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November 16, 2001

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FEDERAL COMMUNICATIONS COMMISSION
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The Portals
445 12th St. S.W.
Room TWB 204
Washington, D.C. 20554

RE: Docket Nos. 00-218, 00-2491

Dear Ms. Salas:

Enclosed for filing in the above captioned docket, please find four copies of the "Brief of WorldCom, Inc." Also enclosed are eight copies for the arbitrator. An extra copy is enclosed to be file-stamped and returned.

If you have any questions, please do not hesitate to call me at 202-639-6058. Thank you very much for your assistance with this matter.

Very truly yours,

Jodie L. Kelley

encl.

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

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 Virigina 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

BRIEF OF WORLDCOM, INC.

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I. INTRODUCTION

WorldCom, Inc. respectfully submits this brief in support of the Petition for Arbitration filed with the Commission on April 23, 2001.

Although the pleadings in this case raise a host of specific issues, one fundamental theme runs throughout: WorldCom seeks a workable interconnection agreement that will allow it to enter Virginia's local markets and compete with Verizon, bringing the benefits of competition to consumers "as quickly as possible." H.R. Rep. No. 104-204 at 89 (1995) ("H. Rep."). Verizon, which has nothing to gain and a monopoly to lose, has steadfastly refused to agree to the terms of such an agreement, contesting virtually every issue, every contract section, and every phrase WorldCom has sought.

WorldCom is seeking the contract terms it has proposed because it needs them to make market entry a reality. Entering a market that has been monopolized for decades is a monumental task. In order to formulate a viable business plan, WorldCom needs access to all the benefits the law provides. We also, critically, need certainty. We must know what elements are available to us; we must know what features and functions we can order with those elements; we must know how those elements can be ordered, accessed, and billed. We must know that unreasonable restrictions will not be placed on our access to such elements. We must know how and where we can interconnect, and on what terms. We must know facilities will be available when we need them. We must know that our access to network elements and interconnection will not be interrupted or terminated unexpectedly, and that the quality of such access and interconnection will be adequate. We must know what charges will be imposed on us and be confident that no

unexpected charges will materialize. We must be able to rely on our agreement, without fear that any or all of it could be changed unilaterally by Verizon through, for example, a tariff filing. We must be confident that we have anticipated, as much as possible, the myriad obstacles, small and large, that Verizon could put in our path to make our market entry more difficult.

Detail, obviously, is critical. Because such detail facilitates efficient entry it is unsurprising that Verizon has resisted the inclusion of detailed contract language, repeatedly urging the adoption of contract terms which indicate only that Verizon will comply with "applicable law." As this case makes clear, however, the parties frequently disagree on what applicable law requires. What is clear, however, is that Verizon would interpret that phrase expansively; indeed, Verizon itself has indicated that, in its view, inclusion of the phrase "applicable law" allows it to impose its views of what the law "definitely is" as well as any extensions of law it believes are warranted based on the underlying "reasoning" in a rule or order. Tr. 10/03/01 at 133-134. New entrants simply cannot be held hostage, however, to our fiercest competitor's own views of what existing law (and extensions of that law) require or allow.

Nor can we put off to another day, or to another agreement, the resolution of contested issues. In our five years of trying to enter local markets, we have learned that the absence of concrete requirements in an agreement leads to the absence of concrete results. Promises to agree in the future lead only to inaction. And the failure to include in <u>this</u> agreement all relevant contract terms and conditions – as Verizon repeatedly seeks – only makes enforcement of relevant requirements more difficult.

This Commission has recognized that "incumbent LECs have little incentive to facilitate the ability of new entrants ... to compete against them" and that, in fact, incumbent carriers have both "the incentive and ability to engage in many kinds of discrimination." Local Competition Order ¶ 307. WorldCom, however, is forced to rely on Verizon. This means, as a practical matter, that WorldCom must rely on the Commission. Although WorldCom can seek – and has sought – a contract that includes the necessary detail, only the Commission can order that those detailed terms be included. Although WorldCom can and has contested the dozens of discriminatory and obstructionist terms Verizon seeks to impose, only the Commission can definitively reject them.

Accordingly, WorldCom urges the Commission to carefully consider its proposals, and order the adoption of the terms we have proposed.[1] With such a contract in place, meaningful competition can become a reality in Virginia. Without the inclusion of those terms, consumers will be deprived of the benefits Congress intended – lower prices, better service, and more choices.

[1] In reviewing Verizon's most recent DPL submission, it has become clear that Verizon has proposed a substantial number of new or revised contract terms. These terms are not part of the record, have not been the subject of testimony, have not been subjected to cross-examination, and thus should not be considered by the Commission. WorldCom is currently compiling a comprehensive list of such provisions, and will submit an appropriate pleading regarding those alterations as soon as possible. WorldCom notes that it does not object to minor or technical alterations which bring the proposal in line with what the parties understand the intent of the proposal to be. WorldCom strenuously objects, however, to the introduction of proposals that are substantively different at this late date.

II. NETWORK ARCHITECTURE

Issue I-1 (Point of Interconnection)

A. Introduction.

This issue involves Verizon's proposal to replace the current interconnection – in which each carrier assumes financial responsibility for transporting its own originating traffic to the network of the called party's carrier – with a scheme in which the bulk of the financial responsibility for all calls is foisted on the new entrant alone. For the reasons set out below, the Commission should reject Verizon's unlawful, anticompetitive proposal.

As a requesting carrier, WorldCom has a right to designate any technically feasible point of interconnection, including a single point of interconnection per LATA. Consistent with this right, WorldCom has proposed language that establishes its right to choose any technically feasible point of interconnection, see Attachment IV, Section 1.1.2, and allows it to designate a single point of interconnection, such as a Verizon tandem, for LATA-wide termination. See Attachment IV, § 1.3.1 ("MCIm may elect LATA Wide Terminating Interconnection with Verizon. Under such an arrangement, the parties will establish Local Interconnection Trunk Groups to a single Verizon Access

tandem in a LATA in which MCIm originates Local Interconnection Traffic and interconnects with Verizon.").[2]

Verizon, however, has proposed a radically different arrangement. While paying lip service to the idea that WorldCom may designate a single POI, it asserts that it can nonetheless require WorldCom to designate multiple "interconnection points." The multiple interconnection points that Verizon has proposed are multiple physical points of interconnection in some instances and are the functional and financial equivalent of multiple points of interconnection in all instances. Specifically, Verizon's proposal to designate several interconnection points per LATA will either require WorldCom to physically receive Verizon traffic at multiple tandems or at collocations in Verizon end offices or pay the transport cost for Verizon originated traffic from end offices.

As discussed below, this proposal both violates the FCC's regulations, which require Verizon to permit interconnection of new entrant facilities at any technically feasible point, including a single point per LATA, and is fundamentally anticompetitive. Verizon's lopsided scheme that would require the new entrant to build facilities or bear Verizon's costs of originating traffic would be debilitating, imposing significant financial

---

[2] WorldCom has this interconnection arrangement in all BellSouth states and it works well. The calls come into the single tandem switch and the translations tables route the call to the appropriate end office it is destined for. Moreover, this use of a single tandem per LATA will alleviate Verizon's purported tandem exhaust problem by using dedicated trunk ports on only one tandem rather than on multiple tandems. The relief of tandem port requirements would be significant if one tandem, rather than four or five, were used for interconnection. Tr. 10/10/01 at 1622-1624, 1635 (Grieco, WorldCom). AT&Ts Interconnection Agreements with BellSouth also contain this same interconnection arrangement. Tr. 10/10/01 at 1631 (Talbott, AT&T). One of the many inconsistencies in Verizon's network architecture positions is that it objects to this provision providing for interconnection at a single tandem and instead insists upon interconnection at all tandems in a LATA at the same time that it complains about tandem exhaust.

burden and deterring the construction of network facilities by new entrants. As Congress recognized, CLECs cannot immediately build ubiquitous networks – nor will they build networks that mirror the incumbents' outdated architecture. Verizon's proposal, however, would require CLECs to either build interconnection facilities in areas in which the size of their customer base does not justify the construction of such facilities, or to pay Verizon for traffic originating on Verizon's network. This would render such interconnection – and thus competition – financially impossible.

As explained below, the Commission has announced various principles which collectively prohibit the adoption of Verizon's proposal:

- A CLEC has the right to designate any technically feasible point of interconnection, including a single point of interconnection per LATA;
- An ILEC cannot compel a CLEC to establish multiple points of interconnection, or as Verizon has renamed them, interconnection points;
- A LEC cannot assess charges on another LEC for traffic that originates on the LEC's network; and
- A LEC is financially responsible to provide transport for its originating traffic to the other LEC's terminating switch serving the end user.

Verizon's proposed interconnection terms violates each of these principles. WorldCom's proposal is consistent with each. The Commission should thus emphatically reject Verizon's "GRIPs" and "VGRIPs" proposals.

B. WorldCom Has The Right To Establish A Single Point Of Interconnection Per LATA.

As the Commission has made clear, and as Verizon concedes, the Point of Interconnection is the point at which the networks of two carriers physically interconnect. See Tr. 10/09/01 at 1056 (D'Amico, Verizon) (acknowledging that the POI is where the networks "physically meet. One side is WorldCom's and one side is Verizon's

network"). Pursuant to the Act and the FCC's implementing regulations new entrants such as WorldCom have the ability to establish any such point of interconnection within a LATA they choose, so long as their choice is technically feasible. Specifically, the Act provides that Verizon has the "duty to provide . . . interconnection with the local exchange carrier's network ... at any technically feasible point within the carrier's network." 47 U.S.C. § 251(c)(2); see also 47 C.F.R. § 51.305(a)(2) (identifying the places at which ILECs must provide interconnection, and explicitly stating that interconnection must be provided "at any technically feasible point within the incumbent network"). And in the Local Competition Order, the FCC reiterated that it is "requesting carriers" who "have the right to select points of interconnection at which to exchange traffic with an incumbent LEC under section 251(c)(2)." Local Competition Order ¶ 220 n.464.

Importantly, the Commission has also explained that that a CLEC's right to choose where it will interconnect in a LATA means it may choose to interconnect with an ILEC at a single point. As the FCC explained:

> Section 251, and our implementing rules, require an incumbent LEC to allow a competitive LEC to interconnect at any technically feasible point. This means that a competitive LEC has the option to interconnect at only one technically feasible point in each LATA.
>
> Texas 271 Order ¶ 77.

C. The Originating Carrier Is Financially Responsible For Transporting Traffic To The CLEC Designated Point Or Points of Interconnection.

The selection of the point at which the physical networks meet has important ramifications for a competitive carrier's cost structure. In particular, the FCC has concluded that the responsibility for costs associated with originating traffic lie with the

carrier that originates the call. Thus, a carrier must transport its own customers' calls over its network up to the POI – the point that the carrier physically connects with another carrier. At that point, the other carrier transports and terminates the call. The originating carrier pays reciprocal compensation to the terminating carrier for delivering the originating call to the called party.

This requirement was reaffirmed by the Commission in its Memorandum Opinion and Order in TSR Wireless. In that Order, the FCC reviewed the framework by which carriers recover costs incurred in carrying both originating and terminating traffic, and described the obligations of a carrier when its customers originate traffic as follows:

> The Local Competition Order requires a carrier to pay the cost of facilities used to deliver traffic originated by that carrier to the network of its co-carrier, who then terminates that traffic and bills the originating carrier for termination compensation. In essence, the originating carrier holds itself out as being capable of transmitting a telephone call to any end-user, and is responsible for paying the cost of delivering the call to the network of the co-carrier who will then terminate the call. Under the Commission's regulations, the cost of the facilities used to deliver this traffic is the originating carrier's responsibility, because these facilities are part of the originating carrier's network. The originating carrier recovers the costs of these facilities through the rates it charges its own customers for making calls. This regime represents "rules of the road" under which all carriers operate, and which make it possible for one company's customer to call any other customer even if that customer is served by another telephone company.
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> TSR Wireless ¶ 34 (emphasis added).

The combination of these two requirements – 1) that the new entrant is entitled to choose the appropriate POI, including a single POI per LATA; and 2) that each party then bears the costs of delivering their customers' originating traffic to that demarcation point – allows new entrants to choose economically feasible interconnection arrangements. In the Local Competition Order, the FCC explained the straightforward reason it adopted these requirements: competitive carriers, who inevitably have far fewer customers than

do the incumbents, must be able to develop their networks in a manner that is financially feasible. As the FCC explained, "The interconnection obligation of section 251(c)(2), discussed in this section, allows competing carriers to choose the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carrier's costs of, among other things, transport and termination of traffic." Local Competition Order ¶ 172 (emphasis added). Thus, as a new entrant enters a market, it can choose a single point at which to interconnect with the incumbent and exchange traffic. As its customer base (and, correspondingly, its network) grows, the new entrant can build out and interconnect with the incumbent's network in more, and different, locations.[3]

[3] The existing interconnection arrangements between WorldCom and Verizon are consistent with the principles outlined above. Together the parties have implemented both a single POI approach, in which both parties bring traffic to a collocation arrangement at a Verizon tandem, as well as a dual POI approach, in which each party provides facilities to hand off traffic at a designated point on the other party's network. WorldCom Exh.15, Direct Test. of D. Grieco at 3-4. These current arrangements fairly apportion the costs of interconnection in a manner consistent with the Commission's existing rules, because in each case the party that originates traffic bears the cost of transporting the traffic to the designated physical point of interconnection. In the single POI approach, WorldCom provides its own facilities to the collocation on Verizon's network for traffic it originates and Verizon, in turn, provides its own facilities to bring traffic to the POI. Verizon then typically utilizes WorldCom's facilities to transport calls from the physical point of interconnection to WorldCom's switch, and pays a transport charge because WorldCom has built the interconnection facility used by both parties. In the dual POI approach, each party provides its own facilities to a point of interconnection designated on the other party's network. Verizon has voluntarily extended its own facilities, thus bearing the cost, into WorldCom's switch locations in this instance.

D. Verizon's New "GRIPs" And "VGRIPs" Proposals Are Unlawful And Anticompetitive.

1. Verizon's Proposal With Respect To Traffic Originating On Verizon's Network.

Verizon's current proposals represent a radical departure from the WorldCom/Verizon history of cooperatively implementing interconnection arrangements for exchange of local traffic, and eviscerates the Commission's carefully crafted rules. Although Verizon purports to maintain the concept of physically separate networks, and pays lip service to the notion that CLECs are entitled to select the point or points at which the two networks physically interconnect, it ignores one critical aspect of that interconnection arrangement – that the carrier which originates traffic is financially responsible for transporting that traffic to the other carrier's network. Instead, Verizon's proposal relieves Verizon of the obligation to deliver its originating traffic to the network of a co-carrier, and instead shifts to the co-carrier the cost of facilities used to deliver Verizon's originating calls. It does this by designating a so-called "interconnection point" or "IP" from which the new entrant must bear the cost of transporting Verizon's originating traffic to the POI. See Tr. 10/09/01 at 1171-1172 (D'Amico, Verizon).

Specifically, the interconnection terms proposed by Verizon to WorldCom impose on WorldCom an obligation to establish an interconnection point in each Verizon Rate Center Area.[4] See Verizon Proposed ICA §§ 7.1.1-7.1.1.1. Verizon proposes that its

[4] Verizon's position about the number of IPs which it would require WorldCom to establish was confused during the hearing and remains confused today. For example, the contract language proposed to WorldCom required WorldCom to establish IP's in each rate center. Verizon indicated in answer to questions that, notwithstanding this language, its intent was to have WorldCom establish an IP in each local calling area, not each rate center. T. 10/09/01 at 1059-60 (D'Amico, Verizon). A local calling area is larger than a rate center. There are several rate centers in a local calling area. Id. Verizon now

obligation to deliver its traffic to WorldCom ends at this point, and WorldCom's obligation to transport and terminate traffic begins at this point. Id. § 7.1.1. Thus, Verizon may deliver its originating traffic to its end office and no further, if Verizon elects to designate an end office as WorldCom's IP. Id. §§ 7.1.1.2 & 7.1.4. This would require WorldCom to bear the financial responsibility of transporting Verizon's originating traffic the entire way from Verizon's end offices in each rate center in which WorldCom has a customer to WorldCom's network. Id. § 7.2; see also Tr. 10/09/01 at 1059 (D'Amico, Verizon); WorldCom Exhs. 40, 48 (depicting the shift in financial responsibility from the physical demarcation point to the "IPs").

The Verizon proposed contract also permits Verizon to "request" that WorldCom transform WorldCom collocations into WorldCom IPs.[5] These collocation spaces –

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purported to propose new language to WorldCom, via insertion in the DPL, which requires WorldCom to establish an IP at each Verizon tandem in a LATA or at each Verizon end office in a single-tandem LATA. (Section 7.1.1.2 of DPL). This proposal is not part of the record, has not been the subject of testimony or cross-examination, and is thus not properly before this Commission. WorldCom notes, however, that there is no reference to either local calling areas or rate centers in the latest proposal. This proposal is thus inconsistent with Verizon's professed proposal of a single IP per local calling area and could require WorldCom to establish an enormous number of IPs because there can be a large number of tandems and end offices in a LATA. For example, Verizon operates 12 tandems and 62 end offices alone in the eleven Virginia rate centers where WorldCom also provides service. See WorldCom Exh. 3, Direct Test. of D. Grieco and G. Ball, at 75-76.

[5] Verizon was unsure during the hearing how many of these collocations would have to be turned into IPs, at one point clarifying that all collocations in a local calling area would be IPs and at another point indicating that only one of the collocations need be an IP. Tr. 10/09/01 at 1076-1077 (D'Amico, Verizon); Tr. 10/10/01 at 1319 (D'Amico, Verizon). If the latter is Verizon's position, it is not clear where the financial demarcation point would be for traffic coming out of the end office which are not designated IPs. Presumably, the financial demarcation point in those cases would be the POI. That, however, raises the question why the POI should not be the financial demarcation point for all traffic. In any event, Verizon's proposal that WorldCom must establish an IP at each tandem in a LATA or in each Verizon end-office in a single

which are quite expensive to establish requiring, among other things, the payment of application fees, space preparation fees, equipment, power and cable – have not been established for interconnection, but instead have typically been established by WorldCom to allow it to access unbundled network elements. Tr. 10/09/01 at 1077-1078 (D'Amico, Verizon). As Verizon conceded during the hearing, however, it could require the collocation at the end office to become instead an additional physical point of interconnection. Tr. 10/10/01 at 1356 (D'Amico, Verizon). Pursuant to Verizon's proposal, WorldCom would then be required to arrange for transport back to its switch on dedicated facilities.

If WorldCom does not acquiesce in turning its collocations into physical points of interconnection, Verizon's proposed language achieves the same result by withholding reciprocal compensation. This was euphemistically referred to by Mr. D'Amico as the "transport offset."[6] Specifically, in those cases, Verizon will pay, as reciprocal compensation, the end office reciprocal compensation rate less Verizon's transport and

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tandem LATA is also inconsistent with Verizon's purported amendment of Section 7.1.1.3.1. Verizon has amended section 7.1.1.3.1 to reflect a single IP per local calling area but it has not so amended section 7.1.1.2, which requires an IP in each tandem or at each end office in a single tandem LATA. There are other oddities in Verizon's new DPL language. The language proposes IPs for ISP-bound traffic and toll traffic (Sections 7.5.1.and 7.5.2) even though neither of these traffic types is eligible for reciprocal compensation. Verizon defines an IP as "the point at which a party who receives Reciprocal Compensation traffic originating on the network of the other Party assesses Reciprocal Compensation charges for the further transport and termination of that Reciprocal Compensation Traffic." (Section 2.49). While WorldCom believes that Verizon's attempt to designate multiple IPs at which WorldCom must receive Verizon traffic, is anitithetical to the right of a CLEC to designate a single technically feasible POI for the exchange of local traffic, Verizon's application of the IP to traffic which does not receive reciprocal compensation simply makes a bad idea even worse.

[6] If the CLEC rejected Verizon's request to turn the collocation into an additional physical point of interconnection, Verizon would charge the CLEC for transport of Verizon's traffic from the end office (IP) to the tandem (POI). Tr. 10/10/01 at 1350-1351 (D'Amico, Verizon).

tandem switching rates.[7] Verizon thus effectively proposes to charge transport and tandem switching rates to WorldCom for Verizon's originating traffic. Verizon Proposed ICA § 7.1.1.2. Verizon also asserts that if WorldCom does not establish multiple new IPs in any LATA in which the carriers are already interconnected, points of interconnection do so, Verizon will pay, as reciprocal compensation, the end office reciprocal compensation rate less Verizon's transport and tandem switching rates. Verizon Proposed ICA § 7.1.1.3.[8] The practical effect of Verizon's provisions is to require WorldCom to either establish multiple physical points of interconnection at collocations in Verizon end offices or at multiple tandems, or alternatively, to require WorldCom to pay for the transport of traffic originated by Verizon. In the latter instance, the WorldCom interconnection point (which Verizon unilaterally establishes) is the financial equivalent of a new physical point of interconnection.

2. Verizon's Proposal With Respect To Traffic Originating On WorldCom's Network.

The outrageousness of Verizon's proposals is highlighted by the fact that they change the financial demarcation between the parties only with respect to Verizon's

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[7] Mr. D'Amico outlined three ways in which a CLEC could satisfy the obligation Verizon wishes to impose on the CLEC of transporting Verizon traffic from the IP to the POI: A CLEC can lease UNE IOF from a collocation or build its own facilities from a collocation to the CLEC switch. If the CLEC does not have a collocation at the end office and Verizon establishes the IP by decree, the CLEC can lease transport at access rates. Tr. 10/09/01 at 1068-1069 (D'Amico, Verizon). There is no technical reason for Verizon's position that transport must be at access rates in the latter situation. Tr. 10/10/01 at 1340 (D'Amico/Verizon). Holding aside for a second, the invalidity of Verizon's GRIPs and VGRIPs proposals, the Commission should make clear that anytime a CLEC orders interconnection facilities from Verizon they should always be priced at UNE IOF rates, not access rates. Local Competition Order ¶ 1062.

[8] Verizon's proposed language allows Verizon to deduct tandem switching and transport costs between the IP and POI from the reciprocal compensation it owes. Tr.10/09/01 at 1072 (D'Amico, Verizon).

originating traffic. Thus, although Verizon proposes that WorldCom bear the financial responsibility for transporting calls from Verizon end offices in each and every rate center to the POI, Verizon does not assume similar responsibility when the calls travel the other direction. Instead, Verizon designates its own IPs at the same end offices. Thus, under its proposal, if a Verizon customer calls a WorldCom customer, Verizon transports its own traffic only the short distance to its end office, then requires WorldCom to bear financial responsibility for hauling the call to the end user. If the same call travels the other direction, however, WorldCom must bear financial responsibility for taking the call from its customer back to that same end office.

To provide a visual example using WorldCom Exhibit 40, Verizon could require WorldCom to designate "Verizon End Office 2" as a WorldCom IP. If Verizon End User 3 called WorldCom End User 2, WorldCom would be financially responsible for taking the call from End Office 2 to the POI. If the same call were made in reverse under Verizon's proposal, WorldCom again would be responsible for taking the call from WorldCom End User 2, through the POI, and all the way to Verizon End Office 2. Verizon would bear financial responsibility only for the short leg between Verizon End Office 2 and Verizon End User 3.

3. Verizon's Proposals Are Anti-Competitive And Unlawful.

Verizon's proposals cannot be squared with the Act and the FCC's regulations. First, as explained above, the Commission has made clear that CLECs have the ability to choose a single POI so that they minimize costs as they build a market presence. Verizon's proposed language turns these rules on their head and imposes an obligation on WorldCom to interconnect at multiple points that Verizon deems "relevant," ignoring the

POI and establishing IPs that maximize new entrants' costs while slashing Verizon's.[9] Verizon's proposal also imposes charges on WorldCom for traffic which originates on Verizon's network, and in doing so flatly violates 47 C.F.R. § 51.703(b), which provides that "[a] LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network."

Verizon's assertion that it may charge new entrants which decline to establish multiple IPs transport and termination is equally unlawful, depriving new entrants of symmetrical reciprocal compensation payments required under Commission regulations. Specifically, Verizon's proposed "transport offset" is inconsistent with 47 C.F.R. § 51.711(a)(1), which requires that rates for transport and termination be symmetrical, and which defines symmetrical rates as "rates that a carrier other than an incumbent LEC assesses upon an incumbent LEC for transport and termination of local telecommunications traffic equal to those that the incumbent LEC assesses upon the other carrier for the same services." Verizon's proposal specifically provides that WorldCom shall receive less reciprocal compensation than Verizon does (the "transport offset") and is therefore inconsistent with WorldCom's right to receive symmetrical reciprocal compensation.

[9] Verizon's proposal also requires WorldCom to construct a network, or pay for one, which looks like Verizon's, with multiple switches and points of interconnection. This is inconsistent with the notion that new entrants are entitled to design their own networks as efficiently as they can. Moreover, this proposal fundamentally alters the network architecture chosen by WorldCom, which consists of modern, long transport routes and relatively few switches. WorldCom Exh. 3, Direct Test. of D. Grieco and G. Ball at 4-5.

In short, Verizon's proposal unlawfully shifts financial responsibility for Verizon's originating traffic to the new entrant. The new entrant cannot, however, raise the rates it charges its own customers to cover this additional cost and remain competitive. Nor does it recover this increased cost through reciprocal compensation, which covers only the costs from the POI through the terminating switch, and does not cover the additional cost of transport between the IP and the POI.[10] Accordingly, Verizon's proposal will serve only to make interconnection – and thus facilities-based entry – prohibitively expensive for new entrants.[11]

4. The Commission Should Adopt WorldCom's Proposal.

In sharp contrast to the radical restructuring of existing arrangements suggested by Verizon, WorldCom has proposed that each carrier bear the financial responsibility of delivering its originating traffic to the other carrier's network. Each carrier then has the responsibility to terminate that traffic to its customers, and the right to receive reciprocal compensation for the transport and termination of that traffic. This result is the only

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[10] When asked by WorldCom how a CLEC will recover the cost of transporting Verizon's originating traffic from the IP to the POI, Verizon responded that WorldCom could recover the cost from 1) WorldCom customers or 2) from reciprocal compensation. Tr. 10/09/01 at 1072-1075 (D'Amico, Verizon). That, however, is plainly not the case.

[11] Verizon claims that its proposal is motivated by a desire to avoid having to haul its traffic over long distances to a remote POI, Tr. 10/09/01 at 1223 (D'Amico, Verizon), using a hypothetical situation involving a local call from a CLEC customer in Staunton to a Verizon customer in Staunton, with a POI 90 miles away in Roanoke. Verizon claims that this situation is unfair to it because it will have to transport the call the 90 miles from Staunton to Roanoke. Of course, in that hypothetical, the CLEC would also have to transport its calls over the exact same distance. Tr. 10/09/01 at 1240-1241 (D'Amico, Verizon). In any event, in Northern Virginia where WorldCom and Verizon are interconnected, the average distance between Verizon end offices and the tandem where the POI is located is only ten miles. WorldCom Exh. 15 at 30-31. Verizon's language permits it to avoid all transport cost associated with its own traffic even where, as here, the POI is not remote from the Verizon end offices.

result consistent with the FCC's rules. Equally important, it is the only result that is remotely consistent with the Act's goal of fostering meaningful competition. Accordingly, the Commission should decisively reject Verizon's proposals, and adopt WorldCom's proposed contract language.