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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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	)	CC Docket No. 00-218
Virginia State Corporation Commission	)	
Regarding Interconnection Disputes	)	
with Verizon Virginia Inc., and for	)	
Expedited Arbitration	)	
	)	
In the Matter of	)	
Petition of Cox Virginia Telecom, Inc., etc	)	CC Docket No. 00-249
	)	
In the Matter of	)	
Petition of AT&T Communications of	)	
Virginia Inc., etc	)	CC Docket No.00-251
	)	

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

**INTERCARRIER COMPENSATION**

- STEVEN J. PITTERLE
- PETE D'AMICO

JULY 31, 2001

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1 transport. Termination, on the other hand, was defined "as the switching of  
2 traffic that is subject to section 251(b)(5) at the terminating carrier's end office  
3 switch (or equivalent facility) and delivery of that traffic from that switch to the  
4 called party's premises."

5  
6 **Q. WHAT DOES VERIZON VA PROPOSE THAT THE COMMISSION DO  
7 WITH RESPECT TO THIS ISSUE?**

8 **A.** Given the clear language of the Local competition Order, the Commission should  
9 reject AT&T's proposed language.

10  
11 **VI. ISSUE III-5: TANDEM RATE**

12  
13 **Q. PLEASE SUMMARIZE THE DISPUTE OVER THIS ISSUE.**

14 **A.** The dispute over this issue focuses on the appropriate reciprocal compensation  
15 rate for local traffic that does not pass through a CLEC tandem. Verizon VA  
16 maintains that the CLEC should not receive the higher tandem-switched rate but,  
17 rather, should receive the lower end-office rate for traffic routed directly to the  
18 CLEC's end-office. In other words, if the CLEC's network and service are such  
19 that its costs are lower, the CLEC's compensation should be lower. Moreover, in  
20 connection with design of the network, if interconnection is such that CLEC  
21 traffic is not routed through a tandem, then the CLEC should not receive a  
22 tandem-switched rate.

1 Q. WHAT IS THE DIFFERENCE BETWEEN CONNECTING TO A  
2 TANDEM AND CONNECTING TO AN END OFFICE?

3 A. A tandem connects end office traffic to other end offices, ILECs, and IXCs. Thus,  
4 connecting at a tandem provides a CLEC with access to the end offices, ILECs  
5 and IXCs. An end office, in contrast, connects to end users only. Thus,  
6 connecting to an end office only provides a CLEC with access to the end users.

7  
8 The resulting effect on rates is that the tandem rate is higher than the end office  
9 rate, because of the additional switching and transport costs involved. A CLEC  
10 can avoid paying an ILEC tandem rate, however, by interconnecting directly at  
11 the end office. Verizon VA merely seeks comparable interconnection choices, so  
12 that it can control its own costs by bypassing the tandem rates of CLECs.

13  
14 Q. WOULD WORLD COM AND AT&T PROPOSE THAT WHERE THE  
15 GEOGRAPHIC COVERAGE OF THE CLEC'S SWITCH IS  
16 COMPARABLE TO THAT OF A VERIZON VA TANDEM, THE CLEC  
17 SHALL BE ENTITLED TO RECIPROCAL COMPENSATION AT THE  
18 TANDEM RATE. PLEASE EXPLAIN THE PROBLEMS WITH THAT  
19 PROPOSAL.

20 A. WorldCom and AT&T contend that they are entitled to the tandem switching rate  
21 element because their switches provide the geographic coverage of Verizon VA's  
22 tandems. They overstate the facts. CLECs should be required to demonstrate  
23 actual functional and geographic comparability for each of their switches, and

1 should not receive tandem switching rates unless each switch actually serves a  
2 geographically dispersed customer base. Even if the CLECs demonstrate that  
3 their switches meet the tandem criteria, Verizon VA is still unable to take  
4 advantage of a lower end office rate by bypassing the tandem and connecting  
5 directly to the CLECs' end office switch.  
6

7 **Q. HAS THE COMMISSION SPOKEN ON THIS ISSUE?**

8 A. The Commission has amended 47 CFR §51.711(a)(3) to require that the  
9 "comparable geographic area test be met before carriers are entitled to the tandem  
10 interconnection rate for local call termination." Further, in the Intercarrier  
11 Compensation NPRM, the Commission requested comment on its current tandem-  
12 rate rule and whether that rule creates an opportunity for regulatory arbitrage.  
13 Verizon VA's proposal satisfies the Commission's current rule but eliminates the  
14 opportunity for regulatory arbitrage by placing the burden on the CLECs to prove  
15 that their switches *actually* serve a geographically dispersed area, as opposed to  
16 simply claiming that their switches *may eventually* serve a geographically  
17 dispersed area.  
18

19 **Q. WHAT DOES VERIZON VIRGINIA PROPOSE THAT THE**  
20 **COMMISSION DO WITH RESPECT TO THIS ISSUE?**

21 A. Verizon VA proposes that the Commission follow the lead of the Texas PUC,  
22 which recently addressed these issues. The Texas PUC concluded that for a

1 CLEC that does not have a “hierarchical, two-tier switching system [*i.e.*, end-  
2 office to tandem to end-office] to receive reciprocal compensation for performing  
3 tandem functions, the CLEC must demonstrate that it is actually serving the  
4 ILEC tandem area using tandem-like functionality, instead of just demonstrating  
5 the capability to serve the comparable geographic area.” (Emphasis added).  
6

7 Even if the CLECs demonstrate that their switches meet the tandem criteria,  
8 Verizon VA is still unable to take advantage of a lower end office rate by  
9 bypassing the tandem and connecting directly to the CLECs’ end office switch.  
10 The clear intent of the Act is to promote full and fair competition and encourage  
11 facilities-based competition. “Mutual and reciprocal” does not necessarily mean  
12 identical; however, it does require an underlying fairness. Thus, the Commission  
13 should adopt Verizon VA’s proposal for an average rate for termination of  
14 Verizon VA traffic at a CLEC switch where the CLEC employs a single tier  
15 interconnection structure.  
16

17 **Q. CAN YOU EXPLAIN HOW THAT PROPOSAL WORKS?**

18 **A.** Yes. If a CLEC demonstrates that it employs a single-tier interconnection  
19 structure (*i.e.* the CLEC switch performs tandem and end office functions within  
20 the same switch), then Verizon VA proposes that the reciprocal compensation rate  
21 the CLEC charges Verizon VA should be the average rate charged by Verizon VA  
22 to the CLEC for call termination during the previous calendar quarter. For

1 example, if a CLEC sends half of its traffic to the Verizon VA tandem and half to  
2 Verizon VA end offices, then the CLEC would charge Verizon VA at an average  
3 rate calculated by combining 50% of the tandem rate and 50% of the end office  
4 rate.

5  
6 **Q. HAS VERIZON VIRGINIA'S AVERAGE RATE PROPOSAL BEEN**  
7 **ADOPTED IN ANY OTHER PROCEEDINGS?**

8 A. Yes. The Pennsylvania PUC adopted this proposal for an average rate for  
9 termination of Bell Atlantic's traffic at a CLEC switch, where the CLEC employs  
10 a single tier interconnection structure. *Application of MFS Intelenet of*  
11 *Pennsylvania, Inc., et al.*, Pennsylvania PUC, Docket Nos. A-310203F0002, A-  
12 310213F0002, A-310236F0002 and A-310258F0002, 1997 Pa. PUC LEXIS 50  
13 (April 10, 1997).

14  
15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.

17