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July 9, 2004

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Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92

Dear Ms. Dortch:

On July 9, 2004, on behalf of Verizon, Joseph Dibella, Michael Daly, and the undersigned met with Tamara Preiss, Steve Morris, and Victoria Schlesinger of the Wireline Competition Bureau to discuss the above referenced proceeding. The meeting focused on the appropriate application of charges to Virtual NXX arrangements. The attached document was used during the presentation.

Please do not hesitate to contact me with any questions.

Sincerely,

/s/Joseph Mulieri

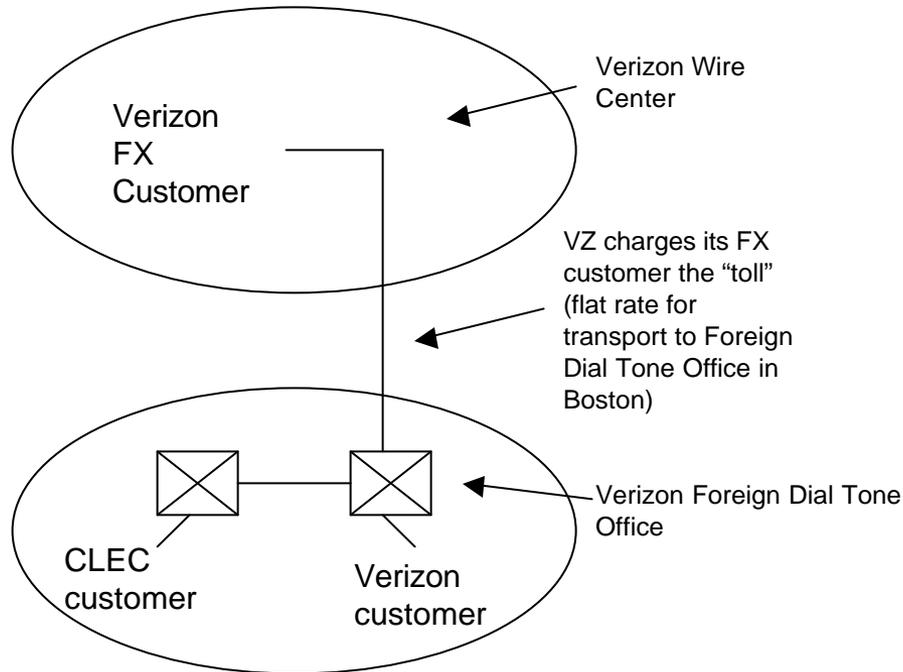
Attachments

cc: T. Preiss
S. Morris
V. Schlesinger

There is no symmetry between VZ Foreign Exchange Service and CLEC VNXX

VZ FX

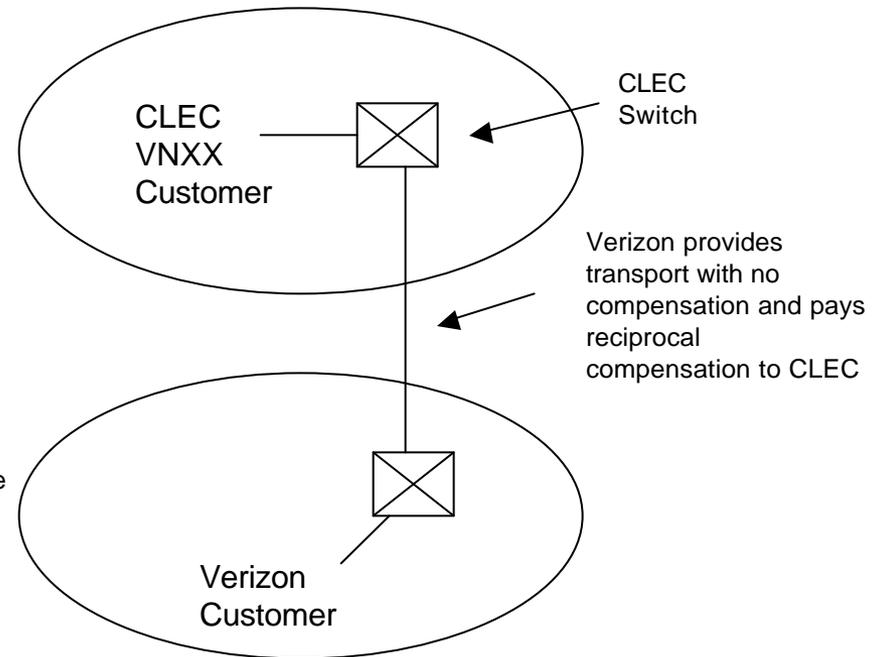
Worcester (508-767-XXXX)



Boston (617-743-XXXX)

CLEC - VNXX

Worcester (508-767-XXXX)



Boston (617-743-XXXX)

Lack of Symmetry Causes Arbitrage

- Arbitrage is caused by CLEC decision to configure its service in a way that prevents Verizon from assessing toll charges on calls from its end users to CLEC switch outside the local calling area (assigning local numbers to customers located outside the local exchange)
- Verizon rates calls based on the normal wire center where the NXX would be located if local exchange service were provided by Verizon, not the wire center where the CLEC switch is located
- CLEC not only shifts FX transport costs to Verizon, but receives reciprocal compensation on calls from Verizon end users to ISP in the foreign exchange
- ISPs that want to receive calls without toll charges to the calling party must pay FX charge to Verizon to obtain local numbers but can obtain VNXX service from CLEC without FX charge
- With CLEC VNXX service, Verizon bears the cost of providing toll service with no toll revenue, CLEC gets the revenue from ISP and revenue from Verizon

Solution to Arbitrage

- CLECs have a choice:
- **Either** CLEC can assign entire NXX code to switch in foreign exchange, which would allow Verizon to program its switches to rate calls from its customers to the CLEC switch as toll
- **Or** CLEC can pay transport costs from the Verizon switch to the foreign exchange for VNXX traffic and eliminate reciprocal compensation on calls to CLEC VNXX customers
 - Traffic study or mutually agreed factor can identify amount of traffic going to CLEC customers with local numbers but locations outside the local exchange
 - This is consistent with the Act and still allows the CLEC to use a single point of interconnection

Many State Commissions Have Ruled That Reciprocal Compensation Is Not Applicable To VNXX Traffic

- Arbitrator's Recommended Decision to the State of New Jersey Board of Public Utilities at 12, *Petition of Global NAPs, Inc.*, BPU Docket No. TO02060320 (Mar. 7, 2003), *aff'd*, Order at 7, (N.J. Bd. Pub. Utils. Jan. 26, 2004)
- Decision, Docket No. 01-01-29 (Conn. DPUC Jan. 30, 2002), *aff'd*, Decision, Docket No. 01-01-29RE01 (Conn. DPUC Nov. 13, 2002)
- Final Order on Petition for Arbitration, Docket No. 020412-TP, Order No. PSC-03-0762-FOF-TP (Fla. PSC June 25, 2003)
- Final Order, Docket No. 13542-U (Ga. PSC rel. July 23, 2001)
- Arbitration Decision, Docket No. 01-0338 (Ill. Commerce Comm'n Aug. 8, 2001)
- Order, D.T.E. 02-45 (Mass. Dep't of Telecomms. & Energy Dec. 12, 2002)
- Arbitration Order, Case No. TO-2001-455 (Mo. PSC rel. June 7, 2001)
- Final Order, DT 02-107, Order No. 24,087 (N.H. PUC Nov. 22, 2002)
- Arbitration Award, Case No. 02-876-TP-ARB (Ohio PUC Sept. 5, 2002)
- Opinion and Order, Docket No. A-310771F7000 (Pa. PUC Apr. 17, 2003)
- Final Arbitration Decision and Order, Docket No. 3437 (R.I. PUC rel. Jan. 24, 2003)
- Order on Arbitration, Docket No. 2002-181-C, Order No. 2002-619 (S.C. PSC Aug. 30, 2002)
- Final Order of Arbitration Award, Docket No. 99-00948 (Tenn. Regulatory Auth. Sept. 7, 2001), *aff'g* Interim Order of Arbitration Award, Docket No. 99-00948 (Tenn. Regulatory Auth. June 25, 2001)
- Revised Arbitration Award, Docket No. 21982 (Tex. PUC Aug. 31, 2000).