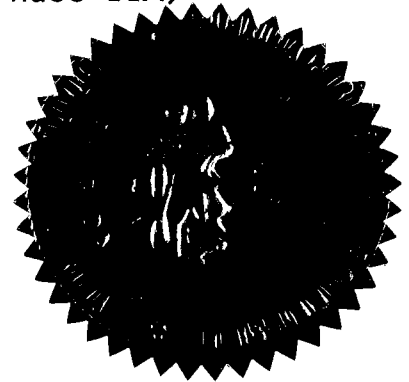


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000075-TP (Phase IIA)

In the Matter of

INVESTIGATION INTO APPROPRIATE  
METHODS TO COMPENSATE CARRIERS  
FOR EXCHANGE OF TRAFFIC SUBJECT  
TO SECTION 251 OF THE  
TELECOMMUNICATIONS ACT OF 1996.



ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE  
A CONVENIENCE COPY ONLY AND ARE NOT  
THE OFFICIAL TRANSCRIPT OF THE HEARING.  
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

VOLUME 2

Pages 165 through 280

PROCEEDINGS:

HEARING

BEFORE:

CHAIRMAN LILA A. JABER  
COMMISSIONER J. TERRY DEASON  
COMMISSIONER BRAULIO L. BAEZ  
COMMISSIONER MICHAEL A. PALECKI

DATE:

Wednesday, May 8, 2002

TIME:

Commenced at 9:30 a.m.  
Concluded at 11:45 a.m.

PLACE:

Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY:

JANE FAUROT, RPR  
Official FPSC Reporter  
(850) 413-6734

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER-DATE

05122 MAY 13 2002

FPSC-COMMISSION CLERK

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## I N D E X

## WITNESSES

NAME:	PAGE NO.
JULIE L. WARD	
Additional Direct Prefiled Testimony Inserted	169
Rebuttal Prefiled Testimony Inserted	178
MICHAEL R. HUNSUCKER	
Additional Direct Prefiled Testimony Inserted	188
ALFRED BUSBEE	
Prefiled Direct Testimony Inserted	204
PAUL E. CAIN	
Supplemental Direct Prefiled Testimony Inserted	213
Supplemental Rebuttal Prefiled Testimony Inserted	227
WILLIAM J. BARTA	
Direct Prefiled Testimony Inserted	240
Rebuttal Prefiled Testimony Inserted	257
JOHN J. McCLUSKEY (as adopted by Sharon Warren)	
Prefiled Direct Testimony Inserted	262
Prefiled Rebuttal Testimony Inserted	271

## EXHIBITS

	NUMBER:		ID.	ADMTD.
1				
2				
3	3	MRH-1 and MRH-2	187	187
4	4	WBJ-1	239	239
5	5	JJM-1	261	261
6	6	Staff Stipulation 1	277	277
7	7	Staff Stipulation 2	277	277
8	8	Staff Stipulation 3	277	277
9	9	Staff Stipulation 4	277	277
10	10	Staff Stipulation 5	277	277
11	11	Staff Stipulation 6	277	277
12	12	Staff Stipulation 7	277	277
13	13	Staff Stipulation 8	277	277
14	14	Staff Stipulation 9	277	277
15	15	Staff Stipulation 10	277	277
16				
17				
18				
19		CERTIFICATE OF REPORTER	280	
20				
21				
22				
23				
24				
25				

## P R O C E E D I N G

1  
2 (Transcript follows in sequence from  
3 Volume 1.)

4 CHAIRMAN JABER: All right. Let's go to the  
5 stipulated witnesses. And first on my list is Sprint.

6 MS. MASTERTON: Yes, Madam Chairman. Sprint would  
7 like to ask first that the additional direct testimony of Julie  
8 L. Ward dated March 1st, 2002 and consisting of nine pages, and  
9 the rebuttal testimony of Julie L. Ward dated March 25th, 2002  
10 and consisting of nine pages be entered into the record.

11 CHAIRMAN JABER: Yes. The additional direct  
12 testimony prefiled by Julie L. Ward shall be inserted into the  
13 record as though read, and the rebuttal testimony of Julie L.  
14 Ward shall be inserted into the record as though read.

15 MS. MASTERTON: And Ms. Ward has no exhibits.  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION****ADDITIONAL DIRECT TESTIMONY****OF****JULIE L. WARD**

1  
2  
3  
4  
5  
6 **Q. Please state your name and business address.**

7  
8 A. My name is Julie L. Ward. I am Manager-Regulatory Policy, for Sprint  
9 Corporation. My business address is 6360 Sprint Parkway, Overland  
10 Park, Kansas 66251.

11  
12 **Q. What is your educational background and business experience?**

13  
14 A. I received a Bachelor of Science Degree from the University of Kansas in  
15 1996 with a major in Business Administration. From 1996 to 1998, I was  
16 employed as a Cash Management Consultant for Ernst & Young's  
17 National Cash Management Consulting Practice. I joined Sprint/United  
18 Management Company in July, 1998 as an Administrator – Network  
19 Costing in the Cost Support area. In that role, I was responsible for  
20 developing UNE cost studies for interoffice transport, loop and dark fiber.  
21 In my current position as Manager - Regulatory Policy for Sprint/United  
22 Management Company, I am responsible for the coordination of regulatory  
23 policies with various Sprint business units.

1       **Q.    Have you previously testified before this Public Service**  
2       **Commission?**

3

4       A.    No, I have not.

5

6       **Q.    What is the purpose of your testimony?**

7

8       A.    The purpose of my testimony is to address, on behalf of Sprint, Issue 13 of  
9       the Phase II Supplemental Issues List. Sprint includes Sprint  
10       Communications Company Limited Partnership and Sprint Florida,  
11       Incorporated, who are Parties in this docket.

12

13       **Issue 13: How should a “local calling area” be defined, for purposes of**  
14       **determining the applicability of reciprocal compensation?**

15

16       **Q.    How should a “local calling area” be defined, for purposes of**  
17       **determining the applicability of reciprocal compensation?**

18

19       A.    The ILEC’s local calling scope, as defined by tariff and including  
20       mandatory EAS, should define the appropriate local calling scope for  
21       reciprocal compensation purposes for wireline carriers. The local calling  
22       scope of the ILEC, including mandatory EAS, establishes a logical  
23       boundary upon which reciprocal compensation can be determined and is  
24       both fair and practical because ILECs generally have well-established,  
25       flat-rated local calling scopes, with tariffed access charges applicable

1 outside the local calling scope. Furthermore, there is a longstanding  
2 history of utilizing the ILEC local calling scope for purposes of reciprocal  
3 compensation for ILEC to ILEC local calling and there are no compelling  
4 reasons for changing this definition of "local" for intercarrier compensation  
5 purposes that has successfully been applied over the years.

6

7 **Q. Does Sprint seek to restrict how ALECs define their local calling**  
8 **areas for pricing the retail services they offer their end users?**

9

10 A. No. Sprint has no intentions of dictating how ALECs establish their local  
11 calling boundaries for purposes of setting rates for the services that they  
12 offer their end users. Sprint fully believes that ALECs have the right to  
13 designate their own flat-rated calling scope for the retail services that they  
14 offer their end users.

15

16 **Q. What is the Commission's jurisdiction in this matter?**

17

18 A. Pursuant to Paragraph 1035 of the FCC's First Report and Order, state  
19 commissions have the authority to determine what geographic areas  
20 should be considered "local areas" for the purpose of applying reciprocal  
21 compensation obligations for wireline carriers under section 251(b)(5).

22

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A. Yes, as long as it does so consistently with its authority under Florida Statutes. Sprint does not believe the Commission has statutory authority to alter an ILEC's local calling area or change an ILEC's rates under chapter 364, Florida Statutes. These legal issues will be fully addressed in Sprint's brief.

**Q. Should the default definition of local calling area for purposes of intercarrier compensation be: 1) LATA-wide local calling, 2) based upon the originating carrier's retail local calling area, or 3) some other default definition/mechanism?**

A. As is stated above, Sprint contends that the Commission should base the default definition of local calling area upon the ILEC's local calling scope, including mandatory EAS. Below, Sprint will address several of its concerns with the Commission establishing a LATA-wide local calling scope for purposes for reciprocal compensation.

**Q. Please describe some of Sprint's concerns with the use of a LATA-wide local calling scope for intercarrier compensation?**

A. As stated above, Sprint believes that the ILEC local calling scope should be used to define the local calling area for reciprocal compensation purposes. However, should the Commission determine that the LATA is



1 the most appropriate local calling area, Sprint believes that this new  
2 intercarrier compensation arrangement established between LECs would  
3 put IXCs at a severe competitive disadvantage. Specifically, how could  
4 one justify the equity of allowing an ILEC to pay an ALEC reciprocal  
5 compensation for terminating its traffic when the IXC must pay the ALEC  
6 terminating access for a similar call that terminates within the LATA?  
7 Clearly this would be discriminatory and there appears to be an equity  
8 issue that must be dealt with if the Commission were to find that the LATA  
9 serves as the best default local calling scope for reciprocal compensation  
10 purposes. If this were to occur, Sprint would propose that intrastate-  
11 intraLATA access charges would need to be reduced to the reciprocal  
12 compensation rate in order for IXCs to continue to effectively compete for  
13 the end users' retail intraLATA toll services. Otherwise, IXCs would be, in  
14 essence, priced out of the market and consumer choices would decline.  
15 However, the Commission does not have the authority under Florida law  
16 to change access service prices.

17  
18 **Q. How are access charges assessed when an intraLATA toll call is**  
19 **handed off from ILEC to ALEC, or ALEC to ILEC?**

20  
21 **A.** Today, the switch will record the originating and terminating NPA/NXXs  
22 which it will use to determine the jurisdictional nature of the call – local or  
23 toll. Generally, when Sprint terminates an intraLATA toll call that is  
24 originated by an ALEC, Sprint will bill the ALEC based on our existing  
25 access services tariff rates and on Sprint's local calling area. When the

1 ALEC terminates an intraLATA toll call that is originated by Sprint, the  
2 ALEC will bill Sprint their existing access rates based on Sprint's local  
3 calling area. .

4

5 **Q. What would be the financial impact on Sprint as an ILEC and as an**  
6 **IXC if what are currently intraLATA toll calls between ILECs and**  
7 **ALECs instead become subject to reciprocal compensation?**

8

9 A. Precise quantification of revenue impacts is difficult, at best, in a  
10 dynamic environment where the impacts are dependent on changing  
11 market shares and prices. However, there are clearly millions of dollars at  
12 risk for both IXCs' and ILECs' intraLATA toll revenues as well as millions  
13 of dollars for ILECs' intraLATA access revenues. It is inappropriate for a  
14 regulatory agency to establish policies or to make decisions that  
15 discriminate between carriers in the application of charges for the same  
16 services. Such discrimination, i.e., the application (or lack thereof) of  
17 access charges for ALECs versus IXCs and ILECs, substantially  
18 advantages one carrier over another, and distorts the appropriate  
19 economic mechanisms which should drive competition in the market. This  
20 is especially significant given the magnitude of the revenues involved and  
21 the market advantage conferred via regulatory fiat to one group of carriers  
22 versus their competitors.

23

24 **Q. Does Sprint have a concern if the LATA-wide local calling area is**  
25 **used only as a default should negotiations fail?**

1

2 A. Yes. Sprint believes that the Commission establishing a LATA-wide local  
3 calling scope as a default has the same result, in essence, as establishing  
4 the LATA-wide local calling scope as a rule. The ALECs would have no  
5 incentive to negotiate anything different and the LATA would essentially  
6 become the presumptive local calling area for intercarrier compensation  
7 purposes.

8

9

10 **Q. What is the relationship between the local calling areas for**  
11 **intercarrier compensation purposes and the local calling areas**  
12 **established for retail purposes?**

13

14 A. As stated above, Sprint believes the ILEC's local calling areas established  
15 for retail purposes should drive the local calling areas established for  
16 intercarrier compensation purposes.

17

18

19 **Q. Have any other state commissions specifically addressed the issue**  
20 **of local calling scopes for the purposes of reciprocal compensation?**

21

22 A. Yes. Several states have addressed this issue in either arbitrations or  
23 generic dockets. The Public Utilities Commission of Nevada issued an  
24 Order Adopting Revised Arbitration Decision on April 12, 1999 in Docket  
25 No. 98-10015, an arbitration between Pac-West Telecomm, Inc. and

1 Nevada Bell and Docket No. 99-1007, an arbitration between Advanced  
2 Telecom Group, Inc. and Nevada Bell that addressed the issue of local  
3 calling scopes for reciprocal compensation between two carriers.  
4 Specifically, paragraph 69, of the Revised Arbitration Decision states that  
5 “reciprocal compensation obligations should apply to traffic that originates  
6 and terminates within state-defined local calling areas”. In addition,  
7 paragraph 77 further clarified that reciprocal compensation between  
8 Nevada Bell and Pac-West or ATG would be determined on the basis of  
9 whether “customers are located within the same Nevada Bell local calling  
10 area”. Thus, the Nevada Commission has determined that the ILEC’s  
11 local calling area is the basis for determining whether reciprocal  
12 compensation is due or not.

13 In addition, the Texas Commission reached a similar conclusion in their  
14 Arbitration Award between SWBT and Interconnection CLECs in Docket  
15 No. 21982, Proceeding to examine Reciprocal Compensation Pursuant to  
16 Section 252 of the Federal Telecommunications Act of 1996. In this  
17 docket, despite AT&T’s contention, the Commission “reaffirms its previous  
18 determination that reciprocal compensation arrangements apply to calls  
19 that originate from and terminate to an end-user within a mandatory single  
20 or multi-exchange local calling area, including the mandatory EAS/ELCS  
21 areas comprised of SWBT exchanges and the mandatory EAS/ELCS  
22 areas comprised of SWBT exchange and exchanges of independent  
23 ILECs...The Commission reiterates that this Award does not preclude  
24 CLECs from establishing their own local calling areas or prices for  
25 purpose of retail telephone service offerings.”

1 Furthermore, the Ohio Commission addresses this issue in their Local  
2 Service Guidelines in IV(C). Specifically, these guidelines state, "As  
3 NECs (new entrant carrier) establish operations within individual ILEC  
4 service areas, the perimeter of ILEC local calling area, as revised to reflect  
5 EAS, shall constitute the demarcation for differentiating local and toll call  
6 types for the purpose of traffic termination compensation."  
7

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

9  
10 **A. Yes.**  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**REBUTTAL TESTIMONY**  
**OF**  
**JULIE L. WARD**

**Q. Please state your name and business address.**

A. My name is Julie L. Ward. I am Manager-Regulatory Policy, for Sprint Corporation. My business address is 6450 Sprint Parkway, Overland Park, Kansas 66251.

**Q. Are you the same Julie L. Ward that filed direct testimony earlier in this proceeding?**

A. Yes, I am.

**Q. What is the purpose of your rebuttal testimony?**

A. The purpose of my testimony is to rebut the testimony of Paul E. Cain, representing AT&T Communications of the Southern States, LLC, AT&T Broadband Phone of Florida, LLC, and TCG, as well

1 as Joseph Gillan, representing MCI Metro Access Transmission  
2 Services, LLC and WorldCom Communications, Inc.

3

4

5 **Q. On page 3, Mr. Gillan states that “the Commission has**  
6 **already established the Local Access and Transport Area**  
7 **(LATA) as the de facto local calling area”. Do you agree?**

8

9 A. No. If the LATAs have already been de facto established as Local  
10 Calling Areas (LCAs), the Commission would not need to take  
11 action on the issue. Mr. Gillan bases his conclusion on the fact  
12 that BellSouth and GTE (Verizon), in the mid-1990s, converted  
13 some of their intraLATA toll service to local service by  
14 implementing extended calling scope (ECS) Plans. Sprint  
15 questions how Mr. Gillan can reach the conclusion that the Florida  
16 Commission has already established the LATA as the “de facto  
17 local calling area” based on the simple fact that Incumbent Local  
18 Exchange Company (ILECs) have converted some toll routes to  
19 local routes for *retail purposes*. By merely ordering and/or  
20 approving the ECS routes, the Commission did not adopt the LATA  
21 as the definition for local calling area for *intercarrier compensation*  
22 *purposes*. The Commission has also ordered implementation of  
23 ECS on interLATA routes as well; however, this does not convert  
24 interLATA toll to local. Furthermore, Sprint does not offer the  
25 LATA as the local calling scope for their retail services. Sprint’s

1 service area, as compared to BellSouth's and Verizon's, is  
2 significantly more rural, geographically more widely dispersed, and  
3 has a significant number of intraLATA toll routes. This is another  
4 reason why the default local calling area should be based on the  
5 ILEC's local calling areas.

6  
7

8 **Q. On page 6, Mr. Gillan states, as support for using the LATA**  
9 **as the definition of the local calling area, that there is no**  
10 **reason to create two interconnection regimes within the**  
11 **LATA. What is Sprint's reaction to this argument?**

12

13 A. As stated in his testimony, Mr. Gillan believes that the LATA is the  
14 best approach in defining the local calling area since any other  
15 definition would cause two different interconnection regimes within  
16 the LATA. However, implementing the LATA as the definition of  
17 the local calling area, in an effort to create *one interconnection*  
18 *regime* within the LATA as Mr. Gillan proposes, creates an  
19 inequitable competitive situation by creating two different  
20 *compensation regimes* within the LATA. In other words, if the  
21 LATA were defined as the local calling area for reciprocal  
22 compensation purposes between ILECs and Alternative Local  
23 Exchange Company (ALECs), this would allow LECs to  
24 compensate each other at lower rates, while IXCs would pay  
25 higher access rates for the same call. Sprint questions how the



1           need for one interconnection regime is an acceptable argument  
2           when it creates two different compensation regimes depending on  
3           the type of carriers involved in the call.

4  
5  
6       **Q.    On page 7 of his testimony, Paul Cain states that “In a LATA-**  
7       **wide local calling area, the NPA-NXX of the calling and called**  
8       **parties would be used to determine the points of origination**  
9       **and termination. The dialing patterns (whether seven digits,**  
10       **ten digits or eleven (1+) digits) would be irrelevant, as would**  
11       **the path the call took to reach its point of termination”. Do**  
12       **you agree with Mr. Cain’s proposition?**

13  
14       A.    No.    Mr. Cain’s position is inconsistent with the Staff  
15       Recommendation and Commission vote on Issue 15 in this docket  
16       regarding Virtual NXXs.    At the December 5, 2001 Agenda  
17       Conference the Commission approved Staff’s recommendation  
18       that intercarrier compensation be based upon the *end points* of  
19       the call, not the NPA-NXX of the calling and called parties.  
20       Therefore, even if the Commission were to establish LATA-wide  
21       local calling areas for intercarrier compensation purposes as the  
22       default, reciprocal compensation rates should not apply unless the  
23       calling and called parties are both *physically located* within the  
24       local calling area.  Contrary to Mr. Cain’s testimony, the NPA-NXX  
25       of the calling and called parties should have nothing to do with

1 determining the jurisdiction of the call for intercarrier  
2 compensation purposes.

3

4

5 **Q. On page 7 of his testimony, Paul Cain states intercarrier**  
6 **billing would be simplified in that “All IntraLATA calls would**  
7 **be treated the same for reciprocal compensation purposes,**  
8 **with each minute billed the same way.” Do you agree?**

9

10 A. No. In fact, it appears to be just the opposite. If the Commission  
11 determines that reciprocal compensation rates apply between  
12 ILECs and ALECs for calls that originate and terminate within the  
13 LATA, Interexchange Carriers (IXCs) must still pay access rates  
14 for the very same call. Intercarrier compensation for the same  
15 calls will vary depending on the types of carriers involved in  
16 completing the calls. Therefore, contrary to Mr. Cain’s assertion,  
17 each minute will not be billed the same way.

18

19

20 **Q. On page 9 of his testimony, Paul Cain claims that a new**  
21 **billing system will not be necessary for implementation of a**  
22 **default LATA-wide local calling area. Does Sprint agree?**

23

24 A. No. Sprint’s billing systems must be changed if the Commission  
25 determines that reciprocal compensation rates now apply between

1 ILECs and ALECs for calls that originate and terminate within the  
2 LATA, yet IXCs must still pay access rates for the very same call.  
3 Currently, Sprint's systems bill both ALECs and IXCs based on  
4 the same local calling scope. For example, Sprint applies the  
5 same access rates to both classes of carriers when an  
6 Intrastate/IntraLATA call originates and terminates outside the  
7 local calling area. In addition, ILECs compensate each other for  
8 IntraLATA toll calls through tariffed modified access based  
9 compensation rates that would remain in place for price-regulated  
10 ILECs, even if the Commission were to establish the LATA as the  
11 default local calling area in this docket. Commission approval of  
12 the LATA as the default local calling area between ILECs and  
13 ALECs will require Sprint to make billing system enhancements in  
14 order to apply this new LATA-wide definition to ALECs only.  
15 Furthermore, no other state in which Sprint LTD operates has  
16 defined the LATA as the local calling area for intercarrier  
17 compensation purposes. Thus, it would be necessary to maintain  
18 two separate billing systems – one for Florida and one for the  
19 other seventeen states in which Sprint LTD operates.

20

21

22 **Q. Please reiterate Sprint's position regarding the establishment**  
23 **of the LATA as the local calling area for intercarrier**  
24 **compensation purposes**

25

1       A.     Sprint firmly believes that the ILEC's local calling scope, as  
2             defined by tariff, should define the appropriate local calling scope  
3             for reciprocal compensation purposes for wireline carriers. The  
4             local calling scope of the ILEC establishes a logical boundary  
5             upon which reciprocal compensation can be determined and is  
6             both fair and practical because ILECs generally have well-  
7             established local calling scopes, with tariffed access charges  
8             applicable outside the local calling scope. Furthermore, there is a  
9             longstanding history of utilizing the ILEC local calling scope for  
10            purposes of reciprocal compensation for ILEC to ILEC local calling  
11            and there are no compelling reasons for changing this definition of  
12            "local" that has successfully been applied over the years for  
13            intercarrier compensation purposes. Additionally, use of the  
14            ILEC's LCA for reciprocal compensation purposes does not  
15            require ALECs to offer the same LCA to their customers. In fact,  
16            many ALECs already offer services with local calling areas that do  
17            not coincide with the ILEC's LCAs.

18  
19

20       **Q.     What are Sprint's concerns with using the originating**  
21             **carrier's local calling area to determine the intercarrier**  
22             **compensation between the parties?**

23

24       A.     It is critical to recognize the inequitable competitive environment  
25             that is created when the originating carrier's local calling area

1 determines the intercarrier compensation between carriers. The  
2 result of this approach would allow ALECs to pay lower reciprocal  
3 compensation rates for their traffic terminated within the LATA by  
4 ILECs (assuming the ALEC defines the LATA as the local calling  
5 area for retail purposes) while ILECs are forced to change their  
6 LCAs or to pay ALECs higher access rates for terminating ILEC-  
7 originated traffic. Sprint agrees with Verizon witness Trimble in  
8 that the "direction of the call should play no part in the determining  
9 how intercarrier compensation should be assessed" (page 17).  
10 Furthermore, it would be administratively burdensome for all  
11 carriers, not just ILECs, to change their billing systems to maintain  
12 the varying local calling areas of each ALEC. BellSouth also  
13 recognizes and appreciates the concerns raised as to the  
14 implementation of different calling areas, as indicated on page 5  
15 of Beth Shiroishi's testimony.

16

17

18 **Q. Most, if not all, parties believe that the preferred approach to**  
19 **defining the local calling area for intercarrier compensation**  
20 **purposes is through negotiation between the contracting**  
21 **parties. Does Sprint agree?**

22

23 **A.** Yes, however, it is Sprint's position that a Commission-  
24 established default definition will facilitate negotiation.

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

**A. Yes.**

1 MS. MASTERTON: Then Sprint would like to ask that  
2 the additional direct testimony of Michael R. Hunsucker dated  
3 March 1st, 2002 and consisting of 15 pages be entered into the  
4 record as though read.

5 CHAIRMAN JABER: The prefiled additional direct  
6 testimony of Michael R. Hunsucker shall be inserted into the  
7 record as though read.

8 MS. MASTERTON: And Mr. Hunsucker has two exhibits,  
9 MRH-1 and MRH-2, and Sprint would ask that those be identified  
10 and admitted into the record.

11 CHAIRMAN JABER: MRH-1 and MRH-2 are identified as  
12 Composite Exhibit 3 and Composite Exhibit 3 is admitted into  
13 the record.

14 (Composite Exhibit 3 marked for identification and  
15 admitted into the record.)

16 MS. MASTERTON: That's it for Sprint.

17 CHAIRMAN JABER: Thank you.

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**ADDITIONAL DIRECT TESTIMONY**

**OF**

**MICHAEL R. HUNSUCKER**

**Q. Please state your name and business address.**

A. My name is Michael R. Hunsucker. I am Director-Regulatory Policy, for Sprint Corporation. My business address is 6360 Sprint Parkway, Overland Park, Kansas 66251.

**Q. Please describe your educational background and work experience.**

A. I received a Bachelor of Arts degree in Economics and Business Administration from King College in 1979. I began my career with Sprint in 1979 as a Staff Forecaster for Sprint/United Telephone - Southeast Group in Bristol, Tennessee, and was responsible for the preparation and analysis of access line and minute of use forecasts. While at Southeast Group, I held various positions through 1985 primarily responsible



1 for the preparation and analysis of financial  
2 operations budgets, capital budgets and Part 69 cost  
3 allocation studies. In 1985, I assumed the position  
4 of Manager - Cost Allocation Procedures for Sprint  
5 United Management Company and was responsible for the  
6 preparation and analysis of Part 69 allocations  
7 including systems support to the 17 states in which  
8 Sprint/United operated. In 1987, I transferred back  
9 to Sprint/United Telephone - Southeast Group and  
10 assumed the position of Separations Supervisor with  
11 responsibilities to direct all activities associated  
12 with the jurisdictional allocations of costs as  
13 prescribed by the FCC under Parts 36 and 69. In 1988  
14 and 1991, respectively, I assumed the positions of  
15 Manager - Access and Toll Services and General Manager  
16 - Access Services and Jurisdictional Costs responsible  
17 for directing all regulatory activities associated  
18 with interstate and intrastate access and toll  
19 services and the development of Part 36/69 cost  
20 studies including the provision of expert testimony as  
21 required.

22

23 In my current position as Director - Regulatory Policy  
24 for Sprint/United Management Company, I am responsible  
25 for developing state and federal regulatory policy and

1 legislative policy for Sprint's Local  
2 Telecommunications Division. Additionally, I am  
3 responsible for the coordination of regulatory/  
4 legislative policies with other Sprint business units.

5  
6 **Q. Have you previously testified before state Public**  
7 **Service Commissions?**

8  
9 A. Yes. I have previously testified before state  
10 regulatory commissions in South Carolina, Florida,  
11 Illinois, Pennsylvania, Nebraska, Maryland, Georgia,  
12 Texas, Ohio, and North Carolina. Also, I previously  
13 submitted prefiled direct and rebuttal testimony in  
14 Phase I and Phase II of this proceeding.

15  
16 **Q. What is the purpose of your testimony?**

17  
18 A. The purpose of my testimony is to address, on behalf  
19 of Sprint, Issue 17 of the Phase II Supplemental  
20 Issues List in Docket NO. 000075-TP.

21  
22 **ISSUE 17 - SHOULD THE COMMISSION ESTABLISH COMPENSATION**  
23 **MECHANISMS GOVERNING THE TRANSPORT AND DELIVERY OR**  
24 **TERMINATION OF TRAFFIC SUBJECT TO SECTION 251 OF THE ACT TO**  
25 **BE USED IN THE ABSENCE OF PARTIES REACHING AGREEMENT OR**

1       **NEGOTIATING A COMPENSATION MECHANISM? IF SO, WHAT SHOULD**  
2       **THE MECHANISM BE?**

3

4       **Q. Does the Commission have jurisdiction to establish bill**  
5       **and keep?**

6

7       A. Yes, the Commission has jurisdiction in limited  
8       situations to establish bill and keep in the state of  
9       Florida for local traffic, but not for access charges  
10      applicable to intraLATA toll .

11

12      **Q. What guidance does the Telecommunications Act of 1996**  
13      **("Act") provide relative to the recovery of costs**  
14      **associated with transport and termination of traffic?**

15

16      A. Section 252(c)(2) of the Telecom Act provides the  
17      legislative foundation for the recovery of costs  
18      associated with transport and termination of traffic.  
19      In general, ILECs and ALECs are allowed to recover "a  
20      reasonable approximation of the additional costs" of  
21      terminating traffic that was originated by the other  
22      carrier. In addition, 252(c)(2)(B) provides that there  
23      is nothing in the rules that "precludes arrangements  
24      that afford the mutual recovery of costs through  
25      offsetting of reciprocal compensation obligations,

1 including arrangements that waive mutual recovery (such  
2 as bill and keep)...” This language clearly provides that  
3 bill and keep is an acceptable alternative for the  
4 recovery of the costs associated with transport and  
5 termination of traffic.

6  
7 It should be noted that while this language provides the  
8 legislative foundation on this issue, the Commission  
9 must also look to any FCC rules and regulations that  
10 provide additional guidance on this issue.

11

12 **Q. Why is the Florida Commission also bound to any FCC**  
13 **rules and regulations regarding reciprocal compensation?**

14

15 A. Section 251(d) of the Act provides the FCC with the  
16 authority to establish regulations necessary to  
17 implement the requirements of Sections 251. Section  
18 251(b)(5) is a requirement placed on all local exchange  
19 carriers to “establish reciprocal compensation  
20 arrangements for the transport and termination of  
21 telecommunications.” Thus, the FCC has overriding  
22 jurisdiction to establish the necessary rules and  
23 regulations required to implement the arrangements for  
24 reciprocal compensation.

25

1       **Q. Has the FCC established rules and regulations relative**  
2       **to this issue and if so, what do those rules require?**

3

4       A. Yes, the FCC established rules and regulations related  
5       to reciprocal compensation in the First Report and Order  
6       in Docket No. 96-98 that provide the foundation for  
7       state commission action on this issue. Specifically,  
8       the FCC rules in Part 51.713 state:

9

10       **51.713 - Bill-and-Keep arrangements for reciprocal**  
11       **compensation**

12       a) For purposes of this subpart, bill-and-keep  
13       arrangements are those in which neither of the two  
14       interconnecting carriers charges the other for the  
15       termination of local telecommunications traffic that  
16       originates on the other carrier's network.

17       b) A state commission may impose bill-and-keep  
18       arrangements if the state commission determines that  
19       the amount of local telecommunications traffic from  
20       one network to the other is roughly balanced with  
21       the amount of local telecommunications traffic  
22       flowing in the opposite direction, and is expected  
23       to remain so, and no showing has been made pursuant  
24       to 51.711(b) of this part.

25

1 c) Nothing in these sections precludes a state  
2 commission from presuming that the amount of local  
3 telecommunications traffic from one network to the  
4 other is roughly balanced with the amount of local  
5 telecommunications traffic flowing in the opposite  
6 direction and is expected to remain so, unless a  
7 party rebuts such a presumption.

8

9 **Q. In your opinion, what authority does the Commission have**  
10 **to establish a bill-and-keep compensation mechanism?**

11

12 A. The Commission has the authority to establish bill and  
13 keep for local traffic consistent with FCC rule 51.713.  
14 This provides that the Commission must affirmatively  
15 make the following findings :

16 1) A determination is made by the Commission that the  
17 traffic is roughly balanced in both directions and is  
18 expected to remain so, or

19 2) A presumption is made by the Commission that the  
20 traffic is roughly balanced in both directions,  
21 unless a party rebuts such a presumption.

22

23 I think that the rules provide discretion to a state  
24 Commission to make a positive determination that the  
25 traffic is roughly balanced or a state commission can

1 make a presumption that the traffic is roughly balanced  
2 if neither party rebuts the presumption. In my opinion,  
3 if a party chooses to rebut the presumption, that  
4 rebuttal would be made to a state Commission who would  
5 be required to then make a positive determination on the  
6 basis of the information presented. Thus a state  
7 commission could make a presumption without examining  
8 traffic balance information but either party could  
9 present information on the balance of traffic, which  
10 would require the commission to review the information  
11 and make a determination under section (b) of FCC Rule  
12 51.713.

13

14 **Q. In your opinion, does the Commission have jurisdiction**  
15 **over dial-IP traffic in regards to adopting bill-and-**  
16 **keep for this traffic?**

17

18 A. No, they do not. In the FCC's ISP Remand Order (FCC  
19 01-131), the FCC adopted an interim intercarrier  
20 compensation regime and specifically preempted the  
21 states authority in paragraph 82 where they stated,  
22 "Because we now exercise our authority under section  
23 201 to determine the appropriate intercarrier  
24 compensation for ISP-bound traffic, however, state  
25 commission will no longer have authority to address

1           this issue." Clearly, the Commission has no authority  
2           over dial-IP traffic and as such, the adoption of a  
3           default mechanism must exclude dial-IP traffic.

4

5           In addition, the Order provides ILECs with the ability  
6           to opt-in to the interim compensation regime if they  
7           agree to exchange all 251(b) traffic on the same basis.  
8           In other words, if an ILEC chooses to opt-in, the ILEC  
9           must agree to exchange all ISP-bound traffic and all  
10          other 251(b) traffic, i.e., local traffic at the same  
11          rates.

12

13          **Q. Has Sprint, as an ILEC in Florida, opted-in to the FCC's**  
14          **interim regime?**

15

16          A. Yes, Sprint, as an ILEC in Florida opted-in to the  
17          FCC's interim regime effective February 1, 2002. As  
18          such, Sprint has agreed to exchange ISP-bound and  
19          251(b) traffic at the FCC's proposed rates.

20

21          **Q. What is the appropriate level (i.e., carrier specific,**  
22          **market specific, etc.) to make the determination of**  
23          **"roughly balanced"?**

24



1       A.       FCC       rules       51.713(a)       defines       bill-and-keep  
2               arrangements as those in which neither of the two  
3               interconnection carriers charges the other for the  
4               termination of local telecommunications traffic. In  
5               addition rule 51.713(b) requires the state  
6               commission to make a determination on the amount of  
7               traffic "from one network to the other". Sprint  
8               believes that this requires a state commission to  
9               make a determination on the basis of traffic flows  
10              between two specific carriers and that it is not  
11              appropriate to make a determination on any  
12              aggregated basis, e.g., total ILEC to ALEC traffic.  
13              The language in the FCC rules is very specific and  
14              there appears little room for interpretation.

15

16       **Q.       Have you prepared any analysis that provides insight**  
17       **into Sprint's balance of traffic in Florida?**

18

19       A.       Yes, I have. Attached as Exhibit MRH-1 and MRH-2 is  
20               an analysis of traffic flows between Sprint and ALECs  
21               in Florida.

22

23               As shown in Exhibit MRH-1, Sprint exchanges  
24               approximately 6.1 billions minutes of use (based on  
25               first quarter 2001, annualized) with ALECs in Florida.

1           Of this amount, Sprint originates approximately 5.8  
2 billion minutes to other carriers while terminating  
3 approximately .3 billion from other carriers. This  
4 equates to a traffic ratio of approximately 17 to 1.  
5 In fact, the traffic ratios for individual carriers  
6 are as high as 231 to 1 or stated another way; Sprint  
7 is responsible for paying to terminate 231 minutes for  
8 every 1-minute that it receives terminating  
9 compensation. Further, for three carriers, Sprint  
10 originated in excess of 1.5 billion minutes annually  
11 while these carriers terminate zero minutes to Sprint  
12 and a traffic ratio cannot be calculated on the basis  
13 of zero in the denominator.

14  
15           At the aggregate level, this results in a net minute  
16 of use flow from Sprint to CLECs of approximately 5.4  
17 billion minutes annually. Given that Sprint opted  
18 into the FCC's interim regime on January 1, 2002, this  
19 results in a net expense to Sprint in Florida of  
20 approximately \$5.4M annually at the \$0.001 reciprocal  
21 compensation rate.

22  
23           **Q. Have you performed an analysis to exclude dial-IP**  
24           **traffic from the total minutes of use included in MRH-**  
25           **1?**

1

2 A. I have attempted to remove dial-IP minutes of use  
3 based upon the FCC's rebuttable presumption of a  
4 traffic ratio that exceeds 3:1. I set the ratio in  
5 the last column to 3:1 and then multiplied Sprint  
6 terminating minutes of use by the 3:1 ratio to derive  
7 the Sprint non dial-IP originating minutes of use.  
8 For those carriers who terminate minutes of use to  
9 Sprint and apparently are not billing Sprint for  
10 Sprint originating traffic, I made no adjustments to  
11 their minutes of use. In addition, for those carriers  
12 with a traffic ratio less than 3:1, I made no  
13 adjustments to their minutes of use. This results in  
14 a total market ratio of 1.94 to 1.

15

16 This results in a reduction in total minutes of use  
17 from 6.1 Billion total minutes to 1.1 Billion of non  
18 dial-IP minutes. In addition, at the FCC's opt-in  
19 rate of \$.001 per minute of use, this results in a net  
20 expense to Sprint of approximately \$325,000 annually.  
21 Thus, the movement to bill-and-keep, when adjusted for  
22 dial-IP traffic, presents a financial opportunity to  
23 Sprint of \$325,000 annually.

24

25

1       **Q. How should the Commission define "roughly balanced" in**  
2       **this proceeding?**

3  
4       A. Sprint is not proposing a definition of "roughly  
5       balanced" at this time as Sprint believes that, given  
6       the constraints of the Commission's ability to adopt  
7       bill-and-keep, there is little benefit from adopting a  
8       definition.

9  
10       As I have shown in Exhibit MRH-1, there is little  
11       evidence that the traffic flows between Sprint and ALECs  
12       in Florida is "roughly balanced". For this reason, if  
13       the Commission were to adopt a definition of "roughly  
14       balanced", it would be Sprint's position that individual  
15       carriers would file with the Commission to rebut the  
16       presumption. Sprint would file when it is in its best  
17       interests and connecting carriers would file when it is  
18       in their best interests. For this reason, adoption of a  
19       definition of "roughly balanced" would provide little,  
20       if any, benefit to the industry and would potentially  
21       place a greater workload on the Commission to review all  
22       the rebuttal pleadings that would result. For this  
23       reason, Sprint sees little benefit to the adoption of a  
24       definition of "roughly balanced".

25

1       **Q. Are there any potential transaction cost (recording and**  
2       **billing) savings associated with bill-and-keep that**  
3       **could be avoided?**

4  
5       A. Sprint has not developed a specific study related to any  
6       potential cost savings. While it is possible that some  
7       transaction costs associated with the billing and  
8       collection of reciprocal compensation could be saved, a  
9       portion of the costs associated with this function are  
10      sunk, in that there were significant modification costs  
11      incurred on the front end to implement billing for  
12      reciprocal compensation. In addition, Sprint's billing  
13      system for reciprocal compensation was developed to  
14      include demand for all of the 18 states in which Sprint  
15      operates as an ILEC. To remove one state from the mix  
16      does nothing to eliminate costs, e.g., system  
17      maintenance, that are incurred on a system basis versus  
18      a minute of use recorded and billed basis. Thus, there  
19      is probably little to be saved from implementing bill-  
20      and-keep in Florida only. These costs would just be  
21      spread over less units, thereby increasing the per-unit  
22      costs in other states. This is not to say that Sprint  
23      desires to continue to incur these costs, just that the  
24      costs do not represent a significant savings opportunity

1           to Sprint, given the rebuttal authority of carriers  
2           contained in the FCC's rules.

3

4           **Q. Does this conclude your direct testimony?**

5

6           A. Yes, it does.

7

8

1           CHAIRMAN JABER:  ALLTEL.

2           MR. WAHLEN:  ALLTEL moves the direct testimony of  
3 Alfred Busbee filed on March 1st, 2002 into the record.

4           CHAIRMAN JABER:  The prefiled direct testimony of  
5 Alfred Busbee shall be inserted into the record as though read.

6           MR. WAHLEN:  Mr. Busbee has no exhibits.

7           CHAIRMAN JABER:  Thank you.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1                                   **BEFORE THE PUBLIC SERVICE COMMISSION**

2   **DIRECT TESTIMONY**

3   **OF**

4   **ALFRED BUSBEE**

5   **Q.    Please state your name, business address and employment position.**

6    A.    My name is Alfred Busbee. My business address is One Allied Drive, Little Rock,  
7            Arkansas 72202. I am employed by ALLTEL Communications, Inc. as Staff  
8            Manager, Interconnection Services. I am submitting this testimony on behalf of  
9            ALLTEL Florida, Inc. (“ALLTEL” or the “Company”).

10  
11   **Q.    Please provide information on your background and experience.**

12    A.    I received a BA Degree in Economics from the University of Georgia in 1982. Since  
13            that time, I have been employed in the telecommunications industry for over 17 years  
14            including two years as a Regulatory Analyst for the Florida Public Service  
15            Commission (“Commission”). I have been employed by ALLTEL Communications  
16            since 1993 and have held positions in State Regulatory Matters, Marketing, and  
17            Interconnection Services. My current responsibilities include representing ALLTEL  
18            companies, including ALLTEL Florida, Inc., in negotiations with carriers as it relates  
19            to various interconnection methodologies and processes.

20  
21   **Q.    What is the purpose of your testimony?**

22    A.    The purpose of my testimony is to address “Issue 13” regarding how a “local calling  
23            area” should be defined in Commission arbitrated interconnection agreements, under  
24            §251 and §252 of the federal Telecommunications Act of 1996 (“Act”), for purposes  
25            of determining the applicability of reciprocal compensation.



1 **Q. Please describe ALLTEL Florida, Inc.'s corporate structure and its operations in**  
 2 **Florida.**

3 A. ALLTEL Florida, Inc., a Florida corporation, is wholly owned by ALLTEL  
 4 Corporation, a Delaware corporation. ALLTEL Florida, Inc. is certificated by the  
 5 Florida Public Service Commission ("Commission" or "FPSC") to provide local  
 6 exchange and other telecommunications service within its service territory. ALLTEL  
 7 is an incumbent local exchange carrier within the meaning of §251(c) of the Act.  
 8 ALLTEL is a "rural telephone company" within the meaning of §251(f)(1) of the  
 9 federal Telecommunications Act of 1996 ("Act"). ALLTEL is a "rural carrier" within  
 10 the meaning of § 251(f)(2) of the Act in that it has fewer than 2 percent of the Nation's  
 11 subscriber lines installed in the aggregate nationwide. The total number of access  
 12 lines served by all of ALLTEL Corporation's incumbent local exchange subsidiaries  
 13 nationwide, including ALLTEL Florida, Inc., is 2,444,687. ALLTEL Corporation's  
 14 CLEC affiliates nationwide have an additional 130,091. Regardless of whether  
 15 ALLTEL's CLEC lines are added to the total or not, ALLTEL local exchange carrier  
 16 entities have, in the aggregate nationwide, 1.33% or less of the total access lines for  
 17 the 50 states and the District of Columbia (which is approximately 194 million).

18  
 19 **Q. Please describe ALLTEL's geographic service areas in Florida.**

20 A. ALLTEL provides local telephone exchange services in five small, noncontiguous  
 21 local calling areas in LATA 452 and in two in LATA 454. LATA 452 surrounds  
 22 Jacksonville, but ALLTEL is not the ILEC in Jacksonville and LATA 454 surrounds  
 23 Gainesville and Ocala, but ALLTEL is not the ILEC in Gainesville or Ocala. In both  
 24 LATAs a larger geographic area is located outside ALLTEL's local calling areas then  
 25 is located inside them.

1 **Q. Please define local calling area.**

2 A. A local calling area for a particular telecommunications carrier is the specific  
3 geographic area within a state as defined by said telecommunications carrier and duly  
4 approved by the state commission within which said carrier offer and provides  
5 telephone exchange service to its *retail* customers. Telecommunications traffic  
6 originated and terminated within that geographic local calling area is considered  
7 jurisdictionally local and is not subject to toll or access charges pursuant to said  
8 carrier's General Subscriber Tariff.

9

10 **Q. Please define exchange access.**

11 A. "Exchange access" is defined in 47 U.S.C. §153(16) as, "the offering of access to  
12 telephone exchange services or facilities for the purpose of the origination or  
13 termination of telephone toll services." Rates, terms and conditions governing the  
14 provision of exchange access are set forth in the respective carrier's Commission  
15 approved Access Tariff.

16

17 **Q Please explain reciprocal compensation.**

18 A. Reciprocal compensation, as relevant to this arbitration, is a construct of the  
19 Telecommunications Act of 1996. Simply stated, reciprocal compensation is the  
20 compensation mechanism by which one local exchange carrier pays for the transport  
21 and termination of "local traffic" terminated on the other local exchange carrier's  
22 network.

23 **Q Going specifically to Issue 13, how should a "local calling area" be defined, for**  
24 **the purposes of determining the applicability of reciprocal compensation in an**  
25 **interconnection agreement, if the parties cannot agree on a definition?**

1 A. The local calling area should be defined as the retail local calling area of the ILEC for  
2 the purposes of reciprocal compensation. While this Commission has not yet  
3 determined this issue, other state commissions have. For example, the Public Utility  
4 Commission of Ohio (“PUCO”) addressed this issue in its Local Service Guidelines  
5 adopted in Case NO. 95-845-TP-COI. There, the PUCO specifically defined the local  
6 calling area for the purposes of reciprocal compensation as that of the ILEC. Section  
7 IV(C), page 27 of Local Service Guidelines states in part:

8 “As NECs [i.e., New Entrant Carrier or ALEC] establish operations within  
9 individual ILEC service areas, the perimeter of the ILEC local calling  
10 area, as revised to reflect EAS, shall constitute the demarcation for the  
11 differentiating local and toll call types for the purpose of traffic  
12 termination compensation. Any end user call originating and terminating  
13 within the boundary of such local calling area, regardless of the LEC at the  
14 originating or terminating end, shall be treated as a local call.”

15 To do otherwise would place the ILEC in violation of its exchange access tariff and  
16 subject to allegations of discriminatory pricing among carriers, *i.e.* ALECs would be  
17 receiving preferential treatment vis-à-vis IntraLATA IXCs.

18

19 **Q Does this mean that ALECs are bound by the local calling area as defined by the**  
20 **ILEC and are precluded from defining its own retail local calling areas?**

21 A. No. An ALEC may offer toll free calling (i.e., local calling area) to its end users  
22 without regard to the geographic confines of the local/access intercarrier compensation  
23 between the interconnecting carriers.

24

1 **Q. What impact, if any, would disassociating local calling areas for intercarrier**  
2 **compensation purposes from local calling areas for retail purposes have upon end**  
3 **users.**

4 A. None. It is very common for ALECs to bundle a variety of services based upon its  
5 total underlying costs, including both reciprocal compensation and telephone  
6 exchange access services. Similarly, IXCs offer block-of-time packages that include  
7 toll free calling nationwide. In this case the intercarrier compensation and retail offer  
8 are not the same. Nonetheless, the end user benefits from tailored calling plans  
9 bundled with information services or other services.

10

11 **Q Should the Commission determine a default definition of “local calling area”**  
12 **other than that of the ILEC for the purpose of determining the applicability of**  
13 **reciprocal compensation in the event the parties cannot reach a negotiated**  
14 **agreement?**

15 A. No. Interconnecting companies do not have the authority in Florida to negotiate away  
16 or expand the ILEC’s “local calling areas” for the purpose of determining the  
17 applicability of reciprocal compensation. Local calling areas must, for the purposes of  
18 reciprocal compensation mirror the ILECs retail local calling area. To do otherwise  
19 would have the effect of changing the ILEC’s access charge regime, which is subject  
20 to the terms and conditions of the applicable exchange access tariffs and the subject of  
21 ongoing Universal Service and Access Reform proceedings. Even if the Commission  
22 did have jurisdiction to mandate changes in access charges, which has been preserved  
23 to the Florida legislature, the financial impact to ILECs such as ALLTEL would likely  
24 require rate rebalancing.

25

1 **Q Does the network architecture utilized to interconnect ALECs and ILEC's**  
2 **networks change the manner in which access charges are assessed?**

3  
4 A. No. The applicability of access charges is predicated upon the jurisdictional nature of  
5 the call. Regardless of the method of interconnection, the application of exchange  
6 access charges are governed by the ILEC's applicable Commission approved  
7 exchange access tariff.

8  
9 **Q What would be the financial impact if what are currently IntraLATA telephone**  
10 **exchange access revenues between ALLTEL and ALECs instead become subject**  
11 **to reciprocal compensation and what impact, if any, would occur between ILECs**  
12 **and IntraLATA long distance carriers (IXCs)?**

13  
14 A. ALLTEL does not believe that it may apply differing terms and conditions with  
15 respect to exchange access charges depending on the whether the call is billed to an  
16 ALEC or IXC. Therefore, if ALLTEL negotiates expanded local calling areas for the  
17 purposes of reciprocal compensation with ALECs, it must also reflect those changes in  
18 the applicable exchange access tariff available to all carriers. Based upon December  
19 2001 data, ALLTEL presently bills approximately \$900,000 annually for IntraLATA  
20 telephone exchange access. ALLTEL pays approximately \$200,000 to other carriers  
21 for IntraLATA telephone exchange access. The net financial impact to ALLTEL  
22 should the intrastate, IntraLATA exchange access be redefined as reciprocal  
23 compensation is \$700,000 annually.

24

1 **Q Is it appropriate for an ILEC and CLEC to establish different local calling areas**  
2 **for the purpose of reciprocal compensation?**

3  
4 A. No. ALECs should be required to define its local calling areas for the purposes of  
5 reciprocal compensation the same as those of the ILEC. Inter-carrier compensation is  
6 driven by the jurisdiction of the call, which is determined by the origination and  
7 termination points of the call. If the ALEC defines its local calling area for the  
8 purpose of reciprocal compensation differently than that of the ILEC, a call in one  
9 direction may be subject to reciprocal compensation while the same call in the other  
10 direction would be subject to access charges causing aberrations in the reciprocal  
11 compensation and exchange access.

12  
13 **Q If the Commission should decide that the “local calling area” for the purpose of**  
14 **determining the applicability of reciprocal compensation should differ from an**  
15 **ILEC’s existing “local calling area,” for ILECs as a general rule, would ALLTEL**  
16 **as a “rural telephone company” and a “less than 2%” rural carrier be entitled to**  
17 **assert its “rural exemption” and/or seek a suspension or modification of the rule**  
18 **pursuant to Section 251(f)(1) and (2), respectively, in a particular case with**  
19 **respect to a particular request?**

20  
21 A. Yes, to the extent that such a request and such a requirement would pose a significant  
22 adverse economic impact on ALLTEL endusers, would be unduly economically  
23 burdensome to implement, would not be technically feasible, or would not be  
24 consistent with the public interest, convenience, and necessity, ALLTEL would be

1           entitled to seek, and would seek, to maintain its rural exemption and/or obtain a  
2           suspension or modificaion of the requirement in the particular case.

3

4       **Q.    What is the position of the other parties to this proceeding and that of the**  
5       **Commission staff with respect to the appropriateness of any determination being**  
6       **made in this proceeding that would foreclose the right in the future of a “rural**  
7       **telephone company” or “less than 2%” rural carrier in a particular case from**  
8       **asserting to continue its rural exemption from the application of such a rule or**  
9       **from being able to seek a suspension or modification thereof, respectively, under**  
10       **§251(f)(1) and/or (2) of the Act?**

11

12       A.    I attended a prehearing conference regarding this proceeding on January 24, 2002, at  
13       which all the other parties were represented and members of the Commission staff  
14       were present.  At that hearing in response to a question asked by ALLTEL with  
15       respect to this issuse, ALLTEL was told by the Commission staff on the record that  
16       this proceeding did not involve determining the rights of a rural telephone companies  
17       or rural carriers under said statutory provisons with respect to the Issues herein.  None  
18       of the other parties expressed any disagreement with that position.

19

20       **Q.    Does this conclude your direct testimony?**

21       A.    Yes, it does.

22

23

24

1           CHAIRMAN JABER: AT&T. Mr. Gross. I'm just going by  
2 my list, and AT&T is next on my list. It doesn't matter.

3           MR. McDONNELL: At this time AT&T would respectfully  
4 move the supplemental direct testimony of Paul Cain filed March  
5 1st, 2002 consisting of 15 pages into the record as though  
6 read.

7           CHAIRMAN JABER: The supplemental direct testimony of  
8 Paul E. Cain shall be inserted into the record as though read.

9           MR. McDONNELL: And the supplemental rebuttal  
10 testimony of Paul Cain on behalf of AT&T filed March 25th,  
11 2002, respectfully we would request that it be inserted into  
12 the record as though read.

13           CHAIRMAN JABER: The supplemental rebuttal testimony  
14 of Paul E. Cain shall be inserted into the record as though  
15 read.

16           MR. McDONNELL: Did I mention Joe Gillan earlier by  
17 any chance?

18           (Laughter.)

19           CHAIRMAN JABER: Yes, and he would not be here.  
20  
21  
22  
23  
24  
25



1       **Q.     STATE YOUR NAME AND BUSINESS ADDRESS.**

2       A.     My name is Paul E. Cain. I am employed by AT&T as a District Manager  
3             in the Business Services organization. My business address is 900 Route  
4             202/206, Bedminster New Jersey, 07921.

5       **Q.     PLEASE DESCRIBE YOUR BACKGROUND AND PROFESSIONAL**  
6             **EXPERIENCE AS THEY RELATE TO ISSUES IN THIS**  
7             **PROCEEDING.**

8       A.     I have worked in the field of telecommunications since 1989 when I joined  
9             National Economic Research Associates in White Plains, NY as a Research  
10            Associate investigating issues of pricing and competition for intrastate  
11            telephone service. In 1993, I joined Teleport Communications Group in  
12            Staten Island, NY where I served as Director - Government Affairs and  
13            Public Policy. In this capacity, I developed and advocated policy positions  
14            on universal service, residential service, and other issues bearing on the  
15            development of local competition. During 1998 and 1999, I was a member  
16            of the AT&T/TCG Integration Team and worked on a variety of projects  
17            designed to make effective use of the combined AT&T/TCG networks. In  
18            May 1999 I accepted my current position as District Manager for Switched  
19            Access and Interconnection Services with AT&T's Business Services  
20            Organization. In this position, I lead a team devoted to providing services to  
21            other local carriers and interexchange carriers via AT&T's core network and  
22            the network of the former TCG.

1 I earned a Bachelor's Degree in Economics from the University of Rochester  
2 and a Master's Degree in Economics from Rensselaer Polytechnic Institute.

3 **Q. HAVE YOU TESTIFIED IN OTHER REGULATORY**  
4 **PROCEEDINGS IN THE PAST?**

5 A. Yes. I have testified in California, Texas, and New Jersey.

6 **Q. ON WHICH ISSUES ARE YOU TESTIFYING?**

7 A. My testimony addresses portions of Issue No. 13 and Issue No. 17.

8 **Q. ARE YOU ADOPTING TESTIMONY PREVIOUSLY FILED ON**  
9 **BEHALF OF AT&T IN THIS DOCKET?**

10 A. No. The testimony filed in this docket that is being re-filed on these issues  
11 stands on its own in the record. My testimony is supplemental to the new  
12 issues raised by the Commission.

13 **ISSUE 13: HOW SHOULD A "LOCAL CALLING AREA" BE DEFINED,**  
14 **FOR PURPOSES OF DETERMINING THE APPLICABILITY**  
15 **OF RECIPROCAL COMPENSATION?**

16 a) What is the Commission's jurisdiction in this matter?  
17

18 b) Should the Commission establish a default definition of local calling  
19 area for the purpose of intercarrier compensation, to apply in the  
20 event parties cannot reach a negotiated agreement?  
21

22 c) If so, should the default definition of local calling area for purposes  
23 of intercarrier compensation be: 1) LATA-wide local calling, 2)  
24 based upon the originating carrier's retail local calling area, or 3)  
25 some other default definition/mechanism?  
26  
27

1       **Q.     WHAT IS AT&T'S POSITION ON ISSUE 13 (a) REGARDING THE**  
2       **COMMISSION'S JURISDICTION?**

3       A.     AT&T's position is that the Commission has jurisdiction to resolve this issue.  
4       Because this is a legal question, AT&T's position will be set forth more fully  
5       in its post-hearing brief.

6       **Q.     SHOULD THE COMMISSION ESTABLISH A DEFAULT**  
7       **DEFINITION OF LOCAL CALLING AREA (ISSUE 13(b))?**

8       A.     Although the Commission should continue to encourage negotiation, the  
9       Commission also should establish a policy that requires a LATA-wide local  
10      calling area for intercarrier compensation purposes if the parties cannot reach  
11      agreement by negotiation. The Commission should not define local calling  
12      areas for retail purposes nor should it establish a local calling area based on  
13      current ILEC practices, which would force ALECs to mirror ILEC local  
14      calling areas. Competition cannot thrive if the monopoly incumbents control  
15      the marketplace in this manner.

16      **Q.     HOW SHOULD LOCAL CALLING AREA BE DEFINED (ISSUE**  
17      **13(c))?**

18      A.     The Commission should adopt a true LATA-wide local calling area, as  
19      discussed below. LATA-wide local calling allows for fair reciprocal  
20      compensation between all LECs for calls placed between ALEC and ILEC  
21      customers. All calls would be rated as local, thus simplifying the process of  
22      reciprocal compensation between carriers and more significantly, benefiting

1 consumers by making it possible for ALECs to offer more flexible retail  
2 calling plans.

3 **Q. WHAT IS A LATA?**

4 A. LATAs were an artificial boundary established by the Department of Justice  
5 as a result of the AT&T divestiture, which separated the Bell System's long  
6 distance operations from its local operations, and established nine Bell  
7 operating companies.<sup>1</sup> The LATA is a contiguous geographic area that acted  
8 as a dividing line between the assets and liabilities of AT&T and the Bell  
9 Operating Companies. Calls within each LATA "belonged" to the monopoly  
10 local provider, while calls between LATAs were handled by long distance  
11 providers.<sup>2</sup> Thus, LATAs originally provided a clear line of demarcation for  
12 antitrust purposes. This line of demarcation was later eroded when long  
13 distance providers were allowed to carry intraLATA toll calls.

14 **Q. ARE LATA BOUNDARIES RELEVANT TO THE DETERMINATION**  
15 **OF WHAT CALLS SHOULD BE TREATED AS LOCAL FOR**  
16 **RECIPROCAL COMPENSATION PURPOSES TODAY?**

17 A. LATAs have lost their significance as legal boundaries and therefore should  
18 not control what calls are treated as local, whether for intercarrier

---

<sup>1</sup> Modification of Final Judgment, *United States of America v Western Electric Company, Inc. and American Telephone and Telegraph Company*. Civil Action No. 82-0192. (D.C. Cir. 1982)

<sup>2</sup> Florida has seven (7) LATAs (Pensacola FW-EA, Panama City MR-EA, Jacksonville LO-EA, Gainesville OL-EA, Daytona Bch PO-EA, Orlando WI-EA, Southeast Fl GR-EA). Some states have two or three. Larger states may have several LATAs.

1 compensation or retail purposes.<sup>3</sup> They do, however, provide a familiar and  
2 convenient line of demarcation already recognized in LEC and ALEC  
3 networks, and are sufficiently broad in area to allow ALECs to offer  
4 innovative and competitive calling plans to their customers.<sup>4</sup>

5 **Q. HOW ARE LOCAL TELEPHONE COMPANIES CURRENTLY**  
6 **COMPENSATED FOR TRAFFIC THAT ORIGINATES ON**  
7 **ANOTHER PROVIDER'S NETWORK BUT IS TERMINATED ON**  
8 **THEIR NETWORK?**

9 A. Local telecommunications companies are entitled to receive compensation for  
10 terminating calls that are originated by other providers. If the call being  
11 terminated is a toll, or long distance call, the terminating local telephone  
12 company receives access charges. If the call being terminated is a local call,  
13 the terminating local telephone company receives reciprocal compensation.

14 **Q. UNDER A LATA-WIDE LOCAL CALLING REGIME, HOW WOULD**  
15 **LOCAL TELEPHONE COMPANIES BE COMPENSATED FOR**  
16 **TRAFFIC THAT ORIGINATES ON ANOTHER PROVIDER'S**  
17 **NETWORK BUT IS TERMINATED ON THEIR NETWORK?**

18 A. Any call that originated and terminated in the same LATA would be  
19 considered a local call, and the terminating provider would receive reciprocal

---

<sup>3</sup> LATA boundaries are still essential to the operation of Section 271 of the Telecommunications Act.

<sup>4</sup> While a LATA-wide local calling area for intercarrier compensation purposes may be convenient and sufficient to meet industry and consumer needs at this time, the Commission should keep in mind that it is an artificial boundary that should be subject to review as the telecommunications industry and consumer expectations evolve.

1 compensation for terminating it. Terminating providers would continue to  
2 receive access charges for interLATA calls, as they do today. In a LATA-  
3 wide local calling area, the NPA-NXX of the calling and called parties would  
4 be used to determine the points of origination and termination. The dialing  
5 pattern (whether seven digits, ten digits or eleven (1+) digits) would be  
6 irrelevant, as would the path the call took to reach its point of termination.

7 **Q. PLEASE DISCUSS THE BENEFITS OF ESTABLISHING A LATA-**  
8 **WIDE CALLING AREA FOR RECIPROCAL COMPENSATION**  
9 **PURPOSES.**

10 A. The primary benefits of a LATA-wide calling area would be administrative  
11 ease and enhanced competition.

12 Administrative ease: A LATA-wide calling area would simplify retail  
13 call rating as well as intercarrier billing of reciprocal compensation. All  
14 intraLATA calls would be treated the same for reciprocal compensation  
15 purposes, with each minute billed the same way. Additionally, a clear “fall-  
16 back” policy statement while encouraging negotiation also would tend to  
17 reduce the number of issues that must be arbitrated.

18 Establishing the LATA as the calling area also will enhance  
19 competition by allowing ALECs to offer their customers local calling  
20 arrangements that may vary from those offered by the ILEC. Establishing the  
21 current ILEC calling areas as the default, on the other hand, will force  
22 ALECs to mirror those areas, to the detriment of competition.

1       **Q.     SHOULD ANY CALL THAT ORIGINATES AND TERMINATES IN**  
2       **THE SAME LATA BE TREATED AS A TOLL CALL?**

3       A.     No. In order to allow all LECs and their customers to achieve the consumer  
4       and administrative benefits that will result from establishing a LATA-wide  
5       local calling area for reciprocal compensation purposes, all calls that  
6       originate and terminate in the same LATA, as determined by the NPA-NXXs  
7       of the calling and called parties, should be treated as local. The Commission  
8       should not consider the numerous exceptions bound to be raised by the  
9       ILECs, who seek to complicate the issue in order to maintain their traditional  
10      (and sometimes anti-competitive) sources of income. ALECs attempting to  
11      compete with ILECs are using their networks in more flexible ways, and the  
12      Commission should encourage such innovation by instituting rational and  
13      simple compensation policies. When a call originates and terminates in the  
14      same LATA and travels between one local provider and another, neither  
15      dialing pattern nor the path between the two networks should determine the  
16      compensation for that call. There simply is no reason, other than entrenched  
17      monopoly thinking, for maintaining a distinction.

18      **Q.     WILL LATA-WIDE LOCAL CALLING RESULT IN FAIR**  
19      **COMPENSATION BETWEEN CARRIERS?**

20      A.     Yes. Every minute is compensated based on the same rate when the call  
21      originates and terminates within the same LATA. A LATA-wide local  
22      calling area results in the elimination of intraLATA toll charges for various

1 paths that a call takes and eliminates the need to input different rates for those  
2 calls. Instead, a call is rated the same no matter what dialing pattern is used  
3 and is more easily managed in billing systems.

4 **Q. WILL A NEW BILLING SYSTEM OR CAPITAL INVESTMENT BE**  
5 **NECESSARY FOR IMPLEMENTATION OF A DEFAULT LATA-**  
6 **WIDE LOCAL CALLING AREA?**

7 A. No. Instead, the billing systems already in place would be simplified. The  
8 only labor involved is re-rating calls to one rate for all of the calls that  
9 originate and terminate in the LATA regardless of dialing pattern. It  
10 simplifies what is now a complex billing system and will alleviate future  
11 arbitrage over various calling plans, calling patterns, and incorrect rating of  
12 calls between carriers.

13 **Q. PLEASE SUMMARIZE AT&T'S RECOMMENDATION ON THIS**  
14 **ISSUE.**

15 A. As I stated above, AT&T recommends that the Commission establish a  
16 LATA-wide local calling area as the default mechanism. Establishing a  
17 LATA-wide calling area facilitates intercarrier compensation, fosters fair  
18 competition among local exchange telecommunications companies, and  
19 allows for a evolution of innovative calling plans for consumers; the true  
20 beneficiaries of this concept.

21 **ISSUE 17: SHOULD THE COMMISSION ESTABLISH COMPENSATION**  
22 **MECHANISMS CONCERNING THE TRANSPORT AND**  
23 **DELIVERY OR TERMINATION OF TRAFFIC SUBJECT TO**



1                   **SECTION 251 OF THE ACT TO BE USED IN THE ABSENCE**  
 2                   **OF THE PARTIES REACHING AGREEMENT OR**  
 3                   **NEGOTIATING A COMPENSATION MECHANISM? IF SO,**  
 4                   **WHAT SHOULD BE THE MECHANISM?**

- 5
- 6                   a)     What is the potential financial impact, if any, of bill and keep  
 7                   arrangements for local exchange companies?
- 8
- 9                   b)     If the Commission imposes bill and keep as a default mechanism, will  
 10                  the Commission need to define generically "roughly balanced?" If  
 11                  so, how should the Commission define "roughly balanced?"
- 12
- 13                  c)     What potential advantages or disadvantages would result from the  
 14                  imposition of bill and keep arrangements as a default mechanism?

15                  **Q.     WHAT IS AT&T'S POSITION ON ISSUE 17 REGARDING A**  
 16                  **COMMISSION-ESTABLISHED COMPENSATION MECHANISM?**

- 17                  A.     AT&T strongly endorses the Commission's goal of reforming and unifying  
 18                  legacy intercarrier compensation regulations, and believes that the best way  
 19                  to reach this goal is to establish an intercarrier compensation rule where a  
 20                  "minute is a minute" for transport and termination purposes, regardless of the  
 21                  individual call's content, means of switching, the identity of the called party,  
 22                  or the identity of the carrier. The Commission should retain the current  
 23                  reciprocal compensation mechanism unless the parties agree otherwise  
 24                  through negotiation. Bill and keep is neither efficient nor competitively  
 25                  neutral, and as I discuss later, there are additional negative considerations to  
 26                  bill and keep that make it an unattractive alternative at this time.

27                  **Q.     WHAT IS "BILL AND KEEP"?**

- 28                  A.     Bill and keep is a compensation mechanism in which the terminating carrier  
 29                  recovers its costs of terminating a call from the customer who receives the

1 call, rather than the calling party's local telephone provider. Thus, costs that  
2 have always been recovered from carriers for local calls would now be  
3 recovered directly from consumers.

4 **Q. DOES AT&T SUPPORT BILL AND KEEP AS AN APPROPRIATE**  
5 **DEFAULT COMPENSATION METHOD?**

6 A. No. Bill and keep preserves objectionable aspects of the existing patchwork  
7 of compensation. As a default mechanism, bill and keep would discourage  
8 good-faith negotiations between the ILECs and ALECs. The party that  
9 expects to originate more traffic than it terminates would have every  
10 incentive to dig its heels in, knowing that the default mechanism will govern.  
11 Further, bill and keep does not promote more efficient network usage by  
12 consumers. Instead, bill and keep encourages more unwanted calls because  
13 it effectively requires recipients to pay for terminating the unwanted calls.  
14 Bill and keep is not more "deregulatory" than cost-based intercarrier  
15 compensation. The Commission should continue to utilize reciprocal  
16 compensation as the default mechanism in the event that the parties are  
17 unable to negotiate an alternate intercarrier compensation regime.

18 **Q. PLEASE DISCUSS THE REGULATORY DISADVANTAGES OF A**  
19 **BILL AND KEEP ARRANGEMENT AS A DEFAULT MECHANISM.**

20 A. Bill and keep would be neither efficient nor competitively neutral and would  
21 result in significant unintended and undesirable consequences. Bill and keep  
22 would create new opportunities for both regulatory arbitrage and monopoly

1 abuse by encouraging carriers to seek out customers who make more calls  
2 than they receive (e.g., telemarketers, stock brokers).

3 Nor is bill and keep more “deregulatory” than cost-based intercarrier  
4 compensation. Bill and keep would simply mean that costs that have always  
5 been recovered from carriers would now be recovered from consumers, but  
6 only so long as the traffic is roughly balanced. Once the traffic is out of  
7 balance, the parties must still engage in the rating and billing now necessary  
8 for reciprocal compensation.

9 **Q. HOW WOULD CONSUMERS BE AFFECTED BY A BILL AND**  
10 **KEEP REGIME?**

11 A. Bill and keep shifts the burden of recovering the cost of the call from the  
12 originator of the call to the recipient of the call. People who make very few  
13 calls or those who subscribe to phone service primarily for safety reasons  
14 (i.e., to make calls in an emergency) would likely see their phone rates  
15 increase. Customers that make a large number of calls (e.g., telemarketers)  
16 would likely see their rates decline.

17 Customers largely have no control over who calls them or how often,  
18 so they will be forced to pay for the “pleasure” of receiving dinner and family  
19 time interruptions from cranks and hawkers of credit cards, funeral plots,  
20 timesharing condominiums, vinyl siding, penny stocks and burglar alarms.  
21 Friends and relatives of individuals on low fixed incomes might think twice  
22 about calling them, reluctant to impose additional costs. Subscribers might

1 also be forced to reconsider their phone plans to take into account the new  
2 influx of incoming calls that are largely beyond their control as a result of bill  
3 and keep. More broadly, the Commission will face new challenges in  
4 crafting a definition of basic service eligible for universal service support.  
5 These changes are likely further irritate customers who already are upset and  
6 confused about the proliferation of new charges on their bills and the  
7 daunting array of calling plans.

8 **Q. WHAT FINANCIAL IMPACT WOULD BILL AND KEEP**  
9 **ARRANGEMENTS HAVE ON LOCAL EXCHANGE COMPANIES?**

10 A. Bill and keep will cause a major adverse financial impact without a  
11 concomitant reduction in administrative costs. ALECs in particular will lose  
12 a source of income that is necessary to cover the cost for transporting and  
13 terminating calls originating on the ILEC's network. As outbound calls  
14 would surely increase under a bill and keep regime, the pricing signals used  
15 to charge end user customers would have to change dramatically in order to  
16 pay for the costs of running the network. Under current traffic patterns,  
17 ILECs would reap a considerable windfall, able to terminate their local traffic  
18 to the ALECs for free.

19 **Q. ARE THERE ANY ADVANTAGES TO BILL AND KEEP**  
20 **ARRANGEMENTS AS A DEFAULT MECHANISM?**

21 A. Yes, but only if exchanged traffic is precisely in balance. If each party is  
22 originating and terminating almost exactly the same amount of traffic for the

1 other party, administrative work will be slightly less burdensome because the  
2 parties need not render bills and issue checks each month. Of course, this  
3 benefit could easily be achieved through negotiations because the parties  
4 could agree to offset reciprocal compensation payments if traffic is truly  
5 balanced already.

6 **Q. IF THE COMMISSION IMPOSES BILL AND KEEP AS A DEFAULT**  
7 **MECHANISM, WILL THE COMMISSION NEED TO**  
8 **GENERICALLY DEFINE “ROUGHLY BALANCED TRAFFIC?”**

9 A. Yes. A bill and keep arrangement can only provide for mutual recovery of  
10 costs when traffic between the parties is in balance. If traffic is out of  
11 balance, the carrier that terminates more traffic incurs greater termination  
12 costs than it is relieved of – in essence, subsidizing the other carrier. Thus,  
13 the definition of “balance” is essential to implementation of bill and keep.

14 FCC Rule 51.713(b) allows state Commissions to impose bill and  
15 keep arrangements only if traffic is roughly balanced between providers. It  
16 would inappropriately put the cart before the horse to impose bill and keep  
17 without defining roughly balanced. Without a Commission definition, LECs  
18 and ILECS otherwise must negotiate this issue, which inevitably will lead to  
19 disputes and ultimately force the Commission to decide this issue.

20 **Q. SHOULD THE COMMISSION DECIDE TO IMPOSE A BILL AND**  
21 **KEEP ARRANGEMENT, HOW SHOULD THE COMMISSION**  
22 **DEFINE “ROUGHLY BALANCED TRAFFIC?”**

1       A.     LECs are unlikely to exchange exactly the same number of minutes of local  
2             traffic. FCC Rule 51.713(b) therefore does not require precision, but instead  
3             indicates that bill and keep may be appropriate when the exchange of traffic  
4             is approximately -- rather than precisely -- the same for each party, such that  
5             the difference between the amounts is insignificant.

6       **Q.     WHAT SHOULD BE THE "DEFAULT" COMPENSATION**  
7             **MECHANISM?**

8       A.     The Commission should retain reciprocal compensation as the appropriate  
9             default mechanism. Section 252(d)(2)(A) of the Act states that an  
10            interconnection agreement between an incumbent LEC and a new entrant  
11            cannot be found just and reasonable unless the agreement itself "provide[s]  
12            for the mutual and reciprocal recovery by each carrier of costs associated  
13            with the transport and termination on each carrier's network facilities of calls  
14            that originate on the network facilities of the other carrier." Reciprocal  
15            compensation appropriately imposes costs on the cost-causer, while bill and  
16            keep allows the originating company to retain the money it normally would  
17            have to pay for the use of the terminating carrier's network. Reciprocal  
18            compensation allows the costs to be shared by both the originating company  
19            and the terminating company. AT&T supports establishment of a cost-based  
20            reciprocal compensation rate as the default.

21       **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

22       A.     Yes.

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Paul E. Cain. I am employed by AT&T as a District Manager in the  
3 Business Services organization. My business address is 900 Route 202/206,  
4 Bedminster New Jersey, 07921.

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

6 A. Yes, I filed direct testimony on March 1, 2002.

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

8 A. My testimony responds to the direct testimony of Elizabeth Shiroishi of  
9 BellSouth, Dennis Trimble of Verizon, and Julie Ward of Sprint. Specifically, I  
10 will rebut assertions of BellSouth, Verizon, and Sprint that misconstrue the effects  
11 of LATAwide local calling and the implementation of a bill-and-keep reciprocal  
12 compensation mechanism in Florida.

13 **ISSUE 13: HOW SHOULD A "LOCAL CALLING AREA" BE DEFINED, FOR**  
14 **PURPOSES OF DETERMINING THE APPLICABILITY OF**  
15 **RECIPROCAL COMPENSATION?**  
16

17 **Q. PLEASE ADDRESS BELL SOUTH WITNESS SHIROISHI'S**  
18 **POSITION REGARDING THE ESTABLISHMENT OF A DEFAULT**  
19 **LOCAL CALLING AREA.**

20 A. BellSouth does not support the establishment of a default local calling area. If the  
21 Commission decides to implement one, however, BellSouth would have the  
22 Commission create a default local calling area that is identical to that of the  
23 ILEC's local calling area. In other words, BellSouth wants to limit competitive  
24 opportunities with a cost structure that forces other carriers to limit the options  
25 available to their customers. Thus, BellSouth's proposal is anticompetitive.

1 Further, it would perpetuate the complexity of intercarrier compensation, a  
2 complexity that even Ms. Shiroishi concedes in her testimony (Shiroishi  
3 Supplemental Direct at Page 9). This complexity translates into an all-too-  
4 confusing array of calling plans and artificial boundaries that consumers must  
5 navigate to understand their telephone service.

6 **Q. PLEASE EXPLAIN.**

7 A. The telecommunications industry has a unique geography that is unlike the  
8 political geography that we learn in school. Instead of villages, cities, counties,  
9 and states, we have exchange areas, local calling areas, extended areas, local  
10 access and transport areas (“LATAs”), state boundaries, and in the case of  
11 wireless carriers, major trading areas (“MTAs”). Although most residents of  
12 Florida understand the political boundaries, most would be hard-pressed to  
13 explain what their local exchange area is or why the distinction is even necessary.  
14 Their skepticism is well founded.

15 These boundaries translate into the costs that carriers must incur to  
16 provide service to their customers. An IXC must pay interstate access charges  
17 when it exchanges interstate traffic with local exchange carriers; such charges are  
18 then passed on to the interexchange carrier’s customers. That same IXC must pay  
19 a different set of access charges when it exchanges intrastate calls with the local  
20 exchange carriers; again, those charges are recovered from the IXC’s customers.  
21 Additional cost relationships are imposed when two local exchange carriers  
22 directly exchange traffic. If a call is classified as intraLATA toll, the LEC  
23 terminating the call collects access charges from the LEC that originated the call;



1 the originating LEC would recover those charges from its customer that initiated  
2 the call. If a call is classified as local, the LEC terminating the call collects  
3 reciprocal compensation – yet another set of intercarrier charges – from the LEC  
4 that originated the call; again, the originating LEC would recover those charges  
5 from its end users.

6 **Q. WHY WOULDN'T THE ADOPTION OF THE INCUMBENT LOCAL**  
7 **EXCHANGE CARRIER'S LOCAL CALLING AREA (AS PROPOSED BY**  
8 **VERIZON AND BELLSOUTH) ACCOMPLISH THE SAME GOAL AS A**  
9 **LATA-WIDE DEFAULT?**

10 A. Adoption of the incumbent local exchange carrier's local calling area suffers from  
11 two afflictions. First, it would preserve and perpetuate the complexities plaguing  
12 the industry. The ILEC's local calling area is yet another artificial boundary that  
13 few outside of this proceeding understand. Second, as a default, it would hold  
14 ALECs and consumers hostage to the calling plans of the incumbent local  
15 exchange carrier. Although it is true that ALECs are free to define their own  
16 retail local calling areas, that freedom is constrained by the costs the ALEC must  
17 incur. One of those costs is intercarrier compensation. If the ALEC must pay the  
18 ILEC switched access for some calls within the LATA, and reciprocal  
19 compensation for others, the ALEC's LATA-wide local calling areas will turn out  
20 to be either unprofitable or uncompetitive, or both. If the ALEC wants to charge  
21 its customers a uniform rate for all calls within the LATA and recover its costs, it  
22 must charge a rate that equals the switched access charges (rates for switched  
23 access generally exceed rates for reciprocal compensation) it is incurring from the

1 ILEC. The ALEC would have a difficult time competing against the ILEC with  
2 such high rates. The alternative, of course, is for the ALEC to abandon a uniform  
3 rate for LATA-wide calling and match the ILEC's calling areas. In both cases,  
4 consumers lose: they must continue to pay higher rates and have fewer choices  
5 than they would otherwise.

6 **Q. HOW WOULD THIS SITUATION CHANGE IF THE COMMISSION**  
7 **ESTABLISHED THE LATA AS THE LOCAL CALLING AREA FOR**  
8 **PURPOSES OF INTERCARRIER COMPENSATION PURPOSES?**

9 A. The Commission should still encourage local exchange carriers to negotiate the  
10 definition of local traffic that best meets the requirements for both carriers. By  
11 adopting the LATA as the default local calling area, however, the Commission  
12 will be taking a small but significant step towards eliminating an anticompetitive  
13 environment for ALECs. Florida consumers will benefit from the Commission's  
14 move towards simplifying intercarrier compensation and eliminating a layer of  
15 confusion. In the event that two carriers cannot agree on a definition of a local  
16 calling area, a LATA-wide definition will reduce the number of intercarrier  
17 compensation charges from two to one. Although the industry will be left with a  
18 still-too-large number of other intercarrier compensation charges and artificial  
19 boundaries, the Commission will have brought us one step closer to rational --and  
20 understandable-- pricing of telecommunications services, to the benefit of Florida  
21 consumers.

1 **Q. VERIZON WITNESS TRIMBLE ADVOCATES THE ILEC LOCAL**  
2 **CALLING AREA AS THE DEFAULT IN ORDER TO MAINTAIN LOCAL**  
3 **AND TOLL DISTINCTIONS. PLEASE ADDRESS HIS ARGUMENTS.**

4 **A.** Mr. Trimble argues, “LATA-wide reciprocal compensation will obliterate the  
5 local/toll distinctions that this Commission has maintained for decades.”  
6 (Trimble Supplemental Direct at Page 7). Mr. Trimble’s main argument and  
7 testimony on this issue can be boiled down as follows: Verizon believes that  
8 ILECs will lose revenue if forced to compete on a LATA-wide basis, and  
9 therefore universal service will suffer unless the Commission keeps in place an  
10 outdated cost structure that props up ILEC revenues. (Trimble Supplemental  
11 Direct at Page 8). This argument is insupportable. ILECs are not entitled to their  
12 current revenue stream in any event, and should not be able to limit competition  
13 in Florida by imposing their own calling areas on ALECs.

14 **Q. PLEASE ADDRESS MR. TRIMBLE’S ARGUMENTS REGARDING THE**  
15 **NEED TO RETAIN UNIVERSAL SERVICE SUBSIDIES IN THE FORM**  
16 **OF ACCESS CHARGES.**

17 **A.** These are tired arguments, and I was a bit surprised to discover that the ILECs  
18 were still making them. When an ILEC such as Verizon elected price regulation,  
19 it gave up the right to a guaranteed level of revenue. One hopes that they  
20 understood that at the time. Furthermore, in the years leading up to the 1996  
21 Telecommunications Act, and ever since, enlightened universal service policy has  
22 been based on the fundamental premise that subsidies should be explicit, not  
23 hidden in the prices carriers or customers pay for their services. That certainly

1 seems to be the premise underlying Section 364.025 of the Florida statutes. The  
2 statute provides Verizon, BellSouth and Sprint the opportunity to ask the PSC for  
3 explicit universal service support. It is my understanding that no ILEC has done  
4 so.

5 **Q. HAS THE FLORIDA PUBLIC SERVICE COMMISSION RULED ON ANY**  
6 **TYPE OF INTERIM MECHANISM FOR UNIVERSAL SERVICE?**

7 A. Yes. The Commission spoke to this in 1995 by Order No. PSC-95-1592-FOF-TP,  
8 issued December 27, 1995. The Commission determined that the appropriate  
9 interim mechanism consisted of two components:

10 First, for the present, LECs should continue to fund  
11 Universal Service obligations the way they currently do --  
12 through markups on the various services they offer.

13  
14 Second, the Commission created an expedited process for  
15 addressing petitions for Universal Service funding, on a  
16 case-by-case basis, wherein an ILEC must demonstrate that  
17 competition has eroded its ability to maintain its Universal  
18 Service obligations and quantify the shortfall in support due  
19 to competition.

20  
21 Although the Commission left the door open for ILECs to ask for universal  
22 service support, as far as I know, no ILEC has done so.

23 **Q. IS VERIZON'S ARGUMENT REGARDING DEPLETION OF THE**  
24 **ABILITY OF ILECS TO CONTRIBUTE TO UNIVERSAL SERVICE**  
25 **VALID?**

26 A. No. Before ALECs began offering competing services in ILEC territories,  
27 companies like Verizon had 100% of the customers on their local network. Thus,  
28 when one of their customers made an intraLATA toll call, Verizon would bear  
29 100% of the cost of the call, but had no opportunity to collect access charges for

1 these calls from other carriers. No subsidies, to the extent that they were  
2 necessary, were available. Now that competitors serve a few of the customers  
3 that Verizon previously served, Verizon claims that it depends on the switched  
4 access revenue that Verizon collects from these ALECs when an ALEC customer  
5 calls a Verizon customer. That seems more than a bit farfetched. Furthermore,  
6 by reducing the rates that Verizon would pay ALECs for terminating intraLATA  
7 calls, Verizon will realize an expense savings on intraLATA calls made by its  
8 own customers.

9 **Q. MR. TRIMBLE ALSO APPEARS TO ARGUE THAT A LATA-WIDE**  
10 **LOCAL CALLING AREA IS INCONSISTENT WITH SECTION**  
11 **364.16(3)(A), FLORIDA STATUTES. DO YOU AGREE?**

12 **A.** The statute he cites does not prohibit the Commission from imposing a  
13 LATA-wide default for purposes of intercarrier compensation. It provides that  
14 telecommunications companies cannot knowingly deliver traffic through a local  
15 interconnection arrangement “for which terminating access service charges would  
16 otherwise apply...” If the Commission establishes that the entire LATA will be  
17 considered local for reciprocal compensation purposes, then terminating access  
18 charges would not apply.

19 **Q. MR. TRIMBLE ARGUES THAT ADOPTION OF A LATA-WIDE LOCAL**  
20 **CALLING AREA FOR INTERCARRIER COMPENSATION PURPOSES**  
21 **WOULD NOT BE COMPETITIVELY NEUTRAL BECAUSE IT WOULD**  
22 **PUT ILECS AND IXCS AT A DISADVANTAGE (TRIMBLE**  
23 **SUPPLEMENTAL DIRECT AT PAGE 8). SPRINT WITNESS JULIE**

1           **WARD MAKES SIMILAR ASSERTIONS (WARD SUPPLEMENTAL**  
2           **DIRECT AT PAGE 6). ARE THEY CORRECT?**

3    A.    No. ILECs and ALECs are affected the same way: both sacrifice switched access  
4           revenue in exchange for lower costs of traffic termination. Each is free to respond  
5           to this change in its revenue/cost structure as it sees fit (e.g., reduced rates to  
6           customers, calling plans that are easier to understand, etc.) On the other hand,  
7           IXCs that are not in the local telecommunications business might indeed face  
8           erosion in their competitive position. That erosion can be traced to its source in  
9           the irrational layers of non-cost-based prices that pervade intercarrier  
10          compensation described earlier in my testimony. Furthermore, to the extent that  
11          ALECs and ILECs reach LATA-wide local reciprocal compensation agreements,  
12          that erosion is likely to happen regardless of the Commission's action in this  
13          proceeding.

14    **Q.    IS MR. TRIMBLE CORRECT WHEN HE STATES IN HIS TESTIMONY**  
15          **THAT "THE ILECS WOULD, LIKEWISE, BE SUBJECT TO ACCESS**  
16          **COMPENSATION RULES WHEN THEY HANDLE TOLL CALLS FOR**  
17          **THEIR PRESUBSCRIBED CUSTOMERS BECAUSE FLORIDA LAW**  
18          **REQUIRES THEM TO IMPUTE ACCESS COSTS INTO THEIR**  
19          **INTRALATA TOLL RATES" [TRIMBLE SUPPLEMENTAL DIRECT AT**  
20          **PAGE 9]?**

21    A.    He is correct to a certain extent, but leaves out an important point. The whole  
22          truth to this argument is that access is applicable only if ILECs choose to continue  
23          to charge toll rates to their end users. Nothing forces them to do so; they are free

1 to compete and could choose to offer their customers the choice of non-basic or  
2 expanded calling plans.

3 **Q. HOW WOULD COMPETITION BE FURTHER ACHIEVED WITH THE**  
4 **IMPLEMENTATION OF A LATA-WIDE LOCAL CALLING AREA FOR**  
5 **PURPOSES OF INTERCARRIER COMPENSATION?**

6 A. Any reduction in costs allows a carrier greater flexibility to respond to the  
7 demands of its customers. LATAwide local reciprocal compensation will liberate  
8 carriers to offer local calling plans better tailored to the needs of their customers,  
9 at lower rates than would otherwise have been the case which, of course, fosters  
10 greater competition.

11 **ISSUE 17: SHOULD THE COMMISSION ESTABLISH COMPENSATION**  
12 **MECHANISMS CONCERNING THE TRANSPORT AND**  
13 **DELIVERY OR TERMINATION OF TRAFFIC SUBJECT TO**  
14 **SECTION 251 OF THE ACT TO BE USED IN THE ABSENCE OF**  
15 **THE PARTIES REACHING AGREEMENT OR NEGOTIATING A**  
16 **COMPENSATION MECHANISM? IF SO, WHAT SHOULD BE**  
17 **THE MECHANISM?**

18  
19 **Q. BELLSOUTH AND VERIZON SUPPORT BILL-AND-KEEP AS THE**  
20 **DEFAULT INTERCARRIER COMPENSATION MECHANISM. DOES**  
21 **AT&T AGREE WITH THIS POSITION?**

22 A. No. For the reasons I noted in my direct testimony, AT&T supports mutual  
23 payment of cost-based rates as the default for intercarrier compensation.

24 **Q. DOES AT&T HAVE ANY OTHER OBJECTIONS TO BELLSOUTH'S**  
25 **BILL-AND-KEEP PROPOSAL?**

26 A. Yes. If the Commission decides to adopt bill-and-keep as the default intercarrier  
27 compensation mechanism, it must also adopt a default "out-of-balance" threshold

1 to determine when bill-and-keep is no longer appropriate. BellSouth suggests that  
2 traffic should be considered in balance when the ratio of traffic exchanged  
3 between two carriers is as high as 75% : 25% (3:1). This means that an ALEC  
4 could terminate three times as many calls as BellSouth, yet BellSouth would pay  
5 no reciprocal compensation. Such a definition of “in balance” greatly exceeds the  
6 bounds of reasonableness.

7 **Q. WHAT IS THE BASIS FOR BELLSOUTH’S PROPOSAL?**

8 A. BellSouth bases its proposal on the FCC’s default definition of ISP traffic in its  
9 May 2001 order establishing intercarrier compensation rates for ISP-bound traffic  
10 (yet another layer of complexity!). In that Order, the FCC determined that if ISP-  
11 bound traffic could not be identified explicitly, then any traffic exceeding a 3:1  
12 ratio of inbound minutes to outbound minutes would be classified as ISP-bound  
13 and thus subject to the FCC’s rates. BellSouth jumps to the incredible conclusion  
14 that all traffic that is not ISP traffic must be in balance. So, according to  
15 BellSouth, traffic patterns that are out of balance by as much as 50% (i.e., 75%  
16 minus 25%) are actually “in balance.” That is an extremely “rough” definition of  
17 “roughly in balance.”

18 **Q. WHAT DOES AT&T RECOMMEND AS THE DEFINITION OF “OUT OF**  
19 **BALANCE?”**

20 A. As I stated in my direct testimony, traffic should be considered in balance when  
21 the difference between the amounts of traffic terminated by each carrier is almost  
22 insignificant.



1 **Q. WOULD YOU SUPPORT ANY OF THE DEFINITIONS OF “ROUGHLY**  
2 **BALANCED” PUT FORTH BY OTHER PARTIES TO THIS**  
3 **PROCEEDING?**

4 A. As noted in the testimony of Verizon witness Trimble, AT&T has agreed in the  
5 past to 10% as the out-of-balance condition, but that is certainly not the definitive  
6 benchmark or requirement for this Commission. That agreement was signed in  
7 1997, and the Commission is free to determine a smaller percentage that meets the  
8 definition of “out of balance” in order to meet the requirement where the  
9 difference between the amounts of traffic terminated by each carrier is almost  
10 insignificant.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

1 CHAIRMAN JABER: FCTA.

2 MR. GROSS: FCTA would request that the direct  
3 testimony of William J. Barta filed on March 2nd, 2002 be  
4 inserted into the record as though read.

5 CHAIRMAN JABER: Just for purposes of the record my  
6 testimony is dated March 1st, 2002.

7 MR. GROSS: The testimony actually is dated March  
8 1st. I saw the filing stamp indicating March 2nd.

9 CHAIRMAN JABER: So we are talking about same thing,  
10 the prefiled direct testimony.

11 MR. GROSS: Oh, I'm sorry, it is March 1st. I was  
12 misreading the filing stamp.

13 CHAIRMAN JABER: No problem. I just wanted to make  
14 sure there wasn't supplemental testimony. So the direct  
15 testimony of William J. Barta dated March 1st, 2002 shall be  
16 inserted into the record as though read.

17 MR. GROSS: FCTA would also request that the March  
18 25th, 2002 rebuttal testimony of William J. Barta be inserted  
19 into the record as though read.

20 CHAIRMAN JABER: The prefiled rebuttal testimony of  
21 William J. Barta shall be inserted into the record as though  
22 read.

23 MR. GROSS: There was also Exhibit WJB-1 appended to  
24 Mr. Barta's direct testimony, and we would request that that be  
25 marked for identification and admitted into the record.

1           CHAIRMAN JABER: WJB-1 is identified as Exhibit 4,  
2 and Exhibit 4 shall be admitted into the record.

3           MR. GROSS: Thank you.

4           CHAIRMAN JABER: Thank you.

5           (Exhibit 4 marked for identification and admitted  
6 into the record.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
TALLAHASSEE, FLORIDA  
DIRECT TESTIMONY OF  
WILLIAM J. BARTA  
MARCH 1, 2002  
DOCKET NO. 000075-TP**

10 **Q. Please state your name and business address.**

11 A. My name is William Barta, and my business address is 7170 Meadow Brook Court,  
12 Cumming, Georgia 30040.

13  
14 **Q. What is your occupation?**

15 A. I am the founder of Henderson Ridge Consulting, Inc., a regulatory consulting firm. The  
16 firm's practice focuses on the technical and policy issues confronting the regulatory  
17 authorities overseeing the competitive developments occurring within the  
18 telecommunications and electric utility industries.

19  
20 **Q. Please provide a summary of your education and professional experience.**

21 A. I graduated in 1978 from The Lindenwood Colleges where I received a Bachelor of Arts  
22 degree, cum laude, with a study emphasis in accounting. After working for nearly two  
23 years as a staff accountant in private industry, I enrolled in the graduate business program  
24 at Emory University and, in 1982, received my Masters of Business Administration with  
25 concentrations in finance and marketing.

1 After graduating from Emory University in 1982, I joined the Bell System as an Account  
2 Executive. In 1983, I transferred to AT&T Communications where I provided a broad  
3 range of accounting regulatory support functions to the nine state Southern Region.  
4

5 From 1986 through 1988, I held various positions in the regulatory departments of Contel  
6 Corporation, an independent local exchange carrier. My responsibilities ranged from  
7 tariff support to ratemaking and rate design issues to line of business feasibility studies.  
8

9 In April 1988, I joined the firm of J. Kennedy and Associates, Inc., a regulatory and  
10 economic consulting firm. As a Manager at Kennedy and Associates, I directed or  
11 supported the ratemaking investigations of major telecommunications and electric  
12 utilities. My work covered rate design, revenue requirements analysis, and the  
13 determination of the appropriate cost of capital and other issues associated with  
14 traditional rate base/rate of return regulation.  
15

16 Since the passage of The Telecommunications Act of 1996, I have participated in  
17 numerous regulatory proceedings initiated in response to the Act's pro-competitive  
18 mandates. The policy and technical issues addressed in these proceedings include  
19 universal service and access charge reform, interim and permanent pricing for local  
20 interconnection and unbundled network elements, avoided retail cost studies for resale  
21 purposes, evaluation of local number portability cost studies, assessment of Contract  
22 Service Arrangements, collocation cost analysis, reciprocal compensation for intercarrier  
23 local exchange traffic, and the mediation of joint use pole disputes.  
24

25 **Q. Do you hold any professional certifications?**

1 A. Yes. I am a Certified Public Accountant with an active license to practice in the State  
2 of Georgia. Exhibit No. WJB-1 provides more detailed information on my experience.

3  
4 **Q. On whose behalf are you testifying in this proceeding?**

5 A. I am testifying on behalf of the Florida Cable Telecommunications Association (“the  
6 FCTA”).

7  
8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to address the questions raised by the Commission in  
10 Issue No. 17 in its January 31, 2002 Second Order on Procedure, Schedule and Issues for  
11 Phase II of the instant docket. The questions posed in Issue No. 17 deal with the  
12 Commission’s concerns over intercarrier compensation.

13  
14 **Q. Please summarize your testimony.**

15 A. The Order on Remand and Report and Order (“ISP Remand Order”) released by the  
16 Federal Communications Commission (“the FCC”) on April 27, 2001 raises a cloud of  
17 regulatory uncertainty in this proceeding. In the ISP Remand Order, the FCC asserted  
18 its jurisdiction over ISP-bound traffic by declaring such traffic to be interstate  
19 information access traffic under Section 251(g). The FCC promulgated rules to  
20 implement a three-year phase-out of the existing reciprocal compensation arrangements  
21 for ISP-bound traffic using rate and volume caps. Since the ISP Remand Order is  
22 currently on appeal at the U.S. District Court for the District of Columbia, the Florida  
23 Public Service Commission (“the Commission” or “the Florida Commission”) does not  
24 need to address the issue of the appropriate compensation mechanism for ISP-bound  
25 traffic at this time.

1 The Commission should require that a reciprocal compensation mechanism be used to  
2 govern intercarrier compensation of the local exchange traffic that remains under its  
3 jurisdiction. The reciprocal compensation arrangement should be based upon  
4 symmetrical rates that reflect the incumbent local exchange carriers' ("ILECs") Total  
5 Element Long Run Incremental Costs ("TELRIC") as approved by the Commission.

6  
7 The Commission's interest in adopting a bill and keep arrangement as a default  
8 mechanism should be tempered by the narrow situations in which the arrangement may  
9 be effective. Bill and keep arrangements may hold the advantage of reduced transactions  
10 costs for the interconnecting carriers over other compensation regimes in limited  
11 circumstances; namely, where the traffic flow between the carriers is approximately  
12 equal and their cost structures are essentially the same. But even where interconnecting  
13 carriers have expected these unique traffic and cost conditions to prevail, experience has  
14 proven that the administrative burdens of bill and keep are excessive.

15  
16 The potential disadvantages of bill and keep far outweigh the possible benefit of lower  
17 carrier transaction costs. Both the ILECs and the alternative local exchange carriers  
18 ("ALECs") will incur new administrative and marketing costs if the Commission decides  
19 to move to a bill and keep arrangement. Bill and keep will also foster market uncertainty  
20 as its financial impact on ALECs remains unknown until it is in effect. Bill and keep  
21 could potentially spawn new incentives to engage in regulatory gamesmanship as carriers  
22 attempt to design their networks to unload the traffic originating on their networks as  
23 quickly as possible and to accept terminating traffic as late as possible.

1 But most importantly, bill and keep allows the incumbent LECs the opportunity to  
2 exercise their superior bargaining strength. BellSouth and Verizon overwhelmingly  
3 support the move to a bill and keep regime. Based upon these dominant firms'  
4 preference for a bill and keep arrangement, the Commission's proposed default  
5 mechanism would cast a certain chill on the give and take that typically characterizes  
6 arms-length negotiations. Indeed, it is highly likely that the incumbent LECs will be  
7 tough "negotiators," secure in the knowledge that a bill and keep regime is the ultimate  
8 regulatory remedy to resolve any impasse between the parties.

9  
10 **Q. Should the Commission establish compensation mechanisms governing the**  
11 **transport and delivery or termination of traffic subject to Section 251 of the**  
12 **Act to be used in the absence of the parties reaching agreement or**  
13 **negotiating a compensation mechanism? If so, what should be the**  
14 **mechanism (Issue No. 17)?**

15 A. Yes. The Commission should continue its policy of requiring reciprocal compensation  
16 for the local traffic (i.e. non-ISP-bound traffic) that remains under its jurisdiction. The  
17 current Commission's rules require that symmetrical rates, based upon the ILECs'  
18 Commission-approved unbundled network element rates, serve as the default reciprocal  
19 compensation mechanism.

20  
21 The response to this question should also make note of the provisions of the FCC's ISP  
22 Remand Order that is currently under appeal before the U.S. District Court for the  
23 District of Columbia. As of June 14, 2001, the effective date of the ISP Remand Order,  
24 State regulatory authorities, including the Florida Commission, no longer have  
25



1 jurisdiction to establish any form of intercarrier compensation for ISP-bound traffic. The  
2 FCC asserted its jurisdiction over ISP-bound traffic by declaring such traffic to be  
3 interstate information access traffic under Section 251(g) of the 1996 Act.  
4

5 **Q. What rules govern intercarrier compensation for ISP-bound traffic under the**  
6 **FCC's ISP Remand Order?**

7 A. The FCC has implemented a transitional cost recovery mechanism based upon declining  
8 rate caps and volume caps. For the first six months following the effective date of its  
9 Order, intercarrier compensation of ISP-bound traffic is capped at a rate of \$.0015 per  
10 minute-of-use. For the subsequent eighteen months, the rate is capped at \$.0010 per  
11 minute-of-use. Starting in the twenty-fifth month and continuing through the thirty-sixth  
12 month, the rate will be capped at \$.0007 per minute-of-use.  
13

14 A volume cap will also be imposed on total ISP-bound minutes for which a local  
15 exchange carrier may receive the transitional compensation levels. The FCC established  
16 a ceiling for 2002 on the ISP-bound minutes-of-use eligible for compensation. The  
17 ceiling reflects a ten-percent growth factor based upon the number of ISP-bound minutes  
18 recorded by the carrier during the first quarter of 2001. In 2003, a carrier may receive  
19 compensation for ISP-bound minutes up to the level of the 2002 minutes-of-use ceiling.  
20

21 **Q. How does the FCC distinguish ISP-bound traffic from the rest of a carrier's local**  
22 **exchange traffic?**

23 A. The FCC arbitrarily defined ISP-bound traffic under the rebuttable presumption where  
24 any traffic exchanged between carriers that exceeds a 3:1 ratio of terminating to  
25 originating traffic is ISP-bound traffic subject to the transitional compensation scheme.

1 **Q. What initiatives should the Florida Commission take in this docket in light of the**  
2 **provisions of the ISP Remand Order?**

3 A. The Florida Commission need not take any further action in this docket to establish a  
4 compensation mechanism for ISP-bound traffic.

5  
6 **Q. What form of intercarrier compensation should the Florida Commission establish**  
7 **for all other (i.e. non-ISP-bound) local traffic?**

8 A. The Commission should require that a reciprocal compensation mechanism be used to  
9 govern intercarrier compensation of the local exchange traffic that remains under its  
10 jurisdiction in the event carriers do not successfully negotiate an agreement for the  
11 transport and termination of such traffic. The reciprocal compensation arrangement  
12 should be based upon symmetrical rates that reflect the incumbent LEC's costs;  
13 specifically, the rates found in the Total Element Long Run Incremental Cost studies  
14 approved by the Commission.

15  
16 **Q. Does the Commission have jurisdiction to establish bill and keep (Issue No. 17a)?**

17 A. Yes, but only with respect to non-ISP-bound local traffic. State regulatory authorities  
18 may order a bill and keep arrangement under certain circumstances for non-ISP-bound  
19 local traffic. The Commission can establish bill and keep if neither carrier has rebutted  
20 the presumption of symmetrical rates and if the flow of traffic between the carriers'  
21 networks is approximately equal (and is expected to remain so). It is noteworthy that  
22 under a State imposed bill and keep regime, compensation obligations of the parties must  
23 be revisited and imposed in the event the flow of traffic between the carriers' networks  
24 becomes significantly out of balance. Thus, the Commission's authority to implement  
25

1 a bill and keep arrangement does not appear to extend to those circumstances where the  
2 exchange of traffic is not balanced between the interconnecting carriers' networks.

3  
4 **Q. What is the potential financial impact, if any, on ILECs and ALECs of bill and keep**  
5 **arrangements (Issue No. 17b)?**

6 A. Aside from the unnecessary additional administrative and marketing costs that the change  
7 to a bill and keep arrangement would likely introduce, such a compensation mechanism  
8 fails to recognize that the costs an ALEC incurs to transport and terminate a call are very  
9 real. The shift to a bill and keep arrangement will not relieve the ALEC of the  
10 responsibility to terminate the call that the ILEC's customer originates. More  
11 importantly, the shift to a bill and keep arrangement does not mean the ALEC's cost of  
12 terminating the traffic that has been originated on the ILEC's network has decreased or  
13 disappears simply because there is no explicit compensation for the carriage of traffic  
14 between the carriers.

15  
16 As long as the cost of terminating traffic is positive, a bill and keep arrangement will not  
17 adequately provide for the recovery of an ALEC's costs unless the flow of traffic  
18 between the carriers' networks is approximately equal. The potential financial impact  
19 upon an ALEC could be materially detrimental, as it will no longer receive the revenue  
20 earned for transporting and terminating the local traffic originated by the ILEC's  
21 customer.

22  
23 **Q. You mentioned additional administrative and marketing costs in your response.**  
24 **Why will a shift to bill and keep cause carriers to incur these extra costs?**

1 A. The move from a reciprocal compensation arrangement to a bill and keep mechanism  
2 poses a major change in intercarrier compensation rules for both the ILECs and the  
3 ALECs. One should expect such a change to be accompanied by a new set of costs.  
4 These costs may very well include, but are not limited to, the expense of participating in  
5 more intercarrier compensation proceedings, the need to renegotiate (and possibly  
6 arbitrate) interconnection agreements, and the effort to develop and implement new retail  
7 pricing programs that are in response to regulatory, not competitive market, forces.

8  
9 **Q. What potential financial impact may the ILECs anticipate under a bill and keep  
10 regime?**

11 A. The ILECs can expect to enjoy an immediate stream of cash flow because they no longer  
12 have the obligation to compensate the ALECs for terminating calls that are originated on  
13 their networks. Depending upon the magnitude of the terminating traffic imbalance, the  
14 savings realized by the ILEC could be substantial. This is certainly true in view of the  
15 FCC's decision to phase-out payments under the reciprocal compensation for ISP-bound  
16 traffic.

17  
18 **Q. If the Commission imposes bill and keep as a default mechanism, will the  
19 Commission need to define generically "roughly balanced?" If so, how should the  
20 Commission define "roughly balanced?" (Issue No. 17c)**

21 A. The provisions of the ISP Remand Order have complicated the task of determining traffic  
22 flow balances or imbalances between interconnecting carriers. Notwithstanding that it  
23 is not currently possible to reliably or accurately identify ISP-bound calls from other  
24 forms of local traffic, the FCC has arbitrarily defined the ISP-bound calls that are to be  
25 compensated for under its transitional reciprocal compensation scheme. It is the

1 carriers' remaining non-ISP-bound local traffic that the Florida Commission must  
2 measure for "roughly balanced" traffic loads.

3  
4 One approach to defining a "roughly balanced" exchange of traffic between  
5 interconnecting carriers is to place a percentage threshold on the difference in traffic  
6 flows in the two directions. An alternative approach would be to establish a dollar  
7 threshold where a carrier would not be obligated to compensate the interconnecting  
8 carrier unless the net minutes-of-use for terminating traffic resulted in a dollar amount  
9 that exceeded the prescribed threshold.

10  
11 But working with a materiality threshold has proven to be a daunting challenge in  
12 practice. Some interconnecting ALECs and ILECs have entered into bill and keep  
13 arrangements that included a percentage or dollar threshold as part of the agreement.  
14 Experience has shown that the administrative burden of keeping up with the flow of  
15 traffic and calculating offsetting payments has outweighed the costs of each carrier  
16 billing for actual minutes-of-use.

17  
18 Furthermore, in response to the FCC's rules and the ILECs' preference for a reciprocal  
19 compensation regime, most ALECs have invested in and implemented billing systems  
20 in order to track and bill for actual minutes-of-use. Since sophisticated billing systems  
21 are already in existence, it would seem to make little sense now to abandon their  
22 capability.

23  
24 **Q. How frequently should the traffic flow between the carriers be reviewed to ensure**  
25 **the exchange of traffic remains "roughly balanced?"**

1 A. In the event that the Florida Commission elects to adopt a bill and keep arrangement, the  
 2 non-ISP-bound local traffic flows between interconnecting carriers should be measured  
 3 as accurately as possible for each six month period the interconnection agreement  
 4 remains in effect. If large traffic imbalances between the carriers persist, the  
 5 Commission may wish to reconsider its decision to adopt a bill and keep regime or  
 6 implement a true-up mechanism to alleviate the financial burden of the disadvantaged  
 7 carrier.

8  
 9 **Q. What potential advantages or disadvantages would result from the imposition of**  
 10 **bill and keep arrangements as a default mechanism, particularly in comparison to**  
 11 **other mechanisms already presented in Phase II of this docket (Issue No. 17d)?**

12 A. The advantages of a bill and keep regime are limited to those circumstances where  
 13 payments between the interconnecting carriers are expected to be offset as a result of a  
 14 balance in the exchange of traffic and/or the respective costs that the carriers incur in  
 15 transporting and terminating traffic. That is, if the carriers exhibit the same cost  
 16 structures (an unlikely occurrence), then a balanced traffic flow between the  
 17 interconnecting networks should result in an offset of payments from one party to the  
 18 other. An uneven flow of traffic can still result in an offset of payments provided it  
 19 happens that just the exact differential between the carriers' costs exists (yet another  
 20 unlikely coincidence). Bill and keep arrangements, under these limited circumstances,  
 21 may reduce each carrier's transaction costs. The probability of maintaining such a  
 22 perfect balance between each carrier's traffic patterns and cost structures for any duration  
 23 is most likely remote.

24  
 25

1 One would expect that the carriers would recognize where a bill and keep arrangement  
2 is more efficient and would reach such an agreement without the need for regulatory  
3 intervention. Therefore, it seems that the most logical default intercarrier compensation  
4 mechanism continues to be reciprocal compensation.  
5

6 **Q. What are some of the potential disadvantages you foresee with a decision to**  
7 **implement a bill and keep arrangement as a default mechanism?**

8 A. Several disadvantages are likely to stem from a Commission decision to rely upon a  
9 bill and keep arrangement as a default mechanism. As noted in an earlier response,  
10 there will be new administrative and marketing costs for the ILECs and ALECs. A  
11 shift to a bill and keep regime will also foster market uncertainty that carries its own  
12 set of cost burdens. In addition, a bill and keep arrangement creates a new incentive  
13 to engage in regulatory gamesmanship in the form of inefficient network design. But  
14 most importantly, bill and keep arrangements play right into the hands of the superior  
15 bargaining power that the dominant industry players – the incumbent LECs -- hold.  
16

17 **Q. What are your concerns with respect to heightened market uncertainty if the**  
18 **Commission should adopt a bill and keep arrangement as a default mechanism?**

19 A. The move to a bill and keep arrangement can contribute to market uncertainty because  
20 the magnitude of the decision's impact upon the ALECs' financial viability cannot be  
21 determined until the regime is in effect. If competitive carriers are unable to timely and  
22 successfully react to a regulatory mandated change in the traditional form of  
23 compensation for the exchange of traffic, then there will be fewer competitors left to  
24 participate in this segment of the market. Although there are no guarantees of financial  
25

1 success in the competitive telecommunications markets, the strength and versatility of  
2 the competition emerging in these markets depends upon regulators to consistently  
3 send the right pricing and investment signals to the industry participants.  
4

5 **Q. What compensation mechanism sends the right pricing and compensation**  
6 **signals to incumbent carriers and new market entrants?**

7 A. A reciprocal compensation mechanism using symmetrical rates based upon the  
8 incumbent LECs' forward-looking costs is the appropriate regulatory tool to  
9 encourage competition and innovation. The FCC recognized the merits of this pricing  
10 standard and wisely adopted it to establish the rates for interconnection and  
11 unbundled elements:

12 **"Because a pricing methodology based on forward-looking costs**  
13 **simulates the conditions in a competitive marketplace, it allows the**  
14 **requesting carrier to produce efficiently and to compete effectively,**  
15 **which should drive retail prices to their competitive levels. We believe**  
16 **that our adoption of a forward-looking cost-based pricing**  
17 **methodology should facilitate competition on a reasonable and**  
18 **efficient basis by all firms in the industry by establishing prices for**  
19 **interconnection and unbundled elements based on costs similar to**  
20 **those incurred by the incumbents, which may be expected to reduce**  
21 **the regulatory burdens and economic impact of our decision for many**  
22 **parties, including both small entities seeking to enter the local**  
23 **exchange market and small incumbent LECs"** (Local Competition  
24 Order, paragraph 679).  
25



1 The competitive philosophy embraced in the FCC's TELRIC pricing standards have been  
2 borne out as ALECs have introduced efficient network designs to lower the costs of  
3 terminating traffic and have found innovative ways to satisfy the communications needs  
4 of customers. This competitive outcome should be applauded as a marketplace success  
5 and not held out as an example of inefficient regulatory arbitrage. The Florida  
6 Commission should continue its sound reasoning to implement a reciprocal  
7 compensation mechanism for interconnection using symmetrical rates based upon the  
8 ILECs' forward-looking costs.

9  
10 **Q. What forms of regulatory gamesmanship does a bill and keep arrangement**  
11 **encourage?**

12 A. Under a bill and keep arrangement, carriers will search for ways to unload the traffic  
13 originating on their networks as quickly as possible and to accept terminating traffic as  
14 late as possible. For instance, the strategic placement of central offices further out in the  
15 network can affect a carrier's costs under bill and keep regardless of whether it represents  
16 efficient network design practices. In addition, the concern over regulatory arbitrage  
17 may shift from carriers seeking an imbalance in terminating traffic to one where carriers  
18 target large net originators of traffic. Not only may bill and keep influence the carrier to  
19 base its network strategy upon concerns for regulatory treatment rather than concerns for  
20 the most economically efficient configuration, such an arrangement may invite new  
21 opportunities for regulatory arbitrage.

22  
23 **Q. Why do you believe that adopting a bill and keep arrangement as a default**  
24 **mechanism can tip the bargaining position in favor of the incumbent LEC**  
25

1 **if carriers engage at the outset among themselves to negotiate the rates for**  
2 **interconnection?**

3 A. There should be little argument that arms-length contracts negotiated between two  
4 private parties offer far greater benefits and advantages than commercial relationships  
5 mandated through government regulation. In fact, key sections of the 1996 Act are  
6 geared towards encouraging negotiations between private parties over State and/or  
7 federal rate regulation.

8  
9 But the ALECs' ability to fairly negotiate rates for the exchange of local traffic with the  
10 incumbent carriers is compromised because of the ILECs' status as the dominant player  
11 in the industry. These concerns over the ILECs' bargaining strength cannot simply be  
12 dismissed as the unfounded fears of a group of small carriers seeking regulatory relief for  
13 their own competitive shortcomings.

14  
15 Indeed, the FCC recognized the incumbent LECs' superior bargaining power in the Local  
16 Competition Order when it comes to the matter of establishing rates for interconnection  
17 with competitive carriers:

18 **"Negotiations between incumbent LECs and new entrants are not**  
19 **analogous to traditional commercial negotiations in which each party**  
20 **owns or controls something the other party desires. Under section**  
21 **251, monopoly providers are required to make available their**  
22 **facilities and services to requesting carriers that intend to compete**  
23 **directly with the incumbent LEC for its customers and its control of**  
24 **the local market. Therefore, although the 1996 Act requires**  
25 **incumbent LECs, for example, to provide interconnection and access**

1           to unbundled elements on rates, terms, and conditions that are just,  
2           reasonable, and nondiscriminatory, incumbent LECs have strong  
3           incentives to resist such obligations. The inequality of bargaining  
4           power between incumbents and new entrants militates in favor of  
5           rules that have the effect of equalizing bargaining power in part  
6           because many new entrants seek to enter national or regional  
7           markets” (Local Competition Order, paragraph 55).

8  
9           In order to deter the ability of the ILECs from engaging in anti-competitive behavior by  
10          exercising their superior bargaining position in their negotiations with ALECs, the  
11          Commission should adopt an equitable reciprocal compensation mechanism based upon  
12          symmetrical rates.

13  
14       **Q.    What outcome would you expect to result from the carriers’ interconnection**  
15       **negotiations should the Commission adopt bill and keep as a default mechanism?**

16       **A.**    BellSouth and Verizon overwhelmingly support the change from reciprocal  
17          compensation to a bill and keep arrangement for the exchange of local traffic. Based  
18          upon the dominant firms’ preference for a bill and keep arrangement, any  
19          characterization that the mechanism is merely a “default” regime ignores the reality of  
20          negotiations where the parties’ objectives are clearly conflicting. In the end, I would  
21          expect the incumbent LECs to be tough “negotiators” and resist the offers of the ALECs  
22          to craft more equitable and efficient interconnection agreements based upon the  
23          knowledge that a default bill and keep arrangement is the regulatory remedy to resolve  
24          the impasse.

25

1 **Q. Does this conclude your testimony?**

2 **A. Yes.**

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



1 **Q. What concern does the Commission seek to address in Issue No. 17?**

2 A. The Commission is seeking to establish the most appropriate compensation mechanism to  
3 govern the transport and delivery of traffic subject to Section 251 of the  
4 Telecommunications Act of 1996 ("the 1996 Act") in the event carriers cannot  
5 successfully negotiate an agreement.  
6

7 **Q. What recommendation did you make to the Commission in your direct testimony?**

8 A. In my direct testimony, I noted that the Federal Communications Commission ("the  
9 FCC") had released its Order on Remand and Report and Order ("ISP Remand Order) on  
10 April 27, 2001. In the ISP Remand Order, the FCC asserted its jurisdiction over ISP-  
11 bound traffic by declaring such traffic to be interstate information access traffic under  
12 Section 251(g). I concluded that the ISP Remand Order, although currently on appeal at  
13 the U.S. District Court for the District of Columbia, relieves the Florida Public Service  
14 Commission of the need to address the issue of the appropriate compensation mechanism  
15 for ISP-bound traffic at this time.  
16

17 I recommended -- and continue to recommend -- that the Commission should require, as a  
18 default arrangement, a reciprocal compensation mechanism be used to govern intercarrier  
19 compensation of the local exchange traffic that remains under its jurisdiction. The  
20 reciprocal compensation arrangement should be based upon symmetrical rates that reflect  
21 the incumbent local exchange carriers' Total Element Long Run Incremental Costs  
22 ("TELRIC") as approved by the Commission.  
23

24 **Q. What is your understanding of the recommendations that the ILEC witnesses have**  
25

1 **presented to the Commission with respect to Issue No. 17?**

2 A. The BellSouth and Verizon witnesses favor implementation of a bill and keep default  
3 mechanism for the exchange of non-ISP bound local traffic. The witnesses also reference  
4 the uniform intercarrier compensation Notice of Proposed Rulemaking that has been  
5 initiated by the FCC. Verizon's witness, Dennis B. Trimble, recommends: "To avoid  
6 potentially conflicting rulings and subsequent revisions to the state scheme, Verizon has  
7 recommended that the Commission retain the record in this case, but defer any ruling  
8 until the FCC rules" (Direct Testimony, March 1, 2002, page 30).

9 Elizabeth R. A. Shiroishi, on behalf of BellSouth, states "While this Notice by the FCC  
10 seeks comments beyond the scope of this issue (i.e. bill-and-keep for local usage  
11 elements), the outcome of such proceeding will address this issue" (Direct Testimony,  
12 March 1, 2002, page 11).

13  
14 Sprint states that it has already opted-in to the FCC's interim compensation regime for the  
15 delivery and termination of ISP-bound traffic. As a result of its decision, the company  
16 must agree to exchange all other local traffic (i.e. non-ISP- bound traffic) at the same  
17 rates (Additional Direct Testimony of Michael R. Hunsucker, March 1, 2002, page 9).

18  
19 **Q. Do you agree with the position of the ILECs that the on-going FCC proceeding may  
20 resolve some of the concerns that the Commission seeks to address in this docket?**

21 A. Yes. The Commission could require that a reciprocal compensation arrangement, as a  
22 default mechanism, be implemented at this time. However, it would be understandable if  
23 the Commission elected to await the outcome of the rulemaking at the federal level before  
24 establishing a default mechanism. Additionally, I agree with Sprint in the case where an

1 ILEC has adopted the FCC's interim compensation mechanism for ISP traffic. If an  
2 ILEC has opted-in to the FCC's interim compensation mechanism, then a reciprocal  
3 compensation mechanism will apply to rest of the local traffic by default. Therefore, the  
4 need for a default billing mechanism in this docket is moot.

5  
6 **Q. What are some of the shortcomings that the Commission should keep in mind when**  
7 **deliberating whether to establish a bill and keep arrangement as the default**  
8 **compensation mechanism for the local traffic that remains under its jurisdiction?**

9 A. First, the negotiation process may be compromised given that the ILECs will have no  
10 incentive at all to negotiate any reciprocal compensation for local traffic if the default  
11 mechanism (i.e. bill and keep) is already their preferred mechanism.

12  
13 Second, complex regulatory and market issues must be addressed as part of the process to  
14 implement a bill and keep arrangement. A properly structured bill and keep mechanism  
15 must ensure that alternative carriers are not penalized because they cannot readily attain  
16 the economies of scale and scope, and the diversity in customer base, that the incumbent  
17 local exchange carriers have long enjoyed. If the FPSC desires to use bill and keep as a  
18 default mechanism, then the Commission should initiate a separate proceeding in order to  
19 craft an equitable bill and keep arrangement that seeks to balance the interests of the  
20 dominant carriers (i.e. the ILECs) and the new market entrants.

21  
22 **Q. Does this conclude your testimony?**

23 A. Yes.



1           CHAIRMAN JABER: Skipping over Mr. Gillan, we have  
2 Mr. McCluskey, FDN.

3           MR. FEIL: Yes. FDN would move into the record as  
4 though read the prefiled direct testimony of Mr. McCluskey  
5 filed March 1 consisting of nine pages as amended by the notice  
6 of substitution of witness with Ms. Warren adopting  
7 Mr. McCluskey's testimony. I'm not sure exactly how you want  
8 to work that, Madam Chair.

9           CHAIRMAN JABER: Okay. The prefiled direct testimony  
10 of John J. McCluskey as adopted by Sharon Warren shall be  
11 inserted into the record as though read. The prefiled rebuttal  
12 testimony of John McCluskey as adopted by Sharon Warren shall  
13 be inserted into the record as though read.

14           MR. FEIL: Thank you, Madam Chairman. And attached  
15 to Mr. McCluskey and Ms. Warren's prefiled direct was one  
16 exhibit identified as JJM-1, I would ask that that be  
17 identified and moved into the record.

18           CHAIRMAN JABER: JJM-1 is identified as Exhibit 5 and  
19 Exhibit 5 is admitted into the record.

20           MR. FEIL: Thank you.

21           (Exhibit 5 marked for identification and admitted  
22 into the record.)

23

24

25

1 **Q. Please state your name and address.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

9           A. Yes.

1 **Q. Please state your name, employer and business address.**

2 A. My name is John J. McCluskey, V. I am Director of Network Planning  
3 for Florida Digital Network, Inc. ("FDN"). My business address is 390 North  
4 Orange Avenue, Suite 2000, Orlando, Florida, 32801.

5 **Q. Are you the same John McCluskey who testified on direct in Phase**  
6 **IIA of this proceeding?**

7 A. Yes.

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. I will rebut certain aspects of the prefiled direct testimony of other  
10 witnesses in this case, including Verizon witness Trimble, BellSouth witness  
11 Shiroishi, and Sprint witnesses Ward and Hunsucker.

12 **Q. Verizon witness Mr. Trimble, on page 15 of his testimony, suggests**  
13 **that a default LATA-wide reciprocal compensation mechanism would**  
14 **confer an artificial cost advantage upon the ALECs because the ALEC,**  
15 **unlike the IXC and the ILECs, would pay nothing to support universal**  
16 **service. Is this correct?**

17 A. No, it is not. Currently the Universal Service Fund is funded by  
18 telecommunication revenues obtained from telecommunication carriers that  
19 provide Interstate and International telecommunications services. Because  
20 IntraLATA toll and local services do not come under the same jurisdiction as  
21 Interstate and International, creating a LATA-wide local Inter-carrier  
22 Compensation mechanism would have no effect on universal service funds.  
23 Additionally, ALECs are not free from having to contribute to the Universal

1 Service Fund. FDN contributes to the Universal Service Fund a portion of its  
2 revenue obtained from Interstate and International telecommunications  
3 services, collected as an IXC, and from switched access services, collected as  
4 an ALEC.

5 On pages 8, 9, 15 and 19, Mr. Trimble improperly equates a subsidy flow  
6 with universal service. He goes so far as to state that in advancing goals of  
7 universal service, Congress intended that ALECs should subsidize lower  
8 rates to all ILEC customers by paying high Intrastate switched access charges  
9 to ILECs. Mr. Trimble's argument cannot be accepted by this Commission  
10 as fair or right and is without well-reasoned support.

11 **Q. Mr. Trimble shows a number of call compensation tables in his**  
12 **testimony. Are these correct?**

13 A. Table 4 on pages 14 and 15 is incorrect. Mr. Trimble's example of  
14 compensation between ILECs and ALECs when they collaborate to complete  
15 IntraLATA toll calls assumes that the ALECs will continue to charge the end  
16 user for a toll call. That is an incorrect assumption. Where FDN has a  
17 LATA-wide local reciprocal compensation agreement with BellSouth, an  
18 FDN end-user can subscribe to FDN's flat-rated Intra-LATA calling plan and  
19 is not charged toll rates. This sort of calling plan in Sprint-Local or Verizon  
20 territory does not work because FDN would have to pay Intra-LATA  
21 switched access to those carriers making the plan price prohibitive.

1           **Q. Mr. Trimble and Sprint witness Ward also characterize IXCs as**  
2           **being discriminated against if a default LATA-wide local intercarrier**  
3           **compensation method were put in place. Is that true?**

4           A. No, I don't believe so. Mr. Trimble has included in his testimony as  
5           Exhibit DBT-2 a Declaration of Mr. Howard A. Shelanski filed with the  
6           FCC. Mr. Shelanski does not favor a disruption of the interstate access  
7           regime, however, on pages two and three, he states, "[W]hen local carriers  
8           pass traffic back and forth, they are performing equivalent termination  
9           services for each other. Long-distance access differs. While local carriers  
10          terminate calls that are handed-off to them by long-distance carriers, long  
11          distance networks do not in turn perform reciprocal termination services for  
12          local carriers. Long-distance carriers are instead providing calling services to  
13          end users, for which local termination constitutes an essential input. Local  
14          interconnection is thus a reciprocal relationship of termination services  
15          between carriers, whereas long-distance service is a vertical relationship in  
16          which local termination is just an input into the long-distance carrier's  
17          provision of calling services to end users. There is no reason that the  
18          economics of local interconnection should be assumed identical to those of  
19          the very different relationship inherent in long-distance access."

20                    When an IXC is involved in an IntraLATA toll call, it has none of its  
21                    own originating or terminating facilities, and, typically, the IXC picks up and  
22                    hands off the call at a tandem, often at the same tandem. By contrast, in the  
23                    proposal I made in my direct testimony, in a reciprocal arrangement, to

1 qualify for LATA-wide local, the originating carrier would bear the cost and  
2 responsibility for delivering the call at least as far as the tandem serving the  
3 end user. Therefore, the IXC as local toll provider and the LECs in the  
4 LATA-wide local proposal are not providing equivalent services.

5 **Q. Mr. Trimble maintains that a LATA-wide local plan for reciprocal**  
6 **compensation would not be competitively neutral because ILECs and**  
7 **IXCs would be disadvantaged. Do you agree?**

8 A. No. As explained above, for IntraLATA calling, LECs with reciprocal  
9 LATA-wide local arrangements and IXCs are not providing equivalent  
10 services. Further, it is difficult to reconcile Verizon's position with the fact  
11 that BellSouth already has LATA-wide local arrangements, for example, with  
12 AT&T; yet neither asserts a competitive disadvantage or discrimination.

13 **Q. Sprint witness Hunsucker, on page 3 of his refiled direct, states that**  
14 **using the ILECs local calling areas to define local calling scope for**  
15 **reciprocal compensation purposes does not affect the ability of the**  
16 **ALEC to designate its own flat rate calling areas. Do you agree?**

17 A. No. As I testified previously, high intrastate access charges are a cost  
18 barrier to offering Florida consumers lower retail IntraLATA rates. Sprint  
19 ignores that access charges present a cost barrier to reduced prices for retail  
20 local toll services by arguing that ALECs are free to designate whatever retail  
21 local calling areas the ALECs choose. Interestingly, Verizon argues it could  
22 not reduce retail IntraLATA toll prices because Verizon has to price those

1 services to include access costs, in effect recognizing access costs as a barrier  
2 to retail price reductions.

3 If the access charge barrier were lifted from IntraLATA services,  
4 Florida consumers would benefit tremendously from the array of IntraLATA  
5 calling plans that would become available.

6 **Q. BellSouth witness Ms. Shiroishi on page 9 of her testimony states that**  
7 **BellSouth would actually owe money to the ALEC instead of receiving**  
8 **access from the IXC if a default LATA-wide reciprocal compensation**  
9 **method was established. Is that true?**

10 A. Her answer is partially true. Ms. Shiroishi did not identify in what  
11 instance that scenario is true. BellSouth would become subject to reciprocal  
12 compensation costs and lose originating switched access charges if BellSouth  
13 were the carrier of choice for its end-user. In that case, however, BellSouth is  
14 replacing access revenue with end-user revenue. If the end-user decided to  
15 use an IXC instead of BellSouth to carry the IntraLATA call, then BellSouth  
16 would continue to charge the IXC for originating access, but would not be  
17 charged by the ALEC for terminating the call.

18 **Q. With regard to Issue No. 17, Ms. Shiroishi claims that the FCC**  
19 **determined that “roughly balanced” was below a 3:1 ratio. Is that what**  
20 **the FCC decided?**

21 A. I believe Ms. Shiroishi made an incorrect assessment of what the FCC  
22 decided. In its ruling of Order on Remand and Report and Order in CC  
23 Docket 99-68, released April 27, 2001, the FCC found the 3:1 ratio was a

1 good indicator of voice traffic versus ISP-bound traffic for the determination  
2 of reciprocal compensation between LECs. The FCC did not rule on the  
3 meaning of “roughly balanced,” it merely established the 3:1 ratio as a  
4 surrogate to the impossible task of specifically tracking and identification of  
5 ISP-bound traffic and a reasonable cut-off for eliminating the alleged  
6 arbitrage opportunity.

7 **Q. On the subject of bill-and-keep, Verizon witness Mr. Trimble**  
8 **suggests on page 32 that tandem facilities could be exhausted without**  
9 **better interconnection architecture standards. Do you agree?**

10 A. Tandem exhaustion could possibly occur, but it would not seem likely  
11 that it would occur given the depressed state of facilities-based competition.  
12 FDN believes its proposal for handing off traffic at least as far as the tandem  
13 serving the terminating end user is fair and reasonable. As I testified to  
14 previously, where a LATA has multiple tandems, the originating carrier  
15 would have to deliver the call to the tandem serving the terminating end user,  
16 not the tandem closest to the ALEC’s switch. FDN’s proposal would  
17 alleviate the tandem-to-tandem transmission utilization that Mr. Trimble may  
18 be concerned with.

19 **Q. Does that conclude your rebuttal testimony?**

20 A. Yes.



1 CHAIRMAN JABER: Now, staff, you have stipulated  
2 exhibits.

3 MS. BANKS: Yes, Madam Chair.

4 CHAIRMAN JABER: And for the sake of everyone's  
5 convenience, I am assuming you all have agreed that they can be  
6 preidentified as Stipulation 1 through Stipulation 10.

7 MS. BANKS: That is correct.

8 CHAIRMAN JABER: Okay. Here is what we are going to  
9 do. Stipulation 1 is identified as Hearing Exhibit 6.  
10 Stipulation 2 is identified as Hearing Exhibit 7. Stipulation  
11 3 is identified as Hearing Exhibit 8. Stipulation 4 is  
12 identified as Hearing Exhibit 9. Stipulation 5 is Hearing  
13 Exhibit 10. Stipulation 6 is Hearing Exhibit 11. Stipulation  
14 7 is Hearing Exhibit 12. Stipulation 8 is Hearing Exhibit 13.  
15 Stipulation 9 is Hearing Exhibit 14. Stipulation 10 is Hearing  
16 Exhibit 15. Hearing Exhibits 6 through 15 are admitted into  
17 the record without stipulation.

18 (Exhibits 6 through 15 marked for identification and  
19 admitted into the record.)

20 CHAIRMAN JABER: And I would note that my list  
21 indicates Hearing Exhibits 13 through 15 contain confidential  
22 information.

23 MS. BANKS: That is correct, Madam Chair.

24 CHAIRMAN JABER: Are there any other exhibits, any  
25 other testimony we need to address?

1 MS. BANKS: That's all that staff has.

2 CHAIRMAN JABER: What is next on the schedule?

3 MS. BANKS: Next on the schedule is briefs. Give me  
4 a moment, I'm trying to find my CASR schedule.

5 CHAIRMAN JABER: That's all right.

6 MR. FEIL: Madam Chair, I have one if that will help.

7 MS. BANKS: Thank you, Mr. Feil.

8 CHAIRMAN JABER: Go ahead, Mr. Feil.

9 MR. FEIL: I have transcripts due May 13th and briefs  
10 due June 10th. I don't know whether or not that is a current  
11 CASR or not, I think it is.

12 MS. BANKS: That is current.

13 CHAIRMAN JABER: Okay. Great. Transcripts May 13th,  
14 briefs June 10th. Staff's recommendation?

15 MR. FEIL: I have August 8th.

16 MS. BANKS: That is correct.

17 CHAIRMAN JABER: Wonderful.

18 Commissioners, seeing nothing further that needs to  
19 come before us today, we will adjourn this hearing.

20 MS. BANKS: Excuse me, Madam Chair.

21 CHAIRMAN JABER: Go ahead.

22 MS. BANKS: A party approached me during one of the  
23 breaks and they came in tardy and wanted to make an appearance  
24 on the record.

25 CHAIRMAN JABER: No problem. Go ahead.

1 MS.CAMECHIS: Thank you, Madam Chair. My name is  
2 Karen Camechis with Time Warner Telecom of Florida. Thank you  
3 for your patience.

4 CHAIRMAN JABER: Thank you. Parties are to be  
5 commended for all of their efforts thus far. I really  
6 appreciate how efficient everyone was in this hearing. Thank  
7 you. This hearing is over.

8 (The hearing concluded at 11:45 a.m.)

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF FLORIDA     )  
                          :     CERTIFICATE OF REPORTER  
COUNTY OF LEON    )

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 13th day of May, 2002.


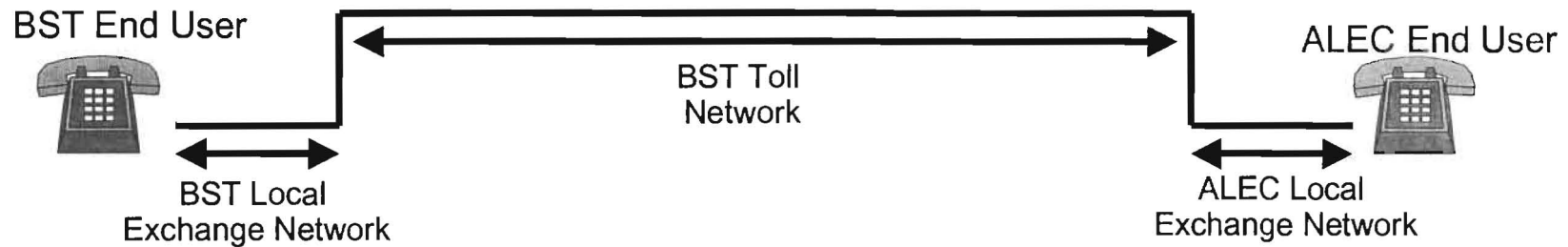
  
\_\_\_\_\_  
JANE FAUROT, RPR  
Chief, Office of Hearing Reporter Services  
FPSC Division of Commission Clerk and  
Administrative Services  
(850) 413-6732

Diagram A

*BST is Toll Provider (LPIC)*



Toll Provider (ILEC):

- ◆ receives retail revenues
- ◆ pays the originating (in this case, BellSouth, through internal transactions) local exchange carrier for the use of network
- ◆ pays the terminating (in this case, the ALEC) local exchange carrier for use of network

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 000075-TP (Phase IIA) EXHIBIT NO. 1

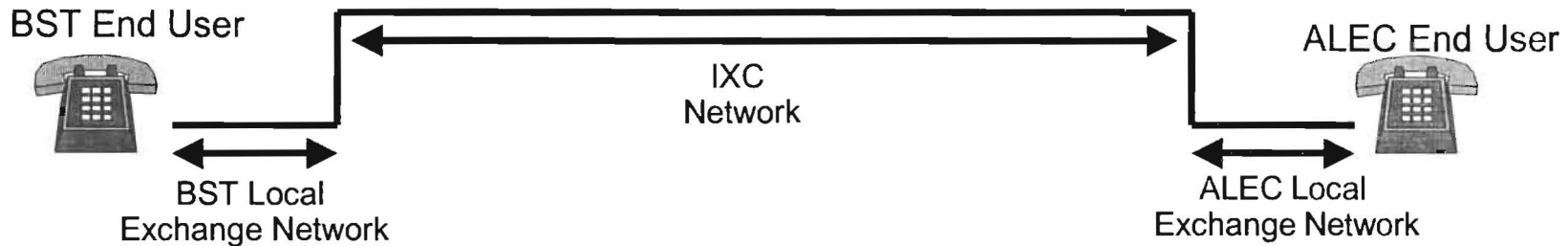
COMPANY/

WITNESS: *Shirley*

DATE: 5-8-08

Diagram B

*IXC is Toll Provider (LPIC)*

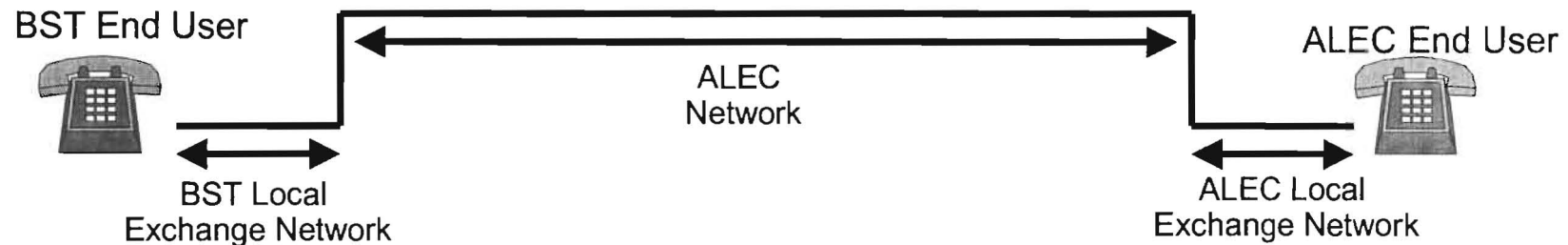


Toll Provider (IXC):

- ◆ receives retail revenues
- ◆ pays the originating (in this case, BellSouth) local exchange carrier for the use of network
- ◆ pays the terminating (in this case, the ALEC) local exchange carrier for use of network

Diagram C

*ALEC is Toll Provider (LPIC)*



Toll Provider (ALEC):

- ◆ receives retail revenues
  - ◆ pays the originating (in this case, BellSouth) local exchange carrier for the use of network
  - ◆ pays the terminating (in this case, the ALEC through internal transactions) local exchange carrier for use of network
-

Diagram A

*ILEC is Toll Provider (LPIC)*

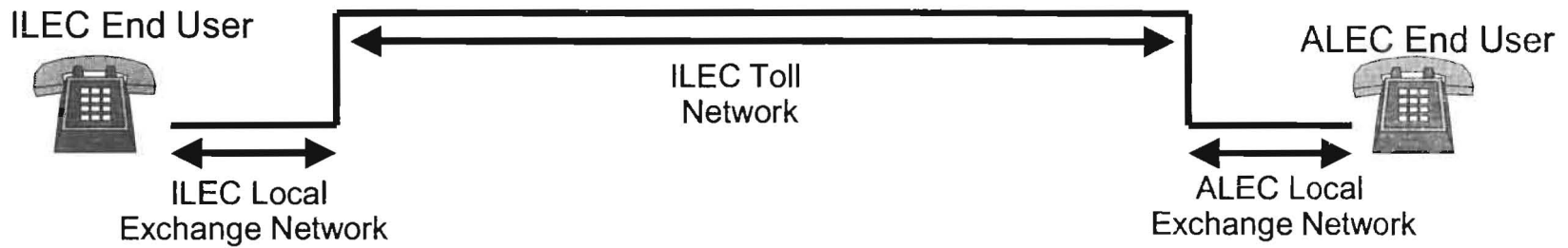
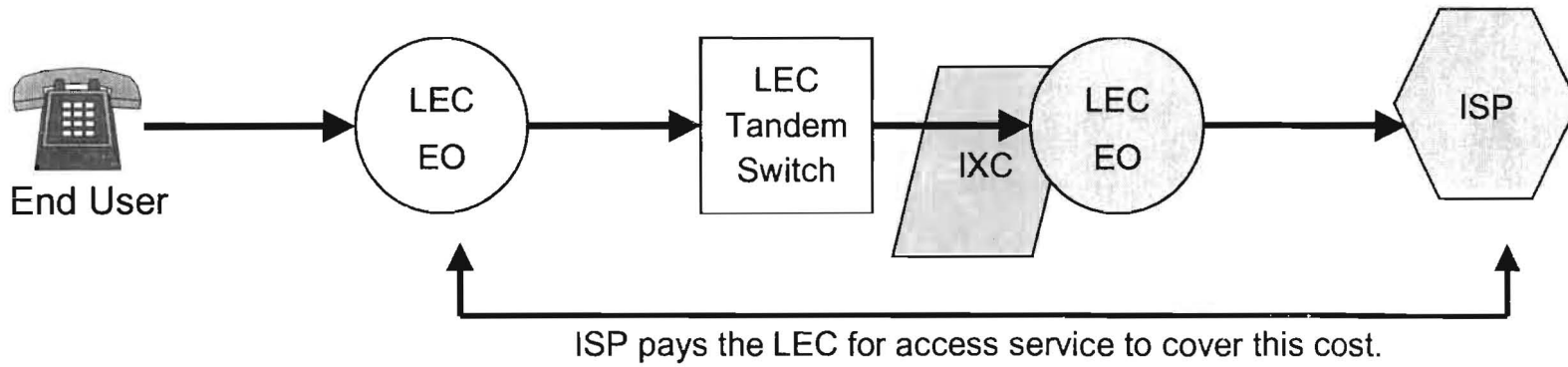


Diagram D





Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of

Developing a Unified Inter-carrier  
Compensation Regime

CC Docket No. 01-92

## REPLY COMMENTS OF VERIZON

Michael E. Glover  
Of Counsel

Edward Shakin  
John M. Goodman

Attorneys for Verizon

1300 I Street, NW  
Suite 400 West  
Washington, DC 20005  
(202) 515-2563

November 5, 2001

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. ~~000075-TP~~ (Plan II) EXHIBIT NO. 2  
COMPANY/ Trimble  
WITNESS. Trimble  
DATE: 5-8-02

**TABLE OF CONTENTS**

Summary ..... 1

1. The Near-Term Issues — NXX Misuse and Internet ..... 3

    A. The Commission Should Eliminate Fraudulent Misuse of Telephone-Numbers. .... 3

    B. The Commission Should Fully Eliminate the Arbitrage on Internet-Bound Calls..... 6

2. The Mid-Term Issue — Section 251(b)(5) Reciprocal Compensation ..... 8

    A. Properly Structured, Bill and Keep Can Provide Correct Incentives for Efficiency. .... 8

    B. The Commission Should Establish Default Interconnection Points. .... 12

        i. New rules should create equitable transport obligations..... 13

        ii. New rules should minimize opportunities for manipulation..... 18

        iii. Service quality will not be adversely affected..... 20

    C. Alternatives to Bill And Keep for Non-Access Traffic Should be Based on “Additional Costs,” not a Prescribed Model. .... 22

    D. The Act Does Not Require ILECs To Provide Transit Services for Other LECs..... 25

3. Long-Term Issue — Stay the Course on Access and Toll Calls ..... 28

    A. Continue the CALLS Plan..... 28

    B. Don’t Prescribe Access Rates..... 30

    C. Don’t Adopt Bill and Keep for Access Now..... 33

Conclusion..... 35

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of

Developing a Unified Intercarrier  
Compensation Regime

CC Docket No. 01-92

**REPLY COMMENTS OF VERIZON**

**Summary**

The Commission should act promptly to put an end to two abuses that have discouraged facilities-based local competition and encourage inefficient behavior. First, it should confirm that carriers may not obtain telephone numbering resources for a geographic area in which the carrier has no facilities and no prospect of any local service customers. In doing so, it should make clear that carriers may not use telephone numbers to steal transport services from one LEC in order to provide an interexchange service disguised as local. Second, it should accelerate the transition to bill and keep for calls to the Internet.

Much of the debate in the comments was over the use of some form of bill and keep for interconnection compensation for local and CMRS calls. Verizon believes that the simplicity of that arrangement could make it appropriate and beneficial for this purpose. Eliminating compensation payments will also eliminate the possibility of other abuses that are based on the receipt of reciprocal compensation for local calls. If the Commission elects to retain some form of payment, it should not base it on TELRIC. TELRIC costs are not appropriate for compensation under section 252(d)(2)(A)(ii), as they do not result in compensation for the “additional costs of terminating a local call.”

As a necessary part of a bill and keep approach, the Commission should adopt new default interconnection point rules. A clear statement of what the arrangements will be in the absence of a negotiated agreement will provide certainty and reduce disputes and litigation. These new default rules should recognize the telecommunications networks that exist today, those of the ILECs, CLECs and CMRS providers, and should provide for an equitable apportionment of transport costs. Under such a compromise, the new interconnection point would be the same regardless of which way the traffic was flowing. Carriers that make choices of network architectures should receive the benefits and bear the costs of those choices.

For these reasons, Verizon proposes that the bill and keep default interconnection point be at the wire center that contains the highest point of switching in the ILEC network in a LATA, which will most often be at the tandem wire center. To avoid over-large transport obligations, there would be at least two interconnection points in each LATA. While interconnection may be at the ILEC tandem wire center, that does not mean that the ILEC should necessarily be required to provide tandem switching. Where the interconnection between the ILEC and another carrier has sufficient traffic volumes, the default rules should require a separate trunk to avoid tandem switch exhaust.

Experience has shown that carriers will offer transit services when they are able to do so profitably. By the same token, there is no need to mandate such services. Indeed, the Commission should not impose any requirements that would decrease a carrier's incentive to provide transit services.

Finally, the Commission should stay the course and let consumers and the industry enjoy the benefits of the CALLS plan. There should be no changes in the access charge regime until

CALLS and MAG have run their course. The Commission previously refused to prescribe access charges, and nothing has happened that should cause it to change its mind.

**1. The Near-Term Issues — NXX Misuse and Internet**

There are two issues on which the Commission should promptly rule.

**A. The Commission Should Eliminate Fraudulent Misuse of Telephone Numbers.**

Verizon and others explained that some LECs are misusing telephone numbers to make toll calls look like local calls.<sup>1</sup> This CLEC misuse of number assignments imposes additional transport costs on other carriers; ILEC FX services do not, as the ILEC transports the call to the distant FX customer. The Commission should reject any arguments that this is “just like FX.” This scheme is not only inefficient and another flavor of regulatory arbitrage, but it also forces one LEC to provide free service for another LEC in order to allow the second LEC to provide an interexchange service without having to build any facilities of its own. The Commission should make it clear that these arrangements are unlawful.

Some commentators say that there is nothing wrong with these arrangements, as they are just like ILEC FX services.<sup>2</sup> This is not correct. The ILEC providing FX service has a switch in the rate center with which the NXX used to provide the FX service is associated, and it provides local exchange service to customers in that rate center. Calls to an ILEC FX customer are delivered to the ILEC switch, and the ILEC is responsible for transporting the call to the FX customer.

---

<sup>1</sup> SBC at 17-18; BellSouth at 7; USTA at 32-34; Michigan Exchange Carrier Assoc. at 45.

<sup>2</sup> Cablevision Lightpath at 6-7; AT&T at 61; Focal at 56; Allegiance at 56.

The same is not the case with the CLEC's so-called "virtual" NXX. As most graphically illustrated in Maine, where the CLEC obtained more than fifty NXX codes for rate centers throughout the state.<sup>3</sup> It had no switch — or any facilities of any type — in any of these rate centers, nor did it offer local service to customers in these rate centers. It did not want other carriers to deliver calls to these NXXs in the rate center with which the NXXs were associated — it had no equipment with which to receive those calls. Rather, it wanted other carriers to deliver calls to these NXXs to its facilities elsewhere in the state, often hundreds of miles away. And it claimed that it had to pay nothing for having other carriers transport its calls for it.

It may be that some CLECs will offer real FX services — that they will receive telephone number assignments for one rate center and occasionally assign numbers from that NXX to customers that are outside that area. All LECs offering such services should be required to assume full financial responsibility for transporting calls from the originating LEC subscriber's local calling area to their remote subscribers. A LEC may satisfy this requirement either by having these calls delivered to it in the local calling area with which the NXX is associated or by paying the originating carrier for transport from that area to the LEC's interconnection point.

Similarly disingenuous are arguments that the only thing that's going on here is CLECs' establishing local calling areas that are different from those of the incumbent.<sup>4</sup> A CLEC may certainly give its customers different local calling areas than the ILEC offers its customers. It could, for example, offer unlimited state-wide flat-rate calling, treating all calls within the state

---

<sup>3</sup> *Investigation into Use of Central Office Codes (NXXs) by New England Fiber Communications, LLC d/b/a Brooks Fiber Communications, Order Requiring Reclamation of NXX and Special ISP Rates by ILECs (Order No. 4), Docket No. 98-758 (Me. P.U.C. June 30, 2000) available at [www.state.me.us/mpuc/orders/98/98758orr.pdf](http://www.state.me.us/mpuc/orders/98/98758orr.pdf).*

<sup>4</sup> *E.g., Cbeyond at 12.*

as local. A CLEC's decision to do that, however, does not make a call from the ILEC's customer to the CLEC's customer a local call, subject to all the interconnection and compensation arrangements that apply to local calls.

Focal is more direct. It frankly states that "CLECs should be allowed to define the boundaries of calling areas in which inbound calls would be rated as local just as much as they define boundaries of calling areas in which outbound calls are rated as local."<sup>5</sup> This, of course, would allow a CLEC to establish the local calling area of both the ILEC and other CLECs operating in the area — the very evil that the CLECs accuse the ILECs of trying to perpetrate. It would also undermine decisions by state regulators about what calls should be local and which should be toll for ILEC subscribers and the overall cost-recovery systems adopted by those regulators for the still-heavily-regulated ILEC.

KMC claims that traffic is routed to a "virtual NXX" in exactly the same manner as to any other NXX.<sup>6</sup> But the routing is not the main issue — compensation is. And "virtual NXXs" can be used to hide the nature of the call, where the nature of the call determines the compensation to be paid. Verizon has no objection to routing and delivering calls to a CLEC virtual NXX wherever the CLEC asks; it just wants to be compensated for delivering them outside the local calling area, or for the CLEC to transport the calls, and Verizon does not want to pay compensation based on the supposition that the call is local.

Cbeyond urges the Commission not to address these issues here, but instead to take them up in other proceedings.<sup>7</sup> The Commission has correctly teed up these issues in this docket, as

---

<sup>5</sup> Focal at 59.

<sup>6</sup> KMC at 7.

<sup>7</sup> Cbeyond at 13.

they relate, in part, to efforts by some carriers both to avoid paying compensation and to extract intercarrier compensation from other carriers. More important than this docket-pigeonholing, of course, is that these arrangements are resulting in inefficiencies and distortions which should be brought to an end as soon as possible, in whatever proceeding can take them up first.

As Verizon and others also showed,<sup>8</sup> it is inconsistent with existing number assignment principles and rules for carriers to get NXX or number block assignments for use in this way. These arrangements waste increasingly scarce numbering resources, as they encourage LECs to obtain numbers in areas in which they will have no customers. The Commission should put an end to them for this reason as well.

**B. The Commission Should Fully Eliminate the Arbitrage on Internet-Bound Calls.**

Nothing offered in the comments should change the Commission's conclusion that the extraction of reciprocal compensation for Internet-bound calls is "regulatory arbitrage" that "distorted the economic incentives related to competitive entry into the local exchange and exchange access markets."<sup>9</sup> The Commission should follow through on its policy decision in the *Remand Order* "to address and curtail a pressing problem that has created opportunities for regulatory arbitrage and distorted the operation of competitive markets."<sup>10</sup> The Commission should promptly put this regulatory arbitrage to an end for good.

Allegiance claims that it would be "discriminatory" for the Commission "[t]o create a distinction in what LECs may charge one another for transport and termination based upon the

---

<sup>8</sup> Verizon at 8-9; USTA at 33.

<sup>9</sup> *Intercarrier Compensation for ISP-Bound Traffic*, 16 FCC Rcd 9151 at ¶ 2 (2001) ("*Remand Order*").

<sup>10</sup> *Remand Order* at ¶ 81.



content of the traffic or the identity of the customer receiving the call.”<sup>11</sup> In fact, the distinction that exists in the Act and Commission orders is between information access and traffic subject to reciprocal compensation under section 251(b)(5).

Similarly beside the point is the argument made by AOL and others that because the costs of transporting Internet-bound calls do not differ from the costs of transporting local calls, the compensation should be the same.<sup>12</sup> For a variety of reasons, there are often different prices for services or arrangements that have similar costs. The history of abuses concerning compensation of Internet-bound calls provides an ample basis here. Moreover, the record before the Commission included ample evidence that the costs are very different.<sup>13</sup>

AT&T suggests that the problems identified by the Commission could be eliminated by capping compensation for Internet-bound traffic at forward-looking costs.<sup>14</sup> However, this would require CLEC “rate cases” in every state, a result the Commission has consistently striven to avoid.<sup>15</sup> Moreover, the Commission concluded in the *Remand Order* that it was not the rate levels that were the problem, it was the very fact that payments were made. “[T]he market

---

<sup>11</sup> Allegiance at 44.

<sup>12</sup> AOL at 2; Ill. Commerce Commission at 2-3.

<sup>13</sup> *Ex parte* letter to Ms. Magalie Roman Salas from Robert T. Blau of BellSouth, CC Docket No. 99-68, dated Feb. 1, 2001, at 2-3 (“... the CLECs average switching costs for dial up traffic works out to about \$.0001 per minute or about 1 to 5 percent of current reciprocal compensation rates”); *Ex parte* letter to Ms. Magalie Roman Salas from Gary L. Phillips of SBC Telecommunications, Inc., CC Docket No. 99-68, dated Feb. 16, 2001, at 1 (“significantly less than \$.001”) and attached Morgan Stanley Dean Witter In Depth Report at page 9, which states that soft-switches can be almost 70% cheaper than circuit-based technology.

<sup>14</sup> AT&T Ordover-Willig Dec. at 23.

<sup>15</sup> See, e.g., *Reform of Access Charges Imposed by Competitive Local Exchange Carriers*, 16 FCC Rcd 9923 (2001).

distortions caused by applying a CPNP regime to ISP-bound traffic cannot be cured by regulators or carriers simply attempting to ‘get the rate right.’”<sup>16</sup>

The Commission should now definitively rule that reciprocal compensation is not due on this traffic.

## 2. The Mid-Term Issue — Section 251(b)(5) Reciprocal Compensation

While promptly resolving these issues, the Commission should also develop a new default plan for section 251(b)(5) intercarrier compensation for local (non-access) calls, both between LECs and between LECs and CMRS providers. Carriers should always be free to negotiate arrangements that make the most sense for them. However, carriers should know what the arrangements will be if they are unable to agree. These default arrangements should be simple and clear. For these calls, this plan should be based on bill and keep arrangements assuming that the Commission establishes clear and equitable default rules as to interconnection points.

### A. Properly Structured, Bill and Keep Can Provide Correct Incentives for Efficiency.

The Notice has identified the various problems caused by the existing scheme of intercarrier compensation for local calls.<sup>17</sup> It also correctly notes that a pure bill and keep system could eliminate many of the complexities and issues raised by the existing system.<sup>18</sup> Of course, Verizon pointed out in its comments that any bill and keep system would have to be carefully designed so as not encourage game-playing and arbitrage. The concerns raised by some of the

---

<sup>16</sup> *Remand Order* ¶ 76.

<sup>17</sup> *Notice* at ¶¶ 17, 69.

<sup>18</sup> *Notice* at ¶ 52.

commentors about bill and keep, however, do not outweigh the benefits of such a system, if it is properly implemented.

Some parties have argued that a system of bill and keep for local, ISP and CMRS traffic should not be adopted because it would fail to meet various notions of economic optimality. AT&T, for example, offers a statement by economists Ordoover and Willig, who dispute the efficiency of bill and keep, arguing instead that the Commission should attempt to determine “perfect” charges for a calling party’s network pays regime. Time Warner includes more balanced analyses by Farrell and Hermalin and by Katz and Hermalin, but again suggests that bill and keep is not efficient.<sup>19</sup> In fact, bill and keep for this traffic could provide the Commission with the regulatory approach that is most likely to produce efficient outcomes.<sup>20</sup> To do so, however, the Commission would have to adopt a clear and equitable plan for interconnection points and impose clear financial responsibility on carriers to deliver traffic to those points. With that framework, bill and keep will allow the Commission to pursue its goals through limited regulation of default terms, rather than by attempting to prescribe the “right” price for every inter-carrier transaction.

It is unlikely that end users, when originating calls, are able to take much account of the cost of termination under today’s regime. Most local service is not measured, other services (such as CMRS) are sold in “buckets” of minutes, and toll charges are averaged. However, there is another decision that is of crucial importance, and almost entirely ignored by Ordoover and Willig, even though it is much more likely to be influenced by the method of intercarrier

---

<sup>19</sup> Time Warner at 6.

<sup>20</sup> Verizon will explain in a later section why the application of bill and keep to access raises very different issues that dictate a different answer.

compensation. Each end user must choose a local carrier. In doing so, that customer should take into account all the costs and benefits, including the carrier's cost of termination. Bill and keep, which requires each carrier to recover its costs from its own end users, ensures that each consumer will "internalize" such cost differences when choosing a carrier.

For the same reason, bill and keep does not establish a price of zero for the exchange of traffic, since each carrier contributes in kind. The challenge is to design a system of defaults that reasonably assigns the cost of transport between the interconnecting carriers.

WorldCom and AT&T both argue that bill and keep would create incentives for ILECs to exercise their "market power" by engaging in pricing behavior designed to disadvantage their competitors.<sup>21</sup> AT&T suggests that this is a reason not to adopt bill and keep; WorldCom proposes default rules which are anything but balanced, justifying them by the need to control ILEC market power.

These concerns are misplaced, and should not influence the decision whether to adopt bill and keep. Any exercise of ILEC market power is constrained in many markets by competition. As explained above, the alignment of end user prices with end user choices in local markets will be improved under bill and keep, thus promoting the development of efficient local competition. In those markets where the Commission remains concerned about market power, it retains the ability to prevent abuse.

More fundamentally, the concerns raised by AT&T and WorldCom are not caused by bill and keep and are, therefore, not reasons to prefer the existing system over bill and keep. First, these parties complain about the effect of bundling a service provided by the ILEC, when a

---

<sup>21</sup> WorldCom at 25, AT&T at 31.

competing service is provided by another carrier. Second is the use of discounts designed to disadvantage competitors. Both of these arguments are variations of the generic “price squeeze” concern.<sup>22</sup>

The Commission has long recognized that bundling of services into attractive packages creates valuable options for consumers, and that consumers are made better off by having those choices. The objective of policy, therefore, cannot be to eliminate such bundling. Given that bundling exists, the possibility of a price squeeze is the same under bill and keep as it is under the existing system. This is a general issue which has been considered (and rejected as a concern) by the Commission in the past<sup>23</sup>, and is not a reason for preferring one system of inter-carrier compensation over another.

The issue of price squeeze in this situation thus does not depend on whether part of the price is charged separately to the end user or built into an end-to-end price. Ordover and Willig admit as much when they say that bill and keep “would not alter the basic economics” of price squeezes.<sup>24</sup> Therefore, vulnerability to price squeezes is not a basis for choosing among regimes. If anything, allowing end users to see clearly the price they are paying for access to other carriers, rather than passing it to an interconnecting network, should allow consumers to evaluate those costs more clearly, and to more effectively police any attempt to discriminate in the application of those charges.

---

<sup>22</sup> Ordover and Willig at 27.

<sup>23</sup> See, e.g., *Bell Atlantic New York 271 Order*, 15 FCC Rcd 3953 at ¶¶ 382-3 (1999); *Bell Atlantic New York 271 Reconsideration Order*, 16 FCC Rcd 11457 at ¶¶ 2-3 (2001).

<sup>24</sup> Ordover and Willig at 28.

**B. The Commission Should Establish Default Interconnection Points.**

Many parties oppose pure bill and keep because COBAK does not establish a limit on how far a carrier must transport traffic. As several commentators have observed,<sup>25</sup> it is unreasonable for one carrier to have to transport traffic hundreds of miles simply because another carrier chooses a distant location for its switch. This suggests a geographic limit on the obligation to deliver traffic, and some commentators have offered different rules to apply such a limit.<sup>26</sup>

The default rules should ensure that the division of transport costs is symmetrical and not penalize any class of carrier. At the same time, each carrier should pay for the results of its own choices with respect to network design. If one carrier chooses more costly switches, then the cost of that choice should be reflected in rates paid by that carrier's end user customers. Similarly, there might be a choice in network design between switching and transport. A choice to have fewer switches may involve higher transport costs, and those costs should also be borne by that carrier's end users. Any residual concerns over market power should be dealt with by making the obligations symmetrical, not through imposing punitive restrictions on ILECs or by assigning asymmetric default rights to one party, as WorldCom proposes.<sup>27</sup>

As Verizon and other parties have noted,<sup>28</sup> a new framework of intercarrier compensation should not ignore the facility arrangements that already exist. These arrangements represent

---

<sup>25</sup> BellSouth at 14.

<sup>26</sup> *E.g.*, Sprint at 31.

<sup>27</sup> WorldCom at 25-26.

<sup>28</sup> BellSouth at 13, n.19.

significant investments, and any new default rules should not arbitrarily devalue these investments.

Verizon, therefore, proposes a framework for the definition of default responsibility that reasonably balances the concerns raised in the comments. This proposal is a significant compromise in that it would have ILECs allow connecting carriers the benefit of connecting to a multi-tiered network without the financial responsibility to deliver to individual end offices. This proposal would make bill and keep a workable compensation solution for interconnection of local and CMRS traffic.

i. New rules should create equitable transport obligations.

Today, ILEC tandem wire centers are logical locations to serve as interconnection points, and the default rule should be based on the expectation that interconnection with ILECs will take place at those locations. First, tandem wire centers are widely used for this purpose already. Thus, using tandem wire centers as interconnection points would allow investments in existing interconnection arrangements — by ILECs and other carriers — to continue to be used. The number of points of interconnection would be reduced, meeting a concern raised by several parties. If a CLEC's obligation to deliver traffic were to end at the tandem wire center, it would be relieved of having to pay for transport between the tandem and each end office, and the cost of this transport would be borne by the ILEC.

Because almost all carriers interconnect with the ILECs, and the largest traffic flows are those to and from the ILECs, each ILEC should designate at least two interconnection points in each LATA. These interconnection points should generally be established at the highest level of switching in the ILEC's network hierarchy within each LATA. Other carriers would use these

points of interconnection to interconnect with the ILEC. For direct interconnection with one another, non-ILECs would designate additional interconnection points.

As shown on the attached diagram, this default interconnection point would be located at the ILEC's highest point of switching in the LATA. Under today's ILEC network architecture and prevalent installed switching technology, this point would be at tandem switching center locations. In LATAs that have multiple highest points of switching, the ILEC could designate each as an interconnection point, with connecting carriers delivering traffic to the interconnection point that serves the wire center where the call is destined.<sup>29</sup> In those LATAs where the ILEC's serving area has fewer than two such points, the ILEC would designate additional interconnection points to ensure that there are at least two interconnection points in each LATA. This would provide a reasonable balance of transport obligations on both carriers exchanging traffic. These additional interconnection points might be at a facility hub wire center or other similar point in the ILEC's network.<sup>30</sup> ILECs that do not have tandems in their serving areas may designate other suitable locations as their interconnection points.<sup>31</sup>

---

<sup>29</sup> Within their networks, carriers interconnecting with ILECs would be obligated to identify traffic destined for ILEC Numbering Plan Area ("NPA")/NXXs assigned to end offices subtending a particular tandem and to deliver that traffic to the interconnection point at that tandem wire center. When the interconnecting carrier has multiple highest points of switching within a LATA, there would be a symmetric obligation for the ILEC to identify traffic destined for NPA/NXXs associated with each of those highest points of switching and to deliver that traffic to the appropriate interconnection points. These symmetric obligations would avoid inefficient inter-tandem switching and/or transport on either network.

<sup>30</sup> As new technologies, such as voice over ATM are deployed, a network "edge" gateway device could serve as the interconnection point and the access point to the core ATM switch.

<sup>31</sup> For example, if an ILEC had a number of stand-alone end offices, one end office could be designated as an interconnection point. From this point, the ILEC would be obligated to provide transport to other stand-alone end offices and to provide a tandem-like switching function and associated transport upon request.



All carriers exchanging traffic with an ILEC would be responsible for getting traffic to and carrying traffic from the interconnection point. They could satisfy this responsibility either by using their own facilities for this transport or buying it from another carrier. Thus, for example, the ILEC would be responsible for all transport between the interconnection point and the end office serving the ILEC customer, for local switching at the end office and for tandem switching of traffic below a specified threshold. This obligation would apply to both originating and terminating traffic. Similarly, any interconnecting carrier would be responsible, in both directions, for all transport on its side of the interconnection point and for any other network elements required to carry the traffic to or from its end user. These would be default obligations, and carriers would be free to negotiate different arrangements.

For direct interconnection with one another, non-ILEC carriers would establish additional interconnection points at locations that contain the highest level of switching in each carrier's network. CLECs often state that their networks are not designed in the same tandem/end office topology used by ILECs. To avoid that concern, each carrier would establish at least one such interconnection point in each LATA where it exchanges traffic with a carrier other than an ILEC.

If the traffic destined for a specific end office subtending the tandem exchanged between the ILEC and another carrier at the interconnection point is less than a threshold of the equivalent of one DS-1, this traffic could be routed through the ILEC tandem switch, at the option of the interconnecting carrier. The cost of this tandem switching would be borne by the ILEC. This would allow carriers with small volumes of traffic destined for a specific end office subtending the tandem to achieve greater trunking efficiencies by taking advantage of the aggregating function provided by the tandem. However, when the traffic at the interconnection point destined for a specific end office subtending the tandem is greater than a threshold of one DS-1,

it is no longer economical for the ILEC to have the traffic switch through the tandem, nor is it reasonable for the ILEC to be required to provide this function. Interconnecting carriers must, therefore, have the default obligation to provide for direct trunking of this traffic.<sup>32</sup> This default direct trunking obligation would be symmetric in that the interconnecting party would have an obligation to accept direct trunking at the interconnection point from the ILEC when originating traffic from a specific end office subtending the tandem destined for the interconnecting carrier exceeds the DS-1 threshold. However, either carrier using direct trunking would still retain the option of using the tandem for overflow traffic from its direct trunks, so long as the amount of overflow did not exceed the threshold of the equivalent of one DS-1. This option would help all involved manage the use of their direct trunks efficiently, in much the same way that IXC's use direct and tandem-routed transport for long distance traffic.

This default rule would still allow LECs to agree to interconnect at fewer points, such as one point per LATA as some commentators want.<sup>33</sup> However, it does mean that carriers which choose such arrangements would be responsible for paying for the additional transport. This is consistent with what the Commission has held all along. For example, in the *Local Competition*

---

<sup>32</sup> In this context, "direct trunking" does not mean, as it does in the context of interstate access, that the interconnecting carrier must provide or pay for a separate transport route to the end office. The interconnecting party would present the traffic at the interconnection point, and the ILEC would still be responsible for transport from the interconnection point to the end office. "Direct trunking" in this context means simply that the traffic is exchanged at the interconnection point (or at another point mutually agreed to, such as the end office), but is not switched through the tandem. In order to make this routing possible, the interconnecting carrier would be required to sort the traffic at its own switch, so that the traffic bound for each end office would be segregated on specific circuits which the ILEC could then directly connect to its own transport to that office.

<sup>33</sup> E.g., Cbeyond at 8; Focal at 54; Level3 at 20; Time Warner at 15; WorldCom at 22.

*Order*, the Commission held that a CLEC that desires “a ‘technically feasible’ but expensive interconnection would, pursuant to section 252(d)(1), be required to bear the cost of that interconnection, including a reasonable profit.”<sup>34</sup> This “pay or carry” approach will give these carriers the incentives to make rational choices that promote economic efficiency.

Where carriers pass SS7 signaling to each other, they must also designate interconnection points for their SS7 networks. This is because SS7 signaling is carried over different facilities than the voice or other content of the telephone call. Signaling Transfer Points, or STPs, are the devices carriers use to switch and route SS7 signaling traffic. Verizon proposes that, where the interconnecting carriers both have their own STPs, ISDN User Part (“ISUP”) call setup signaling traffic for local calls should be exchanged on a bill and keep basis. If one interconnecting carrier does not have an STP, but relies on STP functionality provided by the other party, then the carrier providing the STP functionality should be permitted to charge for that service. Existing arrangements and pricing would continue for other uses of SS7 functionality, such as database inquiries, unless the parties voluntarily agree otherwise.

Each carrier would be responsible for transport to the other carrier’s STP. Today, some carriers do not wish to provide their own transport to every ILEC STP. Verizon and other providers offer STP gateway and transport services to meet those needs. Verizon’s service allows the interconnecting carrier to bring its signaling to a central Verizon STP, which then serves as a hub for reaching other Verizon STPs, using Verizon’s transport.<sup>35</sup> ILECs could

---

<sup>34</sup> *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Rcd 15499 at ¶ 199 (1996) (“*Local Competition Order*”).

<sup>35</sup> The STPs which serve as gateways are set forth in Verizon’s tariffs. Sections 271(g)(5) and (6) of the Act impose certain limitations on the uses of this service.

continue to offer such services within a new bill and keep framework. This would allow an interconnecting carrier to meet its default obligations by bringing its signaling traffic to an ILEC gateway, and by purchasing the gateway service at the tariffed rates. Because the exchange of SS7 ISUP traffic would still take place on a bill and keep basis when the gateway option is used, there would be no usage charge for the use of the SS7 functionality, although there may be port and transport charges associated with the gateway service itself.

This system offers significant advantages. It provides a reasonable distribution of the transport obligations between the parties by balancing limiting the distance any carrier must transport traffic and limiting the number of interconnection points to which traffic must be delivered. It defines the default obligation to deliver traffic without reference to any particular technology or network design, which will provide neutrality with respect to different technologies, minimize unnecessary disputes and avoid creating artificial incentives for inefficient network designs.

Other proposals should be rejected. Cbeyond asks that the Commission require ILECs to provide meet point interconnection at CLEC request.<sup>36</sup> While carriers should be permitted to use meet point arrangements if mutually agreeable, the Act does not require them because such a location is not a “point within the carrier’s network.”<sup>37</sup>

- ii. New rules should minimize opportunities for manipulation.

The Verizon proposal also addresses some of the concerns raised about adverse incentives that might be created under bill and keep for section 251 (b)(5) traffic.

---

<sup>36</sup> Cbeyond at 11.

<sup>37</sup> 47 U.S.C. § 251(c)(2)(B).

One concern expressed by several parties is the possibility that each carrier may attempt to assign as much transport cost to interconnecting carriers as possible by manipulating the placement of interconnection points. Farrell and Hermalin refer to this in the context of COBAK as “moving central offices.”<sup>38</sup> Verizon’s proposal addresses this concern by defining a very limited number of interconnection points, by associating them with the highest point of switching in each network, and in the ILECs, with tandem locations that are already well known and widely used. Because there is a two-way interconnection point for exchange of traffic with the ILEC, no carrier can gain an advantage by designating some other location as an “end office.”

Another concern is that a carrier might design its network to place interconnection points on or near the premises of its customers, in order to obligate other carriers to deliver traffic to those customers. The framework proposed here would make such strategies more difficult. Even for the exchange of traffic among non-ILEC carriers, in order to designate multiple interconnection points in a LATA, it would be necessary to form a new entity for each interconnection point, which would be costly and inefficient.

A final concern raised with bill and keep is that end users would try to masquerade as carriers for all or part of their traffic. Any system that treats end users and carriers differently will have some exposure to such game-playing, and the Commission should make full use of its enforcement authority to end such abuses where they occur. The framework proposed here, however, would tend to limit the potential gains from such a strategy and would thereby discourage such activity in the first place. An end user that poses as a carrier would take on a

---

<sup>38</sup> Farrell and Hermalin at 8: “If bill and keep is imposed, each carrier has an incentive to “dump” traffic on another carrier as soon as possible, and to accept it as late as possible. It seems inevitable that COBAK would create ‘regulatory arbitrage’ incentives to locate ‘central offices’ as far out in the network as possible.”

two-way obligation to deliver its traffic to and from an interconnection point. There would be no opportunity to split the end user's originating traffic from its terminating traffic, or to induce other carriers to deliver traffic to the end-user's location.

iii. Service quality will not be adversely affected.

WorldCom suggests that an ILEC would have the incentive and the ability to impose costs on its local competitors by selectively reducing the quality of traffic exchanged with those competitors.<sup>39</sup> In fact, WorldCom's concerns are answered by Verizon's interconnection proposal.

For local, ISP-bound and CMRS traffic, the originating customer has a retail relationship with a local carrier and will most likely perceive any degradation of outgoing calls as a problem with that carrier's service. The relevant question then becomes whether it is reasonable to conclude that an ILEC could selectively reduce the quality of calls terminated from other networks, without simultaneously affecting the quality perceived by its own customers on originating calls. To answer this question, it is useful to consider the alternative arrangements for terminating traffic under Verizon's proposal.

First, for traffic below the threshold of one DS-1 that Verizon has proposed, traffic could be routed through an access tandem. These calls would then be carried from the tandem to the end office over trunks that are used to carry other traffic, including that of the ILEC's own customers. The ILEC could not degrade quality on these trunks without affecting its own originating traffic:

---

<sup>39</sup> WorldCom at 25.

Second, once the threshold level is reached, some traffic would be delivered over direct trunks and not switched at the tandem. If the ILEC also has originating traffic from that end office bound for the other carrier, it is usually advantageous for both parties to agree on a shared, two-way direct trunk. In this case, it would again be impossible for the ILEC to degrade quality without affecting its own originating traffic.

Third, there may be instances where a shared direct trunk group has not been agreed upon. In those cases, under Verizon's proposal, the interconnecting carrier would deliver traffic to Verizon's interconnection point over groomed, one-way trunks, which Verizon would then transport to its end offices. However, for any direct trunking, whether one-way or two-way, Verizon's proposal maintains the option of overflowing traffic to the ILEC tandem. There would be strong incentives for an interconnecting carrier to make use of this option, since it would allow more efficient use of its direct trunks. Given this arrangement of direct trunking with overflow to the tandem, any effort by either carrier to under-provision the direct trunk group on its side of the interconnection point would be counterproductive. If the interconnecting carrier provided too few direct trunks, the amount of overflow would exceed the allowed limit, and the ILEC would be able to demand that the trunking be increased until the overflow was below the DS-1 threshold. If the ILEC provided too few trunks on its side of the interconnection point, this again would simply cause more overflow to the tandem. There would be no selective degradation of the other carrier's traffic, since the final grade of service seen by the interconnecting carrier would be determined at the margin by the tandem-routed traffic, and once again the ILEC could not reduce this level of quality without affecting its own customers. Further, the ILEC, by creating this overflow, would generate additional tandem switching costs for itself, and further exacerbate the problem of tandem loading that several ILECs have

emphasized in their comments. Thus, the design for bill and keep Verizon has proposed will tend to be self-correcting, with the level of overflow to the tandem serving as a “relief valve” and indicating the need for additional trunking from one or the other of the interconnecting parties.<sup>40</sup>

In summary, there is no reason to expect that an ILEC could selectively reduce the quality of the service perceived by the customers of another, interconnecting local carrier. Any attempt to do so would be self-defeating, since it would affect the ILEC’s own customers, and in some cases impose additional costs on the ILEC as well.

**C. Alternatives to Bill And Keep for Non-Access Traffic Should be Based on “Additional Costs,” not a Prescribed Model.**

Ordover and Willig suggest that any evils of the current regime can be cured simply by prescribing the “properly cost based” rate for each intercarrier transaction.<sup>41</sup> This is precisely the wrong direction for the Commission to go, particularly in light of the level of competition in the industry and the goals of Telecommunications Act to reduce regulation and place greater reliance on competition.

Hermalin and Katz show that models of intercarrier pricing are extraordinarily complex, and they must make restrictive assumptions and omit important considerations in order to solve their models.<sup>42</sup> Finally, the detailed information necessary to use any of their models solutions, such as elasticities and marginal costs, are not readily available to the Commission, and any

---

<sup>40</sup> Incentives are different in the case of originating interexchange access, since the end user may have a separate retail relationship with the IXC. This is another reason why the considerations surrounding bill and keep for access are fundamentally different from those affecting ISP-bound, local, and CMRS traffic.

<sup>41</sup> Ordover and Willig at 5.

<sup>42</sup> For example, Hermalin and Katz at 5-9 and Farrell and Katz at 2: “The overall problem, blending short-run and this somewhat nuanced longer-run analysis, is far more complex than even the Hermalin-Katz upgrade of Dr. DeGraba’s analysis.”



effort to approximate them would involve years of proceedings and litigation, create uncertainty for all the parties, as well as for the capital markets on which they all depend for funding, and provide ample opportunities for rent-seeking behavior by parties seeking to influence the prescribed rates.

The Commission should certainly not use a TELRIC methodology to set intercarrier compensation prices for local calls because TELRIC pricing has several substantial disadvantages in terms of the incentives it provides to both incumbent local exchange carriers and new entrants.

TELRIC does not capture the actual “additional costs of terminating a local call” as specified in the Act.<sup>43</sup> Instead, TELRIC as interpreted by the Commission captures the forward-looking costs of a hypothetically efficient firm.

TELRIC by definition identifies the cost of all usage and as such is at odds with the Act's requirement to price reciprocal compensation based on the specific cost “of calls that originate on the network facilities of the other carrier.”<sup>44</sup> Also TELRIC theoretically provides the total cost of providing an element. This again is inconsistent with the Act's specification of the use of “additional cost.” TELRIC looks at the cost of building a network from scratch and uses as its demand the total of all demand from all services. The “additional cost” standard, however, looks at things differently.

Additional cost is by definition the “added” cost of providing service. An average incremental cost calculation could be used to determine such an amount. This requirement is

---

<sup>43</sup> 47 U.S.C. § 252(d)(2)(A)(ii).

<sup>44</sup> 47 U.S.C. § 252(c)(2)(A)(i).

fundamentally different from other cost standards in the Act and rightly so. Access charges, for example, are a service, with “just and reasonable” rate requirement. There, a long distance carrier is using the local network as a component of its own service. In contrast, for local and CMRS interconnection, there are independent networks that need to interconnect to provide full communication value for their own customers. They are not using the other network for their own service, but rather to allow a customer to complete a call outside their own network. As explained in the attached declaration of Professor Howard Shelanski, there is “no reason that the economics of local interconnection should be assumed identical to those of the very different relationship inherent in long distance access.”<sup>45</sup> Of course, if transport is apportioned fairly, as it is under Verizon’s proposal, there is no need to have any exchange of payments in such a situation.

If payment is retained and if some form of TELRIC is adopted — a result Verizon does not support — then the Commission should rule that the ILEC price is presumptively the ceiling for other carriers’ compensation rates. The ILEC has the largest, most dispersed network, deployed over many years in ways that might not be the most efficient if the ILEC were starting from scratch today (as most other carriers are). These other carriers should not be allowed to charge a price higher than the ILEC’s without demonstrating that the price is necessary to allow it to recover its “additional costs of terminating a local call.”

---

<sup>45</sup>

Shelanski Declaration ¶ 1.

**D. The Act Does Not Require ILECs To Provide Transit Services for Other ILECs.**

Some commentators claim that the Commission has authority under sections 201 and 251 to require ILECs to provide transit services, and to provide them at TELRIC-based rates.<sup>46</sup> There is no such obligation, and there certainly is no basis for using TELRIC.

Transit service is a service provided by one carrier, often the ILEC, to facilitate the interconnection of the other carriers' networks where those carriers do not interconnect directly with each other. The service allows the other carriers to terminate traffic on each others' networks without directly connecting with each other. Transit service does not involve the origination or termination of traffic to customers of the transiting carrier.

There is no reason that these two carriers cannot interconnect directly and negotiate interconnection arrangements between themselves. Section 251(a)(1) of the Act, of course, imposes on all carriers an obligation to interconnect. Therefore, if one of the commentators wants to deliver traffic to customers of another LEC, it can simply interconnect directly with that other carrier, and the other carrier is required to do so.

While Verizon is required to interconnect with a CLEC to accept CLEC-originated local traffic that is to be delivered to Verizon's end-user customers, nothing in the Act requires Verizon to accept any CLEC traffic that is destined for another carrier (such as another CLEC or a non-Verizon ILEC). Section 251 requires carriers to "interconnect" with each other. The Commission has interpreted this term to mean "the linking of two networks for the mutual exchange of traffic."<sup>47</sup> In a transit situation, Verizon as the transiting carrier is not exchanging

---

<sup>46</sup> AT&T at 10, 62; Sprint at 33; Triton PCS at 13.

<sup>47</sup> 47 C.F.R. § 51.5.

traffic with either of the two other carriers — it is simply facilitating the exchange of traffic, or the interconnection, of those carriers.

And, of course, Verizon would not be required to pay reciprocal compensation if it did handle this transit traffic. Section 252(d)(2)(A)(i) states that reciprocal compensation shall provide for the recovery by each carrier “of costs associated with the transport and termination on each carrier’s network facilities of calls that originate on the network facilities of the other carrier . . .” A call from a customer of LEC A to a customer of LEC B originates on LEC A’s network and terminates on LEC B’s network. If these carriers use Verizon to facilitate their interconnection, that does not mean that this call “originates” on Verizon’s network facilities. Because this transit traffic does not originate on Verizon’s network, there can be no reciprocal compensation obligation. This is the conclusion the Commission reached in an analogous situation in *TSR Wireless LLC v. U.S. West Communications, Inc.*, where the Commission held that transit traffic was not an interconnection service for which UNE pricing was appropriate.<sup>48</sup>

The New York commission recently rejected a similar argument by AT&T. In that proceeding, the New York commission flatly held, “The Commission finds that Verizon is not obligated to provide transit service for the exchange of traffic between AT&T and other carriers.”<sup>49</sup> The Commission should reach the same conclusion.

The fact is that carriers will offer transit services where it is economical for them to do so, even where a regulator does not require it. This is proven by the fact that Verizon voluntarily

---

<sup>48</sup> 15 FCC Rcd 11166 at n.70 (2000).

<sup>49</sup> *Joint Petition of AT&T Communications of New York, TCG New York and ACC Telecom for Arbitration to Establish and Interconnection Agreement with Verizon New York*, Case 01-C-0095 at 42 (N.Y. P.S.C. July 30, 2001).

provides these services today in many areas. Verizon offers transit services and tandem switching of transit traffic up to DS-1 capacity at rates equivalent to those in the interconnection agreements. As explained above in connection with points of interconnection, the DS1 limitation is reasonable to limit traffic congestion and tandem exhaust. Limiting congestion at the ILEC's tandems benefits all users of the public switched telephone network.

If there is no limitation on the level of transit traffic, then the two carriers would have no incentive to interconnect directly with each other. The ILEC would be obligated to provide this service in perpetuity because the two carriers would never have to negotiate with each other, provision their own facilities to collect and receive traffic from carriers other than the ILEC or directly bill one another. Once the traffic volumes reach a DS-1 level, however, there is no reason for the ILEC to continue to provide transit services. At this level, the traffic between the two carriers is sufficient to justify a direct interconnection trunk for their traffic. For traffic levels above DS-1, CLECs may self-supply or purchase transit services as special access offerings from ILECs or other network providers.

Transit services should be subject to minimal or no regulation, given that the ILEC is offering the service as a third party vendor. Further, the services would be available in the market at market-based prices. Should the Commission decide that a level of regulation is necessary, transit services should be regulated as any other state or interstate service. The pricing standards, rules and regulations in place for the jurisdiction in which the service is offered would be applicable for the transit offering.

### 3. Long-Term Issue — Stay the Course on Access and Toll Calls

Finally, when these issues have been resolved, the Commission should consider what, if any, changes should be made to its access charge system for intercarrier compensation for toll calls.

#### A. Continue the CALLS Plan.

The Commission got it right when it said that the relevant question was, “What comes after CALLS?”<sup>50</sup> and nothing that’s been filed suggests otherwise.<sup>51</sup> The CALLS plan took effect only a year ago and will last until mid-2005. It establishes interstate access rate levels and an aggregate amount of interstate universal service support for 97 percent of the interstate access traffic. There should be no changes in the CALLS plan until 2005. Similarly, the Commission has announced the adoption of the “MAG” plan for non-price cap LECs. It too should be allowed to run its course before major structural changes are made.

Nothing that has been filed suggests that the Commission should now deviate from its plan for the CALLS plan to provide a five-year period of stability in the access rules — “the CALLS Proposal provides stability during its term and addresses several issues that have served as major obstacles to access charge reform and universal service.”<sup>52</sup> This will allow both LECs and interexchange carriers to plan more effectively and to put an end to the arguments over access rates that had occupied so many resources since 1990. AT&T, one of the proponents of

---

<sup>50</sup> Notice at ¶ 97.

<sup>51</sup> The fact that certain aspects of CALLS have been remanded to the Commission does not change the fact that CALLS established a comprehensive five-year plan for the pricing of the overwhelming majority of all the interstate access services provided in the country or provide any basis for setting a new course in mid stream.

<sup>52</sup> CALLS Order, 15 FCC Rcd 12962 at ¶ 35 (2000).

TELRIC-based access charges today, touted this as one of the benefits of CALLS, telling the

Commission:

“The CALLS Plan provides reasonable solutions to each of these important issues, solutions that will also produce a stable, predictable regulatory environment conducive to making the investments necessary for competition. That in itself is an important public interest benefit of the CALLS Plan.”<sup>53</sup>

Most important, nothing that has been filed suggests that the public would benefit from an elimination of the access charge regime and an untimely scrapping of CALLS. CALLS is plainly in the public interest — “We therefore find the CALLS Proposal to be in the public interest”<sup>54</sup> — and should be allowed to run its course.

By contrast, the comments do show that the Commission would have to resolve numerous issues and make fundamental changes in its existing rules before such a change could be made. The states would also have to buy into the new plan and resolve issues consistent with the Commission’s plan; many of the possible benefits of a bill and keep system — simplicity, reduction of administrative burden, etc. — would be lost if there were inconsistent federal and state intercarrier compensation regimes. Before the Commission decides that it will abandon the existing per minute access charge regime in favor of a unified bill and keep regime, it would be important to understand how that will affect intrastate regulation. Will it create untenable arbitrage opportunities? Will it create inefficient regulation to prevent arbitrage? Will it force changes in other regulations? Answering the likely interaction effects of proposed changes is important to understanding the efficiency effects of proposed rule changes.

---

<sup>53</sup> *Access Charge Reform Notice of Proposed Rulemaking*, AT&T Comments at 20, dated November 12, 1999.

<sup>54</sup> *CALLS Order* ¶ 35.

In addition, if LECs cannot collect \$11 billion annually in interstate access charges from interexchange carriers — revenues are used to cover these carriers' costs of providing service — the Commission must provide the opportunity for LECs to recover them from other sources. These twin requirements might not be easy to achieve.

**B. Don't Prescribe Access Rates.**

Some of the commenting interexchange carriers argue that TELRIC or some other theoretical forward looking cost models should be the basis of any new access charge regime.<sup>55</sup> The Commission rejected such requests before for good reasons. First, the Commission found that “accurate forward-looking cost models are not available at the present time to determine the economic cost of providing access service” and that “[b]ecause of the existence of significant joint and common costs, the development of reliable cost models may take a year or more to complete.” This is still true today. The Commission was also “concerned” that any “dramatic cuts in access charges” “could result in a substantial decrease in revenue for incumbent LECs, which could prove highly disruptive to business operations,” concerns that still exist. Finally, it is still true that “precipitous action could lead to significant errors in the level of access charge reductions necessary to reach competitive levels [which] would further impede the development of competition in the local markets and disrupt existing services.”<sup>56</sup> These conclusions were supported by substantial factual evidence and economic opinion, and nothing has occurred that should cause the Commission to change its mind.

---

<sup>55</sup> AT&T at 16-17; WorldCom at 23.

<sup>56</sup> *Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers*, 12 FCC Rcd 15982, at ¶¶ 45-46 (1997).



The TELRIC approach is also totally inconsistent with the Commission's policy direction over the past decade to move away from cost-based regulation and its establishment of price caps as the regulatory regime for interstate access charges. As Professor Shelanski explains, "the Commission should be seeking ways to make regulation less prescriptive, and less information-intensive."<sup>57</sup> Indeed, the Commission has begun the process of removing price regulation as competition grows. Any rate prescription now would be an abrupt change of course and would disrupt that growth. The Commission should not make such a fundamental course change now.

Substituting TELRIC for CALLS would be the worst of both worlds. It would continue everything that is bad about the existing regime — heavy regulatory involvement, cumbersome recordkeeping and complexity. In fact, it even enlarges these evils by requiring new TELRIC-based cost studies and a system of rules that is far more complicated than that required by price caps and CALLS. At the same time, the rates this new system would produce would not provide incentives for economically efficient choices by consumers and carriers, a requirement of any pricing scheme. If there is to be an access charge system, then, those charges should generate revenues sufficient to recover the costs of the carrier's actual network, as these are the only costs that send correct price signals to the market, and not be based on the forward-looking costs of a purely hypothetical carrier that always uses throughout its network the most up-to-date technology deployed in the most efficient network configuration.<sup>58</sup> This is because access charges that are below costs could prevent entry by efficient facilities-based carriers because they would be competing with a firm required to charge prices below cost.

---

<sup>57</sup> Shelanski Declaration ¶ 4.

<sup>58</sup> *Local Competition Order* at ¶¶ 679, 683-685.

TELRIC as applied by the Commission does not permit carriers to recover the costs of their networks.<sup>59</sup> Moreover, using TELRIC would be inappropriate even if the Commission utilized a different forward-looking cost model, such as one that is not based on the hypothetical network. Carriers spent real money over a period of years to construct the facilities used to provide access transport and switching services, and prices must be set to allow carriers to recover these real world costs. Any cost standard that ignores real costs would skew the competitive marketplace and cause inefficient behavior. For example, model-based rates would stifle competition in the access services market, as low model-based access rates would turn away potential entrants into the market. Commission action that would serve to dampen competitive entry into the access market would hardly “provide incentives for competitors to ultimately offer more of their own facilities.”<sup>60</sup>

It was the Commission’s express goal in adopting TELRIC to produce dramatically *lower* prices than would be dictated by either a measure of a carrier’s actual forward looking costs or its historical costs.<sup>61</sup> If applied to access, such a shift would be bad policy in that it would undermine future ILEC investment and, by underpricing the existing network, it would discourage competing investment as well. Moreover, under the constitutional test set forth in *Duquesne Light Co. v. Barasch*, a new regulatory regime is unlawful if the new rates are not within the “range of reasonableness” based on the prior regime.<sup>62</sup> TELRIC cannot pass this test.

---

<sup>59</sup> See Shelanski Declaration ¶ 5.

<sup>60</sup> Michael K. Powell, *Digital Broadband Migration Part II*, Press Conference, October 23, 2001, at 3, available at <http://www.fcc.gov/Speeches/Powell/2001/spmkip109.html>.

<sup>61</sup> *Local Competition Order* at ¶ 706 (historical costs would require “increasing the rates for interconnection and unbundled elements”).

<sup>62</sup> 488 U.S. 299 at 312 (1988).

**C. Don't Adopt Bill and Keep for Access Now.**

Likewise, there is virtually no support from affected parties for using bill and keep for access at this time. Local exchange carriers oppose it,<sup>63</sup> as do state regulators<sup>64</sup> and most of the interexchange carriers.<sup>65</sup>

As discussed above, there are fundamental differences between establishing bill and keep for local and CMRS interconnection and doing so for access. Under the current regime, long distance access is an input to service provided by the long distance carrier. Thus, local interconnection is a "reciprocal compensation relationship of termination services between carriers, whereas long-distance service is a vertical relationship in which local termination is just an input into the long-distance carrier's provision of calling services to end users. There is no reason that the economics of local interconnection should be assumed identical to those of the very different relationship inherent in long distance access."<sup>66</sup>

As virtually everyone recognizes, using bill and keep for access would require a fundamental restructuring of the way local telephone companies recover their costs, both at the interstate and intrastate levels. Costs that are now recovered from long distance companies through access charges would, presumably, be recovered from the local company's end user customers. These changes cannot be accomplished over night and would require the coordinated efforts of the Commission and the states.

---

<sup>63</sup> SBC at 24; USTA at 22; NECA at 17; Michigan Exchange Carrier Assoc. at 8.

<sup>64</sup> *E.g.*, Alaska at 2; California at 6; Florida at 5 ; Iowa at 3; Maryland at 13.

<sup>65</sup> AT&T at 47; Sprint at 22.

<sup>66</sup> Shelanski Declaration ¶ 1.

WorldCom seems to be the only affected entity that has any interest in bill and keep for access.<sup>67</sup> However, WorldCom's own comments highlight some of the new issues bill and keep would raise. WorldCom proposes that if there were a shift to bill and keep for access charges that the interexchange carrier should get to choose the quality of the trunk and monitor the quality.<sup>68</sup> This proposal, of course, would provide incentive and ability for interexchange carriers to shift costs to LECs and to demand "Rolls Royce" quality trunks or to use inefficient trunks that benefit the interexchange carrier.

WorldCom proposes that the Commission, should it decide to adopt bill and keep for access,

"should also adopt rules to prevent incumbent LECs from routing originating traffic over facilities other than those used by the IXC to route its terminating traffic. One such rule, as an example, could require that while IXCs determine how traffic will be routed, incumbent LECs are responsible for a pro-rata share of the costs of the facilities selected by the IXC based on the proportion of originating minutes to terminating minutes."<sup>69</sup>

This would place all the control in the hands of the interexchange carriers. These carriers could completely determine routing and pay only a miniscule portion of the costs if the area were one that originated a large number of calls. The interexchange carrier would have little incentive to pick a cost minimizing routing because the cost of additional capacity would be borne disproportionately by the LEC.

The Commission should reject substituting bill and keep for access charges at this time.

---

<sup>67</sup> WorldCom at 9-13.

<sup>68</sup> WorldCom at 25-26.

<sup>69</sup> WorldCom at 25-26.

### Conclusion

The Commission should promptly deal with the issues that need immediate attention, move to adopt Verizon equitable interconnection proposal for local and CMRS traffic, and carefully work through the much larger issues raised by any wholesale change in compensation mechanisms.

Respectfully submitted,

/S/

---

Edward Shakin  
John M. Goodman

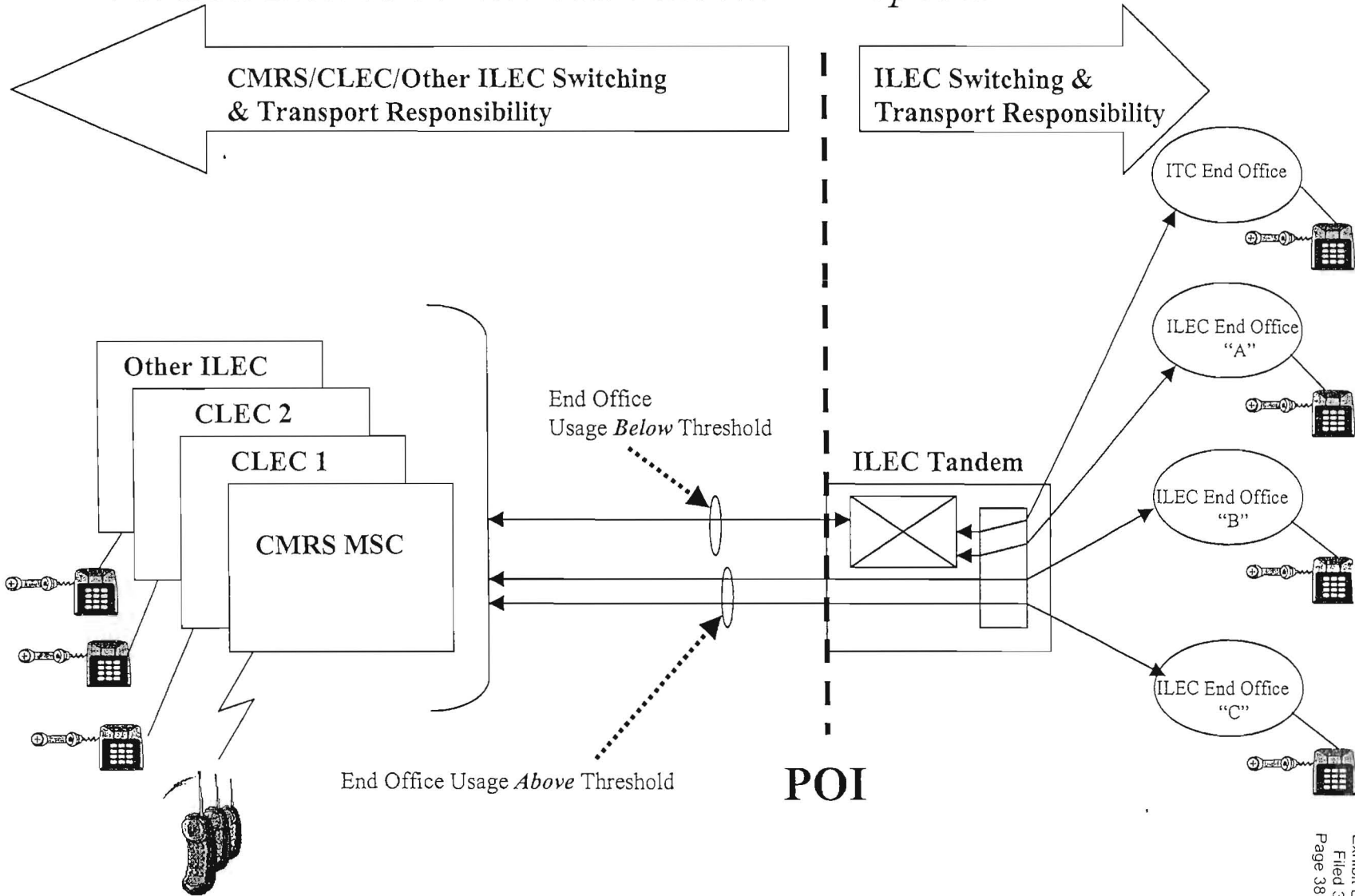
Attorneys for the Verizon  
telephone companies

1300 I Street, N.W.  
Washington, D.C. 20005  
(202) 515-2563

Michael E. Glover  
Of Counsel

Dated: November 5, 2001

# Verizon Interconnection Architecture Proposal



Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of

Developing a Unified Inter-carrier  
Compensation Regime

CC Docket No. 01-92

**DECLARATION OF HOWARD A. SHELANSKI**

**Statement of Qualifications**

I am Acting Professor of Law at the University of California at Berkeley. I received my B.A. from Haverford College in 1986, my J.D. from the University of California at Berkeley in 1992, and my Ph.D. in economics from the University of California at Berkeley in 1993. I have been a member of the Berkeley faculty since 1997. In 1998-2000 I was on leave from my faculty position to serve as a Senior Economist to the President's Council of Economic Advisers (1998-99) and then as Chief Economist of the Federal Communications Commission (1999-2000). I formerly practiced law in Washington, D.C. and served as a law clerk to Justice Antonin Scalia of the U.S. Supreme Court.

I teach and conduct research in the areas of telecommunications regulation, antitrust, and applied microeconomics. My recent publications include articles in the *Journal of Law, Economics and Organization*, the *Yale Journal on Regulation*, the *University of Chicago Law Review*, the *Journal of Law and Economics*, the *University of Chicago Legal Forum*, and the *Columbia Law Review*. I am co-author of the recently published legal textbook *Telecommunications Law and Policy* (Carolina Academic Press, 2001). I have served as a referee

for a number of economics journals and am an editor of the *International Review of Law and Economics*. My C.V. is attached.

### **Introduction**

The purpose of this affidavit is not to address the comparative merits of bill and keep versus calling-party-network-pays (CPNP) rules for local interconnection. It is, instead, to argue that whatever the benefits of bill and keep or CPNP for inter-carrier compensation for local traffic, it would be bad policy to implement either in the context of access charges. The following paragraphs will discuss several reasons why the access charge regime that is currently in place should not be disturbed in favor of either bill and keep or prescribed CPNP rates.

### **TELRIC or Other Rate Prescription Should Not Be Applied To Access Charges**

1. It is important to recognize, first, that the policy for local interconnection should not dictate the policy for inter- or intrastate access charges. Interconnection in the local (or CMRS) context involves carriers that serve distinct customers cooperating so that carrier A's customers can reach carrier B's customers. Carrier A has no relationship with the customers of carrier B, and carrier B's network is irrelevant to carrier A and its customers, unless those customers happen to call subscribers to carrier B (and vice versa). Moreover, when local carriers pass traffic back and forth, they are performing equivalent termination services for each other. Long-distance access differs. While local carriers terminate calls that are handed-off to them by long-distance carriers, long-distance networks do not in turn perform reciprocal termination services for local carriers. Long-distance carriers are instead providing calling services to end users, for



which local termination constitutes an essential input. Local interconnection is thus a reciprocal relationship of termination services between carriers, whereas long-distance service is a vertical relationship in which local termination is just an input into the long-distance carrier's provision of calling services to end users. There is no reason that the economics of local interconnection should be assumed identical to those of the very different relationship inherent in long-distance access.

2. Thus, while bill and keep may have desirable properties for inter-carrier compensation for local interconnection under some circumstances, there are significant challenges to be overcome before the Commission could consider applying it to access. Access charges have traditionally been used to provide a large proportion of ILECs' revenues. Any change to a bill and keep system would therefore involve a very substantial shift of recovery to end-user prices, with attendant controversies over customer impact and universal service concerns. And, as I explain below, artificially constraining recovery would not only harm ILECs, but could deter efficient, competitive entry as well. Since intrastate access charges are regulated by the states, there is also the problem of coordinating federal and state policy with respect to access charges, so as not to create unacceptable arbitrage between state and interstate access traffic.
3. These considerations weigh in favor of maintaining access charges on a CPNP basis, at least until the issues associated with bill and keep for access can be fully addressed. In the context of CPNP, there is no reason that the access regime recently adopted by the Commission, through the CALLS and MAG plans, should be reexamined now. Or dover

and Willig nonetheless propose that access rates should be reset prescriptively and that the standard for doing so should be some measure of forward-looking cost, such as TELRIC.

4. I believe that any new prescription of access rates would at this time be bad policy. As I have already discussed, there is no set of "perfect" CPNP rates that will address the concerns raised in the NPRM. More generally, the Commission should be seeking ways to make regulation less prescriptive, and less information-intensive. The Commission adopted price caps for ILEC access charges eleven years ago, precisely because it recognized that it did not have the information necessary to prescribe specific levels for each access charge element. Instead, it designed the price cap system to protect consumers where necessary, but also to provide incentives for efficiency and to elicit information about the relative levels of specific prices. In the years since, the Commission has relaxed price cap controls in those markets where it has found sufficient competition. As competition continues to develop, the Commission may need to maintain regulatory protection in certain markets, but it should be seeking the least intrusive means for doing so. Its methods should not depend on ascertaining detailed information about cost or demand in an attempt to prescribe specific rates, but should instead focus on establishing more general constraints that will promote efficient outcomes. For access, for the present, it might mean maintaining the current price cap regime adopted under the CALLS plan only until the Commission determines that sufficient competition exists to remove the caps.

5. But even if the Commission were to prescribe rates for access – which it should not— TELRIC would not be a reasonable standard on which to base those rates. In fact, TELRIC has several important drawbacks for pricing access of any kind. Notably, TELRIC does not capture the actual costs of originating or terminating traffic. Instead, TELRIC as interpreted by the Commission captures the forward-looking costs of a hypothetical firm containing the optimal network given today’s technology. TELRIC will thus likely understate the costs any real-world firm, even one that efficiently upgrades and replaces its network, actually incurs to provide access on its network. TELRIC has been extremely controversial for its reliance on the costs of an idealized, hypothetical network. The United States Court of Appeals for the Eighth Circuit rejected TELRIC because of its hypothetical nature and the case is now pending before the Supreme Court. Numerous economists have criticized the Commission’s TELRIC approach on the grounds that it would systematically under-compensate carriers for use of network elements and thereby lead to poor investment incentives for ILECs and inefficient entry decisions by CLECs.
6. Whatever the ultimate legal fate of TELRIC in the courts, it is the latter economic point about efficient investment decisions that is most important for access pricing. Access prices should provide incentives for incumbents to invest efficiently in their networks and for new firms to enter the market if they could provide access more efficiently than the incumbents do. But if access prices artificially understate the incumbents’ true costs, then those prices will provide inaccurate signals to new entrants and will deter entry where it in fact would be efficient. Such inaccurate price signals will flow from any regulation

that risks prescribing charges that are below the actual costs of the carriers providing network access.

7. It is important to recognize that TELRIC cannot be justified on the basis that it replicates prices found in a competitive market, which is the objective Ordovery and Willig argue (at page 6 of their affidavit) the Commission should seek to achieve. As applied to date, TELRIC has modeled forward-looking costs based on a hypothetically efficient network that would not, in fact, ever be found in long-run equilibrium, even under competitive conditions. To see that TELRIC models are unlikely to have any relation to prices that result under real competition, one need only to look at the market for long-distance telephone services, which is often heralded as being vigorously competitive. The average revenue per minute for long distance carriers appears much higher than the sum of access charges and the TELRIC of providing long-distance services.<sup>1</sup> TELRIC is both theoretically and empirically a poor proxy for competitive market outcomes and thus fails to do what Ordovery and Willig argue that a proper pricing rule should do.
  
8. The difficulty of supplanting the current access charge regime becomes even more complicated when existing state regulation is taken into account. Before the Commission decides that it will abandon the existing per minute access charge regime in favor of a new, unified regime for inter-carrier compensation, it would be important to understand how that will affect intrastate regulation. Will it create untenable arbitrage opportunities?

---

<sup>1</sup> According the Commission's Statistics of Common Carriers (August,2001) the average revenue per minute for interstate switched long distance services (excluding international services) is 11 cents per minute. Under the CALLS plan, interstate switched access charges are approaching 1.1 cents per minute (including both ends of a call), or about one tenth of the long distance price. See also Farrell and Hermalin at 5.

Will it create inefficient regulation to prevent arbitrage? Will it force changes in other regulations? Answering the likely interaction effects of proposed changes is important to understanding the efficiency effects of proposed rule changes. The Commission recognized this in its *Notice* where it said “any discrepancy in regulatory treatment between similar types of traffic or similar categories of parties is likely to create opportunities for regulatory arbitrage.”<sup>2</sup> A unilateral federal movement of access charges may create arbitrage that undermines state regulatory goals and leads to ad hoc regulatory responses that, while perhaps defeating arbitrage, undermine cost recovery and possibly deter entry.

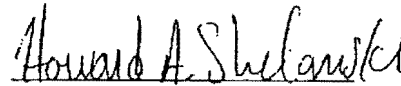
9. Given these hazards, the Commission should not extend TELRIC or other rate prescription to access charges. The current, recently adopted access charge regime should be left in place, and the Commission should avoid re-prescribing those rates in a manner that will require increased regulatory oversight, create additional uncertainty for incumbent carriers and potential entrants, and be likely to provide inefficient investment and entry decisions.

---

<sup>2</sup> Notice, para. 12.

Declaration

I, Howard Shelanski, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Executed on November 5, 2001.

  
Howard Shelanski

**HOWARD A. SHELANSKI**  
School of Law, Boalt Hall  
University of California  
Berkeley, CA 94720  
shelanski@law.berkeley.edu  
(510) 643-2743

**Education**                    **University of California at Berkeley, Economics Department**  
Ph.D. 1993; M.A. 1989  
Dissertation: "Transfer Pricing and the Organization of Intrafirm Exchange."

**University of California at Berkeley, School of Law (Boalt Hall)**  
J.D. 1992; Order of the Coif  
Senior Articles Editor, *California Law Review*

**Haverford College, Pennsylvania**  
B.A. (history) with high honors, 1986  
Phi Beta Kappa; varsity track and cross country

**Current Position**            **University of California at Berkeley, School of Law**  
Acting Professor of Law. Teaching areas include antitrust law,  
telecommunications law, regulated industries, and contract law.

**Experience**                    **Federal Communications Commission, Washington, D.C.**  
Chief Economist. 1999-2000.

**President's Council of Economic Advisers, Washington, D.C.**  
Senior Economist, responsible for issues of industrial organization, competition  
policy, regulation, and trade, 1998-99.

**Kellogg, Huber, Hansen, Todd & Evans, Washington, D.C.**  
Associate, telecommunications and general litigation practice, 1995-97.

**Law Clerk to Justice Antonin Scalia, United States Supreme Court,**  
1994-95.

**Law Clerk to Judge Louis H. Pollak, U.S. District Court, Eastern District of**  
**Pennsylvania, 1993-94.**

**Law Clerk to Judge Stephen F. Williams, United States Court of Appeals, D.C.**  
**Circuit, 1992-93.**

**Other**                            Speak French and Spanish;  
Enjoy brewing beer, outdoor sports, and travel;  
Admitted to the Bar in the District of Columbia and Pennsylvania.

**Research &  
Publications**

"Robinson-Patman Act Regulation of Intraenterprise Pricing," (comment),  
80 *California Law Review* 247 (1992).

(With Peter Klein) "Empirical Research in Transaction Cost Economics: A  
Review and Assessment," 11 *Journal of Law, Economics, & Organization* 335  
(1995).

"Transaction-Level Determinants of Transfer Pricing Policy: Evidence From the  
High Technology Sector," working paper, U.C. Berkeley School of Law,  
September 1997.

"The Bending Line Between Conventional Broadcast and Wireless Carriage," 97  
*Columbia Law Review* 1048 (1997).

"Video Competition and the Public Interest Debate," Mackie-Mason and  
Waterman (eds.), Telephony, the Internet, and the Media: Selected Papers from  
the 25<sup>th</sup> Annual Telecommunications Policy Research Conference (1998).

(With Peter Huber) "Administrative Creation of Property Rights to Radio  
Spectrum," XLI(2) *Journal of Law and Economics* 581 (October 1998).

(With Jerry Hausman) "Economic Welfare and Telecommunications Regulation:  
The E-Rate Policy for Universal-Service Subsidies," 16 *Yale J. Reg.* 19 (1999).

"The Speed Gap: Broadband Infrastructure and Electronic Commerce," 14  
*Berkeley Tech. L. J.* 721 (1999).

"A Comment on Competition and Controversy in Local Telecommunications," 50  
*Hastings L. J.* 1617 (2000).

"Competition and Deployment of New Technology in U.S. Telecommunications,"  
2000 *The U. Chicago Legal Forum* 85 (2000).

(With Greg Sidak) "Antitrust Divestiture in Network Industries," 68 *U. Chicago  
L. Rev.* 1 (winter 2001).

(With Stuart Benjamin and Douglas Lichtman) *Telecommunications Law and  
Policy*, Carolina Academic Press (2001).

"Pricing Access to Incumbent Telecommunications Networks: The Law and  
Economics of *Verizon v. FCC*," working paper, June 2001.

"From Sector-Specific Regulation to Antitrust Law for U.S. Telecommunications:  
The Prospects for Transition," working paper, July 2001.

"Regulation in an Evolving Network Industry: the Case of Broadband  
Communications," working paper, October 2001.



**SPRINT ILEC TO CLEC TRAFFIC ANALYSIS**

CARRIER	SPRINT ORIGINATING	SPRINT TERMINATING	SPRINT TOTAL	RATIO
CLEC 1	1,677,960,240	7,260,000	1,685,220,240	231.12
CLEC 2	1,084,135,800	-	1,084,135,800	N/A
CLEC 3	985,762,800	6,998,640	992,761,440	140.85
CLEC 4	526,277,400	105,168,360	631,445,760	5.00
CLEC 5	525,624,000	20,328,000	545,952,000	25.86
CLEC 6	421,080,000	-	421,080,000	N/A
CLEC 7	148,394,400	19,965,000	168,359,400	7.43
CLEC 8	144,619,200	12,167,760	156,786,960	11.89
CLEC 9	130,767,120	21,126,600	151,893,720	6.19
CLEC 10	58,080,000	-	58,080,000	N/A
CLEC 11	-	56,628,000	56,628,000	-
CLEC 12	25,410,000	18,048,360	43,458,360	1.41
CLEC 13	31,363,200	10,062,360	41,425,560	3.12
CLEC 14	12,487,200	8,232,840	20,720,040	1.52
CLEC 15	-	15,638,040	15,638,040	-
CLEC 16	2,105,400	12,487,200	14,592,600	0.17
CLEC 17	5,299,800	551,760	5,851,560	9.61
CLEC 18	-	4,951,320	4,951,320	-
CLEC 19	-	4,486,680	4,486,680	-
CLEC 20	-	4,022,040	4,022,040	-
CLEC 21	-	3,179,880	3,179,880	-
CLEC 22	-	2,904,000	2,904,000	-
CLEC 23	-	1,364,880	1,364,880	-
CLEC 24	-	406,560	406,560	-
CLEC 25	-	87	87	-
CLEC 26	-	-	-	N/A
<b>TOTAL</b>	<b>5,779,366,560</b>	<b>335,978,367</b>	<b>6,115,344,927</b>	<b>17.20</b>

SOURCE : 1ST QTR 2001 MINUTES ANNUALIZED

FLORIDA PUBLIC SERVICE COMMISSION  
 DOCKET  
 NO. 000075-TP/Phase II EXHIBIT NO. 5  
 COMPANY/  
 WITNESS: Hunsucker  
 DATE: 5-8-02

**SPRINT ILEC TO CLEC TRAFFIC ANALYSIS  
ADJUSTED FOR FCC PROPOSED 3 TO 1 RATIO**

<b>CARRIER</b>	<b>SPRINT ORIGINATING</b>	<b>SPRINT TERMINATING</b>	<b>SPRINT TOTAL</b>	<b>RATIO</b>
CLEC 1	21,780,000	7,260,000	29,040,000	3.00
CLEC 2	-	-	-	3.00
CLEC 3	20,995,920	6,998,640	27,994,560	3.00
CLEC 4	315,505,080	105,168,360	420,673,440	3.00
CLEC 5	60,984,000	20,328,000	81,312,000	3.00
CLEC 6	-	-	-	3.00
CLEC 7	59,895,000	19,965,000	79,860,000	3.00
CLEC 8	36,503,280	12,167,760	48,671,040	3.00
CLEC 9	63,379,800	21,126,600	84,506,400	3.00
CLEC 10	-	-	-	3.00
CLEC 11	-	56,628,000	56,628,000	3.00
CLEC 12	25,410,000	18,048,360	43,458,360	1.41
CLEC 13	30,187,080	10,062,360	40,249,440	3.00
CLEC 14	12,487,200	8,232,840	20,720,040	1.52
CLEC 15	-	15,638,040	15,638,040	3.00
CLEC 16	2,105,400	12,487,200	14,592,600	0.17
CLEC 17	1,655,280	551,760	2,207,040	3.00
CLEC 18	-	4,951,320	4,951,320	3.00
CLEC 19	-	4,486,680	4,486,680	3.00
CLEC 20	-	4,022,040	4,022,040	3.00
CLEC 21	-	3,179,880	3,179,880	3.00
CLEC 22	-	2,904,000	2,904,000	3.00
CLEC 23	-	1,364,880	1,364,880	3.00
CLEC 24	-	406,560	406,560	3.00
CLEC 25	-	87	87	3.00
CLEC 26	-	-	-	3.00
<b>TOTAL</b>	<b>650,888,040</b>	<b>335,978,367</b>	<b>986,866,407</b>	<b>1.94</b>

SOURCE : 1ST QTR 2001 MINUTES ANNUALIZED WITH ADJUSTMENTS AS DISCUSSED IN TESTIMONY

**WILLIAM J. BARTA**  
President, Henderson Ridge Consulting, Inc.

**EDUCATION**

**Emory University** M.B.A. (1982)  
Marketing and Finance  
**The Lindenwood Colleges** B.A. with Honors (1978)  
Business Administration and Accounting

**PROFESSIONAL CERTIFICATION**

Certified Public Accountant

**PROFESSIONAL AFFILIATIONS**

American Institute of Certified Public Accountants  
Georgia Society of Certified Public Accountants

**EMPLOYMENT HISTORY**

1996 - present Henderson Ridge Consulting President and Founder  
1988 - 1995: J. Kennedy and Associates Manager  
1986 - 1988: Contel Corporation Financial Planning Coordinator  
1982 - 1986: AT&T Financial Analyst and Account Executive  
1981 Simmons, U.S.A. Special Projects Staff (summer internship)  
1979 - 1980: Gould, Inc. Senior Accountant  
1978 - 1979: SCNO Barge Lines, Inc. Staff Accountant

**REPRESENTATIVE EXPERIENCE**

**The Telecommunications Act of 1996:**

Addressed policy and technical issues in regulatory proceedings initiated in response to the pro-competitive mandates of the 1996 Act. Subject areas include universal service and access charge reform, interim and permanent pricing for local interconnection and unbundled network elements, avoided retail cost studies for resale purposes, evaluation of local number portability cost studies, assessment of Contract Service Arrangements, and mediation of joint use pole disputes.

**FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET

NO. 00007578 (Phase II A) EXHIBIT NO. 4

COMPANY/

WITNESS: Barta

DATE: 5-8-02

**Management Audits:**

Conducted comprehensive and focused management audits of a major electric investor owned utility, a generation and transmission electric cooperative, distribution electric cooperatives, a Bell Operating Company, and independent local exchange carriers.

**Merger Evaluations:**

Evaluated the administrative and operational synergies projected in a merger between two electric investor owned utilities and the level of savings and operational efficiency to be achieved from the combination of separate subsidiaries within a Bell Regional Holding Company.

**Demand Side Management Program Analyses:**

Performed a comprehensive review of the assumptions used in the development of proposed Demand Side Management ("DSM") programs and the benefit/cost ratios of implementing proposed DSM programs as determined by standard regulatory tests. Of particular interest was the nonregulated revenue potential resulting from a load management program designed to achieve spinning reserve status by providing real time communications between the residential customer and the operating dispatch center.

**Affiliate Transactions Reviews:**

Conducted extensive cost allocation studies and transaction audits of a Bell Regional Holding Company's and independent telephone companies' affiliate transactions, the sale of an electric utility's generating facilities to (and subsequent participation in) a joint venture between the utility and three of its largest industrial customers, the integrated sale of an electric utility's mining operation and long-term coal purchase agreement, the provisions under which a nonregulated subsidiary of an electric utility would market the excess telecommunications capacity of a Demand Side Management program, and the potential cross-subsidy of a regulated electric utility's non-regulated telecommunications operations.

**Accounting and Finance Investigations:**

Performed comprehensive earnings investigations and revenue requirements studies of AT&T, a Bell Operating Company, independent local exchange carriers, electric investor owned utilities, a generation and transmission electric cooperative, and electric distribution cooperatives.

### Expert Testimony Appearances

<u>Date</u>	<u>Case No.</u>	<u>Jurisdiction</u>	<u>Company</u>	<u>Subject Matter</u>
July 1989	333-272	Louisiana	South Central Bell Telephone & Telegraph	Realized and projected rates of return.
August 1989	U-17970	Louisiana	AT&T Communications	Earnings investigation, network modernization, and alternative regulation.
October 1989	U-17282	Louisiana	Gulf States Utilities	Operating expense analysis and nonregulated joint venture evaluation.
January 1990	U-17282	Louisiana	Gulf State Utilities	Regulatory treatment of gain on sale of utility property.
July 1991	4004-U	Georgia	GTE Telephone	Network modernization and depreciation represcription.
October 1991	U-17282	Louisiana	Gulf States Utilities	Results of comprehensive management audit.
Dec. 1992	U-17949 Subdocket A	Louisiana	South Central Bell Telephone and Telegraph	Network technology and modernization and construction program evaluation.
Dec. 1992	U-19904	Louisiana	Entergy/Gulf States	Non-fuel O&M merger related synergies.
March 1993	93-01-E1 EFC	Ohio	Ohio Power Company	Accounting and regulatory treatment of the sale of an affiliate's investment.

**Expert Testimony Appearances - continued**

<u>Date</u>	<u>Case No.</u>	<u>Jurisdiction</u>	<u>Company</u>	<u>Subject Matter</u>
March 1993	U-19994	Louisiana	Entergy/Gulf States	Merger related synergies.
August 1993	U-19972	Louisiana	Ringgold Telephone Company	Earnings investigation, network modernization, and construction program.
October 1993	U-17735	Louisiana	Cajun Electric Power	Earnings investigation.
May 1994	U-20178	Louisiana	Louisiana Power & Light Company	Analysis of Least Cost Integrated Resource Plan and Demand Side Management programs.
October 1994	5258-U	Georgia	Southern Bell Telephone & Telegraph	Price regulation and incentive rate plan review.
June 1995	3905-U	Georgia	Southern Bell Telephone & Telegraph	Rate design and alternative regulation.
June 1996	96-02-002	California	Pacific Bell Telephone & Telegraph	ISDN TSLRIC study evaluation
August 1996	U-22020 (Direct)	Louisiana	BellSouth Telecomm. Inc.	Avoided retail cost study
Sep. 1996	U-22020 (Rebuttal)	Louisiana	BellSouth Telecomm. Inc.	Avoided retail cost study
Oct. 1997	97-01262 (Direct)	Tennessee	BellSouth Telecomm. Inc.	Permanent pricing for local interconnection and UNEs
Oct. 1997	97-01262 (Rebuttal)	Tennessee	BellSouth Telecomm. Inc.	Permanent pricing for local interconnection and UNEs

**Expert Testimony Appearances - continued**

Nov. 1997	97-00888	Tennessee		Universal service policy issues
Dec. 1997	P-100, Sub 133b	North Carolina		Universal service FLEC models
Dec. 1997	P-100, Sub 133d	North Carolina		Permanent pricing for local interconnection and UNEs
Jan. 1998	P-100, Sub 133b (Rebuttal)	North Carolina		Universal service FLEC models
Mar. 1998	P-100, Sub 133d (Rebuttal)	North Carolina		Permanent pricing for local interconnection and UNEs
Mar. 1998	P-100, Sub 133g	North Carolina		Universal service policy issues
Mar. 1998	97-07488 (Direct)	Tennessee	Electric Power Board of Chattanooga	Affiliate transactions
Aug. 1998	980696-TP (Direct)	Florida		Universal service FLEC models
Sep. 1998	980696-TP (Rebuttal)	Florida		Universal service FLEC models
Sep. 1998	U-22252, Subdocket D (Initial)	Louisiana		Avoided retail cost study for CSAs/SBAs
Sep. 1998	97-07488 (Rebuttal)	Tennessee	Electric Power Board of Chattanooga	Affiliate transactions

**Expert Testimony Appearances - continued**

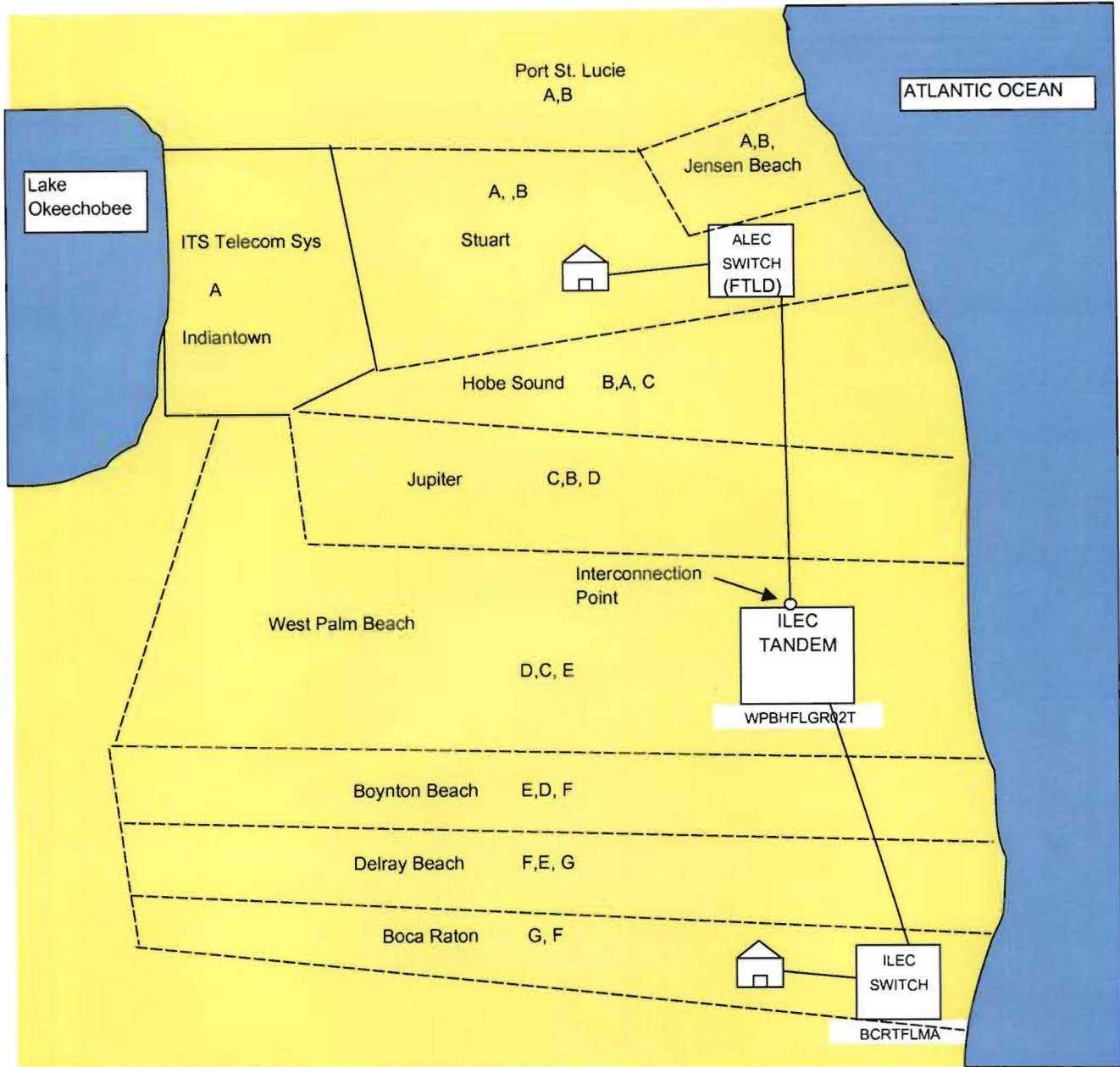
Sep. 1998	U-22252 Subdocket D (Final)	Louisiana	BellSouth	Avoided retail cost study for CSAs/SBAs
July 1999	10288-U	Georgia	Accucomm Telecomm, Inc.	Compliance audit results and affiliate transactions
August 1999	990649-TP	Florida (Direct)		Unbundled network element policy issues
Sep. 1999	990649-TP	Florida (Rebuttal)		Unbundled network element policy issues
March 2000	99-00909	Tennessee (Direct)	Memphis Light, Gas & Water	Affiliate transactions
March 2000	U-24714	Louisiana (Direct)	BellSouth	Interim, deaveraged rates for unbundled network elements
June 2000	990649-TP	Florida (Direct)		Unbundled network element technical issues
July 2000	990649-TP	Florida (Rebuttal)		Unbundled network element technical issues
August 2000	P-100, Sub 133d	North Carolina		Unbundled network element policy and technical issues
August 2000	990649-TP	Florida (Supplemental Rebuttal)		Unbundled network element technical issues
Nov 2000	00-00523	Tennessee (Direct)		Rural universal service policy and technical issues
Nov 2000	00-00523	Tennessee (Rebuttal)		Rural universal service policy and technical issues



**Expert Testimony Appearances – continued**

Dec 2000	99-11035	Nevada (Direct)		Collocation rates
March 2001	99-00909	Tennessee (Rebuttal)	Memphis Light, Gas & Water	Affiliate transactions
April 2001	99-11035	Nevada (Supplemental)		Collocation rates

SEGMENT - LATA 460 ILEC RETAIL CALLING AREAS



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

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET

NO. 000075-11 (Phase II) EXHIBIT NO. 5

COMPANY/ WITNESS: M<sup>s</sup> Chisley

DATE: 5-8-02

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-1

PARTY: MCI WORLDCOM

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Item 1 - Page 1
2. Responses to Staff's 1<sup>st</sup> Request for Production of Documents, Attachment 1 - Page2

PROFFERING PARTY: STAFF

I.D. # Stip-1

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 000075-TP (MCI/AT&T) EXHIBIT NO. 6

COMPANY/

WITNESS: FPSC Staff

DATE: 5-8-02

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into )  
appropriate methods to compensate ) Docket No. 000075-TP  
carriers for exchange of traffic ) (Phase IIA)  
subject to Section 251 of the )  
Telecommunications Act of 1996 ) Served: April 16, 2002  
\_\_\_\_\_)

MCI WORLDCOM'S RESPONSE TO  
STAFF'S FIRST SET OF INTERROGATORIES (No. 1)  
and STAFF'S FIRST REQUEST FOR PRODUCTION OF DOCUMENTS (No. 1)

MCI WorldCom, Inc. hereby responds to Staff's First Set of Interrogatories and First Request for Production of Documents served on March 27, 2002.

INTERROGATORY

1. For the following question, please refer to witness Gillan's direct testimony, filed March 1, 2002. Please identify the source of the revenue figures cited on page 5, lines 19-22.

See Attachment 1.

REQUEST FOR PRODUCTION

1. Please provide any and all documents used to arrive at the figures cited on page 5, lines 19-23 of WorldCom witness Gillan's direct testimony, filed March 1, 2002.

See Attachment 1.

**BellSouth-FL**

	LD Rev	Sw Line	Per Line
1991	\$252,378	4,796,879	\$4.38
1992	\$260,133	4,781,944	\$4.53
1993	\$248,450	4,981,626	\$4.16
1994	\$245,625	5,240,473	\$3.91
1995	\$192,968	5,487,311	\$2.93
1996	\$80,531	5,808,883	\$1.16
1997	\$62,614	6,167,055	\$0.85
1998	\$51,917	6,537,873	\$0.66
1999	\$40,870	6,785,052	\$0.50
2000	\$34,214	6,850,656	\$0.42

**GTE**

	LD Rev	Sw Line	Per Line
1991	\$112,708	1,703,601	\$5.51
1992	\$83,729	1,762,795	\$3.96
1993	\$54,215	1,814,841	\$2.49
1994	\$59,175	1,903,558	\$2.59
1995	\$58,580	1,980,859	\$2.46
1996	\$51,676	2,089,645	\$2.06
1997	\$36,367	2,229,233	\$1.36
1998	\$22,644	2,329,890	\$0.81
1999	\$17,620	2,403,992	\$0.61
2000	\$20,028	2,435,204	\$0.69

Source: LD Revenue -- ARMIS 43-03, Total Regulated, Row 5100 LD Message Revenue  
Total Switched Access Lines -- ARMIS 43-08, Table III, Column dj.

ATTACHMENT 1  
to  
MCI WorldCom Response to  
Staff's Discovery  
Docket 000075-TP

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-2

PARTY: FDN

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Items 1 - 5, Page 1.

PROFFERING PARTY: STAFF

I.D. # Stip-2

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 000075-TP(Pham, TP) EXHIBIT NO. 7  
COMPANY/  
WITNESS: FBC Staff  
DATE: 5-8-02

INTERROGATORIES:

1. **Using FDN witness McCluskey's Exhibit JJM-1, and using currently approved Florida Public Service Commission rates, please describe which party would pay compensation and which party would receive compensation for a call originating in Stuart and terminating in Boca Raton.**

There are multiple scenarios that could possibly take place that determine which carrier pays and which carrier receives compensation. These scenarios are determined by who the originating and terminating end users have chosen for their local and Intra-LATA toll providers as well as the calling plan that the originating end user may have selected from their local service provider

Scenario 1) The originating and terminating end users have chosen the same local service provider. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is a local call. There is no Inter-Carrier Compensation in this scenario.

Scenario 2) The originating and terminating end users have chosen the same local service provider. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is an Intra-LATA toll call. The originating end user has chosen the local provider to carry IntraLATA toll calls. There is no Inter-Carrier Compensation in this scenario.

Scenario 3) The originating and terminating end users have chosen the same local service provider. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is an Intra-LATA toll call. The originating end user has chosen an IXC to carry IntraLATA toll calls. The IXC is charged by the local provider for Originating and Terminating Intrastate Switched Access.

Scenario 4) The originating end user has chosen a different local service provider than the terminating end user. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is a local call. The originating end user's local service provider will hand the call to the terminating end user's local service provider at an interconnection point established by the two carriers. The originating end user's local service provider is charged by the terminating end user's local service provider based on the terms in their interconnection agreement. The intercarrier compensation may be based on reciprocal compensation or Intrastate Switched Access.

STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1 - 5)  
TO FLORIDA DIGITAL NETWORK, INC.  
DOCKET NO. 000075-TP (PHASE IIA)

Scenario 5) The originating end user has chosen a different local service provider than the terminating end user. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is an IntraLATA toll call. The originating end user has selected the local service provider to carry IntraLATA toll calls. The originating end user's local service provider will hand the call to the terminating end user's local service provider at an interconnection point established by the two carriers. The originating end user's local service provider is charged by the terminating end user's local service provider based on the terms in their interconnection agreement. The intercarrier compensation may be based on reciprocal compensation or Intrastate Switched Access.

Scenario 6) The originating end user has chosen a different local service provider than the terminating end user. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is an IntraLATA toll call. The originating end user has selected an IXC to carry IntraLATA toll calls. The originating end user's local service provider will hand the call off to the IXC to carry the call to the terminating end user's local service provider. The IXC will be charged for Originating and Terminating Intrastate Switched Access charges by the respective local service providers.

Scenario 7) The originating end user has chosen a different local service provider than the terminating end user. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is a local call. The originating end user's local service provider will hand the call to a third party tandem provider to transit the call to the terminating end user's local service provider because a direct interconnection point has not been established by the two carriers. The originating end user's local service provider and the terminating end user's local service provider have not signed an interconnection agreement or traffic exchange agreement. The terminating end user's local service provider will likely charge the originating end user's local service provider Intrastate Switched Access. Additionally, the originating end user's local service provider will have to pay the third party tandem provider for transiting the tandem provider's network.

Scenario 8) The originating end user has chosen a different local service provider than the terminating end user. The originating end user's local service provider has determined that a call from Stuart to Boca Raton is an Intra-LATA toll call. The originating end user has chosen the local service provider to carry Intra-LATA toll calls. The originating end user's local service provider will hand the call to a third party tandem provider to transit the call to the terminating end user's local service provider because a direct interconnection point has not been established by the two carriers. The originating end user's local service provider and the terminating end user's local service provider have not signed an interconnection agreement or traffic exchange agreement. The terminating end user's local service provider will likely charge the originating end user's local



STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1 – 5)  
TO FLORIDA DIGITAL NETWORK, INC.  
DOCKET NO. 000075-TP (PHASE IIA)

service provider Intrastate Switched Access. Additionally, the originating end user's local service provider will have to pay the third party tandem provider for transiting the tandem provider's network.

Answered by: Michael Gallagher, CEO, FDN

2. **Using FDN witness McCluskey's Exhibit JJM-1, and using currently approved Florida Public Service Commission rates, please describe which party would pay compensation and which party would receive compensation for a call originating in Boca Raton and terminating in Stuart.**

The same 8 scenarios listed above would apply just by interchanging "Stuart" and "Boca Raton."

Answered by: Michael Gallagher, CEO, FDN

3. **Please describe how the FDN proposal, identified on page 4 at lines 7 – 18 of FDN witness McCluskey's direct testimony, is consistent with the Commission's decisions on which party may designate an interconnection point in a LATA in Docket No. 000649-TP, MCImetro Access Transmission Services LLC / BellSouth arbitration; Docket No. 000731-TP, AT&T Communications of the Southern States / BellSouth arbitration; and Docket No. 000907-TP, Level 3 Communications LLC / BellSouth arbitration.**

FDN believes its proposal for a LATA-wide local reciprocal compensation plan is not inconsistent with the referenced Commission decisions.

In the referenced cases, BellSouth argued it should not bear responsibility for delivering its originated traffic outside the local calling area. (In another pending case, Docket No. 011666-TP, Verizon makes much the same argument.) The Commission rejected BellSouth's arguments, ruling a competing LEC has the right to designate any technically feasible point or points of interconnection with an incumbent's network, even if just one point per LATA, for the mutual exchange of traffic. These decisions, however, do not address the ALEC's single-point of interconnection right in the context of a LATA-wide local default mechanism for reciprocal compensation.

STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1 - 5)  
TO FLORIDA DIGITAL NETWORK, INC.  
DOCKET NO. 000075-TP (PHASE IIA)

FDN does not propose a change in the Commission's ruling that an ALEC has the right to designate one point of interconnection per LATA for the mutual exchange of traffic. That right would still exist if FDN's proposal were adopted; however, an ALEC designating only one interconnection point per LATA might not be eligible for the LATA-wide local default for reciprocal compensation. To be eligible, the originating carrier would bear responsibility for delivering traffic at least as far as the tandem serving the terminating end user.

FDN stands by its proposal as a fair and reasonable one. However, FDN does not oppose a default mechanism of LATA-wide local reciprocal compensation where an ALEC has only one point of interconnection per LATA.

Answered by: Michael Gallagher, CEO, FDN

**4. Please identify the average traffic volume in minutes per month delivered by FDN to ILECs in Florida.**

- A. The average number minutes delivered from FDN to the ILECs (BellSouth, Sprint - Local, Verizon) was just over 19,000,000 for the months of calendar year 4Q01.

Answered by: Michael Gallagher, CEO, FDN

**5. Please identify the average traffic volume in minutes per month delivered by Florida ILECs to FDN.**

- A. The average number of minutes delivered from the Florida ILECs (BellSouth, Sprint-Local, Verizon) to FDN was just over 37,000,000 for the months of calendar year 4Q01.

Answered by: Michael Gallagher, CEO, FDN

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-3

PARTY: FCTA

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Items 1a-1k, Page 1

PROFFERING PARTY: STAFF

I.D. # Stip-3

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO 000075-TP (Phan T.A.) EXHIBIT NO. 8  
COMPANY/  
WITNESS: FPSC Staff  
DATE: 5-8-02

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate methods  
to compensate carriers for exchange of )  
traffic subject to Section 251 of the )  
Telecommunications Act of 1996. )  
\_\_\_\_\_ )

Docket No. 000075-TP (Phase IIA)

Filed: April 17, 2002

**FLORIDA CABLE TELECOMMUNICATIONS ASSOCIATION'S ANSWERS  
AND OBJECTIONS TO STAFF'S FIRST SET OF INTERROGATORIES (1)**

The Florida Cable Telecommunications Association, Inc. ("FCTA"), pursuant to Rule 28-106.206, Florida Administrative Code, and Rules 1.340 and 1.280(b), Florida Rules of Civil Procedure, and the procedural order in this case (Order No. PSC-02-0139-PCO-TP), hereby submits the following Answers and Objections to Staff's First Set of Interrogatories served on March 28, 2002:

The FCTA affirms and realleges its objections as contained in its Objections to Staff's First Set of Interrogatories filed on April 8, 2002, as if fully stated herein. The FCTA states that it is a non-profit trade association representing the cable telecommunications industry in Florida, including certificated alternative local exchange carriers (ALECs) providing local exchange telecommunications service in Florida. The FCTA is not itself an ALEC and therefore as an entity does not own networks or provide telecommunications service. Thus, some of the answers to interrogatories herein must be construed in this context.

**ANSWERS AND OBJECTIONS TO INTERROGATORIES**

**INTERROGATORY 1**

For the following questions, please refer to the direct testimony of FCTA witness William J. Barta,

filed March 1, 2002.

**INTERROGATORY 1(a)**

Please identify the discrete elements that make up the “transaction costs” referred to in the testimony on page 4, line 9.

**ANSWER**

The costs associated with preparing, processing, and accounting for invoices and payments between the interconnecting carriers are considered transaction costs.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(b)**

Please identify the anticipated amount of transaction costs referred to in the testimony on page 4, line 9.

**OBJECTION**

This interrogatory seeks carrier-specific details that are irrelevant to the resolution of the policy issues being addressed in Issue 17 of this docket. Further, this interrogatory seeks an opinion based upon an insufficient hypothetical. This is a Generic Reciprocal Compensation proceeding as opposed to an arbitration. This interrogatory will be answered regarding policy issues raised in this generic proceeding and limited to the subject matter of Mr. Barta’s

prefiled testimony, the substance of the facts and opinions contained in his prefiled testimony, and a summary of the grounds for each opinion.

**ANSWER**

The “anticipated amount of transaction costs” would need to be measured on an individual carrier basis. One would expect the transaction costs to vary among carriers based upon the differences in billing and accounting systems as well as the number of personnel assigned to such responsibilities within the firms.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(c)**

**Please identify the “new administrative costs” that will be incurred through the imposition of bill and keep referred to on page 4, lines 17 and 18.**

**ANSWER**

The new administrative costs are the costs associated with modifying billing and accounting systems as well as the costs incurred for studies to be undertaken in order to estimate the charges that must now be recovered from the carriers’ subscribers instead of the interconnecting carrier. Other “new administrative costs” are likely to include the costs to educate customers about any billing changes, the costs for the retraining of the carriers’ customer service representatives and any other departments that management believes is necessary, and the additional expense of coordinating the activities of the accounts payable and accounts receivable departments in order to monitor the balance of traffic.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(d)**

Please identify the anticipated amount of "new administrative costs" referred to in the testimony on page 4, lines 17 and 18.

**OBJECTION**

See objection to 1(b) above.

**ANSWER**

The "anticipated amount" of new administrative costs would likely vary from one carrier to another due to differences in billing and accounting systems as well as the firm's organizational structure. The level of costs may also differ as a result of the amount of resources available to management to seamlessly execute a changeover in the billing compensation mechanism.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(e)**

Please describe the causal relationship between each “new administrative cost” that is anticipated to be incurred and the imposition of a bill and keep reciprocal compensation regime.

**ANSWER**

Most interconnection agreements at the present time are based upon the billing of actual minutes-of-use. The change to a bill and keep compensation regime is expected to require some modifications to a carrier’s billing system. The revisions to a billing system typically trigger modifications to the accounting system in the form of chart of accounts editing, general ledger module revisions, and financial transaction processing changes.

The changeover to a bill and keep arrangement implies that the carrier must now recover the costs of transporting and terminating traffic from its own subscribers rather than the interconnecting carrier whose customer originated the call. Thus, it may be necessary to educate the carrier’s subscribers about pending billing changes as well as providing additional training for its own employees.

Under the present billing regime, it is not necessary for the accounts payable and accounts receivable departments to coordinate activities in order to monitor the flow of traffic between its firm and other interconnecting carriers. In the event the change to a bill and keep regime requires a threshold, the accounts payable and accounts receivable departments will have to monitor the flow of traffic between interconnecting carriers in order to determine whether a threshold has been exceeded.



**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(f)**

Please identify the number of "arm's length negotiations" (page 5, line 6) between incumbent local exchange companies and competitive local exchange companies in which you have participated in Florida since 1996.

**ANSWER**

One.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(g)**

Please identify the companies involved in the negotiations referred to in response to (f).

**ANSWER**

Sprint, Verizon, BellSouth, a host of competitive local exchange companies, and the Florida Cable Telecommunications Association.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(h)**

Please identify the party that was represented in any “arm’s length negotiations” between an incumbent local exchange company and a competitive local exchange company in Florida since 1996.

**ANSWER**

The Florida Cable Telecommunications Association.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(i)**

Please describe the causal relationship between the “marketing costs” referred to on page 8, line 6, and the imposition of a bill and keep reciprocal compensation regime.

**ANSWER**

A carrier may incur additional marketing costs to inform its customers of a new set of billing rates in the likely event that the change to a bill and keep arrangement will result in higher subscriber rates. The marketing department will probably work with the accounting department to determine the extent of the additional cost recovery to be imposed on the carrier’s subscribers in order to temper feasibility with necessity. The marketing department may also have input into any planned modifications to bill format and content. In addition, sales compensation structures may be affected by a change in the amounts billed to end-users.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(j)**

Please identify the jurisdictions in which a “dollar threshold” described on page 10, lines 4-9, has been imposed.

**ANSWER**

The reference cited in Mr. Barta’s prefiled testimony was discussed because it has been used as an alternative approach in some interconnection agreements. Mr. Barta is not aware of any jurisdictions that have imposed a dollar threshold and furthermore, believes that the imposition of a threshold causes cost and administrative burdens to the carriers.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

**INTERROGATORY 1(k)**

**Please identify the ILECs and ALECs referenced in the testimony on page 10, lines 11-16.**

**ANSWER**

The Time Warner Telecomm entities operating in Florida, North Carolina, and Tennessee have entered into interconnection agreements with BellSouth, Verizon, and Alltel based on a threshold arrangement. According to Time Warner Telecom, it was a much greater

administrative burden to involve the accounts receivable and accounts payable departments in the monitoring of traffic flows to determine if thresholds were met rather than simply billing the actual of minutes-of-use.

**Answer prepared by:**

William Barta  
7170 Meadow Brook Court  
Cumming, Georgia 30040  
Consultant to the Florida Cable Telecommunications Association

Respectfully submitted this 17~~th~~ day of April, 2002.


  
\_\_\_\_\_  
Michael A. Gross  
Vice President, Regulatory Affairs  
and Regulatory Counsel  
Florida Cable Telecommunications Association  
246 E. 6<sup>th</sup> Avenue  
Tallahassee, FL 32303  
Tel: 850/681-1990  
Fax: 850/681-9676  
[mgross@fcta.com](mailto:mgross@fcta.com)

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-4

PARTY: AT&T

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Items 1a-1c, - Page 1

PROFFERING PARTY: STAFF

I.D. # Stip-4

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO 000075-TP(Phase II A) EXHIBIT NO. 9  
COMPANY/  
WITNESS: FRSC Staff  
DATE: 5-8-02, 10

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate )  
methods to compensate carriers for )  
exchange of traffic subject to Section 251 )  
of the Telecommunications Act of 1996. )  
\_\_\_\_\_ )

Docket No. 000075-TP  
(Phase IIA)

AT&T COMMUNICATIONS OF THE SOUTHERN  
STATES, INC.'S RESPONSE TO STAFF'S  
FIRST SET OF INTERROGATORIES

AT&T Communications of the Southern States, Inc. ("AT&T") pursuant to Rule 28-106.206, Florida Administrative Code, and Rule 1.340, Florida Rules of Civil Procedure hereby submits its responses to those requests set forth in Staff's First Set of Interrogatories.

1. For the following questions, please refer to the supplemental direct testimony of AT&T Witness Cain filed March 1, 2002.

- (a) Please describe how local service rates would increase as a result of adoption by the Commission of a bill-and-keep reciprocal compensation regime, as suggested on page 12, lines 11-16, taking into account Florida Statutes 364.051(c)(3).

Response:

When prices in the marketplace fail to reflect the true underlying cost of the goods being bought and sold, bad things happen. The errant price signals cause too much to be produced, or too little, or too many firms enter the market, or too many firms exit the market, etc. In this instance, local exchange carriers get the wrong signal from the market. That is, with the bill-and-keep regime, the *price* of exchanging traffic with another local carrier is 0, when, in fact, the *cost* is not. The carrier that terminates more traffic than it originates, therefore, faces a cost recovery problem: it cannot recover the cost from the cost-causer (i.e. the originating carrier) so it must turn to its other customers and other services to recover those costs. To the extent that the terminating carrier's rates current reflect a cost-based reciprocal compensation regime, bill-and-keep will force that carrier to raise its rates or to reduce its income, or both.

- (b) Please describe what specific aspects of a bill-and-keep reciprocal compensation regime would precipitate "new challenges in drafting a definition of basic service" as suggested on page 13, lines 3-7.

Response:

Taken to its logical extreme, bill-and-keep creates a very unusual incentive for carriers to charge customers for the calls they receive rather than the calls they originate. Universal Service policy has been developed more to allow people to make calls rather than to receive calls (although the latter was always a consideration). As discussed in response to Interrogatory 1(a), a carrier must find another source to recover the cost of terminating traffic on its network. If unable to recover the cost of terminating a call from the cost-causer (*i.e.*, the originating carrier), a carrier could decide to recover those costs from the recipient of the call. Consumers, not accustomed to choosing a service package or a local service provider based on incoming calls, might be forced to do so. It follows as night does the day: what consumers consider, universal service policy makers must also consider.

(c) Please describe the process why which the Commission would alter the definition of basic service eligible for Universal Service support.

**Response:**

It would be premature for the Commission to embark on any such process to change the definition of basic service eligible for Universal Service support. Until bill-and-keep becomes the dominant intercarrier compensation regime for local traffic, and consumer offers change substantially, the basic service definition should remain as it is today.

If the Commission decides that the market has changed sufficiently to warrant review of the basic service eligible for Universal Service support, then it should conduct thorough hearings on the matter. During those hearings, the Commission should assess the state of Universal Service in Florida, including subscription levels for the existing definition of basic local service, telephone prices and price structures, technological changes, changes in the types of services purchased by consumers, the need, if any, for additional Universal Service support, and consider any Joint Board/FCC action regarding the definition of Universal Service for federal USF support.

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-5

PARTY: VERIZON

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Items 1a-1d, Page 1
2. Responses to Staff's 1<sup>st</sup> Request for Production of Documents (Redacted) , Items 1-7, Page 4

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO 000075-TP (Drawn TP) EXHIBIT NO. 10  
COMPANY/  
WITNESS. FPSC Staff  
DATE: 5-8-025 10

I.D. # Stip-5



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate ) Docket No. 000075-TP (Phase IIA)  
methods to compensate carriers )  
for exchange of traffic subject to Section )  
251 of the Telecommunications )  
Act of 1996. )  
\_\_\_\_\_ )

**VERIZON FLORIDA INC.'S RESPONSE TO  
STAFF'S FIRST SET OF INTERROGATORIES (NO.1)**

<u>Interrogatory</u>	<u>Prepared By:</u>	<u>Title</u>
1(a) and (d)	Dennis Trimble	Ex Dir-Regulatory
1(b) and (c)	Steve Pitterle	Director – Negotiations

1. For the following questions please refer to Verizon witness Trimble's direct testimony filed March 1, 2002.
  - (a) Please describe how utilization of an incumbent local exchange carrier's local calling areas for reciprocal compensation purposes "brings the highest degree of competitive neutrality" for a competitive local exchange carrier. (page 18, lines 16-22)
  - (b) Please identify the competitive local exchange companies other than AT&T that have adopted the "roughly balanced" provision of the AT&T/Verizon agreement to which you testify on page 29, lines 10-15.
  - (c) Please identify any Verizon Florida Inc. interconnection agreements in which agreement has been reached to treat traffic that has traditionally been treated as intraLATA toll as local traffic for the purposes of reciprocal compensation. Please identify the location within each agreement where such a provision exists.
  - (d) Please identify the percentage of Verizon Florida Inc.'s intraLATA toll revenues lost by the creation of Extended Calling Service routes.

**Response:**

- (a) The determination of whether or not an action or pricing regime is competitively neutral hinges on whether or not that action (or pricing regime) confers a cost advantage to any provider of a substitute service offering. From a pricing standpoint, competitively neutral actions will leave the

underlying cost characteristics of each rival firm in the same relative relationship as the true underlying cost characteristics of each firm. Thus equally efficient firms could potentially present similar price sets to the marketplace.

Pages 9-17 of Mr. Trimble's direct testimony were dedicated to describing how a LATA-wide calling area for reciprocal compensation purposes would give a significant competitive cost advantage to alternative local exchange carriers (ALECs) in the provision of what has been known and still is known as intraLATA toll traffic. Simply stated, the avoidance of access charge payments confers a competitive cost advantage to the ALECs. As described in Mr. Trimble's direct testimony, this artificial cost advantage would destroy any notions of competitive neutrality between ALECs, ILECs and IXCs within the existing intraLATA toll marketplace.

- (b) Adelphia Business Solutions of Florida L.L.C  
Florida Digital Network Inc  
KMC Telecom III Inc  
Network Plus Inc  
Pae Tec Communications Inc  
Advent Consulting and Technology Inc  
BroadBand Office Communications Inc  
NewSouth Communications Corp  
WinStar Wireless of Florida Inc.  
Intermedia Communications Inc.  
ITC^DeltaCom  
US LEC of Florida Inc.  
Network Telephone Inc.  
Parcom Communications Incorporated  
Teligent of Florida Inc.  
Topp Comm Inc  
Progressive Telecommunications Corporation  
Time Warner Telecom  
BroadRiver Communication Corporation  
Broadslate Networks of Florida Inc.  
DIECA Communications Inc.  
Kexa Inc.  
MAXCESS Inc.  
Network Access Solutions Corp.  
New Edge Network Inc.  
NuVox Communications Inc.  
Premiere Network Services Inc.  
Verizon Advanced Data Inc.  
American Phone Corporation  
Utilicore Corporation Inc.

Jato Operating Two Corp.  
Rhythms Links Inc.  
National Telecommunications Inc  
The City of Lakeland  
CCCFL Inc.  
Gulf Coast Communications Inc.  
Lightyear Communications Inc.  
Fuzion Wireless Communications Inc.  
Source One Communications Inc.  
Interloop Inc.  
CPU Solutions Holding Inc.  
Advantage Group of Florida Communications L.L.C.  
US West Interprise America Inc.  
USA Digital Inc.  
ALEC Inc.  
LecStar Telecom Inc.  
QuantumShift Communications Inc.  
The Ultimate Connection L.C.  
Allegiance Telecom of Florida Inc.  
American Fiber Network Inc.  
Convergence Inc.  
Atlantic.net Broadband  
Urban Media of Florida  
XO Florida Inc.  
FPL FiberNet LLC  
Metromedia Fiber Network Services Inc.  
ICG Telecom Group Inc.  
Global Crossing Local Services Incorporated

- (c) Verizon Florida Inc. has not agreed to treat intraLATA toll as local traffic for purposes of reciprocal compensation in any of its interconnection agreements.
- (d) In 1991, GTE Florida had about \$130 million in intraLATA message toll revenues. ECS conversions in 1992 and 1993 moved the traffic that generated approximately \$55 million of those message toll revenues (42% of the revenues) to ECS routes. From 1994 to present, another 3 percent of Verizon's historic toll usage was moved to ECS routes, resulting in a combined total of 45%.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate ) Docket No. 000075-TP (Phase IIA)  
methods to compensate carriers )  
for exchange of traffic subject to Section )  
251 of the Telecommunications )  
Act of 1996 )  
\_\_\_\_\_ )

**VERIZON FLORIDA INC.'S RESPONSES TO STAFF'S FIRST  
REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 1-7)**

1. Please provide a list of any and all Extended Calling Service routes originating or terminating within the local service area in which Verizon is the incumbent local exchange company.

**Response:**

Please see Bates stamped document nos. 1-3.

2. For each Extended Calling Service route identified in response to Interrogatory No. 1, please provide the following:
  - (a) The date the route was established;
  - (b) Whether interexchange carriers were prohibited from carrying traffic on route at the route's inception;
  - (c) Whether prohibitions on interexchange carriers providing service on these routes continues; and
  - (d) Whether any IXC currently provides service on these routes.

**Response:**

(a)-(c) Please see Bates stamped document nos. 4-5.

(d) Verizon cannot provide this information; only the IXCs know where they are providing service, so the question would better be directed to them.

**REDACTED**

3. In those Florida LATAs in which your company is the incumbent local exchange carrier, please provide a list of any and all competitive local exchange companies that originate or terminate calls to each local calling area within the LATA.

**Response:**

Verizon is assembling information necessary to respond to this request and will provide its response shortly. However, please be advised that the list will not be all-inclusive because it will not include facilities-based CLECs. To get a true picture of all CLECs that originate or terminate traffic within the LATA, Staff's question would be better directed to the CLECs.

4. Please provide the average intraLATA toll revenue per line for a GTE customer in 1995.

**Response:**

The average monthly intraLATA toll revenue per line in 1995, before intraLATA "equal access" in Florida, was \_\_\_\_\_. This response is confidential and is being filed with a request for confidential classification.

5. Please provide the average intraLATA toll revenue per line for a Verizon customer for the years 1999, 2000, and 2001.

**Response:**

The average monthly intraLATA toll revenue per line for Verizon customers "PIC'd" to Verizon for intraLATA toll service in 1999 was \_\_\_\_\_; for 2000, it was \_\_\_\_\_; and for 2001 it was \_\_\_\_\_. This response is confidential and is being filed with a request for confidential classification.

6. Please provide the following information for each competitive local exchange company with which Verizon exchanges traffic in Florida for the first quarter of 2001 (it is not necessary to reveal the identity of the CLEC):

- (a) The number of local minutes of traffic originated by Verizon delivered to the CLEC.
- (b) The number of local minutes of traffic originated by the CLEC delivered to Verizon.

**REDACTED**

- (c) The total number of local minutes of traffic exchanged between Verizon and the CLEC.
- (d) The ratio of local minutes of traffic exchanged between Verizon and each respective CLEC.
- (e) Please provide any and all documents used to arrive at figures provided in response to question 6 a-d.

**Response:**

- (a)-(e) See enclosed confidential diskette which is being filed with a request for confidential classification.

7. Assuming that the default local calling area for purposes of assessing reciprocal compensation was the LATA, please provide an estimate of the net revenue impact on Verizon of converting all intraLATA intercarrier traffic in Florida to reciprocal compensation. Please provide any and all documents and work papers that support this estimate.

**Response:**

This response is based only on terminating minutes-of-use. Converting all intraLATA intercarrier traffic in Florida to reciprocal compensation would decrease Verizon annual revenues by approximately \_\_\_\_\_.

Converting all CLEC-originated intraLATA intercarrier traffic in Florida to reciprocal compensation would decrease Verizon annual revenues by approximately \_\_\_\_\_. See enclosed confidential diskette which is being filed with a request for confidential classification.

As Verizon witness Trimble explained in his prefiled testimony in this proceeding, it will not likely be possible to fashion any LATA-wide reciprocal compensation scheme that will be limited only to exchange of traffic between ILECs and CLECs. The overriding goal of interexchange carriers (which, in this proceeding, typically have CLEC operations, as well) is to avoid access charges, and they are sure to find a way to game any LATA-wide reciprocal compensation scheme to avoid access charges on as much traffic as possible. This objective is readily apparent in the CLECs' prefiled testimony in this case.

A3. BASIC LOCAL EXCHANGE SERVICE

A3.15 Extended Calling Service (ECS) (Continued)

.2 Extended Calling Service (ECS) Exchanges

a. Listed below are the ECS exchanges associated with each exchange:

<u>Exchanges</u>	<u>Extended Calling Service (ECS) Exchanges</u>
Bartow	Haines City Haines City (Poinciana)
Clearwater	New Port Richey Tampa Central Tampa East Tampa North Tampa South
Englewood	Boca Grande* Sarasota
Haines City	Bartow Celebration* Kissimmee* Lake Buena Vista* Lakeland Orlando <sup>(1)</sup> (N) Polk City Reedy Creek* West Kissimmee*
Haines City (Poinciana)	Bartow Celebration* Lake Buena Vista* Lakeland Polk City Orlando <sup>(1)</sup> (N) Reedy Creek*
Hudson	Brooksville <sup>(1)</sup> (N) Tarpon Springs

Note 1: Usage charges for all calls on this route will be charged at Business usage rates as specified in Section A3.15.3a.(2.). (N)  
(N)

\* Other than GTE Florida Incorporated Service Area

A3. BASIC LOCAL EXCHANGE SERVICE

A3.15 Extended Calling Service (ECS) (Continued)

.2 Extended Calling Service (ECS) Exchanges (Continued)

a. (Continued)

<u>Exchanges</u>	<u>Extended Calling Service (ECS) Exchanges</u>	
Lakeland	Haines City Haines City (Poinciana)	(N) (N)
Mulberry	Plant City Tampa Central Tampa East Tampa North Tampa South Tampa West	(M)
New Port Richey	Clearwater Tampa North Tampa West	
North Port	Sarasota	
Palmetto	Sarasota	
Plant City	Mulberry	(M)
Polk City	Haines City Haines City (Poinciana)	(N) (N)
Sarasota	Englewood North Port Palmetto	(M)
St. Petersburg	Tampa Central Tampa East Tampa North Tampa South Tampa West Tarpon Springs	(M)
Tampa Central	Clearwater Dade City* Mulberry (Deleted) San Antonio* St. Petersburg Tarpon Springs Zephyrhills	
Tampa East	Clearwater Mulberry St. Petersburg Tarpon Springs Zephyrhills	
Tampa North	Clearwater Dade City* Mulberry New Port Richey (Deleted) San Antonio* St. Petersburg Tarpon Springs	
Tampa South	Clearwater Mulberry (Deleted) St. Petersburg Tarpon Springs Zephyrhills	
Tampa West	Mulberry New Port Richey (Deleted) St. Petersburg Tarpon Springs Zephyrhills	(M)

\* Other than GTE Florida Incorporated Service Area  
(M) Material previously appeared on Page 17.  
(N) Material has been transferred to Page 18.1.



A3. BASIC LOCAL EXCHANGE SERVICE

A3.15 Extended Calling Service (ECS) (Continued)

.2 Extended Calling Service (ECS) Exchanges (Continued)

a. (Continued)

Exchanges

Extended Calling Service (ECS) Exchanges

Tarpon Springs

Hudson  
St. Petersburg  
Tampa Central  
Tampa East  
Tampa North  
Tampa South  
Tampa West

(M)

Zephyrhills

Tampa Central  
Tampa East  
Tampa South  
Tampa West

(M)

(M) Material previously appeared on Page 18.

(M)

## VERIZON ECS ROUTES

Effective Date	Route – From/To	IXCs prohibited from carrying traffic at route's inception	IXC Prohibition Continues
03-07-92	Clearwater/Tampa Central, East, North and South	Yes	Yes <sup>2</sup>
03-07-92	St. Petersburg/Tampa - all areas	Yes	Yes <sup>2</sup>
03-07-92	St. Petersburg/Tarpon Springs	Yes	Yes <sup>2</sup>
03-07-92	Tarpon Springs/Tampa - all areas	Yes	Yes <sup>2</sup>
09-10-92	Hudson/Tarpon Springs	Yes	Yes <sup>2</sup>
09-10-92	New Port Richey/ Tampa North & West	Yes	Yes <sup>2</sup>
01-27-93	Clearwater/New Port Richey	Yes	Yes <sup>2</sup>
01-27-93	Mulberry/Plant City	Yes	Yes <sup>2</sup>
01-27-93	Mulberry/Tampa – all areas	Yes	Yes <sup>2</sup>
01-27-93	Zephyrhills/Tampa Central, East, South and West	Yes	Yes <sup>2</sup>
09-15-93	Palmetto/Sarasota	Yes	Yes <sup>2</sup>
04-05-94	North Port/Sarasota	Yes	Yes <sup>2</sup>
03-13-96	Englewood/Sarasota	No	N/A
12-11-96	Englewood/Boca Grande <sup>1</sup>	No	N/A
12-11-96	Tampa North and Tampa Central/Dade City <sup>1</sup>	No	N/A
12-11-96	Tampa North and Tampa Central/San Antonio <sup>1</sup>	No	N/A
10-15-98	Haines City to Lakeland, Bartow and Polk City	No	N/A
10-15-98	Haines City to Kissimmee <sup>1</sup> , West Kissimmee <sup>1</sup> , Lake Buena Vista <sup>1</sup> , Reedy Creek <sup>1</sup> , and Celebration <sup>1</sup>	No	N/A

## VERIZON ECS ROUTES

Effective Date	Route – From/To	IXCs prohibited from carrying traffic at route's inception	IXC Prohibition continues
10-15-98	Haines City – Poinciana (427) to Lake Buena Vista <sup>1</sup> , Reedy Creek <sup>1</sup> , Celebration <sup>1</sup> , Lakeland, Bartow and Polk City	No	N/A
04-04-00	Haines City (including Poinciana) to Orlando <sup>1</sup>	No	N/A
04-04-00	Hudson to Brooksville <sup>1</sup>	No	N/A

<sup>1</sup> Non-Verizon Exchange

<sup>2</sup>1+ dialing remains blocked. 101XXXX has been unblocked.

**NOTE:** All routes are two-way with the exception of Haines City to Orlando and Hudson to Brooksville which are one-way.

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-6

PARTY: SPRINT

DESCRIPTION:

1. Responses to Staff's 1st Request for Production of Documents, Item 1, Page 1.
2. Attachments to Staff's 1st Request for Production of Documents, 1-8, Page 3.

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 000075-TP (Phase II A) EXHIBIT NO. 11  
COMPANY/  
WITNESS: EPSC Staff  
DATE: 5-8-02

I.D. # Stip-6

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into  
appropriate methods to  
compensate carriers for exchange  
of traffic subject to Section  
251 of the Telecommunications  
Act of 1996

---

DOCKET NO. 000075-TP (Phase IIA)  
DATED: April 16, 2002

**SPRINT'S RESPONSE TO STAFF'S FIRST REQUEST  
FOR PRODUCTION OF DOCUMENTS (NO. 1)**

Pursuant to Rule 25-22.034, Florida Administrative Code and Rule 1.350, Florida Rules of Civil Procedure, Sprint-Florida, Incorporated and Sprint Communications Company Limited Partnership (hereinafter "Sprint"), by and through undersigned counsel, hereby responds to the Staff's First Request for Production of Documents as set forth below.

<u>POD</u>	<u>Prepared By</u>	<u>Title</u>
1	Julie Ward	Manager – Regulatory Policy

Sprint  
Docket No. 000075-TP (Phase IIA)  
Staff's 1<sup>st</sup> Request for Production  
Of Documents  
April 16, 2002  
Request No. 1

**REQUEST:** Assuming that the default local calling area for purposes of assessing reciprocal compensation was the LATA, please provide an estimate of the net revenue impact on Sprint of converting all intraLATA intercarrier traffic in Florida to reciprocal compensation. Please provide any and all documents and work papers that support this estimate.

**RESPONSE:** The request for Sprint to provide an estimate is not properly framed as a Request for Production of Documents. Instead, it is more properly framed as an Interrogatory. Sprint has no existing documents that provide the estimate requested. Notwithstanding, Sprint provides the following response.

The following information is Sprint's estimate of the net revenue impact of converting all of Sprint's intraLATA intercarrier traffic in Florida to reciprocal compensation. If the LATA becomes the definition of a "local" call for intercarrier compensation purposes, assuming the current FCC "opt-in" rate of \$.001, Sprint would see a negative net revenue impact of approximately \$12.4 million in intraLATA access revenues from ALECs and IXC's. Furthermore, Sprint LTD would experience an additional negative \$3.7 million net revenue impact in intraLATA access revenues from other ILECs in Florida. Therefore, as an ILEC, it is estimated that Sprint would experience a negative \$16 million net revenue impact.

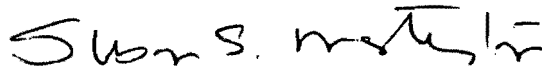
In addition, a Commission decision to implement the LATA as the default local calling area for purposes of assessing reciprocal compensation could impact IXC's in a couple different ways. If a Commission decision to implement the LATA as the default local calling

Sprint  
Docket No. 000075-TP (Phase IIA)  
Staff's 1<sup>st</sup> Request for Production  
Of Documents  
April 16, 2002  
Request No. 1

area for purposes of assessing reciprocal compensation has the effect the creating the LATA as the local calling area for retail purposes, IXCs' intraLATA toll revenues would be eliminated. In this case, the estimated negative impact to Sprint's IXC division is \$14 million annually net of access charge expenses. This estimate is based on the assumption that ILECs and ALECs would include all intraLATA usage in their local rates. Conversely, if a Commission decision to implement the LATA as the default local calling area for purposes of assessing reciprocal compensation does not effect current retail calling plans, but IXCs were able to pay lower access rates within the LATA so as to not be competitively disadvantaged, IXCs' revenue reductions would equal their total access expense reductions.

Redacted versions of the work papers and supporting documents responsive to this request are provided as Attachments 1-9. Unredacted versions of Attachments 1, 6, 7, 8 and 9 have been filed with the Commission Clerk under separate cover subject to a Request for Confidential Classification.

DATED this 16th day of April, 2002.



SUSAN S. MASTERTON  
P. O. Box 2214  
Tallahassee, Florida 32316  
(850)599-1560

ATTORNEY FOR SPRINT

Summary

IXC and ALEC Impact	Access Rates/Rev	Recip Comp Rates	Difference
Total IntraLATA Access	\$ 0.046	\$ 0.001	
ALEC	\$ 13,703,801		
IXC	\$ 1,250,000		
IXC	\$ 12,453,801		
net out the access expense to ALECs that would also decrease	\$ 1,000,000		
	\$ 12,703,801	\$ 274,267	\$ 12,429,534

Attachment 2 & 3  
Attachment 3

ILEC Impact	Access Rates/Rev	Recip Comp Rates	Difference
ILEC to ILEC Access Charges	\$ 0.076	\$ 0.001	
net out the access expense that would also decrease	\$ 4,939,357		
	\$ 1,156,951		
	\$ 3,782,406	\$ 49,476	\$ 3,732,930

Attachment 4  
Attachment 4  
Attachment 5

GMG IntraLATA Revenue

Gross Revenue		
Residential		Attachment 6
Retail Business		Attachment 7
Wholesale		Attachment 8
	_____	
	_____	
Access Costs		
Originating		Attachment 9
Terminating		Attachment 9
Total		Attachment 9
	_____	
Revenue Net of Access Costs	\$ 4,079,626	

Note: \$.001 represents the FCC's recip comp rate as a result of Sprint's "opt-in" status in Florida.



## FLORIDA INTRALATA MOU BY ELEMENT, BY DEM LATA, BY ORIG TERM

FOR 2001

Billed from CAIMS

A = State IntraLATA

Element	State Jurisdiction	Orig Term	IntraSTATE MOU Jan-01	IntraSTATE MOU Feb-01	IntraSTATE MOU Mar-01	IntraSTATE MOU Apr-01	IntraSTATE MOU May-01	IntraSTATE MOU Jun-01	IntraSTATE MOU Jul-01	IntraSTATE MOU Aug-01	IntraSTATE MOU Sep-01	IntraSTATE MOU Oct-01	IntraSTATE MOU Nov-01	IntraSTATE MOU Dec-01	IntraSTATE MOU 2001 TOTAL
LS2 Premium	SRA	O	21,881,856	25,092,825	22,172,394	24,173,456	22,832,997	22,701,975	21,696,315	22,971,340	22,715,942	22,086,985	22,849,815	21,729,973	272,905,873
LS2 Premium	SRA	T	2,148,945	2,421,936	2,017,682	1,660,595	1,692,670	1,541,091	1,656,280	1,697,032	2,400,834	2,020,801	1,877,742	1,815,010	22,950,418
															<b>295,856,291</b>

FLORIDA INTRALATA REVENUE BY ELEMENT, BY DEM LATA, BY ORIG TERM

FOR 2001

Billed from CAIMS

SRA = State IntraLATA

Element	State Jurisdiction	Orig Term	IntraSTATE REVENUE Jan-01	IntraSTATE REVENUE Feb-01	IntraSTATE REVENUE Mar-01	IntraSTATE REVENUE Apr-01	IntraSTATE REVENUE May-01	IntraSTATE REVENUE Jun-01	IntraSTATE REVENUE Jul-01	IntraSTATE REVENUE Aug-01	IntraSTATE REVENUE Sep-01	IntraSTATE REVENUE Oct-01	IntraSTATE REVENUE Nov-01	IntraSTATE REVENUE Dec-01	IntraSTATE REVENUE 2001 TOTAL	IntraSTATE MOUS	Average Rate Per Minute
CCL-Orig. Prem	SRA	O	\$ 564,470	\$ 647,242	\$ 571,929	\$ 623,571	\$ 588,985	\$ 585,827	\$ 559,835	\$ 582,554	\$ 585,964	\$ 569,737	\$ 589,483	\$ 580,504	\$ 7,039,701		
CCL-Term. Prem	SRA	T	\$ 71,402	\$ 80,782	\$ 87,303	\$ 55,444	\$ 56,852	\$ 51,784	\$ 55,838	\$ 57,000	\$ 80,832	\$ 67,860	\$ 83,054	\$ 80,843	\$ 768,684		
LS2 Premium	SRA	O	\$ 387,238	\$ 444,002	\$ 392,364	\$ 427,785	\$ 404,050	\$ 401,722	\$ 383,877	\$ 406,471	\$ 401,988	\$ 390,848	\$ 404,382	\$ 384,485	\$ 4,829,190		
LS2 Premium	SRA	T	\$ 38,035	\$ 42,857	\$ 35,718	\$ 29,390	\$ 29,958	\$ 27,277	\$ 29,308	\$ 30,029	\$ 42,492	\$ 35,767	\$ 33,237	\$ 32,115	\$ 408,181		
RIC - Orig. Premium	SRA	O	\$ 32,845	\$ 37,858	\$ 33,288	\$ 36,317	\$ 34,258	\$ 34,097	\$ 32,542	\$ 34,487	\$ 34,082	\$ 33,164	\$ 34,321	\$ 32,842	\$ 409,701		
RIC - Term. Premium	SRA	T	\$ 3,325	\$ 3,768	\$ 3,154	\$ 2,590	\$ 2,547	\$ 2,323	\$ 2,501	\$ 2,548	\$ 3,819	\$ 3,044	\$ 2,832	\$ 2,740	\$ 34,981		
Tndm SW-Facil. Zone 1	SRA	O	\$ 237	\$ 277	\$ 289	\$ 283	\$ 278	\$ 251	\$ 236	\$ 281	\$ 334	\$ 328	\$ 339	\$ 331	\$ 3,442		
Tndm SW-Facil. Zone 1	SRA	T	\$ 278	\$ 337	\$ 320	\$ 372	\$ 392	\$ 344	\$ 388	\$ 334	\$ 399	\$ 422	\$ 349	\$ 340	\$ 4,258		
Tndm SW-Facil. Zone 2	SRA	O	\$ 778	\$ 1,166	\$ 1,000	\$ 1,030	\$ 892	\$ 789	\$ 522	\$ 497	\$ 449	\$ 430	\$ 372	\$ 347	\$ 8,270		
Tndm SW-Facil. Zone 2	SRA	T	\$ 275	\$ 257	\$ 225	\$ 229	\$ 263	\$ 284	\$ 278	\$ 267	\$ 479	\$ 344	\$ 352	\$ 315	\$ 3,548		
Tndm SW-Facil. Zone 3	SRA	O	\$ 7,855	\$ 9,175	\$ 7,837	\$ 8,263	\$ 7,740	\$ 7,718	\$ 6,952	\$ 7,852	\$ 7,128	\$ 6,785	\$ 7,145	\$ 6,950	\$ 91,180		
Tndm SW-Facil. Zone 3	SRA	T	\$ 334	\$ 452	\$ 494	\$ 423	\$ 520	\$ 412	\$ 474	\$ 1,277	\$ 707	\$ 584	\$ 524	\$ 499	\$ 6,700		
Tndm Switching Zone 1	SRA	O	\$ 151	\$ 180	\$ 182	\$ 186	\$ 142	\$ 131	\$ 130	\$ 147	\$ 188	\$ 196	\$ 185	\$ 185	\$ 1,975		
Tndm Switching Zone 1	SRA	T	\$ 720	\$ 589	\$ 527	\$ 527	\$ 523	\$ 473	\$ 486	\$ 434	\$ 583	\$ 552	\$ 498	\$ 524	\$ 6,416		
Tndm Switching Zone 2	SRA	O	\$ 948	\$ 1,287	\$ 1,109	\$ 1,210	\$ 1,058	\$ 902	\$ 687	\$ 701	\$ 648	\$ 624	\$ 805	\$ 552	\$ 10,327		
Tndm Switching Zone 2	SRA	T	\$ 518	\$ 552	\$ 431	\$ 384	\$ 362	\$ 388	\$ 449	\$ 447	\$ 773	\$ 590	\$ 603	\$ 588	\$ 6,095		
Tndm Switching Zone 3	SRA	O	\$ 3,585	\$ 4,281	\$ 3,837	\$ 3,872	\$ 3,533	\$ 3,385	\$ 2,982	\$ 3,402	\$ 3,121	\$ 2,931	\$ 3,108	\$ 3,018	\$ 40,855		
Tndm Switching Zone 3	SRA	T	\$ 621	\$ 823	\$ 1,215	\$ 908	\$ 429	\$ 364	\$ 412	\$ 615	\$ 625	\$ 506	\$ 471	\$ 599	\$ 7,588		
Tndm SW-Termin Zone 1	SRA	O	\$ 25	\$ 33	\$ 30	\$ 29	\$ 25	\$ 23	\$ 26	\$ 33	\$ 42	\$ 44	\$ 42	\$ 44	\$ 396		
Tndm SW-Termin Zone 1	SRA	T	\$ 139	\$ 117	\$ 109	\$ 111	\$ 110	\$ 98	\$ 100	\$ 91	\$ 127	\$ 122	\$ 112	\$ 116	\$ 1,352		
Tndm SW-Termin Zone 2	SRA	O	\$ 141	\$ 195	\$ 189	\$ 184	\$ 152	\$ 130	\$ 83	\$ 88	\$ 77	\$ 78	\$ 69	\$ 87	\$ 1,433		
Tndm SW-Termin Zone 2	SRA	T	\$ 87	\$ 85	\$ 69	\$ 65	\$ 77	\$ 80	\$ 89	\$ 87	\$ 140	\$ 111	\$ 111	\$ 112	\$ 1,123		
Tndm SW-Termin Zone 3	SRA	O	\$ 1,550	\$ 1,811	\$ 1,567	\$ 1,687	\$ 1,568	\$ 1,578	\$ 1,470	\$ 1,582	\$ 1,507	\$ 1,454	\$ 1,535	\$ 1,485	\$ 18,782		
Tndm SW-Termin Zone 3	SRA	T	\$ 125	\$ 177	\$ 155	\$ 124	\$ 125	\$ 109	\$ 120	\$ 149	\$ 167	\$ 140	\$ 131	\$ 115	\$ 1,837		
															\$ 13,703,801	295,856,291	0.04831911

**MABC Trending Tables****Revenue**

Booked Month	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total	
United	282,485.74	290,345.48	280,598.78	279,288.98	298,791.27	272,764.94	291,339.25	258,041.54	269,231.42	286,067.12	284,488.02	255,787.67	3,349,230.17	68%
Centel	145,158.84	161,403.58	139,674.22	132,593.79	137,636.19	132,353.26	131,848.52	124,417.65	122,897.02	128,541.26	121,233.96	112,368.68	1,590,126.97	32%
Total	427,644.58	451,749.06	420,272.98	411,882.75	436,427.46	405,118.20	423,187.77	382,459.19	392,128.44	414,608.38	405,721.98	368,156.35	4,939,357.14	

**Minutes of Use**

Booked Month	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total		
United	3,808,823	3,915,454	3,736,780	3,722,170	3,847,384	3,680,404	3,433,630	3,477,112	3,631,542	3,855,652	3,749,405	3,434,479	44,292,635	68%	0.05131
Rate	0.074170	0.074154	0.075091	0.075034	0.077661	0.074113	0.084849	0.074211	0.074137	0.074194	0.075876	0.074476	0.075864		
Centel	1,867,669	2,075,787	1,784,756	1,694,861	1,758,983	1,693,795	1,686,949	1,591,675	1,572,762	1,645,017	1,551,506	1,437,841	20,361,601	32%	0.02514
Rate	0.077722	0.077755	0.078260	0.078233	0.078248	0.078140	0.078158	0.078168	0.078141	0.078140	0.078140	0.078151	0.078105		

0.07645

**MABC Payable Trending Tables****United Expense by Rate Element**

Booked Month	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
CCL	40,373.88	37,287.82	38,803.90	33,540.70	36,970.96	30,409.78	31,590.63	27,443.52	25,218.85	24,769.65	23,679.58	19,334.01	369,423.28
Local Switching	12,585.93	11,613.97	12,073.14	10,431.65	11,509.18	9,470.20	9,836.47	8,554.96	7,842.78	7,725.83	7,352.58	6,026.43	115,023.12
RIC	25,935.87	23,935.15	24,825.51	21,491.94	23,672.78	19,468.68	20,207.82	17,593.44	16,142.79	15,859.17	15,095.40	12,392.61	236,621.16
Common Transport	1,831.88	1,710.41	1,752.84	1,493.42	1,682.08	1,385.17	1,426.95	1,284.54	1,230.45	1,198.77	1,146.01	961.93	17,104.45
Facility Term.	466.63	436.23	452.54	390.04	433.95	368.30	380.02	327.23	304.25	299.22	298.16	243.21	4,399.78
Access Tandem	657.91	607.04	631.42	548.03	603.47	495.80	515.21	446.84	410.67	402.65	386.01	315.02	6,020.07
Local Channel	472.35	435.60	452.13	392.58	432.34	355.09	368.64	320.13	293.97	288.31	275.35	225.73	4,312.22
Direct Trunk	202.17	202.17	202.17	202.17	202.17	202.17	202.17	202.17	202.17	202.17	202.17	202.17	2,426.04
BHMOC	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>340.56</u>	<u>4,086.72</u>
Total	82,867.18	76,568.95	79,534.21	68,831.09	75,847.49	62,495.75	64,868.47	56,513.39	51,986.49	51,086.33	48,775.82	40,041.67	759,416.84

**Centel Expense by Rate Element**

CCL	20,665.85	18,369.19	19,475.38	16,619.78	18,059.99	16,468.65	16,608.13	15,395.82	13,626.56	13,893.44	11,593.97	11,653.61	192,430.37
Local Switching	7,081.04	6,244.50	6,666.49	5,657.32	6,176.97	5,649.73	5,721.91	5,316.40	4,685.81	4,782.57	3,960.64	4,102.82	66,046.20
RIC	12,754.61	11,270.49	11,992.96	10,153.62	11,043.78	10,032.66	10,085.15	9,327.48	8,231.88	8,428.52	6,987.58	7,164.15	117,472.88
Common Transport	615.80	542.49	574.41	495.32	545.29	480.49	486.56	458.25	410.38	420.58	364.00	370.90	5,764.45
Facility Term.	226.30	204.40	217.65	188.58	205.65	183.29	181.14	171.76	152.82	156.86	132.24	136.83	2,157.52
Access Tandem	304.88	270.41	286.07	245.72	265.97	239.34	238.95	219.76	195.61	200.05	171.66	157.03	2,795.45
Local Channel	335.92	297.17	316.01	273.56	296.71	265.22	264.00	243.55	212.54	219.19	185.21	168.78	3,077.86
BHMOC	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>649.12</u>	<u>7,789.44</u>
Total	42,633.52	37,847.77	40,178.09	34,283.02	37,243.48	33,968.50	34,234.96	31,782.14	28,164.70	28,750.33	24,044.42	24,403.24	397,534.17
<b>Total Expense</b>	<b>125,500.70</b>	<b>114,416.72</b>	<b>119,712.30</b>	<b>103,114.11</b>	<b>113,090.97</b>	<b>96,464.25</b>	<b>99,103.43</b>	<b>88,295.53</b>	<b>80,151.19</b>	<b>79,836.66</b>	<b>72,820.24</b>	<b>64,444.91</b>	<b>1,156,951.01</b>



Sprint Business  
Retail  
October 2001

SERV TYPE	REVENUE
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Annualized

---

GMG Wholesale IntraLATA Revenue

January 2002 data	<u>Intra/Inter</u> A Total	<u>Total Rev</u>
	IntraLATA Annualized	<input type="text"/>

**INTRASTATE INTRALATA**

October 2001		Data	JURI	DIR					
		TOTAL USAGE COSTS		Total Facility Cost		Total Costs		MOU	
		Intrastate IntraLATA		Intrastate IntraLATA		Intrastate IntraLATA		Intrastate IntraLATA	
ST	PRI_CXR_NM	O	T	O	T	O	T	O	T
FL	ALLTEL AT&T BELL SOUTH COMPETITIVE LEC GTE HYPERION ICI KMC LEC OTHER MCI METRO MFS NEXT LINK RESELLER ROCHESTER SPRINT LTD SPRINT METRO TCG TDS TIME WARNER WINSTAR								
Grand Total									

11

Orig. Term. Orig. + Term.

Statewide Average Cost Per Minute  
Sprint Local Average Cost Per Minute

Annualized Costs - Usage + Facility

[Empty rectangular box]



EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-7

PARTY: BELLSOUTH

DESCRIPTION:

1. Responses to Staff's 1st Set of Interrogatories , Items 1-4, Page 1.
2. Responses to Staff's 1<sup>st</sup> Request for Production of Documents, Items 1-4 (Redacted), Page 8

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 000075-TP (Phase IIA) EXHIBIT NO. 12  
COMPANY/  
WITNESS. EPSC Staff  
DATE: 5-8-03

I.D. # Stip-7

REQUEST: Please identify all interconnection agreements filed in Florida in which agreement has been reached to treat traffic that has traditionally been treated as intraLATA toll as local traffic for the purposes of reciprocal compensation. Please identify the location within each agreement where such a provision exists.

RESPONSE: To the extent that this interrogatory is asking for any agreement which has provisions allowing for switched access traffic to be treated as local for compensation arrangements, there are none.

There are interconnection agreements that treat intraLATA toll traffic as local traffic under some circumstances. However, it is unduly burdensome to request BellSouth to review every filed interconnection agreement in Florida (which are a matter of public record and equally accessible to the Commission Staff) to find the definition of local traffic. Notwithstanding, in an effort to be responsive, BellSouth has provided information for agreements between BellSouth and ALECs where BellSouth has such information readily available. Attached to this Interrogatory is Exhibit E containing such information.

RESPONSE PROVIDED BY: Beth Shiroishi

BellSouth Telecommunications, Inc.  
FPSC Dkt No. 000075-TP  
Staff's 1<sup>st</sup> Set of Interrogatories  
March 27, 2002  
Item No. 1  
Page 1 of 1

<b>Company</b>	<b>Local Traffic Definition</b>	<b>Location</b>
<b>AT&amp;T</b>	Additionally, the Parties agree to apply a "LATAwide" local concept to this Attachment 3, meaning that traffic that has traditionally been treated as intraLATA toll traffic will now be treated as local for intercarrier compensation purposes, except for those calls that are originated or terminated through switched access arrangements as established by the State Commission or FCC.	Attachment 3
<b>Advanced Tel</b>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body. Additionally, Local Traffic includes any cross boundary, voice-to-voice intrastate, interLATA or interstate, interLATA calls established as a local call by the ruling regulatory body.	Attachment 3
<b>vo Communications, Inc.</b>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>AllTel</b>	Local Traffic is defined as any telephone call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>Electric Power Board of Chattanooga (nine state agreement)</b>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>IDS Telecom, LLC</b>	Local Traffic is defined as any telephone call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>Knology</b>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>sl 3 Communications, LLC</b>	Local Traffic is defined as any telephone call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>Madison River Communications, LLC</b>	Local Traffic is defined as any telephone call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<b>COMMUNICATIONS d/b/a TOWER COMMUNICATIONS CORPORATION</b>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Amendment dated 2/6/02 replacing Attachment 3 in its entirety.
<b>South Communications Corp.</b>	Local Traffic is defined as any telephone call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements	

<i>Company</i>	<i>Local Traffic Definition</i>	<i>Location</i>
<i>Indo Telephone Company</i>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3
<i>Time Warner Telecom</i>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network, except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body. Additionally, Local Traffic includes any cross boundary, voice-to-voice intrastate, interLATA or interstate, interLATA calls established as local calls by the ruling regulatory body.	Amendment dated 1/1/02 replacing Attachment 3 in its entirety.
<i>US LEC of Florida Inc.</i>	Local Traffic is defined as any circuit switched call that is originated by an end user of one Party and terminated to an end user of the other Party within a given LATA on that other Party's network; except for those calls that are originated or terminated through switched access arrangements as established by the ruling regulatory body.	Attachment 3

REQUEST: Please identify any local calling areas in Florida in which BellSouth is the incumbent, where the local calling area crosses a state line.

RESPONSE: Pursuant to A3.3.1 of the Florida GSST, there are 6 exchanges that have local calling areas outside of the state.

Cantonment  
Century  
Gulf Breeze  
Molino  
Pensacola  
Walnut Hill

RESPONSE PROVIDED BY: Stan Greer

REQUEST: Referring to the BellSouth witness Shiroishi's direct testimony, filed March 1, 2002, at page 7, lines 23-27, please describe how compensation would flow when a BellSouth customer originates a call to a CLEC customer outside the originating customer's local calling area, when the CLEC has defined its calling area to include both the BellSouth customers local calling area and the CLEC customer's local calling area.

RESPONSE: The cite referenced above states that in the situation described in this interrogatory, BellSouth and the CLEC would "agree upon, and put in the interconnection agreement, how they will determine what is "local" for intercarrier compensation purposes."

In an effort to be responsive, the following sets forth several different ways that this could be handled.

If the Parties had agreed that the ILEC's local calling area would determine what is local for intercarrier compensation purposes, then BellSouth would pay the CLEC terminating access charges (assuming, of course, that BellSouth is the toll provider) since the call originated and terminated in areas not local to each other based on the ILEC's local calling area.

If the Parties had agreed that the originating LEC's local calling area would determine what is local for intercarrier compensation purposes, then BellSouth would pay the CLEC terminating access charges (assuming, of course, that BellSouth is the toll provider) since the call originated and terminated in areas not local to each other based on the originating Party's local calling area.

RESPONSE PROVIDED BY: Beth Shiroishi

REQUEST: Referring to BellSouth witness Shiroishi's direct testimony, filed March 1, 2002, at page 7, lines 23-37, please describe how compensation would flow if a CLEC customer originates a call to a BellSouth customer outside the originating customer's local calling area, when the CLEC has defined its calling area to include both the BellSouth customer's local calling area and the CLEC customer's local calling area.

RESPONSE: The above request is confusing to BellSouth. As the above situation reads, the originating Party is the CLEC. If the CLEC has defined its calling area to include both the BellSouth customer's local calling area and the CLEC customer's local calling area, then, by definition, the originating Party (the CLEC) would not be originating a call outside its local calling area.

RESPONSE PROVIDED BY: Beth Shiroishi



REQUEST: For each Florida LATA in which BellSouth is the incumbent local exchange carrier, please provide a list of those competitive local exchange companies that originate or terminate calls to each local calling area within the LATA.

RESPONSE: This data is maintained in different databases within BellSouth for the different directions of traffic (originating versus terminating). As such, BellSouth is providing two proprietary exhibits in response to this data request. Exhibit A contains a list of CLECs that originated local and intrastate access calls destined to BellSouth end users in the month of February in the state of Florida. The minutes of use with a jurisdiction code of "L" are local, and the minutes of use with a jurisdiction of "A" are intrastate access. This information is provided by LATA and by Common Language Location Identifier (CLLI) Code. Exhibit B contains a list of CLECs that terminated local and intraLATA calls from BellSouth end users in the month of February in the state of Florida. This information is provided by terminating NPA/NXX.

RESPONSE PROVIDED BY: Clyde Green  
Ron Moreira  
Beth Shiroishi

REQUEST: (a) Please provide the average intraLATA toll revenue per line for a BellSouth customer for the year 1995.

(b) Please provide the average intraLATA toll revenue per line for a BellSouth customer for the years 1999, 2000, and 2001.

RESPONSE: (a) Average annual intraLATA toll revenue per line for the year 1995 is \$53.31.

(b) Average annual intraLATA toll revenue per line for the years 1999, 2000 and 2001 are as follows:

1999	\$16.76
2000	\$16.14
2001	\$16.84

RESPONSE PROVIDED BY: T. F. Lohman  
675 W. Peachtree Street  
Atlanta, GA 30375

REQUEST: Please provide the following information for each competitive local exchange company with which BellSouth exchanges traffic in Florida for the first quarter of 2001 (it is not necessary to reveal the identity of the CLEC):

- (a) The number of local minutes of traffic originated by BellSouth delivered to the CLEC.
- (b) The number of local minutes of traffic originated by the CLEC delivered to BellSouth.
- (c) The total number of local minutes of traffic exchanged between BellSouth and the CLEC.
- (d) The ratio of local minutes of traffic exchanged between BellSouth and each respective CLEC.
- (e) Please provide any and all documents used to arrive at figures provided in response to question 3 a-d.

RESPONSE: (a) – (d) Please see attached proprietary Exhibit C.

- (e) There are no documents.

RESPONSE PROVIDED BY: Clyde Greene  
Richard McIntire

BellSouth Telecommunications, Inc.

FPSC Dkt No. 000075-TP

Staff's 1<sup>st</sup> Request for Production

March 27, 2002

Item No. 4

Page 1 of 1

**PUBLIC**

REQUEST: Assuming that the default local calling area for purposes of assessing reciprocal compensation was the LATA, please provide an estimate of the net revenue impact on BellSouth of converting all intraLATA intercarrier traffic in Florida to reciprocal compensation. Please provide any and all documents and work papers that support this estimate.

RESPONSE: This information is proprietary and is being provided subject to the terms of the Notice of Intent filed in this docket.

RESPONSE PROVIDED BY: Beth Shiroishi

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-8

PARTY: BELLSOUTH

DESCRIPTION:

1. DN 04251-02-Confidential responses to Staff's 1st Request for Production of Documents, Item 1 and Item 4.

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 000075-TP (Phase II A) EXHIBIT NO. 13  
COMPANY/  
WITNESS: FRSC Staff  
DATE: 5-8-02

I.D. # Stip-8

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-9

PARTY: SPRINT

DESCRIPTION:

1. DN 04253-02 - Confidential Responses to Staff's 1st Request for Production of Documents, Attachments 1, 6, 7, 8, and 9.

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 000075-TP (Phase II A) EXHIBIT NO. 14  
COMPANY/  
WITNESS. FRSC Staff  
DATE: 5-8-02

I.D. # Stip-9

EXHIBIT NO. \_\_\_\_\_

DOCKET NO.: 000075-TP

WITNESS: Stip-10

PARTY: VERIZON

DESCRIPTION:

1. DN 04303-02 Confidential Responses to Staff's 1<sup>st</sup> Request for Production of Documents, Items 4, 5, 6(a)-(e) and 7.

PROFFERING PARTY: STAFF

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 00075-TP (Phase II A) EXHIBIT NO. 15  
COMPANY/  
WITNESS: FPC Staff  
DATE: 5-8-02

I.D. # Stip-10