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March 12, 2001

Mrs. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 000075-TP

Dear Mrs. Bayo:

Enclosed for filing in the above-referenced docket are an original and fifteen (15) copies of the direct testimony of Gregory R. Follensbee on behalf of AT&T Communications of the Southern States, Inc, TCG South Florida and MediaOne Florida Telecommunications, Inc.

Copies of the foregoing are being served on all parties of record in accordance with the attached Certificate of Service.

Thank you for your assistance with this matter.

Sincerely,

Marsha Rule

Marsha Rule

MER:kj
Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by U. S. Mail, to the following this 12th day of March, 2001:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF GREGORY R. FOLLENSBEE

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.,
TCG SOUTH FLORIDA, AND
MEDIAONE FLORIDA TELECOMMUNICATIONS, INC.

DOCKET NO. 000075-TP

MARCH 12, 2001

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF GREGORY F. FOLLENSBEE

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.,

TCG SOUTH FLORIDA, AND

MEDIAONE FLORIDA TELECOMMUNICATIONS, INC.

Q. PLEASE STATE YOUR NAME, ADDRESS AND EMPLOYMENT.

A. My name is Gregory R. Follensbee, and I am employed by AT&T Corp. as a Director in its Law & Government Affairs organization, providing support for AT&T's regulatory and legislative advocacy in the nine states that make up AT&T's Southern Region. My office is at 1200 Peachtree Street, Suite 8100, Atlanta, Georgia 30309.

Q. PLEASE DESCRIBE YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE AS THEY RELATE TO ISSUES IN THIS PROCEEDING.

A. I graduated from Florida State University in 1972 with a Bachelors of Science degree in accounting. I began work in August of that year as a field auditor with the Florida Public Service Commission. In 1976, I was promoted to Manager over the accounting group devoted to regulating electric and gas public utilities. In 1978, I was promoted to Manager over the accounting for all public utilities regulated in Florida. In 1979, I was

promoted to Director of the Accounting Department, which expanded my responsibilities to include all accounting matters for all public utilities regulated in Florida, which included auditing, cost of capital, and taxes. In 1980, the department was expanded to include Management Audits as well. In October 1983, I left the Florida Commission and began work with AT&T. I was a District Manager in its State Governmental Affairs staff organization, supporting AT&T's advocacy of regulatory issues for its Southern Region. In 1990, I became the Assistant Vice President for State Government Affairs for the State of South Carolina. In 1995, I returned to Atlanta and was promoted to Division Manager, responsible for AT&T's regulatory and legislative advocacy in the nine states in AT&T's Southern Region.

Q. HAVE YOU TESTIFIED IN OTHER REGULATORY PROCEEDINGS IN THE PAST?

A. Yes. I have testified in Florida, Georgia, Kentucky, Louisiana, North Carolina and South Carolina.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of AT&T Communications of the Southern States, Inc., TCG South Florida and MediaOne Florida Telecommunications, Inc. (collectively "AT&T") on the following issues:

- What types of local network architectures are currently employed by ILECs and ALECs, and what factors affect their choice of architectures? (Issue 11)
- How should a "local calling area" be defined, for purposes of determining the applicability of reciprocal compensation? (Issue 13)
- What are the responsibilities of an originating local carrier to transport its traffic to another local carrier? (Issue 14 a)
- For each responsibility identified in part (a), what form of compensation, if any, should apply? (Issue 14 b)
- How should the policies established in this docket be implemented? (Issue 18)

ISSUE 11: WHAT TYPES OF LOCAL NETWORK ARCHITECTURES ARE CURRENTLY EMPLOYED BY ILECS AND ALECS, AND WHAT FACTORS AFFECT THEIR CHOICE OF ARCHITECTURES?

Q. BRIEFLY DESCRIBE THE ISSUE REGARDING NETWORK ARCHITECTURE.

A. Although this is an informational issue, it relates to a dispute about whether ILECs should be responsible for the costs of originating, transporting, and terminating local calls from their own customers to AT&T customers.

Some ILECs have proposed to shift some of their transport costs to ALECs. The effect of this proposal would be to force AT&T and other ALECs to design their networks less efficiently and force their customers to bear the costs of doing so simply because an ILEC refuses to transport its own originating traffic as it is required to do, as it has historically done, and as it continues to do for calls to its own customers. In reviewing this issue, the Commission should focus on the harm to competition and consumers caused by any such proposal as well as the illegality of the proposal under the Telecommunications Act of 1996 (the "Act") and FCC regulations.

Q. WHAT HAS GIVEN RISE TO THIS ISSUE?

A. The issue arises because ALECs have deployed efficient networks that do not match the ILECs' existing networks. AT&T and BellSouth have arbitrated this issue, so I will illustrate the differences using BellSouth and AT&T as an example.[1] In order to interconnect the BellSouth and AT&T networks, the two parties must deploy Interconnection Facilities between the switches serving AT&T's customers, the end office switches serving BellSouth

[1] AT&T has not yet arbitrated this issue with Verizon or Sprint, but is aware that Verizon proposes to shift even more of its costs to ALECs. For convenience I therefore will refer to such cost-shifting proposals as "the ILECs' proposal."

customers and the subtending BellSouth tandem switches.[2] The parties must then establish trunking between these switches for the efficient routing of interconnection traffic.

As I explain in greater detail below, to compete effectively for local exchange customers in Florida, AT&T has designed and deployed an efficient network architecture that is substantially different than the embedded ILEC network. This means that some calls from ILEC customers to AT&T customers must be transported beyond the ILEC basic local calling areas to be delivered to the AT&T switch that serves the terminating AT&T customers. Despite the unequivocal legal obligation of each party to bear the cost to transport and terminate its own traffic, some ILECs object to bearing any costs for Interconnection Facilities beyond the ILEC basic local calling areas. BellSouth, for example, takes this position even though AT&T and BellSouth have agreed that calls within each LATA will be considered local for purposes of reciprocal compensation. BellSouth is proposing (along with other ILECs) that AT&T bear the cost of transporting BellSouth's traffic from BellSouth's calling areas to AT&T's switch for completion of such calls to AT&T's customers.

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[2] Interconnection Facilities are the physical transmission channels that transport traffic between the AT&T and BellSouth switches that are used for local and intraLATA toll traffic. Facilities should be differentiated from trunks or trunk groups, which are the logical connections between two switches permitting traffic to be routed in an efficient manner. Trunks are established over working facilities.

Q. YOU MENTIONED THAT ILECS' AND AT&T'S NETWORK ARCHITECTURES ARE SUBSTANTIALLY DIFFERENT. PLEASE EXPLAIN.

A. AT&T's and ILECs' networks are similar in the sense that they both cover comparable geographic areas. Beyond this one similarity, however, the two networks are substantially different with respect to their architecture.

An ILEC network is a multi-layer or tiered network. An ILEC has many end office switches spread out over its service area, which are installed in the neighborhoods populated by its customers. These end office switches are interconnected by an overlying network of tandems. When certain volume levels are achieved and it is cost effective, the ILEC uses high-capacity trunks that directly link certain end office switches (bypassing the tandems). A typical ILEC network architecture is depicted in my Exhibit GRF-1.

This hierarchical or layered network was largely dictated by the technology that was available during the time these networks were deployed. At the time ILEC networks were deployed, there were limited transport options on the end-user side of the switch, resulting in many switches being deployed in the neighborhood in order to keep loop lengths relatively short. As I understand it, ILECs now find the use of their tandem switches to be the least costly method of interconnecting many end offices until certain traffic thresholds are achieved between two end offices, and only then is it more efficient for an ILEC to directly connect the two end offices.

This arrangement recognizes that an ILEC's tandem facilities (both switch and common shared transport) are less expensive to utilize for occasional use than the capacity commitment associated with dedicated transport, until enough traffic develops to fill the dedicated transport facilities.

Q. WHAT ABOUT AT&T'S NETWORK?

A. In contrast to an ILEC's network, AT&T's local telephony network is relatively new. Therefore, AT&T's switches[3] are deployed consistent with the costs and efficiencies of today's technology. Currently, AT&T has a menu of options that are capable of economically connecting end users located relatively far from a switch. These options include: (1) high capacity fiber optic rings to commercial buildings and multiple dwelling units; (2) fixed wireless technology now being beta tested (although this technology would likely come under a different (CMRS) interconnection agreement), (3) UNE loop resale through AT&T collocation in an ILEC end office, and (4) dedicated high-capacity facilities (in some cases using special access services purchased from an ILEC but more appropriately through combinations of UNEs). Due to the very high initial cost of switching platforms as compared to the lower incremental cost of high-capacity facilities, AT&T has chosen to deploy fewer switches and more transport on the end-user side of the switch.

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[3] Although AT&T switches normally provide both an end office and tandem function and are really multi-function switches, I will refer to them in this testimony simply as "switches." In AT&T's proposed Interconnection Agreement, they are referred to as "switch centers."

Even where AT&T has determined the need for multiple switches within a LATA, they are often collocated within the same building.

The distinction between the two networks is that ILECs deployed tandems first and then grew into high use dedicated trunking between offices, AT&T deploys a single switch combined with long transport on the end-user side of the switch, because that combination is incrementally less costly than adding a new switch in each part of a market. AT&T's network architecture is depicted in my Exhibit GRF-2.

Consistent with AT&T's efficient architecture, there are certain LATAs within which AT&T has not physically deployed a switch. However, in such cases AT&T has agreed to establish at least one physical Point of Interconnection (POI)[4] within the LATA, and AT&T will provide all of the facilities (for both originating and terminating traffic) between its switch and such POI. Where AT&T has chosen not to deploy a switch within a LATA, AT&T will still establish a POI as if it were an AT&T switch (i.e., AT&T has virtually extended its switching functionality into the LATA to the POI). The AT&T architecture, therefore, provides a switch (or switching presence) in every ILEC LATA.

Q. WHY DIDN'T AT&T DEPLOY A NETWORK ARCHITECTURE THAT IS SIMILAR TO THE ILECS'?

A. Considering the number of customers AT&T serves, the volume of traffic generated by these customers, and the geographic dispersion of these customers, the ILEC network architecture would be highly inefficient for AT&T. Despite the inefficiency, the ILECs propose that AT&T be required to replicate the ILEC network architecture for network interconnection, or at least be required to incur the cost that would be associated with replicating that architecture. Requiring ALECs to incur unnecessary expenses associated with an inefficient network structure is not only prohibited by FCC rules, as shown below, but will greatly impede competition in Florida.

ISSUE 13: HOW SHOULD A "LOCAL CALLING AREA" BE DEFINED FOR PURPOSES OF DETERMINING THE APPLICABILITY OF RECIPROCAL COMPENSATION?

Q. HOW IS "LOCAL CALLING AREA" DEFINED IN AT&T'S INTERCONNECTION AGREEMENTS?

A. AT&T and BellSouth have agreed to define local calls as any calls that originate and terminate within the LATA. Thus, the local calling area is LATA-wide. AT&T will seek this same arrangement when it renegotiates its agreements with Verizon and Sprint.

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[4] As used in this testimony POI means the physical point at which the two networks are

Q. SHOULD THIS DEFINITION BE THE SAME FOR ALL ALECS?

A. No. Each ALEC should be free to establish whatever local calling area best suits its plans for offering local service in the state. The Commission should not mandate one definition for "local calling area" for purposes of determining the applicability of reciprocal compensation.

ISSUE 14(a): WHAT ARE THE RESPONSIBILITIES OF AN ORIGINATING CARRIER TO TRANSPORT ITS TRAFFIC TO ANOTHER LOCAL CARRIER?

Q. WHAT ARE THE RESPONSIBILITIES OF AN ORIGINATING CARRIER TO TRANSPORT ITS TRAFFIC TO ANOTHER LOCAL CARRIER?

A. Prior to the passage of the Act, unless a call was directed to the operating territory of another local carrier, the originating carrier was responsible for the costs of originating, transporting and terminating each call, simply because the call never left the originating carrier's territory or network. Consistent with the originating carrier's overall financial responsibility, the originating carrier collected and retained the applicable revenue.

With the passage of the Act, the originating carrier continues to collect and keep the local exchange revenue, but where an ALEC terminates the call

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interconnected for the mutual exchange of traffic.

(because the terminating customer belongs to that ALEC), the Act requires the ILEC to compensate the terminating carrier for its costs through reciprocal compensation. However, the Act did not alter the long-standing economic model under which the originating carrier collects the local exchange revenue and is responsible for the costs of originating, transporting and terminating its own customers' traffic. Section 252(d)(2)(A) of the Act very clearly assigns such costs to the originating carrier:

> [A] a state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless... such terms and conditions 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 on the other carrier.

Q. DOES THE ILECS' PROPOSAL PROPERLY ASSIGN RESPONSIBILITY TO THE ORIGINATING CARRIER TO TRANSPORT ITS TRAFFIC TO ANOTHER LOCAL CARRIER?

A. No. To meet the "just and reasonable" test under Section 252(d)(2)(A), both parties must have comparable obligations to deliver traffic to the other party's network. If the ALEC is not compensated for the "costs associated with the transport and termination on [its] network facilities of calls that originate on the network facilities on the other carrier", then the resulting Agreement

would be neither "just" nor "reasonable". If the parties have unequal interconnection obligations, as proposed by the ILECs, then they also should have non-symmetrical reciprocal compensation rates, so that each party would recover its respective costs to transport and terminate the other party's traffic.

Q. WHY WOULD THE ILECS' PROPOSAL REQUIRE AT&T TO REPLICATE THE ILEC'S NETWORK?

A. ILECs have sufficient volume of traffic within and between each of their local calling areas to cost justify trunking to those areas and have designed their networks accordingly. AT&T may or may not have a sufficient volume of traffic between each ILEC local calling area to cost justify trunking to those areas. As AT&T enters a new market, it starts with few or no customers. In such circumstances, AT&T certainly would not have a sufficient volume of traffic to cost justify end office trunking to such local calling areas or justify the capital needed to build out AT&T's network to match ILEC networks. In these areas, the most efficient method for AT&T to interconnect to the ILEC network for AT&T's traffic would be by establishing a POI at the ILEC tandem switch. It would be highly inefficient (and therefore would make market entry more difficult and costly) for AT&T to establish trunk groups by leasing them from an ILEC or to build network by constructing and installing our own facilities where the volume of AT&T traffic does not justify such leasing or construction of facilities. AT&T

should be permitted to determine the most cost efficient method of interconnection for itself, regardless of the volumes of traffic that an ILEC may have with or between certain local calling areas.

ISSUE 14(b): FOR EACH RESPONSIBILITY IDENTIFIED IN PART (a), WHAT FORM OF COMPENSATION, IF ANY, SHOULD APPLY?

Q. WHAT WOULD BE THE CONSEQUENCES OF REQUIRING AT&T TO INTERCONNECT WITHIN EACH ILEC LOCAL CALLING AREA?

A. Such a requirement would have three adverse affects on Florida consumers. First, consumers would lose the benefits of the efficient network architectures deployed by AT&T and other ALECs, producing higher network costs. Second, it would shift to ALEC consumers the transport costs that ILECs are required to lawfully bear under the Act. The interconnection arrangement proposed by the ILECs would be extremely unfair to ALEC consumers, substantially more favorable to ILECs and would suppress investment in competitive facilities. The higher costs that ALEC consumers would be forced to bear under the ILEC proposal would make those Florida markets that would have been marginally profitable under AT&T's proposal,

uneconomic to serve, and would discourage market entry in those areas not yet served.[5]

Q. SHOULD THE COMMISSION ORDER TERMINATING CARRIERS TO PAY ANY FORM OF COMPENSATION TO ORIGINATING CARRIERS FOR TRANSPORTING THE ORIGINATING CARRIER'S TRAFFIC TO THE TERMINATING CARRIER?

A. Absolutely not. Not only would such cost shifting be unlawful, but such a compensation scheme would be harmful to competition in Florida. AT&T has proposed, and my testimony explains, that the Commission's decision should be neutral with regard to network architecture (i.e., each party should have the same relative obligations when it is in the role of originating carrier) and should require each party to bear the costs to transport and terminate its own traffic.

Q. WHAT COSTS ARE INCURRED TO ORIGINATE, TRANSPORT AND TERMINATE TRAFFIC AS YOU DESCRIBE IN YOUR TESTIMONY?

A. My Exhibit GRF-3 depicts the costs that an ILEC incurred to complete a call prior to the Act. Exhibit GRF-4 to my testimony depicts the costs that an

[5] Additionally, the ILEC proposal ultimately allows ILECs to continue to determine the local calling areas for Florida's consumers by forcing ALECs to mimic whatever local calling areas currently are in place.

originating carrier is expected to incur to compete a call between competing LECs under the Act. Exhibit GRF-4 also depicts AT&T's proposed interconnection and compensation arrangement. Please note that AT&T's proposal allocates costs between the parties in the exact same manner whether the originating carrier is an ALEC or an ILEC. Likewise, the proposal is equally applicable whether the terminating carrier is an ALEC or an ILEC. In either case, the originating carrier bears the cost to originate and transport its traffic to the terminating carrier, and pays reciprocal compensation to the terminating carrier.

Exhibit GRF-5 depicts the ILEC compensation proposal. If you compare how the transport costs are allocated to each party in this diagram, it is clear that the ILEC proposal is not reciprocal and that the ILEC has shifted a large potion of its interconnection costs to the ALEC. Exhibit GRF-5 shows that AT&T would not only bear all of the costs to deliver its traffic to the ILEC network when AT&T is the originating carrier, but that AT&T also would bear all of the costs to carry the ILEC 's traffic to the AT&T network when the ILEC is the originating carrier.

Q. WHY IS THE ILEC COST-SHIFTING PROPOSAL UNFAIR TO ALECS AND THEIR CUSTOMERS?

A. Under the ILEC proposal, ALECs and ILECs would have substantially inequitable obligations to provide interconnection facilities. AT&T would be financially responsible for the delivery of its own traffic to each ILEC end

office, but the ILEC would only deliver its traffic to AT&T within the ILEC's own local calling areas. This situation is unfair to ALECs and their customers, because the parties do not have reciprocal interconnection obligations, even if the ILEC and AT&T networks cover geographically comparable areas and have symmetrical compensation rates.

Q. WHY SHOULD THE COMMISSION ASSIGN RESPONSIBILITY FOR COSTS ON AN EQUIVALENT BASIS?

A. First of all, as I discuss below, the law requires it. If an ALEC has only a small network and only offers service over a small geographic area or only to an exclusive group of customers, then that ALEC's network would not be comparable to the ILEC's network. But AT&T has made substantial network investments in Florida and AT&T offers its local exchange services without regard to location. Therefore, the Commission should require that the ILEC and AT&T networks be interconnected on an equivalent basis, such that each party bears the cost to originate, transport, and terminate its own customers' calls.

The ILEC compensation proposal ignores the legitimacy of ALECs' network architecture, and would require compensation solely on the basis of *the ILEC's* network architecture. In other words, the ILECs are asking the Commission to ascribe an arbitrary preferred status upon the ILEC's network, such that all ALECs must either mirror that architecture or make payment for not doing so. While the ILECs may believe that their networks are entitled to

this arbitrary status because they pre-existed local telephone competition or because it was built based on a traditional hierarchical network architecture. The Commission should not be led into making such a decision.

Q. SHOULD THE ILEC LOCAL CALLING AREA BE THE BASIS FOR INTERCONNECTING THE TWO PARTIES NETWORKS?

A. No. The ILEC's local calling areas should not be the basis of network interconnection. The ILECs' original local calling areas were established for the purpose of setting rates solely for the ILECs' customers. The ILECs' local calling areas bear no relationship to the capacity of switches and other facilities deployed by ALECs or ILECs. Moreover, there is no such thing anymore as "a" local calling area. For some time the ILECs have offered EAS plans and now even offer LATA-wide local calling areas. These various calling plan options dispel any suggestion that there is any real significance to the geographic scope of any given local calling area. Moreover, the ILECs' local calling areas may be subject to substantial changes as the ILEC and its competitors seek competitive advantages for their respective local service offerings. More fundamentally, interconnection based solely on the ILECs' local calling areas does not foster competition and does not benefit consumers. To interconnect based on the ILECs' local calling areas would completely disregard the legitimacy of a competitor's local calling areas, would discourage competitors from expanding local calling areas for the benefit of customers and competition, and certainly would not be reciprocal.

Moreover, using the ILECs' local calling areas as the basis of network interconnection substantially compromises the network efficiencies of the alternative network architectures deployed by AT&T, forcing AT&T into an inefficient ILEC look-a-like interconnection arrangement, and forcing its customers to bear the burden of those inefficiencies.

Q. IS AT&T IMPROPERLY ATTEMPTING TO SHIFT FACILITY COSTS FROM AT&T TO THE ILEC FOR AT&T'S CUSTOMERS' TRAFFIC THAT TERMINATES ON THE ILEC'S NETWORK?

A. No. AT&T believes that it is responsible for the costs to originate, transport and terminate its own traffic. Accordingly, AT&T proposes that it provide (by either leasing or building) all of the facilities for its originating traffic between the AT&T switch and the POI selected by AT&T, and that AT&T compensate the ILEC – through reciprocal compensation - for any transport and switching functions provided by the ILEC for the completion of AT&T's traffic. Regardless of any claims by the ILECs to the contrary, AT&T agrees to bear the full financial costs of its traffic.

Contrary to AT&T's fair, reciprocal and lawful position, the ILECs are trying to shift their interconnection facility costs to AT&T. The ILECs retain the vast majority of end users and the revenue these customers produce, yet the ILECs seek to avoid compensating AT&T for AT&T's costs in terminating traffic from the ILECs' end-users. This provides the ILECs with an unlawful

competitive advantage. Accordingly, the Commission should reject the ILECs' proposal and adopt the AT&T proposal.

Q. BUT DOESN'T THE ILEC PROPOSAL REFLECT THE ADDITIONAL COSTS THAT THE ILECS MUST INCUR TO PROVIDE FACILITIES FROM ITS LOCAL CALLING AREA TO THE AT&T SWITCH?

A. No. The ILEC proposal is nothing more than an anti-competitive proposal to unilaterally designate interconnection points for ILEC-originated traffic. If the ILEC designates interconnection points at end offices some distance from the AT&T point of presence, the inter-carrier compensation will not be symmetrical. Indeed, the ILECs' proposal confirms the FCC's conclusion that:

> Because an incumbent LEC currently serves virtually all subscribers in its local serving area, an incumbent LEC has little economic incentive to assist new entrants in their efforts to secure a greater share of that market. An incumbent LEC also has the ability to act on its incentive to discourage entry and robust competition by not interconnecting its network with the new entrant's network or by insisting on supracompetitive prices or other unreasonable

conditions for terminating calls from the entrant's customers to the incumbent LEC's subscribers.[6]

Q. IF AT&T CHOOSES TO PLACE ONE SWITCH PER LATA, SHOULDN'T THE ILEC BE ALLOWED TO PLACE ITS INTERCONNECTION POINT AT ITS DESIRED LOCATION?

A. No. The Act and FCC orders clearly allow ALECs to interconnect at any technically feasible point. The single switch presence per LATA allows new entrants to grow their business economically without having to duplicate the ILECs' existing network. If Congress had wanted the ILECs to have the ability to designate interconnection points and ALECs to bear the same duty in establishing interconnection points that the ILEC has, it would have specifically stated that outcome, rather than separating out the interconnection obligations to apply only to incumbent LECs under Section 251(c)(2).

Q. HAS THE FCC PROVIDED ANY GUIDANCE ON THIS ISSUE?

A. Yes. This issue has two sub-parts. First, should the ILEC have the right to designate the point on its network within its own local calling area where it will deliver its local and intraLATA traffic to AT&T? Second, how should

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[6] First Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Red. 1J499 (1996) at ¶ 10 (footnote omitted), hereinafter "FCC Local Competition Order".

the costs of Interconnection Facilities be allocated between the parties? The FCC has spoken on both of these issues, as discussed below.

Q. DO EXISTING FCC RULES ALLOW THE ILEC TO DESIGNATE THE POINT ON ITS NETWORK WHERE AT&T MUST ACCEPT THE ILEC'S TRAFFIC?

A. No. FCC regulations do not allow the ILEC or any ILEC the right to designate the point at which the other party must "pick up" the ILEC's traffic. To the contrary, Rule 51.305(a)(2) obligates the ILEC to allow interconnection by an ALEC at any technically feasible point. In its Local Competition Order, the FCC explained:

> The interconnection obligation of section 251(c)(2), discussed in this section, allows competing carriers to choose the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers' costs of, among other things, transport and termination of traffic.[7]

The FCC identified the Act as the source of these differing obligations:

> Section 251(c)(2) does not impose on non-incumbent LECs the duty to provide interconnection. The obligations of

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[7] FCC Local Competition Order at ¶ 172 (emphasis added).

LECs that are not incumbent LECs are generally governed by sections 251(a) and (b), not section 251(c). Also, the statute itself imposes different obligations on incumbent LECs and other LECs (i.e., section 251(b) imposes obligations on all LECs while section 251(c) obligations are imposed only on incumbent LECs).[8]

Q. DOES THE FACT THAT THERE IS NO PROHIBITION AGAINST ILECS DETERMINING TECHNICALLY FEASIBLE INTERCONNECTION POINTS GIVE THEM THE RIGHT TO DO SO?

A. No. As noted above, the interconnection obligations of LECs and ILECs are specifically identified in the Act. The ILEC may not assume authority that is not provided for in the Act. The ILECs have claimed in other proceedings that they should be permitted to designate the point where AT&T must pick up ILEC traffic so that the ILEC may avoid the transport costs at issue. However, the FCC's statement is clear: the ALEC alone has the right to designate the point at which traffic is exchanged, "thereby lowering the competing carriers' costs." The FCC reiterated its reasoning in connection

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[8] Id. at ¶ 220.

with an interconnection dispute in Oregon, where the FCC intervened and urged the court to reject US West's argument that the Act requires competing carriers to interconnect in the same local exchange in which it provides local service. The FCC explained:

> Nothing in the 1996 Act or binding FCC regulations require a new entrant to interconnect at multiple locations within a single LATA. Indeed, such a requirement could be so costly to new entrants that it would thwart the Act's fundamental goal a opening of opening local markets to competition.[9]

More recently, in its order on SBC's 271 application for Texas, the FCC made clear its view that under the Telecommunication Act, ALECs have the legal right to designate the most efficient point at which to exchange traffic. As the FCC explained:

> New entrants may select the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers' cost of, among other things, transport and termination.[10]

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[9] Memorandum of the FCC as Armucus Curiae at 20-21, *US West Communications Inc. v. AT&T Communications of the Pacific Northwest, Inc.*, (D. Or. 1998) (No. CV 97-1575- JE) (emphasis added).

[10] Memorandum Report and Order, *Application of SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell*

The FCC was very specific:

> Section 251, and our implementing rules, require an incumbent LEC to allow a competitive LEC to interconnect at any technically feasible point. This means that a competitive LEC has the option to interconnect at only one technically feasible point in each LATA.

Q. WHAT HAS THE FCC PROVIDED ON HOW COSTS OF INTERCONNECTION FACILITIES SHOULD BE ALLOCATED BETWEEN THE PARTIES?

A. 47 C.F.R. § 51.703(b) very clearly provides: "A LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network."

Further, 47 C.F.R. § 51.709(b) reads:

> 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.

In its Local Competition Order, the FCC explained:

> The amount an interconnecting carrier pays for dedicated transport is to be proportional to its relative use of the dedicated facility. For example, if the providing carrier provides one-way trunks that the inter-connecting carrier uses exclusively for sending terminating traffic to the providing carrier, then the inter-connecting carrier is to pay the providing carrier a rate that recovers the full forward-looking economic cost of those trunks. The inter-connecting carrier, however, should not be required to pay the providing carrier for one-way trunks in the opposite direction, which the providing carrier owns and uses to send its own traffic to the inter-connecting carrier.[11]

A simple hypothetical example should make the application of this rule clear. When there is a sufficient volume of traffic between an AT&T switch and a certain ILEC end office, AT&T will elect to establish one-way trunks between the two switches to deliver AT&T's originating traffic.

The least costly method for AT&T to obtain the transport needed for such trunks may be to lease the capacity from the ILEC as dedicated transport. The ILEC would also need to establish one-way trunks between the same two

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InterLATA Services in Texas, CC Docket No. 00-65 at ¶ 78 (June 30, 2000).

switches for its originating traffic. The ILEC almost certainly will establish such trunks on its own facilities. What we end up with is a single ILEC facility system between the AT&T and the ILEC switches that is used to carry both AT&T's one-way trunks and the ILEC's one-way trunks.

The FCC is saying in C.F.R. 51.709(b) that the ILEC may recover only the cost of the proportion of that trunk capacity used by AT&T between the two switches to send traffic that will terminate on the ILEC's network. AT&T agrees that it will pay for the transport for its one-way trunks.

However, contrary to 47 C.F.R. 51.709(b), the ILECs' proposal is to recover the costs of *both* AT&T's portion *and* the costs of the proportion of that trunk capacity used by the ILEC to send traffic that will terminate on AT&T's network. This will be especially onerous to AT&T when the volume of traffic originated on the ILEC's network far exceeds the volume of traffic that is originated on AT&T's network.

The situation is identical when AT&T elects to route traffic via an ILEC tandem switch rather than via direct end office trunks. Again, AT&T agrees to pay the ILEC for the one-way trunk capacity needed to transport AT&T's traffic between the AT&T switch and the ILEC tandem; however, AT&T should not be required to pay the ILEC for one-way trunks in the opposite direction, which the ILEC owns and uses to send its traffic to AT&T.

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[11] FCC Local Competition Order at ¶ 1062 (emphasis added).

Q. HAS THE FCC ISSUED ANY DECISIONS ON THIS ISSUE?

A. Yes. In *In re TSR Wireless, LLC, et. al., v. U.S. West,* file Nos. E-98-13, et. al., FCC 00-194 (June 21, 2000) (appeal pending), several paging carriers alleged that US West and other ILECs had improperly imposed charges for facilities used to deliver LEC-originated traffic. The paging carriers based their complaint on 47 C.F.R. § 51.703(b) and sought an order from the FCC prohibiting the ILECs from charging for dedicated and shared transmission facilities used to deliver LEC-originated traffic.

The FCC agreed with the paging carriers. The FCC found that: (1) paging carriers provide telecommunications and are thus included within the scope of the rules governing reciprocal compensation (47 C.F.R. § 701(e)) and (2) paging carriers "switch" and "terminate" traffic within the meaning of those rules. Therefore, the FCC determined that "any LEC efforts to continue charging CMRS or other carriers for delivery of such [LEC-originated] traffic would be unjust and unreasonable." Accordingly, the FCC concluded in the TSR Wireless Order that the ILECs "may not impose upon Complainants charges for the facilities used to deliver LEC-originated traffic to Complainants."

Additionally, the FCC just reiterated its position that ILECs are responsible for delivering their traffic in its recent Order granting interLATA relief to SBC in Oklahoma. In that order, the FCC states:

Technically Feasible Points of Interconnection

232. We conclude that SWBT provides interconnection at all technically feasible points, including a single point of interconnection, and therefore demonstrates compliance with the checklist item. SWBT asserts that it makes each of its standard methods of interconnection available at the line side or trunk side of the local switch, the trunk connection points of a tandem switch, central office cross-connect points, out-of-band signaling transfer points, and points of access to UNEs.[12] SWBT demonstrates that it has state-approved interconnection agreements that spell out readily available points of interconnection, and provide a process for requesting interconnection at additional, technically feasible points.[13] SWBT further shows that, for purposes of interconnection to exchange local traffic, a competitive LEC may choose a single, technically feasible point of interconnection within a LATA.[14]

233. Some commenters argue that SWBT effectively denies a competing carrier the right to select a single point of interconnection by improperly shifting to competing carriers inflated transport and

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[12] SWBT Application at 76; SWBT Deere Aff. at paras. 15; 21-22. SWBT will provide other technically feasible alternatives using the Special Request Procedure set forth in the K2A and O2A. *Id.* at 15; 84-88.

[13] SWBT Application at 76. SWBT's state-approved K2A and O2A require SWBT to provide other collocation arrangements that have been demonstrated to be technically feasible and in compliance with the *Advanced Services Order*.

[14] In compliance with our *SWBT Texas Order*, SWBT modified the language of its K2A and O2A to allow a carrier to choose a single point of interconnection in a LATA. *See SWBT Texas Order*, 15 FCC Rcd 18390, para. 78; *see also* SWBT Application at 76; SWBT Deere Aff. at para. 5, 14, 66.

switching costs associated with such an arrangement.[15] For example, AT&T avers that, in a technical conference in Oklahoma after the adoption of the O2A, SWBT advanced several compensation arrangements relating to a competing carrier's choice of interconnection and collocation which require AT&T to pay inflated transport costs upon exercising its right to a single point of interconnection.[16] SWBT responds that AT&T largely misunderstands the positions it advanced at the technical conference, and that AT&T's claims are best addressed at the state level through the negotiation and arbitration process.[17] SWBT further argues that the Commission previously determined that carriers seeking a single point of interconnection should bear any additional cost associated with taking traffic to and from the point of interconnection in the other exchange.[18]

234. Because these commenters, including AT&T, take issue only with positions advanced by SWBT in a technical conference, we find that the issues raised are hypothetical ones, and therefore do not

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[15] AT&T Comments at 24; *see also* Cox Comments at 10; WorldCom Reply at 38.

[16] *See* AT&T Comments, Attachment 2 at 14-20.

[17] *See* SWBT Reply at 77-87.

[18] *Id.* at 86. SWBT relies on the following language from its Texas interconnection agreement with WorldCom: "MCI(WorldCom) and SWBT agree that MCI(WorldCom) may designate, at its option, a minimum of one point of interconnection within a single SWBT exchange where SWBT facilities are available, or multiple points of interconnection within the exchange, for the exchange of all traffic within that exchange. If WorldCom desires a single point for interconnection within a LATA, SWBT agrees to provide dedicated or common transport to any other exchange within a LATA requested by

warrant a finding of non-compliance with checklist item 1. Although SWBT's interpretation of the state-approved interconnection agreement raises potential future compliance issues regarding the interplay between a single point of interconnection and reciprocal compensation, our review must be limited to present issues of compliance.[19] Indeed, we understand that AT&T has filed for arbitration of these issues in Oklahoma.[20] To the extent that the parties believe that this is a matter requiring more explicit rules, we invite them to file a petition for declaratory ruling or petition for rulemaking with the Commission.

235. Finally, we caution SWBT from taking what appears to be an expansive and out of context interpretation of findings we made in our *SWBT Texas Order* concerning its obligation to deliver traffic to a competitive LEC's point of interconnection.[21] In our *SWBT Texas Order*, we cited to SWBT's interconnection agreement with MCI-WorldCom to support the proposition that SWBT provided carriers

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WorldCom, or WorldCom may self-provision, or use a third party's facilities." *See SWBT Texas Order*, 15 FCC Rcd 18390, para. 78 n. 174.

[19] *SWBT Texas Order*, 15 FCC Rcd 18367, para. 27.

[20] *See* Oklahoma Commission Reply at 16. We also note that in its Reply, SWBT makes certain concessions regarding future interpretation of certain language in the O2A and K2A that is at issue. For example, in response to AT&T's argument that SWBT requires a CLEC collocated in a SWBT end office to interconnect there by provisioning direct trunks, AT&T Comments at 28, SWBT concedes that the proper reading of the O2A and K2A is that direct trunking from the CLEC's collocation facility is an option, not a requirement. *See* SWBT Reply at 81.

[21] *See* SWBT Reply at 86-87.

the option of a single point of interconnection.[22] We did not, however, consider the issue of how that choice of interconnection would affect inter-carrier compensation arrangements. Nor did our decision to allow a single point of interconnection change an incumbent LEC's reciprocal compensation obligations under our current rules. [23] For example, these rules preclude an incumbent LEC from charging carriers for local traffic that originates on the incumbent LEC's network.[24] These rules also require that an incumbent LEC compensate the other carrier for transport[25] and termination[26] for local traffic that originates on the network facilities of such other carrier.[27]

Q. WHY SHOULD THE COMMISSION ADOPT AT&T'S SOLUTION?

A. AT&T's network interconnection solution will benefit AT&T, the ILECs and Florida consumers in the following ways:

1. AT&T's solution is fair to both parties.

First, both parties would establish equivalent interconnection between the respective networks. Neither party would gain a substantial advantage over the other, as the ILECs propose. Second, both parties would provide

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[22] *See SWBT Texas Order*, 15 FCC Rcd 18390, para. 78 n. 174.
[23] *See* 47 C.F.R. §§ 51.701 *et seq.*
[24] 47 C.F.R. § 51.703(b); *see also TSR Wireless, LLC et al. v. U.S. West*, File Nos. E-98-13, E-98-15, E-98-16, E-98-17, E-98-18, FCC No. 00-194 (rel. June 21, 2000), *pet. for review docketed sub nom.*, Qwest v. FCC, No. 00-1376 (D.C. Cir. Aug. 17, 2000).
[25] 47 C.F.R. § 51.701(c).
[26] 47 C.F.R. § 51.701(d).

interconnection facilities in proportion to the interconnection traffic that it delivers to the other party. Considering the geographic parity of both parties' networks, it would clearly be unfair to AT&T to adopt the practice of disproportional, unequal interconnection.

2. AT&T's solution promotes competition.

AT&T's proposal allows competing callers to use alternative network architecture without any penalty. Additionally AT&T's proposal does not require ALECs to duplicate the network already established by the ILEC. Less costly and more efficient solutions are promoted, not discouraged.

3. AT&T's solution provides flexibility to the parties.

Each party would have a variety of methods that it may employ to deliver its traffic to the other party's terminating switch. Parties can lease facilities from one another, they can lease facilities from third parties, implement a mid-span meet, or they can deliver their traffic using AT&T's facilities. Under AT&T's proposal, even though not obligated to do so, AT&T is even willing to offer the ILEC space, power, and site services in its switching centers, compensated appropriately, so that the ILEC may use its own facilities to deliver its interconnection traffic to such AT&T locations. In this way, each party may determine for itself the most efficient method of interconnection under the terms of the Agreement.

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[27] 47 C.F.R. § 51.701(e).

4. AT&T's solution allows AT&T to use scarce collocation space for interconnection to UNEs.

The ILEC's proposed interconnection arrangement jeopardizes AT&T's local market entry plans, because it allows the ILEC to "hand-off" its traffic at an ILEC location that may have limited or no additional collocation space. AT&T has found that the smaller AT&T collocation arrangements in certain ILEC end offices are being prematurely exhausted by the transport of the ILEC's interconnection traffic through such collocation space. AT&T requires collocation space within an ILEC end offices so that AT&T may interconnect to an ILEC's UNEs in order to fulfill its market entry plans. Because of this duel need for collocation space, the ILEC's proposal forces AT&T to choose between essential uses of scare collocation space; where there is an equal priority on using collocation space for network interconnection and UNE combination. The result of the ILECs' proposal is that in many areas AT&T's local market entry may be delayed or thwarted. AT&T's solution provides for a joint transition plan that would require that the ILECs' interconnection traffic to be transitioned from any existing POI in jeopardized AT&T collocation space to a new POI. The Commission should adopt AT&T's network interconnection solution, because, otherwise, consumers served by an ILEC end office for which AT&T's collocation space is exhausted would not enjoy the same level of local exchange competition as customers in unaffected areas.

5. AT&T's solution is consistent with law and regulation.

The FCC has made clear that ILECs do not have the right to determine where ALECS must interconnect to pick up ILEC traffic. ALECs can interconnect at any technically feasible point, and can select a point that is most efficient to lower costs. AT&T's proposal clearly meets these requirements.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

ATTACHMENT 1 - ILEC NETWORK ARCHITECTURE

= ILEC TANDEM

= ILEC END OFFICE

= END USER

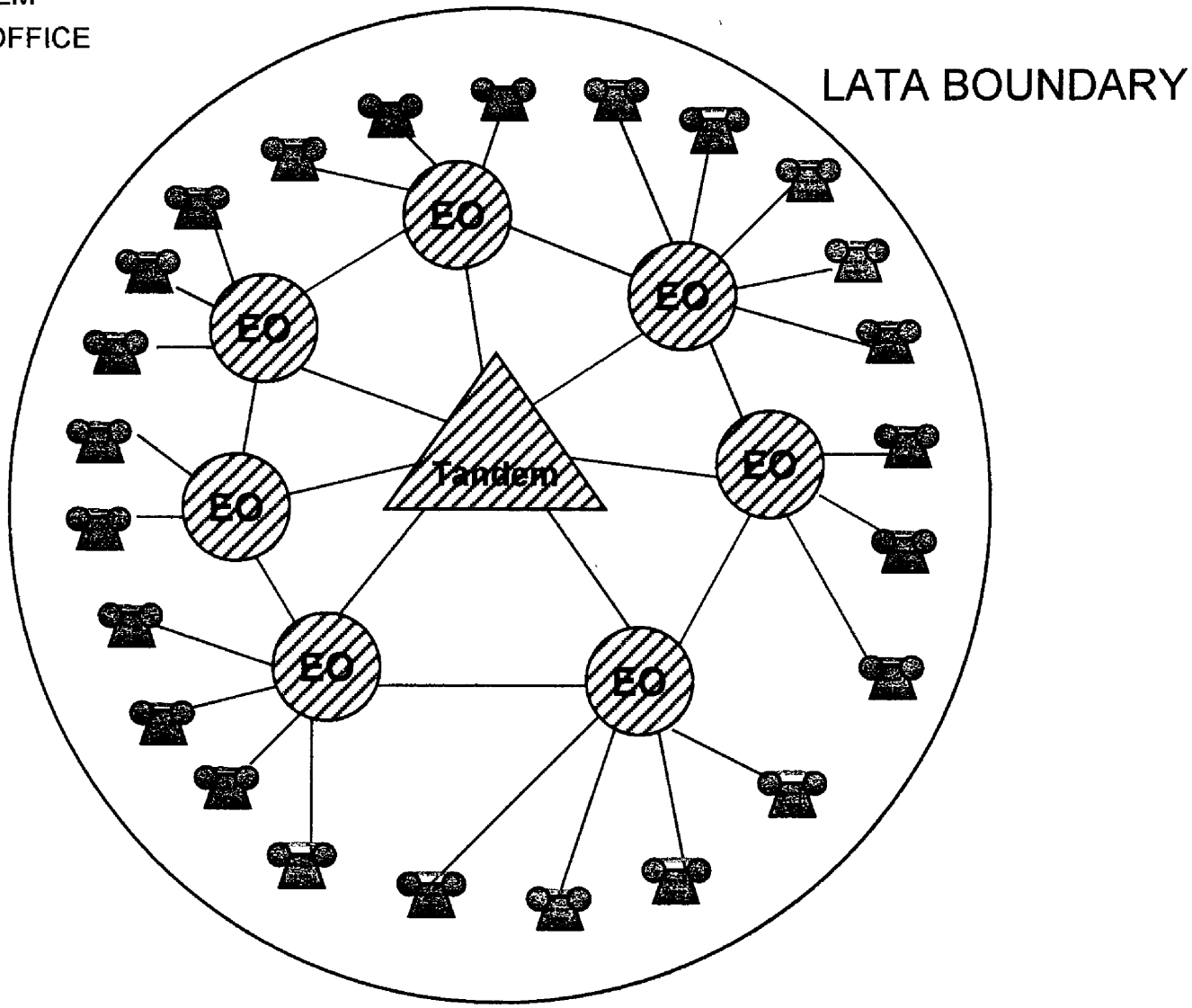

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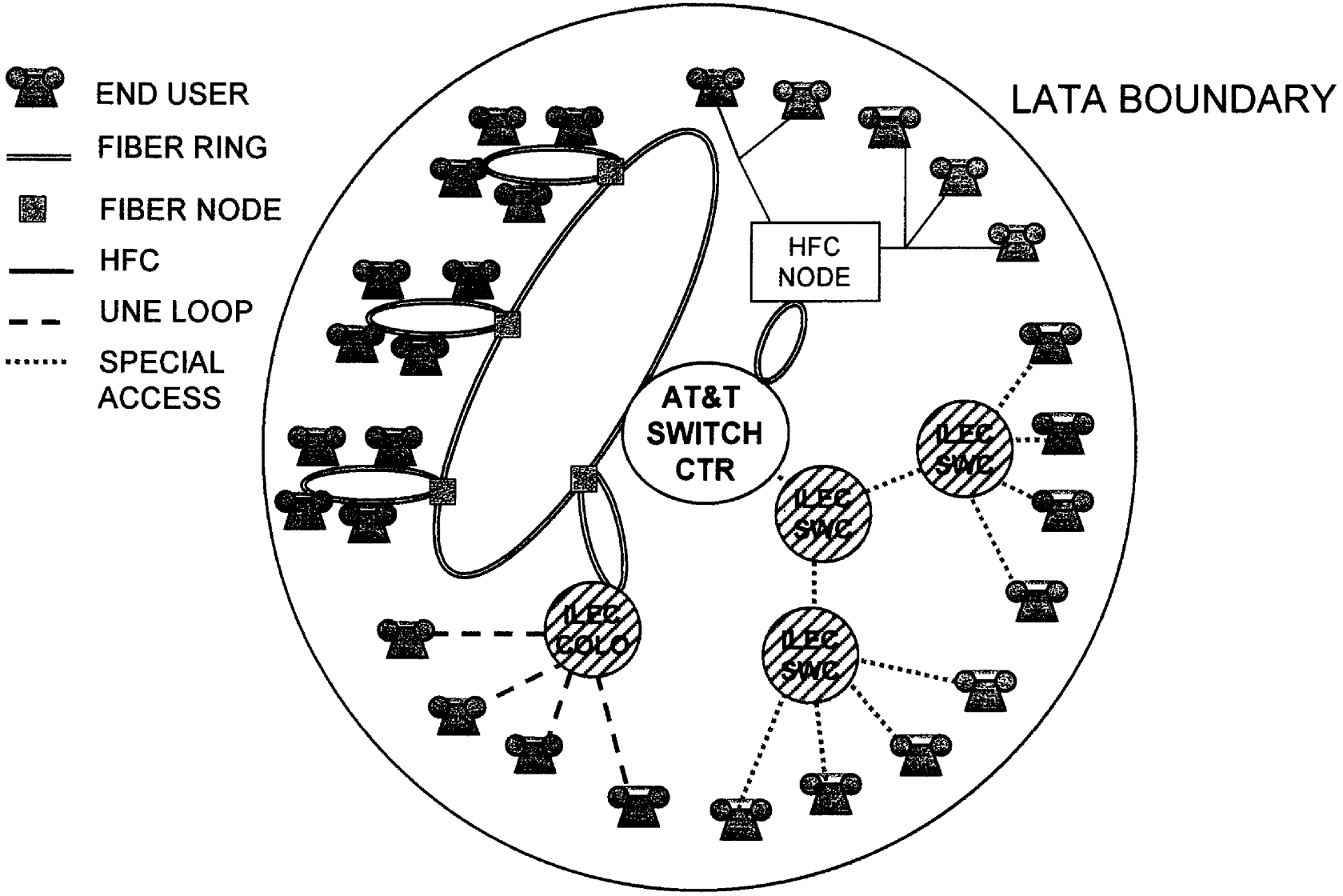
Exhibit GRF-1

ATTACHMENT 2 - AT&T NETWORK ARCHITECTURE



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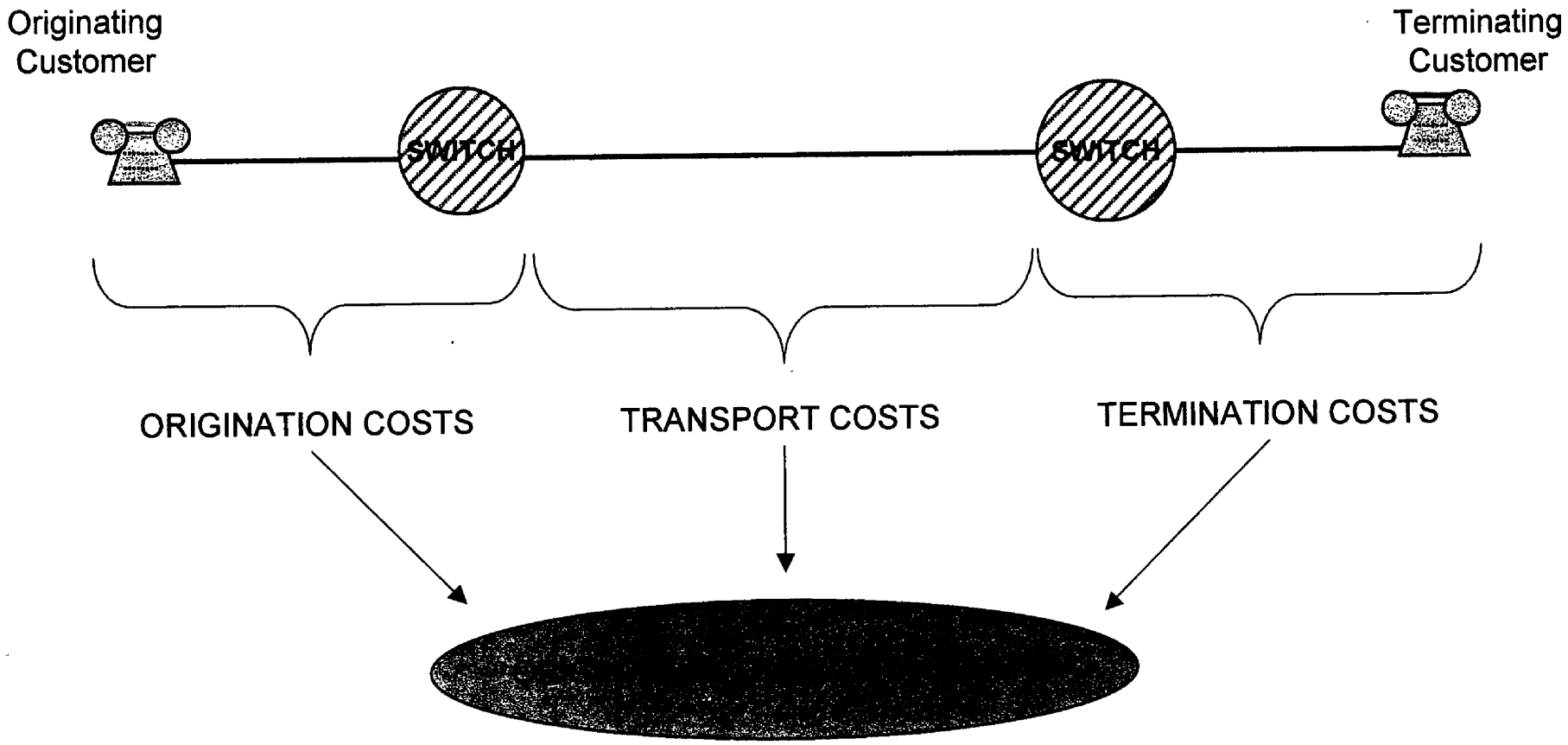
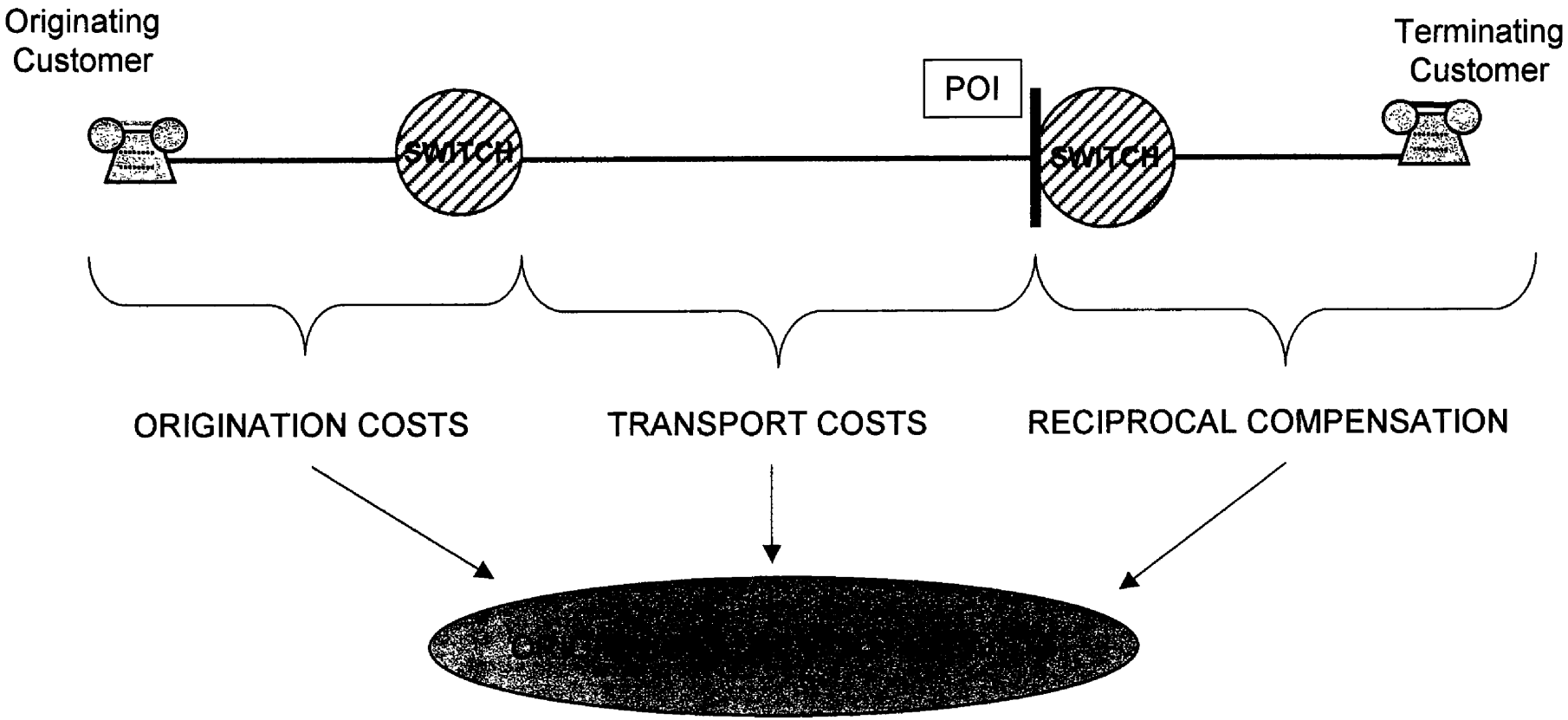
ATTACHMENT 3 - PRE-TRA COST MODEL



ATTACHMENT 4 - TRA COST MODEL AND AT&T PROPOSAL



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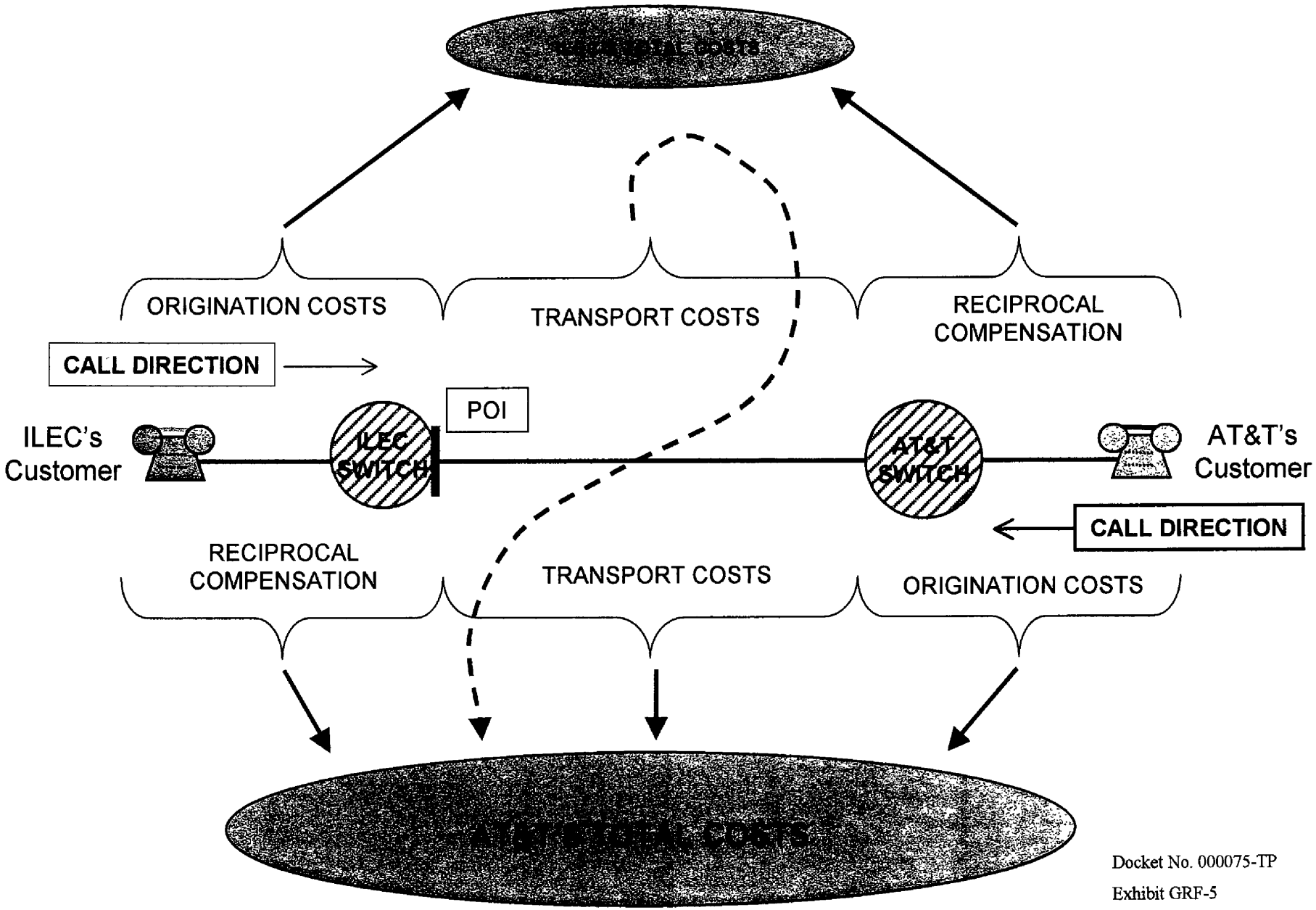
ATTACHMENT 5 - ILEC PROPOSAL



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