Missoula Plan Workshop and Facilitated Discussion
Docket No. M-00061972
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Prepared Statement of Gary Ball, Pac-West Telecomm, Inc.

Thank you for the opportunity to present Pac-West's views on the Missoula plan. My name is Gary Ball, and I am Regional Director of Regulatory Affairs for Pac-West Telecomm. I have testified in front of the Commission on numerous matters related to local exchange competition, going all the way back to the MFS proceedings in the early 1990's. Today, I would like to discuss the problems we see with the Missoula plan, including impacts of the Missoula plan on existing interconnection agreements in Pennsylvania, and briefly explain why the Pennsylvania Commission should oppose the plan.

Pac-West Telecomm is a wholesale service provider, focused on enabling competitive retail intermodal competition and enabling VOIP services. Pac-West's services are designed to provide the essential on-ramps between the IP world and the public circuit switched network. Because our services essentially are the provision of interconnection, the costs of interconnection with the incumbent LECs, as well as intercarrier compensation, are critical to Pac-West's ability to provide competitive services to our customers. Pac-West signed an interconnection agreement with Verizon Pennsylvania in November of 2005, and began providing service under it in June of this year.

While I have some specific comments regarding interconnection, I want to make some general critical comments about the plan.

1. It is not a consensus plan – it is opposed by ILECs, CLECs, CMRS carriers, cable-based carriers and consumer representatives.
2. It does not meet the principles announced by the FCC in the FNPRM, nor the principles espoused by other stakeholders during the NARUC workshops.
3. It does not eliminate arbitrage incentives and actually introduces new incentives.
4. It does not meet the requirements in the 1996 Telecom Act for intercarrier compensation and interconnection.

The primary impact of the Missoula plan on our interconnection agreement, and on Pennsylvania interconnection agreements in general, is a disproportionate increase in the cost of interconnection for competitive service providers, and a corresponding decrease in the incumbents' costs. The plan also decreases competitors' revenues while preserving much of the incumbent's revenues. This is because the Missoula plan undoes two key fundamental principles that have been the underlying basis of all competitive entry in Pennsylvania.

The first of these principles is that minimal points of interconnection are necessary to ensure a level playing field between new entrants and the incumbents. The

Pennsylvania Commission, along with most other state commissions and the FCC, have all determined that a single point of interconnection per LATA between two competing networks is the standard upon which interconnection is to be based. The Missoula plan undoes this cornerstone of interconnection by allowing the ILECs to designate multiple "edge" interconnection locations per LATA. The outcome of implementing these "edge" locations will be that competitive providers will be required to interconnect at more locations and at greater distances than they currently have to under existing Pennsylvania agreements. This, without a doubt, will dramatically increase the competitive providers' costs, create more points of service failure on the networks, and potentially delay the ability of competitive providers to expand into new service territories.

The second of these principles is that both the competitive provider and the incumbent are each responsible for their share of the facilities between their own switches and the point of interconnection. The Missoula plan undoes this by creating a rule that for traffic that is imbalanced--meaning that there is more than three times the traffic going from the incumbent to the competitor than the other way--the competitor would actually pay for both the incumbent's and the competitor's share of the interconnection facilities. This blatantly one-sided and anti-competitive provision would destroy the economics of the competitive provider's service, and at the same time, would allow the incumbent to recover its costs of transport twice: once from its own customers, and once again from the competitive provider.

This issue will be compounded if the interconnection trunks that the competitive provider is forced to purchase are not cost-based. Pennsylvania has allowed the incumbents to use their intrastate special access rates as the basis of pricing interconnection trunks, but has left the door open for future evaluations of this pricing to determine whether it satisfies the statutory requirement of "cost based." Currently, the PA intrastate access rates for DS1 circuits are 25% higher than the exact same circuit priced out of the interstate tariff.[1] The Missoula plan requires that interconnection trunks be priced at intrastate special access rates, taking away any ability of the Pennsylvania Commission to further review and adjust these rates, which clearly appear to be priced well above their costs to the benefit of the ILECs.

The Missoula plan would also dramatically increase another key rate associated with interconnection agreements: the transit traffic rate. This rate applies to calls between two providers who route their calls through the ILEC tandem switch. Transit traffic arrangements are critical, in that competitive providers must be able to ensure that they are capable of routing and receiving all potential calls with all potential carriers. Transit is so important that the 1996 Telecom Act included "indirect interconnection" as one of two choices for interconnection. The current rate for this service in the PA interconnection agreements is \$.00011, or approximately 1/100$^{th}$ of a cent. The Missoula plan would allow Verizon to increase this rate to \$.0025 per minute of use, or 25 times the current rate. Again, a benefit to the ILECs.

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[1] Based upon a comparison of DS1 per-mile rates. The Verizon interstate rate is \$19.90 per mile per month, per Section 6.9.1 C of its tariff FCC No.1. The Verizon intrastate rate is \$25 per mile per month, per Section 6.9.2 of its tariff Pa. PUC – No. 302.

Overall, the Missoula plan would be a huge step backwards in the ongoing development of local competition, and would undo many of the deeply examined conclusions reached by this Commission regarding local competition. It is Pac-West's belief that competition, and Pennsylvania customers, will be best served if the Missoula plan is rejected, and instead, continued vigilance is applied to implementing and enforcing the Telecom Act of 1996.

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