

Kimberly Caswell
Vice President and General Counsel, Southeast
Legal Department



FLTC0007
201 North Franklin Street (33602)
Post Office Box 110
Tampa, Florida 33601-0110

Phone 813 483-2606
Fax 813 204-8870
kimberly.caswell@verizon.com

May 31, 2001

RECEIVED-FPSC
01 MAY 31 PM 3:06
RECORDS AND
REPORTING

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

Re: Docket No. 000075-TP (Phase II)
Investigation into appropriate methods to compensate carriers for exchange of
traffic subject to Section 251 of the Telecommunications Act of 1996

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of Verizon Florida Inc.'s
Prehearing Statement in the above matter. Also enclosed is a diskette with a copy of
the Prehearing Statement in Word 97 format. 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 /dm

____ Kimberly Caswell

____ KC:tas

____ Enclosures

____ 1

____ 1

RECEIVED & FILED

mas
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

06839 MAY 31 01

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate) Docket No. 000075-TP
Methods to compensate carriers for) Filed: May 31, 2001
Exchange of traffic subject to Section)
251 of the Telecommunications)
Act of 1996)
_____)

VERIZON FLORIDA INC.'S PREHEARING STATEMENT

Verizon Florida Inc. (Verizon) files its Prehearing Statement in accordance with the Order on Schedule and Issues for Phase II (number PSC-01-0632-PCO-TP, issued March 15, 2001) and Commission Rule 25-22.038.

A. Witnesses

Verizon's witnesses for this proceeding and the issues to which they will testify are as follows:

Edward C. Beauvais, Ph.D: Issues 12, 13, 14, and 16(b). Dr. Beauvais also touches upon issues 10, 17, and 18, but these issues are primarily legal in nature and will be addressed in more detail in Verizon's posthearing statement.

Terry Haynes: Issue 15 (a) and (b).

Howard Lee Jones: Issue 11.

Elizabeth A. Geddes: Issue 16(a).

B. Exhibits

Verizon will introduce the following exhibits:

1. Ex. ECB-2, Global Naps Newsflash (attached to Dr. Beauvais' Direct Testimony).

2. Ex. TAH-1, Maine PUC Order Prohibiting Virtual NXX Service (attached to Mr. Haynes' Direct Testimony).
3. Ex. HLJ-3, ILEC PRI Model (attached to Mr. Jones' Direct Testimony).
4. Ex. HLJ-4, CyberPOP Model (attached to Mr. Jones' Direct Testimony).
5. Ex. HLJ-5, NaviNet Switch Bypass Case Study (attached Mr. Jones' Direct Testimony).
6. Ex. HLJ-6, NaviNet Bypass Solutions In the Real World Paper (attached to Mr. Jones' Direct Testimony).

Verizon reserves the right to introduce additional exhibits at the hearing or other appropriate points.

C. Verizon's Basic Position

In recent weeks, the FCC has issued a benchmark order concerning reciprocal compensation and opened a rulemaking to consider all forms of intercarrier compensation. *Implementation of the Local Competition Provisions in the Telecomm. Act of 1996; Intercarrier Compensation for ISP-Bound Traffic, Order on Remand and Report and Order, FCC 01-131 (Remand Order) (April 27, 2001)* and *Developing a Unified Intercarrier Compensation Regime, Notice of Proposed Rulemaking, FCC 01-132 (Intercarrier Compensation Notice) (April 27, 2001)*. The rulemaking will examine all forms of carrier compensation with the intent 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. The feasibility of a bill-and-keep approach for such a unified regime is one such option that will be examined. Verizon's testimony discusses some of the attributes of a bill-and-keep approach for local traffic, but Verizon is not prepared to take a final position on an

appropriate compensation scheme at this time, given the flux in the industry. Verizon, likewise, urges the Commission to refrain from making any generic decisions about compensation methods until the FCC has considered the matter. The Commission could hear the evidence in this case, but hold any decisions in abeyance until there is more certainty about the FCC's intended compensation scheme. Indeed, if the Commission adopts a reciprocal compensation scheme for local traffic that is incompatible with the FCC's, then this Commission's scheme will likely have to be altered.

D., E., F., G. Verizon's Specific Positions

Verizon believes the issues identified for resolution in this case are mixed questions of fact, law, and policy.

Issue 10: Pursuant to the Telecommunications Act of 1996 (Act), the FCC's rules and orders, and Florida Statutes, what is the Commission's jurisdiction to specify the rates, terms, and conditions governing compensation for transport and delivery of traffic subject to Section 251 of the Act?

Verizon's Position: At present, this Commission may address compensation mechanisms for the transport and delivery of traffic subject to section 251(b)(5) of the Act. However, the FCC has undertaken a rulemaking to establish a compensation scheme for this traffic. *Intercarrier Compensation Notice*. If this Commission adopts a compensation mechanism that is inconsistent with the FCC's, it will likely need to be modified. Verizon thus recommends that the Commission hear the evidence, but refrain from making any generic decisions about intercarrier compensation pending further development of the issue at the federal level.

The Commission should also bear in mind that Internet service provider (ISP)-

bound traffic is not subject to section 251(b)(5), but is, instead, a form of information access. It is thus governed by section 251(g) and the FCC's rules and policies; this Commission may not establish any compensation mechanisms for ISP-bound traffic. *Remand Order.*

Issue 11: What types of local network architectures are currently employed by ILECs and ALECs, and what factors affect their choice of architectures? (Informational issue).

Verizon's Position: The ILEC, as carrier of last resort, serves a dispersed and diverse customer base. Its network has evolved over many decades, with design factors influenced by regulatory directives and the state of technology at particular points in time. ALECs, on the other hand, are free to focus on particular customer sets (such as ISPs) and so will design their networks to most efficiently serve those customers. In addition, the ALECs' networks are all relatively new. Their newer and more targeted networks (for the selected customers and traffic served) can be expected to produce lower costs relative to the ILECs' networks. Any intercarrier compensation scheme should consider the differences in networks and cost characteristics as between ALEC and ILEC networks.

Issue 12: Pursuant to the Act and FCC's rules and orders:

- (a) Under what condition(s), if any, is an ALEC entitled to be compensated at the ILEC's tandem interconnection rate?
- (b) Under either a one-prong or two-prong test, what is "similar functionality?"
- (c) Under either a one-prong or two-prong test, what is "comparable geographic area?"

Verizon's Position: If the Commission adopts a positive-price compensation scheme (as opposed to bill-and-keep), an ALEC may receive compensation at the ILEC's tandem rate if the ALEC's switches serve an area comparable to that served by the ILEC's tandem switch; and if the ALEC's switches perform functions similar to those performed by the ILEC's tandem switches (that is, switching calls between other switches, and not switching calls directly to end users). If either condition of this two-prong FCC test is not met, then compensation at the tandem interconnection rate is not appropriate. In addition, the ALEC should only be permitted to bill at the tandem rate to the extent that it offers an end office alternative, as the ILECs offer the less expensive direct end office connection to ALECs. ILECs should not be forced to bear the costs of transport to the ALEC's chosen interconnection point, or to compensate the ALEC for transport from that interconnection point back to the terminating customer. If the originating LEC is always held financially responsible for the ALEC's choice of switch location and architecture, then the ALEC will never have an incentive to efficiently deploy additional switch or interconnection points.

Issue 13: How should a "local calling area" be defined, for purposes of determining the applicability of reciprocal compensation?

Verizon's Position: For purposes of applying reciprocal compensation, "local calling area" should be defined by reference to the originating ILEC's tariffs. Anything else would enable ALECs to eviscerate the local/toll/access distinction and undermine service and rate relationships.

- Issue 14:**
- (a) What are the responsibilities of an originating local carrier to transport its traffic to another local carriers?**
 - (b) For each responsibility identified in part (a), what form of compensation, if any, should apply?**

Verizon's Position: An originating carrier must negotiate arrangements for the transport of local traffic to the carrier receiving the call. The originating carrier's obligations in this regard are to be specified in the interconnection agreement between the carriers. There are a number of possible transport arrangements, and they need not be the same as between all pairs of carriers.

- Issue 15:**
- (a) Under what conditions, if any, may carriers assign telephone numbers to end users physically located outside the rate center in which the telephone number is homed?**
 - (b) Should the intercarrier compensation mechanism for calls to these telephone numbers be based upon the physical location of the customer, the rate center to which the telephone number is homed, or some other criterion?**

Verizon's Position: If ALECs are permitted to assign telephone numbers to end users who are physically located outside the rate center associated with the particular telephone numbers, then the ILEC has no way of knowing how to properly rate the calls to those end users. An intercarrier mechanism should be based upon the geographic location and rate center where the receiving customer is located, and the ILEC's originating local calling area, as discussed above. To the extent an ALEC chooses to offer foreign-exchange-like, interexchange toll replacement service through the use of virtual NXX numbers, then the ALEC must be responsible for providing the transport associated with that service. Otherwise, the distinction between local and toll calling, embodied in the ILECs' tariffs and this Commission's policies, will be impossible to maintain.

- Issue 16:** (a) **What is the definition of Internet Protocol (IP) telephony?**
- (b) **What carrier-to-carrier compensation mechanism, if any, should apply to IP telephony?**

Verizon's Position: IP telephony involves the provision of a telephony application using Internet Protocol. IP telephony encompasses a broad variety of services and may be offered in various configurations (*i.e.*, between two personal computers (PCs), between a phone and a PC, or between two phones); over a combination of different types of underlying backbone networks (*e.g.*, the public Internet or a private network); and over different types of access networks (*e.g.*, corporate intranet or broadband connection). Because IP telephony is still a rather nascent technology and because it is the subject of an ongoing FCC rulemaking, the parties generally concur that there is no need for this Commission to establish any generic IP telephony compensation mechanisms in this docket.

Issue 17: Should the Commission establish compensation mechanisms governing the transport and delivery of traffic subject to Section 251 of the Act to be used in the absence of the parties reaching an agreement or negotiating a compensation mechanism? If so, what should be the mechanism?

Verizon's Position: As noted, there is an ongoing FCC rulemaking to examine a unified intercarrier compensation scheme, so Verizon believes it would be premature for this Commission to establish any compensation mechanisms at this time. If the Commission does adopt a policy preference in this docket, Verizon has recommended a bill-and-keep approach, which is the same system the FCC has tentatively proposed its rulemaking. In order to avoid new forms of regulatory arbitrage, however, a bill-and-keep approach could only apply to Section 251(b)(5) traffic if it also applied to all Internet-bound traffic. A bill-and-keep approach would also have to recognize the cost

differences between the ILECs' tandem/end office switching structure and the single-tier switching structure most ALECs use.

Issue 18: How should the policies established in this docket be implemented?

Verizon's Position: If the Commission establishes any policy preferences in this docket, they may be applied, if appropriate, in the context of specific arbitrations under the Act.

H. Stipulated Issues

There are no stipulated issues at this time.

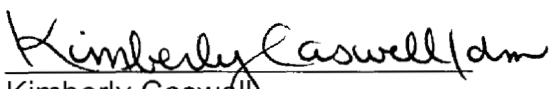
I. Pending Matters

Verizon is unaware of any pending matters.

J. Procedural Requirements

To the best of its knowledge, Verizon can comply with all requirements set forth in the procedural order in this case.

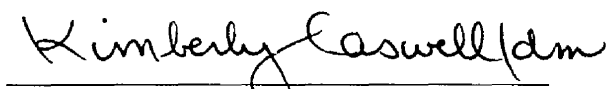
Respectfully submitted on May 31, 2001.

By: 
Kimberly Caswell
P. O. Box 110, FLTC0007
Tampa, Florida 33601-0110
Telephone No. (813) 483-2617

Attorney for Verizon Florida Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Prehearing Statement in Docket No. 000075-TP were sent via U.S. mail on May 31, 2001 to the parties on the attached list.



Kimberly Caswell

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Nancy White c/o Nancy Sims
BellSouth Telecomm. Inc.
150 S. Monroe Street, Suite 400
Tallahassee, FL 32301-1556

Marsha Rule
AT&T
101 N. Monroe Street
Suite 700
Tallahassee, FL 32301-1549

Michael Gross
Florida Cable Telecomm. Assn.
246 East 6th Avenue
Tallahassee, FL 32303

Charles Rehwinkel
Sprint-Florida
1313 Blairstone Road
MC FLTLHO0107
Tallahassee, FL 32301

Kenneth Hoffman
Martin McDonnell
Rutledge Law Firm
P. O. Box 551
Tallahassee, FL 32302

Peter Dunbar
Karen Camechis
Pennington Law Firm
P. O. Box 10095
Tallahassee, FL 32302

Mark Buechele
Supra Telecom
1311 Executive Center Drive
Suite 200
Tallahassee, FL 32301

Wanda Montano
US LEC of Florida Inc.
6801 Morrison Blvd.
Charlotte, NC 28211

Charles J. Pellegrini
Patrick Wiggins
Katz Kutter Law Firm
106 E. College Avenue
12th Floor
Tallahassee, FL 32301

Jon C. Moyle, Jr.
Cathy M. Sellers
Moyle Flanigan et al.
The Perkins House
118 N. Gadsden Street
Tallahassee, FL 32301

Norman H. Horton Jr.
Messer Law Firm
215 S. Monroe Street
Suite 701
Tallahassee, FL 32301-1876

Donna Canzano McNulty
MCI WorldCom, Inc.
325 John Knox Road
The Atrium, Suite 105
Tallahassee, FL 32303

Brian Sulmonetti
MCI WorldCom, Inc.
Concourse Corp. Center Six
Six Concourse Parkway
Suite 3200
Atlanta, GA 30328

Scott A. Sapperstein
Intermedia Communications Inc.
One Intermedia Way
MC FLT-HQ3
Tampa, FL 33647-1752

Paul Rebey
Focal Communications Corp.
200 N. LaSalle Street, Suite 1100
Chicago, IL 60601-1914

Robert Scheffel Wright
Landers & Parsons P.A.
310 West College Avenue
Tallahassee, FL 32302

Jill N. Butler
Cox Communications
4585 Village Avenue
Norfolk, VA 23502

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter Law Firm
117 S. Gadsden Street
Tallahassee, FL 32301

Michael R. Romano
Level 3 Communications LLC
1025 Eldorado Boulevard
Broomfield, CO 80021-8869

Dana Shaffer, Vice President
XO Florida, Inc.
105 Molly Street, Suite 300
Nashville, TN 37201-2315

Elizabeth Howland
Allegiance Telecom Inc.
1950 Stemmons Freeway
Suite 3026
Dallas, TX 75207

Jeffry Wahlen
Ausley Law Firm
P. O. Box 391
Tallahassee, FL 32302

Global NAPS, Inc.
10 Merrymount Road
Quincy, MA 02169

Genevieve Morelli
Kelley Law Firm
1200 19th Street N.W.
Suite 500
Washington, DC 20036

John McLaughlin
KMC Telecom, Inc.
1755 North Brown Road
Lawrenceville, GA 33096

Richard D. Melson
Hopping Law Firm
P. O. Box 6526
Tallahassee, FL 32314

Herb Bornack
Orlando Telephone Co.
4558 S.W. 35th Street
Suite 100
Orlando, FL 32811-6541

Carolyn Marek
Time Warner Telecom of Florida
233 Bramerton Court
Franklin, TN 37069

Morton Posner
Allegiance Telecom, Inc.
1150 Connecticut Ave. N.W.
Suite 205
Washington, DC 20036