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Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

WorldCom, Cox, and AT&T ads. Verizon
CC Docket Nos. 00-218, 00-249, and 00-251

Dear Ms. Salas:

On May 31, 2001, Verizon filed its Answer to WorldCom, Cox, and AT&T Petitions for Arbitrations. Within Volume 1 behind the "Answer" Tab is a 30 page overview Answer. We have determined that odd word processing errors populate that document. We have enclosed 4 copies of Verizon's Corrected Answer along with a replacement diskette that contains the Corrected Answer and all other material previously supplied on the same diskette. We would appreciate your substituting this Corrected Answer behind the "Answer" Tab in Volume 1 of Verizon's May 31, 2001 filing.

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to call me.

Sincerely yours,

Richard D. Gary
Counsel for Verizon

RDG/tms
Enclosures
cc: Dorothy T. Attwood, Chief, Common Carrier Bureau (8 copies)
Jeffery Dygert, Assistant Bureau Chief
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Expedited Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration	)	CC Docket No. 00-218
In the Matter of Petition of Cox Virginia Telecom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc. and for Arbitration	)	CC Docket No. 00-249
In the Matter of Petition of AT&T Communications of Virginia Inc., Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes With Verizon Virginia Inc.	)	CC Docket No. 00-251

VERIZON'S CORRECTED ANSWER TO WORLDCOM, COX, AND AT&T PETITIONS FOR ARBITRATION

The number and breadth of issues in this arbitration are unprecedented.[1] Indeed, according to the Petitioners, in this arbitration the Commission should not only revisit and reverse critical decisions it has already made in its many orders on local competition matters, it should also pre-judge issues that are pending both before this Commission and the Supreme Court of the United States. Petitioners also would have this Commission reset the retail discount rate and every rate for each interconnection arrangement and unbundled network element. Moreover, if WorldCom's plan for this arbitration is followed, this Commission not only will decide essentially every possible issue in an interconnection agreement, it will even write the language.

Verizon Virginia Inc. ("Verizon") respectfully urges the Commission to reject Petitioners' invitation to go down this path. Not only would revisiting every conceivable issue be unworkable, it would also unnecessarily tax the Commission's resources in the limited amount of time allotted for this arbitration. Interconnection issues are important and complicated, and that is exactly why the Commission decides them in the context of rulemakings, with the time and opportunity for all interested parties to comment. Rushing to judgment by replacing that process with only a handful of parties – and within the abbreviated timeframes of this arbitration – on these numerous issues serves no legitimate purpose.

Verizon has attempted in its Response to Petitioners' Statements of Unresolved Issues (Exhibit A) to identify clearly where Petitioners are urging the Commission to revisit past decisions or pre-judge pending decisions. These issues should not be arbitrated. In addition, Verizon urges the Commission not to arbitrate costs and reset prices that the Virginia Commission set just two years ago. Even if these issues are removed, of course, the remaining issues are still numerous and complex.

Finally, with respect to WorldCom, its Petition cannot fairly be characterized as a petition seeking arbitration of unresolved issues as contemplated by section 252(b)(1) of the Act. Rather, WorldCom asks the Commission to create an entire interconnection agreement from scratch. To

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[1] Verizon Virginia Inc. is filing this combined Answer (and accompanying exhibits) to the Petitions of WorldCom, AT&T, and Cox. Exhibit A to this Answer is the Response to the Statement of Unresolved Issues, and it maintains the issues numbering system adopted by the Petitioners.

assist the Commission in that effort, however, WorldCom does little even to identify what the issues are that the Commission must resolve. Unless the issue also happens to be one raised by Cox or AT&T, the Commission, as well as Verizon, cannot learn much about it from WorldCom's Petition. WorldCom's tactics have only added confusion and complexity to an already daunting task.

Attached to this Answer and incorporated herein are the following Exhibits:

- Exhibit A: Verizon's Response to the Statement of Unresolved Issues submitted by AT&T, Cox, and WorldCom with their respective petitions for arbitration (including a list of the persons upon whom Verizon intends to rely to support its positions as well as Verizon's Statement of Relevant Authority);
- Exhibit B: Verizon's Supplemental Statement of Unresolved Issues;
- Exhibits C-1, C-2, and C-3: Verizon's Proposed Interconnection Agreement redline with (1) WorldCom, (2) Cox, and (3) AT&T; and
- Exhibit D: Additional Documents.

I. THE NEGOTIATIONS

The descriptions of the negotiations provided by AT&T and Cox in their respective Petitions are reasonably accurate. WorldCom's account of its negotiations with Verizon, however, bears no resemblance to reality. Indeed, it is so full of misrepresentations, half-truths, and misleading statements that it should be disregarded in its entirety. The following is an accurate account of those negotiations.

WorldCom served Verizon with its request to negotiate a new interconnection agreement in Virginia on March 3, 2000. On March 7, Verizon sent WorldCom a copy of its updated model interconnection agreement, including the proposed amendment to implement the Commission's then-recently released Unbundled Network Element Remand Order.[2] WorldCom rejected Verizon's updated model agreement in its entirety on March 13, 2000, and insisted on using the

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[2] *See UNE Remand Order.* Included in Exhibit A is a Table of Authorities with corresponding short cites. The short cites used in this Answer are based on that Table of Authorities.

previous 1997 Virginia agreement with Verizon as a starting point for negotiations.[3] On March 15, 2000, Verizon objected to negotiating from the technically and legally outdated 1997 agreement and assured WorldCom that it was willing to negotiate WorldCom's requested requirements in the context of Verizon's updated model agreement. WorldCom rejected this proposal.

On March 21, 2000, WorldCom withdrew its proposal to negotiate from the 1997 agreement.[4] In its place, WorldCom sent Verizon its own new template agreement. Before Verizon could even react or comment on WorldCom's new template, on April 3, 2000, WorldCom filed with the Virginia State Corporation Commission ("Virginia Commission") a Motion Requesting Mediation, in which it reverted to its initial position of proposing to use the 1997 agreement as the basis for negotiations.

During the summer of 2000, the parties had numerous discussions regarding negotiations for interconnection agreements between their affiliates throughout the country, both recognizing that it would be beneficial to have as many common terms and conditions as possible. Those negotiations are continuing. In the midst of those discussions, however, on August 10, 2000, without any prior notice to Verizon or any further attempt to determine and resolve any issues, WorldCom filed a petition asking the Virginia Commission to arbitrate an interconnection agreement in Virginia, excluding the portion formerly served by GTE. For that portion of

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[3] WorldCom asserts that Verizon had insisted on using the old Virginia agreement in Maryland, but this assertion misrepresents the facts. WorldCom Petition at 3. Negotiations in Maryland did not begin in 1999, as WorldCom alleges; they began in 1996. They were continuing in 1999 because, following an arbitration, WorldCom would not sign an interconnection agreement, but continued to litigate issues. The Maryland negotiations and litigation were based on the agreement the parties had previously signed in Virginia, but not, as WorldCom alleges, because Verizon "greatly preferred" that agreement, nor because Verizon "liked the balance" of that agreement, nor because Verizon was "familiar" with that agreement. The parties were using the Virginia agreement because, in 1998, **both** had agreed to do so, in Maryland and in other jurisdictions. **The parties never agreed, however, to use the Virginia agreement in subsequent negotiations in any jurisdiction.** By contrast, WorldCom has now agreed to use Verizon's model agreement in negotiations in all other jurisdictions **except** Virginia.

[4] This date is six days after Verizon sent WorldCom its proposal to negotiate using Verizon's model agreement. WorldCom claims that it "reviewed Verizon's ... agreement and found it significantly deficient." WorldCom Petition at 4. It is unlikely that WorldCom conducted a thorough review in six days, but even if it did, WorldCom never identified any of the supposed deficiencies to Verizon.

Virginia, and all other jurisdictions in the country, WorldCom did not file arbitration petitions, but instead agreed to extend the time for negotiations.[5] With its Virginia arbitration petition WorldCom filed yet a third proposed agreement: a combination of the 1997 agreement, the revised agreement it had submitted on March 23, 2000, and a substantial number of other provisions that Verizon had never seen. Yet a fourth version of the WorldCom-proposed interconnection agreement accompanies WorldCom's Petition to the Commission.

According to WorldCom, this history demonstrates Verizon's "refusal to negotiate."[6] The facts, however, belie this claim. This arbitration proceeding involves three different CLECs. Verizon has managed through negotiations to reach agreement with AT&T and Cox on the great bulk of the issues in their respective interconnection agreements. That fact alone demonstrates that Verizon is not unwilling to negotiate. WorldCom is the outlier. Moreover, WorldCom acts as if its incentive is not to negotiate in good faith. Perhaps confident that it will always be able to opt into the agreement reached by AT&T, Cox, or some other carrier, WorldCom could decide to take what it knows to be unreasonable positions on the theory that it just might prevail on at least some of them.

At the very least, WorldCom cannot claim that it has expended much effort in its negotiations with Verizon. While it has given Verizon four different contracts to analyze, and then berated Verizon for not responding promptly, WorldCom has failed to respond at all to the substance of Verizon's proposed agreement. Indeed, WorldCom's failure to address the issues is evident even in its arbitration petition. WorldCom has given so little thought to the process that, when left to its own devices, it cannot even articulate a reasonable formulation of the issues. Instead, almost all of the 130 issues that WorldCom alone raises (Category IV) are phrased as questions, such as "Should the Interconnection Agreement contain . . . [this provision or that

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[5] WorldCom claims that it "has refused to delay the Virginia negotiation/arbitration in part due to WorldCom's business need to obtain prices, terms and conditions that would support WorldCom's entry into the Virginia local residential market." WorldCom Petition at 5. Given that WorldCom has delayed negotiations in every other jurisdiction, this claim seems disingenuous, unless, of course, WorldCom expects the Commission to believe that its "business needs" are somehow different in Virginia than they are everywhere else in the country.

[6] WorldCom Petition at 2.

provision]." Only when the issues are also raised by AT&T and Cox (Categories I, II, III, and V) are they stated with any specificity, such as "Does Verizon have an obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers?"[7] Another problem with WorldCom's attempt to articulate the issues is that, in most instances, Verizon's proposed agreement does contain the provision WorldCom wants to be included; WorldCom just has not bothered to read it, or respond to it.

WorldCom also claims that "Verizon's Answer to this Request for Arbitration will be WorldCom's first opportunity to see Verizon's substantive response to these issues."[8] This claim, however, ignores the fact that WorldCom has received and had the opportunity to review Verizon's model interconnection agreement in which Verizon's positions are evident. Moreover, the parties have been engaged in national negotiations, discussed below, in which WorldCom has learned of Verizon's position on a number of issues.

Another example that should cast doubt on WorldCom's claims regarding Verizon's "intransigence,"[9] versus WorldCom's so-called "best efforts,"[10] is WorldCom's claim that it "investigated the possibility of limiting its list of issues by adopting the agreed-to language between Verizon and AT&T."[11] According to WorldCom, "[t]his option proved infeasible because despite [WorldCom's] ***best efforts***, [WorldCom has] not been able to identify ***any significant amount*** of such agreed to language between AT&T and Verizon."[12] Such a claim leaves Verizon wondering what document WorldCom reviewed. There are 130 WorldCom-only issues (Category IV) (*i.e.*, issues over which Verizon has no disagreement with AT&T or Cox),

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7 *See* Issue III-2.

8 WorldCom Petition at 6.

9 *Id.*

10 *Id.* at 8, n.5.

11 *Id.*

12 *Id.* (emphasis added).

which immediately contradicts WorldCom's assertion that there is not significant agreement between Verizon and AT&T at least with regard to those issues. AT&T's Petition contains a long list of just the "chief" issues AT&T and Verizon have been able to resolve.[13] *Moreover, WorldCom has failed to explain in any instance why the resolution of the issues between Verizon and AT&T is not satisfactory.*[14] Although Verizon and Cox have agreed to more language than Verizon and AT&T, a quick review of the Verizon/AT&T redline reveals that in arbitrating those open issues, the Commission will be filling in gaps and not constructing an agreement from whole cloth.

II. THE PROPOSED INTERCONNECTION AGREEMENTS

Verizon attaches its proposed interconnection agreements with the Petitioners as follows:

- Exhibit C-1: Verizon's proposed interconnection agreement with WorldCom;
- Exhibit C-2: Verizon's proposed interconnection agreement with Cox; and
- Exhibit C-3: Verizon's proposed interconnection agreement with AT&T.

A. COX AND AT&T AGREEMENTS

As discussed, Verizon and Cox, as well as Verizon and AT&T, have made a great deal of progress toward drafting an interconnection agreement or refining issues. However, the proposed interconnection agreement AT&T filed with its Petition represents a step backward. Specifically, the AT&T-proposed interconnection agreement filed in this docket contains new language that has not been the subject of Verizon's and AT&T's extensive negotiations to date. Moreover, AT&T appears to include disputed language for issues on which Verizon and AT&T previously had reached agreement. AT&T further complicates issues that had been resolved or refined by introducing new proposed schedules redundant to the provisions within the main portion of the interconnection agreement. After refining issues through petitions for arbitration filed in Pennsylvania, New Jersey, Virginia (prior to preemption by the Commission), New York, and

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[13] AT&T Petition at 13-14.

[14] In responding to a number of WorldCom's issues, Verizon has referenced language to which it has agreed with AT&T as an acceptable compromise with WorldCom.

Maryland and ongoing negotiations, there is no good faith basis for AT&T to begin expanding its list of demands for purposes of this docket alone.

B. WORLDCOM AGREEMENT

At first glance, the history of negotiations recounted above between Verizon and WorldCom might look like two ships passing in the night. In fact, it represents two fundamentally different approaches to the task of negotiating an interconnection agreement – one legitimate, one not. As required by the Act, Verizon is seeking an agreement that will allow WorldCom to interconnect with Verizon's network. WorldCom's approach, by contrast, is to ask for as much special treatment as it can think of – in the hope that it might get some – and to require Verizon to do more than required under the Act. Verizon's approach is consistent with the Act and is the only practical way for Verizon to carry out its statutory obligations.

The Act mandates that Verizon must allow CLECs to interconnect with ***its*** network.[15] It does **not** mandate that Verizon build a network that the CLECs desire for **their** "business needs." As the Eighth Circuit has held, an incumbent LEC is only required to provide access to ***its existing network***, not to a yet unbuilt superior one.[16]

Under the Act, Verizon must make its network, products, and services available to the CLECs in a consistent and non-discriminatory manner. To carry out these responsibilities under the Act, Verizon has had to develop new wholesale products, new order processing systems, and new business processes. As parties begin negotiations, it is only reasonable that they start with Verizon's proposed agreement – one that reflects the form, structure, and substance of the document by which Verizon offers **its** facilities, products, and services to all CLECs in compliance with the Act. It would make no sense to start with a hundred CLECs' differing views as to how Verizon's products and services should be developed and provisioned. As a practical matter, Verizon simply cannot develop different products, systems and processes for every CLEC. As this Commission knows, interconnection agreements are, by necessity, very

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[15] The Act imposes upon the incumbent local exchange carrier –Verizon – "[t]he duty to provide, for the facilities and equipment of any requesting telecommunications carrier [WorldCom], interconnection ***with the local exchange carrier's network***." 47 U.S.C. § 251(c)(2) (emphasis added).

[16] *Iowa Utilities I* at 813.

long and complicated documents, with many interrelated terms and conditions. It is a difficult task simply to negotiate one, but then they must be implemented, and thousands of employees are responsible for doing so. To achieve the efficient telecommunications marketplace that the Act envisions, those employees cannot be expected to follow different processes and procedures for each and every CLEC.

Verizon does not dispute that different CLECs may have different requirements, and Verizon has frequently negotiated different terms and conditions as required. Those differences, however, must be negotiated against the backdrop of a common framework. That is the only way the parties can engage in meaningful dialogue about the facilities, products, and services that Verizon offers, and the only reasonable way that Verizon can ensure they are provided in a consistent, non-discriminatory manner.

Indeed, the Commission itself has recognized the value of having Verizon prepare a starting-point document that defines the facilities, products, and services it will offer to CLECs, and one that does so consistently across jurisdictions. In the *BA/GTE Merger Order*, the Commission adopted as a condition of approval of the merger a requirement that Verizon develop and "make available to any requesting telecommunications carrier generic interconnection and resale terms and conditions covering the [Verizon] Service Area in all [Verizon] States."[17] Verizon fulfilled that requirement in August 2000, and since doing so, has executed approximately 137 interconnection agreements based on that model interconnection agreement with changes in only a handful. *Moreover, WorldCom has agreed to use that model agreement as the starting point for its negotiations with Verizon everywhere else in the country.*

It is true that WorldCom filed its arbitration petition with the Virginia Commission shortly before Verizon had finished its model agreement. As noted above, however, WorldCom has not satisfactorily explained why it needs to have a uniform agreement with Verizon everywhere else in the country, but a different one in Virginia. Accordingly, Verizon's model agreement should also be the starting point for resolving the disputes in this proceeding.

1. The WorldCom-Proposed Interconnection Agreement Significantly Revises The 1997 Agreement.

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[17] *BA/GTE Merger Order*, Appendix D, ¶ 33.

Despite WorldCom's claims that it is essentially proposing to use the 1997 agreement, in fact its proposed interconnection agreement significantly revises the 1997 agreement. Because the entire WorldCom-proposed interconnection agreement is underlined to indicate that the whole document is "in dispute," WorldCom's revisions to the 1997 agreement are not evident. However, the document WorldCom filed with the Virginia Commission as its then-proposed interconnection agreement highlights the changes WorldCom made to the 1997 agreement.[18] Even though the WorldCom-proposed interconnection agreement differs from what it proposed in its filing to the Virginia Commission, the redlined document filed with the Virginia Commission reveals that WorldCom proposes to change approximately 50% of the 1997 agreement.

More troubling is the fact that WorldCom's Statement of Unresolved Issues does not disclose many instances in which it altered the 1997 agreement. Worse yet, in some instances, WorldCom claims that it did not alter the agreement when in fact it did.[19] In those instances, despite deleting language from the 1997 agreement, WorldCom represents in its explanation of these issues that

> these provisions were negotiated and agreed to by Verizon and WorldCom for inclusion in the current contract; these provisions are included in the current contract which was approved by the Virginia State Corporation Commission; there have been no changes in law or process between the parties which would warrant ***deleting*** or amending these provisions; and they have been opted-in to by many CLECs.[20]

WorldCom's selective and undisclosed omissions from the 1997 agreement are as misleading as WorldCom's description of the negotiation process.

2. WorldCom Proposes Unwarranted Detail.

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[18] WorldCom Petition, Exhibit 2.

[19] *See, e.g.*, WorldCom's and Verizon's position statements relative to Issue Nos. IV-19, IV-20, IV-89 and IV-97.

[20] *Id.* (emphasis added).

WorldCom readily admits that the 1997 agreement provides a "significant level of detail."[21] This level of detail, however, is entirely unwarranted. It will only lead to confusion, redundancy, staleness, inconsistency, and contradiction, because it will conflict with the legal and technical changes in the evolving telecommunications landscape as well as with new standards, developments and business processes resulting from industry collaboratives. Rather than agreeing to implement applicable law or the results of industry collaboratives, WorldCom insists on carving out special treatment for itself. By contrast, Verizon proposes language that will allow the Parties' interconnection agreement to remain consistent with the legal, technical, and business changes. This underlying difference in viewpoints regarding the appropriate level of detail to be included in an interconnection agreement recurs throughout the Parties' responses on the issues.

Attached as Exhibit C-1 to this Answer is the Verizon-proposed interconnection agreement. As discussed above, Verizon and WorldCom have engaged in national negotiations in which the Parties' have started to identify areas of compromise. Although Verizon is willing to have that agreement apply to the former Bell Atlantic service area in Virginia, WorldCom is not. Accordingly, just as WorldCom indicated that the entirety of its proposed interconnection agreement is in dispute, the entirety of Verizon's Exhibit C-1 also is in dispute, reflecting WorldCom's insistence that the national negotiations exclude a portion of Virginia.[22]

To the extent that (i) any subject matter covered by Exhibit C-1 is raised in WorldCom's Statement of Unresolved Issues *or* (ii) WorldCom failed to raise an issue that would put in dispute all the subject matter cover by Exhibit C-1, the Commission should adopt Verizon's proposed language. Without waiving this argument in the context of this arbitration or the national negotiations, Verizon has made a proposal to achieve consensus or narrow the issues for arbitration of an agreement to apply in the former Bell Atlantic service area by (i) suggesting that the Arbitrator carry forward language from the 1997 agreement, or (ii) suggesting that the Arbitrator order inclusion of the language from the Verizon/AT&T proposed interconnection

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[21] WorldCom Petition at 7.

[22] Verizon did not underline the entire document, but rather designates the entire document as disputed.

agreement instead of the Verizon-proposed language in Exhibit C-1. In making these alternative proposals to the Arbitrator, Verizon reserves its right to contest the organization of particular provisions within the resulting interconnection agreement.

III. THE ISSUES

The cumulative effect of the positions advocated by Petitioners in their respective Statements of Unresolved Issues is to allow them to micromanage Verizon's network, products, and services. Moreover, if Petitioners prevailed in their positions, not only would they fail to deploy their own networks, they would effectively shift financial responsibility for their own business plans to Verizon. Petitioners further seek to subvert established law, including Commission decisions, as well as industry processes designed to ensure consistency and fairness for all industry participants.

A. UNE PRICING

As explained in Verizon's response to the Petitioners' pre-hearing memorandum, the Commission should not establish recurring and non-recurring prices in this proceeding. The Virginia Commission adopted "permanent prices" for UNEs two years ago[23] and there is no reason to reset them so soon.

Moreover, because the Virginia Commission adopted many of the inputs recommended by AT&T, the prices set by the Virginia Commission are among the lowest in Verizon's region. Although these resulting prices do not reflect Verizon's actual forward-looking costs, or even the TELRIC-compliant costs proposed by Verizon, certainly the Virginia Commission's prices fall within "the range that the reasonable application of TELRIC would produce."[24] The Commission has held that in a 271 proceeding, it will not conduct a *de novo* review of a state's pricing

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[23] *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: To determine prices Bell Atlantic - Virginia, Inc. is authorized to charge Competitive Local Exchange Carriers in accordance with the Telecommunications Act of 1996, and Applicable State law*, Case No. PUC970005, p.26 (April 15, 1999). This Commission found these UNE rates to be in compliance with its existing TELRIC regulations. *See, In the Matter of AT&T Corporation, Complainant v. Bell Atlantic Corporation*, Defendant, File No. E-98-05 (August 18, 2000).

[24] *MA Verizon § 271 Order* at ¶ 20., quoting *Bell Atlantic New York Order*, 15 FCC Rcd at 4084, ¶ 244; *KS/OK SBC § 271 Order at* ¶ 59.

determinations unless the rates fall outside of that reasonable range. That same principle should apply here.

In addition, new rates should not be set "during the limited period"[25] in which the appeal of the TELRIC rules is pending in the Supreme Court.[26] Until the Supreme Court rules, maintaining the status quo will avoid the considerable time and effort required to re-examine the Virginia Commission's approved rates that are now in effect. Moreover, if this re-examination is undertaken on the basis of the existing TELRIC regulations and the Supreme Court invalidates them, the effort will have been for naught; this retaking process would need to be completely stopped and restarted on the basis of the Supreme Court ruling. As the Commission has stated there is no good reason to undertake this "costly and potentially unnecessary"[27] analysis at this point when the Supreme Court's ruling might negate the entire effort within a matter of months.

B. NETWORK ARCHITECTURE

The main premise behind each one of the network architecture issues is that Verizon should be financially responsible for Petitioners' interconnection choices.[28] The first issue in this section, Issue I-1, affects all the remaining issues in this section. Simply put, if WorldCom, AT&T, or Cox chooses to locate only one point of interconnection ("POI") in a LATA, each should be financially responsible for hauling the Verizon-originated call to the distant POI when that call leaves the local calling area. Otherwise, Verizon would be forced to subsidize the Petitioners' costs of interconnection as well as their network design choices.

The Petitioners' demands far surpass their legal entitlements and would have far-reaching effects on Verizon's network architecture. Moreover, the Commission's decisions on these network architecture issues will affect many of the intercarrier compensation issues raised by the

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[25] Motion for Partial Stay of Mandate Pending the Filing of a Petition for Writ of Certiorari, *Iowa Utilities Bd v. FCC*, No. 96-3321 (Aug. 30, 2000) at 2.

[26] *Iowa Utilities Bd. II* at 759.

[27] Motion for Partial Stay of Mandate Pending the Filing of a Petition for Writ of Certiorari, *Iowa Utilities Bd v. FCC*, No. 96-3321 (Aug. 30, 2000) at 10.

[28] WorldCom raises several network architecture issues that are exclusive to it. Nevertheless, as is evident from Verizon's Response, the Verizon model interconnection agreement addresses many of WorldCom's issues.

Petitioners. The cumulative effect of accepting the Petitioners' overreaching would be to force Verizon to subsidize the cost of Petitioners' entry into the local telecommunications market and create a disincentive to the Petitioners' deployment of their own networks.

C. UNE ISSUES

Perhaps no issue that has arisen as a result of the passage of the Act has been more actively litigated before the Commission, state commissions, and the federal courts than the definition of unbundled network elements ("UNEs") and their availability to CLECs. The Commission has provided extensive regulations as to UNEs that are codified in its Rules 51.307-321. Significant commentaries in support of those Rules are contained in the 1996 *Local Competition Order*, the 1999 *UNE Remand Order,* and the various Commission clarifications and additions to those Orders. In addition, the Supreme Court of the United States is considering the extent to which UNEs must be combined by ILECs and offered to CLECs,[29] and a ruling on that important issue will be forthcoming in the near future. Other UNE issues remain before the Commission in open dockets.[30] Despite this history and the rulings on the definition and availability of UNEs, the CLECs continue to press for additional UNEs and combinations of UNEs, as well as continue to make other assorted demands. The Commission should reject the CLECs' overreaching and their repetitious demands for it to overrule, nullify or modify existing Rules or the pronouncements of the federal courts. The Commission should instead measure the CLECs' issues by the settled law and hold open those issues that are still being reviewed in existing dockets. Indeed, although the pricing rules are currently under review at the Supreme Court, Verizon understands that the Commission's TELRIC rules are the current "law-of-the-land," and Verizon will accordingly propose prices that conform to those rules, instead of what Verizon believes the rules should be. With respect to the UNE requirements, the CLECs should do the same, that is, make proposals consistent with current law instead of urging that they be overturned in this forum.

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[29] *Iowa Utilities II*, 121 S. Ct. 877 (2001).

[30] *See, e.g.*, arbitrage of special access services (*Fourth Further Notice of Proposed Rulemaking*, CC Dkt. 96-98 (rel. Nov. 5, 1999)); collocation of advanced services equipment (CC Dkt. 98-147).

Examples of issues in which the CLECs advocate that the Commission reach beyond its established Rules are plentiful. First, for example, AT&T and WorldCom urge the Commission to ignore completely the appeal of *Iowa Utilities II* before the Supreme Court and order Verizon to provide "new" combinations of UNEs. (Issue III-6).[31] AT&T asks the Commission to reinstate the federal court-vacated Rules 315(b)-(f) because "[t]hose rules will be vindicated upon the Supreme Court's review of the Eighth Circuit's decision refusing to reinstitute them."[32] Although AT&T arrogantly ignores the Eighth Circuit's Ruling in *Iowa Utilities II*, the Commission has taken the more measured course and stated, even before the Eighth Circuit reaffirmed the vacating of Rules 315(b)-(f), that it would decline to address these arguments or reinstate those Rules until the courts had decided the issue.[33]

Another example of AT&T's desire to push aside previous Commission rulings is its request to convert "existing services (such as special access) to UNEs or UNE combinations . . . ." (Issue III-7).[34] The Commission, of course, has considered this proposal and specifically rejected it in its *Supplemental Order Clarification* to the *UNE Remand Order*. In that *Clarification*, the FCC established specific prohibitions on these types of service conversions unless the CLEC could prove that "a significant amount of local exchange service" is being provided to a particular customer.[35] AT&T unabashedly proposes to brush aside the *Supplemental Order Clarification* and have the Commission in this Arbitration overrule these service conversion restrictions.[36] Along with that request, AT&T asks the Commission to nullify its special access contract terms with Verizon by which liabilities will be imposed on AT&T, as they are on any other CLEC, for early termination of a contract. (Issue III-7).[37] The Commission

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31 *AT&T Petition* at 97; *WorldCom Petition* at 43.

32 *AT&T Petition* at 107.

33 *UNE Remand Order* ¶¶ 479-481.

34 *AT&T Petition* at 107; *see also, WorldCom Petition* at 46.

35 *Supplemental Order Clarification* ¶ 22.

36 *AT&T Petition* at 110.

37 *Id.* at 123.

has held already that contract termination liability provisions are enforceable when there are such conversions.[38] The Commission should not allow AT&T to ignore this contractual liability and thus be treated differently – not at parity – than other CLECs with early termination contractual liability provisions.

An additional example of overreaching requests by the CLECs is the urging by AT&T and WorldCom that the Commission overrule its holding that switching need not be unbundled when a CLEC serves business customers with four or more lines in Density Zone 1 in the top 50 metropolitan statistical areas so long as the ILEC has provided enhanced extended loops in that Zone 1. (Issue III-9).[39] As a last example—but there are certainly more examples – the CLECs ask the Commission to extend dramatically the Commission's definition of "dark fiber" to include all "unused transmission media," to allow access to dark fiber at various intermediate locations on the Verizon system including splice points, and to require Verizon to install additional dark fiber when a CLEC forecasts a desire to use it (Issue III-12). All of these requests violate Rule 51-319(d) and the Commission's clear holdings on the availability of dark fiber.[40]

Taken together, these requests represent a "throw it against the wall and see what sticks" approach to this arbitration. The Commission has already considered many, if not all, of the UNE issues raised by the CLECs and has created its Rules based on its previous consideration of these issues and its statutory mandate for UNEs under the Telecommunications Act. There is no basis to modify those rules in this arbitration involving three CLECs in Virginia, and their efforts to do so should be rejected.

D. BUSINESS PROCESS REQUIREMENTS

Petitioners have raised thirty-nine issues in their Petitions under the heading "Business Process Requirements." Thirty-six of these issues, however, are raised by WorldCom alone.[41]

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[38] *UNE Remand Order* n. 985.

[39] *UNE Remand Order* ¶ 278; *see AT&T Petition* at 146; *WorldCom Petition* at 50.

[40] *UNE Remand Order* ¶ 165 *et seq.*; *see AT&T Petition* at 198; *WorldCom Petition* at 53.

[41] WorldCom is the only CLEC seeking individual business process requirements for inclusion into the Parties' interconnection agreement. Under the Business Process Requirements

Much of the contract language proposed under the Business Process issues comes verbatim from the expired Bell Atlantic/MCImetro interconnection agreement. As is true with much of the language in that first generation interconnection agreement, the Business Process clauses quoted are the outdated and unnecessary products of long-ago arbitrations that were executed before the development of Change Management Process. They therefore fail to account for the maturity of the CLEC/Wholesale industry and for the industry practices that have developed to enable the industry as a whole to provide input on processes that affect multiple industry participants.

Since Bell Atlantic and MCImetro entered into the now-expired interconnection agreement, the industry has shifted to addressing Business Process issues in various collaboratives and task forces, which have generally included Verizon and WorldCom representatives. Apparently dissatisfied with the products of the industry collaborative effort, WorldCom now attempts to arbitrate this myriad of Business Process requirements, effectively asking that the Commission require Verizon to give WorldCom its own unique set of Business Process Requirements. WorldCom's effort to acquire through arbitration that which it could not acquire through the industry collaborative processes undermines the industry collaborative effort, as well as Verizon's obligations to provide CLECs with nondiscriminatory interconnection. Further, the industry practices, standards and procedures at issue change frequently, thus making contractual codification of such practices, standards and procedures largely unworkable. The industry collaborative process recognizes this problem, and remedies it by having ILECs and CLECs work together to craft a set of mutually agreeable, industry-wide, dynamic business processes that Verizon then applies across the entire CLEC community. In addition, the collaborative process provides the flexibility needed for the industry to address evolving issues. The Commission has specifically endorsed use of this coordinated industry process, stating:

> We strongly urge incumbent LECs and competing carriers to work together to develop processes and systems to support competing carrier ordering and provisioning of unbundled loops and switching necessary for line splitting. In particular, we encourage incumbent

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heading, AT&T and Cox have raised two discrete issues regarding language proposed by Verizon, *see* Issues I-8 and I-11, and an issue regarding transfer of service announcements. *See* Issue III-16.

> LECs and competing carriers to use existing state collaboratives and change management processes....[42]

The Commission has also endorsed a uniform Change Management Process in § 20 of the Bell Atlantic/GTE Merger Conditions, stating "Bell Atlantic/GTE shall offer to include in its interconnection agreements with CLECs a commitment to follow the uniform change management process agreed upon with interested CLECs."

If WorldCom were allowed to force into the Parties' interconnection agreement a unique set of business processes, Verizon would become saddled with a grossly inefficient and unmanageable system. First, implementation of any future change to the industry practices, standards and procedures covered by the Business Process language would be hindered by contractual restrictions. This could be detrimental to WorldCom, as its contractual obligations would impede the implementation of improved processes, standards and procedures. Second, other CLECs could demand that they too be allowed to negotiate/arbitrate their own unique business process terms, forcing Verizon to support multiple processes, all of which would be designed to achieve the same result. Not only would supporting multiple processes be unworkable for Verizon, it would be detrimental to the whole industry. In addition, the existence of these multiple processes, standards and procedures could negatively impact Verizon's ability to gather the appropriate metric data, much less comply with objective levels of service.

Through continuing participation in the industry collaborative, Verizon has established a Change Management Process that deals with changes affecting CLECs that Verizon makes to its interfaces and systems. This process is applicable to all CLECs, and all CLECs have the opportunity for input. The premise behind this on-going process is that Verizon will have only one set of processes, standards and procedures to administer, across the board. Since many CLECs share the interfaces and obtain access to the same back-office systems, changes will affect all members of the CLEC industry. It would be inappropriate, therefore, for Verizon to have an agreement requiring it to make changes at the whim of a single CLEC. Indeed

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[42] *See Line Sharing Reconsideration Order* at ¶ 21. *See also NY Verizon § 271 Order*, ¶ 101-112; *MA Verizon § 271 Order*, ¶ 102-108; *BA/GTE Merger Order*, ¶ 291 n.662 (recognizing "the benefits competing carriers derive from a uniform system of change management").

WorldCom itself has supported the Change Management Process and argued that it should be extended throughout Verizon's footprint more quickly.[43]

There must be a process through which Verizon and all interested CLECs can address issues and changes. In furtherance of that goal, the Change Management Process allows CLECs to meet and determine their business needs and ILECs to try to facilitate those needs. Part of this Change Management Process involves Verizon's regular participation in the Industry Change Control Meeting, a monthly forum attended by the Verizon Change Management Manager, Verizon Support Group's subject matter experts (as needed), and CLEC Change Management representatives. In the Industry Change Management Meetings, the participants discuss Change Management issues, summarize the prior month's activities, and present an outlook for future releases.

Verizon also participates in the Prioritization Working Group Meeting, a monthly forum attended by the Verizon Change Management Manager, Verizon Support Group's subject matter experts (as needed), and CLEC Change Management representatives. There, the participants introduce and prioritize newly-initiated Change Requests and provide status reports on existing Change Requests.[44]

In addition, Verizon, through the Change Management Manager, sponsors telecommunications-related workshops. These workshops serve several purposes, including educating CLECs on a particular process or business function, collecting feedback from CLECs about such functions, and providing a forum for either Verizon or a CLEC to advocate for the implementation of a particular process or business function.

Verizon has designed and implemented a single, state-of-the-art change management process that applies to all CLECs in the former Bell Atlantic service area. The Commission has recognized the adequacy of this change management process in Verizon's § 271 proceedings for New York and Massachusetts, concluding that "Verizon has shown that it has an adequate change management process in place" and noted the importance of Verizon's "adher[ence] to

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[43] *See BA/GTE Merger Order*, Supplemental Comments of MCI WorldCom, Inc. at 10 (March 1, 2000) (attached in Exhibit D).

[44] Although Verizon retains ultimate discretion, consistent with applicable law, Verizon gives good faith consideration to CLEC prioritization of Change Requests.

that change management process over time."[45] The Commission also recognized that "[c]ompeting carriers had substantial input in the design of the Change Agreement and continue to participate meaningfully in its operation."[46]

Verizon's change management process is described in a document that Verizon maintains on its website, entitled "Telecom Industry Services Change Management Process ("Change Management Document")."[47] This document, a product of the industry collaborative, was finalized on July 6, 2000, and is intended to supplement rather than replace any state or federal requirements or provisions regarding notice of changes, including, without limitation, changes pursuant to 47 C.F.R. §§ 51.325-335. The Change Management Document serves as a reference for the process by which telecommunications companies and Verizon communicate about changes to the collection of interfaces that support the relationship between Verizon, as a provider of resold telecommunications services, unbundled network elements, and facilities, as applicable, and the telecommunications carrier as a consumer of these services. As with any deployed business process enabled by OSS, as the process evolves the associated computer systems and business practices that directly affect the interface may be changed to accommodate it. The Change Management Document describes how Verizon and telecommunications carriers will work together in implementing such changes.

In sum, a statement in the Parties' interconnection agreement confirming that the Parties agree to be bound by applicable law is all that is needed to address adequately the business process issues raised by WorldCom. The Commission should not allow WorldCom to subvert the successful industry collaborative process.

E. TERMS AND CONDITIONS

There are 51 "general terms and conditions" issues. With three exceptions (Issues I-10, III-15, and V-11), the "terms and conditions" issues are unique to WorldCom. Although

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[45] *MA Verizon 271§ Order* at ¶ 102 (rel. April 16, 2001).

[46] *Id.* at ¶ 107.

[47] This document can be found at http://128.11.40.241/east/wholesale/customer_docs/master.htm ("Change Management Document") (Attached in Exhibit D).

WorldCom repeatedly seeks to place blame on Verizon for the lack of progress on a negotiated interconnection agreement with WorldCom, there is no credible basis for this assertion, as Verizon has been able to work through and reach agreement with AT&T and Cox on all but a handful of these issues. Indeed, with the exception of WorldCom, Verizon has been able to agree upon these issues with all CLECs. WorldCom is the outlier, not Verizon.

Exhibit C-1 to Verizon's Answer to WorldCom's Petition represents Verizon's proposed interconnection agreement to WorldCom. This is the interconnection agreement Verizon provided to WorldCom to use in the interconnection negotiations. More important, this is the document that the Parties agreed would serve as the starting point in their negotiations of a national agreement that – at WorldCom's insistence -- will apply everywhere *except* the former Bell Atlantic territory in Virginia. In fact, this national agreement will even apply to the former GTE territory in Virginia. As discussed above, WorldCom has chosen to carve out the former Bell Atlantic Virginia territory from the remainder of Verizon's national footprint. The Commission must keep in mind that this strategy has everything to do with WorldCom's litigation tactics, and nothing to do with WorldCom's alleged interest in serving Virginia.

In any event, rather than review the national agreement document and provide substantive comments on it for purposes of the negotiations for the former Bell Atlantic serving areas in Virginia, WorldCom continues to insist that it has merely proposed the 1997 interconnection agreement between Verizon and WorldCom. This is certainly untrue with respect to the WorldCom-proposed interconnection agreement generally, and it is untrue with respect to the general "terms and conditions" section specifically. Not only has WorldCom reorganized the sections within the general "terms and conditions" section, it has substantively revised a number of pages within that section.

Despite Verizon's continued belief that the Verizon-proposed interconnection agreement should be adopted, Verizon is willing to narrow the issues in this section so as minimize the burden on the Commission in resolving this arbitration. Verizon has indicated where it will not contest WorldCom-proposed language, if the Commission deems it necessary to adopt such language in the context of an arbitrated agreement. Where Verizon cannot accept WorldCom's proposed language, Verizon has proposed that the parties use either (i) the equivalent language to which Verizon and AT&T have agreed,[48] or (ii) the language in Verizon's model agreement.

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[48] Despite WorldCom's representation that it reviewed the AT&T/Verizon interconnection agreement and found little agreed language, it is evident from the fact that AT&T raises only two issues in this section that Verizon and AT&T have agreed to language for almost the entire terms and conditions section of the contract.

F. ORGANIZATION OF VERIZON'S RESPONSE TO ISSUES

As explained in Exhibit A, Verizon has conformed the numbering of its responses to the numbering used by the Petitioners. In addition, Verizon has maintained the same broad subject matter headings used by the Petitioners. However, within each broad subject matter heading, Verizon has organized the responses in numeric order rather than the order of any one of the Petitions. For further ease of reference, Verizon included two tables in Exhibit A that reference the issues by subject matter as well as in numeric order.

IV. SUPPLEMENTAL ISSUES

Attached as Exhibit B is Verizon's Supplemental Statement of Unresolved Issues. With respect to any of the Verizon-proposed interconnection agreements (Exhibits C-1, C-2, and C-3), redlined language represents a dispute between the Parties. Either in Exhibit A or Exhibit B, the Parties have identified the substantive areas of dispute. However, the proposed interconnection agreements may contain other differences, such as grammatical or numbering differences. The Parties likely will be able to resolve such non-substantive issues without the need for raising issues for arbitration. Nevertheless, Verizon does not waive its right to argue that its language should prevail.

With respect to the Verizon-proposed interconnection agreement with WorldCom (Exhibit C-1), and as further explained in Exhibit B, Verizon has identified three categories of supplemental issues. First, to the extent that WorldCom has failed to raise a dispute regarding a provision in Verizon's proposed interconnection agreement, Verizon has noted that language and proposes that the Commission should order its inclusion in the resulting interconnection agreement. Second, if the Commission allows WorldCom to carry forward the provisions of the 1997 interconnection agreement, then Verizon has identified as supplemental issues the reinsertion of certain provisions from the 1997 interconnection agreement that WorldCom deleted. If WorldCom wants the 1997 interconnection agreement, it should be prepared to live with the balance that was obtained through the negotiation and arbitration process that resulted in the 1997 agreement. Third, Verizon has identified provisions included in WorldCom's proposed interconnection agreement for which WorldCom has failed to raise an issue.

With respect to the Verizon-proposed interconnection agreement with Cox (Exhibit C-2), Verizon has raised no supplemental issues at this time.

With respect to the Verizon-proposed interconnection agreement with AT&T (Exhibit C-3), Verizon has identified various issues associated with AT&T's growing list of demands and failure to accurately reflect provisions on which the Parties have reached agreement.

To the extent that the Petitioners' raise additional issues through newly proposed contract provisions, their subsequent cost filings, or through clarification of existing issues, Verizon reserves its right to respond or further identify supplemental issues.

V. CONSOLIDATION OF PROCEEDINGS

The Petitioners have urged the Commission to consolidate these proceedings for hearing purposes. Verizon does not oppose consolidation for hearing purposes provided that the procedures are fairly established and if such segmentation allows for the presentation of issues in a logical progression. Specifically, the issues should be organized in a manner that corresponds

to the general subject matter headings used by the Petitioners and Verizon, with further subdivision as may be appropriate. That is:

- UNE Pricing[49]
- NRC's
- Network Architecture *(probable area for subdivision)*
- Intercarrier Compensation
- UNE Issues *(probable area for subdivision)*
- Rights of Way
- Pricing Terms and Conditions
- Resale
- Security Requirements
- Business Process Requirements
- Terms and Conditions
- Performance Metrics & Remedies
- Miscellaneous

This organization would be conducive to the use of panels of witnesses who can address the particular issues raised under each topic. It further would minimize the need for the same witnesses to appear on multiple panels, which would result if the hearing and panels are organized in accordance with the "Category" of issues (e.g., I (all), II (pricing/costing), III (AT&T, WorldCom), IV (WorldCom only), and V (AT&T only). For example, if the Category I issues were addressed first and independent of the subject matter organization, then witnesses to address network architecture, intercarrier compensation, UNE issues, pricing terms and conditions, business process, and terms and conditions would have to appear repeatedly. This does not yield the efficiencies that should result from consolidation.

Moreover, assuming that the Commission consolidates these proceedings, the Arbitrator should consider that Verizon is being asked to address the issues "times three" when setting deadlines or time limits. Even though a common issue may be identified, Petitioners may or may not have a common position and may or may not suggest common contractual language. Although Petitioners may pick and choose where to share resources and "tag team" on

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[49] As discussed in Verizon's Response to Prefiling Memorandum filed in this docket, Verizon recommends that the segment on rates not go forward at this time. Verizon renews that recommendation, but recognizes that the current procedural order contemplates the filing of cost studies and consideration of appropriate rates.

presentation of issues, Verizon still must keep up with their separate or combined presentations in multi-segments on concurrent tracks.

VI. IDENTIFICATION OF WITNESSES

In Exhibit A, Verizon identifies the persons upon whom it intends to rely to support its factual and policy positions on each of the unresolved issues. Counsel for Verizon will support its legal argument. Moreover, Verizon reserves the right to amend its proposed witness panel as circumstances require.

VII. RELIEF REQUESTED

For the foregoing reasons, the Commission should order the adoption of the Verizon-proposed interconnection agreements attached as Exhibits C-1, C-2, and C-3 and reject the Petitioners' respectively proposed interconnection agreements.

Respectfully submitted,

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By permission KZ

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Dated: May 31, 2001

CERTIFICATE OF SERVICE

I do hereby certify that **Verizon's Corrected Answer to WorldCom, Cox and AT&T Petitions for Arbitrations** was sent via UPS Overnight Express delivery as follows this 7th day of June, 2001:

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