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June 11, 2004

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

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COMMISSION
CLERK

Re: Docket No. 0301047-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint-Florida, Incorporated are the original and 15 copies of Sprint's Direct Testimonies of James R. Burt (redacted) and attachments, Jimmy R. Davis and attachments, Brian K. Staihr, Don Meyer, Ed Fox, and Pete Sywenki (redacted).

Copies are being served on the parties in this docket pursuant to the attached certificate of service.

Please acknowledge receipt of this filing by stamping and initialing a copy of this letter and returning same to my assistant. If you have any questions, please do not hesitate to call me at 850/599-1560.

Sincerely,

CMP _____
COM 5 *Susan S. Masterton*
CTR *lorig* Susan S. Masterton
ECR _____
GCL _____ Enclosure
OPC _____
MMS _____
RCA _____
SCR _____
SEC 1
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Burt 06537-04
Davis 06538-04
staihr 06539-04
Meyer 06540-04
Fox 06541-04
Sywenki 06542-04

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DOCKET NO. 031047-TP**

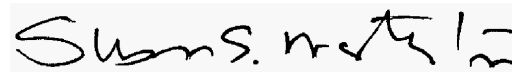
I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. mail on this 11th day of June, 2004 to the following:

Linda Dodson/Carris (Lee) Fordham
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0870

KMC Data LLC/KMC Telecom III LLC/KMC Telecom V, Inc.
John McLaughlin, Jr./Marva B. Johnson
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Lawrenceville, GA 30043-8119

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Susan S. Masterton
Susan S. Masterton

1 **BEFORE THE PUBLIC SERVICE COMMISSION**

2 **SPRINT-FLORIDA, INCORPORATED**

3 **DIRECT TESTIMONY**

4 **OF**

5 **JAMES R. BURT**

6
7 **Q. Please state your name and address.**

8 **A.** My name is James R. Burt. My business address is 6450 Sprint Parkway, Overland
9 Park, Kansas 66251.

10
11 **Q. By whom are you employed and in what capacity?**

12 **A.** I am presently employed as Director - Regulatory Policy for Sprint Corporation. I am
13 testifying in this proceeding on behalf of Sprint-Florida, Incorporated.

14
15 **Q. Please provide your educational and work background.**

16 **A.** I received a Bachelor of Science degree in Electronics Engineering from the University
17 of South Dakota in 1980 and a Masters in Business Administration from Rockhurst
18 College in 1989.

19 I became Director – Regulatory Policy in February of 2001. I am responsible for
20 developing state and federal regulatory policy and legislative policy for Sprint
21 Corporation, including the coordination of regulatory and legislative policies across the
22 various Sprint business units and the advocacy of such policies before regulatory and
23 legislative bodies.

24

1 From 1997 to February of 2001, I was Director-Local Market Planning. I was
2 responsible for policy and regulatory position development and advocacy from a CLEC
3 perspective. In addition I supported Interconnection Agreement negotiations and had
4 responsibility for various other regulatory issues pertaining to Sprint's CLEC efforts.

5
6 From 1996 to 1997, I was Local Market Director responsible for Sprint's
7 Interconnection Agreement negotiations with BellSouth.

8
9 I was Director – Carrier Markets for Sprint's Local Telecom Division from 1994 to
10 1996. My responsibilities included interexchange carrier account management and
11 management of one of Sprint's Interexchange Carrier service centers.

12
13 From 1991 to 1994, I was General Manager of United Telephone Long Distance, a long
14 distance subsidiary of Sprint/United Telephone Company. I had P&L, marketing and
15 operations responsibilities.

16
17 From 1989 to 1991, I held the position of Network Sales Manager responsible for sales
18 of business data and network solutions within Sprint's Local Telecom Division.

19
20 From 1988 to 1989, I functioned as the Product Manager for data and network services
21 also for Sprint's Local Telecom Division.

22
23 Prior to Sprint I worked for Ericsson Inc. for eight years with positions in both
24 engineering and marketing.

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

2 **A.** Sprint and KMC agreed to much of the language in the parties' Interconnection
3 Agreement ("ICA" or "Agreement"). Several issues remain in dispute and are the
4 topic of this arbitration. My testimony will address Sprint's position for arbitration on
5 issues 2, 4, 5, 6, 9, 10 and 11.
6

7 **Issue 2: How should the parties identify, exchange and compensate traffic transported in**
8 **whole or in part over internet protocol?**
9

10 **Q. Please summarize issue 2.**

11 **A.** Issue 2 deals with compensation for the exchange of Internet protocol or Voice over
12 Internet Protocol (VoIP) traffic. KMC's position is that VoIP traffic passed between
13 the parties should be subject to bill-and-keep until the issue is resolved by the
14 appropriate federal or state regulatory or judicial body. Sprint, on the other hand,
15 believes that VoIP traffic should be treated like all other traffic exchanged between the
16 parties in which the compensation is dependent upon the jurisdiction of the traffic, i.e.,
17 reciprocal compensation rates should apply to local traffic and inter or intrastate access
18 charges should apply to toll traffic. Sprint is losing significant access revenue due to
19 KMC's actions related to VoIP. This is a critical issue, which, if not resolved, will
20 potentially result in a massive change in how long distance carriers route their traffic,
21 i.e., through a packet switch, simply to classify the traffic as VoIP in order to avoid
22 paying access charges for the origination and termination of the traffic. It is

1 inappropriate to have different compensation mechanisms apply simply because a
2 portion of the network used to transport a call uses a different technology.

3 **Q. Please explain VoIP.**

4 **A.** VoIP is a technology that transmits voice communications over a network using the
5 Internet Protocol.

6
7 **Q. What is the Internet Protocol or IP?**

8 **A.** A protocol is a set of rules that govern how devices communicate with one another.
9 The Internet Protocol is a protocol that can be used to control how devices
10 communicate on the public Internet and private networks.

11
12 **Q. Are there different VoIP applications?**

13 **A.** Yes. There are a number of different applications of VoIP. Although the names given
14 to the different VoIP applications can be misleading, they seem to be broadly used
15 within the industry so I will use them in my testimony. They all generally fall into the
16 following three categories:

17
18 Phone-to-Phone: This form of VoIP is characterized by TDM technology at both ends
19 of the conversation with IP being used for some or all of the transport in the middle.

20
21 Computer-to-Phone: This form of VoIP is characterized by one end of the call being IP
22 and the other being TDM. The devices at the end of the call may be standard analog

1 telephones or a computer equipped with a microphone and speakers. Regardless, real-
2 time voice communication is taking place.

3

4 **Computer-to-Computer:** This form of VoIP is characterized by IP being used at both
5 ends of the conversation. Normally, there wouldn't be a conversion to and from IP
6 since the devices on both ends utilize IP.

7

8 **Q. What form of VoIP is being addressed in this proceeding?**

9 **A.** It is Sprint's position that all forms of VoIP terminated to Sprint's network should be
10 subject to the jurisdictionally appropriate inter-carrier compensation.

11

12 **Q. Can VoIP be used for calls of all jurisdictions, local, intrastate toll, interstate toll,
13 etc.?**

14 **A.** Yes. VoIP calls that interface with the Public Switched Telephone Network (PSTN)
15 can be local, intrastate toll or interstate toll depending on the originating and
16 terminating points of the call.

17

18 **Q. Contrast VoIP to the more traditional Time Division Multiplexing (TDM) method
19 of transmitting voice communications.**

20 **A.** TDM is more commonly used today. The PSTN uses TDM technology which is
21 sometimes referred to as circuit switched. The technical differences between the two
22 methods of transmitting voice communications are considerable. One significant
23 difference is that VoIP carries information in the form of packets. These packets can

1 be routed over various paths in a network and reassembled at the destination, enabling
2 communications. By contrast, TDM establishes a dedicated circuit between the
3 origination and destination points of the network. Even though the technical
4 differences are considerable, the practical differences are not. Exhibit JRB-1 shows
5 the call path of a VoIP call. Both technologies attempt to provide quality
6 communications that allow the called party to receive voice exactly as sent. In fact, the
7 technology used is transparent to the customers on either end of the call. This is not
8 significantly different from the situation we have today for wireless communications,
9 where there are several different technologies used to deliver wireless calls like GSM,
10 TDMA and CDMA, that are transparent to the end user. Inter-carrier compensation
11 treatment for wireless calls does not differ based on the type of technology used. The
12 same should apply to wireline calls.

13
14 **Q. If the intent of both circuit-switched and packet-switched technologies is to enable**
15 **real-time voice communications to occur, why is inter-carrier compensation an**
16 **issue in the Sprint and KMC arbitration?**

17 **A.** That is correct, the intent of both forms of technology is the same. The heart of the
18 issue is the compensation KMC would pay to Sprint for the use of its network to
19 deliver a VoIP call. KMC does not agree that access charges should apply to toll calls
20 when VoIP is used. To my knowledge there is no technical difference in how a VoIP
21 call connects to the Sprint network and how a TDM call connects to the Sprint network
22 except for the fact that in order to avoid access charges VoIP calls are delivered over
23 local interconnection trunks rather than access trunks. The VoIP call is converted to

1 TDM format before delivering the call to Sprint's network, so the interconnection is
2 exactly the same. Exhibit JRB-2 illustrates this difference. In fact, there's no
3 difference to the end users either. In either instance, the end user's desire is to
4 communicate via voice and that is what they get, nothing more.

5
6 **Q. What language had Sprint proposed?**

7 A. Sprint's proposed language is as follows: Voice calls that are transmitted, in whole or
8 in part, via the public Internet or a private IP network (VoIP) shall be compensated in
9 the same manner as voice traffic (e.g., reciprocal compensation, interstate access and
10 intrastate access).

11
12 **Q. What is your interpretation of Sprint's proposed contract language?**

13 A. It is Sprint's position that a VoIP call that originates or terminates on Sprint's network
14 should be subject to the jurisdictionally appropriate inter-carrier compensation rates.
15 In other words, if the end points of the call define the call as an interstate call, interstate
16 access charges apply. If the end points define the call as intrastate, intrastate access
17 charges apply. If the end points of the call define the call as local traffic, reciprocal
18 compensation charges apply.

19
20 **Q. Has the Commission traditionally based the classification of calls for jurisdictional
21 and compensation purposes on the technology used to carry the call?**

22 A. No. Wireline voice communications technology has continually advanced over the
23 years from copper to fiber, from analog to digital, and now, from circuit switched to

1 packet switched. To my knowledge, regulators have not based their interpretation of
2 the jurisdiction of a call on the technology used, but instead, have used the end points of
3 the call to determine jurisdiction.

4
5 **Q. To your knowledge, is the traffic in question routed to telephone service**
6 **subscribers connected to Sprint's network using numbers assigned in accordance**
7 **with the North American Numbering Plan?**

8 **A.** Yes. The fact that ordinary telephone numbers are being used is what results in the
9 calls being terminated to Sprint's network.

10
11 **Q. To your knowledge, is the speaker's voice altered from when it enters the network**
12 **to when it exits the network?**

13 **A.** It is my understanding that the service does not alter the voice communication. The
14 users on either end of the conversation are speaking and hearing real-time voice.

15
16 **Q. Is there any difference in how Sprint's network is utilized when an interLATA or**
17 **intraLATA VoIP call is terminated to it versus a traditional circuit-switched call?**

18 **A.** No, Sprint's network is utilized in the same manner. When the call is delivered to
19 Sprint, it does not appear any different from any other toll call. Sprint terminates the
20 call in the same manner using the same network functionality and equipment. The
21 same would hold true for a local call. A jurisdictionally local VoIP call terminated to
22 Sprint's network utilizes the network and appears the same as any other local call that
23 is not VoIP. The only difference is that KMC is attempting to avoid access charges on

1 terminating inter or intraLATA toll calls by delivering them to Sprint over
2 interconnection trunks rather than access facilities.

3
4 **Q. Is it true that some VoIP services use the public Internet?**

5 **A.** It is my understanding that there are different applications of VoIP and that some of
6 them use the public Internet and some of them use private IP networks.

7
8 **Q. Is your position different if the service uses the public Internet?**

9 **A.** No. The fact that a VoIP call uses the public Internet does not change Sprint's
10 position. The fact that a VoIP service uses the public Internet does not change how
11 Sprint's network is utilized. Nor does the use of the public Internet change the fact that
12 VoIP is a form of real-time voice communications. Use of the public Internet does not
13 change the fundamental characteristics of the service

14
15 **Q. Some argue that requiring VoIP providers to pay access charges is effectively
16 regulating the Internet. Do you agree?**

17 **A.** No. These statements are made to inflame the issue. Requiring VoIP service providers
18 to pay the jurisdictionally appropriate inter-carrier compensation is not regulating the
19 Internet any more than maintaining the appropriate regulatory requirements for other
20 applications that use the Internet, e.g., financial services. One must separate an
21 application that uses the Internet from the Internet itself. Payment of inter-carrier
22 compensation allows carriers who would otherwise get paid for the use of their network
23 to get appropriate compensation. VOIP calls that use the PSTN should be charged the

1 same inter-carrier compensation rate as non-VOIP calls that use the PSTN in precisely
2 the same way and impose precisely the same costs on the PSTN. Imagine the
3 consequences of deregulating every service that uses the Internet. The result would be
4 chaos, widespread fraud, total lack of trust and the likely downfall of a valuable
5 communications tool. Besides, as stated previously, VoIP applications don't
6 necessarily use the Internet. Some may, but many do not.

7

8 **Q. Is routing of toll traffic over local interconnection trunks a violation of the current**
9 **agreement between Sprint and KMC.**

10 **A.** Yes. Section 57.1.1 addresses trunk arrangements. The language agreed to by KMC is
11 as follows. Section 57.1.1.2 states that separate trunks will be used for toll traffic.

12 57.1.1. The Parties shall initially reciprocally terminate Local Traffic and
13 IntraLATA/InterLATA toll calls originating on the other Party's
14 network as follows:

15 57.1.1.1. The Parties shall make available to each other two-way trunks for the
16 reciprocal exchange of combined Local Traffic, and non-equal access
17 IntraLATA toll traffic. Neither Party is obligated under this
18 Agreement to order reciprocal trunks or build facilities in the
19 establishment of interconnection arrangements for the delivery of
20 Internet traffic. The Party serving the Internet service provider shall
21 order trunks or facilities from the appropriate tariff of the other Party
22 for such purposes and will be obligated to pay the full cost of such
23 facility.

1 Interconnection Trunk Groups; provided that the Parties will complete such
2 conversions within an interval and at appropriate charges negotiated by the
3 Parties.

4
5 1.1.11. Sprint will cooperate with the KMC to install trunk group(s), at KMC's
6 expense if legacy OS/DA interfaces require a special interconnection
7 arrangement to allow transport of KMC originating OS/DA calls that
8 terminate to AT&T.

9
10 **Q. Why does Sprint think this issue should be addressed at this time?**

11 **A.** There are considerable access revenues at risk for Sprint if this issue is not decided.
12 All experts agree that VoIP traffic will continue to rise. This will result in increased
13 financial exposure to Sprint.

14
15 **Q. Isn't it true that this commission has looked at this issue and decided not to
16 address it?**

17 **A.** Although I was not personally involved in the earlier proceeding, it is my
18 understanding that in Docket No. 000075-TP the Florida Public Service Commission
19 chose not to decide on the type of inter-carrier compensation that should apply to VoIP
20 traffic. The primary reason was that VoIP was a nascent technology with limited
21 applications in the marketplace. Although the Commission found the issue was not
22 ripe for consideration at that time, the Commission specifically stated that "we find this

1 shall not preclude carriers from petitioning us for decisions regarding specific IP
2 telephony service through arbitration or complaint proceedings.”

3 *

4 **Q. Did Sprint agree with that determination?**

5 A. At that time Sprint did not have any evidence suggesting VoIP was having a negative
6 impact on its access revenues. Since then Sprint has identified instances where access
7 charges are being avoided.

8

9 **Q. Are you aware of the Florida statute that addresses the issue of carriers knowingly
10 using local interconnection facilities to avoid access charges?**

11 A. Yes. Section 364.16(3)(b), Florida Statutes, states that “No local exchange
12 telecommunications company or alternative local exchange telecommunications
13 company shall knowingly deliver traffic, for which terminating access service charges
14 would otherwise apply, through a local interconnection arrangement without paying the
15 appropriate charges for such terminating access service.”

16

17 **Q. In your opinion, is this statute relevant to Issue 2 in the Sprint/KMC
18 interconnection agreement?**

19 A. Although I am not an attorney, the statute appears to relate directly to Issue 2, which
20 addresses the inter-carrier compensation that applies to VoIP. If KMC were to
21 terminate VoIP toll traffic over KMC’s local interconnection trunks with Sprint, it
22 appears it would be a violation of the statute.

23

24 **Q. How do you think access charges are being avoided?**

1 **A.** I can't speak to all the possibilities, but one instance that has been discovered involves
2 KMC terminating interstate and intrastate toll traffic over local interconnection trunks.
3 Sprint has been able to capture SS7 signaling information that identifies the originating
4 and terminating points of calls being passed over its local interconnection trunks.
5 Sprint's analysis of this information indicates that not all of the calls are local, i.e.,
6 originating and terminating within the Local Calling Area. Instead Sprint has
7 determined that a significant amount of the traffic delivered to Sprint over local
8 interconnection trunks is toll traffic.

9

10 **Q.** Do you believe this is a violation of Section 364.16(3)(b) of the Florida Statutes?

11 **A.** Although I am not an attorney, it appears that it is in violation of Section 364.16(3)(b).

12

13 **Q.** Are there any other Florida Statutes that address the issue of intercarrier
14 compensation for voice-over-Internet protocol service?

15 **A.** Yes, in 2003 the Florida Legislature amended the definition of "service" in s. 364.02,
16 Florida Statutes, to voice-over-Internet protocol services for the purposes of regulation.
17 However, the Legislature explicitly provided that:

18 Nothing herein shall affect the rights and obligations of any entity
19 related to the payment of switched network access rates or other
20 intercarrier compensation, if any, related to voice-over-Internet
21 protocol service.

22

23 **Q.** Can you quantify how much access revenue Sprint is losing?

1 A. For the time period from July 2002 through March 2004, Sprint has lost [REDACTED]
2 [REDACTED] in access revenue from KMC.
3 This amount of access avoidance – lost revenue – warrants a decision from the Florida
4 Public Service Commission. Until now, toll service providers purchased access
5 services to terminate and originate their traffic to and from Sprint's local service
6 customers. The systems and process were set up to ensure that accurate billing took
7 place. However, since carriers like KMC are now terminating toll traffic over local
8 interconnection trunks, it's difficult to quantify the amount of toll traffic that is not
9 being subjected to the appropriate access charges. When Sprint suspects this type of
10 access avoidance is occurring, it can monitor the local interconnection trunks and
11 attempt to identify the toll traffic, but Sprint cannot be certain all access avoidance is
12 being identified. Indecision will result in regulatory uncertainty for all parties
13 concerned. It is clear to Sprint that the technology is no longer nascent. Sprint
14 believes it is now time for the Commission to decide this issue.
15

16 **Q. Has the FCC determined if VoIP traffic should be subject to access charges?**

17 A. Yes. In October, 2002, AT&T filed a Petition For Declaratory Ruling suggesting the
18 FCC find that access charges should not apply to Phone-to-Phone VoIP services. The
19 FCC ruled, in WC Docket No. 02-361, at paragraph 25, that interstate access charges
20 are appropriate for this form of VoIP.
21

22 **Q. Did the FCC Order resolve the issue of whether access charges should apply to**
23 **phone-to-phone VoIP for the State of Florida?**

1 A. No. The FCC order only addressed interstate access. In WC Docket No. 02-361, in
2 paragraph 1, the FCC stated:

3 We clarify that, under the current rules, the service that AT&T
4 describes is a telecommunications service upon which interstate
5 access charges may be assessed.

6 This suggests that the Florida PSC must make a determination for intrastate access for
7 phone-to-phone VoIP.

8
9 **Q. Has the FCC determined whether access charges should apply to forms of VoIP
10 other than phone-to-phone?**

11 A. The FCC has issued a Notice of Proposed Rulemaking on IP-Enabled Services, WC
12 Docket No. 04-36, that will supposedly address the applicability of access charges on
13 other forms of VoIP. Comments were filed on May 28. Reply comments were
14 originally due on June 28, but have recently been delayed until July 14.

15
16 **Q. Is there any certainty as to when the FCC will issue an order for WC Docket No.
17 04-36?**

18 A. No.

19
20 **Q. Are you aware of any state commission orders that address inter-carrier
21 compensation for Phone-to-Phone VoIP**

22 A. Yes. The New York Public Service Commission issued an order in Case No. 01-C-
23 1119, a complaint of Frontier Telephone of Rochester, Inc. against US DataNet

1 Corporation for failure to pay intrastate access charges. The Commission found that
2 DataNet was liable for past and present access charges.

3

4 **Q. Are you aware of any other state Commission orders addressing the applicability**
5 **of access charges on VoIP service?**

6 **A.** Yes. The New York Public Service Commission has recently issued an order in case
7 03-C-1285 (Order Establishing Balanced Regulatory Framework for Vonage Holdings
8 Corporation). That order stated that Vonage Holdings Corporation, a VoIP service
9 provider, must comply with the New York Public Service Law obligations of telephone
10 corporations. Telephone corporations in the state of New York are subject to access
11 charges. The Minnesota Public Service Commission also ruled that Vonage was
12 providing a telecommunications service in Minnesota Docket No. P-6214/C-03-108, In
13 the Matter of the Complaint of the Minnesota Department of Commerce Against
14 Vonage Holdings Corporation Regarding Lack of Authority to Operate in Minnesota.
15 This order was overturned by the US District Court for the District of Minnesota in
16 Case No. 03CV05287 and is on appeal by the Minnesota Public Service Commission
17 to the United State Court of Appeals for the Eighth Circuit.

18

19 **Q. Do you expect the use of VoIP to increase or decrease over time?**

20 **A.** I would expect the use of VoIP to increase over time. There are inherent advantages to
21 this technology that lead to its use. Recent quotes from the nation's two largest IXCs,
22 MCI and AT&T, support this idea as well. Fred Briggs, MCI President of Operations
23 and Technology was quoted in a June 3, 2003 press release as saying "By 2005, MCI

1 plans to move 100 percent of our traffic to an all IP core." (See attached Exhibit JRB-3)

2 In addition, AT&T's CEO David Dorman recently stated in an interview with
3 Forbes.com that "(AT&T) expect[s] to be a leader in VOIP traffic." (See attached
4 Exhibit JRB-4) Several other announcements have been made by other service
5 providers as well.

6

7 **Q. In other words, you see this issue getting larger rather than smaller, is that**
8 **correct?**

9 **A.** That is correct. As carriers migrate to VoIP technology, the inter-carrier compensation
10 issue continues to grow. Therefore, it is appropriate to address this area of uncertainty
11 now rather than later.

12

13 **Q. Please summarize your position on issue 2.**

14 **A.** VoIP is a real-time voice service that utilizes a different technology at some point along
15 the transmission path. It is Sprint's position that the use of a different technology does
16 not change the nature of the service being provided or the use of Sprint's network at the
17 originating or terminating end of the call. Therefore, access charges should apply for
18 VoIP traffic that originates or terminates on Sprint's network. Furthermore, the access
19 charge revenue being placed at risk and the overall regulatory uncertainty created by
20 this dispute warrants Florida Public Service Commission action at this time.

21

22 **Issue 4 What is Sprint's obligation to provide access to third parties, grooming**
23 **functionality and redundant facilities with dedicated transport?**

1 **Q. Has this issue been resolved by the parties?**

2

3 **A. Yes.** It is my understanding that the parties have resolved this issue and it is no longer being
4 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
5 addressing this issue.

6

7 **Issue 5 Is Sprint required to provide KMC access to Sprint's digital cross-connect systems**
8 **("DCS") as a stand alone UNE? If so, what system functionalities should Sprint provide**
9 **to its DCS?**

10

11 **Q. Has this issue been resolved by the parties?**

12

13 **A. Yes.** It is my understanding that the parties have resolved this issue and it is no longer being
14 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
15 addressing this issue.

16

17 **Issue 6 (a) Does commingling include connecting UNEs purchased from Sprint with**
18 **wholesale services purchased from a third party?**

19 **(b) Should the parties' interconnection agreement state that Sprint will provide UNEs**
20 **pursuant to applicable law?**

21

22 **Q. Has this issue been resolved by the parties?**

23

1 **A.** Yes. It is my understanding that the parties have resolved this issue and it is no longer being
2 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
3 addressing this issue.

4
5 **Issue 9 Under what conditions, if any, may KMC commingle EELs purchased from**
6 **Sprint with wholesale services purchased from a third party?**

7
8 **Q. Has this issue been resolved by the parties?**

9
10 **A.** Yes. It is my understanding that the parties have resolved this issue and it is no longer being
11 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
12 addressing this issue.

13
14 **Issue 10 What are the eligibility criteria that apply to EEL access?**

15
16 **Q. Has this issue been resolved by the parties?**

17
18 **A.** Yes. It is my understanding that the parties have resolved this issue and it is no longer being
19 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
20 addressing this issue.

21
22 **Issue 11 What are the conditions under which Sprint may conduct an audit of KMC's**
23 **EELs?**

1 **Q. Has this issue been resolved by the parties?**

2

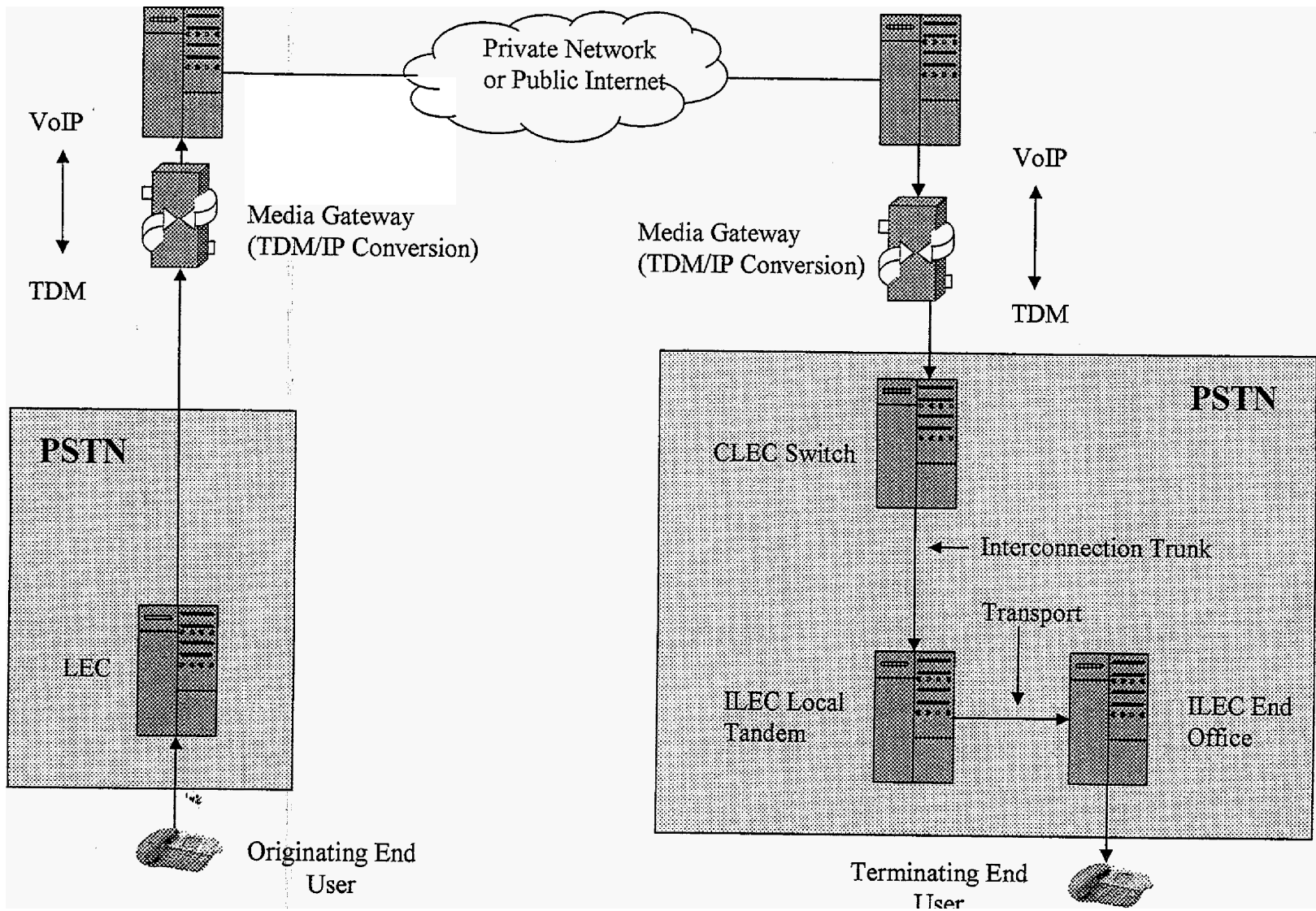
3 **A. Yes.** It is my understanding that the parties have resolved this issue and it is no longer being
4 disputed. To the extent this understanding is incorrect, Sprint reserves the right to file testimony
5 addressing this issue.

6

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

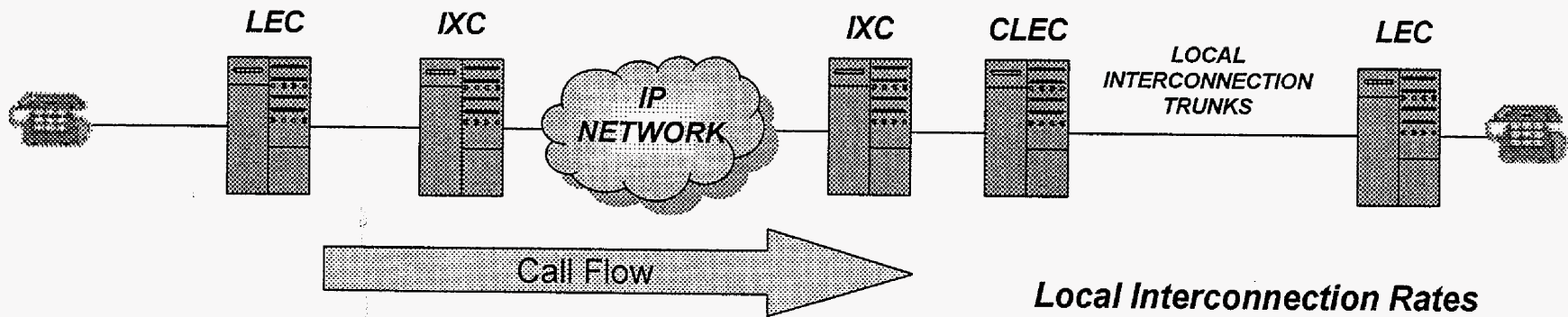
8 **A. Yes.**

VoIP Toll Service

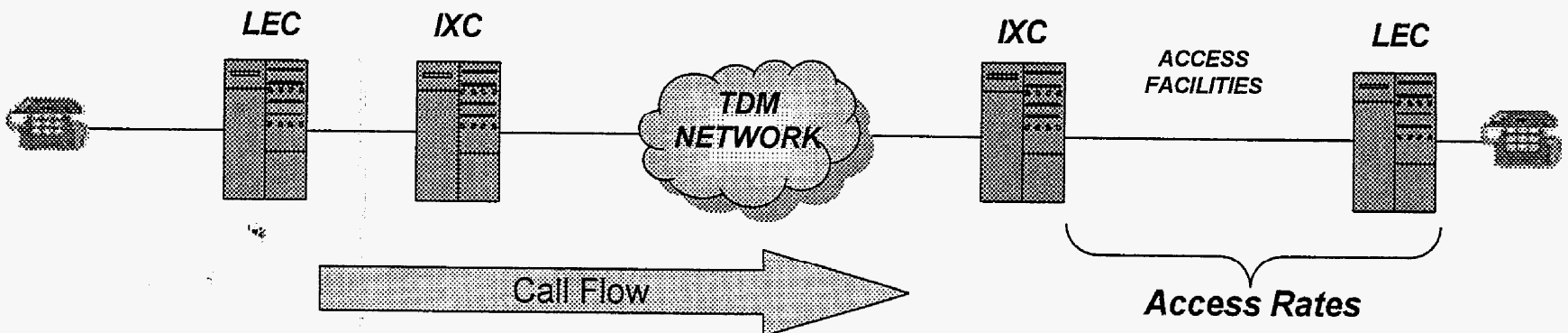


This diagram is representative only and is not intended to identify all network components

Typical Network Configuration Using VoIP



Typical Network Configuration Using TDM



MCI

Home Products News About MCI Customer Service

News



➤ Press Releases
➤ Restructuring Information Desk
➤ Press Kit
➤ Public Relations Contacts
➤ Photo Gallery
➤ Analyst Market Data
➤ Events

MCI Joins with Nortel Networks to Accelerate Convergence of Voice and Data Networks on Common IP Core

Equipment Deployed throughout Major Metropolitan U.S. Cities Marks Largest Scale Nationwide Deployment of a Next Generation Packet Voice Network

ATLANTA, GA, SUPERCOMM, June 3, 2003 - As part of MCI's (WCOEQ, MCWEQ) convergence networking strategy to deliver advanced IP services for businesses and consumers, the company today announced it is joining with Nortel Networks* (NYSE/TSX: NT) to accelerate migration of its voice network to a common IP core. The company has chosen and deployed Nortel Networks' industry-leading Succession® superclass softswitches and Passport™ Packet Voice Gateways to create a next generation packet voice network that will fuel innovation, simplicity and value for its customers.

"By 2005, MCI plans to move 100 percent of our traffic to an all IP core," said Fred Briggs, MCI President of Operations and Technology. "Nortel Networks Succession voice over packet solution will converge voice, data and multimedia services, helping us to more flexibly and cost-effectively optimize our network. With this implementation, we will increase network efficiency and realize operational savings while providing additional value to our customers."

Already well into the first stage of converging its networks onto a common IP platform, MCI has become the first U.S.-based service provider to provision such a large-scale nationwide transition of its full-featured voice service to its core IP backbone. MCI has already deployed 36 Nortel Networks Passport™ Packet Voice Gateways. To complete this stage of its strategic migration, MCI plans to deploy another 15 gateways by the end of June. By end of year, MCI plans to have 25 percent of its voice traffic transitioned to its IP core network.

Also, as part of its transition to voice over packet, MCI has evolved existing Nortel Networks DMS circuit switches to Succession Communication Server 2000 superclass softswitches. A superclass softswitch is one that meets all criteria for true service provider circuit-to-packet migration - local, tandem and long distance capability on a single platform; full business and residential telephony service sets; regulatory features like "Lawful Intercept" and "Number Portability;" third party interoperability, and carrier-grade reliability and scalability.

"With this deployment, MCI represents the largest in-service network of Nortel Networks VoIP equipment in the world," said Sue Spradley, president Wireline Networks, Nortel Networks. "MCI is a fast-moving company that took a very aggressive approach because they saw the immediate benefits to the network and to the business."

"Nortel Networks is in a unique position to effectively enable MCI's circuit-to-packet evolution because of our detailed understanding of network design and our comprehensive portfolio. Few vendors are as well positioned as Nortel Networks to help service providers, like MCI, deploy a network so rapidly while extending their existing network investment," added Spradley.

Nortel Networks Succession portfolio is the industry's most proven portfolio of voice over packet products, services and solutions for service providers. It enables the delivery of solutions across all four carrier voice over packet market applications: cable, local, long distance and wireless.

About WorldCom, Inc.

WorldCom, Inc. (WCOEQ, MCWEQ), which currently conducts business under the MCI brand name, is a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers. With the industry's most expansive global IP backbone and wholly-owned data networks, WorldCom develops the converged communications products and services that are the foundation for commerce and communications in today's market. For more information, go to <http://www.mci.com>.

About Nortel Networks

Nortel Networks is an industry leader and innovator focused on transforming how the world communicates and exchanges information. The Company is supplying its service provider and enterprise customers with communications technology and infrastructure to enable value-added IP data, voice and multimedia services spanning Wireless Networks, Wireline Networks, Enterprise Networks, and Optical Networks. As a global company, Nortel Networks does business in more than 150 countries. More information about Nortel Networks can be found on the Web at www.nortelnetworks.com.

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, among other things: the severity and duration of the industry adjustment; the sufficiency of our restructuring activities, including the potential for higher actual costs to be incurred in connection with restructuring actions compared to the estimated costs of such actions; fluctuations in operating results and general industry, economic and market conditions and growth rates; the ability to recruit and retain qualified employees; fluctuations in cash flow, the level of outstanding debt and debt ratings; the ability to meet financial covenants contained in our credit agreements; the ability to make acquisitions and/or integrate the operations and technologies of acquired businesses in an effective manner; the impact of rapid technological and market change; the impact of price and product competition; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; the impact of rationalization in the telecommunications industry; the dependence on new product development; the uncertainties of the Internet; the impact of the credit risks of our customers and the impact of customer financing and commitments; stock market volatility; the entrance into an increased number of supply and outsourcing contracts which contain delivery and installation provisions, which, if not met, could result in the payment of substantial penalties or liquidated damages; the ability to obtain timely, adequate and reasonably priced component parts from suppliers and internal manufacturing capacity; the future success of our strategic alliances; and the adverse resolution of litigation. For additional information with respect to certain of these and other factors, see the reports filed by Nortel Networks with the United States Securities and Exchange Commission. Unless otherwise required by applicable securities laws, Nortel Networks disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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CEO Network Chat

Dorman: AT&T Has Long-Distance Future

06.18.03, 9:18 AM ET

What follows is the transcript of a Forbes.com CEO Network online chat hosted on June 16 by David Dorman, chief executive of AT&T.

FDCEEDITORS: Welcome everyone, Mr. Dorman is here and we're ready to start taking questions.

Avanti: The stock had a nice little pop last week. Is the worst over for AT&T? The last three years have been no fun for T shareholders.

D_DORMAN: I think the market is beginning to recognize our competitive differentiation, strength and positioning for the future in a environment where the entire telecom sector has been out of favor--We are not only winning in this difficult market, we have done so with innovation and Integrity. As I told our shareholders at last week's annual meeting, we are poised to lead the industry into the future, and we are backing up this commitment with investment at a time when some of our competitors are struggling to keep the lights on.

Willgeist: Will WorldCom (or MCI or whatever) emerge from bankruptcy a strong competitor? How will that affect your business?

D_DORMAN: I think they emerge from bankruptcy, but their margins are substantially lower than ours. Ultimately, that affects your ability to invest and remain competitive. Their proposed capital structure suggests a level of debt and interest expense that on a relative basis won't be much of an advantage when compared to AT&T. WE haven't competed with WCOM on a basis of their full and honest disclosure in what looks like at least 4 years. It will good to be playing by the same rules for a change. I look forward to their emergence.

Rogerdodger: I see Gary Foresee, the new top guy at Sprint, is getting out of the Web-hosting business. Are you making money on hosting? If so, what are you doing right that Sprint was doing wrong?

D_DORMAN: We think Web hosting is an important service line for a global carrier. It takes investment to reach scale and we are down the curve. Sprint entered late and has obviously decided to reprioritize based on their view of what it would take to become a scale player. We remain enthusiastic about the opportunities in light of Cable and Wireless and Sprint's relative situations.

EdwardC91: Isn't Verizon already the No. 4 long-distance provider? What's to stop the Bells from eating your lunch?

D_DORMAN: Actually they claim to be number 3 as measured by number of residential customers but not in dollars of revenue. A significant percentage of our long distance comes from large enterprise customers, a segment the Bells don't cover robustly.

Dunanski: You said last week you're going to cut debt to \$10 billion by year's end. How are you doing it?

D_DORMAN: Based on our Q1 cash position our net debt stood at \$12 billion. Based on the strength of our free cash flow projection for the remainder of 2003, we should increase our cash position by enough to achieve net debt less than \$10 billion.

Willgeist09: Is there really any future for landline long-distance?

D_DORMAN: Wireless phones do originate a substantial amount of long distance traffic. However, virtually all of it traverses a landline network in order to reach the destination number. AT&T is the largest supplier of long distance to wireless providers. Our volumes of long distance traffic carried have increased by more than 12% over the last year -- it hardly feels like it's going away. The issue is prices have declined more than 75%, masking the volume increases over the last 4 years.

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Dunanski: What would you like Congress to do to fix the 1996 telecom "reform" act?

D_DORMAN: The '96 act isn't broken. It has taken 7 years for the competitive stimulation of the act to take effect due to litigation and the Bells' stalling regulatory implementation. It's not perfect, but there is no denying that where local regulators have set wholesale prices fairly, competition is occurring.

Buffalonickel: What are you doing with capex this year?

D_DORMAN: While our capex budget is down year over year, we have completed many major platform projects and our capex is more success-based. Our high priority areas are local networks, managed services, including IP/hosting, global and customer experience enhancements. In fact, \$700 million of this year's \$3 billion will go to this last area along the customer life-cycle continuum.

Excelsior: Did your PointCast experience sour you on the Internet?

D_DORMAN: No. It was a fun and painful experience with entrepreneurialism, market dynamics and it really had nothing to do with my feeling about the Internet.

Widgelst09: How important is the SME market for you? What's your strategy in this area?

D_DORMAN: It's an important segment that has been under-served with bundled communications services. We are doubling our sales resources and adding new product combinations to meet the specific needs of this segment. The Bells have served this segment as a local provider almost exclusively while there has been abundant long distance competition. We think we have a great opportunity to take share in SME business segment.

James99: How much of a threat (or opportunity) is VOIP?

D_DORMAN: AS the largest IP network operator measured in traffic carried per day, we expect to be a leader in VOIP traffic. It is an opportunity to create new usage as a companion to Web site-based services in consumer product marketing arenas. It also offers more efficient use of network assets at scale.

Conan44: Do you agree with those who say WorldCom is getting off too lightly for its accounting shenanigans?

D_DORMAN: It is certainly disappointing to see a company who has admitted to the largest fraud in history (and the counting isn't done yet) receiving a "discount" on their fine from the SEC and new government contracts. Sometimes, the wheels of justice turn slow, but over time I believe WCOM has a lot to recover from. I am encouraged that Congress is asking tough questions about these subjects.

Sheilamagee: You've worked in just about every telecom area. Which one has provided the most interesting challenges?

D_Dorman: My current assignment is without a doubt the most interesting. AT&T is an American icon. It was founded by A.G. Bell and after 118 years is still among the 35 largest companies in America. Having spun off the Baby Bells, Lucent, NCR, AT&T Wireless and AT&T Broadband, that makes the last statement even more amazing. What makes this most interesting is how many people think we are going away when the facts clearly don't support that ... I see that as a huge opportunity.

FDCEEDITORS: Thanks everyone. That's all we have time for.