

ORIGINAL



February 28, 2002

Ms. Blanca Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

by overnight delivery

Re: Docket No. 000075 – Investigation into Appropriate Methods to Compensate Carriers for Exchange of Traffic subject to Section 251 of the Telecommunications Act of 1996 (Phase II)

Dear Ms. Bayó,

Please find enclosed for filing in the above docket an original and seven (7) copies of Florida Digital Network, Inc.'s prefiled direct testimony and exhibits of John J. McCluskey.

If you have any questions regarding the enclosed, please call me at 407-835-0460.

Sincerely,

Matthew Feil
Florida Digital Network
General Counsel

- AUS _____
- CAF _____
- CMP _____
- COM *4 for*
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- SEC _____
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1 **Q. Please state your name and address.**

2 A. My name is John J. McCluskey, V. My business address is 390 North
3 Orange Avenue, Suite 2000, Orlando, Florida, 32801.

4 **Q. Who do you work for?**

5 A. I am Director of Network Planning for Florida Digital Network, Inc.
6 ("FDN").

7 **Q. What are your responsibilities as Director of Network Planning for**
8 **FDN?**

9 A. I am responsible for monitoring network cost and efficiency as well as
10 making recommendations regarding overall network architecture. I am also
11 responsible for filing FDN's tariffs at the State and Federal level.

12 **Q. Please describe your education and your work experience in the**
13 **telecommunications sector.**

14 A. I received a B.A. Degree in History from Loras College in Dubuque,
15 Iowa.

16 Prior to joining FDN in November, 2001, I served as Director of
17 Network Planning for McLeodUSA, Inc. where I was responsible for
18 implementing some cost saving measures within the local and long distance
19 networks. McLeodUSA, Inc. merged with Ovation Communications, Inc.,
20 another ALEC, on March 31, 1999. I joined Ovation in November 1997
21 where I was responsible for Network Cost, Carrier Billing, and Tariffing.
22 Prior to joining Ovation, I worked for MCImetro as Number Portability
23 Specialist. At MCImetro, I was in charge of carrier relations, with regard to

1 the implementation of number portability in the NYNEX regional footprint.
2 Prior to joining MCImetro, I worked for MFS Intelenet, Inc., the ALEC
3 subdivision of MFS, Inc. At MFS Intelenet, I worked in the Network Cost
4 and Tariffing departments. Prior to working for MFS Intelenet, I worked for
5 Williams Telecommunications Group (WilTel) as a network cost analyst.

6 **Q. Have you previously testified in a regulatory proceeding before a**
7 **state utility commission, the FCC or a hearing officer?**

8 A. Yes. I have previously testified before the Illinois Commerce
9 Commission in cases involving CLEC local certification and a dispute with
10 Ameritech regarding anticompetitive pricing of certain UNE loops.

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. I will testify in support of FDN's positions on Issues 13 and 17 of Phase
13 IIA of this docket. FDN did not submit testimony in prior phases of this
14 proceeding.

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

17 A. As explained later in my testimony, the local calling area for purposes of
18 intercarrier compensation should be defined as the LATA, absent a different
19 arrangement agreed to by carriers.

20 **Q. Should the Commission establish a default definition of local calling**
21 **for the purpose of intercarrier compensation, to apply in the event**
22 **parties cannot reach a negotiated agreement?**

1 A. Yes. A fair and reasonable default mechanism would promote
2 efficiencies in negotiations, administration, and arbitration of interconnection
3 agreements.

4 **Q. Please explain FDN's proposed default mechanism for the definition**
5 **of local calling area.**

6 A. FDN proposes that the default definition of local calling area be the
7 LATA when the originating carrier hands off LATA-wide calls at the ILEC
8 tandem serving the geographical location of the end user where the call
9 terminates or, if the originator chooses, at the end office serving the
10 geographical location of the end user where the call terminates.

11 **Q. Explain why FDN supports this proposal?**

12 A. The ILECs' local serving areas are artificial retail pricing boundaries and
13 should not dictate whether a call is access for intercarrier purposes. The cost
14 for intrastate access in Florida is prohibitively high, so the cost to the
15 originating carrier for terminating access calls precludes the originating
16 carrier from lowering retail prices for all intraLATA calls. Intercarrier
17 compensation schemes that rely on the ILEC's retail local serving areas
18 foreclose price competition for retail intraLATA services. Conversely,
19 FDN's proposal would spur price competition for such services, to the benefit
20 of the state's end users who would see dramatic price reductions for
21 intraLATA calls.

22 **Q. Why do you propose the condition that the originating carriers**
23 **deliver calls at least as far as the ILEC tandem serving the end user?**

1 A. This call hand-off condition would be reciprocal and would minimize
2 controversy over cost and call routing and delivery issues compared to other
3 plans, while promoting facilities based competition and intraLATA retail
4 price competition.

5 **Q. Have you prepared any drawings that illustrate the call routing and**
6 **hand-off proposal?**

7 A. Yes. Attached to my testimony as Exhibit ___ (JJM-1) is a drawing that
8 illustrates the routing and delivery of an ALEC to ILEC call handed off at the
9 ILEC tandem for a Stuart to Boca Raton call. Stuart and Boca are in the 460
10 LATA in Southeast Florida. This exhibit depicts a segment of the 460 LATA
11 and the routing of the call through several cities. Each city has its own local
12 calling area, and the local calling area for each city partially overlaps the
13 local calling area of its neighbor. If the originating carrier of intraLATA
14 calls like the one in this example could hand-off their calls at the ILEC
15 tandem without being charged access by the terminating carrier, the barrier of
16 access costs would be removed, price competition for all calls between cities
17 within the LATA would be promoted and facilities based competition would
18 be encouraged.

19 **Q. Under FDN's proposal, under what circumstances would access**
20 **charges apply for calls within the LATA?**

21 A. Access charges would only be assessed for intraLATA calls where the
22 originating carrier does not deliver the call at least as far as the ILEC tandem
23 serving the terminating end user's geographic location. Thus, where the

1 originating and terminating end user locations are served by separate ILEC
2 tandems in the same LATA, if the call was not handed off at least as far as
3 the tandem serving the terminating end user location, access would apply.

4 **Q. What would be the impact on LECs if intraLATA toll calls currently**
5 **subject to intrastate access between LECs instead become subject to**
6 **reciprocal compensation?**

7 A. Under the FDN proposal, calls currently deemed intraLATA toll and
8 subject to intrastate access will remain as such unless the originating carrier
9 delivers calls to the ILEC tandem serving the terminating end user's
10 geographic location. FDN's proposal would cause all carriers, ILECs and
11 ALECs, to competitively price retail intraLATA services.

12 **Q. If LATA-wide local calling were established, what impact, if any,**
13 **would there be on intercarrier compensation between local carriers and**
14 **long distance carriers (IXCs)?**

15 A. Some local carriers will use IXCs as an alternate means of routing and
16 delivering certain types of calls to achieve "least cost routing." Large IXCs
17 enjoy economies of scale that allow them to terminate access traffic cheaper
18 than smaller carriers. For example, large IXCs may have the ability to
19 replace some of the usage-based switched access rate elements with fixed-
20 based switched access rate elements thereby reducing overall costs. If the
21 terminating cost for LATA-wide calls is cheaper than what a large IXC could
22 have achieved as switched access service, then the ALECs will remove the
23 IXCs from their "least cost route" schedule, build any necessary facilities,

1 and transmit the traffic themselves. IXCs will not be completely replaced for
2 least cost routing purposes. They would likely still be used when the ALEC
3 is not connected to all the tandems in the LATA, in which case the ALEC
4 would likely continue to use a “least cost route” schedule that included IXCs
5 as an intraLATA alternate carrier.

6 **Q. Should the Commission establish compensation mechanisms**
7 **governing the transport and delivery or termination of traffic subject to**
8 **Section 251 of the Act to be used in absence of the parties reaching**
9 **agreement or negotiating a compensation mechanism?**

10 A. Yes. Again, FDN maintains that a fair and reasonable default mechanism
11 will promote efficiencies in negotiations, administration and arbitration of
12 interconnection agreements.

13 **Q. What should be the default mechanism for reciprocal compensation?**

14 A. FDN supports a bill and keep default for intraLATA calls when the
15 originating carrier hands off calls at least as far as the ILEC tandem serving
16 the geographic location of the end user. Further, FDN proposes this bill and
17 keep default apply unless traffic is out of balance by more than 10% and
18 proposes that for the default to apply, traffic exchanges be at least 499,999
19 minutes per month. If the traffic volume falls outside of the 10% level, then a
20 symmetrical measurable rate for traffic that originates and terminates within
21 the boundaries of the LATA should be imposed on a “go-forward” basis.
22 FDN suggests that the traffic balance condition and the minutes threshold be
23 evaluated on a per LATA basis.

1 **Q. What is the potential impact, if any, on ILECs and ALECs of bill and**
2 **keep arrangements?**

3 A. Bill and keep arrangements are inherently equitable if they are reciprocal
4 and the traffic flowing between the carriers is roughly equal in volume.

5 **Q. How should the Commission define “roughly balanced?”**

6 A. FDN proposes that “roughly balanced” should mean that terminating local
7 traffic exchanged between the parties is balanced within 10%. Traffic should
8 be presumed in balance unless one carrier can show that traffic is not in
9 balance over a reasonable period and that the imbalance is expected to
10 continue. If the traffic is not in balance, then a default symmetrical
11 measurable rate should be established on a LATA-wide basis. FDN proposes
12 a minimum traffic volume of over 499,999 minutes per month, measured on
13 an average basis over a reasonable period, be set as a threshold to trigger the
14 default symmetrical rate.

15 **Q. Why do you propose a threshold number of minutes?**

16 A. In my opinion, the administrative burden and resources required for
17 reciprocal compensation billing and collection is not justified for minutes
18 below that threshold. A minimum traffic volume trigger would reduce the
19 administrative burdens of monitoring, billing and collection, and may reduce
20 commission activity for resolving disagreements. For these same reasons, the
21 commission should approve a default of bill and keep for any traffic
22 exchanges below that threshold.

1 **Q. When would a carrier make a showing that traffic is not roughly in**
2 **balance if it wished to rebut the presumption?**

3 A. There are means available to the parties to settle such disputes. If an
4 agreement is in place, then the dispute should be processed through the
5 dispute resolution provision in the parties' interconnection agreement or a
6 complaint could be filed. If an agreement is not in place, then the issue could
7 be arbitrated if necessary.

8 **Q. Will the adoption of bill and keep arrangements as a default**
9 **mechanism minimize the need for regulatory intervention for the**
10 **immediate term and for the future?**

11 A. Yes, as long as the definition and terms of the bill and keep default are
12 adequately specified by the Commission.

13 **Q. Are there other benefits to the adoption of bill and keep**
14 **arrangements?**

15 A. Yes, bill and keep arrangements will minimize both carriers' billing,
16 collection and tracking costs and, thus, may promote ALEC competition
17 where resources devoted to reciprocal compensation matters can be
18 reallocated to end-user focused, competitive activities.

19 **Q. Under what circumstances would bill and keep arrangements be**
20 **inefficient?**

21 A. A plain bill and keep arrangement is inefficient when the carriers are not
22 providing equal amounts of traffic, unless the exchanged traffic is de

1 minimus or under the 499,999 minutes threshold I propose (for the reasons I
2 have discussed above).

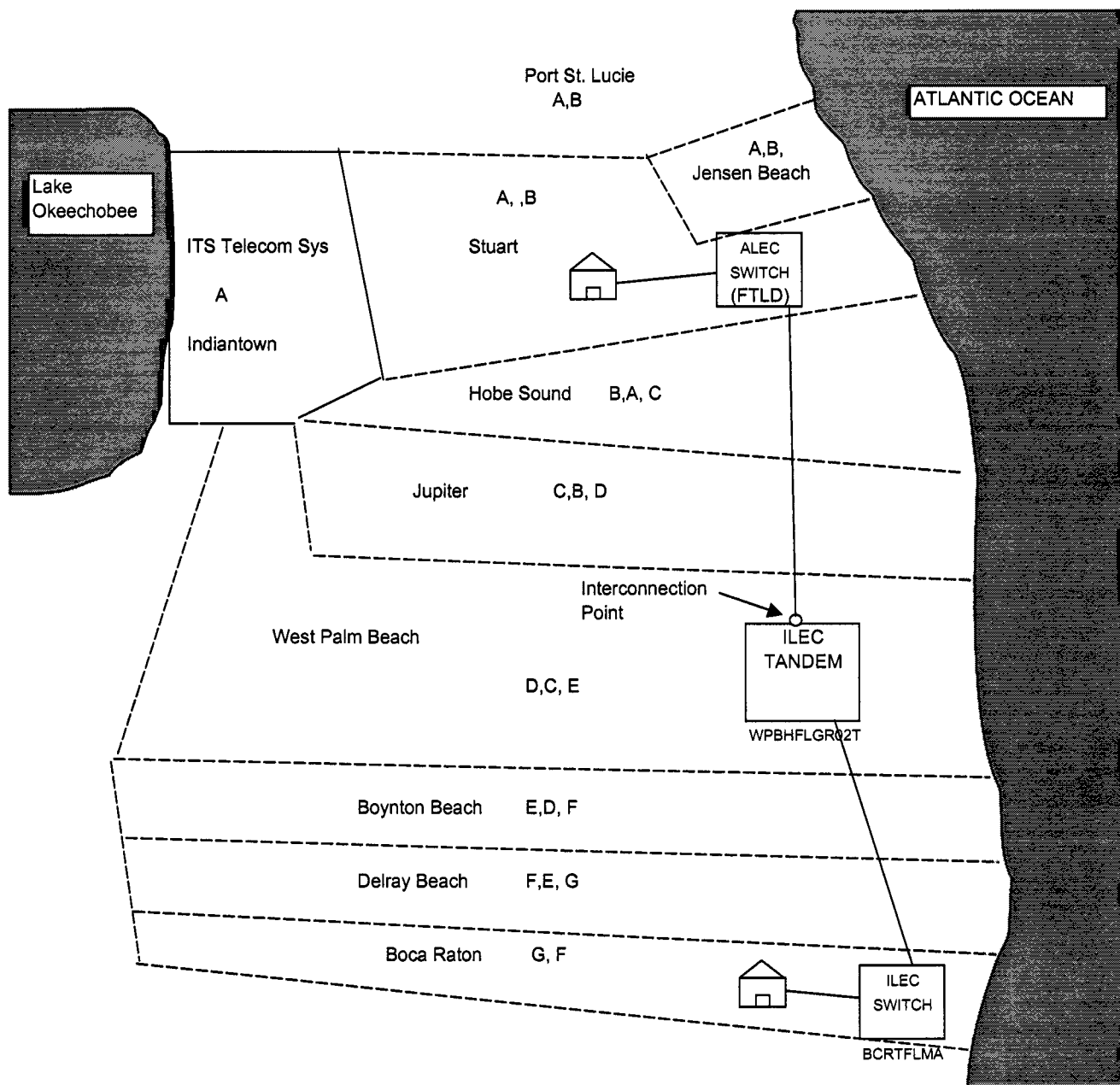
3 **Q. Do you believe these proposals for LATA-wide local and bill and**
4 **keep defaults should apply to all local interconnection arrangements?**

5 A. Yes. The proposal is intended to apply to local interconnections
6 regardless of the local carriers' designations, e.g. major ILEC to ALEC,
7 ALEC to ALEC, small ILEC to ALEC, etc.

8 **Q. Does that conclude your direct testimony?**

9 A. Yes.

SEGMENT - LATA 460 ILEC RETAIL CALLING AREAS



Local Calling Area	Rate Center	Rate Centers in Local Calling Area
A	Stuart	Stuart, Port St. Lucie, Hobe Sound, Jensen Beach, Indiantown
B	Hobe Sound	Hobe Sound, Port St. Lucie, Stuart, Jupiter, Jensen Beach
C	Jupiter	Jupiter, Hobe Sound, West Palm Beach
D	West Palm Beach	West Palm Beach, Jupiter, Boynton Beach
E	Boynton Beach	Boynton Beach, West Palm Beach, Delray Beach
F	Delray Beach	Delray Beach, Boynton Beach, Boca Raton
G	Boca Raton	Boca Raton, Delray Beach

**CERTIFICATE OF SERVICE
DOCKET NO. 000075**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. mail this 28th day of February, 2002 to the following:

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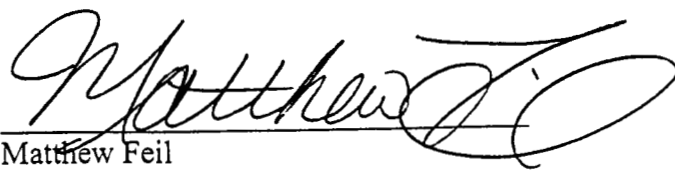
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A handwritten signature in black ink, appearing to read "Matthew Feil". The signature is written in a cursive style with a large, stylized initial "M".

Matthew Feil
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