1 **Q. WHY ARE THE RATES THE SAME?**

2 A. In Virginia, as well as in Maryland and West Virginia, Verizon's UNE transport
3 rates are not distance sensitive. That is, there is no mileage component in the
4 transport rate. This should not come as a surprise, as advances in fiber optic
5 transmission technology over the past decade have reduced the costs of transport
6 by orders of magnitude. Distance has all but been eliminated as a cost-driver for
7 all telephone calls. The only remaining segment of the telephony market where
8 distance remains a pricing factor is local telephony, not coincidentally the only
9 segment of the telephony market, not subject to significant competition.

10 **Q. WHY DID YOU USE UNE RATES IN YOUR COMPARISION?**

11 A. UNE rates are intended to be based on the ILECs forward-looking, incremental
12 costs, which I believe are the relevant costs to consider in this context. While the
13 rates I cite above are subject to change in this proceeding, they still can be used to
14 illustrate the point I make here.

15 **Q. DOESN'T' VERIZON BEAR SOME ADDITIONAL COSTS TO CARRY**
16 **TRAFFIC LONGER DISTANCES?**

17 A. Yes, but that difference is negligible. Today the preponderance of the transport
18 costs is in the terminating equipment on each end of the circuit and not in the fiber
19 running between the two ends. To deliver its traffic to a CLEC POI, Verizon has
20 to provide two terminating equipment arrangements (one at the originating switch
21 and one at the POI) regardless of the distance between the Verizon switch and the
22 POI.

1 Even if the Commission were to agree with Verizon that the CLEC had
2 some financial responsibility to carry Verizon's traffic to a POI outside of
3 Verizon's local calling area or some other geographic area, (which it should not),
4 the CLEC should only be responsible for the *additional incremental costs* to
5 deliver traffic beyond that area. It is clear, though, that these additional costs are
6 *de minimis* since Verizon's existing UNE dedicated and common transport rate
7 structures are not mileage sensitive. Apparently, the difference is so small that it
8 simply isn't worth the effort for Verizon to track and bill those costs. In the same
9 vein, it wouldn't be worth the effort to attempt to track and bill those costs for
10 interconnection purposes.

11 **Q. VERIZON CITES A DECISION OF THE SOUTH CAROLINA PUBLIC**
12 **SERVICE COMMISSION ("PSC") AS GOOD PRECEDENT FOR THE**
13 **POI ISSUES. DO YOU AGREE?**

14 A. NoNot only did the South Carolina PSC disregard the law, (as I discuss at pages
15 11 and 19 of my Direct Testimony) it also applied flawed reasoning to arrive at its
16 decision. Its decision (along with a similar decision in North Carolina) are at
17 odds with the overwhelming majority of other states that have addressed the issue.

18 **Q. WHAT IS WRONG WITH THE SOUTH CAROLINA DECISION?**

19 A. Essentially, the South Carolina PSC is saying that the additional costs of
20 interconnection resulting from facilities-based competition should be borne solely
21 by the competitor. This gives BellSouth a special preferred status, exempting it
22 from the additional costs associated with interconnecting the two networks.

1 This is bad policy. As I stated in my Direct Testimony, decisions such as
2 this, which are based on the local telephony paradigm, impose substantial and
3 unnecessary costs on AT&T and other CLECs. If local competition is to be
4 encouraged, this Commission must see outside the local telephony paradigm and
5 reassert the policies and rules that accommodate the different strategies, network
6 designs and economic constraints of AT&T and other CLECs.

7 **Q. HAVE OTHER STATES REJECTED THE SOUTH CAROLINA VIEW?**

8 A. Yes. Other than the two Carolinas[4], very other state arbitrating this issue has
9 rejected the view that the CLEC is solely responsible for transporting the
10 incumbent LEC's traffic to the CLEC POI. Most recently, on July 30, 2001, the
11 New York Public Service Commission issued its Arbitration Order for
12 interconnection between AT&T/TCG and Verizon in which the New York
13 Commission affirmed its earlier network interconnection prediction and policy:

14 > CLEC's network's, in all likelihood, would not mirror the
15 > incumbent's. This has proven correct... The policy
16 > established in our Competition II proceeding, that remains
17 > applicable, assumes that a carrier is responsible for the
18 > costs to carry calls on its own network.

19 Notwithstanding different network architectures, the New York PSC ordered:

20 > We reject Verizon's proposal and shall keep in place the
21 > existing framework that makes each party responsible for
22 > the costs associated with the traffic that their respective

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[4] As Verizon noted on page 10 of its Network Architecture Testimony, the North Carolina Utilities Commission has also held that if AT&T interconnects at points within the LATA but outside BellSouth's local calling area, AT&T should compensate BellSouth or be responsible for transport beyond the local calling area.

1 customers originate until it reaches the point of
2 interconnection.[5]

3 This decision, and others like it which I cite in my Direct Testimony on pages 20-
4 22, represent the Commissions that "got it right".

5 **Q. IS VERIZON OFFERING AT&T A SIMILAR PROPOSAL TO THE ONE**
6 **ADOPTED BY THE NORTH CAROLINA AND SOUTH CAROLINA**
7 **COMMISSIONS?**

8 A. No. Verizon's proposal is far worse that what was ordered in the Carolinas. It
9 would require CLECs to establish many more POIs than are required under Bell
10 South's proposal. Bell South sought one POI per local calling area whereas
11 Verizon is seeking, under its VGRIP proposal, one POI *per rate center*[6] (a single
12 local calling area may be composed of numerous rate centers), *one POI per CLEC*
13 *collocation* and *one POI per end office at which the volume of traffic exceeds a*
14 *single DS-1*.

15 By way of example, under the terms of BellSouth's proposal, Verizon
16 could require only two POIs for the Northern Virginia portion of LATA 236 (one
17 for Stafford, Virginia and one for the rest of Northern Virginia), whereas under
18 Verizon's VGRIP proposal, its could require 19 or more POIs (one for each
19 Verizon rate center).

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5 Order, *Joint Petition of AT&T Communications of New York, Inc., TCG New York, Inc., and ACC Telecommunications Corp. Pursuant to Section 252 (b) of the Telecommunications Act of 1996 for Arbitration to establish an Interconnection Agreement with Verizon New York, Inc.*, Case 01-C-0095 *(July 30, 2001).*

6 As I discussed at pages 25-27 and at pages 89-90 of my Direct Testimony, Verizon's legacy local calling areas and rate centers are an artifact of a monopoly era and Verizon's network architecture.

Q. VERIZON ASSERTS (AT PAGE 11) "VERIZON VA IS OFFERING TO THE PETITIONERS THEIR CHOICE OF INTERCONNECTION POINTS THAT ARE LOCATED WITHIN A REASONABLE DISTANCE OF THEIR CUSTOMERS ORIGINATING THE CALL." IS THIS MISLEADING?

A. Yes, for two reasons. First, considering the several conditions under which Verizon may unilaterally designate a Verizon IP (the point at which the CLEC becomes financially responsible to transport Verizon's traffic) under Verizon's proposal, it is disingenuous to assert that Verizon "offers the Petitioners their choice of interconnection points…" Although Verizon's contract language states that when any one of the conditions is met, *either party* may designate such location an IP, it is highly unlikely that any CLEC would voluntarily elect to designate such location an IP, because to do so would mean the CLEC is assuming the obligation to transport Verizon's traffic without any compensation.

Second, Verizon's assertion implies that a POI close to the CLEC customers is the most efficient location for a POI. This may be true for Verizon's network architecture, but it is not true in many circumstances for AT&T's network architecture. When there is a substantial concentration of customers in a geographic area, it may be more efficient for the CLEC to serve this narrow geographic area with its own POI. However, where customers are dispersed, a single POI, nearer to the CLEC switch, which serves a large geographic area, is more efficient.

The key point here is the Commission should not permit Verizon to dictate what POI location amounts to "efficient interconnection" for the CLEC. That is a choice for the CLEC to make.

Q. VERIZON COMPLAINTS (BEGINNING ON PAGE 13) THAT AT&T'S PROPOSAL DOES NOT ALLOW THE PARTIES TO INDEPENDENTLY CHOOSE THE POINT OF INTERCONNECTION THAT BEST SERVES THAT CARRIER'S NEEDS. HOW DO YOU RESPOND?

A. Verizon's complaint is not with AT&T's proposal, but with the law itself. This theme pervades Verizon's Network Architecture Testimony – that it is unfair to Verizon for CLECs to have interconnection rights that are not reciprocal. That argument, no matter how many times Verizon repeats it, is blind to the fact that the law gives CLECs the ability to select the point of interconnection as a way to offset Verizon's (and other ILECs') pervasive market power stemming from their large size and ubiquitous presence. Section 251(b)(2) requires Verizon (and other ILECs) to provide interconnection at any technically feasible point on Verizon's network. CLECs have no such obligation under the Act or FCC rules. AT&T's contract proposal is entirely consistent with the Act.

Verizon can, however, under AT&T's proposal, establish a separate POI for its traffic since the parties have agreed to use a one-way trunking arrangement. Nevertheless, Verizon is unhappy that it must obtain AT&T's mutual agreement as to where it would interconnect to AT&T's network. Such mutual agreement is necessary and appropriate for the reasons I stated on pages 33-36 of my Direct Testimony.

Absent mutual agreement, there needs to be a default POI location set forth in the Agreement. Otherwise, Verizon would be in a position to hold AT&T's network interconnection hostage to its interconnection wishes. That is why AT&T's proposed contract terms provide:

> VERIZON shall interconnect to the AT&T network (i.e., establish a POI) for the delivery of ESIT originating on the VERIZON network at such point mutually agreed to between the Parties *or, lacking mutual agreement, at each respective AT&T Switch serving the terminating end user.*[7]

As part of AT&T's default POI proposal, AT&T provides that Verizon may use the equipment that Verizon has placed in AT&T serving wire centers to provide AT&T exchange access services to furnish itself local interconnection trunks.[8] This provision provides two advantages to Verizon. First, it is an efficient POI location, because AT&T would not have to provide, and Verizon would not pay for, any transport. Second, it enables Verizon to self-provision its own trunking facilities without having to lease interconnection facilities from AT&T. If Verizon utilized this arrangement, the portion of the Verizon equipment used to establish interconnection trunks would be subject to the terms and charges of AT&T's Space License.

Q. VERIZON STATES (AT PAGE 15), "WHEN AT&T PICKS ITS ONE POI PER LATA, VERIZON VA HAS NO CHOICE ABOUT WHERE IT CAN DROP OFF ITS ORIGINATING TRAFFIC." IS THIS ASSERTION CORRECT?

A. No. AT&T and Verizon have agreed to use a one-way trunking arrangement, which provides each party the ability to independently choose its POIs, though Verizon's choice, as I explained above, is limited to those locations to which AT&T mutually agrees. AT&T has no obligation under the law to make such an

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[7] AT&T Proposed Interconnection Agreement, Schedule Four §§ 1.1 - 1.3 (emphasis added).

[8] Schedule 4, Part B, § 2.1.1

offer to Verizon, yet does so, so that Verizon would have some discretion on the location of its POIs.

Q. VERIZON ARGUES (AT PAGE 15) THAT "BECAUSE VERIZON VA HAS MORE PLACES ON ITS NETWORK FROM WHICH AT&T CAN PICK AND CHOOSE WHERE TO DELIVER ITS ORIGINATING TRAFFIC, AT&T CAN LIMIT ITS TRANSPORT COSTS. IT LIMITS ITS TRANSPORT COSTS BECAUSE WITH MORE POINTS AT WHICH AT&T CAN "DROP OFF" ITS ORIGINATING TRAFFIC, THE FEWER MILES ITS TRAFFIC TRAVELS BEFORE IT IS HANDED OFF." IS THIS ASSERTION CORRECT?

A. No. This is an illogical assertion and only serves to confuse the issue. As I explained in my Direct Testimony beginning on page 10, each carrier is responsible for delivering its originating traffic to the POI. Between the originating customer and the POI, the costs of delivery are identified as the origination costs, and the facilities that bring the traffic to that point are the interconnection facilities. From the POI to the terminating customer, the terminating carrier assumes operational responsibility to take that traffic to the designated end user and the originating carrier pays the terminating carrier for the costs of that carriage. The costs associated with the terminating side of the POI, are generally known as the termination costs. Accordingly, the originating carrier is responsible for the collective costs (interconnection facilities and transport) to carry its traffic between the originating and terminating switches.

The location of a POI affects both the amount of reciprocal compensation one carrier pays the other carrier and the carrier's own network costs, but, in no case can the location of the POI actually reduce the distance that traffic must be

carried to less than the direct route between the originating and terminating switches.

AT&T's proposal gives each party the option to establish one-way direct trunks for its traffic between its originating switch and the terminating switch of the other party. This means, simply, that one party is not tied to the other's choice of interconnection location or method. For example, AT&T may elect to tandem route its traffic to Verizon, while Verizon may elect to direct end office route its traffic to AT&T. This approach gives both parties comparable opportunities to independently determine and implement efficient routing of their traffic to the other party.

Q. VERIZON ARGUES (AT PAGES 16-17) THAT A CLEC SHOULD BE REQUIRED TO SURRENDER ITS COLLOCATION SPACE TO VERIZON BECAUSE, IN VERIZON'S WORDS, "THIS IS AN EFFICIENT USE OF FACILITIES BECAUSE THE PETITIONER ALREADY HAS EXISTING FACILITIES IN PLACE BETWEEN THE COLLOCATION SITE AND THE PETITIONER'S SWITCH. SINCE BOTH PARTIES HAVE A PRESENCE IN THE VERIZON VA WIRE CENTER, IT IS A NATURAL POINT TO EXCHANGE TRAFFIC." WHAT IS WRONG WITH THIS VIEW?

A. There are a number of inaccuracies in Verizon's assertion that I will explain more fully below. At bottom, however, this is just another version of Verizon's oft-repeated complaint that the Telecommunications Act is unfair to Verizon.

Verizon proposes that where a CLEC has established a collocation arrangement at a Verizon serving wire center, Verizon should be permitted to require the CLEC to carry Verizon's traffic through the CLEC's collocation arrangement. This is Verizon's way of "taking back" what Verizon feels is an

1 unequal and unfair obligation: that Verizon must provide the CLECs collocation,
2 but the CLECs are not required to reciprocate. If adopted, Verizon's "surrendered
3 collocation" proposal would frustrate the CLEC's use of their legitimately and
4 lawfully acquired collocation space and possibly thwart local market entry by
5 collocated CLECs. Instead of using the collocation space for their own business
6 needs, the CLECs, under Verizon's proposal, would be forced to devote a
7 substantial portion of their collocation space and equipment to exchanging traffic
8 with Verizon.

9 Moreover, Verizon's assertion that surrendered collocation is an efficient
10 use of facilities is misleading. There is no question that it would reduce Verizon's
11 costs for it to use CLEC's collocation space and transport facilities between the
12 collocation and the CLEC switch *at no charge*. However, this arrangement would
13 be expensive and burdensome for the CLEC.

14 Even if the Commission were to require Verizon to compensate the CLEC
15 for surrendered collocation and transport, such unilateral action by Verizon could
16 frustrate CLEC market entry, as I discuss below. I want to emphasize that not all
17 such arrangements are bad or uneconomic. Indeed, there are circumstances where
18 AT&T may want to agree to them. Such agreements, however, should be
19 *voluntary*, not mandatory. Indeed, when such an arrangement has advantages for
20 the CLEC, the parties likely will come to mutual agreement on the matter.[9]

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[9] This issue was previously discussed in my Direct Testimony at pages 32 and 33.

1 Another inaccuracy inherent in Verizon's position on this issue is
2 Verizon's claim that it lacks adequate network facilities between the CLEC
3 collocation and the CLEC switch. That is nonsense. Verizon is the incumbent
4 LEC for its territory. It has a virtually ubiquitous network. It is simply untrue
5 that Verizon does not have the capability to carry its own traffic to the CLEC
6 switch. That is certainly the case with regard to AT&T. Many AT&T local
7 switches are deployed in the same locations as AT&T's long distance switches.
8 Verizon has high capacity fiber optic facility systems to each of these locations to
9 provide exchange access services to AT&T's long distance business. As I stated
10 previously, AT&T would agree to allow Verizon to place its local interconnection
11 trunks in these facilities under the terms of AT&T's Space License.

12 A third inaccuracy associated with Verizon's position on this matter is the
13 claim that the CLECs already have existing facilities in place between the
14 collocation site and the CLEC switch. When AT&T establishes a collocation
15 arrangement miles from the AT&T network, AT&T generally leases facilities
16 from Verizon to interconnect the collocation arrangement with the rest of
17 AT&T's network. Under Verizon's proposal, AT&T would need to lease
18 additional facilities from Verizon so that Verizon could put *its* traffic on them.
19 This would be doubly damaging for AT&T, in that AT&T would have to pay
20 Verizon to lease facilities to help Verizon reduce its costs. This is not only
21 counter to the Act, but is entirely unreasonable and illogical.

22 Last, it is completely false that AT&T's refusal to agree to surrender its
23 collocation space to Verizon "serves no other purpose other than to load

1 unnecessary costs on Verizon." This assertion ignores the fact that the law and
2 current rules permit CLECs to choose an efficient interconnection arrangement
3 for themselves in order to foster local competition. I have been clear throughout
4 my testimony that where AT&T is not adversely affected, it will accommodate
5 Verizon and will not force Verizon to interconnect at the same POI or use the
6 same trunk routes or facilities that AT&T elects for its traffic. AT&T recognizes
7 that each party is in the best position to determine the most efficient method to
8 deliver its traffic to the other party, so will allow Verizon may select its own POI,
9 subject to AT&T's mutual agreement. However, AT&T will not agree to provide,
10 and the Commission should not provide Verizon with the right to unilaterally
11 designate, an interconnection arrangement that would be inefficient for AT&T.
12 Accordingly, the Commission should reject out of hand Verizon's proposal that it
13 may designate a CLEC collocation as an interconnection point.

14 **Q. HAS VERIZON OFFERED AT&T A COMPROMISE PROPOSAL ON**
15 **THE POI ISSUE?**

16 A. On page 11 of Verizon's Network Architecture Testimony, Verizon asserts that it
17 had developed "a compromise between the Petitioners' proposal and Verizon
18 VA's GRIP proposal." That was news to AT&T. Verizon has not provided any
19 such proposal to the AT&T negotiating, nor has Verizon asked to re-open
20 discussions on the POI issue.

21 **Q. DOES VERIZON DESCRIBE THIS NEW "COMPROMISE" PROPOSAL**
22 **IN ITS TESTIMONY?**

23 A. Not really. Verizon did not attach any new contract terms to its testimony and
24 Verizon describes its "compromise" proposal only in the most general terms.

1 However, from Verizon's description of VGRIP, as Verizon calls its new
2 proposal, I do not discern any significant difference between Verizon's prior
3 GRIP proposal, which I discussed in my Direct Testimony, and its new VGRIP
4 proposal. It certainly does not appear to be much of a "compromise."

5 **Q. HAVE YOU BEEN ABLE TO OBTAIN A COPY OF VERIZON'S VGRIP**
6 **PROPOSAL?**

7 A. Possibly, but I cannot be certain. Attached as Exhibit A to the testimony of
8 Mr. Donato Grieco and Mr. Gary Ball of WorldCom are contract terms purported
9 to be Verizon's VGRIP proposal to WorldCom. I can only surmise that Verizon
10 intends to offer the same arrangement to AT&T.

11 **Q. WHAT ARE THE SUBSTANTIVE DIFFERENCES BETWEEN**
12 **VERIZON'S GRIP PROPOSAL AND ITS VGRIP PROPOSAL AS SET**
13 **FORTH IN THE EXHIBIT A CONTRACT LANGUAGE ATTACHED TO**
14 **WORLDCOM'S TESTIMONY?**

15 A. Under the GRIP proposal it is unclear as to the number of end offices in which
16 AT&T would be required to establish an IP, because any one of a variety of
17 conditions may trigger Verizon's right to require AT&T to establish an IP.
18 However, under its VGRIP proposal as set forth in WorldCom's Exhibit A,
19 Verizon makes it quite clear that AT&T would have to establish an IP at *each of*
20 *the 310 Verizon rate centers* in Virginia, where AT&T offers local exchange
21 service.[10]

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[10] Direct Testimony of Donato Grieco and Gary Ball, Exhibit A, § 7.1.1.1

Q. ARE THERE OTHER PROBLEMS WITH VERIZON'S "COMPROMISE" VGRIP PROPOSAL?

A. Yes. As with its GRIP proposal, the VGRIP proposal violates the requirement that the originating carrier is responsible for the costs of transporting its traffic to the point of interconnection with the terminating carrier. Verizon's VGRIP proposal, as described on page 12 of Verizon's Network Interconnection Testimony, simply provides that Verizon deliver its traffic only as far as its end office, where a CLEC is collocated, or at a tandem wire center. AT&T would still be responsible to pick up the traffic at those locations and carry it to its switch for termination. Thus, Verizon is still transferring a significant portion of its originating transport costs to AT&T in violation of the law. Moreover, as I explained in my Direct Testimony on pages 32-33, and again in this testimony, AT&T should not be required to surrender or share its collocation space with Verizon.

Q. DOESN'T VERIZON'S NETWORK ARCHITECTURE TESTIMONY CLAIM THAT VERIZON MAY REQUIRE CLECS TO ESTABLISH AN IP AT A COLLOCATION SITE IN EACH VERIZON VA TANDEM WIRE CENTER?

A. Yes, that is what the testimony says, but the proposed contract terms set forth in WorldCom's Exhibit A do not even mention tandem wire center interconnection. However, even if Verizon's language clearly provided that Verizon could only require that CLECs establish an IP at each Verizon tandem wire center, such interconnection terms would still be unlawful and require AT&T to bear a disproportionate share of network interconnection costs.

Q. HAVE YOU DETERMINED THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL?

A. There is virtually no difference in the costs to each party between Verizon's GRIP proposal and the VGRIP proposal as set forth in WorldCom's Exhibit A. Thus, the cost study I already provided in my Direct Testimony would be a reasonable estimate of the costs to each party under that VGRIP proposal.

Q. WHAT WOULD BE THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL AS DESCRIBED IN VERIZON'S TESTIMONY?

A. As I stated above, the VGRIP proposal is described in the testimony in only the most general terms, so it is difficult to fully understand what Verizon might be proposing. However, Verizon might be proposing that for tandem routed traffic Verizon's and AT&T's IP (using Verizon's terminology) would be at the applicable Verizon tandem switch location, and for direct end office routed traffic Verizon's and AT&T's IP would be at the Verizon end office location (hereafter referred to as the "Tandem Compromise"). In other words, with respect to tandem routed traffic, Verizon would carry its traffic from the originating switch to the tandem location and AT&T would be obligated to carry Verizon's traffic from the tandem to the AT&T switch without any compensation from Verizon.

Q. WOULD THIS TYPE OF TANDEM COMPROMISE PROPOSAL BE ACCEPTABLE TO AT&T?

A. No. As I noted above, even this type of compromise proposal would be unacceptable to AT&T because it still inappropriately allocates network interconnection costs to AT&T and would have a significant adverse financial impact on AT&T.

Q. WHAT COST SUPPORT DO YOU HAVE DEMONSTRATING THAT SUCH A TANDEM COMPROMISE PROPOSAL WOULD HAVE A SIGNIFICANT ADVERSE FINANCIAL IMPACT ON AT&T?

A. I have modified the cost study attached to my Direct Testimony as Exhibit DLT-6 to show the costs allocated to each party under this Tandem Compromise proposal. I have assumed in this analysis that: (1) AT&T would be fully responsible for the costs to carry AT&T's traffic from the AT&T originating switch to the AT&T POI (interconnection facility costs) and from the AT&T POI to the Verizon terminating switch (transport charges from Verizon); (2) for Verizon's tandem routed traffic, Verizon would be responsible for the costs to carry Verizon's traffic from the Verizon originating switch to the Verizon tandem switch and AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon tandem switch to the POI (AT&T's terminating switch in this study); and (3) for Verizon's direct end office routed traffic, AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon end office to the POI.

Q. PLEASE DESCRIBE THE BASIC METHODOLOGY USED TO DEVELOP YOUR COST ESTIMATES FOR THIS NEW COST STUDY.

A. The methodology used to develop the new cost study is nearly identical to the methodology used to develop Exhibit DLT-6 set forth in my Direct Testimony. I relied upon traffic usage reports to determine the number of interconnection trunks in place today between AT&T's switches and Verizon's tandems and end offices. To obtain the costs to be allocated to each party under the AT&T POI proposal, the end office and tandem trunk quantities were allocated to each party in proportion to the historic balance of traffic between the parties. To obtain the

costs to be allocated to each party under this Tandem Compromise proposal, the end office and tandem trunk quantities were allocated wholly to AT&T. The cost of the transport for in-place trunk groups to the end offices and tandems was then calculated based on the number of DS-1 or DS-3 circuits[11] and the miles between the switches based on the V&H data in the Local Exchange Routing Guide ("LERG").

In addition, I applied a new cost factor in this study. Under the Tandem Compromise proposal, common transport costs (the cost of transport between the Verizon tandem and end office switches) were allocated in proportion to the historic balance of traffic between the parties. Exchange access rates were used to determine the costs to each party for dedicated transport and UNE rates were used to determine the cost to each party for common transport. In addition, I applied a growth factor to the usage data that allowed me to price out the impact of Verizon's proposal in years 2 through 5.

Q. DID YOU USE THE SAME BASIC ASSUMPTIONS TO DEVELOP THIS NEW COST ESTIMATE AS YOU USED FOR EXHIBIT DLT-6?

A. Yes.

Q. PLEASE DESCRIBE THE COST STUDY IN MORE DETAIL.

A. A two-page summary of the cost analysis is attached to my testimony as Exhibit DLT-10 ("Summary Work Sheet"). A complete Microsoft Excel file of the cost study has been provided with my testimony on an accompanying Diskette labeled

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[11] DS-3 circuits were utilized when the aggregate cost of the required number of DS-1 circuits exceeded the cost of a DS-3 circuit.

Exhibit DLT-11. The cost analysis is composed of five work sheets as follows: Summary; DEOT; Tandem; Common and FG-D.

The **Summary Work Sheet** sums the applicable entries from each of the other work sheets into two sections. The top section specifies the costs to AT&T and Verizon under the AT&T POI proposal. The lower section specifies the costs to AT&T and Verizon under the Tandem Compromise proposal. Within each of these sections, each row is labeled to reference the worksheet from which the data was taken. Additionally, each cell is linked to its data source, which can be identified by clicking on that cell using Microsoft Excel. At the very bottom of the Summary Work Sheet is a table that calculates monthly per-line costs to AT&T and Verizon respectively under each of the cost scenarios.[12]

The **DEOT Work Sheet** is identical to the DEOT Work Sheet in Exhibit DLT-6, the **Tandem Work Sheet** is identical to the Tandem 1 Work Sheet in Exhibit DLT-6, and the **FG-D Work Sheet** is identical to the FG-D Work Sheet in Exhibit DLT-6.

The **Common Work Sheet** in the Microsoft Excel file calculates the cost to carry tandem routed traffic between the Verizon tandem and Verizon end office. The common transport costs assume that each tandem trunk carries 100,000 minutes

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[12] The number of AT&T lines used was developed from preliminary data that AT&T is accumulating to report to the FCC for the semi-annual FCC Report on Local Competition as of June 30, 2001. The number of Verizon lines is taken from the Loop Analysis Report and Tracking ("LART") System data provided by Verizon with its cost study.

per year. Because Verizon is not asserting that exchange access rate apply to common transport, UNE rates are used to calculate these costs.

**** BEGIN PROPRIETARY**

Q. WOULD YOU SUMMARIZE THE RESULTS OF THIS COST STUDY?

A. Yes. Table 2 compares the 2001 monthly per line interconnection costs allocated to each party under AT&T's proposal, Verizon's GRIP proposal and the Tandem Compromise proposal.

TABLE 2

	AT&T MONTHLY PER LINE INTERCONNECTION COSTS	VERIZON MONTHLY PER LINE INTERCONNECTION COSTS
AT&T Proposal	$0.95	$0.0257
Verizon GRIP Proposal	$3.41	$0.0000
Tandem Compromise Proposal	$2.38	$0.0011

Q. WHAT CONCLUSIONS DO YOU REACH FROM THIS RESULT?

A. Although such a compromise may sound reasonable on its surface, in reality, it would still be harmful to AT&T and to local competition in Virginia. AT&T's monthly per line interconnection costs under the Tandem Compromise proposal would be $2.38, substantially higher than the $0.94 under AT&T's POI proposal.

END PROPRIETARY **

Q. YOUR STUDY HIGHLIGHTS THE DIFFERENCES AMONG THE VARIOUS POI PROPOSALS. IN CONDUCTING YOUR STUDY, DID

YOU REFLECT AT&T RECOMMENDATIONS REGARDING THE APPLICABILITY OF UNE TRANSPORT RATES?

A. No. Had I done so, the costs in the "AT&T Proposal" line would have been substantially lower. In order to isolate the impact of the different POI approaches, I assumed, for the limited purposes of the study, that Verizon would assess access rates for leased transport. As the Commission knows, however, in Issue V.2 the parties are arbitrating whether access rates or UNE rates should apply to this traffic. Had I reflected UNE rates in my study (which is AT&T's recommendation on Issue V.2), the costs per line under the "AT&T Proposal" would have been substantially lower than what I showed in the study.

Q. TURNING NOW TO THE "RECIPROCAL COLLOCATION" ISSUE, VERIZON STATES ON PAGE 28 OF ITS TESTIMONY THAT CLECS SHOULD GIVE VERIZON THE OPTION TO COLLOCATE AT A CLEC'S PREMISE BECAUSE IT IS FAIR AND WILL GIVE BOTH PARTIES SEVERAL OPTIONS FOR INTERCONNECTION. WHAT IS WRONG WITH VERIZON'S POSITON?

A. For starters, it is wrong under the law. As Mr. Nurse discusses in more detail, the Act requires Verizon to make collocation available, but imposes no such reciprocal obligation on CLECs. That fact alone resolves the issue.

Q. IS AT&T REFUSING TO PROVIDE VERIZON WITH SPACE IN AT&T'S LOCATIONS?

A. No. AT&T cannot be *forced* to offer collocation, but it is *willing* to do so under certain condtions. AT&T has offered Verizon a space license agreement (Schedule 4.2.2) which would permit Verizon to utilize space and power in AT&T facilities in order to terminate Verizon's traffic. It also provides, as I noted above, in Schedule 4, Part B, § 2.1.1, that if Verizon is providing to AT&T

1 an exchange access entrance facility to a certain AT&T switch center and the
2 terminating equipment used to provide such exchange access entrance facility has
3 spare capacity, then Verizon may, at its discretion, use the spare capacity of such
4 equipment to establish transport facilities for the purpose of terminating its traffic
5 under the terms of the Space License. Thus, AT&T is offering Verizon more than
6 AT&T is required to provide by law.

7

Issue III.1 ***Tandem Transit Service*** 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?

Q. VERIZON CLAIMS (ON PAGE 35) THAT SINCE THE ACT REQUIRES EACH CARRIER TO INTERCONNECT WITH ONE ANOTHER, VERIZON DOES NOT HAVE AN OBLIGATION TO PROVIDE TRANSIT SERVICE. IS VERIZON CORRECT?

A. No. The Act sets forth different interconnection obligations and rights for incumbents and CLECs. ILECs must allow interconnection by CLECs at any technically feasible point, which includes the tandem. Non-incumbent carriers, on the other hand, have the right to interconnect directly or *indirectly* with one another. *See* §251 (a)(1). Indirect interconnection, as the FCC noted in its *Local Competition Order,* is interconnection with *other carriers* via the incumbent's network.[13] Thus, Verizon's assertion that it has no obligation to provide transit traffic amounts to a rejection of its obligation to provide indirect interconnection for non-incumbent LECs.

Q. COULD YOU COMMENT ON VERIZON'S ASSERTION ON PAGE 35 THAT IF IT DOES NOT IMPOSE A TRAFFIC THRESHOLD ON TRANSIT TRAFFIC, THE PETITIONERS WOULD HAVE NO INCENTIVE TO INTERCONNECT DIRECTLY WITH OTHER CARRIERS.

A. Yes. Inherent in that statement is an acknowledgment by Verizon that, as I have testified in my Direct Testimony, direct interconnection often is not efficient or economic for carriers. Thus, Verizon's imposition of this direct connection requirement on CLECs is not only contrary to its own interconnection obligations, but, by its own admission, is often inefficient for other carriers. As I stated in my

1 initial testimony, AT&T's traffic engineers evaluate various trunk routes using
2 economic CCS[14] thresholds in order to determine when and where AT&T can
3 realize cost savings by establishing direct trunking. Verizon's proposed arbitrary
4 threshold prevents AT&T from determining the most efficient method for
5 interconnection.

6 Furthermore, there is no parallel between Verizon's and a CLEC's costs to
7 establish direct end office trunking. Verizon has a pre-existing network
8 connecting each of its serving wire centers within a LATA, which provides
9 Verizon a substantially lower traffic volume threshold at which direct trunking
10 becomes economical. CLECs have a considerably more complicated decision to
11 determine when it is efficient to directly trunk to a certain ILEC end office.
12 Factors that AT&T considers include: costs to build out the AT&T network to
13 that location; costs to collocate; costs to lease facilities from the ILEC or another
14 carrier; revenue projections and forecasts of AT&T services which may be
15 provided through that location, both UNE and facility based; traffic trunk
16 forecasts; and constraints on capital which may be required for other projects.
17 Obviously it is unreasonable to hold AT&T to the same direct trunking traffic
18 thresholds that Verizon sets for itself, because the two parties have vastly
19 different situations.

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13 *Local Competition Order* at ¶997. (*Emphasis added*).

14 CCS is an acronym meaning Centi Call Seconds (One hundred call seconds or one hundred seconds of telephone conversation).

Q. VERIZON CLAIMS ON PAGE 36 THAT THE DS-1 THRESHOLD IS SUFFICIENT TO JUSTIFY CONSTRUCTION OF DIRECT INTERCONNECTION. DO YOU AGREE?

A. No. Verizon provides no cost justification or any other evidentiary support for this assertion. As I pointed out in my Direct Testimony at page 51, in a discovery response Verizon basically admitted it had no cost analysis to support the thresholds, or any written practices on this matter.

Moreover, Verizon has provided no additional information in its Direct Testimony on this issue, other than to state on page 37 that the DS-1 threshold was established 20 years ago as an engineering guideline and is still used by Verizon today. Thus, Verizon has provided no evidence that this threshold is appropriate or "sufficient" to use for CLEC traffic. This is particularly true because the CLECs' networks have nowhere near the ubiquitous reach of Verizon's network. Thus, any assertion that the threshold should be economical for CLECs because it is economical for Verizon is simply wrong.

Q. DOES VERIZON HAVE ANY CONTROL OVER ROUTING OF INTERCONNECTION TRAFFIC?

A. Indeed it does. Since Verizon and AT&T have agreed to use a one-way interconnection trunking arrangement, each party has control over the trunks used to deliver its traffic to the other party. If Verizon believes it has a sufficient volume of traffic, Verizon is free to send trunk orders to AT&T to route its originating traffic directly from a given Verizon end office to the AT&T switch, thereby reducing its tandem congestion. Verizon may take that action regardless of whether AT&T decides to establish direct end office trunks to that Verizon

1 end office for its traffic. Since more traffic currently originates on Verizon's
2 network than on AT&T's, Verizon has control whether the majority of traffic
3 exchanged between the parties is tandem routed or end office routed. Verizon
4 should not be trying to control AT&T's network and engineering practices, but
5 rather concentrate managing the interconnection trunks it controls according to its
6 own practices.

7 **Q VERIZON ASSERTS ON PAGE 36 THAT IF AT&T'S TRAFFIC**
8 **CONTINUES TO BE ROUTED THROUGH VERIZON'S TANDEMS**
9 **WITHOUT LIMITATION, THOSE TANDEMS WILL BE "USED UP."**
10 **DO YOU AGREE WITH THIS STATEMENT?**

11 A. No, and Verizon has provided no evidence to support such a statement. The FCC
12 has specifically stated that in order for an incumbent to justify refusal to provide
13 interconnection, it must provide the state commission with clear and convincing
14 evidence that specific and significant adverse impacts would result from the
15 requested interconnection or access.[15] Verizon has provided no such evidence.

16 All Verizon has indicated is that it has a few tandems in Virginia that face
17 exhaust in 2001. That information in and of itself is not adequate to meet the
18 specific and significant adverse impact standard. Verizon has provided no
19 information that this exhaust situation is the result of CLEC local traffic in
20 general or AT&T local traffic in particular. AT&T's traffic, by Verizon's own
21 admission, is not the only traffic that traverses its tandem. In fact, Verizon has
22 admitted that its exchange access tariff does not contain any traffic threshold

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[15] *Local Competition Order*, at ¶ 203.