ORDER NO. 90310

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In The Matter of the Petition for Arbitration of Interconnection Rates, Terms and Conditions with Core Communications, Inc. Pursuant to 47 U.S.C. Section 252(B).

BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND	
CASE NO. 9013	

Issue Date: August 16, 2022

FINAL ORDER

Before: Jason M. Stanek, Chairman Michael T. Richard, Commissioner Anthony J. O'Donnell, Commissioner Odogwu Obi Linton, Commissioner Patrice M. Bubar, Commissioner

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A. <u>Background</u>

1. This Order arbitrates the final issues raised by Core Communications, Inc. ("Core") and Verizon Maryland LLC ("Verizon"), following the issuance of the Commission's Second Order on Arbitration Appeals,¹ and the Commission's Order Denying Core's Request for Rehearing.²

2. In the Second Order on Arbitration Appeals, the Commission affirmed in part, reversed in part, and modified in part the second Proposed Order of Arbitrator ("Proposed Order II").³ Pursuant to its findings in the Second Order, the Commission directed— among other things—that the Parties include in their updated Interconnection Agreement (or "ICA") the definition of Voice-Over-Internet Protocol/Public Switched Telephone Network ("VoIP-PSTN") set forth in the Federal Communications Commission's ("FCC") 2011 CAF Order.⁴ In addition, the Commission directed that until negotiated otherwise by the Parties, this definition should apply to traffic exchanged over PSTN facilities that originates and/or terminates in IP format.⁵ Furthermore, the Commission reinstated the Arbitrator's finding in the first Proposed Order on Arbitration ("Proposed Order I"),⁶ that Access Toll Connection Trunks should be subject to total element long run incremental cost ("TELRIC") pricing, and directed the Parties to file an updated Interconnection Agreement reflecting provisions consistent with the Proposed Order II and Order No. 90023, as discussed therein.

¹ Order No. 90023, In the Matter of the Petition for Arbitration of Interconnection Rates, Terms and Conditions with Core Communications, Inc., Pursuant to 47 U.S.C. Section 252(B) Case No. 9013 (Jan. 3, 2022) (hereinafter, "Second Order on Arbitration Appeals," "Second Order" or "Order No. 90023"). ² Order No. 90118 (Mar. 23, 2022).

³ Second Proposed Order of Arbitrator, Maillog No. 235997 (Jul. 2, 2021).

⁴ *ICC Transformation Order, In re Connect Am. Fund*, 2011 FCC LEXIS 4859, * 1, 26 FCC Rcd 17663 (F.C.C. November 18, 2011) (the "*CAF Order*").

⁵ Second Order on Arbitration Appeals, Ordering Paragraph 2 at 38-39.

⁶ First Proposed Order of Arbitrator, Maillog No. 100584 (Feb. 24, 2006).

3. Alternatively, the Commission directed that the Parties *may* negotiate a new ICA reflecting the Commission's decisions relating to Proposed Order I and II, and reflecting changes in law pursuant to more recent FCC and applicable appellate telecommunications case decisions.

4. On May 3, 2022, Core and Verizon each made filings with the Commission attaching updated versions of their proposed Interconnection Agreement reflecting the Commission's holdings based on Order Nos. 90023 and 90118.⁷ Both filings contained the Parties' agreed-upon terms and terms that had not been agreed to, and requested the opportunity for the Parties to brief their positions on outstanding issues. The Commission granted the Parties' request to brief the outstanding issues and issued a Briefing Notice to that effect.⁸ Core and Verizon filed initial briefs on May 27 and reply briefs on June 21, 2022. With these filings, the record in this proceeding is closed.

5. Within 30 days of this Order, Verizon and Core are directed to file an updated Interconnection Agreement reflecting provisions consistent with this Order. No further negotiations are directed herein and any issues not previously raised in this proceeding are foreclosed.

B. <u>Final Arbitration Issues</u>

6. In the Briefing Notice, the Commission noted that the Parties were unable to agree to terms and conditions regarding: (i) identification of VoIP-PSTN traffic, (ii) Interconnection Attachment § 2.1.6 – Point of Interconnection ("POI") and Trunk Types, (iii) Interconnection Attachment § 2.2.1.1 (Trunk Types), (iv) Interconnection Attachment

⁷ Maillog No. 240540 ("Core Proposed ICA"), May 3, 2022; Maillog No. 240531 ("Verizon Proposed ICA"), May 3, 2022.

⁸ Maillog No. 240586.

§ 10.6 (Tandem Transit Traffic), and (v) Appendix A to ICA Pricing Attachment, footnote3.

7. In its brief, Core restated the outstanding issues as: (1) language applicable to the Identification of VoIP-PSTN Traffic, (2) whether VoIP-PSTN and traditional Interexchange ("IXC") traffic may be exchanged over Interconnection Trunks, (3) rating of VoIP-PSTN traffic as "bill-and-keep," and (4) payment for trunking to tandems beyond the single POI. Verizon, on the other hand, summarized only three outstanding issues: Core's refusal to agree to pay for interoffice transport (if any) between tandem switches within the same local calling area (or "LATA"); Core's approach to treat VoIP-PSTN Traffic apart from Time Division Multiplex ("TDM")-originated traffic for purposes of local interconnection; and competing language for ICA Attachment Subsection 10.5 (addressing other carrier's charges for transit traffic).

8. Exhibit A to Verizon's brief sets forth—side by side—most of the disputed language offered by each Party on each of the open issues. Other issues were identified in the Parties' May 3, 2022 filings. These issues will be discussed and decided in turn, beginning with Core's proposed language relating to the identification of VoIP-PSTN Traffic.

1. <u>Identification of VoIP-PSTN Traffic [Core Interconnection</u> <u>Attachment § 1.2 through 1.2.6.1.2; Verizon Interconnection</u> <u>Attachment §§ § 2.2.1.1 and 17]</u>

a. Core Proposal

9. In its brief, Core submits that only its proposal implements the FCC's 2011 *CAF Order* rules regarding the identification of VoIP-PSTN traffic,⁹ insisting that the FCC made

⁹ Core Brief at 3.

clear that the identification of VoIP-PSTN Traffic "is possible, is required, and is subject to" Sections 251 and 252 of the Act's "mandatory interconnection negotiations and arbitration" provisions.¹⁰ Verizon argues that Core's position on this issue is incorrect, and that here, Core attempts to treat VoIP-PSTN Traffic as separate and apart from TDMoriginated traffic for purposes of local interconnection, and seeks to deliver "access tariff" over local trunks.¹¹

10. Core proposes an elaborate mechanism for identifying VoIP-PSTN Traffic.¹² This mechanism includes a method for distinguishing VoIP-PSTN traffic from all other traffic routed over the Incumbent Local Exchange Carrier's (ILEC) Interconnection Trunks. Under Core's proposal, the Parties would identify VoIP-PSTN Traffic minutes of use ("MOU") through the use of a Percentage VoIP Usage ("PVU") factor (based on "PVU-C" and "PVU-V" factors), based on end-use customer certifications identifying the percentage of its total traffic delivered over the ILEC's Interconnection Trunks that is VoIP-PSTN. Core's VoIP-PSTN certification requirements also provide for: (1) the certifying officer's experience and duties as they relate to the subject matter of the certification, and (2) the methodology used in determining the identified percentage, including an explanation of how the officer was able to identify telecommunications traffic that terminates to an end-user customer of a service that requires Internet Protocol-compatible customer premises equipment, as set forth in 47 C.F.R. § 51.913(a).

11. Core's proposal further specifies that "[u]pon approval of the certification (which approval will not be unreasonably denied), the Company will establish a rebuttable

 $^{^{10}}$ *Id*.

¹¹ Verizon Brief at 2.

¹² Core Proposed Interconnection Attachment § 1.2.

presumption and treat the identified percentage of traffic as VoIP-PSTN Traffic for all purposes.³¹³ The proposal adds: "In the event the Maryland Public Service Commission finds that a Party has successfully rebutted the presumption, the percentage required by the Maryland Public Service Commission shall apply in the manner required by the Maryland Public Service Commission.³¹⁴

b. Verizon Response

12. Verizon objects to Core's proposed mechanism and proposes instead the following language: "For the avoidance of any doubt, the Parties may exchange VOIP-PSTN Traffic pursuant to this agreement, and VOIP-PSTN Traffic shall be treated the same as the same category of traffic (Reciprocal Compensation Traffic, Exchange Access Traffic, Tandem Transit Traffic, and the like) that originates and terminates in TDM."¹⁵

13. Verizon submits that its new Section 17 language "makes explicit" its commitment that VoIP-PSTN traffic would be treated the same as all other traffic, but ensures that interexchange traffic, which it insists cannot be transited over interconnection trunks, is not VoIP-PSTN traffic that can be allowed to transit in this way.¹⁶ It argues that Section 17 is consistent with the *CAF Order*, and that when read together with Verizon Proposed Interconnection Attachment § 2.2.1.1, Section 17 makes it clear that Core can exchange toll VoIP-PSTN traffic with Verizon over the ILEC's interconnection trunks and can also send qualifying Transit Traffic even if it is VoIP-PSTN.¹⁷ Verizon suggests that even if the Commission agrees with Core's approach, it submits that the process in its tariff will

¹³ Id.

 $^{^{14}}$ *Id*.

¹⁵ Verizon Proposed Interconnection Attachment § 17.

¹⁶ Verizon Brief at 5.

¹⁷ *Id*. at 6.

suffice.¹⁸ However, in lieu of proposing Section 2.3.16 of its Access Service Tariff in its entirety, Verizon proposed a new ICA Section–Section 17–noting that the language therein avoids "any doubt" that the Parties may exchange VoIP-PSTN Traffic pursuant to their agreement, but requiring that VoIP-PSTN traffic shall be treated "the same as the same category of traffic (Reciprocal Compensation Traffic, Exchange Access Traffic, Tandem Transit Traffic, and the like) that originates and terminates in TDM."¹⁹

c. Core Reply

14. In response, Core argues that Verizon's proposed Section 17 is <u>not</u> a "mechanism," and insists that Verizon has never proposed *any* mechanism for the identification, routing, and rating of VoIP-PSTN,²⁰ ignoring—it argues—(a) the Commission's directive to negotiate such a mechanism and (b) the FCC *CAF Order*.²¹ By failing to propose a more detailed mechanism, Core argues that Verizon has failed to negotiate in good faith on this issue, and urges the Commission to adopt the mechanism set forth in Core Proposed Interconnection Attachment § 1.2.3.

Commission Decision

15. In Order No. 90023, the Commission noted that the change of law provision in General Terms and Conditions (GTC) § 4.6 required the Parties to "promptly renegotiate in good faith" in response to legislative, regulatory or other governmental decisions,²² and that the FCC *CAF Order* (and the *Second Order on Reconsideration*)²³ allows for a more expanded use of interconnection facilities and abandoned the "calling-party-network-pays"

¹⁸ See id. at 8, n.11, citing Verizon Maryland LLC, PSC No. 217, Access Service Tariff, Section 2.3.16 (Identification and Rating of VoIP-PSTN Traffic).

¹⁹ Verizon Brief at 5.

²⁰ Core Brief at 5. (Emphasis original).

²¹ *Id.* at 5.

²² Second Order at 14, para. 31.

²³ FCC Release No. 12-47 (Apr. 25, 2012) ("Second Order on Reconsideration").

model in favor of "bill and keep" for intercarrier compensation.²⁴ The *CAF Order* also includes a definition for VoIP-PSTN traffic, as "traffic exchanged over PSTN facilities that originates and/or terminates in IP format."²⁵

16. Noting further that the absence of any functional usage of a VoIP-PSTN definition in the ICA was due to Verizon's failure to meaningfully negotiate its functionality in identifying and rating such traffic, notwithstanding the fact that the term is defined and used in Verizon's Access Service Tariff, the Commission directed that until negotiated otherwise by the Parties, the applicable VOIP-PSTN definition should be the definition provided by the FCC in the *CAF Order*; *i.e.*, **"traffic exchanged over PSTN facilities that originates and/or terminates in IP format."**

17. The Commission also notes that in its Maryland Access Service Tariff (P.S.C.-Md.-No. 217), Verizon has a mechanism (Section 2.3.16 – Identification and Rating of VoIP-PSTN Traffic) similar to the one proposed by Core for identifying VoIP-PSTN Traffic, including calculation and application of a minutes of use-based PVU factor, also using PVU-C and PVU-V component factors.²⁶ Similar to Core's proposed certification procedure, Verizon's Identification and Rating of VoIP-PSTN Traffic Tariff provides that the customer will calculate and furnish to Verizon a PVU-C factor representing the percentage of the total access MOUs that the customer exchanges with Verizon in the State that (a) is sent to Verizon and originated in IP format, or (b) is received from Verizon and terminated in IP format.²⁷ Unlike Core's proposal, Verizon P.S.C.-Md. No. 217—inclusive

²⁴ Second Order at 14, para. 31-32.

²⁵ CAF Order at para. 940 and para. 933.

²⁶ Verizon Access Tariff, P.S.C.-Md.-217 § 2.3.16(C).

²⁷ Verizon Access Tariff, P.S.C.-Md.-217 § 2.3.16(C)(1)(a).

of Section 2.3.16—is a Commission-approved tariff, adopted after review by the Commission's technical staff and other interested parties.²⁸

18. Section 2.3.16(A) of Verizon's Access Service Tariff (Scope) is a detailed description of its proposed Section 17, referencing the *CAF Order* and the *Second Order on Reconsideration* and proposes defining VoIP-PSTN Traffic as traffic between a Verizon end user and the customer in time division multiplexing ("TDM") format that originates and/or terminates in IP format. Core's proposed scope (Section 1.2.1), on the other hand, does not reference the *CAF Order* or the *Second Order on Reconsideration* but proposes identification of VoIP-PSTN "for all purposes" under the ICA. However, unlike Verizon's Access Service Tariff, Section 2.3.16, Core's proposal for identifying VoIP-PSTN Traffic notes that "rating and routing" of VoIP-PSTN Traffic is addressed elsewhere in the ICA. Verizon's Section 2.3.16(B) addresses "rating" of VoIP-PSTN Traffic.

19. The Commission notes also that Core's Access Service Tariff (Core PSC MD Tariff No. 2) includes Section 4.5 – VoIP-PSTN Traffic.²⁹ This provision sets forth terms for compensating Core by customers transiting VoIP-PSTN Traffic over Core's facilities. It states:

In the absence of an interconnection agreement between Customer and Company that provides otherwise, Customer shall compensate Company for Switched Access Service as set forth in this Tariff for any traffic that falls within the scope of "toll VoIP-PSTN traffic" (as that term is discussed in FCC Item No. 11-161 (rel. November 18, 2011) and 47 U.S.C. § 51.913(a)), at the interstate switched access rates for the state of Maryland set forth in Core's Interstate Access Service Tariff, FCC Tariff No. 3. Company shall be entitled to assess and collect Switched Access Charges for toll VoIP-PSTN traffic from Customer to the full extent permitted under applicable law, including the functions described in FCC Item No. 11-161

 ²⁸ Section 2.3.16 includes subsections (A)-Scope, (B)-Rating of VoIP-PSTN Traffic, (C)-Calculation and Application of Percent-VoIP-Usage Factor, (D)-Initial PVU Factor Changes, (E)-PVU Factor Verification.
 ²⁹ Initially, Section 4.1.7, effective February 12, 2012, refiled in revisions under Maillog No. 230531, effective July 1, 2020.

and 47 C.F.R. § 51.913(b). Consistent with 47 C.F.R. §61.26(a)(3)(ii), Switched Access Services includes the origination of toll VOIP-PSTN traffic from, or the termination of toll VOIP-PSTN traffic to, any Company End User, either directly or via contractual or other arrangements with an affiliated or unaffiliated provider of interconnected VOIP service or a noninterconnected VOIP service that does not itself seek to collect reciprocal compensation charges prescribed by this subpart for that traffic, regardless of the specific functions provided or facilities used.

The tariff, however, does <u>not</u> include the details Core proposes including in its ICA with Verizon for identifying and rating VoIP-PSTN Traffic. As a facilities-based CLEC, the portion of the tariff – *Company shall be entitled to assess and collect Switched Access Charges for toll VoIP-PSTN traffic from Customer to the full extent permitted under applicable law, including the functions described in FCC Item No. 11-161 and 47 C.F.R. § 51.913(b) – is similar to the compensation requirement that Verizon (the ILEC) requires of its CLEC customers.³⁰*

20. Upon consideration of Core's proposal and Verizon's *Commission-approved* Access Service Tariff adopting provisions for identifying VoIP-PSTN Traffic, the Commission rejects Core's proposed mechanism, and adopts a modified version of Verizon's Section 2.3.16 as the mechanism for identifying VoIP-PSTN pursuant to the Parties' ICA. For purposes of the ICA, the Commission adopts Verizon's Access Service Tariff Section 2.3.16(C)-(E) only. The Commission rejects Section 2.3.16(A) and (B) pertaining to Scope and Rating of VoIP-PSTN Traffic, and also rejects Verizon's proposed Section 17. In adopting Section 2.3.16(C)-(E), the Commission finds that Verizon's provisions calculating application of PVU Factor and PVU Factor verification, which complement Core's proposed Sections 1.2.2 and 1.2.5 through 1.2.6, provide sufficient guidance to the Parties for identifying VoIP-PSTN Traffic, and determining what portions

³⁰ See Verizon Access Service Tariff, Section 2.3.16(B).

of such traffic is local and what is not. The Parties continue to dispute "scope" and "rating" of VoIP-PSTN as it applies to the ICA. However, scope and rating of VoIP-PSTN are addressed elsewhere in the ICA. As directed by the Commission, the *Second Order on Arbitration*, the ICA Glossary defines VoIP-PSTN as it is defined in the CAF Order – "traffic exchanged over PSTN facilities that originates and/or terminates in IP format."³¹ Therefore, in place of Core's and Verizon's scope provisions, the Commission directs the following language for the ICA Section addressing identification and rating of VoIP-PSTN Traffic:

THIS SECTION GOVERNS THE IDENTIFICATION OF VOIP-PSTN TRAFFIC UNDER THIS AGREEMENT. SPECIFICALLY, THIS SECTION ESTABLISHES THE METHOD FOR CALCULATING AND VERIFYING THE PERCENTAGES OF VOIP-PSTN THAT SHALL BE RATED BY THE PARTIES AS LOCAL AND INTEREXCHANGE TRAFFIC.

21. VoIP-PSTN Traffic calculated and verified utilizing the mechanism adopted by the Commission in this Order shall be rated as local traffic or IXC traffic as determined below in subsection B.2, addressing whether all VoIP-PSTN Traffic and traditional IXC Traffic may be exchanged over Interconnection Trunks.

2. <u>Whether All VoIP-PSTN Traffic and Traditional Interexchange</u> <u>Traffic May be Exchanged Over Interconnection Trunks [ICA</u> <u>Interconnection Attachment § 2.2.1.1]</u>

a. Core Proposal

22. Core Proposed Interconnection Attachment § 2.2.1.1 provides as follows: Interconnection Trunks for the transmission and routing of Telephone Exchange Service Traffic, Exchange Access Traffic, Tandem Transit Traffic, and VoIP-PSTN Traffic, all in

³¹ Order No. 90024 at 16, para. 36.

accordance with Sections 5 through 15 of this Attachment, which—according to Core provides that Verizon must allow all VoIP-PSTN traffic, including traditional IXC traffic, to be exchanged over its interconnection trunks.³² In support of its position, Core quotes the *CAF Order* at P 972, stating in pertinent part, that

... as long as an interconnection carrier is using the Section 251(c)(2) interconnection agreement to exchange some telephone exchange service and/or exchange access traffic, Section 251(c)(2) does not preclude the carrier from relying on that same functionality to exchange other traffic with the incumbent LEC, as well.

23. Also, in its Memorandum on Appeal following the issuance of Proposed Order II, Core argued that the *CAF Order* distinguishes between interconnection arrangements used "solely" for the transmission of interexchange traffic and where a mixture of traffic is exchanged at the ILEC/CLEC interconnection point, suggesting that the Commission's reliance on the Supreme Court's decision in the Talk America case³³ applied only where IXC traffic was transported by the CLEC.³⁴ In its reply brief, Core argues that nothing in the definitions of interexchange of VoIP-PSTN Traffic indicates that such traffic cannot originate or terminate on a third party's network, and that VoIP-PSTN Traffic "need only originate or terminate in IP protocol" and there is nothing in the definition eliminating third party traffic.³⁵

b. Verizon Response

24. Verizon submits that "[t]here was a time when a method to identify VoIP-PSTN traffic was relevant" but after the *CAF Order* took effect, "that period has long since

³² Core Brief at 6.

³³ Talk America, Inc. v. Michigan Bell Telephone Co. dba AT&T Michigan, ("Talk America") 564 U.S. 50 (2011).

³⁴ Maillog No. 236505 (Core Memorandum on Appeal) at 14.

³⁵ Core Reply Brief at 5-6.

passed."³⁶ According to Verizon, the language in Core Proposed Interconnection Attachment § 2.2.2.1 is "overly broad" and could be read to permit Core to exchange any and all traffic with IXCs or other carriers through the local interconnection trunk and require Verizon to bear the cost of transporting such traffic.³⁷ Verizon argues that the language in paragraphs 972 to 974 of the *CAF Order* refers to traffic exchanged between a competitive local exchange carrier (CLEC), in this case Core, and the ILEC (Verizon). It does not—Verizon argues—say that the CLEC can use the interconnection arrangement to exchange traffic with parties other than the ILEC, such as IXCs.³⁸

25. Verizon further asserts that Core's suggestion that the *CAF Order* established VoIP-PSTN as a separate and unique category of traffic, "all of which can be routed over the local interconnection trunks even if it's to be exchanged with an IXC" is contrary to the FCC's rules, "technically infeasible," and contrary to recent federal court decisions.³⁹

Commission Decision

26. In Order No. 90023, the Commission concluded that there is no clear evidence in the record that Core's traffic does not include *some* "telephone exchange service" or "exchange access" traffic; i.e., traffic which could be included in VoIP-PSTN traffic.⁴⁰ However, the Commission noted that in reviewing the *CAF Order*, it was not convinced that the composition of VoIP-PSTN Traffic, as proposed by Core, is unequivocally adapted to the identification and rating of VoIP-PSTN Traffic as discussed in the *CAF Order*.⁴¹ Therefore, the Commission directed the Parties to negotiate in good faith

³⁶ Verizon Brief at 8.

³⁷ *Id*. at 7.

³⁸ Verizon Reply Brief at 6-7.

³⁹ *Id*. at 4.

⁴⁰ Order No. 90023 at 25, para. 56.

⁴¹ *Id.* at 25, para.57. The Commission also noted, as concluded in Part A.1 of this Order, Core's proposed mechanism for identifying and rating VoIP-PSTN traffic also is not infeasible.

"functionalization" of the *CAF Order* definition for VoIP-PSTN, consistent with Order No. 89168. The Commission held—based on the Supreme Court's decision in *Talk America* that a facility is not an interconnection facility subject to TELRIC pricing if it is used solely for the purposes of originating or terminating interexchange traffic, and not for the mutual exchange of traffic between the CLEC and the ILEC.⁴² Based on the outstanding issue now presented: Whether all VoIP-PSTN traffic and traditional IXC traffic may be exchanged over interconnection trunks, the Commission must determine whether Core's functionalization of the VoIP-PSTN definition, for purposes of compensation, are too broad, or whether Verizon's reading of the *CAF Order* on this subject is too narrow.

27. Verizon concedes, and "no one disagrees," that it is possible to estimate the portion of traffic that is VoIP-PSTN using factors.⁴³ As discussed above, in its own Access Service Tariff, Verizon set forth a set of factors used by Verizon and its CLEC customers to identify VoIP-PSTN Traffic.⁴⁴ The Commission however disagrees with Verizon that including a VoIP-PSTN identification provision in the ICA is unnecessary "because this category of traffic no longer has different intercarrier compensation charges from other traffic."⁴⁵ Nonetheless, upon consideration of the matter, including the federal cases presented by Verizon and the arguments made by Core, the Commission finds Core's reading of the *CAF Order* on the subject of compensation overly broad.

28. In Part A.1 of this Order, the Commission adopted in part Core Proposed Interconnection Attachment § 1.2 through 1.2.6.1.2 as the ICA mechanism for identifying VoIP-PSTN Traffic, subject to the Parties' Interconnection Agreement. Verizon's

⁴² Order No. 89168 at 21.

⁴³ Verizon Reply Brief at 5.

⁴⁴ Id.

⁴⁵ Id.

Maryland Access Service Tariff contains a similar mechanism for identifying VoIP-PSTN Traffic transmitted between CLEC customers and Verizon. Both mechanisms include MOU, PVU-C and PVU-V factors, certifications, traffic studies and actual signaling or call detail information for identifying such traffic. Therefore, it is inconceivable that <u>all</u> VoIP-PSTN traffic must be rated as interconnection traffic and priced at TELRIC rates, just as it is inconceivable that no VoIP-PSTN traffic will be rated as such. To treat all VoIP-PSTN traffic as interconnection traffic, as Core suggests; however, would mean that IXC to IXC traffic exchanged by Core over Verizon's network would avoid Verizon's access charge rates altogether.

29. For no reason other than the fact that they are not Fourth Circuit decisions, Core would have the Commission disregard the relevant cases cited in Verizon's brief.⁴⁶ Throughout this proceeding, however, the Commission has applied federal appellate decisions from several other circuits including the Fifth Circuit and the Ninth Circuit.⁴⁷ Therefore, Core's request that the Commission disregard the cases cited by Verizon is rejected.

30. In *Sprintcom, Inc. v. Comm'rs of the Ill. Commerce Comm'n*,⁴⁸ the Seventh Circuit Court of Appeals held that there was no basis for the CLEC's interpretation that "all traffic" could be transmitted over the ILEC's interconnection trunks at TELRIC rates under the

⁴⁶ Core Brief at 7.

⁴⁷ In the absence of Fourth Circuit precedent on these issues, it is certainly reasonable for the Parties to cite, and for the Commission to consider, decisions from other circuits. Moreover, in the Order Denying Core's Request for Rehearing, the Commission noted that the Parties must in good faith apply <u>the most relevant</u> <u>federal appellate law</u> in reaching mutually agreeable terms and conditions in the updated ICA submitted to the Commission for approval. (Order No. 90118 at 10, n.40). That said, the Commission recognizes federal court decisions interpreting provisions of the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, codified throughout Title 47 of the U.S. Code (the "1996 Telecom Act" or "the Act") and FCC regulations regardless of the source.

⁴⁸ 790 F.3d 751 (7th Cir. 2015) ("Sprintcom").

FCC's rules.⁴⁹ The Commission finds that decision instructive.⁵⁰ Moreover, as the FCC noted in the *CAF Order*, with respect to the broader use of Section 251(c)(2) interconnection arrangements, "it will be necessary for the interconnection agreement to specifically address such usage" and also address "the associated compensation."⁵¹ This allows Core, if it wishes, to intermingle VoIP-PSTN (some of which is IXC traffic) and local traffic, but requires the CLEC to pay TELRIC rates for local traffic and compensate the ILEC based on its access service rates for transiting IXC traffic.

31. In Case No. 8882, the Commission concluded that interconnection should be priced at TELRIC rates. That finding has been repeated frequently throughout this case. The Commission also concluded, however, that a carrier (ILEC or CLEC) is entitled to compensation at TELRIC rates only if the terminating carrier provides *interconnection service* to the other carrier (*i.e.*, service before its switch; dedicated transport, in effect).⁵² Also, as Verizon explains, "it is not technically feasible for a CLEC to exchange traffic with IXCs, including VoIP-PSTN, over local interconnection trunks."⁵³

32. Core insists that "all VoIP-PSTN Traffic" may be routed over Verizon's interconnection trunks, provided that it is "intermingled" with "telephone exchange

⁴⁹ 790 F.3d at 757; Verizon Reply Brief at 8.

⁵⁰ In *Sprintcom*, the CLEC (Sprint) argued that "as long as some of its traffic carried by Illinois Bell qualifies for TELRIC pricing (that is, traffic from Sprint customers to subscribers to Illinois Bell or other local exchange carriers in the same exchange area as Sprint—i.e., Illinois), Sprint can piggyback nonqualifying traffic on that qualifying traffic, thereby ... making the nonqualifying traffic qualifying." 790 F.3d at 757. "Qualifying" means traffic rated and priced at TELRIC rates, and "nonqualifying" means traffic rated and priced at the ILEC's access service rates.

⁵¹ *CAF Order* at para. 972.

⁵² In the Matter of the Petition of AT&T Communications of Maryland, Inc. for Arbitration Pursuant to 47 U.S.C. § 252(b) Concerning Interconnection Rates, Terms and Conditions, Case No. 8882, Order No. 79250 slip op. at 12 (Jul. 7, 2004).

⁵³ Verizon Reply Brief at 9. Verizon witness D'Amico explained that Exchange Access Traffic between a CLEC and an IXC must be routed over "access toll connecting trunks" because of the signaling requirements. *Id.*, citing D'Amico Direct at 7. VoIP-PSTN, he explained, refers to "the technical process by which the traffic is originated or terminated" in IP format, not whether it is local or IXC traffic.

service" and/or "exchange access service traffic," under paragraph 972 of the *CAF Order* phrase "free to deliver toll VoIP-PSTN through that agreement." However, Core's arguments do not rebut Verizon witness D'Amico's assessment that VoIP-PSTN (as a defined term) does not explain whether the traffic originated or terminated in IP format is local or IXC traffic. Consistent with prior rulings, if the traffic is local exchange, it is permitted over the ILEC's interconnection trunks at TELRIC rates, whereas if it is interexchange traffic, it is not, and must transit over the ILEC's access toll connecting trunks at Verizon's access toll service rates. Core's request for TELRIC pricing for transmitting all VoIP-PSTN traffic over Verizon's interconnection trunks is denied.

33. The Commission directs the following language for inclusion in the ICA for rating VoIP-PSTN Traffic:

VOIP-PSTN TRAFFIC IDENTIFIED AS LOCAL TRAFFIC UTILIZING VERIZON'S ACCESS SERVICE TARIFF SECTION 2.3.16(C)-(E) SHALL BE BILLED PURSUANT TO PARTIES' AGREEMENT ON FROM VERIZON'S JANUARY TELRIC RATES 28. 2005 COMPLIANCE FILING AS THE RATES FOR UNBUNDLED TRANSPORT. **VOIP-PSTN** TRAFFIC **IDENTIFIED** AS INTEREXCHANGE TRAFFIC SHALL BE BILLED AT RATES EQUAL TO VERIZON'S APPLICABLE TARIFFED INTERSTATE SWITCHED ACCESS RATES PURSUANT TO VERIZON'S MARYLAND ACCESS SERVICE TARIFF (P.S.C.-MD.-NO. 217) AS SPECIFIED IN APPLICABLE FCC TARIFFS.

3. <u>Core's Language on Rating of VoIP-PSTN Traffic as Bill-and-Keep [ICA Pricing Attachment, Appendix A]</u>

a. Core Proposal

34. Core submits that under the *CAF Order*, VoIP-PSTN Traffic must be price-rated at zero, under FCC's transition to "bill-and-keep."⁵⁴ Core argues that Verizon wants to

⁵⁴ Core Brief at 11.

eliminate the VoIP-PSTN category in order to "force" Core to route such traffic over "expensive access trunks."⁵⁵ For Section A1 of Appendix A to the Pricing Attachment, Core proposes the following:

Unless a citation is provided to a generally applicable Verizon Tariff, all listed rates and services are available only to Core when purchasing these services transmitted over Interconnection Trunks pursuant to Section 2.2.1.1. for use in the provision of Telephone Exchange Service, and apply only to Reciprocal Compensation Traffic and local Ancillary Traffic. Except when transmitted over Interconnection Trunks, Verizon rates and services for use by Core in the carriage of Toll Traffic shall be subject to Verizon's Tariffs for Exchange Access Service. Adherence to these limitations is subject to a reasonable periodic audit by Verizon.⁵⁶

Core states that these revisions are intended to eliminate any doubt that VoIP-PSTN Traffic

is governed by the CAF Order and has fully transitioned to bill-and-keep.⁵⁷

b. Verizon Response

35. In response, Verizon states that the FCC's rules for a time provided that VoIP-

PSTN traffic could be subject to different switched access rates from TDM traffic, and for a brief time to different reciprocal compensation rates.⁵⁸ In further support, Verizon cited paragraph 933 of the *CAF Order*, stating: "[u]nder the new intercarrier compensation regime, all traffic—including VoIP-PSTN traffic—ultimately will be subject to a bill-andkeep framework." In addition, Verizon cited paragraph 949, footnote 1919: "[t]he framework we adopt for VoIP-PSTN traffic is transitional, however, and such traffic will pay most of the same rates as all other traffic in the second year of reform."

⁵⁵ *Id*. at 12.

⁵⁶ ICA Interconnection, Pricing Attachment-Appendix A. For recurring charges, the text of Appendix A provides that: "Per the FCC's 2011 ICC Transformation Order, In re Connect Am. Fund, 2011 FCC LEXIS 4859, *1, 26 FCC Rcd 17663 (F.C.C. November 18, 2011) and its progeny and implementing regulations, \$0.000 per MOU".

⁵⁷ Core Brief at 11.

⁵⁸ Verizon Brief at 4.

Commission Decision

36. The FCC's bill-and-keep regime involves arrangements in which carriers exchanging telecommunications traffic do not charge each other for specific transport and/or termination functions or services.⁵⁹ In promulgating this compensation regime, the FCC stated further that "[a]lthough we adopt bill-and-keep as a national framework, governing both inter- and intrastate traffic, <u>states</u> will have a key role in determining the scope of each carrier's financial responsibility for purposes of bill-and-keep, and in evaluating interconnection agreements negotiated or arbitrated under the framework in Sections 251 and 252 of the 1996 Telecom Act."⁶⁰

37. In the *Second Order on Reconsideration*, the FCC discussed VoIP compensation and the bill-and-keep regime at some length. Not surprisingly, the FCC noted "<u>that VoIP</u> <u>traffic had been a particular source of intercarrier compensation disputes and litigation</u>."⁶¹ It concluded therefore that "[a]s a result, 'carriers may receive some intercarrier compensation payments at something less than the full intercarrier compensation rates charged in the case of traditional telephone service' or, in some cases, no payment at all."⁶² Balancing these and additional considerations led the FCC to adopt a "middle ground" that, prospectively, neither subjected VoIP traffic to the pre-existing intercarrier compensation regime that applies in the context of traditional telephone service, including full interstate

and intrastate access charges, nor immediately adopted a bill-and-keep methodology for

⁵⁹ 47 CFR § 51.71376; FR 73830 (Nov. 29, 2011). In adopting this as a Final Rule, the FCC stated: "We adopt bill-and-keep as the methodology for all intercarrier compensation traffic, consistent with the National Broadband Plan's recommendation to phase out per-minute intercarrier compensation rates. Under bill-and-keep arrangements, a carrier generally looks to its end-users--who are the entities making the choice to subscribe to the carrier's network--rather than looking to other carriers and their customers to recover its costs."

⁶⁰ 76 FR 73830 (Nov. 29, 2011) para. 18.

⁶¹ Second Order on Reconsideration at 33, para. 28 (emphasis added).

⁶² *Id.* at 33-34, para. 28.

VoIP traffic. Instead, the FCC's approach permitted LECs, starting December 29, 2011, to tariff default intercarrier compensation for both originating and terminating toll VoIP traffic at rates equal to interstate access rates, with default intercarrier compensation for other VoIP traffic at the otherwise-applicable reciprocal compensation rates.⁶³ The FCC also adopted measures to ensure that its approach to VoIP intercarrier compensation was "symmetrical" to "minimize marketplace distortions."⁶⁴ This symmetrical approach—the FCC stated—seeks to provide all LECs the opportunity to collect intercarrier compensation under the same VoIP intercarrier compensation framework for the functions they (and/or their retail VoIP provider partner) perform in originating and/or terminating VoIP traffic.⁶⁵ 38. As discussed above, the Commission finds Core's reading of the *CAF Order* on the subject of compensation overly broad. The definition of VoIP-PSTN Traffic originating and/or terminating in IP format does not-as Core's briefs suggest-determine per se whether the traffic is local or interexchange. Pursuant to the CAF Order, any portion of Core's VoIP-PSTN traffic that qualifies as local exchange is subject to bill-and-keep and price-rated either at the Parties' agreed-upon TELRIC rates or at zero.⁶⁶ To the extent that Core's request to price-rate VoIP-PSTN as zero under the FCC's bill-and-keep regime applies to compensation for VoIP-PSTN local-reciprocal compensation-traffic end office rates and reciprocal compensation traffic tandem rates, Core's request is therefore granted. However, the rates for transiting VoIP-PSTN interexchange traffic (IXC to IXC traffic),

⁶³ Although the FCC transitioned end office charges for toll-free calls to a bill-and-keep model over three years, beginning in July 2021, it did not transition local exchange tandem switching tariffs to bill-and-keep. *See Inteliquent, Inc. v. FCC*, 35 F.4th 797, 800 (D.C. Cir. 2022).

⁶⁴ Second Order on Reconsideration at 34, para. 28.

⁶⁵ Second Order on Reconsideration at 34-35, para. 28. In the context of the Second Order on Reconsideration, "LECs" refers to both ILECs and CLECs.

⁶⁶ In Proposed Order II, the Arbitrator noted that "Core agreed to the incorporation of the TELRIC rates from Verizon's January 28, 2005 compliance filing for the rate for unbundled transport." Proposed Order II at 39, para, 120.

which Verizon carries over access toll connecting trunks, shall remain at the ILEC's access rates, pursuant to Verizon's access service tariff.

39. Based on the FCC's extensive discussion of this issue in its *Second Order on Reconsideration* and the Commission's role in determining the scope of each carrier's financial responsibility for purposes of bill-and-keep, the Commission concludes that price-rating <u>all</u> VoIP-PSTN traffic at zero as requested by Core, without distinguishing between local and IXC traffic, would circumvent Verizon's access toll connecting trunk pricing for transiting IXC traffic over the ILEC's access trunks, which is inconsistent with the FCC's *CAF Order* and the Commission's decisions in this case. Therefore, Core's proposed revisions to ICA Interconnection § A1 of Appendix A, footnote 3 are rejected.

4. <u>Payment for Trunking to Tandems Beyond the Single Point of</u> <u>Interconnection [Tandem Transit Tariff]</u>

a. Core Proposal

40. Core also disputes language proposed by Verizon for Interconnection Attachment $\S 2.1.6$. Verizon's language provides: "If Core delivers its traffic to a POI in a LATA other than the tandem switch that is subtended by the terminating end office, Core shall pay for the further transport of such traffic between the POI and the terminating switch, at a rate equal to the rate for unbundled dedicated transport."⁶⁷ Verizon argues that during negotiations, Core refused to accept language that would implement the Commission's directive on sub-issue 2 in the *Second Order*, an issue upon which the Commission affirmed the Arbitrator's finding in favor of Verizon – that Core is responsible to pay for

⁶⁷ Verizon Brief, Exh. A § 2.1.6 (Further Transport).

the further transport of its traffic in the terminating carrier's switch or tandem that serves the end office.⁶⁸

b. Verizon Response

41. Verizon submits that its proposed language tracks the language of the Arbitrator's order, reiterating that Core must "pay for the further transport of its traffic to the terminating carrier's switch or tandem that serves the end office."⁶⁹

c. Core Reply

42. Core argues that Verizon's proposed language is an attempt to "backtrack" on language agreed to in Section 2.1.5 of the Joint Table of Issues.⁷⁰ If accepted, Core argues that Verizon's Section 2.1.6 language would require Core to pay to deliver its traffic to "every single tandem switch in the LATA where it wants to terminate traffic making Core pay for the transport facilities beyond the POI to each ... of those tandem switches."⁷¹ Core further argues that Verizon has taken the opposite position in the Xspedius case, where a CLEC proposing to charge for further transport was concerned.⁷² In the case of Xspedius, Core states that Verizon argued that "the only charge permitted by law on [the CLEC's] side of the POI is reciprocal compensation for local traffic or interim intercarrier compensation for ISP-bound traffic."⁷³ It argues that based on this prior position, Verizon is estopped from now taking the "exact opposite" position.⁷⁴

⁶⁸ Verizon Brief at 3.

⁶⁹ *Id.* at 3-4.

⁷⁰ Core Brief at 13.

⁷¹ *Id.* (emphasis omitted).

⁷² Core Brief at 14, citing Verizon Rebuttal Panel Testimony, ML # 96601, at 21-22 (March 23, 2005) (emphasis omitted).

⁷³ Id.

⁷⁴ Core Brief at 14.

Commission Decision

43. In Order No. 89168, which affirmed in part, reversed and modified in part Proposed Order I, the Commission noted that under Proposed Order I, the Arbitrator allowed that Core (or another CLEC) could charge a dedicated transport rate – in addition to reciprocal compensation for carrying Verizon originated traffic from the POI to the CLEC's switch.⁷⁵ The Arbitrator noted further that in Case No. 8882, the Commission concluded that either "[a CLEC] or Verizon could charge a rate equal to the rate for unbundled dedicated transport anytime either party transported the other party's originating traffic between the POI and the terminating carrier's switch."⁷⁶ The Commission went on to conclude that: "Having failed to distinguish its position [there] from any position previously taken ..., wherein the Commission permitted both the CLECs and Verizon to charge equal rates for unbundled dedicated transport, Verizon's appeal as to this issue is denied."⁷⁷ Therefore, with one exception, rather than contradicting the Commission's findings regarding the obligation of CLEC (and Verizon) to pay the cost of further transport beyond the POI, Verizon Interconnection Attachment § 2.1.6 is consistent with Order No. 89168, Proposed Order II and Order No. 90023. As written, Verizon's language is unidirectional, requiring only that Core pay for further transport.

44. To comport with Order No. 89168 (the Commission's First Order on Arbitration Appeals in this case), this provision must be modified to operate in both directions, both when Core delivers traffic to Verizon and when Verizon delivers traffic to Core. Verizon

⁷⁵ Order No. 89168 at 14-15.

 ⁷⁶ Id. at 15; Proposed Order I at 33 discussing Order No. 75250, In the Matter of the Petition of AT&T Communications of Maryland, Inc. for Arbitration Pursuant to 47 U.S.C. § 252(B) Concerning Interconnection Rates, Terms and Conditions, Case No. 8882, 95 Md.P.S.C. 181 (Jul. 7, 2004).
 ⁷⁷ Order No. 89168 at 15.

also must pay for further transport of such traffic between the POI and the originating switch, at a rate equal to the rate for unbundled dedicated transport. While Order No. 89128 gave Core the ability to elect a single point of interconnection, the Order did not absolve Core from paying for using Verizon's facilities further down the system, unless that was agreed to by the Parties.⁷⁸ Therefore, the language proposed by Verizon for Interconnection Attachment § 2.1.6, as modified, is adopted.

5. <u>Disputing Other Carrier's Charges for Transit Services [ICA</u> <u>Interconnection Attachment § 10.5]</u>

a. Core Proposal

45. In its May 3, 2022 filing, and again in its brief at footnote 51, Core proposes revisions to Interconnection Attachment § 10.5, including additions and deletions to the language that Verizon argues was previously agreed to by the Parties, and accepted by the Commission. Core argues that the revisions are necessary as a result of the *CAF Order* transition to bill-and-keep (purporting that access charges have transitioned to zero).⁷⁹

b. Verizon Response

46. Verizon argues that it is "too late for Core to now insist on changing agreed-upon language in the compliance stage of this proceeding,"⁸⁰ adding that in affirming Proposed Order II, the Commission agreed with Verizon's language for Subsection 10.5, finding that "Section 10.5 of the ICA requiring Core to pay for traffic that it <u>delivers</u> to Verizon, not just traffic that Core originates, is consistent with the FCC's 'Tandem Transit Traffic'

⁷⁸ It is illogical that Core can elect a single POI but then demand to use other portions of the ILEC's system that may have been cheaper to transit had Core elected multiple POIs. This goes for Verizon as well, with respect to the downstream facilities of other CLECs.

⁷⁹ Core Brief at 15, n.51.

⁸⁰ Verizon Brief at 9.

definition.³⁸¹ The Parties have agreed to language for Interconnection Attachment §§ 10.2 and 10.3.

Commission Decision

47. The Commission finds Core's proposed revisions to Interconnection Attachment § 10.5 superfluous and unnecessary, and finds no connection to the FCC's new bill-and-keep regime, as Core suggests. Core's proposed additions and deletions to this section are rejected. Consistent with the Commission's prior orders in this matter, Verizon's language for Interconnection Attachment § 10.4 is adopted.⁸²

C. <u>Conclusion</u>

48. This Order arbitrates the remaining outstanding issues presented by the Parties in this case, and directs specific Commission-approved language for the Interconnection Attachment and Tandem Transit Traffic Interconnection for: (i) identification of VoIP-PSTN; (ii) transmission and routing of reciprocal compensation traffic relating to trunks and VoIP/PSTN traffic; (iii) rating of VoIP-PSTN traffic; (iv) payment for trunking to tandems beyond the single point of interconnection; and (v) disputing other carrier's charges for transit services. Accordingly, the Parties are directed to file an updated Interconnection Agreement consistent with the findings herein, as well as the findings set forth in Order No. 90023 encompassing the findings of Proposed Orders I and II and Order No. 90118.

⁸¹ Verizon Brief at 10.

⁸² With regard to Interconnection § 15.4 in Order No. 90023, the Commission affirmed the Arbitrator's rejection of Core's request to require an amendment to the ICA that would implement STIR/SHAKEN technical standards and operating procedures in the Parties' current ICA; however, the Parties were encouraged to include STIR/SHAKEN standards and procedures in their negotiations. Since the Parties have not yet negotiated successfully on this issue, Core's proposed language for Interconnection § 15.4 is rejected.

IT IS, THEREFORE, this 16th day of August, in the year Two Thousand Twenty-Two by the Public Service Commission of Maryland, **ORDERED** that:

(1) Within 30 days of this Order, Verizon Maryland LLC and Core Communications, Inc. shall file an updated Interconnection Agreement reflecting provisions consistent with this Order and the findings set forth in Order No. 90023 encompassing the findings of Proposed Orders I and II and Order No. 90118; and

(2) Any Interconnection Agreement issues not raised previously in this proceeding are deemed time-barred and may only be raised in a new proceeding requesting arbitration of a <u>new</u> Interconnection Agreement.

/s/ Jason M. Stanek /s/ Michael T. Richard /s/ Anthony J. O'Donnell /s/ Odogwu Obi Linton /s/ Patrice M. Bubar Commissioners