Issue III.3 ***Meet Point Interconnection*** Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?

Q. PLEASE DESCRIBE ISSUE III.3.

A. Issue III.3 is set forth in the DPL as follows: "Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?"

Q. PLEASE DESCRIBE MEET POINT INTERCONNECTION.

A. Meet Point interconnection is a method of interconnecting with the ILEC's network whereby the parties jointly establish a fiber optic facility system utilizing SONET protocol and each party provides fiber optic terminating equipment located in its own serving wire center. Fiber optic strands originate from the terminating equipment on each end and meet at a fiber splice point (meet point) between the serving wire centers. The POI for AT&T's traffic would be located at the terminating facilities[63] point on Verizon's network, and the POI for Verizon's traffic would be at the terminating facilities point designated by AT&T on its network. The Parties share the use of the Meet-Point facility that spans the two parties' wire centers. AT&T proposes that each Party be allocated half of the facility channels for their use without cost (Section 1.6.1). The Meet Point

---

[63] Specifically, the POI would be a cross connecting device such as a DSX (electrical) or LGX (optical) cross connect panel associated with the terminating equipment.

1 method of interconnection avoids the need for collocation because the networks
2 are connected outside of the ILEC's serving wire center.

3 Q. WHAT IS THE BASIC DISAGREEMENT ON THIS ISSUE?

4 A. Since AT&T has the legal right to choose both the method and location of
5 interconnection,[64] AT&T has proposed, consistent with that right, to select, at its
6 sole discretion, Meet Point interconnection as its method of interconnection, and
7 also to select the location of the splice point and the wire centers for the location
8 of the terminating equipment. Verizon objects to AT&T's proposal, asserting that
9 mutual agreement should be required for meet point interconnection because this
10 method of interconnection requires joint provisioning and utilization.

11 While AT&T agrees that joint provisioning and shared utilization are involved
12 when implementing Meet Point interconnection, it does not agree that this fact
13 mandates that the ILEC agree to the selection of the method and the location of
14 the meet point. The law contains no such exemption and there is no technical
15 reason that the issue of selection and location of the Meet Point facility would of
16 necessity mandate mutual agreement.

---

[64] As AT&T pointed out in its Petition, AT&T has the sole right as a CLEC, pursuant to the Act, FCC regulations and the *Local Competition Order* to require any technically feasible method of interconnection, and that right includes the right to select the method as well as the location of the interconnection. AT&T Petition at 46-48. Moreover, the FCC has found that Meet-Point interconnection is a technically feasible method of interconnection. *Id.*

1 Q. WHAT IS AT&T'S SPECIFIC PROPOSAL ON THIS ISSUE?

2 A. AT&T proposes a process whereby it would notify Verizon that it chooses to
3 interconnect via Meet Point interconnection and identify the Verizon and AT&T
4 wire centers that would be the terminating points for the mid-span, as well as the
5 location of the splice point between those wire centers. AT&T has proposed that
6 unless otherwise agreed to, each party shall bear all expenses associated with the
7 purchase of equipment, materials, or services necessary to install and maintain the
8 Meet Point arrangement on its side of the fiber splice. This proposal makes sense
9 because all equipment and facilities on the party's side of the fiber splice will
10 belong to and be maintained by that party. Moreover, this proposal is consistent
11 with the FCC's acknowledgment in the *Local Competition Order* that each party
12 needs to build out its own facilities in order to establish a Meet Point
13 interconnection.[65] AT&T also agrees to equally share the construction costs
14 associated with any buildout, regardless of the location of the fiber splice. This
15 cost sharing arrangement ensures that Verizon will not be unfairly burdened if the
16 splice point is located closer to AT&T's wire center, or if for some other reason, it
17 costs Verizon more to construct its side of the meet point.

18 Q. AREN'T THERE SOME DETAILS THAT REQUIRE MUTUAL
19 AGREEMENT?

20 A. Yes. While AT&T does not agree that mutual agreement is required to select
21 Meet Point interconnection as a method of interconnection, or to select the
22 location for the Meet Point facilities, it does agree that numerous details regarding

---

[65] *Local Competition Order* at ¶553.

1 the arrangement, such as routing issues, determining facility system size (OC-n)
2 based on traffic forecasts, and selecting equipment type, should be mutually
3 agreed upon, and it provides for such mutual agreement in its proposed language
4 (See Section 1.6.4). AT&T also provides that if the Parties cannot agree on these
5 implementation related terms, the issues should be resolved via the dispute
6 resolution methods in the Agreement. In this way Verizon's stated concerns
7 relating to the details associated with joint provisioning and use can be
8 specifically resolved without eliminating AT&T's right to choose its method and
9 location for interconnection.

10

Sub-Issue III.3.A. Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?

Q. PLEASE DESCRIBE SUB-ISSUE III.3.A.

A. Sub-Issue III.3.A is set forth in the DPL as follows: "Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?" It is AT&T's contention that Verizon must commit to interconnection activation dates associated with mid-span interconnection. Verizon, on the other hand, does not want to agree to a specific time frame, but rather wants to hold meet point interconnection hostage to Verizon's approval of all implementation details relating to the mid-span interconnection.

Q. WHAT IS VERIZON'S PROPOSAL?

A. Verizon states it will agree to 120 days for implementation as long as the 120 days does not begin to run until the Parties have agreed to all the details in a Memorandum of Understanding (MOU).[66] By requiring the signing of the MOU before the implementation time frame can begin to run, Verizon is in essence not committing to any time frame at all.

Q. WHY IS THIS A PROBLEM?

A. As I stated in Issue III.3, Meet Point interconnection should not be subject to Verizon's mutual agreement on all the implementation details. This is precisely what Verizon's "activation commitment" requires, however. AT&T has a right to meet point interconnection and this right should, like all other interconnection

---

[66] Verizon Response at 30.

1 rights, be provided in a timely manner – it should not be an open ended process
2 subject to Verizon's whims. A CLEC must be able to rely upon a time frame for
3 interconnection in order to effectuate its business plans, serve customers, and
4 otherwise address increased demand.

5 Q. IS AT&T'S PROPOSAL REASONABLE?

6 A. AT&T's proposal is entirely reasonable. It provides that the Meet Point facilities
7 should be implemented within 120 days from an initial implementation meeting
8 (Section 1.6.2). It is at this initial meeting that the Parties will discuss the detailed
9 implementation plans relating to system size, equipment type, routing, etc.
10 AT&T's language provides that if the Parties cannot agree to the material terms at
11 that meeting, the dispute resolution terms of the agreement should apply.
12 AT&T's language also provides that the Parties can mutually agree to stay the
13 implementation date or either party can request a stay from the state commission.
14 With stays limited to these two circumstances, AT&T can reasonably rely upon
15 an interconnection time frame and thus be assured of a fair and timely
16 interconnection process. The proposal, however, also protects Verizon, because it
17 provides Verizon with the opportunity to request and be granted a stay whenever
18 there are legitimate circumstances that will prevent it from meeting the deadline.

19

Issue V.2 ***Interconnection Transport*** What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?

Q. PLEASE DESCRIBE ISSUE V.2.

A. Issue V.2 is set forth in the DPL as follows: "What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?" It is Verizon's position that it can charge AT&T access rates for any interconnection facilities AT&T may lease that do not terminate at a collocation arrangement. It is AT&T's position that UNE transport rates are the appropriate rates to apply when AT&T leases interconnection facilities from Verizon. AT&T's position is fully supported by the law and sound public policy.

Q. WHAT DO YOU MEAN BY INTERCONNECTION FACILITIES?

A. As I stated in my testimony on Issue I.1, AT&T can implement interconnection by either self provisioning facilities to the POI, or by leasing facilities from Verizon or third parties. It is these facilities from the originating carrier's switch to the POI that are characterized as interconnection facilities. This issue involves the rates that AT&T should pay Verizon if it leases Verizon facilities to deliver its traffic to the designated POI.

Q. WHAT DOES COLLOCATION HAVE TO DO WITH THIS ISSUE?

A. Verizon has agreed to allow AT&T to purchase UNE Inter-Office Facilities to connect an AT&T switch location to a Verizon wire center if AT&T also purchases a collocation site at the Verizon wire center. If there is no collocation,

1 however, Verizon requires AT&T to purchase those same facilities at its
2 substantially-higher access rates.

3 Q. WHAT IS VERIZON'S RATIONALE FOR THIS POSITION?
4 A. Verizon's rationale for its position is that the requirement to price transport at
5 UNE rates does not apply when there is not a collocation site to terminate the
6 facilities because in those circumstances Verizon is providing "an end-to-end
7 service" where Verizon is responsible for all aspects of the service.

8 Q. DOES VERIZON'S RATIONALE HAVE ANY LEGAL SUPPORT?
9 A. No, not at all. Verizon's position violates its obligation to provide unbundled
10 network elements. Under § 251(c)(3) of the Act, an ILEC has the "duty to
11 provide, to any requesting telecommunications carrier for the provision of a
12 telecommunications service, nondiscriminatory access to network elements on an
13 unbundled basis at any technically feasible point on rates, terms and conditions
14 that are just, reasonable and nondiscriminatory."

15 With respect to interoffice facilities specifically, the FCC has ruled in both the
16 *Local Competition Order* and more recently in the *UNE Remand Order* that
17 ILECs "must provide interoffice transmission facilities on an unbundled basis to
18 requesting carriers."[67] With respect to this obligation the FCC stated in the *Une*
19 *Remand Order*:

---

[67] *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, CC Dkt. 96-98, Third Report and Order and 4th Further Notice of Proposed Rulemaking,

> Although the record indicates that competitive LECs have deployed transport facilities along certain point to point routes, the record also demonstrated that self provisioned transport, or transport from non-incumbent LEC sources is not sufficiently available as a practical economic or operational matter to warrant exclusion of interoffice transport from an incumbent LECs unbundling obligations at this time.
>
> *UNE Remand Order* at ¶321.

Thus, AT&T is within its rights to request that Verizon provide it with interoffice facilities to deliver its traffic to the designated POI. Furthermore, if the Commission were to adopt Version's POI proposal (which it should not do), AT&T would become financially responsible to carry Verizon's traffic between Verizon's originating switch and the AT&T switch, and AT&T requirements for leased facilities would be many times greater than it is today. Having to pay exchange access rates to transport Verizon's originating traffic would be a double wammy for AT&T. This matter is discussed in greater detail in connection with the cost study provided under Issue I.1.

Q. WHAT ABOUT VERIZON'S 'END-TO END' SERVICE CARVE OUT WHICH IT CLAIMS PROVIDE AN EXEMPTION FROM ITS REQUIREMENT TO CHARGE UNE RATES?

A. There is no end to end service exemption related to Verizon's obligation to provide facilities at UNE rates for interconnection. In fact, I don't really know what this means. The argument appears to be simply a variant of the previously discredited argument that the UNE-P need not be provided by ILECs because the

---

¶ 321, (Rel. Nov. 5, 1999) (UNE Remand Order); *Local Competition Order* at ¶ 439 et.

1 Act requires a CLEC to combine UNEs with its own facilities; an argument that
2 has been rejected outright by the Supreme Court.[68] The distinction that Verizon
3 is trying to make is a distinction without a difference in terms of its obligation to
4 provide interconnection facilities at UNE rates.

5 Q. HAVE ANY STATE COMMISSIONS EXAMINED THIS ISSUE?
6 A. Yes. The Massachusetts Commission also refused to accept Verizon's "end to
7 end service" argument in an AT&T Broadband (formerly MediaOne
8 Telecommunications of Massachusetts, Inc.)/Verizon arbitration. In that case
9 Verizon claimed that the dedicated transport facilities it leased to AT&T
10 Broadband between the terminating point of a mid-span meet facility located at a
11 Verizon tandem, and Verizon's other tandems should be priced at access rates,
12 because, among other things, it was providing an "end to end access service".
13 The Massachusetts Commission rejected that argument and found that the
14 facilities were inter-office facilities that should be priced at UNE rather than
15 access rates.[69]

16 Q. WHAT ABOUT THE PRICE DIFFERENTIAL BETWEEN UNE RATES AND
17 ACCESS RATES?
18 A. The Act clearly requires that CLECs can interconnect with and use the ILEC's
19 network at prices based upon the cost of providing interconnection or network

---

sec.

[68] *AT&T* v. *Iowa Utils. Bd.*, 119 S.Ct. 721 (1999).

[69] MediaOne Telecommunications of Massachusetts, Petition for Arbitration of Interconnection Rates, Terms, and Conditions with New England Telephone and Telegraph Company d/b/a/ Bell Atlantic-Massachusetts, Inc. v. Bell Atlantic, D.T.E. 99-42/43-A, (March 15, 2001).

1 elements.[70] Despite this mandate, Verizon nevertheless proposes to charge access
2 rates for interconnection facilities. Verizon's access rates exceed the economic
3 costs of providing transport facilities. The FCC has recognized that access
4 charges are not based on forward looking economic cost, but are generally well
5 above economic cost.[71]

6 The price differential between access rates and UNE rates for DS-1 and DS-3
7 facilities for Virginia is significant. A sample comparison of special access and
8 UNE rates UNE DS-1 and DS-3 facilities is provided in Exhibit DLT-7.

9 Q. WHAT IS THE EFFECT OF THE VERIZON PROPOSAL?
10 A. Verizon's proposal unfairly increases Verizon's revenue by requiring AT&T to
11 purchase expensive collocation or, in lieu of collocation, by requiring AT&T to
12 pay exchange access revenue rather than UNE revenue whenever AT&T leases
13 facilities from Verizon. The unfairness of this proposal is more striking when one
14 examines it in the context of Verizon's other proposal that I discuss in my
15 testimony relating to Issue VII-5.

16 Q. HOW IS THIS ISSUE RELATED TO ISSUE VII-5?
17 A. It is simply the mirror image of this issue, because it relates to what Verizon
18 would pay AT&T if Verizon were to lease interconnection facilities from AT&T
19 to deliver its traffic to the POI. Basically, as I will explain in my discussion on
20 that issue, Verizon's position is that is does not have to fully compensate AT&T

---

[70] 47 U.S.C. ¶252(d)(1).

[71] *First Report and Order, Access Charge Reform,* 12 FCC Rcd 15982, ¶¶ 258-84. (1996).

1 for its costs if Verizon leases interconnection facilities from AT&T. Specifically,
2 Verizon proposes that if AT&T does not establish enough POIs in locations that
3 are acceptable to Verizon, Verizon does not have to pay AT&T any distance
4 sensitive charges incurred by AT&T for that transport. So in summary, taking
5 these two issue together, we see that Verizon is proposing that AT&T must
6 overpay Verizon for using its facilities, while Verizon can underpay AT&T if it
7 uses AT&T's facilities. These proposals are not only direct violations of the Act,
8 but are blatantly anticompetitive and unfair.

9

1 Sub-Issue III.4.B. Should Verizon have the unilateral ability to terminate trunk groups to
2 AT&T if Verizon determines that the trunks groups are underutilized?

3 Q. PLEASE DESCRIBE SUB-ISSUE III.4.B.

4 A. Sub-Issue III.4.B is set forth in the DPL as follows: "Should Verizon have the
5 unilateral ability to terminate trunks on interconnection trunk groups to AT&T if
6 Verizon determines that the trunk groups are underutilized?" Verizon claims that
7 it must have the ability to unilaterally terminate its outbound trunks (those which
8 carry traffic to AT&T) when those trunk groups are underutilized in order to
9 enable it to manage its network. Specifically, Verizon seeks to disconnect its
10 outbound trunks if it unilaterally determines that actual traffic volume over a
11 certain 90-day period is not sufficient to support these trunks. This type of
12 unilateral action is contrary to industry standards and could negatively affect
13 AT&T's ability to serve its customers. AT&T proposes that mutual agreement be
14 required before any trunks are terminated. This proposal is consistent with good
15 network management practices and the promotion of competition.

16 Q. WHY DOES GOOD NETWORK MANAGEMENT REQUIRE MUTUAL
17 AGREEMENT BETWEEN THE PARTIES BEFORE TRUNK GROUPS ARE
18 TERMINATED?

19 A. Interconnection trunk groups are established between two switches, one belonging
20 to each party. The failure of either party to set up corresponding trunk group
21 parameters (e.g., routing instructions, traffic direction, number of trunks) would
22 result in the failure of the trunk group or substantially diminished performance.
23 Thus, by their nature, interconnection trunk groups are *mutual* instruments of
24 traffic exchange, are established by *mutual* action and should be only be modified

1 and discontinued through *mutual* action. Accordingly, unilateral modification or
2 discontinuation of trunk groups by either party should be prohibited.

3 Q. DO THE INDUSTRY STANDARDS SUPPORT THIS POSITION?
4 A. Yes. The Ordering and Billing Forum (OBF) of the of the Alliance for
5 Telecommunications Industry Solutions has specified the procedures and forms
6 for interconnected carriers to use to add, modify and discontinue interconnection
7 trunks. Under this process, the party that has "control" over the trunk group
8 would issue an order in the form of an Access Service Request to the other party
9 to establish, increase or decrease a trunk group. The other party would reply with
10 an order confirmation; or, if the other party believes the requested action is
11 unwarranted or inappropriate, it would set up a meeting (normally a
12 teleconference) to resolve the difference. This is a common, if not daily,
13 occurrence among trunk provisioning centers. AT&T is simply proposing that the
14 parties follow this standard industry practice.

15 Q. WHAT SHOULD VERIZON DO IF AT&T DOES NOT CONFIRM
16 VERIZON'S REQUEST?
17 A. If AT&T's trunk provisioning center happened to misplace or delay a Verizon
18 disconnect trunk order, this should not give Verizon the right to take unilateral
19 action which may adversely affect the performance of AT&T's network. If
20 Verizon personnel do not receive the confirmation they expect, they may re-send
21 the order, pick up the phone or send an email message. The managers of AT&T's
22 and Verizon's trunk provisioning centers are well known to each other and
23 resolve trunk provisioning issues on a regular basis.

1 Q. WHY IS VERIZON REFUSING TO AGREE TO FOLLOW STANDARD
2 INDUSTRY PRACTICE?

3 A. Even though Verizon and AT&T have already agreed to trunk a provisioning
4 process, and to abide by the OBF guidelines, Verizon is still insisting on a
5 unilateral right discontinue trunks, not out of any concerns over AT&T's
6 practices, but instead because, Verizon asserts, some other CLECs may opt into
7 the AT&T agreement and, it claims, many of these carriers will not establish
8 cooperative trunk servicing procedures. [72]

9 Q. WHAT IS YOUR RESPONSE TO VERIZON'S EXPLANATION?

10 A. First, Verizon's concern is based on pure speculation that some unnamed carrier
11 will opt into the AT&T agreement and will refuse or be unable to implement
12 cooperative trunk servicing practices. It is not rational or fair to penalize AT&T
13 because of some speculation regarding the possible future actions of a party that is
14 not part of this agreement. Second, even if Verizon's worse fears were realized, it
15 simply has to take action to enforce its agreement. The solution is not to restrict
16 AT&T.

17 Q. WHAT ARE SOME OF AT&T'S CONCERNS WITH VERIZON'S
18 PROPOSAL?

19 A. Because trunk groups exist on both parties' switches, if one party alters a trunk
20 group without the other party making a corresponding change, plant becomes
21 stranded and maintenance problems are created. If AT&T's records show that a
22 certain trunk group has 48 trunks and Verizon has unilaterally discontinued 24

---

[72] Verizon Response at 43.

1 trunks, AT&T personnel may spend needless time trouble-shooting and
2 identifying the cause. If such a situation goes undiscovered for a longer period,
3 the 24 unused trunk terminations on AT&T's switch are stranded and not
4 available to be used for growing other trunk groups.

5 More importantly, however, Verizon's proposal has customer affecting
6 implications. Since trunk traffic is inherently "spiky" by nature, it is not unusual
7 to see substantial increases of traffic after a period of relative stability. Verizon's
8 proposal does not give AT&T the opportunity to provide information about
9 impending traffic volume increases. As a result of Verizon's unilateral action,
10 unbeknownst to AT&T there may be too few trunks in a certain trunk group to
11 handle new AT&T customers. Excessive, customer-affecting call blocking would
12 result. AT&T considers such situations very serious and expends substantial
13 technical and management resources trouble shooting, escalating and restoring
14 service. All of which could be avoided if Verizon simply received AT&T's
15 confirmation before discontinuing trunks.

16 Consider another example of how Verizon's proposal could adversely impact
17 customers. From time to time Verizon, for whatever reason, may delay an AT&T
18 customer's activation date. If during that delay Verizon's trunk engineering
19 group were to disconnect, as "underutilized," the trunks AT&T planned to use to
20 serve that customer, AT&T's customer could be subject to further delays as
21 AT&T, once again, is forced to request that Verizon "turn up" the trunks. There
22 is really no reason to create these types of problems for AT&T and its customers.
23 Certainly, Verizon's phantom "bad CLEC" excuse is not an adequate reason.

1 AT&T's proposal, on the other hand, provides, consistent with industry practice,
2 that the parties will cooperate on trunk capacity issues and avoid the types of
3 problems mentioned above.
4

INTERCARRIER COMPENSATION ISSUES

Issue I.6 ***Virtual FX Traffic*** Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?

Q. PLEASE DESCRIBE ISSUE I.6.

A. Issue I.6 relates to how one should determine the jurisdiction of a call when the receiving or called party is located physically outside of the calling area of the exchange to which that customer is assigned a number. It is AT&T's position that the jurisdiction of a call should be determined by the NPA-NXX of the calling and called numbers.

Verizon, however, asserts that when a Verizon customer dials a number assigned to an AT&T assigned NPA-NXX in the customer's own legacy Verizon rate center, and AT&T picks up that call in the Verizon rate center and routes that call to the AT&T customer who happens to be located in a different legacy Verizon rate center, the call should be treated as a toll call and AT&T should pay Verizon originating access charges. Since it is AT&T's position that traffic should be rated based on the NPA-NXX assigned to the customer without regard to the customer's physical location, the call described above which is to a number in the customer's own legacy rate center, would be a local call for which Verizon would pay AT&T reciprocal compensation.

Q. WHAT IS THE BASIS FOR VERIZON'S POSITION?

A. Verizon claims that such calls should be treated as toll calls because under *its* Tariff such calls would be toll calls, and because, in the absence of AT&T's

network, Verizon would collect toll revenues if it handled the call, or originating access charges if another carrier handled the call. Therefore, Verizon asserts that such calls are interexchange, not "local" calls and therefore are subject to originating access charges and are not subject to local reciprocal compensation.[73]

Q DOES VERIZON'S PROPOSAL REQUIRE AT&T TO MIRROR ITS LOCAL CALLING AREAS?

A. In an indirect way it has that effect. Obviously, AT&T is free to develop whatever local calling areas it chooses for its customers. However, as I will explain in more detail later in my testimony, Verizon's proposal exerts economic pressure on AT&T to conform to Verizon's local calling area by imposing a financial penalty on AT&T when it offers a service that does not mirror Verizon's legacy local calling areas.

Q. WHAT IS WRONG WITH HAVING CLEC'S MIRROR VERIZON'S LOCAL CALLING AREAS?

A. As I testified earlier, over the past century, as modern electronic switches replaced cord switchboards and mechanical switching, the cost of transport decreased, and local calling areas have generally evolved to encompass larger geographic areas. The AT&T network has taken this development even further. The broad geographic coverage of AT&T's local switches simply does not correspond to Verizon's network architecture and legacy local calling areas. For that to occur, AT&T would have to deploy a Verizon look-alike network, and that would be highly inefficient for AT&T. Verizon's legacy local calling areas are an artifact

---

[73] Verizon Response at 62-63.

1 of a monopoly era and Verizon's network architecture. Implementing decisions
2 that promote the adoption of legacy local calling areas on emerging competitors
3 limits the flexibility of the CLEC to leverage its efficient network design for the
4 benefit of consumers.

5 AT&T is asking the Commission not to restrict competition by limiting customers
6 choices based on legacy local calling areas, but rather allow technology, network
7 efficiencies and market forces to determine what and how services should be
8 offered in Virginia.

9 Q. PLEASE DESCRIBE FX SERVICE AND HOW IT IS RELATED TO THIS
10 ISSUE.

11 A. Traditional FX service, which is offered by Verizon, involves the provision of
12 local dial tone to a customer from a remote local switch; that is, a switch other
13 than the switch from which the customer would ordinarily receive local dial tone.
14 Verizon offers FX service as an ***exchange service*** in its Local Exchange Service
15 Tariff. In the tariff, Verizon provides the following definition: Foreign Exchange
16 Service is exchange service furnished from one exchange to a location in another
17 exchange by use of Series 2000, type 2006A, Channels.[74] Verizon's Tariff goes
18 on to state: "The long distance and local message charges and the extent of local
19 service applicable, are the same as apply to other Local Exchange Services
20 provided from the same foreign exchange." Thus, when a Verizon customer dials
21 a number assigned to the customer's own legacy rate center and Verizon routes

1 that call to a Verizon [FX] customer who happens to be located in a different
2 legacy Verizon rate center, Verizon treats this call as a local call, not as a toll call.
3 That is, the Verizon end user that originated the call pays Verizon local charges
4 for that call.

5 An FX arrangement simply allows a customer to be assigned a telephone number
6 and to receive calls as if he or she was located in a given exchange, regardless of
7 the physical location of the customer. In the Verizon network, this is
8 accomplished via the provision of remote dial tone – that is dial tone from the
9 foreign switch (i.e., in a distant or foreign rate center) connected to the native
10 serving wire center (i.e., in the home rate center) via an interoffice private line
11 facility. The FX customer pays Verizon the cost of that interexchange transport.
12 [75]

13 Q. DOES AT&T ALSO PROVIDE AN FX REMOTE DIAL TONE SERVICE?
14 A. No. As I will explain below, because of the differences in network architecture, it
15 would not make sense for AT&T to provide a remote dial tone service. However,
16 AT&T does offer its customers an FX-like local service that provides its
17 customers with similar benefits. This local exchange service provides AT&T's
18 customers with the ability to be assigned a telephone number in a location that is
19 different from the customer's actual location. The service is not an FX
20 arrangement in the traditional sense because AT&T's switch (wire center)

---

[74] Verizon Virginia, Inc., Local Exchange Services Tariff, S. C. C. –Va. –No. 202, Original Page 2, ¶ B(4)(a). This same language has been in the Tariffs filed by Verizon's predecessor, Bell Atlantic – Virginia, Inc. since at least 1995. Id. at ¶ B(4)(a)(6).

1 encompasses the areas served by the originating and terminating NPA-NXX
2 codes. Calls between such NPA-NXX codes are completed within the AT&T
3 switch. Because such calls are intra-switch calls, AT&T does not require private
4 line arrangements such as those used by Verizon to connect its two separate wire
5 centers, the one serving the customer and the one serving the NPA-NXX.

6 Q. WHAT ARE THE CHARACTERISTICS OF AT&T'S FX-LIKE SERVICE?
7 A. AT&T, unlike Verizon, offers this local service option at no additional charge to
8 its end users. This offering is attractive to local telephone customers with a high-
9 inbound traffic requirement that is originated over a broad geographic area. Such
10 customers may include a taxi dispatch service, an answering service, a radio
11 station talk show, a help desk service, an ISP, or numerous other businesses with
12 similar telecommunications needs. AT&T sees its service offering as a way to
13 differentiate itself from Verizon and to take advantage of the efficiency of its
14 different network architecture. Thus, AT&T is able to offer local telephone
15 customers a service advantage that Verizon has thus far chosen not to match.

16 Q. PLEASE EXPLAIN IN MORE DETAIL HOW THE DIFFERENCES IN
17 NETWORK ARCHITECTURE ENABLE AT&T TO PROVIDE THIS FX-LIKE
18 SERVICE IN A MORE EFFICIENT MANNER.
19 A. As previously described in the discussion of the POI issue, there are fundamental
20 differences between the network architecture deployed by AT&T and the legacy
21 network architecture deployed by Verizon. Verizon's network is comprised of
22 numerous local switches, each of which provides dial tone to customers located

---

[75] See Verizon Response at 63.

1 within the wire center served by the switch. These local switches are connected by
2 tandem switches, until there is a sufficient volume of traffic to justify establishing
3 direct connections between the local switches. Comparatively, AT&T provides
4 dial tone out of multi-functional switches with high capacity, each of which
5 covers multiple Verizon rate centers.

6 Because of AT&T's architecture, differences in transport distance are largely
7 immaterial to AT&T's costs of providing local service. The costs to serve a
8 customer close to AT&T's switch are not materially different than the costs to
9 serve a more distant customer. Consequently, AT&T's network architecture
10 allows AT&T to serve local telephone customers at relatively greater distances at
11 comparable costs. Since traffic terminated to the NPA-NXX chosen by a
12 customer has no appreciable impact on cost relative to the geographic location of
13 the customer, AT&T's existing local rates do not reflect any additional charges
14 related to the distance between the end user is from his/her NPA/NXX.

15 Traditional FX service, on the other hand, is comprised of: (1) local dial tone to a
16 customer from a remote end office switch (i.e., the foreign switch) - a switch
17 other than that from which that customer would ordinarily receive local dial tone
18 (i.e., the native switch); (2) a dedicated interoffice private line facility between the
19 customer's serving wire center and the foreign switch; and (3) a local loop. The
20 customer of a traditional FX service would pay Verizon for the dial-tone line and
21 monthly fixed and per-mile charges for the dedicated interexchange facility.

1 AT&T's FX-like local service offering is comprised of a single switch (a single
2 wire center) and the local loop. There is no dedicated interoffice facility
3 component. The key difference then is that Verizon's traditional FX service has a
4 dedicated interoffice transport facility and a local portion (the dial-tone line),
5 whereas AT&T's NPA-NXX offering has only a local portion.

6 This distinction is important since the definition of traditional FX service is the
7 provision of dial tone from a foreign switch or exchange. In AT&T's network,
8 dial tone is provided by the customer's native switch, not a foreign switch. Since
9 AT&T's switch serves a much broader geographic area than do Verizon's
10 individual local switches, AT&T is able to terminate traffic to customers within
11 different Verizon legacy rate centers at comparable cost. Hence, from the
12 perspective of AT&T's network, there is no difference in function or cost to
13 terminate a call in one rate center versus another, and thus AT&T can offer this
14 service at no additional charge to the customer as part of its local service offering.
15 This is an important distinction because the Act defines telephone toll service as
16 follows:

17 The term "telephone toll service" means telephone service
18 between stations in different exchange areas for which
19 there is made a separate charge not included in contracts
20 with subscribers for exchange service [76].

21 Thus, despite Verizon's assertions to the contrary, AT&T's FX-like service is not
22 a toll service, as defined in the Act.

---

[76] 47 U.S.C. §153(48).

Q. IS VERIZON'S POSITION ON AT&T'S FX-LIKE LOCAL CALLING CONSISTENT WITH VERIZON'S TREATMENT OF ITS FX SERVICE?

A. No. As I explained above, Verizon's position on this issue is inconsistent with the manner in which Verizon rates calls to its FX customers today. Verizon rates its FX calls as local or toll based on the customer's selected (foreign) rate center NPA-NXX, not on the physical location of the customer. If the NPA-NXX of the FX customer is located in the same local calling area as the called party, Verizon treats that call as local. Therefore, following the practice that Verizon has had in place for many years, the NPA-NXX of AT&T's FX-like customer, not the physical location of the customer, should be used to determine the rating of AT&T's calls.

Q. HOW IS THIS ISSUE RELATED TO THE CALLING PARTY'S NETWORK PAYS REGIME ("CPNP")?

A. According to the FCC, "Existing access charge rules and the majority of existing reciprocal compensation agreements require the calling party's carrier, whether LEC, IXC, or CMRS, to compensate the called party's carrier for terminating the call. Hence, these interconnection regimes may be referred to as "*calling-party's-network-pays*" (or CPNP)".[77]

The fundamental principle of the CPNP regime is that the party collecting the revenue for a call (*i.e.*, the originating party in the case of local exchange service) compensates the other party for the use of its network. AT&T is lawfully entitled

---

[77] *Intercarrier Compensation NPRM*, ¶ 9.

1 to recover its costs to terminate local exchange traffic originating on Verizon's
2 network.

3 AT&T's position in this case is fully consistent with the CPNP regime in place in
4 Virginia. However, Verizon's position that CLECs should compensate Verizon in
5 the form of access charges for AT&T's FX-like traffic when, in fact, Verizon is
6 collecting the revenue for these calls turns the current CPNP regime on its head.

7 There is simply no basis for this Commission to order that AT&T's FX-like
8 Virtual FX traffic should be an exception to the CPNP regime. The Commission
9 should come to the only rational conclusion, that AT&T's FX-like traffic should
10 be compensated in the same manner as all other telecommunications traffic other
11 than exchange access and information access traffic.

12 Q. ARE THERE ANY OTHER PROBLEMS WITH VERIZON'S PROPOSAL?
13 A. Yes. Verizon's proposal would create significant technical and billing challenges.
14 In order to implement Verizon's proposal that AT&T's FX-like traffic be treated
15 as toll traffic rather than as local exchange traffic, the Commission would have to
16 order that this traffic be segregated and somehow tracked separately from other
17 telecommunications traffic. This would be an extremely costly endeavor with no
18 public benefit.

19 Moreover, the industry would have to change the rules on how intercarrier traffic
20 has been rated up to now. The current industry standard method for rating and
21 billing calls between carriers is to measure the distance between the V & H
22 coordinates associated with the NPA-NXX of the originating and terminating end

users. This ability is built into all of the carriers' systems and the details are fleshed out in interconnection agreements. Verizon's proposal would change all of this and require carriers to somehow segregate the Virtual FX calls and rate them separately. Virtual FX traffic is not separately identified and tracked by AT&T or, to my knowledge, by any other CLEC at this point.

Q. HOW IS THIS ISSUE AFFECTED BY THE RECENT FCC ORDER ON ISP TRAFFIC AND THE INTERCARRIER COMPENSATION NPRM?

A. The FCC has already established some interim reciprocal compensation rules for ISP and all other traffic.[78] All traffic including this FX-type traffic is currently subject to those rules. However, until the time that FCC adopts a new comprehensive intercarrier compensation regime and corresponding rules, as result of its *Intercarrier Compensation NPRM*, the existing CPNP regime remains in place.

Q. WOULD VERIZON HAVE TO BEAR ADDITIONAL COSTS IF AT&T'S POSITION WERE ADOPTED?

A. No, not at all. Verizon asserts that if CLECs are allowed to have the jurisdiction of a call determined by the NPA NXX of the calling and called numbers, it will somehow be saddled with "the entire cost of building and operating the FX transport network."[79] Such a claim is truly puzzling. AT&T is not asking Verizon to build anything to enable AT&T to provide its FX-like service. Moreover, Verizon's costs to deliver a call to AT&T do not vary depending on

---

[78] *In the Matter of Intercarrier Compensation for ISP Bound Traffic,* CC Docket No. 96-98, Order on Remand and Report and Order, FCC 01-131, (rel. April 27,2001).

[79] Verizon Response at 63.

1 whether the call is destined to a customer in the calling party's native rate center
2 or a customer in a foreign rate center. The cost to Verizon is exactly the same.
3 This is true because Verizon delivers all traffic bound to the same AT&T NPA-
4 NXX to the same AT&T point of interconnection ("POI") where traffic is
5 exchanged with Verizon's network.

6 In other words, AT&T specifies a single POI for an NPA-NXX, regardless of the
7 physical location of the AT&T terminating customer. Since the POI to which
8 Verizon delivers traffic is the same, Verizon's network costs to deliver traffic to
9 that POI are necessarily the same. Where there are any additional costs between
10 AT&T's switch and the customer to complete such traffic, such costs are borne by
11 AT&T. Thus, from the standpoint of reciprocal compensation, Verizon should be
12 financially indifferent as to where calls are terminated within the AT&T network,
13 since the physical location of the customer has no effect on the rates Verizon pays
14 for transport and termination of the calls.

15 Q. IF VERIZON SHOULD BE FINANCIALLY INDIFFERENT ON THIS ISSUE,
16 WHY DO YOU THINK IT IS SO OPPOSED TO AT&T'S POSITION?

17 A. I stated that Verizon should be financially indifferent as to where local calls are
18 terminated within AT&T's network, since the physical location of the customer
19 has no effect on the reciprocal compensation rates Verizon pays for transport and
20 termination of the calls. Thus, Verizon's costs are not affected. One cannot say
21 the same thing for their revenues, however, because, as Verizon has pointed out in
22 its Answer, it could be losing toll or access revenues on such calls.

1 Specifically, Verizon stated that in the absence of AT&T's FX-like service, under
2 Verizon's applicable tariffs, if the called party were a Verizon customer in the
3 foreign rate center, "Verizon would collect toll charges if it handled the call, and
4 originating access charges if another carrier handled the call."[80] Also, if the
5 called party were a Verizon FX customer located in the foreign exchange, as
6 Verizon acknowledged, Verizon could charge the called party the cost of
7 interexchange access.[81]

8 Thus, we begin to see, via Verizon's own arguments, what this issue is really
9 about. This issue is really about Verizon being made whole for ***competitive losses***
10 it is suffering due to AT&T providing this FX-like calling.

11 Verizon is attempting to cut its losses by relying on a regulatory artifice relating
12 to its legacy local calling areas that even Verizon does not abide by when it is to
13 its advantage. That is, when a Verizon customer in a certain rate center calls a
14 Verizon FX number in that same rate center, which is assigned to a customer
15 located in a foreign rate center, the call is rated as local. When an AT&T
16 customer in a certain rate center calls a Verizon FX number in that same rate
17 center, which is assigned to a Verizon customer located in a foreign rate center,
18 the call is also rated as local. However, Verizon alleges that when a Verizon
19 customer in a certain rate center calls an AT&T number in that same rate center
20 that has been assigned to an AT&T customer located in a foreign rate center, the

---

[80] Verizon Response at 62.
[81] *Id.*

1 call now magically is rated as toll. Verizon's position is illogical and self-serving
2 and the Commission should reject it. While Verizon's revenues may well be
3 affected by AT&T's local service offerings, that impact is a result of competition
4 and Verizon should respond with its own competitive offering, rather than
5 attempting to stifle AT&T's competitive product through the application of
6 unreasonable anticompetitive conditions.

7 One of the clear benefits of opening the local market to competition is the
8 incentive this action gives the participants in the market to deploy the most
9 advanced, efficient facilities possible. It also imposes a strong incentive on the
10 incumbent to "catch-up" by installing its own more efficient network, or to at
11 least offer and price services as if it had deployed that network. Deployment of
12 different network architectures is a major way that new entrants differentiate
13 themselves and their service offerings from the incumbent. As I indicated in my
14 introduction to the network architecture issues, the Commission should avoid
15 identifying Verizon's network or its architecture as preeminent, or the CLEC's
16 network as subordinate, nor should the Commission assign any preferential value
17 to Verizon's network, its local calling areas, or its network architecture. It is the
18 marketplace that will determine which network, or services best address the
19 customers' needs.

20 Continuing to apply reciprocal compensation to both Verizon's FX and to
21 AT&T's FX-like local calls as AT&T proposes will serve to ensure that all parties
22 have the incentive to deploy the most advanced, efficient network possible.
23 Adopting Verizon's position, however, will financially penalize CLECs and will

1 drive CLECs toward the ILEC status quo network, and deprive consumers of

2 benefits that are now beginning to be experienced in the market.

3