

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

RECEIVED

SEP 27 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
Petition of WorldCom, Inc. Pursuant)
to Section 252(e)(5) of the)
Communications Act for Expedited)
Preemption of the Jurisdiction of the)
Virginia State Corporation Commission)
Regarding Interconnection Disputes)
with Verizon Virginia Inc., and for)
Expedited Arbitration)

CC Docket No. 00-218

In the Matter of)
Petition of Cox Virginia Telecom, 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. and for Arbitration)

CC Docket No. 00-249

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)
Corporation Commission Regarding)
Interconnection Disputes With Verizon)
Virginia Inc.)

CC Docket No. 00-251

**VERIZON VA'S REBUTTAL TESTIMONY ON NON-MEDIATION ISSUES
(CATEGORIES I AND III THROUGH VII)**

INTERCARRIER COMPENSATION

STEVEN J. PITTERLE
PETE D'AMICO

AUGUST 17, 2001

Table of Contents

	<u>Page</u>
I. INTRODUCTION.....	1
II. ISSUE I-5: ISP RECIPROCAL COMPENSATION.....	2
III. ISSUE I-6: THE JURISDICTION OF VFX TRAFFIC.....	9
IV. ISSUE V-8: MEET POINT TRAFFIC.....	17
V. ISSUE III-5: TANDEM RATE.....	25

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH VERIZON VA AND YOUR BUSINESS ADDRESS.

A. My name is Steven J. Pitterle. I am employed by the Verizon Services Group as Director – Negotiations and my business address is 600 Hidden Ridge Drive, Irving, Texas 75038.

My name is Pete D'Amico. I am a Senior Specialist in Verizon's Interconnection Product Management Group and my business address is 416 7th Avenue, Pittsburgh, Pennsylvania 15219.

Q. ARE YOU THE SAME WITNESSES WHO FILED DIRECT TESTIMONY IN THIS CASE ON JULY 31, 2001?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of our testimony is to address certain statements made or positions taken by witnesses for AT&T, WorldCom and Cox on the intercarrier compensation issues.

II. ISSUE I-5: ISP RECIPROCAL COMPENSATION

Q. HAVE YOU READ THE TESTIMONY SUBMITTED BY AT&T, WORLDCOM AND COX REGARDING THIS ISSUE?

A. Yes. I have read the direct testimony of Robert J. Kirchberger, on behalf of AT&T; Donato Grieco and Gary Ball, on behalf of WorldCom; and Francis R. Collins, on behalf of Cox. I have also read Attachment A to the testimony of Mr. Kirchberger, AT&T's proposed contract language.

Q. DO YOU WISH TO RESPOND TO THAT DIRECT TESTIMONY ON BEHALF OF VERIZON VA?¹

A. Yes. Verizon VA does not oppose including language in the Parties' interconnection agreements that will aid in the implementation of the Commission's *ISP Remand Order*. AT&T, WorldCom and Cox, however, have proposed language that is either inconsistent with or unnecessarily duplicative of that Order.

¹ The Parties have agreed that Issue IV-35, Reciprocal Compensation Terms, is subsumed within Issue I-5.

Q. STARTING WITH AT&T, PLEASE DISCUSS THOSE PORTIONS OF MR. KIRCHBERGER'S TESTIMONY AND THE PROPOSED CONTRACT LANGUAGE WITH WHICH VERIZON VA TAKES ISSUE.

A. The first point of disagreement is over the manner in which AT&T proposes to identify traffic that will be subject to reciprocal compensation. AT&T, in § 2.1 of Exhibit A to the testimony of Mr. Kirchberger ("Exh. A"), relies on a definition of "local traffic" to make that determination. That mechanism is inconsistent with the Commission's *ISP Remand Order*, in which the Commission "refrain[ed] from generically describing traffic as 'local' traffic because the term 'local,' not being a statutorily defined category, is particularly susceptible to varying meanings and, significantly, is not a term used in section 251(b)(5) or section 251(g)." *ISP Remand Order* at ¶ 34.

Verizon VA, in a manner consistent with the Commission's analysis in the *ISP Remand Order*, has proposed language that identifies which types of traffic are not subject to reciprocal compensation. Those exceptions include "Internet Traffic," a term defined in an agreed-upon manner at § 1.44 of the AT&T-proposed Interconnection Agreement.

Q. HOW DOES VERIZON VA PROPOSE TO IDENTIFY TRAFFIC AS “INTERNET TRAFFIC?”

A. In § 2.3.2.1 of its language, Verizon VA proposes that the Parties identify Internet Traffic in accordance with the terms of ¶¶ 8 and 79 of the *ISP Remand Order*. See Exh. IC-2b to Verizon VA’s Direct Testimony on Intercarrier Compensation Issues. Those two paragraphs set forth, in sufficient detail, the Commission’s rebuttable presumption regarding such traffic. As the New York Public Service Commission recently found, “the FCC’s order speaks for itself” on such matters and requires no further elaboration in an interconnection agreement. See *Order Resolving Arbitration Issues* at 43, Joint Petition of AT&T Communications of New York, Inc., TCG New York Inc. and ACC Telecom 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 No. 01-C-0095 (Issued and Effective July 30, 2001).

Q. AT&T SUGGESTS THAT VERIZON VA MUST SATISFY THREE PREREQUISITES BEFORE THE COMMISSION-MANDATED INTERIM COMPENSATION SCHEME TAKES EFFECT. DOES VERIZON VA AGREE WITH THOSE PREREQUISITES?

A. No. AT&T sets three conditions precedent to the implementation of the Commission’s interim pricing regime for ISP-bound traffic. None of these conditions are appropriate for inclusion in the interconnection agreement.

First, AT&T suggests that the declining rate schedule set by the Commission should apply to Verizon VA only if “Verizon requests that ISP-bound Traffic be treated at the rates specified in the ISP Remand Order.” Exh. A, § 2.2.3. Except as explained below, the Commission imposed no such duty on the ILEC in its *ISP Remand Order*.

Second, AT&T correctly notes that the Commission stated that its interim compensation scheme for ISP-bound traffic would only apply to ILECs that offer to exchange all traffic subject to § 251(b)(5) at the same rates. In its Answer to the CLECs’ Petitions for Arbitration in this matter, however, Verizon VA has already stated that it will do so. Moreover, Verizon VA has already done so by letter dated May 14, 2001. In that letter, Verizon VA offered to mirror the rates with every CLEC with which it has an agreement. Thus, the condition precedent has already been satisfied and there is no reason to include this as a condition precedent in the agreement.

Third, AT&T suggests that the interim pricing scheme should not apply until “Verizon has paid all past due amounts owed to AT&T for the delivery of ISP-bound Traffic prior to June 14, 2001.” This proposed language is both disingenuous and counter-productive. As AT&T is well aware, it has been and continues to be Verizon VA’s position that it owes AT&T no past due amounts for the delivery of ISP-bound traffic. While AT&T may not agree with that position, such disputes cannot block the implementation of the Commission-ordered pricing regimen for future traffic. AT&T has the full capability to

continue to pursue its remedies for any disputed payments under the existing agreement.

Q. DOES VERIZON VA AGREE WITH AT&T'S PROPOSED LANGUAGE REGARDING THE GROWTH CAPS THAT THE COMMISSION PLACED ON ISP-BOUND TRAFFIC?

A. As with the language regarding the identification of Internet Traffic, language setting the growth caps on compensation for ISP-bound traffic is unnecessary. The Commission's *ISP Remand Order* is self-implementing and sufficiently clear on this point. *See* Exh. IC-2b, § 3.1. Nothing more than a reference to the Order is necessary.

Q. AT&T SETS FORTH A DETAILED BILLING PROCEDURE IN ITS PROPOSED CONTRACT LANGUAGE. DOES VERIZON VA AGREE WITH THAT PROCEDURE?

A. No. As a general matter, Verizon VA cannot be placed in a position of having to negotiate unique billing procedures with each interconnecting CLEC on an individual basis. Rather, Verizon VA must be allowed to implement and maintain such adequate, nondiscriminatory billing procedures as are compatible with its standard business practices. Verizon VA has offered such language. *See* Exh. IC-2b, § 1.

Q. AT&T HAS PROPOSED A CHANGE OF LAW PROVISION UNIQUE TO THE ISSUE OF COMPENSATION FOR ISP-BOUND TRAFFIC. DOES VERIZON VA AGREE TO THAT CLAUSE?

A. No. Verizon VA sees no reason that any change of law in this area should not be addressed in whatever manner the Parties agree to for changes of law generally. Further, AT&T inappropriately seeks to force upon Verizon VA contract language that would render any future change of law on this issue retroactive in nature. Verizon VA cannot be compelled to agree to such language.

Q. WITH REGARD TO WORLDCOM, ARE THERE PORTIONS OF THE TESTIMONY OF MESSRS. GRIECO AND BALL WITH WHICH VERIZON VA TAKES ISSUE?

A. Yes. Verizon VA's objections to WorldCom's proposals on this issue are very similar to those explained above in response to AT&T's proposals.

Q. WORLDCOM PROPOSES THAT SECTIONS X.1 AND X.2 BE ADDED TO THE INTERCONNECTION AGREEMENT TO IMPLEMENT THE ISP REMAND ORDER. IS THAT NECESSARY?

A. No. Once again, as the New York PSC found, the Commission's order is self-implementing. Language such as that proposed by WorldCom in its new sections x.1 and x.2 is unnecessary.

Q. LIKE AT&T, WORLDCOM SUGGESTS THAT VERIZON VA MUST SATISFY THREE PREREQUISITES BEFORE THE COMMISSION-MANDATED INTERIM COMPENSATION SCHEME TAKES EFFECT. DOES VERIZON VA AGREE WITH THOSE PREREQUISITES?

A. No. WorldCom's prerequisites are the same as those proposed by AT&T. For the reasons explained above, none of these conditions are appropriate for inclusion in the interconnection agreement between the Parties.

Q. DOES VERIZON VA AGREE WITH WORLDCOM'S PROPOSED LANGUAGE REGARDING THE 3:1 RATIO AND GROWTH CAPS?

A. No. As explained above, the Commission's *ISP Remand Order* is self-implementing and sufficiently clear on these points. See Exh. IC-2b, § 3.1. As noted in response to the AT&T proposal, nothing more than a reference to the Order is necessary.

Q. WORLDCOM HAS ALSO PROPOSED A CHANGE OF LAW PROVISION UNIQUE TO THE ISSUE OF COMPENSATION FOR ISP-BOUND TRAFFIC. DOES VERIZON VA AGREE TO THAT CLAUSE?

A. No. As explained above, Verizon VA will not agree to a clause which makes any change of law retroactive. Further, Verizon VA sees no reason to incorporate a change of law provision unique to this issue.

Q. FOR COX, PLEASE DISCUSS THOSE PORTIONS OF THE TESTIMONY OF MR. COLLINS WITH WHICH VERIZON VA TAKES ISSUE.

A. Generally, Verizon VA's disagreements with Cox over this issue mirror those set forth above.

III. ISSUE I-6: THE JURISDICTION OF VFX TRAFFIC

Q. HAVE YOU READ THE TESTIMONY SUBMITTED BY AT&T, WORLDCOM AND COX REGARDING THIS ISSUE?

A. Yes. I have read the direct testimony of David L. Talbott, on behalf of AT&T; Donato Grieco and Gary Ball, on behalf of WorldCom; and Francis R. Collins, on behalf of Cox.

Q. DO YOU WISH TO RESPOND TO THAT DIRECT TESTIMONY ON BEHALF OF VERIZON VA?

A. Yes.

Q. BOTH AT&T AND WORLDCOM CONTEND THAT VERIZON VA TREATS ITS OWN FX SERVICE AS LOCAL SERVICE AND THAT, THEREFORE, THE CLECS' VIRTUAL FX SERVICE SHOULD BE TREATED AS LOCAL AS WELL. DO YOU AGREE?

A. No. Verizon VA's FX service is not a local service but, rather, a substitute for toll service that is available to customers physically located outside of the exchange from which they want service. In order to avoid paying toll charges on the interexchange calls between the subscribing FX customer and a party in the foreign exchange, a dedicated facility is provisioned between the FX customer's location and the exchange switch from which it obtains FX service. The FX customer pays for this dedicated transport facility and foreign exchange switch costs as a substitute for paying usage-based toll charges, which would otherwise apply to these long distance calls.

Verizon VA recovers its switching and transport costs from its FX customer through FX charges, in lieu of usage based toll charges. Verizon VA loses toll or access revenue but recovers its overall costs, along with a reasonable profit. Thus, the physical locations of the FX customer and the parties served by the foreign exchange switch are used to define this as toll service. The FX service option is simply an alternative pricing structure for toll service. It is not, as the CLECs suggest, local service.

In an FX arrangement, Verizon VA provides a hand off point that is based on the assigned telephone number, and thereby provides the transport associated with

that service. The CLEC proposal, by comparison, is to assign the VFX number but then to require that Verizon VA provide all of the interexchange transport to a the distant CLEC and customer location (often one and the same). When Verizon VA provides the interexchange originating transport to a distant CLEC/customer location outside of the originating customers' local calling area, there is nothing 'local' about the call or the service provided. Rather, it is an access service, both because it is an interexchange service (as are all FX and VFX services) and because Verizon VA is providing interexchange originating transport to a distant terminating point.

Q. WHAT ARE THE DIFFERENCES BETWEEN VERIZON VA'S FX SERVICE AND AT&T'S VIRTUAL FX SERVICE?

A. AT&T's arrangement is configured similarly to Verizon VA's FX service, but includes the AT&T switch between the Virtual FX customer's location and the Verizon VA end-office switch. In Mr. Talbott's testimony, he assumes that interconnection trunks are in place between both companies' switches and that all local, intraLATA toll, ISP-bound and Virtual FX traffic traverses these trunks.

Q. IF MR. TALBOTT'S ASSUMPTIONS WERE CORRECT, WOULD THAT CHANGE VERIZON VA'S POSITION CONCERNING AT&T'S PROPOSAL TO TREAT THIS VIRTUAL FX TRAFFIC AS LOCAL?

A. No. The physical locations of the calling and called parties must determine whether the call is local or toll. If the AT&T Virtual FX customer is not physically located within the serving area of the Verizon VA rate center, the jurisdiction of calls to the Verizon VA rate center from the AT&T customer is toll, not local. This position is based on Verizon VA's local calling areas, as determined by the Virginia State Corporation Commission. As a substitute for toll service, however, AT&T may use the interconnection trunks established with Verizon VA to exchange this traffic.

Q. WHAT IS THE NORMAL FORM OF COMPENSATION VERIZON VA RECEIVES FOR THIS SERVICE?

A. Since the Virtual FX service would be ordered by a CLEC end user, Verizon VA normally assesses originating or terminating access charges to the CLEC, based on the call being interexchange in nature.

Q. IN THEIR DISCUSSION OF THIS ISSUE, MESSRS. GRIECO AND BALL, ON BEHALF OF WORLDCOM, REFER TO AN ORDER BY THE CALIFORNIA COMMISSION. DID THE CALIFORNIA COMMISSION RULE ON THE ISSUE IN DISPUTE IN THIS PROCEEDING?

A. No. The California Commission decided that the ILEC could not restrict the assignment of the CLEC's NXXs. Verizon VA is not attempting to restrict the CLECs' ability to assign their NXXs. The dispute here is whether such calls should be treated as local or long distance.

Q. HOW DID THE CALIFORNIA COMMISSION ADDRESS THE ISSUE OF COMPENSATION FOR SUCH TRAFFIC?

A. The California PUC addressed end user billing. Intercarrier compensation, not retail end user billing, is the issue here. In Section C. 2, Intercarrier Compensation, Discussion Section, page 32 of the Order, the California PUC stated:

We conclude that, whatever method is used to provide a local presence in a foreign exchange, a carrier may not avoid responsibility for negotiating reasonable intercarrier compensation for the routing of calls from the foreign exchange merely by redefining the rating designation from toll to local.

The provision of a local presence using an NXX prefix rated from a foreign exchange may avoid the need for separate dedicated facilities, but does not eliminate the obligations of other carriers to physically route the call so that it reaches its proper destination. A carrier should not be allowed to benefit from the use of other carriers' networks for routing calls to ISPs while avoiding

payment of reasonable compensation for the use of those facilities. A carrier remains responsible to negotiate reasonable compensation with other carriers with whom it interconnects for the routing of calls from a foreign exchange.

And again on page 36 of the California Order: “We conclude that all carriers are entitled to be fairly compensated for the use of their facilities and related functions performed to deliver calls to their destination, irrespective of how a call is rated based on its NXX prefix.”

Thus, the California PUC clearly recognized that the originating carrier should be fairly compensated by the terminating carrier for use of the originating carrier’s facilities to deliver such traffic to the terminating carrier. This is consistent with Verizon VA’s position on this issue.

Q. WHAT TYPE OF END USERS ARE MOST CLECS ENROLLING IN THESE VIRTUAL FX ARRANGEMENTS?

A. Verizon VA has observed that Virtual FX arrangements with Internet Service Providers (ISPs) are the most common form of Virtual FX service. They tend to result in heavy, one-way traffic flow to the ISPs. Moreover, these arrangements can often be provisioned by the CLECs without even a loop cost, since the CLECs, as a rule, provide VFX to collocated customers. Thus, all of the costs are incurred by the originating carrier.

Q. THE CLECS SUGGEST THAT FAILING TO TREAT THESE ARRANGEMENTS AS LOCAL WOULD “EFFECTIVELY ELIMINATE” COMPETITION FOR THIS SERVICE. IS THAT CORRECT?

A. No. In fact, it is the CLECs who seek to gain a grossly unfair competitive advantage by implementing a process that generates significant revenues from Verizon VA at very little expense to the CLECs or their customers.

The CLECs do so by targeting ISPs for the Virtual FX service, then providing the service without establishing dedicated trunks with Verizon VA for the transport of Virtual FX traffic. Instead, the CLECs assign NPA-NXX's to their ISP customers in the LERG. That requires Verizon VA to complete calls to the CLEC's actual switch location via common (non-dedicated) interoffice trunking facilities at Verizon VA's expense. As a result, Verizon is forced to absorb the transport costs for the entire distance to the ISP, since the ISP is usually located at or near the CLEC switch. Verizon VA also loses the toll and/or access revenue it may have otherwise collected for this traffic.

Finally, in order to maximize this blatant arbitrage opportunity, the CLECs attempt to assess reciprocal compensation charges to Verizon VA for these Virtual FX calls. The bottom line is that the CLECs hope to generate significant reciprocal compensation revenues while saddling Verizon VA with the transport costs, the switching costs, and the reciprocal compensation fees.

Q. MR. TALBOTT SUGGESTS THAT VERIZON VA'S POSITION ON THIS ISSUE REPRESENTS AN ATTEMPT TO LIMIT COMPETITIVE LOSSES, BECAUSE IT FEARS THAT AT&T'S VIRTUAL FX SERVICE IS PREFERABLE TO VERIZON VA'S FX SERVICE. DO YOU AGREE?

A. No. Verizon VA is quite comfortable competing with AT&T, WorldCom or Cox for this business, as long as that competition is fair and balanced. The CLECs are free to decide what to charge their Virtual FX customers for that service, but they are not relieved of their obligations to compensate Verizon VA for its incurred costs to complete the service. Those costs, at a minimum, are the transport costs from Verizon VA's end office switch or rate center area to the AT&T switch.

Q. AT&T AND WORLDCOM BOTH ARGUE THAT, BECAUSE THE ILEC'S COSTS DO NOT VARY DEPENDING UPON THE LOCATION AT WHICH THE CLEC DELIVERS TRAFFIC TO ITS END USER CUSTOMERS, THIS TRAFFIC SHOULD BE CONSIDERED LOCAL. PLEASE COMMENT.

A. AT&T and WorldCom miss the point. The issue in this proceeding is whether reciprocal compensation or access charges are due in the case of Virtual FX traffic that originates in one local calling area and terminates in another. Reciprocal compensation covers the cost of transporting and terminating local calls. The Commission's rules clearly state that the originating and terminating points of a call determine whether or not a call is local. Whether reciprocal compensation or

access charges are due, therefore, is determined by the designation of a particular call. Clearly, when a Verizon VA customer calls a CLEC customer in a different local calling area, it is not a local call, regardless of where the CLEC's switch is located, and regardless of the cost Verizon VA incurs to get the call to that switch. Instead, it is a toll call to which access charges – not reciprocal compensation charges – apply. CLECs are simply not entitled to reciprocal compensation for these calls.

Verizon VA's basic local rates are for recovery of costs incurred in providing local telecommunications service. When a Verizon VA end user calls a person located outside of that end user's basic local calling area, Verizon VA receives compensation in addition to the basic local rates. More specifically, Verizon VA is compensated in the form of intraLATA toll charges from its customers, originating access from interexchange carriers ("IXCs"), fees for FX service, or fees for 800 service. In each of these cases, Verizon VA is compensated from some source other than the local rates it charges its customers for placing local calls.

IV. ISSUE V-8: MEET POINT TRAFFIC

Q. HAVE YOU READ THE TESTIMONY SUBMITTED BY AT&T REGARDING THIS ISSUE?

A. Yes. I have read the direct testimony of David L. Talbott, on behalf of AT&T.

Q. DO YOU WISH TO RESPOND TO THAT DIRECT TESTIMONY ON BEHALF OF VERIZON VA?

A. Yes. It is quite clear from Mr. Talbott's testimony that, via Issue V-1 and V-8, AT&T hopes to obtain access services at UNE rates. This position is in direct conflict with the Telecommunications Act and the Commission's access charge regulations.

Q. MR. TALBOTT ACCUSES VERIZON VA OF "REFUS[ING] TO AGREE TO RECIPROCAL AND FAIR TERMS FOR THE PROVISION OF [COMPETITIVE TANDEM] SERVICE." IS THAT CORRECT?

A. No. In fact, it is AT&T that seeks to gain an unfair advantage over other IXCs by securing competitive tandem service at UNE rates. Verizon VA's position is that this service is interexchange, not local, and that the provision of service that AT&T requests is available to AT&T, and all other IXCs, through Verizon VA's access tariffs. The provisions in those tariffs are fair and equitable to all IXCs - including AT&T. Indeed, other IXCs have obtained those services through the access tariffs

Q. MR. TALBOTT ARGUES THAT “THIS ISSUE IS APPROPRIATE FOR CONSIDERATION IN THE CONTEXT OF AN INTERCONNECTION AGREEMENT, [BECAUSE] THERE IS A DEMAND FOR THIS TYPE OF SERVICE, AND AT&T DOES NOT PLAN TO PROVIDE THIS SERVICE TO ITSELF AS AN IXC....” DOES VERIZON VA AGREE WITH THAT STATEMENT?

A. No. The services AT&T requests from Verizon VA in order to offer its Competitive Tandem Service are available to AT&T through Verizon VA’s access tariffs. Whether AT&T plans to provide this service to itself or another IXC, the type of service remains the same: access service. Moreover, the rates and charges that apply to that service remain the same, no matter which IXC uses the service.

If AT&T were to provide this service to itself under the arrangement it seeks in this issue and Issue V-1, all access charges to AT&T would be eliminated and replaced with UNE-based rates. This result would fly in the face of the specific exclusion of access services from the UNE requirements of the Telecommunications Act, and the Commission’s adoption of a market-based, versus a cost-based, approach to establishing access charges. The fact that AT&T plans to offer services to other IXCs is irrelevant, as the services AT&T plans to offer are interexchange and subject to access charges.

No amount of rhetoric can mask AT&T’s clear intent to re-price interexchange tandem terminating access service that AT&T the IXC uses to terminate traffic to

unaffiliated Verizon VA end users. AT&T hopes to accomplish this by circumventing the application of access charges to interexchange traffic. In the scenario described, AT&T is an IXC and wants to provide Competitive Tandem Service to itself or other IXCs - either way, in competition with Verizon VA. AT&T has every right to offer that service. However, as with any other customer interconnecting its network with Verizon VA's network for the origination or termination of interLATA traffic, access charges shall apply to those interconnection services, not local interconnection charges. Therefore, this issue does not belong in an interconnection agreement between Verizon VA and AT&T.

Q. ARE YOU FAMILIAR WITH THE NEW YORK PUBLIC SERVICE COMMISSION'S RECENT RULING ON THIS ISSUE?

A. Yes. The New York PSC recently resolved this very issue between Verizon New York and AT&T. *See Order Resolving Arbitration Issues*, Joint Petition of AT&T Communications of New York, Inc., TCG New York Inc. and ACC Telecom 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 No. 01-C-0095 (Issued and Effective July 30, 2001).

In that case, AT&T urged the New York PSC to incorporate into the interconnection agreement between AT&T and Verizon New York language concerning a competitive access tandem arrangement. *Id.* at 38-39. The New

York PSC, however, agreed with Verizon New York that such language was not appropriate for an interconnection agreement. In so deciding, the New York PSC explained: “[T]his proceeding and the new agreement concern AT&T’s local service interconnections with Verizon and not AT&T’s competitive arrangements with other carriers. Accordingly, AT&T’s access service language need not be included in the new agreement.” *Id.* at 39-40.

Q. AT&T CLAIMS TO HAVE CHANGED ITS POSITION, IN THAT IT NO LONGER SEEKS TO TREAT THIS ARRANGEMENT AS A MEET POINT ARRANGEMENT; RATHER, IT NOW ARGUES THAT VERIZON VA NEED ONLY “RECOGNIZE AT&T AS A PEER IN THIS ARRANGEMENT.” DOES THAT RESOLVE THIS DISPUTE?

A. No. What AT&T has articulated is a change of form but not of substance. Contrary to AT&T’s suggestion, AT&T and Verizon VA are not “peer LECs” in the competitive access tandem arrangement AT&T describes. AT&T is an IXC in such an arrangement, not a CLEC.

AT&T suggests that this arrangement involves joint-provisioning, since both AT&T and Verizon VA would be involved in providing facilities that an IXC customer would require to originate or terminate calls to Verizon VA end users. What AT&T glosses over is the fact that, in this situation, AT&T would be competing with Verizon VA for a portion of the transport services provided to the IXC customer. “Peer LECs” involved in a meet-point billing arrangement with an

IXC do not compete with each other for the transport services. Rather, they have typically entered into agreements for the joint provisioning of transport that benefits both LECs and the IXC, since the IXC would not be able to offer services to the LEC's end users absent such an arrangement. This is not the case with AT&T's Competitive Tandem Service, where AT&T competes directly with Verizon VA. As explained above, AT&T has every right to compete with Verizon VA in that fashion and has access to a variety of options in Verizon VA's access tariffs that allow it to do just that.

Q. DO YOU TAKE ISSUE WITH THE WAY IN WHICH MR. TALBOTT DESCRIBES THE ARCHITECTURE INVOLVED IN AT&T OFFERING COMPETITIVE TANDEM SERVICES?

A. No. AT&T says that it "would configure its local network switches to tandem route the IXC traffic via direct end office Feature Group D trunks ordered from Verizon between the applicable Verizon end offices and the subscribing IXC switch. AT&T would either provide the facilities between these two switches or would lease the facilities from third parties or from Verizon." (Talbot Testimony at 114). This is precisely what a number of large IXCs have done to offer interexchange services to other IXCs. All such competitors have, however, purchased these services through Verizon VA's access tariffs.

AT&T adds: "With respect to those Verizon end offices for which AT&T has no collocation arrangement, the subscribing IXC would have to route traffic that

would otherwise go directly to that end office, through Verizon's access tandem." *Id.* Thus, AT&T acknowledges that other IXCs may continue to route traffic via Verizon VA's access tandems to reach Verizon VA's local end users. This would seem to confirm that there is nothing about AT&T's proposed service that is local in nature. In this latter situation, the IXC would pay Verizon VA access charges for the services it uses. So should AT&T, which would simply be reselling Verizon VA's facilities and services to another IXC.

Q. IN ITS REVISED POSITION, AT&T STATES THAT IT WILL AGREE TO PAY VERIZON VA FOR ANY END OFFICE SWITCHING AND DEDICATED TRANSPORT RELATED TO THE PROVISIONING OF THIS SERVICE. DOES VERIZON VA AGREE THAT THOSE PAYMENTS WOULD BE PROPER?

A. Yes. However, Verizon VA does not agree that such services should be paid for at UNE rates, as suggested by AT&T. What AT&T is requesting are access services at UNE rates, despite the fact that AT&T admits that it is not serving any local exchange end user. This blatant attempt by AT&T to circumvent the Telecommunications Act and the Commission's access charge regulations should be summarily rejected by the Commission.

Q. AT&T CONTENDS THAT REQUIRING AT&T AND OTHER IXC'S TO OBTAIN COMPETITIVE ACCESS TANDEM SERVICES THROUGH VERIZON VA'S ACCESS TARIFFS WOULD "FORECLOSE" COMPETITION. IS THAT TRUE?

A. No. Belying AT&T's outrageous claim is the fact that competitive tandem services have been available to AT&T and other IXCs for years in the access tariffs. In fact, larger IXCs and other transport providers have either offered, or have been capable of offering, these very services to smaller IXCs for some time. Verizon VA has also had services available in its access tariffs, such as CIP and Tandem Signaling Option, which further facilitate such offerings.

Q. FINALLY, AT&T SUGGESTS THAT "A DECISION FOR VERIZON ON THIS ISSUE WILL ASSURE THAT THERE WILL BE LITTLE MARKET DRIVEN MOVEMENT IN THE LEVEL OF ACCESS RATES." IS THAT TRUE?

A. No. To the contrary, a decision adopting AT&T's position on this issue would unravel the Commission's current switched access rules by replacing the current access charges with UNE-based rates. Moreover, AT&T ignores the huge steps that the Commission has taken to reduce the level of access charges toward costs and market-based levels, most notably the recent CALLS changes, in which AT&T was a major participant.

V. ISSUE III-5: TANDEM RATE

Q. HAVE YOU READ THE TESTIMONY SUBMITTED BY AT&T AND WORLDCOM REGARDING THIS ISSUE?

A. Yes. I have read the direct testimony of David L. Talbott, on behalf of AT&T; and Donato Grieco and Gary Ball, on behalf of WorldCom.

Q. DO YOU WISH TO RESPOND TO THAT DIRECT TESTIMONY ON BEHALF OF VERIZON VA?

A. Yes.

Q. MR. TALBOTT, ON BEHALF OF AT&T, DEVOTES MUCH OF HIS TESTIMONY TO COMPARING THE VERIZON VA NETWORK TO AT&T'S NETWORK. CAN YOU COMMENT ON THAT DISCUSSION?

A. Yes. Mr. Talbott discusses the differences between AT&T's network and Verizon VA's multi-layered or tiered network. (Talbott Testimony at 3-4). In particular, Mr. Talbott explains that, in Verizon VA's network, "The[] end office switches are interconnected by an overlaying of network tandem switches." (*Id.* at 4). AT&T, on the other hand, deploys a single switch combined with long transport on the end-user side of the switch, because that combination is less costly than adding a new switch in each part of a market." (*Id.* at 6).

What Mr. Talbott fails to point out, however, is that Verizon VA's tiered network allows AT&T to choose between connecting to Verizon VA's tandems or directly to Verizon VA's end office. By choosing the latter option, that is connecting directly to Verizon VA's end office, AT&T is able to pay the lower end office rate.

Q. DO YOU AGREE THAT AT&T HAS DEMONSTRATED THAT ITS END OFFICE SWITCHES ARE GEOGRAPHICALLY COMPARABLE TO VERIZON VA'S TANDEM SWITCHES?

A. No. AT&T ignores certain critical tandem differential issues. One, related to VFX, is that many CLECs attempt to justify the higher tandem rates by showing broad NXX coverage. In many cases involving VFX, however, the NXX assignments have nothing to do with geographic coverage. Rather, many, if not all, VFX customers are collocated or located very near the CLEC switch. Contrary to having higher tandem-like costs, the CLEC costs should be lower than ILEC end office costs in such situations.

Further, even absent VFX, application of the tandem treatment would require Verizon VA to incur originating transport to the single CLEC switch, and then pay for tandem terminating costs back to the terminating customer. So Verizon VA would be incurring originating and terminating transport costs associated with the CLEC choice of single switch architecture. Under that arrangement, there would never be an economic incentive for the CLEC to add switches.

Q. IS THERE ANYTHING WRONG WITH AT&T HAVING THE OPTION OF INTERCONNECTING AT EITHER VERIZON VA'S TANDEM OR END OFFICE SWITCH?

A. No. There is nothing wrong with AT&T being able to choose between those two options. What is patently unfair, however, is the fact that Verizon VA is not afforded the same choices.

Q. HOW DOES AT&T SEEK TO EXPLOIT THIS INEQUITY?

A. AT&T is eager to bill Verizon VA rates for tandem switching functions that it does not perform, but is unwilling to give Verizon VA the same opportunity it enjoys to connect at the lower end office rate.

Q. HOW WOULD VERIZON VA RESOLVE THIS INEQUITY?

A. In the interest of fairness, Verizon VA proposes that AT&T charge Verizon VA the average rate charged by Verizon VA to AT&T for call termination during the previous calendar quarter. For example, if AT&T sends half of its traffic to the Verizon VA tandem and half to Verizon VA end offices, then AT&T would charge Verizon VA at a rate which would equal the sum of 50% of the tandem rate and 50% of the end office rate. This proposal accounts for the differences in

Parties' networks, as pointed out by Mr. Talbott, and allows both Parties to take advantage of the lower end office rates.

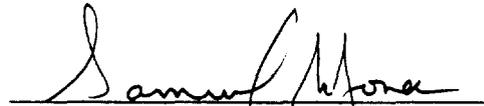
Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Declaration of Steven J. Pitterle

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

Executed this 17th day of August, 2001.

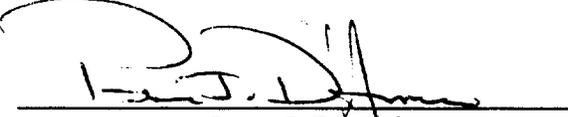
A handwritten signature in black ink, appearing to read "Samuel M. Jones", is written over a horizontal line.

Samuel M. Jones
On behalf of
Steven J. Pitterle

Declaration of Peter J. D'Amico

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

Executed this 10th day of August, 2001.



Peter J. D'Amico