



Kimberly Caswell
Vice President and General Counsel, Southeast
Legal Department

FLTC0007
201 North Franklin Street (33602)
Post Office Box 110
Tampa, Florida 33601-0110

Phone 813 483-2606
Fax 813 204-8870
kimberly.caswell@verizon.com

February 3, 2003

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

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

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of Verizon Florida Inc.'s Prehearing
Statement for filing in the above matter. Also enclosed is a diskette with a copy of the
Prehearing Statement in Word 97 format. Service has been made as indicated on the
Certificate of Service. If there are any questions regarding this matter, please contact
me at (813) 483-2617.

Sincerely,

Kimberly Caswell

KC:tas
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Global NAPs, Inc. for) Docket No. 011666-TP
Arbitration Pursuant to 47 U.S.C. 252(b)) Filed: February 3, 2003
of Interconnection Rates, Terms and)
Conditions with Verizon Florida Inc.)
_____)

VERIZON FLORIDA INC.'S PREHEARING STATEMENT

Verizon Florida Inc. ("Verizon") files its Prehearing Statement in accordance with Order number PSC-02-0430-PCO-TP, entered in this matter on March 29, 2002.

A. Witnesses

Verizon's witnesses in this proceeding and the issues to which they will testify are as follows:

- Peter D'Amico: Issues 1, 2, and 3
- Terry Haynes: Issues 4 and 5
- Karen Fleming: Issue 8
- Jonathan Smith: Issue 9

B. Exhibits

Verizon will introduce the following exhibits:

1. Attachment A (Proposed Contract Language for Issue 1) to Verizon witness D'Amico's supplemental direct testimony.
2. Attachment A (Proposed Contract Language for Issue 5) to Verizon witness Haynes' supplemental direct testimony.
3. Global NAPs, Inc.'s responses to Verizon's discovery requests.
4. Global NAPs, Inc.'s Local Exchange Price List.
5. Map of Florida showing LATA boundaries.

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Verizon reserves the right to introduce additional exhibits at the hearing or other appropriate points.

C. Verizon's Basic Position

The Commission should adopt the undisputed portions of the new interconnection agreement between Verizon and Global NAPs, Inc. ("Global"). In the case of disputed provisions, the Commission should adopt Verizon's proposed language for the agreement.

Specifically, the Commission should rule in Verizon's favor on each issue in this case:

- The Commission should order Global to locate its point of interconnection on Verizon's network, as federal law requires (Issue 1).
- The Commission should require the parties to mutually agree on the technical and operational issues associated with Global's election to use two-way trunks (Issue 2).
- The Commission should permit Verizon to collocate at Global's facilities in the same manner in which Global may collocate at Verizon's facilities (Issue 3(a)). Alternatively, and in the event the Commission permits Global to compel Verizon to bring its traffic to Global's network, Global should not be permitted to charge Verizon distance-sensitive rates for transport (Issue 3(b)).
- The Commission should allow Global to define retail local calling areas for its own customers, but it should retain the use of Verizon's tariffed local calling areas to determine intercarrier compensation obligations. Verizon cannot, however, implement Global's "originating carrier" approach to determining intercarrier compensation, because Global has not provided any specifics about its proposal (Issue 4).
- The Commission should order, consistent with its own precedent and federal law, that (i) virtual NXX traffic is not subject to reciprocal compensation, and (ii) access charges apply to virtual NXX traffic (Issue 5).
- The Commission should reject Global's proposed change-of-law provision for the *ISP Order on Remand*, because the undisputed general change-of-law provision will encompass any changes to the *ISP Order on Remand* (Issue 6).

- The Commission should order the parties to include Verizon's tariff references, which establish tariffs as the first source for applicable prices while ensuring that the interconnection agreement's terms and conditions take precedence over conflicting tariffed terms and conditions (Issue 7).
- The Commission should require Global to provide insurance consistent with Verizon's proposal, which reasonably protects Verizon's network, personnel, and other assets from risks associated with Global's interconnection (Issue 8).
- The Commission should direct the parties to allow audits as Verizon proposes and consistent with industry practice (Issue 9).
- The Commission should order the parties to abide by a change in law when it is effective (Issue 10).
- The Commission should reject Global's attempt to (i) gain access to network elements that Verizon is not required to unbundle or (ii) interconnect with anything other than Verizon's existing network (Issue 11).

D., E., F. Verizon Florida's Specific Positions

Some of the issues identified for resolution in this arbitration--specifically, issues 1, 2, 3, 4, 5, 8, and 9--are mixed questions of fact, law, and policy. The remaining issues--namely, issues 6, 7, 10, and 11--involve no disputed fact issue and, instead, are legal issues.

Issue 1(a): May Global designate a single physical point of interconnection per LATA on Verizon's existing network?

Issue 1(b): If Global chooses a single point of interconnection (SPOI) per LATA on Verizon's network, should Verizon receive any compensation from Global for transporting Verizon local traffic to this SPOI? If so, how should the compensation be determined?

Since the parties filed their direct testimony on May 8, 2002, Verizon proposed contract language to Global that would permit Global to interconnect on Verizon's network at one point in a LATA, with each party bearing responsibility for facilities on its side of the POI. Verizon's proposal is consistent with applicable law. Global's proposal,

however, contains an inappropriate and confusing reference to an unrelated FCC regulation that defines the network interface device. In addition, Global's proposal could require Verizon to interconnect on Global's network, contrary to the Act and FCC requirements.

Issue 2: Should the parties' interconnection agreement require mutual agreement on the terms and conditions relating to the deployment of two-way trunks when Global chooses to use them?

Verizon agrees that, pursuant to 47 C.F.R. § 51.305(f), Global has the option to decide whether it wants to use one-way or two-way trunks for interconnection. But if and when Global opts to use two-way trunks, the parties must come to an understanding about the operational and engineering aspects of the two-way trunks between them. Global should not be permitted to dictate those case-specific terms to Verizon, because Global's decision necessarily affects Verizon's network.

Issue 3(a): Should Global be required to provide collocation to Verizon at Global's facilities in order to interconnect with Global?

Issue 3(b): If Verizon cannot collocate at Global's facilities, should Global charge Verizon distance-sensitive rates for transport?

Verizon recognizes that an ALEC does not have the duty to offer collocation to Verizon under the Act. Nothing in the Act, however, prohibits the Commission from allowing Verizon to interconnect with the ALECs via a collocation arrangement at their premises. Verizon seeks interconnection options that are comparable to the options that Verizon offers to Global. This is a fair proposal that promotes efficient network design (Issue 3(a)).

If Verizon is not permitted to collocate at Global's facilities, then the Commission should prohibit Global from charging distance-sensitive rates for transporting traffic to Global's network (Issue 3(b)). If the Commission permits Global to force Verizon to transport traffic to Global's network, contrary to the requirements of the Act, and Verizon cannot collocate at Global's switch, then the Commission should at least reasonably limit what Global may charge Verizon for transport. Specifically, limiting Global to non-distance sensitive rate elements for transport prevents Global from charging Verizon excessive transport rates when Verizon delivers its originating traffic to a distant Global POI that is not on Verizon's network.

Issue 4: Which carrier's local calling area should be used as the basis for determining intercarrier compensation obligations?

Verizon's tariffed local calling areas should continue to be used to determine whether reciprocal compensation or access charges apply to traffic the parties exchange. This proposal will not affect Global's ability to define retail local calling areas for its own customers.

The Commission should reject Global's proposal to base intercarrier compensation on the retail local calling area(s) of the carrier originating the call. This outcome would (i) violate the Act's plain requirement for reciprocal compensation to be reciprocal, (ii) violates the state statutory prohibition against the Commission altering the access charge regime, (iii) is not competitively neutral, and (iv) fails to consider the costs and massive administrative problems associated with this approach.

Although the Commission selected the originating carrier approach as the preferred "default" in its generic reciprocal compensation docket (Order number PSC-

03-0059-FOF-TP), that decision does not (and cannot) foreclose consideration of other approaches in individual arbitrations. In fact, adoption of Global's proposal here would *not* be consistent with the generic Order. There, the Commission concluded that there was "insufficient record to establish the specifics of implementation" of the originating carrier approach.¹ Instead of rejecting that approach because of the lack of implementation specifics, as the Commission's Staff had advised, the Commission indicated an expectation that implementation details would be worked out on a case-by-case basis.² That is not possible in this case, given Global's inability to provide any detail for implementing its plan. Accordingly, the only way to resolve this issue consistent with the Commission's generic decisions is to deny Global's proposal to use the originating carrier's local calling area for intercarrier compensation purposes, and to accept Verizon's proposal to continue to use Verizon's tariffed local calling areas for these purposes, in accordance with the Commission's longstanding distinction between local and access traffic.

Issue 5: Should Global be permitted to assign NXX codes to customers that do not physically reside in the local calling area associated with that NXX code?

Verizon does not oppose Global's assignment of so-called "virtual NXX codes." Although Global has failed to properly raise it in this arbitration, the real issue in dispute is whether virtual NXX traffic is subject to reciprocal compensation. The Commission

¹ *In re Investigation Into Appropriate Methods to Compensate Carriers for Exchange of Traffic Subject to Section 251 of the Telecommunications Act of 1996*, Order No. PSC-02-1248-FOF-TP, Order on Reciprocal Compensation, Florida Public Service Commission, Docket No. 000075-TP (Sept. 10, 2002) ("September 10 Order"), *aff'd*, Order Denying Motions for Reconsideration, Order No. PSC-03-0059-FOF-TP at 15 (Jan. 8, 2003) ("January 8 Order").

² *See id.*

has already held that it is not. In its generic reciprocal compensation Order (number PSC-02-1248-FOF-TP), the Commission concluded that, as a matter of federal law, “calls terminated to end users outside the local calling area in which their NPA/NXXs are homed are not local calls for purposes of intercarrier compensation,”³ such that reciprocal compensation does not apply to these calls. The Commission observed that access charges appeared to be the appropriate form of compensation.⁴ Verizon’s proposal to apply access charges, rather than reciprocal compensation, to virtual NXX traffic is consistent with the Commission’s Order and the law underlying that Order. Global’s proposal to apply reciprocal compensation to interexchange traffic is not.

Issue 6: Should the parties’ interconnection agreement include a change-in-law provision specifically devoted to the *ISP Remand Order*?

The parties’ undisputed change-of-law provision in General Terms and Conditions § 4.6 requires the parties to negotiate in good faith to amend the interconnection agreement if a change in law alters the FCC’s reciprocal compensation rules resulting from the *ISP Order on Remand*. The parties simply do not need change-of-law provisions specifically devoted to the *ISP Order on Remand*, as Global suggests. Global has not, in any event, proposed the special contractual provision it says it needs.

³ Sept. 10, 2002 Order at 33.

⁴ See *id.* at 31 (“We agree with Verizon witness Haynes that traffic that originates in one local calling area and terminates in another local calling area would be considered *intrastate exchange access* under the FCC’s revised Rule 51.701(b)(1).”), 33 (“We find that calls terminated to end users outside the local calling area in which their NPA/NXXs are homed are not local calls for purposes of intercarrier compensation . . . this unavoidably creates a default for determining intercarrier compensation . . .”).

Issue 7: Should the parties' interconnection agreement incorporate by reference each parties' respective tariffs?

The parties' interconnection agreement sets forth the parties' respective rights and obligations arising from Verizon's duty to interconnect with Global pursuant to §§ 251 and 252 of the Act. The agreement, however, does not address terms and conditions for every service or facility that Global may obtain from Verizon (e.g., access services). Nevertheless, Global proposes to remove every tariff reference in the parties' draft agreement, because Global contends that these references would have the effect of superceding the terms and conditions of the interconnection agreement. These concerns are unfounded. Many tariff references concern services or facilities that are outside the scope of the interconnection agreement. To the extent that a tariff addresses services or facilities within the scope of the interconnection agreement, Verizon's proposal makes tariffs the first source for applicable *prices*, but makes clear that the agreement controls service terms and conditions.

Issue 8: What amounts and types of insurance should Global be required to obtain?

Verizon is required by law to enter into interconnection agreements with ALECs. In light of that requirement, it is reasonable for Verizon to seek adequate protection of its network, personnel, and other assets. Verizon's proposed insurance requirements are reasonable in light of the risks for which the insurance is procured and consistent with Verizon's requirements for other carriers. Global's proposed changes to Verizon's insurance requirements would entirely eliminate certain types of insurance, and substantially and unreasonably lower insurance amounts.

Issue 9: To what extent should the parties be permitted to conduct audits to ensure (i) the accuracy of each other's bills, and (ii) appropriate use and disclosure of Verizon's OSS Information?

Verizon's proposed audit provisions allow either party to employ a third-party auditor to verify the accuracy or appropriateness of the other's charges. Contrary to Global's unfounded assertion, this does not give *Verizon* unfettered access to Global's books and records. Under Verizon's proposal, the purpose, scope, and frequency of audits are reasonably constrained, and the parties can require the auditor to keep sensitive or proprietary information confidential. Verizon further proposes reasonable audit rights to ensure appropriate use and disclosure of Verizon's OSS information. Verizon's proposal protects all ALECs that use Verizon's OSS to place an order or support a customer.

Issue 10: When should a change in law be implemented?

A change in law should be implemented when effective. Global proposes to ignore effective law, claiming that it should not govern the parties' rights and obligations until all appeals are exhausted, even if an order is not stayed. Global's proposal would ignore orders of this Commission, the FCC, and relevant courts, while Verizon's proposal requires the parties to follow the law.

Issue 11: Should Global be permitted access to network elements that have not already been ordered unbundled?

No. Verizon's proposal recognizes that Global must interconnect with Verizon's existing network. Verizon has no obligation to freeze its network in time or build a different network to suit Global, as Global's proposal would require. Global's proposal,

moreover, inappropriately prejudices Verizon's obligation to unbundle new technology deployed in its network.

G. Stipulated Issues

There are no stipulated issues.

H. Pending Matters

Verizon is not aware of any pending matters.

I. Pending Requests or Claims for Confidentiality

There are no pending confidentiality claims or requests in this case.

J. Procedural Requirements

To the best of its knowledge, Verizon can comply with all requirements set forth in the procedural order in this arbitration.

K. Relevant FCC and Court Decisions

- *AT&T Corp. v. Bell Atlantic-Pennsylvania*, 14 FCC Rcd 556 (1998), *recon. denied*, 15 FCC Rcd 7467 (2000).
- *In the Matter of Developing a Unified Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, 16 FCC Rcd. 9610 (2001)
- *In the Matter of Federal-State Joint Commission on Universal Service*, 12 FCC Rcd. 8776 (1997) .
- *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd. 15499 (1996) (subsequent history omitted).
- *In the Matter of Local Competition Provisions in the Telecommunication Act of 1996; Intercarrier Compensation for ISP-Bound Traffic*, Opinion and Order on Remand, 16 FCC Rcd. 9151 (2001), *remanded*, *WorldCom, Inc. v. FCC*, 288 F.3d 429 (D.C. Cir. 2002).
- *In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, Second Report and Order, 1997 WL 345996 (F.C.C.), 12 FCC Rcd. 18,730 (1997).

- *Iowa Utilities Commission v. FCC*, 219 F.3d 744, 757 (8th Cir. 2000), *rev'd on other grounds, Verizon v. FCC*, 122 S.Ct. 1646, 1678 (2002).
- *MCImetro Access Transmission Services LLC v. BellSouth Telecomm., Inc. et al.*, Order, Case No. 5:01-CV-921-H(4), at 12-14 (E.D. N.C. Jan. 21, 2003).
- *Mountain Communications, Inc. v. Qwest Communications International, Inc.*, 17 FCC Rcd. 15,135, 2002 WL 1677642, ¶ 6 (2002) ("*Mountain Communications*"), *aff'd, Mountain Communications, Inc. v. Qwest Communications International, Inc.*, 17 FCC Rcd. 2091 (2002).
- *TSR Wireless, LLC v U S West Communications, Inc.*, Mem. Op. and Order, 15 FCC Rcd. 11166 (2000), *aff'd sub nom, Qwest Corp. v. FCC*, 252 F.3d 462 (D.C. Cir 2001).
- *WorldCom, Inc. v. FCC*, 288 F.3d 429 (D.C. Cir. 2002).

L. Objections to Expert Witness Qualifications

Verizon does not object to Global's designation of Dr. Selwyn as its expert policy witness for Issues 1, 4, 5, and 6, but Verizon reserves its right to voir dire Dr. Selwyn should his testimony go beyond the issues and scope for which it is offered.

Respectfully submitted on February 3, 2003.

BY: Ernesto Magaña

KIMBERLY CASWELL
P. O. Box 110, FLTC0007
Tampa, FL 33601-0110
Phone: (813) 483-2617
Fax: (813) 204-8870

RICHARD CHAPKIS
Vice President & General Counsel
Verizon Florida Inc.
112 South Lakeview Canyon Road
CA501LB
Thousand Oaks, CA 91362
Phone: (805) 372-6233
Fax: (805) 373-7515

KELLY L. FAGLIONI
EDWARD P. NOONAN
Hunton & Williams
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, VA 23219
Phone: (804) 788-8200
Fax: (804) 788-8218

Attorneys for Verizon Florida Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Prehearing Statement in Docket No. 011666-TP were sent via electronic mail and overnight delivery on February 3, 2003 to the following:

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

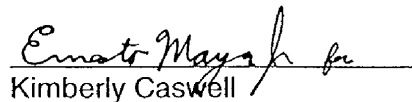
John C. Dodge, Esq.
David N. Tobenkin, Esq.
Cole, Raywid & Braverman, L.L.P.
1919 Pennsylvania Avenue, N.W., 2nd Floor
Washington, DC 20006

Jon C. Moyle, Esq.
Moyle Flanigan Katz Raymond & Sheehan P.A.
118 North Gadsden Street
Tallahassee, FL 32301

William J. Rooney, Jr., Esq.
Vice President and General Counsel
Global NAPS, Inc.
89 Access Road
Norwood, MA 02062

James R. J. Scheltema
Director-Regulatory Affairs
Global NAPs, Inc.
5042 Durham Road West
Columbia, MD 21044

Kelly L. Faglioni, Esq.
Edward P. Noonan, Esq.
Hunton & Williams
Riverfront Plaza, East Tower
951 E. Byrd Street
Richmond, VA 23219-4074


Kimberly Caswell