

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**In the Matter of the Petition for Arbitration of)
an Interconnection Agreement Between)
LEVEL 3 COMMUNICATIONS, LLC.)
and)
CENTURYTEL OF WASHINGTON, INC.,)
Pursuant to 47 U.S.C. Section 252)**

DOCKET NO. UT-023043

DIRECT TESTIMONY OF WILLIAM H. WEINMAN

(Exhibit WHW-1T)

ON BEHALF OF

CENTURYTEL OF WASHINGTON, INC.

OCTOBER 18, 2002

I. Introduction

Q. Please state your name and business address.

A My name is William H. Weinman. My business address is 890 Second St, PO Box 337, Lebanon, Oregon 97355.

Q. By whom are you employed?

A. I am employed by CenturyTel Service Group, LLC, a subsidiary of CenturyTel, Inc. CenturyTel Service Group, LLC provides management and accounting functions for subsidiaries of CenturyTel, Inc., which includes CenturyTel of Washington, Inc.

Q. What is your position at CenturyTel Service Group?

A. I am a Manager of Government Relations.

Q. Have you ever testified before the Washington Utilities and Transportation Commission?

A. Yes. I was a Financial Analyst for the Commission and have testified as a staff witness for water, natural gas and telephone utilities concerning the proper revenue requirements for ratemaking purposes. I have also testified before the Commission when I was employed with Ellensburg Telephone Company to justify the company's revenue requirement during the divestiture.

Q. Please describe your educational and work related background.

A. I was graduated from Washington State University with a Bachelor of Arts degree in Business with an Accounting major. I am also a member of the American Institute of Certified Public Accountants.

I was employed for six years with the Washington Utilities and Transportation Commission. I was then employed by Ellensburg Telephone Company for four years as an accountant. In 1985, I joined Pacific Telecom, Inc., which was subsequently acquired by CenturyTel, Inc. Since 1985 I have held a number of management positions involving financial, operations, and regulatory responsibilities within the company.

Q. Will another witness also be testifying on behalf of CenturyTel?

A. Yes. Mr. Craig Cook of John Staurulakis, Inc is also presenting testimony on behalf of CenturyTel.

I. SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony provides history of the traffic dispute between CenturyTel and Level 3. My testimony will show that Level 3's proposal does not involve the exchange of local traffic with CenturyTel. I will explain that what Level 3 proposes is to provide interexchange inward calling service to Level 3's Internet Service Provider (ISP) customers not located within CenturyTel's local calling area under the guise of local calling via the use of "Virtual NXX" numbers. To the extent that Level 3 seeks an interconnection agreement with CenturyTel for the transport and termination of ISP-bound traffic outside CenturyTel's local calling area, I am told by our attorneys that such an agreement is not subject to arbitration under Sections 251 and 252 of the Telecommunications Act of 1996 (the "Act"). My testimony will demonstrate that Level 3's interexchange service is not FX service but rather is similar to 800 service.

II. NEGOTIATIONS BETWEEN CENTURYTEL AND LEVEL 3

Q. Please describe the interconnection contract negotiation with Level 3.

A. Contrary to Level 3's assertion that the parties have had "few substantive negotiation sessions,"¹ in fact, there have been many exchanges between the two companies. On March 1, 2002, Level 3 sent a letter to CenturyTel requesting interconnection in the following states: Arkansas, Colorado, Louisiana, Mississippi, Montana, Oregon, Tennessee, Texas, Washington, and Wisconsin.² Following Level 3's request, in an effort to conserve the parties' resources, the parties agreed to negotiate an interconnection agreement for Wisconsin as a model for interconnection in the other nine states. The parties began negotiations using a model comprehensive interconnection agreement for establishing interconnection with CenturyTel of Central Wisconsin, LLC, Telephone USA of Wisconsin, LLC, and CenturyTel of the Midwest-Kendall, LLC, which are non-rural telephone companies, with the understanding that the sections of the agreement related to unbundled network elements (UNEs), resale, and collocation would be deleted from the agreement for the rural CenturyTel companies. Although not directly involved in the Wisconsin discussions, I understand from the CenturyTel representatives who were involved during this process, that the parties had several in-depth negotiation meetings. The parties met both in person and via teleconference throughout the months since Level 3 requested interconnection. In fact, it was during the course of these discussions that

¹ *Level 3 Communications Petition for Arbitration*, at ¶ 7.

² Letter from Rogelio E. Pena for Level 3 to Harvey Perry, CenturyTel, Inc. ("Exhibit A". attached to *Level 3 Communications Petition for Arbitration*).

CenturyTel learned Level 3 does not seek to exchange local telecommunications traffic that originates and terminates within CenturyTel's local calling area. Instead, Level 3 proposes to exchange only ISP-bound traffic that would terminate to Level 3's ISP customers located outside of the CenturyTel customer's local calling area. In response, and in an effort to resolve this matter, CenturyTel provided Level 3 with a proposed Information Access Traffic Exchange Agreement.

At each stage of the negotiations, CenturyTel has provided the documentation that Level 3 has requested and continues to stand ready to negotiate the terms of an agreement for the exchange of traffic that originates and terminates to end users physically located within CenturyTel's local calling area and an agreement for the exchange of ISP-bound traffic that originates and terminates outside of CenturyTel's local calling area. Thus, the lack of progress should not be attributed to CenturyTel, as Level 3 attempts to do in its Petition.³ While CenturyTel has proposed to enter into an Information Access Traffic Exchange Agreement with Level 3 for the exchange of ISP-bound traffic, Level 3 insists that the traffic it proposes to exchange with CenturyTel is instead subject to local interconnection under Sections 251 and 252 of the Act. Level 3 seeks to negotiate a single agreement that will "allow[] for the interconnection of networks to exchange ISP-bound traffic,"⁴ notwithstanding the fact that this issue is not within the jurisdiction of the Washington Transportation and Utilities Commission.

³ *Level 3 Communications Petition for Arbitration*, at ¶ 7 ("Level 3 has agreed to the vast majority of the provisions"); ("Level 3 would like to negotiate with CenturyTel in good faith").

⁴ *Id.* at ¶ 14.

Likewise, Level 3 desires to treat, as local, calls made to Level 3's customers who "may be physically located outside of the rate center associated with the customer's NXX code."⁵ Because Level 3 seeks to utilize CenturyTel's network in the provision of its proposed interexchange service, but objects to paying any form of compensation for that use, the parties have been unable to finalize an agreement.

Q. Have CenturyTel and Level 3 reduced the 15 issues defined in Level 3's Arbitration Petition?

A. Yes. Issues 5 through 15 either did not apply to the CenturyTel rural companies or have been otherwise resolved prior to the filing of this testimony. Therefore only issues 1 through 4 remain open.

Q. Is CenturyTel of Washington a rural telephone company under the Telecommunications Act of 1996?

A. Yes, it is. Documentation to this effect was presented in response to the First Arbitrator's Request for Information, submitted by CenturyTel on September 16, 2002.

III. LEVEL 3 NETWORK AND SERVICE DESCRIPTION

Q. Please describe your understanding of Level 3's plans for offering services that would utilize CenturyTel's network facilities in Washington.

A. Under Level 3's proposed service, customers located in CenturyTel's service territory would be able to call a Level 3 customer (an ISP) not located in the same local calling area on a toll-free basis. I have provided Exhibit WHW-2 (Use of

⁵ *Id.* at ¶ 17.

CenturyTel's Network) to illustrate how Level 3's service could work if provided between CenturyTel's Forks exchange and a Level 3 ISP customer located in Seattle.

I have selected Forks merely as an example of a CenturyTel exchange that could be affected by Level 3's proposal. In fact, Level 3's proposal could affect any or all of the 76 exchanges operated by CenturyTel of Washington in the state of Washington depending upon where Level 3 seeks to acquire and associate Virtual NXX numbers. I have used Seattle as an example of an exchange where Level 3 might serve an ISP customer. The Level 3 ISP customer may, in fact, be located in Portland, Denver or elsewhere. The critical point to keep in mind is that the Level 3 customer will not be located in the CenturyTel customer's local calling area and may not even be located within the state of Washington. We recently learned, for example, that with regard to Level 3's proposal to provide the same service in Wisconsin, the Level 3 ISP customer would actually be in Chicago, Illinois.

In the example provided in Exhibit WHW-2, Level 3 would establish a Virtual NXX associated with the Forks rate center and assign the Forks number to a Level 3 ISP customer located in Seattle. When a CenturyTel customer in the Forks exchange dials the 7-digit Level 3 number, the call will use the CenturyTel local loop to connect the CenturyTel Forks central office where the call is switched on to an interexchange facility destined for Level 3's ISP customer in Seattle. Level 3 will not have a local switch in Forks but rather will expect CenturyTel to switch calls dialed to Level 3's Virtual NXX numbers to interexchange facilities that

terminate to modem banks of Level 3's ISP customer in Seattle, or in any event, located somewhere outside of the Forks local calling area.

Q. In your Example, Exhibit WHW-2, is the call from Forks to Seattle as you have described an exchange of local traffic with Level 3?

A. No. As is also explained in Mr. Cook's testimony, to the extent that CenturyTel would "hand off" such traffic to Level 3, this would not constitute an exchange of local traffic because the traffic is not local. The call does not originate and terminate in the same local calling area. Rather, Level 3 would be using CenturyTel's facilities in much the same manner as any other provider of interexchange services.

Q. On Exhibit WHW-2 you attached the label "VNXX" to the Level customer and service. What is Virtual NXX?

A. Virtual NXX is a practice whereby a carrier assigns telephone numbers from a block of NPA-NXX codes to its customers that are not located within a geographic area of the rate center associated with the NPA-NXX, as defined in the Local Exchange Routing Guide ("LERG"). This practice gives the appearance to local and interexchange carriers ("IXCs") that Level 3 customers with the Virtual NXX are geographically located within the rate center to which the numbers are assigned, but in fact they are not.

Q. How does Level 3 propose to use Virtual NXXs in CenturyTel's calling area?

A. As illustrated in my Exhibit WHW-2, Level 3 would assign a Forks Virtual NXX code (Forks number) to its ISP customer located, for example, in Seattle. The

LERG would define the call to be rated as if the rate center is Forks, thereby allowing customers in Forks to place what appears to be a local call, to the Level 3 ISP customer in Seattle. Based upon the NPA-NXX information within the LERG, local exchange carriers would be fooled into treating the call as if it originated and terminated within a local calling area (i.e., Forks).

Q. In negotiations and its Petition for Arbitration, Level 3 has claimed that its service is like CenturyTel's Foreign Exchange ("FX") service. Would you describe CenturyTel's FX service?

A. Typically, FX service is a means of offering a customer an alternative to paying toll charges for service to another exchange. Where communities have a natural need to call other exchanges because of business, government services, etc., the WUTC has investigated those situations and implemented Extended Area Service (EAS) to those areas. There are instances where the exchange does not warrant EAS, but certain CenturyTel customers have a need to obtain a service other than long distance. FX service is offered to those customers in Washington to accomplish that need.

FX service would involve provision of both a "Closed end" and "Open end" of the service. The "Closed end" of the service is provided with dedicated facilities, whereas the "Open end" of the FX service provides dial tone and central office switching making the customer appear to have local service in the foreign exchange.

Q. To the extent that Level 3's proposed service is at all similar to FX service, what aspect of the service would CenturyTel be providing?

A. Since CenturyTel would be providing the loops and the central office switching function, CenturyTel would be providing the "Open end" of the service.

Q. In your example where an ISP customer in Seattle wants FX service from Forks, what portion of the FX like service would Level 3 be providing?

A. Since Level 3 would not be providing any dial tone or local switching at the "Open end" Level 3 would merely be providing the dedicated or "Closed end" of the FX service.

Q. How is FX service priced to customers in the company's Tariff?

A. The company's FX tariff in Washington has multiple components for customers. Most customers are able to order FX service from the company's tariff. However, there are exchanges where the company does not offer FX service. In those instances the customer can order Feature Group A service as an alternative. Customers in Forks who seek an alternative to long distance charges must order the service out of the intrastate access tariff. This service is offered on a measured usage basis.

Q. How does compensation to CenturyTel work when CenturyTel is jointly providing the FX service with another carrier?

A. In those instances where CenturyTel provides the "Open end" of FX service, CenturyTel would charge the foreign exchange customer local service charges out of the company's tariff. With regard to the "Closed end" circuit connecting the customer to the foreign exchange, CenturyTel would charge either the foreign exchange customer, or the carrier providing a direct connection to that

customer, for the portion of that circuit provided by CenturyTel. .

The important thing to keep in mind is that both FX or Feature Group A services would utilize CenturyTel's loops and switching at the "Open end." Both services provide CenturyTel with compensation recognizing use of these facilities. This is appropriate, as any service that utilizes various network facilities should make a contribution to the recovery of the costs associated with building and maintaining those facilities. Level 3's proposed VNXX service would utilize these same CenturyTel facilities but, as I will describe later, would not provide any compensation to CenturyTel for that use.

Q. Is Level 3's proposed VNXX service FX service?

A. No, as I will explain later, Level 3's proposed VNXX service is more like "800" service than it is like FX service. Even if one were to accept that Level 3's proposed service were FX-like, it would clearly be a jointly provided service as CenturyTel would be providing the "Open end" portion of the service which is a critical component of any FX service. As I have mentioned, CenturyTel does on occasion provide the open end of FX service jointly provided with other carriers. In those instances it is important to note that CenturyTel receives compensation either from the foreign customer or the other carrier or both in recognition that CenturyTel has provided the open end of the service.

Q. Why do you say that Level 3's proposed VNXX service is like interexchange 800 service?

A. The proposed service is "800 like" because it would allow customers to place calls to an ISP business location (for example, Seattle) not within CenturyTel's

local calling area (for example, Forks) without incurring a toll charge. Stated from another perspective, it would allow a business to receive calls from callers not located within the business' local calling area in a manner where the caller would not incur toll charges for making the call. The only aspect of Level 3's proposal that deviates from traditional "800 like" service is in the dialing pattern. By associating a Virtual NXX with CenturyTel's rate center (or a rate center within the CenturyTel customer's local calling area, i.e., the EAS area), the calling party would reach the ISP business located outside of the local calling area by dialing a seven-digit number instead of an 800 number. In all other respects the service is identical to traditional 800 service. It uses the CenturyTel customer loop and local switch in exactly the same manner, as does a traditional 800 call. The fact that the call is completed using seven-digit dialing rather than an 800 number does not change the character of the call. It did not originate and terminate within the same local calling area and therefore is not a local call.

Q. Is Level 3's proposed service more like 800 service than FX service?

A. Yes, in my view it is. Level 3's service is designed for inward only calling to Level 3's customer. This is characteristic of 800 service, and not FX service, which is typically designed for two-way traffic. CenturyTel anticipates that Level 3 will provide its ISP customer with inward dialing from all over the state of Washington. Again, this is characteristic of 800 service and not FX service, which typically accommodates a customer with an interest in one specific area outside the customer's local calling area.

Q. Does CenturyTel object to Level 3 providing toll-free dial up access to ISPs?

A. CenturyTel does not object to Level 3 providing "800 like" services *per se*. However, CenturyTel does object to Level 3 trying to mischaracterize the traffic as being "local" and, thereby, evading payment of compensation to CenturyTel for use of CenturyTel's network. As noted earlier, Level 3's proposed service would use CenturyTel's network in exactly the same manner as providers of traditional 800 services use CenturyTel's network. Level 3 offers this service in competition with "800" service. CenturyTel must assess interexchange carriers access charges for use of its network in a nondiscriminatory manner. Therefore Level 3's non-local "800 like" service must be subject to usage-based access charges in a manner that is consistent with and non-discriminatory to other providers of "800 like" services. The fact that Level 3 would be paying CenturyTel usage charges on these calls (just as all providers of "800 like" service would) does not mean that these calls would have to become toll calls to the CenturyTel local customer placing the call. After all, 800 calls are not toll calls to the calling party even though the underlying carrier is subject to access charges.

Q. Are 800, FX, and Level 3's proposed VNXX service the only services that would allow a customer in Forks to call a customer in Seattle?

A. No. On Exhibit WHW-2, I have listed several services that could accommodate a call from a CenturyTel customer in Forks to a customer in Seattle (i.e. Toll, 800, FX, Remote Call Forwarding ("RCF"), EAS, and Feature Group A ("FGA")). All of the services including Level 3's proposed VNXX service would utilize and rely

on CenturyTel's network in Forks to complete the call. However, Level 3's proposed VNXX service is the only service that would not provide CenturyTel with some form of compensation to recognize use of its network.

Q. Would you please elaborate on this point.

A. Yes, Exhibit WHW-2 illustrates how these various services and the calls they generate would utilize CenturyTel's network. The CenturyTel portion of the network utilized to complete these calls is depicted on Exhibit WHW-2 and includes those facilities located within the box identifying the Forks exchange. They consist of the local loop connecting the customer to the CenturyTel switch in Forks, the Forks switch, and the CenturyTel provided transport facility extending from the Forks switch to the meet point, which as shown on the exhibit, is typically at the exchange boundary. The meet point, where CenturyTel's facilities are connected to the facilities of another carrier, is sometimes referred to as the point of interconnection or POI. On the exhibit I have shown Qwest and Level 3 facilities extending from the meet point to their facilities and customers in Seattle. For illustrative purposes I have shown Qwest and Level 3 only, but it is quite possible that other carriers could connect with CenturyTel facilities at the meet point and extend facilities to Seattle.

Use of CenturyTel's network for completion of calls under toll, 800, FX, EAS, RCF, and FGA services, as well as Level 3's proposed VNXX service is for all intents and purposes identical. All of these services could provide a call from a CenturyTel customer in Forks to another customer located in Seattle. No matter

what the service, the call would use and traverse the CenturyTel network in much the same way. It would begin by going over the local loop connecting the customer to the CenturyTel switch. There it would be switched onto an interexchange transport facility over which it would be transported to Seattle. This process is the same for all of the services listed on Exhibit WHW-2 including Level 3's proposed VNXX service.

IV. COMPENSATION FOR USE OF CENTURYTEL'S NETWORK

Q. Please refer once more to the various services that would utilize CenturyTel's network in completing a call from a CenturyTel customer in Forks to a customer in Seattle. In each case would CenturyTel be compensated for use of its network in providing the service?

A. Yes, and here I use the term compensation as meaning revenues above and beyond the revenues CenturyTel receives in the normal monthly service charge to the CenturyTel customer placing the call. CenturyTel would receive some form of additional compensation in every case except Level 3's proposed VNXX service.

Q. How does CenturyTel receive compensation for a toll call that is originated by a Forks customer and terminates to a customer in Seattle?

A. CenturyTel charges originating access charges for use of its network. As I described earlier, use of CenturyTel's network would include the customer's loop, local switching and associated transport to a meet-point which is usually the exchange boundary.

Q. In your Exhibit WHW-2 example, how does CenturyTel receive compensation for an 800 call that is originated by a Forks customer and terminates to an 800 customer located in Seattle?

A. As with a regular toll call, CenturyTel charges originating access charges for use of its network.

Q. How does CenturyTel receive compensation for a call directed to a customer outside of the local exchange but within an EAS calling area?

A. Assuming for the moment that Forks to Seattle had been converted to an EAS route at some point, CenturyTel would have been allowed to impose increased rates (above and beyond regular local rates) at the time of conversion of the route. The incremental charge, above and beyond the charge for normal local service, recognizes the use of CenturyTel's network in completing such calls outside of the local exchange area.

Q. How does CenturyTel receive compensation for a call, for example, from a CenturyTel customer in Forks to a customer located in Seattle completed via Remote Call Forwarding?

A. There would be a toll charge for each call that is switched to a location outside CenturyTel's local calling area. CenturyTel would charge access charges on these calls.

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Q. How does CenturyTel receive compensation for example, for calls from a CenturyTel customer in Forks to a customer located in Seattle who might have FX service out of Forks?

A. Assuming for the moment that there was an FX offering in the tariff applicable to the Forks exchange, the following would apply. When a customer in Seattle requested FX service out of Forks, CenturyTel would provide that customer with dial tone out of the Forks switch, and the FX customer would become part of the Forks local calling area just like all of the other customers getting dial tone out of the Forks switch. This Forks dial tone and local calling area would be provided by the CenturyTel facilities depicted on Exhibit WHW-2. As I described earlier, this part of the FX service is referred to as the "Open End." When CenturyTel provides the Open End of FX service, CenturyTel receives compensation from the FX customer that is now part of CenturyTel's local calling area in the form of business line local service charges. CenturyTel would also receive any special access revenue associated with CenturyTel having provided a portion of the dedicated circuit to the FX customer. The "Open End" FX local service charges and the dedicated line charges provide recognition of the use of CenturyTel local network and interoffice transport facilities in providing the service.

Q. How does CenturyTel receive compensation for a call, for example, from a CenturyTel customer in Forks to a customer located in Seattle if it were completed via Feature Group A?

A. If a customer in Seattle were to request FGA service out of Forks, CenturyTel again would provide local dial tone out of the Forks switch and the customer would become part of the Forks local calling area. The service is essentially the

same as the discussion of FX service in the prior question. However in this scenario the customer is charged on a usage basis for switching rather than on a flat rated basis. CenturyTel would also receive any special access revenue associated with CenturyTel providing any portion of the dedicated circuit to connect the Seattle customer to the Forks switch. Again, the network facilities are the same, but the service is provided on a measured service basis rather than a flat rated service.

Q. Is Level 3's proposed VNXX service different from the services that you have just described?

A. In the sense of the manner in which it would use CenturyTel's local network it is no different at all. All services: toll, 800, FX, EAS, RCF, FGA and Level 3's VNXX would utilize CenturyTel's local network in completing a call from CenturyTel's customer in Forks to a customer located in Seattle. However, Level 3's proposed VNXX service is the only service that would not compensate CenturyTel in recognition that it had used CenturyTel's local network. As I just described, every other service would provide some form of compensation to CenturyTel. If Level 3 is successful in disguising its service as local, and forcing exchange of the traffic on a bill and keep basis, it would be the only service (capable of completing a call from Forks to Seattle) in a position to utilize CenturyTel's local network for free. This points out why it is totally inappropriate to force exchange of this interexchange traffic under bill and keep terms in a local interconnection agreement.

Q. Are there other concerns with regard to Level 3's proposed service?

A. Yes. As testified by Mr. Cook, Level 3's proposal to institute a toll-free dial up service via use of Virtual NXX numbers would violate established industry guidelines governing the assignment of NPA-NXX codes. Mr. Cook testifies that this would also put a strain on Washington's limited numbering resources. Finally, as Mr. Cook describes, Level 3 is attempting to unilaterally change the local calling area for CenturyTel's customers without following the Commission's procedures for expanding local calling scope

Q. Is an interconnection agreement required to permit the exchange of traffic under Level 3 proposed service?

A. No. As more fully explained in Mr. Cook's testimony, a Section 251 interconnection agreement is not necessary to exchange traffic under the proposed service.

v. *CENTURYTEL'S PROPOSED ALTERNATIVE AGREEMENT*

Q. How should the exchange of traffic generated by Level 3's proposal be treated?

A. CenturyTel's position is that generally, interexchange traffic should be exchanged pursuant to CenturyTel's applicable access tariffs. However, interpretation of various FCC orders has raised questions as to whether access charges can be applied to enhanced service provider traffic. It became apparent that Level 3's traffic would be interexchange ISP-bound traffic. This raised questions as to whether enhanced service provider status would come into play. It was not clear

whether Level 3 would be acting as an enhanced service provider or as merely a carrier to an enhanced service provider. CenturyTel decided to give Level 3 the benefit of the doubt and offered to negotiate an Information Access Traffic Agreement that would incorporate charges that did not rely upon CenturyTel's tariffed access charges. Under the agreement ISP bound traffic that terminates within the local calling area would be treated differently than traffic terminating outside the local calling area.

Q. How did CenturyTel propose to make the distinction between interexchange ISP-bound traffic and local ISP-bound traffic?

- A. In the Information Access Traffic Exchange Agreement proposed by CenturyTel, Level 3 would determine the percentage of the traffic being terminated outside of CenturyTel's local calling area. The percentage of the usage that is terminated outside of the local calling area would be subject to originating interexchange usage charges, plus transport charges if CenturyTel provides any portion of transport facilities for the traffic. Traffic that is truly local, i.e. originating and terminating in the local calling area, would be subject to a bill and keep arrangement under the agreement. However, it has since become apparent that Level 3 would terminate no such traffic within the local calling area.

VI. CONCLUSION

Q. Please summarize your testimony.

- A. CenturyTel has diligently negotiated in good faith with Level 3 concerning the connection of our respective networks. However, those negotiations have

revealed that the service Level 3 proposes is an interexchange service and would not involve the exchange of local traffic. The calls would clearly originate from one local calling area and terminate to a customer located in a different calling area. Despite this basic and indisputable fact, Level 3 has insisted upon an interconnection arrangement (Virtual NXX) that would inappropriately disguise the traffic as “local” and would in effect fool the CenturyTel network into treating the traffic as local. If Level 3 has objections to the current method by which compensation is extracted from interexchange carriers, it should approach that problem head on. It should not be allowed to employ deception in order to avoid the compensation mechanisms it finds so objectionable.

With respect to the issues identified in the Petition for Arbitration, my testimony can be summarized as follows:

ISSUE 1:

Interconnection and intercarrier compensation arrangements associated with ISP-bound traffic are not subject to Section 251/252 arbitration. Whether such arrangements are handled in a separate agreement or not, they cannot be dictated in this, a Section 251/252 proceeding.

ISSUE 2:

Consistent with general use of the term in the industry, “Local Traffic” should include only traffic that originates in one local calling area and terminates to a customer located in the same local calling area.

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ISSUE 3:

Foreign Exchange and Virtual NXX based service are two completely different concepts. Under the foreign exchange service the “foreign” customer and/or the carrier serving the foreign customer (at the “Closed End”) would cover the costs of a dedicated circuit to the end office providing the local calling area (“Open End”). The foreign customer and/or the carrier serving the foreign customer at the closed end would pay local exchange service charges to the carrier providing the open end. Under Virtual NXX based service, just as with other “800” type services, the carrier delivering the interexchange inward traffic to the distant customer should pay access charges to the ILEC who aggregated the traffic via a local exchange network at the originating end.

ISSUE 4:

The FCC’s *ISP Order on Remand* applied only to ISP traffic that was delivered to an ISP located within the same local calling area. Therefore “Bill-and-Keep” would apply only when the traffic originates and terminates within the same local calling area. In any event, even if Level 3 was providing ISP-bound traffic to an ISP located within the same calling area as the customer making the call, application of “Bill-and-Keep” would not take place in the context of a Section 251/252 arbitration proceeding (see Issue No. 1 above).

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VII. CENTURYTEL'S PROPOSED OUTCOME.

Q. What is CenturyTel's proposal for an appropriate outcome to this proceeding?

A. Level 3's proposed service involves calls that do not originate and terminate in the same local calling area. The service is an interexchange service and as such is not subject to Section 251/252 arbitration. Therefore, there should be no award in this proceeding that dictates the arrangements or terms of compensation for handling such interexchange traffic. Level 3 is free to order such traffic out of the appropriate access tariffs. To the extent that a showing can be made that such traffic qualifies for the enhanced service provider exemption from access charges, CenturyTel has offered to negotiate terms and conditions not based upon tariffed access charges. If Level 3 is dissatisfied with these terms, it is free to bring a complaint to the FCC under Section 201.

Q. Does this conclude your testimony?

A. Yes.