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June 19, 2003

Ms. Blanca S. Bayó, Director
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& Administrative Services
Florida Public Service Commission
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Re: Docket No. 030296-TP

Dear Ms. Bayó:

Enclosed for filing is the original and fifteen (15) copies of the Direct Testimony of :

1. James Michael Maples with Exhibits No. 1-6 05500-03
2. James R. Burt with Exhibits No. 1-3 05501-03
3. Kenneth J. Farnan 05502-03

Copies of this have been served pursuant to the attached Certificate of Service.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,

Susan S. Masterton

Susan S. Masterton

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CERTIFICATE OF SERVICE
DOCKET NO. 030296-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by Electronically & US Mail**, Hand Delivery* or US Mail this 19th day of June, 2003 to the following:

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Susan S. Masterton

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

JAMES MICHAEL MAPLES

Q. Please state your name and address.

A. My name is James Michael Maples. My business address is 6450 Sprint Parkway, Overland Park, Kansas 66251.

Q. By whom are you employed and in what capacity?

A. I am presently employed as Senior Manager - Regulatory Policy for Sprint Corporation.

Q. Please provide your educational and work background.

A. I received a Bachelor of Science degree from East Texas State University, Commerce, Texas, in December 1973 with majors in mathematics and industrial technology. During that period, beginning in 1968, I was also employed by Sprint/United Telephone Texas as an installer/repairman of residential, simple and complex business systems and as a central office switchman. I completed the company's Management

Training program in 1974 and was promoted to the position of Revenue Requirement Analyst later that same year.

For the next seventeen (17) years I held positions of increasing responsibilities in state, regional and corporate Sprint organizations. During that period, I prepared or was responsible for jurisdictional separation studies, revenue budgets, demand forecasts, access charge rates, and financial reporting to various regulatory agencies.

From 1991 through 1995, as Manager Cost Allocations at Sprint/United Management Corporation, I developed financial models for alternative regulation, participated in a two year project to develop a system-wide product costing model, developed and trained personnel on revenue budget models and standardized systems for separations costing through system design, development, testing and implementation.

In 1995 I accepted the position of Manager-Pricing/Costing Strategy and for 17 months coordinated several system-wide teams that were charged with the identification and development of methods, procedures and system changes required to implement local competitive services. During that period, I coordinated the technical support needed to establish and maintain relationships with Competitive Local Exchange Carriers (CLECs).

From September 1996 through July 1999 I held the position of manager of Competitive Markets – Local Access with the responsibility for pricing unbundled network elements, supporting negotiations with new competitive carriers and assisting in implementation issues.

I began my current position in August 1999. My responsibilities include the review of legislation, court rulings and state Commission orders affecting telecommunications policy, interpreting the impact to the corporation, developing positions, communicating them throughout the organization and representing them before regulatory bodies such as the Florida Public Service Commission. My primary areas of responsibility are interconnection and unbundled network elements.

Q. What is the purpose of your testimony?

A. Sprint and AT&T agreed to much of the language in the parties' Interconnection Agreement ("ICA" or "Agreement"). Several issues remain disputed which are the topic of this arbitration. My testimony will support Sprint's position for arbitration issues 1-6 and 8, 9, 11, 12 and 13. I will show that Sprint's proposed language is clearly consistent with both Federal and state rules and should be adopted and that AT&T's terms should be rejected. Jim Burt of Sprint will present Sprint's testimony on issue 7 related to voice over IP traffic and issue 14 related to performance measurements. It is my understanding that Sprint and AT&T have settled issue 10.

Q. Have you included any exhibits with your testimony?

A. Yes, I have included six exhibits, labeled JMM-1 through JMM-6.

Q. Please describe the exhibits.

A. Exhibit JMM-1 depicts Sprint's proposal for the establishment of the point of interconnection that is discussed in Issue number 1. Exhibit JMM-2 is also related to the point of interconnection controversy and illustrates AT&T's proposal. The diagram shown on exhibit JMM-3 describes meet point interconnection and provides support for Issues 3 and 4. Exhibit JMM-4 specifically addresses Issue number 9, illustrating a virtual NXX scenario. The illustration on exhibit JMM-5 shows an indirect interconnection arrangement and is intended for use with Issues 5 and 11 (a). And finally, exhibit JMM-6 describes transit service and provides additional information for Issues 5 and 11 (b).

Issue 1: What are each Party's rights and obligations with respect to establishing a point of interconnection (POI) to the other Party's network and delivery of its originating traffic to such POI?

Q. Please summarize Issue 1.

A. The primary disagreement presented in Issue 1 is with the parties' obligation to establish the POI. Sprint's position is that AT&T selects a POI on Sprint's network that is used for the mutual exchange of traffic. AT&T's position is that it is allowed to select a POI on Sprint's network for the delivery of AT&T originated traffic and AT&T also may select the POI or POIs on AT&T's network for the delivery of Sprint-originated traffic. In essence, AT&T's position is that it may require Sprint to establish multiple POIs on AT&T's network for Sprint-originated traffic while AT&T-

originated traffic need only be delivered to a single POI on Sprint's network. The effect of AT&T's proposal is that Sprint could be forced to incur additional facilities and engineering costs (see AT&T language, section 1.1.4) to transport its traffic to multiple POIs at AT&T offices while AT&T would only have to incur the costs and engineering of delivering traffic to one point on Sprint's network. The other points of contention listed in AT&T's petition relative to this issue, such as compensation for the dedicated transport (the interconnection facility) between the carriers, stem from the parties' separate positions on the POI. Sprint's position is that the interconnection facility is the transmission facility connecting the two networks and located between the POI and AT&T's switching center. The cost of the interconnection facility should be shared by the parties based on the proportionate usage of the interconnection facility. (See Exhibit JMM-1). AT&T contends that each party is required to provision, and pay for, transport from its network to its POI on the other party's network. Sprint's position is consistent with FCC rules and orders and the previous decisions of this Commission, while AT&T's position is not. In sum, Sprint's proposals on this issue implements an interconnection architecture where there is a mutual exchange of traffic at a point of interconnection and a pro rata sharing of the transport costs involved in interconnecting the parties' two networks based upon the proportionate usage of the shared interconnection facility, leaving AT&T with the freedom to select the point of interconnection between the two networks. On the other hand, AT&T's proposal requires different POIs depending on which party originates the traffic and multiple AT&T-selected points of interconnection on AT&T's network selected at AT&T's sole discretion, which could result in uneconomic transport costs for Sprint.

Q. What sections of the Agreement are affected by this issue?

A. AT&T's petition indicates that the resolution of this issue affects Network Interconnection Part E, Sections 1.1 – 1.1.5, 3.2, 4.1.3 – 4.1.3.4 and 4.1.4.1. Sprint's proposed language related to these issues is found in sections 1.1 – 1.2.5 (related to Point of Interconnection), 3.2 (related to Sprint providing transport at its option to AT&T's network), 4.1.3 – 4.1.3.4 (related to compensation for the shared interconnection facility) and 4.1.4.1 (related to Point of Interconnection).

Q. What is a point of interconnection?

A. The FCC defined interconnection as the "linking of two networks for the mutual exchange of traffic" as set forth in FCC Rule 51.5. The Point of Interconnection or POI is the physical point at which two networks meet and traffic is exchanged between the parties. Some parties use the term interconnection point or IP instead of POI or in addition to POI in an attempt to support different compensation schemes but, as this Commission noted in its Generic Reciprocal Compensation Order, "We specifically reject BellSouth witness Ruscilli's argument that a point of interconnection and an interconnection point are separate entities because the distinction lacks any discernable authority." (Docket No. 000075-TP, Order No. PSC-02-1248-FOF-TP, page 26) This fact is important since the term POI is not specifically found in some pertinent orders or rules but the terms interconnection or IP are typically used.

Q. Please provide further explanation of the party's positions.

A. AT&T's proposed language contained in 1.1.1 of Part E defines the POI as "a location on the terminating Party's network to which the interconnecting Party delivers traffic for termination." While this definition does not necessarily mandate two points of interconnection, one for each carrier, review of subsequent language contained in the contract plainly shows that it is AT&T's intent. AT&T's proposed language permits it to establish a POI at any technically feasible point on Sprint's network (Part E, 1.1.1) at its sole discretion (Part E, 1.1.2). Subsequent language requires Sprint to deliver Sprint-originated traffic to a POI on AT&T's network (Part E, 1.1.3). Sprint's POI selection must be mutually agreed to by the parties or if there is no such mutual concurrence then, according to AT&T's proposed language, Sprint must establish a POI at each AT&T switching center serving the end user (end office). Thus, AT&T's proposed language allows AT&T to select a single POI at its discretion on Sprint's network for AT&T-originated traffic and further allows AT&T to force Sprint to establish multiple POIs on AT&T's network for the delivery of Sprint-originated traffic. In addition, the agreement does not include terms that specifically allow Sprint to dispute the location of its POI on AT&T's network. Exhibit JMM-2 depicts the network interconnection arrangements proposed by AT&T. Moreover, there are no restrictions in AT&T's proposal regarding the location of the AT&T switches where Sprint would be required to establish a POI and provide transport. Considering common network architectures used by CLECs, it is possible that an AT&T switch serving local customers could be located outside of the Sprint local calling area, outside of the LATA or even outside of the state of Florida. Since AT&T's proposal requires Sprint to provide the transport to any location selected unilaterally by AT&T

without limitation, Sprint could be forced to build and incur the costs of multiple transport routes to potentially distant locations.

Q. Why does Sprint believe that the POI selected by AT&T should be the point where both parties mutually exchange traffic and should be located on Sprint's network?

A. This Commission concluded on page 26 of the Generic Reciprocal Compensation Order that "CLECs have the exclusive right to unilaterally designate single POIs for the mutual exchange of telecommunications traffic at any technically feasible location on an incumbent's network within the LATA." This finding clearly defines a CLEC's right to designate a POI for the mutual exchange of telecommunications traffic. Sprint interprets the phrase "mutual exchange" to mean that both parties' traffic is being exchanged at that POI. This Commission's conclusion regarding compensation responsibilities relative to the POI clearly anticipated a single POI. The Commission found that "an originating carrier has the responsibility for delivering its traffic to the point(s) of interconnection designated by the alternative local exchange company (ALEC) in each LATA for the mutual exchange of traffic." (Generic Reciprocal Compensation Order at page 26). The Commission also decided that the POI for the mutual exchange of traffic may be at any "technically feasible location on an incumbent's network within a LATA." (Generic Reciprocal Compensation Order at page 25). Thus, the POI must be on the incumbent's network and not on the CLEC's network. This very issue regarding whether the POI can be located on the CLEC's network was raised in the recent Florida PSC arbitration between GNAPS and Verizon in Docket No. 011666-TP. There, the Staff, citing the Commission's decision in

Docket No. 000075-TP, recommends that the Commission confirm its ruling in the Generic Reciprocal Compensation Order that the POI must be located on the incumbent's network. Staff states: "Staff agrees with Verizon's contention that the POI must be placed on Verizon's network." (Docket No. 011666-TP, Staff Recommendation, p. 9.) It is my understanding that the Commission approved the staff recommendation on this issue at its June 17, 2003 Agenda Conference. The FCC's definition of interconnection also states that the POI is for the mutual exchange of traffic (First Report and Order, ¶ 176). In addition, the allocation methodology established by the FCC for the dedicated transport facility connecting the two carriers contemplates joint use of that facility, which implies the mutual exchange of traffic at a single POI. (47 C.F.R. §51.709(b)) Finally, the ILEC interconnection obligations included in §251(c)(2) of the Act and codified in Part 51 of the FCC's rules are all directed at allowing the CLEC to select a point of interconnection on the ILEC network. There are no corresponding rules obligating ILECs to select a POI on a CLEC's network.

Q. If Sprint believes that both parties exchange traffic at the single POI, why did Sprint include the language in section 3.2 of the contract which allows Sprint to choose an alternate method of transport?

A. Sprint's proposed version of Section 3.2 allows Sprint at its option to self-provision transport and deliver its traffic at a location on AT&T's network. Conversely, AT&T's proposal requires Sprint to interconnect on AT&T's network. As I detailed above, federal and Florida decisions allow AT&T to select a POI or POIs on Sprint's network for the mutual exchange of traffic. There are no comparable requirements for

Sprint to establish a POI on AT&T's network. In addition, AT&T's proposal requires a one-way delivery of traffic at the POIs selected by AT&T, not a mutual exchange of traffic. Sprint does not believe AT&T's proposal is consistent with Florida or federal law. Sprint, however, recognizes that in certain cases it may make economic and technical sense for Sprint to have the option to self-provision transport to an interconnection point on AT&T's network. For example, Sprint may have facilities at or near an AT&T end office which would make it more economical for Sprint to provision the transport and interconnect with AT&T at that location rather than hauling the traffic to another more distant POI. Therefore, Sprint has agreed to the language proposed by AT&T in Section 3.2, with minor modifications, to give Sprint the option to make such arrangements with AT&T if it made sense for Sprint. The key concept here is that the FCC rules and Florida Commission precedent mandate that a POI be on the ILEC's network but Sprint's version of section 3.2 gives the parties the option of Sprint providing its own transport to AT&T's network if it is more efficient and economical for Sprint to do so. In no way does Sprint agree that it should be forced to interconnect on AT&T's network or that the parties should not mutually exchange traffic at a POI. Sprint's language merely provides additional flexibility in this regard if the situation warrants a different arrangement.

Q. The sections regarding compensation for the shared interconnection facility (4.1.3 to 4.1.3.4) are also in dispute here. AT&T has stricken Sprint's language for these sections. What is the Interconnection Facility and how is it related to the POI?

A. Sprint defines the Interconnection Facility as the transmission facility that connects the two parties' networks. The POI is at the end of the interconnection facility on Sprint's network where the two carrier's networks meet. (See Agreement, Section 1.3 and 4.1.3.1)

Q. Why has Sprint included reference to the interconnection facility and established terms for the compensation of the traffic traveling over the interconnection facility?

A. The Interconnection Facility is included in the terms of the Agreement to accommodate the FCC's reciprocal compensation rules and to provide a clearer understanding of the parties' obligations to pay for the transport of traffic. While the FCC does not explicitly use the term interconnection facility, it is conceptually embodied in the FCC's rules and orders setting forth the carriers' obligations relating to interconnection and reciprocal compensation.

Q. Please explain.

A. Reciprocal compensation is an arrangement in which the originating carrier pays the terminating carrier for the transport and termination of its telecommunications traffic. As stated in 47 C.F.R. §51.701(c) the transport element includes "the transmission and any necessary tandem switching of telecommunications traffic subject to section 251(b)(5) of the Act from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party, or equivalent facility provided by a carrier other than an incumbent LEC." Termination,

as defined in 47 C.F.R. §51.701(d) " is the switching of telecommunications traffic at the terminating carrier's end office switch, or equivalent facility, and delivery of such traffic to the called party's premises." By definition, the interconnection facility is included in the transport component of reciprocal compensation, yet it is separate from tandem switching and its accompanying common or shared transport, which parties often associate with per minute of use reciprocal compensation rates. Sprint's use of the term interconnection facility draws the distinction between the shared transport piece of reciprocal compensation and the dedicated transport involved in interconnecting the parties' networks and enables the parties to clearly understand the different transport components. The FCC recognizes the existence of the dedicated facility connecting the two carrier's networks in §51.709(b) of the Code of Federal Regulations. It provides for a method of billing based on each carrier's proportionate usage of the dedicated facility connecting the two networks. (See First Report and Order, ¶ 1062). The terms proposed by Sprint in 4.1.3 allow AT&T to charge Sprint for Sprint's proportionate share of the interconnection facility used to terminate Sprint originated traffic at Sprint's TELRIC rate, or at AT&T's cost-based rates if approved by the Commission. On the other hand, AT&T's proposed contract language deletes all references to the shared transport facility and the amounts that AT&T can charge Sprint on a proportionate usage basis. Instead, AT&T relies upon its proposals in sections 1.1.3 and 3.2 requiring Sprint to establish POIs on AT&T's network and establish facilities for the transport of Sprint's originated traffic to such POIs. In addition to ignoring this Commission's rulings regarding the establishing of a POI on the ILEC's network for the mutual exchange of traffic discussed above, AT&T's proposal ignores FCC Rule 51.709(b)'s mandate that carriers share the costs of the dedicated facility connecting the two networks based upon the proportionate share of

traffic that travels over the interconnection facility. It appears that AT&T's proposal is an attempt to circumvent the symmetrical rate provisions of the reciprocal compensation rules and avoid its obligation to file its own cost study in order to implement asymmetrical rates. Under Sprint's proposal, the parties share the cost of the interconnection facility based upon their share of traffic terminated over the interconnection facility. Sprint's proposal is consistent with the FCC rules and this Commission's precedent; AT&T's proposal is not.

Q. Doesn't Sprint's position always require AT&T to provide the interconnection facility?

A. As a CLEC requesting direct interconnection, AT&T has the unilateral right to select a single POI within a LATA on Sprint's network at which telecommunications traffic is exchanged. That unilateral right is only provided for within section 251(c)(2) of the Act. AT&T has several options available for provisioning transport to the POI (See section 4.1.3.1), which enables it to manage its transport and termination costs. (First Report and Order ¶ 172). Unless Sprint utilizes its option in Section 3.2 to self provision transport (See 4.1.3.3), AT&T is obligated to provide the interconnection facility. This allows AT&T to manage its cost for interconnection. But AT&T is permitted to charge Sprint for a proportionate use of that interconnection facility based upon Sprint's relative usage of the facility for the delivery of traffic. In other words, each party pays for a portion of the interconnection facility based upon their proportionate amount of usage of the facility.

Q. Does Sprint's POI position have the effect of charging AT&T for Sprint-originated traffic on Sprint's side of the POI?

A. No. Sprint's proposal is consistent with the Commission's decision in Docket No. 000075-TP (Generic Reciprocal Compensation Order) where it ruled that the originating carrier is precluded from charging transport costs on its side of the POI for voice traffic. (See Order, Docket No. 000075-TP, p. 26). Sprint absorbs the cost of Sprint originated traffic for all switching and transport on its side of the POI and pays AT&T for transport and termination on AT&T's side of the POI, including a proportionate share of the AT&T-provided shared interconnection facility (See Exhibit JMM-1).

Issue 2: May AT&T require the establishment of a Mid-Span Fiber Meet arrangement or is the establishment of a Mid-Span Fiber Meet arrangement conditional on the amount of traffic from one network to the other being roughly balanced?

Q. Please summarize Issue 2.

A. The language that is in dispute concerns the construction of dedicated fiber transport facilities to a newly established meet point between the parties. Both AT&T and Sprint agree that meet point interconnection is listed in the FCC's rules as a method of interconnection; however, Sprint's terms at 3.1.6.1 condition the obligation to provide meet point interconnection based on the balance of traffic between the parties. In contrast, AT&T's terms have minimal limitations on Sprint's meet-point obligations, allowing AT&T to select both carriers' wire centers from which each carrier builds

out, as well as the fiber meet location. Issue 3, which addresses compensation for these meet point facilities, has direct bearing on this matter and should be kept in mind when evaluating the parties' positions.

Q. What is a meet point interconnection arrangement?

A. The definition included in §51.5 of the C.F.R. states, "A meet point interconnection arrangement is an arrangement by which each telecommunications carrier builds and maintains its network to a meet point." It is important to note that the definition does not make any statements regarding any compensation owed by either party for the other's facilities. The diagram displayed on Exhibit No. JMM-3 illustrates a meet point interconnection arrangement.

Q. Why did Sprint include the conditional language?

A. Many of the contentious issues related to interconnection stem from ISP-Bound traffic. The balance of traffic over interconnection arrangements where one of the parties terminates a significant amount of ISP-Bound traffic is skewed heavily in that party's favor. In other words, the carrier providing service to the ISP terminates much more traffic than the other carrier causing the traffic to be highly out of balance. Given AT&T's cost sharing language, which requires the parties to share the costs of a meet point arrangement 50-50 without restriction, Sprint would be providing free transport for the connecting carrier's ISP customer if it were required to build new transport facilities in cases where the majority, if not all, of the traffic on the facility

originates from Sprint customers to that ISP. This obligation is not appropriate and is inconsistent with FCC orders.

Q. What is ISP-Bound traffic?

A. ISP-Bound traffic is switched communications delivered to an Internet Service Provider (ISP) over telecommunications facilities. The specific issue in this instance is traffic originated by Sprint or AT&T that is delivered to an ISP served by the other party.

Q. Why does Sprint consider a meet point arrangement for ISP traffic inappropriate? Don't Sprint customers benefit from their ability to access the ISP served by the CLEC?

A. Prior to passage of the Act, ISPs purchased services from ILEC tariffs in order to sell Internet Access to ILEC end users. This included transport from ILEC end offices to the ISP equipment location. After the Act's passage, many CLECs entered into arrangements with ISP providers and established interconnection facilities with ILECs to pursue a strategy of billing the ILEC terminating reciprocal compensation for that traffic. This tactic effectively replaced the transport previously purchased by the ISP from the ILEC with interconnection facilities subject to reciprocal compensation, and since the traffic was all ILEC-originated, the CLEC was able to bill the ILEC for those facilities. It effectively shifted the cost of providing service to the ISP from the CLEC to the ILEC. The FCC recognized the impact of allowing carriers to shift the costs of providing service to ISPs in its *Implementation of the Local Compensation Provisions*

in the Telecommunications Act of 1996, CC Docket No. 96-98, Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68, Order on Remand and Report and Order ("ISP Remand Order"), characterizing it as a "troubling distortion that prevents market forces from distributing limited resources to their most efficient uses."(¶4) The FCC recognized that there was nothing inherently wrong with having traffic imbalances but that, "In this case, however, we believe that such decisions are driven by regulatory opportunities that disconnect costs from end-user market decisions. Thus, under the current carrier-to-carrier recovery mechanism, it is conceivable that a carrier could serve an ISP free of charge and recover all of its costs from originating carriers. This result distorts competition by subsidizing one type of service at the expense of others."(¶5) As a result, the FCC "moved aggressively to eliminate arbitrage opportunities"(¶7) and established declining prices for ISP-Bound traffic for CLECs already terminating ISP-Bound traffic from ILECs pursuant to an interconnection agreement, capped the growth of ISP-Bound minutes, and ordered bill-and-keep for new entrants. Sprint's position that it will construct mid-span fiber meet arrangements only when the traffic between the parties is roughly balanced is consistent with the FCC's policy and intent regarding payment for the exchange of traffic as set forth in the ISP Remand Order. Sprint's response to Issue number 9 provides additional insights with respect to transport for ISP-Bound traffic.

Q. Is Sprint's conditional language supported by other FCC rules or orders?

A. Yes. In its discussion of meet point interconnection in ¶553 of the First Report and Order, the FCC stated that such arrangements were "commonly used between neighboring LECs for the mutual exchange of traffic". As stated previously, the

phrase "mutual exchange" clearly pictures a situation in which traffic is flowing in both directions over a meet point facility. The FCC goes on to say that, "In this situation, the incumbent and the new entrant are co-carriers and each gains value from the interconnection arrangement. Under these circumstances, it is reasonable to require each party to bear a reasonable portion of the economic costs of the arrangement." Sprint's position is that as long as the traffic remains roughly balanced both parties are receiving value and a meet point arrangement makes sense. But, in situations where the traffic is not roughly balanced, the originating party does not gain any value and should not be required to absorb the cost of the arrangement. This linkage between value and the balance of traffic is not new. The concept of traffic being "roughly balanced" comes from the discussion on bill-and-keep compensation in paragraphs 1111 through 1118 of the First Report and Order. The concept of roughly balanced traffic is a good one in determining whether a carrier is receiving value from an interconnection arrangement. The resulting rule in 47 C.F.R. §51.713(b) allows state Commissions to order bill-and-keep for reciprocal compensation when traffic is roughly balanced and neither carrier has rebutted the presumption of symmetrical rates. The FCC reasoned that if the traffic is roughly balanced and symmetrical rates are used, each carrier would be essentially billing equal, offsetting amounts for reciprocal compensation. Therefore, as the FCC stated in paragraph 1096 of the First Report and Order, in a bill-and-keep arrangement "each network recovers from its own end users the cost of both originating traffic delivered to the other network and terminating traffic received from the other network". The discussion on bill-and-keep is especially pertinent to the instant issue since the offer "on the table" proposes that the construction costs are shared and that each party recovers the costs from its own end users for traffic in both directions. This is

essentially a bill-and-keep arrangement. It follows then that the cost for establishing meet point interconnection should be shared on an equal basis only to the extent the traffic between the parties building the interconnection facilities is roughly balanced.

Q. Sprint's response to AT&T's petition draws a distinction between interconnection obligations for the mutual exchange of traffic and interconnection for access to network elements. Why?

A. When a CLEC establishes a dedicated transport facility for interconnection trunks it often uses the same facility for gaining access to network elements. Therefore, it would not be unusual for a CLEC to seek a meet point interconnection arrangement with an ILEC expecting that facility to be used for both. Sprint, however, believes that its obligation to construct meet point facilities and to absorb the cost of that activity is limited only to the establishment of an interconnection arrangement for the mutual exchange of telecommunications traffic.

Q. Don't the FCC rules list a meet point interconnection arrangement as a technically feasible method of obtaining access to network elements?

A. Yes, it is true that in 47 C.F.R. §51.321(b)(2) the FCC lists a meet point interconnection arrangement as a technically feasible method of obtaining access to network elements; however, the rule does not require ILECs to provide that arrangement without any cost recovery, which would be the result of AT&T's cost sharing language. The discussion of meet point interconnection in the First Report and Order clearly establishes different compensation obligations for interconnection

for this purpose and interconnection for the purpose of exchanging traffic. In ¶553, in reference to meet point arrangements, the FCC states that "such an arrangement only makes sense for interconnection pursuant to section 251(c)(2) but not for unbundled access under section 251(c)(3)." And, "In an access arrangement pursuant to section 251(c)(3), however, the interconnection point will be a part of the new entrant's network and will be used to carry traffic from one element in the new entrant's network to another. We conclude that in a section 251(c)(3) access situation, the new entrant should pay all of the economic costs of a meet point arrangement." Based on the FCC's First Report and Order, it is clear that Sprint should not be required to permit AT&T to utilize a meet point arrangement for UNE access unless Sprint is able to recover all of its costs for establishing that facility. This is consistent with the multiple comments found in the First Report and Order that state that ILECs can recover the costs of establishing interconnection arrangements for CLECS (¶199, ¶200, ¶209, ¶552).

Issue 3: When establishing a Mid-Span Fiber Meet arrangement, should AT&T and Sprint equally share the reasonably incurred construction costs?

Q. Please summarize Issue 3.

A. The dispute revolves around Sprint's obligation to build out for a new fiber meet point facility and the associated compensation. Both Sprint's and AT&T's language (for Part E, section 3.1.6.9) provide that each party will absorb 50% of the facility cost and will not bill the other party for any portion of their share, essentially a bill-and-keep scenario. AT&T's proposal does not contain any limitations and would require Sprint

to provide 50% of the construction even if that entailed construction outside of Sprint's operating territory. Sprint believes that it should not be required to construct facilities outside of its exchange boundaries.

Q. What is the basis for Sprint's position?

A. In paragraph 553 of the First Report and Order, the FCC referred to the requirement for an ILEC to build out facilities as "limited" and stated that "the parties and state Commissions are in a better position than the Commission to determine the appropriate distance that would constitute the required reasonable accommodation of interconnection." Sprint emphasizes that the build-out obligation should be limited and that it is the Commission's role to determine reasonable limitations. The issue is which party's position is the most reasonable. AT&T's proposed language could be interpreted to force Sprint to absorb 50% of the cost of establishing a meet point interconnection arrangement between an AT&T switch in Atlanta and Sprint switch in Tallahassee. This is not as far-fetched as it might seem given the unilateral language offered by AT&T regarding the selection of wire centers where the fiber optic terminal equipment is located, meet points, and POIs. Coupled with the fact that AT&T believes that this obligation exists even if 100% of the traffic is ISP-Bound, Sprint submits that this is wholly beyond the realm of reasonableness. Sprint's position also is consistent with how ILECs establish meet points at exchange boundaries and provides a rational limitation to an ILEC's duty to build-out, consistent with a reasonable accommodation for interconnection, as required by FCC regulations.

Issue 4: Should certain traffic types be excluded from interconnection via a Mid-Span Fiber Meet arrangement?

Q. Please summarize Issue 4.

A. The language proposed by AT&T at Part E, section 3.1.6.11 states that neither party will bill each other for its portion of the meet point facility for the following traffic types: Local Traffic, ISP-Bound traffic, transit traffic, and intraLATA/InterLATA toll traffic, including translated 8YY traffic. Sprint's proposed language states that neither party shall charge the other for its portion of the meet point facility for non-transit Local Traffic or non-Local Traffic. AT&T has interpreted Sprint's language to prohibit it from routing certain types of traffic over the interconnection facility. Sprint's language does not limit the types of traffic that can be routed over the facilities, but simply clarifies the compensation obligations.

Q. What types of traffic can be routed over an interconnection facility established under §251(c)(2) of the Act?

A. Pursuant to the Act, any interconnection arrangement established under §251(c)(2) can be used for the transmission and routing of telephone exchange and exchange access (47 U.S.C. §251(c)(2)(A)). FCC rules clarify that a carrier requesting interconnection solely for the purpose of originating or terminating its interexchange traffic is not entitled to receive interconnection pursuant to §251(c)(2). (47 C.F.R. §51.305(b)). The FCC rules also clarify that a carrier that has interconnected under section §251(c)(2) may offer information services through the same arrangement, as long as it

is also providing telecommunications services through that arrangement. (47 C.F.R. §51.100(b)).

Q. Are any of the traffic types listed by AT&T excluded from being exchanged over the meet point interconnection facility?

A. Sprint does not object to any traffic that meets the criteria listed above from being routed on the meet-point facility, subject to the other terms and conditions included in the proposed language. In fact, §2 of Part E of the contract, which is not being disputed, goes to great lengths to describe the types of traffic that can be routed over an interconnection facility.

Q. If Sprint does not object to routing the types of traffic listed by AT&T, why object to AT&T's proposed language?

A. The issue is one of compensation. Sprint interprets AT&T's proposed terms to say that all the traffic types listed would be subject to a bill-and-keep arrangement. Sprint does not agree that transit traffic (AT&T-originated traffic transiting through a Sprint tandem to another carrier) is subject to bill-and-keep or that an ILEC has an obligation to construct facilities for that purpose. In a bill-and-keep arrangement, each carrier recovers the cost of establishing the arrangement from their end users. Sprint has no end users in a transit scenario and does not believe that it would be appropriate to recover the cost of AT&T-originated transit traffic from a terminating carrier. The inclusion of ISP-Bound traffic in a meet point arrangement without restriction is also in conflict with Sprint's position taken on Issue 2.

Q. You have stated above that ISP-Bound traffic can be routed over an interconnection facility, yet Sprint refuses to construct a meet point facility for ISP-Bound traffic. Isn't that contradictory?

A. Not at all. Sprint's position on the construction of a meet point facility focuses on the balance of traffic, not the traffic type. Sprint has no objection for ISP-Bound traffic to be included as long as the traffic between AT&T and Sprint is roughly balanced. Sprint's objection, as presented previously in Issue 2, is that in cases where the majority of the traffic is ISP-Bound, the balance of traffic is heavily skewed in favor of one of the interconnecting carriers and Sprint or AT&T should not be obligated to construct new meet point facilities for that purpose.

Issue 5: How should AT&T and Sprint define Local Calling Area for purposes of their interconnection agreement?

Q. Please summarize Issue 5.

A. AT&T and Sprint disagree over the definition of Local Calling Area since it has a direct impact on determining the appropriate inter-carrier compensation for large amounts of traffic. Local Traffic (calls originated and terminated within the same Local Calling Area) are exchanged between the parties and compensated on the basis of reciprocal compensation. Calls originated and terminated outside the Local Calling Area are toll and compensated under the access charge regime. AT&T's proposed language mirrors the default language included in the Commission's Generic Reciprocal Compensation Order. Sprint's language uses Sprint's local calling areas.

Q. Does Sprint believe that the Commission correctly decided the issue of the local calling area for reciprocal compensation purposes in the Generic Reciprocal Compensation Order?

A. Sprint does not believe that the Commission's decision that the originating carrier's retail local calling area is the appropriate default local calling area for reciprocal compensation purposes is appropriate under either Florida or federal law. Sprint's appeal of that decision is currently pending before the Florida Supreme Court. However, Sprint recognizes that, unless the decision is modified or rejected by judicial action, the Commission will rely on that decision in its consideration of the issue in this arbitration.

Q. Why is Sprint disputing AT&T's language if it mirrors the Commission's Order?

A. AT&T's proposed language does not answer the significant questions that arise from a serious evaluation of how the Commission's order should be implemented. Sprint cannot agree to implement AT&T's Local Calling Area for reciprocal compensation purposes without knowing all of its ramifications and is, therefore, seeking more specific guidance from the Commission.

Q. Did Sprint and AT&T discuss the implementation issues?

A. No substantial discussions on the implementation issues were conducted.

Q. Were alternative definitions proposed?

A. In the initial stages of the parties' negotiations, AT&T argued for a LATA-wide local calling area for the purpose of defining reciprocal compensation obligations. Sprint proposed using its local calling areas. At the same time, the Commission was considering the issue in the generic reciprocal compensation proceedings. Once the proceedings were concluded, AT&T subsequently offered the language in question, without elaboration.

Q. The Commission indicated that the preferred method for establishing the local calling area for reciprocal compensation purposes is through negotiation. Does the Commission's default methodology encourage the parties to negotiate a solution?

A. No. In spite of the fact that the Commission's intent in adopting a default methodology was to encourage the parties to negotiate a business resolution (Generic Reciprocal Compensation Order at page 57), that has not been its result. In fact, just the opposite has occurred. The Commission's default methodology allows AT&T to implement a LATA-wide local calling solution for AT&T-originated calls and, therefore, does not provide it the incentive to negotiate some other alternative. Implementation of a LATA-wide local calling area for AT&T would cause Sprint to incur significant cost to implement the needed operational processes and system modifications. In addition, the necessary modifications would not only impact AT&T and Sprint, but would also impact other connecting carriers, which is an important factor not considered by the Commission in the generic proceeding.

Q. You state that Sprint is concerned about implementing the default because of the cost, yet Sprint and AT&T have not discussed specific implementation issues. How do you know that it will be costly?

A. We have made changes over the past several years in order to implement reciprocal compensation billing on the basis of the ILEC Local Calling Areas and based on that experience, can evaluate the impact of implementing a unique Local Calling Area for AT&T. The impact grows when Sprint must consider implementing the Commission's default solution of a unique Local Calling Area for every CLEC with which Sprint is interconnected.

Q. What type of changes would have to be made to Sprint's processes and systems to allow for the implementation of an AT&T Local Calling Area that differs from Sprint's Local Calling Area?

A. Sprint's current process for billing reciprocal compensation uses the recorded information on the terminating record and an industry standard table reflecting the current ILEC Local Calling Area to determine the jurisdiction and apply the appropriate rate. A percent local use (PLU) factor is only applied to any records that, for some reason, do not have sufficient information to determine the jurisdiction. In addition, Sprint's contracts include language requiring the calling party number from connecting carriers not only for the purpose of providing calling features but also for correct reciprocal compensation billing, to discover inadvertent routing errors, and to discourage fraudulent behavior. The default would require Sprint to develop and maintain separate tables reflecting each carrier's Local Calling Areas to continue using

its existing process. Additional changes would likely be needed to bill for unbundled local switching, which is a component in the unbundled network element platform (UNE-P).

Q. But, can't Sprint just modify its systems to use factors provided by the originating carrier to bill?

A. This would require a modification to Sprint's existing process and essentially scrap much of the work that we have done over the past several years to develop an accurate billing system. Sprint deliberately designed the process not to depend upon the use of factors due to the historical inaccuracy of that approach and the billing disputes that Sprint has experienced due to the potential for inaccuracy. Furthermore, the use of billing factors does not eliminate the necessity for accurate traffic measurement. All that applying factors means is that the originating carrier (in this case AT&T) will have the obligation to measure its originating traffic that terminates to Sprint and, based on that measurement, calculate the factors that AT&T will provide to Sprint. And, while Sprint may use these factors to bill, Sprint will need to develop audit procedures, perform audits, and seek back payment if Sprint finds significant errors in what AT&T has provided. This is the only prudent approach based on Sprint's past experience with the use of billing factors. In fact, Sprint's position is consistent with the Commission's ruling in the Sprint/Verizon arbitration regarding the use of billing factors for intercarrier compensation. The Commission stated "Strictly speaking, we find that accurate inter-carrier compensation depends on measurement rather than applying (estimated) jurisdictional factors."(Order No. PSC-03-0637-FOF-TP in Docket No. 010795-TP, p. 22).

Q. You mention that the modifications would impact other carriers, how would that occur?

A. There are several scenarios in which other carriers would be impacted. First, in an indirect interconnection scenario (see Exhibit No. JMM-5) Sprint and AT&T would be exchanging traffic through a third-party tandem, probably either BellSouth or Verizon. Under the default language, calls from AT&T to Sprint could be considered local for which reciprocal compensation would be due and calls from Sprint to AT&T could be toll for which access would be due. The transit provider's billing to the originating carrier would vary based on the direction of the traffic and the originating carrier's Local Calling Area, thus requiring the transit carrier to implement new billing processes. Second, in a transit scenario in which Sprint is providing transit service to AT&T and another party (see Exhibit No. JMM-6), the third party with which AT&T is exchanging traffic would be directly impacted by the implementation of the default methodology and Sprint, as the transit provider, would have the challenge of determining the appropriate tandem rate based on traffic direction and the originating carrier's Local Calling Area. And third, it is expected that AT&T will offer a LATA-wide local calling area with its UNE-P offerings that will be provisioned by Sprint. Sprint's current UNE-P offering includes Sprint's agreement to pay and bill reciprocal compensation on behalf of the CLEC in order to simplify operational issues. Therefore, when any carrier receives a call from a Sprint switch, the carrier determines if reciprocal compensation is due based on Sprint's Local Calling Area, even if it was originated from a UNE-P port. Under the default approach, the process will have to be changed so that the terminating carrier will be able to reflect the fact that the UNE-P port has a different local calling area than Sprint-originated traffic. Not doing so

would create a situation where the terminating carrier could dispute the jurisdiction and challenge the routing or could attempt to bill Sprint access. The process is especially complicated by the fact that every CLEC purchasing UNE-P from Sprint could have a different Local Calling Area and all of their traffic would be aggregated on the same trunk group to the terminating carrier. One potential solution to this problem is for Sprint to institute a process for developing factors for connecting carriers that reflects the different local calling areas of UNE-P customers. In order to accomplish this, Sprint would have to maintain tables of the UNE-P customer's local calling areas, which would engender significant costs for Sprint. Also, since the traffic is combined with Sprint traffic, the UNE-P carrier would not be able to develop a composite factor to provide to the terminating carrier. The ultimate result would likely be that Sprint would no longer be able to perform payment and billing functions on behalf of UNE-P CLECs and terminating carriers could be reluctant to receive multiple carrier traffic on the same trunks. In that event, Sprint would incur costs to institute a process for providing UNE-P usage information to the terminating carrier so the terminating carrier could bill the UNE-P carrier directly, based on the UNE-P carrier's Local Calling Area and not Sprint's. The UNE-P CLEC will also incur implementation costs. None of these complex implementation issues are addressed by the language proposed by AT&T to reflect the Commission's order.

Q. What is Sprint's recommendation given the complexity of the issue?

A. The Commission has already considered this issue several times in different proceedings and repeatedly upheld its decision. Yet, the Commission has also recognized in reconsidering the matter that all of the implementation issues have not

been fully addressed and that sufficient evidence has not been entered into the record to order specific implementation criteria. While encouraging the parties to work together may seem reasonable, given the interrelationships between multiple carriers and the fact that there are industry bodies that routinely address billing issues, it seems reasonable to establish a process whereby the industry in Florida may work together to resolve the issues and reach mutual agreement on standardized processes rather than creating and implementing numerous processes that may or may not facilitate record exchange and accurate billing when multiple carriers are involved. Pending resolution of these implementation issues on an industry-wide basis, Sprint proposes that its local calling area should continue to be used as the local calling area for reciprocal compensation purposes.

Issue 6: How should AT&T and Sprint define Local Traffic for purposes of their interconnection agreement?

Q. Please summarize Issue 6.

A. The dispute on this issue is centered on opposing definitions for Local Traffic. This issue is important since the term Local Traffic is used to define the telecommunications traffic that is subject to reciprocal compensation. AT&T's proposal declares that all telecommunications traffic, except exchange access and ISP-Bound traffic, is local. Sprint defines Local Traffic as traffic that is originated and terminated within the Local Calling Area described in the contract.

Q. Has the FCC defined what traffic is subject to reciprocal compensation?

A. Yes. The FCC defined telecommunications traffic subject to reciprocal compensation as Local Traffic in its initial rules but later amended that definition in the ISP Remand Order. In that order, the term "local" was removed from the rule so that the rule now essentially states that all telecommunications traffic is subject to reciprocal compensation except for traffic "that is interstate or intrastate exchange access, information access, or exchange services for such access." (47 C.F.R. §51.701(b)(1)). In addition, Rule 51.701(b)(2)) includes traffic between a LEC and CMRS provider that originates and terminates within the same Major Trading Area (MTA).

Q. Is Local Traffic subject to reciprocal compensation?

A. Yes. Sprint agrees that Local Traffic is subject to reciprocal compensation, but does not agree that traffic that originates and terminates outside of the local calling area is "local" as that term is generally understood by most parties.

Q. Is there any traffic subject to reciprocal compensation that is not local?

A. Yes. CMRS traffic originated and terminated within the same MTA is subject to reciprocal compensation, but not all traffic between ILECs and CMRS providers is local from an ILEC's retail end-user's perspective. There are situations where an ILEC end user making an intraMTA call to a CMRS end user will place a toll call to do so, yet the inter-carrier compensation that applies will be reciprocal compensation, not access charges.

Q. Is there any other traffic subject to reciprocal compensation that is not local?

A. At this time I cannot think of any other traffic that is subject to reciprocal compensation that is not local; however, Sprint prefers to follow the exact definitions established by the FCC rather than impose an incorrect definition that could cause unforeseen problems in the future.

Issue 8: Should ISP-Bound Traffic be limited to calls to an information service provider or internet service provider which are dialed by using a local call dialing pattern?

Q. Please summarize Issue 8.

A. The language in dispute defines what traffic is subject to the compensation rules established by the FCC for ISP-Bound traffic in the ISP Remand Order. AT&T's language states that all traffic terminated to an ISP is subject to the terms established by the FCC in the ISP Remand Order, without clarifying what that means. Sprint's language limits the application to only traffic that is terminated to an ISP via a local dialing pattern, which Sprint believes is consistent with the FCC orders cited by AT&T.

Q. Is ISP-Bound traffic always reached via a local dialing pattern?

A. No. There are times when an individual may make a toll call (e.g. 1+ or 8yy) to access their ISP.

Q. What is the basis for Sprint's position that the application of the FCC-mandated ISP compensation scheme is limited to calls dialed with a local dialing pattern?

A. Sprint's position is based on what the FCC actually considered in the ISP Remand Order. The issue before the FCC in that proceeding was the appropriate inter-carrier compensation scheme for ISP-Bound calls that would otherwise be considered local calls, and subject to reciprocal compensation principles and mechanisms. Prior to the release of the ISP Remand Order, the FCC's rules stated that reciprocal compensation applied to the transport and termination of "local telecommunications traffic." In the ISP Remand Order, the FCC quoted from its previous Declaratory Ruling at ¶10 stating that, "an ISP's end-user customer typically accesses the Internet through an ISP server located in the same local calling area. Customers generally pay their LEC a flat monthly fee for use of the local exchange network, including connections to their local ISP." In addition, in ¶90 of the ISP Remand Order the FCC stated that it saw "no reason to impose different rates for ISP-Bound and voice traffic" and concludes that it was "unwilling to take any action that results in the establishment of separate intercarrier compensation rates, terms, and conditions for local voice and ISP-Bound traffic." AT&T's position creates a situation that treats ISP-Bound toll traffic more favorably than voice toll traffic in regards to intercarrier compensation (toll-dialed voice traffic would be subject to access charges while toll-dialed ISP-Bound traffic would be subject to the compensation defined in the ISP Remand Order). The ISP Remand Order did not specifically address situations where a party reaches its ISP via a toll dialing pattern, largely because it was generally accepted in the industry that such calls were long distance calls, subject to applicable toll and access charges.

Q. What operational impacts would Sprint experience should the Commission rule in AT&T's favor?

A. If an end user calls an ISP using a toll dialing pattern, for example using a 1-800 number, that call is routed to their PIC'd interexchange carrier (IXC) over that carrier's long distance trunks. The ILEC bills the IXC access charges and the IXC receives revenue by providing the 800 service to the ISP. Several issues arise if carriers attempt to apply the FCC compensation rules for ISP-Bound traffic to this scenario. First, the interconnection arrangement between the ILEC and IXC is established as access and not interconnection under §251(c)(2) of the Act. Second, the service being provided is a tariffed access service for which there is no local service substitute. Third, the traffic on the trunks would not meet the 3:1 balance used as a default to determine ISP-Bound usage which would require actual measurement to specifically identify which calls were ISP-Bound. And finally, Sprint's access billing systems would have to be modified at an as yet undetermined cost for a volume of traffic which is likely to be insignificant when compared to the total traffic over the trunks in question.

Issue 9: (a) Should AT&T be required to compensate Sprint for the transport of ISP-Bound Traffic between Sprint's originating local calling area and a POI outside Sprint's local calling area?

Q. Please summarize Issue 9(a).

A. The disagreement between the parties concerns compensation for the transport of ISP-Bound traffic (Sprint originated – AT&T terminated) when the call is routed to a POI outside Sprint's local calling area. Sprint proposed language at 4.2.5 states that AT&T should compensate Sprint for the transport outside the local calling area at TELRIC-based transport rates. AT&T opposes Sprint's language, stating that Sprint has an obligation under 47 C.F.R. 51.703(b) to absorb the cost of the transport and cannot bill AT&T for it. Sprint believes that the duty in 47 C.F.R. 51.703(b) is not applicable. (Refer to Exhibit No. JMM-4).

Q. Please explain what scenario Sprint believes that its language addresses.

A. First, it should be clear from Issue 8 that Sprint does not expect traffic to an ISP via a toll call to be included in the terms and conditions in the contract that address compensation for ISP-Bound traffic. Therefore, this compensation language would apply only to locally dialed calls when the POI is outside the originating local calling area.

Q. Is the FCC rule cited by AT&T in their petition relevant?

A. No. In its petition, AT&T states the basis of its position as FCC Rule 51.703(b), which provides that for traffic subject to reciprocal compensation, a carrier may not assess charges for traffic that originates on its network. Since ISP-Bound traffic is not traffic subject to reciprocal compensation, pursuant to the FCC's ruling in the ISP

Remand Order, this rule does not apply to such traffic. The definition for Local Traffic proposed by AT&T (see Issue 6) and the statement of its position on that issue confirms that AT&T agrees that ISP-Bound traffic is not subject to reciprocal compensation. AT&T's definition in 4.1 excludes ISP-Bound traffic from Local Traffic and its position states "that all telecommunications traffic is subject to reciprocal compensation in accordance with Section 251(b)(5) of the Act, except for exchange access traffic subject to Section 251(g) of the Act and ISP-Bound Traffic."

Q. But don't the rules for ISP compensation require carriers to compensate each other for ISP-Bound traffic on the same basis as voice traffic?

A. It is true that ILECs must offer to exchange all traffic subject to reciprocal compensation at the rates established by the FCC for ISP-Bound traffic if they wish to opt into the ISP rates. The purpose of this mirroring rule as discussed in paragraph 89 was to ensure that ILECs paid the same rates for ISP-Bound traffic that they receive for section 251(b)(5) traffic. However, Sprint does not believe that the rates established by the FCC for ISP-Bound traffic cover the cost of the transport at issue here. This is clear from the language in ¶102 of the ISP Remand Order where the FCC states, "we find that the costs that LECs incur in originating this traffic extends beyond the scope of the present proceeding and should not dictate the appropriate approach to compensation for delivery of ISP-Bound traffic." The goal of the FCC with its ruling was to eliminate the "regulatory arbitrage opportunities associated with intercarrier payments" (¶ 7) and the changes it made were directed at doing that. The FCC succeeded in reducing much of the debate over compensation for ISP-bound traffic, but since the order did not specifically address compensation for originating

transport, the battleground has shifted from reciprocal compensation to transport. Sprint firmly believes that the reasons used by the FCC to order a bill-and-keep regime for ISP-Bound traffic for new entrants and reduce the rates for existing providers are equally applicable to the transport in question. It is not any more appropriate for AT&T or any other CLEC to shift the cost of transport of ISP-Bound traffic to other carriers than it is to shift the costs covered by the ISP rate. In addition, the FCC recognized that the rates ordered in the ISP Remand Order did not necessarily reflect the cost of providing the service and that any additional costs incurred by the carrier providing service to the ISP would be recovered from that carrier's end users (¶¶ 7-8). Sprint believes that its proposed language goes beyond what is strictly required in the Commission's Generic Reciprocal Compensation Order for voice traffic, and that Sprint easily could have taken the position that access charges apply. Instead, Sprint has proposed to absorb the cost of the transport for ISP-Bound traffic when the POI is within Sprint's local calling area and only seeks payment when it is transported outside the local calling area and, then, at TELRIC rates.

Issue 9(b) Do the compensation obligations change when a virtual NXX is used?

Q. Has the Florida Public Service Commission ruled on compensation for virtual NXX traffic?

A. The Commission considered virtual NXXs in the Generic Reciprocal Compensation Order with respect to voice traffic. In that order (pages 27 through 35), the Commission determined that virtual NXX service is a "toll substitute service", that "intercarrier compensation for calls to these numbers shall be based upon the end

points of the particular calls", and "that carriers shall not be obligated to pay reciprocal compensation for this traffic." The parties have therefore agreed to include language in Section E of the agreement that reflects the Commission's ruling (Section 4.1.1). However, the Commission specifically stated that the Generic Reciprocal Compensation Order was not intended to address ISP-Bound traffic, meaning that the above ruling only applies to voice traffic. (Order at page 6) Similarly, the Commission's ruling in that same Order on page 27, namely that an originating carrier cannot charge for the cost of transport of the originating carrier's traffic to a single POI within a LATA, does not apply to ISP-Bound traffic.

Q. Do the compensation obligations for transport outside the local calling area change when a virtual NXX is used for ISP-Bound traffic?

A. No. AT&T should compensate Sprint for the transport of ISP-Bound virtual NXX traffic in the same manner as outlined in my response to Issue 9(a) when the POI is in a different local calling area from the local calling area where the call originates and, again, at TELRIC-based rates.

Issue 10: When should AT&T or Sprint be required to install and retain direct end office trunking between an ATT&T switching center and a Sprint end office?

Q. Has this issue been settled by the parties?

A. Yes. Sprint understands that it has reached agreement on this issue with AT&T. Sprint reserves the right to address this issue in rebuttal if AT&T still believes this is an issue.

Issue 11: When should each Party be required to establish a direct interconnection for:

a) Indirect Traffic?

(b) Transit Traffic?

Q. Please summarize Issue 11.

A. Issue 11 has two parts that are interrelated. The first part is under what terms and conditions AT&T and Sprint will agree to interconnect indirectly and at what point the arrangement should be converted to a direct connection. Consistent with its POI proposal, AT&T asserts that each carrier should manage their network separately with respect to establishing a direct connection and that there should be no limit on the amount of traffic that AT&T sends to Sprint over the indirect interconnection that they establish. Sprint maintains that when traffic levels reach a certain point, the carrier requesting interconnection (the CLEC) should be required to establish a direct interconnection arrangement with the ILEC. The second part of the issue is under what terms and conditions AT&T will agree to cease using Sprint's transit service and establish direct connections with other carriers. AT&T believes that it has the unilateral right to determine Sprint's transit obligations and when AT&T should establish a direct interconnection with other carriers. Sprint does not believe that there

are specific rules supporting AT&T's contention and that Sprint has the right to establish criteria for its transit service offering.

Q. What is an indirect interconnection?

A. An indirect interconnection is one in which two carriers are directly connected to another carrier, usually an ILEC, and use the third carrier's transit service (tandem switching and transport) to exchange traffic. The diagram on Exhibit No. JMM-5 depicts an indirect interconnection arrangement.

Q. Are there any established rules governing indirect interconnections?

A. Pursuant to §251(a)(1) of the Act, telecommunications carriers have a general duty to interconnect either directly or indirectly with the facilities and equipment of other telecommunications carriers. The FCC discussed indirect interconnection in ¶ 997 of the First Report and Order, affirming that it is a legitimate means for carriers to use to exchange telecommunications traffic, but the FCC did not establish a detailed set of rules delineating each carrier's obligations. In an indirect arrangement, AT&T will have a direct interconnection with a transit provider, which will be an ILEC other than Sprint. Sprint will have a direct interconnection with the same transit provider. Each will have an interconnection agreement with the transit provider that will include the terms and conditions for the provision of transit service.

Q. AT&T contends that each party should determine when they establish direct connection with the other because they have agreed to use one-way directionalized trunks. Do you agree with this logic?

A. No. AT&T's position is based on its POI proposal where AT&T believes that Sprint has an obligation to select a separate POI on AT&T's network in order to establish a direct connection for Sprint-originated traffic (see Issue 1) instead of using the single POI established by AT&T. Since AT&T is the carrier requesting interconnection with Sprint, Sprint has proposed that AT&T establish a POI consistent with the Commission's rules and §251(c)(2) of the Act once the traffic between the two parties reaches the DS1 threshold. The FCC rules and §251(c)(2) of the Act govern the situation where a CLEC requests a direct connection from an ILEC and establishes the ILEC's obligations for the mutual exchange of telecommunications traffic at that point of interconnection. They do not place the ILEC in the position of the CLEC (requesting a direct connection establishing a POI on the CLEC network) and then say that the CLEC has the unilateral right to dictate to the ILEC the terms and conditions of that interconnection. Furthermore, the fact that one-way directionalized trunks are used does not mean that in some way the carriers are not mutually exchanging traffic nor does it mean that they cannot use the single POI selected by the CLEC. The interconnection agreement also includes terms for transitioning away from one-way directionalized trunks to two-way trunks (Part E, section 2.2.2) and for implementing trunks that combine both local and toll traffic (Part E, section 2.2.2), which further weakens AT&T's emphasis on one-way directionalized trunks.

Q. Why did Sprint select a DS1 level of traffic as the threshold?

A. Sprint's proposal has been approved in concept in various proceedings, most notably the arbitration between Verizon Virginia and several CLECs, including AT&T. The proceeding was conducted under FCC oversight and the issue was fully discussed in paragraphs 115 through 121 of the order. In addition, Sprint conducted an internal analysis comparing the cost of paying transit rates (tandem switching plus shared transport) for a DS1 level of traffic versus paying dedicated transport rates and found that a DS1 threshold appeared reasonable. Sprint's approved TELRIC-based rates for tandem switching and common transport are $0.002053 and $0.000814, respectively. Multiplying the sum of these two rate elements times 353,982 minutes of use (the average minutes of use per DS1 used in Sprint's UNE cost study filed with the Commission) yields a value of $1,014.87 per month. Sprint's TELRIC-based dedicated transport rates are route specific and of the 679 routes currently priced only 12 are over $400 per month and the highest is $560, clearly much lower than the usage-based cost calculated above. A comparison with Sprint's intrastate special access rates is also favorable. Sprint's current intrastate special access rates for a DS1 circuit in zone 3 (highest price) are $125 per channel termination plus $18 per channel mile facility plus $51 per channel mileage termination. The amount of $1,014.87 per month could purchase a special access circuit 39.7 miles in length (2 channel terminations and 1 channel mileage termination per circuit), which should accommodate the majority of routes. These figures support Sprint's position that a DS1 threshold for transition from transit to direct interconnection is reasonable on an economic basis. Finally, it is interesting to note that AT&T proposed and Sprint

accepted using a DS1 threshold for Issue 10 related to direct trunking, which was recently resolved and is no longer in dispute.

Q. What is transit interconnection?

A. As described above, transit interconnection enables two carriers to interconnect indirectly through a third party that provides transit service (tandem switching and transport). Each carrier establishes a POI and direct interconnection with the transit provider and reaches agreement regarding the terms and conditions for the provision of transit service. The issues being disputed here are the terms and conditions under which Sprint will provide transit services to AT&T, allowing AT&T to indirectly interconnect with other carriers. The illustration included as Exhibit No. JMM-6 depicts transit service.

Q. Are there any established rules governing transit interconnection?

A. As I mentioned above, telecommunications carriers have a general obligation to interconnect either directly or indirectly with each other and the FCC has affirmed the use of indirect interconnections. However, the FCC has not instituted specific rules addressing a carrier's obligations for establishing these arrangements. As a practical matter, Sprint recognizes that indirect interconnection would be physically impossible if no carriers provided transit service, and therefore believes that it is appropriate to do so. However, Sprint does not agree that the carriers requesting transit service have the unilateral right to dictate the terms under which Sprint provides the service.

Q. What do you mean by your statement that the FCC has not instituted specific rules establishing carriers' obligations for establishing these arrangements?

A. The FCC recognized that it had not adopted specific rules for transit traffic in the Verizon Virginia order mentioned above and in that order the FCC adopted a modification of Verizon's proposed language that required CLECs to transition from transit to direct connections at the DS1 threshold. The FCC's primary concern with Verizon's proposed language was the fact that Verizon wanted the unilateral right to terminate the transit service at the end of a transition period at its sole discretion. Sprint's recommended language has taken the FCC's concerns into consideration and is consistent with the finding. While arbitration proceedings in other jurisdictions are not binding in Florida, the Verizon Virginia decision is especially pertinent because AT&T's and Sprint's in this proceeding are very similar to the positions put forth by the parties in the Verizon proceeding, except that Sprint's stance is consistent with the FCC's ordered outcome.

Issue 12: Should Sprint be required to continue to provide its DSL service when AT&T provides the voice service to the customer?

Q. Please summarize Issue 12.

A. Sprint sells retail FastConnect® DSL service to end users. AT&T's proposed contract language would require Sprint to continue providing DSL service to an end user once AT&T obtains the end user as a voice customer. Sprint believes that nothing in the

Act or other state or federal law allows the Commission to require Sprint to continue providing its retail FastConnect® service when a customer switches to AT&T for its voice service. Therefore, Sprint requests the Commission to accept Sprint's language and order that Sprint is not required to continue providing FastConnect® DSL service when AT&T acquires the same customer for voice services.

Q. What is the basis for Sprint's position?

A. I am not attorney and thus am not giving a legal opinion here. Sprint will address the legal issues fully in its brief. In short, Sprint's retail FastConnect® DSL service is an interstate service provided pursuant to its federal tariffs. The Commission has no authority to regulate this service. Furthermore, Sprint's practices relating to its retail FastConnect® DSL service are consistent with the provisions of federal law, based on applicable FCC rulings relating to line sharing and line splitting. Likewise, Sprint's practices relating to its retail Fast Connect DSL service are not inconsistent with the relevant provisions of state law.

In addition, Sprint provides only the xDSL transport component of its retail FastConnect® DSL service. Earthlink is the ISP and provides the enhanced service portion. I understand that the Commission has no jurisdiction over Earthlink or the Internet access service it provides either through this arbitration proceeding or otherwise. Finally, AT&T is in no way impaired by Sprint's discontinuance of its FastConnect® customers when Sprint no longer provides the underlying voice service. Under terms already agreed upon by the parties (Unbundled Network Elements, Part D, Section 6.16) AT&T can provide high speed data services to its voice customers via line splitting. Line splitting means that AT&T acquires the loop and can either self

provision or can partner with another CLEC to provide the high speed data service over the same loop. AT&T negotiated this agreed upon language aggressively to ensure that Sprint would allow the xDSL high speed data service to be provided by a separate provider.

Issue 13: What are the parties' rights and obligations following a Legally Binding Action (as defined by the agreement of the parties in Section 1, Part B of the agreement) if such action is not stayed but still subject to review by the Commission, FCC or courts?

Q. Please summarize issue 13.

A. The parties have already agreed to "change in law" language that provides that once a decision (legislative, regulatory, judicial or other legal action) is effective either party has the right to notify the other party and request re-negotiation of the affected provisions of the agreement to conform with the decision. Although I am not an attorney, I understand that the language already agreed to by the parties also provides that if a decision is stayed then it does not constitute a Legally Binding Action as defined by the agreement. AT&T has proposed additional language that would allow either party to petition the Commission for a determination that the parties should delay implementing an otherwise Legally Binding Action, effectively staying the decision as to AT&T and Sprint even if a stay of the change has not otherwise been granted. Sprint's position is that either party should be able to initiate negotiations of an amendment to the agreement to implement a change in law, unless the decision has been stayed by the appropriate authority.

Q. Why is Sprint opposed to AT&T's proposed language?

A. AT&T's proposal amounts to a second opportunity to delay implementing an effective ruling, despite the appropriate authority's refusal to issue a stay. AT&T's proposal adds another layer to the change-in-law process that would allow a reluctant party to delay implementation of a change in law by giving that party a second bite of the apple before the Commission. Under AT&T's proposed language implementation of effective decisions could be delayed for many months or even years as any challenge of a Commission decision to delay implementation works its way through the appeal process, despite the fact that the appropriate authority had not granted a stay of the decision. Sprint believes that the AT&T proposal would lead to unnecessary filings with the Commission and would waste Commission resources, solely because one party was unwilling to accept a change in law that has been deemed final and Legally Binding. Further, under AT&T's proposal, implementation of a Legally Binding Action would be delayed only as to Sprint and AT&T. The result would be disparate treatment of similarly situated parties because the Legally Binding Action would apply to Sprint and other CLECs while allowing AT&T to avoid implementation of an effective rule or order.

Q. Please summarize Sprint's position on this issue.

A. The language in this section that was agreed to by the parties is consistent with the change in law provisions in Sprint's standard agreement and its agreements with other CLECs and should be approved by the Commission. AT&T's language would

introduce delay and uncertainty for implementation of Legally Binding Actions and possible disparate treatment of affected parties and should be rejected.

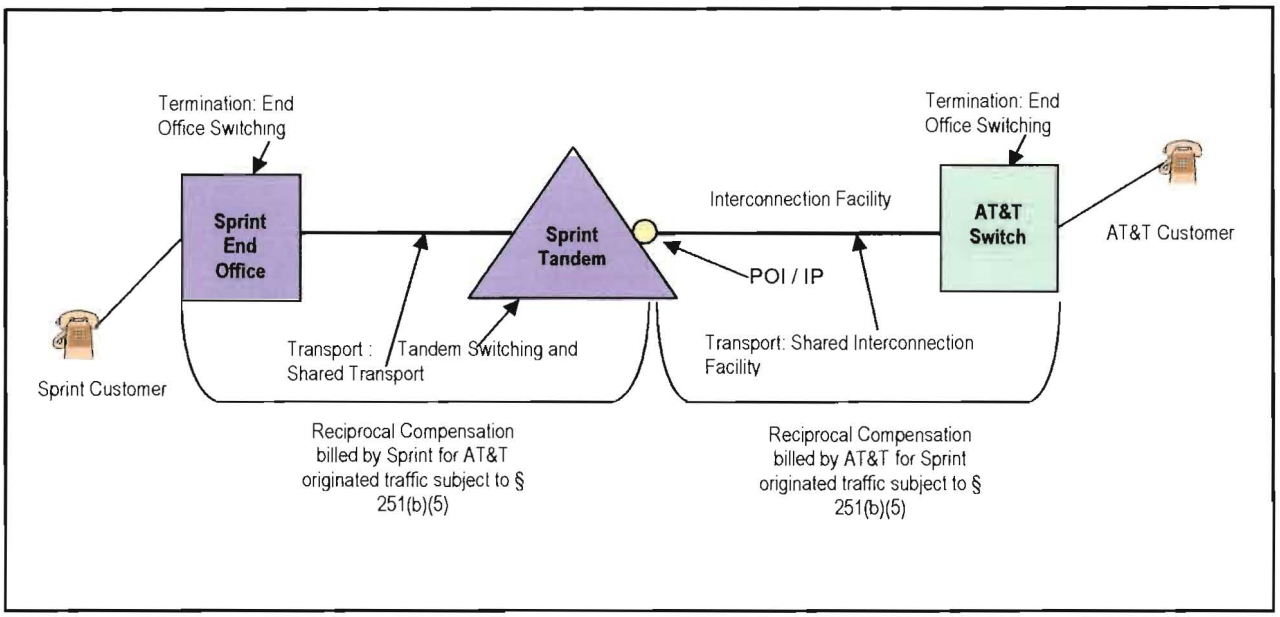
Q. Please summarize your testimony.

A. My testimony has shown that the terms and conditions proposed by Sprint are clearly consistent with the Florida Public Service Commission decisions and FCC rules. Therefore, the Commission should adopt Sprint's positions and order that Sprint's proposed language be incorporated into the parties' interconnection agreement.

Q. Does this conclude your testimony?

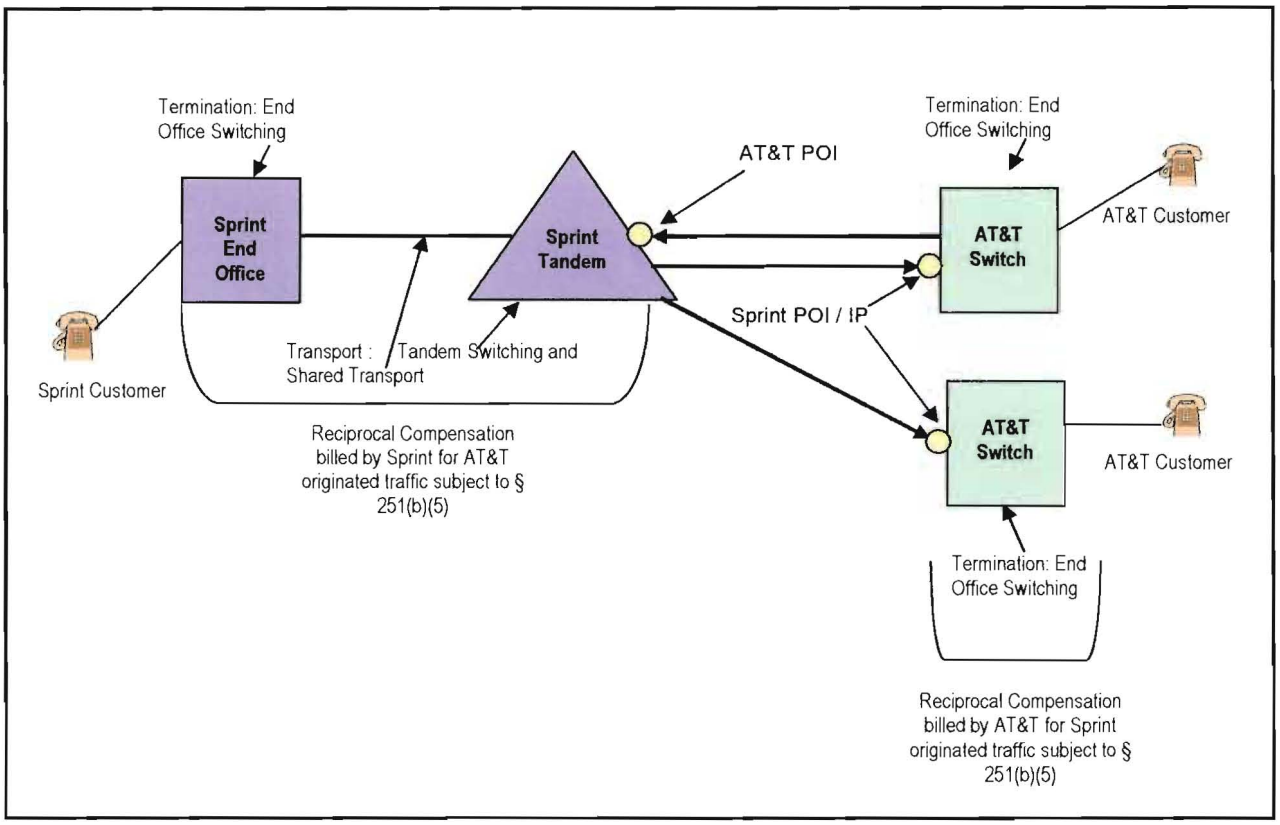
A. Yes, it does.

Sprint Point of Interconnection (POI) Proposal



In the diagram above, AT&T has established a single POI in the LATA at a Sprint tandem, which is where they will usually be located. Both AT&T originated-Sprint terminated and Sprint originated-AT&T terminated traffic will be exchanged at the single POI. For traffic subject to reciprocal compensation AT&T will bill Sprint dedicated transport for a portion of the Interconnection facility based on Sprint's proportionate use and termination. For traffic subject to reciprocal compensation, Sprint will bill AT&T tandem switching and shared transport for the transport component and termination. If AT&T's switch meets the geographic comparability test AT&T would also bill Sprint tandem switching and shared transport in addition to the previously mentioned elements.

AT&T Point of Interconnection (POI) Proposal

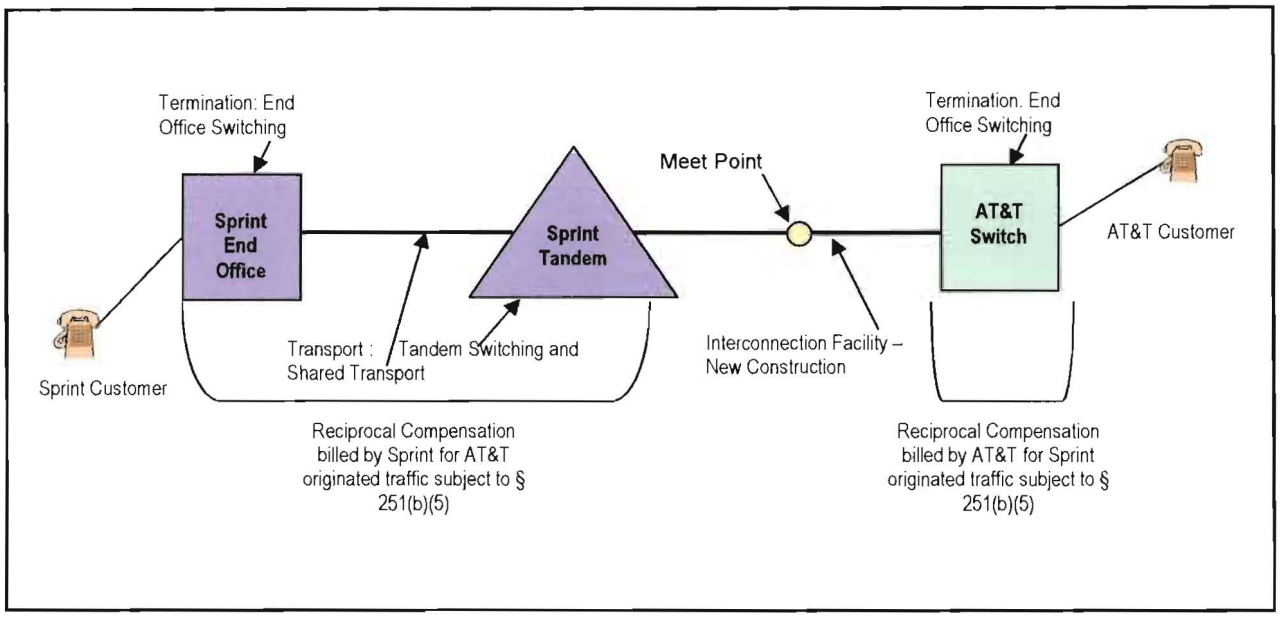


In the diagram above, AT&T has established a single POI in the LATA at a Sprint tandem, which is where they will usually be located. Only AT&T originated-Sprint terminated traffic will use this POI. For traffic subject to reciprocal compensation Sprint will bill AT&T tandem switching and shared transport for the transport component and termination.

Sprint must establish a POI on AT&T's network and absent mutual agreement must establish a POI at each AT&T switch serving the end user. Only Sprint originated-AT&T terminated traffic will use this POI. For traffic subject to reciprocal compensation AT&T will bill Sprint termination. If AT&T's switch meets the geographic comparability test AT&T would also bill Sprint tandem switching and shared transport in addition to the previously mentioned elements.

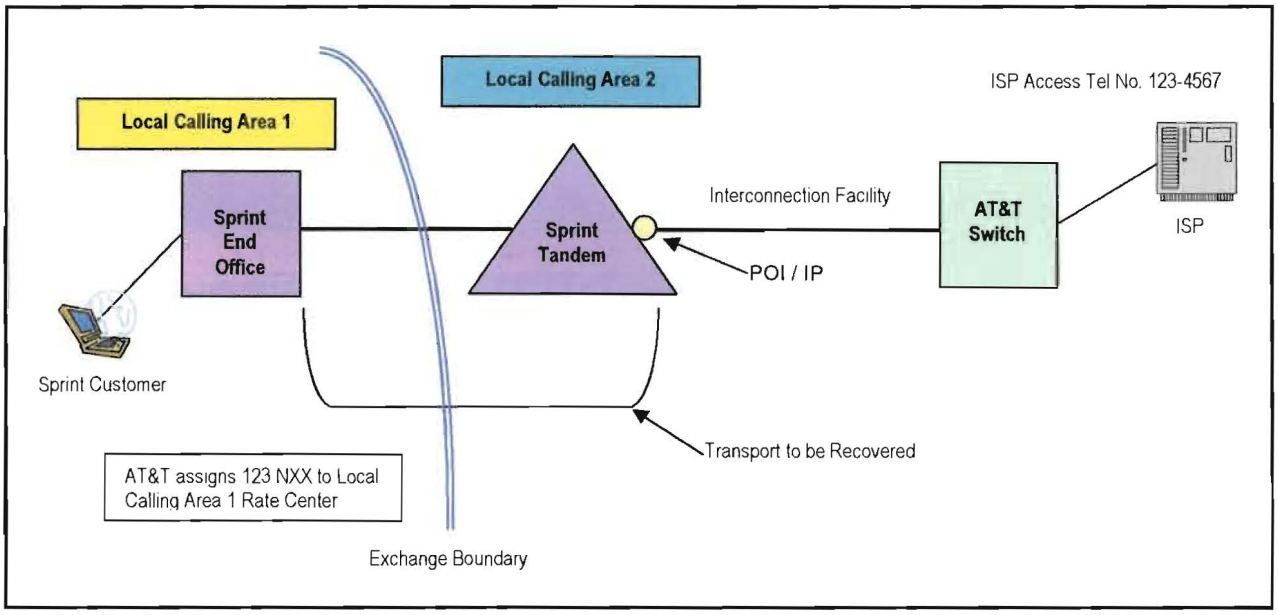
There is no shared interconnection facility.

Meet Point Interconnection



In the scenario above, Sprint and AT&T agree to build new facilities to a meet point. Sprint's proposal recommends that the meet point be 50% of the distance between the two offices, but in no instance should it be placed beyond Sprint's exchange boundary. AT&T does not agree with the exchange boundary limitation. The proposed language also does not allow either party to bill each other for the transport between the two switches, which is essentially the interconnection facility. The other elements of reciprocal compensation billing are displayed and billing would be consistent with exhibit JMM-1. Sprint's recommended language also does not require it to build the facility when the traffic is not roughly balanced, as in the case where the majority of traffic is ISP-Bound.

Virtual NXX for ISP-Bound Traffic

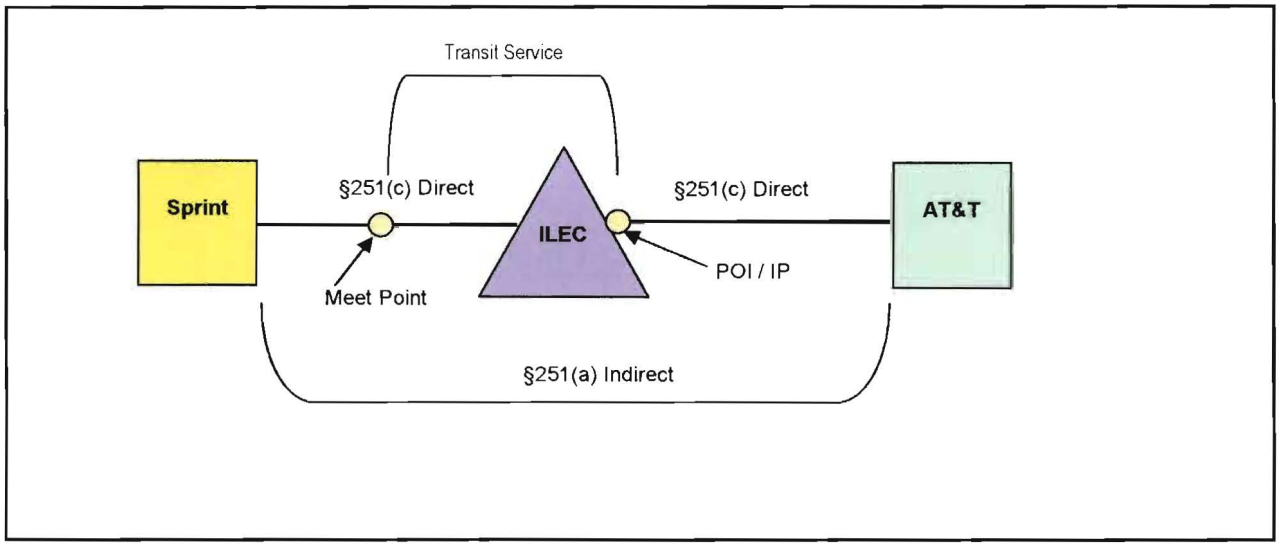


In the scenario depicted above, AT&T has secured the 123 NXX and identified it with the Sprint Local Calling Area 1 rate center via their entries in the Local Exchange Routing Guide (LERG). They then assign the number 123-4567 to an ISP served by AT&T. When the Sprint customer dials the ISP telephone number, Sprint will route the call over the transport from the Sprint end office through the tandem to the AT&T POI. AT&T will transport the call to their switch and terminate it to the ISP.

This virtual NXX allows Sprint end users the ability to connect to the AT&T ISP in a different local calling area without dialing 1+ and incurring toll charges.

Sprint contends that it should be allowed to recover the cost of this transport from AT&T at TELRIC based pricing since the POI is located outside of Local Calling Area 1 and the traffic is not subject to reciprocal compensation. Sprint's proposal uses the POI as a surrogate for the location of the ISP contending that it is administratively easier and it avoids debates regarding where ISP bound calls are actually terminated.

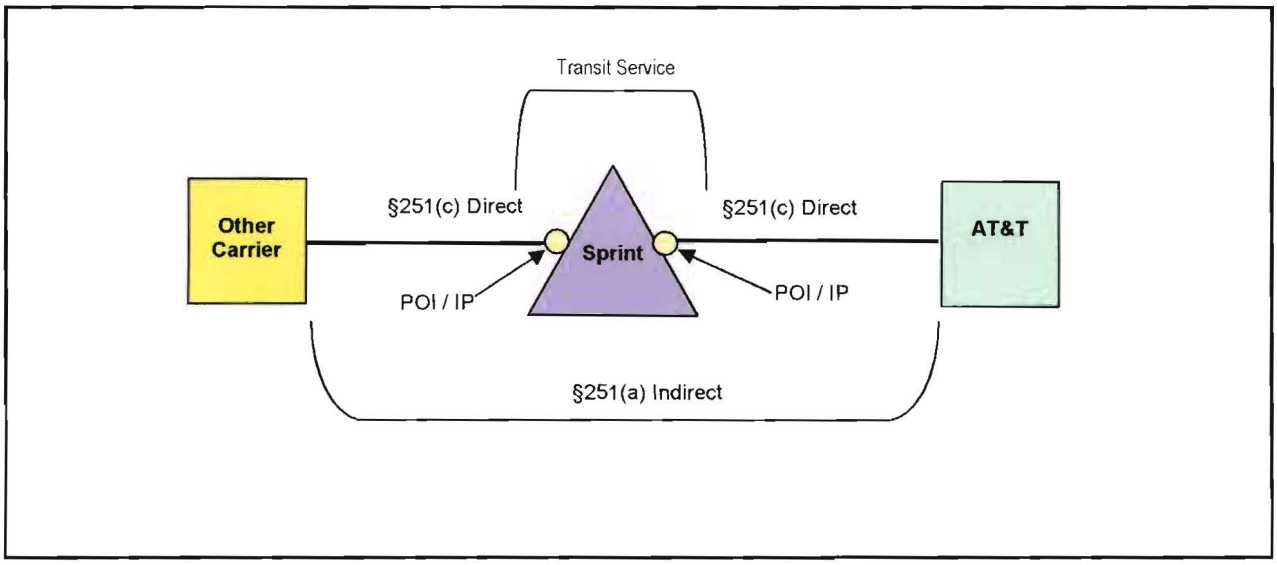
Indirect Interconnection



The diagram above illustrates an indirect interconnection arrangement between AT&T and Sprint. Sprint will usually have an established meet point interconnection arrangement with the ILEC providing the transit service (tandem switching and common transport). AT&T will establish a POI with the same ILEC according to the terms and conditions of their interconnection agreement. Both AT&T-originated and Sprint-originated traffic will be routed through the ILEC tandem switch and the originating party is responsible for compensating the transit provider.

When the traffic volume is sufficient (a DS1), Sprint's proposal requires AT&T to establish a POI on Sprint's network according to the Florida Commissions Generic Reciprocal Compensation order (see Exhibit JMM-1 substituting another ILEC tandem for the Sprint tandem). On the other hand, AT&T's terms would require the establishment of two POIs (see Exhibit JMM-2 substituting another ILEC tandem for the Sprint tandem).

Transit Service



The diagram above illustrates the situation where Sprint provides transit to AT&T and another party. AT&T and the third party essentially have an indirect interconnection arrangement via Sprint's facilities. Each carrier will have established a POI with Sprint according to the terms and conditions of their interconnection agreements. Both the AT&T-originated and Other Carrier-originated traffic will be routed through Sprint's tandem switch and the originating party is responsible for compensating Sprint for the transit service.

When the traffic volume is sufficient (a DS1), Sprint's proposal requires AT&T to establish a direct connection with the Other Carrier subtending Sprint's network.