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January 12, 2000

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: 991605-TP (Time Warner)

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Rebuttal Testimony of Alphonso J. Varner, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Bennett L. Ross (BW)

Bennett L. Ross

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Enclosures

cc: All Parties of Record
Marshall M. Criser III
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CERTIFICATE OF SERVICE
991605-TP (Time Warner)

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via (*) Hand Delivery and (+) Federal Express this 12th day of January, 2000 to the following:

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ORIGINAL

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF ALPHONSO J. VARNER

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 991605-TP

JANUARY 12, 2000

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes, I filed direct testimony on December 15, 1999.

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

A. **The purpose of my testimony is to respond to Time Warner's witness Mr. Don Wood's direct testimony. Specifically, I will explain address Mr. Wood's erroneous contention that reciprocal compensation is an appropriate cost recovery mechanism for traffic bound for an Internet Service Provider ("ISP").**

Q. ON PAGES 3-4 MR. WOOD ADDRESSES THE COMMISSION'S RECENT DECISIONS IN ARBITRATION PROCEEDINGS BETWEEN BELLSOUTH AND MEDIAONE AND BELLSOUTH AND ICG. HAS MR. WOOD ACCURATELY STATED THE CONCLUSIONS OF THESE PROCEEDINGS?

A. No. Mr. Wood has completely misstated the outcome of these proceedings. In the MediaOne/BellSouth arbitration proceeding (Docket No. 990149-TP), the Commission ordered that parties continue to operate under the terms their existing agreement as it pertains to the definition of local traffic. The Commission reached the same conclusion in the ICG/BellSouth arbitration proceeding (Docket No. 990691-TP). ISP-bound traffic is not local traffic and therefore is not covered by the definition of local traffic contained in the current MediaOne/BellSouth or ICG/BellSouth interconnection agreements.

Definition of Local Traffic

Q. PLEASE ADDRESS MR. WOOD'S CLAIMS AT PAGE 6, LINES 2-4 THAT THE FCC HAS NOT FOUND ISP-BOUND TRAFFIC TO BE INTERSTATE IN NATURE.

A. Contrary to Mr. Wood's claims, the FCC has indeed found that ISP-bound traffic is jurisdictionally interstate and is not local traffic. In its Declaratory Ruling issued February 26, 1999, the FCC stated:

> As noted, section 251(b)(5) of the Act and our rules promulgated

pursuant to that provision concern inter-carrier compensation for interconnected *local* telecommunications traffic. We conclude in this Declaratory Ruling, however, that ISP-bound traffic is non-local interstate traffic. Thus, the reciprocal compensation requirements of section 251(b)(5) of the Act and Section 51, Subpart H (Reciprocal Compensation for Transport and Termination of Local Telecommunications Traffic) of the Commission's rules do not govern inter-carrier compensation for this traffic. As discussed, *supra*, in the absence a federal rule, state commissions have the authority under section 252 of the Act to determine inter-carrier compensation for ISP-bound traffic. (Footnote 87) (underline added)

Q. DO YOU AGREE WITH MR. WOOD'S CHARACTERIZATION OF "INTERNET TRAFFIC" ON PAGE 6, LINES 12-22?

A. No. Mr. Wood attempts to segment Internet traffic into one call that goes from the end user to the ISP and another call that goes from the ISP to a website. His explanation seems to be the "two-call" theory that has been considered and rejected by the FCC in its Declaratory Ruling. Specifically, the FCC stated:

> Thus, we analyze ISP traffic for jurisdictional purposes as a continuous transmission from the end user to a distant Internet site. (¶ 13)

Mr. Wood refers to calls terminating to ISP providers. Again, the FCC was clear

in its Declaratory Ruling that calls do not terminate to ISP providers, stating that "the communications at issue here do not terminate at the ISP's local server, as CLECs and ISPs content, but continue to the ultimate destination or destinations, specifically at a Internet website that is often located in another state." (¶ 12) (footnotes omitted)

Q. AT PAGE 6, LINE 19, MR. WOOD REFERS TO "AN ISP END USER OF TIME WARNER." ARE ISPs END USERS?

A. No. ISPs are a class of enhanced service providers, and the service provided to them is access service. The FCC has been very clear in its rulings that reciprocal compensation does not apply on access service. Some cites from the FCC Declaratory Ruling clearly establish the fact that ISPs are being provided access service:

- Paragraph 5: "Although the Commission has recognized that enhanced service providers (ESPs), including ISPs, use interstate access services..."
- Paragraph 5: "Thus, ESPs generally pay local business rates and interstate subscriber line charges for their switched access connections..."
- Paragraph 16: "The Commission traditionally has characterized the link from an end user to an ESP as an interstate access service."
- Paragraph 16: "That the Commission exempted ESPs from access charges indicates its understanding that ESPs in fact use interstate access service; otherwise, the exemption would not be necessary."

- Paragraph 17: "The commission consistently has characterized ESPs as 'users of access service' but has treated them as end users for pricing purposes."
(Emphasis added.)

From their inception over 30 years ago, ESPs (of which ISPs are a subset) have been regulated by the FCC as users of access services. Indeed, in its Declaratory Ruling, the FCC notes that "[t]he exemption was adopted at the inception of the interstate access charge regime to protect certain users of access services, such as ESPs, that had been paying the generally much lower business service rates from the rate shock that would result from immediate imposition of carrier access charges." (footnote 10) (emphasis added) These ESPs/ISPs were allowed to collect traffic at business rates.

When access charges were established in the early eighties, the FCC reconfirmed that these ESPs/ISPs were being provided access service. However, ESPs/ISPs received an exemption from regular access charges and were allowed to continue collecting traffic for the price of business service. Importantly, the FCC was clear that the service being provided was access service, not local service. The business rate was simply the price charged for the access service. This same arrangement was undisturbed by the Act and was recently reconfirmed by the FCC in its Declaratory Ruling.

Q. PLEASE ADDRESS MR. WOOD'S CONTENTION AT PAGE 6 THAT THE FCC'S CONCLUSIONS IN ITS DECLARATORY RULING DO NOT SUPPORT BELLSOUTH'S PROPOSED LANGUAGE

EXCLUDING ISP TRAFFIC FROM RECIPROCAL COMPENSATION OBLIGATIONS OF SECTION 251(b)(5) OF THE ACT.

A. Mr. Wood quotes paragraph 20 from the FCC's Declaratory Ruling to support his contention. However, paragraph 20 simply addresses what ISPs pay for the access service they receive from their provider. It says absolutely nothing about exchange of payment between two carriers delivering traffic to an ISP. In fact, in paragraph 26, the FCC states that it "has never applied either the ESP exemption or its rules regarding the joint provision of access to the situation where two carriers collaborate to deliver traffic to an ISP."

Q. HOW DOES THE FACT THAT ISP-BOUND TRAFFIC IS JURISDICTIONALLY INTERSTATE AFFECT THE ISP ACCESS CHARGE EXEMPTION?

A. The fact that such traffic is subject to an access charge exemption further demonstrates that the traffic is non-local interstate traffic. The FCC concluded in paragraph 16 of its Declaratory Ruling, "The fact the ESPs are exempt from access charges and purchase their PSTN links through local tariffs does not transform the nature of traffic routed to ESPs. That the Commission exempted ESPs from access charges indicates its understanding that ESPs in fact use interstate access service; otherwise the exemption would not be necessary." The FCC concluded in its Declaratory Ruling that its determination that ISP-bound traffic is interstate does not alter the current ISP exemption. ISPs continue to be permitted to access the public switched telecommunications network by paying

basic business local exchange rates rather than by paying interstate switched access tariff rates. The FCC's decision to exempt ISPs from paying access charges for policy and political reasons in no way alters the fact that ISP-bound traffic is access traffic, not local traffic. The access charge exemption merely affects the price that an ISP pays for the access service. If the FCC had indeed concluded that ISP-bound traffic were local, there would be no need for the FCC to exempt that traffic from the access charge regime. Likewise, no decision regarding reciprocal compensation would affect this exemption.

Q. MR. WOOD CONTINUES HIS DISCUSSION BY QUOTING PARAGRAPH 25 IN ITS ENTIRETY. PLEASE COMMENT.

A. Again, Mr. Wood has provided no support for his claim that BellSouth's proposed language runs counter to the FCC's conclusions. The basis for paragraph 25 is to advise the state commissions that, in the absence of a federal rule governing ISP-bound traffic, states may "at this point" determine how ISP traffic should be treated in interconnection agreements. In other words, to do so would not violate any federal rule "at this point." However in its NPRM, the FCC asked for comment from the parties as to whether it is proper for states to address ISP traffic in arbitration proceedings. BellSouth believes that the FCC lacks the power to vest that authority with the state commissions, and this issue is currently on appeal to the United State Court of Appeals for the District of Columbia Circuit. See *Bell Atlantic Telephone Company et al. v. Federal Communications Commission et al.* No. 99-1094 (March 3, 1999). In any event, the FCC notes that decisions by the states must be consistent with federal law and that states must

comply with the FCC's rules when adopted. The FCC's view of federal law with respect to reciprocal compensation obligations is stated in footnote 87. In that footnote, the FCC concludes that the reciprocal compensation obligation of the Act and its rules do not apply to ISP traffic.

Q. MR. WOOD CONTENDS THAT "THE FCC IS ENCOURAGING STATE COMMISSIONS TO REQUIRE RECIPROCAL COMPENSATION PAYMENTS FOR ISP-BOUND TRAFFIC." (PAGE 8, LINES 15-17) DO YOU AGREE?

A. No. The FCC is not at all encouraging the states to adopt reciprocal compensation for ISP-bound traffic. Indeed, footnote 87 of the FCC's Declaratory Ruling clearly demonstrates the fallacy of Mr. Wood's conclusion. Instead, the FCC is simply explaining that it understands how its failure to adopt a specific rule could have caused the states to not fully understand the FCC's previous decisions that ESP/ISP traffic is interstate access traffic, and, consequently, how those states that ruled reciprocal compensation is applicable to ISP-bound traffic could have done so. Paragraph 25 states in part, "[w]hile to date the Commission has not adopted a specific rule governing the matter, we do note that our policy of treating ISP-bound traffic as local for purposes of interstate access charges would, if applied in the separate context of reciprocal compensation, suggest that such compensation is due for that traffic." The rest of the Order, however, goes on to say conclusively that such a conclusion is inaccurate. In fact, in paragraph 26, the FCC states that "[b]y the same token, in the absence of governing federal law, state commissions also are free not to require the payment of reciprocal compensation for this traffic

and to adopt another compensation mechanism."

Inter-carrier Settlements for Jointly Provided ISP-Bound Access Traffic

Q. PLEASE ADDRESS MR. WOOD'S CONTENTION THAT RECIPROCAL COMPENSATION SHOULD APPLY FOR ISP-BOUND TRAFFIC.

A. I disagree that it is either sound public policy or economically rational to use reciprocal compensation as the inter-carrier compensation mechanism for ISP-bound traffic. In any event, because ISP-bound traffic is not local traffic, there is no requirement for reciprocal compensation to apply to such traffic. BellSouth's position is that the definition of local traffic should appropriately exclude ISP-bound traffic. The FCC's order is indisputable that such traffic is not local. Most of Mr. Wood's testimony addresses the issue of what should be the inter-carrier settlement mechanism for jointly provided non-local traffic delivered to ISPs. "Jointly provided" means that two carriers collaborate in the provision of the service. In this arbitration, BellSouth has not requested that the Commission address the issue of designing an inter-carrier compensation mechanism for ISP-bound traffic. However, since Time Warner raised this issue in its response, and Mr. Wood devotes most of his testimony to this issue, I will respond to it also.

Q. WHY DOES BELLSOUTH OPPOSE PAYING RECIPROCAL COMPENSATION FOR ISP TRAFFIC?

A. The interstate access connection that permits an ISP to communicate with its

subscribers falls within the scope of exchange access and, accordingly, constitutes an access service as defined by the FCC:

> *Access Service* includes services and facilities provided for the origination or termination of any interstate or foreign telecommunications. (47 CFR Ch. 1 §69.2(b)) (emphasis added)

The fact that the FCC has exempted enhanced service providers, including ISPs, from paying interstate switched access charges does not alter the fact that the connection an ISP obtains is an access connection. The FCC confirmed this fact in its Declaratory Ruling, at paragraph 16 stating that "[t]he fact that ESPs are exempt from access charges and purchase their PSTN links through local tariffs, does not transform the nature of traffic routed to ESPs." Instead, the exemption limits the amount that an ILEC can charge an ISP. Specifically, under the access charge exemption, the charge by an ILEC providing the service to an ISP has been limited to the rates and charges associated with business exchange services. Nevertheless, the ISP's service involves interstate communications. The ISP obtains access service that enables a communications path to be established by its subscriber. The ISP, in turn, recovers the cost of the telecommunications services it uses to deliver its service through charges it assesses on the subscribers of the ISP's service.

Where two or more carriers are involved in establishing the communications path between the ISP and the ISP's subscriber, the access service to the ISP is jointly provided. Such jointly provided access arrangements are not new or unique, nor are the associated mechanisms to handle inter-carrier compensation new or unique. The services ISPs obtain, for access to their subscribers, are technically

similar to the line side connections available under Feature Group A. For such line side arrangements, the FCC has relied on revenue sharing agreements for the purpose of inter-carrier compensation. The long history and precedent regarding inter-carrier compensation for interstate services are instructive and relevant to the FCC's determinations in this proceeding.

Q. HOW DO THE ACT AND THE FCC'S FIRST REPORT AND ORDER IN CC DOCKET 96-98 ADDRESS RECIPROCAL COMPENSATION?

A. Reciprocal compensation applies only when local traffic is terminated on either party's network. One of the Act's basic interconnection rules is contained in 47 U.S.C. § 251(b)(5). That provision requires all local exchange carriers "to establish reciprocal compensation arrangements for the transport and termination of telecommunications." Section 251(b)(5)'s reciprocal compensation duty arises, however, only in the case of local calls. In fact, in its August 1996 Local Interconnection Order (CC Docket No. 96-98), paragraph 1034, the FCC made it perfectly clear that reciprocal compensation rules do not apply to interstate or interLATA traffic such as interexchange traffic:

> ***We conclude that section 251(b)(5) reciprocal compensation obligations should apply only to traffic that originates and terminates within a local area, as defined in the following paragraph....We find that reciprocal compensation provisions of section 251(b)(5) for transport and termination of traffic do not apply to the transport or termination of interstate or intrastate interexchange traffic.***

This interpretation is consistent with the Act, which establishes a reciprocal compensation mechanism to encourage local competition.

Further, in Paragraph 1037 of that same Order, the FCC stated:

> *We conclude that section 251(b)(5) obligations apply to all LECs in the same state-defined local exchange areas, including neighboring incumbent LECs that fit within this description.*

Therefore, since ISP-bound traffic is not local traffic, it is not subject to the reciprocal compensation obligations contained in Section 251 of the Act.

Q. PLEASE DESCRIBE IN MORE DETAIL THE TRAFFIC THAT IS ELIGIBLE FOR RECIPROCAL COMPENSATION.

A. As I have previously stated, only local traffic is eligible for reciprocal compensation. Exhibit AJV-1 to my testimony contains two diagrams. Both of these diagrams illustrate local calls between end users. Diagram A illustrates a typical local call where both ends of the call are handled by a single carrier's network which, in this example, is an ILEC's network. In this scenario, the ILEC receives a monthly fee from its end user to apply towards the cost of that local call. For that payment, the ILEC provides the end user with transport and termination of local calls throughout the local calling area. End users typically do not pay for calls terminated to them. Importantly, in this case, the end user is the ILEC's customer, which means that the end user pays the ILEC revenue for the service.

By comparison, Diagram B illustrates a typical local call that is handled by two carriers - one end of the call is handled by an ILEC, and an ALEC handles the other end of the call. In this scenario, when the ILEC's end user makes a local call to the ALEC's end user, the ILEC's end user is paying the ILEC the same price for local exchange service as in Diagram A. The ILEC, however, is not the provider of the entire network facilities used to transport and deliver the local call. The ALEC is providing part of the facilities and is incurring a cost. Since the end user is an ILEC customer, the ALEC has no one to charge for that cost. As previously noted, end users do not typically pay for local calls terminated to them, so the ALEC cannot be expected to charge its end user. While the ILEC is receiving the same revenues as shown in Diagram A, its costs are lower. Consequently, reciprocal compensation would be paid by the ILEC to compensate the ALEC for terminating that local call over its network. If the reciprocal compensation rate equals the ILEC's cost, then the ILEC is indifferent as to whether the ILEC or the ALEC completes the call because the ILEC collects all of the revenue in both cases.

Likewise, if an ALEC's end user completes a local call to an ILEC's end user, the ALEC receives the payment for local exchange service from the end user, and the ALEC pays the ILEC reciprocal compensation for the portion of the ILEC's facilities used to terminate the local call. In accordance with the Act, the purpose of reciprocal compensation is to ensure that each carrier involved in carrying a local call is compensated for its portion of that call. The following table contains a simple illustration of the application of reciprocal compensation to local traffic:

DIAGRAM A:	ILEC	ALEC
END USER REVENUE	$15	$0
SERVICE COST	($35)	$0
NET MARGIN	($20)	$0
DIAGRAM B:	**ILEC**	**ALEC**
END USER REVENUE	$15	$0
RECIPROCAL COMPENSATION	($2)	$2
SERVICE COST	($33)	($2)
NET MARGIN	($20)	$0

Q. PLEASE DESCRIBE THE SERVICES PROVIDED TO ISPs.

A. Exhibit AJV-2 attached to my testimony consists of two diagrams. Diagram C illustrates a typical interstate access call originating on a LEC's network and delivered to an IXC's Point of Presence. As shown by this illustration, the LEC receives access charges from the IXC as compensation for use of the LEC's facilities to deliver the traffic to the IXC. The IXC bills the end user.

Diagram D is different from Diagram C in only one respect. The IXC has been replaced by an ISP. The network used to transport ISP-bound traffic is exactly the same network used to deliver traffic to IXCs. However, rather than through receipt of normal switched access charges, the LEC is compensated for the access service it provides to the ISP by the business rates it charges the ISP. The important point is that both IXCs and ISPs receive the same service and, although they are charged different prices, the prices they pay are designed to cover the same costs. That cost is the full cost of providing service to them.

Exhibit AJV-3 to my testimony consists of two diagrams illustrating the consistency of compensating carriers for access traffic based on the revenue that is derived from the jointly provided service. Diagram E illustrates a call that originates on a LEC's network and is delivered to an IXC/ISP, and shows that the IXC/ISP pays the LEC for access services to cover the cost of getting the traffic to the IXC/ISP. Diagram F illustrates an IXC/ISP-bound call that originates on a LEC's network and interconnects with another carrier's network (ICO/ALEC) for routing of the call to the IXC/ISP. In this situation, the IXC/ISP is the other carrier's customer. The revenue this other carrier receives from the IXC/ISP for access services covers the cost of delivering the traffic to the IXC/ISP.

Q. CONTRARY TO MR. WOOD'S CLAIMS, IS THIS COMMISSION REQUIRED TO ADDRESS INTER-CARRIER SETTLEMENTS FOR ISP-BOUND TRAFFIC?

A. No. First, I would like to reiterate that I am only addressing this issue because Time Warner raised it in its response to BellSouth's petition and because Mr. Wood devotes most of his testimony to it. However, it is not necessary for this Commission to take any action during the interim period because inter-carrier sharing of revenue for ISP traffic is not an obligation under Section 251 of the Act. Therefore, any state commission's decision on this issue is, at best, temporary until the FCC's plan becomes effective.

Q. SINCE YOU DISAGREE WITH MR. WOOD'S CONTENTION THAT RECIPROCAL COMPENSATION IS SOUND PUBLIC POLICY OR

ECONOMICALLY RATIONAL FOR ISP-BOUND TRAFFIC, WHAT TYPE OF INTER-CARRIER COMPENSATION MECHANISM WOULD BE APPROPRIATE?

A. Although action by the Commission pending the FCC's ruling is not necessary, if the Commission wishes to establish an inter-carrier compensation mechanism for ISP traffic, BellSouth suggests three possible options. Any of these options would be interim until such time as the FCC completes its rulemaking proceeding on inter-carrier compensation:

1) the Commission could direct the parties to create a mechanism to track ISP-bound calls originating on each parties' respective networks on a going-forward basis. The parties would apply the inter-carrier compensation mechanism established by a final, nonappealable order of the FCC retroactively from the date of the Interconnection Agreement approved by the Commission, and the parties would "true-up" any compensation that may be due for ISP-bound calls;

2) a second option the Commission could choose is an inter-carrier revenue sharing compensation arrangement for ISP-bound access traffic that is consistent with the proposal BellSouth filed with the FCC. This proposal is also consistent with the inter-carrier compensation mechanisms that apply for other access traffic. This option is based on apportionment of revenues collected for the access service among the carriers incurring costs to provide the service. The revenue to be apportioned among carriers is the business exchange service charge that the ISP pays; or

3) the Commission could direct the parties to implement a bill-and-keep arrangement as the inter-carrier compensation mechanism for ISP-bound traffic until such time as the FCC's rulemaking on inter-carrier compensation is completed. By definition, a bill-and-keep arrangement is a mechanism in which neither of the two interconnecting carriers would charge the other for ISP-bound traffic that originates on the other carrier's network.

Under each of these options, the ALEC is being compensated by the ISP. Under Option (2), in the interim, BellSouth would likely be the net recipient of revenue from the ALEC serving the ISP. Option (3) (bill-and-keep arrangement) would remove any uncertainty surrounding retroactive application of the FCC's mechanism that is inherent in Option (1).

Q. PLEASE FURTHER DESCRIBE OPTION (2): BELLSOUTH'S PROPOSED INTER-CARRIER REVENUE SHARING COMPENSATION PLAN.

A. Option (2) is an interim flat-rated sharing mechanism that is based on apportionment of revenues collected for the access service among the carriers incurring costs to provide the service. The revenue to be apportioned among carriers is the business exchange service charge that the ISP pays. Typically, the ISP purchases Primary Rate ISDN ("PRI") service as the business exchange product used to provide the access service. BellSouth believes that, in the interim, a flat-rated compensation process is appropriate since the revenues collected are

based on flat-rated charges.

With this option, the carrier that bills the ISP would share a percentage of those revenues with the other carriers who provide a portion of the access service. Only revenues received from facilities that are used in the joint provision of service would be shared. The sharing percentage would be based on each carrier's relative costs incurred to provide the access service to the ISP. In Florida, the sharing percentage would be 8.6% for BellSouth.

Q. PLEASE EXPLAIN FURTHER WHY A SEPARATE SHARING PLAN IS NEEDED FOR ACCESS SERVICE PROVIDED TO ISPs?

A. The need for a separate sharing plan is created by the FCC's decree that the price charged for access service provided to ISPs is the business exchange rate. Unlike other switched access services, which are billed on a usage-sensitive basis, ISPs typically purchase from the flat-rate business exchange tariff.

Because non-ISP switched access service is billed on a usage-sensitive basis, it is relatively easy for each carrier to be compensated for the portion of the access service that it provides. The most commonly used method of compensation is for each carrier to bill the IXC directly for the portion of access service it provides. For example, for originating access, the LEC serving the end user bills the IXC for the switching and for the portion of transport that the originating LEC provides, and the other LEC bills the IXC for the portion of transport that it provides.

With ISP traffic, the above method is unworkable. Since the ISP is billed business exchange service rates, only one LEC can bill the ISP. Also, since the rate paid by the ISP is a flat-rate charge designed for another service, i.e., business exchange service, there is no structural correlation between the cost incurred by the LEC and the price paid by the ISP. However, the business exchange rate paid by the ISP is the only source of revenue to cover any of the costs incurred in provisioning access service to the ISP. Therefore, a plan to share the revenue paid for this access service by the ISP among all the carriers involved in sending traffic to the ISP is needed.

Q. DOESN'T BELLSOUTH COVER THE COST OF ORIGINATING TRAFFIC TO ISPs FROM ITS OWN END USERS?

A. No, nor would it be appropriate to do so. Again, ISPs purchase access services, albeit at local business exchange rates. The local exchange rates paid by end user customers were never intended to recover costs associated with providing access service and were established long before the Internet became popular.

Q. DOES BELLSOUTH'S PROPOSED SHARING PERCENTAGE ONLY APPLY TO TRAFFIC IT ORIGINATES TO A SERVING LEC?

A. No. When BellSouth is the serving LEC for the ISP and an ALEC serves the ISP's end users, BellSouth should compensate the ALEC. BellSouth proposes to use the same method and sharing percentage to compensate the ALEC as it

proposes for billing the ALEC.

Q. PLEASE DESCRIBE OPTION (3): BILL-AND-KEEP.

A. Bill-and-keep is a compensation mechanism in which neither of two interconnecting carriers charges the other for the termination of ISP-bound traffic that originates on the other carrier's network.

Q CAN THE COMMISSION ORDER BILL-AND-KEEP AS AN INTERIM INTER-CARRIER COMPENSATION MECHANISM FOR ISP-BOUND TRAFFIC?

A. If the Commission can order any mechanism at all, it can certainly order a bill-and-keep arrangement. The FCC did not specify the type of interim mechanism a state should use. Of course, as I stated earlier, the issue of whether the FCC could authorize states to apply any mechanism at all is subject to court review.

Q. WHY MIGHT A BILL-AND-KEEP ARRANGEMENT BE AN APPROPRIATE COMPENSATION MECHANISM?

A. Although the FCC has not addressed bill-and-keep with respect to non-Section 251 traffic, such as ISP-bound traffic, it has been addressed in FCC Rule 51.713 with respect to traffic where 251(b)(5) applies (i.e. local traffic to which reciprocal compensation applies). FCC Rule 51.713 defines bill-and-keep arrangements as those in which neither of the two interconnecting carriers charges

the other for the termination of local telecommunications traffic that originates on the other carrier's network. Rule 51.713 further provides for use of bill-and-keep arrangements if the state commission determines that the amount of local telecommunications traffic from one network to the other is roughly balanced with the amount of local telecommunications traffic flowing in the opposite direction, and is expected to remain so.

In the FCC's NPRM in Docket 95-185 (January 11, 1996), the FCC recommended bill-and-keep as an interim compensation arrangement for cellular providers. The NPRM states that bill-and-keep is an appropriate interim mechanism where the incremental cost of using shared network facilities is equal to (or approximately) zero for both networks. This recommendation can be applied to compensation sharing for ISP-bound traffic, with the distinction that network providers would recover their costs from ISPs, not end-user customers. Although the NPRM and FCC rule mentioned above discuss bill-and-keep as a settlement mechanism for local traffic, in this proceeding, bill-and-keep is being proposed as a possible interim means of settling compensation for ISP-bound traffic, which is non-local access traffic.

Q. **WHAT IS THE COMMON PRINCIPLE UNDERLYING THE CIRCUMSTANCES WHERE THE FCC HAS FOUND BILL-AND-KEEP TO BE A REASONABLE COMPENSATION MECHANISM?**

A. In both of the circumstances discussed above, the net amount of compensation would be relatively small. Under bill-and-keep, neither carrier compensates the

other carrier for use of its facilities. Consequently, the net intercarrier compensation realized by each carrier is zero under bill-and-keep. Of course, the carrier serving the ISP is compensated by the ISP. If the amounts of intercarrier compensation are small anyway, payment of reciprocal compensation produces results that are close to bill-and-keep without the complexity of actually recording data and billing between the parties.

Q. ARE THE NET COMPENSATION PAYMENTS UNDER AN APPROPRIATE INTER-CARRIER COMPENSATION MECHANISM FOR ISP TRAFFIC EXPECTED TO BE RELATIVELY SMALL?

A. Yes, at least for the term of this agreement. Because this is access traffic, carriers are only compensated for the facilities provided that are used to connect the ISP's end-users to the ALEC serving the ISP. Using the plan discussed in Option (2), BellSouth would only receive a fraction of the revenues billed to the ISP for the number of facilities used. The net compensation to BellSouth would be further reduced by any payments made to an ALEC for connecting its end-users to an ISP served by BellSouth.

Q. ARE ALECs HARMED BY UTILIZING BILL-AND-KEEP?

A. No. Actually, BellSouth would forego revenue under bill-and-keep since current traffic patterns show that BellSouth would be a net recipient of revenue from a properly designed inter-carrier compensation mechanism for ISP-bound traffic.

Q. WHY IS BELLSOUTH WILLING TO FOREGO THIS COMPENSATION?

A. BellSouth is willing to forego this compensation for several reasons: (1) the compensation arrangement is for an interim period only, (2) the amounts to be paid are small, and (3) the tradeoff amounts to foregoing a small amount of revenue in exchange for administrative simplicity.

Q. PLEASE DESCRIBE THE EFFECT OF ESTABLISHING AN INTER-CARRIER COMPENSATION MECHANISM AS MR. WOOD PROPOSES.

A. Exhibit AJV-4 to my testimony consists of Diagram G which illustrates Time Warner's request that BellSouth pay reciprocal compensation for ISP-bound traffic where the ISP is Time Warner's customer. It is obvious from this diagram that Time Warner is simply attempting to augment the revenues it receives from its ISP customer at the expense of BellSouth's end user customers. In other words, paying Time Warner reciprocal compensation for ISP-bound traffic would result in BellSouth's end user customers subsidizing Time Warner's operations. Indeed, the FCC has recognized that the source of revenue for transporting ISP-bound traffic is the access service charges that ISPs pay. Time Warner receives this payment from its ISP customers. There is no legal or policy basis for ISPs to be subsidized simply because they choose a different carrier to provide their access service.

Q. WHY DO YOU DISAGREE WITH MR. WOOD'S CLAIM THAT USING RECIPROCAL COMPENSATION AS THE INTER-CARRIER

COMPENSATION MECHANISM FOR ISP-BOUND TRAFFIC IS SOUND PUBLIC POLICY?

A. Application of reciprocal compensation to ISP traffic would have serious negative public policy implications. Below are numerous undesirable outcomes that could be expected:

- Reduced incentive to serve residence and business end user customers;
- Further subsidization of ISPs;
- Continued encouragement of uneconomic preferences for ALECs to serve ISPs due to the fact that ALECs can choose the customers they want to serve and ALECs could offer lower prices to ISPs without reducing the ALEC's net margin;
- Increased burden on end user customers;
- Establishment of unreasonable discrimination among providers (IXCs versus ISPs);
- ILEC is not compensated for any costs incurred in transporting ISP-bound traffic; and
- Incentives created to arbitrage the system, such as schemes designed solely to generate reciprocal compensation.

Q. DO YOU HAVE ANY DATA THAT QUANTIFIES THE NEGATIVE PUBLIC POLICY IMPLICATION ASSOCIATED WITH THE PAYMENT OF RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC?

A. Yes. If Internet traffic were subject to the payment of reciprocal compensation,

BellSouth conservatively estimates that the annual reciprocal compensation payments by incumbent local exchange carriers in the United States for ISP traffic could easily reach $2.6 billion by the year 2002. This estimate is based on 64 million Internet users in the United States, an average Internet usage of 6.5 hours per week, and a low reciprocal compensation rate of $.002/minute. This is a totally unreasonable and unacceptable financial liability on the local exchange companies that serve residential and small business users who access ISPs that are customers of other LECs. The fact that ALECs can target ISPs for this one-way traffic and are under absolutely no obligation to serve residential customers results in those ALECs benefiting at the expense of carriers such as BellSouth that have carrier of last resort obligations.

Q. CAN YOU ILLUSTRATE THE IMPACT OF PAYING RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC IN FLORIDA?

A. The following charts demonstrate the minutes of use and billings from December 1998 through November 1999 for ISP and non-ISP traffic:

ISP-BOUND TRAFFIC (12/98 – 11/99)			
Billed Minutes of Use		Billed Revenue	
ISP-bound traffic originated by BST's end users to ISPs served by ALECs	ISP-bound traffic originated by ALECs' end users ISPs served by BST	ALECs bill BST	BST bills ALECs
10,190,731,663	691,136,448	$63,481,333.33	$0

NON-ISP LOCAL TRAFFIC (12/98 – 11/99)			
Billed Minutes of Use		Billed Revenue	
Local traffic originated by BST's end users to ALECs' end users	Local traffic originated by ALECs' end users to BST's end users	ALECs bill BST	BST bills ALECs
1,885,931,508	156,446,323	$16,340,845.45	$3,293,052.66

Q. WHAT DO THESE CHARTS SHOW RELATIVE TO THE COMPETITIVE MARKETPLACE IN FLORIDA?

A. These charts clearly demonstrate that the payment of reciprocal compensation for ISP-bound traffic would create a huge distortion in the marketplace. First, it would reduce the incentive for ALECs to serve residential and business customers, particularly those that are Internet subscribers. Why would an ALEC choose to serve a customer that would cost them, on average, over a third of the local revenue they obtained from that customer? Second, it would result in a substantial subsidy to the ALEC. The revenues paid by the end user to its local service provider would go directly into the pocket of the ALEC or the ISP. Third, it would distort the pricing of services to ISPs. Using reciprocal compensation payments, the ALEC could pass along price breaks to the ISP that would not normally occur in a non-distorted, competitive market.

Q. PLEASE DESCRIBE HOW THE DATA IN YOUR CHARTS SHOW THAT THE MARKET IN FLORIDA IS DISTORTED?

A. The charts demonstrate that, during the previous 12-month period in Florida, ALECs delivered 15 times more traffic to their ISPs as their end user customers originated to ISPs served by BellSouth. Such a disparity might be reasonable if ALECs were providing service to the majority of ISPs. However, such is not the case; BellSouth is providing service to the majority of ISPs.

These charts make two points very clear: (1) the size of the subsidy to ALECs serving ISPs is very large; and (2) ALECs are targeting ISP customers in lieu of end user customers who originate local traffic. The charts indicate that the size of the subsidy in Florida was more than $63 million for the past year. Exhibit AJV-5 attached to my testimony shows the steady increase in that subsidy, as well as the disparity between traffic originated by BellSouth's end users to the ALEC's ISPs versus to the ALEC's end users.

Q. IF RECIPROCAL COMPENSATION IS NOT AUTHORIZED, WILL ALECs BE UNCOMPENSATED FOR THE COSTS THEY INCUR TO PROVIDE SERVICES TO ISPs?

A. No. The ALECs' ISP customers compensate the ALECs for services that are provided just like an ILEC's ISP customer compensates the ILEC. The ALECs' request for reciprocal compensation on ISP-bound traffic simply provides ALECs with unearned windfall revenues and further increases the unreimbursed cost of the ILEC.

Q. IS IT REASONABLE FOR RECIPROCAL COMPENSATION TO BE PAID

FROM LOCAL SERVICE REVENUES?

A. No. The FCC has clearly established that ISP-bound traffic is access traffic, not local traffic. The local exchange rates paid by end user customers were never intended to recover costs associated with providing access service and were established long before the Internet became popular. Basic local exchange service customers buy access to the Internet directly from their ISP, typically for a recurring monthly charge. The ISP, therefore receives its revenue directly from its end user customers. Further, ISPs pay their serving LEC flat rate business rates. In addition to the compensation Time Warner receives directly from its ISP customers, Time Warner wants additional compensation from BellSouth even though BellSouth doesn't collect revenues for this service.

To demonstrate the absurdity of Time Warner's claim, consider the following example. Assume a BellSouth residential customer in Florida subscribes to an ISP that is served by an ALEC. Based on available statistics, a typical customer uses the Internet an average of 6.5 hours per week, i.e., a little under 56 minutes per day. Using rates for reciprocal compensation that are applicable to local traffic, this ISP-bound traffic would generate a reciprocal compensation payment by BellSouth to the ALEC of $3.34 per month [$.002 * 55.7 minutes/day * 30 days]. BellSouth serves residence customers in Florida at an average of $9.89 per month (flat-rate local rate). Therefore, in this example, BellSouth would be forced to turn over to the ALEC over one third of the local service revenue it receives from its end users who also subscribe to an ISP served by an ALEC. This situation makes no economic sense and would place an unfair burden on

BellSouth and its customers

Q. PLEASE RESPOND TO MR. WOOD'S ALLEGATION ON PAGE 10 THAT ALECs SUCH AS TIME WARNER HAVE ATTRACTED ISPs BY BEING "WILLING TO MEET THEIR UNIQUE SERVICE NEEDS."

A. While I cannot address the "unique service needs" that Time Warner claims to have met for its ISP customers, I would submit that any competition between BellSouth and ALECs for ISP customers has primarily been due to prices charged to the ISP. Although ALECs such as Time Warner have targeted ISPs, the majority of ISPs are still served by BellSouth. The prices that BellSouth charges its ISP customers do not reflect receipt of any reciprocal compensation, and it is those prices that Time Warner is competing against. Time Warner has provided no evidence to show that it needs reciprocal compensation to compete for ISP customers. If BellSouth does not require reciprocal compensation to offer a competitive price, why would Time Warner?

Numerous ALECs, including Time Warner, obviously have included serving ISPs as a major part of their business plans. Instead of basing their business plan on receiving an unearned subsidy from other companies such as BellSouth, their business plan should be based on an economically rational inter-carrier compensation arrangement that promotes competition. BellSouth's concern stems from the fact that these ALECs expect BellSouth - and, ultimately, BellSouth's end user customers - to subsidize the ALEC's provision of service to these ISPs through reciprocal compensation.

Q. PLEASE ILLUSTATE HOW THE SUBSIDY THAT YOU DISCUSSED OCCURS.

A. As the following chart demonstrates, receiving reciprocal compensation on ISP-bound traffic simply allows an ALEC to offer lower prices to ISPs without reducing the ALEC's net margin. Payments of reciprocal compensation on ISP-bound traffic would simply subsidize the prices the ALEC charges the ISP. The lack of reciprocal compensation on ISP-bound traffic wouldn't force Time Warner to raise its rates; it would simply put Time Warner's margins in the same range as BellSouth's. When reciprocal compensation is not paid on ISP-bound traffic, all parties are competing on an equal footing for ISP customers.

	SERVING AN ISP AND RECEIVING RECIPROCAL COMPENSATION	***SERVING AN ISP WITHOUT RECEIVING RECIPROCAL COMPENSATION***
REVENUE FROM ISP FOR SERVICE	$600	$900
RECIPROCAL COMPENSATION REVENUE PAID	$300	$0
COST OF PROVIDING SERVICE TO ISP	($600)	($600)
NET MARGIN	$300	$300

When the smoke clears, the bottom line is that Time Warner's business plan is flawed to the degree that it depends on receiving a subsidy from BellSouth to augment revenues Time Warner receives from its ISP customers. There is no

public policy basis for this arrangement, especially when the subsidy would be funded by BellSouth's end user customers.

Q. PLEASE COMMENT ON MR. WOOD's CLAIM THAT FUNCTIONAL SIMILARITIES BETWEEN LOCAL AND ISP-BOUND TRAFFIC SUPPORTS USING RECIPROCAL COMPENSATION AS THE INTER-CARRIER SETTLEMENT METHOD FOR ACCESS SERVICE PROVIDED TO ISPs.

A. The fact that the calls use similar physical network components has no bearing on the appropriate inter-carrier settlement mechanism. Indeed, as I explained earlier, traffic that BellSouth delivers to an IXC uses similar network components as local traffic, yet it is clear that reciprocal compensation is not the appropriate inter-carrier settlement mechanism for these access calls. Likewise, reciprocal compensation is not the appropriate inter-carrier settlement mechanism for access service provided to ISPs.

Q. PLEASE COMMENT ON MR. WOOD'S CLAIM THAT NOT PAYING RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC WOULD "ELIMINATE A CLEC's ABILITY TO RECOVER ITS COSTS."

A. Reciprocal compensation is, indeed, a cost recovery mechanism. However, Time Warner has not presented any evidence as to what costs it incurs as co-carrier of ISP-bound traffic. Nor has Time Warner considered who the cost causers and revenue recipients are for ISP-bound traffic.

Q. PLEASE COMMENT ON MR. WOOD'S CLAIM THAT "REQUIRING CARRIERS TO PAY RECIPROCAL COMPENSATION RATES FOR THE TERMINATION OF ISP-BOUND TRAFFIC IS ECONOMICALLY EFFICIENT" AND THAT "BELLSOUTH SHOULD BE ECONOMICALLY INDIFFERENT AS TO WHETHER IT ITSELF INCURS THE COST TO TERMINATE THE CALL ON ITS OWN NETWORK OR WHETHER IT INCURS THAT COST THROUGH A RECIPROCAL COMPENSATION RATE PAID TO TIME WARNER." (PAGE 10, LINES 5-9)

A. Looking again at Diagram F (on Exhibit AJV-3) and Diagram G (on Exhibit AJV-4) illustrates why BellSouth is not economically indifferent to paying reciprocal compensation on ISP-bound traffic. BellSouth is not economically indifferent to such a requirement for the following reasons:

1) BellSouth is still incurring the cost to transport the call to the point of interconnection with the ALEC,
2) The ALEC wants BellSouth to pay reciprocal compensation to cover the ALEC's cost from the point of interconnection to the ALEC's switch, and
3) the ISP, which is the only source of revenue to cover the costs in 1) and 2) above, only pays the ALEC for access.

Time Warner receives the revenues from its ISP customer, yet Time Warner apparently believes it is appropriate for BellSouth to incur a portion of the costs for providing the service without receiving any reimbursement. This is exactly the opposite of the situation depicted in Diagram B (on Exhibit AJV-1), which illustrates when reciprocal compensation should apply. The ALEC should

reimburse BellSouth for its cost of transporting ISP-bound traffic to the ALEC point of interconnection. Instead, the ALEC wants the LEC to incur even more of the costs without any compensation. This is inappropriate given the entire access charge system. There is no reason for the Commission to sanction this economic legerdemain and to reward ALECs by subsidizing ISPs at the expense of the LEC's end users.

Q. PLEASE RESPOND TO MR. WOOD'S ALLEGATIONS THAT REQUIRING BELLSOUTH TO PAY (AND RECEIVE) "SYMMETRICAL" COMPENSATION FOR "LOCAL EXCHANGE TRAFFIC" IS "AN IMPORTANT CHECK ON BELLSOUTH'S COST STUDIES USED TO ESTABLISH RATES FOR THE TERMINATION OF TRAFFIC."

A. While I take exception to Mr. Wood's implication that "checks" are required on BellSouth's studies, I agree that "symmetrical" compensation can be used for "local exchange traffic." Of course, ISP-bound traffic is interstate, not local, so his claim is irrelevant. Due to this fact, BellSouth's cost studies used to establish rates for the termination of local traffic did not consider the characteristics of ISP-bound traffic because the studies were developed based on the characteristics of "local" traffic. In addition, the FCC acknowledged that a pure per minute compensation may be inappropriate for ISP-bound traffic.

A typical local exchange call between two end users is approximately 3 minutes in duration. The duration of an Internet call is, on average, 20 minutes. End office switching, which constitutes the primary cost associated with local

interconnection, consists of a call set-up cost as well as a per minute duration cost. In order to provide an average "per minute" cost, the call set-up cost is divided by the average number of minutes, and the result is added to the per minute duration cost. Obviously, dividing the call set-up cost by 3 minutes results in a much higher per minute cost than dividing the call set-up by 20 minutes. Therefore, even if reciprocal compensation were adopted as the inter-carrier settlement mechanism for ISP-bound traffic, the costs (and resulting rates) that BellSouth has presented to this Commission for local interconnection, if applied to such traffic, would result in significant over-recovery of costs by Time Warner. Using the same reciprocal compensation rate for local and ISP-bound traffic means that call set up cost would be over recovered by over 500%.

Q. WHO IS THE COST CAUSER TO BELLSOUTH AND TIME WARNER FOR ISP-BOUND ACCESS SERVICE?

A. The ISP is the cost causer to both BellSouth and Time Warner on such calls. The end user is not the cost causer of access service. The FCC has held from the beginning of the access service regime that carriers, not end users, are the customers for access service. It is the IXC or ISP that is the cost causer for BellSouth or Time Warner for access service. The end user is the cost causer of the IXC or ISP for the retail services that utilize the access service.

For example, when an end user makes a long distance call, the end user is not billed by BellSouth for access service; the IXC is billed by BellSouth. The end user is a cost causer of the IXC and is billed a long distance charge by the IXC.

There is no separate access charge billed to the end user for the access service provided on that call. The access charges are billed to the IXC.

Likewise, when end users purchase basic local exchange service from BellSouth, they do not get Internet access. The end user must purchase the Internet access from the ISP. The end user is a cost causer for the ISP. The ISP is the cost causer for BellSouth and/or Time Warner. The ISP, not the end user, is BellSouth's or Time Warner's customer for those calls.

The cost responsibility for local calls and calls to ISPs or IXCs is not the same. The FCC is clear that the end user has cost responsibility for local calls and that the carrier receiving access service, e.g. the IXC or ISP, has cost responsibility for access service.

Q. WHY IS IT IMPORTANT TO IDENTIFY THE COST CAUSER CORRECTLY?

A. It is important to do so because correct assignment of cost responsibility is necessary to determine who should be compensated when multiple carriers are involved in providing services. For local calls, the end user is the cost causer. As a result, the originating carrier collects all of the revenue. Consequently, the originating carrier should share that revenue with the terminating carrier. Otherwise, the terminating carrier incurs a cost without any remuneration. This is the situation that reciprocal compensation was designed to address.

For access service, e.g., calls to IXCs or ISPs, the IXC or ISP is the cost causer.

As a result, the carrier serving the IXC or ISP, i.e., the terminating carrier, collects all of the revenue. Consequently the terminating carrier should share that revenue with the originating carrier. Otherwise, the originating carrier incurs costs without remuneration. Compensation is due for this traffic, but it is the originating carrier who should be compensated. Reciprocal compensation was designed to address the opposite circumstance. Applying reciprocal compensation in this case merely gives the carrier who is already being compensated even more revenue, and it increases the cost of the carrier who is already providing the service without providing it any compensation. Instead of providing appropriate compensation, reciprocal compensation, if applied here, would subsidize the terminating carrier, distort the market for serving ISPs, and reduce the incentive to serve end users. Instead of promoting competition, applying reciprocal compensation to ISP-bound traffic would inhibit competition.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The issue at hand in this arbitration is what should be the appropriate definition of "local traffic" for purposes of BellSouth's and Time Warner's reciprocal compensation obligations under section 251(b)(5) of the Act. The FCC has determined unequivocally that ISP-bound traffic is non-local interstate traffic, and that the reciprocal compensation requirements of section 251(b)(5) of the Act do not govern inter-carrier compensation for this traffic. Based on these rulings, recent decisions by this Commission, and on the significant negative public policy impact of requiring payment of reciprocal compensation for ISP-bound traffic, BellSouth respectfully requests this Commission to determine that such traffic is

appropriately excluded from the definition of local traffic, particularly as that definition relates to reciprocal compensation obligations.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

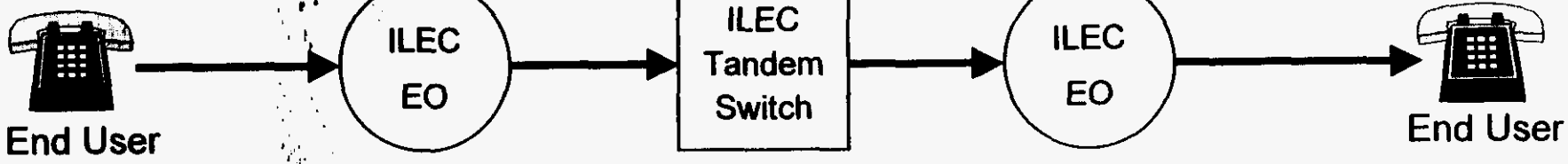
A. Yes.

Reciprocal Compensation

- ILEC receives monthly fee from its end user to apply towards the cost of terminating local calls

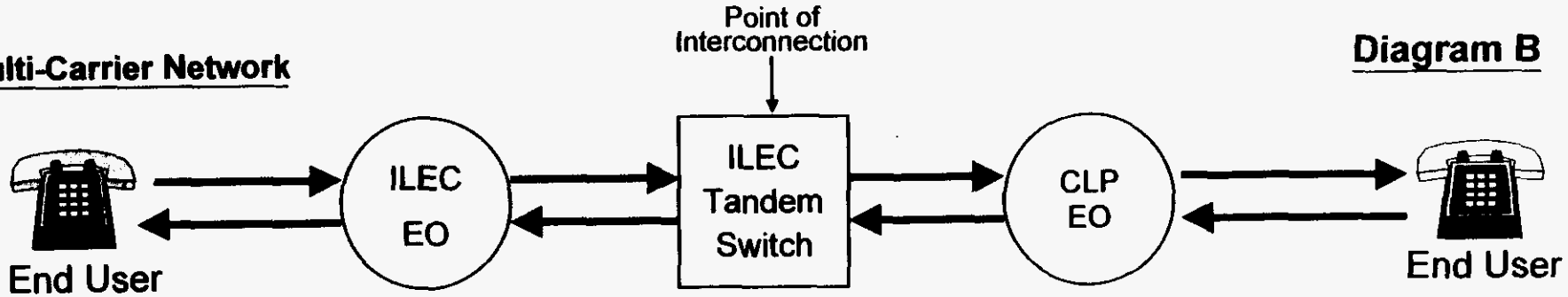
Single Carrier Network

Diagram A



Multi-Carrier Network

Diagram B



Call Flow

ILEC pays CLP
Reciprocal Compensation

Call Flow

CLP pays ILEC
Reciprocal Compensation

Access Service for IXC-Bound and ISP-Bound Traffic Involving Single Carrier Network

Diagram C

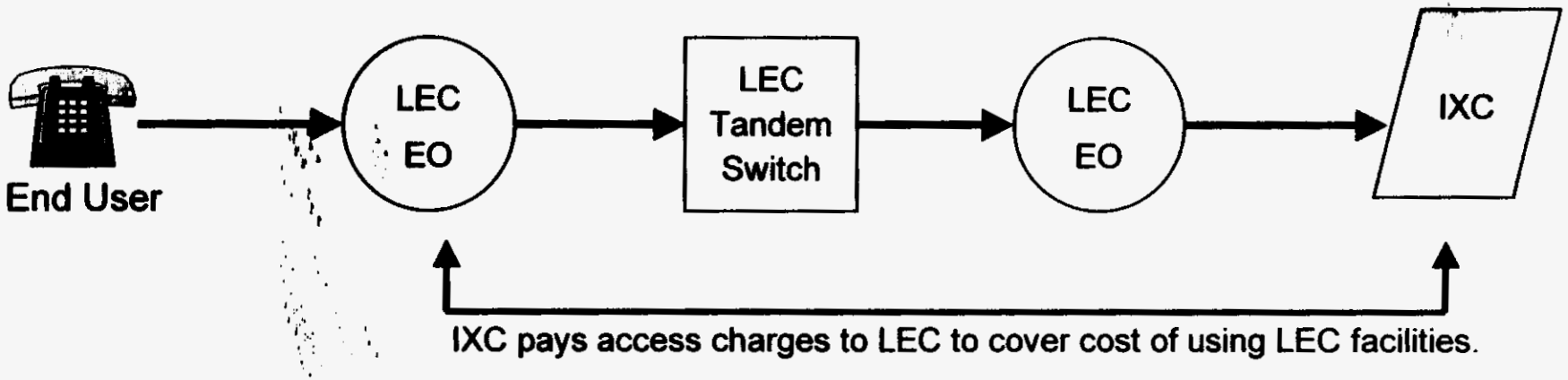
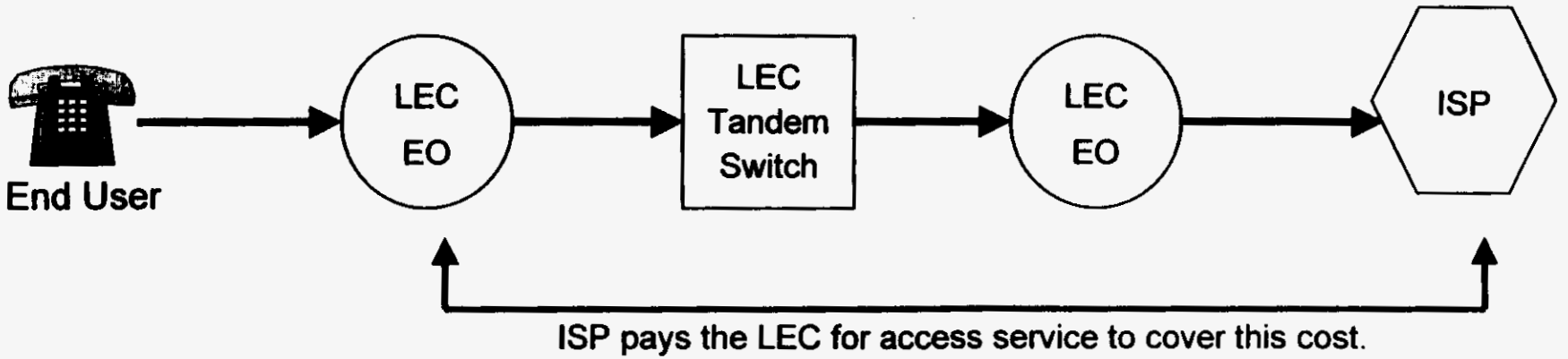


Diagram D



Single Network and Multi-Network Provision of Access Service

Diagram E

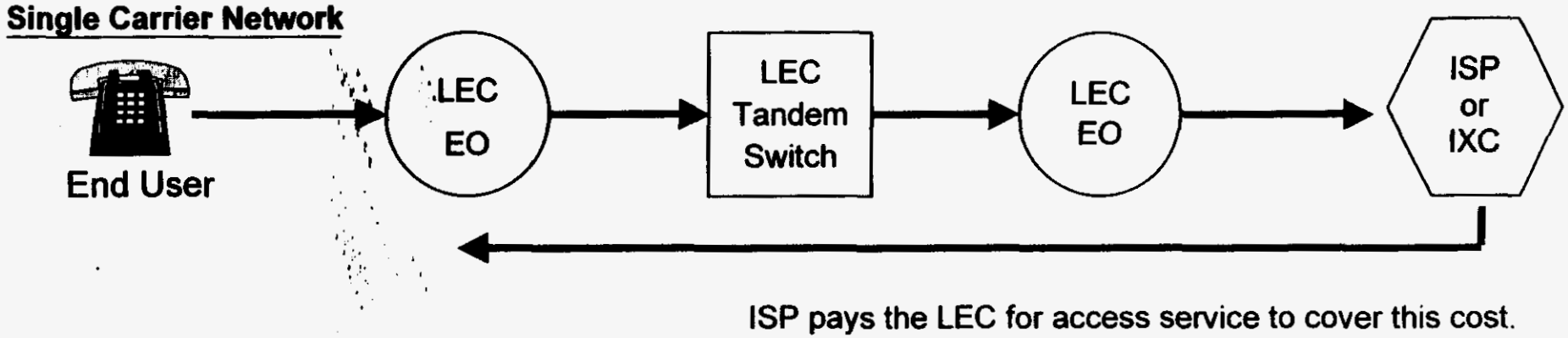
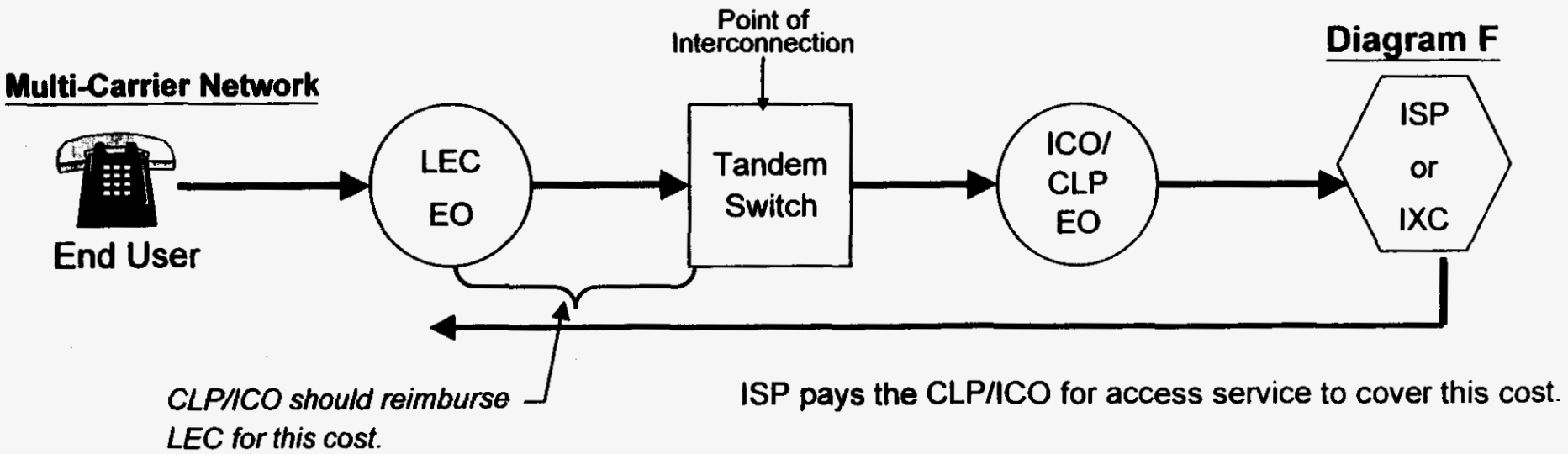
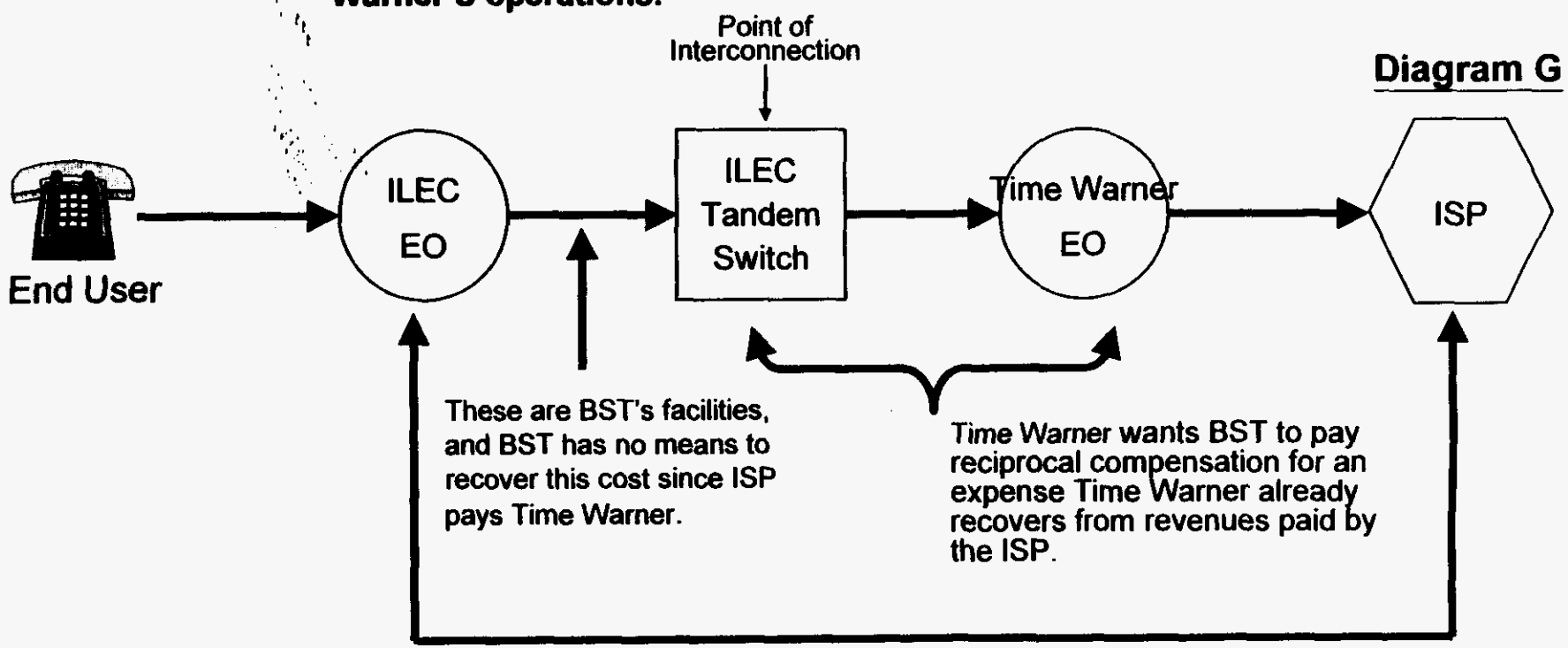


Diagram F



Time Warner's Position

- **Time Warner's position ignores the fact that ISP's purchase access service**
- **Paying Time Warner reciprocal compensation for ISP-bound traffic would result in ILEC end users subsidizing Time Warner's operations.**



Florida Usage Data - December, 1998 through November, 1999

INVOICE DATE	ISP-bound traffic originated by BST's end users to ISPs served by ALECs	Local traffic originated by BST's end users to ALECs' end users	ALECs bill BST for ISP-bound traffic	ALECs bill BST for local traffic
Dec-98	566,810,888	104,631,043	$3,251,515.49	$624,204.47
Jan-99	552,341,201	104,199,750	$2,481,804.88	$938,313.92
Feb-99	649,192,734	135,015,375	$4,666,817.70	$312,877.84
Mar-99	512,634,303	233,200,515	$3,039,359.07	$2,884,441.38
Apr-99	752,235,477	161,328,689	$4,922,250.23	$1,246,651.77
May-99	773,873,512	163,958,676	$4,610,735.82	$1,008,680.35
Jun-99	805,708,431	169,049,039	$4,708,880.24	$1,400,439.76
Jul-99	924,242,583	131,386,417	$5,414,244.76	$1,568,622.43
Aug-99	1,080,077,371	163,124,342	$5,913,953.88	$1,375,711.04
Sep-99	1,199,597,225	184,109,317	$7,695,987.89	$1,639,186.05
Oct-99	1,125,593,574	165,767,562	$8,324,852.21	$1,696,723.45
Nov-99	1,248,424,364	170,160,783	$8,450,931.16	$1,644,992.99
Totals	**10,190,731,663**	**1,885,931,508**	**$63,481,333.33**	**$16,340,845.45**