

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000075-TP (PHASE II)

In the Matter of

INVESTIGATION INTO APPROPRIATE
METHODS TO COMPENSATE CARRIERS
FOR EXCHANGE OF TRAFFIC SUBJECT
TO SECTION 251 OF THE
TELECOMMUNICATIONS ACT OF 1966.



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VOLUME 3

Pages 376 through 586

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN E. LEON JACOBS, JR.
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

DATE: Friday, July 6, 2001

TIME: Commenced at 9:00 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services

Appearances: (As heretofore noted.)

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P R O C E E D I N G S

1
2 COMMISSIONER DEASON: We will call the hearing to
3 order. We anticipate the Chairman will be here momentarily.

4 I believe the next scheduled witness is Verizon
5 Witness Haynes, is that correct?

6 MS. CASWELL: That is correct. Verizon calls Terry
7 Haynes.

8 (Witness sworn.)

9 COMMISSIONER DEASON: Thank you, please be seated.

10 TERRY HAYNES

11 was called as a witness on behalf of Verizon Florida, Inc.,
12 and, having been duly sworn, testified as follows:

D I R E C T E X A M I N A T I O N

13
14 BY MS. CASWELL:

15 Q Would you please state your name and address?

16 A My name is Terry Haynes. I work at 600 Hidden Ridge,
17 Irving, Texas for Verizon.

18 Q And what is your job title?

19 A Manager, State Regulatory.

20 Q Did you file direct testimony in this proceeding?

21 A Yes, I did.

22 Q And does that testimony have one exhibit labeled
23 TAH-1?

24 A Yes, it does.

25 Q Do you have any changes or additions to your

1 testimony?

2 A No changes.

3 Q So that if I were to ask you the same questions today
4 your answers would remain the same?

5 A Yes, they would.

6 MS. CASWELL: Commissioner Deason, I would like to
7 ask that Mr. Haynes' direct testimony be entered into the
8 record as though read.

9 COMMISSIONER DEASON: Without objection, it shall be
10 so inserted.

11 MS. CASWELL: And may I have Exhibit TAH-1 marked for
12 identification.

13 COMMISSIONER DEASON: My list shows the next exhibit
14 number is 16.

15 MS. CASWELL: Thank you.

16 (Exhibit 16 marked for identification.)

17 BY MS. CASWELL:

18 Q And, Mr. Haynes, did you also filed rebuttal
19 testimony in this proceeding?

20 A Yes, I did.

21 Q And do you have any changes or additions to that
22 testimony?

23 A No changes.

24 Q So that if I were to ask you those same questions
25 today, would your answers remain the same?

1 A Yes, they would.

2 MS. CASWELL: Commissioner Deason, I would like to
3 ask that Mr. Haynes' rebuttal testimony be entered into the
4 record as though read.

5 COMMISSIONER DEASON: Without objection, it shall be
6 so inserted.

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

3 A. My name is Terry Haynes. My current business address is 600
4 Hidden Ridge, Irving, Texas 75015. I am a manager in the State
5 Regulatory Policy and Planning group supporting the 20 Verizon
6 states formerly associated with GTE. I am testifying here on behalf
7 of Verizon Florida Inc.

8

9 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND
10 PROFESSIONAL BACKGROUND.

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

16

17 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

18 A. I will address the Commission-designated Issue 15. Subpart (a) of
19 that Issue asks: "Under what conditions, if any, may carriers assign
20 telephone numbers to end users physically located outside the rate
21 center in which the telephone number is homed?" Subpart (b) of
22 Issue 15 asks: "Should the intercarrier compensation mechanism
23 for calls to these telephone numbers be based upon the physical
24 location of the customer, the rate center to which the telephone
25 number is homed, or some other criterion?"

1

2 The short response to these questions is: (1) carriers should not
3 be permitted to assign telephone numbers to end users located
4 outside of the rate center to which the telephone number is homed
5 (unless foreign exchange service is ordered or the parties agree to
6 an appropriate compensation arrangement) and (2) compensation
7 for calls terminated to telephone numbers outside of the rate center
8 should be based on the customer's location. To aid in
9 understanding the issues associated with these questions, I will
10 provide a detailed description of the nature of so-called "virtual
11 NXX" traffic. I will explain why virtual NXX traffic is not local in
12 nature, how such traffic is compensated today, and the
13 ramifications to Verizon and its customers if the Commission
14 designated virtual NXX calling as local.

15

16 **Q. BEFORE DISCUSSING VIRTUAL NXX TRAFFIC, PLEASE**
17 **DEFINE THE TERMS RELEVANT TO THAT DISCUSSION.**

18 A. Several terms and concepts discussed in my testimony, though
19 commonly used, are often misapplied or misunderstood. As a
20 foundation for understanding the virtual NXX discussion, I use the
21 following definitions:

22

23 An "**exchange**" is a geographical unit established for the
24 administration of telephone communications in a specified area,
25 consisting of one or more central offices together with the

1 associated plant used in furnishing communications within that
2 area.

3

4 An “**exchange area**” is the territory served by an exchange.

5

6 A “**rate center**” is a specified location (identified by a vertical and
7 horizontal coordinate) within an exchange area, from which
8 mileage measurements are determined for the application of toll
9 rates and private line interexchange mileage rates.

10

11 An “**NPA**,” commonly known as an “area code,” is a three-digit
12 code that occupies the first three (also called “A, B, and C”) *positions in the 10-digit number format that applies throughout the*
13 *North American Numbering Plan (“NANP”) Area, which includes all*
14 *of the United States, Canada, and the Caribbean islands. There*
15 *are two kinds of NPAs: those that correspond to discrete*
16 *geographic areas within the NANP Area, such as the “813” NPA*
17 *that serves many of our customers in and around Tampa, and*
18 *those used for services with attributes, functionalities, or*
19 *requirements that transcend specific geographic boundaries (such*
20 *as NPAs in the N00 format, e.g., 800, 500, etc.). See “NPA” in the*
21 *Glossary of the “Central Office Code (NXX) Assignment*
22 *Guidelines,” INC 95-0407-008, April 11, 2000.*

24

25

1 An “exchange code” is a three-digit code – also known as an
2 “NXX,” an “NXX code,” a “central office code” or a “CO code” – that
3 occupies the second three (“D, E and F”) positions in the 10-digit
4 number format that applies throughout the NANP Area. See
5 *Glossary of the “Central Office Code (NXX) Assignment*
6 *Guidelines,” INC 95-0407-008, April 11, 2000.* Exchange codes
7 are generally assigned to specific geographic areas, such as “483,”
8 which is assigned to customers operating in the central part of
9 Tampa. However, some exchange codes are non-geographic,
10 such as “N11” codes (411, 911, etc.) and “special codes” such as
11 “555.” An exchange code that is geographic is assigned to an
12 exchange located, as previously mentioned, within an area code
13 (e.g., “813-483” refers to the “Tampa central exchange”).

14

15 When a four-digit line number (“XXXX”) is added to the NPA and
16 exchange code, it completes the 10-digit number format used in the
17 NANP Area and identifies a specific customer located in a specific
18 exchange and specific state (or portion of a state, for those states
19 with multiple NPAs). This 10-digit number is also known as a
20 customer’s unique telephone “address.” See “NANP” in the
21 *Glossary of the “Central Office Code (NXX) Assignment*
22 *Guidelines,” INC 95-0407-008, April 11, 2000.*

23

24 **Q. WHY IS A CUSTOMER’S 10-DIGIT “ADDRESS” SIGNIFICANT?**

25 A. A customer’s telephone number or “address” serves two separate

1 but related functions: proper call routing and rating. In fact, each
2 exchange code or NXX within an NPA is assigned to *both a switch*,
3 identified by the Common Language Location Identifier (“CLLI”),
4 *and a rate center*. As a result, telephone numbers provide the
5 network with specific information (*i.e.*, the called party’s end office
6 switch) necessary to route calls correctly from the callers to their
7 intended destinations. At the same time, telephone numbers also
8 identify the exchanges of both the originating caller and the called
9 party to provide for the proper rating of calls. It is this latter function
10 of assigned NXX codes – the proper rating of calls – that is at the
11 heart of the virtual NXX issue.

12

13 **Q. CAN YOU EXPLAIN WHAT YOU MEAN BY THE “PROPER**
14 **RATING” OF TELEPHONE CALLS?**

15 A. A major public policy goal that has guided regulators and the
16 telecommunications industry for many decades has been the
17 widespread availability of affordable telephone service. To
18 achieve and sustain this “universal service” objective, certain
19 telephone pricing principles or conventions were adopted, and are
20 still in use today. The primary principle is that the basic exchange
21 access rate typically includes the ability to make an unlimited
22 number of calls within a confined geographic area at modest or no
23 additional charge. This “confined geographic area” consists of the
24 customer’s “home” exchange area and additional surrounding
25 exchanges, together designated as the customer’s “local calling

1 area.” Calls outside the local calling area, with limited exceptions
2 noted in the paragraph below, are subject to an additional charge,
3 referred to as a “toll” or Message Telecommunications Service
4 (“MTS”) charge. “Toll” service is generally priced higher, on a
5 usage-sensitive basis, than local calling. In order to ensure that
6 basic local phone service is universally available and affordable,
7 regulators permit local exchange companies to use revenues
8 gained from toll service to hold down the monthly cost for basic
9 local service.

10

11 A second industry pricing convention is the principle that, generally,
12 the calling party pays to complete a call – with no charge levied on
13 the called party. There are a few exceptions, such as where a
14 called party agrees to pay toll charges in lieu of applying those
15 rates on the calling party (e.g., 800/877/888-type “toll-free” service,
16 or “collect” and third party billing) or where both the calling and
17 called parties share the cost of the call, as with Foreign Exchange
18 Service. I will discuss Foreign Exchange Service separately later in
19 the testimony.

20

21 **Q. HOW DOES THE TELEPHONE NUMBER OR “ADDRESS” PLAY**
22 **A ROLE IN PROPERLY RATING AN INDIVIDUAL CALL?**

23 A. Incumbent Local Exchange Carriers’ (ILECs’) tariffs and billing
24 systems use the NXX codes of the calling and called parties to
25 ascertain the originating and terminating rate centers/exchange

1 areas of the call. This information, in turn, is used to properly rate
2 the call. If the rate center/exchange area of the called party, as
3 determined by the called number's NXX code, is included in the
4 originating subscriber's "local calling area," then the call is
5 established as a "local" call. If the rate center/exchange area of the
6 called party – again determined by the NXX code of the called
7 number – is outside the local calling area of the caller, then the call
8 is determined to be "toll." Thus, the rate centers of calling and
9 called parties, as expressed in the unique NXX codes assigned to
10 each rate center/exchange area, are absolutely essential for the
11 ILECs to properly rate calls as either local or toll.

12

13 **Q. HOW DOES THE EXISTENCE OF SO-CALLED VIRTUAL NXX**
14 **CODES AFFECT EITHER THE ROUTING OR RATING OF**
15 **TELEPHONE CALLS?**

16 A. A "virtual NXX" is an entire exchange code obtained by a carrier
17 and designated by that carrier for a rate center/exchange area in
18 which the carrier has no customers of its own, nor facilities to serve
19 customers of its own. Instead, the exchange code is used by the
20 carrier to provide telephone numbers to its end users physically
21 located in exchanges other than the one to which the code was
22 assigned. A CLEC's assignment of numbers in a virtual NXX to
23 end users not physically located in the exchange area associated
24 with that NXX does *not* affect the routing of the call from the caller
25 to the called party. The network recognizes the carrier-assigned

1 NXX code and routes the call to that carrier's switch for delivery by
2 that carrier to its end user, the called party.

3

4 However, the CLEC's "virtual NXX" code scheme completely
5 undermines the rating of a call as local or toll, thereby denying
6 Verizon compensation for the transport costs it incurs to deliver
7 calls to the CLECs.

8

9 **Q. HOW DOES THE VIRTUAL NXX SCHEME DENY VERIZON**
10 **COMPENSATION FOR TRANSPORT?**

11 A. Unlike ILECs, CLECs generally have, at most, only one switch per
12 LATA. This means that all calls originated by Verizon's customers
13 to a CLEC's customers, whether local or toll, are routed to the
14 same CLEC switch. Further, it is the current practice of many
15 CLECs to designate a single point (an interconnection point) within
16 the state – usually located at the CLEC's switch – from which the
17 CLECs receive both local and toll traffic from Verizon callers to the
18 CLEC's customers. This means that Verizon incurs the costs to
19 transport all calls, local and toll, from distant points throughout the
20 state to the CLEC's switch.

21

22 The use of virtual NXXs by CLECs makes calls that are inward toll
23 service appear local, thereby denying Verizon the opportunity to
24 collect just compensation for the transport it provides to the CLECs
25 on the call. When an ILEC's customer initiates a call to a CLEC

1 virtual NXX, the ILEC's switch sees the NXX code as being
2 assigned to the exchange area/rate center of the originating caller
3 or to an exchange area within the originating caller's local calling
4 area and, thereby, incorrectly assumes the call to be local. In fact,
5 the call is delivered by the CLEC to its end user located *outside* the
6 local calling area of the originating customer, in which case toll
7 charges should properly apply. Worse still, the CLEC also presents
8 Verizon with a bill for reciprocal compensation on such traffic by
9 claiming that it is local. However, the CLEC does not terminate the
10 call within the local calling area of the originating caller. Rather, the
11 CLEC simply takes the traffic delivered to its switch and delivers
12 the calls to its virtual NXX subscriber, often located in the same
13 exchange as its switch – if not physically collocated with the CLEC
14 at its switch.

15
16 In short, the CLEC has gamed the regulatory pricing policy
17 established to support affordable and universally available
18 telephone service. The CLEC gets a free ride for its toll traffic on
19 the incumbent's interoffice network *and* gets reimbursed by Verizon,
20 through reciprocal compensation for local termination costs it does
21 not incur. Verizon incurs essentially all of the transport costs yet is
22 denied, by misapplication of proper NXX codes, an opportunity to
23 recover its costs either from its originating subscriber or from the
24 CLEC. There can be little doubt why some CLECs have embraced
25 "virtual NXX" service to the exclusion of other legitimate service

1 arrangements.

2

3 **Q. PLEASE EXPLAIN HOW VERIZON IS COMPENSATED FOR**
4 **LOCAL CALLS ORIGINATED BY ITS CUSTOMERS TO OTHER**
5 **VERIZON CUSTOMERS AND TO CLEC CUSTOMERS.**

6 A. When a Verizon customer makes a local call to another Verizon
7 customer (i.e., both the caller and the called party are located
8 within the same local calling area), the call is transported entirely
9 over Verizon's network. Verizon theoretically is compensated for
10 this call by the caller, either through the flat-rate exchange charge
11 paid to Verizon, or through local usage charges.

12

13 When a Verizon customer makes a true local call to a CLEC
14 customer (i.e., where the CLEC customer being called is physically
15 located within the local calling area of the caller), the call is routed
16 with the CLEC transporting the call back to the caller's local calling
17 area where the called party is located. In this case, as with the
18 Verizon-to-Verizon call above, Verizon theoretically is compensated
19 for its costs solely by its customer who originated the call.
20 However, Verizon pays the CLEC reciprocal compensation for
21 terminating the local call. If the above situation is reversed and a
22 CLEC customer places a local call to a Verizon customer, then the
23 CLEC would charge its customer for the service and pay Verizon
24 reciprocal compensation. The concept of reciprocal compensation
25 assumes reciprocity--that carriers will be exchanging local traffic for

1 termination between them.

2

3 **Q. ARE CALLS FROM VERIZON CUSTOMERS TO CLECS'**
4 **VIRTUAL NXXS LOCAL?**

5 A. No. A virtual NXX, as defined earlier, is an exchange code
6 assigned to a carrier and designated by that carrier for a rate
7 center/exchange area in which the carrier has no customers of its
8 own and no facilities to serve customers of its own. Instead, the
9 CLEC uses the virtual NXX to provide telephone numbers to
10 customers physically located in rate centers/exchanges other than
11 the one to which the code was assigned. The reason CLECs use
12 virtual NXXs is to make calls appear "local" both to the caller *and*
13 *the caller's carrier* and thereby claim reciprocal compensation.
14 However, if the CLEC customer is located outside the local calling
15 area of the Verizon caller, the call is not local – regardless of
16 whether the CLEC has assigned its customer a number that
17 appears to be within the Verizon customer's local calling area.

18

19 **Q. BUT CAN'T CLECS ESTABLISH DIFFERENT LOCAL CALLING**
20 **AREAS THAN THE ILECS?**

21 A. While a CLEC is free to determine local calling areas *for its own*
22 *customers*, it does not have the right to define/modify local calling
23 areas for Verizon's customers. However, by using exchange codes
24 in the manner described as virtual NXXs, CLECs are doing just
25 that. The incumbent LECs' rates and practices governing "toll" and

1 “local” historically have been set by the regulator, in part, to ensure
2 that basic local service is both affordable and universally available.
3 If calls to CLECs’ “virtual NXXs” were made only by CLECs’ own
4 customers, that would be one thing. But CLECs did not establish
5 virtual NXXs for their own customers – they did so to make
6 interexchange/toll calls appear local to ILECs and their customers.
7 By using “virtual NXXs,” CLECs lead Verizon’s customers to
8 believe that the number they are dialing is a local call inside their
9 own exchange area. Therefore, the customer believes he/she is
10 placing a local call, when in fact he/she is reaching a party outside
11 the exchange area and this termination would normally be
12 processed as a toll call. In addition, as described previously, since
13 ILECs rate calls using the NXX code (which historically identifies
14 the called party’s location for rating purposes), and because a
15 “virtual NXX” has no relationship to the physical location of the
16 called party, the ILEC’s network will identify the call as local for
17 rating purposes even though the call was actually transported
18 outside of the local exchange area. Unknowingly, the ILEC rates
19 calls placed to “virtual NXXs” as “local,” the CLEC is perceived to
20 be entitled to reciprocal compensation payments from the ILEC and
21 the ILEC is unable to collect toll service charges from the calling
22 party. In essence, “virtual NXXs” sever the connection between
23 exchange areas and their corresponding exchange codes or NXXs,
24 which prevents ILECs from collecting for toll calls and
25 simultaneously inhibits ILECs’ ability to maintain low and affordable

1 basic local phone service. The entire “virtual NXX” scheme
2 undermines the long-standing and successful public policy goal to
3 ensure that basic local service is affordable and universally
4 available.

5

6 **Q. PLEASE EXPLAIN THE GENESIS OF THE TERM VIRTUAL NXX.**

7 **A.** It is my understanding that virtual NXX is a term that was coined a
8 few years ago by some CLECs to describe the arrangement they
9 devised ostensibly to provide their customers – generally ISPs –
10 with a one-way/inward 800-type service. Had the CLECs
11 legitimately provided their ISP customers with a one-way/inward
12 toll-free number service, the customer with the toll-free 800, 877 or
13 888 number (*i.e.*, the ISP) would pay to receive all incoming calls,
14 the terminating carrier (the CLEC) would pay the originating
15 carriers (*e.g.*, Verizon, independent telephone companies) carrier
16 access charges, and the callers would reach the ISP free of
17 charge. However, under the virtual NXX scheme employed by
18 some, CLECs receive an 800-like arrangement, with Verizon
19 bearing the costs to transport their traffic without compensation.

20

21 **Q. HOW DID THE CLECS’ ESTABLISHMENT OF VIRTUAL NXXS**
22 **AFFECT THE EXCHANGE OF TRAFFIC BETWEEN ILECS AND**
23 **CLECS?**

24 **A.** Since the virtual NXX calls ended up being rated improperly as
25 local to the caller, the CLEC declared the call local and billed the

1 originating carrier reciprocal compensation (rather than paying
2 access charges to the originating carrier for an inward toll call),
3 arguing that such compensation was due in accordance with
4 interconnection agreements for allegedly terminating a local call.
5 However, reciprocal compensation – as expressly defined in those
6 same interconnection agreements – applies only to calls originating
7 and terminating *within the same local calling area*. Of course,
8 Verizon disputes the notion that CLECs serving ISPs “terminate”
9 ISP-bound traffic, such that this traffic is local. But even if one
10 accepts that notion for the sake of argument, then virtual NXX calls
11 are still not local. Again, the determining factor for rating a call as
12 local in all instances is the location of the calling and called parties
13 within the same local calling area. As mentioned earlier, the
14 concept of reciprocal compensation was predicated on reciprocity –
15 the assumption that carriers would be exchanging local traffic.
16 However, by obtaining ISPs as customers and declaring their NXXs
17 as virtual NXX or non-traditional FX codes, the CLECs created a
18 situation that is anything but reciprocal. Rather, these CLECs have
19 set up a one-way calling arrangement designed to secure
20 reciprocal compensation monies from the ILECs while using the
21 ILECs’ networks free of charge to transport toll calls.

22

23 **Q. ARE THERE ADDITIONAL IMPACTS THAT RESULT FROM THE**
24 **USE OF VIRTUAL NXXS?**

25 A. Yes, the use of virtual NXXs has a significant impact on numbering

1 resources in Florida. A virtual NXX obtained solely to provide an
2 interstate service to ISPs or an interexchange FX service is more
3 appropriately called a “mis-assigned NXX” since it does not appear
4 to comply with FCC rules and the Industry Numbering Committee
5 guidelines developed at the FCC’s direction and administered by
6 NeuStar, the entity designated by the FCC to administer numbering
7 resources nationwide.

8
9 Section 4.0 of the most recent version of the “Central Office Code
10 (NXX) Assignment Guidelines,” INC 95-0407-008, issued April 11,
11 2000 addresses the “Criteria for the Assignment of Central Office
12 Codes,” stating that: “Assignment of the initial code(s) will be to the
13 extent required to **terminate** PSTN [public switched telephone
14 network] traffic as authorized by the appropriate regulatory or
15 governmental authorities....” (emphasis added).

16
17 If a carrier is not terminating traffic to an exchange because it has
18 no customers in that exchange, and if it fails to have customers in
19 that exchange within six months of activating the code, then it is
20 required to return the code to NeuStar.

21
22 In 1999, the FCC delegated authority to the Florida PSC to
23 investigate whether a company has activated NXXs assigned to it
24 and to direct the NANPA to reclaim NXXs that have not been
25 activated in a timely manner. (*Fla. Pub. Serv. Comm’n Petition to*

1 *FCC for Expedited Decision for Grant of Authority to Implement*
2 *Number Conservation Measures, Order, 14 FCC Rcd 17506, at*
3 *para. 22 (1999).*)

4
5 Today, virtual NXXs are being used by CLECs to transform the
6 rating of toll calls into local calls. In other words, a CLEC using
7 virtual NXXs claims it is mirroring Verizon's rate center structure for
8 purposes of inter-carrier compensation when, in fact, some CLEC
9 customers are located in exchanges other than the ones to which
10 their codes are assigned.

11

12 **Q. DO ALL CLECS USE THE NXX CODES ASSIGNED TO THEM**
13 **AS VIRTUAL NXXS?**

14 A. On a national basis, Verizon has observed that some CLECs use
15 the NXX codes assigned to them as virtual NXXs. It is Verizon's
16 understanding that other CLECs may initially obtain NXX codes
17 specifically to serve customers physically located within the
18 exchange areas to which the codes are assigned, just as ILECs do.
19 However, in some instances, it has been observed that CLECs also
20 tend to provide some of their customers with a "virtual FX" type of
21 arrangement. (See the discussion of the Brooks Fiber situation
22 below.) While such CLECs' codes are not virtual NXXs in their
23 entirety, a *portion* of the numbers within their codes are being used
24 in a similar manner to the virtual NXX arrangement described
25 above.

1

2 **Q. WHY ISN'T VERIZON'S TRADITIONAL FOREIGN EXCHANGE**
3 **SERVICE (FX) A VIRTUAL NXX/FX ARRANGEMENT?**

4 A. Verizon's FX service is a toll substitute service. It is a private line
5 service designed so that a calling party in the "foreign" exchange
6 may place to the FX customer, located outside the caller's local
7 calling area, what *appears* to be a local call. As discussed earlier,
8 if FX service were truly a local call, the called party would not be
9 subject to additional charges. The called party (the FX subscriber),
10 however, agrees to pay (on a flat-rate basis) the additional charges
11 which the calling party would otherwise have to pay to transport the
12 call beyond the caller's local calling area to the exchange where
13 the FX customer's premises are located. Foreign Exchange
14 service has been in existence for decades as a way for a customer
15 to give the appearance of a presence in another local calling area –
16 for example, in the local calling area of its potential customers for
17 an FX business customer. The FX customer does so by
18 subscribing to basic exchange service from the "foreign" switch and
19 having its calls from that local calling area transported over a
20 private line, *which it also pays for*, from the distant local calling area
21 to its own premises. En route, the call is transported through the
22 FX customer's own end office where it is connected, without being
23 switched, to the customer's local loop.

24

25 It's important to note that Verizon's Foreign Exchange service was

1 not devised as a mechanism to make calls appear local to the
2 callers' carriers as a way to avoid transport costs and to collect
3 reciprocal compensation. But some CLECs do use virtual NXX/FX
4 numbers to make calls appear local both to the Verizon customer
5 placing the call and to Verizon, the carrier originating the call for its
6 customer. And because the call appears local to Verizon, based
7 on the CLEC customer's NXX code, the CLEC declares the call
8 local and bills Verizon reciprocal compensation. However, it is
9 Verizon, not the CLEC, that is transporting the call from the caller's
10 local calling area (the "foreign" exchange) to the CLEC's switch –
11 transport for which Verizon is not compensated. From there, the
12 CLEC simply hands off the call to the virtual FX customer usually
13 collocated with the CLEC and proceeds to bill Verizon for reciprocal
14 compensation, as if the call was local.

15

16 **Q. IF THE COMMISSION FINDS THAT CALLS TO VIRTUAL NXX**
17 **NUMBERS ARE "LOCAL" FOR ILECS' CUSTOMERS, WHAT**
18 **EFFECT WILL THIS HAVE ON ILECS AND THEIR**
19 **CUSTOMERS?**

20 **A.** If the Commission were to declare virtual NXX traffic local, it
21 effectively would extend the local calling areas for ILEC customers
22 and provide an incentive for CLECs to expand this practice.
23 Eventually, such a practice would further erode the ILECs' toll and
24 access revenues in the state, which have traditionally been used by
25 the Commission to hold down basic exchange rates. Such a ruling

1 would place tremendous upward pressure on Verizon's existing
2 rates for basic local exchange service and undermine the
3 maintenance of affordable and available basic local phone service.

4
5 As I've explained, some CLECs are using virtual arrangements to
6 make calls from ILECs' customers to the CLECs' ISP/FX customers
7 appear local to both the caller and the ILEC. As shown on pp. 16-
8 17 of the June 30, 2000 Order in Maine PUC Docket No. 98-758
9 and 99-593, a CLEC has attempted to utilize a virtual NXX
10 arrangement (referred to as "Regional Exchange (RX) service") to
11 provide state-wide toll-free calling to an Internet Service Provider
12 (ISP). Further, Verizon transports this one-way internet-bound
13 traffic to the CLECs' points of interconnection. These virtual
14 arrangements result in Verizon incurring transport costs to haul
15 calls from across the state to the CLECs' interconnection points
16 (usually at their single switches) and paying reciprocal
17 compensation, with no revenues to offset these costs. If this
18 situation is allowed to continue, given Verizon's limited ability to
19 increase basic local rates, Verizon may have to reduce current
20 network investment levels in Florida to make-up for the
21 inappropriate revenue loss.

22

23 **Q. ARE YOU AWARE OF ANY STATE COMMISSIONS THAT HAVE**
24 **ADDRESSED THE ISSUE OF ASSIGNMENT OF TELEPHONE**
25 **NUMBERS TO END USERS LOCATED OUTSIDE OF THE RATE**

1 **CENTER TO WHICH THEY ARE HOMED?**

2 **A.** Yes, on June 30, 2000, the Maine Public Utility Commission
3 ordered a CLEC, Brooks Fiber, to return 54 NXX codes which it
4 was using in a virtual NXX capacity and rejected Brooks' proposed
5 virtual NXX service. The Commission found that Brooks had no
6 facilities deployed in any of the locations to which the 54 NXX
7 codes were nominally assigned. As such, it rejected Brooks'
8 arguments that it was using the codes to provide local service, and
9 concluded that Brooks' activities had "nothing to do with local
10 competition." (*Investigation into Use of Central Office Codes*
11 *(NXXs) by New England Fiber Comm., LLC d/b/a/ Brooks Fiber,*
12 *etc., Order Requiring Reclamation of NXX Codes and Disapproving*
13 *Proposed Service*, Docket Nos. 98-758 and 99-593, at 13 (June 30,
14 2000) (attached as Ex. TAH-1.) It found that Brooks' "extravagant"
15 use of the 54 codes "solely for the rating of interexchange traffic"
16 was patently unreasonable from the standpoint of number
17 conservation. (*Id.* at 16.) The Commission further observed that
18 Brooks' likely reason for attempting to implement an "FX-like"
19 service, instead of a permissible 800 or equivalent service, was
20 Brooks' "hope that it might avoid paying Bell Atlantic for the
21 interexchange transport service provided by Bell Atlantic." (*Id.* at
22 12.)

23

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

1 A. The Commission should affirm that virtual NXX calls are not local
2 calls and that Verizon is not required to pay reciprocal
3 compensation – or any inter-carrier compensation – for these calls.
4 The Commission should direct CLECs to recover their costs from
5 their own FX customers, rather than from Verizon. This would be
6 consistent with the way Verizon recovers its costs for its own FX
7 service – from its FX customer, the *called* party.

8
9 To the extent that a CLEC chooses to offer an FX-like,
10 interexchange toll replacement service to its customers through the
11 use of virtual NXX numbers, then that CLEC should be responsible
12 for providing the transport associated with the FX-like service. A
13 CLEC should not market a toll substitute service to its customers
14 and then provision the service by forcing Verizon to provide the
15 underlying associated transport with no compensation. When
16 Verizon provides FX service to its end user customers, the service
17 includes a charge for the transport. The FX customer must
18 purchase from Verizon basic exchange service in the foreign
19 exchange(s) as private line transport between the foreign, distant
20 exchange(s) and its premises.

21

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

23 A. Yes.

24

25

1

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
3 **POSITION.**

4 A. My name is Terry Haynes. My business address is 600 Hidden Ridge,
5 Irving, Texas 75015. I am a manager in the State Regulatory Policy
6 and Planning group supporting the 20 Verizon states formerly
7 associated with GTE. I am testifying here on behalf of Verizon Florida
8 Inc. ("Verizon").

9

10 **Q. ARE YOU THE SAME TERRY HAYNES WHO SUBMITTED**
11 **TESTIMONY EARLIER IN THIS PROCEEDING?**

12 A. Yes.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PHASE**
15 **OF THE DOCKET?**

16 A. I will respond to the testimony of other parties—primarily Mr. Gates
17 and Dr. Selwyn—on matters related to assignment of telephone
18 numbers to end users physically outside the rate center associated
19 with a particular number.

20

21 **Q. WHAT IS YOUR GENERAL IMPRESSION OF WITNESS GATES'**
22 **TESTIMONY ON THE NUMBER ASSIGNMENT ISSUE?**

23 A. Mr. Gates makes some of the most extreme proposals I have ever
24 seen, all in the guise of maintaining the "status quo." He asserts that
25 the Commission should establish a policy of determining what calls are

1 "local" by comparing the NXX codes of the calling and called parties.
2 (Gates Direct Testimony (DT) at 4.) He states, correctly, that this is
3 the process used today. (Id.) But he also proposes that carriers
4 should be permitted to assign NXX codes across the state, without
5 regard to the physical location of the end user. He claims that this is
6 the practice today and the Commission should formally sanction it.
7 (Gates DT at 4-5, 25-32.) However, the result of Gates'
8 recommendations would be an obliteration of the longstanding
9 local/toll distinction that guides this Commission's telephone service
10 pricing policy.

11

12 As I explained in my Direct Testimony, a customer's basic exchange
13 rate typically includes the ability to make an unlimited number of calls
14 within a designated geographic area at modest or no additional
15 charge. Calls outside the local calling area (as defined in Verizon's
16 tariffs and local interconnection agreements) are subject to an
17 additional, toll charge. Toll service is generally priced higher, on a
18 usage-sensitive basis, than local calling. As regulators across the
19 country, including this Commission, understand, toll revenues have
20 historically been used to hold down the price of basic local service.

21

22 The ILECs' tariffs and billing systems use the NXX codes of the calling
23 and called parties to ascertain the originating and terminating
24 exchanges involved in a call, and the call is rated accordingly. If NXX
25 codes can be assigned to customers outside their home rate center (to

1 avoid what Mr. Gates calls the “disincentive of a toll call,” Gates DT at
2 26), then the ILEC cannot discern whether the call is local or toll, and
3 cannot properly rate it. Potentially, all calls will look like local calls,
4 even if they are classified as toll for billing purposes in the ILECs’
5 tariffs. This means that ILECs will lose the toll revenues that are a
6 principal source of contribution to local rates.

7

8 From another perspective, what Mr. Gates seeks to achieve is massive
9 rate center consolidation, with potentially an entire LATA as a local
10 calling area. As I discuss later, Verizon has no problem with the
11 ALECs (or the ILECs) defining their own calling areas as they see fit.
12 However, Mr. Gates’ proposal would force Verizon to redefine its local
13 calling areas. The local/toll calling concept that is linked to Verizon’s
14 rate centers, and that is embodied in its tariffs and interconnection
15 agreements, will be rendered meaningless.

16

17 As a legal matter, I am told the Commission no longer has the ability to
18 implement rate center consolidation, which would be the effect of Mr.
19 Gates’ proposal. As a policy matter, Mr. Gates’ approach is a stunning
20 departure from decades-long policies. Certainly, this kind of major
21 policy overhaul could not be undertaken in a docket intended to
22 evaluate the much narrower issue of reciprocal compensation. I am
23 confident the Commission will see Mr. Gates’ proposals for what they
24 are and give them no serious consideration in this docket.

25

1 **Q. PLEASE EXPLAIN IN MORE DETAIL THE SIGNIFICANCE OF THE**
2 **CUSTOMER’S TELEPHONE NUMBER FOR CALL HANDLING AND**
3 **BILLING.**

4 A. A customer’s telephone number or “address” serves two separate but
5 related functions: proper call routing and rating. In fact, each
6 exchange code or NXX within an NPA is assigned to *both a switch,*
7 *identified by the Common Language Location Identifier (“CLLI”), and a*
8 *rate center.* As a result, telephone numbers provide the network with
9 specific information (*i.e., the called party’s end office switch*) necessary
10 to route calls correctly from the callers to their intended destinations.
11 At the same time, telephone numbers also identify the exchanges of
12 both the originating caller and the called party to provide for the proper
13 rating of calls. It is this latter function of assigned NXX codes—the
14 proper rating of calls—that is at the heart of the virtual NXX issue.

15

16 **Q. DO YOU AGREE WITH THE PRINCIPLE, ESPOUSED BY MR.**
17 **GATES AND DR. SELWYN, THAT “ALECS SHOULD BE ALLOWED**
18 **TO OFFER CUSTOMERS COMPETITIVE ALTERNATIVES TO THE**
19 **LOCAL CALLING AREAS THAT ARE EMBODIED IN THE ILEC’S**
20 **SERVICES” (SELWYN DT AT 44; GATES DT AT 8-9.)?**

21 A. I certainly agree that local exchange carriers, ALECs and ILECs alike,
22 should be permitted to determine their own outward-dialing calling
23 scopes. Companies’ ability to offer different calling scopes is a
24 potentially important way for them to differentiate their respective
25 services in the market. This ability, however, does not mean that an

1 ALEC can arbitrarily expand the local dialing scope of an ILEC
2 customer, as they propose to do here with a service that resembles 1-
3 800 inward dialing, at least without appropriate compensation to the
4 ILEC handling the traffic.

5

6 I believe the Commission agrees with this principle. As Mr. Ruscilli
7 pointed out in his Direct Testimony, in an arbitration between
8 BellSouth and Intermedia, the Commission forbade Intermedia to
9 assign numbers "outside of the areas with which they are traditionally
10 associated" unless and until Intermedia can provide information to
11 other carriers that will allow proper rating of calls to those numbers.
12 (Ruscilli DT at 37, *citing* FPSC Order No. PSC-00-1519-FOF-TP,
13 Docket No. 991854-TP, Aug. 22, 2000).

14

15 In addition, I believe this interpretation is consistent with section 251.g
16 of the Telecommunications Act, which maintained the distinction
17 between access services and local interconnection, and more
18 specifically maintained access services under existing access
19 arrangements unless or until those regulations were specifically
20 superseded. These principles were further reinforced by the FCC in its
21 order implementing the Telecommunications Act, in which the FCC
22 asserted that "transport and termination of local traffic are different
23 services than access service for long distance communications" (order
24 par. 1033). Dr. Selwyn's proposal selfishly seeks to eliminate the
25 existing access regime for interexchange calls and to manipulate local

1 interconnection into a windfall for a few ALECs at the expense of
2 Florida customers.

3

4 **Q. WOULD RECIPROCAL COMPENSATION BE HANDLED FAIRLY**
5 **AND REASONABLY UNDER THE ALECS' VIRTUAL NXX**
6 **PROPOSAL?**

7 A. No. The ALECs expect an ILEC handling traffic anywhere within a
8 LATA (that is, including intraLATA toll traffic) to pay reciprocal
9 compensation for calls that are delivered to customers outside the
10 local calling area of the customer originating the calls. (Selwyn DT at
11 44; Gates DT at 38.) This arrangement is a sharp departure from the
12 billing policies that have existed within the telecommunications
13 industry for many years. As I stated earlier, certain telephone pricing
14 conventions were adopted decades ago in support of universal service
15 goals. A primary principle is that the basic exchange access rate of an
16 ILEC includes an unlimited number of calls within a defined geographic
17 area at little or no additional charge. Generally speaking, this
18 geographic area includes the customer's home exchange and specific
19 neighboring exchanges designated as the customer's "local calling
20 area." Whenever calls are placed to customers outside of the local
21 calling area, an additional charge applies, which generally takes the
22 form of a "toll" or message telecommunications service charge. In lieu
23 of a toll charge to the customer initiating the call, ILECs can be
24 reimbursed for their handling of the long-distance call through
25 arrangements such as toll-free 1-800/877/888 or through foreign

1 exchange (FX) service. In no instance does Verizon offer to transport
2 traffic outside of the local calling area without additional compensation
3 for the long-distance handling. Doing so would undermine the
4 infrastructure that has been established to help maintain affordable
5 local service.

6
7 The Commission is very familiar with issues relative to expansion of
8 local calling scopes. Before the Legislature took away the
9 Commission's authority to entertain expanded area service requests,
10 many such proceedings were held. A key issue in these cases was
11 how to accommodate the ILEC's loss of toll revenues. In some cases,
12 for example, customers voted to pay a monthly "adder" to obtain a
13 wider calling scope.

14
15 Verizon vigorously disagrees with Dr. Selwyn's observation that the
16 issue here is "one of pricing and competitive response, not one of
17 policy." (Selwyn DT at 54.) This would certainly come as a surprise to
18 this Commission, whose EAS and expanded calling scope (ECS)
19 decisions have duly considered the existing local/toll scheme and the
20 need to address ILEC toll losses when converting intraLATA toll routes
21 to local routes.

22

23 **Q. WOULD ASSIGNMENT OF NUMBERS OUTSIDE THE**
24 **CUSTOMER'S RATE CENTER BE CONSISTENT WITH INDUSTRY**
25 **PRACTICES TODAY?**

1 A. No. National numbering policy requires that numbers be provided to
2 carriers with the understanding that they will be used to serve
3 customers physically located within the rate centers for which they are
4 being requested; and that such numbers will begin to be utilized for
5 local exchange service within six months of receiving them from the
6 North American Number Plan Administrator. Virtual NXX service
7 violates these guidelines, because the ALEC is not providing any
8 service, local exchange or otherwise, in the rate center areas
9 associated with those NXXs.

10

11 Moreover, an ALEC's request for numbers for rate centers other than
12 those where their customers are located appears to be a sheer waste
13 of numbering resources. My Direct Testimony included a copy of a
14 June 2000 decision by the State of Maine Public Utilities Commission
15 relative to number conservation tied to virtual NXXs. In the Maine
16 example, an ALEC requested 54 NXX codes for use outside the rate
17 center in which their switch resided. These 54 codes were used to
18 provide interexchange service from across Maine to a single point
19 within the state. Because of the manner in which ILEC billing systems
20 operate, all of these interexchange calls were rated as local, since
21 virtual NXXs were utilized. The Maine Public Utility Commission
22 ultimately ordered the ALEC to return the 54 codes since it did not
23 serve local customers with any of the numbers. In Maine, over
24 500,000 numbers were "stranded" with little chance of being utilized
25 since the ALEC was only providing service in one rate center. There is

1 no reason to think the drawbacks Maine cited will be any different here
2 in Florida if the Commission adopts the ALECs' virtual NXX proposal.

3

4 **Q. BUT MR. GATES ADMITS THAT MANY ISPS USE VIRTUAL NXX**
5 **ARRANGMENTS TODAY TO PROVIDE SERVICE TO ISPS AND**
6 **OTHERS AND THAT THERE IS NOTHING UNLAWFUL OR**
7 **IMPROPER ABOUT IT. (GATES DT AT 27-28.) DO YOU AGREE?**

8 A. No, I don't. As I stated, use of virtual NXXs violates the local/toll
9 distinction established and carefully maintained by this Commission
10 and reflected in Verizon's Commission-approved tariffs and
11 interconnection agreements. It is also contrary to industry numbering
12 policy and practices. This Commission has never sanctioned virtual
13 NXX service (or, as Dr. Selwyn calls it "functionality") and, to my
14 knowledge, the ALECs never even told the Commission they were
15 offering it before this docket. If the ALECs already were entitled to
16 engage in virtual NXX activity without the Commission's permission,
17 then I don't think we'd be here discussing this issue today in this
18 docket. I would recommend that this Commission follow the Maine
19 Commission's lead and unequivocally declare that provision of virtual
20 NXX is not permissible, and that ALECs should return any codes used
21 in this way.

22

23 **Q. BUT THE ALECS' CLAIM IS THAT ALECS' VIRTUAL NXX SERVICE**
24 **IS LIKE THE ILECS' FX SERVICE. DO YOU AGREE?**

25 A. No, I do not. To try to convince the Commission that virtual NXX

1 service is nothing unusual or impermissible, the ALECs compare it to
2 the ILECs' FX service. (Gates DT at 53; Selwyn DT at 28.) While the
3 two services are functionally alike, the similarity ends there. When
4 Verizon offers FX service to a customer, he agrees to pay a monthly
5 charge to Verizon for transporting to him calls that would otherwise be
6 toll calls and for which Verizon would normally bill the originating party.
7 When an ALEC provides virtual NXX service, however, the ILEC
8 handling the virtual NXX traffic is not compensated for its transport of
9 calls to a rate center which is outside the normal local calling scope.

10

11 Moreover, for FX service, the end user customer compensates Verizon
12 for the ability to receive calls from only *one* other rate center. If a
13 customer chose to have FX service from all of the rate centers within a
14 LATA, his total monthly FX charges would be correspondingly much
15 greater, to compensate Verizon for transporting the traffic outside of
16 the local calling area from across the LATA. The ALECs are
17 proposing that ILECs provide, in effect, LATA-wide FX service at no
18 charge—and that, in addition, they should pay the ALECs reciprocal
19 compensation for these new “local” calls. This is certainly not the
20 status quo today, from Verizon's perspective, and the Commission
21 should not sanction this patently unfair change.

22

23

24 **Q. DR. SELWYN CLAIMS THAT THE ONLY IMPACT OF AN ALEC'S**
25 **DECISION TO DELIVER TRAFFIC TO A RATE CENTER OUTSIDE**

1 **OF THE HOME RATE CENTER IS THE POSSIBILITY THAT THE**
2 **ILEC MAY SUSTAIN A COMPETITIVE LOSS. (SELWYN DT AT 53.)**
3 **DO YOU AGREE WITH THAT ASSESSMENT?**

4 A. Certainly not. Virtual NXX traffic is not traditional local traffic. Dr.
5 Selwyn suggests that Verizon should ignore the cost of transporting
6 the calls outside of the local calling area and simultaneously pay
7 reciprocal compensation. Today, when calls are transported outside of
8 the local calling area, Verizon is supposed to be compensated through
9 access charges; reciprocal compensation does not apply because the
10 calls are not local in nature. If the Commission were to endorse the
11 ALECs' approach, Verizon would lose revenue not through legitimate
12 competition, but because an ALEC inappropriately assigned numbers
13 to customers located in rate centers outside of the local calling area.
14 In fact, Verizon is experiencing these losses today, as ALECs admit
15 they are misassigning numbers.

16

17 Verizon urges the Commission to join the ranks of state commissions
18 denying reciprocal compensation for virtual NXX traffic. Mr. Ruscilli
19 lists and describes their decisions in his Direct Testimony (at 36-53).
20 Connecticut will likely soon be added to this list. The Department of
21 Public Utility Control there has just issued a draft order rejecting
22 arguments, like those the ALECs make here, that the ILECs are
23 somehow evading their reciprocal compensation obligations by
24 refusing to pay such compensation for virtual NXX traffic. The
25 Department has proposed to deny reciprocal compensation for

1 termination of these non-local calls, and is instead considering
2 applying access charges to them. (*DPUC Investigation of the*
3 *Payment of Mutual Compensation for Local Calls Carried Over Foreign*
4 *Exchange Service Facilities*, Draft Decision (March 29, 2001).)

5

6 **Q. DO YOU AGREE WITH MR. GATES THAT CUSTOMERS WISH TO**
7 **USE VIRTUAL NXX CODES “TO TAKE ADVANTAGE OF STATE-**
8 **OF-THE-ART, CURRENTLY AVAILABLE TECHNOLOGIES THAT**
9 **ALLOW CONSUMERS TO REACH THEIR BUSINESSES WITHOUT**
10 **THE DISINCENTIVE OF A TOLL CALL” (GATES DT AT 26)?**

11 A. No. Virtual NXX service is hardly a state-of-the-art technology and it is
12 certainly not necessary to provide customers toll-free calling.
13 Telephone companies have been offering toll-free service for more
14 than 20 years. In fact, the ALEC number assignment action forces
15 originating ILECs like Verizon to (1) at the originating switch, treat the
16 call as a local call for billing and switch routing purposes, and then (2)
17 transport the call over Verizon facilities (at Verizon expense) to the
18 distant ALEC interconnection point, much like Verizon would transport
19 a toll call or an originating access call -- existing services for which
20 Verizon would be compensated by the originating toll user or the
21 interexchange access customer, respectively. The only thing that's
22 “new” here is the new scheme to manipulate intercarrier transport and
23 compensation in a manner to load all of the costs on the originating
24 ILEC, and then, instead of compensating the originating ILEC for the
25 services provided, to prevent the originating ILEC from billing either

1 the originating customer or the receiving ALEC -- and then to bill
2 reciprocal compensation to the originating ILEC! There is not any
3 aspect of the virtual NXX service that would be considered new or
4 state-of-the-art from a technology perspective.

5

6 With regard to the "disincentive" a toll call may create, Verizon would
7 agree that most customers would like all their calls to be local, rather
8 than having to pay any toll charges. But that's not sufficient reason for
9 the Commission to suddenly reject the existing local/toll system and its
10 underlying public policy rationale.

11

12 **Q. MR. GATES SUGGESTS IF THE COMMISSION "PROHIBITS" USE**
13 **OF VIRTUAL NXXS, THEN EAS CALLS MAY NO LONGER BE**
14 **CONSIDERED LOCAL. (GATES DT AT 28-29.) DO YOU AGREE?**

15 **A.** Absolutely not. This odd theory seems to be rooted in Mr. Gates'
16 misperception of the status quo, as well as the nature of EAS. Once
17 again, I believe that Mr. Gates' assumption that ALECs can use virtual
18 NXXs today is unjustified. From my perspective, prohibition of virtual
19 NXXs *is* the status quo, and it has had no effect on the classification of
20 EAS as local.

21

22 Mr. Gates implies that EAS developed because the ILECs asked the
23 Commission to change toll traffic into local in order to stem competition
24 for toll services. (Gates DT at 29.) This is not true. As the
25 Commission knows, EAS has generally been established in response

1 to customer demand for a larger local area calling scope. The ILEC
2 typically requests and receives a rate increase to compensate it for
3 expansion of the local calling scope. Contrary to Mr. Gates' assertion,
4 the ILECs are not asking the Commission to "change the treatment of
5 certain local traffic back to toll." EAS is deemed local by the
6 Commission now and will remain local, regardless of how the
7 Commission decides the virtual NXX issue.

8

9 **Q. DO YOU AGREE WITH MR. GATES THAT VIRTUAL NXX CALLS**
10 **ARE ROUTED LIKE LOCAL CALLS AND DO NOT GO THROUGH**
11 **AN ACCESS TANDEM (GATES DT AT 30)?**

12 A. No, I do not. In fact, Mr. Gates' testimony conflicts with the virtual NXX
13 routing example provided on page 51 of Dr. Selwyn's Direct
14 Testimony. In Dr. Selwyn's example, the ILEC routes a call from a
15 West Palm Beach rate center to an ALEC POI in the Miami rate center
16 via the ILEC tandem. Generally speaking, the only way a virtual NXX
17 call would *not* pass through an ILEC tandem would be when the ALEC
18 point of interconnection (POI) is located in the same rate center as the
19 ILEC central office through which a virtual NXX call originates.

20

21 **Q. DO YOU AGREE WITH MR. GATES' ASSERTION THAT A LEC'S**
22 **RATES COVER THE COST OF CARRYING VIRTUAL NXX AND FX**
23 **TRAFFIC TO THE POI (GATES DT AT 36)?**

24 A. No. The *TSR Wireless Order* Mr. Gates cites requires ILECs to
25 recover the cost of facilities used to deliver ALEC traffic to the ALEC's

1 POI through the rates the ILEC charges its own customers for making
2 calls. But the order does *not* state that an ALEC can establish the POI
3 outside of the rate center and expect an ILEC to provide facilities to a
4 remote POI, which would effectively force the ILEC to provide service
5 that is similar to FX service, but at no cost to the ALEC. Obviously,
6 this result would be unfair to the ILEC's customers who currently have
7 FX service, and who pay for it at a rate that compensates Verizon for
8 the additional transport required. If an ALEC wants to provide FX-like
9 service, it should compensate Verizon in a manner like Verizon's end
10 user customers do. Otherwise, Verizon would need to seek to
11 increase its basic local rates to cover the costs of the "free"
12 interexchange transport service provided to the ALEC.

13

14 **Q. ARE ILECS "ESSENTIALLY INDIFFERENT FROM A COST**
15 **PERSPECTIVE" TO HANDLING VIRTUAL NXX TRAFFIC, AS MR.**
16 **GATES ASSUMES (GATES DT AT 36)?**

17 **A.** No. Virtual NXX traffic causes a significant increase in the demand
18 upon ILEC networks to deliver traffic one-way to the remotely located
19 internet service providers (ISPs) served by ALEC virtual NXX
20 arrangements. This increase in traffic will ultimately drive additional
21 network investment to properly handle the call volume. So while
22 switching costs may be a neutral factor, the ILECs are certainly not
23 indifferent as to transport costs. Obviously, it costs more for facilities
24 to transport traffic 100 miles than it does to transport traffic 5 miles.

25

1 In addition, under the ALECs' proposal, ILECs would be expected to
2 pay reciprocal compensation to ALECs for traffic that would
3 traditionally have been handled more like a 1-800 call. So Verizon is
4 definitely *not* indifferent to handling virtual NXX traffic from a cost
5 perspective.

6

7 **Q. DO YOU AGREE WITH MR. GATES, THAT "RESTRICTING NXX**
8 **ASSIGNMENT" VIOLATES THE TELECOMMUNICATIONS ACT**
9 **(GATES DT AT 39)?**

10 A. No, I do not. Although I am not a lawyer, anybody can read the Act
11 and see that there's nothing in there allowing the kind of
12 misassignment of numbers the ALECs support. Likewise, there is
13 nothing in there that gives the ALEC the unilateral right to erase a
14 Commission-approved distinction between local and toll service or to
15 waste numbering resources.

16

17 Mr. Gates invokes the Act's general intent for all consumers, including
18 those in rural, insular, and high cost areas, to have access to
19 telecommunications and information services at just, reasonable, and
20 comparable rates. (47 U.S.C. sec. 254(b).) Verizon provides
21 customers in rural areas with access to telecommunications services
22 at reasonable rates. Verizon would have difficulty maintaining these
23 reasonable rates, however, if the ALECs approach to virtual NXX
24 service were adopted. In that event, local rates for both rural and
25 urban customers would need to rise to compensate Verizon for the

1 increased, uncompensated use of its network for providing toll-free or
2 FX service. The Act does not require an ILEC to subsidize an ALEC to
3 ensure the ALEC's success in the marketplace. Rather, in the context
4 at issue, the ILEC's obligation is to accommodate ALEC
5 interconnection at any reasonable point within the ILEC's network.
6 This is a far cry from being required to carry traffic outside of the local
7 calling area in order to provide free transport, while also being required
8 to pay reciprocal compensation relative to this traffic.

9

10 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

11 **A. Yes.**

12

13

14

15

16

17

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25

1 BY MS. CASWELL:

2 Q Do you have a summary of your testimony for us today?

3 A Yes, I do.

4 Q Could you give that to us now?

5 A Will do. My testimony discusses whether carriers
6 should be permitted to assign telephone numbers to end users
7 physically located outside the rate center which telephone
8 numbers are homed. As part of that discussion, I address the
9 appropriate compensation mechanism for these so-called virtual
10 NXX calls. I will have a pregnant pause here for a second.

11 (Pause).

12 Okay. As part of that discussion I address the
13 appropriate compensation mechanism for these so called virtual
14 NXX calls should the Commission decide to permit them.
15 Verizon's position is that carriers should not be permitted to
16 assign telephone numbers to end users located outside of the
17 rate center to which the telephone number is homed unless
18 foreign exchange service is ordered.

19 Moreover, compensation for calls terminated to
20 telephone numbers terminated outside of the rate center should
21 be based on the location of the customer being dialed. A
22 critical concept that must be understood in considering these
23 issues is the manner in which local exchange carriers rate
24 their telephone calls. One of the key principle is that the
25 basic exchange access rate typically includes the ability to

1 make an unlimited number of calls within a confined geographic
2 area at modest or no additional charge. This confined
3 geographic area consists of the customer's home exchange area,
4 additional surrounding exchanges, together designated as the
5 customer's local calling area.

6 Calls outside the local calling area with limited
7 exceptions are subject to an additional charge referred to as a
8 toll charge. Toll service is generally priced higher on a
9 usage-sensitive basis than the local calling with the revenues
10 from toll service applied to hold down the monthly subscription
11 cost for basic exchange service.

12 In regard to the issue of properly rating calls, the
13 local exchange carrier tariff billing systems use the NXX codes
14 of the calling and called parties to determine the originating
15 and terminating rate centers and exchange areas of the call.
16 This information, in turn, is used to properly rate and
17 subsequently bill the call. If the rate center or exchange
18 area of the called party as determined by the called numbers
19 NXX code is included in the originating subscriber's local
20 calling area, then the call is rated as a local call.

21 If the rate center exchange area of the called party,
22 again determined by the NXX code of the called number, is
23 outside of the local calling area then the call is determined
24 to be toll. Thus the rate centers of calling and called
25 parties as expressed in the unique NXX codes assigned to each

1 rate center are absolutely essential for LECs to properly rate
2 calls as either local or toll.

3 In my testimony I provided the definition of a
4 virtual NXX as an entire exchange code, 10,000 numbers,
5 obtained by a carrier and then designated by that carrier for a
6 rate center exchange area in which the carrier has no customers
7 of its own nor the facilities to serve those customers. Such
8 an exchange code is used by some ALECs to provide telephone
9 numbers to end users physically located in exchanges other than
10 the one to which the code was assigned.

11 Such an arrangement does not effect the routing of
12 the call from the caller to the called party. The network
13 recognizes the carrier-assigned NXX code and routes the call to
14 that carrier's switch for delivery by that carrier to its end
15 user, the called party. However, the ALEC's virtual NXX codes
16 scheme completely undermines the rating of a call as local or
17 toll, thereby denying Verizon compensation for the transport
18 costs it incurs to deliver the calls to the CLECs, or ALECs,
19 I'm sorry. The ALECs' use of NXX codes in this way causes, in
20 addition, an enormous waste of numbering resources as the Maine
21 Commission found when it prohibited the practice.

22 Finally, the ALECs claim that reciprocal compensation
23 should be applied to virtual NXX calls. This is obviously
24 inappropriate. Under the Act reciprocal compensation must be
25 paid only for local calls. Because virtual NXX calls are not

1 and I represent AT&T.

2 A Good morning.

3 Q I just have a couple of questions to understand the
4 issue. In your rebuttal at a couple of points you talk about
5 the additional cost of transport associated with this issue,
6 and I want to understand that.

7 A Right.

8 Q Doesn't the ALEC pay for the cost of transport to
9 haul the call from where it has the NPA/NXX to where its
10 physical switch resides?

11 A Not according to my understanding, no.

12 Q Okay. You weren't here yesterday, but I have this
13 magnificent drawing I made, so I want to get up and show you
14 that.

15 My understanding of the issue is essentially there
16 may be a local calling area where we have an NPA/NXX
17 effectively establishing a switching presence in that NPA/NXX,
18 but that our physical switch may reside in a different local
19 calling area somewhere distant.

20 A Right.

21 Q And we have to transport the call from where we got
22 essentially a virtual switch presence back to where our
23 physical switch resides. That's what I mean by transport. Are
24 you with me so far?

25 A I'm with you, yes.

1 Q Doesn't the ALEC pay for that transport to get from
2 where it has the NPA/NXX to where its physical switch presence
3 is?

4 A My understanding is they do not.

5 Q Okay. If we agreed that we would pay for the
6 transport in that situation, would this issue go away in your
7 mind?

8 A There is a related issue I wanted to highlight, but I
9 would agree in part that it would go away from my perspective
10 because you would be compensating the company for the
11 transport.

12 The other issue that still remains is the issue of
13 number utilization. The only benefit I have seen personally
14 from looking at this in several states from a virtual NXX
15 perspective has been the opportunity to bypass the historical
16 billing process by using virtual NXX. The thing that is not
17 often looked at is the impact to numbers.

18 I was in a workshop June 25th, just a couple of weeks
19 ago in Illinois where this came up as a discussion item. And
20 in that workshop we looked at the 618 NPA and we said, we are
21 running out of numbers, we have got to do somebody to relieve
22 it. And we started looking at recent number requests. And
23 last year we found that 138 codes had been requested by two
24 companies primarily doing ISP provisioning. And they had tied
25 up 1.38 million numbers. And we found out in analysis they

1 were using less than 1,000 of those numbers and had no
2 intention of continuing to expand.

3 So there is an issue here of compensation. I'm very
4 interested in that from a company perspective. But from a
5 general industry perspective this approach dramatically wastes
6 numbers. And I have an industry concern, not a company concern
7 about that.

8 Q Does that mean that if we agree to pay for the
9 transport, the only remaining issue with respect to this issue
10 is the issue of number conservation?

11 A In my mind I believe that would be a true statement.
12 Nothing else comes to mind as an issue at this point.

13 COMMISSIONER DEASON: Let me ask you a question. How
14 do you determine that transport is due, and how do you
15 calculate it, and how do you collect it?

16 THE WITNESS: Well, the analogy I used in my
17 testimony, I think, is a good one here. If the same situation
18 had presented itself and you removed the virtual NXX factor, if
19 somebody simply came to us and said we would like to have
20 traffic originate in Verizon's territory and terminate 200
21 miles away, that typically would have been either a 1-800 call,
22 a special arrangement like an FX service, or some other special
23 attachment connected from one point to the other.

24 But in this case because of the billing system
25 problems, I acknowledge our billing system does not know how to

1 distinguish one from the other. It just says this looks like a
2 local number, this looks like a local number, I'm going to bill
3 it as local traffic. It doesn't have a way of knowing that it
4 is going to be terminated 200 miles away. So the point I guess
5 I am advocating is I would like --

6 COMMISSIONER DEASON: Well, when I read your
7 testimony that is one of the things that kept puzzling me.

8 THE WITNESS: Yes.

9 COMMISSIONER DEASON: The call is made, the switch
10 recognizes that number and it is programmed to haul that
11 traffic, that call to the designated end point.

12 THE WITNESS: Right.

13 COMMISSIONER DEASON: And in your example it could be
14 200 miles away from the originating local calling area.

15 THE WITNESS: Correct.

16 COMMISSIONER DEASON: And your billing system is
17 based upon recognizing that NXX as a local. But if your switch
18 knows where to send it, why doesn't the switch talk to your
19 billing system and say, oh, this call is going to a physical
20 location 200 miles from here, therefore, this is not a local
21 call. Why don't the two talk?

22 THE WITNESS: I think the basic issue here is one of
23 a long-standing arrangement for how we have billed probably for
24 30 or 40 years. They built the system in such a way, and to
25 make a radical change quickly is not easy to do. The position

1 I heard Bell make yesterday was probably a workable position
2 for us to take, as well. If we had an arrangement where
3 somebody notified us that these numbers going to be handled
4 differently, let us build the system so it accepts that. But
5 today the system is an antiquated system, and I will admit to
6 that. It is a system that has been built for a certain
7 application and that is recognizing one number against another
8 and connecting the two together and billing basically what it
9 thinks is appropriate. Does that make sense?

10 COMMISSIONER DEASON: Are you telling me then that to
11 do the billing for -- if a party is willing to pay transport,
12 and you are willing to accept that, you are basically just
13 relying on the honesty of the persons telling you beforehand
14 that when a call is placed to this particular NXX it is not a
15 local call and we are going to pay you transport for all of
16 that traffic, or do you have a way a verify that?

17 THE WITNESS: Truthfully, from my understanding, and
18 I am speaking from the limited experience I have had checking
19 this in a couple of states, we have not had a good proactive
20 mechanism to determine this type of traffic occurring. The way
21 that the LERG, the local exchange routing guide is built, we
22 don't have watchdogs out looking to see how people request
23 NPA/NXXs and then see how they ask us to assign the routing of
24 that.

25 So we don't have, you know, a group in a back room

1 looking as all that information is updated monthly to see what
2 people have done with it. Our switches automatically respond
3 to the LERG arrangements, the local exchange routing guide
4 arrangement. They see -- if it is programmed in, when you see
5 this code route the traffic here. But we don't have somebody
6 tying that back to the billing group and investigating it.

7 It would be another activity we could undertake, I
8 guess, as a company, but it would be a massive effort because
9 every month there are a huge number of updates to the LERG.

10 COMMISSIONER DEASON: So I guess my bottom line
11 question is are you comfortable -- in response to Mr.
12 Lamoureux's question, are you comfortable just having them tell
13 you what the traffic is, and pay you, and you accept that?

14 THE WITNESS: I would believe in my opinion that if
15 we had a working business agreement along these lines, we would
16 be satisfied with that.

17 COMMISSIONER DEASON: And how do you calculate what
18 is due you for transport?

19 THE WITNESS: I think the answer I heard Ed Beauvais
20 give yesterday would probably be an appropriate answer today.
21 I missed most of yesterday, but I did hear the tail end. I
22 heard him describe a situation in which if we had traffic
23 typically that would go a certain distance, and I think he used
24 the example of ten miles, in this case it would go another
25 distance, whatever that turns out to be, say a mile, ten miles,

1 100 miles. Whatever would be normal compensation for the
2 company for that extra transport would be what would be applied
3 here.

4 COMMISSIONER DEASON: Okay. And how do we address
5 the numbering conservation problem that this practice
6 apparently has the potential to generate?

7 THE WITNESS: See, that is the real concern I have.
8 I am obviously concerned from a company standpoint about
9 finances. But separate from that I have probably almost an
10 equal or larger concern about the number utilization. The only
11 incentive I have identified in virtual NXX for a company is in
12 the area of bypassing traditional billing methods.

13 So if you took out the bypass, the opportunity that
14 is achieved through that, I think the interest in these numbers
15 would go away. That is my personal opinion. I haven't had
16 that stated to me by any of the ALECs. I would think the other
17 numbers they have been assigned would work adequately, in other
18 words, without doing this.

19 COMMISSIONER DEASON: Well, why couldn't there be a
20 small number of numbers granted so that when the customer --
21 the end use customer makes that call they think they are making
22 a local call, but in reality it's not. But I understand that
23 for marketing purposes, or whatever, there is a need for that.

24 THE WITNESS: Right.

25 COMMISSIONER DEASON: But that there is not the need

1 to give an entire NXX, but there is some way through, I don't
2 know, some other mechanism engineering-wise where that could be
3 accomplished.

4 THE WITNESS: Right. Well, I can go back to the main
5 example that is referenced in my testimony in Maine. This
6 became an issue and the state investigated and came back and
7 said we have got 540,000 numbers we can reclaim. And in that
8 case, I don't want to sound like a marketer here, but Verizon
9 worked with the company that was utilizing that approach and
10 came up with a special arrangement that satisfied their needs
11 and also compensated us for the traffic. And it eliminated the
12 need for those numbers in that case.

13 COMMISSIONER DEASON: Well, could you use some type
14 of call-forwarding technology of some sort that when the
15 customer sees a local number and they place it, but when it
16 goes to your switch, your switch says this is being forwarding
17 200 miles from here, we know it's not a local call, the
18 customer thinks it is, and that's fine, but we are going to
19 collect our transport, costs are being placed on the
20 cost-causer, and we are going to get cost recovery.

21 THE WITNESS: Yes. And there are any number of
22 technical solutions to it truthfully that would allow the local
23 user to perceive it as a local call so they wouldn't be
24 impacted if you are an internet service user. There are
25 probably three or four different ways that could be

1 accomplished in a satisfactory way so they wouldn't be impacted
2 directly.

3 COMMISSIONER DEASON: It seems to me that there is an
4 opportunity for you all to do a lot more talking with each and
5 work this out.

6 THE WITNESS: I would agree.

7 BY MR. LAMOUREUX:

8 Q I want to clarify something. If we agree to pay for
9 the transport from the point of interconnection back to
10 wherever our switch physically resides, do you also propose in
11 addition to that to charge us access?

12 A Well, in the sense that we are considering this, I
13 think in the discussion the equivalent of a long distance call,
14 I would think yes.

15 Q So even if we pay for the transport from the POI back
16 to the switch, in addition to that you are no longer going to
17 pay us reciprocal compensation and you are going to charge us
18 access for all the minutes that go through on that call?

19 A Well, I guess I will probably go back to Ed's answer
20 yesterday. We will probably want to negotiate how that would
21 work out, to be honest. But if it was just a pure arrangement
22 like we have today with other clients, it normally would have
23 been a long distance call, so we would charge access. But our
24 negotiated arrangement, I would think, could be different.
25 Because they did arrange a special arrangement in the Maine

1 example. And I'm not acquainted with how they did the charges
2 in that truthfully. I don't know what the compensation was.

3 CHAIRMAN JACOBS: What about this rule that we were
4 cited yesterday. I would assume that you then would say that
5 this section doesn't apply to that traffic, 51.703?

6 THE WITNESS: I'm sorry?

7 COMMISSIONER DEASON: 51.703, reciprocal compensation
8 obligations, I guess it would be your position that that
9 doesn't apply in this instance?

10 THE WITNESS: No, sir. If you are saying is
11 reciprocal compensation applicable in this type of arrangement,
12 I would say no, sir, it is not, because I don't consider it
13 local traffic.

14 CHAIRMAN JACOBS: Okay. So then that's why you
15 get -- if that provision doesn't apply, then you would take the
16 position access charges can be charged?

17 THE WITNESS: Right. But, once again, I wish I was
18 knowledgeable of the details on how they worked out the billing
19 arrangement in Maine. I'm not familiar with that as an
20 example. But somehow they worked out an arrangement where both
21 companies were satisfied with the results.

22 BY MR. LAMOUREUX:

23 Q And I guess what I'm trying to get at, if we take
24 away those extra transport costs, any issue about additional
25 costs goes away, but you all are still wanting to change this

1 to a long distance call to charge us access charges, is that
2 right?

3 A Well, I want to hedge there because of the
4 opportunity to negotiate the difference. I don't mean to be
5 hedging in a serious sort of way, but I would like to see how
6 we could work together on that. The bottom line is we want to
7 be compensated reasonably for the carrying of the traffic, but
8 there may be another arrangement we could work out.

9 Q Well, if we have agreed to pay for the transport,
10 there is no need for compensation of the carrying of the
11 traffic because we have borne the cost of carrying that traffic
12 back to our switch, isn't that right?

13 A I would think you would have borne the substantial
14 portion of it, yes. The part that would be missing potentially
15 is where the call is ultimately delivered. But in most cases
16 my experience has been if that point is next door or just down
17 the street with the internet service provider.

18 Q Do you know what Verizon's access rates are in
19 Florida?

20 A No, I do not.

21 Q Do you know how they compare to Verizon's access
22 rates in other states?

23 A No, I don't.

24 MR. LAMOUREUX: That's all I have. Thank you very
25 much.

1 THE WITNESS: Thank you.

2 CHAIRMAN JACOBS: Mr. Hoffman.

3 MR. HOFFMAN: Thank you, Mr. Chairman.

4 CROSS EXAMINATION

5 BY MR. HOFFMAN:

6 Q Good morning, Mr. Haynes.

7 A Good morning.

8 Q My name is Ken Hoffman. I have some questions
9 regarding the virtual NXX issue that I would like to ask you on
10 behalf of Level 3 Communications. Let me begin by just asking
11 you if I correctly understand sort of a fundamental tenet of
12 your testimony. And that is it is my understanding that you do
13 not believe that the appropriate level of intercarrier
14 compensation should be determined by a comparison of NXX codes,
15 is that a fair statement?

16 A I believe it is, based on how you phrased it, yes.

17 Q Now, isn't it a fact that Verizon itself today bills
18 for reciprocal compensation based upon a comparison of NXX
19 codes?

20 A That is correct.

21 Q Now, when Verizon bills for intercarrier compensation
22 today based upon a comparison of NXX codes, does Verizon make a
23 determination as to whether the customer is physically located
24 within Verizon's local calling area before it sends a bill to
25 the ALEC?

1 A No, it does not.

2 Q Isn't it possible that even today Verizon is billing
3 ALECs for reciprocal compensation based upon a foreign exchange
4 call that goes to a Verizon customer that is physically located
5 40 or 50 miles outside of the assigned local calling area for
6 that NXX?

7 A Yes. And I would like to add to my answer on that,
8 because that is one of the things I have highlighted. From our
9 system perspective, as I said a minute ago, our systems now
10 compare number-to-number and say, does this appear to be local
11 traffic? The answer is yes, it does. From a reciprocal
12 compensation point or perspective when you bring in an FX line,
13 which if you just use this in analogy, the FX portion of the
14 costs we are paid for by the customer that has requested the FX
15 service. So our transport cost, which may be a mile, it may be
16 50 miles, we don't know, it depends on the negotiation as to
17 how much away it is, that we are compensated for directly by
18 the FX customer themselves, so we are made whole in that way.

19 Q And there would be nothing that would prohibit an
20 ALEC from also similarly being compensated by the ALEC customer
21 for that additional transport, correct?

22 A I'm not sure I followed you on that.

23 Q In other words, for the portion of that call that
24 travels to a virtual NXX outside of the local calling area,
25 there is no regulatory prohibition on the ALEC pricing its

1 service to recover that additional transport, correct?

2 A So if I am understanding you, the ALEC could
3 establish what would be the equivalent of an FX link where they
4 paid for the connection between point A and point B?

5 Q Yes.

6 A I would think that would be true, based on how I
7 understood the question.

8 Q Okay. It is your position in your testimony that an
9 ALEC should not be allowed to bill reciprocal compensation
10 based upon a comparison of NXX codes, correct?

11 A Right.

12 Q Now, does Verizon use a comparison of NXX codes for
13 retail customer billing?

14 A Yes, it does.

15 Q All right. And we have already discussed and agreed
16 that Verizon compares NXX codes for intercarrier compensation
17 bill, correct?

18 A What you are saying, if I am understanding you again,
19 because billing is not my area of expertise, so I need to be
20 careful how I answer since it is not my area of expertise. But
21 my understanding is our simple billing system looks at where
22 the call originated and where it appeared to terminate based on
23 the phone number and it judges based on those two items.

24 Q Okay. Verizon bills ALECs reciprocal compensation
25 based upon comparison of NXX codes?

1 A That is my understanding, yes.

2 Q And it is your position, I think your previous
3 testimony was that an ALEC should not be allowed to bill
4 reciprocal compensation based upon a comparison of NXX codes,
5 correct?

6 A You know, I want to caveat that once again because of
7 the factor here that I am sensitive to is whether or not we
8 know where the numbers actually finally terminate. If you just
9 have strict literal numbers and you don't know where they
10 terminate, there is an issue.

11 Q Is it your position that an ALEC should or should not
12 be allowed to bill Verizon reciprocal compensation through a
13 comparison of NXX codes?

14 A Given the same caveats I just used, I would say yes.

15 Q And ALEC should be allowed to do that?

16 A If we have an understanding about where the calls
17 originate and where they terminate, I would think yes.

18 Q Do you have that understanding today?

19 A I am not familiar with interconnection agreements, I
20 don't know what understanding we have with the other companies.

21 Q Okay. Wouldn't you agree that to incorporate this
22 location issue that you are talking about that Verizon and the
23 ALECs are going to have to develop new and different billing
24 processes and billing systems to handle FX and virtual NXX type
25 traffic?

1 A I would think they would need to work together on
2 that, yes.

3 Q Wouldn't they have to develop new and different
4 billing processes?

5 A I would think so, based on the direction of the way
6 that you are going with the questions.

7 Q Okay. Wouldn't Verizon and the ALEC have to look at
8 every call every month on a line-by-line basis to determine if
9 it might be delivered to a customer that is not physically
10 located in a local calling area?

11 A There I think I would disagree with you. I think the
12 proposal that was made yesterday is for the company that is
13 using a virtual NXX arrangement to notify the other company of
14 where the calls are going to be terminated since there is not
15 an easy way to determine that otherwise and have that be the
16 mechanism. I would think that would be an honest and up-front
17 way to handle it.

18 Q Tell me how that would work.

19 A Well, I'm building on what I heard BellSouth say
20 yesterday, and it is not something truthfully I had considered
21 until I heard their testimony, so I'm kind of speaking off the
22 cuff. But what I understood them to say and it made sense to
23 me, if the company that is requesting a virtual NXX arrangement
24 would come to them and say we have traffic that is going to
25 originate in a rate center and it is going to terminate at a

1 switch 200 miles distant within the LATA, and that is where it
2 is going to be terminated, and let's work out an arrangement
3 whereby we are compensated for that, and that is what I
4 understood them to say. And they would let us know which
5 numbers are going to be receiving that traffic.

6 Q Okay. And at minimum it would require then, as I
7 understand your testimony, for the ALEC to either manually or
8 somehow go through each invoice and determine which numbers are
9 located outside of the local calling area of Verizon, agreed?

10 A No, not if I understand how the virtual NXXs are
11 being used. I wouldn't agree with that.

12 Q Okay. With the virtual NXX isn't the crux of the
13 issue that the customer is physically located, the ALEC
14 customer is physically located outside of the local calling
15 area?

16 A That's part of it. But the calls going to those
17 virtual NXX numbers always originate within that rate center.
18 So all that we would have to be notified of, if I'm building on
19 the BellSouth example yesterday, would be an awareness of which
20 number is going to be receiving that traffic because it would
21 route automatically to wherever that other point is.

22 Q That's right, I agree with that. And to do that, as
23 I understand your testimony, the ALEC will need to go through
24 each bill, each invoice, and each number and determine which
25 numbers are physically located outside of the Verizon local

1 calling area, wouldn't it?

2 A I don't see the perspective you're taking. From the
3 way I would looking at this if I were building a system, and
4 I'm not the expert here, but my understanding of it is I
5 would -- let me go back to the example I used a minute ago in
6 Illinois, because it is a real familiar one to me because I was
7 up there a couple of weeks ago.

8 One of the internet service providers that had used
9 89 codes had 89 rate centers out of 243 where they had
10 established codes. And in each one of those rate centers they
11 had the same number, it was NPA/NXX 4444. And you could go to
12 any rate center which they had service, and you knew if you
13 dialed whatever the NPA/NXX was and added 4444 you would get
14 that customer, or get that internet service provider. So they
15 had effectively tied up 890,000 numbers and they were using 89
16 of them. And we knew that and they knew that. It wasn't a
17 secret. It was very -- you know, they published that
18 information, it's on their website.

19 So if they were going to alert us to that situation,
20 all they would have to do is tell us that in every rate center
21 in which we have service, if you will note 4444, that is the
22 one that is going to get all the traffic and we would like to
23 work with you on a compensation arrangement.

24 Now, my alternate proposal would be for us to work
25 with them on establishing a local number, one that is already

1 available. Not waste the 10,000 numbers at a pop, and work out
2 the arrangement separately for that as far as compensation. I
3 wouldn't tie up all of those numbers just so they could fool
4 our billing system. Does that make sense?

5 Q Let me try to reduce it to its simplest terms, if I
6 can. Let's take an exchange, an NXX in the Tampa area, 949.
7 Let's say -- and this is just using one number. Let's say that
8 we have got an 813 NPA, 949 NXX. I think generally that is the
9 Lutz area of Tampa.

10 A I'm not that familiar with Tampa, but I will take
11 that.

12 Q Let's say that is a virtual NXX customer of an ALEC
13 in Bradenton. And I think Bradenton is also a Verizon area?

14 A It is. I am familiar with that.

15 Q Wouldn't the ALEC on its invoice have to go through
16 the invoices that it receives from Verizon and identify that
17 949 NXX number and report back to Verizon that this is a
18 virtual NXX?

19 A Well, I think that is where we are differing on my
20 understanding. If you simply told me up front that from now on
21 all traffic going to the example I used, the 4444 number was
22 going to be this type of traffic, I would think going forward
23 every call we saw routed to that direction we would handle that
24 way. There wouldn't be a month-to-month, day-to-day analysis
25 required.

1 COMMISSIONER DEASON: Let me ask a question. Your
2 billing system is sophisticated to look at the last four digits
3 and designate that as something different and bill it
4 differently?

5 THE WITNESS: No, truthfully today it is not. It
6 would have to be modified to accommodate what BellSouth was
7 suggesting. Our system is not set up that way today, so that
8 would require programming changes for us to be able to
9 accommodate that.

10 BY MR. HOFFMAN:

11 Q And just the last question on this subject, Mr.
12 Haynes. Do you know what changes and costs would be incurred
13 for the ALECs to make modifications to their billing systems?

14 A No, I do not.

15 Q What compensation would Verizon pay an ALEC for
16 transport and termination of virtual NXX traffic if reciprocal
17 compensation does not apply?

18 A And that to me would have to be a negotiated item, I
19 would think.

20 Q Okay. Let's just assume for the purpose of this
21 question that we have all sort of looked at history and
22 negotiations tend to be unsuccessful, and we all end up in
23 front of the Commission as we all tend to do. What would your
24 answer to be that question, what would your position be?

25 A Let me get you to restate the question to be sure I

1 am answering it appropriately.

2 Q I am assuming that we can't negotiate a resolution,
3 the ALEC and Verizon.

4 A Right.

5 Q What compensation would Verizon pay an ALEC for
6 transport and termination of virtual NXX traffic if reciprocal
7 compensation does not apply?

8 A I guess from my perspective, since I haven't been
9 involved with negotiations previously, I wouldn't be
10 acquainted with what types of compensation would be
11 appropriate, honestly.

12 Q Can it be -- is it a fair summary of your testimony
13 that the answer to that question would be that absent
14 negotiations Verizon's position is that the ALEC is paid
15 nothing?

16 A I am uncomfortable saying that because I would want
17 to see what would come out of a negotiation first before I
18 would go to that position. I would like to see the process and
19 see where it takes us. I don't feel comfortable on short
20 notice trying to analyze that.

21 Q I'm only asking you to assume negotiations are
22 unsuccessful, if you can do that. If you can assume
23 negotiations are unsuccessful, as they so often are, what is
24 the answer to that question?

25 A Well, I'm still back -- I don't mean to be hedging

1 here, I'm trying to be totally honest. My lack of
2 familiarization with all the issues that come before that makes
3 me uncomfortable trying to give a quick answer on the subject,
4 because I'm not that familiar with the subject area.

5 COMMISSIONER DEASON: Well, let me ask a question. I
6 thought one of the premises you established was that this
7 virtual NXX is not local traffic.

8 THE WITNESS: Correct.

9 COMMISSIONER DEASON: And another premise is that if
10 it is not local, reciprocal compensation is not due?

11 THE WITNESS: That is correct.

12 COMMISSIONER DEASON: So then wouldn't your answer to
13 his question be yes, that you would not pay reciprocal
14 compensation?

15 THE WITNESS: I understood him to say no compensation
16 at all, and that is the part I was hedging on because I am not
17 sure what they would be providing in terms of a service to us.

18 COMMISSIONER DEASON: Okay.

19 MR. HOFFMAN: Commissioner Deason, thank you for that
20 clarification.

21 BY MR. HOFFMAN:

22 Q Let me add that clarification to the question. Would
23 your answer be that Verizon would pay no reciprocal
24 compensation to the ALEC?

25 A If the table was exactly reversed, I would think that

1 would be appropriate. But, once again, I would want to look at
2 the details and make sure that the table is exactly reversed,
3 that it is tit for tat.

4 Q I'm not sure what you meant by all of that. Your
5 position is absent a successful negotiation, Verizon's position
6 is that it would pay no reciprocal compensation to an ALEC to
7 transport and terminate a virtual NXX call?

8 A Yes. I'm sorry, I misunderstood the question. Yes,
9 I would agree with that.

10 Q Okay. And on top of that, absent negotiations,
11 Verizon's position is that the ALEC should not only not be paid
12 reciprocal compensation, but should pay Verizon originating
13 switched access charges, correct?

14 A That or a negotiated amount, yes.

15 Q Now, if a virtual NXX call to an ALEC customer is not
16 viewed to be a local call, but is instead viewed to be say an
17 intraLATA toll call?

18 A Uh-huh.

19 Q Could an ALEC impose terminating switched access
20 charges on Verizon for the ALEC's work in delivering these
21 calls that were originated by the Verizon customer?

22 A Okay. Let me feed it back to you. You are saying if
23 we have got a call originating in the Verizon territory, and it
24 terminates 200 miles distance on a switch provided by an ALEC,
25 is that correct?

1 Q That's fine for this example.

2 A I'm just trying to understand it.

3 Q Whether it is 50 miles, 60, or 200, it is outside of
4 the Verizon originating local calling area.

5 A See, my perspective is it would be handled in a
6 similar fashion to how long distance traffic would be handled
7 today unless a special arrangement would be made.

8 Q So is your answer then to my question that Verizon
9 would pay terminating switched access charges to the ALEC?

10 A Well, is that how you would answer it if it was a
11 long distance call? Once again, I'm hedging here because of my
12 lack of familiarization with the billing process, because I
13 know little bit of it, but not a lot of it.

14 Q Let me start over. I'm not asking you a billing
15 question. I'm asking you to first assume, Mr. Haynes, that a
16 virtual NXX call to an ALEC customer is not viewed by the
17 Commission to be a local call, but is instead viewed to be an
18 intraLATA toll call, just for the purposes of this question.

19 Under that scenario could an ALEC impose terminating
20 switched access charges on Verizon for the work that the ALEC
21 does in transporting and terminating that call?

22 A Well, I'm getting back to my limited understanding.
23 My understanding of a long distance call if we originate one in
24 our territory and it goes long distance, we are paid access
25 charges. And I'm not familiar with the charging process on the

1 terminating end, honestly, so I don't know what is typical in
2 that regard.

3 Q Do you know if Verizon is paid terminating access
4 charges when Verizon, for example, terminates a long distance
5 call that has been carried by AT&T?

6 A No. Once again, I have to apologize, I don't. That
7 is why I was uncomfortable providing an answer.

8 Q I think it was your testimony that today if an ALEC
9 end user places a call to a Verizon foreign exchange customer,
10 that Verizon bills that ALEC reciprocal compensation for that
11 call, is that correct?

12 A That is correct.

13 Q And you would agree that all the ALECs are attempting
14 to do in this proceeding is to similarly bill reciprocal
15 compensation to Verizon and the other ILECs for a virtual NXX
16 call, agreed?

17 A No, I wouldn't agree with that, I don't believe,
18 based on my understanding of the FX example. I did hear part
19 of the discussion yesterday from the BellSouth perspective, and
20 this is an area that we haven't really investigated on our side
21 yet. Our systems automatically, as I mentioned a minute ago,
22 compare the two numbers and say do they look like they are both
23 local. If the answer is yes, then they bill appropriately
24 based on that understanding. But we have not, in my
25 understanding, gone down the path of looking at it the way

1 BellSouth had and evaluated that situation, to be honest.

2 COMMISSIONER DEASON: Did you hear the testimony of
3 BellSouth yesterday?

4 THE WITNESS: I heard part of it, yes. I came in
5 late. I was here about 3:45, but I heard a little of it.

6 COMMISSIONER DEASON: Was it your understanding that
7 they were going to cease billing reciprocal compensation?

8 THE WITNESS: That's what I understood. I'm just
9 saying from an internal perspective, I have not been party to a
10 discussion where we have evaluated the same thing the way they
11 have to know what changes, if any, we might choose to make.

12 BY MR. HOFFMAN:

13 Q Mr. Haynes, could we at least agree that the ALECs
14 are seeking reciprocal compensation for virtual NXX calls in
15 this proceeding?

16 A I'm sorry?

17 Q Can we at least agree that ALECs are seeking
18 reciprocal compensation --

19 A Yes, I clearly understood that is what they were
20 seeking, yes.

21 Q That is their position. What does Verizon charge a
22 Verizon customer for a call to an ALEC's virtual NXX number?

23 A As I understand it, it is handled as local traffic
24 from a Verizon perspective. So the normal monthly charge that
25 they pay as a customer is all they would be charged.

1 Q Treated as local by Verizon?

2 A Right. Once again, based on our system limitations.

3 Q Let me ask you to turn to your prefiled direct
4 testimony, Mr. Haynes.

5 A Okay.

6 Q At Page 9, the discussion on Lines 4 through 9.

7 A Okay.

8 COMMISSIONER JABER: Mr. Hoffman, what page?

9 MR. HOFFMAN: If you will give me just a moment,
10 Commissioner Jaber.

11 COMMISSIONER JABER: Oh.

12 MR. HOFFMAN: It was Mr. Haynes' direct testimony, I
13 believe it is Page 9.

14 THE WITNESS: Does it start out, "In fact, the call
15 is"? That is the sentence that is beginning on Line 4?

16 MR. HOFFMAN: I'm sorry, I was on your rebuttal.
17 That's why I was confused. Let me turn to your direct.

18 BY MR. HOFFMAN:

19 Q The passage that starts, "Area and thereby
20 incorrectly assumes the call to be local," and then the next
21 sentence, right in there.

22 A Yes, I'm with you.

23 Q If you could just take a look at that for a moment?

24 A Uh-huh.

25 Q Okay. And, again, your position is that the virtual

1 NXX call is not local and is not subject to reciprocal
2 compensation, correct?

3 A That is correct.

4 Q Let me hand you an exhibit.

5 A Which part should I be looking at?

6 Q I have handed you a two-page exhibit.

7 MR. HOFFMAN: Mr. Chairman, I would ask that this
8 exhibit, which we could identify as FCC Rule 51.701(b) --

9 CHAIRMAN JACOBS: Show that marked as Exhibit 17.

10 (Exhibit 17 marked for identification.)

11 THE WITNESS: Should I be just looking at the
12 highlighted yellow portion?

13 MR. HOFFMAN: Yes, sir, if you could.

14 THE WITNESS: I'm looking at it.

15 BY MR. HOFFMAN:

16 Q This is a two-page exhibit, Mr. Haynes. Page 1, and
17 I have highlighted 51.701(b)?

18 A Right, I see it.

19 Q That is the definition of local telecommunications
20 traffic as promulgated by the FCC's local competition order in
21 1996.

22 A Uh-huh.

23 Q If you turn the page to Page 2 of this exhibit, you
24 will see that this is the amended definition of 51.701(b) as
25 amended by the FCC in its April 27, 2001 ISP remand order. Go

1 ahead and take a moment and look at that. I wanted to just
2 explain to you what those two pages are.

3 A Okay.

4 Q Now, let's look at Page 1.

5 A Okay.

6 Q The rule requires payment of reciprocal compensation
7 for telecommunications traffic exchanged between an ILEC and an
8 ALEC that originates and terminates within a local calling area
9 established by the Commission, correct?

10 A Correct.

11 Q Okay. And it is your position that a virtual NXX
12 call to an ALEC customer terminates outside the local calling
13 area established by the state commission per this rule,
14 correct?

15 A That is correct.

16 Q All right. Now, turn to Page 2. Again, this is the
17 rule as amended by FCC Order Number 01-131, which was the ISP
18 remand order. The rule as amended eliminates as a requirement
19 for reciprocal compensation that a call be terminated within a
20 local calling area established by the state commission. Would
21 you agree?

22 A You must be reading it differently than I am. I
23 don't get that out of what I am reading here that is
24 highlighted in yellow.

25 Q Okay. Well, why don't you read the highlighted

1 version, the highlighted part of the rule into the record?

2 A "Telecommunications traffic exchanged between a LEC
3 and a telecommunications carrier other than a CMRS provider
4 except for telecommunications traffic that is interstate or
5 intrastate --"

6 COMMISSIONER DEASON: You need to slow down.

7 THE WITNESS: I'm sorry. I tend to talk fast. I
8 apologize. -- "that is interstate or intrastate exchange
9 access, information access, or exchange services for such
10 access."

11 BY MR. HOFFMAN:

12 Q Okay. And if you look down toward the last -- look
13 at the last paragraph on that page, you will see where that the
14 rule -- a footnote to the rule notes that the rule itself is
15 amended by striking the word local before telecommunications
16 traffic, correct?

17 A I do see that, yes.

18 Q And, again, when you compare the rule as originally
19 promulgated on Page 1 of this exhibit and the rule as amended
20 by the FCC on Page 2, it is clear that the rule eliminates as a
21 requirement for reciprocal compensation the former requirement
22 that a call be terminated within a local calling area
23 established by the state commission, correct? That language is
24 gone.

25 A I see that the word local is stricken, yes.

1 Q What about the words --

2 MS. CASWELL: Excuse me, Mr. Hoffman, I have to
3 object. Mr. Haynes can give you his opinion as a layperson
4 looking at this for the first time as to what this means. But
5 he is not a lawyer, and he doesn't know what other parts of the
6 rules may be relevant.

7 BY MR. HOFFMAN:

8 Q What about the words -- look on Page 1 the words,
9 "That originates and terminates within a local service area
10 established by the state commission." Those words have been
11 eliminated in the amended rule on Page 2, is that correct?

12 A The only thing that I have seen that has been
13 eliminated is the word local, if I understand correctly.

14 Q Are you looking at 51.701(b)(1) on Page 2?

15 A Uh-huh.

16 Q Do you see the words in that amended rule the
17 following words, "That originates and terminates within a local
18 service area established by the state commission," close quote?

19 A Yes, I do see that.

20 Q Where are they on Page 2?

21 A What I seen on Page 2 is the reference you made at
22 the bottom where they indicate striking local before
23 telecommunications traffic.

24 Q Okay. We are miscommunicating, Mr. Haynes. I am
25 asking you a simple question, okay? If you look at Page 1, at

1 that definition, you will see there that the rule as originally
2 promulgated contains the words, "That originates and terminates
3 within a local service area established by the state
4 commission."

5 A Okay, I see what you are saying.

6 Q See what I'm saying?

7 A Uh-huh.

8 Q Okay. And my question is those words are no longer
9 part of this rule as it was recently amended by the FCC as
10 shown on Page 2, agreed?

11 A That appears that way to me, yes.

12 Q Okay. And the rule as it now reads on Page 2 of this
13 exhibit requires reciprocal compensation for all
14 telecommunications traffic exchanged between an ILEC and an
15 ALEC except exchange access, information access, or exchange
16 services for such access, correct?

17 A Well, I'm hung up on the part -- and, once again, I
18 guess probably my legal assistant here is helping me, but when
19 I see except for telecommunications traffic as interstate or
20 intrastate. And from my perspective I think what I have been
21 describing would be outside the bounds of local, which would
22 fall in, I think, one of those two categories. It would be
23 either interstate or intrastate.

24 Q Okay. Well --

25 A But, once again, I'm not the lawyer here, but that is

1 just my read of it quickly.

2 Q And I'm not trying to ask you a legal question. I am
3 just asking you that this rule as amended on Page 2 of this
4 exhibit requires reciprocal compensation for all
5 telecommunications traffic exchanged between an ILEC and an
6 ALEC except for telecommunications traffic that is interstate
7 or intrastate exchange access, information access, or exchange
8 services for such access, correct?

9 A That is what it says. What I guess I'm highlighting
10 is my position has been that what we are looking at is toll
11 type service which is generally interstate or intrastate. So I
12 don't see this as having any bearing on what I have been
13 discussing, unless I'm missing your point.

14 CHAIRMAN JACOBS: Let me ask you this. The traffic
15 that we have primarily been discussing and I think we are
16 getting at is traffic that will be hauled from an ALEC's POI to
17 the -- I'm sorry, from --

18 THE WITNESS: I was getting ready to help you.

19 CHAIRMAN JACOBS: From the ILEC's switch --

20 THE WITNESS: Customer, right.

21 CHAIRMAN JACOBS: -- to the ALEC's POI, right?

22 THE WITNESS: That is correct.

23 CHAIRMAN JACOBS: It is generally going to be
24 intrastate, correct?

25 THE WITNESS: Correct. In most instances it is. I

1 think there may be some rare exception where it would actually
2 go interstate, but generally it is intrastate.

3 CHAIRMAN JACOBS: So we can agree that it wouldn't be
4 the interstate exception. Now intrastate exchange access,
5 would that -- is it your position that that traffic that I just
6 described would fall within that exception to this rule?

7 THE WITNESS: It would seem that way to me, but I
8 would want to have somebody that is a lawyer probably walk me
9 through that to be sure I am interpreting it correctly.

10 CHAIRMAN JACOBS: You may go ahead, Mr. Hoffman.

11 BY MR. HOFFMAN:

12 Q Mr. Haynes, you previously testified a few minutes
13 ago that it was your position that a virtual NXX call to an
14 ALEC customer is not local because the call terminates outside
15 the local calling area established by the state commission?

16 A That is correct.

17 Q Would you agree that the basis for that position as
18 outlined in the FCC rule has been eliminated by the FCC's
19 amendment to this rule?

20 A No, I would not.

21 Q Why not?

22 A That's back to the point I made a minute ago about it
23 specifying interstate or intrastate. Based on my read of it,
24 just on a limited exposure here, it seems to fall under one of
25 those two categories. And as was pointed out by the

1 Commissioners, probably intrastate in most instances.

2 Q Let me ask you some follow-up questions about
3 Verizon's foreign exchange service and how that service is
4 treated in connection with a wireless carrier.

5 A I may not be able to help you with the wireless area,
6 because I'm not that familiar with it, but I will try.

7 Q Okay. Let's assume that we have a wireless customer
8 in Tampa who calls a landline customer in Bradenton.

9 A Okay.

10 Q And let's assume that this is a local call as priced
11 by the wireless company for the wireless customer?

12 A Uh-huh. Based on their calling scope is what you are
13 saying?

14 Q Right.

15 A Okay.

16 Q The wireless carrier would hand the call off to
17 Verizon at a switching office in Tampa, is that correct?

18 A If I understood you correctly, it was going to be
19 Bradenton where the call was going to terminate, right?

20 Q Yes, sir.

21 A And what I'm not familiar with or at least I'm not
22 certain I'm familiar with is how the switching takes place from
23 the wireless side. I think you're right in saying but I'm not
24 certain that it would go to Tampa and then to Bradenton, I
25 believe, but I'm not certain of that part.

1 Q Okay. Let's just assume, then, that the wireless
2 carrier hands off -- the wireless carrier hands off the call to
3 Verizon within the local calling area?

4 A Okay.

5 Q And the call is then transported to Bradenton to the
6 landline customer?

7 A Okay.

8 COMMISSIONER DEASON: Mr. Hoffman, clarify something
9 for me. Within Verizon -- is the basis of your question that
10 it is a local call wireline-to-wireline between Tampa and
11 Bradenton, or is that outside the local calling area for a
12 wireline-to-wireline?

13 MR. HOFFMAN: It is outside of the local calling area
14 for wireline.

15 COMMISSIONER DEASON: I wanted to clarify that.

16 MR. HOFFMAN: But I am also assuming that it is a
17 local call for this wireless customer.

18 COMMISSIONER DEASON: Okay. I follow you.

19 BY MR. HOFFMAN:

20 Q Now, with that scenario, how would Verizon be
21 compensated from the wireless carrier for taking that call down
22 to Bradenton?

23 A And that I simply don't know the answer to, because I
24 don't know what type of arrangements they have on the wireless
25 side to be honest. I really just don't know.

1 Q Okay. So you don't know if the wireless carrier
2 would pay reciprocal compensation to Verizon under that
3 example?

4 A No. It's my lack -- I am very knowledgeable on the
5 wire side, but I have very little knowledge on the wireless
6 side. I really don't know what arrangements we have.

7 Q Well, let me ask you this. How is this example that
8 we have laid out and talked about any different than the
9 foreign exchange service that is provided by Verizon?

10 A Well, I think I said awhile ago, and maybe it would
11 be better to illustrate a little bit more, my understanding of
12 FX, and I have gone back through this to make sure this is the
13 way it works, if I have a call originating within a rate center
14 and it goes to an FX number that actually terminates, let's say
15 50, miles away. Those would be local-to-local calls as far as
16 our switching system would be concerned.

17 And then there would be a special arrangement between
18 the switch that receives the call locally and the ultimate
19 receiving point 50 miles distant. And the company has made a
20 special arrangement at the customer's request at the FX end to
21 compensate us for the transport from what would be local to
22 me -- let's say if I was calling it to that point 50 miles
23 away, so there is an arrangement they have made with us for
24 that carrying of the traffic between those two points.

25 Q If a call is placed by a Verizon end user customer to

1 an ALEC end user customer with a foreign exchange type local
2 number, virtual NXX type number --

3 A Right.

4 Q -- isn't it true that Verizon will route that call
5 over local interconnection trunks?

6 A Are you saying would it continue through the whole
7 network on local interconnection trucks? Am I following you
8 correctly?

9 Q The call is originated by a Verizon end user --

10 A Uh-huh.

11 Q -- to an ALEC end user, and the ALEC end user has a
12 virtual NXX number.

13 A Right.

14 Q Is that call originated and carried by Verizon to the
15 ALEC's point of interconnection over local interconnection
16 trunks?

17 A If I'm following you correctly, my understanding of
18 how you are asking, maybe to make a graphic example would be
19 easy. Going back to the Bradenton, Tampa, and someplace
20 distant, let's say. Then if it started in Bradenton to a
21 virtual NXX called number, it would go from there probably to
22 our access tandem in Tampa and then be routed on to the distant
23 point wherever the internet service provider -- I'll use that
24 as an example -- would be located. Does that answer the
25 question?

1 Q My specific question was for the work that Verizon
2 does under this scenario, the transport that they incur, is
3 that facilitated over Verizon's local interconnection trunks?

4 A I would need to, once again, familiarize myself with
5 the connection arrangement, but I know from the example I gave
6 that it would start at the customer end, go to the office in
7 the Bradenton example I just used, go from that trunk
8 connection over to our tandem, and then from the tandem to
9 wherever the point of interconnection would be for the CLEC or
10 ALEC.

11 Q Okay. Let me try a different example. Let's say we
12 are in Tampa. A Verizon end user. A 949 number, NXX. Again,
13 ALEC customer with a 949 number that is physically located in
14 Bradenton, okay? Under that example, does the work that
15 Verizon performs under that example involve the carriage of the
16 traffic by Verizon over local interconnection trunks?

17 A I believe it would, yes.

18 Q Now, since those calls are routed, in that example at
19 least, over local interconnection trunks, isn't it appropriate
20 that the local reciprocal compensation rate be paid?

21 A You're saying if I've got -- once again, using the
22 example, I am calling an ALEC customer within that rate center
23 is what I'm understanding you to say, is that correct?

24 Q Physically located outside of it, but has a number
25 that is homed to it.

1 A That gets back to my basic fundamental point of the
2 testimony, I think. If it is terminated outside of it, I would
3 want to see that treated as long distance traffic.

4 Q Notwithstanding the fact that the call is carried by
5 Verizon in that example over Verizon's local interconnection
6 trunks?

7 A That's why I would have to see how the call would
8 actually be routed because you have different interconnection
9 arrangements between ALECs and Verizon.

10 Q Okay.

11 A Different types of interconnection points.

12 Q I'm sorry. I thought you just testified that under
13 my example the call was carried by Verizon over local
14 interconnection trunks?

15 A Well, once again, I would have to see how the network
16 is structured to see exactly if it stays on local
17 interconnection trunks the whole route or if it is routed
18 differently.

19 Q Okay. It would be your position, in any case, that
20 even where a call is carried by -- a virtual NXX call is
21 carried by Verizon over local interconnection trunks that the
22 call should not be treated as local but should be treated as
23 toll, correct?

24 A If it stays strictly on local interconnection trunks
25 and doesn't go distant outside of our local calling area, is

1 that the example you are giving or am I misunderstanding you?

2 Q I'm just saying under any scenario where the
3 transport that Verizon provides to the ALEC's point of
4 interconnection is solely over local interconnection trunks, is
5 it your position that the call -- and this is to a virtual NXX
6 customer -- that the call should still be rated as a toll call?

7 A If I am understanding the question correctly, I think
8 my answer would be yes, I would still expect it to be a local
9 toll call based on how I understand the traffic is being
10 routed.

11 Q What is a local toll call?

12 A I'm sorry, I guess that's what I'm calling these
13 virtual NXX arrangements. They seem like local, but they are
14 actually from my perspective toll.

15 Q The answer to my question is your position would be
16 that reciprocal compensation should not be paid even though the
17 call goes over Verizon's local interconnection trunks?

18 A I think the point maybe you are fine-tuning is it is
19 strictly local, and I'm not sure that it is. Because at some
20 point it may become a distant transport situation where we
21 would be going over tandem access. And that's what I have seen
22 in typical examples.

23 Q Okay.

24 A I'm not sure if I can illustrate an example where
25 they stayed strictly local, that they haven't gone anywhere

1 else.

2 Q Assume that --

3 COMMISSIONER JABER: I'm sorry, Mr. Hoffman. I asked
4 this question yesterday, and let me ask you, what is your
5 definition of virtual NXX? What do you think virtual NXX
6 means?

7 THE WITNESS: I've got a pretty clear definition I
8 have used for my own purposes, and I think this is used quite a
9 bit in the industry, honestly. From my perspective it is when
10 a company has come in and said I would like to have 10,000
11 numbers. They go to NANPA, the numbering administrator, they
12 get the numbers. And then they choose not to have any local
13 customers in that area. They don't set up any switching, they
14 don't set up any local connection capabilities.

15 And the only motivation I have personally seen for
16 doing that is to work around our billing system which compares
17 local numbers to local numbers, and says, oh, that looks like a
18 local call, therefore, I'm not going to do any billing for
19 that. I'm going to pay recip comp, and away I go.

20 And our systems, dumb as they are, don't understand
21 the difference. They can't easily tell. They just think the
22 call is starting and ending there. They don't realize that
23 because it has been fed into the LERG a certain way that our
24 system is going to, in its stupidity, honestly, it will route
25 the call maybe 50, maybe 100, maybe 200 miles away, and we have

1 no way of readily knowing that.

2 COMMISSIONER JABER: All right. So then going back
3 to Mr. Hoffman's question, if a call was routed on local
4 interconnection trunks the whole way, and homed to a virtual
5 NXX customer, you believe that that is a local call?

6 THE WITNESS: Well, that is where I don't think there
7 is a -- and I'm not an expert on interconnection arrangements,
8 but I don't think we have local interconnection arrangements
9 that transport extreme distances across the network. That is
10 where we normally get into toll traffic. We have those other
11 types of connections for that. And that is the distinction we
12 are teetering on truthfully, is on that point.

13 BY MR. HOFFMAN:

14 Q Mr. Haynes, does Verizon typically carry traffic from
15 a central office switch to a tandem switch by local
16 interconnection trunks?

17 A Yes, it does.

18 Q If you assume that the ALEC has its point of
19 interconnection at a Verizon tandem, and we are talking about a
20 virtual NXX call to an ALEC customer, would you agree then
21 under that scenario that the call that is taken by Verizon to
22 its tandem and handed off to the ALEC is taken on local
23 interconnection trucks by Verizon?

24 A Okay. You're saying that the point of
25 interconnection in that example would be at our tandem?

1 Q Yes.

2 A Then it seems to me like it would have to all be
3 local in that illustration from what I understood you to say.

4 Q Okay. And is it your position under that
5 illustration that the call should still be rated as a toll
6 call?

7 A Well, it gets back to where it ultimately terminates
8 and how it gets there.

9 Q Okay. Is it your position under that example that
10 reciprocal compensation should not be paid to the ALEC even
11 though Verizon has carried that call solely over its local
12 interconnection trunks?

13 A I would think to be consistent I would have to say
14 yes. I'm trying to in my own mind imagine the situation you
15 are describing. I guess if we went to Tampa, as an example,
16 and you said we have got a number that we have established, a
17 virtual NXX number, and we are going to have a point of
18 interconnection at your tandem, so we just want you to carry
19 the traffic from Point A to Point B. How do you want to handle
20 that?

21 And I guess in honesty what I would expect, and I
22 would go back to Ed's comment yesterday, I would want to see if
23 there was a negotiation available at that point and see if
24 there is a different arrangement.

25 Q Okay. One final question on this and we'll leave,

1 just to make sure that everything is clear, okay. Under the
2 illustration with a virtual NXX customer, and the ALEC has the
3 point of interconnection at the Verizon tandem, and under your
4 testimony Verizon has carried that call solely over local
5 interconnection trunks, it is your position that the ALEC
6 should not be paid reciprocal compensation for that call,
7 correct?

8 A Yes, that is correct.

9 Q Thank you. Mr. Haynes, when a call is originated by
10 Verizon to an ALEC's virtual NXX customer, is Verizon required
11 to do anything different from a network perspective than it
12 would in originating a call to an ALEC customer who actually is
13 located in the Verizon local calling area in question?

14 A You're asking is there any way that the systems have
15 to handle it differently? To my understanding, no. As far as
16 how it is processed, I don't think you can tell the difference.

17 Q So in terms of getting the call to the ALEC's point
18 of interconnection, there is no additional cost to Verizon when
19 Verizon handles a virtual NXX call as opposed to when Verizon
20 handles any other locally dialed call to an ALEC customer?

21 A Yes. I think I would want to illustrate that, and I
22 think the illustration would help me answer it. The
23 understanding I have, let's say the point of interconnection is
24 the 50 miles distance, and it goes to that point of
25 interconnection and back to the same rate center if it was a

1 local customer provided service by the ALEC; I think that is
2 one of your examples, if I understood correctly.

3 What I understand we are not being compensated for
4 today is that traffic that goes from that point over and back
5 in most cases. There may be some exceptions to that. But if
6 it is being used like a virtual NXX arrangement, I am
7 understanding we are not being compensated for the transport
8 out and back. If we were, I don't think there would be an
9 issue about that facet. I think that was the Bell example from
10 yesterday.

11 But in the case of saying are they any different, no,
12 they would not with the exception that in the virtual NXX my
13 experience has been that traffic is normally not routed back to
14 the same exchange from which it left, it actually goes on to
15 another exchange even more distant in most cases.

16 Q Verizon's participation, work, costs, however you
17 want to characterize it on a virtual NXX call is no different
18 than Verizon's work and costs on any other locally dialed call.
19 Verizon takes that call, takes either call, takes both calls to
20 the ALEC's POI and Verizon is done, correct?

21 A We are back to the same point where I have a
22 fundamental disagreement, I think. It is the issue of -- I
23 agree you with conceptually that is how the traffic is routed,
24 what I don't agree with is that we are compensated for the
25 distance transport.

1 Q I'm not talking about that. I understand that. I
2 understand that is a different issue, okay. But the work that
3 Verizon does in carrying that call to the ALEC's POI is the
4 same?

5 A No disagreement. I agree on that point, yes.

6 Q In fact, that was your testimony, was it not?

7 A Yes, it is. I don't disagree with that. I
8 definitely support that.

9 Q I think your testimony was that the routing is the
10 same?

11 A Yes, it is. I'm just trying to fine-tune the fact
12 that I don't think we are compensated for a significant portion
13 of the connection.

14 Q If there is no difference from a cost perspective, if
15 the work that Verizon does is the same, is the same for a
16 virtual NXX call as opposed to any other locally dialed call,
17 what is the basis for treating these calls any differently for
18 purposes of reciprocal compensation?

19 A I think it has to do with what I have stated before,
20 which is where it terminates. If this were a traditional long
21 distance connection from Point A to Point B, we could be
22 compensated accordingly. That is, in fact, what is happening.
23 And the fact that virtual NXXs fooled the system into thinking
24 it appears to be local, it bypasses our traditional billing
25 arrangements.

1 Q So your position is that the basis for not paying
2 reciprocal compensation for a virtual NXX call is because the
3 ALEC, the ALEC may incur some additional cost in carrying this
4 call outside of the local calling area, correct?

5 A Well, the ALEC should incur some additional charges,
6 yes, for handling of the traffic because it diminishes our
7 traffic capacity as the call is going forward.

8 Q Let me ask you to turn to Page 7 of your direct
9 testimony.

10 COMMISSIONER JABER: Mr. Hoffman, are you about to
11 leave that point?

12 MR. HOFFMAN: Yes, ma'am.

13 COMMISSIONER JABER: Before you do that, Mr. Haynes,
14 I'm trying to understand the distinction you are attempting to
15 make, too. If the work you perform on a virtual NXX call is no
16 different from the work that Verizon performs on delivering a
17 traditional -- I think in your testimony you used the word
18 traditional call.

19 THE WITNESS: Right.

20 COMMISSIONER JABER: What difference does it make
21 where the call is terminated?

22 THE WITNESS: I think the distinction I have tried to
23 make, and maybe it's still not clear, is the fact that if the
24 end user customer, and it's hard to make a good example, but we
25 have some states in which internet service providers have made

1 special arrangements with us, where they have made traditional
2 requests to the company and the traffic is being carried from
3 Point A to Point B with a special arrangement. And that is the
4 type of environment we have here. We have a cost that we incur
5 as a company that utilizes the capacity of the network to
6 transmit the traffic from Point A to Point B, and that would
7 have been traditionally long distance traffic.

8 COMMISSIONER JABER: Okay. But that is a cost that
9 is similar to the cost that you incur to deliver a local call.

10 THE WITNESS: If it was a local call to our own
11 network, no, it would not be similar. Because the traffic
12 would originate -- I will use my example in Dallas where I
13 live. I live in an area called Grapevine, which is close to
14 the airport. I can make a call within Grapevine and my call
15 would start at my house, go to the central office, and I'm
16 calling somebody else in Grapevine, it would go out to their
17 house so there would be maybe a total of 12 miles distance for
18 that call.

19 In the case of the example that we are utilizing
20 here, we have a call that originates -- I will use Dallas again
21 because it's easy for me -- it originates in Grapevine, and
22 because we have maybe a virtual NXX arrangement in Grapevine, I
23 would try to reach a number there, but the call would actually
24 go to the Grapevine central office, maybe go to an office that
25 is provided by an ALEC 50, 60, 70 miles away and then be

1 transported back to some other location we don't know where.
2 If they happen to have a local customer in Grapevine, then it
3 would be returned back to Grapevine.

4 COMMISSIONER JABER: So the virtual NXX call travels
5 a longer distance.

6 THE WITNESS: It could potentially, especially if you
7 are comparing it to our regular local service. In almost every
8 instance it travels quite a bit further.

9 COMMISSIONER JABER: It could potentially. You don't
10 know.

11 THE WITNESS: No, I don't know, that is correct. I'm
12 just saying my examples that I have seen where it is supplied,
13 it has almost always been quite a distance.

14 COMMISSIONER JABER: All right. And reciprocal
15 compensation is a cost-recovery mechanism?

16 THE WITNESS: Right.

17 COMMISSIONER JABER: Have other state commissions
18 considered special rates or prices, perhaps a reduced price for
19 those kinds of calls?

20 THE WITNESS: The addendum to my testimony, my
21 original had an example like that. I could provide probably
22 the nitty-gritty, so to speak, at the request because our
23 company was involved in that. In the main example where they
24 asked the local internet service provider/ALEC environment to
25 give the numbers back, they said, "And by the way, we would

1 like you companies to work together to figure out another way
2 to accomplish this without utilizing all the numbers." That
3 is, in fact, what we did. We made a special assembly and put
4 together a package for the other company that needed that type
5 of capability and worked it out.

6 COMMISSIONER JABER: Okay. Now, if this state
7 commission were to consider something like that, and I have
8 seen your appendix, if you are not sure what the cost
9 associated with those kinds of calls are because your
10 technology doesn't allow that, then how do we know what the
11 special price should be?

12 THE WITNESS: That is something at least in the main
13 example they worked out a mutually agreeable amount, and I
14 imagine -- once again, I didn't get directly involved in it, so
15 I can't speak from experience, but I imagine they sat down and
16 looked at historical costs for traffic that is handled that way
17 and looked at a traffic-sensitive arrangement. That would make
18 sense to me, and I think that is how it was done. Does that
19 get at the question? I want to be sure I'm answering you.

20 COMMISSIONER JABER: Yes, it does.

21 BY MR. HOFFMAN:

22 Q Mr. Haynes, I think we were looking at Page 7 of your
23 direct testimony.

24 A Yes.

25 Q On Lines 16 through 19 --

1 A Uh-huh.

2 Q -- you state there that a virtual NXX is an entire
3 exchange code obtained by a carrier and designated by that
4 carrier for rate center exchange area in which the customer --
5 in which the carrier, excuse me, has no customers of its own
6 nor facilities to serve customers of its own.

7 A Yes. That is my definition and what I have seen used
8 in the industry. It doesn't make it magic, it's just how we
9 have defined it.

10 Q You are not suggesting, are you, that an ALEC takes
11 an NXX code and is required to use every number in that code
12 outside of the ILEC's rate center or exchange area when it has
13 one virtual NXX customer located outside of the ILEC's rate
14 center or exchange area?

15 A Now, if I am understanding your question, if we had a
16 situation in which an ALEC had customers both inside and
17 outside of that area, I'm not making that point. The point I'm
18 focusing on with the virtual NXX is where it is a pure
19 situation where there is absolutely no customer presence in
20 that rate center.

21 Q Okay. So going back to one of my earlier examples,
22 if an ALEC were to secure the 949 NXX in Tampa --

23 A Right.

24 Q -- an ALEC, for example, could use -- let's say it's
25 a 10,000 number block.

1 A Uh-huh.

2 Q An ALEC could use 9,900 numbers in the traditional,
3 physically within the traditional 949 exchange area, and 100
4 numbers could be virtuals outside of it, correct?

5 A Yes, that is correct. And in that case I would see
6 that as an efficient use of numbers, too, which would be a
7 distinction I would make.

8 Q I'm sorry, I didn't hear that.

9 A I said in that case I would see that as an
10 appropriate efficient use of numbers because they are being
11 applied locally to customers within that rate center.

12 Q Okay. I think in your summary you said that virtual
13 NXX practice of an ALEC wastes numbering resources. Was that
14 your statement?

15 A Yes, that is correct.

16 Q I think you also said that virtual NXX amounts to
17 rate center consolidation, is that correct?

18 A Applied the way it its being offered here, yes, it
19 would, in my opinion.

20 Q Rate center consolidation conserves numbers, correct?

21 A Yes, it does.

22 Q Let me ask you to turn to Page 8 of your rebuttal
23 testimony.

24 A Okay.

25 Q On Lines 1 through 9.

1 A I'm with you.

2 Q You state there that the national numbering policy
3 requires that numbers be provided to carriers with the
4 understanding that they will be used to serve customers
5 physically located within the rate centers for which they will
6 be requested. Is that true?

7 A Yes, that is my understanding of the order.

8 Q When Verizon offers foreign exchange services,
9 doesn't Verizon provide numbers to customers physically located
10 outside of the rate center associated with that number?

11 A We make special arrangements to provide local numbers
12 and then have them pay for transport to remote location, yes.

13 Q So the answer to the question is yes with your
14 explanation?

15 A Yes.

16 Q So is Verizon violating the national numbering policy
17 when it does that?

18 A No. Not as I see how I have defined it. No, not at
19 all.

20 Q Can you point me to the national numbering policy
21 that you are referencing in your testimony?

22 A I don't have it with me, but it was in the central
23 office code assignment guidelines, and is it also referenced in
24 the most recent FCC -- well, not the most recent. The FCC
25 order that addressed numbering.

1 Q Okay. Are you aware of anything in any number
2 assignment guidelines that imposes a customer physical location
3 requirement?

4 A In my understanding in reading of the orders they are
5 not clear on that point to be honest. We have had a state
6 commission interpret it that way, we have had other state
7 commissions look at it that way, but it is not black and
8 white.

9 Q Okay. In the Maine decision that you attached to
10 your testimony --

11 A Yes.

12 Q -- did the Maine Commission prohibit the use of
13 virtual NXXs altogether?

14 A I don't remember from memory whether it did or not.
15 I don't know how they addressed that working from memory. It
16 has been several months since I read it.

17 MR. HOFFMAN: No further questions. Thank you.

18 THE WITNESS: Okay. Thank you.

19 CHAIRMAN JACOBS: We are going to take a break for
20 ten minutes and then we will be back.

21 (Brief recess.)

22 CHAIRMAN JACOBS: Let's go back on the record. I
23 believe, Mr. Hoffman, you were done.

24 Mr. Moyle.

25 MR. MOYLE: Thank you.

CROSS EXAMINATION

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BY MR. MOYLE:

Q I'm Jon Moyle on behalf of Global NAPS. A lot of ground has already been covered, so I'm going try to take a little bit of a different direction and not be redundant on some of the answers you have provided. But you're testifying today on behalf of Verizon, correct?

A Correct.

Q And in what capacity are you testifying? Are you here as an expert addressing the Commission, or are you here as a policy witness for Verizon? I read in your testimony you had a lot of policy positions and whatnot, so I was to ascertain --

A No, I can elaborate. My expertise is in the area of numbering in general. I am the numbering expert and represent Verizon in numbering issues in about twenty states.

Q Okay. And is that the only discipline in which you have expertise?

A That and I've got an operations background that helps me answers some of the questions we have been addressing. Because I did work in operations for a number of years.

Q All right. And you were asked a lot of questions by Mr. Hoffman and others about the interconnection and various areas of that. Do you consider yourself an expert in those subjects?

A No, I do not.

1 Q All right. If I read your testimony correctly, one
2 of the bases for you maintaining that toll calls, that these
3 ought to be treated as toll calls, a lot of the calls we have
4 been talking about is because of the historical subsidy that
5 has been given from toll calls to local calls, is that correct?

6 A That is correct.

7 Q Would you briefly elaborate on that?

8 A The historical understanding I have of most local
9 exchange carriers, the Bell Operating Companies, Verizon, has
10 been that we have a subsidy arrangement that state commissions
11 have honored and sanctioned, that exists. It means that if we
12 generate less revenue from a toll perspective we will be forced
13 at some point in time to increase our local rates just to stay
14 viable. Does that answer the question?

15 Q I think so. And I'm wondering in part because it
16 seems to me that you all have taken the position with respect
17 to some of these calls that are outside of the local calling
18 area that they should receive toll revenue. And I was just
19 wondering with respect to that policy issue about the subsidy,
20 whether that was an important part of it?

21 A Well, to me from a revenue perspective, just broadly
22 answering the question, I would think it is an important part.
23 Because if we see a significant loss of revenue over time from
24 what I would term long distance or toll traffic, we would
25 eventually see a need to increase local rates to compensate for

1 the loss that would have been not there if somebody had handled
2 the traffic as a toll call.

3 Q Would it be a fair statement, again, from a policy
4 perspective to state that your understanding of the Telecom Act
5 was to foster competition and to spur innovation in the
6 telephone industry?

7 A No question about it. I certainly understand it that
8 way. What I don't understand is that there is a requirement
9 for the local exchange carrier to subsidize the work of the
10 entrant.

11 Q Well, let's not go there yet. But let me ask you
12 with respect to the arena where a competitive carrier was going
13 to come in and provide local service, would it seem to you that
14 that was a level playing field if from the very outset that the
15 local service was being subsidized by toll calls?

16 A Well, what you are suggesting, I think, if I am
17 following you correctly, is we have a long-standing arrangement
18 that has been in place for many, many years, so are you saying
19 does that make it exactly level? In my opinion, no, it does
20 not. I would say there is a difference. The advantage a new
21 entrant would have would be they could develop a network at a
22 lower cost. So it is not going to be perfectly level no matter
23 how you go at it, I guess, from my perspective.

24 Q Right. And I'm just asking with respect to a subsidy
25 question. Do you believe that -- I think you have answered

1 it -- the subsidy that is being provided from your toll
2 carriers or your toll revenues to your local traffic does not
3 necessarily create a level playing field for a new entrant that
4 wants to come in and compete on a local basis?

5 A Well, they don't have the same environment, I would
6 agree. It's different.

7 Q And you also answered by saying that the locals have
8 the ability to employ new technology and design their network a
9 little bit differently from your historical network?

10 A Correct.

11 Q And is that your understanding that that was
12 something that was supposed to be fostered by the Telecom Act?

13 A Yes. I understood innovation was supposed to be
14 fostered at every turn.

15 Q And wouldn't you also agree that impediments to
16 competitive carriers being able to come in and be creative and
17 innovative in establishing networks ought to be avoided to the
18 extent they can?

19 A Yes, I would agree.

20 Q In your testimony, I think, you had some definitions
21 in the first part of your direct testimony, do you recall?

22 A Yes, I do.

23 Q There were a couple of terms that have been tossed
24 around that I was going to ask you, if you would, to provide us
25 with your understanding of those terms. You don't have to

1 refer to your testimony. I think you had defined things like
2 exchange area, rate center, NPA in your testimony?

3 A Right.

4 Q What is your understanding of intrastate exchange
5 access?

6 A Intrastate. Within the state, in other words. That
7 would be transport from one location to another within the same
8 state. I'm just, I guess, echoing back what I think you are
9 asking.

10 Q I'm asking you to define for me the term intrastate
11 exchange access as you understand it.

12 A My understanding, I guess, is that if I am completing
13 a call or making a call within the same state or within the
14 same calling area. I guess, in this case it would be a LATA
15 call, that would be intrastate traffic from one location to
16 another.

17 Q Okay. Let me ask you the same question with respect
18 to your understanding of the definition of information access.

19 A As far as intrastate information access, is that what
20 you are saying?

21 Q Intrastate information access, correct.

22 A And that's an area where I don't consider myself an
23 expert.

24 Q There has been talk about these local calling areas,
25 and from a -- stepping back from a broad policy perspective,

1 having grown up in South Florida, do you think that it would be
2 an attractive business proposition for a company to be able to
3 come in and offer local calling for the three main counties in
4 South Florida, Palm Beach, Broward, and Dade?

5 A Oh, definitely. It would certainly be attractive, I
6 would think.

7 Q Do you think that that should be something that
8 should be strived for in terms of a policy direction?

9 A What I'm hearing you say, I don't know is a policy
10 question, but a marketing decision, it would seem, from my
11 perspective. If I'm looking at what I think is the example you
12 just gave, if I was a business entering the market and saying I
13 would like to offer local service to the three areas you
14 described and attract customer attention to those three areas,
15 I would think that would be something I would want to do as a
16 business entrant coming into the market. I think that would be
17 attractive to the customer base.

18 Q There has been lot of talk about transport, and I
19 wanted to back up a little bit and try to understand what has
20 happened to transport costs over time. Would you accept the
21 general proposition that transport costs have gone down over
22 the last ten years?

23 A Yes. And I have been coached by my friend, Ed
24 Beauvais, that they have definitely come down. I don't know to
25 what extent, but I know he was clear with me in saying that

1 they have dropped.

2 Q And would you agree with the statement that
3 historically in the long distance arena, the geographic
4 distance was very important?

5 A Yes, I would certainly support that.

6 Q So, for instance, not to date myself, but when I was
7 in college if I made a call from Gainesville to California,
8 that would cost a lot more than a call from Gainesville to West
9 Palm Beach, correct?

10 A Actually, my personnel experience, depending upon how
11 far back we date ourselves, it wasn't the case. I found that
12 my long distance calls outside of the state typically were less
13 than my intrastate calls from my personal experience.

14 Q All right. Well, we may have different recollections
15 on that, but --

16 A No, I'm just simply saying that is what my bills
17 reflected where I have been along the way.

18 Q Would it be fair to say that that concept of distance
19 has largely disappeared in the long distance industry today?

20 A I'm not an expert in that area, but my understanding
21 is that the difference distance makes is still a factor. To
22 say that it has totally diminished to the point of zero, I
23 would not agree with, based on my understanding of having to
24 construct a network. The area where I do have quite a bit
25 experience is in the operations side where I have helped along

1 the way construct and maintain that network. And I know some
2 of the costs involved in that. So I can't agree that it has
3 gone to zero or gone close to zero.

4 Q But you would agree that it has been reduced?

5 A Oh, definitely. No question about it.

6 Q You see commercials where people are offering
7 anywhere in the country for so much per minute, correct?

8 A Right.

9 Q Have you seen the same thing in the wireless industry
10 in terms of the elimination of roaming charges?

11 A I know from personal experience I have seen an impact
12 to my personal wireless bill, because I have seen less charges
13 applied than what were maybe charged several years ago, yes.

14 Q Given what has happened in the long distance arena
15 and also in the wireless arena, would it surprise you to see a
16 similar trend, you know, in this arena that we are talking
17 about today?

18 A Are you saying would I expect that at some point in
19 time the wireless costs would come down to be handled somewhat
20 like the wireless calls are being handled, or --

21 Q Right.

22 A That to me is a hard one to judge. I would think the
23 trend would certainly be there, because you have seen it in the
24 long distance ads on the TV. But to say to what extent that
25 would impact the costs, I can't draw a direct correlation

1 between one and the other.

2 Q Let me ask you a couple of questions with respect --
3 ask you whether you agree or disagree with these statements.

4 A Okay.

5 Q And I'm going to read the statement and you can just
6 say you agree with it or disagree with it, you don't have to
7 explain. But the statement is both ILECs and ALECs should be
8 allowed to define both their outward and inward local calling
9 areas. Do you agree with that?

10 A If I understood the statement correctly -- I guess I
11 will still have to explain my answer. In general, let me just
12 state it, if I may. I would agree that outward dialing plans
13 should be determined by the individual companies, whatever they
14 might be. But to the degree that another company impacts my
15 local dialing plan, then I would say I don't agree with that.
16 So if it is being suggested that virtual NXXs provide people a
17 chance to basically change my local dialing arrangement, I
18 would not agree with that.

19 Q ALECs should be allowed to offer customers
20 competitive alternatives to local calling areas that are
21 embodied in the ILEC services. Do you agree or disagree with
22 that statement?

23 A That they could have customized different local
24 calling plans, I would agree with that.

25 Q There was some discussion, I think Commissioner

1 Deason asked you some questions about the numbers, and you had
2 talked about these exchange code numbers being provided in
3 10,000 number blocks, is that right?

4 A That is correct. That is how they are normally
5 issued.

6 Q Okay. Are you aware of a way in which those numbers
7 can be divided?

8 A I am aware of a new mechanism that has been in place
9 for about a year called number pooling that let's those blocks
10 be issued in 1,000 block increments. Is that what you are
11 referring to?

12 Q Yes.

13 A That is the extent of how I am aware that it has been
14 changed.

15 Q Are you aware of any reason why that could not be
16 done in Florida?

17 A No. In fact, I could go on record as stating that we
18 are advocating that currently in Tampa. We have asked to move
19 ahead in the Tampa area with that arrangement.

20 Q Do you know what tariff calls to ISPs are being
21 billed at under Verizon now?

22 A No, I don't.

23 Q Do you know whether these calls are information
24 services?

25 A I'm not acquainted with how they are being handled.

1 so I really don't know.

2 Q You cited that Maine case in your testimony, right?

3 A Right.

4 Q Are you aware that Maine adopted some rules regarding
5 the virtual NXX?

6 A Outside of the order itself, no, I'm not. I'm
7 familiar with the order content that I attached to the
8 testimony and from having read it several months back, but I'm
9 not familiar with other changes that might have been more
10 recent.

11 Q Were you involved in the Maine --

12 A Only from the standpoint of having read through the
13 order several months ago. That is the only involvement I have
14 in that directly, just reading it.

15 Q After the issuance of that order, are you aware
16 whether any new ALECs have entered the Maine market?

17 A No, I'm not aware of any.

18 Q Are you aware if internet access has diminished as a
19 result of the Maine order?

20 A No, I'm not. I'm not aware of what impact, if any,
21 it might have had in Maine. I don't know.

22 Q You don't know one way or the other?

23 A No, I don't have any idea.

24 Q Have you examined the competitive impacts of that
25 Maine order at all?

1 A No, I have not. I might add to that, though, based
2 on the special arrangement we made with the provider up there,
3 as I understand it the local customer would have been handled
4 the same going forward. So from that perspective I would
5 imagine it would have no impact on the customers themselves,
6 somebody originating traffic over that special arrangement.

7 Q I'm talking about with respect to the CLEC or the
8 ALEC?

9 A Where I thought you were going was asking whether or
10 not if I was an end user customer in Maine generating traffic
11 to that internet service provider, has that changed. Did I
12 understand you correctly?

13 Q No. I'm asking you with respect to the Maine
14 situation whether you are aware of any competitive impacts that
15 have resulted from that Maine order?

16 A No, I'm not.

17 Q And have you looked at competitive impacts as a
18 result of the change that you are advocating here today before
19 the Commission, competitive impacts on CLECs here in Florida?

20 A No, I have not. I have not considered that at all.

21 MR. MOYLE: I have nothing further.

22 CHAIRMAN JACOBS: Mr. Melson.

23 MR. MELSON: Just a couple.

24 CROSS EXAMINATION

25 BY MR. MELSON:

1 Q I'm Rick Melson representing WorldCom. How are you
2 doing?

3 A Good morning.

4 Q Let me follow up just a minute on the Maine order.
5 The Maine order basically required Verizon to come up with an
6 alternative for providing aggregation service to the ISP
7 customers, correct?

8 A That is my understanding, yes.

9 Q And it grandfathered the Brooks fiber (phonetic)
10 virtual NXX type offering until that arrangement was in place,
11 is that correct?

12 A I believe that is the case. I would have to go back
13 and reread to double-check, but I believe that is the case.

14 Q Are you aware that as we sit here today the Maine
15 Commission has continued to extend that grandfathering period
16 because there is not yet a viable alternative in place?

17 A No. If that is the case, I was not aware of that,
18 no.

19 Q Are you aware whether an ISP customer has filed a
20 request with the Maine Commission asking for an investigation
21 into Verizon's failure to provide the alternative service that
22 the Maine Commission ordered?

23 A No, I have not been shared with those details.

24 Q Okay. Does Verizon in Florida offer a service to
25 ISPs that allows them to aggregate traffic from multiple local

1 calling areas?

2 A If they do, I'm not aware of it. That is probably a
3 marketing thing I just wouldn't be in the loop on normally.

4 Q Okay. So you don't know whether or not Verizon
5 offers a service that would compete with the virtual NXX
6 service as a means of getting traffic to ISPs?

7 A No, I'm not aware of our specific offerings, no.

8 MR. MELSON: That's all I've got. Thank you.

9 CHAIRMAN JACOBS: Commissioners. Staff.

10 CROSS EXAMINATION

11 BY MS. KEATING:

12 Q Good morning, Mr. Haynes.

13 A Good morning.

14 Q I'm Beth Keating, and I've got just a real quick
15 clarification on behalf of staff. And this really goes to the
16 issue of why you believe that traffic to Verizon's FX customers
17 and traffic to an ALEC's NXX customer should be treated
18 differently for purposes of intercarrier compensation.

19 A Okay.

20 Q If I understand you correctly, it sounds like you are
21 saying that the only reason that Verizon bills reciprocal
22 compensation for traffic to its FX customers is because of the
23 way the billing system is set up, is that correct?

24 A That is my understanding, yes. As far as I can tell,
25 I know the Bell Operating Companies representative yesterday

1 spent some time investigating it, it is my understanding we
2 have not. I am just being very, very frank. I'm not aware of
3 any discussion we have had so far to deliberate back and forth.
4 I was told by our billing experts that I asked how does this
5 work, and they said it just compares the two numbers and bills.
6 It doesn't delve in to try to figure out where the traffic
7 actually terminates.

8 Q Okay. So if the billing system wasn't a problem,
9 that wasn't an issue for Verizon --

10 A Right.

11 Q -- would it be your position that access charges
12 would be applicable for traffic going to Verizon's FX
13 customers?

14 A That I would have to take -- truthfully, since I'm
15 not an expert in that area, I would want to go and investigate,
16 but it seems like a possibility.

17 MS. KEATING: Thank you. Those are all the questions
18 staff has.

19 CHAIRMAN JACOBS: Very well. Redirect.

20 COMMISSIONER DEASON: I have a question.

21 CHAIRMAN JACOBS: Commissioner.

22 COMMISSIONER DEASON: Mr. Haynes, I'm looking on Page
23 19 of your prefiled direct testimony.

24 THE WITNESS: Okay.

25 COMMISSIONER DEASON: Lines 13 through 21.

1 THE WITNESS: Okay. I'm with you.

2 COMMISSIONER DEASON: I hope I'm not taking this
3 testimony in the wrong way, but this could be interpreted
4 almost as a threat, and with an indication that you are not
5 willing to -- if you don't get your way, you're not willing to
6 make necessary investments in the State of Florida to provide
7 quality of service to your customers. I hope that is not what
8 you are saying.

9 THE WITNESS: No, I don't think it was intended to be
10 a threat. I think it was more trying to express the reality of
11 the possible situation. If this expands and grows at a certain
12 level, it would certainly undermine our income, and at some
13 point in time it would affect us financially. That's what I
14 was trying to say, but certainly no threat intended.

15 COMMISSIONER DEASON: Thank you.

16 CHAIRMAN JACOBS: Redirect.

17 REDIRECT EXAMINATION

18 BY MS. CASWELL:

19 Q Mr. Haynes, you had some discussion with Commissioner
20 Jaber about what difference does it make where a call is
21 terminated, and I would like to ask you a few questions about
22 that. Once Verizon hands off a call to a CLEC switch, does
23 Verizon have any idea where that call is terminated?

24 A No, it does not.

25 Q And why is it important for Verizon to know where

1 that call is terminated?

2 A Well, from my perspective if it is terminated in what
3 traditionally would have been a long distance arrangement, we
4 would look for a long distance type handling of that call.

5 Q So it is important to know for rating purposes?

6 A Yes, it would be important for rating purposes, that
7 is correct.

8 Q Where does the legal obligation to pay reciprocal
9 compensation come from?

10 A I believe it comes from the Act.

11 Q And has the FCC adopted rules implementing the Act's
12 recip comp provisions?

13 A That is my understanding, yes.

14 Q And I think you discussed one of those rules with Mr.
15 Hoffman, and that would be Section 51.701(b), which sets forth
16 the definition of telecommunications traffic?

17 A Right.

18 Q And I think you established that intrastate exchange
19 access would be one of the exemptions from reciprocal
20 compensation, is that correct?

21 A That is my understanding, yes.

22 CHAIRMAN JACOBS: Let me ask this. If you hold your
23 position that all of this traffic that you are going to hand
24 off to the ALECs, any ALEC customer, that is going to be a toll
25 call?

1 THE WITNESS: I need to caveat that, if I may. If I
2 had traffic that was going to terminate locally within the same
3 rate center to an ALEC customer, I would not see that as
4 something that would be a toll call.

5 CHAIRMAN JACOBS: But arguably that will never
6 happen.

7 THE WITNESS: Actually it does. We have got -- from
8 my experience, once again, depending on the different ALEC
9 arrangements we have in the state, we have some ALECs that do
10 provide access, not to a virtual NXX arrangement as I have
11 defined it, because you would have no local customers in a
12 virtual NXX arrangement, but if you have a legitimate local NXX
13 that they provide service in, we would, in fact, send traffic
14 to their point of interconnection and then route the traffic
15 back to the customer in the same rate center.

16 CHAIRMAN JACOBS: I understand. But it sounds like
17 under your interpretation that would be absolutely the less
18 common experience, because nine times out of ten if you are
19 going to take -- that traffic that is going to go to their
20 switch is going to go somewhere outside of your local calling
21 area?

22 THE WITNESS: Well, for virtual NXX that is 100
23 percent of what I have seen as far as nationally.

24 CHAIRMAN JACOBS: And here is my point, so then what
25 I understand you to be recognizing is a fundamental shift in a

1 lot of -- a good portion of the traffic that you would exchange
2 with these companies to not be local traffic anymore.

3 THE WITNESS: That is correct.

4 CHAIRMAN JACOBS: Doesn't that have consequences in
5 terms of your overall cost allocations? Are you shifting some
6 of your -- a good part of the allocation of the cost of
7 handling traffic from your customers to a toll arena as opposed
8 to a local arena, as well?

9 THE WITNESS: Well, I guess I have to put it in terms
10 of an example. If we were establishing that same connectivity
11 on behalf of an internet service provider, we would use our
12 facilities to communicate from point-to-point, and we would
13 incur the cost of that maintenance and provisioning of the
14 connection point. And we would do it and be compensated by the
15 internet service provider. We would ask for payment for that
16 provision if we were doing it ourselves, just as an example.

17 And in the case of working through an ALEC, we are
18 simply asking them to compensate us for that traffic because
19 they should, in turn, be receiving payments, I would think,
20 from the internet service provider they are interconnecting
21 with.

22 CHAIRMAN JACOBS: And then I guess we get into that
23 circular argument you had with Mr. Hoffman about what happens
24 on the other end. But you answered the basic question I had.

25 THE WITNESS: Thank you.

1 CHAIRMAN JACOBS: Ms. Caswell, you may continue.

2 BY MS. CASWELL:

3 Q Getting back to the point about the exemptions from
4 reciprocal compensation. Would traffic that originates in one
5 local calling area and terminates in another local calling area
6 fall within the category of intrastate exchange access?

7 A Yes, it would.

8 Q Does virtual NXX traffic originate and terminate in
9 different calling areas?

10 A Yes, it does.

11 Q So would the FCC's rule revisions that you discussed
12 with Mr. Hoffman have any effect on your conclusion that
13 reciprocal compensation is not due for NXX, virtual --

14 A No, it had no impact as I read it.

15 Q I believe Mr. Hoffman also asked you whether Verizon
16 treats virtual NXX calls as local today for rating purposes.
17 Do you recall that discussion?

18 A Yes, I do.

19 Q And why does Verizon treat those calls as local
20 today?

21 A We treat them simply because our system doesn't have
22 the ability currently as it is configured to distinguish it, it
23 treats them all the same.

24 Q And does Verizon believe that rating of local --
25 local rating for those calls is appropriate?

1 A No. Not going to a virtual NXX, it does not.

2 Q Are virtual NXX calls local or toll?

3 A I consider them toll.

4 Q Were they ever local?

5 A No, I have never considered them local.

6 Q So is there any issue here of Verizon trying to
7 change local calls to toll calls?

8 A No, there is not.

9 MS. CASWELL: I believe that's all I have. Thank
10 you.

11 CHAIRMAN JACOBS: Exhibits.

12 MS. CASWELL: I would like to move in Exhibit Number
13 16.

14 CHAIRMAN JACOBS: Without objection, show Exhibit 16
15 is admitted.

16 MR. HOFFMAN: Chairman, I would move Exhibit 17.

17 CHAIRMAN JACOBS: Without objection, show Exhibit 17
18 is admitted. Thank you, Mr. Haynes, you are excused.

19 THE WITNESS: Thank you. Appreciate it.

20 (Exhibits 16 and 17 admitted into the record.)

21 CHAIRMAN JACOBS: And we are on to the next witness,
22 I believe. It should be Mr. Hunsucker. Next up is
23 Mr. Hunsucker, I believe, right?

24 MS. MASTERTON: Mr. Maples, who is substituting for
25 Mr. Hunsucker.

1 CHAIRMAN JACOBS: That's correct, I'm sorry. You may
2 proceed.

3 MS. MASTERTON: Mr. Maples, have you previously been
4 sworn?

5 THE WITNESS: Yes, I have.

6 MICHAEL MAPLES

7 was called as a witness on behalf of Sprint-Florida
8 Incorporated and, having been duly sworn, testified as follows:

9 DIRECT EXAMINATION

10 BY MS. MASTERTON:

11 Q Please state your name and business address for the
12 record.

13 A My name is Mike Maples, my business address is 6360
14 Sprint Parkway, Overland Park, Kansas.

15 Q And by whom are you employed and in what capacity?

16 A I am employed by Sprint Corporation as Senior Manager
17 of Regulatory Policy.

18 Q Mr. Maples, are you aware that Sprint filed the
19 direct testimony of Michael R. Hunsucker in this docket on
20 March 12th consisting of 20 pages and no exhibits?

21 A Yes.

22 Q Are you aware that Sprint filed the rebuttal
23 testimony of Michael R. Hunsucker in this docket on April 19th
24 consisting of 13 pages and no exhibits?

25 A Yes.

1 Q Are you adopting that direct and rebuttal testimony
2 of Michael R. Hunsucker as if it were your own?

3 A Yes, I am.

4 Q Do you have any corrections or revisions to the
5 direct or rebuttal testimony?

6 A No, I do not.

7 Q If I asked you the same questions today, would your
8 answers be the same?

9 A Yes.

10 MS. MASTERTON: Mr. Chairman, I ask that
11 Mr. Hunsucker's testimony adopted by Mr. Maples today be
12 inserted into the record as though read.

13 CHAIRMAN JACOBS: Without objection, show the
14 testimonies of Mr. Hunsucker adopted by Mr. Maples is entered
15 into the record as though read.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY**

3 **OF**

4 **MICHAEL R. HUNSUCKER**

5

6

7 **Q. Please state your name and business address.**

8

9 A. My name is Michael R. Hunsucker. I am Director-

10 Regulatory Policy, for Sprint Corporation. My

11 business address is 6360 Sprint Parkway, Overland

12 Park, Kansas 66251.

13

14

15 **Q. Are you the same Michael R. Hunsucker that filed direct**

16 **and rebuttal testimony in Phase I of this proceeding?**

17

18 A. Yes, I am.

19

20

21 **Q. What is the purpose of your testimony?**

22

1 A. The purpose of my testimony is to address, on behalf
2 of Sprint, Supplemental Issues 10-17 of the
3 Supplemental Issues List.
4
5

6 **Issue 10: Pursuant to the Telecommunications Act of 1996**
7 **(Act), the FCC's rules and orders, and Florida**
8 **Statutes, what is the Commission's jurisdiction to**
9 **specify the rates, terms and conditions governing**
10 **compensation for transport and delivery of traffic**
11 **subject to Section 251 of the Act? (Legal Issue)**
12

13 **Q. To what extent does the FPSC have jurisdiction to**
14 **specify the rates, terms, and conditions governing**
15 **compensation for transport and delivery of traffic**
16 **subject to Section 251 of the Act?**
17

18 A. Pursuant to Sections 251 and 252 of the Act, as well
19 as the U.S. Supreme Court Decision in AT&T vs. Iowa
20 Utility Board (119 S. Ct. 721 (1999)), the FCC has
21 jurisdiction to establish rules governing the rates,
22 terms and conditions for the transport and termination
23 of local traffic. The FPSC then has the jurisdiction
24 to implement these rules and apply any FCC-required

1 methodologies in establishing actual rates, terms and
2 conditions. The only limitation that the FCC has
3 applied to state commissions is that rules implemented
4 by state commissions, including the FPSC, must be
5 consistent or otherwise not conflict with the federal
6 rules. Additionally, the Florida Statutes, under
7 Sections 364.161 and 364.162, authorize the commission
8 to arbitrate disputes relating to negotiations of
9 telecommunications companies to establish the rates
10 terms and conditions of interconnection and the
11 unbundling of network elements. In addition, Section
12 120.80(d) provides that notwithstanding the provisions
13 of the Florida administrative Procedures Act, in
14 implementing the Telecommunications Act of 1996, the
15 Public Service Commission is authorized to employ
16 procedures consistent with that Act, which gives the
17 Commission the necessary state authority to implement
18 the federal Telecommunications Act.

19

20

21 **Issue 11: What types of local network architectures are**
22 **currently employed by ILECs and ALECs, and how does a**
23 **carrier's past, present, and forecasted traffic**

1 **volumes affect its choice of architectures?**

2 **(Informational issue)**

3

4 **Q. What types of local network architectures are**
5 **currently employed by ILECs?**

6

7 A. The local network architecture deployed by Sprint's
8 local division in Florida consists of circuit-based,
9 all digital switching Devices. Specifically, this
10 system contains 5 Toll Tandem Switches, 14 Lucent 5ESS
11 Local Switches and 46 Remote Switching Systems, 40 DMS
12 100 Local Switches and 153 Remote Switching Systems, 4
13 DMS 10 Local Switches, 2 Alcatel 1210 Local Switches
14 and 24 Remote Switching Systems. In addition, there
15 are 1564 Pair Gain Devices. The local switches are
16 interconnected to the Toll Tandems by fiber on fiber
17 rings that provide survivability. The Local Host
18 Switches directly serve 38% of the total access lines,
19 the Remote Switching Systems account for 37% of the
20 total access lines and finally, 25% are served off of
21 Pair Gain Devices, which home off of the Host/Remote
22 Switching Systems.

23

1 **Q What types of local network architectures are**
2 **currently employed by ALECs?**

3

4 A. The local network architectures deployed by ALECs may
5 vary considerably. Specifically, Sprint's ALEC
6 architecture in Florida is deployed using one of two
7 methods. The first incorporates a "tiering" structure
8 wherein the ILEC Tier 1 end offices are homed to one
9 or more ILEC Tier 2 end office(s). DS-3 level
10 transport is then leased from the ILEC. At the Tier 2
11 office, Sprint ALEC will "aggregate" the DS3 traffic
12 from the various end offices and lease an OC-3 from
13 the ILEC to provide transport to the Sprint POP.
14 With the second type of ALEC local network
15 architecture, Sprint homes all ILEC end offices to a
16 Sprint POP with aggregation performed at the POP.
17 Both the DSL equipment and the aggregator device
18 deployed by Sprint ALEC are ATM-based.

19

20

21 **Q. How does a carrier's past, present, and forecasted**
22 **traffic volumes affect its choice of architectures?**

23

1 The economic drivers for building the network are
2 predominately growth, both in access lines and minutes
3 of use, and mandates. Although growth rates are
4 difficult to predict, much of what drives Sprint
5 ILEC's local network architectural decisions today is
6 the need for additional ports for trunks and Pair
7 Gains. The longer holding times driven by high
8 Internet usage are causing Sprint to expand the
9 trunking capabilities. Sprint ALEC's network
10 architecture is based on forecasted traffic. As
11 traffic volumes increase, Sprint ALEC will simply
12 purchase another DS-3/OC-3 from the ILEC.

13

14

15

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

17

(a) Under what conditions, if any, is an ALEC

18

entitled to be compensated at the ILEC's tandem

19

interconnection rate?

20

(b) What is "similar functionality?"

21

(c) What is "comparable geographic area?"

22

1 **Q. Under what conditions, if any, is an ALEC entitled to**
2 **be compensated at the ILEC's tandem interconnection**
3 **rate?**

4
5 A. There are two scenarios in which the FCC rules afford
6 ALECs compensation at the ILEC's tandem
7 interconnection rate; 1) when the ALEC switch utilizes
8 a tandem or "equivalent facility" under FCC Rule
9 51.701(c), 2) when the ALEC switch serves a
10 "comparable geographic area" consistent with FCC Rule
11 51.711 (a) (3).

12
13 **Q. Please provide a brief description of when the ALEC**
14 **switch utilizes a tandem or "equivalent facility"**
15 **under FCC Rule 51.701(c)?**

16
17 A. As stated above, the first scenario in which the FCC
18 rules afford an ALEC compensation at the ILEC's tandem
19 interconnection rate is when the ALEC actually
20 utilizes a tandem switch or "equivalent facilities" in
21 their network consistent with the definition of
22 termination in FCC Rule 51.701(c). Sprint contends
23 that an ALEC switch performs "functions similar to
24 those performed by an incumbent LEC's tandem switch"

1 if the switch is capable of trunk to trunk
2 connectivity and has the necessary software activated
3 in the switch to perform the actual tandem function.
4 Under these circumstances, the ALEC is entitled to be
5 compensated at the tandem interconnection rate on all
6 traffic that passes through that switch or "equivalent
7 facilities".

8

9

10 **Q. Please provide a brief description of when the ALEC**
11 **switch serves a "comparable geographic area"**
12 **consistent with FCC Rule 51.711(a)(3)?**

13

14 A. As stated above, the second scenario in which the FCC
15 rules afford an ALEC compensation at the ILEC's tandem
16 interconnection rate is when the ALEC's switch serves
17 a geographic area "comparable" to the area served by
18 the ILEC's tandem switch as is stated in Rule
19 51.711(a)(3). (Note: the definition of "comparable
20 geographic area" is discussed later in the testimony.)
21 Rule 51.711(a)(3) is contained in the FCC's rules on
22 symmetrical reciprocal compensation.

23

1 Sprint believes that the ALEC is entitled to receive
2 symmetrical compensation under this rule if the ALEC is, in
3 fact, interconnected at the ILEC tandem and the ALEC is
4 both paying and receiving reciprocal compensation at the
5 ILEC tandem interconnection rate. If the ILEC and ALEC are
6 interconnected at the end office level, then the ALEC shall
7 pay and receive reciprocal compensation at the ILEC end
8 office rate. Thus, in either application, the compensation
9 between the ILEC and ALEC are reciprocal and symmetrical as
10 intended by the FCC.

11

12

13 **Q. What is "similar functionality?"**

14

15 A. Sprint contends that an ALEC switch performs
16 "functions similar to those performed by an incumbent
17 ILEC's tandem switch" if the switch is capable of trunk
18 to trunk connectivity and has the necessary software
19 activated in the switch to perform the actual tandem
20 function. This is the same definition that should be
21 utilized to determine whether the switch is an
22 "equivalent facility" under FCC Rule 51.701.

23

1 **Q. What is "comparable geographic area?"**

2

3 A. In order for an ALEC to satisfy the "comparable
4 geographic area" criteria found in Rule 51.711(a),
5 Sprint maintains that the ALEC must in fact hold
6 itself out to serve customers in the geographic area
7 served by the ILEC tandem absent any technical
8 feasibility limitations. It is debatable as to the
9 definition of "comparable". Sprint does not believe
10 that "comparable" is identical, but rather similar.
11 Establishment of any benchmark for comparability is
12 subjective in nature. In that light, Sprint would
13 suggest that the Commission not adopt a specific
14 metric, but rather, resolve any dispute on a case-by-
15 case basis. Hopefully, interconnecting carriers will
16 be able to resolve this issue with guidance from the
17 FPSC that "comparable" means similar and not
18 identical. In addition, Sprint also reiterates the
19 importance of ALECs having access to necessary
20 unbundled network elements from the ILEC such as UNEP
21 and packet switching in order to be able to
22 competitively serve a "comparable geographic area".

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

Q. How should a "local calling area" be defined, for purposes of determining the applicability of reciprocal compensation?

A. Pursuant to Paragraph 1035 of the FCC's First Report and Order, state commissions have the authority to determine what geographic areas should be considered "local areas" for the purpose of applying reciprocal compensation obligations for wireline carriers under section 251(b)(5). Furthermore, Sprint believes that the ILEC's local calling scope, including mandatory EAS, should define the appropriate local calling scope for reciprocal compensation purposes for wireline carriers. The local calling scope of the ILEC, including mandatory EAS, establishes a logical boundary upon which reciprocal compensation can be determined and is both fair and practical because ILECs generally have well-established flat-rated local calling scopes, with tariffed access charges

1 applicable outside the local calling scope. It should
2 be noted that this does not affect the ability of the
3 ALEC to designate its own flat rated calling scope for
4 its retail services provided to its end user
5 customers.

6

7

8 **Issue 14:**

9 (a) What are the responsibilities of an originating
10 local carrier to transport its traffic to another
11 local carrier?

12 (b) For each responsibility identified in part (a),
13 what form of compensation, if any, should apply?

14

15 **Q. What are the responsibilities of an originating local**
16 **carrier to transport its traffic to another local**
17 **carrier?**

18

19 A. Sprint maintains that it is the responsibility of the
20 originating carrier to transport its traffic to the
21 Point of Interconnection (POI) where it will be
22 delivered to the terminating carrier. The ALEC has the
23 right to designate the location of this POI for both
24 the receipt and delivery of local traffic with the

1 ILEC at any technically feasible location within the
2 ILEC's network. Furthermore, it is the responsibility
3 of both parties to build facilities to that physical
4 meetpoint. Specifically, the FCC has stated in
5 Paragraph 553 of the First Report and Order that ILECs
6 have an obligation for some build-out as a reasonable
7 accommodation for interconnection.

8
9
10 **Q. For each responsibility identified in part (a), what**
11 **form of compensation, if any, should apply?**

12
13 A. As mentioned above, it is Sprint's belief that the
14 originating carrier has the obligation to deliver its
15 traffic to the POI. Once the traffic is delivered to
16 the terminating carrier at the POI, the originating
17 carrier must pay the terminating carrier reciprocal
18 compensation for the transport and termination of
19 their traffic from the POI to the terminating switch.

20
21
22 **Issue 15:**

23 **(a) Under what conditions, if any, should carriers be**
24 **permitted to assign NPA/NXX codes to end users**

1 **outside the rate center in which the NPA/NXX is**
2 **homed?**

3 **(b) Should the intercarrier compensation mechanism**
4 **for calls to these NPA/NXXs be based upon the**
5 **physical location of the customer, the rate**
6 **center to which the NPA/NXX is homed, or some**
7 **other criterion?**

8

9 **Q. Under what conditions, if any, should carriers be**
10 **permitted to assign NPA/NXX codes to end users outside**
11 **the rate center in which the NPA/NXX is homed?**

12

13 **A. Sprint believes that carriers should be permitted to**
14 **assign NPA/NXX codes to end users outside the rate**
15 **center in which the NPA/NXX is homed. In fact, this**
16 **is already occurring in the marketplace. The**
17 **important fact to understand is that it is uneconomic**
18 **for ALECs to establish homing or interconnection at**
19 **every ILEC rate center and attempt to replicate the**
20 **ILEC network in its entirety. Competition is advanced**
21 **by allowing ALECs the ability to interconnect at**
22 **limited points in the ILEC network while providing**
23 **service to end users across multiple rate centers.**

24

1

2 **Q. Should the intercarrier compensation mechanism for**
3 **calls to these NPA/NXXs be based upon the physical**
4 **location of the customer, the rate center to which the**
5 **NPA/NXX is homed, or some other criterion?**

6

7 A. Similar to the point of interconnection issue
8 discussed in issue 14, Sprint believes that it should
9 be the responsibility of the originating carrier to
10 deliver its traffic to the rate center to which the
11 NPA/NXX is homed.

12

13

14 **Issue 16:**

15 **(a) What is the definition of Internet Protocol (IP)**
16 **telephony?**

17 **(b) How should IP telephony be compensated?**

18

19 **Q. What is the definition of Internet Protocol (IP)**
20 **telephony?**

21

22 A. Internet Protocol (IP) telephony is commonly referred
23 to as IP Telephony or VoIP. Paragraph 84 of the FCC's
24 April 1998 USF Order (FCC 98-67) defines IP telephony

1 services as services that "enable real-time voice
2 transmission using Internet protocols".

3
4 The services can be provided in two basic ways:
5 through software and hardware at customer premises, or
6 through "gateways" that enable applications
7 originating and/or terminating on the PSTN. Gateways
8 are computers that transform the circuit-switched
9 voice signal into IP packets, and vice versa, and
10 perform associated signalling, control, and address
11 translation functions."

12
13 It seems the IP telephony services may be generally
14 classified into one of three categories: computer-to-
15 computer, phone-to-phone and computer-to-phone.

16
17 In the case of computer-to-computer IP telephony,
18 individuals use software and hardware at their
19 premises to place calls between two computers
20 connected to the Internet. The IP telephony software
21 is an application that the subscriber runs, using
22 Internet access provided by its Internet service
23 provider. The Internet service providers over whose
24 networks the information passes may not even be aware

1 that particular customers are using IP telephony
2 software, because IP packets carrying voice
3 communications are indistinguishable from other types
4 of packets. Therefore, it is extremely difficult to
5 measure. Without regard to whether
6 "telecommunications" is taking place in the
7 transmission of computer-to-computer IP telephony, the
8 Internet service provider does not appear to be
9 provid[ing]" telecommunications to its subscribers.
10 (Paragraph 87).

11
12 With phone-to-phone IP telephony, users simply receive
13 voice transmission services using traditional NPA-NXX
14 dialing patterns and do not receive any data or
15 information services from a functional standpoint.
16 Specifically, the IP telephony provider simply creates
17 a virtual transmission path between points on the
18 public switched telephone network over a packet-
19 switched IP network (Paragraph 88). In fact, these
20 types of phone-to-phone IP telephony service providers
21 provide services that are virtually identical to
22 traditional circuit-switched carriers from the end-
23 user perspective (Paragraph 101).

24

1 The computer-to-phone IP telephony, where the
2 originator actually uses his computer to initiate a
3 call that terminates on a telephone, provides the same
4 functionality as phone-to-phone IP Telephony. The
5 only distinguishing characteristic is that the
6 originating point is a computer with a microphone
7 rather than a telephone handset.

8

9 While some circuit switches that are evolving into
10 packet switches using ATM or IP to transmit voice and
11 data, service provided by this equipment should not be
12 considered IP Telephony and should be treated like
13 circuit switched telephony is treated today.

14

15

16 **Q. How should IP telephony be compensated?**

17

18 A. With computer-to-phone IP telephony, the originator
19 will actually dial into an Internet Service Provider
20 who will, as some point during call, hand the call off
21 to the Public Switched Telephone Network (PSTN), where
22 the call is completed. If the call is
23 jurisdictionally local, then reciprocal compensation

1 should apply and if the call is non-local the
2 appropriate access charges should apply.

3

4

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

11

12 **Q. Should the Commission establish compensation**
13 **mechanisms governing the transport and delivery of**
14 **traffic subject to Section 251 of the Act to be used**
15 **in the absence of the parties reaching an agreement or**
16 **negotiating a compensation mechanism? If so, what**
17 **should be the mechanisms?**

18

19 A. Yes. The FPSC should follow the reciprocal
20 compensation procedures already established by the
21 FCC. Specifically, according to Rule 51.711(a), the
22 compensation mechanism governing the transport and
23 delivery of traffic should be symmetrical reciprocal
24 compensation rates based on the ILEC's Commission-

1 approved cost studies. Furthermore, under Rule
2 51.711(b) the states may establish asymmetrical rates
3 if the ALEC proves to the state commission, by filing
4 their own cost study, that their costs of operating an
5 efficiently configured network exceeds the costs
6 incurred by the ILEC. In addition, under
7 circumstances when the ILEC has not submitted a cost
8 study, Sprint believes the ALEC should be allowed to
9 adopt the rates of another large ILEC for reciprocal
10 compensation purposes.

11

12

13 **Q. Does that conclude your testimony?**

14

15 **A. Yes.**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **REBUTTAL TESTIMONY**3 **OF**4 **MICHAEL R. HUNSUCKER**5
6 **Q. Please state your name and business address.**7
8 A. My name is Michael R. Hunsucker. I am Director-
9 Regulatory Policy, for Sprint Corporation. My business
10 address is 6360 Sprint Parkway, Overland Park, Kansas
11 66251.12
13 **Q. Are you the same Michael R. Hunsucker that filed direct**
14 **testimony in Phase II of this proceeding?**15
16 A. Yes, I am.17
18 **Q. What is the purpose of your testimony?**19
20 A. The purpose of my testimony is to provide rebuttal
21 testimony on behalf of Sprint Corporation to the
22 testimonies of Verizon witness Edward C. Beauvais, PH.D.
23 and BellSouth witness John Ruscilli.

1 ISSUE 13 : Pursuant to the Act and FCC's rules and orders:

2 (a) Under what conditions, if any, is an ALEC entitled
3 to be compensated at the ILEC's tandem
4 interconnection rate?

5 (b) What is "similar functionality?"

6 (c) What is "comparable geographic area?"

7
8 Q. Both Verizon (Direct Testimony of Edward C. Beauvais,
9 PH.D., page 6, lines 6-12) and BellSouth (Direct
10 Testimony of John Ruscilli, page 6, lines 24-25 and page
11 7, lines 1-3) opine that the FCC's rules require ALECs to
12 meet a two-prong test of providing "similar
13 functionality" and serving a "comparable geographic area"
14 in order to receive reciprocal compensation at the ILEC
15 tandem interconnection rate. Do you agree that the FCC
16 requires an ALEC to meet a two-prong test?

17
18 A. No, I do not. The FCC promulgated two separate and
19 distinct rules related to an ALECs ability to bill the
20 tandem interconnection rate on a symmetrical basis on
21 ILEC originated traffic. As I stated in my direct
22 testimony, ALECs are entitled to the tandem
23 interconnection rate if 1) their switch provides a
24 tandem-equivalent function under FCC Rule 51.701(c) **or** 2)
25 their switch serves a "comparable geographic area"

1 consistent with FCC Rule 51.711(a)(3). There is nothing
2 in the FCC's First Report and Order, in Docket 96-98,
3 that provides any linkage requiring an ALEC to meet a
4 two-prong test.

5
6 BellSouth points to the language in paragraph 1090 of the
7 First Report and Order as justification for the two-prong
8 test. There is simply no language in the text of the
9 paragraph that provides the purported linkage that
10 BellSouth asserts. BellSouth is correct in their
11 assessment that the FCC was concerned about the
12 "additional costs" of transporting and terminating a call
13 and the FCC conferred to the states the authority to
14 establish transport and termination rates based on
15 whether the "traffic is routed through a tandem switch or
16 directly to the end office." (First Report and Order,
17 paragraph 1090). Additionally, in the same paragraph,
18 the FCC required that states "**shall** (emphasis added) also
19 consider whether new technologies... perform functions
20 similar to those performed by an incumbent LEC's tandem
21 switch...". Thus, the result of this finding was the
22 establishment of FCC Rule 51.701(c) which provides for
23 the ability of an ALEC to receive compensation at the
24 tandem interconnection rate if their switch is equivalent
25 to an ILEC's tandem.

1 The FCC further stated that "Where the interconnecting
2 carrier's switch serves a geographic area comparable to
3 that served by the incumbent LEC's tandem switch, the
4 appropriate proxy for the interconnecting carrier's
5 additional costs is the LEC tandem interconnection rate."
6 Clearly, this statement, as codified, in FCC Rule
7 51.711(a)(3) does not require an equivalent facility
8 demonstration by the ALEC. Thus, it is eminently clear
9 that the FCC requires an either/or standard, not a two-
10 prong standard as advanced by BellSouth and Verizon. Had
11 the FCC intended a two-prong standard, they would have
12 provided direct linkage in the text of the order and
13 their rules.

14
15 **ISSUE 13 : How should a "local calling area" be defined, for**
16 **purposes of determining the applicability of reciprocal**
17 **compensation?**

18
19 Q. BellSouth (Direct Testimony of John Ruscilli, page 12,
20 lines 12-22) suggests that "local calling area" should be
21 "defined as mutually agreed to by the parties...". Do you
22 believe that the definition of "local calling area" is
23 best left to the negotiation process?

24

1 A. No, I do not. Based on Sprint's experiences, both as an
2 ILEC and an ALEC, this is one of the most contentious
3 areas of the negotiation process. Sprint believes that
4 the industry is best served by the Commission adoption of
5 a minimum standard for the definition of a "local calling
6 area". As I stated in my direct testimony, Sprint
7 believes that the "local calling area" should be based on
8 the ILEC's local calling scope, including any non-
9 optional or mandatory EAS. This definition would be used
10 to define what is local versus non-local for reciprocal
11 compensation purposes only. This is not intended to
12 place any restrictions on an ALECs ability to define its
13 own retail local calling area for pricing its services to
14 its end users. This definition would be limited to the
15 application of reciprocal compensation for the
16 termination and transport of local traffic.

17

18 **ISSUE 14 :**

19 **(a) What are the responsibilities of an originating local**
20 **carrier to transport its traffic to another local**
21 **carrier?**

22 **(b) For each responsibility identified in part (a), what**
23 **form of compensation, if any, should apply?**

24

1 Q. BellSouth (Direct Testimony of John Ruscilli, page 14,
2 lines 4-5) states that "BellSouth agrees that ALECs can
3 choose to interconnect with BellSouth's network at any
4 technically feasible point in the LATA." Is this
5 statement consistent with Sprint's position on the
6 establishment of points of interconnection by an ALEC?

7

8 A. Yes, it is. Sprint has long advocated that the ALEC has
9 the right to establish the POI on the ILEC's network for
10 the mutual exchange of traffic. However, it should be
11 noted that BellSouth stops short of saying "for the
12 mutual exchange of traffic" which Sprint urges the
13 Commission to reaffirm in this proceeding.

14

15 Q. If there is at least some agreement on the ALEC's right
16 to establish the point of interconnection, what is the
17 issue in this proceeding?

18

19 A. The issue is who bears the financial responsibility for
20 the transport costs from the ILEC local calling area to
21 the ALEC point of interconnection if the ALEC has chosen
22 not to establish a physical point of interconnection in
23 every ILEC local calling area. BellSouth argues that
24 this cost should be the sole responsibility of the ALEC

1 while Sprint has, in the past, argued that the cost
2 should be the sole responsibility of the ILEC.

3

4 **Q. Has BellSouth filed more recent testimony in any other**
5 **state relative to who should be financially responsible**
6 **for the transport costs between the ILEC local calling**
7 **area and the ALEC point of interconnection?**

8

9 A. Yes, they have. On April 3, 2001, BellSouth filed the
10 direct testimony of Cynthia K. Cox before the Georgia
11 Public Service Commission in Docket No. 13542-U, where
12 they proposed a methodology for the establishment of
13 additional points of interconnection between ILECs and
14 ALECs. The practical result of their proposal was a
15 sharing of the transport costs between the ILEC and the
16 ALEC. The following is their Georgia proposal which,
17 according to Ms. Cox's testimony, is based on current
18 contract language between BellSouth and an undisclosed
19 ALEC :

20

21 *"Pursuant to the provisions of this Attachment, the*
22 *location of the initial Interconnection Point in a*
23 *given LATA shall be established by mutual agreement*
24 *of the Parties. If the Parties are unable to agree*
25 *to a mutual initial Interconnection Point, each*

1 Party, as originating Party, may establish a single
2 Interconnection Point in the LATA for the delivery
3 of its originated Local Traffic, ISP-bound Traffic,
4 and IntraLATA Toll Traffic to the other Party for
5 call transport and termination by the terminating
6 Party. When the Parties mutually agree to utilize
7 two-way interconnection trunk groups for the
8 exchange of Local Traffic, ISP-bound Traffic and
9 IntraLATA Toll Traffic between each other, the
10 Parties shall mutually agree to the location of
11 Interconnection Point(s).

12
13 Additional Interconnection Points in a particular
14 LATA may be established by mutual agreement of the
15 Parties. Absent mutual agreement, in order to
16 establish additional Interconnection Points in a
17 LATA, the traffic between CLEC-1 and BellSouth at
18 the proposed additional Interconnection Point must
19 exceed 8.9 million minutes of Local Traffic or ISP-
20 bound Traffic per month for three consecutive months
21 during the busy hour. Additionally, any end office
22 to be designated as an Interconnection Point must be
23 more than 20 miles from an existing Interconnection
24 Point. BellSouth will not designate an
25 Interconnection Point at a Central Office where

1 *physical or virtual collocation space or BellSouth*
2 *fiber connectivity is not available, and BellSouth*
3 *will not designate more than one Interconnection*
4 *Point per local calling area unless such local*
5 *calling area exceeds sixty (60) miles in any one*
6 *direction, in which case additional Interconnection*
7 *Points may only be established in that local calling*
8 *area pursuant to the other criteria set forth in*
9 *this section.*

10
11 **Q. Have you reviewed BellSouth's proposal, as filed in**
12 **Georgia?**

13
14 A. Yes, I have. Sprint has reviewed the BellSouth proposal,
15 as well as continuing to review Sprint's previously
16 stated position on this issue, to determine if there is
17 an equitable solution from both an ILEC and an ALEC
18 perspective. Sprint believes that the BellSouth proposal
19 in Georgia provides a substantive step in the right
20 direction, although Sprint would propose two
21 modifications to their proposal.

22
23 First, the proposal, as written, provides that the
24 initial point of interconnection be mutually agreed to by
25 the parties. Sprint asserts that the right of

1 establishing the initial point of interconnection for the
2 **mutual** exchange of traffic belongs to the ALEC and that
3 mutual agreement is not required. Sprint is not opposed
4 to the negotiation of a mutually acceptable initial point
5 of interconnection, however, the right to make the final
6 decision is an ALEC right, as confirmed by the Act and
7 the FCC's rules.

8
9 Secondly, Sprint is concerned that the current proposal
10 could require multiple points of interconnection within a
11 single local calling area, if the second point of
12 interconnection exceeds 60 miles in any one direction.
13 Sprint asserts that this provision should be deleted and
14 replaced with language that ensures that there is no
15 requirement to interconnect at more than one point in any
16 local calling area.

17
18 Sprint believes that the BellSouth proposal, coupled with
19 the Sprint proposed modifications, provide a reasonable
20 compromise that Sprint can accept, both as an ILEC and an
21 ALEC in Florida. The following provides a summary of
22 when the ILEC is financially responsible for the
23 transport costs and when the ALEC is financially
24 responsible for the transport costs under the Sprint-
25 modified BellSouth proposal.

1 The ILEC would be responsible for the transport costs
2 between the originating local calling area and the ALEC
3 point of interconnection when: 1) the traffic is less
4 than 8.9 million minutes of use per month, regardless of
5 the distance between the two locations, or 2) when the
6 traffic is greater than 8.9 million minutes of use per
7 month, and the distance between the two locations is less
8 than 20 miles and not in the same local calling area, or
9 3) when the point of interconnection is located in the
10 same local calling area, regardless of the level of
11 traffic.

12

13 The ALEC would be financially responsible for the
14 transport costs between the local calling area and the
15 ALEC point of interconnection when the relevant traffic
16 is greater than 8.9 million minutes of use per month and
17 the distance between the local calling area and the point
18 of interconnection is greater than 20 miles and not
19 located in the same local calling area.

20

21 This proposal only requires ILECs to be financially
22 responsible for the transport when the volumes and the
23 distances between the two locations are relatively small.
24 This provides adequate protection to the ILEC to ensure
25 that they do not have to haul the traffic significant

1 distances, if the ALEC has chosen to deploy one switch
2 per state or on some other limited basis. Thus, when
3 additional points of interconnection are established, the
4 ILEC retains the responsibility for the provisioning of
5 the facilities; however, the CLEC is financially
6 responsible for the transport costs consistent with the
7 aforementioned requirements.

8
9 **Q. Verizon, throughout the testimony of Terry Haynes,**
10 **expresses its concern over the financial responsibility**
11 **of the transport costs. In your opinion, does this**
12 **proposal adequately address their concerns as well?**

13
14 **A.** Yes, it does. As stated above, ILECs are generally
15 concerned about incurring the financial burdens of
16 providing transport potentially throughout the state or
17 where ALECs have chosen to deploy switches on a limited
18 basis. The above proposal, coupled with Sprint's
19 proposed modifications, adequately addresses the concerns
20 of both BellSouth and Verizon. Sprint urges the
21 Commission to adopt the BellSouth proposal with the
22 Sprint proposed modifications.

23
24 **Q. Does this conclude your testimony?**

25

1 A. Yes, it does.

2

1 BY MS. MASTERTON:

2 Q And, Mr. Maples, do you have a summary of your
3 testimony prepared?

4 A Yes, I do.

5 Q Could you please give that summary now?

6 A Yes. Good morning. Sprint believes that the Florida
7 Public Service Commission has authority to rule on the issues
8 before it in this docket. While the recent FCC order regarding
9 the compensation of ISP traffic has some affect on these
10 issues, they are not totally eliminated and will continue to be
11 part of intercompany negotiations.

12 In addition, while they will be reviewed in recent
13 notice of proposed rulemaking on intercarrier compensation
14 mechanisms, the timing of the ruling is uncertain, and Sprint
15 believes that the Commission should continue to pursue these
16 matters and rule accordingly to provide certainty in the
17 marketplace.

18 And, of course, on Issue 10, Sprint's attorneys will
19 address this legal issue more fully in briefs. On Issue Number
20 12 on tandem switching, while the FCC has certainly clarified
21 their position on comparable geographic area, Sprint continues
22 to believe that there are two separate conditions under which
23 an ALEC can be compensated at the ILEC's tandem rate. The
24 first is when the ALEC utilizes tandem or equivalent
25 functionality, and the second is when an ALEC switch serves a

1 comparable geographic area. As I stated previously, Sprint
2 believes that these conditions are separate and that an ALEC
3 only has to qualify under one of these in order to be
4 compensated at the ILEC tandem switching rate.

5 Qualification under the comparable geographic
6 condition is perhaps the most contentious of the two
7 conditions. We believe that an ALEC is serving an area if it
8 is holding itself out to serve customers in that area, that is,
9 they are providing service to customers via their own
10 facilities or these leased from the ILEC as unbundled network
11 elements. This clarification should go a long way in resolving
12 disputes between carriers. However, given the subjective
13 nature of the issue, we recommend the disputes be resolved on
14 the individual merits rather than establishment of detail
15 specific merits.

16 With respect to Issue 13, Sprint believes that the
17 mandatory local calling areas, including mandatory EAS
18 established by ILECs, be used for this purpose. In our
19 experience this is another one of the most contentious issues
20 debated in negotiations, and Sprint believes that the industry
21 is best served by the adoption by the Commission of a minimum
22 standard for what constitutes a local calling area.

23 This does not mean that ALECs have to mirror the ILEC
24 local calling areas for their end users, but that the existing
25 boundaries that are used by the industry in determining the

1 applicability of local, toll, and access charges are also used
2 to determine the applicability of reciprocal compensation.
3 Failure to do so can create situations in which competing
4 carriers incur very different costs for the same call.

5 On Issue 14, we believe that the ALEC has the right
6 to designate the POI for the mutual exchange, receipt and
7 delivery of local traffic with the ILEC at any technically
8 feasible point within the ILEC's network. Both parties have
9 responsibility to build-out to a meet point. And this
10 build-out responsibility meets the ILEC's reasonable
11 accommodation for interconnection discussed in the First Report
12 and Order.

13 The primary issue that we have been discussing is
14 with respect to the location of a point of interconnection, who
15 bears the transport costs from the ILEC local calling area to
16 the POI when the POI is outside the local calling area. Sprint
17 believes that instead of placing the entire burden upon one
18 party or the other, a compromise can be reached that
19 accommodates the concerns of both and fully recognizes that
20 both parties benefit from the arrangement.

21 Sprint supports the compromise proposed by BellSouth
22 in this proceeding with two modifications. When the traffic
23 originating from the ILEC terminates to the ALEC POI within the
24 local calling area, the ILEC should provide the transport to
25 the ALEC POI. When traffic originated from the ILEC terminates

1 to an ALEC POI outside of the local calling area, the ILEC
2 should continue to provide the transport to the ALEC POI when
3 the amount of traffic is small, around 8.9 million minutes,
4 which is a DS-3 level of transmission, or if the distance is 20
5 miles or less.

6 When the traffic is greater than 8.9 million minutes
7 and the distance is greater than 20 miles, the ALEC should bear
8 the transport costs from the ILEC to the point of
9 interconnection. With this proposal ILECs are only responsible
10 for the transport in question if the volume of traffic or
11 distance is relatively small, which addresses their concerns
12 when ALECs have chosen to deploy switches on a limited basis.

13 With respect to Issue 15, carriers should be
14 permitted to assign an NPA/NXX to an end user outside the rate
15 center to which the NPA/NXX is homed. This promotes
16 competition by giving ALECs the ability to interconnect at
17 limited points in the ILEC network while providing service to
18 end users across multiple rate centers. The jurisdiction of
19 voice traffic which establishes intercarrier compensation
20 obligations should be based on the definition of local calling
21 areas and the physical end points of the call.

22 On Issue 16, the IP Telephony, as a party to the
23 stipulation announced yesterday, Sprint believes that the
24 resolution of this issue should be deferred.

25 With respect to Issue 17, and finally, the Commission

1 should exercise their authority to implement the reciprocal
2 compensation procedures established by the FCC. Symmetrical
3 rates based on Commission-approved ILEC cost studies should be
4 the basis for intercarrier compensation unless the ALEC has
5 filed their own cost study with the Commission and gained
6 approval for their own rates.

7 And that concludes my summary.

8 MS. MASTERTON: Mr. Chairman, the witness is
9 available for cross examination.

10 CHAIRMAN JACOBS: Very well. I'm not sure -- now,
11 this is interesting, because I want to make sure we go in the
12 correct order. You guys are going to go first?

13 MR. EDENFIELD: Well, we just want to make sure, we
14 don't want to have the friendly cross issue that we had in
15 Phase I, so whatever your preference is is fine with us, but we
16 want to try to avoid the issue where the CLECs are doing
17 friendly cross with each other. So maybe our preference would
18 to be let them go and see if they have any questions --

19 CHAIRMAN JACOBS: Right. That was my thinking to see
20 if there was any cross on this end. Mr. Lamoureux. Okay.

21 CROSS EXAMINATION

22 BY MR. LAMOUREUX:

23 Q I wanted to ask a couple of questions about your
24 testimony on Issue 14, the point of interconnection issue.

25 A Yes.

1 Q If I heard correctly in your summary, you recommend
2 that the parties should fashion a compromise. In your rebuttal
3 testimony at Page 12, you say Sprint's position is that it is
4 the responsibility of the originating carrier to transport its
5 traffic to the point of interconnection where it will be
6 delivered to the terminating carrier. Is that correct?

7 A What page?

8 Q I'm on Page 12. Actually, I'm sorry, it is the
9 direct testimony.

10 A Okay. I was looking at rebuttal.

11 Q I'm sorry. Particularly at Lines 19 through 22.

12 A Yes.

13 Q And my question is, it is Sprint's position that it
14 is the responsibility of the originating carrier to transport
15 its traffic to the point of interconnection where it will be
16 delivered to the terminating carrier?

17 A I think the rebuttal testimony that was filed
18 supports the BellSouth proposal with two modifications which,
19 in effect, I think, contradicts this to some degree. I mean, I
20 won't say contradict, but it is in addition to that, modifies
21 this position. Because the position with the BellSouth or with
22 the transport proposal states that there are situations at
23 which the ALEC would be responsible for the transport piece of
24 that.

25 Q While your direct testimony says it is the

1 responsibility of the originating carrier. My question would
2 be by responsibility I presume you mean that there is some
3 legal obligation on the originating carrier to transport its
4 traffic to the point of interconnection, is that correct?

5 A That is the correct interpretation of that statement.

6 Q All right. In fact, in your rebuttal testimony at
7 Page 7, at the top you say that Sprint has in the past argued
8 that the cost should be the sole responsibility of the ILEC, is
9 that correct?

10 A That is a correct statement.

11 Q And, again, by responsibility what you mean is that
12 the ILEC has the legal obligation to bear that financial
13 responsibility, is that correct?

14 A That is correct.

15 Q So, in effect, by agreeing to a compromise, are you
16 agreeing to give up in some respect some amount of legal right
17 that you have to demand that the ILEC bear legal responsibility
18 for that traffic?

19 A Excuse me, I'm going through the arguments in my
20 mind.

21 Q Sure.

22 A It can be argued both ways. I believe that, yes, the
23 reading of the rules that were read yesterday with respect to
24 the ILECs' obligation can be read to mean that the ILEC bears
25 the cost of that transport.

1 Q Okay. And is that your position both as a CLEC and
2 an ILEC?

3 A The recommendation that we have is that we adopt the
4 compromise proposal.

5 Q Generally, the testimony that has been filed on
6 behalf of Sprint, is that filed on behalf of Sprint both as an
7 ILEC and a CLEC?

8 A Yes, this is a one Sprint position.

9 Q I want to talk very briefly about some direct
10 testimony you have on the issue of geographic comparability at
11 Page 10. And there the question is what is a comparable
12 geographic area. It is Sprint's position that in order to
13 prove geographic comparability an ALEC must prove that it holds
14 itself out to serve customers in the geographic area that is
15 being compared against, is that correct?

16 A Yes.

17 Q Why is that?

18 A Well, we believe that holding itself out means that
19 it is attempting to -- they are seeking to obtain customers
20 within the geographic area. And that means they are seeking
21 customers and want to serve them, therefore, they are serving
22 people in that area.

23 MR. LAMOUREUX: That's all I have. Thank you very
24 much.

25 CHAIRMAN JACOBS: Mr. Hoffman.

1 MR. HOFFMAN: I have no questions.

2 CHAIRMAN JACOBS: Mr. Moyle.

3 MR. MOYLE: No questions.

4 CHAIRMAN JACOBS: Mr. McGlothlin.

5 MR. MCGLOTHLIN: No questions.

6 CHAIRMAN JACOBS: Very well. Mr. Meza. Is it Meza
7 or Meza?

8 MR. MEZA: Meza.

9 CHAIRMAN JACOBS: Meza. Okay.

10 CROSS EXAMINATION

11 BY MR. MEZA:

12 Q Mr. Maples, good morning. My name is Jim Meza, and I
13 represent BellSouth. It is Sprint's position that an ALEC
14 meets the geographic comparability test by holding itself out
15 to serve customers in an area similar to the area served by the
16 BellSouth tandem switch, is that right?

17 A Yes.

18 Q All right. When you mean holding yourself out, are
19 you saying that the ALEC is actually serving customers in that
20 comparable geographic area?

21 A Yes. When you say actually serve, we believe that
22 they are actually seeking customers through advertising or
23 whatever for those geographic areas. To me part of the problem
24 when you get into talking about the number of customers and
25 dispersion that was discussed yesterday has to do with -- let's

1 say you say the customers have to be evenly dispersed. The
2 problem then is what you are basically evaluating is the ALEC's
3 success at marketing.

4 So if they are in five areas, they may be more
5 successful in one than the other, but they may be marketing
6 aggressively equally in all five areas. So just an expansion,
7 so that is why we believe if they are aggressively marketing in
8 all areas then they are serving those areas.

9 Q But if despite Sprint's aggressive marketing efforts
10 or any ALEC's aggressive marketing efforts, and it doesn't have
11 any customers, would that ALEC still satisfy the test simply by
12 having advertisement in an area?

13 A I think by advertising -- the fact that they are
14 advertising in that area also assumes that they have perhaps
15 incurred costs, they could have collocated, they could have
16 done -- made whatever arrangements necessary to serve that
17 area. So if they have incurred the costs, why not be able to
18 recover it.

19 Q So in Sprint's opinion the fundamental part of the
20 test is whether the ILEC has incurred -- I mean, the ALEC has
21 incurred actual costs in attempting to serve the area, rather
22 than actually serving the area?

23 A I think to me how can a carrier serve an area without
24 incurring costs.

25 Q Okay. I do ask that you -- I'm sorry, I don't mean

1 to interrupt, but I do ask that you answer with a yes or no if
2 possible and then explain, as you may.

3 A Okay. Excuse me, would you repeat the question?

4 Q Yes. So it is Sprint's position that an ALEC can
5 satisfy the test by incurring costs through advertisement in an
6 area rather than actually serving customers in that area?

7 A Yes.

8 Q So it is Sprint's position that whether or not an
9 ALEC is actually serving customers is irrelevant to the
10 analysis?

11 A May I clarify?

12 Q Sure, go ahead. Well, yes or no if possible.

13 A I'm sorry.

14 Q That's okay.

15 A I would say, no, the fact that they are not serving
16 customers in that area is totally irrelevant. We have focused
17 on advertising. Advertising alone I don't think would -- is
18 only one example of a type of cost that they might incur, an
19 ALEC might incur in serving an area. I think along with that
20 they are also perhaps building facilities and doing other
21 things that would be able to serve customers.

22 Q Wouldn't you agree with me that at least in one order
23 this Commission has held that it was unable to determine
24 whether an ALEC was entitled to the tandem switching rate
25 because they couldn't determine if the ALEC was actually

1 serving customers in a comparable geographic area?

2 A I'm not familiar with that order that you are
3 referring to.

4 Q Subject to check, would you agree with me?

5 A Subject to check, yes.

6 Q Now, are you familiar with Rule 51.711?

7 A 51.711 is on reciprocal compensation, I believe.

8 Q Right, Subsection (a)(3). Are you familiar with
9 that?

10 A Yes.

11 Q And that is essentially the rule that we are
12 discussing today regarding the geographic comparability test?

13 A Yes.

14 Q Would you agree with me that nowhere in that
15 provision does the FCC require that the ALEC established that
16 it incurred any cost in order to get the tandem rate?

17 A There is no specific -- I would agree that there is
18 no specific reference to cost in the exact rule.

19 Q Would you also agree with me that the rule does not
20 say that the ALEC has an intention of serving customers?

21 MS. MASTERTON: Perhaps we should provide Mr. Maples
22 with a copy of the rule you are asking about.

23 MR. MEZA: Sure, that's not a problem.

24 THE WITNESS: Thank you.

25 BY MR. MEZA:

1 Q Take your time and read it, if you don't mind, sir.

2 A Would you repeat the question, please.

3 Q Excuse me?

4 A Would you repeat the question.

5 Q Yes. Would you agree with me that nowhere in that
6 provision that we are talking about that it requires or allows
7 the ALEC to recover on the tandem switching rate if it has the
8 intention to serve?

9 A It is based on the definition of serves and what
10 serves means is how you define that.

11 Q So it is your position that if an ALEC has the intent
12 to serve that that is satisfying this test?

13 A Would you clarify for me what you mean by intent to
14 serve?

15 Q If Sprint has zero customers in the Miami area, but
16 one day intends to serve the Miami area, in Sprint's opinion
17 would Sprint be satisfying that test?

18 A No. You are not actively seeking customers in the
19 Miami area.

20 Q But if they are marketing in the Miami area and still
21 don't have any customers, Sprint would be entitled to the
22 tandem rate?

23 A If they are actively marketing -- yes, if they are
24 actively marketing for customers, have incurred the costs of
25 going after customers in that area, and have provisioned

1 facilities or done whatever, yes.

2 Q Well, has Sprint provided this Commission with any
3 standard as to what constitutes aggressive marketing?

4 A No.

5 Q Does one billboard in Miami constitute aggressive
6 marketing?

7 A Probably not.

8 COMMISSIONER DEASON: Let me ask a question. If you
9 have no customers in Miami, what good is a tandem rate going to
10 do you, because it is whatever the rate is times zero?

11 THE WITNESS: I agree with you. Yes, you're right,
12 Commissioner.

13 BY MR. MEZA:

14 Q It's your position or Sprint's position that this
15 Commission should not set forth a specific test, is that
16 correct?

17 A Yes.

18 Q Why is that?

19 A The specific reason is because the different
20 marketing plans, the different ways that ALECs can approach a
21 market, our concern is that you could -- this Commission could
22 come up with a plan that would exempt some carriers over
23 others. For example, as I mentioned previously, about the --
24 if this Commission developed -- took a position that you had to
25 be -- customers had to be equally dispersed across an area, and

1 then basically you are looking at how successful an ALEC is in
2 marketing, and that becomes part of the formula. It also -- we
3 were talking about ALECs making a positive showing of
4 customers. It is essentially adding costs, regulatory costs to
5 the ALEC to do that, and we believe that should be best to be
6 avoided.

7 Q Okay. Are you familiar with Sprint's responses to
8 staff's interrogatories?

9 A Yes, I have them.

10 Q And do you have that in front of you?

11 A Yes, I do.

12 Q Okay. And I believe it is stipulation -- Stipulated
13 Exhibit 7, which is marked as Exhibit 6. If you could look at
14 Item Number 4, which is --

15 A Yes.

16 Q Do you have it?

17 A Yes, I do.

18 Q And would you agree with me that in response to the
19 specific question of if the Commission sets a benchmark, what
20 should that benchmark be, it was Sprint's response that the
21 ALEC should self-certify their intent to hold themselves out to
22 serve the particular geographic area?

23 A Yes.

24 Q Is it Sprint's position that all the ALEC would have
25 to do is sign a paper stating that it is their intent to serve

1 a particular geographic area to be entitled to the tandem
2 switch?

3 A Yes. This is similar to what ALECs or what IXC's do
4 when they self-certify that a special access circuit is serving
5 a percentage of local traffic. And to qualify for UNEs it is
6 essentially the same type of approach.

7 Q Would Sprint recommend that the ALEC submit with its
8 certification any type of record evidence that would allow both
9 the Commission and the ILEC to determine whether it is actually
10 meeting the test?

11 A Sprint would not oppose some form of auditability
12 such that the Commission -- or the Commission could ensure that
13 they are actually serving, or actually seeking to serve.

14 Q So Sprint is not suggesting that the ILEC take the
15 ALEC's words that it is satisfying the test?

16 A Well, I think we say -- we are saying yes, at first
17 you take their word based on a self-certification letter. What
18 you are asking is in addition to that should there be some
19 method to verify that, and we would not be opposed to that.

20 Q But you would agree with me that it is likely that
21 ALECs and ILECs would have a different understanding of whether
22 an ALEC is satisfying the test, wouldn't you?

23 A Yes, you are probably right.

24 Q And in the event that the ILEC doesn't necessarily
25 agree with the ALEC's self-certification, would it be Sprint's

1 position that the ALEC would not be entitled to the tandem rate
2 until the issue is resolved?

3 A The question is -- it's a process issue. The
4 question is and it is challenged -- I know I need to answer yes
5 or no. I haven't thought of this, so it's a new question. I
6 mean --

7 Q I'm sorry, but I probably have a shorter question.
8 Who would have the burden of proof?

9 A The burden of proof would be upon the ALECs.

10 Q Okay. So in that situation, just like any other
11 trial or case, the ALEC would file a self-certification and
12 then assuming there is no objection, they would get it,
13 correct? But if there was an objection, the ALEC would not get
14 the tandem rate until it was able to establish that it was
15 entitled to it?

16 A Yes. Hopefully there wouldn't be a lot of
17 objections, though. I could envision a process where the ILEC
18 could object to everyone and we would be back in here.

19 Q All right. Now, assume that the BellSouth tandem in
20 Miami serves six rate centers, okay?

21 A Okay.

22 Q If an ALEC serves one customer in one of those rate
23 centers, would it be Sprint's position that the ALEC is
24 entitled to the tandem switching rate?

25 A Let me clarify your question. One customer in each

1 of the rate centers or just one customer?

2 Q In a single rate center.

3 A Just one customer. No.

4 Q Wouldn't it be possible that an ALEC, that another
5 ALEC could interpret the rule and the lack of any test to mean
6 that maybe it does satisfy that test under that scenario?

7 A It depends. If the -- it could be. I mean, it is a
8 theoretical. Could someone say that I'm serving in one out of
9 six, so therefore it is comparable. Anything is possible.

10 Q Right. And in your self-certification proposal an
11 ALEC could indeed seek the tandem switching rate by filing the
12 certification letter based on those facts?

13 A If that is the way they interpreted what comparable
14 meant, yes, they could.

15 Q Okay. Now, assume the same situation, the Miami
16 area, six rate centers. And the ALEC has 100 customers and all
17 100 customers were located in a business park that was located
18 next door to the Sprint switch. In that situation, would
19 Sprint consider the ALEC to have satisfied the test?

20 A If I may qualify my answer. If that were the only
21 customers they had and they were not seeking customers in the
22 other five areas, then, no, it would not qualify.

23 Q Okay. And, again, the same follow-up question
24 applies, is that couldn't another ALEC file a certification
25 letter based upon those facts believing that they, in fact,

1 satisfied the test?

2 A Yes, if they believed that one out of six met the
3 comparable standard.

4 Q Now, assume that Sprint puts a switch in Orlando,
5 okay. Let me preface this with this, assume that in the Miami,
6 Fort Lauderdale, and West Palm areas there are five rate
7 centers in each area, okay. And BellSouth's tandem switch in
8 each of those areas serves those five rate centers, okay.
9 Follow me?

10 A Okay. Repeat it again, please.

11 Q All right. BellSouth has a tandem switch in Miami,
12 Fort Lauderdale, and West Palm.

13 A Okay.

14 Q And each of those tandems switches serve five rate
15 centers in each city, okay?

16 A Okay.

17 Q Now, assume that Sprint puts a switch in Orlando,
18 okay. And from that switch it serves a thousand customers in
19 Miami, it serves a thousand customers in West Palm, and serves
20 zero customers in Fort Lauderdale. Would it be Sprint's
21 position that it is entitled to the tandem switching rate under
22 that scenario?

23 A Are the thousand customers -- when you say they are
24 served in Miami, are they --

25 Q Well, let's say they are all in one rate center?

1 A Would Sprint be eligible for the tandem rate in that
2 case. Since they are serving two separate local calling areas,
3 I would say possibly yes.

4 Q Okay.

5 COMMISSIONER JABER: How much of your answer is
6 reliant on the fact that in your testimony you try to make a
7 distinction between comparable as it relates to actually
8 serving customers versus the company holding itself out to
9 serve customers? How much of your response to Mr. Meza was
10 that Sprint's switch could serve customers in -- where was the
11 city that had zero customers?

12 MR. MEZA: Fort Lauderdale.

13 COMMISSIONER JABER: Fort Lauderdale.

14 THE WITNESS: I think as part of the -- you know, the
15 issue here is, the way he has been presenting is we have got
16 customers here, we have got customers here which are the result
17 of marketing and the successful marketing. Sprint could be,
18 you know, pursuing customers in every one of those rate centers
19 and every one of the rate centers served by the tandems.

20 And we are looking at the success of their marketing
21 efforts and then we are making a judgment based on how
22 successful they have been. And today they have got 100
23 customers, tomorrow they have got 110. Today they disperse
24 this way, tomorrow they disperse, you know, some other way.
25 And so I think this discussion highlights the subjective nature

1 of this. And part of the problem with coming up with very,
2 very detailed specifics, because they are going to change from
3 day-to-day and week-to-week. And so if you put something very
4 detailed and very specific, it is going to, we believe, create
5 an administrative nightmare. And I don't think -- and I'm not
6 sure if I really answered your question.

7 COMMISSIONER JABER: Well, I'm trying to reconcile
8 your responses with what you said in your opening, which is
9 that it is important to have certainty for the marketplace.
10 And your testimony, in your testimony you advocate that perhaps
11 we should look at this in a case-by-case basis, and that it is
12 really too difficult to have one standard that is applied to
13 every situation --

14 THE WITNESS: Yes.

15 COMMISSIONER JABER: -- because of the subjective
16 nature of all of this. But even exercising our, you know,
17 discretion to recognize it is a very subjective decision, I
18 would think we would be basing our individual decisions on some
19 sort of precedent or some sort of standard that has been
20 applied in the past. I mean, if we were to agree with you and
21 say that this has to be a decision we make on a case-by-case
22 basis, it seems like that could become a moving target. That
23 our decisions would constantly be a moving target. And that,
24 in fact, would not create certainty in the marketplace. Do you
25 see what I'm saying?

1 THE WITNESS: No, I understand what you are saying,
2 and I think the challenge would be what degree of -- what
3 degree that this Commission could -- in establishing rules, how
4 far can you go. And I think that is the challenge, and that
5 was why I was talking about the dispersion. If you got into,
6 well, you know, you have got to have this many customers and
7 they have got to be evenly dispersed, that is perhaps going too
8 detailed and too far.

9 Perhaps you can -- you know, self-certification with
10 the ability to review and then perhaps, you know, with
11 something more to the effect that the carrier really is seeking
12 customers, they are acquiring customers, they are going after
13 customers in all of these areas. Something like that would be
14 less onerous to all parties than a very, you know, statistical
15 evaluation. Is that --

16 COMMISSIONER JABER: If we made a decision that based
17 on the circumstances before us in a given arbitration --

18 THE WITNESS: Yes.

19 COMMISSIONER JABER: -- that the company had shown us
20 that their service was geographically comparable to an ILEC,
21 but that that decision could be revisited with a change of
22 circumstances, that wouldn't provide certainty to the
23 marketplace, right?

24 THE WITNESS: No, you're right. If it is continually
25 changing circumstances, you're right, it doesn't provide

1 certainty. And that is part of the difficulty.

2 COMMISSIONER JABER: So then if I wanted to default
3 to, well, I'm going to look at the number of customers that are
4 actually served, shouldn't I also be looking at the city or the
5 region and say that even though they are serving -- actually
6 serving five customers, that is a good number to show me
7 comparability because there are only ten customers in the city.

8 THE WITNESS: When you say five --

9 COMMISSIONER JABER: When I look at what is actually
10 being served, shouldn't I also look at the customers that can
11 be served? I mean, isn't it a relative number to the
12 population?

13 THE WITNESS: Well, I mean, then basically you are
14 looking at the market share that an ALEC has in a market. And
15 in my mind if they have only got five customers and they are
16 actually serving, they have incurred costs, they are serving
17 customers in that area. There is not going to be that much
18 traffic associated with those five customers.

19 Is the tandem issue really that real from an actual
20 cost to the ILEC that the ILEC has to pay? I mean, there is
21 no -- it says serves, serves a comparable geographic area. It
22 is very subjective. I mean -- I think if they are serving
23 five, why not. Why not let them charge the tandem rate.

24 COMMISSIONER DEASON: Let me ask a question at this
25 point. We have gone through several scenarios of cross

1 examination questions to you about what about this scenario and
2 what about this. This number of customers in this
3 configuration, does it meet it, does it not. I guess I'm going
4 to ask you a question at a different level, because I'm
5 concerned that with this latest FCC determination we are just
6 going to be inundated with every conceivable challenge in front
7 of this Commission, well, is this a geographic comparable or
8 not.

9 And it seems to me that that is not a productive use
10 of our time or your time. It seems to me that competition, the
11 whole idea was for a person, an entity to go into business and
12 concentrate on providing innovative quality service to its
13 customers in the most cost-effective manner as possible and not
14 be worried about, well, does BellSouth -- do I have a
15 comparable geographic area, and am I entitled to the tandem
16 switching rate. And BellSouth is all concerned that they are
17 going to have to pay you something that they shouldn't have to
18 pay you.

19 It seems to me that we are misdirecting our
20 resources. What is wrong with the scenario that says,
21 BellSouth, let me deploy my network the way I want to deploy
22 it, and I promise you that when your customer calls one of my
23 customers, I'm going to complete the call for you. And all I'm
24 looking for you is that when one of my customers calls one of
25 your customers, you complete the call for me. And we

1 concentrate on developing our networks in a cost-effective
2 manner and we concentrate on providing quality service and
3 innovative services to our customers, and we forget about all
4 of this on-going debate that we hear constantly. What is wrong
5 with that?

6 THE WITNESS: Well, as far as -- I mean, I don't
7 disagree.

8 COMMISSIONER DEASON: It's basically just bill and
9 keep. You just complete your calls, they complete -- everybody
10 completes each others calls and you concentrate on what is
11 important instead of all of this bickering all the time in
12 front of this Commission.

13 THE WITNESS: I mean, I don't disagree with anything
14 that you have said. I think that the fact that the rules are
15 there and that compensation -- the carriers are charging each
16 other compensation is why that we are bickering over it. I
17 mean, Sprint has supported bill and keep for all compensation,
18 intercarrier compensation with respect to recip comp, including
19 CMRS. And I believe that we are on record supporting that.
20 But that is -- I don't necessarily believe that the whole
21 complete scope, including CMRS, I'm not sure that that is part
22 of this proceeding.

23 COMMISSIONER DEASON: I'm not worried about that.
24 I'm just worried about what is in front of us. And I want you
25 to tell me what is wrong with that scenario.

1 THE WITNESS: If all parties can agree to that, I
2 don't know that there is anything wrong with that.

3 COMMISSIONER JABER: Is that Sprint, the ALEC, that
4 has agreed to a bill and keep or is that Sprint, the ILEC?

5 THE WITNESS: I mean, Sprint is --

6 COMMISSIONER JABER: You are testifying on behalf of
7 Sprint, the ALEC, correct?

8 THE WITNESS: I understand. Sprint as a corporation
9 supports bill and keep when all -- with respect -- when
10 everyone is included, including CMRS, and the ALEC, you know,
11 the ILEC. We have supported that.

12 COMMISSIONER JABER: All right. And wouldn't then a
13 bill and keep methodology provide you the certainty in the
14 marketplace that you were advocating in your opening statement?

15 THE WITNESS: Yes.

16 COMMISSIONER JABER: And in that way companies,
17 whether they be ILECs or ALECs, can plan accordingly their
18 market strategies because they know the delivery of the calls
19 would be processed under -- the cost for the delivery of the
20 calls would be processed under a bill and keep methodology.

21 THE WITNESS: I agree. With respect to bill and
22 keep, I think there are some issues concerning transport and
23 transit traffic and those sorts of things which would have to
24 be resolved, but, yes.

25 COMMISSIONER JABER: All right. Now, Sprint, the

1 ILEC, is going to tell us that, I think, actually any of the
2 companies, the ILEC or the ALEC, may say that the only problem
3 they see with bill and keep is that there is no way to prove
4 that the calls, the amount of calls were equal, the delivery of
5 the call.

6 THE WITNESS: Yes.

7 COMMISSIONER JABER: And, again, that could be taken
8 into account, though, in whatever their marketing strategies
9 are.

10 THE WITNESS: Yes.

11 COMMISSIONER PALECKI: Getting back to the comparable
12 geographic area issue, what is Sprint's position on the joint
13 ALECs' position that this term refers to the coverage area of
14 the ALEC switch and the ILEC tandem switch, that if they are
15 comparable in coverage area, that we have a comparable
16 geographic area.

17 THE WITNESS: I'm assuming that the term coverage
18 area means that they are providing service over that area. I
19 will confess I have not had the opportunity to read all of the
20 testimonies in this proceeding, I apologize for that.

21 COMMISSIONER PALECKI: Well, the ALECs say that if
22 the ALEC switch enables the ILEC to interconnect and complete
23 local calls within substantially the same area as that served
24 by the ILEC tandem switch, that then the ALEC switch serves a
25 comparable geographic area. Do you agree with that?

1 THE WITNESS: Yes. I'm reading into that that they
2 are actually transporting or completing calls so that there are
3 customers there, yes.

4 COMMISSIONER PALECKI: So they are talking about --

5 THE WITNESS: That's the way I have interpreted that.

6 COMMISSIONER PALECKI: -- the area that is able to be
7 served by the switch rather than the number of customers.

8 THE WITNESS: One way to determine the area that the
9 switch is covering is by looking where the calls are being
10 completed. So, I mean, if you say that a switch is covering an
11 area, to me that means I have a switch and I have lines going
12 out to customers within that area and that defines the
13 geographic area that the switch is covering.

14 COMMISSIONER PALECKI: So even under the ALEC
15 position you would have to look to some extent --

16 THE WITNESS: And, I mean, I haven't read the whole
17 thing, so I may be interpreting it improperly, but that to me
18 is what the geographic coverage means. I mean, theoretically,
19 I can have a switch that can cover half the nation but not
20 serve any customers. Of course, if I'm not serving any
21 customers there is no usage on which to bill tandem switching,
22 so it wouldn't have any effect.

23 COMMISSIONER PALECKI: So we get to the point where
24 we don't have a financial issue, then.

25 THE WITNESS: Right.

1 COMMISSIONER PALECKI: Thank you.

2 BY MR. MEZA:

3 Q You would agree with me that Sprint has provided this
4 Commission with no test whatsoever to determine whether the
5 geographic comparability test has been satisfied?

6 A Yes, we have not provided a specific test.

7 Q Now, regarding the POI issue, is it your position
8 today that your rebuttal testimony supplements or supersedes
9 the position set forth in the direct testimony?

10 A The rebuttal testimony proposes a recommendation that
11 we believe is a compromise that should be acceptable to all
12 parties.

13 Q Are you familiar with the recent order from this
14 Commission regarding the arbitration between Sprint and
15 BellSouth?

16 A I have not read it.

17 Q Would you agree with me, subject to check, and I do
18 have the order here if you want to look at it, that in that
19 order this issue was addressed?

20 A I heard yesterday that it was addressed.

21 Q Okay. Subject to check, would you agree with me on
22 that?

23 A Yes, subject to check.

24 Q And, subject to check, would you agree with me that
25 in that order the Commission found that there were additional

1 costs directly associated with completing local calls to Sprint
2 end users when the POI was outside of BellSouth's local calling
3 area?

4 MS. MASTERTON: I think we better give Mr. Maples a
5 copy before we start having --

6 THE WITNESS: I can accept anything you say subject
7 to check. I mean, you know --

8 BY MR. MEZA:

9 Q I was just trying to speed up the process, but, yes.

10 A However you want me to do it.

11 Q It was an exhibit yesterday. I don't know if it was
12 an exhibit, but it was passed around.

13 MR. MOYLE: In light of trying to move it on along, I
14 think the order speaks for itself. Asking a series of
15 questions about --

16 CHAIRMAN JACOBS: Is your mike on, Mr. Moyle?

17 MR. MOYLE: Yes, it was on. I think it was. He
18 hasn't read the order. I mean, the order speaks for itself. A
19 series of questions about does the order say this or does it
20 not, I'm not sure is really appropriate.

21 MR. MEZA: Well, Chairman Jacobs, I mean, I
22 respectfully disagree. And I feel that BellSouth has the
23 opportunity to do its cross the way it feels it wants to do its
24 cross.

25 CHAIRMAN JACOBS: I will allow the question. Go

1 ahead.

2 MR. MEZA: And I promise, Mr. Moyle, I won't take a
3 long time doing this.

4 BY MR. MEZA:

5 Q If you look on Page 58, the second full paragraph.
6 If you could read the second sentence there. Can you read that
7 aloud?

8 A Page 58, the second sentence that begins with she?

9 Q No, the second full paragraph.

10 A Oh.

11 Q The first?

12 A I want my point, that one, or --

13 Q No, "First there are additional costs," do you see
14 that?

15 A Okay. My copy doesn't -- my Page 58 is probably
16 different than yours.

17 Q Okay.

18 A So I apologize.

19 Q That's okay.

20 A Can I read it?

21 Q Yes. If you will read it out loud, please.

22 A "First, there are additional costs directly
23 associated with BellSouth completing a local call to a Sprint
24 end user when Sprint's POI is located outside of the local
25 calling area." That's what it says.

1 Q Now, go down to the last paragraph on that page, the
2 first sentence. Do you see where it reads second, it starts
3 with the word second?

4 A It says, "BellSouth is entitled to recover additional
5 transport costs from Sprint."

6 Q All right. Now, one last question regarding this
7 order. If you could read on Page 60 starting there.

8 A The whole sentence or just -- "Therefore, we believe
9 that where Sprint designates a POI outside of BellSouth's local
10 calling area, Sprint should be required to bear the cost of
11 facilities from the local calling area to Sprint's POI."

12 Q So you would agree with me that this Commission heard
13 this issue in the arbitration between Sprint and BellSouth and
14 rejected it, is that correct?

15 A Excuse me. I don't know all the evidence that was
16 presented in that case, nor do I know that all the evidence in
17 that case is the same as what is presented here. So you are
18 asking me to make a determination that everything that is in
19 this case is the same as that case, and I can't do that.

20 Q All right. You would agree with me that Sprint
21 raised this issue in the arbitration, correct?

22 A It is apparently in there, yes. I did not
23 participate in the arbitration.

24 Q Would you believe -- I know you weren't, I know that
25 you didn't participate in the arbitration, but is it your

1 belief that Sprint expressed the same position in the
2 arbitration as it did today in its direct testimony, and that
3 is that BellSouth should be responsible for hauling the call to
4 Sprint's POI when it is outside of BellSouth's local calling
5 area?

6 A Apparently since the issue was arbitrated that it
7 could have been, that sounds like that was an issue. I haven't
8 read everything -- you're asking me to -- I think you
9 understand what I'm saying, excuse me.

10 Q All right. Now, regarding the virtual NXX issue, I'm
11 somewhat confused by Sprint's position. If you look on Page 15
12 of your direct, Lines 8 through 11. Do you have it?

13 A Yes, I do.

14 Q And you would agree with me that in this passage it
15 is Sprint's position that it is the responsibility of the
16 originating carrier to deliver its traffic to the rate center
17 to which the NPA/NXX is homed, is that correct?

18 A Yes.

19 Q All right. Would you agree with me that the term
20 home is the NPA, means the NPA assigned to a specific rate
21 center?

22 A Yes.

23 Q Okay. So if I am understanding Sprint's position
24 correctly is that if in Mr. Lamoureux's diagram up there, if
25 you can see it, and if you were here for his cross, in that

1 situation the Sprint end user in a different local calling
2 area, Sprint would be responsible for hauling the call for this
3 end user with the virtual NPA to the homed NPA, is that
4 correct, if the Sprint end user originated the call?

5 A To the homed NPA meaning where the NPA/NXX is
6 assigned, yes.

7 Q Okay. And who assigns the NPA?

8 A The carrier that gets the NPA/NXX from the number
9 administrator.

10 Q All right. And in Mr. Lamoureux's diagram, the
11 switch or the POI is in the homed NPA, okay. Assume that to be
12 correct. Do you see that?

13 A The POI is in the -- okay.

14 Q All right. Now, when BellSouth's end user originates
15 the call is it Sprint's position that BellSouth only is
16 responsible for delivering the call to the POI?

17 A Let me clarify the situation, the diagram. It has a
18 BellSouth rate center, the POI is within the rate center, then
19 there is a switch at a foreign point, and the NPA/NXX is
20 assigned to the BellSouth rate center?

21 Q Yes.

22 A Okay. And the virtual NXX scenario, so the call
23 while it is rate centered in the BellSouth exchange it is
24 actually sent to the ALEC's switch outside?

25 Q Correct.

1 A I'm just clarifying the issues. So basically you are
2 identifying the transport between the BellSouth exchange and
3 the ALEC switch, and you are basically saying should BellSouth
4 be responsible for the transport to the POI.

5 Q Yes. I mean, is it your position that BellSouth has
6 to pay for all of this simply because Sprint in this situation
7 assigned an NPA to an end user?

8 A No. I think when we say that -- we are saying the
9 responsibility to deliver it to the NPA/NXX where it is homed,
10 it is homed on BellSouth.

11 Q Correct.

12 A So what this doesn't really address, this doesn't
13 really address -- when you say traffic, this comment really
14 doesn't address that transport piece.

15 Q So it is Sprint's position, and set forth so far is
16 that you are only addressing a situation from the ALEC end user
17 back to the homed NPA?

18 A Well, what we are addressing here is when someone
19 calls that telephone number wherever, and I think it is
20 admittedly a little unclear, when someone calls that telephone
21 number, their responsibility ends at the NPA/NXX at the homed
22 rate center.

23 Q Okay. So if a BellSouth end user --

24 A Excuse me, I'm sorry. I apologize.

25 Q So if a BellSouth end user in the homed NPA calls a

1 Sprint end user in a different local calling area, but has a
2 virtual NXX at the same NPA, how much does BellSouth have to
3 pay?

4 A How much does BellSouth have to pay. The question I
5 think is does -- can I paraphrase?

6 Q Sure.

7 A Are you asking basically does BellSouth pay for
8 reciprocal compensation or --

9 Q Where does its responsibilities --

10 A -- on the call. I think the -- with respect to the
11 transport, Sprint would recommend that in this form of
12 interconnection that we would agree to the transport compromise
13 that has been presented in the case, okay. That basically this
14 would be a case where the actual POI could be outside the local
15 calling area and, therefore, we would agree to the transport
16 conditions under that.

17 In our responses to staff interrogatories, we did
18 say, and I said in my opening remarks that historically the
19 jurisdiction of the call and the definition of local calling
20 area defines intercarrier compensation obligations. I mean,
21 that is historically how the FCC has defined it, and that was
22 in Mr. Hunsucker's response to one of the staff questions. And
23 so in this case, I mean, if you look at that, I don't know that
24 we are necessarily disagreeing with BellSouth and that the
25 jurisdiction of this call could be -- in this case would be

1 toll, and then the appropriate compensation should apply. I
2 don't think we are necessarily disagreeing.

3 Q Okay. So if I can sum up your position is that when
4 the BellSouth end user originates the call, the jurisdictional
5 analysis based upon the origination and termination of the call
6 is how the compensation should be paid?

7 A I think that is -- I think, you know, unless the
8 carriers can agree to some form of FX type compensation
9 arrangement, yes.

10 Q So, in other words, the physical termination point
11 dictates the intercarrier compensation mechanism?

12 A With respect to FX, yes, we have agreed, I think we
13 have agreed with that.

14 Q Well, what about for virtual NXX?

15 A Well, in my mind the whole virtual NXX issue, the
16 problem with that historically has been ISP, internet service
17 providers, which is now information traffic. And if you take
18 that out of this equation, we believe that any real voice FX
19 traffic is going to be minor. Of course, we haven't -- we
20 haven't introduced any evidence into the record to that effect,
21 and so we believe it would be minor. And -- I'm losing my
22 train of thought. I apologize for that.

23 Q Well, I guess to sum it up, would your answer be the
24 same?

25 A It is the same.

1 Q Assuming it is virtual NXX versus FX?

2 A Basically, virtual NXX is a way that an ALEC
3 technically provides an FX alternative. If I can expand just a
4 little.

5 Q Sure.

6 A If an ALEC -- I mean, if you subscribe to the
7 position that an ALEC doesn't have to put a switch in every
8 ILEC local calling area, virtual NXX is the way technically
9 that they would provide an FX alternative.

10 MR. MEZA: Thank you. I have no further questions.

11 CHAIRMAN JACOBS: Very well. Staff.

12 MS. BANKS: Yes, Mr. Chairman, staff just has a few
13 questions. Good afternoon, Mr. Maples.

14 CHAIRMAN JACOBS: I'm sorry, did you have cross?

15 MS. CASWELL: I do have just a couple of questions,
16 clarification questions.

17 CROSS EXAMINATION

18 BY MS. CASWELL:

19 Q I'm Kim Caswell with Verizon.

20 A Hi, Kim.

21 Q I know I heard you say that the Commission should
22 adopt the ILEC's definition of local calling area for
23 reciprocal compensation purposes, right? Are we clear on that?
24 And that is in --

25 A Yes.

1 Q Okay. And I think I also heard you say that
2 reciprocal compensation should be based on the physical end
3 points of a call, correct? I think you said that in your
4 opening statement. Typically that is what has happened,
5 correct?

6 A I mean, the physical end points of the call typically
7 determine the jurisdiction. And the physical end points with
8 relationship to what the local calling area defines
9 jurisdiction, which historically drives intercarrier
10 compensation, yes.

11 Q And virtual NXX calls originate in one local calling
12 area and terminate in another local calling area, would that be
13 correct, as well?

14 A Virtual NXX as defined, yes.

15 Q So that those calls are not local calls if you are
16 using the definition of the ILEC's local calling area, which
17 you are doing?

18 A Based on the historical definition of what
19 constitutes local, it would not be defined as local.

20 Q And reciprocal compensation only applies to local
21 calls, correct?

22 A Reciprocal compensation, I think, applies to all
23 telecommunications traffic except those that are in that list
24 of exceptions.

25 Q Right.

1 A So I think that local is one of the types of
2 telecommunications traffic that is subject to reciprocal
3 compensation. There may or may not be others, I don't know to
4 tell you the truth.

5 Q Okay. And given all that you have just told me, you
6 would not support the application of reciprocal compensation to
7 virtual NXX, would you?

8 A To virtual NXX?

9 Q Uh-huh.

10 A I think what we have recommended is that you take
11 away the ISP problem, the traffic is very small, and
12 historically the way you have treated FX, that it may be such a
13 small problem -- in other words, if you -- if I can -- sorry.
14 If we say that it is not toll or it is not local and it is long
15 distance, and I've got to bill access on it, then you get
16 into -- or something like that, in other words, if you say we
17 have to bill access on it, then that means that, okay, who is
18 the carrier of this call? For me to bill access, is the CLEC
19 the -- or, excuse me, is the ALEC the IXC? You know, because
20 if the ALEC is the IXC then I've got to bill access to that
21 IXC.

22 And then for me to do that then I have to modify my
23 billing systems and I've got to do things to accommodate that.
24 If the traffic is -- you know, take away ISP and what you have
25 got left is something relatively small. Does the industry

1 really want to incur the cost of doing that? And that is why
2 Sprint has recommended in our response that we think it would
3 be better for an industry task force to look at this and
4 determine the cost and the consequences perhaps before we make
5 a ruling to gather more evidence.

6 If it is relatively small, and the billing
7 modifications necessary are large, then maybe you pay recip
8 comp as a compromise. But if it is large then maybe you don't.
9 I think historically, though, you're right, if the call is
10 toll, is long distance then the compensation historically would
11 be driven based on the end points, would be access or whatever
12 would apply to a toll call.

13 Q So you are saying that a carrier could pay reciprocal
14 compensation as a compromise, but it wouldn't be legally
15 obligated to do so, correct?

16 A Under the construction of the rules, you're right.

17 Q Okay. This is another question just to clarify some
18 points you made earlier. I think you said that the FCC's
19 recent remand order on intercarrier compensation would have
20 some effect on the Commission's ruling in this case. And would
21 one of those effects be to take ISP-bound calls totally out of
22 the reciprocal compensation equation, which I think is how you
23 put it? In other words, those calls aren't entitled to
24 reciprocal compensation at all?

25 A In my reading of the order, yes, the ISP calls have

1 been defined as information traffic, the FCC has prescribed a
2 compensation structure for that.

3 MS. CASWELL: Okay. That's all I have. Thank you.

4 CROSS EXAMINATION

5 BY MS. BANKS:

6 Q Good afternoon, Mr. Maples.

7 A It is afternoon, yes.

8 Q I'm Felicia Banks, and I have just a few questions
9 for clarification on behalf of Commission staff. The first is
10 I think you have a copy of Sprint's responses to staff's first
11 set of interrogatories?

12 A Yes, I do.

13 Q I believe this was referenced earlier by Mr. Meza,
14 and I'm looking at Item Number 4. Just for purposes of the
15 record, this is staff's Stipulated Exhibit Number 7, Hearing
16 Exhibit Number 6.

17 A Yes, I'm sorry. Yes, I have that.

18 Q Okay, you're there. In Sprint's responses to staff's
19 first set of interrogatories it is stated that ALECs should
20 self-certify their intent to hold themselves out to serve the
21 particular geographic area. Now I know Mr. Meza touched this
22 point earlier, but just for clarification, by intent does that
23 mean that the ALECs have network facilities in place that are
24 capable of serving this area and hope to win the customers, or
25 if they have intent to build some network at some time in the

1 future?

2 A I believe that what we are saying here is their
3 intent means that they have specific intent. I think that
4 there should be some conditions here. You know, I understand
5 that people could say I intend to serve and I intend to serve
6 in three years, and I don't believe that would be a reasonable
7 interpretation of this. I believe that their intent to serve
8 means that they are about to serve or starting to serve.

9 And with respect to do they have -- let me answer,
10 have they established facilities, in our position here we have
11 stated that, in the testimony that if an ALEC is utilizing a
12 UNE-P platform and paying for that, that that should be a way
13 of qualifying for serving. So, when you say do they have
14 facilities, I would say, yes, they have either built themselves
15 or perhaps leased -- in that way they have leased those
16 facilities, in a sense, from the ILEC.

17 Q Okay. It is also suggested that an ALEC's retail
18 activities should not be included in determining if a
19 geographic area is being served, is that correct?

20 A Yes, that is correct.

21 Q What type of service should an ALEC be providing, or
22 to say by what means should an ALEC be providing service that
23 would be considered serving a particular geographic area?

24 A Well, I believe that since we are talking about
25 tandem switching in this area, then it makes sense to me that

1 the service that they would providing would be a switched
2 service, in other words, they are actually switching traffic.
3 Since we are also talking about reciprocal compensation, then
4 that tells me we are talking about voice traffic between
5 carriers. So it would have to be voice traffic between
6 carriers that they are switching. It would have to be traffic
7 subject to reciprocal compensation, which historically is
8 local.

9 Then did you ask how they were doing it? I think how
10 they are doing it, there can be a variety of ways that they are
11 doing it. I believe in Issue 11, which was stipulated, there
12 is on file the different types of network service arrangements.
13 So a carrier's network can look very different for how they are
14 doing it. I don't know if that answers your question.

15 Q Would it be facility-based UNEs?

16 A Facility-based, absolutely certainly facilities-based
17 if they are doing that. Obviously if the carrier is seeking
18 reciprocal compensation and tandem switching, they have
19 deployed a switch, and they are building out or leasing
20 facilities and they are in service. We believe that -- so that
21 would be their primary means of providing service. We believe
22 that an ALEC should be allowed to use UNE-P perhaps to fill out
23 certain areas and qualify under this as serving an area.

24 Q Okay. Changing gears just a little bit regarding
25 compensation methods. In those states that have implemented a

1 bill and keep arrangement, have any instituted transitional
2 compensation mechanisms that you are aware of?

3 A I'm not aware of any.

4 Q Okay. If this Commission were to implement a bill
5 and keep, it appears that at least at the outset that ALECs
6 costs may be greater than those of the ILECs, is that accurate
7 or would you agree?

8 A Are you saying that if this Commission -- if you go
9 to bill and keep that the ALECs' costs --

10 Q Yes, at the outset may be greater than the ALECs,
11 would you agree with that?

12 A Excuse me, I thought you said that the ALECs' costs
13 were greater than the ILECs'?

14 Q Yes, that is correct. That is what I stated.

15 A I'm trying to understand. I mean, the ALEC cost in
16 what sense that they would be --

17 COMMISSIONER JABER: Just from a competition
18 standpoint -- I was wondering about this myself. Just from a
19 competition standpoint, aren't ALECs terminating more calls now
20 because the incumbents have the majority of the market?

21 THE WITNESS: Well, I think with respect to the
22 balance of traffic, which I think if I am correct what you
23 are -- the balance of traffic is heavily weighted from the
24 ILEC, originating from the ILEC terminating to the ALECs. The
25 reason for that, in the ISP order the Commission said -- the

1 FCC, excuse me, it was predominately ISP. I think there was
2 evidence there that 90 percent of the revenues paid out --
3 reciprocal compensation revenues paid out by ILECs were
4 associated with ISP. I don't know.

5 So is it the fact that the ILEC -- right now, I mean,
6 is it true that the ILEC has more customers and that's why the
7 balance of traffic? Well, I think the reason the balance of
8 traffic is heavier today is because of IS -- internet traffic.

9
10 COMMISSIONER JABER: Well, here is what I'm trying
11 to --

12 THE WITNESS: You know, I don't know. So I'm not
13 sure if I could agree to that.

14 COMMISSIONER JABER: Okay. And I'm not being clear,
15 but what I'm trying to understand is what weight I should give
16 to the concern that what is wrong with bill and keep is that
17 the traffic amount is not equal. And in my own mind the
18 question I had was, well, how have other states compensated for
19 that or do they just not. I know that some states have
20 implemented bill and keep, right?

21 THE WITNESS: I'm not familiar with the specific
22 rulings.

23 COMMISSIONER JABER: Let me ask just that question of
24 the parties, and as we go along if there is someone that could
25 answer that I would like to know the answer to that.

1 MR. EDENFIELD: Commission Jaber, the specific
2 question is where?

3 COMMISSIONER JABER: Of the states that have
4 implemented bill and keep, how have those state commissions
5 addressed the inequality of traffic.

6 MR. EDENFIELD: Post or pre-ISP remand order or both?

7 COMMISSIONER JABER: Both, I guess. That's a good
8 clarification. Both, Mr. Edenfield.

9 CHAIRMAN JACOBS: You just want an answer, or a
10 late-filed?

11 COMMISSIONER JABER: As we go along, and if that
12 witness has already testified, maybe it's something that could
13 be added to the brief.

14 MS. BANKS: Thank you, Mr. Maples. That concludes
15 staff's cross.

16 CHAIRMAN JACOBS: Redirect.

17 MS. MASTERTON: I have a couple of questions.

18 REDIRECT EXAMINATION

19 BY MS. MASTERTON:

20 Q First, Mr. Maples --

21 COMMISSIONER DEASON: Excuse me, before we get there.
22 Commissioner, is it your intent to try to get some information
23 on what the flow of traffic or the equality or inequality of
24 the traffic after the ISP decision by the FCC?

25 COMMISSIONER JABER: Well, that's why I said it was a

1 good clarification on Mr. Edenfield's part. It may not even be
2 an issue post-ISP, I don't know. I really don't know. But
3 what I was trying to explore --

4 COMMISSIONER DEASON: Let me say I'm interested to
5 see whether traffic would be roughly in balance.

6 COMMISSIONER JABER: Right.

7 COMMISSIONER DEASON: Given that the ISP distortion
8 of that balance or imbalance as a result will be going away.

9 COMMISSIONER JABER: That is exactly what I'm
10 interested in. And to the degree a state commission has found
11 an imbalance, how did they deal with it?

12 COMMISSIONER DEASON: I think that is good
13 information to have.

14 COMMISSIONER JABER: And I'm not sure, Commissioner
15 Deason, how to -- maybe the witnesses that are coming up are
16 not the right witnesses for this, and maybe we would want to
17 add an issue to the brief, but --

18 COMMISSIONER DEASON: Well, it's seems that is more
19 of a factual issue, I'm not sure it is something that could be
20 briefed. But to the extent another state has made a finding, I
21 mean, that may or may not be the factual case in Florida, but
22 it would give us some comfort to try to ascertain where we
23 think Florida would fit in in the balance of traffic if another
24 state had actually had some type of finding in that regard.

25 COMMISSIONER JABER: Why don't we see at the end of

1 the day if we can get testimony. If not --

2 CHAIRMAN JACOBS: If not, we will just need that as a
3 late-filed if we don't have an adequate answer by the end of
4 the day.

5 COMMISSIONER JABER: And, staff, if you could think
6 about that, too, and let us know what the appropriate mechanism
7 is to get that information.

8 COMMISSIONER DEASON: I think it's interesting, and I
9 may be wrong, and if someone out there can correct me, and
10 that's fine, please do. But many years ago -- it seems like
11 many years ago, I guess it hasn't been that many years ago, but
12 when we were debating this whole concept, the incumbent LECs
13 really wanted reciprocal compensation because I think they felt
14 like they were going to be terminating most of the traffic,
15 since they had most of the customers.

16 But the pricing system and the incentives there was
17 for the ALECs being innovative and looking at the pricing rules
18 and how they could make inroads into the market, said let's
19 sign up a lot of ISPs and switch this traffic and we will
20 terminate it and we will get the reciprocal compensation. I
21 may be oversimplifying things, but it seems to me at the micro
22 level that is what has happened. And so the party that wanted
23 reciprocal compensation is actually -- and got it in instead of
24 bill and keep has been paying through the nose ever since. I
25 find it a little ironic.

1 CHAIRMAN JACOBS: More than ironic.

2 COMMISSIONER JABER: That would be a second to the
3 motion.

4 CHAIRMAN JACOBS: Ms. Masterton.

5 BY MS. MASTERTON:

6 Q Mr. Maples, could you clarify who you are testifying
7 on behalf of today?

8 A I said Sprint Corporation.

9 Q And that includes both the ILEC and the ALEC
10 operations, correct?

11 A Yes.

12 Q I just thought there was some confusion about that
13 and I wanted to make sure that was clear. Mr. Maples, earlier
14 Mr. Lamoureux pointed you to a portion of your direct testimony
15 relating to the POI issue on Page 12. I just wanted you to
16 look at the entire answer to that question on Page 12 beginning
17 on Line 19 through Page 13, Line 7. You discuss the various
18 obligations of ILECs and ALECs for establishing a POI and
19 transporting traffic, correct?

20 A Yes.

21 Q And specifically on Lines 5 through 7 on Page 13, you
22 talk about the ILEC's obligation for some build-out as a
23 reasonable accommodation for interconnection, correct?

24 A Yes.

25 Q Is it your position that the proposal for sharing the

1 transport cost that BellSouth proposed and that Mr. Hunsucker
2 discusses with modification in the rebuttal testimony
3 represents an appropriate balance of the rights and obligations
4 of both the ILECs and the ALECs under the Act and the FCC
5 rules?

6 A I think that the short answer is yes, in the sense
7 that the fact that when an ALEC selects a POI it can cause or
8 create the need to establish new trunk groups. And the
9 establishment of those new trunk groups fits the accommodation
10 for building out, can certainly do that, and it's certainly
11 the -- I believe it is -- in the First Report and Order there
12 is a Paragraph 209, which talks about the incremental cost of
13 interconnection based on the choice of POIs by an ALEC, and
14 that is certainly what we are talking about here, and so the
15 answer is yes.

16 MS. MASTERTON: Thank you. I have no further
17 questions.

18 CHAIRMAN JACOBS: And there were no exhibits. Thank
19 you very much, Mr. Maples. You are excused. We will break for
20 lunch and be back at 1:30.

21 (Lunch recess.)

22 (Transcript continues in sequence with Volume 4.)

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1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

4
5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
6 Services, FPSC Division of Commission Clerk and Administrative
7 Services, do hereby certify that the foregoing proceeding was
8 heard at the time and place herein stated.

9 IT IS FURTHER CERTIFIED that I stenographically
10 reported the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript constitutes a true transcription of my notes of said
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14 I FURTHER CERTIFY that I am not a relative, employee,
15 attorney or counsel of any of the parties, nor am I a relative
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19 DATED THIS 20TH DAY OF JULY, 2001.

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