ORIGINAL

verizon

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December 18, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 011666-TP
Petition by Global NAPS, Inc. for arbitration pursuant to 47 U.S.C. 252(b) of interconnection, rates, terms and conditions with Verizon Florida Inc.

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of the Supplemental Direct Testimonies of Terry Haynes and Peter D'Amico on behalf of Verizon Florida Inc. for filing in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at (813) 483-2617.

Sincerely,

Kimberly Caswell/dm

Kimberly Caswell

KC:tas
Enclosures

AUS
CAF
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COM
CTR
ECR
GCL 1
OPC
MMS
SEC 1
OTH

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Supplemental Direct Testimonies of Terry Haynes and Peter D'Amico on behalf of Verizon Florida Inc. in Docket No. 011666-TP were sent via U.S. mail on December 18, 2002 to the following:

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

Petition By Global NAPs, Inc. for Arbitration Pursuant to 47 U.S.C. 252(b) of Interconnection Rates, Terms, and Conditions with Verizon Florida Inc.	))))	Docket No. 011666-TP

SUPPLEMENTAL DIRECT TESTIMONY OF

TERRY HAYNES

ON BEHALF OF

VERIZON FLORIDA INC.

December 18, 2002

Q. ARE YOU THE SAME TERRY HAYNES THAT OFFERED DIRECT TESTIMONY ON BEHALF OF VERIZON FLORIDA INC. ("VERIZON") ON MAY 8, 2002?

A. Yes, and my education and background are described in my direct testimony.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. The parties agreed to file supplemental testimony to address the potential effect of the Commission's generic reciprocal compensation Order (Order No. PSC-02-1248-FOF-TP (*Order*) (Sept. 10, 2002)) on certain issues in this arbitration. My supplemental direct testimony explains why the Commission should reject Global's "originating caller" proposal for determining intercarrier compensation obligations (Issue 4). I will also explain a modification to Verizon's proposed interconnection agreement that clarifies the parties' requirement to base intercarrier compensation on the end points of a particular call and not its assigned NPA-NXXs, consistent with the Commission's generic *Order* (Issue 5).

Issue 4 -- Calling Scopes

Q. WHAT IS THE STATUS OF THE GENERIC RECIPROCAL COMPENSATION DOCKET RELATIVE TO THE ISSUE OF DEFINING THE LOCAL CALLING AREA FOR INTERCARRIER COMPENSATION PURPOSES?

A. In its *Order*, the Commission chose the originating carrier's local calling area as the "default" for determining reciprocal compensation obligations. Based on Global's own statements, it will likely designate at least the entire LATA as its local calling area, thus unilaterally transforming access traffic into "local" traffic for purposes of intercarrier compensation. I understand that a principal motivation for this decision was the Commission's belief that adopting a default would encourage meaningful negotiations. Verizon strongly disagrees with this conclusion; in fact, the ruling will have just the opposite effect. It will assure that no ALEC will have any motivation to agree to anything other than the originating carrier approach, and Verizon believes the Commission did not adequately consider the substantive consequences of this approach. Verizon will thus advocate a different position here. Although Verizon and Global have not reached agreement on this issue, the Commission should not apply the "default" to the parties' interconnection agreement.

Q. WHAT DOES GLOBAL PROPOSE?

A. Global proposes what was discussed as the "originating carrier" plan in the generic reciprocal compensation docket, where the originating carrier's retail local calling area will determine intercarrier compensation obligations. Despite Verizon's discovery requests, Global has provided no detail regarding the geographic area or areas it plans to offer its retail customers or the retail rate scheme it intends to apply. This lack of detail about implementation is one reason that led the Commission Staff to recommend that the Commission reverse its decision adopting the originating carrier approach and to advise the Commission not to adopt any default local calling area definition. (Staff Recommendation in Docket No. 000075-TP, dated Nov. 22, 2002 (Staff Rec.) at 38.) My understanding is that the Commission rejected that logic because it believed implementation details could be worked out by the parties on a case-by-case basis. Of course, that has not occurred in this case and Global has not given Verizon or the Commission any clue as to how its originating carrier approach might work in practical terms. Because the Commission's decision assumed that implementation details would emerge on a case-specific basis, and because that has not happened here, this is reason alone to reject the originating carrier approach.

Q. ARE THERE OTHER REASONS WHY THE COMMISSION SHOULD NOT APPLY THE "DEFAULT" OF USING THE ORIGINATING CARRIER PLAN TO DETERMINE THE PARTIES' INTERCARRIER COMPENSATION OBLIGATIONS IN THE CONTEXT OF THEIR INTERCONNECTION AGREEMENT?

A. There are plenty of other reasons, both legal and policy, why the Commission should not apply the originating carrier plan "default." These reasons were discussed in my May 8, 2002 direct testimony and in the generic reciprocal compensation docket through briefs and the testimony of witnesses Trimble and Beauvais. Verizon's Petition for Reconsideration of the generic *Order* is a particularly good summary of all the legal and practical problems associated with the originating carrier approach. I would like to re-emphasize here, however, that requiring Verizon to adopt the originating carrier plan Global proposes in the parties' interconnection agreement would:

- be administratively infeasible and unduly expensive;
- be inconsistent with the Commission-ordered intercarrier compensation for virtual NXX traffic;
- create artificial incentives to eliminate consumer choices rather than expand them;
- undermine universal service objectives by eliminating revenues that support universal service and creating incentives to increase calling areas and associated service rates; and
- undermine the state-mandated access rates and improperly relieve Global of its obligation to contribute to universal service.

Q. WHY WOULD THE ORIGINATING CARRIER PLAN BE ADMINISTRATIVELY INFEASIBLE?

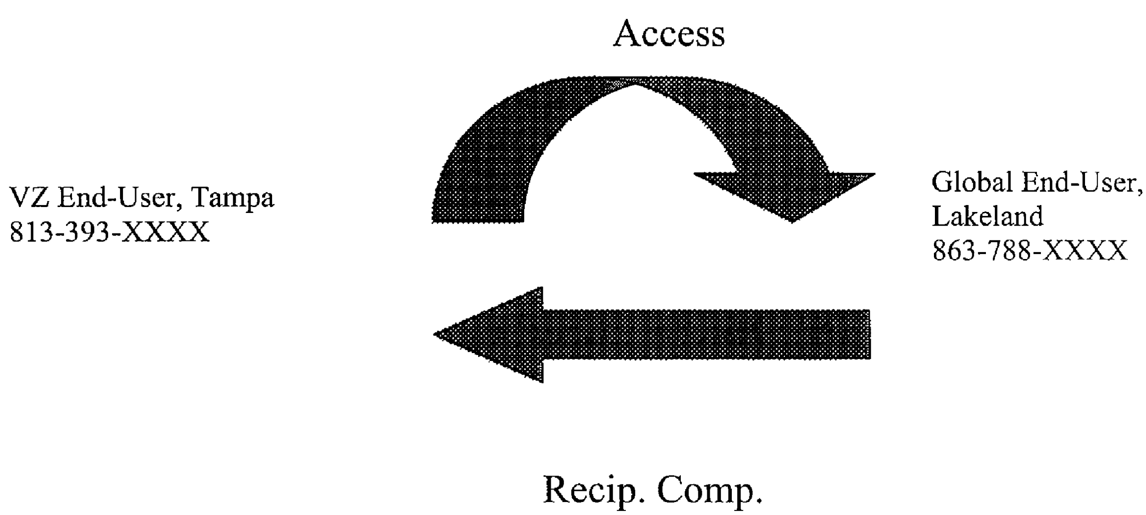
A. As an initial matter, the feasibility of an originating carrier plan must be viewed in a multi-ALEC environment. Although this is an arbitration between Verizon and Global, what the Commission approves for Global will be equally available to all ALECs through adoption of the parties' interconnection agreement or through the precedent established here. Accordingly, any implementation proposal must address the possibility that multiple ALECs with differing calling areas will exchange traffic with Verizon. In this regard, nothing limits each of these ALECs to offering a single retail calling plan. Rather, ALECs can be expected to offer multiple plans with varying geographic coverage and customers can be expected to change carriers and plans. As the Commission Staff observed in its November 22, 2002 Recommendation in the generic docket, an originating carrier's retail calling scope "could be applied on a customer-specific basis or by carrier," leaving considerable questions as to how an originating carrier plan could or would be implemented. (Staff Rec. at 38.) In such an environment, Verizon simply has no way to ascertain for any particular call it terminates whether it should charge the originating carrier reciprocal compensation or access.

Q. WHAT TYPES OF EXPENSES WOULD VERIZON INCUR IF IT ATTEMPTED TO IMPLEMENT GLOBAL'S ORIGINATING CARRIER PLAN?

A. Because Global has identified no workable implementation method and Verizon is unaware of any such method, Verizon cannot quantify the expenses it might incur. Such a drastic deviation from the current use of an ILEC's calling areas, however, would likely require significant alteration of Verizon's billing systems. Moreover, an industry standard would need to be developed, which would take the time and resources of many carriers. I am not aware of any such industry undertaking.

Q. WHY WOULD GLOBAL'S ORIGINATING CARRIER PROPOSAL BE INCONSISTENT WITH THE COMMISSION-ORDERED INTERCARRIER COMPENSATION FOR VIRTUAL NXX TRAFFIC?

A. With respect to virtual NXX traffic, the Commission has ruled that "calls to virtual NXX customers located outside of the local calling area to which the NPA/NXX is assigned are not local calls for purposes of reciprocal compensation" because their end points are not within the same ILEC local calling area. (*Order* at 29.) But if Global's originating carrier proposal is adopted, the *end points* of the call will not govern intercarrier compensation—the originating carrier's retail local calling scope (and specifically, the direction of the call) will. The illustration below demonstrates how the direction of the call, rather than the end points, determines compensation under Global's calling area proposal, assuming Verizon's current calling areas and a Global LATA-wide calling area.



As the Staff recognized in its recommendation to reconsider the originating carrier approach, compensation cannot depend *both* on the retail local calling area and the call's end points. (See Staff Rec. at 38.) Global's originating local carrier approach is plainly inconsistent with its decision that virtual NXX calls are not subject to reciprocal compensation.

Q. HAS THE WIRELESS MARKET IMPLEMENTED WHAT IS EFFECTIVELY AN ORIGINATING CARRIER PROPOSAL?

A. No. There is a standard Metropolitan Trading Area ("MTA") for all wireless carriers, which functions as the unvarying standard for intercarrier compensation with all wireless carriers, much like an ILEC's calling area. Wireless carriers frequently offer a large range of geographic calling scopes to their retail customers at different prices, but the MTA governing intercarrier compensation does not vary with those retail offerings. This is exactly what Verizon explained with respect to the ability of Global and other ALECs to define a multitude of retail calling products without altering the current rules of intercarrier compensation.

Q. WHY WOULD GLOBAL'S ORIGINATING CARRIER PROPOSAL CREATE ARTIFICIAL INCENTIVES TO ELIMINATE CONSUMER CHOICES RATHER THAN EXPAND THEM?

A. As the Commission acknowledged in its *Order* in the generic reciprocal compensation docket, "more uniformity will emerge as a result" of an originating carrier plan. (*Order* at 51.) The plan allows carriers to reduce one of their cost components by defining a large geographic calling area. Carriers can either keep the cost savings as a profit or pass that cost savings on to their retail end-users. A carrier with a smaller geographic calling area will have higher costs, because it will either pay or impute more access charges. It also will be required to pass those costs on to its retail end-users in the form of higher rates. To avoid being priced out of the market and to avoid the circumstance described above, where a call with the same end points results in different intercarrier compensation depending on the direction of the call, carriers will migrate to the largest feasible calling area.

Q. IS THE TENDENCY TOWARD UNIFORMITY IN CALLING AREAS BENEFICIAL TO CONSUMERS?

A. No. I believe it's exactly what the Commission does not want, which is why it's hard for me to understand the Commission's rationale for adopting the originating carrier approach. Consumers have different needs. As this Commission's historic universal service policies recognize, there are consumers who need only the most basic and inexpensive connectivity to call their community of interest. To keep these consumers connected to the network--for the benefit of all telecommunications consumers--it is important to ensure an affordable service package. There also are consumers who may make the majority of their telephone calls within Florida. Those consumers might be willing to pay a higher flat monthly rate to avoid usage-sensitive toll charges through a statewide calling area. Other consumers may make many calls both within their community of interest and to points outside Florida. Those consumers might want a low-priced local plan combined with an interstate long distance plan. The bottom line is that one plan will not suit every consumer.

Q. HOW CAN THE COMMISSION MAXIMIZE CONSUMER CHOICE?

A. As discussed above, the wireless industry provides a good example that results in a variety of consumer choices. The wireless industry uses a fixed standard for intercarrier compensation, which allows carriers to market a variety of retail calling products to their customers. If the Commission continues to use an ILEC calling area as the standard, the Commission will achieve the dual purpose of maximizing consumer choice while ensuring that consumers retain the ILEC's affordably priced basic local service. As the testimony of ALEC witnesses Ward, Busbee, and Selwyn in the generic reciprocal compensation docket demonstrate, ALECs are now offering innovative calling plans using the fixed standard of the ILEC's calling areas for purposes of intercarrier compensation. (*See* Generic Reciprocal Compensation Docket, May 8, 2002 Tr. 184 (Ward), 208 (Busbee), and July 5-6, 2001 Tr. 611-13 (Selwyn)). The same is true in the long distance market, with long-distance carriers offering innovative retail plans even though long distance carriers must continue to pay access charges based on the ILECs' calling areas.

Q. HOW WOULD GLOBAL'S ORIGINATING CARRIER PLAN ELIMINATE REVENUES CURRENTLY AVAILABLE TO SUPPORT UNIVERSAL SERVICE?

A. This Commission has expressly charged the ILECs with responsibility for maintaining universal service, directing them to fund universal service through "markups on the services they offer." (*Determination of Funding for Universal Service and Carrier of Last Resort Responsibilities,* 95 FPSC 12:375, 1995 Fla. PUC Lexis 1748, at *56 (Dec. 27, 1995).) Thus, Verizon's toll and access revenues ensure that Verizon can "maintain [its] financial viability . . . while maintaining universal service." (*Intrastate Telephone Access Charges for Toll Use of Local Exchange Services,* 83 FPSC 100, 1983 Fla. PUC Lexis 71, at *15 (1983).) Global's originating carrier plan gives Global the unilateral ability to eliminate its access payments to Verizon--and thus the associated implicit contributions to universal service--by defining its retail calling area. The same could be true for all ALECs, thus putting at risk Verizon's switched annual revenue stream, a principal source of contribution to keeping local rates low.

Similarly, customers who ordinarily make calls beyond their community of interest--calls that historically have been toll calls--will look for carriers who can provide them a lower monthly rate to call an expanded geographic area, because that carrier would have eliminated its major cost driver--access charges. Either Verizon would have to follow suit and expand its calling areas or Verizon likely would lose the customers who would make the type of call that historically would have been a toll call. In either event, Verizon's approximate annual toll and extended calling scope revenue would be severely jeopardized.

Although I cannot predict how fast the originating calling proposal would erode support for universal service, it is clear that without these very substantial sources of support, Verizon will not be able to maintain its current retail basic service rates. The loss of universal service support provided by the state's access/toll regime will exert upward pressure on rates even for current calling areas.

Q. HOW WOULD GLOBAL'S ORIGINATING CARRIER PLAN UNDERMINE THE STATE-MANDATED ACCESS RATES?

A. It will allow ALECs to opt out of the intrastate access regime simply by defining their retail local calling area as the entire LATA, the entire state, or even larger. Access traffic will be immediately transformed into local traffic, to which TELRIC-based reciprocal compensation (rather than access rates) will apply. As Verizon explained in its Motion for Reconsideration of the Commission's Order in the Generic Reciprocal Compensation Docket, this circumvention of the existing access charge regime is impermissible as a matter of state and federal law. Verizon's lawyers will address this legal issues again in the briefs in this proceeding. Aside from the legal issues, however, taking action that could eliminate the access charge regime is bad policy, because of the universal service support concerns I discussed above.

Q. SINCE THE TIME YOU FILED YOUR MAY 8 DIRECT TESTIMONY, HAVE OTHER STATE COMMISSIONS ADDRESSED THIS ISSUE?

A. Yes. Although I again defer to legal briefs to be filed by counsel, state commissions in California, Illinois, Massachusetts, Maryland, New York, North Carolina, New Hampshire, Ohio, Rhode Island, Texas, and Vermont have recognized that the ILEC's calling area is the proper basis for distinguishing between reciprocal compensation and access traffic. This includes decisionmakers in nine of the ten states in which the parties have arbitrated this exact same issue.

Most recently, the Massachusetts Department of Telecommunications and Energy ("Department"), arbitrating the same issue between Global and Verizon, correctly observed that the issue "is not whether GNAPs must mirror Verizon's calling areas on a retail basis," but "how to define a calling area for the purpose of intercarrier compensation." (*Petition of Global NAPs, Inc. pursuant to Section 252(b) of the Telecommunications act of 1996, for arbitration to establish an interconnection agreement with Verizon New England, Inc. d/b/a Verizon Massachusetts f/k/a New England Telephone & Telegraph Co. d/b/a Bell Atlantic-Massachusetts,* D.T.E. 02-45 (Dec. 12, 2002) ("*Global/VZ MA Arbitration Order*"), at 19.) The Department "decline[d] GNAPs' invitation to alter the existing access regime" through its originating carrier proposal. (*Id.* at 25.) In rejecting Global's proposal, it cited the need to "balance customers' interests in having the largest local calling areas possible against the advantages of a comprehensive state structure for local calling areas that was cost-based and fair, that ensured rate continuity for customers and earnings stability for Verizon (then New England Telephone), and that protected universal service." (*Id.* at 24.) The Department emphasized that alteration of the access regime was "not an appropriate subject for investigation in a two-party arbitration." (*Id.* at 23.) The Department observed that its decision was "consistent with the FCC's holding that intrastate access regimes in place prior to the Act will continue to be enforced until altered by state commissions." (*Id.* at 25.) These are the same points Verizon has made in this proceeding.

Issue 5 -- Virtual NXX Codes

Q. PLEASE EXPLAIN THE IMPACT OF THE COMMISSION'S *ORDER* IN THE GENERIC RECIPROCAL COMPENSATION DOCKET ON THE PARTIES' DISPUTE OVER INTERCARRIER COMPENSATION FOR VIRTUAL NXX TRAFFIC.

A. This Commission's *Order* in the generic reciprocal compensation docket affirms Verizon's proposal regarding intercarrier compensation for virtual NXX traffic. Consistent with that *Order*, Verizon's contract proposal makes clear that virtual NXX traffic is not subject to reciprocal compensation, because the termination point of virtual NXX traffic is not within the calling party's local calling area, but that intercarrier compensation depends on the end points of the call. Although Verizon's originally proposed contract language was consistent with the Commission's *Order*, Verizon has modified its contract proposal to avoid any confusion regarding the application of intercarrier compensation for virtual NXX traffic.

Q. PLEASE EXPLAIN HOW VERIZON MODIFIED ITS PROPOSED

INTERCONNECTION AGREEMENT TO CLARIFY THE COMMISSION'S DIRECTIVE THAT INTERCARRIER COMPENSATION BETWEEN THE PARTIES BE BASED ON THE END POINTS OF A CALL RATHER THAN ITS ASSIGNED NPA-NXX?

A. In Verizon's modified Interconnection Attachment § 7.2.9, Verizon proposes to define "V/FX Traffic" as calls in which Global's customer is assigned a telephone number with an NXX Code (as set forth in the LERG) associated with an exchange that is different than the exchange (as set forth in the LERG) associated with the actual physical location of the Global customer's station. For two key Glossary terms, "Measured Internet Traffic" (Glossary § 2.60) and "Reciprocal Compensation Traffic" (Glossary § 2.80), Verizon proposes language that specifically references and excludes from the defined terms "Virtual Foreign Exchange Traffic" or "V/FX Traffic." Verizon further specifies in Glossary § 2.80 and Interconnection Attachment §§ 6.5, and 7.2 that V/FX Traffic is not subject to reciprocal compensation and that Global shall pay Verizon's originating or terminating access charges for all V/FX Traffic as applicable based on the actual originating and terminating points of the complete end-to-end communication. Verizon's modified contract proposals are fully set forth in Attachment A.

Q. IS THERE A METHOD TO ACCURATELY TRACK AND BILL TRADITIONAL FX AND VIRTUAL NXX TRAFFIC CONSISTENT WITH THE COMMISSION'S *ORDER* IN THE GENERIC RECIPROCAL COMPENSATION DOCKET?

A. Yes. Verizon recently conducted a study in Florida to identify calls originated by CLEC customers and terminated to Verizon FX numbers. The study matched call records for calls from facilities-based CLECs to a list of telephone numbers that Verizon assigned to FX service lines. This study provided Verizon with a means of accurately identifying the access revenue to which CLECs would be entitled for CLEC-originated calls terminated to Verizon FX numbers. At the same time, Verizon considered what approach would be required to properly account for traffic originated by Verizon customers that terminated on CLEC virtual NXX numbers. Two options were identified. One option would be for the CLEC to conduct a study, similar to the one performed by Verizon, to quantify the number of Verizon-originated minutes that were delivered to CLEC virtual NXX numbers. The other option would be for the CLEC to notify Verizon of the numbers it has assigned as virtual FX numbers. In this scenario, Verizon would modify its traffic data collection system to capture all traffic delivered to the NPA-NXXs associated with the virtual NXX numbers. A query could then be run to identify what portion of the traffic delivered to the NPA-NXXs was virtual NXX traffic. A billing adjustment would then be entered into each Party's billing system to properly account for the Verizon traffic delivered to the CLEC virtual NXX numbers. Verizon is prepared to work with Global to implement one of these options so that traffic can be properly billed. Neither option presents significant technical or system enhancement issues.

Q. **SINCE THE TIME YOU FILED YOUR DIRECT TESTIMONY, HAVE**

OTHER STATE COMMISSIONS ADDRESSED THIS ISSUE?

A. Although I defer to briefs to be filed by counsel, I am aware that, like this Commission, state commissions in Connecticut, Georgia, Illinois, Massachusetts, Missouri, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and Vermont have rejected CLEC efforts to charge reciprocal compensation on virtual NXX traffic.

In an arbitration between Verizon and US LEC, for instance, the South Carolina Commission reaffirmed its previous holding that reciprocal compensation is not due to calls placed to virtual NXX numbers as the calls do not originate and terminate within the same local calling area. (*In re Petition of US LEC of South Carolina Inc. for Arbitration of an Interconnection Agreement with Verizon South, Inc.*, Docket No. 2002-181-C, Order No. 2002-619 (Aug. 30, 2002).) The South Carolina Commission acknowledged that the FCC Wireline Competition Bureau decided the "virtual NXX" issue differently in a Virginia arbitration between Verizon and three other carriers, but correctly noted that that decision was not controlling because it "never addressed the basic question whether Virtual FX traffic is subject to reciprocal compensation under federal law" and was inconsistent with federal law. (South Carolina US LEC Order at 25-26.) The Commission also observed that the Wireline Bureau's decision would not apply, in any event, because it was based on the asserted practical problems of distinguishing virtual FX traffic from local traffic. That rationale does not apply where Verizon has presented evidence that carriers can accurately estimate the volume of FX and virtual FX traffic they exchange (South Carolina US LEC Order at 26)—as Verizon did in South Carolina and as it has here. The Commission here should conclude, as the South Carolina Commission did, that "it would be deeply inconsistent with regulatory policy and basic fairness to require Verizon to *pay* [the CLEC], when Verizon continues to bear the same costs of originating the interexchange call, when Verizon is deprived of the toll charges that would ordinarily apply, and when [the CLEC] is already receiving compensation from its customers." (*Id.* at 27.) As the South Carolina Commission concluded, this "extraordinarily clear example of attempted regulatory arbitrage" (*id.*) is not consistent with either the law or sound policy.

The Massachusetts Department's decision in the Verizon/GNAPs arbitration is particularly instructive, as well. Like South Carolina, Massachusetts required intercarrier compensation to be based on geographic end points of a call and not the assigned telephone number. (*See Global/VZ MA Arbitration Order* at 33-38.) With respect to implementation, the Department charged the party interested in making virtual NXX assignments with responsibility for maintaining proper intercarrier compensation. According to the Department, "an initial difficulty in implementation is not sufficient reason to forfeit any hope of the eventual proper rating of these calls. Indeed, when a carrier seeks to offer a service that complicates enforcement of the existing access regime, it is appropriate to require that carrier to work cooperatively with other carriers involved to ensure that the other carriers are duly compensated for their roles in carrying the traffic generated as a result of that service . . . If GNAPs cannot ensure that all LECs, including Verizon, have access to the geographic end point data necessary to properly rate a call as local or toll, and are properly compensated, then GNAPs cannot provide virtual NXX service to its customers." (*Id.* at 35-36 (footnote omitted).)

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes it does.

ATTACHMENT A[1]

GLOSSARY

2.60 Measured Internet Traffic.

Dial-up, switched Internet Traffic originated by a Customer of one Party on that Party's network at a point in a Verizon local calling area, and delivered to a Customer or an Internet Service Provider served by the other Party, on that other Party's network at a point in the same Verizon local calling area. Verizon local calling areas shall be as defined by Verizon. For the purposes of this definition, a Verizon local calling area includes a Verizon non-optional Extended Local Calling Scope Arrangement, but does not include a Verizon optional Extended Local Calling Scope Arrangement. Calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXXX) basis, are not considered Measured Internet Traffic. For the avoidance of any doubt, Virtual Foreign Exchange Traffic (i.e., V/FX Traffic) (as defined in the Interconnection Attachment) does not constitute Measured Internet Traffic.

2.80 Reciprocal Compensation Traffic.

Telecommunications traffic originated by a Customer of one Party on that Party's network and terminated to a Customer of the other Party on

[1] Modification to Verizon's contract proposals are indicated by a double underline.

that other Party's network, except for Telecommunications traffic that is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access. The determination of whether Telecommunications traffic is Exchange Access or Information Access shall be based upon Verizon's local calling areas as defined by Verizon. Reciprocal Compensation Traffic does not include the following traffic (it being understood that certain traffic types will fall into more than one (1) of the categories below that do not constitute Reciprocal Compensation Traffic): (1) any Internet Traffic; (2) traffic that does not originate and terminate within the same Verizon local calling area as defined by Verizon, and based on the actual originating and terminating points of the complete end-to-end communication; (3) Toll Traffic, including, but not limited to, calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXXX) basis; (4) Optional Extended Local Calling Scope Arrangement Traffic; (5) special access, private line, Frame Relay, ATM, or any other traffic that is not switched by the terminating Party; (6) Tandem Transit Traffic; (7) Voice Information Service Traffic (as defined in Section 5 of the Additional Services Attachment); or, (8) Virtual Foreign Exchange Traffic (or V/FX Traffic) (as defined in the Interconnection Attachment). For the purposes of this definition, a Verizon local calling area includes a Verizon non-optional Extended Local Calling Scope Arrangement, but does not include a Verizon optional Extended Local Calling Scope Arrangement.

INTERCONNECTION ATTACHMENT

6. Traffic Measurement and Billing over Interconnection Trunks

6.5. If and, to the extent that, a ***CLEC Acronym TXT*** Customer receives V/FX Traffic,***CLEC Acronym TXT*** shall promptly provide notice thereof to Verizon (such notice to include, without limitation, the specific telephone number(s) that the Customer uses for V/FX Traffic, as well as the LATA in which the Customer's station is actually physically located) and shall not bill Verizon Reciprocal Compensation, intercarrier compensation or any other charges for calls placed by Verizon's Customers to such ***CLEC Acronym TXT*** Customers.

7.2 Traffic Not Subject to Reciprocal Compensation

7.2.1 Reciprocal Compensation shall not apply to interstate or intrastate Exchange Access (including, without limitation, Virtual Foreign Exchange Traffic (i.e., V/FX Traffic), Information Access, or exchange services for Exchange Access or Information Access.

7.2.8 Reciprocal Compensation shall not apply to traffic that is not subject to Reciprocal Compensation under Section 251(b)(5) of the Act.

7.2.9 Reciprocal Compensation shall not apply to Virtual Foreign

Exchange Traffic (i.e., V/FX Traffic). As used in this Agreement, "Virtual Foreign Exchange Traffic" or "V/FX Traffic" is defined as calls in which a ***CLEC Acronym TXT*** Customer is assigned a telephone number with an NXX Code (as set forth in the LERG) associated with an exchange that is different than the exchange (as set forth in the LERG) associated with the actual physical location of such Customer's station. For the avoidance of any doubt, ***CLEC Acronym TXT*** shall pay Verizon's originating access charges for all V/FX Traffic originated by a Verizon Customer, and ***CLEC Acronym TXT*** shall pay Verizon's terminating access charges for all V/FX Traffic originated by a ***CLEC Acronym TXT*** Customer.