for Charges

US LEC shall be responsible for and pay all charges for any Verizon Telecommunications Services provided by Verizon pursuant to this Resale Attachment.

5. Operations Matters

5.1 Facilities.

- 5.1.1 Verizon and its suppliers shall retain all of their right, title and interest in all facilities, equipment, software, information, and wiring, used to provide Verizon Telecommunications Services.
- 5.1.2 Verizon shall have access at all reasonable times to US LEC Customer locations for the purpose of installing, inspecting, maintaining, repairing, and removing, facilities, equipment, software, and wiring, used to provide the Verizon Telecommunications Services. US LEC shall, at US LEC's expense, obtain any rights and authorizations necessary for such access.

- 5.1.3 Except as otherwise agreed to in writing by Verizon, Verizon shall not be responsible for the installation, inspection, repair, maintenance, or removal, of facilities, equipment, software, or wiring, provided by US LEC or US LEC Customers for use with Verizon Telecommunications Services.

5.2 Branding.

- 5.2.1 Except as stated in Section 5.2.2, In providing Verizon Telecommunications Services to US LEC, Verizon shall have the right (but not the obligation) to identify the Verizon Telecommunications Services with Verizon's trade names, trademarks and service marks ("Verizon Marks"), to the same extent that these Services are identified with Verizon's Marks when they are provided to Verizon's Customers. Any such identification of Verizon's Telecommunications Services shall not constitute the grant of a license or other right to US LEC to use Verizon's Marks.

- 5.2.2 To the extent required by Applicable Law, upon request by US LEC and at prices, terms and conditions to be negotiated by US LEC and Verizon, Verizon shall provide Verizon Telecommunications Services for resale that are identified by US LEC's trade name, or that are not identified by trade name, trademark or service mark.

- 5.2.3 If Verizon uses a third-party contractor to provide Verizon Operator Services or Verizon Directory Assistance Services, US LEC will be responsible for entering into a direct contractual arrangement with the third-party contractor at US LEC's expense (a) to obtain identification of Verizon Operator Services or Verizon Directory Assistance Services purchased by US LEC for resale with US LEC's trade name, or (b) to obtain removal of trade name, trademark or service mark identification from Verizon Operator Services or Verizon Directory Assistance Services purchased by US LEC for resale.

6. **Rates and Charges**

The rates and charges for Verizon Telecommunication Services purchased by US LEC for resale pursuant to this Attachment shall be as provided in this Attachment and the Pricing Attachment.

NETWORK ELEMENTS ATTACHMENT

1. General

- 1.1 Verizon shall provide to US LEC, in accordance with this Agreement (including, but not limited to, Verizon's applicable Tariffs) and the requirements of Applicable Law, and as specified in Section 4 of the General Terms and Conditions, access to Verizon's Network Elements on an unbundled basis and in combinations (Combinations); provided, however, that notwithstanding any other provision of this Agreement, Verizon shall be obligated to provide unbundled Network Elements (UNEs) and Combinations to US LEC only to the extent required by Applicable Law and may decline to provide UNEs or Combinations to US LEC to the extent that provision of such UNEs or Combinations is not required by Applicable Law. The Parties agree to work cooperatively to develop an orderly and efficient transition process for discontinuation of provisioning of such UNE or Combination. Unless otherwise agreed to by the Parties (or required by Applicable Law), the transition period shall be at most three (3) months from the date that the FCC, Commission or court of competent jurisdiction issues a final and unstayed public notice that Verizon is not required to provide such UNE or Combination. The parties may agree to migrate UNEs or Combinations discontinued pursuant to this section to comparable services at rates, terms and conditions agreed to by the Parties provided that comparable services are available and offered generally by Verizon. Any such migration shall occur in an orderly and efficient manner designed to minimize service interruption or discontinuation.
- 1.2 Except as otherwise required by Applicable Law: (a) Verizon shall be obligated to provide a UNE or Combination pursuant to this Agreement only to the extent such UNE or Combination, and the equipment and facilities necessary to provide such UNE or Combination, are available in Verizon's network; (b) Verizon shall have no obligation to construct or deploy new facilities or equipment to offer any UNE or Combination; and, (c) Verizon shall not be obligated to combine Network Elements that are not already combined in Verizon's network. Except as otherwise required by Applicable Law, Verizon shall not be obligated, and may decline, to provide a UNE or Combination to US LEC, if US LEC, either itself or through a third party (e.g., US LEC's Customer), has ordered Telecommunications Services from Verizon in order to impose on Verizon an obligation to provide such UNE or a Combination. For example, except as otherwise required by Applicable Law, Verizon shall not be obligated, and may decline, to provide a UNE or Combination to US LEC if US LEC ordered Telecommunications Services or advised its Customer to order Telecommunications Services where the UNE or Combination desired by US LEC was not available in order to permit US LEC to subsequently convert the Telecommunications Services to the UNE or Combination desired by US LEC.
- 1.3 US LEC may use a UNE or Combination only for those purposes for which Verizon is required by Applicable Law to provide such UNE or Combination to US LEC. Without limiting the foregoing, US LEC may use a UNE or Combination (a) only to provide a Telecommunications Service and (b) to provide Exchange Access services only to the extent that Verizon is required by Applicable Law to provide such UNE or Combination to US LEC in order to allow US LEC to provide such Exchange Access services.
- 1.4 Notwithstanding any other provision of this Agreement:

- 1.4.1 To the extent Verizon is required by a change in Applicable Law to provide to US LEC a UNE or Combination that is not offered under this Agreement to US LEC as of the Effective Date, the terms, conditions and prices for such UNE or Combination (including, but not limited to, the terms and conditions defining the UNE or Combination and stating when and where the UNE or Combination will be available and how it will be used, and terms, conditions and prices for pre-ordering, ordering, provisioning, repair, maintenance and billing) shall be as provided in an applicable Verizon Tariff, or, in the absence of an applicable Verizon Tariff, as mutually agreed in writing by the Parties.
- 1.4.2 Verizon shall not be obligated to provide to US LEC, and US LEC shall not request from Verizon, access to a proprietary advanced intelligent network service.
- 1.5 Without limiting Verizon's rights pursuant to Applicable Law or any other section of this Agreement to terminate its provision of a UNE or a Combination, if Verizon provides a UNE or Combination to US LEC, and the Commission, the FCC, a court or other governmental body of appropriate jurisdiction determines or has determined that Verizon is not required by Applicable Law to provide such UNE or Combination, Verizon may terminate its provision of such UNE or Combination to US LEC. If Verizon terminates its provision of a UNE or a Combination to US LEC pursuant to this Section 1.5 and US LEC elects to purchase other services offered by Verizon in place of such UNE or Combination, then: (a) Verizon shall reasonably cooperate with US LEC to coordinate the termination of such UNE or Combination and the installation of such services to minimize the interruption of service to Customers of US LEC; and, (b) US LEC shall pay all applicable charges for such services, including, but not limited to, all applicable installation charges.
- 1.6 Nothing contained in this Agreement shall be deemed to constitute an agreement by Verizon that any item identified in this Agreement as a Network Element is (i) a Network Element under Applicable Law, or (ii) a Network Element Verizon is required by Applicable Law to provide to US LEC on an unbundled basis or in combination with other Network Elements.
- 1.7 Except as otherwise expressly stated in this Agreement, or as otherwise stated in the "combo requirements" incorporated by reference into Section 16 of this Network Elements Attachment, US LEC shall access Verizon's UNEs specifically identified in this Agreement via Collocation in accordance with the Collocation Attachment at the Verizon Wire Center where those UNEs exist, and each Loop or Port shall, in the case of Collocation, be delivered to US LEC's Collocation node by means of a Cross Connection.
- 1.8 If as the result of US LEC Customer actions (i.e., Customer Not Ready ("CNR")), Verizon cannot complete requested work activity when a technician has been dispatched to the US LEC Customer premises, US LEC will be assessed a non-recurring charge associated with this visit. This charge will be the sum of the applicable Service Order charge as provided in the Pricing Attachment and the Premises Visit Charge as provided in Verizon's applicable retail or wholesale Tariff.

2. Verizon's Provision of Network Elements

Subject to the conditions set forth in Section 1, in accordance with, but only to the extent required by, Applicable Law, Verizon shall provide US LEC access to the following:

- 2.1 Loops, as set forth in Section 3;
- 2.2 Line Sharing, as set forth in Section 4;
- 2.3 Line Splitting, as set forth in Section 5;
- 2.4 Sub-Loops, as set forth in Section 6;
- 2.5 Inside Wire, as set forth in Section 7;
- 2.6 Dark Fiber, as set forth in Section 8;
- 2.7 Network Interface Device, as set forth in Section 9;
- 2.8 Switching Elements, as set forth in Section 10;
- 2.9 Interoffice Transmission Facilities (IOF), as set forth in Section 11;
- 2.10 Signaling Networks and Call-Related Databases, as set forth in Section 12;
- 2.11 Operations Support Systems, as set forth in Section 13; and
- 2.12 Other UNEs in accordance with Section 14.

3. Loop Transmission Types

Subject to the conditions set forth in Section 1, Verizon shall allow US LEC to access Loops unbundled from local switching and local transport, in accordance with this Section 3 and the rates and charges provided in the Pricing Attachment. Verizon shall allow US LEC access to Loops in accordance with, but only to extent required by, Applicable Law. The available Loop types are as set forth below:

- 3.1 "2 Wire Analog Voice Grade Loop" or "Analog 2W" provides an effective 2-wire channel with 2-wire interfaces at each end that is suitable for the transport of analog Voice Grade (nominal 300 to 3000 Hz) signals and loop-start signaling. This Loop type is more fully described in Verizon TR-72565, as revised from time-to-time. If "Customer-Specified Signaling" is requested, the Loop will operate with one of the following signaling types that may be specified when the Loop is ordered: loop-start, ground-start, loop-reverse-battery, and no signaling. Customer specified signaling is more fully described in Verizon TR-72570, as revised from time-to-time.
- 3.2 "4-Wire Analog Voice Grade Loop" or "Analog 4W" provides an effective 4-wire channel with 4-wire interfaces at each end that is suitable for the transport of analog Voice Grade (nominal 300 to 3000 Hz) signals. This Loop type will operate with one of the following signaling types that may be specified when the Loop is ordered: loop-start, ground-start, loop-reverse-battery, duplex, and no signaling. This Loop type is more fully described in Verizon TR-72570, as revised from time-to-time.
- 3.3 "2-Wire ISDN Digital Grade Loop" or "BRI ISDN" provides a channel with 2-wire interfaces at each end that is suitable for the transport of 160 kbps digital services using the ISDN 2B1Q line code. This Loop type is more fully described in ANSI T1.601-1998 and Verizon TR 72575, (as revised from time-to-time. In some cases loop extension equipment may be necessary to bring the line loss within acceptable levels. Verizon will provide loop extension equipment only upon request. A separate charge will apply for loop extension equipment.

- 3.4 "2-Wire ADSL-Compatible Loop" or "ADSL 2W" provides a channel with 2-wire interfaces at each end that is suitable for the transport of digital signals up to 8 Mbps toward the Customer and up to 1 Mbps from the Customer. This Loop type is more fully described in Verizon TR-72575, as revised from time-to-time. ADSL-Compatible Loops will be available only where existing copper facilities are available and meet applicable specifications. Verizon will not build new copper facilities. The upstream and downstream ADSL power spectral density masks and dc line power limits in Verizon TR 72575, as revised from time-to-time, must be met.
- 3.5 "2-Wire HDSL-Compatible Loop" or "HDSL 2W" consists of a single 2-wire non-loaded, twisted copper pair that meets the carrier serving area design criteria. This Loop type is more fully described in Verizon TR-72575, as revised from time-to-time. The HDSL power spectral density mask and dc line power limits referenced in Verizon TR 72575, as revised from time-to-time, must be met. 2-wire HDSL-compatible local loops will be provided only where existing facilities are available and can meet applicable specifications. Verizon will not build new copper facilities. The 2-wire HDSL-compatible loop is available only in Bell Atlantic Service Areas.
- 3.6 "4-Wire HDSL-Compatible Loop" or "HDSL 4W" consists of two 2-wire non-loaded, twisted copper pairs that meet the carrier serving area design criteria. This Loop type is more fully described in Verizon TR-72575, as revised from time-to-time. The HDSL power spectral density mask and dc line power limits referenced in Verizon TR 72575, as revised from time-to-time, must be met. 4-Wire HDSL-compatible local loops will be provided only where existing facilities are available and can meet applicable specifications. Verizon will not build new copper facilities.
- 3.7 "4-Wire DS1-compatible Loop" provides a channel with 4-wire interfaces at each end. Each 4-wire channel is suitable for the transport of 1.544 Mbps digital signals simultaneously in both directions using PCM line code. This Loop type is more fully described in ANSI T1.403 and Verizon TR 72575, as revised from time-to-time. DS-1-compatible Loops will be available only where existing facilities can meet the specifications in ANSI T1.403 and Verizon TR 72575, as revised from time-to-time.
- 3.8 "2-Wire IDSL-Compatible Metallic Loop" consists of a single 2-wire non-loaded, twisted copper pair that meets revised resistance design criteria. This UNE Loop is intended to be used with very-low band symmetric DSL systems that meet the Class 1 signal power limits and other criteria in the draft T1E1.4 loop spectrum management standard (T1E1.4/2000-002R3) and are not compatible with 2B1Q 160 kbps ISDN transport systems. The actual data rate achieved depends upon the performance of CLEC-provided modems with the electrical characteristics associated with the loop. This Loop type is more fully described in T1E1.4/2000-002R3. This loop cannot be provided via UDLC. IDLC-compatible local loops will be provided only where facilities are available and can meet applicable specifications. Verizon will not build new copper facilities.
- 3.9 "2-Wire SDSL-Compatible Loop", is intended to be used with low band symmetric DSL systems that meet the Class 2 signal power limits and other criteria in the draft T1E1.4 loop spectrum management standard (T1E1.4/2000-002R3). This UNE loop consists of a single 2-wire non-loaded, twisted copper pair that meets Class 2 length limit in T1E1.4/2000-002R3. The data rate achieved depends on the performance of the CLEC-provided modems with the electrical characteristics associated with the loop. This Loop type is more fully described in T1E1.4/2000-002R3. SDSL-compatible local loops will be provided only where facilities are

available and can meet applicable specifications. Verizon will not build new copper facilities.

- 3.10 "4-Wire 56 kbps Loop" is a 4-wire Loop that provides a transmission path that is suitable for the transport of digital data at a synchronous rate of 56 kbps in opposite directions on such Loop simultaneously. A 4-Wire 56 kbps Loop consists of two pairs of non-loaded copper wires with no intermediate electronics or it consists of universal digital loop carrier with 56 kbps DDS dataport transport capability. Verizon shall provide 4-Wire 56 kbps Loops to US LEC in accordance with, and subject to, the technical specifications set forth in Verizon Technical Reference TR72575, Issue 2, as revised from time-to-time.
- 3.11 "DS-3 Loops" will support the transmission of asynchronous bipolar serial data at a rate of 44.736 Mbps or the equivalent of 28 DS-1 channels. This Loop type is more fully described in Verizon TR 72575, as revised from time to time. The DS-3 Loop includes the electronics necessary to provide the DS-3 transmission rate. A DS-3 Loop will only be provided where the electronics are at the requested installation date currently available for the requested loop. Verizon will not install new electronics.
- 3.12 "Digital Designed Loops" are comprised of designed loops that meet specific US LEC requirements for metallic loops over 18k ft. or for conditioning of ADSL, HDSL, SDSL, IDSL, or BRI ISDN Loops. "Digital Designed Loops" may include requests for:
 - 3.12.1 a 2W Digital Designed Metallic Loop with a total loop length of 18k to 30k ft., unloaded, with the option to remove bridged tap;
 - 3.12.2 a 2W ADSL Loop of 12k to 18k ft. with an option to remove bridged tap;
 - 3.12.3 a 2W ADSL Loop of less than 12k ft. with an option to remove bridged tap;
 - 3.12.4 a 2W HDSL Loop of less than 12k ft. with an option to remove bridged tap;
 - 3.12.5 a 4W HDSL Loop of less than 12k ft with an option to remove bridged tap;
 - 3.12.6 a 2 W Digital Designed Metallic Loop with Verizon-placed ISDN loop extension electronics;
 - 3.12.7 a 2W SDSL Loop with an option to remove bridged tap; and
 - 3.12.8 a 2W IDSL Loop of less than 18k ft. with an option to remove bridged tap;
- 3.13 Verizon shall make Digital Designed Loops available to US LEC at the rates as set forth in the Pricing Attachment.
- 3.14 The following ordering procedures shall apply to the xDSL Loops and Digital Designed Loops:
 - 3.14.1 US LEC shall place orders for xDSL Loops and Digital Designed Loops by delivering to Verizon a valid electronic transmittal service order or other mutually agreed upon type of service order. Such service order shall be provided in accordance with industry format and

specifications or such format and specifications as may be agreed to by the Parties.

- 3.14.2 Verizon is conducting a mechanized survey of existing Loop facilities, on a Central Office by Central Office basis, to identify those Loops that meet the applicable technical characteristics established by Verizon for compatibility with ADSL, HDSL, IDSL, SDSL and BRI ISDN signals. The results of this survey will be stored in a mechanized database and made available to US LEC as the process is completed in each Central Office. US LEC must utilize this mechanized loop qualification database, where available, in advance of submitting a valid electronic transmittal service order for an ADSL, HDSL, IDSL, SDSL or BRI ISDN Loop. Charges for mechanized loop qualification information are set forth in the Pricing Attachment.
- 3.14.3 If the Loop is not listed in the mechanized database described in Section 3.14.2, US LEC must request a manual loop qualification prior to submitting a valid electronic service order for an ADSL, HDSL, SDSL, IDSL, or BRI ISDN Loop. The rates for manual loop qualification are set forth in the Pricing Attachment. In general, Verizon will complete a manual loop qualification request within three Business Days, although Verizon may require additional time due to poor record conditions, spikes in demand, or other unforeseen events.
- 3.14.4 If a query to the mechanized loop qualification database or manual loop qualification indicates that a Loop does not qualify (e.g., because it does not meet the applicable technical parameters set forth in the Loop descriptions above), US LEC may request an Engineering Query, as described in Section 3.14.6, to determine whether the result is due to characteristics of the loop itself (e.g., specific number and location of bridged taps, the specific number of load coils, or the gauge of the cable).
- 3.14.5 If US LEC submits a service order for an ADSL, HDSL, SDSL, IDSL, or BRI ISDN Loop that has not been prequalified, Verizon will query the service order back to US LEC for qualification and will not accept such service order until the Loop has been prequalified on a mechanized or manual basis. If US LEC submits a service order for an ADSL, HDSL, SDSL, IDSL, or BRI ISDN Loop that is, in fact, not compatible with such services in its existing condition, Verizon will respond back to US LEC with a "Nonqualified" indicator and with information showing whether the non-qualified result is due to the presence of load coils, presence of digital loop carrier, or loop length (including bridged tap).
- 3.14.6 Where US LEC has followed the prequalification procedure described above and has determined that a Loop is not compatible with ADSL, HDSL, SDSL, IDSL, or BRI ISDN service in its existing condition, it may either request an Engineering Query to determine whether conditioning may make the Loop compatible with the applicable service; or if US LEC is already aware of the conditioning required (e.g., where US LEC has previously requested a qualification and has obtained loop characteristics), US LEC may submit a service order for a Digital Designed Loop. Verizon will undertake to condition or extend the Loop in accordance with this Section 3.14 upon receipt of US LEC's valid, accurate and pre-qualified service order for a Digital Designed Loop.

3.15 The Parties will make reasonable efforts to coordinate their respective roles in order to minimize provisioning problems. In general, where conditioning or loop extensions are requested by US LEC, an interval of eighteen (18) Business Days will be required by Verizon to complete the loop analysis and the necessary construction work involved in conditioning and/or extending the loop as follows:

3.15.1 Three (3) Business Days will be required following receipt of US LEC's valid, accurate and pre-qualified service order for a Digital Designed Loop to analyze the loop and related plant records and to create an Engineering Work Order.

3.15.2 Upon completion of an Engineering Work Order, Verizon will initiate the construction order to perform the changes/modifications to the Loop requested by US LEC. Conditioning activities are, in most cases, able to be accomplished within fifteen (15) Business Days. Unforeseen conditions may add to this interval.

After the engineering and conditioning tasks have been completed, the standard Loop provisioning and installation process will be initiated, subject to Verizon's standard provisioning intervals.

3.16 If US LEC requires a change in scheduling, it must contact Verizon to issue a supplement to the original service order. If US LEC cancels the request for conditioning after a loop analysis has been completed but prior to the commencement of construction work, US LEC shall compensate Verizon for an Engineering Work Order charge as set forth in the Pricing Attachment. If US LEC cancels the request for conditioning after the loop analysis has been completed and after construction work has started or is complete, US LEC shall compensate Verizon for an Engineering Work Order charge as well as the charges associated with the conditioning tasks performed as set forth in the Pricing Attachment.

3.17 Conversion of Live Telephone Exchange Service to Analog 2W Loops.

3.17.1 The following coordination procedures shall apply to "live" cutovers of Verizon Customers who are converting their Telephone Exchange Services to US LEC Telephone Exchange Services provisioned over Analog 2W unbundled Local Loops ("Analog 2W Loops") to be provided by Verizon to US LEC:

3.17.1.1 Coordinated cutover charges shall apply to conversions of live Telephone Exchange Services to Analog 2W Loops. When an outside dispatch is required to perform a conversion, additional charges may apply. If US LEC does not request a coordinated cutover, Verizon will process US LEC's order as a new installation subject to applicable standard provisioning intervals.

3.17.1.2 US LEC shall request Analog 2W Loops for coordinated cutover from Verizon by delivering to Verizon a valid electronic Local Service Request ("LSR"). Verizon agrees to accept from US LEC the date and time for the conversion designated on the LSR ("Scheduled Conversion Time"), provided that such designation is within the regularly scheduled operating hours of the Verizon Regional CLEC Control Center ("RCCC") and subject to the availability of Verizon's work force. In the event that Verizon's work force

is not available, US LEC and Verizon shall mutually agree on a New Conversion Time, as defined below. US LEC shall designate the Scheduled Conversion Time subject to Verizon standard provisioning intervals as stated in the Verizon CLEC Handbook, as may be revised from time to time. Within three (3) Business Days of Verizon's receipt of such valid LSR, or as otherwise required by Applicable Law, Verizon shall provide US LEC the scheduled due date for conversion of the Analog 2W Loops covered by such LSR.

- 3.17.1.3 US LEC shall provide dial tone at the US LEC Collocation site at least forty-eight (48) hours prior to the Scheduled Conversion Time.
- 3.17.1.4 Either Party may contact the other Party to negotiate a new Scheduled Conversion Time (the "New Conversion Time"); provided, however, that each Party shall use commercially reasonable efforts to provide four (4) business hours' advance notice to the other Party of its request for a New Conversion Time. Any Scheduled Conversion Time or New Conversion Time may not be rescheduled more than one (1) time in a business day, and any two New Conversion Times for a particular Analog 2W Loop shall differ by at least eight (8) hours, unless otherwise agreed to by the Parties.
- 3.17.1.5 If the New Conversion Time is more than one (1) business hour from the original Scheduled Conversion Time or from the previous New Conversion Time, the Party requesting such New Conversion Time shall be subject to the following:
 - 3.17.1.5.1 If Verizon requests to reschedule outside of the one (1) hour time frame above, the Analog 2W Loops Service Order Charge for the original Scheduled Conversion Time or the previous New Conversion Time shall be waived upon request from US LEC; and
 - 3.17.1.5.2 If US LEC requests to reschedule outside the one (1) hour time frame above, US LEC shall be charged an additional Analog 2W Loops Service Order Charge for rescheduling the conversion to the New Conversion Time.
- 3.17.1.6 If US LEC is not ready to accept service at the Scheduled Conversion Time or at a New Conversion Time, as applicable, an additional Service Order Charge shall apply. If Verizon is not available or ready to perform the conversion within thirty (30) minutes of the Scheduled Conversion Time or New Conversion Time, as applicable, Verizon and US LEC will reschedule and, upon request from US LEC, Verizon will waive the Analog 2W Loop Service Order Charge for the original Scheduled Conversion Time.
- 3.17.1.7 The standard time interval expected from disconnection of a live Telephone Exchange Service to the connection of the

Analog 2W Loops to US LEC is fifteen (15) minutes per Analog 2W Loop for all orders consisting of twenty (20) Analog 2W Loops or less. Orders involving more than twenty (20) Loops will require a negotiated interval.

3.17.1.8 Conversions involving LNP will be completed according to North American Numbering Council ("NANC") standards, via the regional Number Portability Administration Center ("NPAC").

3.17.1.9 If US LEC requires Analog 2W Loop conversions outside of the regularly scheduled Verizon RCCC operating hours, such conversions shall be separately negotiated. Additional charges (e.g. overtime labor charges) may apply for desired dates and times outside of regularly scheduled RCCC operating hours.

3.18 Verizon shall provide US LEC access to its Loops at each of Verizon's Wire Centers for Loops terminating in that Wire Center. In addition, if US LEC orders one or more Loops provisioned via Integrated Digital Loop Carrier or Remote Switching technology deployed as a Loop concentrator, Verizon shall, where available, move the requested Loop(s) to a spare physical Loop, if one is existing and available, at no additional charge to US LEC. If, however, no spare physical Loop is available, Verizon shall within three (3) Business Days of US LEC's request notify US LEC of the lack of available facilities. US LEC may then at its discretion make a Network Element Bona Fide Request pursuant to Section 14.3 to Verizon to provide the unbundled Local Loop through the demultiplexing of the integrated digitized Loop(s). US LEC may also make a Network Element Bona Fide Request pursuant to Section 14.3 for access to Unbundled Local Loops at the Loop concentration site point. Notwithstanding anything to the contrary in this Agreement, standard provisioning intervals shall not apply to Loops provided under this Section 3.18.

4. Line Sharing

4.1 "Line Sharing" is an arrangement by which Verizon facilitates US LEC's provision of ADSL (in accordance with T1.413), Splitterless ADSL (in accordance with T1.419), RADSL (in accordance with TR # 59), Multiple Virtual Line (MVL) (a proprietary technology), or any other xDSL technology that is presumed to be acceptable for shared line deployment in accordance with FCC rules, to a particular Customer location over an existing copper Loop that is being used simultaneously by Verizon to provide analog circuit-switched voice grade service to that Customer by making available to US LEC, solely for US LEC's own use, the frequency range above the voice band on the same copper Loop required by US LEC to provide such services. This Section 4 addresses line sharing over loops that are entirely copper loops.

4.2 Subject to the conditions set forth in Section 1, Verizon shall provide Line Sharing to US LEC for US LEC's provision of ADSL (in accordance with T1.413), Splitterless ADSL (in accordance with T1.419), RADSL (in accordance with TR # 59), MVL (a proprietary technology), or any other xDSL technology that is presumed to be acceptable for shared line deployment in accordance with FCC rules, in accordance with this Section 4 and the rates and charges provided in the Pricing Attachment. Verizon shall provide Line Sharing to US LEC in accordance with, but only to the extent required by, Applicable Law. In order for a Loop to be eligible for Line Sharing, the following conditions must be satisfied for the duration of the Line Sharing arrangement: (i) the Loop must consist of a

copper loop compatible with an xDSL service that is presumed to be acceptable for shared-line deployment in accordance with FCC rules; (ii) Verizon must be providing simultaneous circuit-switched analog voice grade service to the Customer served by the Loop in question; (iii) the Verizon Customer's dial tone must originate from a Verizon End Office Switch in the Wire Center where the Line Sharing arrangement is being requested; and (iv) the xDSL technology to be deployed by US LEC on that Loop must not significantly degrade the performance of other services provided on that Loop.

- 4.3 Verizon shall make Line Sharing available to US LEC at the rates and charges set forth in the Pricing Attachment. In addition to the recurring and nonrecurring charges shown in the Pricing Attachment for Line Sharing itself, the following rates shown in the Pricing Attachment and in Verizon's applicable Tariffs are among those that may apply to a Line Sharing arrangement: (i) prequalification charges to determine whether a Loop is xDSL compatible (i.e., compatible with an xDSL service that is presumed to be acceptable for shared-line deployment in accordance with FCC rules); (ii) engineering query charges, engineering work order charges, or Loop conditioning (Digital Designed Loop) charges; (iii) charges associated with Collocation activities requested by US LEC; and (iv) misdirected dispatch charges, charges for installation or repair, manual intervention surcharges, trouble isolation charges, and pair swap/line and station transfer charges.
- 4.4 The following ordering procedures shall apply to Line Sharing:
- 4.4.1 To determine whether a Loop qualifies for Line Sharing, the Loop must first be prequalified to determine if it is xDSL compatible. US LEC must utilize the Loop qualification processes described in the terms applicable to xDSL and Digital Designed Loops to make this determination.
- 4.4.2 US LEC shall place orders for Line Sharing by delivering to Verizon a valid electronic transmittal service order or other mutually agreed upon type of service order. Such service order shall be provided in accordance with industry format and specifications or such format and specifications as may be agreed to by the Parties.
- 4.4.3 If the Loop is prequalified by US LEC through the Loop prequalification database, and if a positive response is received and followed by receipt of US LEC's valid, accurate and pre-qualified service order for Line Sharing, Verizon will return an LSR confirmation within twenty-four (24) hours (weekends and holidays excluded) for LSRs with less than six (6) loops and within 72 hours (weekends and holidays excluded) for LSRs with six (6) or more loops.
- 4.4.4 If the Loop requires qualification manually or through an Engineering Query, three (3) additional Business Days will generally be required to obtain Loop qualification results before an order confirmation can be returned following receipt of US LEC's valid, accurate request. Verizon may require additional time to complete the Engineering Query where there are poor record conditions, spikes in demand, or other unforeseen events.
- 4.4.5 If conditioning is required to make a Loop capable of supporting Line Sharing and US LEC orders such conditioning, then Verizon shall provide such conditioning in accordance with the terms of this Agreement pertaining to Digital Designed Loops; or if this Agreement

does not contain provisions pertaining to Digital Designed Loops, then in accordance with Verizon's generally available rates, terms and conditions applicable to Digital Design Loops; provided, however, that Verizon shall not be obligated to provide Loop conditioning if Verizon establishes, in the manner required by Applicable Law, that such conditioning is likely to degrade significantly the voice-grade service being provided to Verizon's Customers over such Loops.

- 4.4.6 The standard Loop provisioning and installation process will be initiated for the Line Sharing arrangement only once the requested engineering and conditioning tasks have been completed on the Loop. Scheduling changes and charges associated with order cancellations after conditioning work has been initiated are addressed in the terms pertaining to Digital Designed Loops, as referenced in Section 4.4.5, above. The standard provisioning interval for the Line Sharing arrangement shall be as set out in the Verizon Product Interval Guide; provided that the standard provisioning interval for the Line Sharing arrangement shall not exceed the shortest of the following intervals: (a) six (6) business days; (b) the standard provisioning interval for the Line Sharing arrangement that is stated in an applicable Verizon Tariff; or, (c) the standard provisioning interval for the Line Sharing arrangement that is required by Applicable Law. The standard provisioning interval for the Line Sharing arrangement shall commence only once any requested engineering and conditioning tasks have been completed. Line Sharing arrangements that require pair swaps or line and station transfers in order to free-up facilities may have a provisioning interval that is longer than the standard provisioning interval for the Line Sharing arrangement. In no event shall the Line Sharing interval offered to US LEC be longer than the interval offered to any similarly situated Affiliate of Verizon.
- 4.4.7 US LEC must provide all required Collocation, CFA, Special Bill Number (SBN) and NC/NCI information when a Line Sharing Arrangement is ordered. Collocation augments required, either at the Point of Termination (POT) Bay, Collocation node, or for splitter placement, must be ordered using standard collocation applications and procedures, unless otherwise agreed to by the Parties or specified in this Agreement.
- 4.4.8 The Parties recognize that Line Sharing is an offering that requires both Parties to make reasonable efforts to coordinate their respective roles in order to minimize provisioning problems and facility issues. US LEC will provide reasonable, timely, and accurate forecasts of its Line Sharing requirements, including splitter placement elections and ordering preferences. These forecasts are in addition to projections provided for other stand-alone unbundled Loop types.
- 4.5 To the extent required by Applicable Law, US LEC shall provide Verizon with information regarding the type of xDSL technology that it deploys on each shared Loop. Where any proposed change in technology is planned on a shared Loop, US LEC must provide this information to Verizon in order for Verizon to update Loop records and anticipate effects that the change may have on the voice grade service and other Loops in the same or adjacent binder groups.
- 4.6 As described more fully in Verizon Technical Reference 72575, the xDSL technology used by US LEC for Line Share Arrangements shall operate within the Power Spectral Density (PSD) limits set forth in T1.413-1998 (ADSL),

T1.419-2000 (Splitterless ADSL), or TR59-1999 (RADSL), and MVL (a proprietary technology) shall operate within the 0 to 4 kHz PSD limits of T1.413-1998 and within the transmit PSD limits of T1.601-1998 for frequencies above 4 kHz, provided that the MVL PSD associated with audible frequencies above 4 kHz shall be sufficiently attenuated to preclude significantly degrading voice services. US LEC's deployment of additional Advanced Services shall be subject to the applicable FCC Rules.

- 4.7 US LEC may only access the high frequency portion of a Loop in a Line Sharing arrangement through an established Collocation arrangement at the Verizon Serving Wire Center that contains the End Office Switch through which voice grade service is provided to Verizon's Customer. US LEC is responsible for providing, through one of the splitter options described below, a splitter at that Wire Center that complies with ANSI specification T1.413, employs Direct Current (DC) blocking capacitors or equivalent technology to assist in isolating high bandwidth trouble resolution and maintenance to the high frequency portion of the frequency spectrum, and operates so that the analog voice "dial tone" stays active when the splitter card is removed for testing or maintenance. US LEC is also responsible for providing its own Digital Subscriber Line Access Multiplexer (DSLAM) equipment in the Collocation arrangement and any necessary Customer Provided Equipment (CPE) for the xDSL service it intends to provide (including CPE splitters, filters and/or other equipment necessary for the end user to receive separate voice and data services across the shared Loop).

Two splitter configurations are available. In both configurations, the splitter must be provided by US LEC and must satisfy the same NEBS requirements that Verizon imposes on its own splitter equipment or the splitter equipment of any Verizon Affiliate. US LEC must designate which splitter option it is choosing on the Collocation application or augment. Regardless of the option selected, the splitter arrangements must be installed before US LEC submits an order for Line Sharing.

Splitter Option A (Splitter Option 1): Splitter in US LEC Collocation Area

In this configuration, the US LEC-provided splitter (ANSI T1.413 or MVL compliant) is provided, installed and maintained by US LEC in its own Collocation space within the Customer's serving End Office. The Verizon-provided dial tone is routed through the splitter in the US LEC Collocation area. Any rearrangements will be the responsibility of US LEC.

Splitter Option C (Splitter Option 2): Splitter in Verizon Area

In this configuration, Verizon inventories and maintains a US LEC-provided splitter (ANSI T1.413 or MVL compliant) in Verizon space within the Customer's serving End Office. The splitters will be installed shelf-at-a-time.

In those serving End Offices where Verizon employs the use of a POT Bay for interconnection of US LEC's Collocation arrangement with Verizon's network, the splitter will be installed (mounted) in a relay rack between the POT Bay and the MDF. The demarcation point is at the splitter end of the cable connecting the POT Bay and the splitter. Installation of the splitter will be performed by Verizon or, at US LEC's election, by a Verizon-approved vendor designated by US LEC.

In those serving End Offices where Verizon does not employ a POT Bay for

Interconnection of US LEC's Collocation arrangement with Verizon's network, the US LEC provided splitter will be installed (mounted) in a relay rack between the US LEC Collocation arrangement and the MDF. The demarcation point is at the splitter end of the cable connecting the US LEC Collocation arrangement and the splitter. Installation of the splitter will be performed by Verizon, or, at US LEC's election, by a Verizon-approved vendor designated by US LEC.

In either scenario, Verizon will control the splitter and will direct any required activity. Where a POT Bay is employed, Verizon will also perform all POT Bay work required in this configuration. Verizon will provide a splitter inventory to US LEC upon completion of the required work.

- 4.7.1 Where a new splitter is to be installed as part of an initial Collocation implementation, the splitter installation may be ordered as part of the initial Collocation application. Associated Collocation charges (application and engineering fees) apply. US LEC must submit a new Collocation application, with the application fee, to Verizon detailing its request. Except as otherwise required by Applicable Law, standard Collocation intervals will apply.
- 4.7.2 Where a new splitter is to be installed as part of an existing Collocation arrangement, or where the existing Collocation arrangement is to be augmented (e.g., with additional terminations at the POT Bay or US LEC's collocation arrangement to support Line Sharing), the splitter installation or augment may be ordered via an application for Collocation augment. Associated Collocation charges (application and engineering fees) apply. US LEC must submit the application for Collocation augment, with the application fee, to Verizon. Unless a longer interval is stated in Verizon's applicable Tariff, an interval of seventy-six (76) business days shall apply.
- 4.8 US LEC will have the following options for testing shared Loops:
 - 4.8.1 In serving End Offices where Verizon employs a POT Bay for interconnection of US LEC Collocation arrangement with Verizon's network, the following options shall be available to US LEC.
 - 4.8.1.1 Under Splitter Option A, US LEC may conduct its own physical tests of the shared Loop from US LEC's collocation area. If it chooses to do so, US LEC may supply and install a test head to facilitate such physical tests, provided that: (a) the test head satisfies the same NEBS requirements that Verizon imposes on its own test head equipment or the test head equipment of any Verizon Affiliate; and (b) the test head does not interrupt the voice circuit to any greater degree than a conventional MLT test. Specifically, the US LEC-provided test equipment may not interrupt an in-progress voice connection and must automatically restore any circuits tested in intervals comparable to MLT. This optional US LEC-provided test head will be installed in US LEC's Collocation area between the "line" port of the splitter and the POT Bay in order to conduct remote physical tests of the shared Loop.
 - 4.8.1.2 Under Splitter Option C, upon request by US LEC, either Verizon or, at US LEC's election, a Verizon-approved

vendor selected by US LEC will install a US LEC-provided test head to enable US LEC to conduct remote physical tests of the shared Loop. This optional US LEC-provided test head will be installed at a point between the "line" port of the splitter and the Verizon-provided test head that is used by Verizon to conduct its own Loop testing. The US LEC-provided test head must satisfy the same NEBS requirements that Verizon imposes on its own test head equipment or the test head equipment of any Verizon Affiliate, and may not interrupt the voice circuit to any greater degree than a conventional MLT test. Specifically, the US LEC-provided test equipment may not interrupt an in-progress voice connection and must automatically restore any circuits tested in intervals comparable to MLT. Verizon will inventory, control and maintain the US LEC-provided test head, and will direct all required activity.

- 4.8.1.3 Under either Splitter Option, if Verizon has installed its own test head, Verizon will conduct tests of the shared Loop using a Verizon-provided test head, and, upon request, will provide these test results to US LEC during normal trouble isolation procedures in accordance with reasonable procedures.
- 4.8.1.4 Under either Splitter Option, upon request by US LEC, Verizon will make MLT access available to US LEC via RETAS after the service order has been completed. US LEC will utilize the circuit number to initiate a test.
- 4.8.2 In those serving End Offices where Verizon has not employed a POT Bay for interconnection of US LEC's Collocation arrangement with Verizon's network, US LEC will not be permitted to supply its own test head. Instead, Verizon will make a testing system available to US LEC through use of the on-line computer interface test system at www.verizon.com/wlse.
- 4.8.3 The Parties will continue to work cooperatively on testing procedures. To this end, in situations where US LEC has attempted to use one or more of the foregoing testing options but is still unable to resolve the error or trouble on the shared Loop, Verizon and US LEC will each dispatch a technician to an agreed-upon point to conduct a joint meet test to identify and resolve the error or trouble. Verizon may assess a charge for a misdirected dispatch only if the error or trouble is determined to be one that US LEC should reasonably have been able to isolate and diagnose through one of the testing options available to US LEC above. The Parties will mutually agree upon the specific procedures for conducting joint meet tests.
- 4.8.4 Verizon and US LEC each have a responsibility to educate the Customer regarding which service provider should be called for problems with their respective service offerings. Verizon will retain primary responsibility for voice band trouble tickets, including repairing analog voice grade services and the physical line between the NID at the Customer premise and the point of demarcation in the Central Office. US LEC will be responsible for repairing services it offers over the Line Sharing arrangement. Each Party will be responsible for maintaining its own equipment. If a splitter or test head that US LEC

has provided to Verizon malfunctions, US LEC shall provide a replacement splitter or test head to Verizon. Before either Party initiates any activity on a shared Loop that may cause a disruption of the service of the other Party, that Party shall first make a good faith effort to notify the other Party of the possibility of a service disruption. Verizon and US LEC will work together to address Customer initiated repair requests and to prevent adverse impacts to the Customer.

4.8.5 When Verizon provides Inside Wire maintenance services to the Customer, Verizon will only be responsible for testing and repairing the Inside Wire for voice-grade services. Verizon will not test, dispatch a technician, repair, or upgrade Inside Wire to clear trouble calls associated with US LEC's Advanced Services. Verizon will not repair any CPE provided by US LEC. Before a trouble ticket is issued to Verizon, US LEC shall validate whether the Customer is experiencing a trouble that arises from US LEC's service. If the problem reported is isolated to the analog voice-grade service provided by Verizon, a trouble ticket may be issued to Verizon.

4.8.6 In the case of a trouble reported by the Customer on its voice-grade service, if Verizon determines the reported trouble arises from US LEC's equipment, splitter problems, or US LEC's activities, Verizon will:

4.8.6.1 Notify US LEC and request that US LEC immediately test the trouble on US LEC's service.

4.8.6.2 If the Customer's voice grade service is so degraded that the Customer cannot originate or receive voice grade calls, and US LEC has not cleared its trouble within a reasonable time frame, Verizon may take unilateral steps to temporarily restore the Customer's voice grade service if Verizon determines in good faith that the cause of the voice interruption is US LEC's service.

4.8.6.3 Upon completion of the steps in 4.8.6.1 and 4.8.6.2, above, Verizon may temporarily remove the US LEC-provided splitter from the Customer's Loop and switch port if Verizon determines in good faith that the cause of the voice interruption is US LEC's service.

4.8.6.4 Upon notification from US LEC that the malfunction in US LEC's service has been cleared, Verizon will restore US LEC's service by restoring the splitter on the Customer's Loop.

4.8.6.5 Upon completion of the above steps, US LEC will be charged a Trouble Isolation Charge (TIC) to recover Verizon's costs of isolating and temporarily removing the malfunctioning US LEC service from the Customer's line if the cause of the voice interruption was US LEC's service.

4.8.6.6 Verizon shall not be liable to US LEC, the Customer, or any other person, for damages of any kind for disruptions to US LEC's service that are the result of the above steps taken in good faith to restore the end user's voice-grade POTS

service, and US LEC shall indemnify Verizon from any Claims that result from such steps.

5. Line Splitting

CLECs may provide integrated voice and data services over the same Loop by engaging in "line splitting" as set forth in paragraph 18 of the FCC's Line Sharing Reconsideration Order (CC Docket Nos. 98-147, 96-98), released January 19, 2001. Any line splitting between two CLECs shall be accomplished by prior negotiated arrangement between those CLECs. To achieve a line splitting capability, CLECs may utilize existing supporting OSS to order and combine in a line splitting configuration an unbundled xDSL capable Loop terminated to a collocated splitter and DSLAM equipment provided by a participating CLEC, unbundled switching combined with shared transport, collocater-to-collocater connections, and available cross-connects, under the terms and conditions set forth in their Interconnection Agreement(s). The participating CLECs shall provide any splitters used in a line splitting configuration. CLECs seeking to migrate existing UNE platform configurations to a line splitting configuration using the same unbundled elements utilized in the pre-existing platform arrangement may do so consistent with such implementation schedules, terms, conditions and guidelines as are agreed upon for such migrations in the ongoing DSL Collaborative in the State of New York, NY PSC Case 00-C-0127, allowing for local jurisdictional and OSS differences.

6. Sub-Loop

6.1 Sub-Loop – Distribution (USLA).

Subject to the conditions set forth in Section 1 and upon request by US LEC, Verizon shall provide US LEC with access to a Sub-Loop Distribution Facility (as such term is hereinafter defined) in accordance with, and subject to, the terms and provisions of this Section 6, the rates set forth in the Pricing Attachment, and the rates, terms and conditions set forth in Verizon's applicable Tariffs. A "Distribution Sub-Loop" means a two-wire or four-wire metallic distribution facility in Verizon's network between a Verizon feeder distribution interface (an FDI) and the rate demarcation point for such facility (or network interface device (NID) if the NID is located at such rate demarcation point). Verizon shall provide US LEC with access to a Sub-Loop Distribution Facility in accordance with, but only to the extent required by, Applicable Law.

6.1.1 US LEC may request that Verizon reactivate (if available) an unused drop and NID or provide US LEC with access to a drop and NID that, at the time of US LEC's request, Verizon is using to provide service to the Customer (as such term is hereinafter defined).

6.1.2 US LEC may obtain access to a Sub-Loop Distribution Facility only at an FDI and only from a Telecommunications outside plant interconnection cabinet (TOPIC) or, if US LEC is collocated at a remote terminal equipment enclosure and the FDI for such Sub-Loop Distribution Facility is located in such enclosure, from the collocation arrangement of US LEC at such terminal. To obtain access to a Sub-Loop Distribution Facility, US LEC shall install a TOPIC on an easement or Right of Way obtained by US LEC within 100 feet of the Verizon FDI to which such Distribution Sub-Loop is connected. A TOPIC must comply with applicable industry standards. Subject to the terms of applicable Verizon easements, Verizon shall furnish and place an interconnecting cable between a Verizon FDI and a US LEC TOPIC and Verizon shall install a termination block within such

TOPIC. Verizon shall retain title to and maintain the interconnecting cable. Verizon shall not be responsible for building, maintaining or servicing the TOPIC and shall not provide any power that might be required by US LEC for any electronics in the TOPIC. US LEC shall provide any easement, Right of Way or trenching or supporting structure required for any portion of an interconnecting cable that runs beyond a Verizon easement.

- 6.1.3 US LEC may request from Verizon by submitting a loop make-up engineering query to Verizon, and Verizon shall provide to US LEC, the following information regarding a Sub-Loop Distribution Facility that serves an identified Customer: the Sub-Loop Distribution Facility's length and gauge; whether Sub-Loop Distribution Facility has loading and bridged tap; the amount of bridged tap (if any) on the Sub-Loop Distribution Facility; and, the location of the FDI to which the Sub-Loop Distribution Facility is connected.
- 6.1.4 To order access to a Sub-Loop Distribution Facility, US LEC must first request that Verizon connect the Verizon FDI to which the Sub-Loop Distribution Facility is connected to a US LEC TOPIC. To make such a request, US LEC must submit to Verizon an application (a "Sub-Loop Distribution Facility Interconnection Application") that identifies the FDI at which US LEC wishes to access the Sub-Loop Distribution Facility. A Sub-Loop Distribution Facility Interconnection Application shall state the location of the TOPIC, the size of the interconnecting cable and a description of the cable's supporting structure. A Sub-Loop Distribution Facility Interconnection Application shall also include a five-year forecast of US LEC's demand for access to Sub-Loop Distribution Facilities at the requested FDI. US LEC must submit the application fee set forth in the Pricing Attachment attached hereto and Verizon's applicable Tariffs (a "Sub-Loop Distribution Facility Application Fee") with Sub-Loop Distribution Facility Interconnection Application. US LEC must submit Sub-Loop Interconnection Applications to:

US LEC's Account Manager

- 6.1.5 Within sixty (60) days after it receives a complete Sub-Loop Distribution Facility Interconnection Application for access to a Sub-Loop Distribution Facility and the Sub-Loop Distribution Facility Application Fee for such application, Verizon shall provide to US LEC a work order that describes the work that Verizon must perform to provide such access (a "Sub-Loop Distribution Facility Work Order") and a statements of the cost of such work (a "Sub-Loop Distribution Facility Interconnection Cost Statement").
- 6.1.6 US LEC shall pay to Verizon fifty percent (50%) of the cost set forth in a Sub-Loop Distribution Facility Interconnection Cost Statement within sixty (60) days of US LEC's receipt of such statement and the associated Sub-Loop Distribution Facility Work Order, and Verizon shall not be obligated to perform any of the work set forth in such order until Verizon has received such payment. A Sub-Loop Distribution Facility Interconnection Application shall be deemed to have been withdrawn if US LEC breaches its payment obligation under this Section. Upon Verizon's completion of the work that Verizon must perform to provide US LEC with access to a Distribution Sub-Loop,

Verizon shall bill US LEC, and US LEC shall pay to Verizon, the balance of the cost set forth in the Sub-Loop Distribution Facility Interconnection Cost Statement for such access.

- 6.1.7 After Verizon has completed the installation of the interconnecting cable to a US LEC TOPIC and US LEC has paid the full cost of such installation, US LEC can request the connection of Verizon Sub-Loop Distribution Facilities to the US LEC TOPIC. At the same time, US LEC shall advise Verizon of the services that US LEC plans to provide over the Sub-Loop Distribution Facility, request any conditioning of the Sub-Loop Distribution Facility and assign the pairs in the interconnecting cable. US LEC shall run any crosswires within the TOPIC.
- 6.1.8 If US LEC requests that Verizon reactivate an unused drop and NID, then US LEC shall provide dial tone (or its DSL equivalent) on the US LEC side of the applicable Verizon FDI at least twenty-four (24) hours before the due date. On the due date, a Verizon technician will run the appropriate cross connection to connect the Verizon Sub-Loop Distribution Facility to the US LEC dial tone or equivalent from the TOPIC. If US LEC requests that Verizon provide US LEC with access to a Sub-Loop Distribution Facility that, at the time of US LEC's request, Verizon is using to provide service to a Customer, then, after US LEC has looped two interconnecting pairs through the TOPIC and at least twenty four (24) hours before the due date, a Verizon technician shall crosswire the dial tone from the Verizon central office through the Verizon side of the TOPIC and back out again to the Verizon FDI and Verizon Sub-Loop Distribution Facility using the "loop through" approach. On the due date, US LEC shall disconnect Verizon's dial tone, crosswire its dial tone to the Sub-Loop Distribution Facility and submit US LEC's long-term number portability request.
- 6.1.9 Verizon will not provide access to a Sub-Loop Distribution Facility if Verizon is using the loop of which the Sub-Loop Distribution Facility is a part to provide line sharing service to another CLEC or a service that uses derived channel technology to a Customer unless such other CLEC first terminates the Verizon-provided line sharing or such Customer first disconnects the service that utilizes derived channel technology.
- 6.1.10 Verizon shall provide US LEC with access to a Sub-Loop Distribution Facility in accordance with negotiated intervals
- 6.1.11 Verizon shall repair and maintain a Sub-Loop Distribution Facility at the request of US LEC and subject to the time and material rates set forth in Pricing Attachment and the rates, terms and conditions of Verizon's applicable Tariffs. US LEC accepts responsibility for initial trouble isolation for Sub-Loop Distribution Facilities and providing Verizon with appropriate dispatch information based on its test results. If (a) US LEC reports to Verizon a Customer trouble, (b) US LEC requests a dispatch, (c) Verizon dispatches a technician, and (d) such trouble was not caused by Verizon Sub-Loop Distribution Facility facilities or equipment in whole or in part, US LEC shall pay Verizon the charges set forth in the Pricing Attachment and Verizon's applicable Tariffs for time associated with said dispatch. In addition, these charges also apply when the Customer contact as designated by US LEC is not available at the appointed time. If as the result of

US LEC instructions, Verizon is erroneously requested to dispatch to a site on Verizon company premises ("dispatch in"), the charges set forth in Pricing Attachment and Verizon's applicable Tariffs will be assessed per occurrence to US LEC by Verizon. If as the result of US LEC instructions, Verizon is erroneously requested to dispatch to a site outside of Verizon company premises ("dispatch out"), the charges set forth in Pricing Attachment and Verizon's applicable Tariffs will be assessed per occurrence to US LEC by Verizon.

6.2 Sub-Loop – Feeder (UFSE).

- 6.2.1** Subject to the conditions set forth in Section 1 of this agreement and upon request by US LEC, Verizon shall provide US LEC with access to a Feeder Sub-Loop (as such term is hereinafter defined) in accordance with, and subject to, the terms and provisions of this Section 6.2, the rates and charges provided in the Pricing Attachment and the rates, terms and conditions of Verizon's applicable Tariffs. A "Feeder Sub-Loop" means a DS1 or DS3 transmission path over a feeder facility in Verizon's network between a Verizon end office and either a Verizon remote terminal equipment enclosure (an "RTEE") that subtends such end office or a Verizon feeder distribution interface (such an interface, an "FDI") that subtends the end office.
- 6.2.2** US LEC may obtain access to a Feeder Sub-Loop only from a US LEC collocation arrangement in the Verizon end office where such Feeder Sub-Loop originates and Verizon shall terminate a Feeder Sub-Loop in an RTEE that subtends such end office only if US LEC has a collocation arrangement in such RTEE. Upon US LEC's request, Verizon will connect a Feeder Sub-Loop to a US LEC collocation arrangement in the Verizon end office where the Feeder Sub-Loop originates and to either a US LEC collocation arrangement in the Verizon RTEE that subtends such end office or a Telecommunications Carrier Outside Plant Cabinet (such a cabinet, a "TOPIC") located within 100 feet of the FDI that subtends the end office and that US LEC has established in accordance with, and subject to the terms and provisions of, an agreement between Verizon and US LEC that governs the establishment of such TOPIC. Verizon shall connect a Feeder Sub-Loop to the point of termination bay of a US LEC collocation arrangement in a Verizon Central Office or to a US LEC TOPIC, by installing appropriate cross connections and Verizon shall be solely responsible for installing such cross connections. US LEC may obtain access to a Feeder Sub-Loop between an end office and an RTEE or an FDI only if DS1 or DS3-capable transmission facilities are available and not in use between such office and RTEE or FDI.
- 6.2.3** US LEC shall run any crosswires within a US LEC physical collocation arrangement and a US LEC TOPIC and US LEC will have sole responsibility for identifying to Verizon where a Feeder Sub-Loop should be connected to a US LEC collocation arrangement. US LEC shall be solely responsible for providing power and space for any cross connects and other equipment that Verizon installs in a TOPIC, and US LEC shall not bill Verizon, and Verizon shall not pay US LEC, for providing such power and space.
- 6.2.4** Verizon shall not be obligated to provide to US LEC any multiplexing at an RTEE or at a TOPIC or to combine a Feeder Sub-Loop with a Distribution Sub-Loop. If US LEC requests access to a Feeder Sub-

Loop and a Distribution Sub-Loop that are already combined, such combination shall be deemed to be a loop and Verizon shall provide such loop to US LEC in accordance with, but only to the extent required by, the terms, provisions and rates in this Agreement that govern loops, if any.

- 6.2.5 Verizon shall provide US LEC with access to a Feeder Sub-Loop in accordance with negotiated intervals.
- 6.2.6 Verizon shall repair and maintain a Feeder Sub-Loop at the request of US LEC and subject to the time and material rates set forth in the Pricing Attachment and the rates, terms and conditions of Verizon's applicable Tariffs. US LEC may not rearrange, disconnect, remove or attempt to repair or maintain any Verizon equipment or facilities without the prior written consent of Verizon. US LEC accepts responsibility for initial trouble isolation for Feeder Sub-Loops and providing Verizon with appropriate dispatch information based on its test results. If (a) US LEC reports to Verizon a trouble, (b) US LEC requests a dispatch, (c) Verizon dispatches a technician, and (d) such trouble was not caused by Feeder Sub-Loop facilities or equipment in whole or in part, then US LEC shall pay Verizon the charges set forth in Pricing Attachment and Verizon's applicable Tariffs for time associated with said dispatch. In addition, these charges also apply when a US LEC contact as designated by US LEC is not available at the appointed time. If as the result of US LEC instructions, Verizon is erroneously requested to dispatch to a site on Verizon company premises ("dispatch in"), the charges set forth in Pricing Attachment and Verizon's applicable Tariffs will be assessed per occurrence to US LEC by Verizon. If as the result of US LEC instructions, Verizon is erroneously requested to dispatch to a site outside of Verizon company premises ("dispatch out"), the charges set forth in Pricing Attachment and Verizon's applicable Tariffs will be assessed per occurrence to US LEC by Verizon.

6.3 Collocation in Remote Terminals.

To the extent required by Applicable Law, Verizon shall allow US LEC to collocate equipment in a Verizon remote terminal equipment enclosure in accordance with, and subject to, the rates, terms and conditions set forth in the Collocation Attachment and the Pricing Attachment.

7. **Inside Wire**

7.1 House and Riser.

[This section intentionally left blank.]

8. **Dark Fiber**

- 8.1 Subject to the conditions set forth in Section 1 and upon request, Verizon shall provide US LEC with access to unbundled Dark Fiber Loops, Dark Fiber Sub-loops and Dark Fiber IOF (as such terms are hereinafter defined) in accordance with, and subject to, the rates, terms and conditions provided in the Pricing Attachment and rates, terms and conditions of Verizon's applicable Tariffs. Access to unbundled Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF will be provided by Verizon only where existing facilities are available at the requested availability date. Access to Dark Fiber Loops, Dark Fiber Sub-Loops

and Dark Fiber IOF will be provided in accordance with, but only to the extent required by, Applicable Law. Except as otherwise required by Applicable Law, the following terms and conditions apply to Verizon's Dark Fiber offerings.

- 8.1.1 A "Dark Fiber Loop" consists of continuous fiber optic strand(s) in a Verizon fiber optic cable between Verizon's Accessible Terminal, such as the fiber distribution frame, or its functional equivalent, located within a Verizon Wire Center, and Verizon's main termination point at a Customer premise, such as the fiber patch panel located within a Customer premise, and that has not been activated through connection to electronics that "light" it and render it capable of carrying Telecommunications Services.
 - 8.1.2 A "Dark Fiber Sub Loop" consists of continuous fiber optic strand(s) in a Verizon fiber optic cable (a) between Verizon's Accessible Terminal located within a Verizon Wire Center, and Verizon's Accessible Terminal at a Verizon remote terminal equipment enclosure, (b) between Verizon's Accessible Terminal at a Verizon remote terminal equipment enclosure and Verizon's main termination point located within a Customer premise, or (c) between Verizon's Accessible Terminals at Verizon remote terminal equipment enclosures, and that in all cases has not been activated through connection to electronics that "light" it and render it capable of carrying Telecommunications Services.
 - 8.1.3 A "Dark Fiber IOF" consists of continuous fiber strand(s) that are located within a fiber optic cable between either (a) Accessible Terminals in two Verizon Central Offices or (b) an Accessible Terminal in a Verizon Central Office and a US LEC Central Office, but, in either case, that has not been activated through connection to multiplexing, aggregation or other electronics that "light it" and thereby render it capable of carrying Telecommunications Services.
- 8.2 In addition to the other terms and conditions of this Agreement, the following terms and conditions shall apply to Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF:
- 8.2.1 Verizon shall be required to provide a Dark Fiber Loop only where one end of the Dark Fiber Loop terminates at a Verizon Accessible Terminal in Verizon's Central Office that can be cross-connected to US LEC's collocation arrangement located in that same Verizon Central Office and the other end terminates at the Customer premise. Verizon shall be required to provide a Dark Fiber Sub-Loop only where (1) one end of the Dark Fiber Sub-Loop terminates at Verizon's Accessible Terminal in Verizon's Central Office that can be cross-connected to US LEC's collocation arrangement located in that same Verizon Central Office and the other end terminates at Verizon's Accessible Terminal at a Verizon remote terminal equipment enclosure that can be cross-connected to US LEC's collocation arrangement or adjacent structure, or (2) one end of the Dark Fiber Sub-Loop terminates at Verizon's main termination point located within the Customer premise and the other end terminates at Verizon's Accessible Terminal at a Verizon remote terminal equipment enclosure that can be cross-connected to US LEC's collocation arrangement or adjacent structure, or (3) one end of the Dark Fiber Sub-Loop terminates at Verizon's Accessible Terminal at a Verizon remote terminal equipment enclosure that can be cross-connected to US LEC's collocation

arrangement or adjacent structure and the other end terminates at Verizon's Accessible Terminal at another Verizon remote terminal equipment enclosure that can be cross-connected to US LEC's collocation arrangement or adjacent structure. A US LEC demarcation point at a Customer premise shall be established in the main telco room of the Customer premise if Verizon is located in that room or, if the building does not have a main telco room or if Verizon is not located in that room, then at a location to be determined by Verizon. A US LEC demarcation point at a Customer premise shall be established at a location that is no more than 30 feet from Verizon's Accessible Terminal on which the Dark Fiber Loop or Dark Fiber Sub-Loop terminates. Verizon shall connect a Dark Fiber Loop or Dark Fiber Sub-Loop to the US LEC demarcation point by installing a fiber jumper no greater than 30 feet in length

- 8.2.2 US LEC may access a Dark Fiber Loop, a Dark Fiber Sub-Loop, or Dark Fiber IOF only at a pre-existing Verizon Accessible Terminal of such Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF, and US LEC may not access a Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF at any other point, including, but not limited to, a splice point or case. Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF are not available US LEC unless such Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF already are terminated on a Verizon Accessible Terminal. Except where required by Applicable Law, Verizon will not introduce additional splice points or open existing splice points or cases to accommodate US LEC's request. Unused fibers located in a cable vault or a controlled environment vault, manhole or other location outside the Verizon Wire Center, and not terminated to a fiber patch panel, are not available to US LEC.
- 8.2.3 A strand shall not be deemed to be continuous if splicing is required to provide fiber continuity between two locations. Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF will only be offered on a route-direct basis where facilities exist (i.e., no intermediate offices).
- 8.2.4 Verizon shall perform all work necessary to install (1) a cross connect or a fiber jumper from a Verizon Accessible Terminal to a US LEC collocation arrangement or (2) from a Verizon Accessible Terminal to US LEC's demarcation point at a Customer premise or US LEC Central Office.
- 8.2.5 A Dark Fiber Inquiry must be submitted prior to submitting an ASR. Upon receipt of the completed Dark Fiber Inquiry, Verizon will initiate a review of its cable records to determine whether Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF may be available between the locations and in the quantities specified. Verizon will respond within fifteen (15) Business Days from receipt of the US LEC's request, indicating whether Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF may be available based on the records search except that for voluminous requests or large, complex projects, Verizon reserves the right to negotiate a different interval. The Dark Fiber Inquiry is a record search and does not guarantee the availability of Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF.
- 8.2.6 US LEC shall order Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF by sending to Verizon a separate ASR for each A to Z route.

- 8.2.7 Access to Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF that terminate in a Verizon premise must be accomplished via a collocation arrangement in that premise. In circumstances where collocation cannot be accomplished in the premises, the Parties agree to negotiate for possible alternative arrangements.
- 8.2.8 A Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF will be offered to US LEC in the condition that it is available in Verizon's network at the time that US LEC submits its request (i.e., "as is"). In addition, Verizon shall not be required to convert lit fiber to a Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF for US LEC's use.
- 8.2.9 Spare wavelengths on fiber strands, where Wave Division Multiplexing (WDM) or Dense Wave Division Multiplexing (DWDM) equipment is deployed, are not considered to be Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF, and, therefore, will not be offered to US LEC as Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF.
- 8.2.10 Fiber that has been assigned to fulfill a Customer order or for maintenance purposes will not be offered to US LEC as Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF.
- 8.2.11 US LEC shall be responsible for providing all transmission, terminating and regeneration equipment necessary to light and use Dark Fiber Loops, Dark Fiber Sub-Loops, or Dark Fiber IOF.
- 8.2.12 US LEC may not resell Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF, purchased pursuant to this Agreement to third parties.
- 8.2.13 Except to the extent that Verizon is required by Applicable Law to provide Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF to US LEC for use for Special or Switched Exchange Access Services, US LEC shall not use Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF, for Special or Switched Exchange Access Services.
- 8.2.14 In order to preserve the efficiency of its network, Verizon will limit US LEC to leasing up to a maximum of twenty-five percent (25%) of the Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF in any given segment of Verizon's network. In addition, except as otherwise required by Applicable Law, Verizon may take any of the following actions, notwithstanding anything to the contrary in this Agreement:
- 8.2.14.1 Revoke Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF leased to US LEC upon a showing of need to the Commission and twelve (12) months' advance written notice to US LEC; and
 - 8.2.14.2 Revoke Dark Fiber Loops, Dark Fiber Sub-Loops or Dark Fiber IOF leased to US LEC upon a showing to the Commission that US LEC underutilized fiber within any twelve (12) month period;
 - 8.2.14.3 Verizon reserves and shall not waive, Verizon's right to claim before the Commission that Verizon should not have to fulfill a US LEC order for Dark Fiber Loops, Dark Fiber Sub-Loops, or Dark Fiber IOF because that request would strand an unreasonable amount of fiber capacity, disrupt or

degrade service to Customers or carriers other than US LEC, or impair Verizon's ability to meet a legal obligation.

- 8.2.15 US LEC may not reserve Dark Fiber Loops, Dark Fiber Sub-Loops, or Dark Fiber IOF.
- 8.2.16 US LEC shall be solely responsible for: (a) determining whether or not the transmission characteristics of the Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF accommodate the requirements of US LEC; (b) obtaining any Rights of Way, governmental or private property permit, easement or other authorization or approval required for access to the Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF; (c) installation of fiber optic transmission equipment needed to power the Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF to transmit Telecommunications Services traffic; (d) installation of a demarcation point in a building where a Customer is located; and (e) US LEC's collocation arrangements with any proper optical cross connects or other equipment that US LEC needs to access Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF before it submits an order for such access. US LEC hereby represents and warrants that it shall have all such rights of way, authorizations and the like applicable to the geographic location at which it wishes to establish a demarcation point for dark fiber, on or before the date that US LEC places an order for the applicable dark fiber, and that it shall maintain the same going forward.
- 8.2.17 US LEC is responsible for trouble isolation before reporting trouble to Verizon. Verizon will restore continuity to Dark Fiber Loops, Dark Fiber Sub-Loops and Dark Fiber IOF that have been broken. Verizon will not repair a Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF that is capable of transmitting light, even if the transmission characteristics of the Dark Fiber Loop, Dark Fiber Sub-Loop or Dark Fiber IOF have changed.
- 8.2.18 US LEC is responsible for all work activities at the Customer premises. Except as otherwise required by Applicable Law, all negotiations with the premises owner are solely the responsibility of US LEC.

9. Network Interface Device

- 9.1 Subject to the conditions set forth in Section 1, at US LEC's request, Verizon shall permit US LEC to connect a US LEC Loop to the Inside Wiring of a Customer through the use of a Verizon NID in accordance with this Section 9 and the rates and charges provided in the Pricing Attachment. Verizon shall provide US LEC with access to NIDs in accordance with, but only to the extent required by, Applicable Law. US LEC may access a Verizon NID either by means of a connection (but only if the use of such connection is technically feasible) from an adjoining US LEC NID deployed by US LEC or, if an entrance module is available in the Verizon NID, by connecting a US LEC Loop to the Verizon NID. In all cases, Verizon shall perform this connection. When necessary, Verizon will rearrange its facilities to provide access to an existing Customer's Inside Wire. An entrance module is available only if facilities are not connected to it.
- 9.2 In no case shall US LEC access, remove, disconnect or in any other way rearrange, Verizon's Loop facilities from Verizon's NIDs, enclosures, or protectors.

- 9.3 In no case shall US LEC access, remove, disconnect or in any other way rearrange, a Customer's Inside Wiring from Verizon's NIDs, enclosures, or protectors where such Customer Inside Wiring is used in the provision of ongoing Telecommunications Service to that Customer.
- 9.4 In no case shall US LEC remove or disconnect ground wires from Verizon's NIDs, enclosures, or protectors.
- 9.5 In no case shall US LEC remove or disconnect NID modules, protectors, or terminals from Verizon's NID enclosures.
- 9.6 Maintenance and control of premises Inside Wiring is the responsibility of the Customer. Any conflicts between service providers for access to the Customer's Inside Wiring must be resolved by the person who controls use of the wiring (e.g., the Customer).
- 9.7 When US LEC is connecting a US LEC-provided Loop to the Inside Wiring of a Customer's premises through the Customer's side of the Verizon NID, US LEC does not need to submit a request to Verizon and Verizon shall not charge US LEC for access to the Verizon NID. In such instances, US LEC shall comply with the provisions of Sections 9.2 through 9.7 of this Agreement and shall access the Customer's Inside Wire in the manner set forth in Section 9.8 of this Agreement.
- 9.8 Due to the wide variety of NIDs utilized by Verizon (based on Customer size and environmental considerations), US LEC may access the Customer's Inside Wiring, acting as the agent of the Customer by any of the following means:
- 9.8.1 Where an adequate length of Inside Wiring is present and environmental conditions permit, US LEC may remove the Inside Wiring from the Customer's side of the Verizon NID and connect that Inside Wiring to US LEC's NID.
- 9.8.2 Where an adequate length of Inside Wiring is not present or environmental conditions do not permit, US LEC may enter the Customer side of the Verizon NID enclosure for the purpose of removing the Inside Wiring from the terminals of Verizon's NID and connecting a connectorized or spliced jumper wire from a suitable "punch out" hole of such NID enclosure to the Inside Wiring within the space of the Customer side of the Verizon NID. Such connection shall be electrically insulated and shall not make any contact with the connection points or terminals within the Customer side of the Verizon NID.
- 9.8.3 US LEC may request Verizon to make other rearrangements to the Inside Wiring terminations or terminal enclosure on a time and materials cost basis to be charged to the requesting party (i.e. US LEC, its agent, the building owner or the Customer). If US LEC accesses the Customer's Inside Wiring as described in this Section 9.8.3, time and materials charges will be billed to the requesting party (i.e. US LEC, its agent, the building owner or the Customer).

10. Unbundled Switching Elements

- 10.1 Subject to the conditions set forth in Section 1, Verizon shall make available to US LEC the Local Switching Element and Tandem Switching Element unbundled from transport, local Loop transmission, or other services, in accordance with this Section 10 and the rates and charges provided in the Pricing Attachment.

Verizon shall provide US LEC with access to the Local Switching Element and the Tandem Switching Element in accordance with, but only to the extent required by, Applicable Law.

10.2 Local Switching.

10.2.1 The unbundled Local Switching Element includes line side and trunk side facilities (e.g. line and trunk side Ports such as analog and ISDN line side Ports and DS1 trunk side Ports), plus the features, functions, and capabilities of the switch. It consists of the line-side Port (including connection between a Loop termination and a switch line card, telephone number assignment, basic intercept, one primary directory listing, presubscription, and access to 911, operator services, and directory assistance), line and line group features (including all vertical features and line blocking options that the switch and its associated deployed switch software is capable of providing and are currently offered to Verizon's local exchange Customers), usage (including the connection of lines to lines, lines to trunks, trunks to lines, and trunks to trunks), and trunk features (including the connection between the trunk termination and a trunk card).

10.2.2 Verizon shall offer, as an optional chargeable feature, usage tapes in accordance with Section 8 of the Additional Services Attachment.

10.2.3 US LEC may request activation or deactivation of features on a per-port basis at any time, and shall compensate Verizon for the non-recurring charges associated with processing the order. US LEC may submit a Bona Fide Request in accordance with Section 14.3 for other switch features and functions that the switch is capable of providing, but which Verizon does not currently provide, or for customized routing of traffic other than operator services and/or directory assistance traffic. Verizon shall develop and provide these requested services where technically feasible with the agreement of US LEC to pay the recurring and non-recurring costs of developing, installing, updating, providing and maintaining these services.

10.3 Network Design Request (NDR).

Prior to submitting any order for unbundled Local Switching (as a UNE or in combination with other UNEs), US LEC shall complete the NDR process. As part of the NDR process, US LEC shall request standardized or customized routing of its Customer traffic in conjunction with the provision of unbundled Local Switching.

If US LEC selects customized routing, US LEC shall define the routing plan and Verizon shall implement such plan, subject to technical feasibility constraints. Time and Material Charges may apply.

10.4 Tandem Switching.

The unbundled Tandem Switching Element includes trunk-connect facilities, the basic switching function of connecting trunks to trunks, and the functions that are centralized in Tandem Switches. Unbundled Tandem switching creates a temporary transmission path between interoffice trunks that are interconnected at a Verizon access Tandem for the purpose of routing a call or calls.

11. Unbundled Interoffice Facilities

Subject to the conditions set forth in Section 1, where facilities are available, at US LEC's request, Verizon shall provide US LEC with IOF unbundled from other Network Elements at the rates set forth in the Pricing Attachment; provided, however, that Verizon shall offer unbundled shared IOF only to the extent that US LEC also purchases unbundled Local Switching capability from Verizon in accordance with Section 10 of this Attachment. Verizon shall provide US LEC with such IOF in accordance with, but only to the extent required by, Applicable Law.

12. Signaling Networks and Call-Related Databases

12.1 Subject to the conditions set forth in Section 1, Verizon shall provide US LEC with access to databases and associated signaling necessary for call routing and completion by providing SS7 Common Channel Signaling ("CCS") interconnection, and interconnection and access to toll free service access code (e.g., 800/888/877) databases, LIDB, and any other necessary databases, in accordance with this Section 12 and the rates and charges provided in the Pricing Attachment. Such access shall be provided by Verizon in accordance with, but only to the extent required by, Applicable Law.

12.2 US LEC shall provide Verizon with CCS Interconnection required for call routing and completion, and the billing of calls which involve US LEC's Customers, at non-discriminatory rates (subject to the provisions of the Pricing Attachment and applicable tariff(s)), terms and conditions, provided further that if the US LEC information Verizon requires to provide such call-related functionality is resident in a database operated by a third party, US LEC will provide Verizon with the authorization to query US LEC's information in the databases within which it is stored.

12.3 Alternatively, either Party ("Purchasing Party") may secure CCS Interconnection from a commercial SS7 hub provider (third party signaling provider) to transport signaling messages to and from the Verizon CCS network, and in that case the other Party will permit the Purchasing Party to access the same databases as would have been accessible if the Purchasing Party had connected directly to the other Party's CCS network. If a third party signaling provider is selected by US LEC to transport signaling messages, that third party provider must present a letter of agency to Verizon, prior to the testing of the interconnection, authorizing the third party to act on behalf of US LEC.

12.4 Regardless of the manner in which US LEC obtains CCS Interconnection, US LEC shall comply with Verizon's SS7 certification process prior to establishing CCS Interconnection with Verizon.

12.5 The Parties will provide CCS Signaling to each other, where and as available, in conjunction with all Reciprocal Compensation Traffic, Toll Traffic, Meet Point Billing Traffic, and Transit Traffic. The Parties will cooperate on the exchange of TCAP messages to facilitate interoperability of CCS-based features between their respective networks, including all CLASS Features and functions, to the extent each Party offers such features and functions to its Customers. All CCS Signaling parameters will be provided upon request (where available), including called party number, Calling Party Number, originating line information, calling party category, and charge number. All privacy indicators will be honored as required under applicable law.

12.6 The Parties will follow all OBF-adopted standards pertaining to CIC/OZZ codes.

12.7 Where CCS Signaling is not available, in-band multi-frequency ("MF") wink start signaling will be provided. Any such MF arrangement will require a separate

local trunk circuit between the Parties' respective switches in those instances where the Parties have established End Office to End Office high usage trunk groups. In such an arrangement, each Party will out pulse the full ten-digit telephone number of the called Party to the other Party.

- 12.8 The Parties acknowledge that there is a network security risk associated with interconnection with the public Internet Protocol network, including, but not limited to, the risk that interconnection of US LEC signaling systems to the public Internet Protocol network may expose US LEC and Verizon signaling systems and information to interference by third parties. US LEC shall notify Verizon in writing sixty (60) days in advance of installation of any network arrangement that may expose signaling systems or information to access through the public Internet Protocol network. US LEC shall take commercially reasonable efforts to protect its signaling systems and Verizon's signaling systems from interference by unauthorized persons.
- 12.9 Each Party shall provide trunk groups, where available and upon reasonable request, that are configured utilizing the B8ZS ESF protocol for 64 kbps clear channel transmission to allow for ISDN interoperability between the Parties' respective networks.
- 12.10 The following publications describe the practices, procedures and specifications generally utilized by Verizon for signaling purposes and are listed herein to assist the Parties in meeting their respective Interconnection responsibilities related to Signaling:
 - 12.10.1 Telcordia Generic Requirements, GR-905-CORE, Issue 1, March, 1995, and subsequent issues and amendments; and
 - 12.10.2 Where applicable, Verizon Supplement Common Channel Signaling Network Interface Specification (Verizon-905).
- 12.11 Each Party shall charge the other Party mutual and reciprocal rates for any usage-based charges for CCS Signaling, toll free service access code (e.g., 800/888/877) database access, LIDB access, and access to other necessary databases, as follows: Verizon shall charge US LEC in accordance with the Pricing Attachment and the terms and conditions in applicable Tariffs. US LEC shall charge Verizon rates equal to the rates Verizon charges US LEC, unless US LEC's Tariffs for CCS signaling provide for lower generally available rates, in which case US LEC shall charge Verizon such lower rates. Notwithstanding the foregoing, to the extent a Party uses a third party vendor for the provision of CCS Signaling, such charges shall apply only to the third party vendor.

13. Operations Support Systems

Subject to the conditions set forth in Section 1 above and in Section 8 of the Additional Services Attachment, Verizon shall provide US LEC with access via electronic interfaces to databases required for pre-ordering, ordering, provisioning, maintenance and repair, and billing. Verizon shall provide US LEC with such access in accordance with, but only to the extent required by, Applicable Law. All such transactions shall be submitted by US LEC through such electronic interfaces.

14. Availability of Other Network Elements on an Unbundled Basis

- 14.1 Any request by US LEC for access to a Verizon Network Element that is not already available and that Verizon is required by Applicable Law to provide on an unbundled basis shall be treated as a Network Element Bona Fide Request

pursuant to Section 14.3, below. US LEC shall provide Verizon access to its Network Elements as mutually agreed by the Parties or as required by Applicable Law.

- 14.2 Notwithstanding anything to the contrary in this Section 14, a Party shall not be required to provide a proprietary Network Element to the other Party under this Section 14 except as required by Applicable Law.
- 14.3 Network Element Bona Fide Request (BFR).
- 14.3.1 Each Party shall promptly consider and analyze access to a new unbundled Network Element in response to the submission of a Network Element Bona Fide Request by the other Party hereunder. The Network Element Bona Fide Request process set forth herein does not apply to those services requested pursuant to Report & Order and Notice of Proposed Rulemaking 91-141 (rel. Oct. 19, 1992) ¶ 259 and n.603 or subsequent orders.
- 14.3.2 A Network Element Bona Fide Request shall be submitted in writing and shall include a technical description of each requested Network Element.
- 14.3.3 The requesting Party may cancel a Network Element Bona Fide Request at any time, but shall pay the other Party's reasonable and demonstrable costs of processing and/or implementing the Network Element Bona Fide Request up to the date of cancellation.
- 14.3.4 Within ten (10) Business Days of its receipt, the receiving Party shall acknowledge receipt of the Network Element Bona Fide Request.
- 14.3.5 Except under extraordinary circumstances, within thirty (30) days of its receipt of a Network Element Bona Fide Request, the receiving Party shall provide to the requesting Party a preliminary analysis of such Network Element Bona Fide Request. The preliminary analysis shall confirm that the receiving Party will offer access to the Network Element or will provide a detailed explanation that access to the Network Element is not technically feasible and/or that the request does not qualify as a Network Element that is required to be provided by Applicable Law.
- 14.3.6 If the receiving Party determines that the Network Element Bona Fide Request is technically feasible and access to the Network Element is required to be provided by Applicable Law, it shall promptly proceed with developing the Network Element Bona Fide Request upon receipt of written authorization from the requesting Party. When it receives such authorization, the receiving Party shall promptly develop the requested services, determine their availability, calculate the applicable prices and establish installation intervals. Unless the Parties otherwise agree, the Network Element requested must be priced in accordance with Section 252(d)(1) of the Act.
- 14.3.7 As soon as feasible, but not more than ninety (90) days after its receipt of authorization to proceed with developing the Network Element Bona Fide Request, the receiving Party shall provide to the requesting Party a Network Element Bona Fide Request quote which will include, at a minimum, a description of each Network Element, the availability, the applicable rates, and the installation intervals.

- 14.3.8 Within thirty (30) days of its receipt of the Network Element Bona Fide Request quote, the requesting Party must either confirm its order for the Network Element Bona Fide Request pursuant to the Network Element Bona Fide Request quote or seek arbitration by the Commission pursuant to Section 252 of the Act.
- 14.3.9 If a Party to a Network Element Bona Fide Request believes that the other Party is not requesting, negotiating or processing the Network Element Bona Fide Request in good faith, or disputes a determination, or price or cost quote, or is failing to act in accordance with Section 251 of the Act, such Party may seek mediation or arbitration by the Commission pursuant to Section 252 of the Act.

15. Maintenance of Network Elements

If (a) US LEC reports to Verizon a Customer trouble, (b) US LEC requests a dispatch, (c) Verizon dispatches a technician, and (d) such trouble was not caused by Verizon's facilities or equipment in whole or in part, then US LEC shall pay Verizon a charge set forth in the Pricing Attachment for time associated with said dispatch. In addition, this charge also applies when the Customer contact as designated by US LEC is not available at the appointed time. US LEC accepts responsibility for initial trouble isolation and providing Verizon with appropriate dispatch information based on its test results. If, as the result of US LEC instructions, Verizon is erroneously requested to dispatch to a site on Verizon company premises ("dispatch in"), a charge set forth in the Pricing Attachment will be assessed per occurrence to US LEC by Verizon. If as the result of US LEC instructions, Verizon is erroneously requested to dispatch to a site outside of Verizon company premises ("dispatch out"), a charge set forth in the Pricing Attachment will be assessed per occurrence to US LEC by Verizon. Verizon agrees to respond to US LEC trouble reports on a non-discriminatory basis consistent with the manner in which it provides service to its own retail Customers or to any other similarly situated Telecommunications Carrier.

16. Combinations

- 16.1 Subject to the conditions set forth in Section 1, Verizon shall be obligated to provide a combination of Network Elements (a "Combination") only to the extent provision of such Combination is required by Applicable Law. To the extent Verizon is required by Applicable Law to provide a Combination to US LEC, Verizon shall provide such Combination in accordance with, and subject to, requirements established by Verizon that are consistent with Applicable Law (such requirements, the "Combo Requirements"). Verizon shall make the Combo Requirements publicly available in an electronic form.

17. Rates and Charges

The rates and charges for UNEs, Combinations and other services, facilities and arrangements, offered under this Attachment shall be as provided in this Attachment and the Pricing Attachment.

COLLOCATION ATTACHMENT

1. Verizon's Provision of Collocation

Verizon shall provide to US LEC, in accordance with this Agreement (including, but not limited to, Verizon's applicable Tariffs) and the requirements of Applicable Law, Collocation for the purpose of facilitating US LEC's interconnection with facilities or services of Verizon or access to Unbundled Network Elements of Verizon; provided, that notwithstanding any other provision of this Agreement, Verizon shall be obligated to provide Collocation to US LEC only to the extent required by Applicable Law and may decline to provide Collocation to US LEC to the extent that provision of Collocation is not required by Applicable Law. Subject to the foregoing, Verizon shall provide Collocation to US LEC in accordance with the rates, terms and conditions set forth in Verizon's Collocation tariff, and Verizon shall do so regardless of whether or not such rates, terms and conditions are effective.

2. US LEC's Provision of Collocation

Upon request by Verizon, US LEC shall provide to Verizon collocation of facilities and equipment for the purpose of facilitating Verizon's interconnection with facilities or services of US LEC. US LEC shall provide collocation on a non-discriminatory basis in accordance with US LEC's applicable Tariffs, or in the absence of applicable US LEC Tariffs, in accordance with terms, conditions and prices to be negotiated by the Parties. The terms, conditions and prices offered to Verizon by US LEC for collocation shall be no less favorable than the terms, conditions and prices offered to US LEC by Verizon for collocation.

911 ATTACHMENT

1. 911/E-911 Arrangements

- 1.1 US LEC may, at its option, interconnect to the Verizon 911/E-911 Selective Router or 911 Tandem Offices, as appropriate, that serve the areas in which US LEC provides Telephone Exchange Services, for the provision of 911/E-911 services and for access to all subtending Public Safety Answering Points (PSAP). In such situations, Verizon will provide US LEC with the appropriate CLLI codes and specifications of the Tandem Office serving area. In areas where E-911 is not available, US LEC and Verizon will negotiate arrangements to connect US LEC to the 911 service in accordance with applicable state law.
- 1.2 Path and route diverse Interconnections for 911/E-911 shall be made at the US LEC-IP, the Verizon-IP, or other points as necessary and mutually agreed, and as required by law or regulation.
- 1.3 Within thirty (30) days of its receipt of a complete and accurate request from US LEC, to include all required information and applicable forms, and to the extent authorized by the relevant federal, state, and local authorities, Verizon will provide US LEC, where Verizon offers 911 service, with the following at a reasonable fee, if applicable:
 - 1.3.1 a file via electronic medium containing the Master Street Address Guide ("MSAG") for each county within the LATA(s) where US LEC is providing, or represents to Verizon that it intends to provide within sixty (60) days of US LEC's request, local exchange service, which MSAG shall be updated as the need arises and a complete copy of which shall be made available on an annual basis;
 - 1.3.2 a list of the address and CLLI code of each 911/E-911 selective router or 911 Tandem office(s) in the area in which US LEC plans to offer Telephone Exchange Service;
 - 1.3.3 a list of geographical areas, e.g., LATAs, counties or municipalities, with the associated 911 tandems, as applicable.
 - 1.3.4 a list of Verizon personnel who currently have responsibility for 911/E-911 requirements, including a list of escalation contacts should the primary contacts be unavailable.
 - 1.3.5 any special 911 trunking requirements for each 911/E-911 selective router or 911 Tandem Office, where available, and;
 - 1.3.6 prompt return of any US LEC 911/E-911 data entry files containing errors, so that US LEC may ensure the accuracy of the Customer records.

2. Electronic Interface

US LEC shall use, where available, the appropriate Verizon electronic interface, through which US LEC shall input and provide a daily update of 911/E-911 database information related to appropriate US LEC Customers. In those areas where an electronic interface is not available, US LEC shall provide Verizon with all appropriate 911/E-911 information such as name, address, and telephone number via facsimile for Verizon's entry into the

911/E-911 database system. Any 911/E-911-related data exchanged between the Parties prior to the availability of an electronic interface shall conform to Verizon standards, whereas 911/E-911-related data exchanged electronically shall conform to the National Emergency Number Association standards (NENA). US LEC may also use the electronic interface, where available, to query the 911/E-911 database to verify the accuracy of US LEC Customer information.

3. 911 Interconnection

Verizon and US LEC will use commercially reasonable efforts to facilitate the prompt, robust, reliable and efficient interconnection of US LEC systems to the 911/E-911 platforms and/or systems.

4. 911 Facilities

US LEC shall be responsible for providing facilities from the US LEC End Office to the 911 Tandem or selective router. US LEC shall deploy diverse routing of 911 trunk pairs to the 911 tandem or selective router.

5. Local Number Portability for use with 911

The Parties acknowledge that until Local Number Portability (LNP) with full 911/E-911 compatibility is utilized for all ported telephone numbers, the use of Interim Number Portability ("INP") creates a special need to have the Automatic Location Identification (ALI) screen reflect two numbers: the "old" number and the "new" number assigned by US LEC. Therefore, for those ported telephone numbers using INP, US LEC will provide the 911/E-911 database with both the forwarded number and the directory number, as well as all other required information including the appropriate address information for the customer for entry into the 911/E-911 database system. Further, US LEC will outpulse the telephone number to which the call has been forwarded (that is, the Customer's ANI) to the 911 Tandem office or selective router. US LEC will include their NENA five character Company Identification ("COID") for inclusion in the ALI display.

5.1 US LEC is required to enter data into the 911/E-911 database under the NENA Standards for LNP. This includes, but is not limited to, using US LEC's NENA COID to lock and unlock records and the posting of US LEC's NENA COID to the ALI record where such locking and migrating feature for 911/E-911 records are available or as defined by local standards.

6. PSAP Coordination

Verizon and US LEC will work cooperatively to arrange meetings with PSAPs to answer any technical questions the PSAPs, or county or municipal coordinators may have regarding the 911/E-911 arrangements.

7. 911 Compensation

US LEC will compensate Verizon for connections to its 911/E-911 platform and/or system pursuant to the rate schedule included in the Pricing Attachment.

8. 911 Rules and Regulations

US LEC and Verizon will comply with all applicable rules and regulations (including 911 taxes and surcharges as defined by local requirements) pertaining to the provision of 911/E-911 services in Maryland.

PRICING ATTACHMENT

1. General

- 1.1 As used in this Attachment, the term "Charges" means the rates, fees, charges and prices for a Service.
- 1.2 Except as stated in Section 2 or Section 3, below, Charges for Services shall be as stated in this Section 1.
- 1.3 The Charges for a Service shall be the Charges for the Service stated in the Providing Party's applicable Tariff.
- 1.4 In the absence of Charges for a Service established pursuant to Section 1.3, the Charges shall be as stated in Appendix A of this Pricing Attachment.
- 1.5 **[DISPUTED ITEM]** The Tariff Charges stated in Appendix A of this Pricing Attachment shall be automatically superseded by any applicable Tariff Charges. The non-Tariff Charges stated in Appendix A of this Pricing Attachment also shall be automatically superseded by any new Charge(s) when such new Charge(s) are required by Applicable Law any order of the Commission or the FCC, approved by the Commission or the FCC, or otherwise allowed to go into effect by the Commission or the FCC (including, but not limited to, in a Tariff that has been filed with the Commission or the FCC), provided such new Charge(s) are not subject to a stay issued by any court of competent jurisdiction.
- 1.6 In the absence of Charges for a Service established pursuant to Sections 1.3 through 1.5, if Charges for a Service are otherwise expressly provided for in this Agreement, such Charges shall apply.
- 1.7 In the absence of Charges for a Service established pursuant to Sections 1.3 through 1.6, the Charges for the Service shall be the Providing Party's FCC or Commission approved Charges.
- 1.8 In the absence of Charges for a Service established pursuant to Sections 1.3 through 1.7, the Charges for the Service shall be mutually agreed to by the Parties in writing.

2. Verizon Telecommunications Services Provided to US LEC for Resale Pursuant to the Resale Attachment

- 2.1 Verizon Telecommunications Services for which Verizon is Required to Provide a Wholesale Discount Pursuant to Section 251(c)(4) of the Act.
 - 2.1.1 The Charges for a Verizon Telecommunications Service purchased by US LEC for resale for which Verizon is required to provide a wholesale discount pursuant to Section 251(c)(4) of the Act shall be the Retail Price for such Service set forth in Verizon's applicable Tariffs (or, if there is no Tariff Retail Price for such Service, Verizon's Retail Price for the Service that is generally offered to Verizon's Customers), less, to the extent required by Applicable Law: (a) the applicable wholesale discount stated in Verizon's Tariffs for Verizon Telecommunications Services purchased for resale pursuant to Section 251(c)(4) of the Act; or, (b) in the absence of an applicable Verizon Tariff wholesale discount for Verizon Telecommunications Services purchased for

resale pursuant to Section 251(c)(4) of the Act, the applicable wholesale discount stated in Appendix A for Verizon Telecommunications Services purchased for resale pursuant to Section 251(c)(4) of the Act.

2.1.2 The Charges for a Verizon Telecommunications Service Customer Specific Arrangement ("CSA") purchased by US LEC for resale pursuant to Section 3.3 of the Resale Attachment for which Verizon is required to provide a wholesale discount pursuant to Section 251(c)(4) of the Act, shall be the Retail Price for the CSA, less, to the extent required by Applicable Law: (a) the applicable wholesale discount stated in Verizon's Tariffs for Verizon Telecommunications Services purchased for resale pursuant to Section 251(c)(4) of the Act; or, (b) in the absence of an applicable Verizon Tariff wholesale discount for Verizon Telecommunications Services purchased for resale pursuant to Section 251(c)(4) of the Act, the applicable discount stated in Appendix A for Verizon Telecommunications Services purchased for resale pursuant to Section 251(c)(4) of the Act. Notwithstanding the foregoing, in accordance with, and to the extent permitted by Applicable Law, Verizon may establish a wholesale discount for a CSA that differs from the wholesale discount that is generally applicable to Telecommunications Services provided to US LEC for resale pursuant to Section 251(c)(4) of the Act.

2.1.3 Notwithstanding Sections 2.1 and 2.2, in accordance with, and to the extent permitted by Applicable Law, Verizon may at any time establish a wholesale discount for a Telecommunications Service (including, but not limited to, a CSA) that differs from the wholesale discount that is generally applicable to Telecommunications Services provided to US LEC for resale pursuant to Section 251(c)(4) of the Act.

2.1.4 The wholesale discount stated in Appendix A shall be automatically superseded by any new wholesale discount when such new wholesale discount is required by any order of the Commission or the FCC, approved by the Commission or the FCC, or otherwise allowed to go into effect by the Commission or the FCC, provided such new wholesale discount is not subject to a stay issued by any court of competent jurisdiction.

2.1.5 The wholesale discount provided for in Sections 2.1.1 through 2.1.3 shall not be applied to:

2.1.5.1 Short term promotions as defined in 47 CFR § 51.613;

2.1.5.2 Except as otherwise provided by Applicable Law, Exchange Access services;

2.1.5.3 Subscriber Line Charges, Federal Line Cost Charges, end user common line Charges, taxes, and government Charges and assessment (including, but not limited to, 9-1-1 Charges and Dual Party Relay Service Charges).

2.1.5.4 Any other service or Charge that the Commission, the FCC, or other governmental entity of appropriate jurisdiction determines is not subject to a wholesale rate discount under Section 251(c)(4) of the Act.

2.2 Verizon Telecommunications Services for which Verizon Is Not Required to Provide a Wholesale Discount Pursuant to Section 251(c)(4) of the Act.

2.2.1 The Charges for a Verizon Telecommunications Service for which Verizon is not required to provide a wholesale discount pursuant to Section 251(c)(4) of the Act shall be the Charges stated in Verizon's Tariffs for such Verizon Telecommunications Service (or, if there are no Verizon Tariff Charges for such Service, Verizon's Charges for the Service that are generally offered by Verizon).

2.2.2 The Charges for a Verizon Telecommunications Service customer specific contract service arrangement ("CSA") purchased by US LEC pursuant to Section 3.3 of the Resale Attachment for which Verizon is not required to provide a wholesale discount pursuant to Section 251(c)(4) of the Act shall be the Charges provided for in the CSA and any other Charges that Verizon could bill the person to whom the CSA was originally provided (including, but not limited to, applicable Verizon Tariff Charges).

2.3 Other Charges.

2.3.1 US LEC shall pay, or collect and remit to Verizon, without discount, all Subscriber Line Charges, Federal Line Cost Charges, and end user common line Charges, associated with Verizon Telecommunications Services provided by Verizon to US LEC.

3. US LEC Prices

Notwithstanding any other provision of this Agreement, the Charges that US LEC bills Verizon for US LEC's Services shall not exceed the Charges for Verizon's comparable Services, except to the extent that US LEC's cost to provide such US LEC Services to Verizon exceeds the Charges for Verizon's comparable Services and US LEC has demonstrated such cost to Verizon, or to the Commission or the FCC.

4. Section 271

If Verizon is a Bell Operating Company (as defined in the Act) and in order to comply with Section 271(c)(2)(B) of the Act provides a Service under this Agreement that Verizon is not required to provide by Section 251 of the Act, Verizon shall have the right to establish Charges for such Service in a manner that differs from the manner in which under Applicable Law (including, but not limited to, Section 252(d) of the Act) Charges must be set for Services provided under Section 251; provided, however, that the Charges set for such services shall comply with Applicable Law; and, provided further, that this provision shall not remove any obligation on Verizon to provide a Service required by Section 251 of the Act at Charges set in the manner required for Services provided under Section 251 (including, but not limited to, Section 252(d)).

5. Regulatory Review of Prices

Notwithstanding any other provision of this Agreement, each Party reserves its respective rights to institute an appropriate proceeding with the FCC, the Commission or other governmental body of appropriate jurisdiction: (a) with regard to the Charges for its Services (including, but not limited to, a proceeding to change the Charges for its services, whether provided for in any of its Tariffs, in Appendix A, or otherwise); and (b) with regard to the Charges of the other Party (including, but not limited to, a proceeding in which the FCC, the Commission or other governmental body with appropriate jurisdiction

is asked to reduce such Charges and to order a refund of any amounts paid in excess of any Charges that are reduced).

APPENDIX A TO THE PRICING ATTACHMENT

VERIZON MARYLAND INC. and US LEC OF MARYLAND INC.

A. INTERCONNECTION¹

Service or Element Description²:

Recurring Charges:

Non-Recurring Charges:

I. Reciprocal Compensation Traffic Termination³

Traffic Delivered at Verizon End Office

\$.00225/MOU

Not Applicable

Traffic Delivered at Verizon Tandem

\$.0033/MOU

Not Applicable

II. Entrance Facilities and Transport for Interconnection

Per interstate [Verizon
FCC 1 Sec. 6 access
tariff for Feature Group
D service as amended
from time to time

Per interstate [Verizon
FCC 1 Sec. 6] access tariff
for Feature Group D
service as amended from
time to time

A. Entrance facilities, and transport, as appropriate,
for Interconnection at Verizon End Office, Tandem
Office, or other Point of Interconnection

Per intrastate [Verizon
MD S.C.C. – MD – No.
217 Sec. 6] access
tariff for Feature Group
D service as amended
from time to time

Per intrastate [Verizon
MD S.C.C. – MD. – No.
217 Sec. 6] access tariff
for Feature Group D
service as amended from
time to time

¹ All rates and charges specified herein are pertaining to the Interconnection Attachment.

² Unless a citation is provided to a generally applicable Verizon Tariff, all listed rates and services are available only to US LEC when purchasing these services for use in the provision of Telephone Exchange Service, and apply only to Reciprocal Compensation Traffic and local Ancillary Traffic. Verizon rates and services for use by US LEC in the carriage of Toll Traffic shall be subject to Verizon's Tariffs for Exchange Access Service. Adherence to these limitations is subject to a reasonable periodic audit by Verizon.

As applied to wholesale discount rates, unbundled Network Elements or call transport and/or termination of Reciprocal Compensation Traffic purchased for the provision of Telephone Exchange Service or Exchange Access, the rates and charges set forth in Appendix A shall apply until such time as they are replaced by new rates as may be approved or allowed into effect by the Commission from time to time pursuant to the FCC Regulations, subject to a stay or other order issued by any court of competent jurisdiction.

³ See the note on the last page of this price appendix regarding measurement and calculation of Reciprocal Compensation Traffic termination charges.

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:****III. Exchange Access Service**

Interstate
Intrastate

Per Verizon FCC exchange access Tariff.
Per Verizon MD exchange access Tariff.

IV. End Point Fiber Meet

To be charged in accordance with the requirements of the Interconnection Attachment, Section 4

V. Tandem Transit arrangements for Reciprocal Compensation Traffic between US LEC and carriers other than Verizon that subtend a Verizon Tandem Switch. (Not applicable to Toll Traffic or when Meet Point Billing Arrangement applies; Separate trunks required for IXC subtending trunks)

Separate trunks required for IXC subtending trunks

Tandem Switching
Tandem-Switched Transport

\$.000695/MOU
\$.000353/MOU

Not Applicable
Not Applicable

B. UNBUNDLED NETWORK ELEMENTS⁴**Service or Element Description****i. Dedicated Transport⁵**

Voice Grade/DS-0

DS-1

DS-3

DDS

Recurring Charges:\$8.54/Month &
\$.018/Mile/Month\$30.61/Month &
\$.375/Mile/Month\$414.74/Month &
\$10.45/Mile/Month\$8.70/Mile &
\$.02/Mile/Month**Non-Recurring Charges:**All:
\$6.70 /Service Order plus
installation charges for
each initial and additional
facility purchased at the
time of order\$315.00/Initial Facility &
\$21.28/Additional Facility

⁴ All rates and charges specified herein are pertaining to the Network Elements Attachment.

⁵ Verizon's proposed UNEs, UNE combinations, and UNE pricing methodology reflect the FCC's current rules. Verizon does not agree that UNE prices must be based solely on forward-looking costs, and Verizon reserves the right to seek to change its UNE offerings and UNE prices if the FCC's rules are vacated or modified by the FCC or by a final, non-appealable judicial decision.

Service or Element Description:
STS-1

Recurring Charges:
\$334.36/Month/Mile &
\$5.00 Mileage
charge/Facility/Mile/Month

Non-Recurring Charges:
\$52.62 Service Order
\$176.19 Installation charge
per facility
\$6.62 Manual Surcharge
Expedite:
\$78.45 Service Order
\$252.80/Installation charge
per facility
\$9.87/Manual Surcharge

OC-3

\$1,009.52/Month/Mile &
\$15.29 Mileage
charge/Facility/Mile/Month

\$52.62 Service Order
\$213.23 Installation charge
per facility
\$6.62 Manual Surcharge
Expedite:
\$78.45 Service Order
\$306.38/Installation charge
per facility
\$9.87/Manual Surcharge

OC-12

\$2,700.17/Month/Mile &
\$36.31 Mileage
charge/Facility/Mile/Month

\$52.62 Service Order
\$213.23 Installation charge
per facility
\$6.62 Manual Surcharge
Expedite:
\$78.45 Service Order
\$306.38/Installation charge
per facility
\$9.87/Manual Surcharge

Service or Element Description:**Recurring Charges:****Non-Recurring
Charges:****II. Common Transport**

Tandem Switching

\$.000695/MOU

Not Applicable

Tandem-Switched Transport

\$.000353/MOU

Not Applicable

III. Digital Cross-Connect System

Service Establishment

Not Applicable

\$2,062.75/Request

Database Modification

Not Applicable

\$159.75/Modification
Request

Reconfiguration by Verizon Personnel

Not Applicable

\$35.77/Programming
Charge/Half Hour

DS-0 Cross-Connect

\$17.03/Port/Month

\$29.28/Port

DS-1 Cross-Connect

\$59.54/Port/Month

\$36.59/Port

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:****IV. Entrance Facilities****All:**

\$6.70/Service Order plus
installation charges for
each initial and additional
facility purchased at the
time of order:

2-Wire Voice Grade Channel
Termination

\$11.02/Month

\$296.00/Initial &
\$171.44/Additional

4-Wire Voice Grade Channel
Termination

\$17.63/Month

\$382.37/Initial &
\$221.67/Additional

DS-1 to Voice Grade Multiplexing

\$63.20/Month

\$366.56/Initial &
\$366.56/Additional

DS-1 Channel Termination

\$125.32/Month

\$422.32/Initial &
\$205.89/Additional

DS-3 to DS-1 Multiplexing

\$216.05/Month

\$366.56/Initial &
\$366.56/Additional

DS-3 Channel Termination

\$918.37/Month

\$422.32/Initial &
\$205.89/Additional

STS-1
OC-3
OC-12

\$585.56/Month
\$771.47/Month
\$2,286.50/Month

All:

\$52.62 Service Order
charge
\$175.68/Installation
charge per facility
\$6.62/Manual Surcharge
Expedite:
\$78.45 Service Order
\$252.06/Installation
Charge/Facility
\$9.87/Manual Surcharge

<u>Service or Element Description:</u>	<u>Recurring Charges:</u>	<u>Non-Recurring Charges:</u>
V. Unbundled Switching⁶		
a. Local Switching Ports		
POTS/PBX/Centrex	\$1.895/Port/Month	\$6.70/Service Order \$9.97/Installation /Port
ISDN (BRI)	\$10.545/Port/Month	\$6.70/Service Order \$9.97/Installation /Port
-ISDN (PRI)	\$113.315/Port/Month	\$6.70/Service Order \$105.06/Installation /Port
Public/Semi-Public	\$2.695/Port/Month	\$6.70/Service Order \$9.97/Installation /Port
DID	\$5.325/Port/Month	\$6.70/Service Order \$631.03/Installation /Port
Coordinated Port Cutover SMDI Port	Not Applicable \$204.53/Port/Month	\$7.81/Port \$7.69/Service Order \$355.70/Installation/ Port \$14.98/Manual Surcharge Expedite: \$11.47/Service Order \$508.19/Installation/ Port \$22.34/Manual Surcharge

⁶ In addition to the recurring and non-recurring rates set forth herein for unbundled switching elements, Verizon may levy upon a purchaser of such elements any access charges (or portion thereof) permitted by Applicable Laws.

Service or Element Description:

Switched DS1 Port

Recurring Charges:

\$163.91/Port/Month

**Non-Recurring
Charges:**

\$52.62/Service Order
\$382.35/Installation/
Installation
\$253.13/Installation/
Each additional port
(when ordered at the
same time as the initial)
Expedite:
\$78.45/Service Order
\$545.48/Installation/
Port
\$362.10/
Installation/Each
additional port (when
ordered at the same
time as the initial)
\$9.87/Manual
Surcharge

Service or Element Description:**Recurring Charges:****Non-Recurring
Charges:**

IDLC Interface Group (4 Ports)

\$122.48/Month/Interface Group

\$7.60/Service Port
\$420.04/Installation
Charge/Interface Group
\$14.98/Manual
Surcharge
Expedite:
\$11.47/Service Order
\$599.99/Installation
Charge/Interface Group
\$22.34/Manual
Surcharge

Unbundled Public Access Line Port (UPALP) \$1.90/Month/Port

\$7.69/Installation/Port
\$24.64/Installation/Port
\$17.00/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$14.98/Manual
Surcharge
Expedite:
\$11.47/Service Order
\$35.68/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$24.58/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$22.34/Manual
Surcharge

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:**

Unbundled Coin Port (UCP)

\$3.06/Month/Port

\$7.69/Installation/Port
\$24.64/Installation/Port
\$17.00/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$14.98/Manual
Surcharge
Expedite:
\$11.47/Service Order
\$35.68/ Installation
\$24.58/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$22.34/Manual
Surcharge

Ancillary Features (For UCP and/or UPALP)

Line Side Answer Supervision (available only
on UPALP) \$0.01/Month

Call Type Blocking \$0.04/Month

International Direct Dial Blocking (IDDB) \$0.01/Month

One-Way Service (available only on UCP) \$0.01/Month

b. Dedicated Trunk Ports

End office Ports \$77.83/Month

\$7.69/Installation/Port
\$461.79/Installation/
Port
\$212.01/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$14.98/Manual
Surcharge
Expedite:
\$11.47/Service Order
\$664.08/ Installation
\$303.32/Installation
Charge/Each Additional
Port (when ordered at
the same time as the
initial)
\$22.34/Manual
Surcharge

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:**

Tandem Port

\$99.08/Month/Port

\$7.69/Installation/Port
\$396.90/Installation/Port
\$198.26/Installation Charge/Each Additional Port (when ordered at the same time as the initial)
\$14.98/Manual Surcharge
Expedite:
\$11.47/Service Order
\$573.07/ Installation
\$282.76/Installation Charge/Each Additional Port (when ordered at the same time as the initial)
\$22.34/Manual Surcharge

c. Tandem Switching Usage

\$.000695/MOU

Not Applicable

d. Local Switching Usage

POTS Originating With Vertical Features

\$.0038/MOU

Not Applicable

POTS Terminating With Vertical Features

\$.0038/MOU

Not Applicable

ISDN Originating Digital Circuit Switched Voice

\$.002670/MOU

Not Applicable

ISDN Terminating Digital Circuit Switched Voice

\$.001532/MOU

Not Applicable

ISDN Originating Digital Circuit Switched Data

\$.001664/MOU

Not Applicable

ISDN Terminating Digital Circuit Switched Data

\$.001532/MOU

Not Applicable

d. POTS Features

PBX

\$.000918/MOU

Both:
\$4.24/Service Order
\$.10/Installation

Multi-Line Hunting

\$.0000013/MOU

e. Centrex Features

UCD

\$.001098/MOU

All:
\$4.24/Service Order
\$.10/Installation

Hunting

\$.000123/MOU

Queuing

\$.000426/MOU

Intercom & Features

\$.018648/MOU

Attendant

\$.019499/MOU

Service or Element Description:**Recurring Charges:****Non-Recurring
Charges:**

Attendant Console	\$.021134/MOU	
Centralized Attendant Services	\$.196392/MOU	
Attendant Access Code Dialing	\$.044330/MOU	
Automatic Route Selection	\$.000269/MOU	
Electronic Tandem Switching	\$.000997/MOU	
 f. ISDN Centrex Feature	 \$.007571/MOU	 \$4.24/Service Order \$.10/Installation

Service or Element Description:

VI. Unbundled Loops⁷

2 Wire Analog Loops (POTS Loops)

Recurring Charges:

Rate Group:

A1 - \$12.11/Month

A2⁸ - \$12.85/Month

B1 - \$25.96/Month

B2 - \$18.40/Month

Non-Recurring Charges:

Service Order: \$6.70

Installation:

If a premises visit is not required, initial & each additional loop - \$9.52

If a premises visit is required: initial loop installed on that visit: \$67.72;

Each additional loop installed on that visit: \$29.96

Service Order: \$6.70

Installation:

If a premises visit is not required, initial & each additional loop - \$48.41

If a premises visit is required: initial loop installed on that visit \$117.21;

Each additional loop installed on that visit \$79.45

4 Wire Loops

Rate Group:

A1 - \$24.74/Month

A2⁹ - \$26.45/Month

B1 - \$52.45/Month

B2 - \$37.38/Month

⁷ In compliance with the FCC order approving the merger of GTE Corporation and Bell Atlantic (CC Docket No. 98-1840), Verizon will offer limited duration promotional discounts on residential UNE Loops and UNE Advance Services Loops. The terms and conditions on which these promotional discounts are being made available can be found on <http://www.verizon.com/wise> for former GTE service areas and former Bell Atlantic service areas.

⁸ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

⁹ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:**

ISDN Loops

Rate Group

A1-\$13.63/Month
A2¹⁰-\$14.37/Month
B1-\$27.40/Month
B2-\$19.90/Month

Service Order: \$9.52**Installation:**

If a premises visit is not required, initial & each additional loop - \$17.73

If a premises visit is required: initial loop installed on that visit \$75.92; each additional loop installed on that visit: \$38.16

Service Order: \$6.70**Installation:**

If premises visit not required, initial & each additional loop - \$48.41

If a premises visit is required: initial loop installed on that visit \$117.21; each additional loop installed on that visit: \$79.45

Service Order: \$52.62

Provisioning (initial and each additional): \$175.69

Installation**Dispatch:** \$143.07**Expedite:****Service Order:** \$78.45

Provisioning (initial and each additional): \$252.07

Installation Dispatch: \$192.93

DS-1 Loops

Rate Groups:

A1-\$113.03/Month
A2¹¹-\$114.64/Month
B1-\$152.72/Month
B2-\$133.10/Month

DS-3

Rate Groups:

A1-\$961.37/Month
A2¹²-\$961.37/Month
B1-\$961.37/Month
B2-\$961.37/Month

¹⁰ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

¹¹ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

¹² Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:**

Digital Four-Wire (56-KD)

Rate Groups:A1-\$28.73/Month
A2¹³-\$30.44/Month
B1-\$56.49/Month
B2-\$41.39/Month\$7.69/Service Order
\$28.60/Installation Charge/Initial and each additional loop, no premises visit required
\$171.68/Installation Charge/initial loop, premise visit required
Service Order: \$6.70
Installation:
If a premises visit is not required, initial & each additional loop - \$48.41

Customer Specified Signaling - 2-Wire

Rate Groups:A1-\$12.11/Month
A2¹⁴-\$12.85/Month
B1-\$25.96/Month
B2-\$18.40/MonthIf a premises visit is required: initial loop installed on that visit \$117.21;
each additional loop installed on that visit: \$79.45

Customer Specified Signaling - 4-Wire

Rate Groups:A1-\$24.74/Month
A2¹⁵-\$26.45/Month
B1-\$52.45/Month
B2-\$37.38/Month**Service Order:** \$6.70
Installation:
If a premises visit is not required, initial & each additional loop - \$48.41If a premises visit is required: initial loop installed on that visit \$117.21;
each additional loop installed on that visit: \$79.45Coordinated Cutover¹⁶

Not Applicable

If premises visit not required, \$7.80/Loop

If premises visit required, \$18.40/Loop

¹³ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.¹⁴ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.¹⁵ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.¹⁶ Coordinated Cutover is not available with ADSL, HDSL, SDSL, IDSL Loops or Digital Designed Loops

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:**

2 Wire ADSL compatible Loops
2 Wire HDSL compatible Loops
2 Wire SDSL compatible Loops
2 Wire IDSL compatible Loops

Rate Group
A1-\$13.63/Month
A2¹⁷-\$14.37/Month
B1-\$27.40/Month
B2-\$19.90/Month

Service Order: \$9.52

Installation:

If a premises visit is not required, initial & each additional loop - \$17.73

If a premises visit is required: initial loop installed on that visit \$75.92; each additional loop installed on that visit: \$38.16

4 Wire HDSL Loops

Rate Groups:
A1-\$113.03/Month
A2¹⁸-\$114.64/Month
B1-\$152.72/Month
B2-\$133.10/Month

Service Order: \$6.70

Installation:

If premises visit not required, initial & each additional loop - \$48.41

If a premises visit is required: initial loop installed on that visit \$117.21; each additional loop installed on that visit: \$79.45

Standard Digital Loops

All:
\$.45/ Mechanized Loop Qualification per Provisioned Loop

All:
\$0.00/ Manual Loop Qualification per Loop Request

2 Wire ADSL compatible Loops (up to 12,000 feet)

See rates for 2 Wire ADSL and 2 Wire HDSL Loops as set forth above

2 Wire ADSL compatible Loops (up to 18,000 feet)

See rates for 2 Wire ADSL and 2 Wire HDSL Loops as set forth above

2 Wire HDSL compatible Loops (up to 12,000 feet)

See rates for 2 Wire ADSL and 2 Wire HDSL Loops as set forth above

¹⁷ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

¹⁸ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

Service or Element Description:**Recurring Charges: Non-Recurring Charges:**

4 Wire HDSL compatible Loops (up to 12,000 feet)

See rates for 4 Wire HDSL Loops as set forth above

2 Wire SDSL compatible Loops

See rates for 2 Wire SDSL Loops as set forth above

2 Wire IDSL compatible Loops (up to 18,000 feet)

See rates for 2 Wire IDSL Loops as set forth above

Digital Designed Loops

2 Wire ADSL compatible Loop (up to 12,000 feet) with Bridged Tap Removal

See rates for 2 Wire ADSL Loops as set forth above

\$180.30

Removal of one
Bridged Tap per
Request

\$435.86

Removal of Multiple
Bridged Taps per
Loop per Request

\$0.00

Engineering Query

\$80.89

Engineering Work
Order Charge

2 Wire ADSL compatible Loop (up to 18,000 feet) with Bridged Tap Removal

See rates for 2 Wire ADSL Loops as set forth above

\$180.30

Removal of one
Bridged Tap per
Request

\$435.86

Removal of Multiple
Bridged Taps per Loop
per Request

\$0.00

Engineering Query

\$80.89

Engineering Work
Order Charge

2 Wire Digital Designed Metallic Loop (up to 30,000 Feet) Non-loaded with Bridged Tap options

See rates for 2 Wire ADSL and 2 Wire HDSL Loops as set forth above

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:****\$812.18**

Required Removal of Load Coils (up to 21,000 feet)

\$1,079.53

Required Removal of Load Coils (up to 27,000 feet)

\$180.30

Removal of one Bridged Tap per Request

\$435.86

Removal of Multiple Bridged Taps per Loop per Request

\$0.00

Engineering Query

\$80.89

Engineering Work Order Charge

2 Wire Digital Designed Metallic Loop with ISDN Loop Extension Electronics

See rates for 2 Wire ISDN Loops as set forth above

\$812.18

Required Removal of Load Coils (up to 21,000 feet)

\$1,079.53

Required Removal of Load Coils (up to 27,000 feet)

\$1,070.03

Addition of Range Electronics

\$0.00

Engineering Query

\$80.89

Engineering Work Order Charge

2 Wire HDSL compatible Loops (up to 12,000 feet) with Bridged Tap Removal

See rates for 2 Wire HDSL Loops as set forth above

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:****\$180.30**Removal of one
Bridged Tap per
Request**\$435.86**Removal of Multiple
Bridged Taps per
Loop per Request**\$0.00**

Engineering Query

\$80.89Engineering Work
Order Charge4 Wire HDSL compatible Loops (up to 12,000 feet)
with Bridged Tap RemovalSee rates for 4 Wire HDSL Loops as set forth
above**\$180.30**Removal of one
Bridged Tap per
Request**\$435.86**Removal of Multiple
Bridged Taps per
Loop per Request**\$0.00**

Engineering Query

\$80.89Engineering Work
Order Charge2 Wire SDSL compatible Loops with Bridged Tap
RemovalSee rates for 2 Wire SDSL Loops as set forth
above**\$180.30**Removal of one
Bridged Tap per
Request**\$435.86**Removal of Multiple
Bridged Taps per
Loop per Request**\$0.00**

Engineering Query

Service or Element Description:

Recurring Charges:

**Non-Recurring
Charges:**

\$80.89

Engineering Work
Order Charge

2 Wire IDSL compatible Loops (up to 18,000 feet)
with Bridged Tap Removal

See rates for 2 Wire IDSL Loops as set forth
above

\$180.30

Removal of one
Bridged Tap per
Request

\$435.86

Removal of Multiple
Bridged Taps per
Loop per Request

\$0.00

Engineering Query

\$80.89

Engineering Work
Order Charge

VII. Intrastate Collocation

As Applicable Per Verizon MD PSC No. 218
as amended from time to time.

VIII. Line Sharing Rate Element	\$ Amount	Mo.	NRC	*Option A ¹⁹	*Option C VERIZON installs/ CLEC vendor installs	
Application Fee - Augment	\$2500		X	Not applicable unless adding line- sharing terminations	(1)	(1)
Engineering & Implementation Fee -Additional Cabling	\$1066.94		X	Not applicable unless adding line- sharing terminations	(1)	(1)
Splitter Installation Cost	\$937.72		X	Not applicable	(1)	
Collocation cross- connect perVG	\$2.00 for virtual \$0.69 for physical	X		(2) SAC ²⁰ s	(2) SACs	(2) SACs

*Both Option A and Option C assume there is an existing Collocation Arrangement.

(1) = one required

(2) = two required

¹⁹ Option A: A CLEC-provided splitter shall be provided, installed and maintained by the CLEC in their own Collocation space. Rearrangements are the responsibility of the CLEC. Verizon dial tone is routed through the splitter in the CLEC Collocation area.
Option C: Verizon will install, inventory and maintain CLEC provided splitter in Verizon space within the Serving Central Office of the lines being provided. Verizon will have control of the splitter and will direct any required activity.

²⁰ Service Access Charge (SAC) is the same as Interconnection Access Charge or a cross connect.

Rate Element	\$ Amount	Mo.	NRC	*Option A	Option C VERIZON Installs/ CLEC vendor Installs	
**Verizon/Relay Rack for Splitters – Per Shelf	\$1.23	X			(1)	(1)
**Splitter Land & Building – Per Shelf	\$3.55	X			(1)	(1)
Maintenance of Splitter Equipment per splitter	\$51.52	X		(1)	(1)	(1)
WideBand Test Access per line	\$1.05 optional	X		(1)	(1)	(1)

**Although this rate assumes that each relay rack contains 14 splitter shelves, the rate applies only to the shelves that CLEC actually uses in a given relay rack.

Rate Element	\$ Amount	Mo.	NRC	*Option A	Option C VERIZON installs/ CLEC vendor installs	
Service Order	\$ 9.59		X	(1)	(1)	(1)
	\$14.88					
Expedite Central Office Wiring Initial	\$28.13		X	(1)	(1)	(1)
Expedite Central Office Wiring Additional	\$40.91 \$13.84		X	(1)	(1)	(1)
Expedite Provisioning	\$20.13 \$0.21		X	(1)	(1)	(1)
Expedite Field Installation Dispatch	\$0.30 \$110.08		X	(1)	(1)	(1)
Expedite Manual Intervention Surcharge	\$148.45 \$14.96		X	(1)	(1)	(1)
Expedite Loop Qualification Data Base per link	\$22.30 \$0.45	X		(1)	(1)	(1)
Manual Loop Qualification	\$0.00		X	(1)	(1)	(1)
Engineering Query	\$0.00		X	(1)	(1)	(1)
Engineering Work Order	\$80.89		X	(1)	(1)	(1)
OSS Charges per transaction	\$0.00					
Unbundled Loop Conditioning charges	\$0.00	X				
	Per interim State specific Conditioning Rates		X			
Trouble Dispatch Misdirects				(1)	(1)	(1)
Dispatch In	\$40.37		X			
Expedite Dispatch In	\$58.47		X			
Dispatch Out	\$118.59		X			
Expedite Dispatch Out	\$162.83		X			

IX. Line Splitting	Per rates listed in Section VIII. above		
X. Unbundled Network Element Platform²¹	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
Analog Platform			
New - Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration - Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
ISDN-BRI Platform			
New - Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration - Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

²¹ The monthly recurring and usage rates as set forth in this Agreement for the individual unbundled network elements or services that comprise the requested Unbundled Network Element Platform Combination are applicable.

X. Unbundled Network Element Platform (continued)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
ISDN-PRI Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$270.53	\$387.42
Premises Visit Charge	-	\$143.07	\$192.93
Manual Surcharge	-	\$6.62	\$9.87
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$257.88	\$369.02
Premises Visit Charge	-	\$75.59	\$101.93
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
Analog Centrex Platform			
New – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

X. Unbundled Network Element Platform (continued)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
ISDN-BRI Centrex Platform			
New – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
Analog FX Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$170.63	\$247.17
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$6.62	\$9.87
New – Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$156.31	\$226.35
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

X. Unbundled Network Element Platform (continued)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
ISDN-BRI FX Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$170.63	\$247.17
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$6.62	\$9.87
New – Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$156.31	\$226.35
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration – Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
DS1 DID/DOD/PBX Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$270.53	\$387.42
Premises Visit Charge	-	\$143.07	\$192.93
Manual Surcharge	-	\$6.62	\$9.87
New – Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$257.88	\$369.02
Premises Visit Charge	-	\$75.59	\$101.93
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

X. Unbundled Network Element Platform (continued)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
DS1 DID/DOD/PBX FX Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$410.03	\$589.46
Premises Visit Charge	-	\$143.07	\$192.93
Manual Surcharge	-	\$6.62	\$9.87
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$397.38	\$571.06
Premises Visit Charge	-	\$75.59	\$101.93
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
ISDN-PRI FX Platform			
New – Initial			
Service Order	-	\$52.62	\$78.45
Service Connection Charge/Platform	-	\$410.03	\$589.46
Premises Visit Charge	-	\$143.07	\$192.93
Manual Surcharge	-	\$6.62	\$9.87
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$397.38	\$571.06
Premises Visit Charge	-	\$75.59	\$101.93
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

X. Unbundled Network Element Platform (continued)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
Coin Platform			
New – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83
Public Access Line Platform			
New – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$7.57	\$10.78
Premises Visit Charge	-	\$110.27	\$148.70
Manual Surcharge	-	\$9.42	\$14.04
New - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$7.40	\$10.54
Premises Visit Charge	-	\$37.46	\$50.51
Migration – Initial			
Service Order	-	\$0.83	\$1.23
Service Connection Charge/Platform	-	\$4.26	\$6.07
Manual Surcharge	-	\$9.42	\$14.04
Migration - Additional (when ordered at the same time as the initial)			
Service Connection Charge/Platform	-	\$4.09	\$5.83

XI. Expanded Extended Loop (EEL)	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
EEL Loop Test Charges			
DS0 Test Charges			
2-Wire Analog Loop	\$0.08	-	-
2-Wire Digital Loop	\$0.09	-	-
4-Wire Analog Loop	\$0.16	-	-
DS1 Test Charge	\$0.61	-	-
DS3 Test Charge	\$102.22	-	-
4-Wire DS0 56/64 Kbps Loop Test Charge	\$0.18	-	-

XII. Dark Fiber	Rates	
	Monthly Recurring	Non-Recurring
Dark Fiber - Records Review	-	\$266.23
Dark Fiber - IOF		
Verizon C.O. to Verizon C.O.		
Service Order	-	\$52.62
Serving Wire Center ("SWC") Charge/SWC/Pair	\$6.71	\$37.59
IOF Mileage/Pair/Mile	\$85.22	-
IOF Mileage Installation Charge/Pair	-	\$189.63
Expedited Handling Charge	-	\$128.85
Verizon C.O. to CLEC C.O.		
Service Order	-	\$52.62
SWC Charge/SWC/Pair	\$6.71	\$37.59
Channel Termination Charge/CLEC C.O.	\$117.04	\$332.71
Expedited Handling Charge	-	\$178.71
Dark Fiber - Loop		
Service Order	-	\$52.62
SWC Charge/SWC/Pair	\$6.71	\$34.00
Loop Charge/Pair:		
Rate Group A1	\$156.91	\$578.35
Rate Group A2 ²²	\$161.21	\$578.35
Rate Group B1	\$264.62	\$578.35
Rate Group B2	\$206.67	\$578.35
Expedited Handling Charge	-	\$259.89
Time and Materials Charges		
Network Transport Engineering ("NTE") Planning/Hour	-	\$44.56
NTE Design/Hour	-	\$44.56
NTE Technician/Hour	-	\$34.54
CO Technician/Hour	-	\$32.74
Dark Fiber Sub-loop	TBD	TBD

²²

Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

XIII. Sub-loop @ FDI	Rates		
	Monthly Recurring	Non-Recurring Normal	Non-Recurring Expedite
Sub-loop Two Wire			
New-Initial			
Service Order	-	\$7.69	\$11.47
Installation Charge per initial sub-loop	-	\$119.98	\$161.81
New-Additional (when ordered at same time as initial)			
Installation Charge per additional sub-loop	-	\$47.07	\$63.50
Loop Through-Initial			
Service Order	-	\$7.69	\$11.47
Installation Charge per initial sub-loop	-	\$233.51	\$324.35
Loop Through-Additional (when ordered at same time as initial)			
Installation Charge per additional sub-loop	-	\$135.84	\$190.25
Two Wire Sub-loop – Distribution			
Rate Group A1	\$7.09	-	-
Rate Group A2 ²³	\$7.63	-	-
Rate Group B1	\$21.61	-	-
Rate Group B2	\$13.46	-	-
Sub-loop Four Wire			
New-Initial			
Service Order	-	\$7.69	\$11.47
Installation Charge per initial sub-loop	-	\$150.79	\$203.36
New-Additional (when ordered at same time as initial)			
Installation Charge per additional sub-loop	-	\$59.93	\$80.83
Loop Through-Initial			
Service Order	-	\$7.69	\$11.47
Installation Charge per initial sub-loop	-	\$265.56	\$367.61
Loop Through-Additional (when ordered at same time as initial)			
Installation Charge per additional sub-loop	-	\$161.54	\$226.18
Four Wire Sub-loop – Distribution			
Rate Group A1	\$12.20	-	-
Rate Group A2 ²⁴	\$13.23	-	-
Rate Group B1	\$41.15	-	-
Rate Group B2	\$24.86	-	-

²³ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

²⁴ Rate Group A2 is modified to include the Hagerstown, Cumberland, and Salisbury exchanges.

Service or Element Description:**Recurring Charges:****Non-Recurring
Charges:****XIV. Signaling and Databases****1. STP Port**

SS7 Interconnection

\$0.75/Month

Normal:

\$52.62/Service Order

\$163.35/Installation

Charge/Facility

\$6.62/Manual

Surcharge

Expedite:

\$78.45/Service Order

\$236.47/Installation

Charge/Facility

\$9.87/Manual

Surcharge

2. 800/888/877 Database

Basic Query

\$.00082/Query

Not Applicable

Vertical Query

\$.000291/Query

Not Applicable

3. LIDB Validation

LIDB Point Codes

Not Applicable

\$88.46/Point Code

Calling Card

\$.016352/Query

Not Applicable

Billed Number Screening

\$.016352/Query

Not Applicable

Storage of CLEC's Data in LIDB Database

Not Applicable

\$1,514.69 Service
Establishment/Request

<u>Service or Element Description:</u>	<u>Recurring Charges:</u>	<u>Non-Recurring Charges:</u>
4. AIN Service Creation (ASC) Service		
Developmental Charges		
Service Establishment	Not Applicable	\$911.12/Request
Service Creation Access Port	\$105.78/Port/Month	Not Applicable
Service Creation Usage		
a. Remote Access	\$1,148.50 /Day	Not Applicable
b. On-Premise	\$1,148.50/Day	Not Applicable
Certification & Testing	\$79.35/Hour	Not Applicable
Help Desk Support	\$ 83.98/Hour	Not Applicable
Service Charges		
Subscription Charge	\$3.29/Month	Not Applicable
Database Queries		
a. Network Query	\$.0006/Query	Not Applicable
b. CLEC Network Query	\$.0006/Query	Not Applicable
c. CLEC Switch Query	\$.0006/Query	Not Applicable
Trigger Charge		
a. Line Based	\$.00063/Query	Not Applicable
b. Office Based	\$.00063/Query	Not Applicable
Utilization Element	\$.00025/ACU	Not Applicable
Service Activation Charge		
a. Network Service Activation	Not Applicable	\$13.19/Service Activated/Line
b. CLEC Network Service Activation	Not Applicable	\$13.19/Service Activated/Line
c. CLEC Switch Service Activation	Not Applicable	\$13.19/Service Activated /Line
Service Modification		
DTMF Update	\$.07/Occurrence	Not Applicable
Switch Based Announcement	\$.003/ Announcement	Not Applicable

Service or Element Description:

Recurring Charges:

Non-Recurring
Charges:

XV. Network Interface Device

2 Wire Stand Alone
4 Wire Stand Alone
Standalone DS1 NID

\$.56/mo
\$.56/mo
\$5.80/Month

Not Applicable

Normal:
\$7.69/Service Order
\$51.16/Installation
\$14.98/Manual
Surcharge
Expedite:
\$11.47/Service Order
\$68.99/installation
\$22.34/Manual
Surcharge

Shared NID

TBD

C. RESALE²⁵

I. Wholesale Discount for Resale of Retail Telecommunications Services²⁶

Resale of retail telecommunications services as 19.87%
per Commission Order in case 8731, dated
November 8, 1996. Assumes CLEC will provide
own operator and directory assistance services.

²⁵ All rates and charges specified herein are pertaining to the Resale Attachment.

In compliance with the FCC Order approving the Merger of GTE Corporation and Bell Atlantic (CC Docket No. 98-1840), Verizon will offer limited duration promotional discounts on resold residential exchange access lines. The terms and conditions on which these promotional discounts are being made available can be found on Verizon's web site, at <http://www.verizon.com/wise> for former GTE service areas and former Bell Atlantic service areas.

²⁶ Excludes telecommunications services designed primarily for wholesale, such as switched and special exchange access service, and, subject to the Resale Attachment, the following additional arrangements that are not subject to resale: limited duration (90 days or less) promotional offerings, public coin telephone service, and technical and market trials. Taxes shall be collected and remitted by the reseller and Verizon in accordance with legal requirements and as agreed between the Parties. Surcharges (e.g., 911, telecommunications relay service, universal service fund) shall be collected by the reseller and either remitted to the recipient agency or NECA, or passed through to Verizon for remittance to the recipient agency or NECA, as appropriate and agreed between the Parties. End user common line charges shall be collected by the reseller and remitted to Verizon.

Service or Element Description:**Recurring Charges:****Non-Recurring
Charges:****D. OPERATIONS SUPPORT SYSTEM**

1. Pre-Ordering	\$.26/Query	Not Applicable
2. Ordering	\$4.22/Transaction	Not Applicable
3. Provisioning	Included in Ordering	Not Applicable
4. Maintenance & Repair		
a. ECG Access	\$.26/Query	Not Applicable
b. EB/OSI Access	\$1.20/Trouble Ticket	Not Applicable
5. Billing		
a. CD-ROM	\$254.11/CD-ROM /Month	Not Applicable
b. Daily Usage File		
b.1. Existing Message Recording	\$.000267/Message	Not Applicable
b.2. Delivery of DUF Data Tape	\$21.46/Tape	\$63.27/Programming Hour
Network Data Mover	\$.000096/Message	Not Applicable
CMDS	\$.000096/Message	\$63.27/Programming Hour
c. DUF Transport		
9.6 kb Communications Port	\$10.56/Month	\$7,416.65/Port
56 kb Communications Port	\$29.15/Month	\$30,717.61/Port
256 kb Communications Port	\$29.15/Month	\$51,094.01/Port
T1 Communications Port	\$370.26/Month	\$182,318.17/Port
Line Installation	Not Applicable	\$63.27/Programming Hour
Port Set-up	Not Applicable	\$10.16/Port
Network Control Programming Coding	Not Applicable	\$63.27/Programming Hour

I. E. 911/E911

Transport

Per section B above

Data Entry and Maintenance

No Charge

Service or Element Description:**Recurring Charges:****Non-Recurring Charges:****F. Time and Materials**

Service Technician (service work on unbundled loops outside of the Central Office)

Not Applicable

\$1.20/Service Order
\$25.18/Premises Visit
\$10.61 Labor Charge/
Quarter Hour After First
Quarter Hour

Special Construction

As applicable per Verizon-MD Tariff 203 sec. 2 as amended from time to time

Central Office Technician

Not Applicable

\$1.20/Service Order
\$25.18/Premises Visit
\$10.33 Labor Charge/
Quarter Hour After First
Quarter Hour

G. Directory Listings & Books**Primary Listings**

Additional Tariffed Listing Services

Books & delivery (annual home area directories only)

\$.29/Month/primary listing or a \$5.00 one time charge/primary listing, at US LEC's option
Per applicable Tariff (including, but not limited to, Verizon-MD Tariff P.S.C-MD-No. 203 sec. 4 as amended from time to time. Retail rates less wholesale discount
No charge for normal numbers of books delivered to end users; bulk deliveries to CLEC per separate arrangement

RECIPROCAL COMPENSATION TRAFFIC TERMINATION RATES

A. Charges by Verizon

- (a) Traffic delivered to Verizon Tandem: Tandem Rate.
- (b) Traffic delivered directly to terminating Verizon End Office: End Office Rate.

B. Charges by US LEC

1. Single-tiered interconnection structure:

US LEC's rates for the termination of Verizon's Reciprocal Compensation Traffic under the single-tiered interconnection structure shall be recalculated once each year on each anniversary of the Effective Date (the "Rate Determination Date"). The methodology for recalculating the rates is as follows:

Tandem Minutes = Total minutes of use of Reciprocal Compensation Traffic delivered by US LEC to the Verizon Tandem for most recent billed quarter.

End Office Minutes = Total minutes of use of Reciprocal Compensation Traffic delivered by US LEC directly to the terminating Verizon End Office for most recent billed quarter.

Total Minutes = Total minutes of use of Reciprocal Compensation Traffic delivered by US LEC to Verizon for most recent billed quarter.

US LEC Charge at the US LEC-IP =

$$\frac{(\text{Tandem Minutes} \times \text{Tandem Rate}) + (\text{End Office Minutes} \times \text{End Office Rate})}{\text{Total Minutes}}$$

For the first year after the Effective Date, the US LEC charge shall be calculated based on the traffic data of the quarter immediately preceding such Effective Date, or if no such traffic exists, on the proportion of Reciprocal Compensation Traffic termination trunks to Verizon End Offices and to Verizon Tandems.

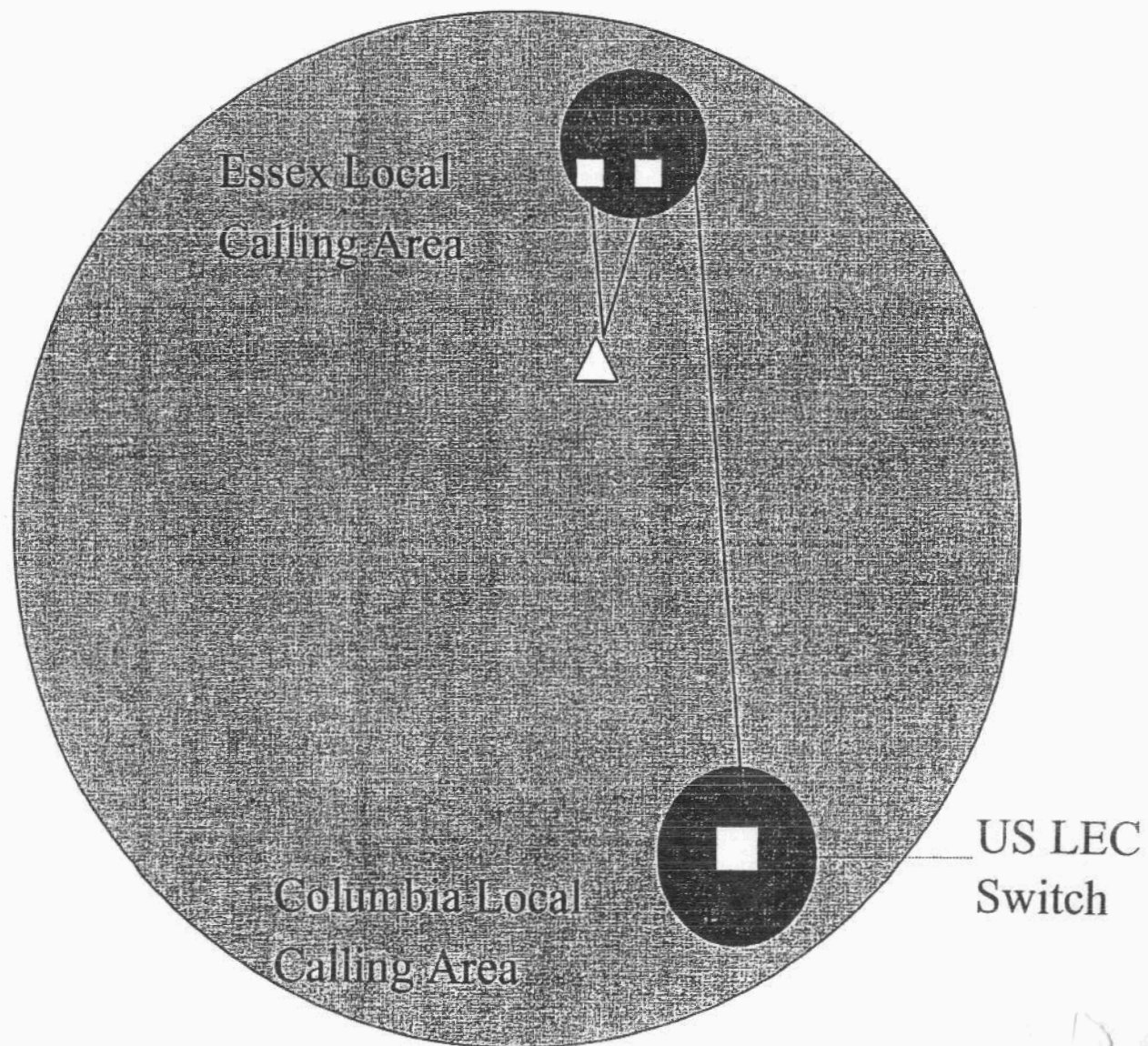
2. Multiple-tiered interconnection structure (if offered by US LEC to any carrier)

- (a) Reciprocal Compensation Traffic delivered to US LEC Tandem: Tandem Rate
- (b) Reciprocal Compensation Traffic delivered to terminating US LEC End Office/node: End Office Rate

C. Miscellaneous Notes

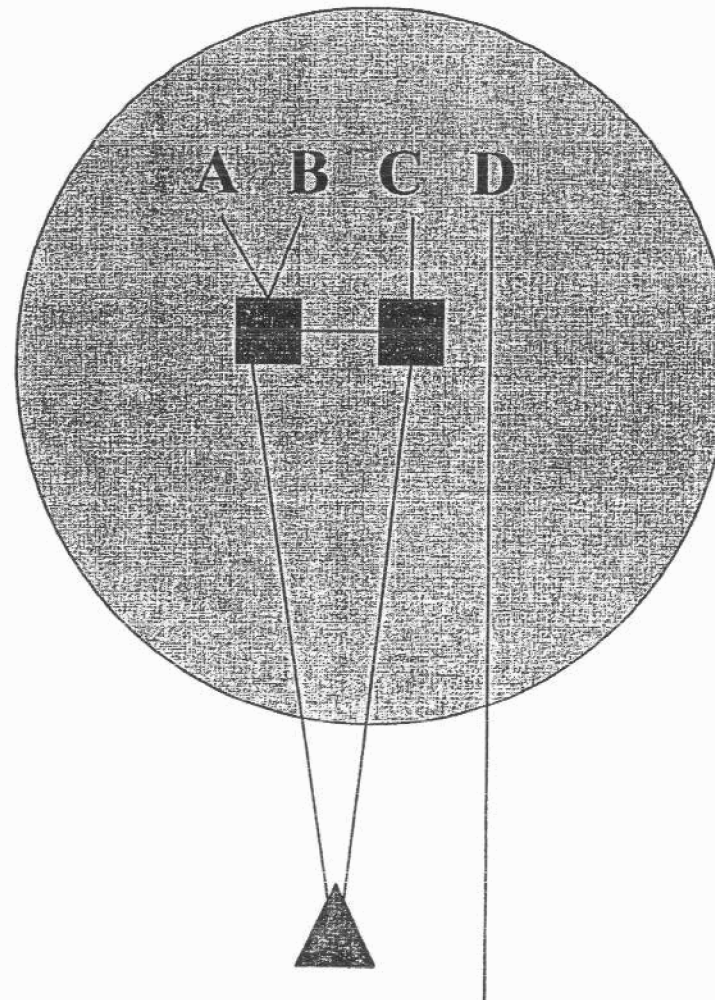
- 1. The US LEC termination rate under the single-tiered interconnection structure set forth above is intended to be a Reciprocal Compensation Traffic termination rate for interconnection to the US LEC-IP within each LATA that is reciprocal and equal to the actual rates that will be charged by Verizon to US LEC under the two-tiered Reciprocal Compensation Traffic termination rate structure described above that will apply after the first anniversary of the Effective Date. The single US LEC termination rate is also intended to provide financial incentives to US LEC to deliver traffic directly to Verizon's terminating End Offices once US LEC's traffic volumes reach an appropriate threshold.

Baltimore LATA



VZ#2

Essex Local Calling Area



301 AREA CODE/ 240 OVERLAY

LATA 1

**410 AREA CODE/
443 OVERLAY**

LATA 3

PENDA

PENNA

DEL

LATA 2

DEL

MARYLAND LATAS
WITH BALTIMORE AND
WASHINGTON, D.C COMBINED
EXCHANGE BOUNDARIES

THE CHESAPEAKE & POTOMAC TELEPHONE CO.
OF MARYLAND
EXCHANGE BOUNDARIES

LATA 4

- LATA 1 HAGERSTOWN
 LATA 2 SALISBURY
 LATA 3 BALTIMORE
 LATA 4 MARYLAND PORTION,
 WASHINGTON LATA

AREA CODE 301/240 LATA 1+4
AREA CODE 410/443 LATA 3+2


$$\sqrt{Z} \# 4$$

1 COMMONWEALTH OF PENNSYLVANIA
2 PUBLIC UTILITY COMMISSION

3 -----
4 Petition of USLEC of :
5 Pennsylvania, Inc., for :
6 Arbitration with Verizon : Docket No.
7 Pennsylvania Inc., : A-3108147000
8 pursuant to Section 252(b):
9 of the Telecommunications :
10 Act of 1996 :
11 -----

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P R O C E E D I N G S

1

2

3

JUDGE LOUIS COCHERES:

4

Good morning, ladies and

5

gentlemen. As you're well aware by now, my name is

6

Louis Cocheres. And I'm an Administrative Law Judge

7

appointed to be the Arbitrator in the petition of

8

USLEC of Pennsylvania, Incorporated, for arbitration

9

with Verizon Pennsylvania, Incorporated, pursuant to

10

Section 252 of the Telecommunications Act of 1996, at

11

Commission Docket Number A-3108147000.

12

We're here today for what I

13

believe will be our initial and only hearing in this

14

matter. I do want to take a few moments to spread a

15

few minor procedural things on the record. I always

16

like to put on the record that I do, in fact, live in

17

an area that is served by major utilities and that I

18

have Verizon as my local exchange carrier. Currently

19

I have MCI as my long distance carrier. I may want to

20

rethink that. And I have AT&T as a cell phone

21

carrier. I like to tell people that up front. If

22

anyone has a problem with it, they should speak up now

23

or forever hold their peace. Thank you.

24

As I indicated on the record at

25

our prehearing conference and in my prehearing order,

6

1 I want very much to have a fairly uniform and orderly
2 proceeding today in terms of issue presentation. I
3 had hoped that we would be able to retain exactly the
4 same numbering system that USLEC used in its numbering
5 of issues in it's petition. However, I was somewhat
6 chagrined to notice that that wasn't quite followed.
7 But I don't think that's irretrievable. But I do want
8 to go through this hearing issue by issue, hearing
9 from each party for each issue before we move on to
10 the next one. I do that for three reasons. One, it
11 creates an orderly record; two, it means that your
12 briefs can follow the same format; and three, it means
13 my decision can follow the same format. And when that
14 is all taken up as a unit to be reviewed by the
15 Commission, hopefully the orderly record and the
16 wisdom of it all being so organized will be evident to
17 them.

18 Because the witnesses did not all
19 testify in numerical sequence in the sense some
20 witnesses covered some issues and some others, I will
21 swear all of the witnesses at the beginning of this
22 proceeding, because I expect that we are going to be
23 jumping back and forth somewhat between the
24 witnesses. And rather than interrupt the proceeding,
25 I'll just have everybody stand and issue the oath that

1 way.

2 The other thing that I noticed,
3 and I already sent an e-mail notice to all of you was
4 that I reviewed the settlement agreement that you had
5 submitted --- USLEC had submitted with the arbitration
6 petition. And when I reviewed it, since it was the
7 only copy of the agreement that I had, these little
8 white tags indicate things that you indicated were
9 disputed issues. Now, I know you have, in fact,
10 settled many of these little white tags but I don't
11 know which ones, other than to know that your
12 testimony covered a limited number. So before we
13 leave the room today, and I will wait until after the
14 hearing probably, at least until after we hear from
15 the witnesses, I will go through these, as I've
16 highlighted them in my copy, and just touch base with
17 you to make sure that I have covered each and every
18 issue that needed to be disputed. And for those that
19 are no longer disputed, you have an obligation to
20 furnish me with a copy of the language that you have
21 agreed to because I'm supposed to review it. I didn't
22 review everything that's in this particular book. And
23 but I do need to know what's already settled.

24 Now, in terms of already settled,
25 the parties have advised me that at least one of the

1 issues is currently settled that was on the table
2 today. And I've lost track right now off the top of
3 my head of which witness that was, but one of the Bell
4 witnesses, I believe it was issue number 11. Ms.
5 Fleming's issue has been completely settled, as I
6 understand it.

7 ATTORNEY PANNER:

8 That is correct, Your Honor.

9 JUDGE:

10 Fine. I have no problem with
11 that. Again, that's just an example of settlement
12 language that I will need to see as part of this
13 proceedings. Are there any procedural issues use that
14 I need to go on before we move on hearing witnesses
15 testimony?

16 Hearing none, by my count I have
17 four witnesses, two from each side. If you folks
18 would please stand and raise your right hands.

19 WITNESSES SWORN EN MASSE

20 JUDGE:

21 All right. Now, for the purposes
22 of the record, I'm just going to start on my left with
23 the lady wearing the green outfit and ask her to tell
24 me her name.

25 MS. MONTANO:

1 Wanda G. Montano.

2 JUDGE:

3 And the gentleman next to her?

4 MR. HOFFMANN:

5 My name is Frank R. Hoffmann, Jr.

6 JUDGE:

7 Moving around the table.

8 MR. HAYNES

9 Terry A. Haynes.

10 MR. D'AMICO:

11 Pete D'Amico.

12 JUDGE:

13 Fine. All right.

14 ATTORNEY SHOR:

15 I don't recall if during our
16 prehearing conference we had already addressed and
17 identified that we had settled issues seven and ten.

18 JUDGE:

19 Yes. I reviewed that transcript
20 this morning. Interestingly, you did tell me that you
21 had settled two issues but I don't think it was
22 perfectly clear which ones they were. And I just
23 said, fine, which was no more illuminating on the
24 record than you were. So that would be issues seven
25 and ten in the USLEC.

1 ATTORNEY SHOR:

2 And issue 11 as well.

3 JUDGE:

4 Okay. So we're now --- I do have
5 a real basic question and it stems from having
6 reviewed the agreement. The agreement that was
7 provided to me, and I can understand why there was no
8 effective date, because obviously it hasn't been
9 approved but also on page one there was no date for
10 the initial term, were you contemplating an one year,
11 two year, 16 month? How many car payments were you
12 expecting in this agreement? Did you have some term
13 in mind.

14 MR. HOFFMANN:

15 It's my understanding the term of
16 the agreement was to be two years.

17 JUDGE:

18 Mr. Hoffmann, thank you very.

19 ATTORNEY PANNER:

20 I would have to get back to you,
21 Your Honor, on that question. And I can check it in
22 the agreement language, but I don't know the answer.

23 JUDGE:

24 I didn't see anything in the
25 agreement, as I read through it over the last several

1 days, to indicate that there was a particular time
2 frame that the parties have in mind.

3 ATTORNEY SHOR:

4 I think because of the way that
5 it's done is it's pegged to a specific date that once
6 you get --- know what the effective date is, then you
7 know what the termination date is. But you're
8 correct, it doesn't say for a term of X years and
9 beyond Y date if it does not do that.

10 ATTORNEY SHOR:

11 And section two, term and
12 termination, page one, there is a date that needs to
13 be filled in there and I appreciate that you don't
14 have the effective date yet. But I assumed that you
15 had at least a given amount of time available.

16 JUDGE:

17 All right. I have a procedural
18 question for the parties to tell me about, since it's
19 been awhile. Who goes first? The Petitioner?

20 ATTORNEY SHOR:

21 The Petitioner goes first.

22 JUDGE:

23 All right. Then as I recall you
24 have a choice between Ms. Montano and Mr. Hoffmann.

25 ATTORNEY SHOR:

12
1 Your Honor, USLEC will put Mr.
2 Hoffmann on the stand to address issues one and two
3 collectively. And Ms. Montano, after the Cross
4 Examination of Mr. Hoffmann, Ms. Montano will be
5 placed on the stand just for her testimony with
6 respect to those two issues as well.

7 JUDGE:
8 Yes. That leads to a question
9 that I had already written down and that's that the
10 parties seem to be treating one and two as a unit.

11 ATTORNEY SHOR:
12 That's correct.

13 JUDGE:
14 All right. Fine then Mr. Shor
15 will you finish presenting Mr. Hoffmann.

16 ATTORNEY SHOR:
17 USLEC calls Frank R. Hoffmann.

18 JUDGE:
19 Mr. Hoffman, you've been
20 previously sworn.

21 FRANK HOFFMAN, PREVIOUSLY SWORN, CALLED TO TESTIFY
22 DIRECT EXAMINATION.

23 BY ATTORNEY SHOR:
24 Q. Mr. Hoffmann, would you state your name and
25 business address for the record, please?

1 A. My name is Frank Hoffmann. I'm located at 6801

2 Morrison Boulevard in Charlotte, North Carolina.

3 Q. By whom are you employed?

4 A. I'm employed by USLEC.

5 Q. And what is your title?

6 A. I'm senior interconnection manager.

7 Q. Did you cause to have prepared, I believe it was

8 21 pages of Direct testimony filed in this matter on

9 May 31, 2002?

10 A. Yes, I did.

11 Q. If I asked you those questions today, would your

12 answers be the same?

13 A. I would have one revision.

14 Q. What revision that is?

15 A. That is to change my relative to nine trunks to

16 nine T-1s.

17 Q. And what page is that on; do you know?

18 ATTORNEY PANNER:

19 Frank, I think it's on page 20.

20 A. Thank you. Yes, you're absolutely correct, line

21 nine, page 20, continuing onto ten. Nine trunks per

22 day it should be changed to nine T-1s per day.

23 BY ATTORNEY SHOR:

24 Q. Other than that correction, do you have any other

25 changes, edits or corrections to your direct

1 testimony?

2 A. No, I do not.

3 Q. Did you cause to have prepared seven pages ---
4 six pages of rebuttal testimony filed in this matter
5 on July 9, 2002?

6 A. Yes, I did.

7 Q. Do you have any changes, corrections or additions
8 to that testimony?

9 A. No, I don't.

10 Q. If I ask you those questions today, would your
11 answer be the same?

12 A. Yes, I did.

13 ATTORNEY SHOR:

14 Your Honor, USLEC respectfully
15 moves the admission of the direct and rebuttal
16 testimony of Mr. Frank Hoffmann into the record,
17 subject to Cross Examine.

18 JUDGE:

19 It is the testimonies are
20 admitted, subject to Cross Examine, and in a timely
21 motion. Mr. Panner?

22 ATTORNEY PANNER:

23 Thank you, Judge.

24 CROSS EXAMINATION

25 BY ATTORNEY PANNER:

1 Q. Good morning. I'd like to start by getting your
2 help in explaining to the Commission and Judge
3 Cocheres USLEC's position on issues one and two. And
4 I have here a schematic diagram of the Philadelphia
5 LATA, the Pennsylvania portion of it, which I'll just
6 label in a pen on the bottom VZ-1.

7 ATTORNEY PANNER:

8 If that is all right with you.

9 JUDGE:

10 That is fine, as long as you don't
11 have a VZ-1 as part of your presentation.

12 (Exhibit VZ-1 marked
13 for identification.)

14 BY ATTORNEY PANNER:

15 Q. Now, in this diagram, I have a circled towards
16 the --- I have a large circle to represent the
17 Philadelphia LATA; do you see that?

18 A. Yes.

19 Q. And I have a small circle at the top of the big
20 circle that's labeled the Allentown local calling
21 areas; do you see that?

22 A. Yes, I do.

23 Q. And I also have a slightly larger circle down at
24 the bottom right. It's labeled Philadelphia local
25 calling area; do you see that?

- 1 A. Yes.
- 2 Q. And I have a box inside that's Philadelphia local
3 calling area, that's labeled the USLEC switch. Do you
4 see that?
- 5 A. Correct, yes.
- 6 Q. Now, is it accurate to say that the USLEC switch
7 is inside the Philadelphia local calling area?
- 8 A. I believe so.
- 9 Q. Was it your testimony that it was located ---
10 that your switch is located in Philadelphia local
11 calling area?
- 12 A. Could you direct me to that portion of the
13 testimony?
- 14 Q. I'll cover that later. But you'll take it
15 subject to check that you at least believe that the
16 USLEC switch is inside the Philadelphia local calling
17 area?
- 18 A. Yes.
- 19 Q. Now, in this diagram, let's suppose that the
20 capital letters A, B, C, D represent customers. Are
21 you with me so far?
- 22 A. Yes.
- 23 Q. Now, let's suppose that capital letter A is a
24 Verizon customer and that capital letter D is a USLEC
25 customer. First of all, is it accurate to say that

1 Verizon would have an end office within the local
2 calling area serving that customer A?

3 A. I cannot respond to that. I will assume that we
4 did.

5 Q. Okay. In fact, you testified, did you not, that
6 Verizon's network uses a large number switches, each
7 serving a relatively small area?

8 A. Yes.

9 Q. So it's likely that there would be a switch
10 within the local calling area serving that customer?

11 A. It's possible, yes.

12 Q. If it were --- if it were not within the local
13 calling area, it would be very close by?

14 A. That is also possible.

15 Q. Would you agree at that there are calling areas
16 in Pennsylvania where Verizon has end offices serving
17 customers.

18 ATTORNEY SHOR:

19 I'm going object only to the
20 extent that he's an USLEC witness. I don't know what
21 he knows about Verizon's network. So foundation.

22 BY ATTORNEY PANNER:

23 Q. Mr. Hoffmann, have you ever worked for Verizon?

24 A. Yes, I have.

25 Q. Okay. Do you, in fact, know whether Verizon has

1 any end offices in local calling areas in Philadelphia

2 LATA?

3 A. Not specifically what calling area or what switch
4 is located where, but simply by the fact that you have
5 switches in the LATA and you have local calling areas
6 in the LATA. I must assume that your switches are in
7 local calling areas. Whether you have a switch in
8 every local calling area, I do not know.

9 Q. Fair enough. It's at least possible then that
10 there would be a would be a switch in that Allentown,
11 local Allentown calling area. Do you agree with that?

12 A. Yes.

13 Q. Now, if Verizon customer A --- well, let me ask
14 one further question before I pose my hypothetical.
15 Is it also correct that USLEC does not have a switch
16 in the Allentown local calling area?

17 A. We do not.

18 Q. In fact, you have only the one switch in the
19 Philadelphia LATA, which is, subject to check, inside
20 the Philadelphia local calling area?

21 A. That is correct.

22 Q. Now, so there would be some sort of a long line
23 or loop or some kind of a transport facility that, if
24 you have a customer inside the local calling area in
25 Allentown, there would be some kind of long facility

1 connecting your customer to that switch?

2 A. We would have a facility that would connect our
3 customer with our switch, yes.

4 Q. Now, suppose that a Verizon customer A were to
5 call that USLEC's customer D inside the Allentown
6 local calling area, first of all, A and D could be
7 quite close together; is that correct?

8 A. Yes.

9 Q. Okay. They could be next door neighbors?

10 A. Correct.

11 Q. Okay. And if that Verizon customer A placed a
12 call to the USLEC customer D, is it correct that
13 somehow that call would have to be transported from
14 the Verizon originating end office to the USLEC
15 switch?

16 A. Yes. I believe Verizon would transport that call
17 to the point of interface at Verizon's access tandem
18 and then hand that call off to USLEC switch for
19 termination to our customer D within the Allentown
20 local calling area.

21 Q. Okay. So just to clarify that, you say Verizon
22 would transport the call to its local access tandem
23 and your testimony was what?

24 A. No. I'm sorry. You misunderstood. I stated
25 that Verizon would route that call to the point of

1 interface, which USLEC has established that's your
2 access tandem, not your local tan number.

3 Q. Thank you for that clarification. So it's your
4 testimony that USLEC's point --- when you say point of
5 interface, what do you mean?

6 A. I mean the physical point where our networks
7 interconnect.

8 Q. And it's your testimony that that physical point
9 is the USLEC in the Verizon access tandem?

10 A. Both Verizon access tandem within the
11 Philadelphia line, yes.

12 Q. Now, the call would then have to be transported
13 from the access tandem to the Philadelphia local
14 calling area; is that correct, to USLEC switch?

15 A. It is my understanding that Verizon's access
16 tandem is located within the Philadelphia local
17 calling area, as I'm one mile away from the market
18 tandem.

19 Q. Okay. Do you know if the market tandem is
20 serving --- would be serving the call --- that
21 Allentown local calling area call?

22 A. No, I do not.

23 Q. You've testified that the point of interface
24 between the networks is at the Verizon access tandem?

25 A. Right.

1 Q. Is it, therefore, your testimony that the traffic
2 from the access tandem is transported over USLEC's
3 network from the access tandem to the USLEC switch?

4 A. I'm sorry. Could you repeat that again?

5 Q. Was it your testimony that the traffic is
6 transported over USLEC's network to USLEC switch?

7 A. Initially in the Philadelphia LATA, USLEC
8 purchased an OC-12 fiber ring, which was used to
9 transport both parties' traffic between our IPs from
10 my switch to your network and, conversely, from your
11 network through the port to my IP. USLEC outgrew the
12 capacity on that OC-12 and abandoned that facility and
13 purchased an OC-48 from Verizon. It is my
14 understanding Verizon currently uses the abandoned
15 OC-12 to terminate its traffic to USLEC.

16 Q. Okay. Let me clarify. When you say it uses the
17 abandoned OC-12 to terminate the traffic to USLEC, you
18 mean to deliver it to USLEC's switch?

19 A. Correct.

20 Q. And that OC-12 is Verizon's facility or USLEC's
21 facility?

22 A. That facility is Verizon.

23 Q. Okay. So in fact, Verizon is transporting its
24 originating over Verizon's network to USLEC switch; is
25 that correct?

- 1 A. Yes Verizon is using a facility which USLEC paid
2 non-recurring charges to have installed and paid the
3 monthly recurring charges for a 12-month period while
4 it was in our use.
- 5 Q. But you're not paying for that facility any
6 longer?
- 7 A. No, I don't believe.
- 8 Q. Now, does Verizon receive any compensation from
9 USLEC for transporting a call from Verizon caller A to
10 USLEC switch in the scenario I described?
- 11 A. I do not believe so.
- 12 Q. So your answer is no?
- 13 A. Correct.
- 14 Q. In fact, in the scenario that we're talking about
15 here there would be no --- well, in the scenario we're
16 talking about here, would Verizon receive any
17 additional compensation from its caller for
18 transporting the call to the USLEC switch in
19 Philadelphia?
- 20 A. I do not know. That would depend on the calling
21 plan that caller A has purchased from Verizon.
- 22 Q. So you don't know? Well, let me go back to
23 that. Why would it depend on the calling plan?
- 24 A. I'm not sure if caller A has a flat rated service
25 or a message rated service or some other type of

1 plan. I'm not familiar with Verizon's calling plans
2 but I do know they we have several.

3 Q. Let me rephrase the question. Would Verizon
4 receive any additional compensation for the call from
5 caller A to caller D because Verizon has transferred
6 the call to another carrier's network --- and
7 transported the call to another carrier's network or
8 would the charge be the same, as if the caller were
9 served by Verizon itself?

10 A. I'm sorry. I'm at a loss. I do not know what
11 Verizon charges customer A, if you have a policy of
12 charging something if it's intranetwork versus handing
13 it off to another carrier.

14 Q. Okay. Now, in your view, in the scenario that I
15 just described where caller A places a call to caller
16 D, would USLEC be entitled to a payment of reciprocal
17 compensation for terminating that call D as an end
18 user?

19 A. Yes.

20 Q. So you would actually require Verizon to pay you
21 despite the fact that Verizon is bearing all of the
22 cost to transport that call to the USLEC switch; is
23 that correct?

24 A. Yes, that is my understanding of what federal
25 rules require.

- 1 Q. Okay. Are you a lawyer?
- 2 A. No, sir.
- 3 Q. Okay. Now, let's suppose that instead of this
4 set that USLEC's switch were in Allentown --- or not
5 USLEC, but CLEC has a switch in Allentown, a single
6 switch. Are you with me so far?
- 7 A. Yes.
- 8 Q. Okay. And suppose that most of the calls that
9 are made between the two networks are originated and
10 terminated to numbers associated with the Philadelphia
11 local calling areas. Are you with me?
- 12 A. Yes.
- 13 Q. And suppose further that --- so that would mean
14 that there would be a very large volume of traffic
15 that Verizon would have to transport all the way up to
16 Allentown without any compensation from USLEC; is that
17 correct?
- 18 A. I can't comment as to the volume. But yes, you
19 would have to transport traffic between those two
20 areas.
- 21 Q. In my hypothetical, if it is a large volume of
22 traffic, Verizon would be responsible for transporting
23 all of that traffic; is that correct?
- 24 A. If the traffic were one way, yes, but if the
25 traffic traveled in both directions, I believe that

1 both carriers would be carrying the calls a similar
2 distances.

3 Q. And if it were Verizon's customer A calling
4 USLEC's customer D, it would be Verizon carrying the
5 call; correct? I guess I shouldn't have used those
6 letters because I'm no longer referring to the
7 diagram, but it's a hypothetical. But if it were
8 Verizon's customer calling USLEC's customer, Verizon
9 would be responsible for the transport to USLEC's
10 switch bearing the cost in your view?

11 A. I'm sorry. What local calling area would be
12 originating the call?

13 Q. If the call originated in Philadelphia and were
14 terminated to a number in Philadelphia, associated
15 with the Philadelphia local calling area, is it your
16 position that Verizon would bear the cost of
17 transporting that call all the way up to Allentown?

18 A. I'm sorry. I must have misunderstood your
19 question. I thought you just stated that the call
20 area, local calling area for Philadelphia, customer A,
21 made a call to another Philadelphia number, which I
22 would assume would be in the Philadelphia local
23 calling --- I'm confused with your reference to
24 Allentown here.

25 Q. I'm still working on the hypothetical where USLEC

1 has or a switch in Allentown --- I'm sorry, CLEC has a
2 switch in Allentown then Verizon would be responsible
3 for transporting that call up to the CLEC switch; is
4 that right?

5 A. Yes, it is my understanding that it is the
6 incumbent LEC's responsibility to transport that call
7 that originates on their network ---

8 Q. And indeed ---?

9 A. --- to the CLEC switch in Allentown.

10 Q. And under the contract language that you have
11 proposed, are you familiar with the contract terms
12 that you proposed?

13 A. Yes.

14 Q. You have been involved with the negotiations; is
15 that right?

16 A. Yes, I have.

17 Q. And under the language that you've proposed, a
18 CLEC could put its switch anywhere at all within the
19 Philadelphia LATA; is that correct?

20 A. Yes.

21 Q. And no matter where the CLEC chose to put its
22 switch, Verizon would be responsible for bearing the
23 cost of transporting its originating locally rating
24 traffic to that switch without compensation; is that
25 your position?

- 1 A. Yes. As our current arrangements dictate,
2 Verizon is charged a non-distance sensitive entrance
3 facility, which is flat rated.
- 4 Q. I'm not ---.
- 5 A. To go from your tandem to my switch.
- 6 Q. Just to be clear, I'm discussing now USLEC's
7 current proposal?
- 8 A. Yes.
- 9 Q. Your proposed language?
- 10 A. Yes.
- 11 Q. And that would permit any CLEC, because it's
12 correct that any CLEC would be able to adopt the terms
13 of the agreement that is adopted through this
14 proceeding; is that correct?
- 15 A. It's my understanding that that is Verizon's
16 obligation. But it's also my understanding that I'm
17 here today to arbitrate an agreement between Verizon
18 and USLEC only.
- 19 Q. I understand. But thank you for that. I'm going
20 to introduce a second little diagram which I will
21 label VZ-2.
- 22 (Exhibit VZ-2 marked
23 for identification.)
- 24 ATTORNEY PANNER:
- 25 And I'm sorry for not having these

1 pre-labeled. But since I wasn't sure of the order of
2 the witnesses ---.

3 BY ATTORNEY PANNER:

4 Q. I have here a schematic of a local calling area
5 that I've labeled the Allentown local calling area.

6 And are you familiar, as a general matter with
7 Verizon's network architecture?

8 A. On a high level, yes.

9 Q. Okay. And in fact, you testified as to what
10 Verizon's network architecture is; haven't you?

11 A. Yes. I've explained that the access network is
12 somewhat of a hub and spoke type architecture, whereas
13 the local network is a spider web, each point
14 connected to every other point, as I understand
15 Verizon.

16 Q. What I've represented here is A, B and C are
17 Verizon customers. Do you understand that?

18 A. Yes.

19 Q. And D is that USLEC or CLEC customer in this
20 diagram. Do you understand the diagram generally?

21 A. Yes.

22 Q. Now, I'd like to walk through with you the
23 functions that would be performed if caller A, Verizon
24 customer A called Verizon customer B and both were
25 served out of the same end offices I've represented in

1 this diagram. Can you tell me what function Verizon
2 would perform --- let me back up.

3 Do you agree that Verizon would switch that call
4 within its end office to deliver it from customer A to
5 customer B?

6 A. That is possible, yes.

7 Q. What is the other possibility?

8 A. Again, not being an expert on Verizon routing, I
9 would assume you could possibly, given some sort of
10 traffic congestion you might experience, send that
11 call to another office and back.

12 Q. Do you know whether typically a call that was
13 rather from --- routed from one customer to another
14 customer off the same end office would typically be
15 switched within the end office.

16 ATTORNEY SHOR:

17 I'm just going to object to the
18 extent it's continuing to call for speculation by this
19 witness on the functions of Verizon's switches.

20 ATTORNEY PANNER:

21 I'm sure if he doesn't know, he'll
22 inform the Court he doesn't know. He's testified to
23 Verizon's network architecture and how that
24 architecture is set up. If he doesn't know, he'll say
25 he doesn't know.

1 JUDGE:

2 Objection overruled.

3 A. I do not know if you would typically or always
4 switch that call within the office.

5 BY ATTORNEY PANNER:

6 Q. Well, would you agree with me that it is at least
7 possible that it would typically or, indeed, always be
8 switched within the end office?

9 A. It is a possibility that it would be, yes.

10 Q. And then suppose that Verizon customer A would
11 call Verizon customer C, which is being in this
12 diagram served out of different end offices. Are you
13 with me?

14 A. Yes.

15 Q. And is it possible that when Verizon customer A
16 calls customer C, that there would be originating
17 switching out of that end office or to customer A; is
18 that possible?

19 A. Yes.

20 Q. And then it would be transported over the trunk
21 between the end officer and customer A and the end
22 office serving customer C. Is that possible that it
23 would be transported over a trunk between those two
24 end offices?

25 A. Yes, it appears so.

1 Q. You testified that Verizon has a spider web
2 network. Does that mean that in many cases there
3 would be a direct trunk between end offices over which
4 calls are transported between the two end offices?

5 A. Yes.

6 Q. And then Verizon would perform terminating
7 switching in that end office to deliver the call to
8 customer C?

9 A. Yes.

10 Q. Is it also possible in some circumstances that
11 congestion over that trunk would cause the call to
12 overflow flow through Verizon's tandem?

13 A. Yes, I believe it is possible. If you're
14 experiencing congestion between the end offices which
15 customers A and C work out of, that you would possibly
16 route that call to, I believe, a local network.

17 Q. And, in fact, you testified that Verizon's local
18 network is comprised of multiple end office
19 connections between each and every end office and may
20 also cause one or more local tandems used to control
21 traffic connection; correct?

22 ATTORNEY SHOR:

23 On what page?

24 A. Page five, lines 19 through 21.

25 BY ATTORNEY PANNER:

1 Q. Would you agree that I've represented that your
2 testimony there in the schematic here in this diagram?

3 A. Yes.

4 Q. Now, do you know whether --- let me go back to
5 VZ-1, if you would, Mr. Hoffmann.

6 Now, just to review, if there is a call from
7 Verizon customer A to Verizon customer D, is it
8 correct that Verizon would be responsible, first of
9 all for originating --- doing originating switching
10 out of end office A?

11 ATTORNEY SHOR:

12 Excuse me. Do you mean USLEC
13 customer D?

14 ATTORNEY PANNER:

15 Yes, I'm sorry. Let me start
16 again since I misspoke.

17 BY ATTORNEY PANNER:

18 Q. If Verizon customer A were to call USLEC customer
19 D, is it correct that Verizon would perform
20 originating switching out of end office serving
21 customer A?

22 A. Yes, if that was the switch where customer A
23 received dial tone, I would agree.

24 Q. And then Verizon would perform transport between
25 that end office A to USLEC's switch possibly through

- 1 one or even more tandem switches; is that correct?
- 2 A. Correct.
- 3 Q. Okay. And then assuming that D is an end user
- 4 customer, USLEC would perform terminating switching;
- 5 is that correct?
- 6 A. Yes.
- 7 Q. And USLEC would be compensated for that
- 8 terminating switching through reciprocal compensation;
- 9 is that correct?
- 10 A. Yes.
- 11 Q. So to the extent that Verizon didn't have to do
- 12 the terminating switching anymore, it would be paying
- 13 USLEC to perform that function; is that correct?
- 14 A. Yes.
- 15 Q. Now, do you know whether the Pennsylvania
- 16 Commission has performed cost studies to determine the
- 17 cost of performing various functions that you have
- 18 described?
- 19 A. No, I'm not aware of the Pennsylvania Utility
- 20 Commission performing cost studies.
- 21 Q. Okay. Are you familiar with --- in general with
- 22 the fact that public utility commissions, state public
- 23 utility commissions have held proceedings in which
- 24 they have determined the cost of performing the
- 25 various network functions that we've been talking

1 about?

2 A. No. It is my understanding that the Commission
3 reviews cost studies submitted by Verizon relative to
4 Verizon's costs.

5 Q. Do you agree --- let me try to repeat the
6 question because I don't think you quite answered it.
7 Do you agree that state public utility commissions
8 have proceedings in which they determine the costs
9 associated with the various network functions that you
10 and I have been talking about?

11 A. I am familiar with proceedings where the
12 Commission will set rates, but not that they
13 necessarily establish costs.

14 Q. Okay. But you would agree that the Commissions
15 have established rates based on pricing standards in
16 the 1996 Act and FCC regulations?

17 A. Yes, it is my understanding that the Commission
18 approves Verizon rates subject to those orders and
19 rules and regulations.

20 Q. Okay. So it would be correct then that one
21 could using those Commission established rates
22 determine the difference in costs to Verizon of
23 delivering a call from, say, caller A to caller B in
24 the example on VZ-2 and the cost to Verizon of
25 transporting a call from Verizon customer A to USLEC

1 switch in Philadelphia; is that correct?

2 A. Yes, I would assume that one could use the rates
3 and underlying costs to compare those types of
4 scenarios. But it is my understanding Verizon is
5 responsible to transport the traffic that originates
6 on the network to the point of interface selected by
7 the ---.

8 Q. When you say they're responsible, that is a legal
9 conclusion?

10 A. I did not intend it to be.

11 Q. What did you mean by it?

12 A. I mean that it is my understanding that Verizon
13 must bear the costs associated with that traffic that
14 is originated on their network.

15 Q. Again, is that a legal conclusion?

16 A. I do not intend it to be.

17 Q. Okay. Is it possible that USLEC could
18 compensate Verizon, say to Verizon, we'd actually be
19 happy to pay those costs and we'll compensate you? Is
20 that theoretically possible?

21 A. Yes, negotiations allow for parties to agree to
22 waive certain rules that are forwarded to them under
23 the Act. So yes, to the extent that Verizon were to
24 offer me something that I would feel would be worth my
25 paying for traffic, which I do not feel that I'm

1 obligated, then I might consider that.

2 Q. Mr. Hoffmann, I just want to try to clarify for
3 the record, when you say that Verizon must bear costs
4 or is obligated to bear costs, is that a legal
5 conclusion or is it something else?

6 ATTORNEY SHOR:

7 Asked and answered.

8 ATTORNEY PANNER:

9 I don't believe he's responded
10 directly to my question. He said that he did not
11 intend it to be. I've asked him for clarification. I
12 don't think that he satisfactory responded to the
13 question.

14 JUDGE:

15 Mr. Panner, even if it is a legal
16 conclusion, it's not binding on me or the Commission.

17 ATTORNEY PANNER:

18 Thank you, Your Honor.

19 JUDGE:

20 That certainly sounds like his
21 understanding of what your company's obligations are.
22 It doesn't have to be mine.

23 ATTORNEY PANNER:

24 Right. Thank you, Your Honor, I
25 guess what I wanted to clarify is he's testified to or

1 --- he said that he's testifying to certain network
2 and engineering considerations. I wanted to make
3 clear there is no engineering or technical reason that
4 Verizon must bear this cost that this is an allocation
5 of responsibility.

6 ATTORNEY SHOR:

7 Can I object to his speech on the
8 record here? We've got questions and answers.

9 ATTORNEY PANNER:

10 Mr. Shor, you had an objection
11 ---.

12 JUDGE:

13 Let me make this easy. When I'm
14 having a discussion on the record with counsel, that
15 is either side, we'll have a discussion, he wasn't
16 asking the witness a question. He was talking to me
17 and you're certainly welcome to chime in with your
18 side. Mr. Panner, you didn't ask him that question,
19 whether it was a technical engineering reason that
20 there was an obligation there. You seem to be focused
21 on legal issue. I want you to resolve that and move
22 on.

23 ATTORNEY PANNER:

24 Okay.

25 BY ATTORNEY PANNER:

- 1 Q. Is there any technical offer engineering reason
2 why Verizon must bear that obligation?
- 3 A. I would say yes.
- 4 Q. Can you tell me what it is?
- 5 A. USLEC has chosen its point of interface at the
6 access tandem. And it is my understanding that that
7 is USLEC's choice, and not Verizon's.
- 8 Q. Mr. Hoffmann, in the testimony we've used two
9 terms, points of interconnection and interconnection
10 point. You're now using a different term, point of
11 interface. Can you explain what you mean by that?
- 12 A. By point of interface, I mean point of
13 interconnection. I use those terms interchangeably.
- 14 Q. And your testimony now is that the point of
15 interconnection between the parties and Philadelphia
16 is at the Verizon access tandem?
- 17 A. Yes.
- 18 Q. Okay. I believe that --- well, I think you'll
19 find that it's your testimony and the testimony of Ms.
20 Montano in this proceeding that the point of
21 interconnection is the USLEC switch. Would you agree
22 with that subject to check?
- 23 A. If you could direct me to it, I would like to
24 check now.
- 25 Q. Well, I guess I'll --- well, this is actually ---

1 there's a reference to --- I believe, there are
2 clearer references elsewhere. Ms. Montano's testimony
3 hasn't been admitted yet. It may be clearer in
4 her's. But in your testimony on page ten at lines 18
5 to 19, it says it makes reference to Verizon's
6 proposing to move USLEC's IP from its switch to a
7 co-location arrangement. That suggested that it's the
8 current IP is USLEC's switch. Would you agree?

9 JUDGE:

10 Which testimony are you in?

11 ATTORNEY PANNER:

12 This is in Mr. Hoffman's testimony
13 on page ten.

14 JUDGE:

15 Is it in rebuttal or direct.

16 ATTORNEY PANNER:

17 His direct. I can read the
18 sentence. I may have confused the matter by
19 paraphrasing.

20 BY ATTORNEY PANNER:

21 Q. It says, this 76-day deadline is well beyond the
22 30-day transition period Verizon proposing for moving
23 USLEC's IP from its switch to a co-location
24 arrangement, that's at lines 17 to 19.

25 A. Yes, USLEC's IP is at its switch. I'm sorry, I

1 thought you had asked me about the point of
2 interconnection.

3 Q. So are you saying that the part of point of
4 interconnection and interconnection point are
5 different under the current agreement?

6 A. For traffic delivered from Verizon to USLEC, I
7 would answer yes.

8 Q. In fact, you testified that Verizon delivers
9 traffic to USLEC switch over Verizon's facilities?

10 A. In Philadelphia, yes. In Pittsburgh, Verizon
11 continues to use the OC-12, as we have not yet
12 outgrown that facility. We purchased an OC-12 fiber
13 ring from Verizon. And then Verizon leases transport
14 back from USLEC to carrier traffic to our IP.

15 Q. Now --- but then you said that we ---.

16 ATTORNEY PANNER:

17 Can I have the Reporter read
18 something back? Would that be all right?

19 JUDGE:

20 Yes, if she can find it.

21 ATTORNEY PANNER:

22 If you could go back to where I
23 asked the question, is there any technical or
24 engineering reason why Verizon should bear that cost,
25 if you could read back his answer to that question.

1 OFF RECORD DISCUSSION

2 COURT REPORTER READS BACK PREVIOUS QUESTIONS AND

3 ANSWERS

4 BY ATTORNEY PANNER:

5 Q. And you've testified that although it's Verizon's

6 responsible to --- although you've chosen --- let's

7 take the Pittsburgh LATA for a moment, you've

8 testified that, although it's Verizon's responsibility

9 to transport the traffic to Verizon access tandem on

10 the point of interface, that nonetheless, Verizon

11 bears the financial responsibility for carrying it

12 even further from the access tandem to USLEC's switch;

13 is that correct?

14 A. No. It's my understanding in Verizon terms is

15 that it is responsible to transport your originated

16 traffic to USLEC's IP. The point of interconnection

17 is simply the point at which the networks are

18 interconnected.

19 Q. Is it your testimony that USLEC is bearing the

20 cost of trans --- under current arrangements, is it

21 your testimony that USLEC is bearing the cost of

22 transporting traffic from Verizon's access tandem to

23 USLEC's switch, that USLEC is bearing that cost?

24 A. No. I would say that that cost is bearing borne

25 by Verizon over facilities that Verizon leases from

1 USLEC.

2 Q. Okay. But you have testified that Verizon is
3 carrying the traffic to the interconnection point at
4 the access --- excuse me, that Verizon is transporting
5 the traffic to the point of interconnection at the
6 access tandem; is that correct?

7 A. Yes, the traffic is transported to that point.

8 Q. But it bears the cost for transporting it, not
9 only to the access tandem, but even further to the
10 USLEC switch; is that correct?

11 A. Yes.

12 Q. Is there a technical or engineering reason why
13 Verizon should bear that cost?

14 A. It is my understanding that Verizon's definition
15 of the IP is the financial point, at which Verizon
16 must bring their traffic, just as USLEC must bring
17 their traffic to your IPs.

18 Q. In your view, that is a technical or engineering
19 reason?

20 A. I'm sorry. Could you re-ask the question?

21 Q. I've asked you about technical or engineering
22 reasons?

23 A. Yes.

24 Q. And then I'll drop this. I've asked you about
25 technical or engineering reasons why Verizon should

1 bear this cost. And you've stated that under the
2 terms of the agreement, Verizon has to bear the cost;
3 is that correct?

4 A. Correct.

5 Q. Okay. Are there any other technical or
6 engineering reasons?

7 A. Not that I can think of.

8 Q. You've testified that under the terms of the
9 agreement proposed by Verizon that Verizon is trying
10 to dictate the physical manner in which USLEC
11 establishes its chosen IP; is that your testimony?

12 A. Yes.

13 Q. Is it correct that under Verizon's proposed
14 contract language that, USLEC may chose any
15 technically feasible point of interconnection?

16 A. Yes, that is my understanding.

17 Q. So, in fact, USLEC may chose whatever physical
18 point interconnection it wishes to under the terms
19 proposed by Verizon?

20 A. Yes.

21 Q. You've also testified that not only that Verizon
22 is trying to dictate the physical point, but also the
23 manner in which USLEC testified it interconnects; is
24 that your testimony?

25 A. Yes.

1 Q. Okay. Is it correct that under the terms
2 proposed by Verizon that USLEC may select from several
3 different interconnection methods?

4 A. Yes.

5 Q. Including, for example, co-location or using an
6 entrance facility or a mid-stand meet, those different
7 methods?

8 A. Yes.

9 Q. Are you aware of any different methods that USLEC
10 might want to use?

11 A. No, I'm not.

12 Q. Okay. You testified in your direct testimony
13 that under Verizon proposal USLEC would be required
14 --- could be required to establish co-location
15 arrangements within 30 days of a Verizon's request.
16 Is that your testimony?

17 A. Yes.

18 ATTORNEY PANNER:

19 I have here, and I don't know,
20 Your Honor, if you want this marked. It's in the
21 records already. It's a portion of the
22 interconnection as marked up by USLEC and submitted
23 with their petition. I could mark it as a separate
24 exhibit if that would be more convenient for the
25 record.

1 JUDGE:

2 I think what you're trying to tell
3 me is that the interconnection agreement, the proposed
4 one was attached to the USLEC position?

5 ATTORNEY PANNER:

6 That's correct.

7 JUDGE:

8 And what you have is an excerpt
9 from it?

10 ATTORNEY PANNER:

11 That's correct.

12 JUDGE:

13 Well, we use the word record
14 somewhat generically around here. If you're talking
15 about the evidentiary proceeding that you're
16 participating in now, it is not part of the record.
17 So I think it would be a good idea for you to make
18 that an exhibit. We can incorporate the document,
19 which probably based on the questions that I have
20 about its content will ultimately be done. But at
21 least in this proceeding thus far, go ahead and make
22 it VZ-3.

23 ATTORNEY PANNER:

24 Thank you, Your Honor.

25 (Exhibit VZ-3 marked

1 for identification.).

2 BY ATTORNEY PANNER:

3 Q. Do you recognize this exhibit, Mr. Hoffmann?

4 A. Yes.

5 Q. Can you tell me what it is?

6 A. It appears to be the interconnection attachment
7 from the interconnection agreement that Verizon and
8 USLEC are currently negotiating.

9 Q. Can you turn with me to the page that has page
10 number 63 on it?

11 A. Yes.

12 Q. And when you say that Verizon could require USLEC
13 to establish a co-location arrangement within 30 days
14 of Verizon's request, are you referring to section
15 7.1.1.3 of Verizon's proposed language, much of which
16 has strike-throughs on it in this copy?

17 A. Yes.

18 Q. Now, I'm going to read from this, and tell me if
19 I've read accurately. It says USLEC may maintain
20 existing CLEC IPs, except that Verizon may request in
21 writing to transition such to USLEC IPs to the USLEC
22 IP described in subsection 7.1.1.1 and 7.1.1.2 above.
23 Have I read that sentence accurately?

24 A. Yes, you have.

25 Q. Then it says, upon such request, the parties

1 shall negotiate mutually satisfactory arrangements for
2 the transition to CLEC IPs that conform to subsections
3 7.1.1.1 and 7.1.1.2 above. Have I read that
4 accurately?

5 A. Yes, you have.

6 Q. And then it says, if the parties have not reached
7 agreement on such arrangements within 30 days, then
8 some consequences follow, which I can go over in a
9 minute. Have I read those portions of those proposed
10 findings accurately?

11 A. Yes.

12 Q. So what is it under this agreement that the
13 parties need to do within 30 days before other
14 consequences are triggered?

15 A. Reach agreement.

16 Q. Okay. Reach agreement. And if they do not
17 reach agreement, there are two options here. A,
18 either party may pursue available dispute resolutions
19 mechanisms initials --- excuse me, two consequences
20 that follow. A, either party may pursue available
21 dispute resolution mechanisms. Is that accurately
22 read?

23 A. Yes.

24 Q. And B, USLEC shall bill and Verizon shall pay
25 only the lesser of the negotiated intercarrier

1 compensation rate or the end office reciprocal
2 compensation rate for the relevant traffic, less
3 Verizon's transport rate, tandem switching rate to the
4 extent that traffic is tandem switched and other costs
5 to the extent that Verizon purchased such transport
6 from USLEC or a third party from Verizon's originating
7 ends office to the USLEC IP; is that correct?

8 A. Yes.

9 Q. Did you see any language in there that, in your
10 opinion, requires USLEC to establish a co-location
11 arrangement within 30 days?

12 A. Subsection B, because it is my understanding and
13 experience in negotiating with Verizon that, number
14 one, I will more than likely not be able to reach an
15 agreement with you in 30 days. And number two, absent
16 an agreement within 30 days Verizon will begin
17 offsetting the reciprocal compensation rate that
18 Verizon pays USLEC in the absence of a co-located
19 point of interconnection.

20 Q. So your testimony is that the parties would be
21 unlikely to agree and so the consequences outlined
22 here, the dispute resolution mechanisms could be
23 invoked and the transport offset would kick in? That
24 would be likely to occur?

25 A. Yes.

1 Q. So USLEC would have to bear some of the transport
2 costs from Verizon's end office to the USLEC switch;
3 is that your testimony?

4 A. Yes. It's my understanding that I would bear all
5 of the costs from the end office to my IP.

6 Q. So there is nothing in this agreement that
7 compels you to establish a co-location arrangement
8 within 30 days; is that right?

9 A. Not if I'm willing to accept a lower compensation
10 rate than has been agreed to in the interconnection
11 agreement; correct.

12 Q. Okay. And just to follow up on that a bit, in
13 your testimony --- in your testimony, you've testified
14 that there were a number of problems that might result
15 if USLEC were to change its current interconnection
16 architecture; is that correct?

17 A. Yes.

18 Q. And is it also right that those consequences
19 would only ensue if USLEC chose to change its current
20 interconnection architecture; correct?

21 A. Correct.

22 Q. And in fact, USLEC could maintain its current
23 interconnection architecture under the agreement as
24 proposed by Verizon; is that correct?

25 A. Yes, if we were willing to transport Verizon's

1 traffic from the originating end office, which my

2 understanding is not our obligation.

3 Q. When you say transport the traffic, you mean ---
4 what do you mean by that?

5 A. Compensate Verizon.

6 Q. Okay. In your testimony on page 12 at line 26,
7 25 to 26, you've testified that under the Verizon
8 proposal, if USLEC does not establish a co-located IP
9 --- this results in USLEC paying for all, emphasized,
10 of Verizon's transport costs within the local calling
11 areas, the words within the local calling area are in
12 italics. Can you explain why you emphasized those
13 words?

14 A. Because I think it's important to note that
15 Verizon is asking me to carry their traffic outside of
16 the local calling area.

17 Q. Can you --- Verizon --- what you've emphasized is
18 that you would bear USLEC would bear Verizon transport
19 calls within the local calling area. And you've just
20 stated that that's because you think it's important to
21 emphasize that we're asking you to bear the costs of
22 transporting it outside the local calling area?

23 A. I'm sorry. I must have misspoke. I wanted to
24 emphasize that not only are we responsible or being
25 asked by Verizon to carry out traffic outside the

1 local calling area, we're also being asked to carry
2 the traffic within the local calling area.

3 Q. Okay. Now, if we can go back to Exhibit Verizon
4 One, and this is admittedly a schematic, but when
5 you're talking about transport within the local
6 calling area, you're talking about the portion of the
7 line between the end office and the edge of the
8 circle; is that correct?

9 A. Yes, within that darkly shaded circle that you
10 have indicated is the Allentown local calling area.

11 Q. And would you, in a call from Allentown --- you
12 may not be familiar enough with the local calling
13 areas, but would you be willing to stipulate to the
14 fact that the mileage of transport within the local
15 calling area is a very small fraction of the total
16 transport mileage involved in transporting a call from
17 the Allentown end office to the USLEC switch?

18 A. I do not know that.

19 Q. This is a map that, unfortunately, is not so easy
20 to read but we'll work on it together. Do you see the
21 this is a map of the Philadelphia and Delaware
22 exchanges. Do you know what an exchange is?

23 A. No. Can you define it for me?

24 Q. Sure. I believe an exchange is another way of
25 referring to a local calling area.

1 A. Okay. I thought they were multiple exchanges
2 within a multiple calling area.

3 JUDGE:

4 You have to speak louder. You're
5 a very soft-spoken but I can't hear you at all when
6 you face away from me and the Court Reporter is having
7 difficulty as well.

8 ATTORNEY PANNER:

9 I'm sorry about the setup, Your
10 Honor, that I've made the witness --- it's due to the
11 setup, I'm sorry about that.

12 BY ATTORNEY PANNER:

13 Q. You're quite correct. A local calling area might
14 include many exchanges. For the purposes of the
15 hearing, I've pointed to Allentown, which is located
16 towards the --- it's certainly in the northern
17 quarter, the northern eighth of the LATA; is that
18 correct?

19 A. Yes, it appears to be.

20 Q. Okay. And Philadelphia is the located down in
21 this portion, Delaware, so it's down in the lower
22 right hand portion of the Philadelphia portion of the
23 LATA; is that correct?

24 A. Yes.

25 Q. Okay. And would you agree with me that one

1 could easily calculate the portion of the transport
2 that was within the local calling area versus the
3 portion of the transport that was outside the local
4 calling area?

5 A. Yes.

6 Q. And would you be willing to pay for the transport
7 from the edge of the local calling area to USLEC
8 switch?

9 A. No.

10 Q. Okay. So, in fact, you're not willing to pay
11 any transport at all; is that correct?

12 A. USLEC is willing to pay for the transport that
13 federal rules and regulations obligate me to pay. And
14 it is my understanding that it is not my responsible
15 to pay for Verizon's originated traffic until it gets
16 to my IP.

17 Q. I'd like to direct you to your direct testimony,
18 page 16. And in that portion of the testimony, you
19 quote from an FCC notice of proposed rule making; is
20 that correct?

21 A. Are you referring to the top of page 16?

22 Q. Yes.

23 A. Yes. I believe that actually begins on the
24 previous page, but I agree.

25 Q. Now, in the last sentence of the FCC report that

1 --- or notice that you've quoted there, it says, is
2 the efficiency concern limited to those instances in
3 which traffic between two networks is unbalanced
4 and/or transport is required beyond a certain
5 distance. Did I read that correctly?

6 A. Yes, you have.

7 Q. Do you believe that effect says concerns are
8 limited to those instances where traffic between two
9 networks is unbalanced and/or transport is required
10 beyond certain distances?

11 A. I think those are at least two of the factors.

12 Q. Okay. What sort of a traffic imbalance would be
13 required before you would have efficiency concerns?

14 A. Given the absence of federal regulations, I'm not
15 aware that there is a traffic balance issue which
16 would trigger USLEC's responsible to move from the
17 current points that they are today.

18 Q. Well, I'm not asking you about what federal
19 regulations require. You've made it a point that you
20 say you've testified, that a single IP does not
21 automatically expenses; is that your testimony?

22 A. Correct.

23 Q. But it is your testimony that it may be
24 expensive; is that correct?

25 A. Yes, it's possible.

1 Q. And one of the factors that would be affected is
2 whether there was a traffic imbalance; is that
3 correct?

4 A. Yes. That, I assume, could be one of the factors
5 that, as stated here, the FCC is considering.

6 Q. And has USLEC made a proposal that would limit
7 Verizon's obligations based on the traffic remaining
8 imbalance or uncertain imbalance?

9 A. Yes. I believe that during negotiations we tried
10 to contain or alleviate Verizon's concerns that USLEC
11 would locate its IP. I think the term was used 80
12 miles away.

13 Q. That actually goes to my next question, which is
14 if the interconnection point were at great distance
15 from the location from which traffic being originated, that
16 also might be inefficient; is that right?

17 A. Yes, that is possible.

18 Q. So given that --- so you agree that there might
19 be situations where traffic imbalance and/or distance
20 that traffic had to be carried would cause a CLEC
21 selection of point of interconnection to be
22 inefficient?

23 A. Yes, along with other things such as technology
24 employed, facilities availability.

25 Q. You've testified that it is less expensive for

- 1 Verizon to transport traffic to your chosen point of
2 interconnection than it is for USLEC to perform that
3 function itself; is that correct?
- 4 A. Could you direct me to my testimony, please?
- 5 Q. Sure. On page 20, lines 19 through 21, it says
6 if the volume of traffic originated from and/or
7 terminated to an additional Verizon tandem or end
8 office is low, it is more efficient for such traffic
9 to be carried on Verizon's network capacity.
- 10 A. Yes, that is my testimony. I was confused when
11 you used the term less expensive.
- 12 Q. Okay. Why is that significant?
- 13 A. The significance is that if the traffic volume is
14 low, it would be more efficient possibly for Verizon
15 to combine that with other traffic on a common
16 transport facility, as opposed to placing it on a
17 dedicated facility, which would be underutilized.
- 18 Q. And under VGRIPS (phonetic), would Verizon
19 perform the function that you've suggested would be
20 more efficient for Verizon to perform?
- 21 A. I'm sorry. Under what scenario with VGRIPS.
- 22 Q. Well, under Verizon proposal, would Verizon be
23 willing to perform the function of carrying the
24 traffic to the point of interconnection?
- 25 A. No, I do not believe Verizon is willing to carry

1 the traffic to the point of interconnection, unless it
2 is established via co-location. I believe you're only
3 willing to carry the traffic today if you're
4 compensated by USLEC.

5 Q. But Verizon would be willing to perform the
6 function if it were compensated?

7 A. That is my understanding, yes.

8 Q. Now, from the point of view of efficiency, does
9 it matter --- would the arrangement be more efficient
10 if --- first of all, what do you mean by efficiency?

11 A. By efficiency, I would mean that a facility is
12 being used at least at its minimum capacity. In other
13 words, I believe we have language contained in the
14 interconnection agreement which states that DS-1
15 utilization should not fall below 60 percent.

16 Q. And do you agree that under Verizon proposal or
17 USLEC's proposal, that that efficiency could be
18 gained?

19 A. If traffic volumes were low, yes.

20 Q. So in fact, the efficiency of carrying that
21 traffic over Verizon time and transport doesn't
22 actually say anything about who should ideally bear
23 that cost from an engineering standpoint; is that
24 correct?

25 A. No, from an efficiency standpoint, no. But it is

- 1 my understanding that it is not USLEC's obligation.
- 2 Q. So just to clarify, from an efficiency
- 3 standpoint, it the doesn't matter who bears the cost.
- 4 Verizon is equally consistent with efficiency, in your
- 5 view, or at least as consistent with efficiency as
- 6 USLEC's proposal?
- 7 A. Again, I believe that would depend on traffic
- 8 volumes.
- 9 Q. How would it depend on traffic volumes?
- 10 A. It would depend on traffic volumes going to and
- 11 from that end office.
- 12 Q. Can you explain what you mean?
- 13 A. Under your VGRIPS proposal, if I were to
- 14 establish an end office co-location arrangement,
- 15 Verizon requests the ability that that be turned into
- 16 USLEC's IP, and that USLEC would then bear the
- 17 responsibility of transporting that traffic. Verizon
- 18 could be originating minimum traffic from that office.
- 19 Q. But to be clear, USLEC refused to perform that
- 20 function or declined to perform that function; is that
- 21 right?
- 22 A. Yes.
- 23 Q. And then it would bear --- it would have to
- 24 compensate Verizon on an a use basis for that
- 25 transport; is that right?

1 A. Under Verizon's current proposal, yes.

2 Q. And if it was a minimal amount of traffic, that
3 compensation would be minimal; is that correct?

4 A. The dollar figure would probably be minimal. But
5 the percentage of offset to the recip (phonetic) comp
6 rate would be the same, whether there was one minute
7 or a million.

8 Q. Correct. But if it's a percentage of a minimal
9 amount, would that --- okay. Just to, again,
10 clarify, your point is that the offset would be the
11 same as a percentage. But if it was a minimal amount
12 of traffic, the dollar figure at stake would be
13 minimal; is that correct?

14 A. The dollar figure, yes, could be small.

15 Q. Okay. You've also testified that if Verizon
16 cannot demonstrate the costs that it incurs in
17 transporting traffic to USLEC's point of
18 interconnection, that it should not be able to
19 recover; is that correct?

20 A. I do not believe those are my exact words. But
21 it is my understanding or belief that it is Verizon's
22 responsible to prove if a form of interconnection is
23 expensive.

24 Q. And in your testimony, I'll direct you to your
25 testimony at page 16, there is a paragraph that be

1 begins line 16. I'm going to ask you some questions
2 about it.

3 ATTORNEY SHOR:

4 What page?

5 ATTORNEY PANNER:

6 Page 16 of the testimony,
7 beginning at line 16.

8 BY ATTORNEY PANNER:

9 Q. You've offered three reasons why Verizon's costs
10 may be minimal. It says, it may have facilities
11 already available. Is that what --- to carry the
12 originating traffic. Is that your testimony?

13 A. Yes.

14 Q. It's also correct that Verizon may not have
15 facilities available; is that correct?

16 A. Yes.

17 Q. And you have some experience with rate setting,
18 is that correct, in your background?

19 A. Many years ago, yes.

20 Q. And was it your experience that when a new
21 service was offered over an existing facility, that it
22 was offered for free?

23 A. Local services.

24 Q. What was your experience in rate setting?

25 A. My experience was in access-based services.

1 Q. So if an access service was provided over an
2 existing service, was it provided for free?

3 A. If by free you mean below costs, I do not believe
4 so.

5 Q. By free I mean free of costs.

6 A. I do not believe so, no. I do not believe that a
7 service would be offered for free where Verizon
8 incurred the costs.

9 Q. So Verizon could incur a costs, even if there was
10 an existing facility; is that your testimony?

11 A. Yes, that's possible.

12 Q. And you also testified that there may be only a
13 de minimous traffic volume exchange for that local
14 calling area; is that your correct?

15 A. Yes.

16 Q. It's true that there may be a very large traffic
17 area; is that not correct?

18 A. Yes, that is possible.

19 Q. And it's also true that if there were de minimous
20 traffic volume, the amount of compensation which USLEC
21 would be required to pay for transport under Verizon's
22 proposal would be very de minimous; is that correct?

23 A. Yes. But USLEC's position on this, as I've
24 stated is not related to whether the costs is
25 de minimous or rather large, that USLEC was not

1 believe it is our obligation to compensate Verizon for
2 transporting that traffic.

3 Q. Okay. So in fact, even if Verizon bore
4 extremely high cost, you would require --- you would
5 say that Verizon would have to bear that cost?

6 A. It is my understanding that that is Federal
7 regulations.

8 Q. Also to close the loop, you also say that the
9 distance between the local calling and the CLEC IP may
10 be minimum?

11 A. Yes.

12 Q. But it may not; is that correct?

13 A. Yes.

14 Q. And in fact, you could chose any location under
15 your proposal within LATA; is that correct?

16 A. Yes, I can.

17 Q. And that cost may be very high; is that correct?

18 A. No.

19 Q. Why not?

20 A. Because as we currently do today, and as USLEC
21 has proposed, the distance would be mitigated by the
22 fact that USLEC charges no more than a non-distance
23 flat rated entrance facility. So that charge would be
24 the same if I was five miles or 80 miles.

25 Q. But wouldn't Verizon bear the cost of

1 transporting the traffic over that 80 miles?

2 A. It would not be a mileage sensitive cost.

3 Q. Is that your testimony, that USLEC would not
4 charge mileage sensitive costs for a facility used to
5 transport traffic from any point 80 miles away to the
6 USLEC switch, is that correct, if it were a USLEC
7 facility?

8 A. From the point of interface to USLEC's IP, yes.

9 Q. But you've testified the point of interface is
10 the access tandem; correct?

11 A. Yes. I'm sorry. But you had mentioned any
12 facility. I didn't want to answer based on something
13 else that Verizon might purchase from USLEC, other
14 than an interconnection facility.

15 Q. I'm just trying to clarify. You've testified
16 that Verizon's cost depended, in part, upon the local
17 calling area and the USLEC IP?

18 A. Yes. I've testified that that might be one of
19 the factors, yes.

20 Q. And so wouldn't you agree that that suggests a
21 rate if that would add costs?

22 A. In conjunction with the other factors, yes, I
23 would agree.

24 ATTORNEY PANNER:

25 I have no further questions at

1 this time, Mr. Hoffmann. Thank you.

2 A. Thank you.

3 JUDGE:

4 Let's go off the record for a
5 moment.

6 OFF RECORD DISCUSSION

7 JUDGE:

8 Mr. Shor?

9 ATTORNEY SHOR:

10 Yes, thank you, Your Honor.

11 REDIRECT EXAMINATION

12 BY ATTORNEY SHOR:

13 Q. Just a few questions, Mr. Hoffmann. Do you
14 recall Mr. Panner asking you initially with reference
15 to VZ Exhibit One, that USLEC would be connected to
16 its customer D in the Allentown calling area by some
17 sort of facility? Do you recall that?

18 A. Yes.

19 Q. How would, in fact, USLEC be connected to its
20 customer, and let's assume from the Allentown calling
21 area?

22 A. USLEC would use an a combination of the OC-48
23 that USLEC purchases from Verizon out of their
24 intrastate access tariff, in conjunction with a DS-1
25 or DS-3 facility. More than likely purchase the FCC

1 tariff from the Verizon office within the Allentown
2 local calling area.

3 Q. And who would be responsible for the financial
4 costs of those facilities?

5 A. USLEC.

6 Q. And now, just let me see if you understand this.

7 Mr. Panner has drawn a diagram which he states
8 represents the Allentown calling area. Do you see
9 that? It's VZ-1 and also in VZ-2?

10 A. Yes.

11 Q. And he's identify two boxes in this diagram in
12 the Allentown calling area, which you have represented
13 are end offices serving Allentown. Do you see those?

14 A. Yes.

15 Q. Do you know for a fact how many end offices serve
16 the Allentown local calling office?

17 A. No, I do not.

18 Q. It could be one?

19 A. Yes, that's possible.

20 Q. And do you recall Mr. Panner asking you some
21 questions about the transport of the call when Verizon
22 customer A and Allentown called USLEC customer D
23 located in Allentown; do you recall that?

24 A. No.

25 Q. And he asked you to explain how the call would go .

- 1 from the Allentown calling area to USLEC switch; is
2 that right?
- 3 A. Yes.
- 4 Q. And he discussed the transport that Verizon would
5 incur in carrying that call to the USLEC switch; is
6 that right?
- 7 A. Yes.
- 8 Q. How did USLEC get the call to its customer, call
9 customer D in Allentown?
- 10 A. USLEC transports that call over the facilities
11 that we lease from Verizon and third parties from
12 USLEC switch to caller D in the Allentown local
13 calling area.
- 14 Q. And who bears the cost of transporting the call
15 to caller D?
- 16 A. USLEC.
- 17 Q. Let's reverse the situation for a minute, if you
18 let's have USLEC caller D in Allentown call Verizon
19 caller A in Allentown. How does USLEC get the call
20 from caller D to Verizon?
- 21 A. USLEC would carry that call from caller D in the
22 Allentown local calling area over the DS-1 or DS-3
23 loop, which USLEC purchases from Verizon and would
24 then place that on the facility, either fiber ring or
25 transport that we may purchase from a third party to

1 USLEC switch. And they transport that to Verizon's
2 IP.
3 Q. Which is where, as you understand it?
4 A. In the Philadelphia local calling area.
5 Q. At its tandem?
6 A. Yes.
7 Q. So as I understand it, the call goes --- USLEC
8 carries the call from USLEC customer D to its switch,
9 which we agree is somewhere in Philadelphia, and then
10 take it is to Verizon's IP and its access channel; is
11 that right?
12 A. Yes.
13 Q. Who pays the transports cost for USLEC's
14 transport of that call?
15 A. USLEC.
16 Q. Does Verizon pay USLEC for transporting that
17 call?
18 A. They pay reciprocal compensation to terminate the
19 call.
20 Q. They pay reciprocal ---?
21 A. I'm sorry. I got the directions confused no,
22 USLEC pays for that. We pay for the facility that
23 carries the call from caller D to USLEC's switch over
24 to Verizon's IP, and then we pay Verizon reciprocal
25 compensation to terminate that call.

1 Q. So not only do you incur the transport cost of
2 taking the call from Allentown to Philadelphia and
3 handing it to Verizon's access tandem, you also have
4 to pay Verizon the terminating function?

5 A. Correct.

6 Q. And do you have any idea in Pennsylvania whether
7 the traffic between USLEC and Verizon is balanced?

8 A. It's my understanding that the traffic is roughly
9 in balance.

10 Q. So roughly the same number of calls are going
11 from USLEC to Verizon as are coming from Verizon to
12 USLEC?

13 A. That is my understanding.

14 Q. So roughly the transport costs that Verizon
15 incurs are roughly the same as the transport costs
16 that USLEC incurs?

17 A. That would be correct.

18 Q. Now, I think Mr. Panner also used the same
19 example but kind of reversed it and had customers in
20 Philadelphia and a switch in Allentown. I think that
21 was a hypothetical that was used. Would there be any
22 difference in the way the call is transported in that
23 scenario, if a USLEC customer in Philadelphia is
24 calling a Verizon customer in Philadelphia with the
25 switch in Allentown?

1 A. My understanding, it would be the reverse of the
2 situation you just discussed.

3 Q. And again, USLEC would bear the cost of
4 transporting the call from its customers to Verizon's
5 IP?

6 A. Correct.

7 Q. And would pay Verizon termination function for
8 taking the calls to its customer?

9 A. Yes, we would.

10 Q. Now, at several times there was some discussions
11 about a point of interconnection, which I think may
12 have also been referred to as a point of interface,
13 and an interconnection point. What is your
14 understanding of the point of interconnection? What
15 is it?

16 A. The point of interconnection, as I understand it,
17 is the physical point at which networks interconnect.

18 Q. And what --- and just so I understand, your use
19 to the phrase point of interface means the same thing?

20 A. Yes.

21 Q. And what do you understand the phrase
22 interconnection point to mean?

23 A. The interconnection point is the point on the
24 respective parties' networks wherein financial
25 responsibility to terminate the call begins. And that

1 has always been Verizon's access tandems for
2 termination of numbers or their end office for numbers
3 that subtandem end office and, conversely, USLEC's IP
4 has been USLEC's switch.

5 Q. So as you understand the traffic that USLEC
6 originates, where does it hand that traffic off to
7 Verizon?

8 A. We hand that off to Verizon at Verizon's IP.

9 Q. And USLEC is responsible for taking the traffic
10 to Verizon's IP; is that correct?

11 A. Correct.

12 Q. And how many different locations has USLEC
13 established points of interconnection or IPs with
14 Verizon for delivery of its traffic?

15 A. In Pennsylvania, I believe that number would be
16 four.

17 Q. And where are they?

18 A. In the Philadelphia LATA, that would be the
19 market access tandem and the Fort Washington access
20 tandem. And in Pittsburgh that would be the downtown
21 access tandem and the Oakland access tandem.

22 Q. Now, I believe Mr. Panner was discussing with you
23 some of the factors in determining the costs of
24 transporting traffic from the local boundary to the
25 switch; do you recall that?

- 1 A. Yes.
- 2 Q. And he discussed with you traffic volume?
- 3 A. Yes.
- 4 Q. And balance?
- 5 A. I believe so.
- 6 Q. Traffic balance. What other factors enter into
- 7 the equation of determining the costs of transporting
- 8 traffic?
- 9 A. The other factors, as I believe I've testified,
- 10 are facilities availability, the engineering type of
- 11 the facility, traffic volumes, distance. There's is a
- 12 number of factors involved.
- 13 Q. Would any of those factors alone be the
- 14 determining factor?
- 15 A. No, I do not believe so.
- 16 Q. And in any different situation, it could be a
- 17 combination of those factors that would impact the
- 18 costs?
- 19 A. Yes, that would be possible.
- 20 Q. And those factors are also in play in the concept
- 21 of efficiency; is that right?
- 22 A. Yes.
- 23 Q. Do any one of those factors alone determine
- 24 whether a particular method or particular route is
- 25 effective or not?

- 1 A. No, I do not believe so.
- 2 Q. And so again, it's a combination of factors?
- 3 A. Yes.
- 4 Q. Now, you've talked and Mr. Panner asked you some
5 questions about methods of interconnection. Do you
6 recall that?
- 7 A. Yes.
- 8 Q. And he suggested that USLEC had the ability to
9 choose several different methods of interconnection.
10 Do you recall that?
- 11 A. Yes.
- 12 Q. And do you recall what those methods of
13 interconnection are?
- 14 A. Yes, I believe so. I believe the three options
15 available are to purchase an entrance type facility
16 from Verizon, to purchase facilities from a third
17 party or to co-locate.
- 18 Q. Now, Verizon also has a proposal that was either
19 known as GRIPS or VGRIPS. Are you familiar with that?
- 20 A. GRIPS, yes.
- 21 Q. And under GRIPS, what does that mean?
- 22 A. The GRIPS proposal, as I understand it, requires
23 USLEC to establish an IP in every local calling area.
- 24 Q. And VGRIPS, what does that mean?
- 25 A. Virtual geographically relative interconnection

1 points requires USLEC to establish its point of
2 interface, via co-location and allow Verizon to
3 declare any end office co-location which USLEC
4 establishes to also be declared as an IP.

5 Q. And if USLEC declines to co-locate, what other
6 option is available?

7 A. If we decline to relocate, there really is no
8 option for USLEC. We are forced at that point to
9 compensate Verizon for traffic they originate from
10 their end office to USLEC's IP.

11 Q. Does USLEC co-location as a method of
12 interconnection?

13 A. No, we don't.

14 Q. Why is that?

15 A. Basically, it's not part of our business plan.

16 Q. Are there any economic reasons?

17 A. Yes. Co-location is extremely expensive.

18 Q. And so since USLEC does not now co-locate in
19 Pennsylvania under VGRIPS, USLEC would have to
20 establish expensive co-location sites at any number of
21 points selected by Verizon?

22 A. Yes.

23 Q. Alternatively, if USLEC declines, then what would
24 happen?

25 A. Under the current proposal, USLEC would have to

1 compensate Verizon for its originated traffic from
2 their originating end office to USLEC's IP.

3 Q. So if we go back to the scenario in VZ-1 where
4 Verizon customer A is calling USLEC customer D and
5 Verizon is carrying the traffic to USLEC's IP at its
6 switch, currently Verizon pays for that transport; is
7 that correct?

8 A. Yes.

9 Q. And under VGRIPS, is it your testimony that USLEC
10 would now have to bear that cost?

11 A. Yes.

12 Q. So that in addition to paying for the transport
13 cost when its customer D calls Verizon customer A,
14 which you already bear; is that right?

15 A. Yes.

16 Q. You would also have to bear the cost of Verizon
17 transport when its customer calls USLEC's customer; is
18 that correct?

19 A. Yes.

20 Q. So USLEC, in essence, would be bearing the entire
21 cost of transporting Verizon's traffic and USLEC's
22 traffic; is that correct?

23 A. Yes.

24 ATTORNEY SHOR:

25 I have no further questions.

1 JUDGE:
2 Any Redirect?
3 ATTORNEY PANNER:
4 Just a little bit. Sorry.
5 JUDGE:
6 No need to apologize. You have
7 the right.

8 REDIRECT EXAMINATION

9 BY ATTORNEY PANNER:

10 Q. You've testified that traffic between the two
11 networks is roughly in balance; is that right?

12 A. Yes.

13 Q. What do you mean by that?

14 A. Roughly in balance, it's my understanding that
15 current traffic is approximately two to three to one
16 in the State of Pennsylvania. And for a network
17 that's been out for basically about three years,
18 that's about as close to balance as you can get at
19 this point.

20 Q. So you're saying that USLEC receives two to three
21 times as much traffic as it originates?

22 A. Correct.

23 Q. Do you know if USLEC actually serves any
24 customers in Allentown?

25 A. I do not know. You would have to look to the

1 discovery responses we provided based on the rate
2 centers where we've been assigned NXXs and have
3 customers. I do not recall if Allentown is one of
4 them.

5 Q. In your discovery responses which were not marked
6 confidential you stated that you had an NXX code in
7 Allentown. Does that mean that you have customers in
8 Allentown?

9 A. Yes.

10 Q. Have you testified that you have virtual NXX
11 arrangements in Pennsylvania?

12 ATTORNEY SHOR:

13 Objection. That's not this
14 witness.

15 BY ATTORNEY PANNER:

16 Q. Have you reviewed USLEC's discovery responses and
17 have you reviewed the testimony of Ms. Montano? I
18 know those are two questions. But you can answer
19 both, if you can,?

20 A. Yes, I have.

21 Q. Are you familiar, either of your own knowledge or
22 from documents in this case, that USLEC provides a
23 virtual FX service in Pennsylvania?

24 ATTORNEY SHOR:

25 Object to the extent that this

1 goes beyond the scope of Redirect.

2 ATTORNEY PANNER:

3 I don't think it goes beyond the
4 scope of Redirect. He was asking about the cost that
5 would be incurred in transporting traffic to
6 Allentown. It is important to establish whether that
7 is a hypothetical or whether costs are incurred.

8 JUDGE:

9 I'll allow it.

10 A. I'm sorry, repeat the question.

11 BY ATTORNEY PANNER:

12 Q. The question is, do you offer virtual FX service
13 in Pennsylvania? Do you provide virtual FX service in
14 Pennsylvania?

15 A. USLEC provides foreign exchange service. We do
16 not have a service called virtual NXX. But, yes, we
17 provide foreign exchange service in the State of
18 Pennsylvania.

19 Q. So in fact, the fact that you have numbers in
20 Allentown does not mean necessarily that you have any
21 customers in Allentown; is that correct.

22 ATTORNEY SHOR:

23 Objection, mischaracterizes his
24 testimony.

25 ATTORNEY PANNER:

1 I asked him if it is correct.

2 ATTORNEY SHOR:

3 He testified that he does.

4 ATTORNEY PANNER:

5 I asked him if it is correct, the
6 fact that you --- okay. I'll allow the Judge to rule
7 on the objection before I talk on.

8 JUDGE:

9 Thank you. Would there be a
10 problem with him answering that question.

11 ATTORNEY SHOR:

12 Go ahead.

13 JUDGE:

14 He asked if it's correct. It
15 seems to me there are two possible answers. One, it
16 is correct or, two, it is not correct.

17 ATTORNEY SHOR:

18 Fine.

19 JUDGE:

20 Okay.

21 A. I have reviewed the discovery responses and Wanda
22 Montano's testimony. And the manner in which the
23 information that was provided to me for the discovery
24 responses indicate that that NXS in Allentown is being
25 used to provide service to customers in Allentown. My

1 recollection is that the six foreign exchange
2 customers that USLEC has in Pennsylvania, none of them
3 are in that rate center.

4 Q. You've said that none of the customer are in the
5 rate center. But that doesn't mean that some of those
6 customers might not have been assigned Allentown
7 numbers?

8 A. I do not know.

9 Q. Are you familiar with USLEC's rate structure in
10 Pennsylvania?

11 A. No, I'm not.

12 Q. Okay. Does USLEC --- are you familiar with ---
13 I'll ask you a question. If you know the answer
14 obviously you'll answer. If you don't know, you don't
15 know you don't.

16 Is USLEC free to charge more to provide service
17 to customers in Allentown than it is --- than it
18 charges to customers who are located in Philadelphia?

19 A. I do not know.

20 Q. Is USLEC complaint with VGRIPS in --- does USLEC
21 have arrangements with other incumbent local exchange
22 carriers in other states that comply with your
23 understanding of Verizon's VGRIPS proposal?

24 ATTORNEY SHOR:

25 Objection as to relevance. It

1 goes beyond the scope of Redirect.

2 ATTORNEY PANNER:

3 I'll withdraw the question.

4 BY ATTORNEY PANNER:

5 Q. In your understanding of VGRIPS, would a third
6 party co-location satisfy the requirement for
7 co-location?

8 A. Yes.

9 Q. Can you explain what a third party co-location
10 arrangement is?

11 A. A third party co-location, as I understand it
12 from the aspect of complying with VGRIPS is where
13 USLEC uses a third party's co-location arrangement and
14 transport to transport our traffic from our IP to the
15 point of interface with Verizon and, conversely,
16 Verizon hands off their traffic at that point of
17 interface via a facility provided by that third party
18 co-locator.

19 Q. So USLEC would comply with VGRIPS without
20 establishing any co-location arrangement in
21 Pennsylvania; isn't that correct?

22 A. We would have to establish arrangements with
23 third-party co-locators, which is completely different
24 from the interconnection architecture I've established
25 over the last three years with Verizon.

1 ATTORNEY PANNER:

2 I have no further questions.

3 JUDGE:

4 Are we finished with this

5 witness? Mr. Shor? Let's go off the record for a
6 moment.

7 OFF RECORD DISCUSSION

8 ATTORNEY SHOR:

9 I think I just have one two follow
10 ups to the Recross.

11 RECCROSS EXAMINATION

12 BY ATTORNEY SHOR:

13 Q. You recall Mr. Panner asking you about the
14 assignment and usage of NXX codes?

15 A. Yes.

16 Q. And he asked you whether the NXX assignment to
17 Allentown was being utilized by customers physically
18 located in Allentown?

19 A. Yes.

20 Q. Now, USLEC provided Verizon with a list of NXX
21 codes that it utilizes throughout Pennsylvania. Do
22 you recall that?

23 A. Yes.

24 Q. To your knowledge, does USLEC have customers
25 physically located in the local calling areas where

1 those rate centers are?

2 A. Yes.

3 Q. Each and every one of them?

4 A. Yes.

5 ATTORNEY SHOR:

6 I have no further questions.

7 ATTORNEY PANNER:

8 No further questions.

9 JUDGE:

10 Fine. The witness is excused.

11 Thank you for coming, sir.

12 A. Thank you.

13 JUDGE:

14 I can't see any point in starting
15 the next witness before going to lunch. And my
16 assumption is that we will come back from lunch and do
17 Mrs. Montano's testimony on issues one and two only
18 before we switch over to the Verizon side.

19 Recognizing that she does go beyond one and two, I
20 only find that interesting, but I do not want to build
21 the record differently. So if you could all be back
22 in your seats by about 1:30, that would probably work
23 very well.

24 ATTORNEY SHOR:

25 In terms of timing, how long do

1 you intend to go today?

2 JUDGE:

3 Until we are finished.

4 ATTORNEY SHOR:

5 Thank you. I will be brief.

6 LUNCH BREAK TAKEN

7 JUDGE:

8 Good afternoon, ladies and

9 gentleman. I see we have Mrs. Montano in the witness

10 seat. Mr. Shor?

11 ATTORNEY SHOR:

12 Yes, USLEC calls Wanda Montano to

13 the behalf of USLEC.

14 WANDA MONTANO, PREVIOUSLY SWORN, CALLED TO TESTIFY

15 JUDGE:

16 Ms. Montano, I know you've already

17 taken the oath as a witness. So it's up to you and

18 your counsel to proceed.

19 A. Thank you.

20 DIRECT EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Ms. Montano, would you please state your full

23 name and business address for the record?

24 A. Wanda G. Montano, 6801 Morrison Boulevard,

25 Charlotte, North Carolina, 28311.

- 1 Q. By whom are you employed?
- 2 A. USLEC Corp.
- 3 Q. What is your title?
- 4 A. Vice president, regulatory and industry affairs.
- 5 Q. Did you cause to be prepared 34 pages of direct
6 testimony that were filed this proceeding on May 31,
7 2002?
- 8 A. Yes, I did.
- 9 Q. Do you have any changes or corrections to that
10 testimony?
- 11 A. Yes. On page 21 at line four, the answer was
12 that we do not currently utilize service. And we have
13 done additional research to determine that, in fact,
14 we do have six customers in Pennsylvania that purchase
15 foreign exchange services from USLEC.
- 16 Q. Do you have any other changes or corrections to
17 your testimony?
- 18 A. No, I do not.
- 19 Q. If I would ask you those questions today, your
20 answers be the same?
- 21 A. Yes, they would.
- 22 Q. And did you cause to have prepared 14 pages of
23 rebuttal pages that were filed in this proceeding on
24 July 9, 2002?
- 25 A. Yes, I did.

1 Q. Do you have any changes or corrections to this
2 testimony?

3 A. No, I do not.

4 Q. If I were to ask you these questions today, would
5 your answers be the same?

6 A. Yes.

7 ATTORNEY SHOR:

8 Your Honor, on behalf of USLEC I
9 respectfully move the admission of the direct and
10 rebuttal testimony of Wanda G. Montano into the
11 record, subject to Cross Examine.

12 JUDGE:

13 USLEC statement 2.0 and 2.1 are
14 admitted, subject to Cross Examine and any timely
15 motions. Mr. Panner?

16 ATTORNEY PANNER:

17 Thank you, Your Honor. Before I
18 begin my cross examination, I'd like to clear up one
19 matter. I'd like to move the admission of the
20 exhibits marked VZ-1, VZ-2 and VZ-3.

21 JUDGE:

22 They're admitted without
23 objection.

24 ATTORNEY PANNER:

25 Thank you, Your Honor.

1 CROSS EXAMINATION

2 BY ATTORNEY PANNER:

3 Q. Good morning, Ms. Montano.

4 A. Hi.

5 Q. You testified in your testimony that under FCC
6 decisions, the default rule is the physical connection
7 of the party's network and the demarcation mark
8 indication of financial responsibility are at the same
9 point that's in your direct testimony at page 45, line
10 22 to page five, line one; is that correct?

11 A. Yes, it is.

12 Q. To be clear, that's a legal conclusion; is that
13 correct?

14 A. Yes, it is.

15 Q. And also to be clear, did you understand Mr.
16 Hoffmann to testify that under the parties current
17 arrangement the point of physical demarcation and the
18 point of --- excuse me, the point of physical
19 connection and the demarcation of financial
20 responsibility is not the same?

21 A. I believe that's what Mr. Hoffmann said, but I'd
22 like to clarify that. USLEC's position is that for
23 traffic that Verizon terminates to USLEC, both the POI
24 and the IP are at our switch. Traffic in the opposite
25 direction, we deliver that traffic to you at your

1 tandem. The term IP is something that Verizon has
2 created for the context of this agreement and does not
3 exist in any legal or regulatory documentation.

4 Q. Okay. That is fine. But it is certainly
5 possible to talk about a different physical connection
6 from the demarcation of financial responsible, that is
7 certainly possible to talk about?

8 A. Certainly.

9 Q. In your testimony on page six, at lines five to
10 six, you say that the Act and the FCC recognize that
11 new entrances such as USLEC must be able to determine
12 the most efficient location for the exchange of
13 traffic. Is that your testimony?

14 A. Yes, it is.

15 Q. Is that a legal conclusion?

16 A. I would consider it both a legal and a business
17 conclusion as well, because those are the rules that
18 are set in place under which we operate.

19 Q. So it would be correct to say it's a legal
20 conclusion?

21 A. I answered it. I said it was both a legal and a
22 business conclusion.

23 Q. In what way is it a business conclusion and not a
24 legal conclusion?

25 A. Because the industry in which both of our

1 companies operate is regulated by state utility
2 commissions as well as it's FCC. And their decisions
3 are interpreted by the courts. Those becomes the
4 rules of the road for any company that chooses to
5 operate in this environment and offer services.
6 Therefore, it becomes the frame work for our business
7 plan.

8 Q. Is that framework a legal framework or is it
9 something else?

10 A. I consider it to be both.

11 Q. You say that USLEC must be able to determine the
12 most efficient location for the exchange of traffic.

13 What do you mean by the most efficient location?

14 A. The location at which point we will exchange
15 traffic with our partners, such as Verizon.

16 Q. What does the term most efficient location mean?

17 A. I think it is a technical description in terms of
18 what technically works.

19 Q. Can you be more specific? So any arrangement
20 that technically works is the most efficient?

21 A. Not necessarily.

22 Q. How would you distinguish a more efficient from a
23 less efficient technically possible arrangement?

24 A. I think we would look at the network design of
25 what we are purchasing from Verizon and other vendors,

1 the vendor which we are providing service to our
2 customers to determine, based on that, what works in
3 terms of the closest or point of interconnection to a
4 network.

5 Q. The closest point of interconnection to what?

6 A. Your network.

7 Q. To our network?

8 A. To our partner's network.

9 Q. So I just want to --- you've testified --- you've
10 chosen the words that are the most efficient
11 location.

12 A. Uh-huh (yes).

13 Q. You're testifying that the most efficient

14 location is the location --- well, let me back up.

15 You've testified that Verizon has a ubiquitous network
16 in the Philadelphia LATA; didn't you?

17 A. Yes, I have.

18 Q. Just to clarify that, do you know if Verizon

19 provides services to all areas in the Philadelphia

20 LATA?

21 A. It is my understanding that Verizon is the

22 incumbent LEC in that territory, yes.

23 Q. Subject to check, is it possible that there are

24 actually independents who also provide services?

25 A. Yes, I believe Commonwealth Telephone also

- 1 provides service in that LATA as well.
- 2 Q. So it would actually be --- there are some
3 portions of the LATA where Verizon provides services?
4 Do you believe that that's correct?
- 5 A. Yes.
- 6 Q. So when you say that a place is closer to Verizon
7 network, what do you mean?
- 8 A. Based on the services that we are purchasing from
9 Verizon in order to service our customers, which as
10 Mr. Hoffmann has described, is an OC-48 ring, and we
11 purchase that out of your special access tariff from
12 the wholesale part of your business, then we will
13 interconnect with you at some point off of that ring
14 network. And so we look at that ring design and where
15 it goes. We typically run it through your tandem
16 offices so we can make sure that we have done an
17 efficient design of our network to efficiently
18 exchange change traffic between the two companies.
- 19 Q. So for traffic originated by Verizon, you would
20 pick up the traffic at various points on Verizon's
21 network where it was most efficient?
- 22 A. It is not our responsible to pick up Verizon's
23 traffic, it is your responsibility to deliver traffic
24 to me at my point of interconnection.
- 25 Q. I'm not asking you about what our responsibility

1 is. I'm asking about what the current arrangements
2 are. You testified that you would have a point of
3 interconnection in various places on Verizon's
4 network?

5 A. The points of interconnection that you're
6 describing are for the traffic that I originate that I
7 deliver to Verizon.

8 Q. And now I'm asking you about the traffic that
9 Verizon customers originate. How would you decide
10 what the most --- how would you decide what the most
11 efficient place is to pick up that traffic?

12 A. We determine what the IP is and we have selected
13 our switch at the IP.

14 Q. And why is that the most efficient point?

15 A. Because we believe that that is our legal right
16 to make that decision.

17 Q. Okay. Do you doubt that Verizon --- strike
18 that.

19 You've testified that the requirement that USLEC
20 designate an end office co-location as an
21 interconnection point would require USLEC to mirror
22 Verizon's architecture; is that your testimony?

23 A. Yes, it is.

24 Q. First of all, does USLEC have any co-location or
25 anything in the Philadelphia LATA?

- 1 A. No, we don't.
- 2 Q. Now, if you were co-located in a particular end
3 office, would you by definition already have
4 facilities in place in that location?
- 5 A. I don't understand your question.
- 6 Q. Okay. What don't you understand?
- 7 A. What you mean by facilities.
- 8 Q. Would you have some kind of facility, any kind of
9 equipment in place at that co-location rate?
- 10 A. Typically when a CLEC built the co-location cage
11 at a CO, there is some equipment that they install
12 there.
- 13 Q. Okay. And would that equipment be connected to
14 your network in some way by some kind of transport
15 facility?
- 16 A. If USLEC's business plan included co-location,
17 then, yes. But since our business plan does not
18 include co-location, you know, it's a theoretical
19 question.
- 20 Q. Okay. So the dispute over section 7.1.1.3 is
21 purely theoretical?
- 22 A. I couldn't consider that to be theoretical
23 because you're asking us to include language in the
24 interconnection agreement that would allow you to
25 force us to change the way that we do business by

1 requiring us to co-locate.

2 Q. Under 7.1.1.3, under your understanding?

3 A. Would you give me a copy, please? I'm not going
4 to ---.

5 Q. Certainly. This has been previously entered as
6 Verizon Exhibit Three. Excuse me, I may have confused
7 you because I referred to the wrong section. I'm glad
8 you brought the agreement in front --- so I can put
9 the agreement in front of us so we can correct the
10 record. I'm really referring to 7.1.1.2,, which is
11 the provision that refers to a situation where USLEC
12 had a co-location site.

13 A. Okay.

14 Q. And it says here that the beginning of the
15 section is at anytime that USLEC establishes the
16 co-location site at a Verizon end office. Have I read
17 that correct?

18 A. Yes.

19 Q. So this would only apply in a situation where
20 USLEC establishes an end office co-location
21 arrangements?

22 A. If you take it out of context, yes. If you leave
23 it in context to 7.1.1.3, our concern is that Verizon
24 could force us to do this.

25 Q. Okay. Is that your concern is that Verizon

- 1 could force you to do that, even if you didn't chose
2 to establish an end office co-location arrangement?
- 3 A. Absolutely.
- 4 Q. And that's your main concern?
- 5 A. I wouldn't characterize it as a main concern.
6 It's one of our concerns.
- 7 Q. What are your other concerns?
- 8 A. There is the issue with the 30 days in terms of
9 negotiating things. And if you look at the track
10 record we have with negotiating anything with Verizon,
11 it's nothing that can be done in 30 days. And
12 secondly, we have an existing architecture for which
13 we are paying you special access retail rates. And
14 I'm sure that the wholesale side of your business
15 would not be pleased to leave that business. And we
16 do not want to disrupt our network and our customers.
17 And again, the track record that we had with Verizon,
18 anytime we've tried to re-groom our network or move
19 customers is that customers go out of service. You
20 guys do not do a very good job of moving customers
21 around for us.
- 22 Q. Again, getting back to the language of 7.1.1.2,
23 it begins --- it says at any time that USLEC
24 establishes a co-location site at a Verizon end
25 office. Is that what that language says?

1 A. Yes.

2 Q. Okay. Now, would this provision apply in any
3 circumstance, in your understanding, with this
4 provision 7.1.1.2 apply in any circumstance where
5 USLEC did not establish a co-location or site at a
6 Verizon end office?

7 A. I believe my earlier answer was that if you take
8 that paragraph out of context, no. But if you leave
9 it in connection to the agreement, yes.

10 Q. And can you explain to me how that paragraph
11 would apply in context?

12 A. If you read the next paragraph, the concern that
13 we have is that --- except that Verizon may request in
14 writing to transition such USLEC IPs. You can request
15 it in writing, I can say no. Then we go into dispute
16 resolution. And we continue to have this issue. I
17 have an existing network architecture. It works. It
18 is not broken. Why do I need to change?

19 Q. Okay. Just to be very clear, if I were to say
20 to you that provision 7.1.1.2 applies only in a
21 circumstance where USLEC establishes a co-location
22 site at a Verizon end office, either standing alone or
23 in context, would that eliminate your objections to
24 7.1.1.2?

25 A. Based on the track record of six years that I've

1 been dealing with Verizon, no, I have no level of
2 confidence.

3 Q. Thank you. But if I were to say that aside from
4 the fact that you might not take it as true, if it
5 were true, would you have any other objection to that
6 provision?

7 A. Well, our objection would be the language at the
8 end of the paragraph that says that Verizon will pay
9 us last year transport rate, tandem switching rate and
10 those issues. We would not agree to that rating
11 schedule.

12 Q. Do you have any --- and I apologize if this is
13 asked and answered. I want to make sure it's clear on
14 the record. But do you have any plans to establish an
15 end office co-location site during the term of this
16 agreement in Philadelphia or Pittsburgh LATA?

17 A. Not at this time.

18 Q. Okay. Do you agree that there are some
19 circumstances where an incumbent LEC may require a
20 separate point of demarcation or where it would be
21 appropriate for the state Commission to require a CLEC
22 to establish a point of financial do mark indication
23 different from the physical point of interconnection
24 in the LATA.

25 ATTORNEY SHOR:

1 Objection as to form. It's a
2 compound question.

3 ATTORNEY PANNER:

4 I'll try to rephrase it.

5 BY ATTORNEY PANNER:

6 Q. Do you agree that there are circumstances where a
7 state commission could require a CLEC to establish a
8 point of financial demarcation, as you've referred to
9 it in your testimony, different from the physical
10 point of interconnection of the two networks?

11 A. I don't think it's my right to speculate on what
12 any state commission might or might not do. That's
13 within their purview, within the frame work of their
14 statute and their rules.

15 Q. Have you testified that there are circumstances
16 where it would be appropriate for a state commission
17 to establish a separate IP where CLEC requires an
18 extensive form of interconnection?

19 A. Is there something in my testimony that you would
20 like me to look at?

21 Q. Well, it's on page two. There's a question and
22 answer that begins on line 12. And then there was an
23 answer at line 16 to 18?

24 A. Is this rebuttal or direct?

25 Q. I'm sorry. It's in your rebuttal. I apologize.

1 A. Okay.

2 Q. So we're discussing the bottom of page two. I've
3 referred you to the question and then the answer at
4 line 16 to 18. You testified that there are
5 circumstances where a state commission may require a
6 CLEC to establish a separate IP from it's point of
7 interconnection?

8 A. Yes.

9 Q. Did you sponsor a question in discovery
10 concerning the location, the NXX codes that USLEC has
11 in service in the Philadelphia LATA?

12 A. Yes, I did.

13 Q. Do you know if USLEC is able to charge more when
14 it serves a customer that is located further from its
15 switch for providing a local service?

16 A. USLEC is a non-dominant carrier and, as such, has
17 no market power. We use market-based pricing and we
18 have to charge our customers in accordance with what
19 the market will bear. I doubt they would let me
20 charge them more than you would charge them.

21 Q. I'll ask it again. Do you charge your customers
22 more, depending on how far they are located from your
23 switch in the Philadelphia LATA?

24 A. We do market-base price. Assuming that Verizon,
25 and I am speaking solely from memory, that Verizon has

1 zoned pricing, based on how far customers are in
2 density zones. If we are pricing against those
3 density zones then, yes, we may charge differently
4 based on those zones. It may also be a function of
5 what Verizon charges us for the underlying facility.
6 However, I am not the marketing person for USLEC.
7 Q. Let me try to establish --- you've made a
8 statement about what Verizon charges. Are you
9 familiar with Verizon local exchange rates in
10 Pennsylvania?

11 ATTORNEY SHOR:

12 Objection. I believe that
13 mischaracterizes the witness' testimony.

14 ATTORNEY PANNER:

15 You can --- if you'd like to read
16 back the answer, you can decide whether you want to
17 maintain the objection. I would say she that she did
18 talk about the Verizon charge to the customer.

19 ATTORNEY SHOR:

20 The last answer was what Verizon
21 charges her.

22 A. I general know about the tariffs. I am not an
23 expert on them.

24 BY ATTORNEY PANNER:

25 Q. Do you know if Verizon charges a greater rate for

1 basic local service based on the customer's distance

2 from the end office serving the customer?

3 A. No, I do not.

4 Q. Do you know if Verizon can charge more when a

5 customer makes a call that is delivered to a USLEC

6 customer, Verizon has to route that call over a

7 distance USLEC switch?

8 A. I have no idea what your pricing policies are.

9 Q. So you don't know whether, in fact, Verizon has

10 any mechanism to recover the increased cost of

11 delivering a call to the USLEC switch?

12 ATTORNEY SHOR:

13 Objection, assumes facts not in

14 evidence.

15 BY ATTORNEY PANNER:

16 Q. Mr. Hoffmann testified, did he not, that he

17 wanted to calculate the difference in costs between

18 delivering a call within the local calling area for

19 Verizon and the cost of transporting a call to the

20 USLEC switch, less the termination compensation

21 payments that Verizon would have to make; did he not?

22 A. I believe so.

23 Q. And it's at least theoretically possible that

24 that amount might be --- that that might result in the

25 fact that it is more expensive for Verizon to

1 transport the traffic.

2 ATTORNEY SHOR:

3 Objection. Speculation.

4 ATTORNEY PANNER:

5 I think it's a legitimate
6 question. Could it be more expensive?

7 JUDGE:

8 I'll allow it. Overruled.

9 A. Anything is possible.

10 ATTORNEY PANNER:

11 I'm going to mark this VZ-4. I
12 should note that it's a portion of USLEC's
13 Pennsylvania local tariff. I believe that file
14 tariffs are judicially noticeable. And this is a
15 portion of the tariff only. It's not the complete
16 tariff. And the tariff was --- so this is a portion
17 of the tariff, not the complete tariff.

18 (Exhibit VZ-4 marked
19 for identification.)

20 BY ATTORNEY PANNER:

21 Q. First of all, do you recognize this document?

22 A. Yes, I do.

23 Q. Can you tell me what it is?

24 A. It is the tariff that we had filed with the
25 Pennsylvania Public Utility Commission.

1 Q. Can you please turn to --- as I say, it's an
2 excerpt from the tariff but it should be in order.
3 Could you turn to section four, original page two?
4 You'll see that the section numbers in the original
5 page numbers are at the top right. And this is
6 entitled section four, exchange access service; is
7 that correct?

8 A. Yes, it is.

9 Q. And it says 4.2 explanation of rate schedules; is
10 that correct?

11 A. Yes, it is.

12 Q. Now, is it correct that your rate schedule is
13 dependent on the distance of the customer's serving
14 wire center from the USLEC switch?

15 ATTORNEY SHOR:

16 Your Honor, I'd like to object at
17 this point to this document because Counsel has told
18 me that it's a portion of a tariff. Counsel has told
19 me what he thinks it is. But there are obviously
20 pages that are missing here that this witness does not
21 have an opportunity to refer to, does not have an
22 opportunity to direct her attention to. And I think
23 that asking this witness to draw conclusions based on
24 this document that he has proffered is inappropriate.

25 JUDGE:

1 Mr. Panner, do you have the whole
2 document present?

3 ATTORNEY PANNER:

4 I do, although I'm afraid there
5 are pieces pulled out of it. I should note that this
6 is --- actually, this document is available on USLEC's
7 website.

8 JUDGE:

9 Well, we don't have this available
10 in this hearing room right now. Mr. Shor, the normal
11 remedy that we impose for this kind of objection is to
12 put the whole tariff in. I would prefer not to do
13 that just because, undoubtedly, it's just going to
14 clutter the record. But what I'm going to do is I'm
15 going to allow, based on Mr. Panner's representations
16 the questioning to continue. During the break, I will
17 rely on you and Mr. Panner to get together, to review
18 the entire document. And if you have some problem
19 with any portion of the document which is missing and
20 that is not part of the excerpt, you will certainly be
21 permitted during Redirect to introduce whatever you
22 think is necessary.

23 ATTORNEY SHOR:

24 Thank you.

25 ATTORNEY PANNER:

1 Madam Court Reporter, could you
2 read back the last question?

3 COURT REPORTER READS BACK PREVIOUS QUESTION

4 A. It appears from the tariff that it is.

5 ATTORNEY PANNER:

6 I have nothing further as to these
7 issues, I should say.

8 ATTORNEY SHOR:

9 Your Honor, just in light of your
10 request earlier regarding the procedure and the order
11 for witnesses, the testimony that we submitted from
12 Ms. Montano addressed all of her witnesses. And we
13 felt it would be more appropriate just to submit it
14 all at once.

15 JUDGE:

16 Yes. And I do understand that and
17 I appreciate that she addressed all of the issues that
18 were the forthcoming from your side of the fence, and
19 I have no problem with that. It's just a situation
20 where I'd like to hear Verizon's side of the story on
21 issues one and two next. I also appreciate that ---
22 did you say you finished Cross Examine.

23 ATTORNEY PANNER:

24 Yes.

25 JUDGE:

1 Fine. I think it would be
2 appropriate now to take a break, for you and Mr.
3 Panner to discuss that tariff, and if you have
4 Redirect for Ms. Montano --- wait a minute. I'm sorry
5 before we go there, sometimes I have questions for
6 witnesses. And I do. Would you turn to page nine of
7 the testimony.

8 ATTORNEY SHOR:

9 Direct?

10 JUDGE:

11 Direct. And I would like you to
12 focus on lines 20 and 21. Do you see that?

13 A. Yes, sir.

14 JUDGE:

15 On lines 20 and 21 you are
16 suggesting that the Verizon proposal is inconsistent
17 with both FCC rules and Commission precedent. Do you
18 see that?

19 A. Yes.

20 JUDGE:

21 And when you speak of the
22 Commission, what commission are you talking about?

23 A. The Pennsylvania Commission.

24 JUDGE:

25 And when you speak of Commission

1 precedent, what precedent are you talking about?

2 A. It's my understanding that we relied upon Sprint,
3 the focal and the third circuit decisions.

4 JUDGE:

5 Fine. Move on to page 29,
6 please.

7 A. I'm sorry?

8 JUDGE:

9 Page 29.

10 A. Thank you.

11 JUDGE:

12 And this is more of a question in
13 lieu of resolving some confusion that I have. Because
14 you did not quite number your issues the same way you
15 did in your petition. I lost track of which issues
16 were settled and which weren't.

17 A. Okay.

18 JUDGE:

19 On page 29, line 13 is that issue
20 which you have marked as issue number seven settled on
21 advice of counsel? The answer is yes.

22 ATTORNEY SHOR:

23 Yes.

24 JUDGE:

25 Fine. , that's what I needed to

1 ---.

2 A. That's not right.

3 ATTORNEY PANNER:

4 That's not right.

5 ATTORNEY PANNER:

6 It should be issue eight. It
7 should be issue eight subject to Mr. Shor's agreement.

8 ATTORNEY SHOR:

9 That is correct.

10 JUDGE:

11 Okay. So it is issue number
12 eight because that's when I read it, I labeled it ---
13 I noticed it was labeled issue seven. I labeled it
14 eight and then I couldn't figure out whether it was
15 settled or not.

16 ATTORNEY SHOR:

17 I'd like to tell you that it was
18 settled, but it wouldn't be in a way that was
19 favorable, I'm sure.

20 JUDGE:

21 Well, that's what I needed to
22 know. Is it settled? And the answer is no. And it
23 was issue eight. That's what I really needed to
24 know. Fine. Now, having finished that examination,
25 is there any continued Cross Examination.

1 ATTORNEY PANNER:

2 No, Your Honor.

3 JUDGE:

4 Fine. Now, let's take that
5 break. And I'll let you and Mr. Panner signal when
6 you're ready and Redirect can continue.

7 ATTORNEY SHOR:

8 I'd just like to see what he has
9 for the whole tariff.

10 ATTORNEY PANNER:

11 Sure.

12 ATTORNEY SHOR:

13 And ask only if the portions that
14 are missing are the portions that are included here in
15 Exhibit VZ-4 or whether there are other aspects or
16 portions of the tariff that are not here at all.

17 ATTORNEY PANNER:

18 The only portion of the tariff
19 that, I'm not sure it exists because it's not included
20 here, is on your website the table of contents
21 indicate that there is a section 11 which is maps.
22 And that was not on the website.

23 JUDGE:

24 Let's go off the record for this
25 discussion.

1 OFF RECORD DISCUSSION

2 ATTORNEY SHOR:

3 USLEC is satisfied with the
4 portion of the tariff that is identified as VZ-4 and
5 we'll withdraw the objection. With that tariff, we
6 have a very short Redirect.

7 REDIRECT EXAMINATION

8 BY ATTORNEY SHOR:

9 Q. Ms. Montano, do you recall a question from Mr.
10 Panner concerning the ability of a state commission to
11 accept a separation from the point of interconnection
12 or point of financial demarcation in a network?

13 A. Yes, I do.

14 Q. What do you understand to be the factors involved
15 in making that decision?

16 A. The preparation and submission of cost studies by
17 the incumbent.

18 Q. To your understanding, is there a standard that
19 must be met in order for that separation to be met?

20 A. There has to be a proof that there is a
21 difference in the cost structure.

22 Q. That it's the same, more or less?

23 A. It is more expensive.

24 Q. To your knowledge, have you seen any evidence in
25 this record from Verizon that USLEC's choice of

1 interconnection is expensive?

2 A. No, I have not.

3 ATTORNEY SHOR:

4 I have nothing further.

5 JUDGE:

6 Mr. Panner?

7 RECROSS EXAMINATION

8 BY ATTORNEY PANNER:

9 Q. Just one thing, Ms. Montano, if I may. Your
10 statement as to what Verizon is required to show, is
11 that your understanding of what the legal requirements
12 are?

13 A. Yes, it is.

14 ATTORNEY PANNER:

15 I have nothing further.

16 JUDGE:

17 If there is nothing additional for
18 the witness, the witness is excused at this time with
19 the idea that she will be returning to the witness
20 stand to testify on the remaining issues.

21 ATTORNEY SHOR:

22 Your Honor, with respect to issue
23 one and two, USLEC rests its case.

24 JUDGE:

25 Fine, thank you.

1 ATTORNEY PANNER:

2 Your Honor, if I could just clean
3 up one thing on the record, I'll try not to do this
4 again, I'd like it move the admission of --- there
5 being no objection, I'd like to move the admission of
6 Exhibit VZ-4.

7 JUDGE:

8 It's admitted without objection.

9 JUDGE:

10 All right. Mr. Panner, do you
11 have a witness for me on issues one and two?

12 ATTORNEY PANNER:

13 Verizon would like to call Mr.
14 Pete D'Amico on issues one and two, Your Honor.
15 PETE D'AMICO, PREVIOUSLY SWORN, CALLED TO TESTIFY

16 JUDGE:

17 Mr. D'Amico, I would only remind
18 you that I administered the witness oath to you
19 earlier. You continue to be bound by that oath?

20 A. Okay.

21 JUDGE:

22 Mr. Panner?

23 ATTORNEY PANNER:

24 Thank you

25 DIRECT EXAMINATION

- 1 BY ATTORNEY PANNER:
- 2 Q. Would you please state your name and business
3 address?
- 4 A. My name is Pete D'Amico. My business address is
5 417 Seventh Avenue, Pittsburgh, Pennsylvania.
- 6 Q. And who employs you?
- 7 A. Verizon.
- 8 Q. And what is your title?
- 9 A. I'm a senior specialist in the interconnection
10 product management group.
- 11 Q. And did you cause to be prepared 18 pages of
12 direct testimony that was filed in this matter on May
13 31st, 2002?
- 14 A. Yes.
- 15 Q. Do you have any corrections that you wish to make
16 to your testimony that was submitted on May 31st?
- 17 A. No.
- 18 Q. If these same questions were asked of you today,
19 would your answers be the same?
- 20 A. Yes.
- 21 Q. Did you also cause to be prepared ten pages of
22 rebuttal testimony?
- 23 A. Yes.
- 24 Q. And it was filed on July 9th, 2002?
- 25 A. Correct.

1 Q. Do you have any correction to make to that
2 testimony?

3 A. No.

4 Q. If those same questions were asked of you today,
5 would your answers be the same?

6 A. Yes.

7 ATTORNEY PANNER:

8 We offer the direct and rebuttal
9 testimony of Pete D'Amico, subject to Cross.

10 JUDGE:

11 The direct and rebuttal testimony
12 of Mr. D'Amico is admitted subject to Cross

13 Examination and any timely motions. Mr. Shor?

14 ATTORNEY SHOR:

15 Your Honor, the Cross Examination
16 will be handled by my colleague, Ms. Finn.

17 JUDGE:

18 All right. Thank you?

19 CROSS EXAMINATION

20 BY ATTORNEY FINN:

21 Q. Mr. D'Amico, as I understand your testimony, you
22 believe that Verizon's proposal complies with FCC
23 rules; is that correct?

24 A. Yes. I believe I mentioned that in my direct
25 testimony.

- 1 Q. And so it would be fair to state that you are
2 generally familiar with the FCC's rules?
- 3 A. Yes, high level, very high level.
- 4 Q. Now, would you agree with me that the FCC has
5 rules that an ILEC must offer the CLEC the opportunity
6 to interconnect at one technically feasible point per
7 LATA?
- 8 A. Yes.
- 9 Q. And in that regard, you have testified that
10 VGRIPS gives USLEC the right to chose a single
11 physical connection to Verizon network in each LATA;
12 correct?
- 13 A. Correct.
- 14 Q. And so in this manner you think that VGRIPS
15 complies with the single technically feasible POI per
16 LATA?
- 17 A. Yes, because VGRIPS actually addresses the
18 financial responsibility of the transport, when
19 Verizon delivers calls to the USLEC in this case
20 outside of the local calling area.
- 21 Q. And to address the transport responsibility by
22 establishing separate points that you're calling the
23 interconnection point or IP; correct?
- 24 A. Correct.
- 25 Q. And you testified that USLEC, under VGRIPS, has

- 1 the option to chose its IP; is that correct?
- 2 A. There is language in the VGRIP proposal that
3 address where the USLEC IP is. And depending on where
4 it is, there is also language that states whether or
5 not it's geographically relevant or not. So in answer
6 to your question, yes, USLEC has options under
7 Verizon's VGRIP proposal that impact their
8 interconnection point.
- 9 Q. And as I understand it, the first such option as
10 defined by Verizon's VGRIPS proposal is that USLEC may
11 establish an IP via co-location at each Verizon tandem
12 where USLEC assigns numbers?
- 13 A. Yes, that's Verizon's proposal. And the design
14 of that was to address a central point where the
15 parties could agree on the financial responsibility
16 for the exchange of the traffic.
- 17 Q. And would you agree --- I can't remember which
18 one testified, Mr. Hoffmann or Ms. Montano talked
19 about the fact that Verizon has two access tandems in
20 both the Philadelphia and the Pittsburgh LATAs?
- 21 A. I would --- I'm not sure. I'm sure that there's
22 two in Pittsburgh, since that's where I'm from.
23 Philadelphia, I believe, that's the case as well.
- 24 Q. Okay. Let's take Pittsburgh, since you're
25 familiar with Pittsburgh. So you're saying that the

- 1 physical IP after two Verizon tandems is a north
2 central location. Is that your testimony?
- 3 A. Yes.
- 4 Q. And you understand that today Verizon delivers
5 its traffic to an IP at USLEC's switch?
- 6 A. Yes. That is the way I understand.
- 7 Q. And that is one location within the LATA;
8 correct?
- 9 A. I believe it's in downtown Pittsburgh.
- 10 Q. So by central location, you're not saying to what
11 point?
- 12 A. No, when I say central location, in looking at
13 the LATA as a whole, there are numerous local calling
14 areas. And a CLEC is able to have NXX codes or
15 prefixes that have those rates assigned to them
16 throughout the LATA. And so what VGRIP is trying to
17 address is the situation where traffic would be coming
18 in from all points within the LATA, that we would be
19 billing or charging our end user a local haul. But
20 yet we would be hauling it as though it were a toll
21 call. And so the tandems are central locations where
22 Verizon has facilities coming in and out of them that
23 in our proposal we are willing to transport outside
24 the calling area to that point.
- 25 Q. So you're talking about central locations on

1 Verizon?

2 A. Yes.

3 Q. And as part of preparing --- in your testimony,
4 did you ever testify to the distance that USLEC switch
5 is from the Verizon tandems?

6 A. I don't think so. I may have heard or read
7 somewhere that it was fairly close. But I wasn't sure
8 if that was Philly or the Pittsburgh scenario.

9 Q. So you didn't actually go and look at part of
10 that structure and determine what the distance is that
11 you're transporting traffic from the tandem to the
12 USLEC switch today?

13 A. Again, the issue isn't the distance from the
14 tandem. The issue is the distance from the
15 originating local calling area into the USLEC switch.

16 Q. But your tandem is a central location, according
17 to your testimony?

18 A. Our tandem is a central location, yes.

19 Q. And it's possible that USLEC switch can be
20 located within a mile of your central location?

21 A. Sure. It could be further than that as well.

22 Q. And so that's the first option. Can we call that
23 --- it's a co-location tandem; correct?

24 A. Yes.

25 Q. So can we call that a physical IP?

- 1 A. Sure.
- 2 Q. Okay. I want to call it physical IP because we
3 also have this concept of a virtual IP. That's the
4 second option, the virtual IP?
- 5 A. Somehow they've gotten numbered. But you know,
6 we'll call them the second option.
- 7 Q. Let's call it the physical IP option versus the
8 virtual IP option and then I won't screw up the
9 numbers. How about that?
- 10 A. That's fine.
- 11 Q. So the physical IP option is a physical
12 connection between type of networks; correct?
- 13 A. Yes.
- 14 Q. Now, I believe Mr. Panner discussed with Mr.
15 Hoffmann USLEC has a number of methods of
16 interconnection it can choose from under this
17 contract?
- 18 A. Yes, I remember that.
- 19 Q. But you just testified that the physical IP has
20 to be co-location; isn't that correct?
- 21 A. Again, that's part of the VGRIP proposal. One of
22 the arrangements that a CLEC could enter into under
23 this proposal is to have a physical co-location
24 arrangement where Verizon would drop off the charge,
25 yes.

1 Q. But in order to establish a physical IP under
2 VGRIPS, USLEC cannot use an entrance facility?

3 A. I'm not sure what an entrance facility is. I
4 mean, I know what an entrance facility is, but it
5 means different things to different people. So could
6 you clarify what you mean by entrance facilities?

7 ATTORNEY SHOR:

8 Was the contract Verizon ---?

9 ATTORNEY PANNER:

10 The interconnection is Verizon
11 Three.

12 ATTORNEY FINN:

13 Would you mind sharing that with
14 the witness?

15 BY ATTORNEY FINN:

16 Q. Could you please turn to page 52?

17 A. I'm there.

18 Q. Section 2.1.3.

19 A. Okay.

20 Q. USLEC may use any of the following methods for
21 interconnection with Verizon. Do you see that?

22 A. Yes.

23 Q. And it lists three things there doesn't it?

24 A. No.

25 Q. Co-location facility established by USLEC?

- 1 A. Correct.
- 2 Q. Co-location or entrance facility established by a
3 third party that is used by USLEC?
- 4 A. Correct.
- 5 Q. And the third option here is entrance facility
6 and transport obtained by Verizon?
- 7 A. Okay.
- 8 Q. So those are the options I'm talking about.
- 9 A. Okay.
- 10 Q. So is it your testimony that USLEC can use
11 co-location to establish the physical IP?
- 12 A. Use co-location, yes.
- 13 Q. And I understand from the discussion earlier that
14 USLEC can also use third party co-location to
15 establish in physical IP; correct?
- 16 A. Yes.
- 17 Q. But this third option, this entrance facility
18 option, under the VGRIPS proposal, as you've written
19 it in the contract, USLEC may not use this option to
20 establish physical IP?
- 21 A. Not the way that this proposal is drafted at this
22 point, correct.
- 23 Q. Okay. Now, are you familiar with the FCC rules
24 that requires Verizon to offer CLEC any technically
25 able method of interconnection?

1 A. Yeah, I've heard it.

2 Q. Okay. So in defining the physical IP under
3 VGRIPS and limiting that physical IP to co-location,
4 isn't it true that Verizon was not complying with this
5 ---?

6 A. No. Again, the IP deals with the financial
7 aspects of it. So either Verizon would physically
8 take the traffic to USLEC's switch or point of
9 interconnection and then you get into, well, how can
10 Verizon be compensated for the transport when it hauls
11 it outside of a calling area. As far as your question
12 about, are there other ways that we could physically
13 meet at the tandem, I suppose there are, we haven't
14 drafted language that would address another physical
15 IP at the tandem, other than the co-location regimen.

16 Q. But you've drafted language that addresses
17 another method of interconnection in section 2.1.3?

18 A. Yes.

19 Q. Another physical method of interconnection?

20 A. Which address the point of interconnection, as
21 opposed to the VGRIP section which addresses the
22 financial aspect of the transport.

23 Q. Right, but didn't you also agree with me that the
24 physical IP is also a physical demarcation between the
25 networks? Isn't that what a POI is?

- 1 A. A POI is a physical point where the networks
2 twist the wires. If you will.
- 3 Q. Okay. And is there a physical POI at a
4 co-location cage where the networks twist the wires?
- 5 A. Sure. If that is where, in that example, the POI
6 and the IP would be in the same location. You could
7 also have a situation where the POI, a point of
8 interconnection, and the IP, the interconnecting point
9 are in two different locations.
- 10 Q. And did you hear USLEC's witness' testimony
11 earlier today that they do not co-locate in Verizon in
12 the State of Pennsylvania today?
- 13 A. Yes, I did hear that.
- 14 Q. So would it be safe to say that the current
15 network architecture does not comply with the physical
16 IP option of the VGRIPS; isn't that correct?
- 17 A. Correct.
- 18 Q. Can you turn to page six of your testimony,
19 please?
- 20 A. Sure.

- 21 JUDGE:
22 I'm assuming the direct?
- 23 ATTORNEY FINN:
24 Direct, thank you.
- 25 BY ATTORNEY FINN:

1 Q. Starting around line 12, you discuss your
2 interpretation of the Commission's ruling in the
3 Verizon/Sprint arbitration; right?

4 A. Yes.

5 Q. Based on your testimony, isn't it your
6 understanding that the Sprint IPs do not actually have
7 to be at Verizon tandems?

8 A. Under the Sprint arbitration decision, no, they
9 do not have to be tandem.

10 Q. So in fact, if they're not at the tandems, the
11 Sprint IPs could be at the Sprint switch; correct?

12 A. Yes, based on this result.

13 Q. Move to the virtual IP option?

14 A. Okay.

15 Q. The virtual IP option can only be established at
16 a Verizon end office; correct?

17 A. What would happen is when Verizon transports the
18 traffic from a local calling area to a distant point,
19 and the example that we like to use a lot, even though
20 we're in Harrisburg is from Allentown to Philadelphia
21 which is, I believe, 40 or 50 miles between the two.
22 So in that case, Verizon would be carrying that
23 traffic outside of a calling area to Philadelphia.
24 And then the compensation arrangement would kick in, I
25 guess.

- 1 Q. Mr. D'Amico, I think I asked you if the virtual
2 IP is only the Verizon end office. Is the virtual IP
3 at the Verizon end office?
- 4 A. Yes.
- 5 Q. It's not at the Verizon tandem?
- 6 A. No.
- 7 Q. So we could have a physical IP at the tandem but
8 we can't have a virtual IP at the tandem?
- 9 A. Yes.
- 10 JUDGE:
- 11 I'm sorry. What was the question
12 there? You can have a physical IP at the tandem but
13 not a ---?
- 14 ATTORNEY FINN:
- 15 Virtual IP.
- 16 JUDGE:
- 17 All right.
- 18 BY ATTORNEY FINN:
- 19 Q. Can you turn to page ten of your testimony,
20 direct, please?
- 21 A. Okay.
- 22 Q. This was actually your Philadelphia/Allentown
23 example we're discussing here?
- 24 A. Here we go.
- 25 Q. So just walking through, you say here, if USLEC

1 agrees to pick up traffic at Verizon tandem, if it
2 locates case its POI there --- well, let's stop there
3 for a second. USLEC has a POI with Verizon tandem
4 today; correct?

5 A. Which LATA? In Philly?

6 Q. In Philly. We'll use Philly.

7 A. It's my understanding that the POI is at USLEC
8 switch. Verizon has built facilities all the way to
9 the USLEC switch in Philadelphia. So I would say that
10 the POI is at the USLEC switch.

11 Q. So that's the delivery of Verizon's originated
12 traffic to USLEC?

13 A. Yes.

14 Q. But USLEC also has a POI at the Verizon tandem
15 for the delivery of USLEC's originated traffic to
16 Verizon?

17 A. Actually, I would say that the POI in that
18 scenario is also the USLEC switch because USLEC is
19 purchasing or leasing facilities from Verizon.

20 Q. So by leasing the facilities, USLEC doesn't
21 become the owner of those facilities for purposes of
22 network demarcation?

23 A. I'm not sure if you're getting into semantics on
24 that. I would still look at it as the POI is at the
25 switch, even though USLEC is paying for those

1 facilities or leasing those facilities, those are

2 still Verizon --- part of Verizon's network.

3 Q. Okay. Turning back to your testimony here on

4 the bottom of page ten?

5 A. Okay.

6 Q. If USLEC agrees to pick up traffic at Verizon

7 tandems, by pick up here, do you mean financially

8 pickup?

9 A. Can you help me with the line number?

10 Q. I'm sorry, line 20.

11 A. Okay. Yes.

12 Q. Now, starting the very last sentence, line 23.

13 A. Okay.

14 Q. If USLEC chose to place its POIs in places that

15 were not at the VGRIP location, Verizon would deliver

16 its traffic to USLEC's chosen POI location, but would

17 recover the additional transport and other costs for

18 delivering the traffic to that location. I read that

19 correctly?

20 A. Yes, that was good.

21 Q. I'd like to focus on additional transport?

22 A. Okay.

23 Q. So on the prior page, you said if USLEC agrees to

24 pick up financially traffic at Verizon tandems but now

25 you're saying if they don't agree to pick them up at

1 the tandems, you're going to move the financial
2 demarcation point and recover your additional
3 transport costs?

4 A. Yeah. Again, it's part of the compromise
5 proposal. Under the one scenario, Verizon is hauling
6 traffic outside of local calling area. But it's
7 willing to do that to meet at a central location, in
8 particular the location arrangement at the tandem. If
9 that doesn't occur, then Verizon is still hauling
10 traffic from the originating point to the POI that is
11 outside of the local calling area. And so the
12 language then talks about, well, how can Verizon be
13 compensated as far as costs? And that's where you get
14 into that financial piece of it.

15 Q. But so you're willing to haul the traffic to the
16 tandem, the central location only if USLEC is
17 co-located there?

18 A. That is the proposal, yes.

19 Q. And if they refuse co-location, if they want to
20 use an entrance facility as their physical method of
21 interconnection, you are not willing to haul the
22 traffic to the tandem?

23 A. Again, that option hasn't been, I guess, kicked
24 around very much. It may have come up in a lot of
25 talks. But at this point, this is our proposal.

1 Q. Okay. Understood. Under the physical IP,
2 you've stated that you'll be paying for a portion of
3 transport outside of the local calling area; correct?

4 A. Yes.

5 Q. Under the virtual IP, I think you've also stated
6 that USLEC would be paying for a portion of the
7 transport inside the local calling area; correct?

8 A. Right. Right now, the language states that that
9 measurement, if you will, for the transport recovery
10 is based on the than the originating end office.

11 Q. Okay. So can we turn back to page ten?

12 A. Sure.

13 Q. And look at the sentence that be begins on line
14 13?

15 A. Okay.

16 Q. And can you just read that sentence, please, into
17 the record?

18 A. It starts if the CLEC elects not to?

19 Q. Yes.

20 A. If the CLEC elects not to establish a POI at the
21 VGRIP locations, then Verizon will deliver its traffic
22 to another CLEC designated location and the CLEC will
23 be financially responsible for the transport outside
24 of the local calling area.

25 Q. So those last couple of words outside the local

1 calling area, that's not exactly correct; is it?

2 A. No. Well, I guess you're trying to break that
3 apart to say that that's implied with only outside of
4 the local calling area?

5 Q. Yes.

6 A. I think what I meant there was the measurement as
7 defined in our proposal which would be between the
8 originating end office and the and the USLEC point of
9 interconnection.

10 Q. I'm sorry. Can you say that again?

11 A. If you read this in the purest sense, you may be
12 inclined to think that it is from the border, the
13 boundary the USLEC point of interconnection. And I
14 apologize if that is what misleading. But in reality,
15 the proposal in the language is from the originating
16 end office, which may or may not be at the edge of
17 that local calling area.

18 Q. Right, okay. I just wanted to clarify that.
19 Thank you.

20 A. Okay.

21 Q. And we talked about the central location earlier?

22 A. Yes.

23 Q. So you were asking for the opportunity under
24 VGRIPS to kind of aggregate Verizon traffic and pick a
25 central location on the Verizon network. And at that

1 Verizon network you'll deliver the traffic; correct?

2 A. Yes.

3 Q. And am I correct in stating that under VGRIPS,
4 USLEC is not permitted to pick a central location on
5 USLEC's network to aggregate traffic and ask Verizon
6 to pick it up there?

7 A. Could you run that question by me? I got my ---.

8 Q. Under VGRIPS, if the USLEC customers are
9 originating the call, is USLEC permitted to ask
10 Verizon to come to a central location on USLEC's
11 network to pick up USLEC's traffic?

12 A. So you're talking about traffic in the other
13 direction.

14 Q. Correct.

15 A. Actually, VGRIP address the delivery of Verizon's
16 traffic to a CLEC. So I kind of put that in a little
17 box, if you will. However, in the other direction,
18 Verizon has established its tandems and its end
19 offices to serve that call party as its
20 interconnection point throughout the LATA.

21 Q. So USLEC has to both pick up Verizon traffic on
22 Verizon's network and deliver USLEC traffic to Verizon
23 network; is that correct?

24 A. Well, they have to deliver it to Verizon's IP,
25 yes, that is correct. USLEC doesn't have to pick up

- 1 the traffic. Again, Verizon would deliver it but then
2 you get into the financial aspect of it.
- 3 Q. So financially, they have to pick it up?
- 4 A. Yes.
- 5 Q. They have to pickup the tab?
- 6 A. There is some financial obligation under certain
7 arrangements.
- 8 Q. And the Verizon IPs where USLEC delivers its
9 traffic, they are at the Verizon tandems?
- 10 A. For traffic that is tandem routed, if you will.
11 There is two ways that traffic can be delivered on
12 Verizon's network. One is if it goes to the tandem,
13 Verizon will then take it from the tandem and deliver
14 to the end office that subtandems that tandem. Just
15 maybe to give a high level, in case people aren't
16 familiar with tandems. Think of a tandem as a hub or
17 the middle of the spoke and then the middle of the
18 wheel. And all of these spokes go out with end
19 offices around them?
- 20 A. So that would be one option where the traffic
21 could get delivered to the tandem. The second option
22 would be a direct end office trunk to that Verizon end
23 office that serves the subscribers from that end
24 office.
- 25 Q. So in that case --- in a direct trunking

1 environment, the Verizon IPs would be that end office
2 serving those calling parties?

3 A. Yes.

4 Q. Okay. And today, is it your understanding that
5 USLEC bears financial responsibility for delivering
6 its originating traffic to the Verizon IP, whether it
7 be located at the tandem or the end office?

8 A. Yes. That's the arrangement. And then they are
9 charged the appropriate reciprocal compensation rate
10 based on tandem or end office route.

11 Q. And it is also your understanding that USLEC
12 bears that responsibility even if it's call originates
13 --- if it switches in another local calling area?

14 A. Yes. What happens is USLEC decides --- first
15 they decide where they want their switch to be and
16 then they also decide where they want to deliver the
17 traffic and how they want to deliver the traffic to
18 Verizon.

19 Q. And today under the parties' current arrangement,
20 Verizon delivers its originating traffic to USLEC's
21 switch; correct?

22 A. I believe that is the case in Philadelphia. I'm
23 not sure about the Pittsburgh, based on what Mr.
24 Hoffmann said this morning. I know there are plans to
25 install a direct facility into --- or there may be

1 plans to install a direct facility into the USLEC
2 switch or we may be riding the USLEC facility, in
3 which case I believe we may be getting billed for some
4 transport charges.

5 Q. So maybe just to put it more simply, right now
6 Verizon is financially responsible for delivering its
7 originating traffic to USLEC's switch?

8 A. Yeah, because the current agreement doesn't
9 really have any framework around where the USLEC IP
10 is, designated as their switch.

11 Q. And today, Verizon bears that responsibility
12 whether or not the switch is in the local calling area
13 where the Verizon call originated?

14 A. Yeah, that's why we're here. That's been going
15 on, not only with USLEC, but with other CLECs. And
16 we're bringing it up as an issue and a concern and
17 we're trying to come up with proposals such as VGRIP
18 that can address how Verizon can recover its costs.

19 Q. And as I understand your testimony, the basis,
20 the reason why you think you have the right to move
21 the IP is that a single point per LATA is expensive?

22 A. It is expensive in situations where Verizon is
23 hauling traffic from local calling areas outside of
24 that location, yes.

25 Q. So your definition of expensive is as soon as it

1 leaves the local calling area?

2 A. I guess my definition of expensive is Verizon
3 hauling traffic outside of the local calling area to a
4 distant point of interconnection into the CLEC
5 establishes as their interconnection point and yet
6 we're charging our end users a local call. So there
7 is kind of a disconnect there. It looks like it's one
8 thing but in reality it's being called 50 or 60 miles
9 away.

10 Q. Where in your testimony can I find an explanation
11 of what costs your local rates cover?

12 A. I don't think I get into that depth, mainly
13 because I'm not sure all of the ins and outs of how
14 the local exchange tariffs are derived. But I do know
15 that when Verizon customer A calls Verizon customer B
16 in the local calling area, the call originates or
17 terminates within that local calling area. When
18 Verizon customer A calls Verizon customer B in, you
19 know, Allentown to Philadelphia, then that would be an
20 inter-LATA call.

21 Q. It would be an inter-LATA toll call if they're
22 both Verizon customers?

23 A. Yes. Sure.

24 Q. Okay. But does the routing of the call, that
25 doesn't necessarily change the jurisdiction of the

- 1 call; does it?
- 2 A. Well, again I wasn't trying to change the
3 jurisdiction. I was just trying to point out that
4 Verizon is charging this call, as though it's a local
5 call, but hauling this call to a distant point. And
6 that transport piece is a cost and Verizon is not
7 recovering that cost.
- 8 Q. But you have nothing in your testimony that says
9 --- strike that.
- 10 Isn't there a difference between a local rate and
11 what it costs Verizon to provide that local service?
- 12 A. I'm not sure I know the answer to that, because I
13 just don't know that much about local rates.
- 14 Q. Okay. But you submitted cost studies in this
15 Docket?
- 16 A. No, we haven't submitted any cost studies. What
17 we've tried to do is, in the situation where there is
18 transport, we've pointed to the union tariff, the
19 unbundled network element tariff in Pennsylvania. And
20 we've looked at the interoffice costs for interoffice
21 unbundled dedicated transport, I believe.
- 22 Q. But you don't have figures on the amount of
23 traffic that's exchanged between USLEC and Verizon in
24 your estimate; do you?
- 25 A. No, I don't.

1 Q. And you don't have figures on the amount of that
2 traffic that's exchanged, that never leaves the local
3 calling area; do you?

4 A. No, no. The language that we've tried to put
5 together was designed to address the situation, both
6 for USLEC and other carriers into this particular
7 agreement. And if there isn't a problem, then there
8 isn't anything that's needed to be done. So looking
9 at specific, you know, minutes and other aspects,
10 we're looking at this more at a higher level.

11 Q. But you've testified that you have an
12 interconnection area where you're hauling your traffic
13 outside the local calling area to USLEC?

14 A. Correct.

15 Q. And you've testified that that's a problem?

16 A. Correct.

17 Q. But you haven't quantified that problem; is that
18 correct?

19 A. No, I have not.

20 Q. And Mr. D'Amico, in order for a form of
21 interconnection to be expensive, doesn't there have to
22 be a benchmark to which to compare it to measure what
23 is expensive?

24 A. I'm not sure. I mean, I guess any point where
25 Verizon is incurring these costs outside of the local

1 calling area, that is a situation that we're trying to
2 address. There are some cases where the magnitude is
3 very high with other CLECs are cumulative with all
4 CLECs. And there may be situations where it's
5 relatively low. So I'm not sure that I answered your
6 question. But that was the best job I can.

7 Q. Just to make sure I understand, it's your
8 testimony that as soon as it leaves the local calling
9 area, it's is an expensive cost that you think Verizon
10 should be able to recover?

11 A. Yes. And also, there is language that talks
12 about, you know, USLEC can keep its existing
13 interconnection points, however, Verizon can ask for
14 blah, blah, blah. I understand USLEC saying, you
15 know, I'm not sure I trust you because as soon as we
16 sign this, you're going to ask for that. But I mean,
17 there could be situations where we look at the
18 existing IPs or the existing arrangements. And it
19 stays the same. We've tried to draft this language so
20 that, here are some guidelines and then the operation
21 folks who look at the network workings can decide if
22 the problem is there and if they need to correct it.

23 Q. So Mr. D'Amico, if you know what the typical
24 Verizon local calling area distance is?

25 A. No. I would imagine it varies.

1 Q. Okay. But whether the calling area is ten miles
2 wide or 50 miles wide, it's not expensive until it
3 crosses that boundary; is that correct?

4 A. There could be other reasons where it's expensive
5 within that local calling area. In other words, it
6 still could be within this local calling area but you
7 know, there is a mountain and we have to go to the top
8 of the mountain or something odd. But looking
9 specifically at this scenario without any extreme
10 circumstances, VGRIP is designed to address that
11 expense --- that expensive arrangement when it's
12 hauled outside of a calling area.

13 Q. Did you just say that it might be more expensive
14 to haul a local call inside of a local calling area
15 because of terrain or distance or something maybe that
16 it would be better to haul it long distance?

17 A. No. I think what I wanted to say was, you can't
18 assume, just because the interconnection was within
19 the local calling area, that there couldn't be other
20 circumstances that would make it expensive as well.

21 Q. But Verizon is willing --- let me ask it this way
22 under FCC rules, do you think Verizon has an
23 obligation to bear the costs of delivering the traffic
24 to a CLEC if that delivery point is within the local
25 calling area?

1 A. I think you're asking me an interpretation of the
2 FCC rules. And I kind of like to stay away from
3 that. I mean, I'd like to --- it's my understanding
4 that would satisfy the FCC rules. But again, that's
5 me as a product manager as opposed to me as a fine
6 attorney.

7 Q. Understood. Well, if Verizon bearing the
8 transport cost within the local calling area, is
9 consistent with FCC rules? Is it your testimony that
10 Verizon can also refuse to bear those costs within the
11 local calling area?

12 A. No.

13 Q. Actually, under the virtual IP option, aren't you
14 shifting calls within the local calling to USLEC or
15 are you refusing to ---?

16 ATTORNEY PANNER:

17 Asked and answered.

18 ATTORNEY FINN:

19 Okay. I'll withdraw.

20 BY ATTORNEY FINN:

21 Q. Mr. D'Amico, let's turn to rebuttal page eight,
22 please?

23 A. Okay.

24 Q. On this page at the bottom, you're citing to the
25 FCC Intercarrer Compensation rule making; correct?

- 1 A. Like line 18, starting there?
- 2 Q. Right.
- 3 A. Yes, I mentioned this NPRM thing.
- 4 Q. So you've read the NPRM?
- 5 A. Not the whole thing.
- 6 Q. So you've read the NPRM?
- 7 A. Not the whole thing. But I've dabbled on parts
8 of it. It's been a while. I'm sure there's going to
9 be a ruling on it soon.
- 10 ATTORNEY FINN:
- 11 Your Honor, I'd like to introduce
12 USLEC Exhibit Number One.
- 13 JUDGE:
- 14 So marked.
- 15 (USLEC Exhibit One marked
16 for identification.)
- 17 BY ATTORNEY FINN:
- 18 Q. Mr. D'Amico, does this document look familiar?
- 19 A. Yeah.
- 20 Q. Does it look like it's the NPRM that you cite on
21 page eight of your testimony?
- 22 A. Yeah.
- 23 Q. I should have mentioned, these are just
24 excerpts. Can you please turn to, I'm sorry,
25 paragraph 114?

1 A. Okay.

2 Q. And you see about halfway through that paragraph
3 where it starts, assuming?

4 A. Uh-huh (yes). Yes.

5 Q. Can you read from there to the end of the
6 paragraph, please?

7 A. Assuming that the ILEC receives reciprocal
8 compensation for transporting terminating traffic, how
9 precisely does the distant POI unfairly burden the
10 LEC? Is the efficiency concern limited to those
11 instances in which traffic between two networks is
12 unbalanced and/or where traffic is required beyond a
13 certain distance? We seek comment on these questions
14 and any other issues related to the interplay between
15 our single POI rules and our reciprocal compensation
16 rules.

17 Q. Mr. D'Amico, is it your understanding that these
18 questions in this paragraph are part of the FCC's
19 efforts to investigate allocation of transport
20 responsible between.

21 ATTORNEY PANNER:

22 I object. I think it goes beyond
23 the scope of his Direct.

24 ATTORNEY FINN:

25 Well, I think he's sitting this

1 NPRM as supports that Verizon can allocate the
2 transport under its ---.

3 ATTORNEY PANNER:

4 I didn't understand your question
5 maybe.

6 JUDGE:

7 Let me simply overrule your
8 objection, okay.

9 ATTORNEY FINN:

10 I'm sorry. Can you read the
11 question back.

12 COURT REPORTER READS BACK PREVIOUS QUESTION.

13 BY ATTORNEY FINN:

14 Q. Between LEC, interconnect LEC.

15 A. It appears that they are asking for questions ---
16 they're asking for comments on some of these questions
17 and other issues related to this.

18 Q. So the FCC has asked about the distance, traffic
19 balance ---

20 A. Uh-huh (yes), yes.

21 Q. --- and other issues; correct?

22 A. In this paragraph, yes.

23 Q. Okay. And yet you've testified that it's
24 Verizon's position that, as soon as it leaves the
25 local calling area, Verizon shouldn't have to pay,

1 unless it agrees to pay if we establish a physical IP?

2 A. Yes. Again, we're trying to address the
3 situation where Verizon is hauling traffic outside
4 local calling area, to a point of interjection where
5 the CLEC is determined.

6 Q. And so the FCC appears to be examining a number of
7 factors to determine how to allocate transport
8 responsibility; correct?

9 A. Yes, it looks like based on some of these
10 questions, sure.

11 Q. So in other words the FCC is not examining solely
12 the question of whether ILECs transporting the call
13 outside of the local calling area?

14 A. In this paragraph, I don't see the match to that
15 specific question, although again they say any other
16 issues related to the interplay.

17 Q. So presumably this is an issue that Verizon
18 raised before the FCC?

19 ATTORNEY PANNER:

20 Objection.

21 JUDGE:

22 And the basis is?

23 ATTORNEY PANNER:

24 Foundation.

25 JUDGE:

1 Thank you.

2 ATTORNEY FINN:

3 The foundation is he said any
4 other issues that parties may want to raise before the
5 FCC.

6 JUDGE:

7 I didn't hear him testify at all
8 about what Verizon's position in front of the FCC was
9 going to be on this. So I'm going to agree with Mr.
10 Panner and sustain the objection.

11 ATTORNEY FINN:

12 Okay.

13 BY ATTORNEY FINN:

14 Q. Mr. D'Amico, are you aware what Verizon's
15 position on this NPRM is?

16 A. I don't know all of the --- I wasn't part of the
17 drafting for who our response was to this NPRM or if
18 we're involved.

19 Q. Mr. D'Amico, would you expect Verizon to take
20 inconsistent positions before a State Public utility
21 Commission the FCC.

22 ATTORNEY PANNER:

23 Objection, argumentative.

24 ATTORNEY FINN:

25 I'm just asking what he thinks

1 Verizon might do. I don't think it was
2 argumentative. I'm sorry.

3 JUDGE:

4 I don't think it's argumentative
5 either. But there isn't too far you can go in this
6 direction.

7 ATTORNEY FINN:

8 Understood.

9 JUDGE:

10 He can answer this if he knows the
11 answer.

12 A. I would think that would raise questions. But I
13 don't know how they set the policy, state versus
14 regulatory FCC issues.

15 BY ATTORNEY FINN:

16 Q. Okay. Thank you. I'll stop. Mr. D'Amico, are
17 you familiar with the FCC file reports?

18 A. Less than --- not very much, no.

19 Q. Are you familiar with the concept that the rates
20 ILEC charge CLECs are subject to the '96 Act
21 standards?

22 A. Again, it seems like there's a lot of activity.
23 There has always been a lot of activity when I hear
24 the word tolerate. And I don't know what the latest
25 impact is on that. I believe I read somewhere, maybe

1 in our discovery or something, or somewhere else, that
2 when Verizon files its union rates in, I guess,
3 Pennsylvania and other states, I think it said they're
4 telecompliant. But again, I'm not really the expert
5 on that.

6 ATTORNEY FINN:

7 I'd like to mark another exhibit,
8 USLEC Number Two.

9 (USLEC Exhibit Two marked
10 for identification.)

11 JUDGE:

12 So marked. Tell us what it is.

13 ATTORNEY FINN:

14 Well, this is an excerpt of the
15 FCC rules, 47 CFR.

16 JUDGE:

17 Let me make it perfectly clear
18 that I only want an excerpt of the rules. I don't
19 want all of them in the record.

20 BY ATTORNEY FINN:

21 Q. Mr. D'Amico, what I've handed you is an excerpt
22 of the Federal Communications Commissions Rules, which
23 are found in 47 CFR?

24 A. Okay.

25 Q. Are you familiar with these rules?

1 A. Yeah. It's been awhile since I've studied them
2 but, yes, I've seen these before.

3 Q. Okay. Can you turn to subpart F, pricing of
4 elements, please?

5 A. What does that mean?

6 Q. I'm sorry. It's at the top of the page, it says
7 subpart F.

8 JUDGE:

9 It's about the second or third
10 page back.

11 A. I got you.

12 BY ATTORNEY FINN:

13 Q. Okay. 51.501, scope A, can you read that,
14 please.

15 ATTORNEY PANNER:

16 Your Honor, I'm going to object to
17 this line. I'm not aware of anything in Mr. D'Amico's
18 testimony that addresses the application of --- if I'm
19 mistaken about that then I'll stand corrected, but I
20 don't believe that he's testified to that application.

21 ATTORNEY FINN:

22 Well, I think he's testified to
23 costs. He talked about Verizon's costs and how
24 Verizon should be able to recover its transport
25 costs. And in order for Verizon to recover its

1 transport costs, I think they have to comply with FCC
2 rules in order to recover the costs. And so I wanted
3 to explore whether or not Mr. D'Amico has adequately
4 testified to costs in his testimony.

5 ATTORNEY PANNER:

6 I don't understand how his
7 understanding of the FCC's telrate (phonetic) rules
8 would be relevant to that.

9 JUDGE:

10 Do you want to explain how you
11 think it's relevant.

12 ATTORNEY FINN:

13 Well, I think he's testified that
14 it costs Verizon more to transport the costs of local
15 calling air and they want to recover that.

16 JUDGE:

17 He certainly testified repeatedly
18 that they want reimbursed for that cost.

19 A. I mentioned it a couple of times.

20 ATTORNEY FINN:

21 And he's also testified that
22 additional transports cost more. I guess I'm looking
23 for the cost basis and I'm trying to explore it
24 through the FCC rules.

25 JUDGE:

1 Did he provide a cost basis that
2 you were able to find in his testimony.

3 ATTORNEY FINN:
4 No, he did not.

5 JUDGE:
6 Well, if he didn't provide one,
7 then the issue is the legal one; isn't it? If he
8 provided no factual basis in your estimation as
9 Counsel for USLEC, then didn't he reduce the issue to
10 being a legal one, if at all?

11 ATTORNEY FINN:
12 Okay. I'll withdraw the
13 question. Thank you.

14 JUDGE:
15 Thank you.

16 A. Do I still need this?

17 BY ATTORNEY FINN:
18 Q. No. Okay. Can we please turn to page two of
19 your rebuttal testimony?

20 A. Yes.

21 Q. Beginning on line six, are you with me?

22 A. I'm with you. Line six, page two.

23 Q. You state, if, as is the case with many state
24 LECs, these six customers are internet service
25 providers, then it is likely that they have been

1 assigned numbers in all or nearly all of the NSX codes
2 that USLEC has obtained; correct?

3 A. That's what it says, yes.

4 Q. Mr. D'Amico, what is the basis for that
5 statement?

6 A. Well, it's been my experience as a product
7 manager, that we have situations with CLECs that serve
8 ISP providers. And that what they do is there will be
9 40 or 50 NXS codes and then they'll have individual
10 numbers within those 40 or 50 codes. And folks will
11 dial into the internet and Verizon will transport that
12 traffic to that point of interconnection and then
13 they'll hand it off to the ISP that a lot of times is
14 very close to where that U.S. --- where that CLEC is
15 located.

16 Q. So as to USLEC, you do not have any facts to
17 support this statement?

18 A. No, that's why I started with if, a little word.

19 Q. And are you aware that USLEC has submitted
20 supplemental discovery responses to Verizon verifying
21 that its six foreign exchange customers are not ISP?

22 A. Ask me that again.

23 Q. Are you aware that USLEC has submitted
24 supplemental discovery responses to Verizon verifying
25 that USLEC's six foreign exchange customers are not

- 1 ISPs?
- 2 A. I think I heard that, but I didn't store it
- 3 because that gets more into the FX issue. The point
- 4 here I was trying to make was about the situation.
- 5 But subject to check, I would agree with that.
- 6 Q. Okay. But you were using this example to make a
- 7 point on issues one and two; correct?
- 8 A. Sure. Yeah.
- 9 Q. And now, this example is false as to USLEC?
- 10 A. Again, assuming that that supplemental thing came
- 11 in, yes, at this time that would not be the case for
- 12 USLEC, however, that could change in the future, I
- 13 guess.
- 14 Q. Okay. Let's see. The next sentence, moreover,
- 15 it is likely that these six customers are located at
- 16 or only a very short distance from USLEC switches and
- 17 account for the vast majority of the traffic that
- 18 Verizon sends to USLEC. Do you see that statement?
- 19 A. I see that.
- 20 Q. And again, that statement, because you're using
- 21 it is likely, that was not based on facts about
- 22 USLEC's network?
- 23 A. Correct.
- 24 Q. And, in fact, are you aware that as part of those
- 25 supplemental discovery responses, USLEC has verified

1 that none of its customers are collocated at the
2 switches in Pennsylvania?

3 A. Should I look at those responses or just say
4 subject to check? Yes.

5 Q. Okay.

6 JUDGE COCHERE:

7 Take your time.

8 A. Thank you.

9 BY ATTORNEY FINN:

10 Q. So if that is the case then this statement with
11 respect to USLEC is false?

12 A. At this time, yes.

13 Q. All right. Let's turn to page six of your
14 rebuttal, please.

15 A. Okay.

16 Q. Line 12.

17 A. Line 12.

18 Q. Thus, it is clear that under USLEC's proposal
19 Verizon would, and this is in quotes, incur specific
20 costs for which it is not already compensated by the
21 services it provides its customers that originate its
22 traffic, closed quotes.

23 A. Yes.

24 Q. What is the basis for this statement?

25 A. The basis being an example or basis being how

1 many situations do I know of that this is occurring

2 in?

3 Q. Well, you're talking about specific costs here?

4 A. Right. I think what I'm saying is that --- and

5 it gets back to that --- it's a local call, we're

6 getting local rates from our end user and the piece

7 that's going outside is the piece that I'm addressing.

8 Q. But you have haven't addressed --- you haven't

9 put a dollar figure on the records?

10 A. No. Gosh, no.

11 Q. And also --- I'm sorry if we discussed this

12 earlier, but we discussed the relationship between

13 your customers rates and Verizon's costs. And you're

14 not clear what that relationship is?

15 A. Right.

16 ATTORNEY FINN:

17 Just a moment, Your Honor. I'm

18 sorry.

19 JUDGE:

20 Certainly.

21 SHORT BREAK TAKEN

22 BY ATTORNEY FINN:

23 Q. Mr. D'Amico, on pages nine and ten of your

24 rebuttal testimony you say TSR Wireless order?

25 A. Yes, but can I go back just to clear up the

1 record for a second on that previous question you just
2 asked me?

3 Q. I think that's your Counsel's job on Redirect.

4 A. Okay. All right. Page ten?

5 Q. Page nine and ten, you said the TSR Wireless
6 order; correct?

7 A. Okay.

8 Q. Are you generally familiar with that order?

9 A. Again, they all start to bleed together after a
10 while, but, yes.

11 Q. So it's your testimony that in TSR the FCC held
12 that the recip comp rules apply to traffic exchange
13 between LEC and paging carriers?

14 A. Yeah, this particular one addressed TSR Wireless,
15 which is, I believe, a pager carrier, or was. It
16 probably still is.

17 Q. And you state that the FCC did not address the
18 issue of whether CLEC must be financially responsible,
19 but TSR is about a paging carrier, not a CLEC; right?

20 A. Right.

21 Q. And do you know if TSR addressed the issue of
22 when a paging carrier must be financially responsible?

23 A. I can't recall the whole aspects of it.

24 Q. Do you know if the FCC's rules, reciprocal
25 compensation rules apply to both CLEC and to paging

1 carriers?

2 A. Yes, but I believe they may have kind of carved
3 them out a little differently with something about
4 MTA.

5 Q. Right. Are you aware that in a LEC, the paging
6 carrier scenario, that MTA is the equivalent of a
7 local calling area?

8 ATTORNEY PANNER:

9 Objection, calls for a legal
10 conclusion to which he hasn't testified.

11 ATTORNEY FINN:

12 Well, he testified about some
13 differences and that difference being the MTA and so
14 I'm trying to clarify the difference.

15 JUDGE:

16 You did open the door. Objection
17 overruled.

18 A. Again, I know there is the term MTA in the MTC
19 order and it applies to wireless. As far as all of
20 the nuances about that and why the MTC stated what
21 they stated, I'm not sure?

22 ATTORNEY FINN:

23 Can we have a moment?

24 JUDGE:

25 Certainly.

1 OFF RECORD DISCUSSION

2 BY ATTORNEY FINN:

3 Q. I'm sorry to jump around here. Can we go back to
4 page eight of your Direct testimony?

5 A. As soon as I find it. Yes, page eight. Okay.

6 Q. Beginning at line four, you stated that under
7 USLEC's suggested approach Verizon would be required
8 to carry the call many miles through multiple switches
9 on its way to USLEC's POI; correct?

10 A. Yes.

11 Q. And the reason Verizon has to carry the call
12 through multiple switches because that is how Verizon
13 designed its network; correct?

14 A. Actually when I say multiple switches, it could
15 either mean switched, physically switched through the
16 switch or is passing through that wire center. But,
17 yes, based on Verizon's network, that's the way it
18 would be run.

19 Q. And USLEC had nothing to do with Verizon's
20 network design; correct?

21 A. Correct.

22 ATTORNEY FINN:

23 Okay. I'm done with Cross. Thank
24 you.

25 JUDGE:

1 All right. Are you sure you're
2 done now?

3 ATTORNEY FINN:

4 Nothing further, Your Honor.

5 JUDGE:

6 Thank you. I think Verizon should
7 have a couple minutes to discuss its witness. And I
8 need one or two minutes off the record with Ms. Finn
9 and Ms. Smith.

10 OFF RECORD DISCUSSION

11 JUDGE:

12 Go back on the record. Before I
13 let you do that, I actually have a question, if I can
14 find it. Mr. D'Amico, would you turn to page two of
15 your rebuttal testimony, please.

16 A. Okay.

17 JUDGE:

18 Looking at the bottom of the page,
19 your question beginning on line 16 and your answer
20 beginning on line 19, do you need a minute to take a
21 look at that?

22 A. Hold on a second.

23 JUDGE:

24 I'll take that to be a yes.

25 A. Yes. Okay. I'm ready.

1 JUDGE:

2 If I understand your point for
3 that question and answer, it is to emphasize that
4 USLEC is handing traffic to Verizon at more than one
5 POI; is that right?

6 A. Yes.

7 JUDGE:

8 However, it is accepting Verizon
9 originated traffic only at its switch in each LATA; is
10 that right?

11 A. Yes.

12 JUDGE:

13 And my question for you then is
14 sort of almost a double negative, but do I understand
15 you correctly that you are not suggesting that it is
16 not technically feasible for USLEC to receive Verizon
17 originated traffic at those particular POIs?

18 A. Correct, it is technically feasible.

19 JUDGE:

20 Fine. That's all I needed to
21 know. Thank you. Now, Counselor.

22 REDIRECT EXAMINATION

23 BY ATTORNEY PANNER:

24 Q. Mr. D'Amico, you'll recall that Ms. Finn asked
25 you if a USLEC customer in Allentown called a Verizon

1 town customer in Allentown, who would bear the cost of
2 transporting that call from Allentown to the Verizon
3 POI connection?

4 A. Yes, I recall that.

5 Q. And you testified, did you not, that USLEC, if
6 the USLEC customer originated the call, would carry
7 the call to the Verizon tandem or the Verizon end
8 offices, as the case may be?

9 A. Correct.

10 Q. Now, if a call is going from a USLEC customer in
11 Allentown to a Verizon customer in Allentown, how far
12 is that call going end to end?

13 A. What's happening is because USLEC has decided to
14 locate their switch in Philadelphia, even though the
15 parties may be across the street, USLEC has to carry
16 that call to their switch in Philadelphia and then
17 carry it back. So it's really --- you know, the
18 reason that situation is occurring is because of the
19 location of where USLEC has put its switch.

20 Q. So it's really the location of USLEC's switch
21 that has caused those costs?

22 A. Yes.

23 Q. And did you understand Ms. Montano to testify
24 this morning that if USLEC has higher costs for
25 serving a customer far from its switch, that it's free

1 to charge more for that service?

2 A. Yes, I do remember that was the tariff thing.

3 And my listening to that was that it sounds like if a

4 USLEC customer --- you know, the distance that it's

5 located from the USLEC switch impacts what they pay.

6 Q. And in the case of a Verizon customer, does

7 Verizon receive greater compensation for carrying that

8 call or if it has to go all the way to ---.

9 ATTORNEY FINN:

10 Objection.

11 JUDGE:

12 Let him finish the question.

13 ATTORNEY FINN:

14 Sorry.

15 ATTORNEY PANNER:

16 A little bird tells me what the

17 objection is going to be.

18 BY ATTORNEY PANNER:

19 Q. Let me start the question over again.

20 A. Yeah. Start over.

21 Q. Can Verizon charge more for a call that must be

22 transported to the USLEC switch than it does if the

23 call is carried and delivered entirely on Verizon's

24 network within the local calling area?

25 ATTORNEY FINN:

1 Objection.

2 JUDGE:

3 Now, what's the ground?

4 ATTORNEY FINN:

5 Leading.

6 ATTORNEY PANNER:

7 Actually, Your Honor, I don't
8 think it was leading. I posed a hypothetical question
9 and I asked him whether there would be an additional
10 charge posed. It's an open-ended question. He can
11 answer yes or no. I understand how it's leading. I
12 didn't suggest facts that are not in evidence or
13 anything else.

14 JUDGE:

15 I agree. Objection overruled.

16 BY ATTORNEY PANNER:

17 Q. I'll say it again.

18 A. No, I got it.

19 JUDGE:

20 Please don't.

21 A. I was just trying to figure out if I should say
22 something or not. I usually write one on my left hand
23 and one on my right. Again, although I'm not a local
24 exchange tariff whiz, I believe the way it works is if
25 a Verizon customer calls a Verizon customer in that

1 local calling area, you know, that's the rate.

2 If the Verizon customer calls a USLEC customer,
3 because the rates that are associated with USLEC NSX
4 is Allentown, then the same rates would apply.

5 BY ATTORNEY PANNER:

6 Q. If Verizon agrees to a particular term with
7 USLEC, as an interconnection product manager, are you
8 familiar with whether other CLECs could adopt those
9 same terms?

10 A. Yes. Without getting into all of the rules of
11 what they call MFNing, they are opting into a
12 contract, other carriers are able to opt into or take
13 advantage of those same terms or conditions is my
14 understanding.

15 Q. And in your experience as a product manager in
16 Pennsylvania, are there CLECs who serve mostly or many
17 ISP customers?

18 A. Yes.

19 Q. And then I want to also, just to clarify
20 something that Ms. Finn was asking you about and my
21 Co-Counsel helpfully handed to me and then I promptly
22 turned away from it, on page two of your rebuttal
23 testimony, okay, at line six, are you asserting there
24 that USLEC does, in fact, have six customers who are
25 internet service providers?

1 A. No. Again, the word if creates a hypothetical
2 and, you know, it also addresses, where I say that is
3 the case --- that is the case with many other LECs,
4 that this situation based on my experience occurs and
5 if it isn't occurring today with Picker (phonetic)
6 CLEC, it could occur tomorrow just because of the way
7 the contract language is written. It kind of opens up
8 a loophole, if you will, or maybe encourages that type
9 of activity.

10 Q. And also another CLEC could opt into that
11 agreement, is that your understanding?

12 A. Yes, correct.

13 Q. Okay. And just to clarify also, when you say,
14 moreover, it is likely that these six customers are
15 located at USLEC switches, were you speaking there as
16 a factual assertion or as a hypothetical?

17 A. That was tied to the first spot of the if. It
18 was just a continuation.

19 ATTORNEY PANNER:

20 I have nothing further, Your
21 Honor.

22 ATTORNEY FINN:

23 Can I have a moment, please?

24 JUDGE:

25 Certainly.

1 ATTORNEY FINN:

2 I think I have just one or two
3 questions, Your Honor.

4 JUDGE:

5 I normally don't impose limits.

6 ATTORNEY FINN:

7 Understood.

8 RECROSS EXAMINATION

9 BY ATTORNEY FINN:

10 Q. Mr. D'Amico, you and Mr. Panner were just talking
11 about Verizon's rates and what Verizon can charge its
12 customers; correct?

13 A. Yes.

14 Q. And I think you were talking about whether or not
15 Verizon could vary that rate based on the distance it
16 has to carry the traffic? Did I understand that
17 correctly?

18 ATTORNEY PANNER:

19 I object on the basis it
20 mischaracterizes prior testimony.

21 JUDGE:

22 I disagree. The objection is
23 overruled.

24 A. Do you want to ask that again or do you want me
25 to say something?

1 BY ATTORNEY FINN:

2 Q. Do you remember what the question was or do you
3 want it read back?

4 A. Would you read it back?

5 COURT REPORTER READS BACK PREVIOUS QUESTION

6 A. What we were discussing was two scenarios, one
7 Verizon's situation and that's governed by our local
8 exchange tariff, and Verizon to USLEC situation and
9 that too is governed by Verizon's local exchange
10 tariff. So I think the point that I was trying to
11 make was that I'm not sure of what the rates are and
12 how they're developed and all of that, but they would
13 treat that call the same way as far as billing the end
14 user, the Verizon end user.

15 Q. Okay. So are you familiar with Verizon's rate
16 structure, local calling rate structure?

17 A. No, other than to the billing system when it
18 bills that end user, it looks at the --- that that
19 call to Allentown looks like a call to Allentown. I
20 guess it doesn't know that it's going to a USLEC,
21 wherever it's going to.

22 Q. Are you familiar with Verizon's extended area
23 service?

24 A. No.

25 ATTORNEY PANNER:

1 Objection.

2 ATTORNEY FINN:

3 I'm done. Thank you. Nothing
4 further. I'm sorry, just a moment. Your Honor, I
5 think since Mr. Panner asked about the location of
6 USLEC customers and whether or not they were ISPs,
7 we'd like to introduce as an exhibit to get it into
8 the record the supplemental discovery response that we
9 talked about earlier.

10 ATTORNEY PANNER:

11 I object, Your Honor, we haven't
12 --- well, they haven't laid a foundation for it.
13 They --- there is nothing in there --- I mean, there
14 has been no --- there has been no foundation for this
15 response and it hasn't been properly introduced by a
16 witness.

17 ATTORNEY SHOR:

18 Can I respond to that?

19 ATTORNEY PANNER:

20 They've had control of the
21 information from the beginning. They could have put
22 it in their testimony from beginning.

23 JUDGE:

24 Now do you have a response?

25 ATTORNEY SHOR:

1 Can I please respond?

2 JUDGE:

3 Yes.

4 ATTORNEY SHOR:

5 The parties had various discovery
6 disputes that we attempted to resolve and we
7 ultimately didn't resolve that.

8 JUDGE:

9 Yes, and I appreciate that.

10 ATTORNEY SHOR:

11 And we did it in a way that
12 provided more information for both of us. There have
13 been questions that Mr. D'Amico has been asked and
14 answered by both USX Counsel and his Counsel
15 concerning virtual and foreign exchange customers, the
16 location of those customers and the types of customers
17 and that was followed up on Redirect. And in Recross
18 we are simply introducing as an exhibit marking and
19 showing, if he wants to say he's never seen it or
20 whatever and we have to deal with it separately, we'll
21 deal with it separately. But I think an appropriate
22 foundation has been laid.

23 JUDGE:

24 Well, you may be right that an
25 appropriate foundation has been laid, but more

1 importantly than that, you already have the
2 information of record in this proceeding, because
3 during Cross Examination by Ms. Finn, Mr. D'Amico
4 accepted subject to check all of her representations
5 about the contents of the supplemental discovery,
6 therefore, it is on the record. I don't see that
7 Verizon could have any grounds for disputing it unless
8 they are about to examine that supplemental discovery
9 and say, no, it doesn't say that. I somehow am
10 inclined to believe that Ms. Finn had no reason to
11 misrepresent her own discovery to the opposite side.

12 So with that in mind, I find that
13 it is immaterial that you've offered that particular
14 exhibit and it's not necessary to put it in the
15 record. Is there anything else for this witness?

16 ATTORNEY FINN:

17 Nothing further.

18 JUDGE:

19 Fine. This witness having
20 testified only on issues one and two is excused.

21 ATTORNEY PANNER:

22 Your Honor, is it all right if Mr.
23 D'Amico now leaves and goes to the airport?

24 JUDGE:

25 Yes, certainly.

1 OFF RECORD DISCUSSION

2 ATTORNEY SHOR:

3 Your Honor, as a matter of
4 cleanup, you had asked earlier regarding the numbering
5 in Ms. Montano's testimony and I double checked and I
6 think the item on page 31 that is identified as issue
7 eight should now be remarked as issue nine.

8 JUDGE:

9 And that's in her Direct
10 testimony?

11 ATTORNEY SHOR:

12 Yes. I think it's 31 at the
13 bottom or it may be --- depending on how it got marked
14 is the issue --- the identification of the issue at
15 the very bottom.

16 JUDGE:

17 Yes, I had already marked it issue
18 number nine.

19 ATTORNEY SHOR:

20 Are you ready for the next
21 witness?

22 JUDGE:

23 No, actually we have one more bit
24 of old business with Ms. Finn.

25 ATTORNEY FINN:

1 Yes. I can't find the one I wrote
2 on, but I think I just found another one, so we'll
3 write on it again.

4 JUDGE:

5 And now that you've written on it
6 would you like to move it into evidence?

7 ATTORNEY FINN:

8 Yes, Your Honor. USLEC would like
9 to move USLEC Exhibit One into evidence.

10 JUDGE:

11 Admitted without objection. Is
12 USLEC Exhibit Number Two identified and withdrawn?

13 ATTORNEY FINN:

14 Yes, USLEC Exhibit Number Two is
15 identified and withdrawn.

16 JUDGE:

17 Fine. All right. Now, I believe
18 we are back to Ms. Montano, who by virtue of her prior
19 appearance continues to be under oath and is now
20 responsible for the remainder and numerical order of
21 the issues that are left in this proceeding. And
22 Mr. Shor, I find it hard to believe you would need
23 to do much introduction, but whatever you think is
24 necessary.

25 ATTORNEY SHOR:

1 Ms. Montano is available for Cross
2 Examination on issues three, four, five, six, eight
3 and nine.

4 JUDGE:

5 Yes. And I quite agree. Mr.
6 Panner.

7 ATTORNEY PANNER:

8 Thank you.

9 WANDA MONTANO, PREVIOUSLY SWORN, RECALLED TO TESTIFY
10 RECROSS EXAMINATION
11 BY ATTORNEY PANNER:

12 Q. Ms. Montano, on issues three and four, you've
13 testified that Voice Information Services traffic ---
14 and this is your Direct testimony, on page --- I
15 apologize. On page 12, line 22 and then going over to
16 page 13, line one, you've testified that Voice
17 Information Services traffic, as defined in the
18 agreement, quote, cannot be characterized as
19 interstate or intrastate exchange access, information
20 access or exchange services for exchange access or
21 information access, is that your testimony?

22 A. Yes, it is.

23 Q. Is that a legal conclusion?

24 A. It is my understanding of the issue.

25 Q. Is it a legal conclusion?

1 A. I think the legal conclusions are for the Judge
2 to draw, not for me.

3 Q. Is it a legal conclusion?

4 ATTORNEY SHOR:

5 Asked and answered.

6 ATTORNEY PANNER:

7 I disagree. It hasn't been
8 answered.

9 BY ATTORNEY PANNER:

10 Q. It's a simple yes or no. Is it a legal
11 conclusion or is it not a legal conclusion?

12 ATTORNEY SHOR:

13 Asked and answered.

14 JUDGE:

15 I'm at the point in the day where
16 I don't particularly care. If it's a legal
17 conclusion, I'll deal with it any way I want. If it's
18 not a legal conclusion, I'll regard it as factual
19 text.

20 BY ATTORNEY PANNER:

21 Q. I'll pass on now to issue five. Ms. Montano, do
22 you know what it means for USLEC to receive traffic
23 from Verizon's network?

24 A. Are you talking about the testimony that begins
25 on page 16?

1 Q. I'm simply asking the question, do you know what
2 it means for USLEC to receive traffic from Verizon's
3 network?

4 A. Based on the definition that you guys have
5 proposed in the interconnection agreement?

6 Q. If I say to you that USLEC has received traffic
7 from Verizon's network, do you know what I mean?

8 A. No, because we don't use that word. We use
9 originating and terminating.

10 Q. So your testimony is that you do not know what it
11 means?

12 A. Not in terms of an industry standard term, in
13 terms of how traffic flows.

14 Q. Okay. I'd like to go on to issue six. Does
15 USLEC --- first of all, can you describe for me what a
16 traditional FX service is?

17 A. My understanding of foreign exchange service is
18 that a customer has a location in one calling area and
19 would like for customers of their business in a
20 calling area to be able to make a local call to them
21 rather than a toll call.

22 Q. And do you know how Verizon provisions a
23 traditional FX service?

24 A. No, I do not.

25 Q. Okay. Now, does USLEC offer FX service?

1 A. Yes, we do.

2 Q. Now, would you agree that it's possible to
3 provision FX service by offering switching service out
4 of an end office and then provisioning a dedicated
5 line from that end office to a customer location in a
6 different local exchange? Would that be possible?

7 A. Can you break that into smaller pieces?

8 Q. Sure. In a traditional --- have you read the
9 testimony of Mr. Haynes?

10 A. Yes, I have.

11 Q. In that testimony, I believe he describes a
12 traditional FX service as one in which --- and I'll
13 try to break it down for you, one in which a customer
14 purchases service in a foreign end office and then
15 purchases transport from that end office to the
16 customer location in a different exchange. Do you
17 understand that?

18 A. Yes, I do.

19 Q. Okay. Does USLEC offer FX service in this
20 fashion?

21 A. Yes, we do.

22 Q. So you offer service in a fashion where you have
23 --- you have a customer who is located in --- okay.
24 Let me break that down. When you offer FX service, is
25 your switch --- do you require --- is your switch

- 1 always in the exchange area associated with the NXX
2 code assigned to the customer?
- 3 A. No, it is not.
- 4 Q. So it might well be true that the switch is quite
5 distant from the local exchange area associated with
6 the assigned NXX code; is that correct?
- 7 A. Yes.
- 8 Q. And, in fact, you would offer FX service,
9 offering NXX codes associated with any NXX code in the
10 LATA where you have assigned numbers out of one switch
11 in the LATA; is this correct?
- 12 A. That's correct.
- 13 Q. Now, compared to offering --- if you offer FX
14 service, do you impose an additional charge?
- 15 A. Yes, we do.
- 16 Q. Do you know how much that charge is?
- 17 A. I believe it's \$1,000 a month, plus \$500
18 non-referring charge, plus hunting fees. There are
19 antilog trunk fees as well, I believe of \$12 a month.
- 20 Q. Okay. Now, what additional costs do you have
21 when you're --- I'll withdraw that question.
- 22 I'm going to go to the board here and I'll try to
23 ---.
- 24 OFF RECORD DISCUSSION
- 25 BY ATTORNEY PANNER:

1 Q. I'm going to draw a schematic here. I'm going to
2 call this exchange area A. And I'm going to call this
3 exchange area B. And we're going to have a customer
4 here, we'll call him customer X. I'm going to have a
5 customer here, we'll call her customer Y. Now, can
6 you tell me is the call from X to Y a local call?

7 A. That would depend on what Verizon's tariff says
8 is the calling area between A and B.

9 Q. But as I've described this, this is outside the
10 exchange area for the subscriber X. So it's in a
11 different exchange area, no EAS, nothing fancy. It's
12 just there is a local exchange area here, a local
13 exchange area here, a call connect, a call Y, is that
14 a local call?

15 A. Could you define exchange area for me because
16 we've talked about local calling areas and serving
17 wire centers, that's a term that I don't understand.

18 Q. Okay. A local exchange area is an area in which
19 calls between customer stations are considered local
20 ---

21 A. Okay.

22 Q. --- where the stations are located within the
23 exchange area. Is the call from X to Y --- and I
24 believe that's paraphrasing the way that's defined in
25 the tariff subject to check. But is a call from X to

- 1 Y a local call?
- 2 A. As you've defined it, yes.
- 3 Q. X is in exchange area A?
- 4 A. Uh-huh (yes).
- 5 Q. Y is in exchange area B, a different exchange
- 6 area?
- 7 A. Yes.
- 8 Q. Is a call from X to Y a local call?
- 9 A. I don't believe so.
- 10 Q. Okay. So the answer is no?
- 11 A. That's correct.
- 12 Q. Okay. Well, what if the NPA/NXX of the X
- 13 customer and the Y customer are, in fact, associated
- 14 with the same local calling area? In other words, you
- 15 could have a customer here, Y, right, who has an NPA,
- 16 an assigned NPA/NXX associated with the local calling
- 17 area A, ---
- 18 A. Okay.
- 19 Q. --- would it still be an interexchanged call?
- 20 A. No, that would be a foreign exchange call.
- 21 Q. It can be a local call?
- 22 A. It would be a local call because the customer has
- 23 purchased foreign exchange.
- 24 Q. So in your view that would be defined as a local
- 25 call?

1 A. Yes.

2 Q. Would the reciprocal compensation apply to that
3 call?

4 A. Yes.

5 Q. Okay. In fact, so X --- let me just clarify one
6 thing. Even if USLEC's switch is here and Verizon is
7 the one transporting the traffic all the way to here,
8 not only in your view is Verizon not entitled to any
9 compensation for this transport, Verizon must pay
10 USLEC to deliver that call to Y; is that correct?

11 A. I believe that that pricing structure would apply
12 regardless of whether your company is offering the
13 foreign exchange or mine. The traffic flows in both
14 directions, so, yes.

15 Q. Okay. So the answer is, yes, we would have to
16 pay you in that circumstance?

17 A. Yes. And you would have to pay me in the
18 opposite direction.

19 Q. Okay. That's fine.

20 A. I'm sorry. Let me correct that. I would have to
21 pay you in the opposite direction.

22 Q. That's fine. That's what you think we're
23 entitled to?

24 A. That is the way the networks work today and that
25 is the way the rules are today.

- 1 Q. Okay. And you're charging an extra, you said I
2 think it was, 500 ticks and \$1,000 a month or 1,000
3 ticks, \$500 a month, to deliver the call from this
4 customer Y for this FX service; is that correct?
- 5 A. The charges that we apply to the customer have to
6 do with the facility that the customer purchases from
7 us to get from one calling area to the other.
- 8 Q. But, in fact, the customer in my example is
9 located right next to your switch, isn't he, or she?
10 Y is she. So Y is located right next to your switch
11 in my example; isn't she?
- 12 A. Yes.
- 13 Q. And yet you're charging her extra to provide this
14 FX service; is that correct?
- 15 A. That's the nature of the service, yes.
- 16 Q. Thank you. Now, let me ask you one more
17 question. You've testified, have you not, --- let me
18 ask you one further question. You've testified, have
19 you not, that the NPA/NXXs of these two customers is
20 the same, that it's a local call but it's reciprocal
21 compensation; is that correct?
- 22 A. I'm sorry. Could you restate that?
- 23 Q. You've testified that --- and I didn't really say
24 that exactly right, so thanks. If the NPA/NXXs of the
25 two customers are associated with the same local

1 calling area, that it's a local call but it's
2 reciprocal compensation, is that your testimony?

3 A. Yes, it is.

4 Q. Now, suppose that I told you that customer Y was
5 located in South Carolina and customer X was located
6 in Pennsylvania, would your conclusion change that
7 it's a local call?

8 A. Yes, my conclusion would change, but USLEC
9 wouldn't offer that service to its subscribers.

10 ATTORNEY PANNER:

11 Your Honor, I'd like to mark
12 Exhibit VZ-5.

13 JUDGE:

14 So marked.

15 (Exhibit VZ-5 marked
16 for identification.)

17 JUDGE:

18 What is it?

19 ATTORNEY PANNER:

20 It is a printout of a page from
21 the USLEC website describing the long distance and
22 toll free services that USLEC offers.

23 ATTORNEY SHOR:

24 Do you have one more?

25 ATTORNEY PANNER:

1 Sure.

2 ATTORNEY SHOR:

3 Thank you.

4 BY ATTORNEY PANNER:

5 Q. Okay. Can you turn to page two and go down to
6 the third bolded heading. And I'm going to read
7 that. It says, local toll free trademark service, is
8 that correct, is that the heading?

9 A. Yes.

10 Q. It says local toll free service allows your
11 customers in another city to make a local call to you,
12 is that correctly read?

13 A. Yes.

14 Q. And it says USLEC's local toll free service lets
15 you establish local phone number across the USLEC
16 footprint, is that what it says?

17 A. Yes.

18 Q. What is the USLEC footprint?

19 A. I did not write this so I have no idea who the
20 author is or what was meant. I can speculate that in
21 --- when we, within the company talk about footprint,
22 it's the 14 states that we provide service in.

23 Q. Then it says this unique inbound calling service
24 allows anyone to place a, quote, free, end quote,
25 local call to you from anywhere within USLEC's

1 territory with you picking up the charges at a lower
2 cost; is that correct?

3 A. Yes.

4 ATTORNEY PANNER:

5 I have no further questions.

6 ATTORNEY SHOR:

7 Just a minute.

8 REDIRECT EXAMINATION

9 BY ATTORNEY SHOR:

10 Q. Just a couple of questions on Redirect,
11 Ms. Montano. In the diagram that was drawn,
12 Mr. Panner was asking you about the charges that USLEC
13 assesses on to its FX customers for service; do you
14 recall that?

15 A. Yes.

16 Q. And he propositied (phonetic) to you the situation
17 where the FX customer is located, I think he put it,
18 near the USLEC switch; do you recall that?

19 A. Yes, sir.

20 Q. Do you know whether any of USLEC's FX customers
21 in Pennsylvania are located near the USLEC switch?

22 A. Yes, I believe they are.

23 Q. What's that distance?

24 A. I believe it is less than five miles.

25 Q. And are there others that are located at greater

1 distances?

2 A. Yes, there are.

3 Q. What are those distances?

4 A. I think there is one at 12 miles.

5 Q. And do you have any recollection what the average
6 distance is?

7 A. No, I don't, but I believe it's in the discovery
8 that we submitted.

9 Q. And with respect to the information from the
10 website that you were just asked about, do you know
11 how that service is provisioned?

12 A. I believe it is provisioned as an enhancement to
13 our toll free service, inbound 800 service.

14 Q. So that it could, in fact, be a corollary to the
15 800 service that USLEC also offers?

16 A. Yes.

17 Q. Are you aware of any customers in the
18 Pennsylvania area who utilize this service to permit
19 customers to call them outside of the State of
20 Pennsylvania?

21 A. No, I'm not.

22 ATTORNEY SHOR:

23 I have nothing further.

24 ATTORNEY PANNER:

25 Just one thing.

1 RE CROSS EXAMINATION

2 BY ATTORNEY PANNER:

3 Q. You said it's a corollary to your 800 service?

4 A. Uh-huh (yes).

5 Q. But the switch would nonetheless recognize it ---

6 Verizon's switch would nonetheless route it and rate
7 it as a local call; is that correct?

8 A. From the ---.

9 ATTORNEY SHOR:

10 Objection, calls for speculation
11 by the witness as to how Verizon's switch would read
12 it. She says she is guessing as to how it's
13 provisioned.

14 ATTORNEY PANNER:

15 Your Honor, she has testified
16 extensively about how in the industry calls are rated
17 and routed.

18 JUDGE:

19 Ms. Montano, try to answer the
20 question to the best of your ability.

21 A. Yes, sir. My speculation on how we provide this
22 service is that the customer would have an 800 number
23 or an 8XX number. Your switch would see that, it
24 would do the appropriate dip into the impact database
25 and determine whether or not that call would get

1 routed either to the customer's interexchange pick or
2 would get routed to us over USLEC Net, which is our
3 long distance service.

4 BY ATTORNEY PANNER:

5 Q. When you hear the phrase local phone numbers, do
6 you think that that phrase includes 800 numbers?

7 A. It could.

8 Q. Okay. And would you have to pay access charges
9 on such calls?

10 A. It depends on how it's routed. If this
11 particular customer --- because we also have a long
12 distance product, if they were pic'd, P-I-C apostrophe
13 D, they pic'd us to be their long distance service,
14 then we would carry that traffic on our network
15 because we have a backbone network that connects our
16 switches and deliver it to the customer on the other
17 end, in which case no access charges would apply
18 because I would be the sole carrier of the call.

19 If the customer is pic'd to Verizon for a long
20 distance service or AT&T or anyone else, then, yes,
21 access charges would apply.

22 COURT REPORTER READS BACK PREVIOUS ANSWER

23 BY ATTORNEY PANNER:

24 Q. Just to clean up the record. Do you know if
25 USLEC pic'd an interexchange carrier for a Verizon

1 local customer if USLEC has to pay access charges on

2 long distance traffic that that customer originates?

3 A. Let me see if I can restate your question because

4 I'm not sure I understand it. Are you asking whether

5 a Verizon local customer could pick USLEC as their

6 long distance carrier?

7 Q. Okay. Well, that's part of it.

8 JUDGE:

9 That's the first part.

10 A. The answer is yes.

11 BY ATTORNEY PANNER:

12 Q. Okay. And if that were the case, would USLEC

13 have to pay access charges to Verizon on long distance

14 calls made by that customer?

15 A. Yes.

16 Q. Okay. So, in fact, access charges --- whether

17 access charges are due doesn't depend on whether USLEC

18 is pic'd by XC or not?

19 A. It depends on the call routing.

20 ATTORNEY PANNER:

21 Okay. I have nothing further.

22 JUDGE:

23 Any Redirect on that basis?

24 ATTORNEY SHOR:

25 No.

1 JUDGE:

2 The witness is excused and thank
3 you for coming.

4 OFF RECORD DISCUSSION

5 JUDGE:

6 And do you want to introduce this
7 witness to us?

8 ATTORNEY PANNER:

9 Sure.

10 TERRY HAYNES, PREVIOUSLY SWORN, CALLED TO TESTIFY

11 DIRECT EXAMINATION

12 BY ATTORNEY PANNER:

13 Q. Can you state your name and business address?

14 A. Yes. I'm Terry Haynes, 600 Hidden Ridge, Irving,
15 Texas and the ZIP is 75038.

16 Q. Who is your employer?

17 A. I'm employed by Verizon as a manager and the
18 regulator person.

19 JUDGE:

20 And Mr. Haynes, I want to welcome
21 you to the hearing this morning and also remind you
22 that early this morning you took your oath as a
23 witness?

24 A. Yes, sir.

25 JUDGE:

1 And you continue to be in that
2 position now.

3 A. I understand.

4 JUDGE:

5 Thank you. Could you give your
6 title, please?

7 A. Manager of the state regulatory.

8 BY ATTORNEY PANNER:

9 Q. Did you cause to have prepare for this proceeding
10 this 20 --- well, 20 pages of Direct testimony?

11 A. Yes, I did.

12 Q. Dated May 31st, 2002?

13 A. Yes.

14 Q. Do you have any corrections to make to that
15 testimony?

16 A. No.

17 Q. If those same questions were asked of you today
18 would you give the same answers?

19 A. Yes, I would.

20 Q. Did you cause to have prepared 14 pages of
21 rebuttal testimony that was filed on July 9th, 2000?

22 A. Yes, I did.

23 Q. Do you have any corrections to make to that?

24 A. None to that.

25 Q. If you were asked the same questions today would

1 you give the same answers?

2 A. Yes, I would.

3 ATTORNEY PANNER:

4 I offer his testimony subject to
5 Cross Examination.

6 JUDGE:

7 The Direct testimony of Mr. Haynes
8 and the rebuttal testimony of Mr. Haynes are admitted
9 subject to Cross Examination and any timely motion.
10 And we have one small old business thing to clean up
11 and that is VZ Exhibit Five.

12 ATTORNEY PANNER:

13 Thank you, Your Honor. I'd like
14 to move admission of Verizon Exhibit Five.

15 JUDGE:

16 Admitted without objection.
17 Mr. Shor.

18 ATTORNEY SHOR:

19 Thank you, Your Honor.

20 CROSS EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Mr. Haynes, my name is Michael Shor. I'm here as
23 Counsel for USLEC of Pennsylvania. I'd like to ask
24 you a few questions this afternoon, please.
25 Mr. Haynes, to your knowledge does Verizon offer a

- 1 service known as foreign exchange in Pennsylvania?
- 2 A. Yes, they do.
- 3 Q. And how does that work?
- 4 A. It's my understanding that it is provisioned in a
5 manner --- I'll try to use some examples. Let's use
6 the Allentown, Philadelphia example. They seem
7 popular today. If I had an Allentown customer that
8 wanted to have a virtual or foreign exchange presence
9 in the Philadelphia location, that customer would
10 negotiate with Verizon for that service. As part of
11 that service they would lease a loop (phonetic) that
12 would connect the location in Allentown with the
13 location in Philadelphia. And they would have a
14 virtual presence, if you will, from the Philadelphia
15 location back to Allentown or you could turn it around
16 and use it the other way. So it would involve having
17 a lease to loop plus a local service number type of
18 service.
- 19 Q. So as I understand it, Verizon would assign a
20 telephone number to a customer who is physically
21 located in Allentown?
- 22 A. Yes.
- 23 Q. And has an NPA/NXX that is associated with the
24 Philadelphia local calling area?
- 25 A. That's correct.

1 Q. Okay. And in essence, that gives that Allentown
2 customer what we called a virtual presence in the
3 Philadelphia calling area?

4 A. Yes. Their physical location would still be in
5 Allentown, but the loop that they would pay for that
6 connects the two towns together would be the
7 compensation Verizon would get in lieu of what would
8 normally be toll calls.

9 Q. And that arrangement allows customers in
10 Philadelphia to call the Allentown customer without
11 incurring a toll charge; is that correct?

12 A. That's correct. We get our compensation and that
13 loss that we experience is recovery for the cost for
14 that loop that's leased between the two points.

15 Q. Do you have any idea approximately how many
16 customers in Pennsylvania utilize Verizon's foreign
17 exchange service?

18 A. I don't know. We were trying to find an easy way
19 to get that information in our system. I understood
20 that was a data request. I don't think we got it, but
21 we were looking for it.

22 Q. Do you generally have an idea across Verizon's
23 footprint how many people utilize foreign exchange
24 service?

25 A. Percentage-wise it's extremely small. I had a

1 chance to look into it awhile back for another
2 situation and it turned out to be much less than one
3 percent of our total customers.

4 Q. But that could still be a fairly substantial
5 number of customers even though it's a small
6 percentage of Verizon's total customer base?

7 A. Yes. If you have a base of 70 million
8 nationally, it would be a big number. If you have a
9 base of whatever it is locally --- I don't know the
10 exact numbers.

11 Q. Do you have any idea what the Verizon customer
12 base is in Pennsylvania?

13 A. I think I remember reading somewhere around six
14 million customers. I don't know that to be --- I
15 wouldn't swear to that, but it's just a rough number.

16 Q. Math has never been one of my strong points, but
17 one percent of six million is 1,000.

18 ATTORNEY PANNER:

19 It would be something with a six
20 in it.

21 BY ATTORNEY SHOR:

22 Q. So it's something less than 6,000?

23 A. I would probably agree it's something less than
24 6,000.

25 Q. So it's within the range of maybe 4,000 to 6,000

1 customer utilize it?

2 A. Again, I just remember the number in Florida
3 being much less than one percent. I don't remember if
4 it's .8, .5. I don't recall.

5 Q. Now, to your knowledge, is Verizon's foreign
6 exchange legal in Pennsylvania?

7 A. It's my understanding that it's a tariff service
8 that we express to the Commission and the Commission
9 approved it.

10 Q. Okay. And as I understand it, Verizon has been
11 billing and collecting reciprocal compensation from
12 CLEC whose customer have been calling Verizon's FX
13 customers?

14 A. That is an understanding that I would agree with
15 and I want to elaborate on that understanding. The
16 system that we have in place was built --- and I'd
17 have to get some information, historical information
18 to confirm how it is here in Pennsylvania, but I know
19 from my experience, which is more former GT than
20 former Bell Atlantic, we have had a system in place
21 for a very long time that was built from the idea that
22 a call that originated at one NPA/NXX and terminated
23 another NPA/NXX compared those two to determine if it
24 was going to be treated as a local or if it was going
25 to be treated as an access call. And that was based

1 on the premise that we didn't have other providers
2 like CLEC. We had us, then ILEC, another ILEC which
3 we principally exchanged traffic with and that was
4 generally balanced, roughly 50 percent one way, 50
5 percent the other so there wasn't an issue, concerned
6 on our part.

7 So our billing system wasn't built to take into
8 consideration the possibility that we might have a lot
9 of traffic going one way. And elaborating on that, I
10 guess what I'm trying to say is that if we had a
11 literal comparison of the termination and origination
12 point, by our definition a call that originates in one
13 place and terminates in another that's not local at
14 that point should be entitled to access.

15 So I believe I expressed in my testimony that has
16 been submitted that we would be willing to work with a
17 CLEC. And we, in fact, offered to do that, as an
18 example. We said we realized we have traffic that's
19 coming from you to us and vice versa. In those
20 situations where we've been treating that as recip
21 comp, we'd be willing to work to get a measurement
22 established to put in a tool that would allow us to
23 compensate with access rather than recip comp.

24 Q. Thanks. But I just want to see if I can do a
25 short form summary. The answer is that, yes, Verizon

- 1 has been billing and collecting recip comp from CLEC
2 for calls to Verizon's FX customers?
- 3 A. Yeah, just based on the fact that the system
4 doesn't have a way to differentiate at this point.
- 5 Q. And, in fact, because the billing system and the
6 routing system can't distinguish?
- 7 A. It doesn't have a tool built into it, that's
8 correct.
- 9 Q. Okay. It looks at the NPA/NXXs and if they're
10 associated with the same local calling area it's rated
11 to the originating caller as a local call?
- 12 A. That's correct.
- 13 Q. And if the NPA/NXX is assigned in one instance to
14 --- if the NPA/NXX as the calling party is associated
15 with the CLEC and the NPA/NXX of the call party is
16 associated with Verizon foreign exchange customer,
17 Verizon will bill that CLEC recip comp?
- 18 A. Right. Once again, because the system has no
19 intelligence to do otherwise.
- 20 Q. Now, does Verizon offer a service known as
21 Enhanced Intellilink, PRI hub service in Pennsylvania?
- 22 A. Yes, they do, that's my understanding.
- 23 Q. Can you tell me how that service works?
- 24 A. I can give a broad description. I'm not a
25 literal expert but I've had the experts tell me a

1 little bit about it. As I understand, we have two
2 services that are very similar in terms of --- not
3 only that and something else called IPRS. So you've
4 got the service you just described and another one.
5 In both cases, as I understand, the service is a local
6 customer is trying to reach lease services by the ISP
7 termination. So they try to get ahold of the internet
8 service provider.

9 So we have an end user that dials into the switch
10 and that switch recognizes the number being dialed as
11 one that's part of the service that an ISP has paid
12 for. And it routes that call or that communication to
13 a hub and the hub then hands off via the dedicated
14 loop that the ISP pays for, the traffic that's destined
15 for the internet. And the compensation we receive in
16 that case, I know there is a state tariff for the
17 service you described and there is a federal tariff
18 for the other services, but both services we receive
19 compensation. The transport portion of that based on
20 the monthly rates that the customer for the service
21 would pay --- so we got a rate that's including that
22 transport ---.

23 Q. Now, to your knowledge, does the customer who
24 purchased the service, are they given NPA/NXXs that
25 are associated with local calling areas?

- 1 A. Yes, they are.
- 2 Q. So it's not a 1-800 or a 1-500 type service ---
- 3 A. As I understand ---.
- 4 Q. --- in this particular one?
- 5 A. In the example I just described, I believe it has
- 6 an add-on if they want to use it, that being the
- 7 customer, of having 1-500 options, it's my
- 8 understanding generally they chose the local numbers,
- 9 but it does have an option.
- 10 Q. And to your knowledge, do any of the ISPs that
- 11 that service is sold to, co-locate with Verizon in any
- 12 of its switches?
- 13 A. Honest to goodness, my understanding of the
- 14 general arrangement of it, I don't know. I know we
- 15 have the hubs, but I'm not sure how far they are
- 16 located away from those hubs, where it passes off. I
- 17 do know they have a link, but I don't know how far
- 18 those links run before it reaches the ISP. I don't
- 19 know.
- 20 Q. Is it possible that some of those customers are
- 21 co-located with ---?
- 22 A. It's certainly possible, yes.
- 23 Q. Let me finish the question.
- 24 A. I'm sorry.
- 25 Q. It's possible that some of those customers are

1 co-located within Verizon switches?

2 A. It's certainly possible. If they've leased space
3 from us I would think it's an arrangement they can
4 secure.

5 Q. To your knowledge, is it possible for the ISP
6 customer, the end user customer, to be located outside
7 of the LATA within which the local calling numbers are
8 assigned?

9 A. As I understand the infrastructure that's in
10 place, let me use Pennsylvania since it's what we're
11 addressing, for the structure here we have 30 some
12 hubs deployed across the state and they have links in
13 from the various local central offices to those hubs.
14 Once it reaches those hubs, I believe the ISP provider
15 can order its dedicated loop and it can be any length
16 it wants to be at that point because they're buying a
17 loop, not necessarily from us. They can buy it from
18 anybody. And we simply took it to that loop and sent
19 it to wherever it terminated.

20 Q. So you don't necessarily know where it
21 terminates?

22 A. No, I don't, honestly. Somebody that's a product
23 expert may have some idea, but I don't.

24 Q. So to your knowledge could it possibly terminate
25 outside of the LATA where the local calling numbers

1 are assigned?

2 A. In my understanding of it, theoretically it
3 could. I don't have the precise knowledge about any
4 perimeters that might have been established to prevent
5 that. I just don't know the details.

6 Q. Thank you. And like Verizon's foreign exchange
7 service, in essence, this gives the Enhanced
8 Intellilink customer a virtual presence in a calling
9 area where it has no physical locations?

10 A. Well, the similitudes between the two that I
11 find significant to me is that in both cases Verizon
12 is compensated for the transport that it's provided
13 across the distance because our concern has been
14 around the issue of whether or not transports are
15 going to be provided free of charge and several CLECs
16 have asked us to provide it versus being compensated
17 to be transported to go some distance.

18 Q. But focusing on the service that's provided to
19 the ISPs --- and let's stick with our Allentown and
20 Philadelphia example. We can have an ISP that's
21 located in this instance in Philadelphia.

22 A. Right.

23 Q. And maybe they're located in Allentown because
24 the real estate costs are cheaper. But let's put them
25 in Allentown and they want a Philadelphia number and

1 they choose, for whatever reason, to utilize this
2 service, it gives that ISP in Allentown a virtual
3 presence, if you will, in Philadelphia?

4 A. Yeah. Physically speaking, the way I'd
5 understand that example, we have a hub somewhere close
6 to Allentown. It may not be in Philadelphia. It may
7 be fairly close to Allentown. It's based on quantity
8 of hauls coming into the hub. And they would have an
9 arrangement where the end user that's using an ISP
10 would call into our switch and the switch would then
11 hand off to the hub, however close it might be, it
12 could be as far away as Philadelphia but my guess is
13 based on having, I think 38 hubs in the state, it
14 would be fairly close to Allentown.

15 Q. But the question is it gives the ISP located in
16 Allentown a virtual presence in Philadelphia? People
17 can call that number in Philadelphia and think that
18 the ISP is located there?

19 A. Let me back up and be sure I'm understanding
20 you. Because maybe what you just said and what I'm
21 saying are at odds with each other. If we have an
22 Allentown end user trying to reach somebody
23 subscribing to this service, they're going to have a
24 number that appears to be local to Allentown. And
25 when it connects it's going to hand off to hub fairly

1 close to Allentown based on the number of products we
2 have in the state. And then from that hub it will go
3 over to a dedicated loop somewhere. It may go to
4 Philadelphia if that's where your device is located.
5 It may stay in Allentown as you indicated if they have
6 cheap real estate.

7 Q. We're not necessarily looking at how it's routed
8 or routed rather, but it gives --- the end user, in
9 essence, gets a presence in a calling area where it
10 does not have a physical facility?

11 A. Well, it would have a one-way presence there,
12 that would be similar --- one way when you compare it
13 to FX. FX that we provide, forces two ways, it works
14 both directions and it's voice service where this is
15 focused on ISP only.

16 Q. And it's a data service?

17 A. Yes, strictly focused on data service.

18 Q. And it allows customers in Philadelphia to call
19 an ISP located in Allentown without incurring the cost
20 of a toll charge?

21 A. Yes, if you turn the situation around it would be
22 possible to do that.

23 Q. To your knowledge, is Verizon's Enhanced
24 Intellilink PRI hub service legal in Pennsylvania?

25 A. It's my understanding it's a service that's been

1 approved.

2 Q. And without getting into numbers, is it your
3 understanding that there are some customers in
4 Pennsylvania who utilize that service?

5 A. I think we did some discovery on that and I
6 understood that we got data from Pittsburgh, which was
7 like five or six customers and there is just a handful
8 around Philadelphia.

9 ATTORNEY SHOR:

10 Would you mind marking that
11 portion of that answer as confidential? I did not ask
12 for ---.

13 JUDGE:

14 Go off the record.

15 OFF RECORD DISCUSSION

16 JUDGE:

17 Our off the record discussion
18 reflected that Counsel for USLEC was trying earnestly
19 to honor his commitment to treat confidential
20 information as confidential, however, Verizon has
21 kindly waived it for that brief answer.

22 ATTORNEY SHOR:

23 Thank you.

24 BY ATTORNEY SHOR:

25 Q. And as I understand it, Mr. Haynes, Verizon has

1 billed and collected reciprocal compensation from CLEC
2 whose customers may have called Enhanced Intellilink
3 customers served by Verizon?

4 A. To the degree that it's occurred, I have to deal
5 in theory rather than practices, I don't know if there
6 have been any actual costs terminated. But in theory,
7 it could have been.

8 Q. Were you involved in the preparation of Verizon's
9 supplemental responses to USLEC's discovery?

10 A. I reviewed the answers, in some cases I
11 contributed.

12 ATTORNEY SHOR:

13 Okay. Let me mark as USLEC --- we
14 marked Two and withdrew it, so USLEC Three. And I
15 regret to tell you that I'm not competent enough to
16 have the proper number of copies. So if we could
17 share some. This is one for you.

18 BY ATTORNEY SHOR:

19 Q. Have you had a chance to look at this document
20 before?

21 A. Yes, I have. In fact, I brought a copy with me.
22 I think I've got one if we need an extra.

23 Q. If you would turn to page 12, please.

24 A. Yes.

25 Q. Interrogatory Number 74, do you see that?

- 1 A. Yes, I do.
- 2 Q. Let me just read this into the record and let you
3 tell me if I did it correctly. Have you ever billed
4 or received reciprocal compensation for calls received
5 from customers of CLEC or other LEC for termination to
6 your customers who have purchased or subscribed to
7 FX-like services, do you see that, please explain your
8 answer?
- 9 A. Yes, I do.
- 10 Q. And I will represent to you subject to reviewing
11 the document, that Enhanced Intellilink was identified
12 as an FX-like service.
- 13 A. Yes.
- 14 Q. Do you see the Answers to see response to
15 Interrogatory Number 59?
- 16 A. Yes, I do.
- 17 Q. If you go back to page ten, do you see the
18 response to Interrogatory 59?
- 19 A. Yes.
- 20 Q. Let me read that into the record, please. If a
21 CLEC customer originated a call to a Verizon FX
22 customer with an assigned NXX code associated with the
23 same local calling area as the NXX code of the
24 originating CLEC customer, Verizon would ordinarily
25 bill, paren, and therefore, also receive, closed

1 paren, reciprocal compensation on such a call, do you
2 see that?

3 A. Yes.

4 Q. Now, that answer has been incorporated into the
5 Answer to Interrogatory Number 74.

6 A. Yes.

7 Q. So would you agree with me then that Verizon has
8 billed and received reciprocal compensation for calls
9 from CLEC to Enhanced Intellilink customers?

10 A. I think we're both saying the same thing, meaning
11 that actually if it's happened --- I would agree that
12 if that would have been billed --- but I don't know if
13 it has happened.

14 Q. I was interpreting this as saying that it has
15 happened?

16 A. No. In this case, I think the way this is
17 worded, I think I had a hand in wording it, because
18 none of us knew for sure if it had taken place. So if
19 it occurred this way, then it would be handled that
20 way.

21 Q. That's fair. Now, I think you mentioned this
22 earlier, does Verizon offer internet protocol routing
23 service in Pennsylvania?

24 A. It's my understanding they do.

25 Q. And for simplicity sake we will refer to that as

1 IPRS?

2 A. Yes.

3 Q. And how does that service work?

4 A. In essence, what we've just described is very
5 similar, the differences with IPRS is that it has
6 additional functionality built into the service. It's
7 a federally tariffed rather than state tariffed
8 product. And they actually do management of the
9 system. As a contrast to the other service, it's my
10 understanding talking to the product manager, that if
11 --- IPRS not only get this inactivity into the hub,
12 they also do network managing in the process. So they
13 get a higher level of access to their internet service
14 provider and internet service provider benefit from
15 that enhanced management. They have somebody watching
16 the network at all times to make sure if there is an
17 outage or a blockage starting to occur that they can
18 take care of that. The other service, that's not the
19 case. They have the delivery, but they don't have
20 this other enhancement management of the process.

21 JUDGE:

22 Excuse me. Just for my neophyte
23 understanding, enhanced management is the watching the
24 line?

25 A. Yes. That's the part that I understand about.

1 There may be more features that I'm not an expert on,
2 but that was a significant feature, the product
3 manager ---.

4 JUDGE:

5 Your level of expertise is far
6 above mine, please continue, Counsel.

7 ATTORNEY SHOR:

8 Thank you.

9 BY ATTORNEY SHOR:

10 Q. And with IPRS, again, Verizon assigns a telephone
11 number to a customer in Allentown, ---

12 A. Yes.

13 Q. --- who may be physically located in
14 Philadelphia?

15 A. Yes.

16 Q. And allows individuals in Philadelphia to call
17 that number, ---

18 A. Yes.

19 Q. --- as if it was a local call?

20 A. That is correct.

21 Q. Okay. And to your knowledge, is that service
22 legal in Pennsylvania?

23 A. To my understanding, it's a federally tariffed
24 product, but I'm not aware of any issues that have
25 grown up in Pennsylvania.

1 Q. Okay. And to your knowledge, are there some
2 customers in Pennsylvania who utilize that service?

3 A. Once again, this is probably the secret number we
4 had awhile ago, but there is a small number of
5 customers, I understand, in the Pennsylvania area.

6 Q. And again, Verizon has billed and collected
7 reciprocal compensation for calls from CLEC customers
8 to Verizon's IPRS customer?

9 A. And this would be the same theoretical answer I
10 gave a minute ago. To the degree that it's occurred,
11 the system would have handled it that way. There are
12 many sections I believe it would have been held with a
13 recip comp type charge applied to it, because that's
14 how the system is designed.

15 Q. Now, with your FX service, foreign exchange, your
16 Enhanced Intellilink, your IPRS service, in each of
17 those services you have Verizon assigning --- and
18 telephone numbers with NPA/NXXs that are not
19 physically --- that do not correspond with the
20 location where the customer is located?

21 A. That is correct.

22 Q. Now, I'd appreciate if you could clarify an
23 aspect of your testimony, if you would, please.

24 A. Yes.

25 Q. And let me direct you to some statements that you

1 made. First on page 15 of your Direct testimony, and
2 I'm hoping I've got this right, at lines one to three,
3 you state, in essence, that USLEC will remain free to
4 market its virtual NXX service?

5 A. I'm sorry. Bear with me. Apparently I picked
6 the wrong one or I printed out something different
7 than yours. Page 15, lines one through three?

8 Q. Where it says at the end USLEC will remain free
9 to market its virtual NXX service and receive whatever
10 compensation for that service its end users are
11 willing to pay, do you see that?

12 A. Yes, I do.

13 Q. And now on that same page at lines 10 to 12, you
14 state that USLEC could offer the service, referring to
15 the foreign exchange service, and it will continue to
16 provide the same benefits to USLEC's customers, do you
17 see that?

18 A. Yes, I do.

19 Q. Now, on page seven of your Direct testimony, at
20 lines 12 to 13, you state that, quote, such virtual
21 NXX assignments are not permitted in Pennsylvania, but
22 they do occur in other states, do you see that?

23 A. Yes, I do.

24 Q. And on page ten of your Direct testimony, at line
25 15, you state that it is improper for USLEC to assign

1 virtual NXX codes --- is it ten.

2 ATTORNEY SHOR:

3 I'm reading the question.

4 BY ATTORNEY SHOR:

5 Q. You were asked whether it is improper for USLEC
6 to assign virtual NXX codes to its customers and you
7 say yes?

8 A. Based on my understanding of an order ---.

9 Q. And then finally, on page ten of your rebuttal,
10 at lines nine to ten, you state that if virtual FX
11 arrangements are consistent with other regulatory
12 requirements, and you note parenthetically, in
13 Pennsylvania they are not, do you see that?

14 A. Yes, I do.

15 Q. Okay. Now, please clarify for me your
16 understanding, can USLEC market an FX service similar
17 to the services that we've just described that are
18 offered by Verizon and assign telephone numbers to a
19 customer who is physically located in a calling area
20 that is different than the calling area where the
21 NPA/NXX is assigned?

22 A. My understanding, based on the Focal order
23 (phonetic) decision is that, in the Focal decision the
24 company was instructed not to assign numbers that were
25 not geographically relevant to the customers.

1 ATTORNEY SHOR:

2 Now, Your Honor, Mr. Haynes has
3 referred to the MFS-2 order and the Focal order in his
4 testimony and we would like to refer to the transcript
5 of that in our briefing. I believe that the
6 Commission's rules typically require me to submit a
7 certified copy, which we are happy to do. I believe
8 Verizon probably already has a copy. If you would
9 like me to submit a certified copy I will do that. If
10 there is one available already, that's fine. If not,
11 we'll submit it in accordance with our briefing.

12 JUDGE:

13 Tell me what you mean by is there
14 one available.

15 ATTORNEY SHOR:

16 I believe the Commission probably
17 already has one in its files.

18 JUDGE:

19 Yes.

20 ATTORNEY SHOR:

21 Your Honor, we will provide a
22 certified copy for you. It's amazing how I pick these
23 things up.

24 JUDGE:

25 I might add that if it is

1 available in the files, and it normally is, it may
2 well be on microfiche by now and I'm not going to the
3 movies.

4 ATTORNEY SHOR:

5 I'd be happy to get it for you.

6 JUDGE:

7 Thank you.

8 BY ATTORNEY SHOR:

9 Q. You refer to the Focal decision?

10 A. Yes.

11 Q. And you also note that that cites the MFS-2
12 order?

13 A. Right. I think the MFS-2 order kind of started
14 with --- and my reading, very quickly, a few weeks
15 back, and then updating, there were three different
16 orders that I understood, the Focal One and Two and
17 the MFS-2. And I understand the MFS-2 kind of brought
18 the issue up and the Focal One and Two orders actually
19 clarified some of the intentions of the MFS-2 order,
20 as I understood them already.

21 Q. Did you participate in the Focal proceeding?

22 A. Not at all, had nothing to do with it. All I did
23 was read the orders very quickly.

24 Q. And did you participate in the MFS-2 proceeding?

25 A. No, I did not.

- 1 Q. Did you read the transcript of the Focal
2 proceeding?
- 3 A. No, all I read was the order.
- 4 Q. Did you read the transcript of the MFS-2
5 proceeding?
- 6 A. No, I did not.
- 7 Q. Did you read any of the pleadings that were filed
8 in connection with either of those two proceedings?
- 9 A. No, I did not. All I read were the orders.
- 10 Q. So you have no idea how the issues in those
11 proceedings were actually framed; do you?
- 12 A. No, I do not.
- 13 Q. Okay. Now, is it your understanding the MFS-2
14 order applies to all carriers?
- 15 A. My understanding is very limited in that regard.
16 I'd have to go back and refresh myself to the order as
17 far as the details of it.
- 18 Q. Well, the question I have is that you've said to
19 me that you believe that your foreign exchange service
20 and your Enhanced Intellilink service and IPRS
21 service, which are all similar FX services, which
22 involve the assignment of NXX codes, are legal in
23 Pennsylvania, but I'm getting the sense from you that
24 it is not legal for USLEC to do the same thing, is
25 that your testimony?

1 A. I think we're probably distinguishing something
2 that maybe we haven't clearly distinguished. What I
3 described in my written testimony and verbally now,
4 has to do with virtual FX assignment. If there were
5 what I would call an equivalent FX assignment provided
6 by any CLEC, which means they would come to the
7 environment or the loop that connects point A to
8 point B, from a Verizon perspective, subject to the
9 agreement by the State Commission, because the
10 Commission's order relative to the Focal decision, I'm
11 sure would supersede anything I would suggest, but our
12 concern has been over the compensation, not over the
13 assignment of the numbers themselves.

14 Q. Well, that's what I'm not sure on, because I get
15 the sense from you that it's your testimony that USLEC
16 is doing something improper?

17 A. That's my understanding reading the orders.

18 Q. Please let me finish the question.

19 A. I'm sorry.

20 Q. It's my understanding that on the one hand you
21 believe that USLEC is doing something improper,
22 although when Verizon does the same thing it is
23 proper. And at the same time you're saying USLEC can
24 continue to offer the service and I don't quite
25 understand that contrast.

1 A. And I'm not equating them to be exactly identical
2 based on how I define them.

3 Q. Are you saying that only if USLEC provisions of
4 foreign exchange service in precisely the same way
5 that Verizon does then USLEC is entitled to do it?

6 A. I'm saying that if they provision in a similar
7 manner, where identical would suggest they use the
8 same facilities. But if they're provisioning in a
9 similar manner, I would submit that they would have an
10 equivalent FX service being provided.

11 Q. So in bottom, you don't really know whether the
12 way USLEC provisions its service is improper or not;
13 do you?

14 A. I applied my comments to virtual FX or the way it
15 was defined in the Focal orders. So if your company
16 that you're representing is not provisioned in that
17 manner, then I would withdraw the comments. If
18 they're provisioned in that matter then that could
19 still apply.

20 Q. When you say in that manner, what does that mean?

21 A. Meaning virtual NXX assignment, where there is no
22 facility actually leased or obtaining point A to
23 point B.

24 Q. So if USLEC has customers, not necessarily FX
25 customers, but has customers in every rate center

- 1 where it has been assigned an NXX code, okay, ---
- 2 A. I'm following.
- 3 Q. --- and is serving physical customers all of
- 4 those rate centers, ---
- 5 A. Yes.
- 6 Q. --- then if by chance USLEC has a customer, an FX
- 7 customer who is assigned an NXX code in one of those
- 8 rate centers, this provisioning of service is in your
- 9 mind proper?
- 10 A. If it goes over a lease arrangement, either that
- 11 we provided or a third party provides, I would see
- 12 that as equivalent. Let me add to that, too. The
- 13 concern I'm expressing was not directed specifically
- 14 to just the environment we're discussing with USLEC.
- 15 I'm concerned about the broader application of this,
- 16 as Mr. D'Amico mentioned a minute ago, to the degree
- 17 that a certain decision is made in this proceeding,
- 18 even if USLEC is using legitimate facilities they're
- 19 leasing or purchasing from somebody, the way the
- 20 current write-up is written in my mind opens the door
- 21 for somebody else to come in and use it, in what I
- 22 would determine to be an improper manner, more like
- 23 the Focal decision alluded to.
- 24 Q. Now, this arbitration, though, is between Verizon
- 25 and USLEC; is it not?

1 A. Yes, but the concern I share with Mr. D'Amico is
2 that it could be adopted by somebody else depending on
3 the outcome.

4 Q. But this proceeding is not between Verizon and
5 all other CLECs; is it?

6 A. It's not between Verizon and all other CLECs.
7 But the decisions made can be adopted by any other
8 CLEC.

9 Q. And if Verizon believes that a CLEC adopts an
10 agreement from USLEC is doing something improper it
11 has appropriate legal remedies to deal with that;
12 doesn't it?

13 A. I would think they could approach it.

14 Q. Let's talk about intercarrier compensation for FX
15 services in general.

16 A. Yes.

17 Q. As a general proposition would you agree with me
18 that when it comes to intercarrier compensation there
19 should be some relationship between the compensation a
20 carrier charges and the services, functions or
21 facilities that it actually provides?

22 A. Maybe we can have some specifics and I'll either
23 agree or disagree. Generally speaking it sounds okay,
24 but I would like to see clearer examples.

25 Q. We'll go through there, but as a general

1 proposition, there should be a relationship between

2 ---?

3 A. I would think there would be generally, yes. But
4 the exception I would probably identify is, from a
5 Verizon perspective, we have local rates that
6 generally, from my experience nationally, are below
7 costs. So sometimes we make above cost margins and
8 things that we have to offset that.

9 Q. Now, we may cover some ground here that we talked
10 about at the very beginning, if we do, I'm sorry. I
11 just want to try to move quickly. The services at
12 issue here today, when --- as I understand your
13 testimony, when a Verizon customer today calls another
14 Verizon customer today, Verizon's billing systems
15 compare the NPA/NXXs of the originating and
16 terminating callers to determine whether the call will
17 be rated as local or toll?

18 A. That is correct.

19 Q. And so in the retail environment, Verizon
20 classifies a call as local or toll based upon the
21 originating and terminating NXX ---?

22 ATTORNEY PANNER:

23 Objection, mischaracterizes prior
24 testimony.

25 ATTORNEY SHOR:

1 I'm asking a separate question,
2 not based on prior testimony.

3 ATTORNEY PANNER:

4 I withdraw the objection.

5 JUDGE:

6 Fine.

7 BY ATTORNEY SHOR:

8 Q. Would you like the question repeated?

9 A. Yes.

10 Q. In the retail environment, Verizon classifies a
11 call as local or toll based upon the originating and
12 terminating NXX codes; is that right?

13 A. That's my understanding of the retail
14 environment. That's my understanding how the system
15 works.

16 Q. And as we said earlier, I think, when the NPA/NXX
17 code of the calling party is associated with the ---
18 and the NPA/NXX code of the call party are associated
19 with the same local calling area, Verizon rates and
20 bills that call as if it was local?

21 A. From the local user perspective, yes, they could
22 look at that as a local call for the person initiating
23 the call.

24 Q. Let's kind of get into some of the specifics
25 here. And I tend to like to use the example of a

1 Verizon customer in Allentown, the Allentown calling
2 area, who is calling a customer in Philadelphia, and
3 the FX customer in Philadelphia is a florist?

4 A. So we've got a Verizon end user in Allentown
5 calling a Philadelphia florist.

6 Q. And the Philadelphia florist has an FX number
7 assigned to Allentown; okay?

8 A. Okay.

9 Q. And so a Verizon customer in Allentown is
10 attempting to reach the other Verizon customer, the
11 florist, who has been assigned the telephone number
12 used in the FX service that is local to the Allentown
13 calling area; okay?

14 A. I understand the example.

15 Q. And as I understand it, Verizon provides a
16 dedicated connection to the FX customer?

17 A. Yes, they charge the person receiving that
18 service and actually charge for that transport.

19 Q. Okay. So in this situation, the Verizon customer
20 who calls the florist in Philadelphia is rated and
21 billed for a local call ---

22 A. That's correct.

23 Q. --- as if the florist was actually located in
24 Allentown?

25 A. That's correct.

1 Q. And if USLEC's customer in Allentown called
2 Verizon's FX customer, the florist in Philadelphia,
3 using the Allentown NPA/NXX, then Verizon billed and
4 received reciprocal compensation for the calls?

5 ATTORNEY PANNER:

6 Objection, foundation. You asked
7 if an USLEC customer made the call.

8 ATTORNEY SHOR:

9 I'm sorry. Yes, that's correct,
10 Verizon would bill and receive reciprocal compensation
11 for the call.

12 ATTORNEY PANNER:

13 I'm sorry. Withdraw.

14 OFF RECORD DISCUSSION

15 ATTORNEY PANNER:

16 I did resolve it. I understood
17 his question and I believe the witness did, too.
18 Please respond.

19 A. My response would be that the system that we have
20 in place today would treat that as a recip comp call.
21 But I think in my written testimony that has been
22 provided, that Verizon would agree that that --- from
23 our perspective if the USLEC or another CLEC initiated
24 that call to the florist, assuming that Verizon is
25 involved in that process, would be willing to change

1 that to an access arrangement rather than recip comp,
2 it's simply a function of our billing system. It
3 doesn't have a way to distinguish.

4 BY ATTORNEY SHOR:

5 Q. And I appreciate your explanation. We're just
6 focusing on what happens today, not --- we'll get to
7 the future, I promise you.

8 A. I just wanted to clarify.

9 Q. Okay. Now, let's turn to the FX service that
10 USLEC offers and let's stick with the florist
11 example. Now, we have a USLEC florist in Philadelphia
12 who is assigned a telephone number with an NXX code
13 associated with Allentown; okay?

14 A. Okay.

15 Q. And that foreign exchange service offered by
16 USLEC allows the florist physically located in
17 Philadelphia to have a presence in the Allentown
18 calling area, just the same as Verizon's FX service,
19 foreign exchange service does; is that right?

20 A. From the customer perspective of it, Verizon or
21 other persons located in Allentown, they would have
22 the same functionality. The concern that I
23 continually express is how it gets from Allentown to
24 Philadelphia and that's the part that I'm exploring
25 and distinguishing potentially.

1 Q. I appreciate that. And like Verizon's FX
2 service, USLEC's FX service, the florist in
3 Philadelphia, can receive calls from customers in the
4 Allentown local calling area without those customers
5 incurring local charges?

6 A. That's right, because the customer in
7 Philadelphia that's USLEC'S FX customer in the
8 example, is paying a differential of that service.

9 Q. And just like Verizon's FX service, USLEC's FX
10 service permits the florist in Philadelphia to reach a
11 broader customer base without having to put a
12 greenhouse in the store in Allentown; is that right?

13 A. Let me be careful. You used the term reach a
14 broader customer base. Do you mean that they can
15 reach out and touch on the other end, meaning they
16 have a two-way connection?

17 Q. They have the ability with a local number in
18 Allentown, the whole Allentown population now has the
19 ability to call the florist in Philadelphia without
20 incurring --- without the florist having to put a
21 facility and whatever else he would do in Allentown?

22 A. Well, here is where --- once again, I'm
23 distinguishing potentially between what you're
24 describing as FX and what I'm describing as FX. The
25 FX service we provided in all instances, and I am

1 aware of a two-way service, if the florist in
2 Philadelphia that we're using as an example, wanted to
3 call an Allentown customer they could pick up the FX
4 line and reach through that connection over to
5 Allentown and reach one of those customers as a local
6 call. The experience that I've had with other CLECs,
7 I don't know how USLEC provisions, because other CLECs
8 I found that that's not possible. It's not an
9 equivalent FX service.

10 Q. Now, if you assume with me for these purposes ---
11 I'm not saying USLEC does or doesn't.

12 A. I'm just stating that distinction.

13 Q. And I'm just saying assume with me that it does.

14 A. Assuming.

15 Q. For these purposes, the florist in Philadelphia
16 has the ability to be called by all of Allentown
17 within that local calling area for a local call.

18 A. We're still not agreeing with the distinction I
19 just made. I'm understanding you to say there's one
20 way that people in Allentown can call the florist.

21 Q. That's all I'm focusing on right now.

22 A. But you're using the same term and I'm trying to
23 be very, very careful to distinguish what you're
24 calling FX and saying it's equivalent to what I'm
25 calling FX. I'm not saying that it's equivalent.

1 Q. I'm asking you to assume that it is.

2 A. Well, I'm saying it's part of the assumption.

3 And I have to assume that the florist in Philadelphia
4 can call back to that same connection and reach out on
5 a local basis to people in Allentown.

6 Q. I'm asking you to make that assumption.

7 A. Okay. Under that assumption then I would
8 describe those as being local.

9 Q. And in both instances with two-way ability, the
10 florist in Philadelphia now has the ability --- when I
11 say reach, have a larger --- have the population of
12 Allentown call him or her without incurring toll
13 charges?

14 A. That's correct. I would agree to that.

15 Q. I think you would agree that that service
16 benefits the florist, whether it's offered by USLEC or
17 Verizon, by permitting that florist a larger customer
18 base to sell his products to?

19 A. I think that's consistent with my testimony. I
20 suggested that somebody being offered FX services is
21 getting a valuable service from the company offering
22 that service.

23 Q. Okay. And then also the other people who benefit
24 are the people in Allentown who now have another
25 florist they can call?

- 1 A. Right. They have a chance to make local calls.
- 2 Q. Now, assume with me that USLEC provides local
- 3 service in Allentown, ---
- 4 A. Okay.
- 5 Q. --- okay, and has customers in Allentown, so that
- 6 in that circumstance when a Verizon customer in
- 7 Allentown calls a USLEC customer physically located in
- 8 Allentown, okay, the call is transported, as we
- 9 discussed earlier, by Verizon to the USLEC IP switch
- 10 and USLEC takes the call back and terminates it to its
- 11 customer; is that right?
- 12 A. That's my understanding of call routing, yes.
- 13 Q. Okay. And in this scenario, USLEC has been
- 14 billing Verizon reciprocal compensation for the
- 15 services it renders in terminating that call; is that
- 16 right?
- 17 A. That would be my understanding of how --- with
- 18 respect to it. But I don't know for sure that that's
- 19 what's taking place, but that that would be normal.
- 20 Q. Now, going back to the example of the florist in
- 21 Philadelphia with the NPA/NXX, when the Verizon
- 22 customer calls that Philadelphia customer with the
- 23 Allentown NPA/NXX Verizon still takes the call to the
- 24 USLEC IP and hands it off to USLEC, who then
- 25 terminates it to the FX customer; correct?

1 A. Based on it being the florist using FX provided
2 to USLEC, yes.

3 Q. And I believe that's the case that USLEC --- that
4 USLEC billed Verizon for reciprocal compensation for
5 this call and Verizon has been paying reciprocal of
6 these amounts, is that your understanding?

7 A. Well, the second part I don't know what we have
8 or have not been paying. And I actually don't know
9 exactly what's been billed either. So you're in areas
10 that I haven't been exposed to the details. I can't
11 affirm or deny them.

12 Q. Okay. Subject to check, and I think we could do
13 that, USLEC has billed Verizon for that call and since
14 there is no ISP involved, subject to check I believe
15 that Verizon has been paying those reciprocal
16 compensation invoices; okay?

17 A. Subject to check, you accept that that's what
18 happened.

19 Q. Now, in both scenarios where the USLEC customer
20 is physically located in Allentown as is the Verizon
21 customer and where the USLEC customer is in
22 Philadelphia with the Allentown NPA/NXX, Verizon has
23 performed exactly the same functions; has it not?

24 A. From a network routing perspective, yes, it is
25 deposited, they call it the same on the USLEC network.

- 1 Q. That's right. It has taken the call and
2 delivered it to the USLEC IP?
- 3 A. Yes, that's what I understand.
- 4 Q. And as we discussed, Verizon's responsibilities
5 don't change depending on the physical location of
6 USLEC's customers; do they?
- 7 A. The distinction I make is related to the
8 origination and termination of the call. My
9 understanding of our arrangements in the State of
10 Pennsylvania is if a call originates in one local
11 calling area and terminates in another, unless there
12 are special circumstances that's a toll call, where
13 inter-LATA toll ---.
- 14 Q. I'm asking you to focus on the services that
15 Verizon performs in both of those situations.
- 16 A. Well, I'm focusing on the service, but I'm trying
17 to distinguish that the functionality versus the
18 handling of it from an income versus outflow of
19 revenue is different.
- 20 Q. From a simple engineering technical perspective,
21 network perspective, the call is handled in exactly
22 the same manner?
- 23 A. Exactly the same manner from a functionality
24 perspective, yes.
- 25 Q. Okay. Thank you. But as I understand your

1 testimony, Verizon now believes that it should not pay
2 USLEC reciprocal compensation for the call because, as
3 you're indicating you believe the call originates in
4 one local calling area and terminates in another local
5 calling area?

6 A. That's correct.

7 Q. Have I accurately stated your position?

8 A. That is correct.

9 Q. Okay, Verizon now believes that in this situation
10 it is no longer appropriate to determine whether the
11 call is local or toll for intercarrier compensation
12 purposes by referring to the NPA/NXXs of the numbers;
13 is that right?

14 A. I need to be careful how I answer that because
15 truthfully, to the best of my understanding of our
16 processes, we've never depended on the numbers to make
17 that determination. We simply found in years gone by
18 that the numbers accurately reflected the physical
19 location. So it was a good type of approach from a
20 billing system perspective. If you understand that
21 the numbers and the people go together, you can build
22 it to the billing system and assessment that said if
23 this number and this number appear to be local to one
24 another, bill it that way. But that doesn't mean that
25 we assumed in all cases that that was the right way to

1 bill it simply based on the numbers. It's based on
2 the physical termination point all along.

3 Q. But from the advent of local competition in
4 Pennsylvania and the advent of FX services by
5 competing carriers up until some point in time,
6 Verizon did, in fact, --- Verizon's billing system
7 did, in fact, continue to look at the NPA/NXXs of the
8 calling and called parties to determine whether a call
9 should be rated as local or toll?

10 A. That is certainly true.

11 Q. And when it came to intercarrier compensation, up
12 until some point in time, Verizon had still ---
13 Verizon's billing system had still looked to the
14 NPA/NXXs of the originating and terminating number to
15 determine whether reciprocal compensation or access
16 charges were due; is that correct?

17 A. That's my understanding.

18 Q. And to the extent that a CLEC was utilizing
19 foreign exchange service, Verizon's billing system
20 looked at the call, looked at the NPA/NXX of the
21 originating and terminating party and if it was
22 associated with the same local calling area where the
23 Verizon customer originated the call, Verizon would
24 pay reciprocal compensation and where Verizon
25 terminated the call, Verizon would be paid reciprocal

1 compensation for that call?

2 A. Based on the existing system that's in place,
3 that's correct.

4 Q. That is correct. I'm not asking you whether you
5 think it's right or not, that's what was done?

6 A. Yes, I agree that that is what physically took
7 place.

8 Q. But now Verizon is saying, in the context of this
9 agreement, that they don't want to do that anymore,
10 that Verizon, in the context of an FX environment, no
11 longer wants to just simply rely on the originating
12 and terminating NPA/NXXs to determine whether a call
13 is eligible for reciprocal compensation or access
14 charges; is that correct?

15 A. The answer I provide is a little broader. I
16 would reaffirm what I said a minute ago. We have
17 learned that the assumption that we made here dealing
18 with the billing system, meaning that the number and
19 the physical location of the customer coincide 100
20 percent of the time, for the most part. That was our
21 experience. We built a billing system around that.
22 We're finding with more recent experience with CLECs,
23 that that's oftentimes not the case. So we can't
24 assume that the number that we're comparing it to is
25 actually physically in the same local calling area.

1 So we're having to adopt our debt to that situation.

2 Q. Are you going to be changing your billing systems
3 to pull out traffic that is going to FX customers?

4 ATTORNEY PANNER:

5 Objection, foundation. I
6 withdraw. Go ahead.

7 A. I have a response to it. We have offered ---.

8 BY ATTORNEY SHOR:

9 Q. Sometimes that doesn't matter.

10 A. We have offered on a special study basis the
11 study, the results --- we've done that recently. I
12 keep using Florida as an example because I've recently
13 been down this path. In Florida we offered to study
14 on a periodic basis the traffic by which we can do ---
15 and then settle up with the CLECs involved, saying
16 this much traffic is here, we've measured it, we've
17 got a study that produces it and reimburse them for
18 that traffic.

19 Q. So it would not be done based on the specific
20 telephone numbers, but it would be based on ---
21 estimates based on some statistical survey of traffic?

22 A. No. In the case of Florida, we actually
23 identified all of our FX numbers and were able to
24 identify all of the traffic originated by CLECs to
25 those FX numbers.

1 Q. Would you expect CLEC to develop that same
2 database in terms of how they would bill you?

3 A. In terms of my understanding, ---.

4 ATTORNEY PANNER:

5 Objection. Has he testified to
6 what a CLEC would do about its billing system?

7 ATTORNEY SHOR:

8 That's what I'm asking. It's
9 Cross Examination.

10 ATTORNEY PANNER:

11 I object. You haven't established
12 he has any foundation how the CLEC billing systems are
13 set up.

14 ATTORNEY SHOR:

15 We have established that
16 reciprocal compensation will not be based on --- will
17 not be paid based on NPA/NXXs. And he has said that
18 Verizon has changed his billing system to pull it out
19 and I'm asking him whether he now believes that CLEC
20 will have to do the same thing. That's the
21 foundation.

22 A. Well, I can provide a ---.

23 ATTORNEY SHOR:

24 You have to wait for the Judge.

25 A. I'm sorry. Excuse me.

1 JUDGE:

2 The objection is overruled. Now
3 you can answer.

4 A. I can provide a partial answer. I don't think I
5 can address what system requirements, if any, will be
6 required by CLEC. But for us to accurately handle it
7 from our perspective, in other words, if we were
8 delivering traffic to USLEC'S FX number, as an
9 example, we would need to have a data dump, saying
10 here are the numbers that are FX numbers, so we would
11 know when traffic delivered to them were FX or outside
12 of the local calling area. We'd have to have that
13 information provided to us so we would know at that
14 time that's what's happening.

15 Q. Do you intend to charge your originating callers,
16 callers who call CLEC FX numbers, originating for toll
17 calls?

18 A. In my understanding of how the service would be
19 offered, and this is my speculation and I'm going to
20 classify it as speculation, if USLEC, for example, in
21 the Philadelphia, Allentown example, the florist ---
22 is receiving \$1,000 a month from the florist to
23 terminate that service, that FX service, then I would
24 understand that to be the compensation they're getting
25 for the service and I would expect them to pay us

1 access for originating the call through the process
2 and terminating it.

3 Q. Are you going to charge your customers toll
4 charges?

5 A. No, it would not make sense because the access
6 charge would be our compensation.

7 Q. Would you be willing at the same time to pay
8 access charges to CLEC, to the extent that CLEC
9 customers call Verizon FX customers?

10 A. Yes. To build on that, that's exactly what we
11 offered to do recently.

12 Q. Do you know when the decision was made to stop
13 paying reciprocal compensation for FX service calls?

14 A. I don't know, no. As far as if you're asking, do
15 I know when Verizon made the decision to stop?

16 Q. Yes.

17 A. No, I don't know.

18 Q. Do you know who made the decision?

19 A. No, I don't.

20 Q. Do you know why they made it?

21 A. I don't know the history behind it. I know it
22 was stopped, I've heard that, but I wasn't involved in
23 the discussion that built up to that decision so I
24 really don't know.

25 Q. Did you know who was involved in making that

1 determination.

2 ATTORNEY PANNER:

3 Objection. It's been asked and

4 answered.

5 ATTORNEY SHOR:

6 I asked him who was involved.

7 A. No, and I don't ---.

8 ATTORNEY PANNER:

9 Wait. There is an objection

10 pending.

11 JUDGE:

12 And this one is sustained and you

13 don't have to answer that question.

14 BY ATTORNEY SHOR:

15 Q. If I already asked it, I'm not trying to be

16 difficult. So your plan relies on developing a

17 database of FX customers that you can utilize to pull

18 traffic out as it's going through the switch; is that

19 right?

20 A. If we had a list of all of the FX numbers that

21 all of the CLEC had, or what I call virtual FX numbers

22 because it's really more of what I've seen rather than

23 true FX service, but if I had a list of that I could

24 bill that into our billing system and have it

25 accommodate that.

1 Q. But you have to develop a database of your own FX
2 customers; don't you?

3 A. Yes, and that's easy to do truthfully. And we
4 have to go in and do a data dump, which normally
5 involves an assist. You can't just pick a number up
6 and call somebody and say I need it in 30 seconds,
7 it's a little more involved than that. But it's not a
8 lengthy process. We did it with a few weeks notice in
9 Florida.

10 Q. But you have to update it, too; don't you?

11 A. Oh, yes, it would have to be kept current.

12 Q. Do you have any idea how much it costs to
13 establish such a system?

14 A. We checked in Florida and doing the data assist
15 like I'm describing, which is more or less an ad hoc
16 system, it's not a full system enhancement, it's
17 fairly inexpensive.

18 Q. You're going to have to update it regularly;
19 right?

20 A. What we proposed in Florida is to do annual
21 look-up of the situation once a year and pay based on
22 that.

23 Q. And you also have to change your billing system
24 to accommodate, not just the switch data system, but
25 also the billing system itself to account for that;

- 1 don't you?
- 2 A. I don't think we do in the case of what I
3 understood took place in Florida. I think all we did
4 was offered to do an annual assist, which means pull
5 all of the data out, look at it, figure what the
6 dollar then is and then offer to pay the CLECs for
7 that.
- 8 Q. So you're only talking about doing an annual
9 true-up (phonetic), not reflecting it the monthly
10 billings?
- 11 A. Well, we said that we'd be willing in that
12 situation once we did an annual assessment, to pay out
13 a prorated amount per month based on the look-up.
- 14 Q. And when you say fairly inexpensive to do it,
15 what does that mean?
- 16 A. Well, in the case of Florida, it was in the
17 thousands of dollars range. It wasn't hundreds of
18 thousands or ---.
- 19 Q. For the entire state?
- 20 A. Yes.
- 21 Q. But what's the customer database in Florida?
- 22 A. In Florida the customer amount is around \$3
23 million as I recall.
- 24 Q. So it's conceivable that it would be double the
25 amount in Pennsylvania or more ---?

1 A. It probably won't be depending on how the system
2 is it prepared because when you do a data system, the
3 data system runs ---.

4 Q. So is it your understanding that if the
5 Commission adopts your proposal, a CLEC like USLEC
6 would have to implement some kind of system as well to
7 identify that database of customers?

8 A. Well, going down the path of what I'm proposing
9 is adopted, then what I would expect to happen is ---
10 true FX numbers are assigned by USLEC or other CLEC,
11 that we would be provided a list of those numbers,
12 just the physical numbers so we could properly adjust
13 our billing system.

14 Q. And you would supply the CLEC with your list of
15 numbers?

16 A. We provide a --- if we needed to, I guess we
17 could. What we also do in the case of Florida is
18 simply to do the assist for them.

19 Q. So in essence, it adds another step to the
20 billing process because you have to identify customers
21 to pull out traffic that are directed to them; is that
22 right?

23 A. Well, once again, in the case of how we often do
24 it, we do an annual assessment so it doesn't involve a
25 moment-by-moment and day-by-day kind of thing. We

1 accumulate the records and run a ---.

2 Q. And the other part of your proposed language is
3 that to the extent the FX calls cross local calling
4 areas, they would be classified as inter-LATA toll
5 calls and you would claim an entitlement to impose
6 originating access charges when a Verizon customer
7 calls an USLEC FX customer; is that right?

8 A. That's correct.

9 Q. Now, you don't actually provide access service in
10 the traditional sense in that situation; do you?

11 A. Help elaborate on that.

12 Q. How is access service typically provided
13 inter-LATA?

14 A. Inter-LATA using Allentown and Philadelphia
15 example, the Allentown customer calls Philadelphia,
16 they incur a toll charge for that call if it's a
17 typical inter-LATA toll call. And depending on who
18 carries the call, let's say it's all Verizon just for
19 the sake of discussion, the Allentown customer would
20 pay the toll charge. Verizon would get compensation
21 for the transport determination from the toll charge
22 inter-LATA.

23 Q. How is it routed?

24 A. It would route --- I'm guessing because I'm not
25 an infrastructure expert in this area, but I would

1 imagine it would go to a tandem located somewhere
2 close to the Allentown area, depending how many ---
3 they may transport to another tandem close to
4 Philadelphia that would ---.

5 Q. But it goes across Verizon's access network, not
6 its local network; is that right?

7 A. Right. It would pass through the access network,
8 yes.

9 Q. But in the FX scenario, the calls are passed
10 through the local network; is that right?

11 A. Well, actually they're passed --- in our FX
12 decision they're passed through dedicated facilities
13 so they bypass the normal access arrangement through a
14 dedicated facility.

15 Q. They are on the local network until they reach
16 the end office where the network with a dedicated
17 facility is --- I don't think honed is the word?

18 A. Yeah. I think we're not quite saying the same
19 thing. Using the FX example between Allentown and
20 Philadelphia, the customer would initiate what appears
21 to be a local call to the customer that's actually
22 physically located in Philadelphia. It could go to
23 the switch and from the switch it would actually be
24 going over a dedicated facility all the way up to
25 Philadelphia.

1 Q. But it has to get to the switch that serves that
2 first local calling area; doesn't it?

3 A. What I'm saying is it doesn't go to the tandem
4 environment. It goes for a dedicated loop. It has to
5 go to the tandem to get there.

6 Q. But in the FX environment that CLECs typically
7 utilize, the calls are all handled over the local
8 network; aren't they?

9 A. Well, what I think happens, and I'm not familiar
10 with the USLEC example, but I've seen other providers,
11 CLEC equivalent providers, they normally give us a
12 switch location in the local exchange. That's
13 physically close to their FX customers, what we've
14 seen time and time again. I'm not saying that USLEC's
15 situation, but that's what I've seen with other CLEC
16 providers frequently.

17 Q. But the call goes from the Verizon customer to
18 the end office, is handled by Verizon, perhaps through
19 a tandem, delivered to USLEC switch?

20 A. That's I think more typical, yes.

21 Q. Okay. And again, that routing is the same
22 whether the USLEC customer is in Philadelphia or is
23 physically located back in Allentown?

24 ATTORNEY PANNER:

25 Asked and answered.

1 ATTORNEY SHOR:

2 We have summarized the testimony
3 that witnesses give in the context of helping them ask
4 questions. If he's answered it once before, fine. If
5 not, a simple yes or no is not going to hurt.

6 JUDGE:

7 Frankly, I have forgotten whether
8 it's been asked or answered. You may answer. Please
9 answer it.

10 A. I was going to answer yes.

11 BY ATTORNEY SHOR:

12 Q. Okay. So even though you technically are not
13 providing access service for an inter-LATA toll call,
14 the way you typically route an inter-LATA toll call,
15 you still contend you were entitled to charge
16 originating access?

17 A. Based on the fact that it originates and
18 terminates to distinct non-local areas, yes.

19 Q. Is part of your rationale for this approach that
20 you feel that you're losing inter-LATA toll revenue
21 for these calls?

22 A. In terms of the other CLECs that I've worked
23 with, yes.

24 Q. But here you've got a situation where USLEC has
25 six customers, using FX services, none of them are

1 ISPs, okay, you believe you're losing inter-LATA toll
2 revenue based on USLEC service and that's one reason
3 why you want to do this?

4 A. Well, it gets back to our discussion a little bit
5 earlier. If I were of the understanding that USLEC is
6 only going to have six customers and none of those are
7 going to use the approach I've seen other providers
8 use, then I would be less concerned about the
9 environment. But the fact that if the approach as
10 I've see it offered is adopted and other providers opt
11 into that provision, it would open up the door for
12 providers basically to have a funnel of traffic that
13 would route from the Allentown example from Allentown
14 to Philadelphia, it would be --- it could tend to
15 encourage that type of construction of traffic.

16 Q. And the concern is a loss of inter-LATA toll
17 revenue?

18 A. It's a loss of inter-LATA toll revenue and an
19 over-utilization of a route. It artificially, from
20 what I've observed builds up use for a route that
21 currently wasn't being used at that level. It was
22 actually cost increase, building a facility to
23 accommodate an arrangement whereby we're transporting
24 under other suggestions free of charge from point A to
25 point B, and we also have to pay recip comp has been

1 the approach that was suggested.

2 Q. But for the loss revenue argument to have any
3 significant impact, doesn't it assume that the caller
4 in Allentown will call the florist in Philadelphia if
5 she knew it was going to be a toll call, even if she
6 knew it was going to be a toll call?

7 A. The loss revenue has a degree --- if it was a
8 situation, for example, where it's going to always go
9 to an ISP, I would suggest to myself, if it were me I
10 probably wouldn't make the call. But if it's going to
11 another type of entity, for example, let's say it's
12 going to an insurance company that would have
13 purchased a 1-800 number but instead they decide to
14 use one of these arrangements, we would lose out on
15 the access that would have been associated with the
16 1-800 number.

17 Q. So just let me summarize, and it may have been
18 asked and answered ---.

19 ATTORNEY SHOR:

20 I have no further questions.

21 ATTORNEY PANNER:

22 Can you just give me one minute?

23 I'll try not to have a full break.

24 SHORT BREAK TAKEN

25 ATTORNEY PANNER:

1 I'd like to introduce Verizon
2 Exhibit Six, VZ-6, which is also a printout from the
3 USLEC website describing USLEC's local services
4 products.

5 JUDGE:
6 So marked.
7 (Exhibit VZ-6 marked
8 for identification.)

9 REDIRECT EXAMINATION

10 BY ATTORNEY PANNER:

11 Q. Do you recognize this as a printout of a website?

12 A. That's what it appears to be, yes.

13 Q. Do you see at the bottom left it says,

14 http://www.uslec.com/local_service.htm?

15 A. Yes, I do.

16 Q. Can you turn to page two of this exhibit?

17 A. Yes.

18 Q. Can you go down under the bold where it says
19 enhanced local services?

20 A. I see that part.

21 Q. And do you see the fourth bullet point, it says,
22 foreign exchange?

23 A. Yes, I do.

24 Q. Can you read that?

25 A. Foreign exchange service involves the inbound

1 only call toll free to the calling party, which is
2 paid for by the calling party. It desired --- the
3 service includes a listing of the foreign white and
4 yellow pages of the ILEC directory.

5 Q. So just to emphasize, it says, it's an inbound
6 only service from USLEC; is that right?

7 A. That's what I understand this offering describes,
8 yes.

9 Q. So in this arrangement, as described here on
10 USLEC's website, they would only receive traffic but
11 they wouldn't allow their customers to make any call?

12 A. That's what it indicates to me.

13 Q. And they say it's toll free to the calling party,
14 what does that mean to you?

15 A. They means that if I were --- using the Allentown
16 example, if the Allentown customer would call one of
17 these numbers it would be toll free to the Allentown
18 customer.

19 Q. But toll free, does that suggest --- what does
20 that suggest, in the absence of this service would be
21 imposed on the party?

22 A. Well, when I see the words toll free I think of
23 1-800 like services is what I normally associate with
24 it. So I was going to simply say, that that would to
25 say to me that if I was getting a service like this, I

1 would expect it to be handled very much like a 1-800
2 service, so the person originating the call would not
3 pay a toll. The person receiving the call would pay
4 for that extra service being provided because they
5 would be getting a benefit from it.

6 Q. Okay. And in those times of toll free
7 arrangements, how is the originating carrier usually
8 compensated?

9 A. The originating carrier generally gets access
10 payments for being the party that starts the call.

11 Q. And, in fact, USLEC has --- we've seen evidence
12 here today that USLEC gets a great deal of additional
13 revenue from USLEC FX customers for providing internet
14 service; is that correct.

15 ATTORNEY SHOR:

16 Objection to the to the
17 characterization great deal.

18 JUDGE:

19 The numbers are on the record and
20 they speak for themselves, Counsel.

21 ATTORNEY PANNER:

22 I'll rephrase, so it will make my
23 opposing Counsel more comfortable.

24 BY ATTORNEY PANNER:

25 Q. There has been introduced today that USLEC is

1 receiving hundreds of dollars a month for providing

2 FX service in Pennsylvania?

3 A. That was my understanding of the testimony.

4 Q. Okay. And yet USLEC's position is that they
5 should nonetheless be paid by Verizon for sending this
6 traffic to USLEC; is that correct?

7 A. That was my understanding.

8 Q. And indeed, USLEC --- is it correct that --- that
9 Ms. Montano testified that many of USLEC's FX
10 customers are located close to USLEC's switch?

11 ATTORNEY SHOR:

12 Objection, mischaracterizes her
13 testimony.

14 BY ATTORNEY PANNER:

15 Q. Did she testify that some of them are located
16 close to the switch?

17 A. That was my understanding of the testimony.

18 Q. Less than five miles she said?

19 A. Yes.

20 Q. So it might be --- let me ask you, if I can, do
21 you know whether --- now, let me strike that last ---.

22 The loop that would be connecting the switch to
23 the USLEC customer in that circumstance would actually
24 be --- sure, it would be less than five miles, if the
25 customer would have been less than five miles of the

1 USLEC switch; is that correct?

2 A. Based on the testimony, that would have to be
3 less than five miles, yes.

4 Q. Okay. But if USLEC had a customer in Allentown,
5 there would be a whole lot more transport from ---
6 back to Allentown; is that correct?

7 A. I need to be sure I understand what you mean.
8 I'm not sure I understand.

9 Q. If USLEC were serving --- I interrupted you and I
10 apologize.

11 A. I'm just saying I didn't understand the example
12 clearly, so I want to make sure I understand it
13 clearly.

14 Q. Actually, I'll withdraw the question.

15 ATTORNEY PANNER:

16 I have nothing further for this
17 witness, Your Honor.

18 ATTORNEY SHOR:

19 Just a very short few.

20 RECROSS EXAMINATION

21 BY ATTORNEY SHOR:

22 Q. Does Verizon charge its FX customers an
23 additional for the FX service they buy?

24 A. Yes, that's my understanding. They charge for
25 the carrying of the call from point A to point B that

- 1 transport ---.
- 2 Q. And for the facility itself?
- 3 A. Right.
- 4 Q. And how much do they charge?
- 5 A. I don't know the local rates, but it's a mileage
6 based charge, I don't know what the rate is per mile.
- 7 Q. Is there a non-return charge for the facility?
- 8 A. I'm not an expert on this part, so I don't know
9 all of the things --- I can't tell you without going
10 back to the tariff.
- 11 Q. Do you know if there are monthly charges for the
12 facility?
- 13 A. It's my understanding that they are monthly
14 charges, yes.
- 15 Q. And they're also mileage sensitive?
- 16 A. That's my understanding.
- 17 Q. Do you have any understanding whether any of
18 Verizon's FX customers are located within five miles
19 of the serving switch?
- 20 A. I don't know the makeup of the FX customers. I
21 know generally how they approach the request but I
22 don't know physically how they're located with respect
23 to the switch.
- 24 Q. Would you agree with me that it would be possible
25 for a Verizon FX customer to be located within five

1 miles of the end office it serves in?

2 A. I would agree that theoretically it's possible,
3 but practically speaking what I'm seeing has been that
4 the customer in practical terms is in a community some
5 distance from the community they want to have a
6 presence in. So it's usually whatever the distance
7 between those two local calling areas is is the
8 distance to the switch.

9 Q. So it would be five miles?

10 A. It could theoretically be. I'd say generally
11 it's probably further than that.

12 Q. It could be ten miles?

13 A. Ten, 15, 20.

14 Q. And Verizon has been collecting reciprocal
15 compensation from CLECs for calls that CLEC customers
16 make to Verizon's FX customers?

17 A. That's my testimony, that we've been doing it ---
18 basically the system doesn't have a way to
19 differentiate.

20 ATTORNEY SHOR:

21 I have nothing further. I'd like
22 to move the admission of USLEC Exhibit Three into the
23 record.

24 JUDGE:

25 Admitted, without objection.

1 ATTORNEY PANNER:

2 And, Your Honor, I'd like to move
3 the admission of Exhibit VZ-6.

4 JUDGE:

5 Admitted without objection. Have
6 we finished with this witness?

7 ATTORNEY SHOR:

8 We have.

9 ATTORNEY PANNER:

10 I have, Your Honor. Thank you.

11 JUDGE:

12 Then fine, the witness is excused
13 and thank you for coming, sir. Now, is there anything
14 else that the parties need to present to me? Good.

15 ATTORNEY SHOR:

16 You had asked to go through the
17 agreement, would it be at all possible for Counsel to
18 do that another time and place and come back and tell
19 you instead of doing it now?

20 JUDGE:

21 Well, that is about what I was ---
22 I was about to launch into that. I do have some
23 procedural issues to go through with the parties with
24 respect to the briefing schedule and the final and
25 best offer and I was going to launch into the

1 questions I had about the agreement. Let's go off the
2 record for a few minutes.

3 OFF RECORD DISCUSSION

4 JUDGE:

5 Let's go back on the record. In
6 the interest of your personal schedules, I'll try to
7 make this as brief as possible. First of all, my
8 prehearing order number two sets forth the briefing
9 schedule, that your final and best offers are due July
10 25th, that the main briefs are due August 1st and the
11 reply briefs are due August 9th. And when I say due,
12 I mean due in hand on or before four o'clock in the
13 afternoon.

14 Now, during the course of your
15 witnesses' testimony they have referred and you as
16 lawyers have referred to a variety of Commission
17 precedents and FCC precedents and FCC regulations and
18 court decisions. And my access --- it is my
19 understanding, that I am to expedite these proceeding
20 even though the parties have graciously waived the
21 statutory deadlines. So that I must inform you that
22 my access to finding some of these decisions is
23 limited.

24 ATTORNEY SHOR:

25 We'll make copies.

1 JUDGE:

2 Right. I don't need court
3 decisions. I'm sure there are court reporters that
4 are published that I can find without a problem. When
5 it comes to finding historic Pennsylvania Public
6 Utility Commission information, I do have some
7 difficulties. I have the global order as it's called
8 and I have the implementation order readily available
9 in my own office. But beyond that, for example, the
10 MFS-2 and 3 decisions are not readily available. And
11 the same thing is true --- I'm sure somewhere in the
12 building I can find FCC regulations, full text of FCC
13 decisions, which tend to be extremely lengthy. I
14 would prefer that you two agree on the excerpts that
15 you need to provide to me. I don't want to put
16 anybody to the expense of killing all of those trees
17 just to make copies of material that I'm not going to
18 use.

19 I have reserved as per the request
20 of USLEC, the opportunity to file a late filed
21 exhibit, that USLEC Exhibit Number Four, which is to
22 be a certified copy of the MFS phase two transcript.
23 And, again, I would urge you to agree with Mr. Panner
24 on what excerpts you need to identify. I remember
25 that proceeding went on for quite awhile. While I

1 probably don't and cannot get easily access to the
2 orders, the Commission may --- the transcripts would
3 even be worse. And I'm not encouraging you to do give
4 me that.

5 All right. I would like you and
6 Mr. Panner to review the agreement that was filed as
7 part of the petition, which is the only copy of the
8 agreement that I have. And I will tell you, for your
9 ease of your operation, where I found things and look
10 at page 25, look at page 31, 33, 35, 43, 52, 61, 64,
11 65, 66, 71, 115. On all of those identified pages,
12 you have identified disagreements and disputed issues.

13 I have a variety of questions,
14 some of them very simple, some of them very stupid.
15 For example, on page 114, it appears that there is a
16 typographical error in one of the rates quoted by
17 Verizon. Oh, I beg your pardon, I've got the wrong
18 page number. On page 134, if you look there at
19 engineering quarry is listed at \$122.34. On the
20 immediately proceeding and the immediately following
21 pages the same engineering quarry is listed as
22 \$123.24. There has been a transposition, I believe,
23 with numbers. It's just one of those crazy things I
24 picked up while I was reading through this thing and
25 thought, well, gee, those numbers are different and

1 sure enough, they were.

2 Decide what you want is right,
3 because I'm supposed to take a look at this agreement
4 and approve the whole thing, what's settled and what's
5 not. I have questions on pages one, which is that
6 term of how long this agreement is supposed to last.
7 Thirty-seven (37), 38, 57, 58, and there is nothing on
8 page 114 but my own written question. And I'm sure
9 it's an easy one to answer. I will tell you what the
10 question is because it's a blank page, otherwise
11 you'll think I'm really crazy and maybe I am. But my
12 question is are all of the prices quoted for USLEC and
13 for Verizon on the following pages tariff rates as set
14 forth and a currently approved Pennsylvania Public
15 Utility Commission or FCC final order.

16 And the reason I ask that question
17 is that I was the Judge who handled Verizon's first
18 uni-rate case, but not the second. And I know that
19 the loose ends from the first one may not yet be
20 cleared up.

21 Now, I will --- it currently
22 appears on my schedule that I have an open day
23 tomorrow and that I have a consumer complaint-type
24 case on Friday and a prehearing conference that should
25 not last very long on Monday. And Tuesday is also

1 completely open. I would appreciate it if you,
2 meaning Mr. Panner and Mr. Shor, would contact me to
3 set up a conference call, given the availability so
4 that we can go through some of the things that I'm not
5 discussing now. All right? And the reason I suggest
6 in the immediate future is that will get us under the
7 window of the availability of the transcript so that
8 you will not be of two minds as to whether to
9 telephone right ---. I urge both parties to continue
10 negotiating, to notify me promptly if you're able to
11 reach settlement. I had promised today that I would
12 give you an overview of my view of how I would decide
13 issues. I will substantially abbreviate that for you
14 right now. My first question will be, what does the
15 Act say. Does it require the result that a party is
16 asking about and then in no secret fashion --- I
17 worked backwards to, does FCC require it, does my
18 Commission require it, do the court cases require it.

19 The other thing is is that when we
20 started this case you informed me that you were
21 essentially litigating on a multiple front basis
22 throughout the Verizon footprint. It sure would be
23 nice to be told that some other state had decided some
24 of these issues ahead of me. But at the time you told
25 me I was out there on the bleeding edge. There is a

1 possibility because you have not talked to me since
2 then that that may have changed.

3 ATTORNEY PANNER:

4 The edge is only bleeding all the
5 harder.

6 ATTORNEY SHOR:

7 You were the first.

8 JUDGE:

9 Some people get all of the luck.

10 Okay. It will be up to you, Mr. Shor, to supply the
11 copies, the appropriate number of copies to the Court
12 Reporter, as well as me. What is a reasonable amount
13 of time for you to accomplish the certified copy of
14 the transcript?

15 ATTORNEY SHOR:

16 I have no idea. My local Counsel
17 is not here. I just don't know.

18 JUDGE:

19 Well, let me put it ---.

20 ATTORNEY SHOR:

21 Excuse me. Since we're not going
22 to do the whole thing, I need to work with Mr. Panner
23 so I just don't know.

24 JUDGE:

25 Okay. Since the Court Reporter is

1 under the obligation to provide the transcript in
2 three business days, I'm going to assume that that's
3 too short a time period for you. And we can discuss a
4 conference call much longer than those three days you
5 need, that will require you to be --- to take the
6 Court Reporter out of the loop and deal with me in
7 terms of sending it to me and/or to the secretary's
8 office. I will require you to agree on a matrix for
9 the brief in terms of issues. In other words, make
10 sure that each of you has a matching issue number one,
11 a matching issue number two. If you want to combine
12 them, that's fine. I understand that. But you have
13 about eight issues total. Make your numbers match so
14 that your briefs are head to head on the same number
15 all the way through. My decision will be written that
16 way and the Commission will understand it that way.

17 We will discuss later the format
18 for providing the finalized language that you have but
19 I haven't seen yet. Does anybody else have anything
20 else that we're aware that I need to deal with,
21 because this is --- as far as I'm concerned this is
22 the last opportunity to put something on the Court
23 Reporter's record. The conference call will not be
24 reported unless you specifically request it and then
25 we will jump through hoops to make that happen. And I

1 have no problem with doing that. I just have to know
2 about it in advance.

3 ATTORNEY SHOR:

4 I think we're set.

5 JUDGE:

6 Okay. In this case, I want to
7 thank you, both sides for their cooperation. It's
8 very easy to slip into a litigated unprofessional
9 posture. I did not see that today and I always
10 appreciate that in my courtroom. I don't tell
11 everybody in my courtroom that, unless it actually
12 occurs. And I really do appreciate the cooperation
13 that you've shown so far. I think we've made pretty
14 good progress today. I wish you all a safe trip
15 home.

16 * * * * *

17 HEARING CONCLUDED AT 6:00 P.M.

18 * * * * *

19

20

21

22

23

24

25

US LEC of Maryland Inc.

Morrocroft III
6801 Morrison Boulevard
Charlotte, North Carolina 28211

Tariff Schedule Applicable to Intrastate Charges

Applying To Local Exchange Services

Telecommunications Services Between Points Within

The State Of Maryland

Issued: August 2, 2000

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112#60

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 P.S.C. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the P.S.C. follows in their tariff approval process, the most current sheet number on file with the P.S.C. is not always the tariff page in effect.
- 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. An asterisk designates all revisions made in a given filing (*). 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 P.S.C.

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CHECK SHEET

Sheets 1 through 88 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>PAGE</u>	<u>REVISION</u>	<u>PAGE</u>	<u>REVISION</u>
1	Original	26	Original
2	Original	27	Original
3	First*	28	Original
4	First*	29	Original
5	Original	30	Original
6	Original	31	Original
7	Original	32	Original
8	Original	33	Original
9	Original	34	Original
10	Original	35	Original
11	Original	36	Original
12	Original	37	Original
13	Original	38	Original
14	Original	39	Original
15	Original	40	Original
16	Original	41	Original
17	Original	42	Original
18	Original	43	Original
19	Original	44	Original
20	Original	45	Original
21	Original	46	Original
22	Original	47	Original
23	Original	48	Original
24	Original	49	Original
25	Original	50	Original

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CHECK SHEET

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<u>PAGE</u>	<u>REVISION</u>	<u>PAGE</u>	<u>REVISION</u>
51	Original	65	Original
52	Original	66	Original
53	Original	67	Original
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53.2	Original	69	Original
53.3	Original	70	Original
53.4	Original	71	Original
53.5	Original	72	Original
53.6	Original	73	Original
53.7	Original	74	Original
53.8	Original	75	Original
53.9	Original	76	Original
53.10	Original	77	Original
53.11	Original	78	First*
53.12	Original	79	Original
53.13	Original	80	Original
53.14	Original	81	Original
53.15	Original	82	Original
53.16	Original	83	Original
53.17	Original	84	Original
54	Original	85	Original
55	Original	86	Original
56	Original	87	Original
57	Original	88	Original
58	Original		
59	Original		
60	Original		
61	Original		
62	Original		
63	Original		
64	Original		

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SECTION 1 - GENERAL

1.1 Explanation of Symbols

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

C	To signify changed regulation.
D	To signify discontinued rate or regulation.
I	To signify increased rate.
M	To signify a move in the location of text.
N	To signify new rate or regulation.
R	To signify reduced rate.
S	To signify reissued matter.
T	To signify a change in text but no change in rate or regulation.
Z	To signify a correction

1.2 Application of Tariff

This tariff governs the Carrier's services that originate and terminate in Maryland. Specific services and rates are described elsewhere in this tariff. US LEC of Maryland Inc. includes all the exchanges in Maryland as the potential areas where alternative local exchange service is planned, where facilities are available and pending appropriate interconnection agreements.

1.2.2 The Company's services are available to business customers.

1.2.3 The Company's service territory and calling areas are consistent Verizon Maryland Inc.'s tariff.

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SECTION 1 – GENERAL

1.3 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 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 forwarded to a number different from DID calls.

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SECTION 1 - DEFINITIONS

1.3 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.

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SECTION 1 - DEFINITIONS

1.3 Definitions

Commission: The Maryland Public Service Commission.

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

Completed Call: A call which the Company's network has determined has been answered by a person, answering machine, fax machine, computer modem device, or other answering device.

Customer or Subscriber: Any person, firm, corporation, or governmental entity who has applied for and is granted service, or who is responsible for payment of service 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.

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SECTION 1 - DEFINITIONS

1.3 Definitions

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.

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.

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SECTION 1 - DEFINITIONS

1.3 Definitions

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

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: Any telecommunications service(s) provided by the Company under this tariff.

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: A telephone instrument consisting of a connected transmitter, receiver, and associated apparatus to permit sending or receiving telephone messages.

Three-Way Calling: Allows a station line user to add a third party to an existing conversation.

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SECTION 1 - DEFINITIONS

1.3 Definitions

Time Periods

Unless otherwise indicated herein:

All rate plans:

- A) Day: 8:00 a.m. - 5:00 p.m. - Mon-Fri
- B) Evening: 5:00 - 11:00 p.m. - Sun-Fri
- C) Night/Weekend: 11:00 p.m. - 8:00 a.m. - All days
8:00 a.m. - 11:00 p.m. - Saturday
8:00 a.m. - 5:00 p.m. - Sunday
- D) Holiday: For the following Holidays, the Evening Time Period rates are used, unless a lower rate would normally apply:
 - Christmas Day**
 - Martin Luther King Day*
 - Memorial Day*
 - Veterans Day**
 - Independence Day**
 - New Year's Day**
 - Presidents Day*
 - Columbus Day*
 - Thanksgiving Day
 - Labor Day

* Applies to Federally observed day only.

** When this Holiday falls on a Sunday, the Holiday calling rate applies to calls placed on the following Monday. When this Holiday falls on a Saturday, the Holiday calling rate applies to calls placed on the preceding Friday.

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SECTION 2 - RULES & REGULATIONS

2.1 Undertaking of the Company

- 2.1.1 The Company undertakes to furnish facilities-based communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission between points within the State of Maryland.

Customers and users may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers.

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SECTION 2 - RULES & REGULATIONS

2.2 Obligations of the Customer

2.2.1 The customer shall be responsible for:

- 2.2.1.1 The payment of all applicable charges pursuant to this tariff;
- 2.2.1.2 Reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the customer; or the noncompliance by the customer, with these regulations, or by fire or theft or other casualty on the customer's premises unless caused by the negligence or willful misconduct of the employees or agents of the Company.
- 2.2.1.3 Providing at no charge, as specified from time to time by the Company, any needed space and power to operate the Company's facilities and equipment installed on the customer's premises.
- 2.2.1.4 Complying with all laws and regulations regarding the working conditions on the premises at which the Company's employees and agents shall be installing or maintaining the Company's facilities and equipment. The customer may be required to install and maintain the Company's facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work.

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SECTION 2 – RULES & REGULATIONS

2.2 Obligations of the Customer

2.2.1 The customer shall be responsible for: (cont'd)

2.2.1.5 Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of the Company's facilities and equipment in any customer premises for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

2.2.1.6 Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2.2.2 With respect to any service or facility provided by the Company, the customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:

2.2.2.1 Any loss, destruction or damage to property of the Company or any third party, or injury to persons, including, but not limited to, employees or invitees of either the Company or the customer, to the extent caused by or resulting from the negligent or intentional act or omission of the customer, its employees, agents, representatives or invitees; or

2.2.2.2 Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the customer.

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SECTION 2 – RULES & REGULATIONS**2.2 Obligations of the Customer**

- 2.2.3 The customer is responsible for ensuring that customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The connection, operation, testing, or maintenance of such equipment shall be such as not to cause damage to the Company-provided equipment and facilities or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the customer's expense.
- 2.2.4 The Company's services (as detailed in this tariff) may be connected to the services or facilities or other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs or contracts which are applicable to such connections.
- 2.2.5 Upon reasonable notification to the customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the customer is complying with the requirements set forth in this tariff for the installation, operation, and maintenance of customer-provided facilities and equipment that is connected to Company-owned facilities and equipment.

2.3 Liability of the Company

- 2.3.1 In view of the fact that the customer has exclusive control over the use of service and facilities furnished by the Company, and because certain errors incident to the services and to the use of such facilities of the Company are unavoidable, services and facilities are furnished by the Company subject to the terms, conditions and limitations herein specified:

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SECTION 2 – RULES & REGULATIONS

2.3 Liability of the Company

2.3.2 Service Irregularities

2.3.2.1 The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of the customer, shall in no event exceed an amount equivalent to the proportionate charge to the customer for the service or facilities affected during the period such mistake, omission, interruption, delay, error or defect in transmission, or failure or defect in facilities continues after notice and demand to Company.

2.3.2.2 The Company shall not be liable for any act or omission of any connecting carrier, underlying carrier or local exchange Company except where Company contracts the other carrier; for acts or omission of any other providers of connections, facilities, or service; or for culpable conduct of the customer or failure of equipment, facilities or connection provided by the customer.

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2.3 Liability of the Company

2.3.3 Claims of Misuse of Service

2.3.3.1 The Company shall be indemnified and saved harmless by the customer against claims for libel, slander, fraudulent or misleading advertisements or infringement of copyright arising directly or indirectly from material transmitted over its facilities or the use thereof; against claims for infringement of patents arising from combining or using apparatus and systems of the customer with facilities of the Company; and against all other claims arising out of any act or omission of the customer in connection with the services and facilities provided by the Company.

2.3.4 Defacement of Premises

2.3.4.1 The Company is not liable for any defacement of, or damage to, the customer's premises resulting from the furnishing of service or the attachment of equipment and facilities furnished by the Company on such premises or by the installation or removal thereof, when such defacement or damage is not the result of negligence of the Company. For the purpose of this paragraph, no agents or employees of the other participating carriers shall be deemed to be agents or employees of the Company except where contracted by the Company.

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SECTION 2 – RULES & REGULATIONS

2.3 Liability of the Company

2.3.5 Facilities and Equipment in Explosive Atmosphere, Hazardous or Inaccessible Locations

2.3.5.1 The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. Company shall be indemnified, defended and held harmless by the customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service and not due to the gross negligence or willful misconduct of the Company.

2.3.6 Service at Outdoor Locations

2.3.6.1 The Company reserves the right to refuse to provide, maintain or restore service at outdoor locations unless the customer agrees in writing to indemnify and save the Company harmless from and against any and all loss or damage that may result to equipment and facilities furnished by the Company at such locations. The customer shall likewise indemnify and save the Company harmless from and against injury to or death of any person which may result from the location and use of such equipment and facilities.

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2.3 Liability of the Company

2.3.7 Warranties

2.3.7.1 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

2.3.7.2 Acceptance of the provisions of Section 2.3 by the Commission does not constitute its determination that any disclaimer of warranties or representations imposed by the Company should be upheld in a court of law.

2.3.8 Limitation of Liability

2.3.8.1 Nothing in this tariff shall be construed to limit the Company's liability in cases of gross negligence or willful misconduct.

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SECTION 2 - RULES & REGULATIONS

2.4 Application for Service

2.4.1 Minimum Contract Period:

- 2.4.1.1 Except as otherwise provided, the minimum contract period is one year for all services furnished. However, if a new residential or single line business customer notifies the Company within twenty days after receipt of the first bill that certain services or equipment are not desired, the Company will delete such services or equipment from the customer's account without a record keeping or service ordering charge. The customer nonetheless shall be responsible for all monthly usage and installation charges incurred for the use of such service and equipment.
- 2.4.1.2 Except as provided in 2.4.2.1, the length of minimum contract period for directory listings, and for joint user service where the listing actually appears in the directory, is the directory period. The directory period is from the day on which the directory is first distributed to customers to the day the succeeding directory is first distributed to customers.
- 2.4.1.3 The Company may require a minimum contract period longer than one month in connection with special, non-standard types or arrangements of equipment, or for unusual construction, necessary to meet special demands for service.
- 2.4.1.4 The Company will provide at least 60 days notice in the event of a termination of any contracted service or contract renewal in which a termination penalty may apply.

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2.4 Application for Service

2.4.2 Cancellation of Service

- 2.4.2.1 Where the applicant cancels an order for service prior to the start of the installation or special construction of facilities, no charge shall apply, except to the extent the Company incurs a service order or similar charge from a supplying carrier, if any, prior to the construction.
- 2.4.2.2 Where the installation of facilities, other than those provided by special construction, has been started prior to cancellation, the lower of the following charge applies;
 - 2.4.2.2.A The total costs of installing and removing such facilities; or
 - 2.4.2.2.B The monthly charges for the entire initial contract period of the service ordered by the customer as provided in this tariff plus the full amount of any applicable installation and termination charges.
- 2.4.2.3 Where special construction of facilities has been started prior to the cancellation, and the Company has another requirement for the specially constructed facilities, no charge applies.

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2.5 Payment for Service

- 2.5.1 The Company shall present invoices for Recurring Charges monthly to the Customer in advance of the month in which service is provided. When billing is based on customer usage, charges will be billed monthly for the preceding billing periods. Service will be billed on a monthly basis and is due and payable upon receipt or as specified on the customer's bill. Service will continue to be provided until canceled by the customer or discontinued by the Company as set forth in Section 2.14 of this tariff.
- 2.5.2 The customer is responsible for payment of all charges for service furnished to the customer. Charges based on actual usage during a month will be billed monthly in the month following the month in which the service was used. All fixed monthly and nonrecurring charges for services ordered will be billed monthly in advance.

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2.6 Customer Deposits

2.6.1 The Carrier agrees to abide by the regulations associated with nonresidential customer deposits as specified by Code of Maryland Regulations 20.30.01. as amended from time to time.

2.6.2 In order to establish credit, the carrier may require an applicant for nonresidential service to demonstrate good paying habits by showing that the applicant:

2.6.2.1 Was a customer of a Maryland utility for at least 12 months within the preceding 2 years;

2.6.2.2 Does not currently owe any outstanding bills for utility service to a utility doing business in Maryland;

2.6.2.3 Did not have service discontinued for nonpayment of a utility bill during the last 12 months that service was provided; and

2.6.2.4 Did not fail, on more than two occasions during the last 12 months that service was provided, to pay a utility bill when it became due.

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2.6 Customer Deposits (cont'd)

- 2.6.3 The Carrier agrees to abide by the regulations associated with residential customer deposits as specified by Code of Maryland Regulations 20.30.02. as amended from time to time.
- 2.6.4 In order to establish credit, a utility may require an applicant for residential service to demonstrate good paying habits by showing that the applicant:
- 2.6.4.1 Was a customer of a Maryland utility within the preceding 2 years;
 - 2.6.4.2 Does not currently owe any outstanding bills for utility service to a utility doing business in Maryland;
 - 2.6.4.3 Did not have service discontinued for non-payment of a utility bill during the last 12 months that service was provided; and
 - 2.6.4.4 Did not on more than two occasions during the last 12 months that service was provided, fail to pay a utility bill when it became due.

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SECTION 2 – RULES & REGULATIONS

2.6 Customer Deposits (cont'd)

2.6.5 Deposits for establishment or reestablishment of credit will not be more than the estimated charge for service for 2 consecutive billing periods or 90 days, whichever is less.

2.6.6 The Company reserves the right to require from an applicant for service advance payments of fixed charges and nonrecurring charges. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one month's charges for the service or facility. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated nonrecurring charges for the special construction. The advance payment will be applied to any indebtedness for the service and facilities for which the advance payment is made on the customer's initial bill.

Advanced payments for installation costs or special construction will be credited on the first bill in their entirety.

2.6.7 Customer deposits shall be maintained in a bank located in Maryland. Customers who make a deposit for service will receive interest, at a rate set on such deposit not less than the rate calculated by the method set forth in COMAR 20.30.01.04 (for non-residential customers) or COMAR 20.30.02.04 (for residential customers) as appropriate.

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2.7 Late Payment Charges

- 2.7.1 The Carrier agrees to abide by the regulations governing late payment charges as specified by COMAR 20.30.03. as amended from time to time.
- 2.7.2 Any charges that are disputed by a customer shall not be subject to late payment charges regardless of the outcome of the dispute.
- 2.7.3 The Company will consider delinquent and apply late payment charges on bills not paid within 20 days of the billing invoice date in the case of residential customers and within 15 days of the billing invoice date in the case of all non-residential customers in accordance with COMAR Sections 20.30.03.01A and 20.30.03.01B, respectively.
- 2.7.4 Late payment fees will be computed at a rate not to exceed 1.5% per month, for the two nominal billing intervals and may not exceed 5% of the total original unpaid charges in compliance with COMAR 20.30.03.01.A(1).

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2.8 Customer Complaints and Billing Disputes

2.8.1 Customers may notify the carrier of billing or other disputes either orally or in writing. There is no time limit for submitting disputes.

2.8.2 Customer complaints and billing disputes that are not satisfactorily resolved may be presented by the customer to:

Office of External Relations
Maryland Public Service Commission
6 St. Paul Street
Baltimore, MD 21202

410-767-8028 (Office of External Relations)
410-767-8000 (Main PSC number)
1-800-492-0474 (Toll-free PSC number)

2.8.3 The Company provides the following toll free number (1-800-978-7532) for customers to contact the carrier in accordance with COMAR 20.45.04.02.B.

2.8.4 The Company will not collect attorney fees or court costs from customers.

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2.9 Allowance for Interruptions in Service

2.9.1 Credit for failure of service or equipment will be allowed only when failure is caused by or occurs in equipment owned, provided, and billed for, by the Company. The Carrier agrees to abide by the regulations associated with interruptions in service as specified by Code of Maryland Regulations 20.45.05.09 as amended from time to time.

2.9.2 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.9.3 for the part of the service that the interruption affects.

2.9.3 When service is interrupted for a period of at least 24 hours after notice by the customer to the Carrier, an allowance equal to 1/30 of fixed billing cycle charges for services and facilities furnished by the Carrier rendered useless or substantially impaired shall apply to each 24 hours during which the interruption continues after notice by the customer to the Carrier. Credit in any billing period shall not exceed the total non-usage charges for that period for the services and facilities furnished by the Carrier rendered useless or substantially impaired.

A. The word "interruption" shall mean the inability to complete calls due to equipment malfunctions or human errors. "Interruption" does not include, and no allowance shall be given for, service difficulties such as slow dial tone, circuits, busy or other network and/or switching capacity shortages. Nor shall "interruption" include the failure of any service or facilities provided by a common carrier or other entity other than the Carrier. Nor shall the interruption allowance apply where service is interrupted by the negligence or willful act of the customer, or where the Carrier, pursuant to the terms of this tariff, terminates service because of non-payment of bills or deposits due to the Carrier, unlawful or improper use of the Carrier's facilities or service, or any other reason covered by this tariff or by applicable law.

B. No allowance shall apply to any non-recurring or usage charges.

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2.9 Allowances for Interruptions in Service (Cont'd)

2.9.4 No credit allowance will be made for:

- A) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;
- B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- C) interruptions due to the failure or malfunction of non-Company equipment;
- D) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- E) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- F) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and
- G) interruption of service due to circumstances or causes beyond the control of Company.

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2.9 Allowances for Interruptions in Service (Cont'd)

2.9.5 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equalling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

2.10 Taxes and Fees

2.10.1 All state and local taxes and fees shall be listed as separate line items on the customer's bill.

2.10.2 If a municipality, other political subdivision or local agency of government, or the Commission imposes and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, as allowed by law, be billed pro rata to the customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.

2.10.3 Service shall not be subject to taxes for a given taxing jurisdiction if the customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the customer has been granted a tax exemption.

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2.11 Returned Check Charge

The charge for a returned check is \$25.

2.12 Directory Assistance Call Allowance

Residential customers shall receive six free directory assistance calls per month with two requests per call. Charges will not be levied for Directory Assistance on an individual who suffers from a physical or visual disability that precludes the use of a telephone directory.

2.13 Special Customer Arrangements

In cases where a customer requests special or unique arrangements which may include but are not limited to engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special services not offered under this tariff, the Company, may provide the requested services. Appropriate recurring charges and/or nonrecurring charges and other terms and conditions will be developed for the customer for the provisioning of such arrangements.

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2.14 Termination of Service:

2.14.1 Denial of Service Without Notice

The Company may discontinue service without notice for any of the following reasons:

- 2.14.1.1 Hazardous Condition. For a condition on the customer's premises determined by the Company to be hazardous.
- 2.14.1.2 Adverse Effect on Service. Customer's use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.
- 2.14.1.3 Tampering With Company Property. Customer's tampering with equipment furnished and owned by the Company.
- 2.14.1.4 Unauthorized Use of Service. Customer's unauthorized use of service by any method which causes hazardous signals over the Company's network.
- 2.15.1.5 Illegal use of Service. Customer's use of service or equipment in a manner to violate the law.

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SECTION 2 – RULES & REGULATIONS

2.14 Termination of Service (cont'd)

2.14.2 Denial of Service Requiring Notice (cont'd)

2.14.2.1 The Company may deny service for any of the following reasons provided it has notified the customer of its intent, in writing, to deny service and has allowed the customer a reasonable time of not less than 10 days in which to remove the cause for denial:

2.14.2.1.A Non-compliance with Regulations. For violation of or non-compliance with regulations contained in Code of Maryland Regulations 20.45.04, or for violation of or non-compliance with the Company's tariffs on file with the Commission.

2.14.2.1.B Failure on Contractual Obligations. For failure of the customer to fulfill his contractual obligations for service or facilities subject to regulation by the Maryland Public Service Commission.

2.14.2.1.C Refusal of Access. For failure of the customer to permit the Company to have reasonable access to its equipment.

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SECTION 2 - RULES & REGULATIONS

2.14 Termination of Service(cont'd)

2.14.2 Denial of Service Requiring Notice (cont'd)

2.14.2.1.D Non-payment of Bill.

2.14.2.1.D.1 For non-payment of a bill for service, provided that the Company has made a reasonable attempt to effect collection and has given the customer written notice of its intent to deny service if settlement of his account is not made and provided the customer has at least 5 days, excluding Sundays and holidays in which to make settlement before his service is denied.

2.14.2.1.D.2 In cases of bankruptcy, receivership, abandonment of service, or abnormal toll usage not covered adequately by a security deposit, less than 5 days notice may be given if necessary to protect the Company's revenues.

2.14.2.1.D.3 Except in cases where a prior promise to pay has not been kept or bankruptcy, receivership, abandoned service, or abnormal toll usage is involved, the Company may not deny service on the day preceding any day on which it is not prepared to accept payment of the amount due and to reconnect service.

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2.14 Termination of Service (cont'd)

2.14.2. Denial of Service Requiring Notice (cont'd)

2.14.2.1.D Non-payment of Bill (cont'd)

2.14.2.1.D.4 Failure to Comply with Service Conditions. For failure of the customer to furnish the service equipment, permits, certificates, or rights-of-way, specified by the Company as a condition to obtaining service, or if the equipment or permissions are withdrawn or terminated.

2.14.2.1.D.5 Failure to Comply with Municipal Ordinances. For failure to comply with municipal ordinances or other laws pertaining to telephone service.

2.14.2.1.D.6 Failure to Pay Increased Deposit Required. For failure of the customer to pay an increased security deposit when warranted by the Company to protect its revenue in accordance with Code of Maryland Regulations 20.45.04.

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2.14 Termination of Service (cont'd)

2.14.3. Insufficient Reasons for Denial of Service

2.14.3.1 The following may not constitute cause for refusal of service to a present or prospective customer:

- 2.14.3.1.A Failure of a prior customer to pay for service at the premises to be serviced;
- 2.14.3.1.B Failure to pay for a different class of service for a different entity;
- 2.14.3.1.C Failure to pay the bill of another customer as guarantor of that bill;
- 2.14.3.1.D Failure to pay directory advertising charges;
- 2.14.3.1.E Failure to pay an undercharge as described in the Code of Maryland Regulations 20.45.04.01.D.(2); or

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2.14 Termination of Service (cont'd)

2.14.3. Insufficient Reasons for Denial of Service (cont'd)

2.14.3.1 The following may not constitute cause for refusal of service to a present or prospective customer:

2.14.3.1.F Failure to pay an outstanding bill that is over 7 years old, unless the:

2.14.3.1.F.1 Customer signed an agreement to pay the outstanding bill before the expiration of this period;

2.14.3.1.F.2 Outstanding bill is for service obtained by the customer by means of tampering with equipment furnished and owned by the Company or by unauthorized use of service by any method; or

2.14.3.1.F.3 Outstanding bill is for service obtained by the customer by means of an application made:

- (i) In a fictitious name,
- (ii) In the name of an individual who is not an occupant of the dwelling unit, without disclosure of the individual's actual address,
- (iii) In the name of a third party without disclosing that fact or without bonafide authority from the third party, or
- (iv) Without disclosure of a material fact or by misrepresentations of a material fact.

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2.14 Termination of Service (cont'd)

2.14.3. Insufficient Reasons for Denial of Service (cont'd)

2.14.3.2 This regulation applies to both residential and nonresidential classes of service.

2.15 Unlawful Use of Service

2.15.1 Service shall not be used for any purpose in violation of law or for any use as to which the customer has not obtained all required governmental approvals, authorizations, licenses, consents, and permits. The Company shall refuse to furnish service to an applicant or shall disconnect the service without notice of a customer when:

2.15.1.1 An order shall be issued, signed by a judge finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or

2.15.1.2 The Company is notified in writing by a law enforcement agency acting within its jurisdiction that any facility furnished by the Company is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of the law.

2.15.2 If service has been physically disconnected by law enforcement officials at the customer's premises and if there is not presented to the Company the written finding of a judge, then upon written or verbal request of the subscriber, and agreement to pay restoral of service charges and other applicable service charges, the Company shall promptly restore such service.

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2.16 Interference with or Impairment of Service

Service shall not be used in any manner that interferes with other persons in the use of their service, prevents other persons from using their service, or otherwise impairs the quality of service to other customers. The Company may require a customer to immediately shut down its transmission of signals if said transmission is causing interference to others or impairing the service of others.

2.17 Telephone Solicitation by Use of Recorded Messages

2.17.1 Service shall not be used for the purpose of solicitation by recorded messages when such solicitation occurs as a result of unrequested or unsolicited calls initiated by the solicitor by means of automatic dialing devices. Such devices, with storage capability of numbers to be called or a random or sequential number generator that produces numbers to be called and having the capability, working alone or in conjunction with other equipment, of disseminating a prerecorded message to the number called and which are calling party or called party controlled, are expressly prohibited.

2.18 Incomplete Calls

2.18.1 There shall be no charge for incomplete calls. No charge will be levied for unanswered calls. Customers will receive credit for calls placed to a wrong number if the customer notifies the Company of the error.

2.19 Overcharge/Undercharge

2.19.1 Overcharge/undercharge provisions will be in accordance with COMAR 20.45.04.01.

2.19.2 When a customer has been overcharged, the amount shall be refunded or credited to the customer.

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SECTION 3 - DESCRIPTION OF SERVICES

3.1 Trial Services

- 3.1.1 The Company may offer new services, not otherwise tariffed, from time to time on a trial basis subject to Commission approval. Such trials are limited to a maximum of six months at which time the trial offering must be either withdrawn or made available on permanent basis.

3.2 Promotional Offerings

- 3.2.1 The Company may offer existing services on a promotional basis, subject to Commission approval, that provides special rates, terms, or conditions of service. Promotional offerings are limited to a maximum of six months at which time the promotional offering must be either withdrawn or made available on a permanent basis. All promotions, regardless of whether services are given away for free, are subject to Commission approval.

3.3 Individual Case Basis ("ICB") Offerings

- 3.3.1 The tariff may specify "ICB pricing" for a service. The Company may or may not be an equivalent service in the tariff for which there is a tariffed rate, and the quoted ICB rates may be different than the tariffed rates. An ICB must be provided under contract to a customer and the contract filed (can be under seal) with the Commission. All customers have non-discriminatory access to requesting the service under an ICB rate.

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SECTION 3 - DESCRIPTION OF SERVICES

3.4 Message Rate Exchange Service

3.4.1 Message Rate Exchange Service offers unlimited calling within the local calling area for one monthly recurring charge, plus a per message charge for each call placed.

3.5 Measured Rate Exchange Service

3.5.1 Measured Rate Exchange Service offers unlimited calling within the local calling area for a monthly recurring charge, plus a per minute charge for each minute of local calling service used.

3.6 ISDN PRI Measured Rate Service

3.6.1 ISDN PRI Measured Rate Service offers a Digital T1 Facility channelized for data use only (not voice ready). Calls within the predefined local calling area are subject to usage based charges. Up to 24 B-channels may be used from a single T1 facility. Each T1 for this service comes with a minimum of 14 B-channels and 1 D-channel. More bandwidth may be channelized at the request of the customer, for which services rates and surcharges apply in accordance with this tariff.

3.7 Digital Data Service

3.7.1 Digital Data Service provides a dedicated point to point digital circuit, with bandwidth ranging from 56Kbs to 1.544 Mbs, that does not provide dial tone service. Digital Service T-1 required for circuits of 512K or less. Data Only T-1 required for circuits greater than 512K or an endpoint with multiple circuits whose total bandwidth sum to greater than 512K. The circuit is used to enable communications transport between two or more points. Digital Data Service is available to Customers in selected US LEC served LATA.

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3.8 Frame Relay Service

- 3.8.1 Frame Relay Service (FRS) is a data communications service that provides for data connectivity between/among widely distributed locations. FRS routes Frame Relay Data Units between a customer's premises, using assigned Permanent Virtual Circuits (PVCs) provided via a dedicated Frame Relay Subscriber Network Access Line and a switch dedicated to FRS and other high-speed data services.

A Frame Relay Subscriber Network Access Line (NAL) is a dedicated digital line, utilizing the Frame Relay User to Network Interface standards. A Frame Relay Subscriber NAL provides connectivity from the customer's premises to the telephone company hub or serving wire center. The effective data rate of the line is 56/64 kbps for narrowband connectivity and 1.536 Mbps for wideband connectivity.

Each Frame Relay Data Unit is routed through the Frame Relay Network with an address that specifies the PVC connection. A PVC connection is a virtual connection between two Frame Relay Subscriber NALs, e.g. customer's premises.

Each Frame Relay Subscriber NAL is assigned at least one PVC. However, a customer may elect to subscribe to multiple PVCs. Additional PVCs are provisioned over the Frame Relay Subscriber NAL via address mapping, which enable the customer to route Frame Relay Data Units via virtual connections to multiple locations.

Frame Relay Service is available only where technically feasible and where US LEC has adequate facilities in place to provision it.

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3.9 Connectivity and Co-location Service (CCS)

3.9.1 The Company offers physical rack space and high bandwidth connection for a customer-owned router to communicate to a server farm or server rack offsite. Subscription to this service requires subscription to T-1 or PRI service to the router or routers, as well as applicable entrance facility charges. This gives the customer the security of a US LEC-maintained high bandwidth connection, and local exchange service. Zone A denotes location of customer-owned equipment within the Company's wire center, while Zone B denotes location of customer-owned equipment on the Company's network, but outside of the Company's wire center.

3.10 Digital Subscriber Line (DSL)

3.10.1 Digital Subscriber Line Service (DSL) is a data communications service that provides for high-speed connectivity using Symmetric Digital Subscriber Line (SDSL) and ISDN Digital Subscriber Line (IDSL) technology. SDSL provides the customer the ability to transmit data to (upstream rate) and receive data from (downstream rate) a DSL Access Service Connection Point at the same speed using existing copper facilities. A DSL Access Service Connection Point is an interconnection point designated by the company that aggregates data traffic from and to Company SDSL-equipped serving wire centers. SDSL service may be used for simultaneous voice and data communications.

Five types of DSL service are available based on the synchronous speeds chosen by the customer. Peak speeds are not guaranteed by the Company due to factors that may effect the actual speeds delivered, including the SDSL Access Service customer's distance from the company's serving wire center, condition of the existing copper facilities, and the limitations in the telecommunications service provider's network design.

DSL Service will be provided over existing local exchange service facilities. When the customer orders DSL Service, the rates and charges are in addition to any rates and regulations that apply for the associated local service line provided under the terms and conditions of this tariff.

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3.11 Asynchronous Transfer Mode (ATM) Service

3.11.1 US LEC's Asynchronous Transfer Mode (ATM) Service is a data transport and traffic prioritization technology that can integrate data, voice, and video over the same communications channel. Uniquely, ATM enables the transmission of multiple kinds of data at different speeds and with different prioritizations over a single User Network Interface (UNI = ATM Port). With US LEC's ATM service, users of local ATM Customer Premises Equipment (CPE) switches can connect to other ATM switches over a wide area *without* protocol conversions. Additionally, US LEC ATM services are mileage independent and offer significant network redundancy and resiliency.

ATM is a technology based upon international standards for cell-switched, connection-oriented data transmission allowing voice, video, and data communications over a single virtual network. ATM represents a specific implementation of cell relay, where the data packets are known as cells and have a fixed length of 53 octets.

Once the connection is made, information in the header of each cell is used to route the cell to its destination. All the nodes on the network are connected via one or more switched nodes, which route the cells to their destinations. The ATM switch (CPE), as required, allocates the total available transmission bandwidth. Because of the fixed-cell-length transmission can be carried out simultaneously for a number of cells. ATM guarantees service and provides Quality of Service options (QoS) for customers.

The use of these fixed-length cells allows ATM to support a range of applications and traffic types. Cells are statistically multiplexed and network capacity is dynamically allocated based on the real-time needs of the applications supported. This implies that a single port can be provisioned with aggregate PVC Peak Cell Rates exceeding the port size, but not exceeding the aggregate PVC Sustained Cell Rates.

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SECTION 3 - DESCRIPTION OF SERVICES**3.11 Asynchronous Transfer Mode (ATM) Service**

- 3.11.1 Various applications require different service categories, or classes of service depending on their basic characteristics and requirements. US LEC offers customers a variety of choices to suit their needs: CBR, VBR-RT, VBR-NRT and UBR.

CBR (Constant Bit Rate) - Supported by a constant cell transfer rate, CBR is designed for applications that require stable bandwidth levels and low latency (in other words, those which *cannot* tolerate variances in delay or cell loss). Examples of applications that require CBR service include boardroom quality video and private line circuit emulation.

VBR-RT (Variable Bit Rate - Real Time) - VBR-RT is designed for applications that require stable bandwidth levels and low-to-medium latency (in other words, those which *cannot* tolerate variances in delay or cell loss). Examples of applications that require VBR-RT service include desktop quality video and packetized voice applications. This service class can also carry SNA traffic. VBR-RT has a less stringent variance tolerance than CBR, and demands less significant resources from the ATM network than CBR. In effect, VBR-RT offers customers services closer to CBR quality, in a more cost-effective manner.

VBR-NRT (Variable Bit Rate - Non-Real Time) - The VBR-NRT service category is designed for servicing bursty data applications such as E-mail and other LAN data applications. As such, VBR is often used with delay and loss-sensitive data, as well as packetized voice and video. This service class can also carry SNA traffic if the CDV is set within acceptable limits.

UBR (Unspecified Bit Rate) - Unspecified Bit Rate (UBR) service is designed for data applications that do not require guarantees on when or if the data is delivered. With UBR the Sustained Cell Rate (SCR) is set to zero and all traffic is tagged. The customer can choose the Peak Cell Rate value and is charged based on this value.

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SECTION 4 - RATES AND CHARGES

4.1 Calculation of Rates

- 4.1.1 Rates for service are based on airline mileage between rate centers of the calling and called stations. The location of rate centers is based on information provided by Bell Atlantic - Maryland, Inc. Mileage is calculated using the Vertical and Horizontal (V&H) coordinate system from the National Exchange Carriers Association Tariff F.C.C. No. 4.
- 4.1.2 Timing of calls begins when the call is answered at the called station. Different rates may apply depending on the time of day or day of week the call is made. Calls originating in one time period and terminating in another time period will be billed according to the rates in effect during each portion of the call.

4.2 Dial-Around Compensation Surcharge for Payphones

- 4.2.1 A Dial-Around Compensation Surcharge applies to all completed consumer intrastate long distance calls placed from a public/semi-public payphone which are not paid on a sent paid basis. The Surcharge applies to:
- A. Calling card service
 - B. Collect calls
 - C. Third party billed
 - D. Directory Assistance calls
 - E. Pre-paid card service
- 4.2.2 The Surcharge does not apply to:
- A. Calls paid for by inserting coins
 - B. Calls placed from stations other than public/semi-public payphones
 - C. Calls placed to the Maryland Telecommunications Relay Service for the hearing impaired
 - D. Any calls for which the payphone provider is otherwise compensated pursuant to contract with the carrier.

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SECTION 4 - RATES AND CHARGES

4.2 Dial-Around Compensation Surcharge for Payphones (cont'd)

4.2.3 The Dial Around Compensation Surcharge rate is \$.25 per call.

4.2.4 If the Company provides service under a term plan (1,3,5 years, etc.) and (1) automatically renews the contract and (2) imposes a penalty for early cancellation by the customer, then the customer shall be notified 60 days in advance of the customer's current contract expiration date.

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.1 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 demarcation/connection block at the customer's premises.

The following Exchange Access Service Options are offered:

Message Rate Service
Measured Rate Service

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SECTION 5 - EXCHANGE ACCESS SERVICE**5.2 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 11– 16 miles from a US LEC switch.

Schedule 3: Customers whose serving wire centers are greater than 16 miles from a US LEC switch.

5.3 Local Calling Areas

Exchange or Zone	Exchange and Zones included in Exchange Area
Aberdeen	Aberdeen, Bel Air, Churchville, Darlington, Edgewood, Fallston, Havre de Grace, Perryville and Port Deposit exchanges, and the Fork zone
Annapolis	Annapolis, Crofton, Millersville, Odenton, Sherwood Forest and West River exchanges, and the Armiger-Gibson Island, Brooklyn Park-Linthicum, Glen Burnie, Severn and Severna Park zones.
Arbutus Zone	All zones of the BMEA and the Columbia and Sykesville exchanges

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Armiger-Gibson Island Zone	All zones of the BMEA and the Annapolis exchange
Ashton	Ashton, Columbia, Damascus, Gaithersburg, Glenwood and Laurel exchanges, and the Berwyn, Bethesda, Hyattsville, Kensington, Layhill, Rockville, Silver Spring and Washington DC zones. In addition, telephones in the Ellicott City Zone are included in the exchange area of telephones bearing the central office code of 854 of the Ashton Exchange
Baltimore Zone	All zones of the BMEA and the Columbia, Fallston, Sparks-Glencoe, Sykesville and Worthington exchanges
Bel Air	Bel Air, Aberdeen, Cardiff, Churchville, Darlington, Edgewood, Fallston, Havre de Grace and Jarrettsville exchanges, and the Fork, Parkville and Towson zones.
Berlin	Berlin, Bishopville, Ocean City, Pocomoke, Salisbury, Snow Hill and Willards.
Berwyn Zone	All zones of the WMEA and the Ashton, Columbia, Crofton and Laurel exchanges, In addition telephone services bearing the central office codes 410-427, 792, 797, 813, 862 and 880 of the Waterloo zone are also included in the exchange area of customers with telephone services bearing the central office codes 301-206, 369, 419, 886 and 953 of the Berwyn zone.

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Bethesda Zone	All zones of the WMEA and the Ashton, Darnascus, Gaithersburg and Laurel exchanges
Bishopville	Bishopville, Berlin, Ocean City, Salisbury, Selbyville, Del., Snow Hill and Willards
Bittinger	Bittinger, Friendsville-Accident, Grantsville, Lonaconing, Oakland and Westport
Bowie-Glenn Dale Zone	All zones of the WMEA and the Crofton, Laurel, Millersville, Odenton and West River exchanges. In addition, telephone services bearing the central office codes 410-519 or 551 of the Severn zone and 410-793 of the Severna Park zone are also included in the exchange area of customers with telephone services bearing the central office codes 301-261, 621, 677, 858, 912 or 970 of the Bowie-Glenn Dale zone.
Brandywine	Brandywine, Hughesville and Waldorf exchanges, and the capitol Heights, Clinton, Marlboro and Oxon Hill zones.
Brooklyn Park-Linthicum Zone	All zones of the BMEA and the Annapolis, Columbia, Millersville, Odenton, Sherwood Forest and Sykesville exchanges.
Brunswick	Brunswick, Buckeystown, Fredrick, Keedysville and Middletown.
Buckeystown	Buckeystown, Brunswick, Frederick, New Market and Poolesville

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Cambridge	Cambridge, Hurlock, Oxford, St. Michaels, Tilghman, Trappe, Vienna and Wingate
Capitol Heights Zone	All zones of the WMEA and the Brandywine, Indian Head, Laurel, Waldorf and West River exchanges.
Cardiff	Bel Air, Cardiff, Darlington, Delta, Pa., Fawn Grove, Pa., Jarrettsville and Port Deposit
Catonsville Zone	All zones in the BMEA and the Columbia, Glenwood, Laurel and Sykesville exchanges
Cecilton	Cecilton, Chesapeake city, Elkton, Galena, Still Pond and Warwick
Centreville	Centreville, Chestertown, Church Hill, Easton, Greensboro, Hillsboro, Queenstown, Ridgely, Rock Hall, Stevensville and Sudlersville
Chase Zone	All zones o f the BMEA and the Edgewood exchange
Chesapeake City	Cecilton, Chesapeake City, Elkton and Warwick
Chesterton	Centerville, Chestertown, Church Hill, Galena, Millington, Rock Hall, Still Pond and Sudlersville
Church Hill	Centerville, Chestertown, Church Hill, Millington and Sudlersville
Churchville	Aberdeen, Bel Air, Churchville, Darlington, Edgewood, Fallston, and Havre de Grace
Clear Spring	Clear Spring, Hagerstown, Hancock and Williamsport

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Clinton Zone	All zones of the WMEA and the Brandywine and Waldorf exchanges
Cockeysville Zone	All zones of the BMEA and the Hampstead, Jarretts-Jarrettsville, Parkton, Sparks-Glencoe, Sykesville and Worthington exchanges.
Columbia	Ashton, Columbia, Glenwood and Laurel exchanges and the Arbutus, Baltimore, Berwyn, Brooklyn Park-Linthicum, Catonsville, Elkridge, Ellicott City, Glen Burnie, Layhill, Pikesville, Randallstown, Silver Spring, Towson, Waterloo and Woodlawn zones
Crisfield	Crisfield, Marion, Pocomoke, Princess Anne, Salisbury and Smith Island
Crofton	Annapolis, Crofton, Millersville, Odenton, Sherwood Forest and west River exchanges, and the Berwyn, Bowie-Glenn Dale, Glen Burnie, Hyattsville, Severn Severna Park zones.
Cumberland	Cumberland, Flintstone-Oldtown, Frostburg, Grantsville, Hewitt, Pa., Lonaconing, McCoolle, Mt. Savage, Ridgely, W. Va., State Line, Pa., Wellersburg, Pa., and Westport
Damascus	Ashton, Damascus, Frederick, Gaithersburg, Glenwood, My. Airy and New Market exchanges, and the Bethesda, Kensington, Layhill, Rockville and Silver Spring zones.
Darlington	Aberdeen, Bel Air, Cardiff, Churchville, Darlington, Havre de Grace and Port Deposit

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Exchange or Zone	Exchange and Zones included in Exchange Area
Deal Island	Deal Island, Nanticoke, Princess Anne, Salisbury, Smith Island and Vienna
Delmar	Delmar, Del., Delmar, Md., Laurel, Del., Nanticoke, Salisbury, Sharptown and Willards
Denton	Denton, Easton, Federalsburg, Greensboro, Hillsboro, Preston and Ridgely
Dundalk Zone	All zones of the BMEA and the Edgewood exchange.
Easton	Centreville, Denton, Easton, Federalsburg, Greensboro, Hillsboro, Oxford, Preston, Queenstown, Ridgely, St. Michaels, Stevensville, Tilghman and Trappe.
Edgewood	Aberdeen, Bel Air, Churchville, Edgewood, Fallston and Havre de Grace exchanges, and the Chase, Dundalk, Essex, Fork, Parkville, Sparrows Point and Towson zones.
Elkridge Zone	All zones in the BMEA and the Columbia, Laurel Odenton and Sykesville exchanges
Elkton	Cecilton, Chesapeake City, Elkton, North East, Perryville, Port Deposit and Warwick
Ellicott City Zone	All zones of the BMEA and the Columbia, Glenwood, Laurel and Sykesville exchanges. In addition, telephones bearing the central office code of 854 of the Ashton exchange are included.

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Emmitsburg	Emmitsburg, Fairfield, Pa., Frederick, Highfield and Thurmont
Essex Zone	All zones of the BMEA and the Edgewood exchange
Fallston	Aberdeen, Bel Air, Churchville, Edgewood, Fallston, Havre de Grace, and Jarrettsville exchanges, and the Baltimore, Fork, Parkville and Towson exchanges
Federalsburg	Denton, Easton, Federalsburg, Hurlock, Preston and Sharptown
Flintstone-Oldtown	Cumberland, Flintstone-Oldtown, Hancock, Hewitt, Pa., Ridgely, W Va., State Line, Pa.
Fork Zone	All zones of the BMEA and the Aberdeen, Bel Air, Edgewood, Fallston, Jarrettsville and Sparks-Glencoe exchanges.
Frederick	Brunswick, Buckeystown, Damascus, Emmitsburg, Frederick, Middletown, Mt. Airy, Myersville, New Market, Thurmont, Union Bridge and Walkersville
Friendsville-Accident	Bittinger, Friendsville-Accident, Grantsville and Oakland
Frostburg	Cumberland, Frostburg, Grantsville, Lonaconing, Mt. Savage and Wellersburg, Pa.
Gaithersburg	Ashton, Damascus, Gaithersburg and Poolesville exchanges and the Bethesda, Kensington, Layhill, Rockville, Silver Spring and Washington, D.C., zones

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Exchange or Zone	Exchange and Zones included in Exchange Area
Galena	Cecilton, Chestertown, Galena, Millington, Still Pond and Warwick
Glen Burnie Zone	All zones of the BMEA and the Annapolis, Columbia, Crofton, Laurel, Millersville, Odenton, Sherwood Forest and Sykesville exchanges
Glenwood	Ashton, Columbia, Damascus, Glenwood, Mt. Airy, and Sykesville exchanges and the Catonsville, Ellicott City and Woodlawn zones
Grantsville	Bittinger, Cumberland, Friendsville-Accident, Frostburg, Grantsville, Lonaconing, Mt. Savage and Salisbury, Pa.
Greensboro	Centerville, Denton, Easton, Greensboro, Hillsboro, Ridgely and Sudlersville
Hagerstown	Clear Spring, Hagerstown, Hancock, Keedysville, Falling waters, W Va., Myersville, Smithsburg and Williamsport
Hampstead	Hampstead, Parkton, Silver Run, Sparks-Glencoe, Westminster and Worthington Exchanges, and the Cockeysville, Pikesville, Reistertown, Towson zones.
Hancock	Berkeley Springs, W. Va., Clear Spring, Flintstone-Oldtown, Hagerstown, Hancock, Needmore, Pa., and Warfordsburg, Pa.
Havre de Grace	Aberdeen, Bel Air, Churchville, Darlington, Edgewood, Fallston, Havre de Grace, Perryville and PortDeposit

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Exchange or Zone	Exchange and Zones included in Exchange Area
Highfield	Blue Ridge Summit, Pa., Emmitsburg, Highfield, Myersville, Smithsburg, Thurmont and Waynesboro, Pa.
Hillsboro	Centreville, Denton, Easton, Greensboro, Hillsboro, Ridgely and Queenstown
Hughesville	Brandywine, Hughesville, La Plata, Mechanicsville, Tompkinsville and Waldorf
Hurlock	Cambridge, Federalsburg, Hurlock, Preston, Sharptown, Trappe and Vienna
Hyattsville Zone	All zones of the WMEA and the Ashton, Crofton, Laurel and West River exchanges
Indian Head	Indian Head, La Plata, Nanjemoy and Waldorf exchanges, and the Capitol Heights and Oxon Hill zones
Jarrettsville	Bel Air, Cardiff, Fallston, Jarrettsville, Parkton and Sparks-Glencoe exchanges, and the Cockeysville, Fork Parkville and Towson zones
Keedysville	Brunswick, Hagerstown, Keedysville, Middletown, Myersville and Williamsport
Kensington Zone	All zones of the WMEA and the Ashton, Damascus, Gaithersburg and Laurel exchanges.

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Exchange or Zone	Exchange and Zones included in Exchange Area
Kitzmiller	Elk Garden, W Va., Kitzmiller, Oakland and Westernport
La Plata	Hughesville, Indian Head, La Plata, Mechanicsville, Nanjemoy, Tomkinsville and Waldorf.
Laurel	Ashton, Columbia, Laurel, Millersville and Odenton exchanges, and the Berwyn, Bethesda, Bowie-Glenn Dale, capitol Heights, Catonsville, Elkridge, Ellicott City, Glen Burnie, Hyattsville, Kensington, Layhill, Marlboro, Severn, Silver Spring, Washington DC, and Waterloo zones.
Layhill Zone	All zones of the WMEA and the Ashton, Columbia, Damascus, Gaithersburg and Laurel exchanges
Leonardtwn	Leonardtwn, Lexington Park-Great Mills, Mechanicsville, Ridge and Tompkinsville
Lexington Park-Great Mills	Leonardtwn, Lexington Park-Great Mills, Mechanicsville, Ridge and Solomons
Lonaconing	Bittinger, Cumberland, Frostburg, Grantsville, Lonaconing, McCoole and Westernport
Marion	Crisfield, Marion, Pocomoke, Princess Anne and Salisbury
Marlboro Zone	All zones of the WMEA and the Brandywine, Laurel, North Beach and West River Exchanges
McCoole	Cumberland, Keyser, W. Va., Lonaconing, McCoole, Piedmont, W. Va., and Westernport

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5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Mechanicsville	Hughesville, La Plata, Leonardtown, Lexington Park-Great Mills, Mechanicsville and Tompkinsville
Middletown	Brunswick, Frederick, Keedysville, Middletown and Myersville
Millersville	Annapolis, Crofton, Laurel, Millersville, Odenton and Sherwood Forest exchanges, and the Bowie-Glenn Dale, Brooklyn Park-Linthicum, Glen Burnie, Severn, Severna Park and Waterloo zones.
Millington	Chestertown, Church Hill, Galena, Millington, Still Pond, Sudlersville and Warwick
Mt. Airy	Damascus, Frederick, Glenwood, Mt. Airy, New Market and Sykesville
Mt. Savage	Cumberland, Frostburg, Grantsville, Mt. Savage and Wellersburg, Pa.
Myersville	Frederick, Hagerstown, Highfield, Keedysville, Middletown, Myersville, Smithsburg and Thurmont
Nanjemoy	Indian Head, La Plata, Nanjemoy and Waldorf
Nanticoke	Deal Island, Delmar, Nanticoke, Princess Anne, Salisbury and Vienna
New Market	Buckeystown, Damascus, Frederick, Mt. Airy and New Market
New Windsor	New Windsor, Sykesville, Union Bridge and Westminster

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
North Beach	North Beach, Prince Frederick, Solomons and West River exchanges and the Marlboro zone
North East	Elkton, North East, Perryville and Port Deposit
Oakland	Bittinger, Friendsville-Accident, Gormanias, w. Va., Kitzmiller, Oakland and Westernport
Ocean City	Berlin, Bishopville, Ocean City, Salisbury, Snow Hill and Willards
Odenton	Annapolis, Crofton, Laurel, Millersville, Odenton and Sherwood Forest exchanges, and the Bowie-Glen Dale, Brooklyn Park-Linthicum, Elkridge, Glen Burnie, Severn, Severna Park and Waterloo zones.
Oxford	Cambridge, Easton, Oxford, St. Michaels and Trappe
Oxon Hill Zone	All zones of the WMEA and the Brandywine, Indian Head and Waldorf exchanges
Parkton	Hampstead, Jarrettsville, Parkton and Sparks-Glencoe exchanges, and the Cockeysville and Towson zones
Parkville Zone	All zones of BMEA and the Bel Air, Edgewood, Fellston, Jarrettsville and Sparks-Glencoe exchanges
Pocomoke	Berlin, Crisfield, Marion, Pocomoke, Princess Anne, Salisbury, Snow Hill and Temperanceville, Va.

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Poolesville	Buckeystown, Gaithersburg and Poolesville exchanges and the Rockville zone
Port Deposit	Aberdeen, Cardiff, Darlington, Elkton, Havre de Grace, North East, Perryville and Port Deposit
Preston	Denton, Easton, Federalsburg, Hurlock, Preston and Trappe
Prince Frederick	North Beach, Prince Frederick and Solomons
Princess Anne	Crisfield, deal Island, Marion, Nanticoke, Pocomoke, Princess Anne, Salisbury, Smith Island and Snow Hill
Queenstown	Centreville, Easton, Hillsboro, Queenstown, Rock Hall, St., Michaels and Stevensville
Randallstown Zone	All zones o the BMEA and the Columbia, Sykes-Sykesville and Worthington exchanges
Reistertown Zone	All zones of the BMEA and the Hampstead, Sparks-Glencoe, Sykesville, Westminster and Worthington exchanges
Ridge	Leonardtown, Lexington Park-Great Mills and Ridge
Ridgely	Centreville, Denton, Easton, Greensboro, Hillsboro and Ridgely
Rock Hall	Centreville, Chestertown, Queenstown, Rock Hall and Stevensville

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Rockville Zone	All zones of the WMEA and the Ashton, Damascus, Gaithersburg and Poolesville exchanges
St. Michaels	Cambridge, Easton, Oxford, Queenstown, St. Michaels, Stevensville and Tilghman
Salisbury	Berlin, Bishopville, Crisfield, Deal Island, Delmar, del., Delmar, Md., Marion, Nanticoke Ocean City, Pocomoke, Princess Anne, Salisbury, Sharptown, Snow Hill, Vienna and Willards
Severn Zone	All zones of the BMEA and the Annapolis, Crofton, Laurel, Millersville, Odenton and Sherwood Forest exchanges. In addition, telephones bearing the central office codes 301-261, 621, 677, 858, 912 and 970 of the Bowie-Glenn Dale zone are also included in the exchange area of customers with telephones bearing central office codes 410-519 and 551 of the Severn zone.
Severna Park	All zones of the BMEA and the Annapolis, Crofton, Millersville, Odenton and Sherwood Forest exchanges. In addition, telephones bearing the central office codes 301-261, 621, 677, 858, 912 and 970 of the Bowie-Glenn Dale zone are also included in the exchange area of customers with telephones bearing the central office codes 410-793 of the Severna Park zone
Sharptown	Delmar, Del., Delmar, Md., Federalsburg, Hurlock, Salisbury, Sharptown and Vienna
Sherwood Forest	Annapolis, Crofton, Millersville, Odenton and Sherwood Forest exchanges and the Brooklyn Park-Linthicum, Glen Burnie, Severn and Severna Park exchanges

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Silver Run	Hampstead, Littlestown, Pa., Silver Run, Taneytown and Westminster
Silver Spring	All zones of the WMEA and the Ashton, Columbia Zone
Smith Island	Crisfield, Deal Island, Princess Anne and Smith Island
Smithsburg	Hagerstown, Highfield, Myersville and Smithsburg
Snow Hill	Berlin, Bishopville, Ocean City, Pocomoke, Princess Anne, Salisbury, Snow Hill and Willards
Solomons	Lexington Park-Great Mills, North beach, Prince Frederick and Solomons
Sparks-Glencoe	Hampstead, Jarrettsville, Parkton, Sparks-Glencoe and Worthington exchanges, and the Baltimore, Cockeysville, Fork, Parkville, Reistertown and Towson zones
Sparrows Point Zone	All zones of the BMEA and the Edgewood exchange
Stevensville	Centreville, Easton, Queenstown, Galena, Millington and Still Pond.
Still Pond	Cecilton, Chestertown, Church Hill, Greensboro, Millington and Sudlersville
Sudlersville	Centreville, Chestertown, Church Hill, Greensboro, Millington and Sudlersville

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Sykesville	Glenwood, Mt. Airy, New Windsor, Sykesville and Westminster exchanges, and the Arbutus, Baltimore, Brooklyn Park-Linthicum, Catonsville, Cockeysville, Elkridge, Ellicott City, Glen Burnie, Pikesville, Randallstown, Reistertown, Towson and Woodlawn zones
Taneytown	Silver Run, Taneytown, Union Bridge and Westminster
Thurmont	Emmitsburg, Frederick, Highfield, Myersville, Thurmont and Walkersville
Tilghman	Cambridge, Easton, St. Michaels and Tilghman
Tompkinsville	Hughesville, La Plata, Leonardtown, Mechanicsville, Tompkinsville and Waldorf
Towson Zone	All zones of the BMEA and the Bel Air, Columbia, Edgewood, Fallstown, Hampstead, Jarrettsville, Parkton, Sparks-Glencoe, Sykesville, Westminster and Worthington exchanges
Trappe	Cambridge, Easton, Hurlock, Oxford, Preston and Trappe
Union Bridge	Frederick, New Windsor, Taneytown, Union Bridge and Westminster
Vienna	Cambridge, Deal Island, Hurlock, Nanticoke, Salisbury, Sharptown, Vienna and Wingate

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Waldorf	Brandywine, Hughesville, Indian Head, La Plata, Nanjemoy, Tompkinsville and Waldorf exchanges, and the Capitol Heights, Clinton and Oxon Hill zones.
Walkersville	Frederick, Thurmont and Walkersville
Warwick	Cecilton, Chesapeake City, Elkton, Galena, Middletown, Del., Millington and Warwick
Waterloo Zone	All zones of the BMEA, and the Columbia, Laurel, Millersville and Odenton exchanges. In addition, telephone services bearing the central office codes 301-206, 369, 419, 886 and 953 of the Berwyn zone are also included in the exchange area of customers with telephone services bearing the central office codes 410-724, 792, 797, 813, 862 and 880 of the Waterloo zone
Westernport	Bittinger, Cumberland, Keyser, W. Va., Kitzmiller, Lonaconing, McCoole, Oakland, Piedmont, W. Va., and Westernport
Westminster	Hampstead, New Windsor, Silver Run, Sykesville, Taneytown, Union Bridge, Westminster and Worthington exchanges, and the Pikesville, Reistertown and Towson zones
West River	Annapolis, Crofton, North Beach and West Rives exchanges and the Bowie-Glenn Dale, Capitol Heights, Hyattsville and Marlboro zones

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SECTION 5 - EXCHANGE ACCESS SERVICE

5.3 Local Calling Areas (cont'd)

Exchange or Zone	Exchange and Zones included in Exchange Area
Willards	Berlin, Bishopville, Delmar, Ocean City, Salisbury, Snow Hill and Willards
Williamsport	Clear Springs, Hagerstown, Falling Waters, W. Va., Keedysville and Williamsport
Wingate	Cambridge, Vienna and Wingate
Woodlawn Zone	All zones of the BMEA and the Columbia, Glenwood and Sykesville exchanges
Worthington	Hampstead, Sparks-Glencoe, Westminster and Worthington exchanges, and the Baltimore, Cockeysville, Pikesville, Randallstown, Reistertown and Towson zones

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SECTION 6 - SERVICE RATES**6.1 Message Rate Exchange Service****T-1 Access Digital Facility**
(Includes 15 lines or Trunks)

Monthly Recurring Charges

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$325.00	\$300.00	\$275.00
Schedule 2	\$350.00	\$325.00	\$300.00
Schedule 3	\$400.00	\$375.00	\$350.00

DID Numbers:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Group of 20 Numbers	\$4.00	\$3.60	\$3.45

Digital Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
DOD Trunks	\$17.50	\$17.50	\$17.50
Business Trunks (2 way)	\$17.50	\$17.50	\$17.50
DID Trunks	\$17.50	\$17.50	\$17.50
Trunk Terminations	\$17.50	\$17.50	\$17.50

Analog Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Business Lines (w/Hunting)	\$17.50	\$17.50	\$17.50
PBX Trunk (GroundStart)	\$17.50	\$17.50	\$17.50
Analog Gateway	\$150.00	\$125.00	\$100.00
Group of 20 DID Numbers	\$4.00	\$3.60	\$3.45

Usage Based Charges:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
MESSAGE RATE (per call)			
Zone A	\$0.2500	\$0.2000	\$0.1500

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
Per Analog Gateway Facility Installation	\$300.00
Per Later Access Line Connection	\$40.00
Per Premise Visit	\$13.00

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SECTION 6 - SERVICE RATES**6.2 Measured Rate Exchange Service****T-1 Access Digital Facility (Option A)**
(Includes 15 lines or Trunks)

Monthly Recurring Charges

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$325.00	\$300.00	\$275.00
Schedule 2	\$350.00	\$325.00	\$300.00
Schedule 3	\$400.00	\$375.00	\$350.00

DID Numbers:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Group of 20 Numbers	\$4.00	\$3.60	\$3.45

Digital Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
DOD Trunks	\$17.50	\$17.50	\$17.50
Business Trunks (2 way)	\$17.50	\$17.50	\$17.50
DID Trunks	\$17.50	\$17.50	\$17.50

Analog Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Business Lines (w/Hunting)	\$17.50	\$17.50	\$17.50
PBX Trunk (GroundStart)	\$17.50	\$17.50	\$17.50
Analog Gateway	\$150.00	\$125.00	\$100.00
Trunk Terminations	\$17.50	\$17.50	\$17.50

Usage Based Charges:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
MEASURED RATE (per minute per call)			
Zone A	\$0.0175	\$0.0150	\$0.0100
Zone B	\$0.0200	\$0.0175	\$0.0150

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
Per Analog Gateway Facility Installation	\$300.00
Per Later Access Line Connection	\$40.00
Per Premise Visit	\$13.00

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SECTION 6 - SERVICE RATES

6.2 Measured Rate Exchange Service (Cont'd)

T-1 Access Digital Facility (Option B)
(Requires 24 lines or Trunks)

Monthly Recurring Charges

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$275.00	\$250.00	\$225.00
Schedule 2	\$300.00	\$275.00	\$250.00
Schedule 3	\$325.00	\$300.00	\$270.00

DID Numbers:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Group of 20 Numbers	\$4.00	\$4.00	\$4.00

Digital Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
DOD Trunks	\$15.00	\$15.00	\$15.00
Business Trunks (2 way)	\$15.00	\$15.00	\$15.00
DID Trunks	\$15.00	\$15.00	\$15.00

Analog Termination

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Business Lines (w/Hunting)	\$20.00	\$20.00	\$20.00
PBX Trunk (GroundStart)	\$20.00	\$20.00	\$20.00
Analog Gateway	\$150.00	\$125.00	\$100.00
Trunk Terminations	\$17.50	\$17.50	\$17.50

Usage Based Charges:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
MEASURED RATE (per minute per call)			
Zone A	\$0.0175	\$0.0150	\$0.0100
Zone B	\$0.0200	\$0.0175	\$0.0150

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
Per Analog Gateway Facility Installation	\$300.00
Per Later Access Line Connection	\$40.00
Per Premise Visit	\$13.00

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SECTION 6 - SERVICE RATES**6.3 ISDN PRI Measured Rate Service****T-1 Access Digital Facility**

Monthly Recurring Charges

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
(Includes 14 B-channels and 1 D-channel)			
Schedule 1	\$500.00	\$450.00	\$400.00
Schedule 2	\$550.00	\$500.00	\$450.00
Schedule 3	\$600.00	\$550.00	\$500.00

Digital Termination

	<u>Schedule 1</u>	<u>Schedule 2</u>	<u>Schedule 3</u>
Trunk Terminations	\$17.50	\$17.50	\$17.50
ANI Delivery	\$75.00	\$75.00	\$75.00

Usage Based Charges:

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
MEASURED RATE (per minute per call)			
Zone A	\$0.0175	\$0.0150	\$0.0100
Zone B	\$0.0200	\$0.0175	\$0.0150

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
Per Analog Gateway Facility Installation	\$300.00
Per Later Access Line Connection	\$40.00
Per Premise Visit	\$13.00

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SECTION 6 - SERVICE RATES**6.4 Digital Data Service****T-1 Access Digital Facility****Monthly Recurring Charges**

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$500.00	\$350.00	\$300.00
Schedule 2	\$600.00	\$450.00	\$400.00
Schedule 3	\$700.00	\$550.00	\$500.00

Data Port - requires one per endpoint of 512K

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
56K	\$40.00	\$30.00	\$25.00
128K	\$80.00	\$60.00	\$50.00
256K	\$160.00	\$120.00	\$100.00
384K	\$240.00	\$180.00	\$150.00
512K	\$320.00	\$240.00	\$200.00

Cross Connect	\$100.00	\$75.00	\$50.00
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Interoffice Channel	\$150.00	\$125.00	\$100.00
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Mileage Charges - mileage between endpoints on a data circuit

Fractional DS1 Mileage - per mile	\$1.00	\$1.00	\$1.00
DS1 Mileage - per mile	\$2.00	\$2.00	\$2.00

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
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SECTION 6 - SERVICE RATES**6.5 Frame Relay Service****T-1 Access Digital Facility
(Data Only)****Monthly Recurring Charges**

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$500.00	\$350.00	\$300.00
Schedule 2	\$600.00	\$450.00	\$400.00
Schedule 3	\$700.00	\$550.00	\$500.00
Remote	\$700.00	\$550.00	\$500.00

**DS-0 Access Digital Facility
(Data Only)****Monthly Recurring Charges**

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>
Schedule 1	\$120.00	\$110.00	\$100.00
Schedule 2	\$130.00	\$120.00	\$110.00
Schedule 3	\$150.00	\$130.00	\$120.00
Remote	\$175.00	\$160.00	\$150.00

Non-Recurring Charges

Per T1 Access Facility Installation	\$1000.00
Per DS0 Access Facility Installation	\$40.00
Per Port Installation	\$500.00

IntraLATA Data Ports

	<u>1 year</u>	<u>2 year</u>	<u>3 Year</u>
56/64K FRS Port	\$ 150.00	\$ 135.00	\$ 125.00
112/128K FRS Port	\$ 225.00	\$ 200.00	\$ 160.00
224/256K FRS Port	\$ 525.00	\$ 450.00	\$ 350.00
336/384K FRS Port	\$ 550.00	\$ 475.00	\$ 400.00
448/512K FRS Port	\$ 675.00	\$ 550.00	\$ 475.00
560/640K FRS Port	\$ 800.00	\$ 675.00	\$ 500.00
672/768K FRS Port	\$ 800.00	\$ 675.00	\$ 600.00
784/896K FRS Port	\$ 900.00	\$ 775.00	\$ 700.00
1.008/1.024Mb FRS Port	\$ 1000.00	\$ 875.00	\$ 800.00
1.344/1.536Mb FRS Port	\$ 1400.00	\$ 1275.00	\$ 1200.00

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SECTION 6 - SERVICE RATES

6.5 Frame Relay Service (Cont'd)

25% CIR Data Ports

	1 year	2 year	3 Year
56/64K FRS Port	\$ 225.00	\$ 215.00	\$ 200.00
112/128K FRS Port	\$ 350.00	\$ 340.00	\$ 325.00
224/256K FRS Port	\$ 475.00	\$ 465.00	\$ 450.00
336/384K FRS Port	\$ 600.00	\$ 590.00	\$ 575.00
448/512K FRS Port	\$ 725.00	\$ 715.00	\$ 700.00
560/640K FRS Port	\$ 850.00	\$ 840.00	\$ 825.00
672/768K FRS Port	\$ 925.00	\$ 910.00	\$ 900.00
784/896K FRS Port	\$ 1075.00	\$ 1060.00	\$ 1050.00
1.008/1.024Mb FRS Port	\$ 1225.00	\$ 1210.00	\$ 1200.00
1.344/1.536Mb FRS Port	\$ 1825.00	\$ 1810.00	\$ 1800.00

26-50% CIR Data Ports

	1 year	2 year	3 Year
56/64K FRS Port	\$ 250.00	\$ 235.00	\$ 225.00
112/128K FRS Port	\$ 375.00	\$ 360.00	\$ 350.00
224/256K FRS Port	\$ 500.00	\$ 485.00	\$ 475.00
336/384K FRS Port	\$ 625.00	\$ 610.00	\$ 600.00
448/512K FRS Port	\$ 750.00	\$ 735.00	\$ 725.00
560/640K FRS Port	\$ 875.00	\$ 860.00	\$ 850.00
672/768K FRS Port	\$ 1000.00	\$ 985.00	\$ 975.00
784/896K FRS Port	\$ 1150.00	\$ 1135.00	\$ 1125.00
1.008/1.024Mb FRS Port	\$ 1300.00	\$ 1285.00	\$ 1275.00
1.344/1.536Mb FRS Port	\$ 1950.00	\$ 1935.00	\$ 1925.00

51-75% CIR Data Ports

	1 year	2 year	3 Year
56/64K FRS Port	\$ 300.00	\$ 285.00	\$ 275.00
112/128K FRS Port	\$ 425.00	\$ 410.00	\$ 400.00
224/256K FRS Port	\$ 550.00	\$ 535.00	\$ 525.00
336/384K FRS Port	\$ 675.00	\$ 660.00	\$ 650.00
448/512K FRS Port	\$ 800.00	\$ 785.00	\$ 775.00
560/640K FRS Port	\$ 925.00	\$ 910.00	\$ 900.00
672/768K FRS Port	\$ 1050.00	\$ 1035.00	\$ 1025.00
784/896K FRS Port	\$ 1225.00	\$ 1210.00	\$ 1200.00
1.008/1.024Mb FRS Port	\$ 1375.00	\$ 1360.00	\$ 1350.00
1.344/1.536Mb FRS Port	\$ 2075.00	\$ 2060.00	\$ 2050.00

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SECTION 6 - SERVICE RATES

6.5 Frame Relay Service (Cont'd)

76-100% CIR Data Ports

	1 year	2 year	3 Year
56/64K FRS Port	\$ 325.00	\$ 315.00	\$ 300.00
112/128K FRS Port	\$ 550.00	\$ 440.00	\$ 425.00
224/256K FRS Port	\$ 675.00	\$ 565.00	\$ 550.00
336/384K FRS Port	\$ 800.00	\$ 690.00	\$ 675.00
448/512K FRS Port	\$ 925.00	\$ 815.00	\$ 800.00
560/640K FRS Port	\$ 975.00	\$ 965.00	\$ 950.00
672/768K FRS Port	\$ 1100.00	\$ 1090.00	\$ 1075.00
784/896K FRS Port	\$ 1275.00	\$ 1265.00	\$ 1250.00
1.008/1.024Mb FRS Port	\$ 1475.00	\$ 1465.00	\$ 1450.00
1.344/1.536Mb FRS Port	\$ 2175.00	\$ 2165.00	\$ 2150.00

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SECTION 6 - SERVICE RATES

6.6 Connectivity and Co-location Service (CCS)

Monthly Recurring Charges:	<u>Zone A</u>	<u>Zone B</u>
DS1 Entrance Facility	\$72.00	\$150.00
DS3 Entrance Facility	\$960.00	\$2100.00
DS1 Dialtone with DID	\$500.00	N/A
PRI Dialtone with DID	\$500.00	N/A
20 DID numbers - 1 year agreement	20.00	20.00
20 DID numbers - 2 year agreement	18.00	18.00
20 DID numbers - 3 year agreement	17.00	17.00
Non-Recurring Charges:		
PRI Installation	\$1000.00	\$1000.00
DS1 Installation	\$1000.00	\$1000.00
DS1 Entrance Facility Installation	\$100.00	\$750.00
S3 Entrance Facility Installation	\$100.00	\$870.50

6.7 Digital Subscriber Line (DSL)

Synchronous Speed

Monthly Recurring Charges

1.5 Mbps SDSL	\$799.00
1.04 to 1.1 Mbps SDSL	\$599.00
768 to 784 Kbps SDSL	\$499.00
384 to 416 Kbps SDSL	\$199.00
192 to 200 Kbps SDSL	\$179.00
144 to 166 Kbps SDSL	\$149.00

Non-Recurring Charges

DSL Circuit Installation	\$250.00
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SECTION 6 - SERVICE RATES

6.8 Asynchronous Transfer Mode (ATM) Service (Cont'd)

Local Loop					
	Schedule	NRC	MRC		
			1 Year	2 Year	3 Year
DS1	On net	\$ 1,250	\$ 500	\$ 350	\$ 300
	Off net	\$ 1,250	\$ 600	\$ 450	\$ 400
	NNI	\$ 1,250	\$ 700	\$ 550	\$ 500
DS3	On net	\$ 3,500	\$ 4,000	\$ 3,750	\$ 3,500
	Off net	\$ 3,500	\$ 6,000	\$ 5,500	\$ 5,000
	NNI	\$ 3,500	\$ 4,000	\$ 3,750	\$ 3,500
DS1 Co-lo	Co-lo	\$ 1,250	\$ 74	\$ 74	\$ 74
DS3 Co-lo	Co-lo	\$ 3,500	\$ 960	\$ 960	\$ 960

ATM Port (>12 Mb Requires 45 Mb DS3 Port)					
	Schedule	NRC	MRC		
			1 Year	2 Year	3 Year
1.5 Mb (DS1)	ALL	N/A	\$ 775	\$ 750	\$ 700
45 Mb (DS3)	On net	N/A	\$ 4,000	\$ 3,750	\$ 3,500
	Off net	N/A	\$ 5,000	\$ 4,750	\$ 4,500

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SECTION 6 - SERVICE RATES

6.8 Asynchronous Transfer Mode (ATM) Service (Cont'd)

PVCs (Per PVC, Simplex Pricing)

QoS	NRC	SCR (Term & Schedule Independent)			
		PCR	0-56 Kb	64+ Kb	1.5+ Mb
		Per 64 Kb	Per 8 Kb	Per 64 Kb	Per 1.5 Mb
CBR	\$100	1:1 SCR	\$ 2.250	\$ 18.00	\$ 432.00
VBR-rt*	\$100	4:1 SCR	\$ 2.125	\$ 17.00	\$ 408.00
VBR-nrt*	\$100	4:1 SCR	\$ 2.000	\$ 16.00	\$ 384.00
UBR	\$100	N/A	\$ 0.500	\$ 4.00	\$ 96.00

* SCR for VBR-rt and VBR-nrt PVCs must be at least 25% of PCR

Volume Discounts (Per solution, all elements)

MRC	Discount
10K	5%
20K	10%
30K	15%
50K	20%

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SECTION 6 - SERVICE RATES

Reserved For Future Use

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SECTION 7 - OTHER SERVICE ARRANGEMENTS

Reserved For Future Use

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SECTION 8 - MISCELLANEOUS SERVICES

8.1 Remote Call Forwarding On-Net

8.1.1 Description

Remote Call Forwarding On-Net is a service that utilizes a US LEC switch to automatically forward all incoming calls dialed to the remote call forwarding on-net number to another US LEC service number.

8.1.2 Rates

	Non-Recurring	Monthly Recurring
Remote Call Forwarding On-Net (per number)	\$100.00	\$25.00

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SECTION 8 - MISCELLANEOUS SERVICES

8.2 Operator Services

8.2.1 Description

Operator Handled Calling Services are provided to Customers and Users of Company-provided Local Exchange Services, and to Customers and Users of exchange access lines which the Customer has pre-subscribed to the Company's Message Telephone Service.

8.2.2 Definitions

Person-to-Person: Calls completed with the assistance of a Company operator to a particular person, station, department, or PBX extension specified by the calling party. Charges may be billed to the Customer's commercial credit card and/or LEC calling card, calling station, called station, or a designated third-party station. Calls may be dialed with or without the assistance of a Company operator.

Collect Call: Calls completed with the assistance of a Company Operator for which charges are billed -- not to the originating telephone number, but to the destination or terminating number.

Operator Dialed Charge: The end user places the call without dialing the destination number, although the capability to do it himself exists. The end user will dial "0" for local calls and "00" for long distance calls and then requests the operator to dial the called station.

Billed to Non-Proprietary Calling Card: Refers to calls that are dialed by the customer in accordance with standard dialing instructions and billed to a non-proprietary calling card issued by another carrier.

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SECTION 8 - MISCELLANEOUS SERVICES

8.2 Operator Services (Cont'd)

8.2.3 Rates

Local Operator assisted calls are billed at the same per-minute or per-message rates as direct dialed local calls.

Intrastate calls will be billed based upon the Customer's selected toll plan as described in US LEC of Maryland Inc.'s MPSC Tariff No. 3.

Local exchange, IntraLATA, and Long Distance calls may be placed on an Operator Assisted basis. For Operator Assisted calls to Busy Line Verification and Interrupt, or Directory Assistance, additional surcharges specified in this tariff will apply in addition to any applicable Operator charges.

In addition to the usage charges identified above, the following operator-assisted charges will apply:

	Per Call Charges
Person-to-Person	\$2.00
Collect Calling	\$1.00
Third Number Billing	\$1.00
Calling Card	\$1.00

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SECTION 8 - MISCELLANEOUS SERVICES

8.3 Busy Line Verify and Line Interrupt Service

8.3.1 Description

Upon request of a calling party the Company will verify a busy condition on a called line.

- A) The operator will determine if the line is clear or in use and report to the calling party.
- B) The operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.

8.3.2 Regulations

- A) A charge will apply when:
 - 1) The operator verifies that the line is busy with a call in progress.
 - 2) The operator verifies that the line is available for incoming calls.
 - 3) The operator verifies that the called number is busy with a call in progress and the customer requests interruption. The operator will then interrupt the call, advising the called party the name of the calling party. One charge will apply for both verification and interruption.

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SECTION 8 - MISCELLANEOUS SERVICES

8.3 Busy Line Verify and Line Interrupt Service (Cont'd)

8.3.2 Regulations (Cont'd)

- B) No charge will apply:
- 1) When the calling party advises that the call is to or from an official public emergency agency.
 - 2) Under conditions other than those specified in 8.3.2(a) preceding.
- C) Busy Verification and Interrupt Service is furnished where and to the extent that facilities permit.
- D) The Customer shall identify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.

8.3.3 Rates	Per Request
Busy Line Verify Service	\$0.95
Busy Line Verify and Busy Line Interrupt Service	\$1.40

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SECTION 8 - MISCELLANEOUS SERVICES

8.4 Directory Assistance

8.4.1 Description

A Customer may obtain Directory Assistance in determining telephone numbers within the State of Maryland by calling the Directory Assistance operator.

Directory Assistance charges apply for all requests for which the Company's facilities are used. Each number requested is charged as shown below. Requests for information other than telephone numbers will be charged the same rate as shown for the applicable request for telephone numbers.

A credit will be given for calls to Directory Assistance when:

- the Customer experiences poor transmission or is cut-off during the call,
- the Customer is given an incorrect telephone number, or
- the Customer inadvertently misdials an incorrect Directory Assistance NPA.

To receive a credit, the customer must notify the Company operator or Business Office of the problem experienced.

Residential customers will receive six (6) free Directory Assistance calls each month with two (2) requests per call. Directory Assistance charges will not be levied against an individual who suffers from a visual disability that precludes the use of a telephone directory.

8.4.2 Rates

Per Call	\$0.95
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SECTION 8 - MISCELLANEOUS SERVICES

8.5 Service Implementation

8.5.1 Description

Absent a promotional offering, service implementation charges will apply to new service orders or to orders to change existing service.

8.5.2 Rates

Non-Recurring

Per Service Order	\$25.00
-------------------	---------

8.6 Restoration of Service

8.6.1 Description

A restoral charge applies to the re-establishment of service and facilities suspended because of nonpayment of bills and is payable at the time that the re-establishment of the service and facilities suspended is arranged for.

8.6.2 Rates

Non-Recurring

Per Occasion	\$25.00
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SECTION 8 - MISCELLANEOUS SERVICES

8.7 Maintenance Visit Charge

8.7.1 Description

A maintenance visit charge applies if a maintenance visit is required to complete any requested maintenance work on the subscriber's premises.

Where a NID exists, if the Company is able to test for dial tone and the problem proves to be beyond the NID (within Customer premises), a maintenance charge is applicable. In the event there is no NID and/or the Company is unable to test for dial tone, then no maintenance charge will be assessed. In those cases where the Customer has bought an inside wire maintenance warranty/plan (a non-regulated service) from the Company, no maintenance charge will be applicable regardless of the dial tone test results or whether a NID exists or not.

8.7.2 Rates

Non-Recurring

Per Visit	\$13.00
-----------	---------

8.8 Emergency Services (Enhanced 911)

8.8.1 Description

Allows Customers to reach appropriate emergency services including police, fire and hospital medical services. Enhanced 911 has the ability to selectively route an emergency call to the primary 911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be displayed to the person handling the 911 call. The Company will impose a surcharge to all Customers at a level determined by the respective county.

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SECTION 8 - MISCELLANEOUS SERVICES

8.9 Presubscription Changes

8.9.1 Description

Customer may change the choice of Primary Interexchange Carrier (PIC) at any time. The customer's original PIC choices are activated at no charge as described in Section 11.2 Presubscription Charge Application. Subsequent changes are subject to the following charges.

8.9.2 Rates

	Per Line/Trunk Per Occurrence
InterLATA PIC Change	\$5.00
IntraLATA PIC Change (when available)	\$5.00
Both PIC selections changed simultaneously	\$5.00

8.10 Telecommunications Relay Services (TRS)

8.10.1 Description

Enables deaf, hard-of-hearing or speech-impaired persons who use a Text Telephone (TT) or similar devices to communicate freely with the hearing population not using TT and vice versa. A Customer will be able to access the state provider to complete such calls. The Company will impose a surcharge to all Customers at a level determined by the Commission.

8.11 Calling Cards

8.11.1 Description

Calling Cards are available for customers who may want to make calls on their US LEC account from differing locations. Calling card calls will incur the following charges:

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SECTION 8 - MISCELLANEOUS SERVICES

8.11 Calling Cards (Cont'd)

8.11.2 Rates

Payphone Compensation Surcharges \$0.25

Rate per minute \$0.25

*per payphone originated call

8.12 Accounting Codes

8.12.1 Description

Accounting Codes provide customers with a means of restricting calls or itemizing calls, according to specific digits that must be dialed at the end of a long distance telephone number. The length of Accounting Codes may vary from 2 to 6 digits, however, the length must be consistent for each customer location.

Offered are packages of codes that are verified against a specific list of valid numbers, for call restriction, or offers unverified packages of 2-6-digits in length for cataloging by code, the calls made.

8.12.2 Rates

Charge Per		
Customer Location	Non-Recurring	Monthly Recurring
Verified Packages	\$30.00	\$10.00
Unverified Packages	\$30.00	\$ 5.00

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SECTION 8 - MISCELLANEOUS SERVICES**8.13 Foreign Exchange (FX) Service****8.13.1 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.

8.13.2 Rates

	Non-Recurring	Monthly Recurring
Foreign Exchange Service	\$500.00	\$1000.00

8.14 Hospitality Rates**8.14.1 Description**

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 8 - MISCELLANEOUS SERVICES

8.15 Directory Listings

8.15.1 Description

For each Customer of Company-provided Exchange Access Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge. At a Customer's option, the Company will arrange for additional listings at the following rates:

8.15.2 Rates

	Non-Recurring	Monthly Recurring
Each Additional Listing	\$6.30	\$2.50(I)

8.16 Custom Calling Features

8.16.1 Description

These features will include Custom Calling and CLASS features such as Call Forwarding, Call Waiting, Caller ID, etc.

8.16.2 Rates	Per Service Order Non-Recurring	Per Feature Monthly Recurring
Custom Calling Feature (with the exception of Caller ID) per feature	\$25.00	\$2.75
Caller ID	\$25.00	\$7.50
Caller ID Blocking	No charge	No charge

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SECTION 9 - SPECIAL ARRANGEMENTS

9.1 Special Construction

9.1.1 Basis for Charges

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include:

- A) non-recurring type charges;
- B) recurring type charges;
- C) termination liabilities; or
- D) combinations thereof.

9.1.2 Basis for Cost Computation

The costs referred to in 9.1.1 preceding may include one or more of the following items to the extent they are applicable:

- A) cost installed of the facilities to be provided including estimated costs for the rearrangements of existing facilities. Cost installed includes the cost of:
 - 1) equipment and materials provided or used,
 - 2) engineering, labor and supervision,
 - 3) transportation, and
 - 4) rights of way;
- B) cost of maintenance;
- C) depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;

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SECTION 9 - SPECIAL ARRANGEMENTS

9.1 Special Construction (Cont'd)

9.1.2 Basis for Computation (Cont'd)

- D) administration, taxes and uncollectible revenue on the basis of reasonable average costs for these items;
- E) license preparation, processing and related fees;
- F) tariff preparation, processing and related fees;
- G) any other identifiable costs related to the facilities provided; or
- H) an amount for return and contingencies.

9.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the customer.

- A) The termination liability period is the estimated service live of the facilities provided.
- B) Unless previously paid pursuant to 9.1.1 and 9.1.2, the amount of the maximum termination liability is equal to the estimated amounts for:

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SECTION 9 - SPECIAL ARRANGEMENTS

9.1 Special Construction (Cont'd)

9.1.3 Termination Liability (Cont'd)

B) (Cont'd.)

1) Cost installed of the facilities provided including estimated costs for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:

- (a) equipment and materials provided or used,
- (b) engineering, labor and supervision,
- (c) transportation, and
- (d) rights of way;

- 2) license preparation, processing, and related fees;
- 3) tariff preparation, processing, and related fees;
- 4) cost of removal and restoration, where appropriate; and
- 5) any other identifiable costs related to the specially constructed or rearranged facilities.

C) The applicable termination liability method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined as set forth in Section 9.1.3(B) preceding by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in section 9.1.3(B) preceding shall be adjusted to reflect the redetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION**10.1 General**

IntraLATA toll presubscription is a procedure whereby an end user or Pay Telephone Service Provider may select and designate an IntraLATA Toll Provider ("ITP") to access IntraLATA toll calls without dialing an access code. The end user or Pay Telephone Service Provider 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 or Pay Telephone Service Provider 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 of Pay Telephone Service Provider selects a carrier as its preferred IntraLATA toll provider, only one access code of that carrier may be incorporated into the switching system of the Telephone Company permitting access to that carrier by the end user or Pay Telephone Service Provider without dialing an access code. Should the same end user or Pay Telephone Service Provider wish to use other services of the same carrier, it will be necessary for the end user or Pay Telephone Service Provider 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. All ITPs must submit a Letter of Intent ("LOI") to the Company at least twenty days prior to the IntraLATA toll-presubscription-conversion date or, if later, forty-five days prior to the date on which the carrier proposed to begin participating in IntraLATA toll presubscription.

Selection of an ITP by an end user or Pay Telephone Service Provider is subject to the terms and conditions in 10.3.2.

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION**10.2 Presubscription Charge Application****10.2.1 90-Day Initial Free Presubscription choice for Existing Users**

Existing end users or Pay Telephone Service Providers may exercise an initial free presubscription choice, either by contacting the Company, or by contacting the ITP directly. The initial free choice must be made within ninety days following implementation of IntraLATA toll presubscription. End user or Pay Telephone Service Provider choices that constitute exercising the free choices are:

Designating an ITP as their primary carrier, thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 101-XXXX or other required codes.

Choosing no carrier as a primary carrier, thus requiring 101-XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Company.

Following an existing end user's or Pay Telephone Service Provider's free selections, any change made more than 90 days after presubscription is implemented is subject to a nonrecurring charge, as set forth in 10.7.1. following.

10.2.2 Initial Free Presubscription Choice for New Users

New end users or Pay Telephone Service Providers who subscribe to service after the presubscription implementation date (including an existing customer who orders an additional line) will be asked to select a primary ITP when they place an order for Company Exchange Service. If a customer cannot decide upon an IntraLATA toll carrier at the time, the customer will have thirty days following completion of the service request to make an IntraLATA PIC choice without charge. In the interim, the customer will be assigned a "No-PIC" and will have to dial an access code to make IntraLATA toll calls. The free selection period available to new end users or Pay Telephone Service Providers is the period within thirty days of installation of the new service.

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION

10.2 Presubscription Charge Application (cont'd)

10.2.2 Initial Free Presubscription Choice for New Users (Cont'd)

Initial free selection available to new end user or Pay Telephone Service Providers are:

Designating an ITP as their primary carrier, thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 101-XXXX or other required codes.

Choosing no carrier as a primary carrier, thus requiring 101-XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Company.

Following a new end user's or Pay Telephone Service Provider's free selections, any change made more than 30-days after presubscription is implemented is subject to a nonrecurring charge, as set forth in 11(F)(1) following.

10.2.3 Charge for IntraLATA Toll Presubscription

After expiration of the initial free presubscription choice period for new customers, as specified above, or existing customers, the end user or ITP will be assessed an IntraLATA Toll presubscription charge as specified in 10.7 following.

10.2.4 Cancellation of IntraLATA Toll Presubscription by an ITP

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 or Pay Telephone Service Providers who have selected the canceling ITP as their preferred IntraLATA toll provider. The ITP must inform the end users or Pay Telephone Service Providers that it is canceling its Feature Group D service, request that the end user select a new ITP and state that the canceling ITP will pay the PIC change charge. The ITP must provide written notification to the company that this activity has taken place.

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION**10.3 End User/Pay Telephone Service Provider Charge Discrepancy ("Anti-Slamming Measure")**

10.3.1 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 the Company.

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 determines customer choice.

10.3.2 Verification of Orders for Telemarketing

No ITP shall submit to the Company a PIC change order generated by outbound telemarketing unless, and until, the order has first been conformed in accordance with the following procedures:

10.3.2.A The ITP has obtained the customer's written authorization to submit the order that explains what occurs when a PIC is changed and confirms:

- 10.3.2.A.1 The customer's billing name and address and each telephone number to be covered by the PIC change order;
- 10.3.2.A.2 The decision to change the PIC to the ITP; and
- 10.3.2.A.3 The customer's understanding of the PIC change fee; or

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION

10.4 PIC Switchback Options

10.4.1 Customer denies requesting change of ITP.

When the Telephone Company is contacted by an end user who denies requesting a change in ITP primary IC, the end user will be credited the charge assessed for the disputed change in carrier, and will be switched back to the previous ITP at no charge.

The ITP is in no way relieved of the FCC requirements for:

- 10.4.1.1 Verifying all PIC orders obtained by outbound telemarketing prior to submitting those orders, or
- 10.4.1.2 Instituting steps to obtain verification of orders submitted to the Company. In addition, the end user has the option of initiating a complaint to the FCC or the Public Service Commission concerning unauthorized changes in carrier. The complaint may be issued in writing to the Maryland Public Service Commission, 16th Floor, 6 St. Paul Street, Baltimore, MD 21202, or by calling toll free on 1-800-492-0474 or by calling the office of External Relations on 410-767-8028.

10.4.2 Customer requests Switchback to Previous ITP PIC.

When the Telephone Company is notified via a call from the customer, where the end user is not denying the authenticity of the most recent change to the current PIC, the Telephone Company will change the customers ITP to the previous PIC. The customer will be billed the PIC charge as specified in 10.7.1.

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SECTION 10 - INTRALATA TOLL PRESUBSCRIPTION10.5 Informational Notice to Customers

The Company will provide written notification to customers of their IntraLATA presubscription options and rights within 30 days of subscribing for service.

10.6 Rates and Charges

10.6.1	Charge for ITP Carrier Change	\$5.00
10.6.2	Charge for Switchback Carrier Charge	\$5.00

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**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

Petition of)	
)	
US LEC OF MARYLAND INC.)	
)	
For Arbitration with Verizon Maryland Inc.	)	Case No. 8922
Pursuant to 47 U.S.C. § 252(b) of the)	
Communications Act of 1934, as Amended)	
By the Telecommunications Act of 1996)	

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

June 10, 2002

VZ#7

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 Product Manager in the Interconnection
4 Product Management Group for Verizon Services Corporation. My business address is
5 416 7th 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 connection with various section 252 arbitrations and/or section 271
20 proceedings in Pennsylvania, New Jersey, Maryland, Virginia, New York, Rhode Island,
21 Vermont, New Hampshire, Maine, Delaware, South Carolina and Ohio.

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 Maryland, a CLEC can choose its POI so long as
7 it interconnects at one point within each access tandem serving area within a LATA. See
8 Order No. 72348, *Application of MFS Intelenet of Maryland, Inc. for Authority To Provide*
9 *and Resell Local Exchange and Interexchange Telephone Service; and Requesting the*
10 *Establishment of Policies and Requirements for the Interconnection of Competing Local*
11 *Exchange Networks; Policies Regarding Competitive Local Exchange Telephone Service,*
12 Case No. 8584, Phase II, at 75-76 (Md. PSC Dec. 28, 1995) ("*MFS Intelenet Order*").
13 The issue, however, is whether US LEC should be financially responsible for its POI-
14 location decision. If there is no financial accountability for US LEC when it comes to the
15 location for its POI, then the transport costs associated with hauling local calls outside of
16 the local calling area to the distant US LEC POI are unfairly shifted to Verizon. This
17 encourages inefficient behavior and is unfair.

18
19 **Q. WHAT DO YOU MEAN WHEN YOU STATE THAT THE PROPOSAL TO**
20 **HAVE VERIZON INCUR THE COSTS OF TRANSPORT TO THE DISTANT**
21 **POI ENCOURAGES INEFFICIENT BEHAVIOR AND IS UNFAIR?**

22 **A.** In effect, US LEC wants Verizon to transport local calls as if they are toll calls simply
23 because of US LEC's decisions regarding where to locate its POI. Verizon would bill its

1 end users for a local call but would actually transport the call to a distant location that
2 would normally be a toll point. It is neither equitable nor fair to shift transport costs to
3 Verizon based on the decision of US LEC or any other CLEC to locate its POIs outside
4 of the local calling area. If there is no financial responsibility for the decision relating to
5 the location of the POI, there is no incentive for the CLEC to engage in efficient network
6 behavior. This is why there must be an IP separate from the POI where financial
7 responsibility for the call shifts.

8
9 **Q. HAS THE MARYLAND PUBLIC SERVICE COMMISSION EVER ADDRESSED**
10 **THIS ISSUE?**

11 **A.** Yes.

12 In arbitrating an interconnection agreement between Verizon and Sprint, the
13 Commission specifically acknowledged "Verizon's concerns that distantly located points
14 of interconnection could result in high costs." Order No. 77320, *Arbitration of Sprint*
15 *Communications Co., L.P. v. Verizon Maryland Inc., Pursuant to Section 252(b) of the*
16 *Telecommunications Act of 1996*, Case No. 8887, at 29 (Md. PSC Oct. 24, 2001) ("*Sprint*
17 *Arbitration Order*"). In response to those concerns, the Commission required Sprint to
18 establish "additional interconnection locations" in a tandem serving area "within a
19 reasonable proximity of Verizon's switching centers," "once traffic reaches certain
20 volumes and distances." *Id.* As reflected in the interconnection agreement that the
21 Commission later approved, Sprint is required to establish an additional POI/IP if
22 Verizon "can reasonably demonstrate . . . that the combined total volume of . . . [t]raffic
23 exchanged between the Parties at the requested Point of Interconnection exceeds 8.9

1 million minutes per month.” Verizon-Sprint Agreement § 1.2.3.1.3. Sprint, however, is
2 not required to establish an additional physical POI at the point where the traffic volume
3 exchange meets the standard; if it declines to do so, that point will be treated as a virtual
4 interconnection point (“IP”) and Sprint must then compensate Verizon for transporting
5 traffic from the virtual IP to the physical POI at UNE rates. *See id.* The Commission
6 held that this compromise “strikes a reasonable compromise to protect Verizon from the
7 cited fear of long (and expensive) interconnection points chosen by Sprint, while
8 preserving the right of CLECs to choose interconnection points.” *Sprint Arbitration*
9 *Order* at 29.

10 Thus, in the *Sprint Arbitration Order*, the Commission adopted a version of
11 Verizon’s VGRIP proposal. Sprint’s option to meet its obligations through either a
12 physical POI/IP or a virtual IP – which the Commission’s staff recognized is “consistent
13 with the[] rules” set forth in the *MFS Intelenet Order* – are essentially the same as those
14 provided in Verizon’s VGRIP proposal. Commission Staff Brief, *Arbitration of Sprint*
15 *Communications Co., L.P. v. Verizon Maryland Inc., Pursuant to Section 252(b) of the*
16 *Telecommunications Act of 1996*, Case No. 8887, at 14 (Md. PSC filed Sept. 12, 2001).
17 The main difference is that, under the *Sprint Arbitration Order*, the VGRIP-like rules
18 only apply at points where more than 8.9 million minutes per month is exchanged
19 between the parties.

20 However, the point at which Sprint must establish an additional interconnection
21 location (or a virtual IP) – when the traffic exchanged is equivalent to the amount of
22 traffic carried over a DS-3 facility – likely will do little to prevent CLECs from forcing
23 Verizon to bear the vast majority of the costs incurred by CLECs’ choice of POIs. First,

1 many CLECs will never have traffic volumes that exceed the 8.9 million minute per
2 month (*i.e.*, DS-3) threshold. For those CLECs, Verizon will never receive compensation
3 for the costs it incurs in transporting traffic outside the local calling area to the CLECs'
4 POIs. Second, Verizon may never receive compensation even from those CLECs with
5 traffic volumes in excess of the threshold. Such CLECs may be led to engage in
6 inefficient network reconfiguration simply to divert traffic in order to ensure that traffic
7 volumes remain under the threshold so that Verizon continues to bear full responsibility
8 for the transport costs resulting from the CLECs' decisions about where to locate their
9 POIs.

10
11 **Q. WOULD YOU PLEASE PROVIDE AN EXAMPLE ILLUSTRATING HOW**
12 **VERIZON CAN BE REQUIRED TO BEAR COSTS ATTRIBUTABLE TO US**
13 **LEC'S CHOSEN POI?**

14 **A.** Yes. Assume a Verizon customer located in Sparks Glencoe calls a next-door neighbor
15 whose local service provider is US LEC. US LEC has chosen to locate its only POI in
16 the Baltimore LATA in Columbia, which is approximately 30 miles away from, and not
17 in the same local calling area as, Sparks Glencoe. Under US LEC's suggested approach,
18 Verizon would be required to carry the call many miles on its way to US LEC's POI.

19 Normally, the call described above would be charged as an intra-LATA toll call
20 because of how it was routed. However, under US LEC's proposal, Verizon would only
21 charge its customer for a local call, which will most likely be a flat rate. Verizon also
22 would pay the CLEC to terminate the call, even though it would, in essence, be a toll call
23 because of the CLEC's choice as to the placement of its POI. In short, Verizon would

1 typically not be able to bill its customer for its costs caused by the CLEC's choice of POI
2 location, would not be able to charge the CLEC for that choice, and instead would have
3 to pay the CLEC reciprocal compensation. Verizon would charge its end user for a local
4 call, even though this call was transported as an intra-LATA toll call.

5
6 **Q. WHAT CHARGES WOULD APPLY IF A VERIZON CUSTOMER LOCATED IN**
7 **SPARKS GLENCOE PLACED A CALL TO A VERIZON CUSTOMER**
8 **LOCATED IN COLUMBIA?**

9 **A.** If a Verizon customer in Sparks Glencoe were calling another Verizon customer in
10 Columbia, Verizon would rightly be able to charge its customer originating the call toll
11 charges for transporting the call to Columbia.

12
13 **Q. UNDER US LEC'S PROPOSAL, WOULD US LEC HAVE TO PAY TO**
14 **TRANSPORT THE TRAFFIC BACK TO ITS LOCAL CUSTOMER IN SPARKS**
15 **GLENCOE?**

16 **A.** Theoretically, yes. This is a theoretical situation because, in Verizon's experience, US
17 LEC most likely would not be carrying the call back to a residential customer in Sparks
18 Glencoe. It is far more likely that US LEC, instead, would drop off the call to a customer
19 that is collocated at (or located nearby) its switch in Columbia. CLECs have pulled off
20 this "magic trick" by assigning local calling numbers in Sparks Glencoe to their
21 customers – even though they are not physically located in that local calling area –
22 thereby creating the illusion of a local call. In this way, US LEC would not bear any of

1 the costs that it has caused and, instead, would have its interconnection decisions
2 subsidized by Verizon.

3 Even if US LEC's customer were physically located in Sparks Glencoe, however,
4 that should not change the allocation of financial responsibility for transporting the traffic
5 outside of the local calling area to US LEC's switch. The fact that US LEC has decided
6 to serve an end user from so distant a switch is its business decision. Under US LEC's
7 proposal, however, Verizon would be required to subsidize that business decision, which
8 transforms a call between neighbors into a toll call for which Verizon receives no
9 compensation.

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

14
15 **Q. PLEASE DESCRIBE VERIZON'S VIRTUAL GEOGRAPHICALLY RELEVANT**
16 **INTERCONNECTION POINT ("VGRIP") PROPOSAL.**

17 **A.** Under VGRIP, Verizon may request that the CLEC establish a POI at a collocation site in
18 each Verizon tandem wire center where the CLEC chooses to assign telephone numbers.
19 That POI would serve as the CLEC's IP under VGRIP. If Verizon only operates one
20 tandem in a LATA, then Verizon may designate additional VGRIP locations, such as host
21 end office wire centers. In addition, either Party may designate a CLEC collocation site
22 at any Verizon wire center as the CLEC IP for traffic originating from that end office.
23 Under VGRIP, Verizon would incur more than its share of the transport cost, but it would

1 be able to deliver its traffic to the CLECs at a more central location. Verizon would be
2 responsible for the costs of hauling this traffic from the Verizon customer to the
3 designated Verizon VGRIP tandem wire center or end office wire center where the CLEC
4 is collocated, even though that location may be beyond the local calling area of the
5 originating customer. The CLEC is then responsible for delivering the call from this
6 central location to the CLEC customer. If a CLEC elects not to collocate and establish a
7 POI/IP at the VGRIP locations, Verizon proposes that the end office serving the Verizon
8 customer who places the call will act as the "virtual IP." Although Verizon will then
9 transport this traffic from the Verizon customer to the CLEC-designated location, the
10 CLEC will be financially responsible for the transport from the "virtual IP" to the CLEC
11 POI.

12
13 **Q. GOING BACK TO THE SPARKS GLENCOE/COLUMBIA EXAMPLE ABOVE,**
14 **HOW WOULD THE CALL BE TREATED?**

15 **A.** If US LEC agrees to pick up traffic at Verizon tandems then Verizon will incur the
16 transport cost to get the traffic from Verizon's customers to the US LEC IP located at the
17 tandem. Responsibility for the traffic will be transferred to US LEC at the tandem and
18 US LEC will transport the traffic to its end users. If US LEC chose to place its POIs in
19 places that are not at the VGRIP locations, Verizon would deliver its traffic to US LEC's
20 chosen POI location, but could recover the additional transport and other costs for
21 delivering the traffic to that location.

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

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

10

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

14 A. No. This claim appears to be based on a misreading of section 7.1.1.3. That section
15 allows Verizon to request that US LEC establish POI/IPs that comply with sections
16 7.1.1.1 or 7.1.1.2 – that is, at a collocation site at either a Verizon tandem or a Verizon
17 end office. However, US LEC is not obligated to agree to that request. If US LEC
18 chooses not to establish POIs that comply with the other provisions of VGRIP, then US
19 LEC will become financially responsible for traffic at Verizon's end offices, through the
20 creation of virtual IPs at those locations. Although US LEC would be required to bear
21 the cost of transporting this traffic from the virtual IP to its POI, it would not be required
22 to change its network architecture so that it became physically responsible for
23 transporting that traffic. Therefore, although VGRIP enables Verizon to *request* that US

1 LEC establish physical POI/IPs, US LEC remains free to meet its requirements through
2 the establishment of virtual IPs, which do not require it to change its network
3 architecture. This is no different from the provisions this Commission imposed in the
4 *Sprint Arbitration Order*.

5
6 **Q. DO YOU AGREE WITH US LEC'S READING OF SECTION 7.1.1.2?**

7 **A.** No. First, it should be noted that any dispute about this provision is entirely hypothetical
8 at this point. US LEC states that it "does not currently collocate with Verizon." US LEC
9 Petition at 9. Furthermore, US LEC has informed the North Carolina Utilities
10 Commission that collocation is not part of its network architecture, that it does not
11 currently collocate with Verizon in any state, and that, at most, it is possible that it will
12 elect to do so in the next few years. See Direct Testimony of Frank R. Hoffmann, Jr.,
13 *Petition of US LEC of North Carolina, Inc. for Arbitration with Verizon South, Inc.*
14 *Pursuant to 47 U.S.C. § 252(b) of the Communications Act of 1996, as Amended by the*
15 *Telecommunications Act of 1996*, Docket No. P-561, Sub 19, at 8 (N.C. Utils. Comm'n
16 filed Apr. 12, 2002); Rebuttal Testimony of Frank R. Hoffmann, Jr., *Petition of US LEC*
17 *of North Carolina, Inc. for Arbitration with Verizon South, Inc. Pursuant to 47 U.S.C.*
18 *§ 252(b) of the Communications Act of 1996, as Amended by the Telecommunications Act*
19 *of 1996*, Docket No. P-561, Sub 19, at 3 (N.C. Utils. Comm'n filed May 24, 2002).
20 Because section 7.1.1.2 applies only when a CLEC has established a collocation
21 arrangement in a Verizon end office, US LEC has not shown that this provision will
22 affect it in any way.

1 Second, under section 7.1.1.2, if US LEC establishes a collocation arrangement at
2 a Verizon end office, Verizon will have the right to request that US LEC designate that
3 site as an IP. However, US LEC is wrong to claim that section 7.1.1.2 would require US
4 LEC to assume the physical responsibility for transporting traffic from the collocation
5 site to US LEC's POI. US LEC is free to elect not to undertake this task, in which case it
6 will simply be financially responsible for the transport of the traffic.

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

16
17 **Q. DO YOU AGREE WITH US LEC'S CLAIM THAT VERIZON'S VGRIP**
18 **PROPOSAL PENALIZES A CLEC THAT DOES NOT ESTABLISH MULTIPLE**
19 **INTERCONNECTION POINTS?**

20 **A.** No. First, as noted above, this Commission has previously required Sprint to establish
21 multiple IPs in certain situations – whether through the establishment of additional POIs
22 or virtual IPs.

1 Second, the FCC and numerous other state commissions have agreed that it is
2 appropriate to require CLECs to bear the costs that their choice of POI(s) imposes on an
3 ILEC. In the *Local Competition Order*, the FCC held that “a requesting carrier that
4 wishes a ‘technically feasible’ but expensive interconnection would, pursuant to section
5 252(d)(1), *be required to bear the cost of that interconnection*, including a reasonable
6 profit.” First Report and Order, *Implementation of the Local Competition Provisions in*
7 *the Telecommunications Act of 1996*, 11 FCC Rcd 15499, 15603, ¶ 199 (“*Local*
8 *Competition Order*”) (subsequent history omitted; emphasis added). The FCC stated
9 further that, “because competing carriers *must usually compensate incumbent LECs for*
10 *the additional costs incurred* by providing interconnection, competitors have an incentive
11 to make economically efficient decisions about where to interconnect.” *Id.* at 15608,
12 ¶ 209 (emphasis added). Similarly, in approving Verizon’s section 271 application in
13 Pennsylvania, the FCC found that a Verizon proposal, which similarly “permits carriers
14 to *physically* interconnect at a single point of interconnection (POI),” but “distinguish[es]
15 between the physical POI and the point at which Verizon and an interconnecting
16 competitive LEC are responsible for the cost of interconnection facilities,” “complies
17 with the clear requirement of our rules.” Memorandum Opinion and Order, *Application*
18 *of Verizon Pennsylvania Inc., et al. for Authorization To Provide In-Region, InterLATA*
19 *Services in Pennsylvania*, 16 FCC Rcd 17419, 17474-75, ¶ 100 (2001) (“*Pennsylvania*
20 *271 Order*”). The FCC also rejected claims that “Verizon’s policies in regard to the
21 financial responsibility for interconnection facilities fail to comply with its obligations
22 under the Act.” *Id.*

1 Other state commissions have also found it reasonable and consistent with federal
2 law to distinguish between CLECs' right to select a physical point of interconnection and
3 the allocation of the financial responsibility for those choices. For example, the South
4 Carolina Public Service Commission recently held that "[r]equiring AT&T to pay for the
5 costs of its interconnection choices to offset the costs imposed by those interconnection
6 choices on BellSouth is the fair and equitable solution." Order on Arbitration, *Petition of*
7 *AT&T Communications of the Southern States, Inc., for Arbitration of Certain Terms and*
8 *Conditions of a Proposed Interconnection Agreement with BellSouth*
9 *Telecommunications, Inc. Pursuant to 47 U.S.C. Section 252*, Docket No. 2000-527-C, at
10 24 (S.C. PSC Jan. 30, 2001). That Commission further explained that, because "AT&T's
11 interconnection choices require[] the transport of local calls from one local calling area to
12 another local calling area where AT&T's POI is located," "AT&T has contributed to the
13 need and costs of these facilities" and therefore "should pay for use of the facilities." *Id.*

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

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

3 Finally, the Third Circuit Court of Appeals recently held that the Pennsylvania
4 Public Utilities Commission should "consider shifting costs" to a CLEC that selects a
5 technically feasible POI that "prove[s] more expensive to Verizon." *MCI Telecomm.*
6 *Corp. v. Bell Atlantic-Pa.*, 271 F.3d 491, 518 (3d Cir. 2001).

7
8 **Q. WOULD YOU PLEASE RESPOND TO US LEC'S CLAIM THAT THE FCC'S**
9 **RULES DO NOT DISTINGUISH BETWEEN THE POI AND THE IP?**

10 **A.** Yes. This is simply incorrect. As explained above, the FCC has expressly found that "a
11 requesting carrier that wishes a 'technically feasible' but expensive interconnection
12 would, pursuant to section 252(d)(1), *be required to bear the cost of that interconnection,*
13 including a reasonable profit." *Local Competition Order*, 11 FCC Rcd at 15603, ¶ 199
14 (emphasis added). In order to require a CLEC to bear the cost of that interconnection,
15 there would need to be a distinction between the physical POI and the points at which the
16 CLEC becomes financially responsible for transporting traffic to that POI, known as IPs
17 under the interconnection agreement. This interpretation is confirmed by the FCC's
18 finding, in approving Verizon's section 271 application in Pennsylvania, that "Verizon's
19 policies," which "distinguish between the physical POI and the point at which Verizon
20 and an interconnecting competitive LEC are responsible for the cost of interconnection
21 facilities," "do not represent a violation of our existing rules." *Pennsylvania 271 Order*,
22 16 FCC Rcd at 17474-75, ¶ 100. This Commission's *Sprint Arbitration Order* also
23 distinguishes between the POI and the IP, by providing for the creation of virtual IPs

1 when Sprint is required, but declines, to establish a new physical POI. The state
2 commission decisions discussed above similarly distinguish between a POI and an IP.

3
4 **Q. DO YOU AGREE WITH US LEC THAT A CLEC HAS A UNILATERAL RIGHT**
5 **TO SELECT ITS INTERCONNECTION POINTS, SUBJECT ONLY TO THE**
6 **LIMITS OF TECHNICAL FEASIBILITY?**

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

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A. Yes.**

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

Petition of)	
)	
US LEC OF MARYLAND INC.)	
)	
For Arbitration with Verizon Maryland Inc.	)	Case No. 8922
Pursuant to 47 U.S.C. § 252(b) of the)	
Communications Act of 1934, as Amended)	
By the Telecommunications Act of 1996)	

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

August 9, 2002

VZ-#8

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 JUNE 10, 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 in the testimonies of US
10 LEC's witnesses 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 4:22 - 5:1.)

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 US LEC's Response to Verizon
20 Interrogatories No. 3 and 4. Although US LEC states that it has obtained a number of
21 full and partial NXX codes in the Baltimore LATA and the Maryland portion of the
22 Washington, DC LATA, it has admitted that a number of its customers "have been
23 assigned NXX codes in areas where they have no physical locations." Response to

1 Verizon Interrogatory No. 3. (In its response to Verizon's interrogatory, US LEC
2 identifies the number of such customers as 11. *See id.* In its response to a Staff data
3 request, however, US LEC states that the number of such customers is 12. *See* US LEC's
4 Response to Staff Data Request No. 7.) This means that, when Verizon customers in
5 those areas dial the numbers that have been assigned to those US LEC customers,
6 Verizon must transport the traffic to US LEC's switch in those LATAs, but US LEC is
7 not required to transport the traffic back to the local calling area from which that traffic
8 originated.

9 US LEC has not indicated how many telephone numbers it has assigned to these
10 11 or 12 customers or where they are located in relation to US LEC's switches, except to
11 state that the customers are not ISPs and are not collocated at US LEC's switches. *See id.*
12 Nonetheless, these customers may well have been assigned numbers in all or nearly all of
13 the NXX codes that US LEC has obtained. Moreover, it is likely that these customers are
14 located only a very short distance from US LEC's switches. Thus, these customers could
15 well account for the vast majority of the traffic that Verizon sends to US LEC. If so, then
16 US LEC would not be serving a large area from its switch by taking advantage of
17 decreased transport costs, but instead would be taking advantage of Verizon's existing
18 network to transport traffic to US LEC's switch at Verizon's expense and then providing
19 little or no transport of its own.

20
21 **Q. DO YOU AGREE WITH MR. HOFFMAN'S AND MS. MONTANO'S CLAIMS**
22 **THAT TECHNICAL FEASIBILITY IS RELEVANT TO THE LOCATION OF US**

1 LEC'S INTERCONNECTION POINTS? (Hoffman Testimony at 7:6-9; Montano
2 Testimony at 7:2-4.)

3 A. No. The suggestion that US LEC is entitled to designate any "technically feasible" IP is
4 contrary to the FCC's statements in the *Local Competition Order*,¹ as I explained in my
5 initial testimony. See D'Amico Testimony at 17:7-11. It is also contrary to the decisions
6 of this commission, other state commissions, and of the Third Circuit, as I also explained
7 in my initial testimony. See *id.* at 5:12 - 6:19, 14:1 - 16:6. In addition to the decisions
8 cited in my initial testimony, the Ohio PUC recently held that ILECs should be permitted
9 to charge a CLEC for transporting traffic outside a local calling area to a CLEC's POI so
10 that the CLEC "will have to balance costs and benefits rationally when designing and
11 deploying its network in accordance with the Act and the FCC's . . . rules." Arbitration
12 Award, *Petition of Global NAPs, Inc. for Arbitration of Interconnection Rates, Terms,*
13 *and Conditions and Related Arrangements with United Telephone Company of Ohio*
14 *d/b/a Sprint, et al.*, Case No. 01-2811-TP-ARB, *et al.*, at 7 (Ohio PUC May 9, 2002)
15 ("Ohio Arbitration Award"), *reh'g denied*, Entry on Rehearing, Case Nos. 01-2811-TP-
16 ARB, *et al.* (Ohio PUC July 18, 2002). The South Carolina Public Service Commission,
17 in arbitrating an agreement between Verizon and HTC Communications, Inc., recently
18 adopted Verizon's similar GRIP proposal and "agree[d] with Verizon that its language
19 . . . [is] consistent with the Commission's [earlier] ruling" under which a CLEC must

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

1 bear the costs of its interconnection choices. Order on Arbitration, *Petition of HTC*
2 *Communications, Inc. for Arbitration of an Interconnection Agreement with Verizon*
3 *South Inc.*, Docket No. 2002-66-C, Order No. 2002-450, at 58 (S.C. PSC June 12, 2002).
4 The South Carolina PSC stated further: "As we have previously ruled that a CLEC is
5 responsible for paying for facilities necessary to carry calls from distant local calling
6 areas to a single POI, the same conclusion should be drawn in this case and Verizon's
7 [GRIP] language . . . should be adopted." *Id.* at 59; *see also* D'Amico Testimony at 15:1-
8 13 (discussing the South Carolina Commission's earlier order).

9 All of those decisions make clear that US LEC is mistaken in its view that, under
10 federal law, the POI and the IP must be at the same location. *See, e.g.*, US LEC's
11 Response to Verizon Interrogatory No. 6. In fact, I note that US LEC has stated that,
12 under the parties' current network architecture, its POIs are at locations *different from* its
13 IP. Responding to Staff's question whether "US LEC ha[s] knowledge of any
14 interconnection arrangement where the physical point of interconnection is not the point
15 of financial demarcation," US LEC responded that, "[u]nder the current interconnection
16 agreement between US LEC and Verizon, the physical points of interconnection are
17 located at Verizon's tandems" while the "US LEC IP is at its switch." US LEC's
18 Response to Staff Data Request No. 6.

19
20 **Q. US LEC HAS ASSERTED THAT IT "HAS OFFERED TO TRANSPORT**
21 **VERIZON'S ORIGINATED TRAFFIC FROM THE POI TO US LEC'S IP FOR**
22 **THE SAME NON-DISTANCE SENSITIVE ENTRACY FACILITY CHARGE**
23 **VERIZON PAYS TODAY, AND AS VERIZON HAS AGREED TO PAY . . . IF US**

1 **LEC ESTABLISHES A COLLOCATED IP AT VERIZON'S TANDEM." CAN**
2 **YOU PLEASE COMMENT? (US LEC Response to Staff Data Request 11.)**

3 A. Yes. First, US LEC has mischaracterized Verizon's VGRIP proposal. Under VGRIP, if
4 US LEC established a collocated IP at Verizon's tandem, US LEC would transport the
5 traffic from that point to its switch, and could charge Verizon reciprocal compensation for
6 that traffic (assuming the traffic were eligible for such compensation). Verizon would not,
7 however, be financially responsible for paying for the facilities used to transport this
8 traffic, which is what I understand US LEC's reference to a non-distance sensitive
9 entrance facility charge to mean. Second, US LEC's "offer[]" to bill a non-distance
10 sensitive entrance facility charge to Verizon for transporting Verizon-originated traffic to
11 US LEC's IP does not address the issue of Verizon being required to transport traffic
12 beyond a local calling area without receiving compensation.

13
14 Q. **DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT "VERIZON IS**
15 **TRYING TO DICTATE THE PHYSICAL MANNER IN WHICH US LEC**
16 **ESTABLISHES ITS CHOSEN IP"? (Hoffman Testimony at 8:10-11.)**

17 A. No. As I explained in my initial testimony, "VGRIP enables Verizon to *request* that US
18 LEC establish physical POIs that serve as IPs, [but] US LEC remains free to meet its
19 requirements through the establishment of virtual IPs, which do not require it to change
20 its network architecture." D'Amico Testimony at 11:23 - 12:3. Moreover, Mr. Hoffman
21 ultimately admits that his characterization of VGRIP is inaccurate. He states that
22 "adoption of VGIPs [*sic*] would force US LEC to change *either the physical or financial*

1 *aspect* of its preferred, and existing, interconnection architecture with Verizon.”
2 Hoffman Testimony at 9:6-8 (emphasis added).

3
4 **Q. DO YOU AGREE WITH MR. HOFFMAN’S CLAIM THAT US LEC “MUST”**
5 **ESTABLISH AN INTERCONNECTION POINT THROUGH COLLOCATION**
6 **AT THE VERIZON TANDEM? (Hoffman Testimony at 11:19 - 12:3.)**

7 **A. No.** As stated above, US LEC does not have to agree to Verizon’s request that US LEC
8 establish an IP through collocation at the Verizon tandem. Indeed, Mr. Hoffman again
9 ultimately admits that his characterization of VGRIP is inaccurate. He recognizes that
10 US LEC may “refuse[] to establish such physical connections.” Hoffman Testimony at
11 12:8-9. Similarly, although US LEC has stated in response to Staff’s data request that
12 “US LEC has no option” and that “Verizon could require US LEC to collocate,” in that
13 same response US LEC acknowledged that, under VGRIP, it may “*either* establish
14 collocated IPs *or* pay for the transport of Verizon’s originated traffic.” US LEC’s
15 Response to Staff’s Data Request No. 15.

16
17 **Q. DO YOU AGREE WITH MR. HOFFMAN’S CLAIM THAT, IN THE EVENT US**
18 **LEC FAILS TO ESTABLISH A GEOGRAPHICALLY RELEVANT IP, THEN**
19 **UNDER “OPTION THREE” US LEC MUST BEAR ALL OF THE COSTS OF**
20 **TRANSPORTING A CALL FROM THE ORIGINATING END OFFICE TO US**
21 **LEC’S CHOSEN IP (Hoffman Testimony at 12:11-26)?**

22 **A. Yes.** However, as I explained in my initial testimony, under “option one” — where US
23 LEC finds it cost-justified to establish a geographically relevant IP at a Verizon tandem

1 — Verizon can incur more than its share of the transport cost, because Verizon will be
2 responsible for the costs of hauling its traffic from the Verizon customer to the
3 geographically relevant IP, even though the IP may be located beyond the local calling
4 area. See D'Amico Testimony at 9:17 - 10:6. Under "option three," US LEC must bear
5 the costs of transporting traffic within the local calling area, calculated using this
6 Commission's unbundled network element rates, as explained in Verizon's response to
7 US LEC's Interrogatory No. 24. Thus, VGRIP is a compromise proposal that provides
8 US LEC with options based on the network architecture that it finds more advantageous.

9
10 **Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT "VERIZON WANTS**
11 **TO CHARGE US LEC FOR DEDICATED TRANSPORT FACILITIES,**
12 **REGARDLESS OF THE AMOUNT OF TRAFFIC IT ORIGINATES FROM THE**
13 **END OFFICE VERIZON WOULD DESIGNATE AS A VIRTUAL IP"? (Hoffman**
14 **Testimony at 13:18-20.)**

15 **A.** Yes. As Verizon has previously explained to US LEC, Verizon will use the unbundled
16 network element ("UNE") rate that the this Commission has established for dedicated
17 transport. However, Mr. Hoffman incorrectly implies that Verizon will actually install
18 and use dedicated trunks to transport this traffic. See Hoffman Testimony at 13:21 -
19 14:11. Under "option three," Verizon will not change the method by which it transports
20 the traffic. Instead, as previously explained to US LEC and as explained in Verizon's
21 response to US LEC's Interrogatory No. 24, it will use the UNE rate that the PUC has
22 established for dedicated transport for purposes of the calculation under Verizon's
23 proposed section 7.1.1.1.1.

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 19:21-22.)

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. MR. HOFFMAN STATES THAT VERIZON "SHOULD BE REQUIRED TO
12 SHOW THAT A SINGLE US LEC-IP PER LATA CAUSES VERIZON TO INCUR
13 SPECIFIC COSTS FOR WHICH IT IS NOT ALREADY COMPENSATED BY
14 THE SERVICES IT PROVIDES ITS CUSTOMERS THAT ORIGINATE ITS
15 TRAFFIC." PLEASE RESPOND. (Hoffman Testimony at 17:8-10; *see also id.* at
16 15:18 - 18:18.)

17 A. As I explained in my initial testimony, in the *Local Competition Order*, the FCC held that
18 "a 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.*" 11 FCC Rcd at 15603, ¶ 199 (emphasis added). US
21 LEC's proposal is clearly "expensive" under that standard. As I explain further below, it
22 would require Verizon to incur costs for which it would receive no compensation. *See*
23 *also D'Amico Testimony at 4:19 - 5:7.*

1 Using an example I provided in my initial testimony, assume that a Verizon
2 customer in Sparks Glencoe calls another Verizon customer in Sparks Glencoe. *See id.* at
3 7:14 - 9:9. In completing that call, Verizon bears the costs of switching the traffic in an
4 end office located in the Sparks Glencoe local calling area and, if necessary, of
5 transporting the call between two end offices in that local calling area. The local service
6 rates that Verizon charges its customers compensate Verizon for performing those tasks.
7 Verizon, however, would not normally transport the call outside of that local calling area.

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

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

1 require Verizon to bear uncompensated costs that it incurs as a result of US LEC's
2 decision to serve callers in a local calling area (here, Sparks Glencoe) from a switch
3 located far outside that local calling area (Columbia).

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

11 However, US LEC might not be required to transport the call from Columbia to
12 Sparks Glencoe at all. Instead, US LEC could have assigned a Sparks Glencoe telephone
13 number to an end user with no physical presence in the Columbia local calling area, but
14 who, instead, was located in Columbia, nearby US LEC's switch.² In this situation,
15 Verizon would still have to bear uncompensated costs in transporting the call from
16 Sparks Glencoe to Columbia, but US LEC would transport the call only the short distance
17 between its switch and its customer. In this way, US LEC would enable its customer
18 located in Columbia 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.

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

12
13 **Q. MR. HOFFMAN STATES THAT US LEC IS ALREADY "FINANCIALLY**
14 **RESPONSIBLE FOR THE TRANSPORT TO BRING ITS CALLS TO THE**
15 **VERIZON-IP." PLEASE RESPOND. (Hoffman Testimony at 14:18-19.)**

16 **A.** Mr. Hoffman appears to be addressing a scenario where a US LEC customer in Sparks
17 Glencoe would call a Verizon customer in Sparks Glencoe. As a result of US LEC's
18 decision to serve its customer from a switch located in Columbia, it would first have to
19 transport that call from Sparks Glencoe to Columbia and then from its switch back to the
20 Verizon end office in Sparks Glencoe serving Verizon's customer, or to the Verizon
21 tandem that end office subtends. As I discussed above, however, US LEC can and does
22 obtain compensation for these transport costs from its customers.

1 Q. DO YOU AGREE WITH MS. MONTANO CLAIM THAT THE FCC'S
2 *INTERCARRIER COMPENSATION NPRM* AND ITS *TSR WIRELESS ORDER*
3 SUPPORT US LEC'S POSITION HERE? (Montano Testimony at 8:12 - 9:6.)

4 A. No. In the *Intercarrier Compensation NPRM*, the FCC acknowledged that "[a]pplication
5 of [its] rules" — including 47 C.F.R. § 51.703(b), on which Ms. Montano relies — "has
6 led to questions concerning which carrier should bear the cost of transport to the POI, and
7 under what circumstances an interconnecting carrier should be able to recover from the
8 other carrier the costs of transport from the POI to the switch serving its end user."
9 Notice of Proposed Rulemaking, *Developing a Unified Intercarrier Compensation*
10 *Regime*, 16 FCC Rcd 9610, 9651, ¶ 112 (2001) ("*Intercarrier Compensation NPRM*").
11 However, the FCC did not suggest that those rules clearly resolved those questions. (The
12 portion of the NPRM that Ms. Montano quotes as support for US LEC's position is not
13 where the FCC discusses the allocation of financial responsibility for a CLEC's decision
14 to establish only a single physical POI per LATA. See Montano Testimony at 8:12-14
15 (quoting *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9634, ¶ 70).) In fact, as I
16 stated in my initial testimony, in the *Pennsylvania 271 Order* the FCC clearly held that
17 those rules do not prohibit the drawing of a distinction between the POI and the IP. See
18 Memorandum Opinion and Order, *Application of Verizon Pennsylvania Inc., et al. for*
19 *Authorization To Provide In-Region, InterLATA Services in Pennsylvania*, 16 FCC Rcd
20 17419, 17474-75, ¶ 100 (2001) ("*Pennsylvania 271 Order*"). Numerous other state
21 commissions have also rejected Ms. Montano's reading of 47 C.F.R. § 51.703(b). See
22 Order on Arbitration, *Petition of AT&T Communications of the Southern States, Inc., for*
23 *Arbitration of Certain Terms and Conditions of a Proposed Interconnection Agreement*

1 with BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. Section 252, Docket No.
2 2000-527-C, at 25-26 (S.C. PSC Jan. 30, 2001); Recommended Arbitration Order,
3 *Arbitration of Interconnection Agreement Between AT&T Communications of the*
4 *Southern States, Inc., and TCG of the Carolinas, Inc., and BellSouth*
5 *Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996*, Docket Nos.
6 P-140, Sub 73 & P-646, Sub 7, at 14 (N.C. Utils. Comm'n Mar. 9, 2001), *aff'd*, Order
7 Ruling on Objections and Requiring the Filing of the Composite Agreement, Docket Nos.
8 P-140, Sub 73 & P-646, Sub 7 (N.C. Utils. Comm'n June 19, 2001); *Ohio Arbitration*
9 *Award* at 6.

10 In the *TSR Wireless Order*, the Commission held only that a wireless call that
11 originates and terminates in a local calling area is subject to the Commission's reciprocal
12 compensation rules. See Memorandum Opinion and Order, *TSR Wireless, LLC v. U S*
13 *West Communications, Inc.*, 15 FCC Rcd 11166, 11166, ¶ 1 (2000) ("*TSR Wireless*
14 *Order*"). The FCC did not address the issue of whether CLECs must be financially
15 responsible when, as a result of their interconnection decisions, local traffic must be
16 transported outside of the local calling area where it originates.

17
18 Q. THE FCC'S WIRELINE COMPETITION BUREAU RECENTLY
19 DETERMINED, IN AN INTERCONNECTION AGREEMENT ARBITRATION,
20 THAT CLECS' PROPOSALS ADDRESSING THE ALLOCATION OF COSTS
21 OF A CLEC'S INTERCONNECTION DECISIONS "MORE CLOSELY

1 CONFORM[]” TO THE FCC’S RULES THAN VERIZON’S VGRIP PROPOSAL.³

2 DO YOU HAVE ANY COMMENT ON THAT ORDER?

3 A. Yes. In that decision, the Bureau did not find that Verizon’s VGRIP proposal violates the
4 Commission’s rules. Indeed, it recognized that the FCC had “declined to find that
5 policies similar to . . . VGRIPs violated the Act in the *Verizon Pennsylvania 271 Order*.”
6 *Virginia Arbitration Order* ¶ 53 n.123. In fact, in the *Pennsylvania 271 Order*, the FCC
7 expressly held that “Verizon’s policies do not represent a violation of our existing rules.”
8 16 FCC Rcd at 17474-75, ¶ 100.

9 The Bureau also found that “Verizon raises serious concerns about the
10 apportionment of costs caused by a competitive LEC’s choice of points of
11 interconnection.” *Virginia Arbitration Order* ¶ 54. Despite that, the Bureau’s decision
12 does not cite or discuss the FCC’s holding in the *Local Competition Order* that a CLEC
13 would “be required to bear the cost of” a “‘technically feasible’ but expensive
14 interconnection.” 11 FCC Rcd at 15603, ¶ 199. Finally, I note that the Bureau’s order
15 has not yet been reviewed by the FCC.

16
17 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

18 A. Yes.

³ Memorandum Opinion and Order, *In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218 et al., DA 02-1731, ¶ 53 (Wireline Comp. Bur. rel. July 17, 2002) (“*Virginia Arbitration Order*”).

Products

Local services

- ▲ [Local network access \(dial-tone\)](#)
- ▲ [Local calling](#)
- ▲ [Line features](#)
- ▲ [Enhanced local services](#)

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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.

[Top](#)

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

VZ#9

- telephone company.
- 411
- 911
- Operator assistance
- Directory listing
- White-page listing
- Yellow-page listing

Top

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

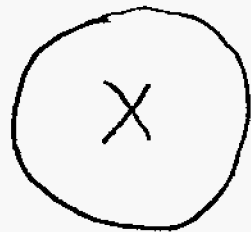
Top

Enhanced local services

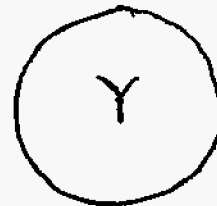
- DID - US LEC's DID trunks provide greater user productivity by eliminating the need for assistance, reducing incoming call "traffic jams" and offering the caller a speedy connection to the desired party.
- EAS (Expanded Area Service) - This service provides a greater free local calling area than the 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.

[Top](#)

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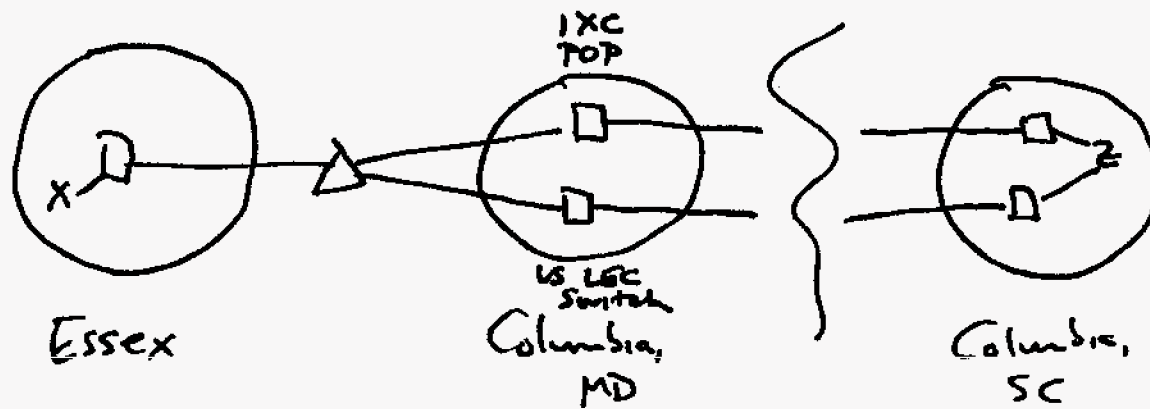


Local Calling
Area A



Local Calling
Area B

VZ 10



VZ11

AGREEMENT

between

Verizon Maryland Inc.

and

Sprint Communications Company L.P.

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INTERCONNECTION AGREEMENT

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PART V: INTERCONNECTION

1.0 INTERCONNECTION AND PHYSICAL ARCHITECTURE

1.1 Interconnection Activation

Subject to the terms and conditions of this Agreement, each Party shall exercise commercially reasonable efforts to enable SPRINT to provide fully operational service predominately over its own Telephone Exchange Service facilities to business and residential Customers in accordance with SPRINT's intended implementation schedule in Maryland, attached hereto as Schedule 1.1. To that end, the Parties will establish and perform to milestones such as trunking arrangements for Traffic Exchange, timely submission of Access Service Requests, 911 Interconnection establishments, SS7 certification and arrangements for alternate-billed calls.

1.2 Trunk Types And Interconnection Points

1.2.1 Trunk Types. This Section 1 describes the architecture for Interconnection of the Parties' facilities and equipment over which the Parties shall configure the following separate and distinct trunk groups for the exchange of traffic of the types specified below, to the extent the Parties will exchange one or more types of such traffic corresponding to the trunk types listed below:

Traffic Exchange Trunks for the transmission and routing of terminating Reciprocal Compensation Traffic, Tandem Transit Traffic, translated LEC IntraLATA toll free service access code (e.g., 800/888/877) traffic, IntraLATA Toll Traffic, and, where agreed to between the Parties and as set forth in subsection 1.3.7, InterLATA Toll Traffic between their respective Telephone Exchange Service customers pursuant to Section 251(c)(2) of the Act, and Measured Internet Traffic, all in accordance with Section 2 herein;

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 SPRINT Telephone Exchange Service customers and purchasers of Switched Exchange Access Service via a VERIZON Tandem, pursuant to Section 251(c)(2) of the Act, in accordance with Section 3 herein;

Information Services Trunks for the transmission and routing of terminating Information Services Traffic in accordance with Section 4 herein;

BLV/BLVI Trunks for the transmission and routing of terminating BLV/BLVI traffic, in accordance with Section 21 of the General Terms and Conditions;

911/E911 Trunks for the transmission and routing of terminating E911/911 traffic, in accordance with Section 4 herein;

Directory Assistance Trunks for the transmission and routing of terminating directory assistance traffic, in accordance with Section 21 of the General Terms and Conditions;

Operator services (IntraLATA call completion) Trunks for the transmission and routing of terminating IntraLATA call completion traffic, in accordance with Section 21 of the General Terms and Conditions; and

Other Trunks as may be requested and agreed to by

the Parties.

1.2.2 Reciprocal Compensation Traffic Reciprocal Compensation Interconnection Points .

1.2.2.1 Pursuant to the Arbitration Orders, except as otherwise agreed by the Parties, the Interconnection Points ("IPs") from which SPRINT will provide transport and termination of Reciprocal Compensation Traffic (and other traffic types which may be routed over Traffic Exchange Trunks pursuant to Section 1.2.1) to its Customers ("SPRINT-IPs") shall be as follows:

1.2.2.1.1 SPRINT shall make available to VERIZON at least one SPRINT-IP in each LATA.

1.2.2.1.2 In addition to SPRINT's obligations under Section 1.2.2.1.1 above, SPRINT shall make available to VERIZON all of the SPRINT-IPs listed in Schedule 1.1.

1.2.2.1.3 In addition to SPRINT's obligations under Sections 1.2.2.1.1 and 1.2.2.1.2 above, SPRINT shall make available to VERIZON the SPRINT-IPs provided for in Section 1.2.3.1 below.

1.2.2.2 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:

1.2.2.2.1 For Reciprocal Compensation Traffic delivered by SPRINT to the VERIZON Tandem subtended by the terminating End Office serving the VERIZON Customer, the VERIZON-IP will be the VERIZON Tandem Wire Center.

1.2.2.2.2 For Reciprocal Compensation Traffic delivered by SPRINT to the VERIZON terminating End Office Wire Center serving the VERIZON Customer, the VERIZON-IP will be VERIZON End Office Wire Center.

1.2.2.3 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 SPRINT-IP is not located at a Collocation site at a VERIZON Tandem Wire Center or VERIZON End Office Wire Center, then SPRINT shall permit VERIZON to establish physical Interconnection through collocation or other operationally comparable arrangements acceptable to VERIZON at the SPRINT-IP, to the extent such physical Interconnection is technically feasible.

1.2.2.4 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.

1.2.3 Points of Interconnection. A "Point of Interconnection" or "POI" means the physical location where the originating Party's facilities physically interconnect with the terminating Party's facilities for the purpose of exchanging traffic.

As and to the extent required by Applicable Law, the Parties shall provide Interconnection of their networks at any technically feasible point as described in Sections 1.2.3.1 and 1.3.

1.2.3.1 Pursuant to the Arbitration Orders, SPRINT shall make available to VERIZON technically feasible Points of Interconnection at which VERIZON can deliver traffic to SPRINT as follows:

1.2.3.1.1 SPRINT shall make available to VERIZON, in each LATA, at least one technically feasible Point of Interconnection at which VERIZON can deliver traffic to SPRINT. Such Point of Interconnection shall be the SPRINT-IP for traffic delivered by VERIZON to such Point of Interconnection.

1.2.3.1.2 In addition to SPRINT's obligations under Section 1.2.3.1.1 above, upon request by VERIZON, SPRINT shall make available to VERIZON, in each VERIZON access Tandem serving area, at least one technically feasible Point of Interconnection at which VERIZON can deliver traffic to SPRINT. Upon request by VERIZON, such Point of Interconnection shall be in Maryland; provided that, for LATA 236, SPRINT may elect to make such Point of Interconnection available to VERIZON in the District of Columbia. Each such Point of Interconnection shall be the SPRINT-IP for traffic delivered by VERIZON to such Point of Interconnection.

1.2.3.1.3 In addition to SPRINT's obligations under Sections 1.2.3.1.1 and 1.2.3.1.2 above, upon request by VERIZON, subject to the conditions set out in Sections 1.2.3.1.3.1 through 1.2.3.1.3.7 below, SPRINT shall make available to VERIZON (a) additional technically feasible physical Points of Interconnection at which VERIZON can deliver traffic to SPRINT, and (b) virtual Points of Interconnection as described in

Section 1.2.3.1.3.6 below. Each such Point of Interconnection shall be the SPRINT-IP for traffic delivered by VERIZON to such Point of Interconnection.

1.2.3.1.3.1 SPRINT shall make a Point of Interconnection available to VERIZON if VERIZON can reasonably demonstrate, using three consecutive months of traffic usage data, that the combined total volume of Reciprocal Compensation Traffic and Measured Internet Traffic exchanged between the Parties at the requested Point of Interconnection exceeds 8.9 million minutes per month.

1.2.3.1.3.2 Subject to Sections 1.2.3.1.3.3 through 1.2.3.1.3.6 below, the location of each Point of Interconnection shall be mutually agreed upon by the Parties.

1.2.3.1.3.3 If the Point of Interconnection is to be located at a VERIZON End Office, except as otherwise agreed by the Parties, such Point of Interconnection shall be located more than twenty (20) miles from an existing Point of Interconnection at which VERIZON delivers Reciprocal Compensation Traffic and Measured Internet Traffic to SPRINT.

1.2.3.1.3.4 A physical Point of Interconnection will not be located at any VERIZON Tandem or VERIZON End Office where necessary collocation space or VERIZON fiber connectivity is not available.

1.2.3.1.3.5 Nothing in this Section 1.2.3.1.3 shall require SPRINT to establish more than one Point of Interconnection in each VERIZON local calling area.

1.2.3.1.3.6 If SPRINT does not make available to VERIZON a physical Point of Interconnection pursuant to the preceding provisions of this Section 1.2.3.1.3, in lieu of making available such physical Point of Interconnection, SPRINT shall make available to VERIZON a virtual Point of Interconnection. Subject to Sections 1.2.3.1.3.3 and 1.2.3.1.3.5 above, upon request by VERIZON, a virtual Point of Interconnection shall be located (a) at any VERIZON Tandem at which the volume of traffic exchanged between the Parties meets the requirements of Section 1.2.3.1.3.1 above, and (b) at any VERIZON End Office at which the volume of traffic exchanged between the Parties meets the requirements of Section 1.2.3.1.3.1 above.

For traffic delivered by VERIZON to SPRINT, SPRINT shall compensate VERIZON for VERIZON's transporting such traffic from the virtual Point of Interconnection to the physical Point of Interconnection to which the traffic is actually delivered. The amount that SPRINT shall pay to VERIZON for VERIZON's transporting such traffic from the virtual Point of Interconnection to the physical Point of Interconnection to which the traffic is actually delivered shall be an amount equal to the charges provided for in Part IV, Section I, B that VERIZON would bill to SPRINT if SPRINT purchased or leased from VERIZON, in accordance with this Agreement, from the virtual Point of Interconnection to such physical Point of Interconnection, the services, facilities and arrangements used by VERIZON for transporting the traffic.

1.2.3.1.3.7 If the Parties are unable to agree upon the establishment of a Point of Interconnection within forty-five (45) days after

such Point of Interconnection is requested by VERIZON pursuant to this Section 1.2.3.1.3, either Party may seek resolution of their lack of agreement pursuant to Section 17 of the General Terms and Conditions.

1.2.4 Except as otherwise provided in this Agreement, the Parties will mutually agree upon where One-Way Traffic Exchange Trunks (trunks with traffic going in one direction, including one-way trunks and uni-directional two-way trunks) and/or Two-Way Traffic Exchange Trunks (trunks with traffic going in both directions) will be deployed.

1.2.5 Two-Way Traffic Exchange Trunks.
Where the Parties have agreed to use Two-Way Traffic Exchange Trunks, VERIZON shall provide Two-Way Traffic Exchange Trunks for the exchange of traffic between the networks of VERIZON and SPRINT pursuant, and subject, to the terms and conditions set forth below, the rates in Part IV, and the rates, terms and conditions set forth in VERIZON's applicable Tariffs (including, but not limited to, to the extent applicable, VERIZON Tariffs P.S.C.-Md.-No. 217 and F.C.C. No. 1).

1.2.5.1 Where the Parties have agreed to use Two-Way Traffic Exchange Trunks, prior to ordering any Two-Way Traffic Exchange Trunks from VERIZON, SPRINT 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 Hundred Call Second information, and the Parties shall mutually agree on the appropriate initial number of Two-Way End Office and Tandem Traffic Exchange Trunks and the interface specifications at the Point of Interconnection ("POI"). Where the Parties have agreed to convert existing One-Way Traffic Exchange Trunks to Two-Way Traffic Exchange 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 Traffic Exchange Trunks to Two-Way Traffic Exchange Trunks.

1.2.5.2 Two-Way Traffic Exchange Trunks shall be from a VERIZON End Office or Tandem to a mutually agreed upon POI.

1.2.5.3 SPRINT shall provide a two (2) year traffic forecast ("Initial Forecast") to VERIZON of the number of End Office and Tandem Two-Way Traffic Exchange Trunks that SPRINT anticipates VERIZON will need to provide during the ensuing two (2) year period. SPRINT's Initial Forecast shall provide the number of trunks for delivery of traffic to and from VERIZON over each Two-Way Traffic Exchange Trunk group for each of the next eight (8) quarters. If SPRINT has not provided such Initial Forecast to VERIZON in August 2001, SPRINT agrees to provide such Initial Forecast to VERIZON within forty-five (45) days of the Effective Date of this Agreement. Thereafter, the Initial Forecast shall be updated, and forecasts shall be provided to VERIZON on an as-needed basis but no less frequently than semiannually in accordance with VERIZON's forecasting cycle. 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/Measured Internet Traffic), code (identifies trunk group), A location/Z location (CLLI codes for SPRINT-IPs and VERIZON-IPs), interface type (e.g., DS3), and trunks in service each year (cumulative).

In addition, the Parties will hold joint planning sessions, as needed, to address trunk engineering, utilization, and forecasting issues. At these meetings, subject to Section 19.0 ("Confidentiality") of the General Terms and Conditions, the Parties will each share their historical trunk group usage data (and other applicable trunk group utilization data) for trunk groups dedicated to traffic between the Parties. The Parties agree to work together cooperatively in: the establishment of new trunk groups; assessing utilization of, and sizing additions to, existing trunk groups; and, reducing trunk quantities for underutilized trunk groups.

1.2.5.4 Two-Way Traffic Exchange Trunks shall have SS7 Common Channel Signaling. The Parties agree to utilize B8ZS and Extended Super Frame (ESF) DS1 facilities, where available.

1.2.5.5 With respect to End Office Two-Way Traffic Exchange Trunks, both Parties shall use an economic Hundred Call Second equal to five (5).

1.2.5.6 Two-Way Traffic Exchange 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 Traffic Exchange 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 SPRINT shall engineer Two-Way Traffic Exchange Trunks using BOC Notes on the LEC Networks SR-TSV-002275.

1.2.5.7 The performance standard for final Two-Way Traffic Exchange Trunk groups shall be that no such Traffic Exchange Trunk group will exceed its design blocking objective (B.005 or B.01, as applicable) for three (3) consecutive calendar traffic study months.

1.2.5.8 SPRINT shall determine and order the number of Two-Way Traffic Exchange Trunks that are required to meet the applicable design blocking objective for all traffic carried on each Two-Way Traffic Exchange Trunk group. SPRINT shall order Two-Way Traffic Exchange Trunks by submitting ASRs to VERIZON setting forth the number of Two-Way Traffic Exchange Trunks to be installed and the requested installation dates within VERIZON's effective standard intervals or negotiated intervals, as appropriate. SPRINT shall complete ASRs in accordance with Ordering and Billing Forum Guidelines as in effect from time to time.

1.2.5.9 VERIZON may monitor Two-Way Traffic Exchange Trunk Groups using service results for the applicable design blocking objective. If VERIZON observes blocking in excess of the applicable design blocking objective on any final Two-Way Traffic Exchange Trunk group and SPRINT has not notified VERIZON that it has corrected such blocking, VERIZON may submit to SPRINT a Trunk Group Service Request directing SPRINT to remedy the blocking. Upon receipt of a Trunk Group Service Request, SPRINT will complete an ASR to augment the Two-Way Traffic Exchange Trunk Group with excessive blocking and submit the ASR to VERIZON within five (5) business days.

1.2.5.10 In the event the traffic volume between a VERIZON End Office and the SPRINT POI, which is carried by a Final Tandem Traffic Exchange Trunk group, exceeds the Hundred Call Second busy hour equivalent of one (1) DS-1 at any time or 200,000 combined minutes of use for a single month, except as otherwise agreed by the Parties, SPRINT shall promptly submit an ASR to

VERIZON to establish new End Office Two-Way Traffic Exchange Trunks between that VERIZON End Office and the SPRINT POI.

1.2.5.11 The Parties will review all Tandem Two-Way Traffic Exchange Trunk groups that reach a utilization level of seventy (70%) percent or greater to determine whether those groups should be augmented. SPRINT will promptly augment all Tandem Two-Way Traffic Exchange 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 Traffic Exchange Trunk group with a utilization level of less than sixty percent (60%), except as otherwise agreed by the Parties, SPRINT will promptly submit ASRs to disconnect a sufficient number of Traffic Exchange Trunks to attain a utilization level of approximately sixty percent (60%) for each respective group. In the event SPRINT fails to submit an ASR for Two-Way Traffic Exchange Trunks in conformance with this section, VERIZON may bill SPRINT for the excess Traffic Exchange Trunks at the applicable VERIZON rates.

1.2.5.12 Because VERIZON will not be in control of the timing and sizing of the Two-Way Traffic Exchange Trunks between its network and SPRINT's network, except for unexcused missed installation appointments, VERIZON's performance in connection with these Two-Way Traffic Exchange 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.

1.2.5.13 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 Traffic Exchange Trunk group and install One-Way Traffic Exchange Trunks to the other Party's POI.

1.2.5.14 Both Parties shall use a DS-3 facilities interface at the POI for Two-Way Traffic Exchange Trunks. Upon mutual agreement, the Parties may use other types of interfaces (such as, where available, STS-1 or OC-n) at the POI. When Two-Way Traffic Exchange Trunks are provisioned using a DS-3 interface facility, SPRINT 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 Two-Way Traffic Exchange 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 SPRINT shall pay 100% of the facility charges for the Two-Way Traffic Exchange Trunks.

1.2.5.15 Except as otherwise agreed by the Parties, Two-Way Traffic Exchange Trunks shall only carry Reciprocal Compensation Traffic, IntraLATA Toll Traffic and Measured Internet Traffic.

1.2.5.16 Except as set forth in the next sentence or otherwise agreed in writing by the Parties, the total number of Tandem Two-Way Traffic Exchange Trunks between SPRINT's network and a VERIZON Tandem (including, but not limited to, a VERIZON Tandem located in the GTE Service Area [as "GTE Service Area" is defined in Appendix D of the Merger Order]) will be limited to a maximum of 240 trunks. The total number of Tandem Two-Way Traffic Exchange Trunks between SPRINT's network and a VERIZON Tandem located in the Bell Atlantic Service Area (as "Bell Atlantic Service Area" is defined in Appendix D of the Merger Order) in LATA 236 or LATA 238, shall be limited to a maximum of 672 trunks, unless otherwise mutually agreed to in writing by the Parties. In the event that the volume of traffic between SPRINT's network and a VERIZON Tandem exceeds, or reasonably can be anticipated to exceed, the capacity of the maximum permitted number of Tandem Two-Way Traffic Exchange Trunks, SPRINT shall promptly submit an ASR to VERIZON to establish new or additional End Office Trunks to insure that the volume of traffic between SPRINT's network and the VERIZON Tandem does not exceed the capacity of the maximum permitted number of Tandem Two-Way Traffic Exchange Trunks.

1.2.5.17 SPRINT will route its traffic to VERIZON over End

Office and Tandem Two-Way Traffic Exchange Trunks in accordance with SR-TAP191, including but not limited to those standards requiring that a call from SPRINT to a VERIZON End Office will first be routed to the End Office Traffic Exchange Trunk group between SPRINT and the VERIZON End Office.

1.2.5.18 The Parties will work cooperatively to calculate a Proportionate Percentage of Use ("PPU") factor for each facility on which the Two-Way Traffic Exchange Trunks ride, based on the total number of minutes of traffic that each Party sends over the Two-Way Traffic Exchange Trunks riding on that facility. SPRINT will pay a percentage of VERIZON's monthly recurring charges for each facility on which the Two-Way Traffic Exchange Trunks ride equal to SPRINT'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 SPRINT's side of the SPRINT-IP, which charges shall be solely the financial responsibility of SPRINT. During the first full calendar quarter (and any partial calendar quarter preceding such first full calendar quarter) after the first Two-Way Traffic Exchange 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 each facility on which the Two-Way Traffic Exchange Trunks ride shall be apportioned as follows: (a) for the portion of the facility on VERIZON's side of the SPRINT-IP, SPRINT shall pay 50% of VERIZON's non-recurring charges; and, (b) for the portion of the facility on SPRINT's side of the SPRINT-IP, SPRINT shall be solely responsible for the non-recurring charges.

Nothing in this Section 1.2.5 changes a Party's obligations under this Agreement to provide for the transport and termination of traffic on its side of its Interconnection Point. If SPRINT is required to establish Interconnection Points by this Agreement or Applicable Law and SPRINT fails to establish such Interconnection Points, SPRINT will be responsible for one hundred percent (100%) of all recurring and non-recurring charges for Two-Way Traffic Exchange Trunks and related services, facilities and arrangements (including, but not limited to, one hundred percent (100%) of all recurring and non-recurring charges for the facilities on which the Two-Way Traffic Exchange Trunks ride), that arise between the time when SPRINT is first required to establish such Interconnection Points and the time when SPRINT actually establishes such Interconnection Points. Except to the extent that SPRINT is required to establish Interconnection Points by this Agreement or Applicable Law, the preceding sentence shall not be deemed to require SPRINT to establish Interconnection Points.

1.3 Physical Architectures

1.3.1 SPRINT shall have the sole right and discretion to specify any of the following three methods for interconnection at any of the VERIZON-IPs:

- (a) a physical or virtual Collocation node SPRINT established at the VERIZON-IP;
and/or
- (b) a physical or virtual Collocation node established separately at the VERIZON-IP
by a third party with whom SPRINT has contracted for such purposes; and/or
- (c) an Entrance Facility and transport (where applicable) leased
from VERIZON (and any necessary multiplexing), to the VERIZON-IP.

1.3.2 SPRINT shall provide its own facilities or purchase necessary transport for the delivery of traffic to any Collocation arrangement it establishes at a VERIZON-IP pursuant to Part III, Section 2.

1.3.3 SPRINT may order from VERIZON any of the Interconnection methods specified above in accordance with the rates, order intervals and other terms and conditions in the Agreement, in any applicable VERIZON Tariff(s) (including, but not limited, to the extent applicable, VERIZON Tariffs P.S.C.-Md.-No. 217 and 218, and F.C.C. No. 1, or as may be subsequently agreed to between the Parties.

1.3.4 VERIZON shall have the sole right and discretion to specify any of the following methods for Interconnection at any of the SPRINT-IPs:

- (a) a physical, virtual or other alternative Collocation node VERIZON establishes at the SPRINT-IP; and/or
- (b) a physical, virtual or other alternative Collocation node established separately at the SPRINT-IP by a third party with whom VERIZON has contracted for such purposes; and/or
- (c) an Entrance Facility leased from SPRINT (and any necessary multiplexing), to the SPRINT-IP.

1.3.5 VERIZON shall provide its own facilities or purchase necessary transport for the delivery of traffic to any Collocation node it establishes at a SPRINT-IP pursuant to Part III, Section 2.

1.3.6 VERIZON may order from SPRINT any of the Interconnection methods specified above in accordance with the order intervals and other terms and conditions, including, without limitation, rates and charges, set forth in this Agreement, in any applicable Tariff(s), or as may be subsequently agreed to between the Parties

1.3.7 Under any of the architectures described in this subsection 1.3, and subject to mutual agreement between the Parties, either Party may utilize the Traffic Exchange Trunks for the termination of Toll Traffic in accordance with the terms contained in Section 2 below and pursuant to the other Party's Switched Exchange Access Service Tariffs (including, but not limited to, to the extent applicable, VERIZON Tariffs P.S.C.-Md.-No. 217 and F.C.C. No. 1). The other Party's Switched Exchange Access Service rates shall apply to such facilities.

1.3.8 The publication "Bellcore Technical Publication GR-342-CORE; High Capacity Digital Special Access Service, Transmission Parameter Limits and Interface Combination" describes the specification and interfaces generally utilized by VERIZON and is referenced herein to assist the Parties in meeting their respective Interconnection responsibilities.

1.3.9 [Intentionally Omitted]

1.4 Alternative Interconnection Arrangements

1.4.1 In addition to the foregoing methods of Interconnection, and subject to mutual agreement of the Parties, the Parties may agree to establish a Mid-Span Fiber Meet arrangement which may include a SONET backbone with an electrical interface at

the DS-3 level in accordance with the terms of this subsection 1.4. The fiber meet point shall be designated as the POI for both Parties. In the event the Parties agree to adopt a Mid-Span Fiber Meet arrangement, each Party agrees to (a) bear all expenses associated with the purchase of equipment, materials, or services necessary to facilitate and maintain such arrangement on its side of the fiber hand-off to the other Party and (b) compensate the terminating Party for transport of traffic from the POI to the terminating Party's IP at rates set forth in Part IV.

1.4.2 The establishment of any Mid-Span 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 Mid-Span Fiber Meet arrangement. Any Mid-Span Fiber Meet arrangement requested at a third-party premises is expressly conditioned on the Parties having sufficient capacity at the requested location to meet such request, on unrestricted 24-hour access for both Parties to the requested location, on other appropriate protections as reasonably deemed necessary by either Party, and on an appropriate commitment that such access and other arrangements will not be changed or altered.

1.4.3 Mid-Span Fiber Meet arrangements shall be used only for the termination of Reciprocal Compensation Traffic, Measured Internet Traffic and IntraLATA Toll Traffic unless and until such time as the Parties have agreed to permit its utilization for other traffic types and unless and until the Parties have agreed in writing on appropriate compensation arrangements relating to the exchange of other types of traffic over such Mid-Span Fiber Meet, and only where facilities are available.

1.4.4 SPRINT and VERIZON shall work cooperatively to install and maintain a reliable network as agreed pursuant to Section 1.4.2. SPRINT and VERIZON shall exchange appropriate information (e.g., maintenance contact numbers, information related to the jointly constructed network configuration, information required to comply with law enforcement and other security agencies of the Government and such other information as the Parties shall mutually agree) to achieve this desired reliability.

1.4.5 SPRINT and VERIZON shall work cooperatively to apply sound network management principles and network management controls to alleviate or to prevent congestion.

1.5 Interconnection In Additional LATAs

1.5.1 If SPRINT determines to offer Telephone Exchange Services in any LATA in Maryland not listed in Schedule 1.1 in which VERIZON also offers Telephone Exchange Services, SPRINT shall provide written notice to VERIZON of the need to establish Interconnection in such LATA pursuant to this Agreement.

1.5.2 The notice provided in subsection 1.5.1 shall include (a) the SPRINT-IP; (b) the requested VERIZON-IP; (c) the initial Rating Point SPRINT has designated in the new LATA; (d) SPRINT's intended Interconnection activation date; and (e) a forecast of SPRINT's trunking requirements conforming to Section 14.3 of the General Terms and Conditions.

1.5.3 Unless otherwise agreed to by the Parties, the Parties shall designate the Wire Center(s) SPRINT has identified as its initial Rating Point(s) in the LATA as the SPRINT IP(s) in that LATA and shall designate a mutually agreed upon Tandem Office or End Offices within the LATA nearest to the SPRINT-IP (as measured in airline miles utilizing the V and H coordinates method) as the VERIZON-IP(s) in that LATA.

1.5.4 The Parties shall agree upon an addendum to Schedule 1.1 to reflect the schedule applicable to each new LATA requested by SPRINT; provided, however, that unless agreed by the Parties, the Interconnection activation date in a new LATA shall not be earlier than sixty (60) days after receipt by VERIZON of all complete and accurate trunk orders and routing information. Within ten (10) business days of VERIZON's receipt of the SPRINT's notice provided for in subsection 1.5.1, VERIZON and SPRINT shall confirm the VERIZON-IP, the SPRINT-IP, and the Interconnection activation date for the new LATA, by attaching an addendum to Schedule 1.1.

2.0 TRANSMISSION AND ROUTING OF TELEPHONE EXCHANGE SERVICE TRAFFIC PURSUANT TO SECTION 251(c)(2)

2.1 Scope of Traffic

This Section 2 prescribes parameters for Traffic Exchange Trunks used for Interconnection pursuant to Section 1.0 above.

2.2 Trunk Group Connections and Ordering

2.2.1 Traffic Exchange Trunk group connections will be made at a DS-3 or DS-1 level. Subject to agreement of the Parties, higher speed connections may be made, when and where available, in accordance with the Joint Process prescribed in Section 14 of the General Terms and Conditions.

2.2.2 Each Party will identify its Carrier Identification Code, a three or four digit numeric obtained from Bellcore, to the other Party when ordering a trunk group.

2.2.3 Unless mutually agreed to by both Parties, each Party will outpulse ten (10) digits to the other Party.

2.2.4 Where One-Way Traffic Exchange Trunks are used, in the event the traffic volume between any two Central Office Switches at any time exceeds the Hundred Call Second busy hour equivalent of one DS-1 or 200,000 combined minutes of use for a single month, the originating Party will establish new direct trunk groups to the applicable End Office(s) consistent with the grade of service and quality parameters set forth in the Joint Process.

2.2.5 Each Party will use commercially reasonable efforts to monitor its trunk groups 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 where practical.

2.2.6 SPRINT and VERIZON agree to conduct a ninety (90) day trial, commencing in April, 2002, regarding (a) VERIZON's delivery to SPRINT by fax of OBF compliant ASRs to establish new Traffic Exchange Trunk groups, augment existing Traffic Exchange Trunk groups, and disconnect previously established Traffic Exchange Trunk groups, and (b) SPRINT's OBF compliant response to such ASRs. The parameters of the trial shall be specified by VERIZON prior to the commencement of the trial.

SCHEDULE 1.1

NETWORK INTERCONNECTION SCHEDULE:

LATA

MARYLAND RESIDENTIAL SERVICES

VERIZON-IP	SPRINT-IP	SPRINT Intended Implementation Date
	BLTMMD60W78 1220 S Howard St	February 8, 2002
	HGTWMD93W78 300 Highland Way	February 8, 2002
	SLBRMDSCW97 128 E Church St	February 8, 2002

VERIZON-IP(s) shall be either the VERIZON Tandem or the VERIZON End Office to which the terminating NPA/NXX has been assigned in the LERG.

MARYLAND BUSINESS SERVICES

VERIZON-IP	SPRINT-IP	SPRINT Intended Implementation Date
	BLTMMD60W78 1220 S Howard St	February 8, 2002
	HGTWMD93W78 300 Highland Way	February 8, 2002
	SLBRMDSCW97 128 E Church St	February 8, 2002

VERIZON-IP(s) shall be either the VERIZON Tandem or the VERIZON End Office to which the terminating NPA/NXX has been assigned in the LERG.

SCHEDULE 1.2

INTERCONNECTION POINTS FOR DIFFERENT TYPES OF TRAFFIC

Each Party shall provide the other Party with Interconnection to its network at the following points for transmission, routing and termination subject to the availability of facilities. Compensation for such facilities will be as set forth in Part IV or as provided elsewhere herein.

1. For the termination of Reciprocal Compensation Traffic, Measured Internet Traffic or Toll Traffic originated by one Party's Customer and terminated to the other Party's Customer, at the points set forth in Section 1 of Part V of the Agreement.

2. For the termination of Meet Point Billing Traffic from an IXC to:

- (a) SPRINT, at the SPRINT-IP in LATA in which the Traffic is to terminate.
- (b) VERIZON, at the VERIZON-IP in LATA in which the Traffic is to terminate.

3. For the termination of Transit Traffic from an ITC, CMRS carrier, other CLEC or other LEC to:

- (a) SPRINT, at the SPRINT-IP in LATA in which the Traffic is to terminate.
- (b) VERIZON, at the VERIZON-IP in LATA in which the Traffic is to terminate.

4. For 911/E911 traffic originated on SPRINT's network, at the PSAP in areas where only Basic 911 service is available, or at the VERIZON 911/E911 Tandem Office serving the area in which the SPRINT Customer is located, in accordance with applicable state laws and regulations and PSAP requirements.

5. For Directory Assistance (411 or NPA-555-1212) traffic, at the applicable VERIZON operator services Tandem Office.

6. For Operator Services (call completion) traffic, at the applicable VERIZON operator services Tandem Office.

7. For BLV/BLVI traffic, at the terminating Party's operator services Tandem Office.

8. For SS7 signaling originated by:

(a) SPRINT, at mutually agreed-upon Signaling Point of Interconnection(s) ("SPOI") in the LATA in which the Reciprocal Compensation Traffic, Measured Internet Traffic, or Toll Traffic originates, over CCSAC links provisioned in accordance with Bellcore GR-905 and VERIZON Supplement Common Channel Signaling Network Interface Specification (VERIZON_905).

(b) VERIZON, at mutually agreed-upon SPOIs in the LATA in which the Reciprocal Compensation Traffic, Measured Internet Traffic, or Toll Traffic originates, over a CCSAC links provisioned in accordance with Bellcore GR-905 and VERIZON-905.

Alternatively, either Party may elect to interconnect for SS7 signaling through a commercial SS7 hub provider.

9. For toll free service access code (e.g., 800/888/877) database inquiry traffic, at any VERIZON Signaling Transfer Point in the LATA in which the originating SPRINT Wire Center is located, over a CCSAC link. Alternatively, SPRINT may elect to interconnect through a commercial SS7 hub provider.

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.

SUMNER SQUARE
1615 M STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20036-3209

(202) 326-7900

FACSIMILE:
(202) 326-7999

August 22, 2002

VIA OVERNIGHT DELIVERY

Felecia L. Greer
Executive Secretary
Maryland Public Service Commission
William Donald Schaefer Tower
6 St. Paul Centre
Baltimore, MD 21202-6806

Re: In the Matter of the Arbitration of US LEC of Maryland Inc.
vs. Verizon Maryland Inc. Pursuant to 47 U.S.C. § 252(b), Case 8922

Dear Ms. Greer:

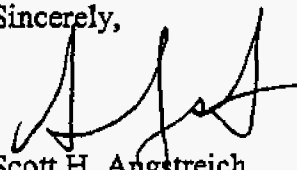
Please find enclosed for filing the original and fourteen copies of Part IV, Section I, B of the Verizon-Sprint Agreement, referenced in § 1.2.3.1.3.6 of that Agreement, to be included in VZ Exhibit 12 in the above-captioned proceeding. Also included is an electronic version of the addition. The entire agreement is available on the Public Service Commission's website as item 71 in the case jacket for Case No. 8887. The URL of the agreement is:

http://webapp.psc.state.md.us/Intranet/CaseNum/NewIndex3_VOpenFile.cfm?ServerFilePath=D%3A%5CCasenum%5C8800%2D8899%5C8887%5C071%2Edoc

Also enclosed is one extra copy of each of the exhibit. Please date-stamp and return the extra copy in the self-addressed, postage prepaid envelope.

Thank you for your assistance. If you have any questions, please call me at 202-326-7959.

Sincerely,



Scott H. Angstreich

cc: Parties of Record
David L. Moore, Hearing Examiner

B. UNBUNDLED NETWORK ELEMENTS^{4 5}**Service or Element Description****Recurring Charges:****Non-Recurring Charges:****I. Dedicated Transport⁶**

Voice Grade/DS-0

\$8.54/Month &
\$.018/Mile/Month**All:**\$6.70 /Service Order plus
installation charges for each
initial and additional facility
purchased at the time of order

DS-1

\$30.61/Month &
\$.375/Mile/Month

DS-3

\$414.74/Month &
\$10.45/Mile/Month\$315.00/Initial Facility &
\$21.28/Additional Facility

DDS

\$8.70/Mile &
\$.02/Mile/Month

⁴ All rates and charges specified herein are pertaining to Part II.

⁵ All rates and/or rate structures set forth herein, that are marked with an asterisk ("*"), as applied to wholesale discount of retail Telecommunications Services, unbundled Network Elements, Intrastate Collocation or call transport and/or termination of Reciprocal Compensation Traffic purchased for the provision of Telephone Exchange Service or Exchange Access, shall be interim rates and/or rate structures. These interim rates and/or rate structures shall be replaced on a prospective basis by such permanent rates and/or rate structures (applicable to wholesale discount of retail Telecommunications Services, unbundled Network Elements, Intrastate Collocation or call transport and/or termination of Reciprocal Compensation Traffic purchased for the provision of Telephone Exchange Service or Exchange Access) as may be approved by the Commission or the FCC and if appealed a may be ordered at the conclusion of such appeal.

⁶ Verizon's proposed UNEs, UNE combinations, and UNE pricing methodology reflect the FCC's current rules. Verizon does not agree that UNE prices must be based solely on forward-looking costs, and Verizon reserves the right to seek to change its UNE offerings and UNE prices if the FCC's rules are vacated or modified by the FCC or by a final, non-appealable judicial decision.

Service or Element Description:
STS-1

Recurring Charges:
\$334.36*/Month/Mile &
\$5.00* Mileage
charge/Facility/Mile/Month

Non-Recurring Charges:
\$52.62* Service Order
\$176.19* Installation charge
per facility
\$6.62* Manual Surcharge
Expedite:
\$78.45* Service Order
\$252.80*/Installation charge
per facility
\$9.87*/Manual Surcharge

OC-3

\$1,009.52*/Month/Mile &
\$15.29* Mileage
charge/Facility/Mile/Month

\$52.62* Service Order
\$213.23* Installation charge
per facility
\$6.62* Manual Surcharge
Expedite:
\$78.45* Service Order
\$306.38*/Installation charge
per facility
\$9.87*/Manual Surcharge

OC-12

\$2,700.17*/Month/Mile &
\$36.31* Mileage
charge/Facility/Mile/Month

\$52.62* Service Order
\$213.23* Installation charge
per facility
\$6.62* Manual Surcharge
Expedite:
\$78.45* Service Order
\$306.38*/Installation charge
per facility
\$9.87*/Manual Surcharge

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

Petition of)	
)	
US LEC OF MARYLAND INC.)	
)	
For Arbitration with Verizon Maryland Inc.	)	Case No. 8922
Pursuant to 47 U.S.C. § 252(b) of the)	
Communications Act of 1934, as Amended)	
By the Telecommunications Act of 1996)	

**DIRECT TESTIMONY
OF TERRY HAYNES ON BEHALF OF
VERIZON MARYLAND INC.**

June 10, 2002

VZ#13

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.

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

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

1 When a four-digit line number ("XXXX") is added to the NPA and exchange
2 code, it completes the 10-digit number format used in the NANP Area and
3 identifies a specific customer located in a specific exchange and specific state (or
4 portion of a state, for those states with multiple NPAs). This 10-digit number is
5 also known as a customer's unique telephone number or "address."³

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

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

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

18 **A.** Yes. One basic principle is the distinction between local calls and toll calls. The basic
19 telephone exchange service rate typically includes the ability to make an unlimited

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

1 number of calls within a confined geographic area at modest or no additional charge.
2 This "confined geographic area" consists of the customer's "home" exchange area and
3 additional surrounding exchanges, together designated as the customer's "local calling
4 area." Calls outside the local calling area, with limited exceptions noted in the paragraph
5 below, are subject to an additional charge, referred to as a "toll" or Message
6 Telecommunications Service ("MTS") charge. "Toll" service is generally priced at
7 higher rates, on a usage-sensitive basis, than local calling. The local/toll distinction is
8 rooted in the decades-old public policy goal of assuring the widespread availability of
9 affordable telephone service.

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

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

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

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

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

6 **A.** A CLEC establishes "virtual FX" service whenever it assigns a customer a telephone
7 number with an NXX code designated by the carrier for a rate center/exchange area other
8 than the one in which its customer is physically located; such an NXX is called a "virtual
9 NXX." Indeed, the carrier may obtain an entire exchange code solely for the purpose of
10 designating it for a rate center/exchange area in which the carrier has no customers of its
11 own, nor facilities to serve customers of its own. Instead, the exchange code is used by
12 the carrier for the sole purpose of assigning telephone numbers to its end users physically
13 located in exchanges other than the one to which the code was assigned.

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 Baltimore 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 Baltimore 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**
THE END-TO-END COMMUNICATION APPLY TO RECIPROCAL
COMPENSATION?

16 **A.** Yes. The FCC has always held that reciprocal compensation does not apply to
17 interexchange traffic, whether interstate or intrastate, but only to traffic that remains
18 within a single local calling area. The FCC confirmed this in its April 2001 *ISP Remand*

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

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

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

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

16 **A.** US LEC’s ability to assign telephone numbers to its customers in any way that is
17 consistent with regulatory requirements is not at issue here. Rather, Verizon wants to
18 ensure that the parties’ agreement does not require payment of reciprocal compensation

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 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).

1 for any interexchange traffic, including Virtual FX calls. Such calls are not subject to
2 reciprocal compensation under the FCC's current rules.

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

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

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

1 In short, the CLEC gets a free ride for interexchange traffic on the incumbent's
2 interoffice network. Verizon incurs essentially all of the transport costs, yet is denied an
3 opportunity to recover its costs either from its originating subscriber or from the CLEC.
4 There can be little doubt why some CLECs have embraced "virtual FX" service to the
5 exclusion of other service arrangements. I should emphasize, however, that this concern
6 is somewhat attenuated so long as the Commission adopts Verizon's proposals
7 concerning interconnection architecture. So long as US LEC bears the cost of
8 transporting the traffic that it receives from Verizon beyond the local calling area where
9 that traffic originated, US LEC will have less opportunity to shift transport costs to
10 Verizon. But US LEC has refused to accept an agreement that would require US LEC to
11 bear these transport costs. Interconnection architecture issues are discussed in greater
12 detail in the testimony of Mr. Peter D'Amico.

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

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

20 That is part of the reason that US LEC's effort to collect reciprocal compensation
21 for this traffic is particularly inappropriate as a matter of sound regulatory policy. US
22 LEC is already being compensated by its own customer for the receipt of these calls, just
3 as an ILEC is compensated for providing a customer a traditional FX arrangement, and

1 just as a long distance carrier is compensated for providing a customer a toll-free number.
2 It does not make sense to require the calling party to bear the costs of this arrangement,
3 but that is what US LEC is seeking to achieve.

4 **Q. IT SOUNDS LIKE VERIZON IS ALSO PROVIDING US LEC'S CUSTOMER A**
5 **VALUABLE SERVICE. DO YOU AGREE?**

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

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

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

1 providing this toll-free number service to the originating ILEC. There is no aspect of the
2 "virtual NXX" service that can be considered new or state-of-the-art from a technology
3 perspective.

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

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

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

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

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

21 **A.** Not in this proceeding. The parties' agreement makes clear that access charges are
governed by their intrastate and interstate access tariffs. But I note that in some cases
access charges would be appropriate. For example, if the "virtual NXX" customer were

1 located in another LATA and another state from the calling party, interstate access
2 charges would apply -- even though the call would be rated as local for the calling party.

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

4 **A.** Again, Verizon's access charges -- which are set by state and federal regulators -- are
5 simply not at issue in this proceeding. The only issue is whether Verizon should pay US
6 LEC when Verizon originates an interexchange call that US LEC delivers to its customer
7 and for which US LEC is compensated by its customer. The FCC's rules, decades of
8 consistent regulatory policy, and sound economics all dictate the same answer -- Verizon
9 should not be required to pay reciprocal compensation on this traffic.

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

11 **A.** Yes. The Florida Commission, for example, recently confirmed that "virtual FX" traffic
12 is not subject to reciprocal compensation because it does not physically terminate in the
13 same local calling area in which it originates.⁵ Although the Florida Commission ruled
14 that CLECs may assign telephone numbers to end users physically outside the rate center
15 to which a telephone number is homed,⁶ it agreed with its Staff's conclusion that
16 compensation for traffic depends on the end points of the call -- that is, where it
17 physically originates and terminates -- not on "the NPA/NXXs assigned to the calling and

⁵See 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).

⁶*Id.* at 90-96.

1 called parties.”⁷ The Florida Commission agreed, that “calls to virtual NXX customers
2 located outside of the local calling area to which the NPA/NXX is assigned *are not local*
3 *calls for purposes of reciprocal compensation.*”⁸

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

⁷*Id.* at 88-89; Florida PUC Agenda Conference Approval (Dec. 5, 2001), Issue 15.

⁸Reciprocal Compensation Recommendation at 94.

1 commissions include those in Connecticut,⁹ Illinois,¹⁰ Texas,¹¹ South
2 Carolina,¹² Tennessee,¹³ Georgia,¹⁴ and Missouri.¹⁵

⁹ 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).

¹⁰ 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.”).

¹¹ 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).

¹² Order on Arbitration, *Petition of Adelphia 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.”).

¹³ 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).

¹⁴ 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.”).

¹⁵ 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 STATE COMMISSIONS THAT HAVE
2 ADDRESSED THE ISSUE OF ASSIGNMENT OF TELEPHONE NUMBERS
3 TO END USERS LOCATED OUTSIDE OF THE RATE CENTER TO WHICH
4 THEY ARE HOMED?

5 A. Yes. For example, the Pennsylvania Commission has required CLECs to assign
6 its customers "telephone numbers with NXX codes that correspond to the rate centers in
7 which the customers' premises are physically located."¹⁶ That Commission had
8 explained its rationale as follows:

9 [E]ach CLEC must comply with BA-PA's local calling areas. This
10 is imperative to avoid customer confusion and to clearly and fairly
11 prescribe the boundaries for the termination of a local call and the
12 incurrence of a transport or termination charge, as opposed to
13 termination of a toll call in which case an access charge would be
14 assessed.¹⁷

15 To cite another example, on June 30, 2000, the Maine Public Utility
16 Commission ordered a CLEC, Brooks Fiber, to return 54 NXX codes which it
17 was using in a "virtual NXX" capacity and rejected Brooks' proposed "virtual
18 NXX" service. The Commission found that Brooks had no facilities deployed in
19 any of the locations to which the 54 NXX codes were nominally assigned. As
such, it rejected Brooks' arguments that it was using the codes to provide local
service, and concluded that Brooks' activities had "nothing to do with local

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").

¹⁶Opinion and Order, *Petition of Focal Communications Corp. 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 10-11 (Pa. PUC Jan. 29, 2001).

¹⁷Order, *Application of MFS Intelenet of Pennsylvania, et al.*, Docket Nos. A-310203F0002, A-310213F0002, A-310236F002 and A-310258F0002, at 19 (Pa. PUC July 31, 1996) ("MFS II Order").

1 competition.”¹⁸ It found that Brooks’ “extravagant” use of the 54 codes “solely
2 for the rating of interexchange traffic” was patently unreasonable from the
3 standpoint of number conservation.¹⁹ The Commission further observed that
4 Brooks’ likely reason for attempting to implement an “FX-like” service, instead
5 of a permissible 800 or equivalent service, was Brooks’ “hope that it might avoid
6 paying Bell Atlantic for the interexchange transport service provided by Bell
7 Atlantic.”²⁰

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

9 **A.** No. The FCC’s *ISP Remand Order* addresses only termination rates, and only with
10 regard to Internet-bound traffic. It does not resolve lost toll revenue and transport cost
11 issues associated with “virtual NXX” assignments. As I previously explained, these
12 issues are not limited to Internet-bound traffic and are not directly related to termination
13 rates. “Virtual NXX” assignment shifts transport costs to Verizon and makes toll calls to
14 which toll charges properly apply appear as though they are local calls.

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

¹⁸*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).

¹⁹*Id.* at 16.

²⁰*Id.* at 12.

1 A. No. The *TSR Wireless Order*²¹ actually supports Verizon's position. In that order, the
2 FCC held merely that an incumbent LEC could not charge for existing facilities used to
3 deliver traffic originated on the incumbent's network to a paging carrier's switch. It did
4 not decide any issue related to interconnection architecture or reciprocal compensation.
5 Moreover, the FCC held that the incumbent *could* charge the paging carrier for a service
6 known as "wide area calling," a service that permits individuals located outside the local
7 calling area in which the paging carrier's facilities to call the paging carrier without
8 incurring toll charges. That service is quite comparable to some "virtual NXX"
9 arrangements.

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

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

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

A. Yes.

²¹ Memorandum Opinion and Order, *TSR Wireless, LLC v. US West Communications, Inc.*, 15 FCC Rcd 11166 (2000).

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

Petition of)	
)	
US LEC OF MARYLAND INC.)	
)	
For Arbitration with Verizon Maryland Inc.	)	Case No. 8922
Pursuant to 47 U.S.C. § 252(b) of the)	
Communications Act of 1934, as Amended)	
By the Telecommunications Act of 1996)	

**REBUTTAL TESTIMONY
OF TERRY HAYNES ON BEHALF OF
VERIZON MARYLAND INC.**

August 9, 2002

VZ#14

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

3 A. Yes.

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

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

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

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

1 different local calling area within the same LATA. It would even be true if the called
2 party were located across the country.

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

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

15 **Q. WHAT REASONS DOES MS. MONTANO GIVE FOR REQUIRING**
16 **RECIPROCAL COMPENSATION ON VIRTUAL FX TRAFFIC?**

17 **A.** As I understand her testimony, she offers three basic arguments. First, she argues that
18 payment of reciprocal compensation is consistent with regulatory rules governing inter-
19 carrier compensation in other contexts. Second, she argues that failure to order reciprocal
20 compensation would discourage the deployment of Virtual FX arrangements. Third, she
21 claims that payment of reciprocal compensation is required by the FCC's *TSR Wireless*

1 Order.¹ None of those arguments is correct. In addition, Ms. Montano offers several
2 arguments regarding the application of access charges to this traffic. That is a separate
3 issue that is not actually presented here, but I will address those arguments as well.

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

6 **A.** No. In fact, as I explained in my direct testimony, in the access charge context, the FCC
7 has directly held that carriers must pay compensation based on the physical location of
8 the called party, not the NXX code of the called party, which is generally associated with
9 the local calling area of the calling party. In other words, the FCC has already decided
10 that although FX traffic may be treated as local for purposes of rating the call to the
11 originating end-user, it should not be treated as local traffic for purposes of inter-carrier
12 compensation. Thus Ms. Montano's statement that "according to FCC Rules and Orders,
13 access charges cannot be imposed on locally dialed calls" (Montano Testimony at 19:8-9)
14 is flatly wrong.

15 **Q. BUT WASN'T THE TRAFFIC AT ISSUE IN THE FCC ORDER YOU**
16 **DISCUSSED INTERLATA TRAFFIC?**

17 **A.** Yes, but the principle is the same. If a local telephone subscriber originates a call to an
18 interLATA FX number, the local exchange carrier delivers the call to the interexchange
19 carrier's point of presence for onward transmission to a called party; the local exchange
20 carrier is entitled to originating access for such a call, even though the call is *rated* as a

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

1 local call. Likewise, in the case of virtual FX traffic, the local exchange carrier delivers
2 the traffic to the CLEC's point of interconnection; the CLEC then delivers the call to the
3 called party, which is by definition located in a different local calling area (which may or
4 may not be within the same LATA). Because the call is interexchange, no reciprocal
5 compensation applies.

6 **Q. BUT VERIZON HAS ADMITTED IN ITS RESPONSE TO US LEC'S**
7 **DISCOVERY THAT VERIZON ITSELF MAY HAVE CHARGED RECIPROCAL**
8 **COMPENSATION ON FX TRAFFIC. ISN'T THAT INCONSISTENT WITH**
9 **YOUR POSITION HERE?**

10 **A.** Verizon may well have charged a very small amount of reciprocal compensation for
11 CLEC-originated calls bound for Verizon FX numbers. In theory, Verizon should not do
12 so -- neither Verizon's agreements nor federal law require payment of reciprocal
13 compensation on traffic bound for Verizon FX numbers. But, as a practical matter,
14 Verizon's billing systems are not set up to distinguish this traffic, no CLEC has every
15 complained about it, and the amount of compensation is so tiny that it makes no practical
16 difference. Verizon would be happy to work with any CLEC to devise a reasonable
17 estimate of the amount of CLEC-originated traffic delivered to Verizon FX numbers, in
18 order to avoid any theoretical overbilling of reciprocal compensation. I describe some
19 possible arrangements below.

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

1 A. Verizon has done traffic studies in other jurisdictions to measure the amount of such
2 traffic, and has consistently found that the amount of traffic is tiny – much less than one
3 percent of CLEC-originated traffic. There is nothing about Verizon's operations in
4 Pennsylvania that would lead me to believe that the results of a traffic study here would
5 be different. The universe of Verizon FX subscribers is miniscule compared with the
6 universe of ordinary local subscribers.

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

10 A. I do not know. We have asked US LEC questions in discovery that are related to this
11 issue and have so far received no answer. But whether US LEC in particular receives a
12 high volume of virtual FX traffic is not the point. Many CLECs do receive very high
13 proportions of virtual FX traffic, and whatever resolution the Commission reaches in this
14 proceeding will be available to all CLECs in Maryland under the opt-in provision of the
15 1996 Act, not just to US LEC.

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

19 A. It is correct that payment of reciprocal compensation on Virtual FX traffic provides an
20 additional incentive for CLECs to deploy those arrangements, but that is an argument
21 against requiring reciprocal compensation, not in favor of it. Payment of reciprocal
22 compensation would permit a CLEC improperly to transfer to Verizon some of the costs
23 of the service that it provides to its customer. That is uneconomic and inefficient. As the

1 FCC has said, in such circumstances, "carriers . . . compete, not on the basis of the
2 quality and efficiency of the services they provide, but on the basis of their ability shift
3 costs to other carriers."² The FCC has identified such regulatory arbitrage as a major
4 impediment to the development of genuine local competition.

5 Q. CAN YOU ELABORATE?

6 A. Yes. Suppose that a Verizon customer in Columbia wants to subscribe to a Sparks
7 Glencoe FX number. Under traditional FX arrangements, the customer would have to
8 subscribe to local service in the Sparks Glencoe exchange, and then pay for transport
9 from the Sparks Glencoe exchange to Columbia. In that circumstance, the customer is
10 paying for the right to receive calls in the Sparks Glencoe exchange and to have those
11 calls transported to Columbia.

12 In the case of the type of virtual FX service that US LEC wants to be able to offer,
13 the customer in Columbia would be assigned an NXX number associated with the Sparks
14 Glencoe exchange. But Verizon – which is the carrier actually bearing the cost of
15 providing service in the Sparks Glencoe exchange – receives no compensation from the
16 customer for the provision of local exchange service in Columbia, even though the
17 customer is benefiting from that service. Moreover, US LEC wants to be able to force
18 Verizon to bear the cost of transporting the traffic from Sparks Glencoe to Columbia,
19 without paying Verizon for that service. Verizon would be doing almost as much work
20 under the virtual FX arrangement as under a traditional FX arrangement provided by

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 Verizon, but receiving no compensation from the virtual FX customer. That is a classic
2 example of shifting costs away from the cost causer – the virtual FX customer – and onto
3 Verizon. And that is a very bad result from the point of view of regulatory policy,
4 because it deprives all parties of accurate price signals. Now, on top of that, US LEC
5 wants to be paid a bounty in the form of reciprocal compensation for each call that
6 Verizon originates in Sparks Glencoe and transports to Columbia. That result is blatantly
7 anticompetitive.

8
9 **Q. MS. MONTANO CLAIMS THAT VIRTUAL FX SERVICE OFFERS**
10 **CUSTOMERS IN REMOTE AREAS (SPARKS GLENCOE IN THE ABOVE**
11 **EXAMPLE) ADDITIONAL PROVIDER CHOICES. IS THAT CORRECT?**

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

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

6 **Q. YOU HAVE ALREADY EXPLAINED THAT VIRTUAL FX SERVICE DOES**
7 **NOT INVOLVE ANY STATE-OF-THE-ART TECHNOLOGY. DO YOU HAVE**
8 **ANYTHING TO ADD ON THAT POINT?**

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

13 **Q. SO SHOULD THE COMMISSION PROHIBIT VIRTUAL FX ARRANGMENTS?**

14 **A.** The Commission could do so – other Commissions have – but that is not my point, and
15 Verizon is not proposing any sort of impediment on CLECs' implementing Virtual FX
16 arrangements. *See Investigation Into Use of Central Office Codes (NXXs) by New*
17 *England Fiber Communications, Inc., LLC d/b/a Brooks Fiber, Docket No. 98-78, Maine*
18 *PUC (rel. June 30, 2000).* But Verizon should not be unfairly burdened with the costs of
19 such arrangements. This is partly a matter of requiring parties to bear an appropriate
20 share of the cost of interconnection arrangements. But it is also crucial that the
21 Commission not order payment of reciprocal compensation on this interexchange traffic.
22 Such compensation is not only contrary to law, it is also plainly wrong from the point of
23 view of regulatory policy.

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

3 A. No. As I explained in my direct testimony, *TSR Wireless* did not address the issue
4 presented here. Indeed, that decision merely ruled that incumbent LECs could not charge
5 paging carriers for existing facilities used to deliver *local* traffic generated on the LEC's
6 network to the paging carrier's switch. The FCC did not rule that any *non-local* traffic
7 would be subject to reciprocal compensation, did not rule that *non-local* traffic had to be
8 delivered without charge, and did not address any issues related to network architecture.
9 The question whether the traffic at issue in *TSR Wireless* was interexchange traffic did
10 not arise because, under the FCC's rules, traffic between CMRS providers and LECs is
11 subject to reciprocal compensation so long as it originates and terminates *within the same*
12 *Major Trading Area*, an area encompassing many exchanges. See 47 C.F.R.
13 § 51.701(b)(2).

14 Q. AFTER YOU FIRST TESTIFIED IN THIS PROCEEDING, THE FCC'S
15 WIRELINE COMPETITION BUREAU DETERMINED, IN AN
16 INTERCONNECTION ARBITRATION, THAT RECIPROCAL
17 COMPENSATION SHOULD BE DETERMINED BASED ON THE NPA-NXX
18 CODES, NOT THE PHYSICAL LOCATION OF THE CALLING PARTY AND
19 THE CALLED PARTY.³ DO YOU HAVE ANY COMMENT ON THAT ORDER?

³ See Memorandum Opinion and Order, *In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218 et al., DA 02-1731 (Wireline Comp. Bur. rel. July 17, 2002) ("*Virginia Arbitration Order*").

1 A. Yes. The Bureau did not rule that reciprocal compensation is required for virtual FX
2 traffic. Rather, what the Bureau said, considering the evidence in that particular
3 proceeding, was that paying reciprocal compensation based on the physical location of
4 the calling party and the called party -- as Verizon proposes here -- would raise "billing
5 and technical issues that have no concrete, workable solutions at this time." *Virginia*
6 *Arbitration Order* ¶ 301. The Bureau's decision was based on the perceived practical
7 difficulty of accurately tracking and billing FX and virtual FX traffic as non-local traffic
8 for reciprocal compensation purposes. But billing reciprocal compensation for virtual
9 FX traffic and FX traffic based on the geographic location of the calling party and the
10 called party poses no significant practical problem. In fact, Verizon has already
11 identified a concrete, workable solution to ensure that FX and virtual FX traffic is
12 properly treated as interexchange traffic for reciprocal compensation and access charge
13 billing purposes, even though such calls are rated as local to the calling party.

14 Q. WOULD YOU DESCRIBE THE MANNER IN WHICH VERIZON EXCLUDES
15 FX TRAFFIC AND FX-LIKE TRAFFIC FROM RECIPROCAL
16 COMPENSATION BILLING?

17 A. Yes, but first I would like to offer a bit of background. Verizon's billing system, for
18 purposes of billing reciprocal compensation, was designed to compare the NPA-NXX
19 codes of the calling party and the called party to determine whether a call is in fact local.
20 That is a reasonable method, because the volume of CLEC originated traffic sent to a FX
21 number on Verizon's network -- for which that method would not yield a correct answer
22 from the point of view of intercarrier compensation billing -- is very small. Based on a
23 traffic study Verizon performed in Florida, such traffic makes up less than one-half of

1 one percent of the CLEC originated traffic delivered to Verizon for termination to its
2 customers.

3 But Verizon has learned, since the advent of local competition, that the
4 assumption that a customer's assigned NPA-NXX code most likely corresponds to the
5 customer's physical location is often not a valid assumption in the case of traffic
6 delivered to CLECs. To the contrary, the volume of locally rated interexchange traffic
7 being delivered to some CLECs makes up a significant percentage of the traffic delivered
8 to those CLECs – in fact, I am aware of situations where almost *all* of the traffic that
9 Verizon delivers to certain CLECs is Virtual FX traffic.

10 To deal with this issue, Verizon has recently taken steps to develop methods to
11 accurately measure the volume of CLEC traffic terminated to Verizon FX numbers.
12 Verizon conducted an inexpensive study in one LATA in Florida to identify those calls
13 that were originated by CLEC customers and terminated to Verizon FX numbers. The
14 study amounted to nothing more elaborate than matching call records that Verizon creates
15 on calls originated from facility based CLEC's to a list of telephone numbers that Verizon
16 assigned to FX service lines. This study was conducted with the intent of providing a
17 means for Verizon to properly estimate the access revenue that CLECs would be entitled
18 to for CLEC originated calls terminated to Verizon FX numbers. At the same time,
19 Verizon considered what approach would be required to properly account for traffic
20 originated by Verizon customers which terminated on CLEC virtual FX numbers. Two
21 options were identified. One option would be for the CLEC to conduct a study, similar to
22 the one performed by Verizon, to quantify the number of Verizon customer originated
23 minutes that were delivered to the CLEC virtual FX numbers. The other option would be
24 for the CLEC to notify Verizon of the numbers it has assigned as virtual FX numbers. In

1 this scenario, Verizon would modify its traffic data collection system to capture all traffic
2 delivered to the NPA-NXXs associated with the virtual FX numbers. A data query could
3 then be run to identify what portion of the traffic delivered to the NPA-NXXs was
4 actually virtual NXX traffic. A billing adjustment would then be entered into each
5 parties' billing system to properly account for the Verizon traffic delivered to the CLEC
6 virtual FX numbers. For example, US LEC would credit from its reciprocal
7 compensation billing to Verizon all amounts associated with these Virtual FX minutes,
8 while Verizon would bill US LEC access charges for those minutes at whatever rate is
9 found to be appropriate. Verizon is prepared to work with US LEC to implement one of
10 these options so that traffic can be properly billed.

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

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

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

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

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

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

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

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

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

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 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

5 A. Yes.

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND**

**IN THE MATTER OF THE ARBITRATION
OF US LEC OF MARYLAND, INC. VS.
VERIZON MARYLAND INC.
PURSUANT TO 47 U.S.C. § 252(b)**

*
* **CASE NO. 8922**
*
*

DIRECT TESTIMONY

OF

STEVE MOLNAR

**ON BEHALF OF THE STAFF
OF THE
PUBLIC SERVICE COMMISSION OF MARYLAND**

August 9, 2002

PSC #1

INTRODUCTION

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4

5 A. My name is Steve Molnar. I am a regulatory economist in the
6 Telecommunications Division of the Public Service Commission of
7 Maryland.

9 Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND
0 PROFESSIONAL EXPERIENCE.

11

12 A. My educational background and experience are included in Attachment B.

13

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
15 PROCEEDING?

16 A. The purpose of my testimony is to discuss the petition filed by US LEC of
17 Maryland, Inc. ("US LEC") that requests the Commission to arbitrate
18 unresolved issues between US LEC and Verizon Maryland, Inc. ("VMD")¹.
19 US LEC presented eleven issues for arbitration (See Attachment A).
20 However, Issues 7, 10, and 11 have been resolved by the parties.²

¹ *Petition of US LEC of Maryland, Inc. for Arbitration* ("Petition"), filed April 12, 2002.

1 *"Should Verizon be permitted to force US LEC to designate its collocation*
2 *site at a Verizon end office as the US LEC IP where Verizon will deliver its*
3 *traffic?"*

4
5 Although VMD disagrees with US LEC's description of VMD's position on
6 Issue 2,³ the focus of both issues revolves around the location and
7 number of interconnection points that US LEC should establish for the
8 exchange of traffic with VMD.

9
10 **Q. WHAT IS VMD'S VGRIP PROPOSAL?**

11
12 **A. VGRIP** (Virtual Geographically Relevant Interconnection Points)
13 represents VMD's preferred procedure for CLECs to establish points of
14 interconnection. The effect of VGRIP is to create a distinction between a
15 physical point of interconnection ("POI") and a financial point of
16 interconnection ("IP"). According to VMD witness D'Amico, VGRIP
17 creates a more reasonable method for allocating transport costs between
18 US LEC and VMD.⁴ Both US LEC and VMD discuss their positions on
19 points of interconnection in detail in their testimonies and other filings
20 made in this proceeding. Therefore, I have not repeated them.

³ VMD Response to US LEC Petition at. 16.

⁴ *Direct Testimony of Peter J. D'Amico on Behalf of Verizon Maryland Inc.*, June 10, 2002, p. 3.

1 A, Yes. Sprint provided a compromise that was patterned after an
2 agreement that Sprint had reached with BellSouth. Essentially, Sprint
3 agreed to establish any new Sprint facilities within five miles of Verizon's
4 switching center (either tandem or end office switch); existing
5 interconnection locations would be grandfathered. In addition, Sprint
6 agreed to establish additional interconnection locations if traffic exceeds
7 8.9 million minutes per month (essentially one DS3's worth of traffic) and
8 is greater than 20 miles and not in a local calling area.⁷

9
10 **Q. WAS THE ABOVE PROPOSAL ADOPTED BY THE PANEL IN THE**
11 **SPRINT PROCEEDING?**

12
13 A. Yes.

14
15 **Q. HOW WOULD THE SPRINT PROPOSAL ALLEVIATE VMD'S**
16 **CONCERNS?**

17
18 A. If US LEC and VMD were to follow a Sprint-like arrangement, US LEC
19 would be responsible for the transport costs once the traffic reaches a
20 monthly usage threshold or the two end points of a DS3 between the POI
21 and the end office from which the traffic originates are more than 20 miles

⁷ Id at 493.

1 **Q. HAS US LEC OFFERED A PROPOSAL TO RESOLVE THIS ISSUE?**

2

3 **A. Yes. US LEC Witness Hoffman describes a US LEC proposal at page 6 of**
4 **his direct testimony. Under this proposal, US LEC would establish POIs at**
5 **every access tandem within a LATA and US LEC would also establish**
6 **direct end office trunking to each VMD end office where US LEC delivers**
7 **at least 200,000 minutes of use per month. US LEC would continue to**
8 **maintain a single IP per LATA under its proposal.**

9

10 **Q. HAS THE FEDERAL COMMUNICATIONS COMMISSION ("FCC")**
11 **CONSIDERED THIS ISSUE?**

12

13 **A. Yes. In its recent order regarding an arbitration proceeding between**
14 **Verizon Virginia Inc. ("VVA") and three CLECs (AT&T, WorldCom, and**
15 **Cox), the FCC specifically rejected VVA's VGRIP proposal and adopted**
16 **the interconnection language proposed by the CLECs.⁹ The FCC,**
17 **however, agreed with VVA that there were serious concerns with the**
18 **apportionment of costs for virtual FX traffic. The FCC noted that the issue**
19 **of virtual FX service was under examination in an industry-wide**

In the Matter of Petitions of WorldCom, Inc., Cox Virginia Telecom, Inc. and AT&T Communications of Virginia Inc., Pursuant to Section 252(e) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc. and for Expedited Arbitration, CC Docket Nos. 00-218, 00-249, and 00-251 (Rel. July 17, 2002) (the "FCC VA Arbitration Order") at para. 39.

1 A. Issue 6 reads as follows:

2

3 *"(A) Should the parties be obligated to compensate each other for calls to*
4 *numbers with NXX codes associated with the same local calling area?*

5 *(B) Should Verizon be able to charge originating access to US LEC on*
6 *calls going to a particular NXX code if the customer assigned the NXX is*
7 *located outside of the local calling area associated with that NXX code?"*

8

9 This issue relates to the provision of virtual FX service by US LEC and
10 how VMD should compensate US LEC for terminating US LEC's traffic.
11 VMD asserts that that such traffic should not be subject to reciprocal
12 compensation because it more closely resembles long distance traffic.

13

14 **Q. DID THE FCC ADDRESS THIS MATTER IN THE VVA ARBITRATION**
15 **PROCEEDING?**

16

17 A. Yes. The FCC ruled in favor of the petitioners noting that the current
18 industry practice for rating calls is based on the three-digit NPA
19 (Numbering Plan Area) exchange codes.¹¹ Attempting to rate calls based
20 on their originating and terminating locations leads to certain technical
21 issues that have not yet been solved. The FCC explained, however, that

¹¹ See FCC VA arbitration Order, para. 301.

ISSUES LIST

Issue 1: Is US LEC permitted to select a single Interconnection Point ("IP") per Local Access and Transport Area ("LATA"), to select the interconnection method, and to require Verizon to bear the financial responsibility to deliver its originating traffic to the IP chosen by US LEC?

Issue 2: Should Verizon be permitted to force US LEC to designate its collocation site at a Verizon end office as the US LEC-IP where Verizon will deliver its traffic?

Issue 3: Is US LEC entitled to reciprocal compensation for terminating "Voice Information Services" traffic?

Issue 4: Should US LEC be required to provide dedicated trunking at its own expense for Voice Information Service traffic that originates on its network for delivery to Voice Information Service providers served by Verizon?

Issue 5: Should the term "terminating party" or the term "receiving party" be employed for purposes of traffic measurement and billing over interconnection trunks.

Issue 6: (A) Should the parties be obligated to compensate each other for calls to numbers with NXX codes associated with the same local calling area?
(B) Should Verizon be able to charge originating access to US LEC on calls going to a particular NXX code if the customer assigned the NXX is located outside of the local calling area associated with that NXX code?

Issue 7: (*Settled by the parties.*) Should Verizon be obligated to act as the transit carrier for US LEC and other third party local exchange carriers?

Issue 8: What compensation framework should govern the parties' exchange and termination of ISP-bound traffic in the event the FCC's Internet Order is vacated or reversed on appeal?

Issue 9: Should Verizon be permitted to change its non-tariffed charges during the term of the agreement, or must such charges remain fixed for the entire term?

Issue 10: (*Settled by the parties.*) (A) Should the time period during which a party may dispute charges be limited to sixty (60) days from the invoice date, or should a party be permitted to dispute charges for an indefinite period?; and (B) May an entire class of charges be disputed at once, or must each charge be disputed separately?

Issue 11: (*Settled by the parties.*) Should Verizon's proposed insurance requirements be adjusted to coverage levels that are consistent with the insurance that US LEC currently maintains?

QUALIFICATIONS

Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Arts degree in accounting from Syracuse University in 1976 and a Master of Business Administration degree from Rensselaer Polytechnic Institute in 1981. I held various accounting positions in private industry until accepting employment with the Public Service Commission in 1984. Other positions I have held at the Commission include cost of capital analyst, fiscal administrator, and Assistant Chief Auditor, all in the Accounting Division.

PA Arbitration:

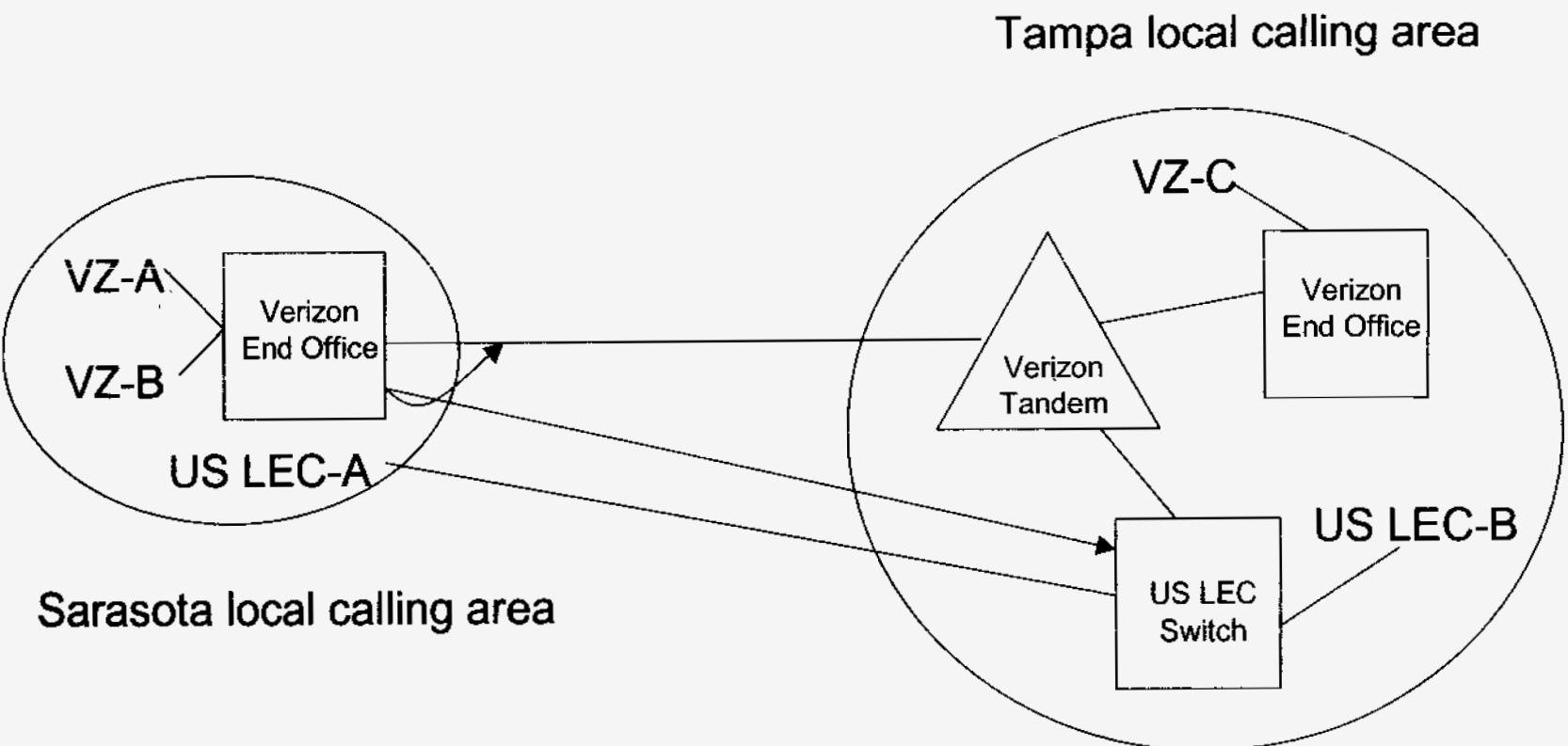
Transcript – Prehearing Conference and Volumes I and II

US LEC 1: FCC Intercarrier Compensation NPRM
US LEC 2: excerpt of FCC rules, 47 CFR, Subpart F (pricing), 51.501
US LEC 3: VZ-PA's 1st Supplemental Responses to US LEC's 1st Set of DRs

Verizon 1: diagram of Philadelphia LATA and Allentown LCA
Verizon 2: diagram of Allentown LCA
Verizon 3: Interconnection Attachment of US LEC/VZ-PA redline
Verizon 4: portion of US LEC-PA's local tariff
Verizon 5: website print out of US LEC's products/services

Pennsylvania arbitration testimony:

Direct and Rebuttal Testimony of Peter D'Amico
Direct and Rebuttal Testimony of Terry Haynes
Direct Testimony of Karen Fleming
Direct and Rebuttal Testimony of Wanda Montano
Direct and Rebuttal Testimony of Frank Hoffman



FLORIDA PUBLIC SERVICE COMMISSION
 DOCKET NO. 020412-TP EXHIBIT NO. 9
 COMPANY: William Munsell/Verizon
 WITNESS: 02/06/03
 DATE: _____

Products

Long distance and toll-free services

- ▲ ADVANTAGE Flat Rate plan
- ▲ 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

Featured

ADVANTAGE T

Local

Long distance
and toll-free

Internet and enhanced

Additional

Satisfaction guarantee
and SLAs

Back to products

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

Top

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

Top

Long Distance Invoice Reports

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET
NO. 020412-TP EXHIBIT NO. 10
COMPANY/
WITNESS: Terry Haynes/Verizon
DATE: 02/06/03

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.

[Top](#)

Account codes

US LEC offers clients the ability to identify and track calls by user or