Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
			See AT&T rationale for I-5.		
I-5-b	(b) Should the specific rates of compensation for ISP-bound traffic paid by the parties during the term of the renewal agreement be zero, a rate equal to the cap or a rate somewhere in between zero and the cap? *How should Verizon and AT&T implement the rate caps for the ISP-bound traffic?*	5.7.7.2 Rates (a) For the Term of this Agreement, Reciprocal Compensation rates shown in Exhibit 1 will apply to the exchange of all 251(b)5 traffic. (b) For the period beginning on June 14, 2001 and ending on December 13, 2001, the terminating Party will bill the originating Party a rate of $.0015 per minute of use (MOU) for Internet Traffic delivered to the terminating Party's Tandem and/or End Office. (c) To the extent that this Agreement remains in effect, beginning on December 14, 2001, and ending on June 13, 2003, the terminating Party will bill the originating Party a rate of $.0010 per MOU for Internet Traffic delivered to the terminating Party's Tandem and/or End Office. (d) To the extent that this Agreement remains in effect, beginning on June 14, 2003, and ending on June 13, 2004, the terminating Party will bill the originating Party a rate of $.0007	POSITION: • Specific terms and conditions regarding the compensation rates applicable to Internet Traffic must not be excluded from the Agreement. Collins Testimony at 22. • The Agreement must contain the specific rates applicable to compensation for ISP-bound traffic (and their timeframes). Collins Testimony at 22. DISPUTED ISSUES OF FACT: All facts asserted in Cox's Petition and in the Direct and Rebuttal Testimony of Cox's witness, Dr. Francis Collins, that are not listed below as admissions are deemed by Cox to be disputed. ADMISSIONS PURSUANT TO ARBITRATION PROCEDURES NOTICE: Pursuant to the *Arbitration Procedures Notice,* Procedures Established for Arbitration of Interconnection Agreements Between Verizon and AT&T, Cox, and WorldCom, *Public Notice*, DA 01-270 (rel. Feb. 1, 2001), the following assertions made in Cox's Petition or in the Direct Testimony of Cox's witness, Dr. Collins, and not specifically denied in Verizon's Answer or in the testimony of Verizon's witnesses are deemed admitted: • The actual rate that the Parties will pay for exchanging ISP-bound traffic is not established by the	See Verizon contract language for I-5.	See Verizon contract language for I-5. Verizon has neither stipulated to nor admitted the factual allegations set forth by Cox under the heading "Admissions Pursuant to Arbitration Procedures Notice."

KEY WHERE DISTINCTION AMONG PETITIONERS IS NECESSARY: **WorldCom** (bold); Cox (underline text); *AT&T* (italic).

Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
		per MOU for Internet Traffic delivered to the terminating Party's Tandem and/or End Office. (e) The ISP Order specifies that, in the event the FCC does not take further action within the final period during which the $.0007 per MOU rate cap will be applicable to Internet Traffic, that period will be extended until the FCC takes such further action. The Parties agree that the $.0007 per MOU rate for tandem-routed and/or End Office-routed traffic will continue in effect for Internet Traffic beyond June 13, 2004, if the FCC fails to take such further action by that date, to the extent this Agreement remains in effect during such period. - - - - - - - - - - Add footnotes to Exhibit A, A(I) and B(I): "See Section 5.7.7 regarding compensation for Internet Traffic." *See AT&T contract language for I-5.*	*ISP-Bound Traffic Order.* • The *ISP-Bound Traffic Order* merely sets caps on the rates that can be charged for handling ISP-bound traffic, leaving to the Parties the question of what specific rates will apply. • The Parties are required to either fix an actual rate to be charged for handling ISP-bound traffic through negotiation or arbitrate the issue. *See AT&T rationale for I-5.*		
I-5-c	(c) What mechanism should be used by the parties in calculating the amount of traffic in excess of the 3:1 ratio; what data should be exchanged by the parties for use in making this calculation; what time periods should these data	5.7.7.3 Ratio (a) The FCC has adopted a rebuttable presumption that traffic delivered to a carrier that exceeds a 3:1 ratio of terminating to originating traffic is Internet	POSITION: • The Agreement must ultimately contain the specific mechanism used by the parties for calculating the 3:1 ratio to identify ISP-bound traffic, including the types of data exchanged and the timeframes for such exchange. Collins Direct Testimony at 22.	See Verizon contract language for I-5.	See Verizon contract language for I-5.

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Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
	cover; and when should any such data exchange take place? *How should Verizon and AT&T calculate the growth cap on the total number of compensable ISP-bound traffic minutes?*	originating traffic is Internet Traffic. Therefore, the combined Internet Traffic and section 251(b)(5) traffic shall be separated by applying a ratio factor of 3:1 until such time as either Party successfully rebuts this presumption in a proceeding conducted by a regulatory authority or court of competent jurisdiction. In the event that such a proceeding is instituted, the Parties may exercise their discovery rights pursuant to the Commission's procedures. All such traffic exchanged between the Parties up to a 3:1 ratio of terminating to originating traffic shall be deemed to be section 251(b)(5) traffic subject to the Reciprocal Compensation rates shown in Exhibit 1. Except as may be modified by subsection 5.7.7.4 below, the remainder of such traffic, i.e., all minutes exceeding the 3:1 ratio of terminating to originating traffic, shall be deemed to be Internet Traffic subject to the rates established in subsection 5.7.7.2 above. In the event that a regulatory authority or court of competent jurisdiction enters a final order establishing a different ratio factor for the separation of Internet Traffic and section 251(b)(5) traffic that is applicable	• To the extent the specific mechanisms and timeframes for calculating the 3:1 ratio are not yet developed by the parties, principles to guide their development must be included in the Agreement. Collins Direct Testimony at 22. • The Parties had agreed to a provision that granted both the right to two audits per year. However, Verizon now proposes that it – and only it – should have the right to conduct unlimited audits to determine whether Cox is billing reciprocal compensation traffic properly. Such a provision is not needed in view of the agreed-to provision. Collins Rebuttal Testimony at 29. • Additionally, Verizon's audit right proposal is wrongfully biased in Verizon's favor since it would grant Verizon unilateral power that is unavailable to Cox. Collins Rebuttal Testimony at 30. • While alleging that it needs this unilateral audit right to determine the accuracy of Cox's bills, Verizon has failed to work with Cox to develop a mechanism to identify the traffic to be billed as reciprocal compensation. Collins Rebuttal Testimony at 30-31. DISPUTED ISSUES OF FACT: All facts asserted in Cox's Petition and in the Direct and Rebuttal Testimony of Cox's witness, Dr. Francis Collins, that are not listed below as admissions are deemed by Cox to be disputed. ADMISSIONS PURSUANT TO ARBITRATION PROCEDURES NOTICE:		Verizon has neither stipulated to nor admitted the factual allegations set

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		to this Agreement, the Parties agree that such different ratio factor shall be substituted for the 3:1 ratio factor for purposes of implementing this section. Unless such final order specifies a different effective date for the different ratio factor, such substitution should become effective on the effective date of such final order. (b) In order that the Parties may calculate the balance of Local and Internet Traffic exchanged, the Parties agree to establish and implement a separate process ("Internet Ratio Calculation & Billing Process"), which shall be incorporated into this Agreement by amendment no later than 90 days following the Effective Date of this Agreement. The Parties agree that the following principles will govern the Internet Ratio Calculation & Billing Process: (i) Verizon and Cox shall, at an agreed-to interval following the end of the Parties' billing cycle(s), exchange billing summaries that include the total minutes of combined Local and Internet Traffic received from the other Party and accumulated during an agreed-to period of time; (ii) the billing summary shall include the cumulative minutes of use	Pursuant to the *Arbitration Procedures Notice*, Procedures Established for Arbitration of Interconnection Agreements Between Verizon and AT&T, Cox, and WorldCom, *Public Notice*, DA 01-270 (rel. Feb. 1, 2001), the following assertions made in Cox's Petition or in the Direct Testimony of Cox's witness, Dr. Collins, and not specifically denied in Verizon's Answer or in the testimony of Verizon's witnesses are deemed admitted: • The *ISP-Bound Traffic Order* adopts a 3:1 ratio for differentiating between ISP-bound traffic and other traffic. • The *ISP-Bound Traffic Order* does not adopt a mechanism for parties' use in applying the 3:1 ratio. • A mechanism for parties' use in applying the 3:1 ratio involves the practices under which parties bill each other, and these practices vary by party. *See AT&T rationale for 1-5.*		forth by Cox under the heading "Admissions Pursuant to Arbitration Procedures Notice."

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		associated with every call in which the calling and called party's NPA-NXX (or LNP-equivalent identifier) are located within the local calling area and any mandatory expanded area service, as defined by Verizon's tariffs; (iii) following each Party's calculation of the ratio, the Parties shall bill one another for their exchange of Local Traffic in accordance Section 5.7.1, and Cox will bill Verizon for its delivery of Internet Traffic according to this Section 5.7.7; and (iv) the Parties agree to make the Internet Ratio Calculation & Billing Process retroactive to the Effective Date of this Agreement. - - - - - - - - - - - [Cox proposes to delete Verizon's proposed paragraph 5.7.8.] *See AT&T contract language for I-5.*			
I-5-d	(d) Should specific terms be adopted to govern the implementation of the growth caps on compensable ISP-bound traffic, incorporating an actual number based on the parties' traffic for the first quarter of 2001, and should that cap be applied on an annual basis?	5.7.7.4 Cap on Total Internet Traffic Minutes (a) For Internet Traffic exchanged during the year 2001, and to the extent this Agreement remains in effect during that year, compensation at the rates set out above shall be billed by the terminating Party to the	POSITION: • Specific terms and conditions regarding the growth caps applicable to ISP-bound traffic must not be excluded from the Agreement. Collins Direct Testimony at 22-23. • The Agreement must contain specific terms regarding implementation of the growth caps on compensable ISP-bound traffic, including the actual baseline cap	See Verizon contract language for I-5.	See Verizon contract language for I-5.

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Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
	How should the parties implement a Verizon offer to exchange all traffic subject to section 251(b)(5) at the rate mandated by the FCC for terminating ISP-bound traffic?	terminating Party to the originating Party on Internet Traffic minutes only up to a ceiling equal to, on an annualized basis, the number of Internet Traffic minutes for which the terminating Party was entitled to compensation during the first quarter of 2001, plus a ten percent growth factor. The Parties agree that the number of Internet Traffic minutes for which the terminating Party was entitled to compensation during the first quarter of 2001 is _____. Therefore, the cap for total Internet Traffic minutes for 2001, expressed on an annualized basis, is _____, which is calculated by multiplying the first quarter total by four and increasing the result by ten percent. (b) For Internet Traffic exchanged during the year 2002 and to the extent this Agreement remains in effect during that year, compensation at the rates set out above shall be billed by the terminating Party to the originating Party on Internet Traffic minutes only up to a ceiling equal to the number of Internet Traffic minutes for which the terminating Party was entitled to compensation in 2001, plus a	bound traffic, including the actual baseline cap applicable to 2001. Collins Direct Testimony at 22-23. DISPUTED ISSUES OF FACT: All facts asserted in Cox's Petition and in the Direct and Rebuttal Testimony of Cox's witness, Dr. Francis Collins, that are not listed below as admissions are deemed by Cox to be disputed. ADMISSIONS PURSUANT TO ARBITRATION PROCEDURES NOTICE: Pursuant to the *Arbitration Procedures Notice,* Procedures Established for Arbitration of Interconnection Agreements Between Verizon and AT&T, Cox, and WorldCom, *Public Notice,* DA 01-270 (rel. Feb. 1, 2001), the following assertions made in Cox's Petition or in the Direct Testimony of Cox's witness, Dr. Collins, and not specifically denied in Verizon's Answer or in the testimony of Verizon's witnesses are deemed admitted: • The actual baseline cap for 2001 can be calculated based on the traffic already exchanged by the parties during the first quarter of 2001. • The only action required for establishing the actual baseline cap for 2001 is for Cox and Verizon simply to compare their respective traffic information and reach agreement on that number. • If the establishment of the actual baseline cap for 2001 is deferred until some later date, the requisite data will no longer be fresh.		Verizon has neither stipulated to nor admitted the factual allegations set forth by Cox under the heading "Admissions Pursuant to Arbitration Procedures Notice."

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Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
		ten percent growth factor. The Parties agree that the cap for total Internet Traffic minutes number of Internet Traffic minutes for which the terminating Party is entitled to compensation in 2002 is _____, which is calculated by increasing the cap for total Internet Traffic minutes for 2001 by ten percent. (c) For Internet Traffic exchanged during the year 2003 and to the extent this Agreement remains in effect during that year, compensation at the rates set out above shall be billed by the terminating Party to the originating Party only on Internet Traffic minutes up to the year 2002 cap determined in subsection 5.7.7.4(b) above. (d) The cap will be applied on an annual basis. The terminating Party shall bill the originating Party monthly for all Internet Traffic received until the annual cap is reached, at which point, the terminating Party will cease further billing of Internet Traffic for the remainder of that calendar year. (e) The minutes of Internet Traffic that exceed the ceiling	*See AT&T rationale for I-5.*		

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		established for each year shall be exchanged by the Parties on a bill and keep basis, without compensation being paid on such excess minutes by either Party. *See AT&T contract language for I-5.*			
I-5-e	(e) What definitions are needed to implement the ISP Order? *What mechanism should the parties utilize to implement, in an expeditious fashion, changes resulting from any successful legal appeals of the Commission's ISP Remand Order?*	1.0 Definitions: 1.36 "Internet Traffic" shall have the same meaning, when used in this Agreement, as the term "ISP-bound traffic" is used in the FCC's Order on Remand and Report and Order in CC Docket Nos. 96-98 & 99-68, FCC 01-131, released April 27, 2001. Generally speaking, "Internet Traffic" refers to telecommunications traffic delivered to Internet service providers. - - - - - - - - - - 1.39 "Local Traffic" means traffic that is originated by a Customer of one Party on that Party's network and terminates to a Customer of the other Party on that other Party's network, within a given local calling area, or mandatory expanded area service ("EAS") area (based on the rate center point of the originating and terminating NPA-NXXs of the callers), as defined in Verizon's effective Customer tariffs, or if	POSITION: • The Agreement must contain specific definitions for implementing the FCC's ISP Order to prevent inconsistency and to promote clarity. Collins Direct Testimony at 23. • To ensure understanding and add clarity, the definition for "Internet Traffic" should incorporate reference to the ISP Order as well as the FCC's use of "ISP-bound traffic." Collins Direct Testimony at 23; Collins Rebuttal Testimony at 24-29. • To ensure understanding and add clarity, the definition for "Local Traffic" should incorporate reference to the ISP Order as well as the FCC's use of "251(b)(5) traffic." Cox Amended Petition at 15-6. • To ensure understanding and add clarity, the definition for "Local Traffic" should incorporate reference to Verizon's mandatory local calling areas. Cox Amended Petition at 15-6. • To ensure understanding and add clarity, the definition of PLU should include instruction as to its relationship to other jurisdictional factors applied to minutes of use. Cox Amended Petition at 15-6.	See Verizon contract language for I-5.	See Verizon rationale for I-5.

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Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
		effective Customer tariffs, or, if the Commission has defined local calling areas applicable to all LECs, then as so defined by the Commission. Local Traffic does not include any Internet Traffic (as such term is hereinafter defined). Generally speaking, the term "Local Traffic" shall have the same meaning, when used in this Agreement, as the term "251(b)(5) traffic" is used in the FCC's Order on Remand and Report and Order in CC Docket Nos. 96-98 & 99-68, FCC 01-131, released April 27, 2001. - - - - - - - - - - 1.51 "Percent Interstate Usage" or "PIU" is a factor that distinguishes the interstate portion of minutes from the intrastate portion of minutes of traffic exchanged via Traffic Exchange Trunks. PIU is a whole number developed through consideration of every call in which the calling and called party are not located within the LATA. PIU is the first such factor applied to traffic for jurisdictional separation of traffic. - - - - - - - - - - 1.52 "Percent Local Usage" or "PLU" is a factor that distinguishes the intraLATA, intrastate portion of minutes from the interLATA, intrastate portion of minutes of traffic exchanged	• Verizon proposes a definition of "Internet Traffic" and a usage of that term in the Agreement that depart widely from the Commission's usage of the term "ISP-bound traffic" in the *ISP-Bound Traffic Order*. Collins Direct Testimony at 23; Collins Rebuttal Testimony at 24-29. • Cox interprets the FCC's August 17th letter as requiring Verizon to modify its proposed language by substituting the term "Measured Internet Traffic" for the term "Internet Traffic" throughout the Agreement, except in the definitions of the terms "Internet Traffic" and "Measured Internet Traffic." The letter issued by the FCC, dated August 17, 2001. • If the definition and usage of the term "Internet Traffic" proposed by Verizon were adopted, it would affect the settled aspects of the Agreement in myriad ways – none of which is linked to implementation of the *ISP-Bound Traffic Order*. Collins Direct Testimony at 23; Collins Rebuttal Testimony at 25-26. • The Parties had agreed to a usage of the original term "Internet Traffic;" however, Verizon's proposal revision of that definition would change a host of other provisions that previously were agreed to by the Parties, and would have significant effects on how Cox and Verizon interconnect. Collins Rebuttal Testimony at 26. • The revision described above suggests that a Party may withhold reciprocal compensation for traffic that is handled using phone-to-phone IP telephony. Collins Rebuttal Testimony at 26.		

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		of minutes of traffic exchanged via Traffic Exchange Trunks. PLU is a whole number developed through consideration of every call in which the calling and called party are located within the same Rate Center Area. The PLU factor is applied to traffic only after the PIU factor has been applied for jurisdictional separation of traffic. The PLU factor is applied to traffic before a ratio is applied to identify Internet Traffic minutes. - - - - - - - - - - Modify various instances of "Local Traffic" by adding "Internet Traffic" in the following subsections: 1.7.1; 4.4.3; 5.6.1.1; 5.6.1.2; 5.6.2; 17.1.2; Sched. 4.2 (1) and (5). *See AT&T contract language for I-5.*	• Since Verizon proposes that reciprocal compensation not be paid for traffic meeting its proposed definition of "Internet Traffic," such compensation would be excluded for traffic that is not subject to the *ISP-Bound Traffic Order*. Collins Rebuttal Testimony at 27. • The meaning of several other sections of the Agreement for which the Parties have already agreed to language would be altered by Verizon's proposed revision of the definition of "Internet Traffic." Collins Rebuttal Testimony at 27-29. DISPUTED ISSUES OF FACT: All facts asserted in Cox's Petition and in the Direct and Rebuttal Testimony of Cox's witness, Dr. Francis Collins, that are not listed below as admissions are deemed by Cox to be disputed. ADMISSIONS PURSUANT TO ARBITRATION PROCEDURES NOTICE: Pursuant to the *Arbitration Procedures Notice*, Procedures Established for Arbitration of Interconnection Agreements Between Verizon and AT&T, Cox, and WorldCom, *Public Notice*, DA 01-270 (rel. Feb. 1, 2001), the following assertions made in Cox's Petition or in the Direct Testimony of Cox's witness, Dr. Collins, and not specifically denied in Verizon's Answer or in the testimony of Verizon's witnesses are deemed admitted: • The definition of "Internet Traffic" and the usage of that term in the Agreement proposed by Verizon differ from the Commission's definition of "ISP-bound		Verizon has neither stipulated to nor admitted the factual allegations set forth by Cox under the heading "Admissions Pursuant to Arbitration Procedures Notice."

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			traffic" and usage of that term in the *ISP-Bound Traffic Order.* *See AT&T rationale for I-5.*		
I-6	**Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?** Verizon may not impose infeasible methods for determining toll versus local traffic. *Virtual FX Traffic Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?*	**Attachment I, Section 4.2.1.2:** **4.2.1.2 The provisions of this Section [4.2] apply to reciprocal compensation for transport and termination of Local Traffic. Local Traffic is traffic originated by one Party and directed to the NPA-NXX-XXXX of a LERG-registered end office of the other Party within a Local Calling Area and any extended service area, as defined by the Commission.** 5.7.1 ....The designation of traffic as Local Traffic for purposes of Reciprocal Compensation shall be based on the originating and terminating NPA-NXXs of the complete end-to-end communication. 5.7.4 The designation of traffic as Local or IntraLATA Toll for purposes of compensation shall be based on the horizontal and vertical coordinates associated with the originating and terminating NPA-NXXs of the call, regardless of the carrier(s) involved in carrying any segment of the call.	**This issue involves the proper jurisdictional designation of FX traffic. As discussed below, WorldCom's FX traffic is local traffic just like Verizon's FX traffic. Moreover, the standard industry practice has always been that FX traffic is local traffic. Therefore, reciprocal compensation is applicable to FX calls.** **Verizon's proposal to rate WorldCom's FX service as a toll service will insulate Verizon's own FX service from competition.** **Section 251(b)(5) of the 1996 Act requires parties to include in their interconnection agreements "reciprocal compensation arrangements for the transport and termination of telecommunications." 47 U.S.C. § 251(b)(5); see also 47 U.S.C. § 251(d)(2). Under the FCC's regulations interpreting section 251(b)(5), reciprocal compensation is to paid for "local telecommunications traffic." 47 C.F.R. § 51.701(a) (emphasis added). The determination of what is a local call has traditionally been based upon the NPA-NXXs of the calling and called numbers. As discussed below, incumbent local exchange carriers have traditionally offered foreign exchange (FX) service which effectively extends the local calling area of subscribers. (Grieco/Ball Direct, 7/31, at 49-50).** **This issue involves the question of whether a CLEC has the right to assign NPA/NXX codes to end users located outside the rate center in which the NPA/NXX is homed such that it can compete with**	**WorldCom: See Glossary § 2.58 above; Interconnection Attachment § 7** 5.7.1 . . . The designation of traffic as Local Traffic for purposes of Reciprocal Compensation shall be based on the originating and terminating points of the complete end-to-end communication. 1.39 "Local Traffic" means traffic that is originated by a Customer of one Party on that Party's network and terminates to a Customer of the other Party on that other Party's network within a given local calling area, or expanded area service ("EAS") area, as defined in Verizon's effective Customer Tariffs. Local Traffic does not include Internet Traffic.	The CLECs advocate a practice of arbitrage in the number assignment system that disassociates the cost of providing FX service (loaded entirely on Verizon) from the revenues the service generates (available only to the CLECs). The location of the caller, not the telephone number that a LEC chooses to assign to its customer, should determine whether a call is interexchange traffic or local exchange traffic. See Direct Testimony of Steven J. Pitterle and Pete D'Amico, dated July 31, 2001, at pp. 5-13; and Rebuttal Testimony of Steven J. Pitterle and Pete D'Amico, dated August 17, 2001, at pp. 9-17.

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		Specific contract terms and conditions on this subject are unnecessary and inappropriate.	**ILEC FX offerings. Verizon and CLECs disagree concerning whether a CLEC terminating such FX traffic should receive reciprocal compensation from the originating carrier.** **WorldCom's position is that Verizon is required by the Act and FCC Rules to pay reciprocal compensation for the termination of local calls, including local calls made to NPA/NXXs that the CLEC may have assigned to non-ISP customers who may be physically located outside the rate center to which the NPA/NXX is homed. (Id. At 50).** **The obligation to pay reciprocal compensation on these FX calls may be limited to non-ISP customers as defined by the FCC in it's recent order. (ISP Remand Order). The FCC has established an interim compensation mechanism for such ISP calls. *See id* at ¶ 3-8. The issue of a permanent compensation mechanism for such ISP-bound traffic will be considered as part of the rulemaking the FCC initiated on April 27, 2001 regarding development of a unified intercarrier compensation regime. *See* Intercarrier Compensation NPRM. Thus, the amount of traffic affected by this FX issue may have been narrowed by the FCC's recent ruling regarding ISP-bound traffic.** **This FX issue is important because (a) CLECs should be permitted to offer competitive FX service by assigning NPA/NXXs to end users who may be physically located outside the rate center in which the NPA/NXX is homed, and (b) CLECs are entitled to receive reciprocal compensation for local calls originated by Verizon and terminated to such (non-ISP) end users. (Id. At 51).**		

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			Verizon's position is that when its customer calls a CLECs customer which has a telephone number that is within the local calling area of the Verizon customer, but where the CLEC customer is physically located outside of the rate center, the call should be treated as though it were an interexchange call. Verizon's position is that the jurisdiction of the call is based on the physical location of the parties, not the NPA-NXX of the called and calling parties. (Id. At 51-52). **Foreign Exchange ("FX") Service is a telecommunications service that has been available for years and is simply a response to customer demand for dial tone in an exchange separate from the customer's physical location.** **CLECs can provide FX service, as Verizon does, by assigning an NPA/NXX in the desired exchange to a customer who is physically located outside the rate center in which the NPA/NXX is homed. (Id. At 52).** **The CLECs' offering of FX service provides a competitive alternative to Verizon's FX service. (Id.).** **Treatment of FX traffic as "local" is consistent with industry precedent and practice. (Id.)** **Failure to treat CLEC-provided FX as local, consistent with the local treatment of Verizon's FX service, will eliminate competition for FX service. (Id.)** **FX service involves providing service to a customer physically located outside the rate center to which his or her NPA/NXX is assigned. For example, if a CLEC customer in the Engleside exchange is assigned an NPA/NXX from the Leesburg rate**		

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			center, that customer is receiving a foreign exchange service. Customers located in Leesburg may call the CLEC customer's foreign exchange number and that call will be treated as a local call. This example also holds true if Verizon assigns the Leesburg NPA/NXX to the Engleside customer. (Id. At 53) **Generally, users of FX service want to establish a local business presence in an area beyond their physical location. And, because being able to be reached via a local telephone call is an integral part of a business' "presence," this typically corresponds with that FX subscriber's desire to serve its customers that are located beyond the local calling area where the business is located. For example, a floral shop located in the Engleside exchange may desire a local presence in Leesburg. Moreover, customers in Leesburg are more likely to call a florist with a local Leesburg telephone number, not just because it is a local call, but also because there may be an expectation on the part of the caller that a "local" florist would best be able to fulfill the need for a delivery of flowers in Leesburg.** **Given this demand for FX service, it is not surprising that the market has responded. Both CLECs and ILECs have made FX service offerings available and actively compete for customers for FX service. Of course ILECs, as the monopoly local providers, were "first" to offer FX service. Verizon, like other ILECs, offers FX service. (Id. At 53).** **Just as with the CLECs' FX offerings, when Verizon provides retail FX service, NPA/NXXs are assigned to end users located outside the local calling area of the rate center with which the NPA/NXX has been associated, and the jurisdiction (i.e., local vs. toll) of traffic delivered from the foreign exchange to the**		

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			end user is determined as if the end user were physically located in the foreign exchange. Simply, the jurisdiction of the call is determined by comparing the called and calling party's NPA/NXXs, not the physical location of the customers. (Id. At 54). **Despite the traditional treatment of FX service, Verizon has now proposed to classify CLECs' FX services as toll service.** **Verizon proposes that the traditional method of determining the jurisdiction of calls by comparing the NPA-NXXs of the calling and called parties be replaced with an unspecified method involving the comparison of the physical locations of the calling and called party. If Verizon's approach were adopted, Verizon would intend to bill switched access charges on calls that, from the calling party's perspective, are local. The ultimate outcome Verizon is seeking is to insulate their Foreign Exchange (FX) service from competitive offerings by CLECs. (Grieco/Ball Rebuttal, 8/17, at 24).** **Verizon boldly makes the unsubstantiated claim that "The physical locations of the caller and the called party must be used to determine whether a call is eligible for reciprocal compensation under § 251(b)(5) of the Act." This is simply not true. Such a requirement is not to be found in the current interconnection agreement, in existing FCC Orders, or in the Telecommunications Act of 1996. What Verizon advances as a requirement is simply its own opinion. (Grieco/Ball Rebuttal, 8/17, at 23-24).** **Verizon is proposing to change the historical method of determining the jurisdiction of traffic based on the**		

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Issue No.	Statement of Issue	Petitioners' Proposed Contract Language	Petitioners' Rationale	Verizon's Proposed Contract Language	Verizon Rationale
			NPA-NXXs of the calling and called parties. Verizon's proposal is a departure even from its own method of determining jurisdiction. In Verizon's Long Distance Services Tariff, S.C.C. Va. No. 209, Section 2A, Part C (1) Verizon indicates as follows: "Rates for service between points are based on the airline mileage between rate centers" (Emphasis added). The applicable rate centers (and the associated distances) are determined not based on the physical location of the customer but rather based on the NPA-NXXs assigned to the called and calling parties. Verizon does not look at the street addresses (i.e., physical location) of the customers involved in a particular call, they look at the NPA-NXXs, identify the rate centers to which the calling and called NPA-NXXs are associated, and, if those rate centers are not within the local calling area of each other, they calculate airline mileage based on the V&H coordinates associated with the rate centers. **(Grieco/Ball Rebuttal, 8/17, at 28).** **It is exactly this comparison of NPA-NXXs that allows Verizon to treat its own FX traffic as local. If Verizon were making its jurisdictional determination based on the physical location of the calling and called parties, it would be having to segregate its own FX traffic from all of its toll traffic in order to not bill toll charges. This is clearly not Verizon's practice. In fact, WorldCom believes that in the instance of calls originated from WorldCom end users to Verizon assigned FX numbers, such calls are not only treated by WorldCom as local, but Verizon bills WorldCom for reciprocal compensation for the transport and termination associated with such FX calls.(Grieco/Ball Rebuttal, 8/17, at 28-29).** **WorldCom's proposal ensures that the historical**		

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			method of determining jurisdiction remains consistent among all parties. Verizon's proposal establishes a new, unique method for its CLEC competitors while allowing Verizon to continue with the standard methodology. Such unequal treatment should not be allowed. (Grieco/Ball Rebuttal, 8/17, at 29). **Adoption of Verizon's position effectively would prohibit CLECs from offering FX service in competition with Verizon. This proposal is anti-competitive, limits choices available to consumers, and is inconsistent with the notion of parity. The benefits of competition to provide FX service would be eliminated. These negative consequences would take place because adoption of Verizon's position would raise the CLECs cost of providing a competitive service to a level that would effectively eliminate the CLEC's ability to offer a competing FX service.** **If Verizon were permitted to characterize WorldCom's FX service as toll traffic and to apply switched access charges, such above-cost pricing ultimately would make the offering of competitive alternatives by CLECs infeasible. This would limit Verizon's end users to Verizon's FX service. (Grieco/Ball Direct, 7/31, at 54-55).** **The California Commission has recognized the anti-competitive effects of applying access charges to a CLEC's FX service:** **The rating of a call, therefore, should be consistently determined based upon the designated NXX prefix. Abandoning the linkage between NXX prefix and rate center designation could undermine the ability of customers to discern whether a given NXX prefix**		

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			will result in toll charges or not. Likewise, the service expectations of the called party (i.e., ISPs) would be undermined by imposing toll charges on such calls since customers of the ISPs would be precluded from reaching them through a local call. *Order Instituting Rulemaking on the Commission's Own Motion Into Competition for Local Exchange Service*, Rulemaking 95-04-043 at 26 (California PUC, Sept. 2, 1999) ("California Order"). **As the California Commission recognized, the retail offering of FX service and its associated rating (as a local call) based on the rate centers associated with the assigned NXXs must be applied to FX offerings from CLECs. Failure to do so distorts the way in which a CLEC can make a competitive FX offering available and, as described above, would in fact eliminate competition for this increasingly important service. (Grieco/Ball Direct, 7/31, at 55).** **For CLECs to be able to offer a competitive alternative to the Verizon FX service offerings, the traffic associated with FX service must be classified as "local" just as Verizon classifies its own FX traffic as local. Moreover, to the extent that Verizon proposes this classification to avoid so-called "arbitrage" opportunities relating to ISP-bound traffic, while we do not agree, that issue is now moot, given the FCC's recent Order regarding ISP-bound traffic.** **(Id. At 55-56).** **Standard industry practice is that FX traffic is local. As indicated above relative to Verizon's treatment of its own FX traffic, whether a call is local or not depends on the NPA/NXX dialed, not the physical location of the customer. Jurisdiction of traffic is**		

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			properly determined by comparing the rate centers associated with the originating and terminating NPA/NXXs for any given call, not the physical location of the end-users. Comparison of the rate centers associated with the calling and called NPA/NXXs is consistent with how the jurisdiction of traffic and the applicability of toll charges are determined within the industry today. (Id. At 56). **Indeed, not a single state has implemented a different method of distinguishing between local and toll traffic. All traffic continues to be put through a process that compares the NPA-NXX of the calling party to the NPA-NXX of the called party. If this comparison identifies the call as toll it is treated as toll. If the comparison identifies the call as local, it is treated as local. Every carrier in the country, including Verizon, adheres to this standard procedure. (Grieco/Ball Rebuttal, 8/17, at 24-25).** **The Commission has never ruled that the physical locations of the calling and called parties are the test as to what determines whether a call is local or toll. It has left that determination to the states. The Commission, at paragraph 1035 of the Local Competition Order states that "state commissions have the authority to determine what geographic areas should be considered 'local areas' for the purpose of applying reciprocal compensation obligations under section 251(b)(5), consistent with the state commissions' historical practice of defining local service areas for wireline LECs." (Grieco/Ball Rebuttal at 27).** **Verizon's FX service is categorized as local exchange service by the Virginia Commission. While the Virginia Commission has not addressed this issue in**		

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