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January 16, 2003

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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

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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 Rebuttal Testimonies of Terry Haynes, Peter D'Amico and Kevin C. Collins 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 KC:tas

Enclosures

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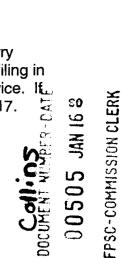
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#### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Rebuttal Testimonies of Terry Haynes, Peter D'Amico and Kevin C. Collins on behalf of Verizon Florida Inc. in Docket No. 011666-TP were sent via U.S. mail on January 16, 2003 to the following:

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

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Kimberly Caswell

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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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

# **REBUTTAL TESTIMONY**

# OF TERRY HAYNES ON BEHALF OF

## VERIZON FLORIDA INC.

January 16, 2003

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1Q.ARE YOU THE SAME TERRY HAYNES THAT OFFERED MAY 8,22002 DIRECT TESTIMONY AND DECEMBER 18, 20023SUPPLEMENTAL DIRECT TESTIMONY ON BEHALF OF VERIZON4FLORIDA INC. ("VERIZON")?

- 5 A. Yes, and my education and background are described in my direct6 testimony.
- 7

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### 8 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

9 A. The purpose of my rebuttal testimony is to respond to the May 8, 2002
10 direct testimony filed by Lee L. Selwyn, testifying on behalf of Global
11 NAPs, Inc. ("Global"), as his testimony relates to Issues 4 (calling scope)
12 and 5 (virtual NXX). Global witness Selwyn did not file any
13 supplemental direct testimony on December 18, 2002.

14

15Q.HASDR.SELWYNPROVIDEDANYDETAILREGARDING16GLOBAL'S PROPOSAL TO BASE INTERCARRIER COMPENSATION17ON THE CALLING AREA THE ORIGINATING CARRIER OFFERS ITS18CUSTOMERS?

A. No. Dr. Selwyn has provided no detail regarding the geographic area or
 areas Global will offer its retail customers and no basis on which to
 understand or implement Global's proposed originating carrier proposal.

22

In support of Global's calling area proposal, Dr. Selwyn merely (i) opines
that carriers should be able to adopt local calling areas that differ from
those of the ILEC (at page 54-55) and (ii) observes that the "definition of

local calling areas is fundamental to the 'virtual' NXX issue, because the
only reason anyone would ever care about assigning a customer in one
location a telephone number with an NXX code associated with another
location -- that is, the 'virtual' NXX issue -- is if it matters that the
customer is not in the local calling area associated with the assigned
telephone number" (page 49).

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# 8 Q. HAS GLOBAL EXPLAINED IN ANY OTHER FILINGS IN THIS 9 DOCKET HOW IT PROPOSES TO IMPLEMENT ITS ORIGINATING 10 CALLER PROPOSAL?

11 Α. No. In its discovery responses, Global claimed that it is "impossible" to 12 identify and describe the calling area (or areas) it intends to market in 13 Florida (Response to Interrogatory No. 31), although it "intends to define 14 wide local calling areas" to eliminate access on "intraLATA, perhaps 15 even intrastate calls" (Response to Interrogatory No. 34). Something 16 more than a vague allusion to an intent to avoid access charges to the 17 greatest possible extent is necessary to implement Global's originating 18 carrier scheme. For instance, there is no detail as to how Global will 19 identify and update the calling area associated with the originating caller 20 for intercarrier billing purposes, and it is not clear whether the originating 21 carrier approach is supposed to operate on a carrier-specific or 22 customer-specific basis. Global has provided no information to indicate 23 how Verizon would be able to accurately bill Global for any traffic 24 Verizon terminates for Global.

25

1 In short, Global has made no proposal for actually implementing its 2 originating carrier approach, here or anywhere else. While it has 3 presented its originating carrier proposal time and time again in 4 arbitrations across the country, every Commission has rejected it (e.g., 5 commissions in California, Illinois, Massachusetts, New Hampshire, 6 New York, Ohio, Rhode Island, and Vermont). Without a concrete 7 proposal to consider, there is no basis for the Commission to adopt 8 Global's proposal.

9

# 10Q.DO YOU AGREE WITH DR. SELWYN'S ASSERTION ON PAGE 5411THAT ALECS SHOULD BE ABLE TO OFFER THEIR CUSTOMERS12CALLING AREAS THAT DIFFER FROM VERIZON'S?

- A. Yes, and Verizon proposes no contract language that restricts Global's
  ability to offer any retail calling package it designs. Rather, Verizon
  maintains that Global should not be able to alter intercarrier
  compensation obligations by doing so.
- 17

18Q.DR. SELWYN IMPLIES THAT GLOBAL WILL NOT BE ABLE TO19COMPETE IF IT CANNOT AVOID ACCESS CHARGES BY20TRANSFORMING ALL TRAFFIC IT ORIGINATES TO VERIZON INTO21RECIPROCAL COMPENSATION TRAFFIC (PAGES 54-55). DO YOU22AGREE?

A. No. Contrary to Dr. Selwyn's suggestion, the wireless and long distance
 markets to which Dr. Selwyn refers at pages 52-53 prove that carriers
 *can* successfully market a large variety of calling packages with varying

1 geographic scopes, minutes of use, and price plans (from usage 2 sensitive to flat rate). This is true even though the wireless and long 3 distance carriers must build into their retail pricing plans the cost of 4 access payments to other carriers. Dr. Selwyn claims that wireless and 5 long distance carriers have eliminated distance from their retail pricing, 6 but he misses the point. Even with the flexibility they demonstrate in 7 their retail pricing, the wireless and long distance carriers have not 8 eliminated access payments from their intercarrier compensation 9 Global must, likewise, build the cost of intercarrier obligations. 10 compensation -- either access or reciprocal compensation depending on the end points of the traffic -- into the retail calling packages it offers. 11

12

# Q. DO YOU AGREE WITH DR. SELWYN THAT THE DEFINITION OF LOCAL CALLING AREAS IS FUNDAMENTAL TO THE VIRTUAL NXX ISSUE?

16 Α. No. Global's proposals relate to each other only in their common effect 17 of allowing Global to step into the shoes of the Commission in deciding 18 what traffic is subject to reciprocal compensation versus access charges. Global's originating carrier proposal allows Global to avoid 19 paying access charges should it ever have customers who originate 20 calls (outbound calls). According to Dr. Selwyn, under Global's 21 22 originating carrier proposal, "[t]he problem is that in the case of incoming calls, the local calling area applicable to the calling party (who we can 23 assume is most likely to be an ILEC customers) will necessarily govern 24 the rate treatment for the call" (page 55). In other words, Global wishes 25

to establish the local calling area not just for its own customers, but for
Verizon's customers, as well. To achieve this objective, Global proffers
its virtual NXX proposal to allow Global's customers to receive toll-free
calls from Verizon's customers (inbound calls), while at the same time
relieving Global from paying Verizon access charges (and substituting
much lower reciprocal compensation rates).

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8 In short, Global's virtual NXX and originating carrier proposals are 9 independent proposals, although both have the common objective of avoiding access charges. As the Commission has already found, 10 11 reciprocal compensation does not apply to virtual NXX calls as a legal 12 matter, regardless of how the local calling area is defined. (Order No. PSC-02-1248-FOF-TP (Order) (Sept. 10, 2002) at 33-34.) In fact, the 13 14 Commission has observed that "traffic that originates in one local calling 15 area and terminates in another local calling area would be considered 16 intrastate exchange access" (Order at 31) to which it would "seems 17 reasonable to apply access charges" (Order at 32), and Verizon agrees.

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DR. SELWYN DISCUSSES AT LENGTH (PAGES 33-46) HIS 19 Q. 20 ASSERTION THAT THE IMPACT OF GLOBAL'S INTERCONNECTION PROPOSALS ON VERIZON WOULD BE "DE 21 22 MINIMIS." IS THAT DISCUSSION HELPFUL IN RESOLVING THE CALLING SCOPE (ISSUE 4) AND VIRTUAL NXX (ISSUE 5) ISSUES? 23 Although Dr. Selwyn does not directly apply his analysis of 24 Α. No. Verizon's transport costs to his discussion of the virtual NXX issue, 25

1 Global typically supports its virtual NXX proposal with reference to Dr. 2 Selwyn's conclusion that Verizon's transport costs are "de minimis" and 3 unaffected by the actual end points of the traffic at issue. In the context 4 of this interconnection agreement, both of these intercarrier 5 compensation disputes ultimately relate to drawing the line between 6 traffic that is subject to reciprocal compensation and traffic that is not. 7 As this Commission has observed, the proper application of a particular 8 intercarrier compensation mechanism is not "based upon the costs 9 incurred by a carrier in delivering a call, but rather upon the jurisdiction of a call as being either local or long distance" (Order at 30). 10

11

# 12 Q. WHAT DO YOU KNOW ABOUT THE NATURE OF THE TRAFFIC 13 VERIZON LIKELY WILL EXCHANGE WITH GLOBAL?

- A. As an initial matter, it is important to point out that Verizon and Global
  are not currently exchanging traffic in Florida. But, Verizon's history of
  exchanging traffic with Global in ten other states, as well as the
  developing characteristics of its Florida network and customers,
  provides a pretty clear picture of the type, and even the end points, of
  the traffic the parties will exchange.
- 20

In the ten states where the parties currently exchange traffic, the ratio of
originating traffic exchanged through October, 2002 between the parties'
respective affiliates was over 99% Verizon to less than 1% Global. In
Global's January 7, 2003 responses to Verizon's discovery requests, it
stated that "[m]ost traffic carried by Global is information access service

1 traffic" (Response to Interrogatory No. 22) and that it provides no dial-2 tone service to a Florida customer (Response to Interrogatory No. 32). 3 Accordingly, the traffic ratio for Florida reasonably can be expected to 4 mirror that of the other ten states where the parties exchange traffic. It 5 is fair to conclude that for over 99% of the traffic the parties exchange, 6 Verizon will originate the traffic, and thus, one end point will be in LATA 7 952 (the "Tampa LATA"). Because Global admits that it terminates no 8 traffic in the Tampa LATA (Response to Request for Admission No. 8), it 9 also is fair to conclude that the other end point will be outside the Tampa 10 LATA.

11

12 It is common for Global's customers to collocate at Global's switch 13 locations (Responses to Request for Admission No. 17 and 14 Interrogatory No. 24), making Global's switch locations very likely end 15 points to the traffic Verizon sends it. Global has a switch in Miami, but 16 not Tampa (Responses to Requests for Admission No. 16-17), and 17 switch sites outside Florida include New York (NY), Reston (VA), 18 Charlotte (NC), Atlanta (GA), Chicago (IL), Los Angeles (CA), and 19 Quincy (MA) (Responses to Request for Admission Nos. 1-2).

20

21 Notwithstanding the interLATA, and even interstate, end points of the 22 traffic, Dr. Selwyn suggests that the parties' agreement should transform 23 all of it into reciprocal compensation (rather than access) traffic. Direct 24 Testimony of Selwyn at 58, lines 6-8.

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# 1Q.HOW DOES DR. SELWYN PROPOSE TO TRANSFORM INTERLATA,2ANDEVENINTERSTATE,TRAFFICINTORECIPROCAL

# 3 COMPENSATION TRAFFIC?

A. Dr. Selwyn suggests that it would be appropriate for Verizon and Global
to make intercarrier compensation entirely dependent on the assigned
NPA-NXX codes.

- 8 Global has obtained the following NPA/NXX codes in the Tampa LATA: 9 813-393-xxxx, 863-788-xxxx, and 863-836-xxxx (Response to Request 10 for Admission No. 13). Global either will or has assigned these Tampa NPA/NXX codes to customers outside the Tampa LATA (Responses to 11 12 Requests for Admission Nos. 8, 16-17), referred to as "virtual" NXX 13 assignments. Global's tariff reveals that it charges its customers \$550 14 per month for blocks of 100 consecutive numbers (setting aside installation and other potential charges) for "Direct Inward Dialing" -- that 15 16 is, the ability to receive calls that are toll free to Verizon's customer. 17 According to Dr. Selwyn, when Verizon's customers in the Tampa LATA dial these "virtual" NXX assignments to make toll-free calls to Global's 18 customers in Miami and outside Florida, Verizon should pay Global 19 20 reciprocal compensation.
- 21

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## 22 Q. PLEASE REVIEW WHY YOU DISAGREE WITH DR. SELWYN.

A. As I noted earlier, it is not only Verizon that disagrees with Dr. Selwyn.
 This Commission has found that virtual NXX traffic is not subject to
 reciprocal compensation, along with many other Commissions, including

1 those in Georgia, Illinois, Maine, Massachusetts, Missouri, Ohio, 2 Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and 3 Vermont. As I have more fully discussed in my direct and supplemental 4 direct testimony, Dr. Selwyn's proposal departs from principles of 5 intercarrier compensation in terms of the type of intercarrier 6 compensation owed and the carrier that should pay it. The end points of 7 the traffic span LATAs, making the traffic exchange access and exempt 8 from reciprocal compensation as a legal matter. Verizon's counsel will 9 explain this point more fully in the post-hearing brief. In addition, the 10 fact that Global is the carrier providing its customers with a toll-free 11 calling service, and charging its customers for it, makes Global the 12 carrier that should pay Verizon the applicable intercarrier compensation.

13

14Q.DOESVERIZONPROPOSETOPROHIBITGLOBALFROM15OFFERING ITS CUSTOMERSVIRTUAL NXX ARRANGEMENTS, AS16DR.SELWYNSUGGESTSATPAGE46OFHISDIRECT17TESTIMONY?

A. No. Verizon proposes no contract language that affects Global's ability
 to assign telephone numbers to its customers in any way that is
 consistent with regulatory requirements. Rather, Verizon wants to
 ensure that the parties' agreement does not require payment of
 reciprocal compensation for any interexchange traffic, including virtual
 NXX calls.

24

25 Although Verizon proposes no contract language restricting Global's use

1 of virtual NXX assignments, I am aware that some state commissions 2 have curbed the ALEC practice of assigning NXX codes to customers 3 not physically located in the rate center to which the NXX code 4 corresponds. For example, the Pennsylvania Commission has required 5 ALECs to assign its customers "telephone numbers with NXX codes that correspond to the rate centers in which the customers' premises are 6 7 physically located." Opinion and Order, Petition of Focal 8 Communications Corp. of Pennsylvania for Arbitration Pursuant to 9 Section 252(b) of the Telecommunications Act of 1996 to Establish an 10 Interconnection Agreement with Bell Atlantic-Pennsylvania, Inc., Docket No. A-310630F0002, at 10-11 (Pa. PUC Jan. 29, 2001). 11 The Pennsylvania Commission explained its rationale as follows: 12

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14 [E]ach CLEC must comply with BA-PA's local calling 15 areas. This is imperative to avoid customer confusion and 16 to clearly and fairly prescribe the boundaries for the 17 termination of a local call and the incurrence of a transport 18 or termination charge, as opposed to termination of a toll 19 call in which case an access charge would be assessed.

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Order, Application of MFS Intelenet of Pennsylvania, et al., Docket Nos.
A-310203F0002, A-310213F0002, A-310236F002 and A-310258F0002,
at 19 (Pa. PUC July 31, 1996).

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25 To cite another example, on June 30, 2000, the Maine Public Utility

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

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21Q.DR. SELWYN DISCUSSES A COUPLE OF VERIZON'S TOLL-FREE22CALLING SERVICES AT PAGES 46-57, AND 68-71. WHAT23ASPECTS OF VERIZON'S TRADITIONAL FX AND 500-NUMBER24SERVICES ARE RELEVANT TO GLOBAL'S PROPOSAL TO25REQUIRE VERIZON TO PAY RECIPROCAL COMPENSATION WHEN

# 1 GLOBAL USES VERIZON'S NETWORK TO PROVIDE WHAT IT 2 CLAIMS ARE COMPARABLE TOLL-FREE CALLING SERVICES?

3 Α. As an initial matter, Verizon does not offer in Florida the 500-number 4 service to which Dr. Selwyn refers. Notwithstanding, where it is offered, 5 Verizon's 500-number service as well as its traditional FX service are 6 consistent with the exception to the general rules of call rating and 7 intercarrier compensation. That is, these toll-free calling services allow 8 a traditional FX or 500-number customer to relieve calling parties from 9 otherwise applicable toll charges. In this respect, Verizon's FX and 500-10 number services are like Global's proposed virtual NXX service. 11 Verizon's FX and 500-number services also shift to the *called* party the 12 responsibility for providing the telecommunications provider 13 compensation for the call. Again, in this respect, Verizon's traditional FX 14 and 500-number services are like Global's proposed virtual NXX, because it is Global's virtual NXX customer that pays Global for the call. 15 16 The comparison breaks down when one begins to consider intercarrier 17 compensation guestions. The carrier charging the retail customer for 18 the service -- in this case, the toll-free calling service -- is the carrier that 19 must pay intercarrier compensation for use of the other carrier's network 20in providing the service.

21

For traditional FX service, Verizon primarily uses its own network to provide FX service. To the extent that another carrier's customer originates a call to a Verizon FX customer, Verizon agrees, consistent with its position here, that it should not charge the other carrier

1 reciprocal compensation to terminate the call. For a 500-number 2 service, Verizon exclusively uses its own network, so there is no issue 3 regarding what Verizon should charge or pay to another carrier. Unlike 4 Verizon's FX and 500-number services, Global primarily relies upon 5 Verizon's transport network to provide Global's customer the toll-free 6 calling service. Thus, unlike traditional FX and 500-number services. 7 the intercarrier compensation guestion is paramount. Because Global is 8 charging the retail customer for the toll-free calling service, it is Global 9 that must pay Verizon for use of Verizon's network in providing the 10 service--not the other way around.

11

12 Dr. Selwyn does not dispute that the end points of the virtual NXX traffic 13 are in different calling areas. See Selwyn Direct Testimony at page 49 14 ("The definition of local calling areas is fundamental to the "virtual" NXX 15 issue, because the only reason anyone would ever care about assigning a customer in one location a telephone number with an NXX code 16 associated with another location -- that is, the "virtual" NXX issue -- is if 17 it matters that the customer is not in the local calling area associated 18 with the assigned telephone number."). Because Global's proposed 19 virtual NXX traffic is interexchange traffic, it is not subject to reciprocal 20 21 compensation. Dr. Selwyn entirely ignores this simple concept when he 22 focuses only on how Verizon uses its own network to provide a toll-free 23 calling service to Verizon's customers.

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- 25

1Q.ATPAGES48-53,DR.SELWYNSUGGESTSTHATTHE2"LOCAL/TOLL RATING DISTINCTION" IS OUTDATED.ISHE3CORRECT?

4 Α. He is not correct. The Commission's "local/toll" distinction remains the 5 backbone of the Commission's universal service policy, as I discussed 6 in my supplemental direct testimony, and as the Commission recently 7 acknowledged when it rejected costs as the basis for proper application 8 of a particular intercarrier compensation mechanism. (Order at 30.) 9 Although Dr. Selwyn discusses "distance" as an outdated factor in retail 10 and intercarrier pricing, he entirely ignores the role of implicit support for 11 universal service.

12

Q. DR. SELWYN CLAIMS ON PAGES 58, 66-68 THAT WHEN ITS
VIRTUAL NXX ASSIGNMENTS CAUSE VERIZON TO LOSE TOLL
REVENUE IT WOULD OTHERWISE COLLECT FROM VERIZON END
USERS, VERIZON HAS SUFFERED A COMPETITIVE LOSS OF
BUSINESS. IS THAT A FAIR CHARACTERIZATION?

18 Α. No. When Global assigns to a "non-local" Global customer a phone 19 number that "looks local" to Verizon's end users, Global tricks Verizon's 20 billing system into forgoing an otherwise applicable toll charge to 21 *Verizon's* end users. Global has not taken a *Verizon* customer or sold 22 any service to a Verizon customer. Thus, Global cannot characterize this as a "competitive loss" to Verizon, especially when it is Verizon's 23 24 network that Global is using to provide a Global customer with the 25 ability to receive toll-free calling from Verizon customers. Global's

alleged creative strategy is simply an attempt to game the intercarrier
 compensation system in a way that Global hopes will force Verizon to
 provide all the transport for free, prevent Verizon from charging its
 customer, and allow Global to charge *both* its customer and Verizon.

Dr. Selwyn, moreover, attempts to characterize Verizon's loss of toll revenue as an "opportunity cost." This characterization is equally flawed. Dr. Selwyn suggests that when Verizon provides Global a service, it may forego revenue for services it otherwise would have provided its own retail end users. When Verizon provides Global service in connection with Global's virtual NXX assignments, however, Global does not propose to pay Verizon at all. Rather, Global proposes to charge Verizon reciprocal compensation. Under Global's theory, Verizon should pay Global for the "opportunity" to forego toll revenues.

#### 16 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

- 17 A. Yes it does.