

ORIGINAL

**McWHIRTER REEVES**  
ATTORNEYS AT LAW

TAMPA OFFICE:  
400 NORTH TAMPA STREET, SUITE 2450  
TAMPA, FLORIDA 33602  
P. O. BOX 3350 TAMPA, FL 33601-3350  
(813) 224-0866 (813) 221-1854 FAX

PLEASE REPLY TO:  
  
TALLAHASSEE

TALLAHASSEE OFFICE:  
117 SOUTH GADSDEN  
TALLAHASSEE, FLORIDA 32301  
(850) 222-2525  
(850) 222-5606 FAX

March 12, 2002

**VIA HAND DELIVERY**

Blanca S. Bayo, Director  
Division of Records and Reporting  
Betty Easley Conference Center  
4075 Esplanade Way  
Tallahassee, Florida 32399-0870

Re: Docket No.: 011119-TP

Dear Ms. Bayo:

On behalf of XO Florida, Inc., enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Direct Testimony of John Seaton on behalf of XO Florida, Inc., and 02871-02
- ▶ Direct Testimony and Exhibits of Rex Knowles on behalf of XO Florida, Inc, Public Version. 02870-02

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me. Thank you for your assistance.

Sincerely,

*Vicki Gordon Kaufman*

Vicki Gordon Kaufman

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition by XO Florida,  
Inc. for arbitration of  
Unresolved issues with BellSouth  
Telecommunications, Inc.

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Docket No.: 011119-TP  
Filed: March 12, 2002

**Direct Testimony and Exhibits of Rex Knowles**

**on behalf of**

**XO Florida, Inc.**

**REDACTED**

DOCUMENT NUMBER-DATE

02870 MAR 12 2002

FPSC-COMMISSION CLERK

1 **Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS**  
2 **ADDRESS.**

3 A. My name is Rex Knowles. I am a Vice President Regulatory for XO  
4 Communications, 111 East Broadway, Suite 1000, Salt Lake City, Utah  
5 84111. I am providing testimony on behalf of XO Florida, Inc., f/k/a  
6 NEXTLINK Florida, Inc. ("XO").

7 **Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES FOR XO.**

8 A: I am responsible for all regulatory, legislative, municipal, and incumbent  
9 local exchange carrier ("ILEC") initiatives on behalf of XO and other  
10 affiliates in several western states, and have been involved in a number of  
11 multi-state negotiations of interconnection agreements, often serving as a  
12 subject matter expert on the issues of reciprocal compensation.

13 **Q: PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
14 **PROFESSIONAL EXPERIENCE.**

15 A: I graduated from Portland State University in Portland, Oregon, with a  
16 degree in Business Administration/Finance Law in 1989. I was employed  
17 by United Telephone of the Northwest from 1989 to 1993 as a regulatory  
18 staff assistant and product manager responsible for incremental cost studies  
19 and creation and implementation of extended area service ("EAS") and 911.  
20 From 1993 to 1996, I was employed by Central Telephone of Nevada as  
21 manager of revenue planning and research and was responsible for  
22 supervising cost study preparation and developing and implementing

1 regulatory reform, including opening the local exchange market to  
2 competition and alternative forms of regulation for ILECs. I joined the XO  
3 organization in 1996 and have been in my current position with the  
4 company since Spring 2000.

5 **Q: HAVE YOU PROVIDED TESTIMONY BEFORE THE FLORIDA**  
6 **PUBLIC SERVICE COMMISSION BEFORE?**

7 **A:** No, but I have provided testimony on costing, pricing, and policy issues  
8 before the state commissions in Arizona, Colorado, Nevada, Oregon, Utah,  
9 and Washington.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 **A.** I address three issues in my testimony. Arbitration Issue No. 4: Once XO  
12 has ordered a loop, BellSouth should not be able to modify that loop  
13 without first obtaining XO's consent. Otherwise, BellSouth could disrupt  
14 the service to XO's Florida end users. Arbitration Issue No. 7: XO's South  
15 Florida switch covers a geographic area comparable to that served by the  
16 BellSouth tandem switch. As such, XO should be able to charge the same  
17 rate element as BellSouth, including the tandem interconnection rate.  
18 Arbitration Issue No. 8: BellSouth should not be able to unilaterally  
19 change any of the rates, terms or conditions expressly agreed to by a  
20 reference to its tariffs.

1 **Q: PLEASE PROVIDE SOME BACKGROUND FOR THIS**  
2 **PROCEEDING.**

3 A: XO and BellSouth began negotiation of an interconnection agreement on  
4 March 10, 2001. Although the parties reached agreement on a vast  
5 majority of issues, they did not agree on every issue. As a result, on August  
6 17, 2001, XO filed for arbitration of 14 issues. The parties have since  
7 settled 10 of these issues, leaving only four areas for Commission  
8 resolution. As I stated above, I address three of these issues. XO witness  
9 John Seaton, addresses the fourth issue, whether BellSouth should have to  
10 abide by the same credit and deposit policy as it imposes on ALECs.

11 **ISSUE 4 –BELLSOUTH SHOULD NOT BE PERMITTED TO MODIFY A**  
12 **LOOP ONCE IT HAS BEEN ORDERED BY XO**  
13

14 **Q: PLEASE SUMMARIZE THE DISPUTE IN ISSUE 4.**

15 A: Before XO orders a loop from BellSouth, it first obtains information about  
16 the make-up of that loop to determine what services can be supported on  
17 the facility. If XO finds that a loop meets its desired specifications, it  
18 orders the loop and provides a service to an end-user. However, BellSouth  
19 wants the ability to modify facilities, even *after* XO has paid for them and  
20 deployed services over them.

21 XO's concern is that such changes could disrupt service to an XO  
22 customer. BellSouth does not know what services XO is offering over  
23 those facilities. As such, BellSouth does not know whether its changes will

1           disrupt an XO end-user’s service. Yet, BellSouth will not agree to consult  
2           with XO before making such changes. XO simply wants BellSouth to get  
3           XO’s consent before it modifies a loop that XO has ordered and paid for.  
4           That is the only way we can be sure that BellSouth is not disconnecting  
5           XO’s customers.

6                        In Section 2.14.1.4, of Attachment 2 of the Agreement, BellSouth  
7           has even agreed that “BellSouth offers [Loop Make Up] information for the  
8           sole purpose of allowing XO to determine whether, in XO’s judgment,  
9           BellSouth's loops will support the specific services that XO wishes to  
10          provide over those loops.” While XO understands that BellSouth does not  
11          guarantee the accuracy of that information, BellSouth should not be able to  
12          change the characteristics of a loop after XO has already ordered that loop.

13   **Q:   SHOULDN’T BELLSOUTH BE ABLE TO UPGRADE ITS**  
14   **NETWORK?**

15   A:   Of course. However, they should not be able to cut-off the service of a  
16          competitor’s customers to do so. Therefore, BellSouth should be required  
17          to consult with the purchaser before changing the characteristics of a loop  
18          to get the purchaser’s consent and to ensure no service disruption.

19   **ISSUE 7 – XO IS ENTITLED TO RECIPROCAL COMPENSATION AT**  
20   **THE TANDEM INTERCONNECTION RATE BECAUSE ITS SWITCH**  
21   **SERVES AN AREA GEOGRAPHICALLY COMPARABLE TO**  
22   **BELLSOUTH’S TANDEM SWITCH**

1 **Q. WHAT DO YOU MEAN WHEN YOU SAY “TANDEM**  
2 **INTERCONNECTION RATE?”**

3 A. BellSouth and XO exchange local traffic, and each company is entitled to  
4 compensation for terminating local calls that are originated by the other  
5 company’s customers. Such “reciprocal compensation” is similar in  
6 structure (although not in amount) to switched access rates applicable to  
7 long distance carriers (“interexchange carriers” or “IXCs”). When an IXC  
8 or ALEC interconnects with an incumbent LEC at its tandem switch, the  
9 incumbent charges three primary rate elements: (1) a tandem switching  
10 charge, (2) transport rate (both transport “termination” and “mileage”  
11 charges) and (3) an end office switching rate. The sum of these three rate  
12 categories represents the total charge paid by the interconnecting carrier to  
13 the ILEC for terminating traffic via interconnection at the ILEC’s tandem  
14 and is generally referred to as the “tandem interconnection rate.” It is the  
15 combination of these same rate categories that the FCC refers to when  
16 discussing the tandem interconnection rate in Section 51.711 of its rules.  
17 The “end office interconnection rate,” in contrast, is comprised only of the  
18 end office switching rate element and applies to traffic delivered by the  
19 interconnecting carrier directly to the ILEC end office.

20 **Q. HAS THE FCC CONSIDERED WHETHER AN ALEC SHOULD BE**  
21 **COMPENSATED AT THE TANDEM INTERCONNECTION RATE?**

1 A. Yes, it has. Section 51, Subpart H of the FCC's rules is entitled:  
2 *Reciprocal Compensation for Transport and Termination of*  
3 *Telecommunications Traffic*. This section of the FCC's rules governs the  
4 rates, terms and conditions by which two interconnected carriers may  
5 charge one another for terminating traffic originated on the network of the  
6 other carrier. Subsection 51.711 is entitled: *Symmetrical Reciprocal*  
7 *Compensation*. It is within this subsection of its rules that the FCC  
8 provides its sole criterion governing the extent to which an ALEC may  
9 assess a "tandem interconnection rate" for traffic it terminates on behalf of  
10 a carrier with which it interconnects. In pertinent part, the FCC provides  
11 the following criterion:

12 §51.711(a)(3) Where the switch of a carrier other than an  
13 incumbent LEC serves a geographic area comparable to the  
14 area served by the incumbent LEC's tandem switch, the  
15 appropriate rate for the carrier other than an incumbent LEC is  
16 the incumbent LEC's tandem interconnection rate.

17  
18 **Q. WHAT DO THE FCC'S RULES REQUIRE?**

19 A. The FCC's rules require only that XO's serving area be "comparable" to the  
20 area served by the ILEC tandem. The FCC does not require that the  
21 serving areas be "equivalent," "equal or larger," "at least as large," or any  
22 other such formulation that would require XO to serve the same number of  
23 customers throughout the identical geographic region as the incumbent's  
24 tandem switch. In practical terms, the inquiry focuses on whether the area  
25 XO's switch serves is more comparable to the area served by a BellSouth



1 tandem or to the area typically served by a BellSouth end office. If XO's  
2 switch covers an area comparable to the BellSouth tandem switch (as is the  
3 case in Florida), XO is entitled to reciprocal compensation at the tandem  
4 interconnection rate.

5 **Q. WHAT IF DIRECT TRUNKING HAS BEEN ESTABLISHED**  
6 **BETWEEN THE XO SWITCH AND A BELL SOUTH TANDEM?**

7 A. ILECs often attempt to confuse the issue by claiming that reciprocal  
8 compensation is not truly "reciprocal" if they receive compensation at the  
9 "end office rate" for traffic the ALEC delivers directly to the end office  
10 while the ILEC must pay the tandem interconnection rate for the traffic  
11 going the other direction. FCC Rule 51.711(a)(3) requires the ILEC to  
12 compensate the ALEC at the tandem rate if the ALEC's switch "serves a  
13 geographic area comparable to the area served by the incumbent LEC's  
14 tandem switch," without any limitation on whether direct trunking exists  
15 between the ALEC switch and the ILEC end office. If the ALEC switch  
16 serves a geographic area comparable to the area served by the ILEC  
17 tandem, the ALEC is terminating traffic within that area regardless of  
18 whether the ILEC delivers the traffic through its tandem or directly from  
19 the end office. Stated differently, it is irrelevant whether the traffic  
20 *originates* from a BellSouth end office or a BellSouth tandem – the ALEC  
21 *terminates* that traffic to its customers located anywhere within the local

1 calling area, *i.e.*, the area comparable to the geographic area served by the  
2 BellSouth tandem.

3 **Q: HAS THE FLORIDA COMMISSION PREVIOUSLY ADDRESSED**  
4 **THIS ISSUE?**

5 **A:** Yes it has. In December of this year, in the Commission's generic  
6 reciprocal compensation docket<sup>1</sup> the Commission adopted a staff  
7 recommendation that an ALEC is entitled to compensation at the tandem  
8 interconnection rate, when it shows either that its switch serves an area  
9 geographically comparable as the ILEC tandem, or that its switch performs  
10 a similar function to the ILEC tandem.

11 **Q: ON WHAT GROUND DOES XO CONTEND THAT IT IS**  
12 **ENTITLED TO COMPENSATION AT THE TANDEM**  
13 **INTERCONNECTION RATE?**

14 **A:** XO's switch serves a geographic area comparable to the geographic area  
15 served by a BellSouth tandem switch.<sup>2</sup> The parties' interconnection  
16 agreement, therefore, should state that XO is entitled to compensation at the  
17 tandem interconnection rate.

18 **Q: WHAT DID THE COMMISSION SAY AN ALEC MUST SHOW TO**  
19 **DEMONSTRATE THAT ITS SWITCH SERVES AN AREA**

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<sup>1</sup> Investigation into Appropriate Methods to Compensate Carriers for Exchange of traffic Subject to Section 251 of the Telecommunications Act of 1996, Docket No. 000075-TP.

1           **GEOGRAPHICALLY COMPARABLE TO THAT SERVED BY THE**  
2           **ILEC TANDEM?**

3   **A:**   Although the Commission has not yet issued an order in its generic  
4           reciprocal compensation proceeding, it did approve the staff  
5           recommendation in that docket. At page 28, of the staff recommendation  
6           on Issue 12(c) the staff recommended that “‘comparable geographic area’,  
7           pursuant to FCC Rule 51.711, is a geographic area that is roughly the same  
8           size as that served by the ILEC tandem switch.” Staff further  
9           recommended that an ALEC serves a comparable geographic area when it  
10          has deployed a switch and opened NPA/NXXs to serve the exchanges  
11          within its area.

12   **Q:   DOES XO’S SWITCH SERVE AN AREA GEOGRAPHICALLY**  
13   **COMPARABLE TO BELLSOUTH’S SWITCH?**

14   **A:**   Yes. As demonstrated by Proprietary Exhibit No. \_\_\_\_\_(RK-1), attached  
15          to my testimony, XO has deployed [REDACTED]  
16          [REDACTED]  
17          [REDACTED]  
18          [REDACTED]. As a comparison, BellSouth’s Miami local  
19          tandem serves [REDACTED], which likely reside in fewer rate centers.<sup>3</sup>

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<sup>2</sup> Accordingly, I do not address the extent to which XO’s switch performs a “similar function” to the ILEC tandem.

<sup>3</sup> In its answers to discovery, BellSouth provided the number of end offices that subtend off its Miami local tandem. It did not, however, provide the number of rate centers which

1 Further, XO's switch has the ability to route calls from calling areas in  
2 which XO does not currently have customers. As such, XO's switch serves  
3 an area comparable to the BellSouth tandem.

4 **Q: HAVE YOU ATTACHED A MAP TO YOUR TESTIMONY TO**  
5 **FURTHER ILLUSTRATE XO'S SERVING AREA?**

6 Yes I have. Proprietary Exhibit No. \_\_\_\_ (RK-2), attached to my  
7 testimony, identifies the serving territory of XO's South Florida switching  
8 platform. This map was created by using XO network-specific data and  
9 XO's own network mapping software. The shaded areas are those rate  
10 centers in which XO is actually serving customers today. In those areas,  
11 XO has both deployed NXXs, and is actively serving customers within  
12 those NXXs. The map clearly shows that the serving territory of XO's  
13 switching platform as "comparable" to that of BellSouth's tandem serving  
14 area.

15 **Q. WHAT RATE ELEMENTS SHOULD BELLSOUTH PAY TO XO**  
16 **FOR TERMINATING BELLSOUTH'S TRAFFIC?**

17 A. I have demonstrated that the XO switch serves a geographic area  
18 comparable to the area served by a BellSouth tandem switch. Consistent  
19 with FCC rules and orders, as well as this Commission's recent decision,  
20 XO is entitled to reciprocal compensation at the tandem interconnection

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those 32 end offices serve. On information and belief, XO serves at least all of the rate centers served by BellSouth's Miami local tandem.

1 rate. As such, BellSouth should pay to XO a combined rate equal to the  
2 rate XO pays to BellSouth for terminating its traffic *via* the following  
3 individual rate elements: tandem switching, transport and end office  
4 switching.

5 **ARBITRATION ISSUE NO. 8: BELLSOUTH SHOULD NOT BE ABLE TO**  
6 **UNILATERALLY CHANGE ANY OF THE RATES, TERMS OR**  
7 **CONDITIONS EXPRESSLY AGREED TO BY A REFERENCE TO ITS**  
8 **TARIFFS.**

9

10 **Q: PLEASE SUMMARIZE THE DISPUTE IN ISSUE 8.**

11 A: Each party agrees to report to the other its projected Percent Interstate  
12 Usage (“PIU”), Percent Local Usage (“PLU”) and Percent Local Facility  
13 (“PLF”), so that they can determine the appropriate jurisdiction of the  
14 traffic they exchange. After interstate and intrastate traffic percentages  
15 have been determined by use of PIU procedures, the PLU and PLF factors  
16 are used for application and billing of local interconnection. In most  
17 sections of the Agreement addressing these reporting factors, BellSouth has  
18 agreed that the terms of the Agreement shall govern whenever there is a  
19 conflict with its tariffs. However, BellSouth will not agree to the same  
20 language in the section concerning the PIU.

21 **Q: WHY DOES THIS CAUSE CONCERN FOR XO?**

1 A: BellSouth can unilaterally make changes to its tariffs. It should not be  
2 permitted to supercede, modify, or terminate any of the terms specifically  
3 negotiated and agreed in its interconnection agreement with XO by making  
4 one of these unilateral tariff changes. XO has been negotiating this  
5 agreement for over a year. In the agreement, the parties have set specific  
6 terms dealing with matters concerning the PIU, such as how traffic audits  
7 should be treated. BellSouth now wants the ability to unilaterally change  
8 those terms by reference to documents to which XO is not a party.

9 **Q: WHAT LANGUAGE HAS XO PROPOSED TO RESOLVE THIS**  
10 **ISSUE?**

11 A: XO has proposed the underlined language in the following section:

12  
13 5.8 **Percent Interstate Usage.** Each Party shall report to  
14 the other the projected Percent Interstate Usage (“PIU”). All  
15 jurisdictional report requirements, rules and regulations for  
16 Interexchange Carriers specified in BellSouth’s Intrastate  
17 Access Services Tariff will apply to XO; provided, however,  
18 that nothing in such jurisdictional report requirements, rules,  
19 or regulations for Interexchange Carriers shall have the effect  
20 of modifying the terms or conditions set forth in this  
21 agreement for the issues governed by this Agreement. After  
22 interstate and intrastate traffic percentages have been  
23 determined by use of PIU procedures, the PLU and PLF  
24 factors will be used for application and billing of local  
25 interconnection. Each Party shall update its PIUs on the first  
26 of January, April, July and October of the year and shall send  
27 it to the other Party to be received no later than 30 calendar  
28 days after the first of each such month, for all services  
29 showing the percentages of use (PIUs, PLU, and PLF) for the  
30 past three months ending the last day of December, March,  
31 June and September.

1 XO is only asking to be treated fairly.

2 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

3 A. Yes, it does.

**Docket No. 011119-TP**

**Exhibit No. \_\_\_\_\_ (RK-1)**

**CONFIDENTIAL**



**Docket No. 011119-TP**

**Exhibit No. \_\_\_\_\_ (RK-2)**

**CONFIDENTIAL**

**CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Direct Testimony and Exhibits of Rex Knowles on behalf of XO Florida, Inc. has been furnished by (\*) hand delivery or by U. S. Mail on this 12th day of March, 2002, to the following:

(\*) Jason Fudge  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Patrick Turner  
BellSouth Telecommunications, Inc.  
675 West Peachtree Street, Suite 430  
Atlanta, Georgia 30375

(\*) James Meza  
C/o Nancy Sims  
BellSouth Telecommunications, Inc.  
150 South Monroe Street, Suite 400  
Tallahassee, Florida 32301

  
Dana Shaffer  
XO Communications, Inc.  
105 Molloy Street, Suite 300  
Nashville, Tennessee 37201-2315  
(615) 777-7700 (telephone)  
(615) 345-1564 (fax)  
dana.shaffer@xo.com

John Doyle  
Parker, Poe, Adams & Bernstein  
Post Office Box 389  
1400 First Union Capital Center  
Raleigh NC 27602-0389  
(919) 890-4173 (telephone)  
(919) 835-4541 (fax)  
johndoyle@parkerpoe.com

Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin, Davidson,  
Decker, Kaufman, Arnold & Steen, P.A.  
117 South Gadsden Street  
Tallahassee, Florida 32301  
(850) 222-2525 (telephone)  
(850) 222-5606 (fax)  
vkaufman@mac-law.com

Attorneys for XO Florida, Inc.