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September 26, 2002

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

Re: Docket No. 020412-TP
Petition for arbitration of unresolved issues in negotiation of interconnection
agreement with Verizon Florida Inc. by US LEC of Florida Inc.

Dear Ms. Bayo:

Please find enclosed for filing in the above matter an original and 15 copies of the
Rebuttal Testimonies of William Munsell and Terry Hayes on behalf of Verizon
Florida Inc. Service has been made as indicated on the Certificate of Service. If
there are any questions regarding this matter, please contact me at 813-483-2617.

Sincerely,

Kimberly Caswell

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Enclosures

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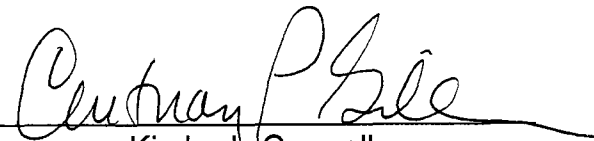
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Rebuttal Testimonies of William Munsell and Terry Haynes on behalf of Verizon Florida Inc. in Docket No. 020412-TP were sent via overnight delivery(*) on September 25, 2002 and U.S. mail(**) on September 26, 2002 to the parties on the attached list.


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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

Petition for arbitration of unresolved issues)
in negotiation of interconnection agreement)
with Verizon Florida Inc. by US LEC of)
Florida Inc.)
_____)

Docket No. 020412-TP

**REBUTTAL TESTIMONY
OF WILLIAM MUNSSELL ON BEHALF OF
VERIZON FLORIDA INC.**

September 26, 2002

DOCUMENT NUMBER 020412-TP

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1 **Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH VERIZON,**
2 **AND YOUR BUSINESS ADDRESS.**

3 **A.** My name is William Munsell. I am currently a Manager of
4 Interconnection Services with Verizon. My business address is 600
5 Hidden Ridge, Irving, Texas 75038.

6

7 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND**
8 **AND EXPERIENCE, INCLUDING NON-VERIZON WORK EXPERIENCE.**

9 **A.** I have an undergraduate degree in Economics from the University of
10 Connecticut, and a master's degree from Michigan State University in
11 Agricultural Economics. I joined Verizon (then GTE) Florida in 1982.
12 During the course of my career with Verizon, I have held positions in
13 Demand Analysis and Forecasting, Pricing, Product Management, Open
14 Market Program Office, and Contract Negotiations.

15

16 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF PETER J.**
17 **D'AMICO, WHICH WAS FILED IN THIS DOCKET ON AUGUST 2,**
18 **2002?**

19 **A.** Yes. I adopt his testimony with one exception, noted in footnote 1,
20 on page 5.

21

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

23 **A.** The purpose of my rebuttal testimony is to address the arguments raised
24 in the testimonies of US LEC's witnesses concerning network
25 architecture (Issues 1 and 2).

1 Q. DO YOU AGREE WITH MR. HOFFMANN'S CLAIM THAT, IN THE
2 EVENT US LEC FAILS TO ESTABLISH A GEOGRAPHICALLY
3 RELEVANT IP, THEN UNDER "OPTION THREE" US LEC MUST
4 BEAR ALL OF THE COSTS OF TRANSPORTING A CALL FROM THE
5 ORIGINATING END OFFICE TO US LEC'S CHOSEN IP? (Hoffmann
6 Testimony at 10:1-10.)

7 A. Yes. However, as explained in the initial testimony of Peter D'Amico,
8 under "option one" — where US LEC finds it cost-justified to establish a
9 geographically relevant IP at a Verizon tandem — Verizon can incur
10 more than its share of the transport cost, because Verizon will be
11 responsible for the costs of hauling its traffic from the Verizon customer
12 to the geographically relevant IP, even though the IP may be located
13 beyond the local calling area. See D'Amico Testimony at 4:24 - 5:4.
14 Under "option three," US LEC must bear the costs of transporting traffic
15 within the local calling area, calculated using the unbundled network
16 element rate in the parties' agreement. Thus, VGRIP is a compromise
17 proposal that provides US LEC with options based on the network
18 architecture that it finds more advantageous.

19
20 The transport and tandem switching rates in the parties' proposed
21 agreement are not the subject of a dispute here. However, as described
22 in the parties' proposed agreement — in language that also is not the
23 subject of a dispute here — these rates will shortly be replaced with the
24 unbundled network element rates this Commission is establishing in
25 Docket No. 990649B-TP. See Agreement, Pricing Attachment, App. A,

1 at 119 n.1.

2

3 **Q. DO YOU AGREE WITH MS. MONTANO'S CLAIM THAT, IN THE**
4 **SPRINT ARBITRATION ORDER, THIS COMMISSION "ONLY**
5 **PERMITTED BELLSOUTH TO CHARGE SPRINT FOR THE COST OF**
6 **FACILITIES OUTSIDE OF THE LOCAL CALLING AREA TO SPRINT'S**
7 **POI"? (Montano Testimony at 11:12-15.)**

8 **A.** No. In the *Sprint Arbitration Order*, this Commission "require[d] Sprint to
9 pay TELRIC rates for Interoffice Dedicated Transport airline mileage
10 between the V&H coordinates of Sprint's [virtual] POI and Sprint's POI."
11 Final Order on Arbitration, *Petition of Sprint Communications Company*
12 *Limited Partnership for Arbitration of Certain Unresolved Terms and*
13 *Conditions of a Proposed Renewal of Current Interconnection*
14 *Agreement with BellSouth Telecommunications, Inc.*, Docket No.
15 000828-TP, Order No. PSC-01-1095-FOF-TP, at 62 (Fla. PSC May 8,
16 2001) ("*Sprint Arbitration Order*"). As this Commission explained, the
17 VPOI must be at a physical point on the ILEC's network that is *inside* the
18 local calling area where the call originates. See *id.* at 58, 63. Therefore,
19 under the *Sprint Arbitration Order*, when an ILEC must transport a call
20 outside of a local calling area as a result of the ALEC's decision to
21 establish its POI in another local calling area, the ALEC must pay for the
22 transport both inside and outside the local calling area. Thus, VGRIP is
23 consistent with this Commission's decision in the *Sprint Arbitration*
24 *Order*.

25

1 Q. DO YOU AGREE WITH MR. HOFFMANN'S CLAIM THAT VERIZON
2 HAS NOT DEMONSTRATED THAT "A SINGLE US LEC-IP PER LATA
3 CAUSES VERIZON TO INCUR SPECIFIC COSTS FOR WHICH IT IS
4 NOT ALREADY COMPENSATED BY THE SERVICES IT PROVIDES
5 ITS CUSTOMERS TO ORIGINATE ITS TRAFFIC"? (Hoffmann
6 Testimony at 18:8-10.)

7 A. No. As explained in the initial testimony of Peter D'Amico, US LEC's
8 proposal would require Verizon to incur costs for which it would receive
9 no compensation. See D'Amico Testimony at 12:20 - 15:13. In that
10 testimony, Mr. D'Amico gave the example of a call between a Verizon
11 customer and a US LEC customer located in Sarasota. A diagram of
12 that example is contained in Exhibit 1 to my testimony.

13
14 As the diagram shows, if Verizon customer A calls Verizon customer B,
15 the call does not leave the Sarasota local calling area. However, if
16 Verizon customer A calls US LEC customer A, Verizon must transport
17 the call to US LEC's switch in Tampa, even though the Verizon customer
18 A and US LEC customer A might be next door neighbors. This call
19 would normally be transported over the direct end office trunk between
20 Verizon's end office in Sarasota and US LEC's switch in Tampa
21 (although, if that direct trunk were congested, the call would overflow to
22 the trunk connecting Verizon's end office in Sarasota with its tandem in
23 Tampa, which would switch the traffic, which would then be transported
24 to US LEC's switch in Tampa). Verizon has direct end office trunks from
25 45 end offices in the Tampa LATA to US LEC's switch in Tampa.

1 The need to transport this traffic to Tampa — whether over the direct end
2 office trunk or through Verizon’s tandem — is solely as a result of US
3 LEC’s decision to serve US LEC customer A from a switch located in
4 Tampa; if US LEC had located its switch in Clearwater, Verizon would
5 transport a call from Verizon customer A to US LEC customer A to
6 Clearwater, rather than to Tampa. Yet, under US LEC’s proposal,
7 Verizon would not receive any compensation for that transport. The
8 transport at issue, however, is the same transport that Verizon would
9 perform if Verizon customer A called US LEC customer B, who is located
10 in Tampa. In the latter case, Verizon customer A would pay intraLATA
11 toll charges (assuming US LEC customer B’s telephone number was
12 assigned to the Tampa local calling area). Finally, although US LEC
13 must transport the call back to US LEC customer A in this example, it
14 can and does receive compensation for that transport from its own
15 customer, because many of the rates US LEC charges are based on the
16 distance the customer is located from US LEC’s switch. See, e.g., US
17 LEC Florida Local Exchange Price List § 3.7.¹

18
19 In the *Sprint Arbitration Order*, this Commission, considering an
20 essentially identical factual situation, found that “there are additional
21 costs directly associated with BellSouth completing a local call to a Sprint
22 end-user when Sprint’s POI is located outside of the local calling area.”
23 *Sprint Arbitration Order* at 58; see also *id.* at 52 (Diagram 29-1).
24 Moreover, this Commission found that, “although facilities may be in
25 place” between the two local calling areas, “there are costs associated

¹ The initial testimony of Peter D’Amico incorrectly cites section 6.1.2 of US LEC’s Rate Guide, see D’Amico Testimony at 14:11-15, rather than section 3.6 of US LEC’s Florida Local Exchange Price List, which similarly provides that “a customer’s rate schedule is dependent on the distance between the customer’s respective Bell South, Sprint Florida, or [Verizon] serving wire center and a US LEC switch.”

1 with the use and maintenance of those facilities.” *Id.* at 58. The
2 Commission further recognized that the transport required in completing
3 the call between Verizon customer A and US LEC customer A “may be
4 identical” to the transport required to complete the intraLATA toll call
5 between Verizon customer A and US LEC customer B, so that the “costs
6 involved may be identical, although the compensation received for call
7 completion may differ significantly.” *Id.* at 59-60. For these reasons, as I
8 described above and in D’Amico’s testimony, this Commission required
9 Sprint to establish “at least one [virtual] POI” in each local calling area in
10 which Sprint has obtained an NXX code, and to compensate BellSouth at
11 TELRIC rates for transport from the VPOI to Sprint’s POI. *See id.* at 62,
12 63.

13

14 **Q. CAN YOU ADDRESS THIS COMMISSION’S RECENT DECISION IN**
15 **DOCKET 000075-TP (PHASES II AND IIA), INsofar AS IT IS**
16 **RELEVANT TO ISSUES 1 AND 2 IN THIS PROCEEDING?**

17 **A.** Yes. In that decision, this Commission held that “an originating carrier is
18 precluded by FCC rules from charging a terminating carrier for the cost
19 of transport, or for the facilities used to transport the originating carrier’s
20 traffic, from its source to the point(s) of interconnection in a LATA,” which
21 this Commission recognized must be on the ILEC’s network. Order on
22 Reciprocal Compensation, *Investigation Into Appropriate Methods To*
23 *Compensate Carriers for Exchange of Traffic Subject to Section 251 of*
24 *the Telecommunications Act of 1996*, Docket No. 000075-TP (Phases II
25 and IIA), Order No. PSC-02-1248-FOF-TP, at 25-26 (FPSC Sept. 10,

1 2002). Verizon and ALLTEL have sought reconsideration of that
2 decision.

3

4 I note that, in reaching this decision, the Commission did not discuss the
5 *Sprint Arbitration Order*, including both its conclusion in that order that
6 “there are additional costs directly associated with BellSouth completing
7 a local call to a Sprint end-user when Sprint’s POI is located outside of
8 the local calling area” and its requirement that Sprint establish “at least
9 one [virtual] POI” in each local calling area where it has an NXX code,
10 and to compensate BellSouth at TELRIC rates for transport from the
11 VPOI to Sprint’s POI. *Sprint Arbitration Order* at 58, 62-63. Nor did the
12 Commission discuss the *Pennsylvania 271 Order*, where the FCC
13 concluded that interconnection agreement language that “permits
14 carriers to *physically* interconnect at a single point of interconnection
15 (POI),” but “distinguish[es] between the physical POI and the point at
16 which Verizon and an interconnecting competitive LEC are responsible
17 for the cost of interconnection facilities,” “do[es] not represent a violation
18 of our existing rules.” Memorandum Opinion and Order, *Application of*
19 *Verizon Pennsylvania Inc., et al. for Authorization To Provide In-Region,*
20 *InterLATA Services in Pennsylvania*, 16 FCC Rcd 17419, 17474, ¶¶ 100 &
21 n.341 (2001) (“*Pennsylvania 271 Order*”).

22

23 **Q. DO YOU AGREE WITH MR. HOFFMANN’S CLAIM THAT “THE THIRD**
24 **CIRCUIT FOUND THAT A COMMISSION SHOULD NOT CONSIDER**
25 **COST SHIFTING . . . WITHOUT ‘PROOF’ THAT THE REQUESTED**

1 **POI IS EXPENSIVE”? (Hoffmann Testimony at 18:4-7.)**

2 **A.** No. The Third Circuit Court of Appeals held that, “[t]o the extent . . . [an
3 ALEC’s] decision on interconnection points may prove more expensive to
4 Verizon,” the Pennsylvania PUC “should consider shifting costs to [that
5 ALEC].” *MCI Telecomm. Corp. v. Bell Atlantic-Pa.*, 271 F.3d 491, 518
6 (3d Cir. 2001). Although the Third Circuit used the word “prove,” I
7 understand “prove” in that sentence to mean that the ALEC’s decision
8 “turns out to be” more expensive, not that the ALEC’s decision “is proven
9 by Verizon to be” more expensive. In any event, as I have shown and as
10 this Commission has found, “there are additional costs *directly*
11 *associated with*” US LEC’s decision to serve an end user from a switch
12 located far outside the local calling area where that end user is located.
13 *Sprint Arbitration Order* at 58 (emphasis added).

14

15 **Q.** **DO YOU AGREE WITH MR. HOFFMANN’S CLAIM THAT VERIZON’S**
16 **PROPOSAL “COULD DETER AN ALEC FROM COMPETING WITH**
17 **VERIZON UNTIL THE ALEC HAS ENOUGH CUSTOMERS TO**
18 **JUSTIFY EFFICIENTLY UTILIZING THE DEDICATED FACILITY IT IS**
19 **FORCED TO BUILD OR LEASE FROM VERIZON”? (Hoffmann**
20 **Testimony at 19:14-16.)**

21 **A.** No. Verizon’s proposal does not force US LEC to build or to lease a
22 dedicated facility, or any facility of any kind. As explained in the initial
23 testimony of Peter D’Amico, although Verizon’s proposal allows Verizon
24 to request, for example, that US LEC establish a geographically relevant
25 IP through collocation at a Verizon tandem, US LEC may refuse to agree

1 to that request. See D'Amico Testimony at 15:19-22. If US LEC refused
2 to agree to such a request, it would not have to establish any facility at
3 all. Instead, US LEC would compensate Verizon, using the TELRIC
4 rates this Commission establishes, for the functions that Verizon actually
5 performs when a local call from a Verizon end user to the end-user
6 customers that US LEC serves must be transported outside of a local
7 calling area.

8

9 **Q. DO YOU AGREE WITH MR. HOFFMANN'S CLAIM THAT, UNDER**
10 **VERIZON'S PROPOSAL, US LEC COULD BE FORCED "TO**
11 **PROVIDE AN UNDERUTILIZED DIRECT END OFFICE FACILITY TO**
12 **CARRY VERIZON'S ORIGINATING TRAFFIC BACK TO US LEC'S**
13 **SWITCH"?** (Hoffmann Testimony at 21:8-9.)

14 **A.** No. Although Verizon may request that a collocation site that US LEC
15 has established at a Verizon end office be designated as a
16 geographically relevant IP, US LEC is free to refuse that request. If US
17 LEC refused that request, it would not have to establish a direct end
18 office facility, even if such a facility would be efficiently utilized.

19

20 **Q. DO YOU AGREE WITH MS. MONTANO'S CLAIM THAT, UNDER THE**
21 **FCC'S RULES, "THE POI IS ALSO THE DEFAULT IP."** (Montano
22 **Testimony at 4:11-12.)**

23 **A.** No. As explained in the initial testimony of Peter D'Amico, the decisions
24 of the FCC, this Commission, other state commissions, and federal
25 courts recognize that the physical connection of two carriers' networks

1 can be distinct from the conceptual point where financial responsibility
2 changes hands. As this Commission explained:

3 We note that the term "POI" refers to the place where BellSouth's
4 and Sprint's network[s] physically interface for the mutual
5 exchange of traffic. We also note that the term "VPOI" refers to
6 an *implicit* "POI" for billing purposes. The VPOI is *not a physical*
7 *interface*; however, it refers to a physical point on BellSouth's
8 network beyond which BellSouth would be entitled to recover
9 costs for delivery of BellSouth-originated local traffic to Sprint's
10 end-users.

11 *Sprint Arbitration Order* at 58 (emphases added).

12
13 Furthermore, I note that US LEC states that, under the parties' current
14 arrangements, the POIs and the US LEC IP are in *different* locations.
15 Mr. Hoffmann states in his testimony that US LEC "has established POIs
16 at two of [Verizon's] tandems." Hoffmann Testimony at 8:13-14. Mr.
17 Hoffmann states further that "US LEC's switch . . . is US LEC's IP." *Id.* at
18 15:19-20. Mr. Hoffmann also states explicitly that "the POI is not at US
19 LEC's switch." *Id.* at 15:17-18. As I understand US LEC's proposal, the
20 POIs and the IP would remain at their current, separate locations. I also
21 note that Ms. Montano's incorrect belief that the POI is the default IP also
22 leads her to make inconsistent statements about her understanding of
23 Verizon's obligations under federal law. At one point, Ms. Montano
24 claims that "Verizon's obligation [is] to deliver its originating traffic to US
25 LEC's IP." Montano Testimony at 12:22. At another point, however, she

1 claims that Verizon "bears the burden of delivering local traffic originated
2 by its customers to the POI."
3 *Id.* at 4:7-8.

4
5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes.

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