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ORIGINAL

December 4, 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

Re: Docket No. 030851-TP
Implementation of requirements arising from Federal Communications Commission's triennial UNE Review: Local Circuit Switching for Mass Market Customers

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Direct Testimony of Orville D. Fulp on behalf of Verizon Florida Inc. in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at 813-483-1256.

Sincerely,

Richard A. Chapkis

Richard A. Chapkis

RAC:tas
Enclosures

AUS
CAF
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SEC 1
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing were sent via electronic mail and overnight delivery on December 4, 2003 to:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of Requirements Arising From Federal Communications Commission's Triennial UNE Review: Local Circuit Switching For Mass Market Customers	)))))	Docket No. 030851-TP

DIRECT TESTIMONY OF ORVILLE D. FULP

ON BEHALF OF VERIZON FLORIDA INC.

DECEMBER 4, 2003

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EXHIBITS:

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EMPLOYER AND TITLE.

A. My name is Orville D. Fulp. My business address is 600 Hidden Ridge Drive, Irving, Texas 75038. I am employed by Verizon as Director – Regulatory.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I have a Bachelor of Arts degree in Economics from the University of California, San Diego, and a Master of Science degree in Economics from the University of Wyoming.

In 1981, I began working at the Illinois Commerce Commission in the Economics and Rates Department as Senior Economist, where I analyzed filings and testified in utility rate proceedings in the areas of pricing, cost of service, and demand analysis. In January of 1984, I transferred to the Policy Analysis and Research Division as Director of the Pricing Program. My responsibilities included developing policy concerning pricing in the telecommunications and energy fields.

In 1985, I joined Contel as Manager-Revenue Requirements/Pricing for the company's eastern region, and was responsible for rate case activity, tariff maintenance, surveillance of regulatory activities, and pricing of local exchange, toll and access services in six states.

In 1991, I became a Manager-Access Pricing for GTE Telephone Operations, and was responsible for the development of access pricing plans and rates for interstate and intrastate purposes in 40 states. Since that time I have held various positions in GTE and Verizon involving pricing and product management and operations. In December 2001, I assumed my current position of Director -- Regulatory. My current responsibilities include national public policy and pricing matters.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE UTILITY COMMISSIONS?

A. Yes. I have testified on national public policy and pricing matters, including several generic access charge dockets and other pricing related dockets over the last 15 years, on behalf of various Verizon telephone companies before state commissions in California, Florida, Illinois, North Carolina, South Carolina, Georgia, Alabama, Maine, Vermont, New Hampshire, Pennsylvania, and Washington.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to demonstrate that Verizon is not required to unbundle mass market switching for the markets described herein under the standards set forth in the Federal Communications Commission's ("FCC") *Triennial Review* Order ("TRO"). *See Review of Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338; *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98; *Deployment of Wireline Services Offering*

Advanced Telecommunications Capability, CC Docket No. 98-147, FCC 03-36 (rel. August 21, 2003) ("TRO").

The TRO establishes mandatory triggers for determining impairment for all of the network elements, including mass market switching, that are at issue in the nine-month proceedings. These triggers are "a principal mechanism for use by states in evaluating whether requesting carriers are in fact not impaired in a particular market." *TRO* ¶ 498. In adopting these triggers, the FCC has emphasized they are "keyed to objective criteria" and "provide bright-line rules;" these triggers allow state commissions to "avoid the delays caused by protracted proceedings and can minimize administrative burdens." *TRO* ¶ 498. Triggers have the potential to provide a simple solution to the Commission's review: If a trigger is satisfied, then the Commission must make a finding of no impairment; if not, the Commission must continue on and consider certain operational and economic issues identified by the FCC, if the ILEC decides to pursue its claim of no impairment after the Commission has determined that the relevant trigger has not been satisfied.

My testimony addresses the FCC's "triggers" for mass market switching. First, I describe the two mass market switching triggers established by the FCC. Second, I describe the relevant market definitions for applying the triggers, including the geographic market and the cutoff point for differentiating between "mass market" and "DS1 enterprise" customers within the relevant geographic market. Third, I describe the evidence that Verizon has gathered to support its showing under the self-provisioning trigger for mass market switching. Fourth, I identify the markets

in Florida that meet the FCC's switching trigger based on the evidence.

My testimony demonstrates that the FCC's mass market triggers are satisfied, and therefore it does not attempt to provide evidence relevant to the second step of "potential deployment." In particular, it demonstrates that: (1) there are a substantial number of CLECs using their own switching to serve mass market customers within Verizon's serving territory in the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Areas ("MSA"); and (2) as a result, that market area satisfies the FCC's switching trigger.

II. MASS MARKET SWITCHING TRIGGERS

Q. PLEASE EXPLAIN THE FCC'S TRIGGER ANALYSIS FOR MASS MARKET SWITCHING.

A. In the *Triennial Review Order*, the FCC found that "there are few barriers to deploying competitive switches to serve customers in the enterprise market at the DS1 capacity and above, and thus no operational or economic impairment on a national basis." TRO ¶ 451. By contrast, the FCC determined that, on a national basis, CLECs are impaired without access to unbundled local circuit switching for mass market customers (*i.e.*, residential and business customers served over loops operating below the DS1 level). TRO ¶ 459. Nevertheless, the FCC recognized that "a more granular analysis may reveal that a particular market is not subject to impairment in the absence of unbundled local switching." TRO ¶ 461. Therefore, the FCC directed the states to apply a two-step process to determine whether there is no impairment in a particular market within a state.

First, state commissions must apply two mandatory, objective "triggers," which are based on evidence of actual facilities-based competition in the market. Under the "self-provisioning trigger," a state "*must* find 'no impairment' when three or more unaffiliated competing carriers are serving mass market customers in a particular market with the use of their own switches." TRO ¶ 501. Under the "competitive wholesale trigger," states must find no impairment where there are two or more unaffiliated CLECs that offer wholesale switching service to other carriers in a particular market using their own switches. TRO ¶ 504. There are currently few wholesale providers of switching, other than ILECs. Therefore, Verizon is not attempting at this time to make a showing under the competitive wholesale facilities trigger for switching, but will rely instead on the self-provisioning trigger.

It is only after the Commission has examined the objective trigger evidence, and made a determination that neither trigger is met in a market, that the Commission may then conduct an analysis of the potential for CLECs to deploy their own switches to serve mass market customers in the relevant geographic market, given economic and operational conditions in that market. TRO ¶ 506. Of course, if the triggers have been met – indicating that a number of real world CLECs are already operating their own switches in a market – there is no need to prove in theory that they potentially might operate in that market. Verizon does not intend to offer a potential deployment case in Florida at this time, and therefore, this testimony does not analyze the potential for new switch deployment in this testimony. It presents only objective evidence of actual existing CLEC switch deployment under the trigger test.

Q. IN APPLYING THE SELF-PROVISIONING TRIGGER, MAY THE COMMISSION LOOK AT SUBJECTIVE EVIDENCE OF IMPAIRMENT?

A. No. The self-provisioning trigger is deliberately objective. It is assessed entirely through the application of data, rather than by the consideration of more subjective experiences, theories, estimates, opinions, and predictions. This objectivity allows trigger determinations to be made quickly and accurately, and avoids the need for "protracted proceedings." TRO ¶ 498. In fact, other than the objective count of CLECs, "states *shall not* evaluate any other factors, such as the financial stability or well-being of the competitive switch providers." TRO ¶ 500 (emphasis added).

In its September 17, 2003 *Errata*, the FCC clarified that subjective considerations, such as a CLEC's economic and operational ability to serve all customers in a market, or a CLEC's willingness to do so, *do not apply* to the self-provisioning switching trigger. *Errata* at No. 21. Instead, this trigger is straightforward: the Commission *must* find "no impairment" for unbundled switching when three or more unaffiliated competing carriers are serving mass market customers in a particular market, except in extraordinary circumstances, which do not exist in Florida. TRO ¶ 501.

A. Market Definition

Q. HOW IS THE RELEVANT GEOGRAPHIC MARKET DEFINED FOR THE TRIGGER ANALYSIS?

A. The FCC instructed the states to apply the switching triggers on a granular basis to each identifiable geographic market in the state. Rule 319(d)(2)(i) provides:

> Market definition. A state commission shall define the markets in which it will evaluate impairment by determining the relevant geographic area to include each market. In defining markets, a state commission shall take into consideration the locations of mass market customers actually being served (if any) by competitors, the variation in factors affecting competitors' ability to serve each group of customers, and competitors' ability to target and serve specific markets profitably and efficiently using currently available technologies. A state commission shall not define the relevant geographic area as the entire state.

47 C.F.R. § 51.319(d)(2)(i). The FCC gave further guidance in the text of the Order, cautioning "states should not define the market so narrowly that a competitor serving that market alone would not be able to take advantage of available scale and scope economies from serving a wider market." TRO ¶ 495. Moreover, the FCC made clear that the market definition for switching would be broader than for transport (which is narrowly defined by the FCC on a route-by-route basis), since "a switch can theoretically serve wide areas." TRO ¶ 495 n.1536.

The FCC observed that a state commission may choose to consider various factors, including "how UNE loop rates vary across the state" and "how retail rates vary geographically." TRO ¶ 496. However, it is not necessary to reinvent the wheel, since the FCC authorized state commissions to use existing geographic market definitions for the purposes of the trigger analysis. TRO ¶ 496.

Q. WHAT IS THE APPROPRIATE GEOGRAPHIC MARKET DEFINITION FOR FLORIDA?

A. The Commission should adopt an existing geographic market definition for application of the self-provisioning trigger. Among the existing definitions, Metropolitan Statistical Areas ("MSAs") are the most appropriate for several important reasons.

First, MSAs have well-established geographic boundaries set by the federal Office of Management and Budget ("OMB") that are available from publicly available sources, and they are specifically designed to capture economic communities of interest. *See* Office of Management and Budget, Standards for Defining Metropolitan and Micropolitan Statistical Areas: Federal Register: December 27, 2000 (Volume 65, Number 249), p. 82238. For this reason, MSAs are often used to define local markets for purposes of telecommunications regulation. For example, the FCC itself has used MSAs for its existing unbundled switching carve-out for end users with 4 or more DS0 lines. *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, Third Report and Order and Fourth Notice of Proposed Rulemaking (rel. November 5, 1999) (the "*UNE Remand Order*") at ¶¶ 276-98; *TRO* at ¶ 497.

Second, MSAs meet each of the criteria for defining the market established by the FCC. MSAs reflect the geographic reach of newspaper, radio, and television advertising. This permits CLECs to "target specific markets economically and efficiently" throughout the MSA. TRO ¶ 495. Moreover, MSAs strike a sensible balance between the interests of limiting "variation in factors affecting

competitors' ability to serve each group of customers" (TRO ¶ 495) and ensuring that the implementation of both the impairment test – and subsequent regulatory relief – do not impose undue administrative burdens on the Commission and the parties. The FCC has found that MSAs are "narrow enough so that the competitive conditions within each area are reasonably similar, yet broad enough to be administratively workable." *Pricing Flexibility* Order at 74. By contrast, "defining geographic areas smaller than MSAs would force incumbents to file additional pricing flexibility petitions, and, although these petitions might produce a more finely-tuned picture of competitive conditions, the record does not suggest that this level of detail justifies the increased expenses and administrative burdens associated with these proposals." Id.

Third, MSAs are particularly compelling as a market definition in Florida because they "take into consideration the locations of customers actually being served . . . by competitors." TRO ¶ 495. The evidence and maps described later in this testimony show an unmistakable correlation between the population centers represented by certain MSAs and the location of customers actually served by competitors using their own switches. Similarly, the Commission's 2003 Annual Report on Competition ("Report") shows that the majority (59%) of CLEC lines in the 10 largest exchanges are served using CLEC switches (Report Page 20), and concludes that "CLECs concentrate on larger metropolitan areas for a number of reasons including higher population densities, which improve economies of scale and scope." (Report Page 11).

As stated above, the MSA is the most appropriate geographic market definition for application of the self-provisioning trigger, and thus should be adopted by this Commission. If the Commission nevertheless chooses to define the market more narrowly, the Commission should adopt the UNE pricing Density Zones as the relevant geographic market.

As with the MSA as a whole, Density Zones satisfy the criteria for defining the market established by the FCC. They reflect "the locations of customers actually being served" by competitors using their own switches. That evidence shows that, in Verizon's territory, the customers served by self-provisioned CLEC switches within a particular MSA are more concentrated within the more dense Density Zones than in the least dense areas within the MSA.

Density Zones also take into account "variation of factors affecting competitors' ability to serve each group of customers." TRO ¶ 495. Both Verizon retail rates and UNE loop rates vary by Density Zone, and thus CLECs face similar competitive conditions within Density Zones within a particular MSA. As the FCC recognized, "if UNE loop rates vary substantially across a state, and this variation is likely to lead to a different finding concerning the existence of impairment in different parts of the state, the state commission should consider separating zones with high and low UNE loop rates for purposes of assessing impairment." TRO ¶ 496 n.1538. Moreover, revenue potential and ease of serving customers in an area are likely to vary based on population density, which is already reflected in the existing Density Zone designations established by the Commission.

Finally, competitors may be able to target particular customers within particular Density Zones, as the FCC itself recognized. TRO ¶ 495 n. 1539. Therefore, Density Zones within particular MSAs meet the criteria established by the FCC in the Order.

Q. SHOULD THE COMMISSION DEFINE THE RELEVANT GEOGRAPHIC MARKET AT THE WIRE CENTER LEVEL?

A. No. The wire center serving area is the geographic area served by a telecommunications carrier's switch (or group of switches). Unlike MSAs, which have discrete and universally recognized boundaries, the boundaries of a wire center are defined in terms of an individual carrier's network. A wire center serving the same group of customers may vary in scope and size, sometimes considerably, from carrier to carrier, depending on the carrier's choice of architecture and network design.

Defining the relevant geographic market in terms of wire centers would present considerable difficulties. This Commission would have to decide which carrier's wire centers to use. If, for example, ILEC wire centers were chosen as the relevant geographic market, such a choice would be inconsistent with the FCC's admonition. It would ignore the economies of scale and scope the CLEC would enjoy by serving a wider market or deploying a different network design. It would ignore similar competitive conditions in other areas within the same "community of interest" and in adjoining areas with similar densities of customers and potential revenues. It would ignore that CLECs make their decisions to deploy switches to serve a particular market on a much less granular level – they

do not make these decisions at the ILEC wire center or even at the rate center level. As AT&T argued in an arbitration proceeding with Verizon before the New Jersey Board of Public Utilities, "[e]fficiency demands that CLECs deploy switches to serve broad geographic areas, and not within each specific rate center for which Verizon has built out its network." Panel Rebuttal Testimony of AT&T Communications of NJ, L.P. et al., Docket No. TO00110893 (March 18, 2003), at 46. Therefore, the ILEC wire centers are woefully under-inclusive for purposes of the impairment analysis, and would result in a finding of impairment where there clearly is none based on the objective criteria presented in this testimony.

Q. HOW SHOULD THE COMMISSION DIFFERENTIATE BETWEEN MASS MARKET CUSTOMERS AND DS1 ENTERPRISE CUSTOMERS IN FLORIDA?

A. According to the FCC, "DS1 enterprise customers are characterized by relatively intense, often data-centric, demand for telecommunications service sufficient to justify service via high-capacity loops at the DS1 capacity and above." TRO ¶ 451. Therefore, for the purposes of its impairment analysis, DS1 enterprise customers are "those customers for which it is economically feasible for a competing carrier to provide voice service with its own switch using a DS1 or above loop." TRO ¶ 451 n. 1376.

Mass market customers, on the other hand, "are analog voice customers that purchase only a limited number of POTS lines, and can only be economically served via DS0 loops." TRO ¶ 497. "Mass market" refers not only to residential customers, but also to business customers that do not use DS1

capacity facilities. The FCC recognized that, "[a]t some point, customers taking a sufficient number of multiple DS0 loops could be served in a manner similar to that described above for enterprise customers – that is, voice services provided over one or several DS1s, including the same variety and quality of services and customer care that enterprise customers receive." TRO ¶ 497. However, the FCC left it to the states to determine where the cutoff point should be between mass market and enterprise customers, which "may be the point where it makes economic sense for a multi-line customer to be served via a DS1 loop." *Id.*

At its simplest, this "cutoff" should be between customers actually being served with one or more voice grade DS0 circuits and customers actually being served by DS1 loops. It is the objective behavior of the CLEC that should drive the determination of whether or not it "makes economic sense" for that CLEC to serve particular customers over DS1 loops, rather than over multiple voice grade DS0 lines. If a CLEC is currently serving a customer using DS0 loops – regardless of how many – it has already made the determination on its own that it is most economical to serve the customer as a mass-market customer, rather than as a DS1 enterprise customer. In other words, if it made "economic sense" to serve the customer over a DS1, then the CLEC would, in fact, be doing so. This objective test is more reliable, and grounded in the realities of the marketplace, than an arbitrary "cutoff" at a particular number of lines, regardless of whether the customer is actually being served as a DS1 customer. Indeed, AT&T has argued that the FCC should define mass market customers as "any customer location that a CLEC serves with voice-grade loops."

Comments of AT&T Corp. at 204-205, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 01-338 (FCC filed Apr. 5, 2003). Moreover, other CLECs have argued for a crossover point as high as 18 lines or more, claiming, for example, that a lower cut-off for mass market customers "does not reflect the real-world economics of serving a customer through self-provisioned switching, and should be changed [to 18 lines] to reflect those economic realities." Comments of Z-Tel Communications Inc., *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 01-338 (FCC filed Apr. 5, 2003), at 50-51 (emphasis added).

Therefore, based on the CLECs' own representations, the mass market "cut-off" should reflect the economic realities of serving real world customers – as reflected by the CLECs' marketplace choice between deploying DS0 loops or DS1 loops to particular customer locations. If the CLEC has made the economic decision to treat the customer as a mass market customer and to serve the customer location using voice-grade loops, then the DS0 lines at that customer location should be counted as such for the purposes of the switching impairment analysis.

B. Evidence Of Actual Deployment In Florida

Q. HAS THERE BEEN SUBSTANTIAL DEPLOYMENT OF CLEC-OWNED SWITCHES IN FLORIDA?

A. Yes. The record of competitive switch deployment in Florida establishes that competitors are already serving customers of all kinds using their own switches on

a widespread basis throughout the state. Competing carriers operate at least 20 *known* local circuit switches that are physically located within Verizon's serving territory in Florida, and approximately 15 competing carriers of all sizes have deployed local circuit switches in Verizon's serving territory in Florida, as illustrated below:

CLECs That Have Deployed Local Circuit Switches in Verizon's Service Area in Florida

CLEC	Switch Total	CLEC	Switch Total
AT&T	3	ITC^DeltaCom	1
KMC	2	XO	1
WorldCom	2	Mpower	1
Florida Digital Network	2	NewSouth Communications	1
BTI	1	Urban Media Long Distance	1
e.spire	1	US LEC	1
Global Crossing	1	Winstar	1
Interloop	1	Intermedia Communications	1
Allegiance Telecom	1		

Source: February 2003 LERG.

The foregoing information reflects data as it appears in the Local Exchange Routing Guide ("LERG"). There may be instances in which a CLEC switch is assigned to a particular CLEC in the LERG, but where it has in fact been assigned for use by another competitive carrier, such as a successor carrier. *See* Telcordia, *February 2003 LERG.*

The foregoing information is consistent with the Commission's 2003 Annual Report on Competition. That Report explains that "Almost 74% of total CLEC

lines in Florida are now served by CLECs that have deployed at least one switch." (Report Page 19). It also explains that CLECs are rapidly expanding their facilities in Florida:

> CLECs in Florida have continued their push into facilities-based service through significant investment in switches over the last three years. Based on data from Telecordia's Local Exchange Routing Guide (LERG), 74 CLEC voice switches were in deployed in Florida as of January, 2002. By June 30, 2002, there were 25 switch-based CLECs operating *116 switches* Florida. As of June 30, 2003, 31 switch-based CLECs were operating in Florida with a combined total of 126 switches. (Report Page 21)

Moreover, this information is also consistent with the record nationwide, where competing carriers operate approximately 1,300 circuit switches, including more than 500 within Verizon's 30-state region. *See* Telcordia, *February 2003 LERG*; *New Paradigm Resources Group, Inc. CLEC Report 2003* at Chapter 5.

In addition to the circuit switches discussed above, CLEC packet switches are another very significant competitive alternative to ILEC circuit switches, as the FCC has recognized. Packet switches substitute for circuit switches to the extent that traffic can be routed directly to a packet switch, without first being routed through a circuit switch. All forms of telecommunications traffic can now be transmitted and switched, end-to-end, in digital rather than analog format.

To illustrate the significant deployment of switches of all kinds, the map attached as Exhibit 1 shows the locations of CLEC switches being used to provide local service in Florida (including packet switches, circuit switches, remote switches and "soft" switches), based on data obtained from the LERG.

Q. CAN CLECS USE SWITCHES LOCATED IN OTHER STATES TO SERVE FLORIDA CUSTOMERS?

A. Yes. CLECs can serve customers in Florida using switches located in other states. Indeed, a single switch can serve an entire LATA or state, or multiple LATAs and/or states. *See UNE Remand Order* ¶ 261 ("[S]witches deployed by competitive LECs may be able to serve a larger geographic area than switches deployed by the incumbent LEC, thereby reducing the direct, fixed cost of purchasing circuit switching capacity and allowing requesting carriers to create their own switching efficiencies."). For example, AT&T claims that the switches of its CLEC affiliate, TCG, can "connect virtually any qualifying customer in a LATA." Panel Direct Testimony of AT&T Communications of NJ, L.P. et al., Docket No. TO00110893 (February 25, 2003), at 75.

Q. ARE CLECS USING THEIR OWN SWITCHES TO SERVE MASS MARKET CUSTOMERS IN FLORIDA?

A. Yes. Several carriers have publicly stated that they are serving mass market customers using their own switches in Florida:

- Allegiance "competes against the Bell companies in the small and medium-sized business market," including several in Florida, "by deploying our own switches, buying transport from third parties where available and leasing the

'last mile' loop from the Bell monopoly." R. Holland, *Toward True Telecom Competition*, Washington Times (Feb. 2, 2003) http://www.algx.com/about/telecom_competition.jsp.

- FDN Communications (formerly Florida Digital Network, which also acquired Mpower's assets in Florida) "caters to small and midsized business" in Florida using its own "installed Class 5 telephone switching gear, providing the underlying engineering foundation upon which the company offers service." FDN Communications Press Release, *FDN Closes Deal To Buy Mpower's Assets in Georgia and Florida* (Apr. 8, 2003); FDN Communications Press Release, *The Orlando Sentinel: FDN Tops 100,000 Customers* (Oct. 21, 2002).
- NewSouth Communications "has made a substantial investment in its own facilities, including the deployment of thirteen voice and fourteen data switches . . . in order to serve small and medium business customers in the Southeast," including Tampa. Comments of NewSouth Communications at 4-5, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338 (FCC filed April 5, 2002); NewSouth Communications, *Our Locations, Tampa, Fl,* http://www.newsouth.com/company/locations/tampa.asp.
- ITC^DeltaCom "provides voice and data telecommunications services on a retail basis to businesses and residential customers in the southern United States," including Tampa. ITC^Deltacom, Inc., Form 10-K (SEC filed Mar. 31, 2003). According to ITC's president and chief operating officer, Drew Walker, "we have substantial facilities of our own. We can use their last-mile loop and provide our own switching and network equipment.'" *For Whom the*

Bell Tolls, Birmingham Bus. J. (Dec. 7, 2001).

Q. WHAT TYPE OF EVIDENCE DID VERIZON USE TO SATISFY THE SELF-PROVISIONING TRIGGER?

A. Verizon has collected and analyzed data, at the wire center level, using its internal databases to determine where, and to whom, Verizon leases stand-alone UNE loops in Florida (the "Line Count Study").

Q. HOW DOES THE LINE COUNT STUDY SHOW WHERE CLECS ARE PROVIDING THEIR OWN MASS MARKET SWITCHING?

A. Voice service carriers that lease stand-alone UNE loops from Verizon, without unbundled switching from Verizon, are necessarily using their own switches to provide service to the customers connected to those loops. Therefore, to determine where CLECs are serving mass market customers, Verizon identified, by wire center, all CLECs leasing loops below the DS1 level, that is, 2-wire or 4-wire stand-alone voice grade loops (including EELs), from Verizon as of June 30, 2003. In addition, Verizon counted the number of individual UNE loops ordered at each customer address (not merely each building address, since there may be multiple customer addresses within a building). Verizon counted affiliated carriers as a single carrier to avoid double-counting affiliates within a particular wire center. In addition, Verizon did not count CLECs that provide only data services over copper loop facilities, without offering voice services.

Q. WHAT DOES THE LINE COUNT STUDY SHOW?

A. The results of the Line Count Study are set forth in the chart attached hereto as

Exhibit 2. In addition, the map attached as Exhibit 3 illustrates graphically the markets where, based on this data, CLEC activity meets the self-provisioning trigger in Florida. In particular, Exhibit 3 shows the number of CLECs serving mass-market customers in Density Zones 1 and 2 within the Tampa-St. Petersburg-Clearwater MSA boundaries in Florida (as currently defined by OMB) based on the data in Exhibit 2.

As the data and the map demonstrate, Verizon meets the mass market switching trigger in the Density Zone 1and 2 areas within the Tampa-St. Petersburg-Clearwater MSA. More specifically, the data show that there are a total of 8 unaffiliated CLECs currently serving mass market customers with their own switches in this area. In addition to the objective evidence that they are serving mass market customers from the Line Count Study, each of these carriers holds themselves out as providing voice service to residential or business customers, or both, in Florida. *See* Exhibit 4 (CLEC Tariff References). This is more than sufficient to satisfy the self-provisioning trigger in these markets.

Q. ARE THERE ANY OTHER CARRIERS PROVIDING VOICE SERVICE TO MASS MARKET CUSTOMERS IN THE RELEVANT GEOGRAPHIC MARKET USING THEIR OWN SWITCHES THAT ARE NOT CAPTURED BY THIS DATA?

A. Yes. The data do not capture competition from packet-switched, Internet Protocol telephony service, such as the service provided by Vonage – "the broadband phone company." *See* Vonage, *Vonage DigitalVoice: The Broadband Phone Company*, http://www.vonage.com/.

Vonage provides phone service to customers over residential broadband Internet connections, such as cable modem service. Vonage claims to be the "fastest growing telephone company in the US," with more than 70,000 lines in 1,900 active rate centers in over 100 US markets. It claims to be adding 10,000 lines per month, and that it transmits more than 3.0 million calls per week over its VoIP network. Vonage Press Release, *Vonage announces Private Label Agreement with CableAmerica* (December 2, 2003).

Vonage represents that its service is not just comparable in quality, but superior to, Verizon service. Vonage refers to itself as an "all-inclusive home phone service" that is "like the home phone service you have today - only better!" http://www.vonage.com/learn_tour.php. It claims to be the "key to easy and affordable communications, by offering flat-rate calling plans that include all of the features, as well as many features not available from Verizon like online voicemail retrieval and area code selection." Vonage Press Release, *Vonage DigitalVoice Launches Service in Harrisburg, Pennsylvania* (Mar. 7, 2003) (quoting Vonage chairman and CEO Jeffrey Citron). Vonage claims to offer "better home phone service including unlimited calling, reduced International calling rates, all of the latest features and great service and sound quality – without the worry of being nickel-and-dimed for features." Vonage Press Release, *Vonage DigitalVoice Launches Service in Southern Florida* (June 18, 2002) (quoting Vonage chairman and CEO Jeffrey Citron). Vonage states that it is "filling a need in the Tampa-St. Petersburg market for affordable, flat rate calling plans that include all of the features that customers install themselves – all things they cannot get from their current local carrier." Vonage Press Release, *Vonage*

DigitalVoice Launches Service in Tampa, Florida (Feb. 26, 2003) (quoting Vonage chairman and CEO Jeffrey Citron). In addition, the company recently announced a partnership with Intrado to provide 911 emergency calling services to Vonage customers. Vonage Press Release, *Intrado and Vonage Digital Voice Partner To Provide Emergency Calling Solution* (Mar. 25, 2003).

Vonage is actively marketing its services in Florida. According to press releases, Vonage launched its DigitalVoice service using VoIP technology in the Miami area in June 2002, Orlando in December 2002, and Tampa in February 2003. *See* Vonage Press Release, *Vonage DigitalVoice Launches Service in Southern Florida* (June 18, 2002); Vonage Press Release, *Vonage DigitalVoice Launches Service in Orlando* (Dec. 2, 2002); Vonage Press Release, *Vonage DigitalVoice Launches Service in Tampa, Florida* (Feb. 26, 2003). Vonage provides service in the following Florida area codes: 305, 321, 561, 727, 772, 786, 813, 863, 941 and 954. Vonage, *Available Area Codes*, http://www.vonage.com/area_codes.php.

To date, however, Verizon has not been able to identify the physical location of actual Vonage customers based on Verizon's own data, and thus Verizon has not counted Vonage toward its trigger showing at this time. The Commission, however, should count Vonage among the carriers providing widespread mass market switched service in Florida.

Q. ARE THERE ANY OTHER REASONS WHY VERIZON'S TRIGGER DATA UNDERCOUNT THE NUMBER OF MASS MARKET CUSTOMERS SERVED BY COMPETITIVE SWITCHES?

A. Yes. The Line Count Study fails to capture a large number of mass market customers located in apartment buildings and multi-tenant office buildings, whose lines are aggregated on DS1 facilities, and then disaggregated onto separate DS0 lines to serve multiple customers within the building. These residential and business customers do not meet the definition of DS1 enterprise customers because they are not, on an individual customer line-count basis, served using a DS1. Indeed, approximately 30-35 percent of the population lives in multi-dwelling units that might be served in this manner. *See, e.g.*, Robert Currey, Vice Chairman, RCN Corporation, Prepared Testimony before the Senate Subcommittee on Antitrust, Business Rights, and Competition, Committee on the Judiciary, *Cable and Video: Competitive Choices*, Federal News Service (Apr. 4, 2001) ("About 30-35 percent of the population lives in multiple dwelling units (MDUs), such as apartments, cooperatives or condominiums."). It is only when they are aggregated with other mass-market customers that it is makes economic sense to use a DS1 to serve them collectively. Although several CLEC affiliates of incumbent LECs have taken this approach (New Paradigm Resources Group, Inc., *Competitive IOC Report 2001,* Ch. 4 at 2 (1st ed. 2001)), the information regarding the number and location of these customers is uniquely within the knowledge of the CLECs, and Verizon has limited ability to capture this data for the purposes of its initial case.

The Commission should require the CLECs to provide this and all other relevant data on their provision of switched voice service in Florida for the Commission's consideration. Accordingly, Verizon reserves the right to supplement this testimony based on additional information provided by the CLECs.

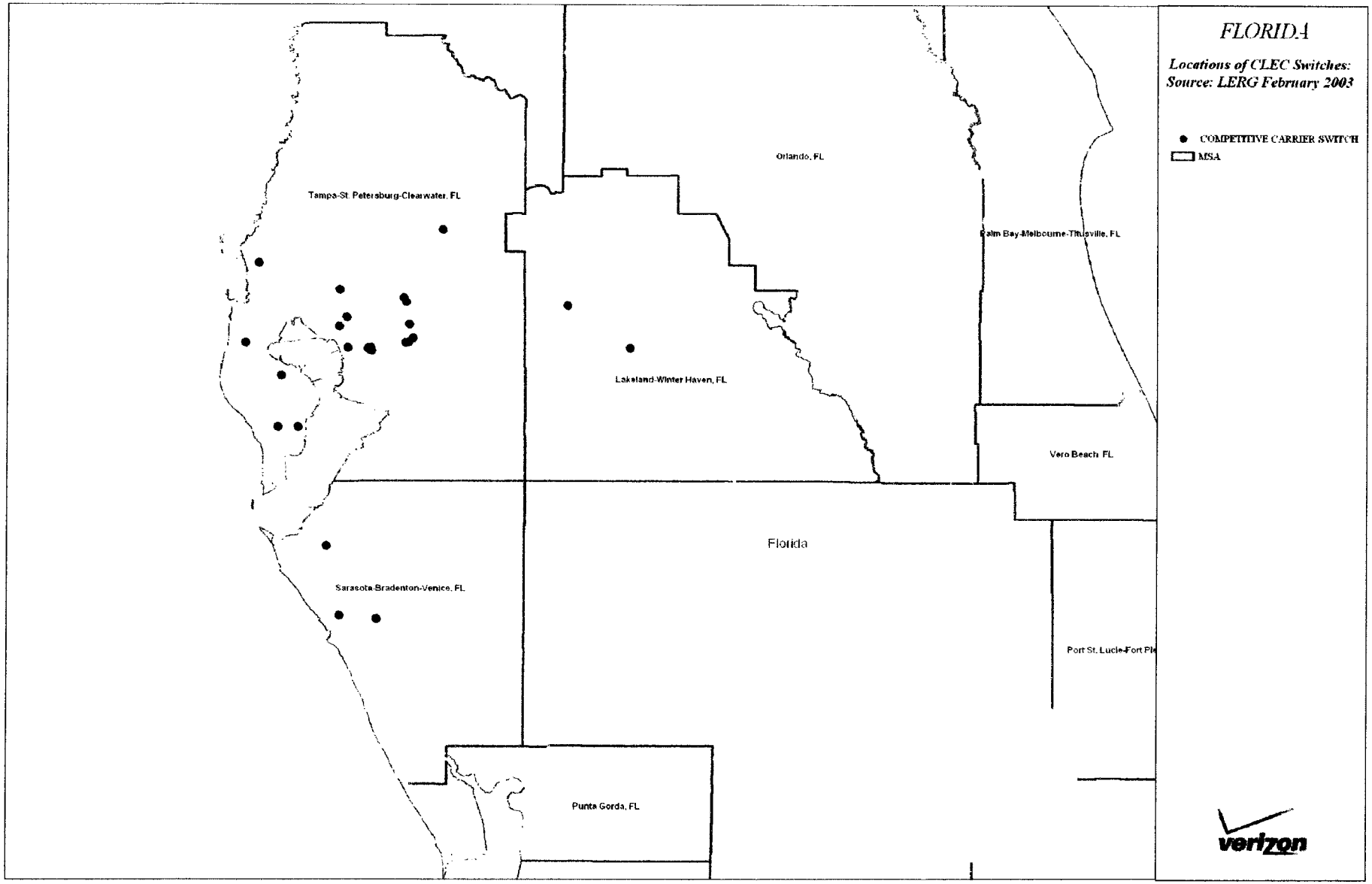
C. Conclusion Regarding Local Switching Triggers

Q. PLEASE SUMMARIZE YOUR CONCLUSION REGARDING THE LOCAL SWITCHING TRIGGERS.

A. As the data in Exhibits 2 and 3 show, Verizon meets the mass market switching trigger in the Density Zone 1 and 2 areas of the Tampa-St. Petersburg-Clearwater MSA. There are a total of eight unaffiliated CLECs currently serving mass market customers with their own switches in this area. Therefore, the Commission must find no impairment in this market in Florida.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.



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Direct Testimony of Orville D. Fulp
Exhibit No. ODF-1
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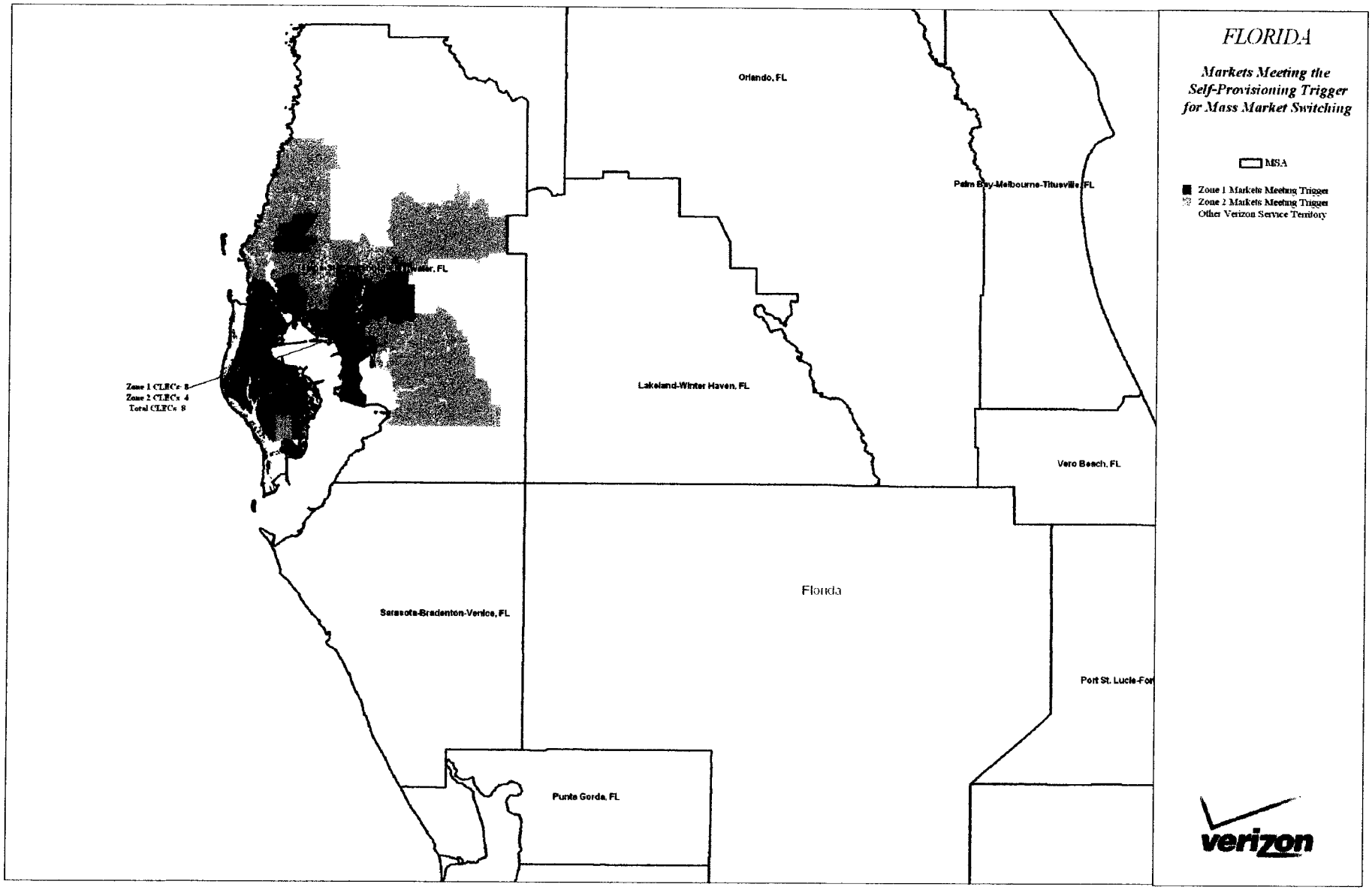
Study State	FL	
Std Loop Type	(All)	2W Loop, 4W Loop, & 2W EEL

Sum of Total			
MSA Rev 11-21	DZ	Std CLEC Name	Total
Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area	1	REDACTED	6,128
			371
			567
			12,997
			917
			48
			285
			5
	1 Total		21,318
	2		1,841
			3,762
			33
			90
	2 Total		5,726
Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area Total			27,044
Grand Total			27,044



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FLORIDA

Carrier:	Mass Market	
	Residential	**Business**
Allegiance	Not tariffed	FL Price List No. 1, Page 100
AT&T	bundled only no basic line	FL Price List No. 3, Page 1-6
Business Telecom (BTI)	FL PSC Price List No. 1, pages 53, 69, 70	FL PSC Price List No. 1, pages 53, 74, 75
Florida Digital Networks	Not tariffed	FL PSC Price List No. 1, page 120, 131
KMC Telecom III, LLC	Not tariffed	FL PSC Price List No. 1, page 52-53.1
Mpower Communications	F.P.S.C. Price List No. 1, sheet 17 - 18	F.P.S.C. Price List No. 1, sheet 17, 18.1
MCI Metro Access	F.P.S.C. Price List No. 2, sheets 100-100.23	F.P.S.C. Price List No. 2, sheet 61-62
SBC	F.P.S.C. Price List No. 1, page 70.4	F.P.S.C. Price List No. 1, page 70.1-70.2
XO Florida, Inc.	FPSC Price List No. 3, page 79	FPSC Price List No. 3, page 49, 55, 76.18-76.19
Xspedius Communications	Not tariffed	FPSC Price List No.1, page 62