

1 Issue V.8 **Competitive Tandem Service** Should the contract terms relating to the Parties'
2 joint provision of terminating meet point traffic to an IXC customer be reciprocal,
3 regardless of which Party provides the tandem switching function? Put another
4 way, should the contract terms make clear that AT&T and Verizon are peer local
5 exchange carriers and should not bill one another for meet point traffic

6 **Q. WHAT IS THE CURRENT STATUS OF THIS ISSUE?**

7 A. In my Direct Testimony, beginning at page 114, I describe how AT&T has
8 modified its position on this issue. As is clear from its Intercarrier Compensation
9 Testimony, Verizon has refused to agree that competitive tandem service and
10 meet point billing arrangements should be treated alike in the interconnection
11 agreement. As set forth in the Petition, AT&T originally sought to have the same
12 contract terms apply to both competitive tandem service and meet point billing
13 arrangements. Although I strongly disagree with Verizon's position on this issue
14 and believe that the objections raised by Verizon in its Intercarrier Compensation
15 Testimony have little merit, that issue is no longer relevant. AT&T has conceded
16 to have a separate contract section addressing competitive tandem services,
17 provided that the contract terms are consistent with AT&T's rights under the law
18 and allow AT&T to efficiently offer its competitive tandem service. Hand in
19 hand with AT&T's concession, I provided revised contract terms for competitive
20 tandem service as Exhibit DLT-9 to my Direct Testimony.

21 **Q. YOU STATED THAT VERIZON'S OBJECTIONS TO A SINGLE SET OF**
22 **TERMS FOR COMPETITIVE TANDEM SERVICE AND MEET POINT**
23 **BILLING ARRANGEMENTS HAVE LITTLE MERIT. WOULD YOU**
24 **ELABORATE?**

25 A. Competitive tandem service and meet point billing arrangements are functionally
26 identical. In each case the two LECs collectively perform tandem switching,

1 tandem transport and local switching. Under a meet point billing arrangement,
2 the ILEC normally provides only the tandem switching and the CLEC provides
3 the tandem transport and local switching (although the CLEC may have the ILEC
4 provide the tandem transport). Under competitive tandem service, the CLEC
5 provides tandem switching and tandem transport and the ILEC provides local
6 switching. The service is the same in both cases, the roles of the carriers are just
7 reversed. Verizon admits as much on page 14 describing meet point billing
8 arrangements, “two LEC’s are involved in the joint provisioning of switched
9 access service to an IXC... The joint provisioning comes from the fact that the
10 two LECs each provide a portion of the access service to an IXC.”

11 Because the competitive tandem service and meet point billing
12 arrangements are functionally identical, Verizon attempts to makes the distinction
13 that meet point billing arrangements are limited solely to situations where one
14 LEC “chooses” to subtend another LEC’s tandem. The problem with this view
15 point is that it leaves the decision of how tandem services will be offered in the
16 hands of the party with the market power - Verizon. All Verizon has to do is not
17 agree to the arrangement as proposed by AT&T, which is what Verizon has done
18 to date. I believe that the customer who is paying for the service, the IXC in this
19 circumstance, not Verizon, should have the right to determine which party will
20 provide what functions. It is not in the public interest to foreclose tandem
21 services from competition. Adopting Verizon’s proposal to omit terms for
22 competitive tandem services would have that effect.

1 **Q. IS AT&T ATTEMPTING TO AVOID PAYMENT OF CHARGES TO**
2 **VERIZON?**

3 A. No. As I stated, AT&T is willing to compensate Verizon for each function that
4 Verizon provides to AT&T for competitive tandem service. Since virtually all
5 competitive tandem service traffic is direct end office routed (*i.e.*, directly
6 between the AT&T switch and the Verizon end office), the only function
7 normally provided by Verizon is local switching. The rates that would apply to
8 the functions provided by Verizon for competitive access service are addressed in
9 my testimony on Issue V.1.

10 **Q. HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

11 A. Since AT&T has conceded to have separate contract terms for competitive access
12 service and meet point billing arrangements and Verizon admits that the
13 competitive tandem service arrangement is technically feasible, the Commission
14 should act consistent with the goal of fostering competition and adopt the revised
15 contract terms which AT&T's proposed as Exhibit DLT-9 to my Direct
16 Testimony. The Commission should decide, as a separate matter under Issue V.1,
17 that the Verizon rates applicable to the competitive tandem service functions
18 provided by Verizon should be UNE rates.

19

1 Issue III.5 **Tandem Rate** Where the geographic coverage of an AT&T switch is
2 comparable to that of a Verizon tandem, should AT&T and Verizon receive comparable
3 reciprocal compensation for terminating the other parties' traffic?

4 **Q. CAN YOU COMMENT ON VERIZON'S STATEMENT ON PAGE 26 OF**
5 **ITS INTERCARRIER COMPENSATION TESTIMONY THAT IT**
6 **SHOULD BE ABLE TO AVOID PAYING CLECS THE TANDEM RATE**
7 **SO IT CAN HAVE COMPARABLE INTERCONNECTION CHOICES?**

8 A. Yes. Once again, Verizon, ignoring its status as the ubiquitous ILEC, wants
9 symmetrical treatment on an interconnection issue even though that symmetrical
10 treatment is not provided for by law and would not make sense given the
11 differences in CLECs' network architecture. Verizon complains that even if a
12 CLEC switch meets the tandem criteria, Verizon is "unable to take advantage of a
13 lower end office rate by bypassing the tandem and connecting directly to the
14 CLEC's end office switch." Verizon is once again missing the point. Rule
15 51.711(a)(3) was created to provide a proxy for the additional costs a *CLEC*
16 incurs in terminating Verizon's traffic where the CLEC network (switch and
17 distribution facilities) is designed to serve an area comparable to an ILEC tandem
18 switch. The issue is not whether *Verizon* has an option to pay less for reciprocal
19 compensation. The issue is whether Verizon should be required to compensate
20 CLECs for the costs they incur in terminating Verizon's traffic. The answer is
21 yes, and Rule 51.711(a)(3) has established the proxy to be used to enable CLECs
22 to recover these costs.

1 **Q. DOES VERIZON ACCURATELY DESCRIBE THE TANDEM CRITERIA**
2 **IN ITS TESTIMONY?**

3 A.. No. Verizon asserts that AT&T is “overstating the facts” on this issue, but the
4 reality is that Verizon misstates the law. AT&T has presented the facts necessary
5 to meet the standard which is set forth in the law.

6 **Q. PLEASE EXPLAIN.**

7 A. Verizon’s witnesses state on page 26 that CLECs should be required “to
8 demonstrate actual functional and geographic comparability for each of their
9 switches” in order to receive the tandem switching rate. They also state on page
10 27, that geographic comparability requires a demonstration that each switch
11 “actually serves a geographically dispersed customer base”. As I stated in my
12 Direct Testimony on pages 102-104, there is no requirement that CLEC switches
13 meet a functionality test in order to qualify for the tandem rate. Geographic
14 comparability is the *only* applicable test set forth in Rule 51.711 (a)(3). In
15 addition, as I further pointed out at pages 108-111 in my Direct Testimony, the
16 geographic comparability test does not require that a CLEC switch actually serves
17 a comparable geographic area in order to receive the tandem rate. Thus, the facts
18 are not “overstated” as Verizon claims. AT&T has presented the evidence
19 necessary to meet the standard set forth in Rule 51.711(a)(3), which qualifies it to
20 receive the tandem rate.

21 **Q. CAN YOU COMMENT ON VERIZON’S PROPOSAL FOR A NEW**
22 **TANDEM RATE PROXY RULE?**

23 A. Yes. Verizon’s witnesses propose on page 28 a new proxy rule that they claim
24 should apply when a CLEC’s network employs a single-tier interconnection

1 structure. This rule would require CLECs to charge Verizon “the average rate
2 charged by Verizon VA to the CLEC for call termination during the previous
3 calendar quarter.” The major flaw in this proposal is that it bears absolutely no
4 relationship to the costs incurred by the CLEC for terminating Verizon’s traffic,
5 and Verizon has provided not a scintilla of evidence that it does. A proxy, by its
6 very nature, is supposed to provide an approximation of costs. This does not.

7 Since the parties have agreed to one-way trunks, there is absolutely no
8 relationship between the ratio of traffic that is terminated at Verizon’s tandems
9 and end offices, to the costs incurred by the CLECs for terminating Verizon’s
10 traffic. The average rate simply reflects the costs incurred by *Verizon* to terminate
11 the CLECs traffic. These average costs are driven by the CLECs choices about
12 where to interconnect – they have nothing to do with where Verizon’s traffic is
13 delivered to the CLEC and the resultant costs incurred by the CLEC to terminate
14 that traffic. In summary, Verizon’s proposal on its face cannot be an accurate
15 proxy of a CLECs termination costs and Verizon has provided no evidence or
16 reasoning as to why it is preferable to the established proxy in set forth in
17 Rule 51.711(a)(3).

18 **Q. VERIZON’S WITNESSES ON PAGE 27 REFERENCE THE FCC’S**
19 **INTERCARRIER COMPENSATION NPRM AS SOMEHOW**
20 **SUPPORTING VERIZON’S POSITION. CAN YOU COMMENT ON**
21 **THIS?**

22 A. Yes. In the *Intercarrier Compensation NPRM*, the FCC confirmed that the
23 tandem rate standard was limited to geographic comparability, not to tandem
24 functionality. It did indicate, however, that it would reexamine the effect of this

1 current rule in that proceeding to determine whether it is appropriate to change the
2 rule in the future. However, as I stated in my earlier testimony, this arbitration is
3 not the appropriate forum to revise existing industry rules, because an arbitration
4 only concerns the parties to the arbitration. Verizon's proposal, on the other hand,
5 has potential implications to all carriers. The appropriate place is in the context of
6 the NRPM. Therefore, Verizon's revised 'proxy' rule should be rejected.

7

1 Issue VII-8 **Transport Rates** Should AT&T be permitted to pay the end office rate for
2 delivery to Verizon's tandem, and thereby avoid paying its fair share of transport costs by
3 failing to pay that tandem rate?

4 **Q. ON PAGE 22 OF VERIZON'S INTERCARRIER COMPENSATION**
5 **TESTIMONY, VERIZON CLAIMS THAT AT&T SHOULD NOT BE**
6 **PERMITTED TO PAY THE END OFFICE RATE, RATHER THAN THE**
7 **TANDEM RATE, FOR DELIVERY OF TRAFFIC TO VERIZON VA'S**
8 **TANDEM. HOW DO YOU RESPOND?**

9 A. Verizon's issue is baseless. AT&T agrees to pay the tandem interconnection rate
10 when AT&T routes its traffic through Verizon's tandem. However, AT&T does
11 not agree to pay the tandem rate when AT&T routes traffic to Verizon via direct
12 end office trunks. Clearly, the end office rate should apply in that situation. It is
13 difficult to tell from Verizon's testimony, but it appears that Verizon is asserting
14 that if AT&T establishes a POI at a Verizon serving wire center and then orders
15 transport from such POI to another Verizon serving wire center where AT&T's
16 traffic would terminate (*e.g.*, on direct end office trunks), that AT&T should
17 compensate Verizon for the transport between the POI and the terminating
18 Verizon end office.

19 **Q. DOES AT&T DISAGREE WITH THAT NOTION?**

20 A. No. However, in such a case the appropriate compensation to Verizon would
21 include charges for the transport between the POI and the terminating Verizon
22 end office at the UNE interoffice facility rate, not at the per minute tandem
23 transport rate.

1 **Q. IS AT&T PERMITTED TO UTILIZE A POI AT A VERIZON SERVING**
2 **WIRE CENTER, WHICH ALSO HOUSES A VERIZON TANDEM**
3 **SWITCH, TO ESTABLISH DIRECT END OFFICE TRUNKS BETWEEN**
4 **AN AT&T SWITCH AND ANOTHER VERIZON END OFFICE?**

5 A. Yes. FCC rules permit AT&T to establish a single POI in the LATA. That single
6 POI may be used to establish trunks between the AT&T switch and any Verizon
7 switch in the LATA. In such a situation Verizon would provide AT&T transport
8 between AT&T's POI and each Verizon switch to which AT&T orders trunks.

9 **Q. HOW SHOULD VERIZON BE COMPENSATED FOR SUCH**
10 **TRANSPORT?**

11 A. AT&T should compensate Verizon for the transport between the POI and a distant
12 Verizon switch at the UNE dedicated transport rate. If AT&T were to
13 compensate Verizon at the per minute tandem rate, where the distant Verizon
14 switch is an end office, Verizon would be over compensated because Verizon
15 would be recovering tandem switching costs even though it was not providing
16 AT&T with any tandem switching in the described arrangement.

17 **Q. WOULD YOU AGREE THAT IT SOUNDS AS IF VERIZON AND AT&T**
18 **AGREE ON THE SUBSTANCE OF THIS ISSUE?**

19 A. Yes.

20 **Q. HOW DOES AT&T PROPOSE TO RESOLVE THE ISSUE?**

21 A. AT&T proposes the following revision to its proposed contract terms for this
22 issue in an effort to resolve the matter. AT&T's revised language is in upper case
23 type.

24 5.7.4 AT&T will pay VZ the approved rate for termination of Local Traffic
25 at the Tandem Office rate (including both transport and End Office
26 termination) for Local Traffic AT&T delivers to VZ via tandem

1 trunks, and AT&T will pay VZ the approved rate for End Office
2 termination for Local Traffic AT&T delivers to VZ via end office
3 trunks. VZ will pay AT&T the approved Tandem Office rate set forth
4 in Exhibit A for Local Traffic VZ delivers to AT&T. IN ADDITION
5 TO THE FOREGOING, WHERE EITHER PARTY DELIVERS
6 TRAFFIC TO THE OTHER PARTY AT A POI LOCATION THAT
7 IS DISTANT FROM THE TERMINATING SWITCH, THE PARTY
8 DELIVERING THE TRAFFIC TO THAT LOCATION WILL PAY
9 THE OTHER PARTY THAT PARTY'S APPROVED DEDICATED
10 TRANSPORT RATE FOR THE DISTANCE BETWEEN THE POI
11 AND TERMINATING SWITCH.

12 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

13 **A. Yes it does.**

I, David L. Talbott, hereby swear and affirm that the foregoing rebuttal testimony was prepared by me or under my direct supervision or control and is true and accurate to the best of my knowledge and belief.

Signed:

D. L. Talbott

VIRGINIA NETWORK INTERCONNECTION COST ANALYSIS

COSTS ALLOCATED TO EACH PARTY UNDER AT&T PROPOSAL

	2001		2002		2003		2004		2005	
	AT&T	VZ								
DEOT	\$392,992	\$586,947	\$392,992	\$586,947	\$392,992	\$586,947	\$392,992	\$586,947	\$392,992	\$586,947
Tandem	\$65,086	\$504,013	\$117,638	\$511,258	\$117,638	\$511,258	\$164,995	\$511,258	\$171,541	\$511,258
Common	\$8,123	\$47,965	\$9,179	\$54,200	\$10,048	\$54,200	\$10,901	\$54,200	\$11,665	\$54,200
FG-D	\$267,469	\$23,881	\$300,903	\$23,881	\$329,561	\$23,881	\$358,218	\$23,881	\$382,099	\$23,881
Total	\$733,671	\$1,142,806	\$820,712	\$1,196,101	\$850,239	\$1,196,101	\$927,107	\$1,196,101	\$958,297	\$1,196,101
Collective Total	\$1,876,477		\$2,018,813		\$2,162,575		\$2,300,123		\$2,429,274	

COSTS ALLOCATED TO EACH PARTY UNDER A TANDEM COMPROMISE PROPOSAL

	2001		2002		2003		2004		2005	
	AT&T	VZ								
DEOT	\$959,939	\$0	1001758	\$0	1068383	\$0	1126221	\$0	1178904	\$0
Tandem	\$569,099	\$0	\$628,891	\$0	\$666,593	\$0	\$711,756	\$0	\$754,294	\$0
Common	\$8,123	\$47,965	\$9,179	\$54,200	\$10,048	\$54,200	\$10,901	\$54,200	\$11,665	\$54,200
FG-D	\$291,351	\$0	\$324,784	\$0	\$358,218	\$0	\$386,875	\$0	\$415,533	\$0
Total	\$1,828,512	\$47,965	\$1,964,613	\$54,200	\$2,103,243	\$54,200	\$2,235,754	\$54,200	\$2,360,396	\$54,200
Collective Total	\$1,876,477		\$2,018,813		\$2,162,575		\$2,300,123		\$2,429,274	

This work sheet summarizes the allocation of costs under various network interconnection alternatives. Detailed cost basis for this summary is provided on the four associated worksheets as labeled.

MONTHLY PER LINE COSTS FOR 2001		
	AT&T COSTS	VERIZON COSTS
Under AT&T's proposal	\$0.95	\$0.0257
Under a Tandem Compromise proposal	\$2.38	\$0.0011

CONFIDENTIAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, D.C. 20554

In the Matter of)
 Petition of AT&T Communications)
 of Virginia, Inc., Pursuant)
 to Section 252(e)(5) of the Communications Act,)
 for Preemption)
 of the Jurisdiction of the Virginia)
 State Corporation Commission)
 Regarding Interconnection Disputes)
 with Verizon-Virginia, Inc.)

CC Docket No. 00-**RECEIVED**

AUG 17 2001

FEDERAL COMMUNICATIONS COMMISSION
 OFFICE OF THE SECRETARY

**REBUTTAL TESTIMONY OF
 DAVID L. TALBOTT
 ON BEHALF OF AT&T¹
 PUBLIC VERSION**

ISSUES ADDRESSED	
Issue I.1	<i>Point of Interconnection</i> Should each Party be financially responsible for all of the costs associated with its originating traffic that terminates on the other Parties' network; regardless of the location and/or number of points of interconnection, as long as there is at least one Point of Interconnection per LATA?
Issue III.1	<i>Tandem Transit Service</i> 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?
Issue III.3	<i>Meet Point Interconnection</i> 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?
Issue VII-6	<i>Limitations on AT&T's POI</i> Should Verizon be forced to offer interconnection facilities and hubbing at central offices other than those intermediate hub locations identified in the NECA 4 tariff?
Issue V.2	<i>Interconnection Transport</i> 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?
Issue III.4.B.	<i>Trunk Disconnection</i> Should Verizon have the unilateral ability to terminate trunk groups to AT&T if Verizon determines that the trunk groups are underutilized?
Issue V.I	<i>Competitive Tandem Service</i> Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive

¹ This Affidavit is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

	tandem services?
Issue I.6	Virtual FX Traffic Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?
Issue V.8	Competitive Tandem Service Should the contract terms relating to the Parties' joint provision of terminating meet point traffic to an IXC customer be reciprocal, regardless of which Party provides the tandem switching function? Put another way, should the contract terms make clear that AT&T and Verizon are peer local exchange carriers and should not bill one another for meet point traffic?
Issue III.5	Tandem Rate Where the geographic coverage of an AT&T switch is comparable to that of a Verizon tandem, should AT&T and Verizon receive comparable reciprocal compensation for terminating the other parties' traffic?
Issue VII-8	Should AT&T be permitted to pay the end office rate for delivery to Verizon's tandem, and thereby avoid paying its fair share of transport costs by failing to pay that tandem rate?

August 17, 2001

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1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**
2 **FOR THE RECORD.**

3 A. My name is David L. Talbott; I am a District Manager in the Local Services and
4 Access Management group in AT&T Network Services. In this position, I am
5 responsible for the development and negotiation of interconnection agreements
6 between AT&T and incumbent local exchange carriers, focusing on network
7 interconnection issues. My business address is 3737 Parke Drive, Edgewater,
8 Maryland 21037.

9 **Q. ARE YOU THE SAME DAVID L. TALBOTT THAT FILED DIRECT**
10 **TESTIMONY WITH THIS COMMISSION ON THIS DOCKET ON JULY**
11 **31, 2001?**

12 A. Yes.

13 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY.**

14 A. I am responding to the testimony submitted by Donald E. Albert and
15 Peter J. D'Amico on behalf of Verizon pertaining to Network Architecture
16 ("Verizon's Network Interconnection Testimony") and the testimony submitted
17 by Steven J. Pitterle and Peter J. D'Amico on behalf of Verizon pertaining to
18 Intercarrier Compensation ("Verizon's Intercarrier Compensation Testimony").

19 In general, the positions of Verizon were anticipated and addressed in my
20 Direct Testimony, so I will not repeat the comprehensive discussions of the issues
21 here but rather focus on certain discrete points that require an additional response.

1 **Q. BASED ON YOUR REVIEW OF AT&T'S TESTIMONY, CAN YOU**
2 **IDENTIFY ANY COMMON THEMES ASSOCIATED WITH VERIZON'S**
3 **POSITIONS ON NETWORK ARCHITECTURE AND RECIPROCAL**
4 **COMPENSATION.**

5 A. Yes. As I stated in my Direct Testimony, and as is borne out in Verizon's
6 Network Architecture and Intercarrier Compensation Testimony, Verizon's
7 positions are designed to maximize AT&T's cost, minimize AT&T's network
8 efficiencies, prevent AT&T from providing legitimate competitive services, while
9 at the same time requiring it to provide Verizon with services or support that it is
10 not otherwise required to provide.¹

11 As I pointed out in my Direct Testimony, consumers are not going to
12 derive the full range of benefits that local exchange competition can deliver if
13 regulators limit themselves to the traditional local telephony paradigm as the basis
14 for resolution of network architecture issues. Rather, the appropriate competition-
15 enhancing (and pro-consumer) policies and rules are those that will accommodate
16 new and different network strategies and decisions that, in turn, will result in
17 consumers receiving innovative new service and service options. Verizon's
18 testimony, however, demonstrates that its positions rely upon its embedded
19 network architecture, its existing local calling areas, and its historical network
20 engineering standards as the foundation for many of the proposed decisions. In
21 other words, Verizon wants to maintain the *status quo*. For example, Verizon's
22 POI proposals are based upon its existing network architecture and its current
23 local calling areas; Verizon's tandem transit proposals and direct trunking

¹ Talbott Direct Testimony at 2.

1 proposals rely upon its own network engineering standards; and Verizon's
2 proposals on AT&T's FX-like service are based upon its existing local calling
3 areas and tariffs. Put simply, everything in Verizon's proposals is intended to
4 perpetuate Verizon's control of the network and, it follows, its near-monopoly
5 control of the market. Those policies, while certainly in Verizon's self interests,
6 are not in the best interests of competition nor in the best interests of consumers.

7 Another general theme that is prevalent throughout Verizon's proposals is
8 the assertion that an incumbent should be granted the same rights as those granted
9 exclusively to CLECs under the Act. Despite the Act's clear provisions to the
10 contrary, Verizon claims it should be given a right to select POIs; it should be
11 given a right to collocate in CLEC offices; and, it should be given the right to pay
12 either end office or tandem rates for reciprocal compensation. It suggests that
13 symmetrical treatment under the law in these circumstances is either mandated or
14 is appropriate because it is "fair." But "symmetry" does not equate to "fairness"
15 where one carrier, in this case Verizon, controls virtually all of the market. Both
16 the Act and this Commission have recognized that the significant differences in
17 market power between incumbents and CLECs and the challenges faced by
18 CLECs entering a market that is dominated by the very carriers that CLECs must
19 rely upon for essential services, requires targeted regulation in many cases.
20 Verizon's repeated complaints about equality of treatment and fairness lack any
21 support in either the law or public policy, and are nothing more than Verizon's
22 efforts to preserve its local exchange monopoly.

23

1

NETWORK INTERCONNECTION ISSUES

2 Issue I.1 ***Point of Interconnection*** Should each Party be financially responsible for all
3 of the costs associated with its originating traffic that terminates on the other Parties'
4 network; regardless of the location and/or number of points of interconnection, as long as
5 there is at least one Point of Interconnection per LATA?

6 **Q. HAS VERIZON TAKEN A CONSISTENT POSITION ON EACH**
7 **PARTY'S OBLIGATION TO DELIVER ITS TRAFFIC TO THE**
8 **TERMINATING PARTY?**

9 A. No. On this issue (I.1), Verizon takes the position that it is the CLEC's obligation
10 to carry Verizon's traffic to any POI located beyond Verizon's local calling area.

11 Through this proposal Verizon is shifting the costs of transporting its traffic
12 beyond its local calling area to the CLEC. At page 4 of its Network

13 Interconnection Testimony, Verizon says,

14 if WorldCom, AT&T or Cox choose to locate only one
15 point of interconnection ("POI") in a LATA, each should
16 be financially responsible for hauling the Verizon VA-
17 originated call to the distant POI when that call leaves the
18 local calling area.

19 Thus, Verizon ignores the law and its obligation to transport its traffic to the POI
20 chosen by the LEC.

21 When the traffic is going the other direction, however, Verizon is quick to cite the
22 law for the proposition that it is entitled to be paid its costs of transport and
23 termination for calls originated by the CLEC's customers. At page 24 of its

24 Intercarrier Compensation Testimony, Verizon says,

25 In the Local Competition Order, the Commission provided
26 that reciprocal compensation should compensate the

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

14 Verizon cannot have it both ways. Verizon should not be permitted to apply the
15 law when it is in Verizon’s favor but disregard the law when Verizon does not
16 find the law in its interest.

17 In sharp contrast to Verizon, AT&T has taken a consistent position on this
18 issue: the originating party is responsible for the costs to originate, transport and
19 terminate its traffic. That principle applies in all cases to both AT&T and
20 Verizon.

21 **Q. VERIZON ASSERTS THAT ITS POSITION THAT AT&T SHOULD BE**
22 **REQUIRED TO BEAR VERIZON’S ORIGINATING TRANSPORT**
23 **COSTS IS SUPPORTED BY THE LOCAL COMPETITION ORDER AT**
24 **PARAGRAPHS 199 AND 209. DO YOU AGREE WITH VERIZON’S**
25 **ASSERTION?**

26 A. No. Neither of these paragraphs relates to a carrier’s obligation to be financially
27 responsible for its originating transport costs. This originating transport
28 obligation was recently addressed by the FCC in its *Intercarrier Compensation*
29 *NPRM*, in which it confirmed without exception that the current rules require the

1 originating carrier to bear the costs of transporting traffic to its point of
2 interconnection with the other carrier.²

3 Paragraphs 199 and 209, (cited by Verizon), do not relate to the
4 originating transport obligation, but rather to interconnection-specific costs.³ The
5 cited portion of paragraph 199 states that a CLEC that desires a technically
6 feasible but expensive interconnection would, pursuant to §252(d)(1), be required
7 to bear the cost of that interconnection. This sentence is part of a discussion of
8 technically feasible interconnection and refers to the right of an ILEC to recover
9 significant interconnection expenses associated with the *physical linking* of two
10 networks. Said another way, paragraph 199 relates more to the *how* of
11 interconnection, than to the *where*. For example, in this same section, the
12 Commission notes how Congress intended to obligate ILECs to accommodate
13 new entrants' interconnection requests by accepting novel uses of and
14 modification to its network equipment to accommodate the interconnector. It is
15 this type of extra interconnection cost, not originating transport cost, that is
16 referred to in this paragraph.

17 An example of a more expensive interconnection arrangement would be
18 an analog voice grade interconnection. Since the ILEC would be required to

² In the Matter of Developing a Unified Intercarrier Compensation Regime, *CC Docket No. 01-92, Notice of Proposed Rulemaking*, (Rel. April 27, 2001) at ¶70 (“Intercarrier Compensation NPRM”).

³ See Section XI of the *Local Competition Order*, which addresses the originating carrier's transport obligations. *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, FCC 96-325, August 8, 1996. (“Local Competition Order”).

1 provide a digital channel bank or similar functionality to convert the analog signal
2 to digital and to multiplex the individual circuits to the DS-1 circuit level, this is a
3 more expensive form of interconnection than the DS-1 or DS-3 level
4 interconnection typically used by a CLEC, and the carrier requesting that
5 “technically feasible” but expensive interconnection would, pursuant to
6 §252(d)(1), be required to bear the ILEC’s cost of that interconnection.
7 Obviously, it is technically feasible to interconnect at the analog voice level, but it
8 is more costly for the ILEC because of the need to purchase and install channel
9 bank equipment to accomplish that feat.

10 Paragraph 209, as well, is related to the reimbursement of interconnection
11 costs and *not* to the obligation of the originating carrier to transport its calls to the
12 POI. This paragraph, which is part of a discussion of *technically feasible*
13 *interconnection points*, acknowledges that a particular *technically feasible point*
14 could impose additional interconnection costs on the ILEC. It was meant to make
15 the general point that the economic self-interest of the interconnecting carrier will
16 cause it to choose the most efficient point of interconnection. For example, in the
17 example I cited above, the interconnecting carrier has made an economic tradeoff
18 between providing the analog to digital conversion and multiplexing functionality
19 within its own network and compensating the ILEC for providing the
20 functionality.

1 **Q. DO YOU AGREE WITH THE CHARACTERIZATION VERIZON**
2 **PROVIDES OF A VERIZON CALL THAT ORIGINATES IN STAUNTON,**
3 **VIRGINIA THAT VERIZON MUST CARRY TO A CLEC POI IN**
4 **ROANOKE?**

5 A. No. Verizon's Network Architecture Testimony on this point (at page 7) gives
6 the reader gets the impression that Verizon must incur substantially greater costs
7 to deliver a Verizon call to a CLEC POI in Roanoke than somewhere close by in
8 the Staunton local calling area. The reality is that, the difference in cost to
9 Verizon to carry a call 90 miles versus just a few miles is *de minimis*.

10 To explain why Verizon is wrong, I will expand the hypothetical example
11 Verizon provided in its testimony. Table 1 shows the Verizon UNE rates for
12 DS-3 and DS-1 inter-office facilities (IOF) between Staunton, Virginia and
13 Stuarts Draft, Virginia, a distance of eight miles, and between Staunton, Virginia
14 and Roanoke, Virginia, a distance of 90 miles. Staunton and Stuarts Draft are
15 both within the Staunton local calling area and, obviously, Staunton and Roanoke
16 are in different local calling areas. As you can see from the Table, Verizon's
17 charges are the same for both distances:.

18 TABLE 1

	Staunton - Stuarts Draft	Staunton – Roanoke
DS-1 IOF	\$35.10	\$35.10
DS-3 IOF	\$604.53	\$604.53
Common Transport	\$0.000114 per MOU	\$0.000114 per MOU

19

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.