

1 **Q. COULD YOU PLEASE DESCRIBE LEC-TO-LEC MEET-POINT**
2 **BILLING?**

3 A. Yes. Services provided to IXCs are covered by the terms, conditions and rates
4 contained in LEC and CLEC access tariffs. LECs and CLECs do not assess each
5 other access charges associated with the joint provision of access services to
6 IXCs. Rather, the charges are levied by each LEC to the IXC, based on the
7 services each company provides to the IXC. This “meet point billing”
8 arrangement has been in the ILECs’ tariffs since divestiture, covering the
9 application of access charges when service is jointly provided to an IXC by more
10 than one LEC.

11
12 Under a standard meet point arrangement for the provision of access services to an
13 IXC when more than one LEC is involved, the IXC interconnects with only one of
14 the LECs’ access tandems. That LEC interconnects with the other LEC and
15 transports the call to the second LEC’s end office. Thus, only one access tandem
16 is used in such arrangements.

17
18 By way of example, in a typical switched access joint provisioning/meet point
19 arrangement, the Point of Presence (“POP”) of the IXC is located in the serving
20 area of LEC #1 and the end user is located in the serving area of LEC #2. The
21 IXC connects to an access tandem in LEC #1’s operating area. LEC #1 assesses
22 access charges to the IXC, based on its access tariff, for LEC #1’s facilities
23 (entrance facilities and transport) from the POP to the access tandem, for the use

1 of the access tandem, and for transport from the access tandem to the “meet point”
2 location with LEC #2. LEC #2 assesses access charges to the IXC from that meet
3 point to the end office serving the end user, for the use of the local end office
4 switch and for the use of the common line facilities from the end office to the end
5 user premises.

6
7 In this manner, each LEC receives compensation from the IXC for the
8 facilities/services provided to and used by the IXC. Neither LEC uses the
9 facilities or services of the other LEC and, therefore, there is no need or rationale
10 for any reciprocal arrangement. This is not local traffic and there are no costs to
11 recover from either LEC.

12
13 **Q. HOW DOES AT&T’S APPROACH DIFFER FROM THIS WELL-**
14 **SETTLED STANDARD?**

15 A. AT&T appears to be arguing that it should be allowed to provide competitive
16 tandem access service to an IXC and then interconnect with a Verizon VA access
17 tandem. As described above, although such an arrangement is permissible under
18 Verizon VA’s access tariffs, it is not a meet-point arrangement between two
19 LECs. Rather, the company that is providing the tandem access service to the
20 IXC in such an arrangement is a CAP, not a LEC/CLEC. The transport facilities
21 from Verizon VA’s end offices to the AT&T tandem in this situation would not be
22 “jointly provided” transport services involving two LECs, but rather Direct Trunk
23 Transport (“DTT”) services provided by Verizon VA to the AT&T competitive

1 tandem. This service arrangement is available in the interstate access tariff today.
2 *See*, Verizon Tariff F.C.C. No. 1, § 6.1.2a (effective April 28, 2001). AT&T is
3 simply trying to cloud a straight-forward situation.

4
5 In such situations, it is the CAP (in this case, AT&T as the alternative tandem
6 provider) that would order switched access services from the LEC (*i.e.*, Verizon
7 VA) for the interconnection of the CAP's network with the LEC's network. For
8 all intents and purposes, the CAP's point of interface with the LEC is designated
9 as the CAP's POP, and the CAP appears as the interexchange customer of record
10 to the LEC. The CAP would bill the IXC for any services that it provides to the
11 IXC, and the LEC would bill either the CAP or the IXC for the switched access
12 services that it provides, depending upon the billing arrangement between the
13 CAP, IXC and LEC.

14
15 The alternative tandem service that AT&T proposes is similar to other
16 interexchange services that have been provided by other competitors. For
17 example, competitors can, and do, arrange with IXCs to have their access traffic
18 routed to the competitors' tandem from Verizon VA's network. Using the Carrier
19 Identification Parameter ("CIP") feature, access traffic for multiple IXCs can be
20 routed from Verizon VA end users to a single competitor's tandem switch
21 location, either directly from Verizon VA's end offices or via a Verizon VA
22 tandem. Verizon VA bills the competitive tandem provider for the transport
23 facilities and other services it provides, and the competitive tandem provider bills

1 the IXCs for the use of its network facilities. There is no meet-point billing
2 involved. This access arrangement between a LEC and interexchange service
3 provider is, essentially, the same as what AT&T is proposing.

4
5 **Q. IN THE INTERCONNECTION ARRANGEMENT PROPOSED BY AT&T,**
6 **WHAT CHARGES SHOULD APPLY?**

7 A. In the AT&T CAP situation, Verizon VA must be able to assess access charges to
8 AT&T, or whomever directly interconnects with the Verizon VA network, for the
9 use of Verizon VA's transport services associated with interexchange traffic.

10 Assuming that AT&T would connect its interexchange tandem directly to Verizon
11 VA's end offices, and further assuming that Verizon VA would provide all of the
12 facilities from that end office to the AT&T tandem location; the following charges
13 would apply to the facilities/services provided to AT&T:

14
15 Entrance Facilities Charges - Monthly, flat-rated charges for the facilities from the
16 serving wire center ("SWC") of the AT&T POP to the point of interconnection in
17 the AT&T POP. The actual charges would depend on the type of connection (e.g.
18 DS1 or DS3) and term discount plan ordered by the customer.

19
20 Multiplexing Charges - Monthly, flat-rated charges for any multiplexing
21 service(s) required and ordered when lower speed transport services (e.g. DS1) are
22 multiplexed onto higher-speed services (e.g. DS3) at the request of the customer.

1 Direct Trunk Transport - Monthly flat-rated charges (fixed and per mile) for the
2 dedicated facilities provided to AT&T from the SWC of the AT&T POP to the
3 various Verizon end offices.

4

5 Dedicated End Office Port Charges - Monthly flat-rated charges for the end office
6 switch ports used to terminate the switched access trunks dedicated to AT&T in
7 each end office.

8

9 End Office Switching Charges - Per minute of use ("MOU") charges assessed to
10 originating and terminating interexchange (access) traffic.

11

12 **Q. IF AT&T'S PROPOSAL WERE ADOPTED, WHAT CHARGES WOULD**
13 **APPLY?**

14 A. If, in this situation, AT&T were to be deemed to be a CLEC and the meet-point
15 tariff provisions were to apply, the rates and charges that would be applicable to
16 AT&T are as follows:

17

18 Tandem Switched Transport ("TST") Charges - TST Termination (per MOU) and
19 Facility (per MOU/mile) charges would apply from the various end office(s) to
20 the "meet point" with AT&T, presumably the point of interconnection at its access
21 tandem location.

22

1 Shared End Office Port Charges - Per MOU charges associated with the end office
2 switch ports used to terminate the switched access trunks/traffic to/from AT&T's
3 network in each end office.

4
5 End Office Switching Charges - Per MOU charges assessed to originating and
6 terminating interexchange (access) traffic.

7
8 **Q. WHAT COSTS DOES AT&T SEEK TO AVOID BY**
9 **MISCHARACTERIZING THIS AS A MEET POINT BILLING**
10 **ARRANGEMENT?**

11 A. AT&T is seeking to avoid paying the appropriate dedicated switched access
12 charges. Verizon VA has a "meet point" with all of its customers, that is the point
13 of interconnection with the customer's network. This is true whether the customer
14 is an end user, a CLEC, an independent Telco, a Wireless provider or an IXC.
15 Nonetheless, the "meet point billing" provisions in the tariff are limited to a
16 situation where two LECs are involved in the joint provisioning of access to an
17 IXC, and the IXC could not access one of the LECs end users absent that
18 arrangement (*e.g.* one LECs end office subtends another LECs access tandem).

19
20 This is not the case with the AT&T proposal. Other IXCs can access Verizon
21 VA's end users in Virginia via Verizon VA's access tandem or via direct
22 connections to Verizon VA end offices. There is no necessity for meet point
23 billing. What AT&T is proposing is an arrangement between an IXC and a LEC.

1 AT&T would be the access customer to Verizon VA in that case, not the
2 individual IXCs. Accordingly, AT&T should pay the full charges for the access
3 services it is using.

4
5 **V. ISSUE VII-8: MEET POINT TRAFFIC**

6
7 **Q. CAN YOU SUMMARIZE THE NATURE OF THE DISPUTE WITH**
8 **REGARD TO THIS ISSUE?**

9 A. Yes. Issue VII-8 raises the question of whether AT&T should be permitted to pay
10 the end office rate, rather than the tandem rate, for delivery of traffic to Verizon
11 VA's tandem. Verizon VA takes the position that AT&T should not be able to do
12 so and thereby avoid paying its fair share of the transport costs involved.

13
14 **Q. WHAT IS THE DIFFERENCE BETWEEN A TANDEM RATE AND AN**
15 **END OFFICE RATE?**

16 A. A tandem connects end office traffic to other end offices, ILECs, and IXCs. An
17 end office, in contrast, connects to end users. The tandem rate, which is a
18 composite rate, is higher than the end office rate because of the additional
19 switching and transport costs involved.

20

21

1 **Q. WHAT DETERMINES WHETHER A PARTY PAYS RECIPROCAL**
2 **COMPENSATION BASED ON THE TANDEM RATE OR THE END**
3 **OFFICE RATE?**

4 A. The party originating a local call should pay reciprocal compensation at a tandem
5 rate or end office rate, depending upon where the call is delivered to the receiving
6 party. Section 251(b)(5) of the Act clearly calls for reciprocal compensation
7 based upon “the transport and termination of telecommunications.” The end
8 office rate only compensates the receiving party for end office switching. If an
9 originating party delivers traffic to the tandem, the end office rate will not
10 compensate the receiving party for the additional functions performed by the
11 tandem switch and associated transport. The tandem rate, which includes both
12 switching and transport components, would compensate the receiving party for
13 these additional functions when terminating the traffic via the tandem and end
14 office.

15
16 **Q. DOES VERIZON VA OPPOSE AT&T’s PROPOSED CONTRACT**
17 **LANGUAGE?**

18 A. Yes. In its proposed contract language, AT&T strives to pay the end office rate
19 for delivery of traffic to Verizon’s tandem and, thereby, avoid paying its fair share
20 of transport costs that are part of the tandem rate. AT&T attempts to cloak this
21 intent by couching its reciprocal compensation language in terms of trunks used to
22 deliver traffic. The type of trunk used does not determine the costs incurred by
23 the receiving party. In proposing its language, AT&T attempts to avoid paying

1 the transport portion of reciprocal compensation and attempts, instead, to foist
2 those costs onto Verizon VA.

3
4 **Q. HAS THE COMMISSION SPOKEN TO THIS ISSUE BEFORE?**

5 A. Yes. In the Local Competition Order, the Commission provided that reciprocal
6 compensation should compensate the terminating carrier for the cost of both the
7 transport and termination of the local traffic. “Section 252(d)(2) states that, for
8 the purpose of compliance by an incumbent LEC with Section 251(b)(5), a state
9 commission shall not consider the terms and conditions for reciprocal
10 compensation to be just and reasonable unless such terms and conditions both: (1)
11 provide for the mutual and reciprocal recovery by each carrier of costs associated
12 with the transport and termination on each carrier’s network facilities of calls that
13 originate on the network facilities of the other carrier, and (2) determine such
14 costs on the basis of a reasonable approximation of the additional costs of
15 terminating such calls.”

16
17 The Commission specifically decided to “treat transport and termination as
18 separate functions — each with its own cost.” The Commission defined transport
19 for purposes of § 251(b)(5), “as the transmission of terminating traffic that is
20 subject to section 251(b)(5) from the interconnection point between the two
21 carriers to the terminating carrier’s end office switch that directly serves the called
22 party (or equivalent facility provided by a non-incumbent carrier).” The charges
23 for transport should reflect the cost of the particular provisioning method of

1 transport. Termination, on the other hand, was defined “as the switching of
2 traffic that is subject to section 251(b)(5) at the terminating carrier’s end office
3 switch (or equivalent facility) and delivery of that traffic from that switch to the
4 called party’s premises.”

5
6 **Q. WHAT DOES VERIZON VA PROPOSE THAT THE COMMISSION DO**
7 **WITH RESPECT TO THIS ISSUE?**

8 A. Given the clear language of the Local competition Order, the Commission should
9 reject AT&T’s proposed language.

10
11 **VI. ISSUE III-5: TANDEM RATE**

12
13 **Q. PLEASE SUMMARIZE THE DISPUTE OVER THIS ISSUE.**

14 A. The dispute over this issue focuses on the appropriate reciprocal compensation
15 rate for local traffic that does not pass through a CLEC tandem. Verizon VA
16 maintains that the CLEC should not receive the higher tandem-switched rate but,
17 rather, should receive the lower end-office rate for traffic routed directly to the
18 CLEC’s end-office. In other words, if the CLEC’s network and service are such
19 that its costs are lower, the CLEC’s compensation should be lower. Moreover, in
20 connection with design of the network, if interconnection is such that CLEC
21 traffic is not routed through a tandem, then the CLEC should not receive a
22 tandem-switched rate.

1 **Q. WHAT IS THE DIFFERENCE BETWEEN CONNECTING TO A**
2 **TANDEM AND CONNECTING TO AN END OFFICE?**

3 A. A tandem connects end office traffic to other end offices, ILECs, and IXCs. Thus,
4 connecting at a tandem provides a CLEC with access to the end offices, ILECs
5 and IXCs. An end office, in contrast, connects to end users only. Thus,
6 connecting to an end office only provides a CLEC with access to the end users.

7
8 The resulting effect on rates is that the tandem rate is higher than the end office
9 rate, because of the additional switching and transport costs involved. A CLEC
10 can avoid paying an ILEC tandem rate, however, by interconnecting directly at
11 the end office. Verizon VA merely seeks comparable interconnection choices, so
12 that it can control its own costs by bypassing the tandem rates of CLECs.

13
14 **Q. WORLDCOM AND AT&T PROPOSE THAT WHERE THE**
15 **GEOGRAPHIC COVERAGE OF THE CLEC'S SWITCH IS**
16 **COMPARABLE TO THAT OF A VERIZON VA TANDEM, THE CLEC**
17 **SHALL BE ENTITLED TO RECIPROCAL COMPENSATION AT THE**
18 **TANDEM RATE. PLEASE EXPLAIN THE PROBLEMS WITH THAT**
19 **PROPOSAL.**

20 A. WorldCom and AT&T contend that they are entitled to the tandem switching rate
21 element because their switches provide the geographic coverage of Verizon VA's
22 tandems. They overstate the facts. CLECs should be required to demonstrate
23 actual functional and geographic comparability for each of their switches, and

1 should not receive tandem switching rates unless each switch actually serves a
2 geographically dispersed customer base. Even if the CLECs demonstrate that
3 their switches meet the tandem criteria, Verizon VA is still unable to take
4 advantage of a lower end office rate by bypassing the tandem and connecting
5 directly to the CLECs' end office switch.
6

7 **Q. HAS THE COMMISSION SPOKEN ON THIS ISSUE?**

8 A. The Commission has amended 47 CFR §51.711(a)(3) to require that the
9 “comparable geographic area test be met before carriers are entitled to the tandem
10 interconnection rate for local call termination.” Further, in the Intercarrier
11 Compensation NPRM, the Commission requested comment on its current tandem-
12 rate rule and whether that rule creates an opportunity for regulatory arbitrage.
13 Verizon VA’s proposal satisfies the Commission’s current rule but eliminates the
14 opportunity for regulatory arbitrage by placing the burden on the CLECs to prove
15 that their switches *actually* serve a geographically dispersed area, as opposed to
16 simply claiming that their switches *may eventually* serve a geographically
17 dispersed area.
18

19 **Q. WHAT DOES VERIZON VIRGINIA PROPOSE THAT THE**
20 **COMMISSION DO WITH RESPECT TO THIS ISSUE?**

21 A. Verizon VA proposes that the Commission follow the lead of the Texas PUC,
22 which recently addressed these issues. The Texas PUC concluded that for a

1 CLEC that does not have a “hierarchical, two-tier switching system [*i.e.*, end-
2 office to tandem to end-office] to receive reciprocal compensation for performing
3 tandem functions, the CLEC **must demonstrate that it is actually serving** the
4 ILEC tandem area using tandem-like functionality, instead of just demonstrating
5 the capability to serve the comparable geographic area.” (Emphasis added).
6

7 Even if the CLECs demonstrate that their switches meet the tandem criteria,
8 Verizon VA is still unable to take advantage of a lower end office rate by
9 bypassing the tandem and connecting directly to the CLECs’ end office switch.
10 The clear intent of the Act is to promote full and fair competition and encourage
11 facilities-based competition. “Mutual and reciprocal” does not necessarily mean
12 identical; however, it does require an underlying fairness. Thus, the Commission
13 should adopt Verizon VA’s proposal for an average rate for termination of
14 Verizon VA traffic at a CLEC switch where the CLEC employs a single tier
15 interconnection structure.
16

17 **Q. CAN YOU EXPLAIN HOW THAT PROPOSAL WORKS?**

18 A. Yes. If a CLEC demonstrates that it employs a single-tier interconnection
19 structure (*i.e.* the CLEC switch performs tandem and end office functions within
20 the same switch), then Verizon VA proposes that the reciprocal compensation rate
21 the CLEC charges Verizon VA should be the average rate charged by Verizon VA
22 to the CLEC for call termination during the previous calendar quarter. For

1 example, if a CLEC sends half of its traffic to the Verizon VA tandem and half to
2 Verizon VA end offices, then the CLEC would charge Verizon VA at an average
3 rate calculated by combining 50% of the tandem rate and 50% of the end office
4 rate.

5
6 **Q. HAS VERIZON VIRGINIA'S AVERAGE RATE PROPOSAL BEEN**
7 **ADOPTED IN ANY OTHER PROCEEDINGS?**

8 A. Yes. The Pennsylvania PUC adopted this proposal for an average rate for
9 termination of Bell Atlantic's traffic at a CLEC switch, where the CLEC employs
10 a single tier interconnection structure. *Application of MFS Intelenet of*
11 *Pennsylvania, Inc., et al.*, Pennsylvania PUC, Docket Nos. A-310203F0002, A-
12 310213F0002, A-310236F0002 and A-310258F0002, 1997 Pa. PUC LEXIS 50
13 (April 10, 1997).

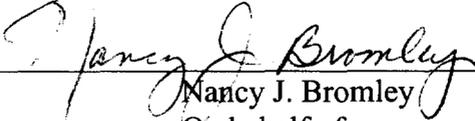
14
15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.
17

Declaration of Steven J. Pitterle

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 26th day of July, 2001.

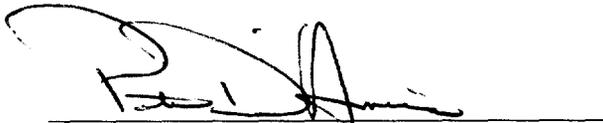


Nancy J. Bromley
On behalf of
Steven J. Pitterle

Declaration of Pete D'Amico

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 26th day of July, 2001.



Pete D'Amico



CURRICULA VITAE FOR INTERCARRIER COMPENSATION PANELISTS

I. STEVEN J. PITTERLE

Mr. Pitterle earned his Bachelor of Science Degree in Mathematics in 1970 from the University of Wisconsin at Madison. He has over 31 years experience in the Telecommunications Industry beginning in 1970 with General Telephone Company as an Engineering Assistant in the Outside Plant Engineering Department. From 1970 through 1979, Mr. Pitterle held several positions in the Engineering Department until he transferred to the Service Department. In 1980, Mr. Pitterle joined the Regulatory Affairs Department in Wisconsin as Tariff Administrator and later became Manager of Regulatory Affairs. Over the course of his tenure with the former Verizon entities, Mr. Pitterle has held a variety of positions with increasing levels of responsibility including Compensation Coordinator for intraLATA compensation, Interexchange Account Manager for the former GTE North and State Director-External Affairs in Wisconsin. In June 1977, Mr. Pitterle transferred to Irving, Texas where he now serves as Negotiations Director.

II. PETE D'AMICO

Mr. D'Amico earned a Bachelor's degree in Marketing from Indiana University of Pennsylvania. He has more than 17 years of experience in the telecommunications industry as an employee of Verizon and its predecessor companies. He has held his

current position as a Senior Specialist in the Interconnection Product Management Group for the past 11 years. His responsibilities include development, implementation and management of interconnection services. Prior to his present position, Mr. D'Amico held various management positions of increasing responsibility in the staff department developing methods and procedures for carrier access interconnection products and services for wireless carriers.



ISP RECIPROCAL COMPENSATION LANGUAGE

PROPOSED BY VERIZON VA TO COX

1.25a “Extended Local Calling Scope Arrangement” means an arrangement that provides a Customer a local calling scope (Extended Area Service, “EAS”), outside of the Customer’s basic exchange serving area. Extended Local Calling Scope Arrangements may be either optional or non-optional. “Optional Extended Local Calling Scope Arrangement Traffic” is traffic that under an optional Extended Local Calling Scope Arrangement chosen by the Customer terminates outside of the Customer’s basic exchange serving area.

1.26 “FCC” means the Federal Communications Commission.

1.26a “FCC Internet Order” means the FCC’s Order on Remand and Report and Order, *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Inter-carrier Compensation for ISP Bound Traffic*, FCC 01-131, CC Docket Nos. 96-98 and 99-68 (adopted April 18, 2001).

1.29a “Information Access” means the provision of specialized exchange telecommunications services in connection with the origination, termination, transmission, switching, forwarding or routing of telecommunications traffic to or from the facilities of a provider of information services.

1.41a “Measured Internet Traffic” means dial-up, switched Internet Traffic originated by a Customer of one Party on that Party’s network at a point in a Verizon local calling area, and delivered to a Customer or an Internet Service Provider served by the other Party, on that other Party’s network at a point in the same Verizon local calling area. Verizon local calling areas shall be as defined in Verizon’s effective Customer Tariffs (including, but not limited to, to the extent applicable, Verizon Tariffs S.C.C.-Va.-Nos. 201 and 202). For the purposes of this definition, a Verizon local calling area includes a non-optional Extended Local Calling Scope Arrangement, but does not include an optional Extended Local Calling Scope Arrangement. Calls originated on a 1+ pre-subscription basis, or on a casual dialed (10XXX/101XXX) basis, are not considered Measured Internet Traffic.

1.60 “Reciprocal Compensation” means the arrangement for recovering, in accordance with Section 251(b)(5) of the Act, the FCC Internet Order, and other applicable FCC orders and FCC Regulations, costs incurred for the transport and termination of Reciprocal Compensation Traffic originating on one Party’s network and terminating on the other Party’s network (as set forth in subsection 5.7).

1.60a “Reciprocal Compensation Traffic” means Telecommunications traffic originated by a Customer of one Party on that Party’s network and terminated to a Customer of the other Party on that other Party’s network, except for Telecommunications traffic that is interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access. Reciprocal Compensation Traffic does not include: (1) any Internet Traffic; (2) Toll Traffic,

including, but not limited to, calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXXX) basis; (3) Optional Extended Local Calling Arrangement Traffic; (4) special access, private line, Frame Relay, ATM, or any other traffic that is not switched by the terminating Party; or, (5) Tandem Transit Traffic.

1.71 “Toll Traffic” means traffic that is originated by a Customer of one Party on that Party’s network and terminates to a Customer of the other Party on that Party’s network and is not Reciprocal Compensation Traffic, Measured Internet Traffic or Ancillary Traffic. Toll Traffic may be either “IntraLATA Toll Traffic” or “InterLATA Toll Traffic,” depending on whether the originating and terminating points are within the same LATA.

1.71a “Traffic Factor 1” means a percentage calculated by dividing the number of minutes of interstate traffic (excluding Measured Internet Traffic) by the total number of minutes of interstate and intrastate traffic. ($\frac{\text{Interstate Traffic Total Minutes of Use (excluding Measured Internet Traffic)}}{\text{Interstate Traffic Total Minutes of Use} + \text{Intrastate Traffic Total Minutes of Use}} \times 100$). Until the form of a Party’s bills is updated to use the term “Traffic Factor 1,” the term “Traffic Factor 1” may be referred to on the Party’s bills and in billing related communications as “Percent Interstate Usage” or “PIU.”

1.71b “Traffic Factor 2” means a percentage calculated by dividing the combined total number of minutes of Reciprocal Compensation Traffic and Measured Internet Traffic by the total number of minutes of intrastate traffic. ($\frac{\text{Reciprocal Compensation Traffic Total Minutes of Use} + \text{Measured Internet Traffic Total Minutes of Use}}{\text{Intrastate Traffic Total Minutes of Use}} \times 100$). Until the form of a Party’s bills is updated to use the term “Traffic Factor 2,” the term “Traffic Factor 2” may be referred to on the Party’s bills and in billing related communications as “Percent Local Usage” or “PLU.”

5.6.1.1 If the originating Party passes CPN on ninety-five percent (95%) or more of its calls, the receiving Party shall bill the originating Party the Reciprocal Compensation Traffic call completion rate, Measured Internet Traffic rate, Intrastate Exchange Access rates, intrastate/interstate Tandem Transit Traffic rates, or interstate Exchange Access rates applicable to each minute of traffic, as provided in Exhibit A, the FCC Internet Order and applicable Tariffs, for which CPN is passed. For any remaining (up to 5%) calls without CPN information, the receiving Party shall bill the originating Party for such traffic as Reciprocal Compensation Traffic call completion rate, Measured Internet Traffic rate, intrastate Exchange Access rates, intrastate/interstate Tandem or Tandem Transit Traffic rates, or interstate Exchange Access rates applicable to each minute of traffic, as provided in Exhibit A, the FCC Internet Order and applicable Tariffs, in direct proportion to the minutes of use of calls passed with CPN information.

5.6.1.2 If the originating Party passes CPN on less than ninety-five percent (95%) of its calls and the originating Party chooses to combine Reciprocal Compensation and Toll Traffic on the same trunk group, the terminating Party shall bill its interstate Switched Exchange Access Service rates for all traffic passed without CPN unless the Parties agree that such other rates should apply to such traffic.

5.6.2 Either Party may classify traffic as either Reciprocal Compensation Traffic/Measured Internet Traffic or Toll Traffic for billing purposes by using Traffic Factor 1 and Traffic Factor 2, in lieu of CPN information. The Traffic Factor 1 and Traffic Factor 2 applicable upon the Effective Date are specified in Schedule 5.6. Such Traffic Factors may be updated by the originating Party quarterly by written notification. The determination of whether traffic is Reciprocal Compensation Traffic or Measured Internet Traffic shall be in accordance with Section 5.7.5, below.

5.7 Reciprocal Compensation Arrangements -- Section 251(b)(5)

5.7.1 The Parties shall compensate each other for the transport and termination of Reciprocal Compensation Traffic over the terminating carrier's switch in accordance with Section 251(b)(5) of the Act at the rates provided in the Detailed Schedule of Itemized Charges (Exhibit A hereto), as may be amended from time to time in accordance with Exhibit A and subsection 20.1. These rates are to be applied at the Cox-IP for traffic delivered by Verizon, and at the Verizon-IP for traffic delivered by Cox. No additional charges shall apply for the termination of such Reciprocal Compensation Traffic delivered to the Verizon-IP or the Cox-IP by the other Party, except as set forth in Exhibit A. When such Reciprocal Compensation Traffic is terminated over the same trunks as IntraLATA Toll Traffic, any port or transport or other applicable access charges related to the delivery of IntraLATA Toll Traffic from the IP to an end user shall be prorated to be applied only to the IntraLATA Toll Traffic. The designation of traffic as Reciprocal Compensation Traffic for purposes of Reciprocal Compensation shall be based on the originating and terminating NPA-NXXs points of the complete end-to-end communication. Reciprocal Compensation shall apply to Internet Traffic handed off from one Party to the other Party via the switched network for delivery to an Internet Service Provider ("ISP") for carriage over the Internet.

5.7.2 Transport and termination of the following types of traffic shall not be subject to the Reciprocal Compensation arrangements set forth in this subsection 5.7, but instead shall be treated as described or referenced below:

(a) Traffic that (i) is delivered by Verizon to Cox, (ii) originates from and/or terminates to a third party carrier, and (iii) is not switched access traffic shall be treated as Tandem Transit Traffic under Section 7.3.

(b) Traffic that (i) is delivered by Cox to Verizon, (ii) originates from and/or terminates to a third party carrier, and (iii) is not switched access traffic shall be treated as Tandem Transit Traffic under Section 7.3.

(c) Switched Exchange Access Service and InterLATA or IntraLATA Toll Traffic shall continue to be governed by the terms and conditions of the applicable Tariffs and, where applicable, by a Meet-Point Billing arrangement in accordance with subsection 6.3.

(d) *No Reciprocal Compensation shall apply to Internet Traffic.*

(e) No Reciprocal Compensation shall apply to traffic that is not switched by the terminating Party, such as special access, private line, or any other nonswitched traffic.

(f) Compensation for IntraLATA intrastate alternate-billed calls (e.g., collect, calling card, and third-party billed calls originated or authorized by the Parties' respective Customers in Virginia) shall be provided for under a separate arrangement mutually agreed to by the Parties.

(g) Any other traffic not specifically addressed in this subsection 5.7 shall be treated as provided elsewhere in this Agreement, or if not so provided, as required by the applicable Tariff of the Party transporting and/or terminating traffic.

5.7.3 Nothing in this Agreement shall be construed to limit either Party's ability to designate the areas within which that Party's Customers may make calls which that Party rates as "local" in its Customer Tariffs.

5.7.4 The determination of whether traffic is Reciprocal Compensation Traffic or Internet Traffic shall be performed in accordance with Paragraphs 8 and 79, and other applicable provisions, of the FCC Internet Order (including, but not limited to, in accordance with the rebuttable presumption established by the FCC Internet Order that traffic delivered to a carrier that exceeds a 3:1 ratio of terminating to originating traffic is Internet Traffic, and in accordance with the process established by the FCC Internet Order for rebutting such presumption before the Commission).

5.7.4 The designation of traffic as Local or IntraLATA Toll for purposes of compensation shall be based on the horizontal and vertical coordinates associated with the originating and terminating NPA-NXXs of the call, regardless of the carrier(s) involved in carrying any segment of the call.

5.7.5 Each Party reserves the right to audit all Traffic, up to a maximum of two audits per calendar year, to ensure that rates are being applied appropriately; provided, however, that either Party shall have the right to conduct additional audit(s) if the preceding audit disclosed material errors or discrepancies. Each Party agrees to provide the necessary Traffic data in conjunction with any such audit in a timely manner.

5.7.6 The Parties will engage in settlements of intraLATA intrastate alternate-billed calls (e.g., collect, calling card, and third-party billed calls) originated or authorized by their respective Customers in Virginia in accordance with the terms of a separate IntraLATA Telecommunications Services Settlement Agreement between the Parties, to be executed no later than 90 days following the Effective Date of this Agreement.

5.7.7 The Parties' rights and obligations with respect to any intercarrier compensation that may be due in connection with their exchange of Internet Traffic shall be governed by the terms of the FCC Internet Order, and other applicable FCC orders and FCC Regulations. Notwithstanding any other provision of this Agreement or any Tariff,

a Party shall not be obligated to pay any intercarrier compensation for Internet Traffic that is in excess of the intercarrier compensation for Internet Traffic that such Party is required to pay under the FCC Internet Order and other applicable FCC orders and FCC Regulations.

5.7.8 In addition to those audit rights provided in Section 5.7.5 above, Verizon may conduct audits of the traffic billed as Reciprocal Compensation Traffic to determine whether such traffic is Reciprocal Compensation Traffic and therefore subject to Reciprocal Compensation. If any such traffic is determined not to be Reciprocal Compensation Traffic, Verizon shall not pay Reciprocal Compensation for that portion which is determined not to be Reciprocal Compensation Traffic.

7.1 Information Services Traffic

The following provisions shall apply only to Cox-originated Information Services Traffic directed to an Information Services platform connected to Verizon's network, should Cox elect to deliver such traffic to Verizon. At such time as Cox connects Information Services platforms to its network, the Parties shall agree upon a comparable arrangement for Verizon-originated Information Services Traffic. The Information Services Traffic subject to the following provisions is circuit switched voice traffic, delivered to information service providers who offer recorded announcement information or open discussion information programs to the general public. Information Services Traffic does not include Internet Traffic.

