

BEFORE THE ILLINOIS COMMERCE COMMISSION

Docket No. 08-0105

**Direct Testimony of Patricia H. Pellerin
On Behalf of AT&T Illinois**

AT&T Illinois Exhibit 1.0

May 19, 2008

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ATTACHMENTS

Schedule PHP-1.....AT&T Illinois / Global Illinois Interim Agreement

Schedule PHP-2AT&T Illinois / Global Illinois Interim Agreement Amendment

Schedule PHP-3.....AT&T Illinois Intrastate Special Access Tariff

Schedule PHP-4AT&T Illinois Intrastate Switched Access Tariff

Schedule PHP-5.....Global Illinois Certification, Application

Schedule PHP-6Global Illinois Certification, Attachments I - IV

Schedule PHP-7.....Global Illinois Certification, Late Filed Exhibit 2

Schedule PHP-8.....Global Illinois Certification, Late Filed Exhibit 3

Schedule PHP-9Global Illinois Certification, Late Filed Exhibit 1

Schedule PHP-10Global Illinois Certification, State Commission Order

Schedule PHP-11Illinois District Court, Global Illinois, First Admissions

Schedule PHP-12Illinois District Court, Global Illinois, Second Discovery Responses

Schedule PHP-13Illinois District Court, Global Illinois, Additional Discovery Responses

Schedule PHP-14Connecticut District Court, Global NAPs, Inc., Contempt Order

Schedule PHP-15California State Commission, Cox Complaint, Decision No. 07-01-004

Schedule PHP-16California State Commission, Cox Complaint, Suppl. Record Order

Schedule PHP-17California State Commission, Letter, February 14, 2008

Schedule PHP-18Georgia State Commission, Initial Decision, Docket No. 21905-U

1 **DIRECT TESTIMONY OF PATRICIA H. PELLERIN**
2 **ON BEHALF OF AT&T ILLINOIS**

3
4 **I. INTRODUCTION**

5
6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Patricia H. Pellerin. I am an employee of The Southern New England
8 Telephone Company (“AT&T Connecticut”), which provides services on behalf of
9 AT&T Operations, Inc. – an authorized agent for the AT&T incumbent local exchange
10 company subsidiaries (including AT&T Illinois), as an Associate Director–Wholesale
11 Regulatory Support. My business address is 1441 North Colony Road, Meriden, CT
12 06450.

13
14 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EMPLOYMENT EXPERIENCE.**

15 A. I attended Middlebury College in Middlebury, Vermont and received a Bachelor of
16 Science Degree in Business Administration, magna cum laude, from the University of
17 New Haven in West Haven, Connecticut. I have held several assignments in Network
18 Engineering, Network Planning, and Network Marketing and Sales since joining AT&T
19 Connecticut in 1973. Most recently, from 1994 to 1999 I was a leading member of the
20 wholesale marketing team responsible for AT&T Connecticut’s efforts supporting the
21 opening of the local market to competition in Connecticut. I assumed my current
22 position in April 2000.

24 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?**

25 A. As Associate Director–Wholesale Regulatory Support, I am responsible for providing
26 regulatory and witness support relative to various wholesale products and pricing,
27 supporting negotiations of local interconnection agreements (“ICAs”) with competitive
28 local exchange carriers (“CLECs”), participating in regulatory and judicial proceedings,
29 and guiding compliance with the Federal Telecommunications Act of 1996 (“Act”) and
30 its implementing rules.

31

32 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE REGULATORY**
33 **COMMISSIONS?**

34 A. Yes. I have previously testified before the Illinois Commerce Commission (“ICC” or
35 “Commission”), the Alabama Public Service Commission, the Connecticut Department
36 of Public Utility Control, the Florida Public Service Commission, the Kansas Corporation
37 Commission, the Michigan Public Service Commission, the Oklahoma Corporation
38 Commission, the Public Utility Commission of Texas, and the Public Service
39 Commission of Wisconsin.

40

41

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47 **II. OVERVIEW OF AT&T ILLINOIS' TESTIMONY**

48

49 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

50 A. The purpose of my direct testimony is to explain and support Illinois Bell Telephone
51 Company's ("AT&T Illinois") claims against Global NAPs Illinois, Inc.¹ ("Global
52 Illinois") for failure to pay for services provided pursuant to AT&T Illinois' ICC Tariff
53 No. 21 and the parties' ICA. My testimony will also demonstrate that Global Illinois has
54 failed to satisfy the statutory requirements to maintain its certification to provide
55 telecommunications services in Illinois.

56

57 I will first give a brief overview of the direct testimony presented in support of AT&T
58 Illinois' claims in this proceeding. I will then specifically address (i) Global Illinois'
59 violation of AT&T Illinois' state tariff for DS3 special access service; (ii) Global Illinois'
60 violation of AT&T Illinois' state tariff and the parties' ICA regarding charges for
61 intrastate switched access traffic; (iii) Global Illinois' breach of the ICA regarding
62 reciprocal compensation; and (iv) Global Illinois' breach of the ICA regarding transiting
63 service. Based on these violations, I recommend that the Commission issue an order
64 finding that Global Illinois has violated its obligations under AT&T Illinois' state tariff
65 and under the parties' ICA and owes AT&T Illinois the amounts billed for these services.

66

¹ There are numerous Global NAPs entities. This includes Global NAPs, Inc., Global NAPs Networks, Inc., Global NAPs Realty, Inc., Global NAPs New Hampshire, Inc., and numerous other Global NAPs [State], Inc. entities – all of which operate under the single umbrella company, Ferrous Miner, Inc., which is wholly owned and controlled by a single person, Frank T. Gangi.

67 Next, I explain the many ways in which Global Illinois has failed to satisfy the
68 requirements to maintain its certification to provide telecommunications services in
69 Illinois. Based on these failures, AT&T Illinois seeks a Commission ruling that Global
70 Illinois no longer possesses the requisite technical, financial and managerial resources
71 and abilities to hold certificates for local exchange service authority, resale service
72 authority, and interexchange service authority, and I recommend that the Commission
73 take appropriate steps to revoke Global Illinois' certification.

74

75 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF AT&T ILLINOIS' DIRECT**
76 **TESTIMONY PRESENTED IN THIS PROCEEDING.**

77 A. AT&T Illinois offers direct testimony from five additional witnesses: James Hamiter,
78 Barbara Moore, Rebecca Harlen, William Cole, and Yolanda Williams.

79

80 James Hamiter, AT&T Network Regulatory, addresses the physical and technical aspects
81 of Global Illinois' interconnection to AT&T Illinois. He explains what a point of
82 interconnection ("POI") is and how Global Illinois and AT&T Illinois exchange traffic
83 utilizing that physical interconnection.

84

85 Barbara Moore, AT&T Wholesale Customer Service Access, explains the Access Service
86 Requests ("ASRs") that Global Illinois submitted for four DS3 special access services
87 ("DS3 facilities") and she explains the associated billing based on AT&T Illinois'
88 intrastate special access tariff. She also demonstrates the accuracy of those bills. Finally,

89 Ms. Moore testifies that Global Illinois' outstanding unpaid balance for intrastate special
90 access services is \$201,624 (excluding late payment charges) as of March 2008.

91
92 Rebecca Harlen, AT&T Wholesale Customer Service Local, discusses the ordering
93 process for local / intraLATA toll trunks. She demonstrates that Global Illinois submitted
94 to AT&T Illinois 74 ASRs for local / intraLATA toll trunks to be used for the delivery of
95 local and intraLATA toll telecommunications traffic from Global Illinois to AT&T
96 Illinois.

97
98 William Cole, AT&T Wholesale Finance, identifies the methods by which AT&T Illinois
99 captures and measures the traffic Global Illinois delivers to AT&T Illinois for
100 completion, including local, intraLATA (and interLATA) toll, and transit traffic. As
101 background, Mr. Cole provides an overview of how traffic usage is recorded on local /
102 intraLATA toll trunks and explains how AT&T Illinois validates the recordings. He also
103 explains how AT&T Illinois determines the jurisdiction of a call (*i.e.*, local or toll) to
104 determine the proper billing and rate elements to apply to the usage. Finally, Mr. Cole
105 attests to the accuracy of the usage data utilized to generate AT&T Illinois' bills for
106 reciprocal compensation, intrastate switched access, and transiting.

107
108 Yolanda Williams, AT&T Wholesale Billing, provides testimony with respect to AT&T
109 Illinois' bills for reciprocal compensation, intrastate switched access and transiting
110 traffic. She explains the bill format and describes how AT&T Illinois generates its bills
111 for each of these services. She then testifies regarding the accuracy of AT&T Illinois'

112 bills to Global Illinois and walks through an excerpt from a recent Global Illinois bill to
113 facilitate understanding. She also testifies that while Global Illinois has disputed AT&T
114 Illinois' usage bills in total, claiming that it owes AT&T Illinois nothing, it has not
115 challenged the accuracy of the calculations themselves for the specific amounts billed.
116 Finally, Ms. Williams testifies to the amount of Global Illinois' outstanding unpaid
117 balances (excluding late payment charges) as of March 2008 as follows:

118	• reciprocal compensation	\$325,235.62
119	• intrastate switched access charges	\$170,625.85
120	• transiting charges	\$365,311.07

121

122 **Q. PLEASE SUMMARIZE AT&T ILLINOIS' INTERCONNECTION**
123 **ARRANGEMENT WITH GLOBAL ILLINOIS AND THE RELATED CHARGES.**

124 A. Global Illinois is obligated by its ICA with AT&T Illinois to transport its own traffic to
125 the point of interconnection ("POI"). Global Illinois elected to satisfy this obligation by
126 ordering 11 special access DS3 facilities from its Oak Brook location to the POI at
127 AT&T Illinois' La Grange tandem building. Four of these DS3 facilities are intrastate
128 services. AT&T Illinois has billed DS3 monthly recurring charges as set forth in its
129 intrastate special access tariff. Ms. Moore discusses the ASRs and special access service
130 billing for these four intrastate DS3 facilities. Global Illinois has refused to pay for these
131 special access services.

132

133 Global Illinois then requested that AT&T Illinois establish trunks over these DS3
134 facilities. Ms. Harlen describes the ASRs submitted by Global Illinois through which

135 Global Illinois ordered these trunks. Trunks are designated to carry certain types of
136 traffic. Most relevant to this case are the type of trunks ordered by Global Illinois for the
137 delivery of traffic to AT&T Illinois – trunks reserved for local and intraLATA toll traffic.

138
139 AT&T Illinois does not charge for the local / intraLATA toll trunks that ride the DS3
140 facilities, but there are usage charges for the traffic that Global Illinois sends to AT&T
141 Illinois over those trunks. AT&T Illinois charges reciprocal compensation rates for local
142 traffic and intrastate switched access rates for intraLATA toll traffic. AT&T Illinois
143 charges a separate rate for the transit traffic that Global Illinois also sends over the local /
144 intraLATA toll trunks. Mr. Cole explains how Global Illinois' usage is measured and
145 delivered to downstream systems for billing. And Ms. Williams explains AT&T Illinois'
146 usage bills to Global Illinois. Global Illinois has not paid any of the usage charges for the
147 traffic it delivered to AT&T Illinois for completion.

148

149 **III. INTERCONNECTION AGREEMENT BACKGROUND**

150

151 **Q. BRIEFLY EXPLAIN THE HISTORY OF THE PARTIES' INTERCONNECTION**
152 **AGREEMENT.**

153 A. The parties commenced negotiations for a Section 251 ICA on August 21, 2001. When
154 negotiations failed to result in an executed ICA, Global Illinois filed for arbitration on

155 November 30, 2001.² The Commission issued its Arbitration Decision on May 14,
156 2002.³ The ICA was executed by the parties on February 10, 2003, submitted to the
157 Commission on May 6, 2003, and was approved and effective on July 23, 2003.⁴
158 Selected provisions of the ICA are attached to AT&T Illinois' Verified Complaint.

159
160 Negotiating, arbitrating and executing a new ICA is a time consuming process that may
161 be prolonged. Therefore, in an effort to get Global Illinois interconnected sooner rather
162 than later, the parties negotiated an interim interconnection arrangement pending final
163 Commission approval of a Section 251 ICA. The interim interconnection arrangement
164 was documented in an interim agreement, which was signed on January 28, 2002
165 ("Interim Agreement")⁵ and was subsequently amended on May 22, 2002 ("Interim
166 Amendment"). The Interim Agreement and Interim Amendment provided terms and
167 conditions for the parties' initial interconnection arrangements and are attached as
168 Schedules PHP-1 and PHP-2, respectively.

169

170 **Q. PLEASE DESCRIBE THE PARTIES' INTERIM INTERCONNECTION**
171 **ARRANGEMENT.**

² Case No. 01-0786, Global NAPs, Inc. *Petition for Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Illinois Bell Company d/b/a Ameritech* ("Arbitration").

³ Arbitration Decision in Docket No. 00-0332, dated May 14, 2002 ("Arbitration Decision")

⁴ Case No. 03-0296, *Illinois Bell Telephone Company (SBC Illinois) and Global NAPs Illinois, Inc. Joint Petition for Approval of Interconnection Agreement dated February 10, 2003, pursuant to 47 U.S.C. § 252.*

⁵ The Interim Agreement provided terms and conditions for interconnection between Global NAPs and AT&T in California, Illinois and Ohio.

172 A. The Interim Agreement provided that Global Illinois would interconnect with AT&T
173 Illinois at a single physical point of interconnection (“POI”) in each LATA (¶ 1) and that
174 Global Illinois would be responsible for the cost and placement of fiber on its side of the
175 POI (¶ 2). The parties also agreed that the Interim Agreement would expire 60 days after
176 the Commission approved a Section 251 ICA (¶ 10).

177

178 The Interim Amendment provided that the parties would interconnect via a SONET
179 (synchronous optical network) system fiber meet between the AT&T Illinois La Grange
180 tandem location and Global Illinois’ York Road address in Oak Brook. (¶ 1). It also
181 provided that within 60 days of Commission approval of an ICA, Global Illinois would
182 seek a determination from the Commission regarding whether Global Illinois could
183 interconnect with AT&T Illinois at Global Illinois’ facility (¶¶ 3, 3a). Global Illinois did
184 not seek such a determination.

185

186 Absent a ruling from the Commission (or other court or agency of competent
187 jurisdiction), Global Illinois had two options to accomplish the physical interconnection
188 of the parties’ networks (¶ 6). It could provide two fibers from Global Illinois’ location
189 to AT&T Illinois’ location no later than 12 months following the Commission’s
190 Arbitration Award (¶ 6a) (*i.e.*, May 14, 2003). If Global Illinois elected not to provide its
191 two fibers to complete the joint fiber meet between the parties, however, the parties
192 agreed that AT&T Illinois would utilize its facilities in place and charge Global Illinois at
193 rates commensurate with interstate access tariff rates (¶ 6b).

194

195 The Interim Amendment also provided that the interconnection method agreed to was
196 consistent with design four (§ 7) as described in Paragraph 1 of that document. Paragraph
197 1 references agreed upon language in the ICA that AT&T Illinois had already filed in the
198 parties' arbitration proceeding. Design four was an arrangement set forth in ICA
199 language not disputed between the parties, specifically in Appendix Network
200 Interconnection Methods ("NIM") Section 3.4.7.4. In addition to terms and conditions
201 for the provision of two fibers between their respective locations, NIM Section 3.4.7.4
202 also states that "[t]he POI will be defined as being at the [AT&T Illinois] location."
203

204 **Q. WHAT IS THE PRACTICAL RESULT OF THE INTERIM AMENDMENT?**

205 A. Global Illinois did not pursue a dispute pursuant to paragraph 3 of the Interim
206 Amendment and did not provide two fibers from its location to the AT&T Illinois La
207 Grange tandem location in accordance with paragraph 6a of that Amendment.
208 Accordingly, paragraph 6b applied to the physical interconnection arrangement between
209 the parties, effective as of May 22, 2002 when the Interim Amendment was signed.
210 Paragraph 6b states that AT&T Illinois will charge Global Illinois at rates commensurate
211 with interstate access tariff rates for the use of AT&T Illinois' fiber facilities for the
212 parties' interconnection. Most significantly for AT&T Illinois' claims here, pursuant to
213 paragraphs 7 and 1, the Interim Agreement established the POI at AT&T Illinois' La
214 Grange tandem building location.
215

216 **Q. ARE THERE ISSUES FROM THE ARBITRATION THAT ARE RELEVANT TO**
217 **THIS COMPLAINT?**

218 A. While there were 13 issues presented to the Commission for arbitration, there is only one
219 that is directly relevant to this complaint (Arbitration Issue 2).

220

221 **Q. WHAT WAS THE DISPUTE IN ARBITRATION ISSUE 2?**

222 A. Arbitration Issue 2 raised the question “Should each party be responsible for the costs
223 associated with transporting telecommunications traffic to the single POI?” AT&T
224 Illinois sought partial recovery of its costs incurred because of Global Illinois’ election of
225 a single POI. Global Illinois was “content to agree to the reasonable compromise that
226 each carrier bear their own transport costs on their respective sides of the POI.”⁶

227

228 **Q. HOW WAS ISSUE 2 RESOLVED?**

229 A. The Commission found that each party “should be responsible both financially and
230 physically on its side of the single POI.”⁷

231

232 **IV. DS3 SPECIAL ACCESS – TARIFF VIOLATION**

233

234 **Q. YOU STATED ABOVE THAT GLOBAL ILLINOIS IS OBLIGATED BY THE**
235 **INTERIM AGREEMENT AND INTERIM AMENDMENT TO PAY FOR**
236 **CERTAIN FACILITIES. DID THE ARBITRATION DECISION AFFECT THAT**
237 **OBLIGATION?**

⁶ Arbitration Decision at 7.

⁷ Arbitration Decision at 8.

238 A. No. In fact, the Arbitration Decision reaffirmed Global Illinois' responsibility for the
239 network facilities – both physically and financially – on its side of the POI. As I stated
240 above, Global Illinois itself agreed in Arbitration Issue 2 that such allocation of
241 responsibility was appropriate.

242

243 **Q. WHAT ARE THE RELEVANT ICA PROVISIONS REGARDING**
244 **RESPONSIBILITY FOR FACILITIES?**

245 A. The relevant provisions regarding interconnection facilities are set forth in Appendix
246 NIM. NIM Section 1.11 provides for a single POI with “each party being financially
247 responsible for all expenses relating to facilities on its side of the POI.” Similarly,
248 Section 2.2.2 provides that:

249 Each Party is responsible *solely* for the facilities to its side of
250 the negotiated POI(s) and may utilize any method of
251 Interconnection described in this Appendix. Each Party is
252 responsible for the appropriate sizing, operation, maintenance,
253 and costs of the transport facility to the POI(s). The parties
254 agree to provide sufficient facilities for the Interconnection
255 trunk groups required for the exchange of traffic between
256 CLEC and SBC-13STATE. (emphasis in original)

257

258
259 In Section 3.4.7 the parties agreed to use the option set forth in Section 3.4.7.4, which is
260 Design Four, to physically interconnect their networks. As I stated above with respect to
261 the parties' Interim Amendment, Section 3.4.7.4 plainly states that the POI is at AT&T
262 Illinois' location (*i.e.*, at the La Grange tandem building). Thus, the ICA is clear that
263 Global Illinois is solely responsible for all facilities on its side of the La Grange tandem
264 building POI.

265

266 **Q. DID GLOBAL ILLINOIS ORDER INTRASTATE SPECIAL ACCESS**
267 **SERVICES?**

268 A. Yes. The specifics of Global Illinois' special access orders are addressed by Ms. Moore.
269 She explains that Global Illinois ordered DS3 special access services from its Oak Brook
270 location to AT&T Illinois' LaGrange tandem building.

271

272 **Q. DID GLOBAL ILLINOIS USE THE DS3 SERVICES PROVIDED?**

273 A. Yes. Global Illinois used these services to exchange traffic with AT&T Illinois and
274 continues to do so.

275

276 **Q. DID GLOBAL ILLINOIS PAY FOR THE DS3 SERVICES PROVIDED?**

277 A. No. Global Illinois never paid a penny of the amount AT&T Illinois billed for these
278 services.

279

280 **Q. WHAT ARE THE STATE TARIFF PROVISIONS THAT APPLY TO THESE DS3**
281 **SPECIAL ACCESS SERVICES?**

282 A. ICC Tariff No. 21 Section 5 provides ordering options for both switched and special
283 access services. Section 7 of this tariff provides terms and conditions for special access
284 services, with rates set forth in Section 7.5. The rates specific to the DS3 services Global
285 Illinois ordered are reflected in Section 7.5.9(C). I have provided an excerpt from this
286 tariff as Schedule PHP-3. Ms. Moore explains that these rates were properly applied in
287 rendering AT&T Illinois' bills to Global Illinois for DS3 special access services.

288

289 **V. INTRALATA TOLL/INTRASTATE SWITCHED ACCESS – TARIFF**
290 **VIOLATION AND BREACH OF ICA**
291

292 **Q. PLEASE DESCRIBE THE RELEVANT ICA PROVISIONS REGARDING**
293 **TRUNKING FOR THE TRANSPORT AND TERMINATION OF TRAFFIC.**

294 A. Appendix Interconnection Trunking Requirements (“ITR”) sets forth the terms and
295 conditions that apply to the parties’ trunking arrangements for transport and termination
296 of various traffic types (e.g., local, toll, E911, operator services). Specific to this
297 complaint proceeding, ITR Section 5.3 provides that local and intraLATA toll traffic are
298 combined on a single trunk group to each AT&T Illinois tandem within each LATA. ITR
299 Section 5.4 provides for an “interLATA (Meet Point) Trunk Group” for transport of
300 interLATA traffic between Global Illinois’ switch and AT&T Illinois’ access tandem –
301 “separate from local and IntraLATA toll traffic.”⁸

302
303 **Q. HOW DOES THE ICA CLASSIFY TRAFFIC FOR PURPOSES OF**
304 **INTERCARRIER COMPENSATION?**

305 A. Appendix Reciprocal Compensation (“RC”) Section 3.1 classifies the
306 telecommunications traffic exchanged between the parties as:

307 Local Calls, Transit Traffic, Optional Calling Area Traffic,
308 IntraLATA Toll Traffic, or InterLATA Toll Traffic.

309 These terms are defined in the ICA’s General Terms and Conditions (“GTCs”) or in
310 Appendix RC.⁹

⁸ ITR Section 5.4.1.

⁹ The terms “Local Calls,” “IntraLATA Traffic” and “InterLATA” are defined in GTC Sections 1.1.73, 1.1.65, and 1.1.62, respectively. “Transit Traffic” is described in RC Section 9. As indicated in RC

311 **Q. WHAT ARE THE RELEVANT ICA PROVISIONS REGARDING**
312 **INTERCARRIER COMPENSATION FOR THE TRANSPORT AND**
313 **TERMINATION OF INTRALATA TOLL TRAFFIC?**

314 A. There are two sections in Appendix Reciprocal Compensation (“RC”) that are directly
315 applicable to Global Illinois’ intraLATA toll traffic delivered to AT&T Illinois for
316 completion to AT&T Illinois’ end users. Appendix RC Section 3.6 provides that
317 “IntraLATA Toll Traffic shall continue to be governed by the terms and conditions of
318 applicable federal and state tariffs.” Similarly, Section 13.1 states:

319 For intrastate intraLATA toll traffic, compensation for
320 termination of intercompany traffic will be at terminating
321 access rates for Message Telephone Service (MTS) and
322 originating access rates for 800 Service, including the Carrier
323 Common Line (CCL) charge where applicable, as set forth in
324 each Party’s Intrastate Access Service Tariff, but not to exceed
325 the compensation contained in an ILEC’s tariff in whose
326 exchange area the End User is located.

327

328 **Q. HOW DOES THE ICA TREAT COMPENSATION FOR INTERNET SERVICE**
329 **PROVIDER (“ISP”) BOUND TRAFFIC?**

330 A. RC Section 3.1 states that:

331 Telecommunications traffic exchanged between CLEC and
332 ILEC will be classified as either Local Calls, Transit Traffic,
333 Optional Calling Area Traffic, IntraLATA Toll Traffic, or
334 InterLATA Toll Traffic. For purposes of this Appendix, calls
335 to ISPs will be rated and routed according to these same
336 classifications, depending on the physical location of the
337 originating and terminating end users.

Section 7, the term “Optional Calling Area Traffic” is limited to Global doing business in AT&T’s southwest region (“SWBT”) and is not relevant to Global Illinois.

338 Further, Appendix RC Section 6.2 provides that to the extent non-local ISP-bound calls
339 are placed:

340 [T]he Parties agree that section 5. [Local Call Termination]
341 above does not apply, and that the Agreement's rates, terms
342 and conditions for IntraLATA and/or InterLATA calling shall
343 apply including but not limited to rating and routing according
344 to the terminating parties' Exchange Access intrastate and/or
345 interstate tariffs.

346 Thus, an ISP-bound call that originates and terminates in different local calling areas
347 would be compensated in the same manner as other non-local (i.e., IntraLATA Toll or
348 InterLATA Toll) calls – at access rates pursuant to tariff.

349

350 **Q. IS THE TRAFFIC THAT IS THE SUBJECT OF AT&T ILLINOIS' COMPLAINT**
351 **ISP-BOUND?**

352 A. No. AT&T Illinois' complaint is for non-payment of intercarrier compensation for calls
353 completing to AT&T Illinois' end users (none of which are ISPs) and for non-payment of
354 transiting charges for calls AT&T Illinois transited to other carriers (none of which are
355 ISPs) for completion to those carriers' end users. Thus, none of the traffic at issue is ISP-
356 bound.

357

358 **Q. YOU HAVE INDICATED THAT INTRASTATE SWITCHED ACCESS TARIFF**
359 **RATES APPLY TO INTRALATA TOLL TRAFFIC. WHAT ARE THE**
360 **NETWORK ELEMENTS UTILIZED WHEN AT&T ILLINOIS COMPLETES AN**
361 **INTRALATA TOLL CALL FOR GLOBAL ILLINOIS?**

362 A. An intraLATA toll call delivered over the local / intraLATA toll trunks from Global
363 Illinois' switch to AT&T Illinois' tandem utilizes the following network elements:

- 364 • Tandem switching
- 365 • Tandem switched transport termination
- 366 • Tandem switched transport facility
- 367 • Common multiplexing
- 368 • Common trunk port
- 369 • End office local switching

370

371 **Q. HOW ARE THESE ELEMENTS REFLECTED IN THE AT&T ILLINOIS'**
372 **INTRASTATE SWITCHED ACCESS TARIFF?**

373 A. AT&T Illinois' state access tariff ICC No. 21, Section 6 provides terms and conditions
374 for Switched Access Service. The rates for switched access services applicable to the
375 intraLATA usage that is the subject of this complaint proceeding are specifically set forth
376 in Sections 6.9.1(A) [Switched Transport, Usage], 6.9.2(A) [End Office, Local
377 Switching], and 6.9.2(C) [End Office, Trunk Ports]. The relevant tariff pages are
378 provided as Schedule PHP-4. These same rates and rate elements apply to intrastate,
379 interLATA traffic.

380

381 **Q. DID AT&T ILLINOIS PROVIDE SWITCHED ACCESS SERVICES TO**
382 **GLOBAL ILLINOIS?**

383 Yes. Global Illinois delivered intrastate toll traffic to AT&T Illinois beginning in May
384 2004 and continuing to the present. Intrastate toll traffic is subject to switched access
385 charges pursuant to the parties' ICA and AT&T Illinois' state tariff.

386

387 **Q. DID GLOBAL ILLINOIS PAY FOR THE INTRASTATE SWITCHED ACCESS**
388 **SERVICES PROVIDED?**

389 No. Global Illinois has an unpaid balance for intrastate switched access services going
390 back to AT&T Illinois' May 2004 bill.

391

392 **VI. RECIPROCAL COMPENSATION – BREACH OF ICA**

393

394 **Q. WHAT ICA PROVISIONS PERTAIN SPECIFICALLY TO RECIPROCAL**
395 **COMPENSATION FOR LOCAL TRAFFIC, AS THAT TERM IS DEFINED IN**
396 **THE ICA?**

397 A. In addition to Appendix RC Section 1, which generally provides the scope of Appendix
398 RC, Section 3 (Classification of Traffic), Section 4 (Responsibilities of the Parties),
399 Section 5 (Local Call Termination), and Section 15 (Billing for Mutual Compensation)
400 provide relevant terms and conditions for reciprocal compensation for local traffic.

401

402 **Q. WHAT TERMS SET FORTH IN RC SECTION 3 ARE THE MOST RELEVANT**
403 **TO THE RECIPROCAL COMPENSATION ISSUES IN THIS PROCEEDING?**

404 A. I described the relevance of Appendix RC Sections 3.1 and 3.6 in the context of
405 intraLATA traffic, above. These provisions are also relevant to local traffic. In addition,

406 Section 3.2 provides that “local calls” and “local ISP calls” are to be compensated at the
407 same rates and rate structure, provided that the originating and terminating telephone
408 numbers are in the same local (or extended local) calling areas.¹⁰ Section 3.4 states that
409 for local calls, “the originating Party shall compensate the terminating Party for the
410 transport and termination of Local Calls at the rate(s) provided in this Appendix and
411 Appendix Pricing.” And Section 3.8 states that “Reciprocal Compensation applies to
412 local traffic that is terminated at either parties’ terminating switch.”

413

414 **Q. WHAT ARE THE CALLING PARTY NUMBER (“CPN”) OBLIGATIONS SET**
415 **FORTH IN APPENDIX RC SECTION 4?**

416 A. Appendix RC Section 4 provides responsibilities of the parties with respect to reciprocal
417 compensation, primarily related to CPN. CPN stands for “calling party number” and
418 refers to the telephone number of the calling party that is normally transmitted by the
419 originating carrier (along with other information) when a call is made by an end user.
420 Section 4.2 states that, where available, each party will provide the other with “original
421 and true” CPN. CPN is important because it is used in conjunction with the terminating
422 end user’s telephone number to determine the jurisdiction of a call (*i.e.*, local or toll). If
423 there is a technical problem that results in one party providing CPN but the other party
424 not receiving it, Section 4.3 provides that the parties will work together to remedy the

¹⁰ RC Section 3.2 is specific to the situation where AT&T Illinois has not invoked the FCC’s ISP Compensation Plan (FCC 01-0131). And while AT&T Illinois did invoke the FCC’s ISP Plan, Global Illinois elected not to amend its ICA to avail itself of the FCC’s compensation rate of \$0.0007. Accordingly, the parties’ ICA includes AT&T Illinois’ traditional reciprocal compensation rates rather than the FCC’s rate.

425 problem. Compensation for calls delivered without CPN is addressed in my discussion
426 below regarding the Percent Local Usage factor.

427

428 **Q. HOW IS APPENDIX RC SECTION 5 PERTINENT TO AT&T ILLINOIS’**
429 **CLAIM AGAINST GLOBAL ILLINOIS REGARDING RECIPROCAL**
430 **COMPENSATION?**

431 A. Appendix RC Section 5 provides terms and conditions specific to how the parties will
432 assess charges for local reciprocal compensation. Section 5.1 states that the terms of
433 Section 5 apply unless and until the FCC’s ISP Compensation Plan is invoked.¹¹ Section
434 5.2 describes the rate structure (bifurcated to reflect different rates for call set-up and call
435 duration), and Section 5.3 provides the tandem and end office serving rate elements.
436 Where Global Illinois is directly connected through trunk groups to AT&T Illinois’ end
437 office switches, the end office rate elements apply to Global Illinois’ local traffic. Where
438 Global Illinois connects through trunk groups to AT&T Illinois’ tandem switches, the
439 tandem switching and tandem transport rate elements apply in addition to the end office
440 rate elements, because AT&T Illinois is providing tandem switching, end office
441 switching, and transport between these switches.

442

443 **Q. WHAT ARE THE RECIPROCAL COMPENSATION RATES SET FORTH IN**
444 **GLOBAL ILLINOIS’ ICA?**

445 A. The specific rates are set fort in the Pricing Schedule and are as follows:

End Office Local Termination:	
Set up charge, per call	\$0.009512
Duration charge, per minute of use (“MOU”)	\$0.000967
Tandem Switching:	
Set up charge, per call	\$0.000496
Duration charge, per MOU	\$0.000927
Tandem Transport Termination, per MOU	\$0.000201
Tandem Transport Facility, per MOU, per mile	\$0.000013

446

447 **Q. WHAT IS THE RELEVANCE OF APPENDIX RC SECTION 15?**

448 A. RC Section 15 deals with billing of mutual compensation (also known as reciprocal
449 compensation). Section 15.1 provides measurement specifications for the usage on
450 trunks that are the basis for intercarrier compensation billing. Section 15.2 provides for
451 quarterly usage reporting based on traffic terminated over the local / intraLATA toll
452 trunks.

453

454 ITR Section 5.3 provides that local and intraLATA toll traffic will be delivered over the
455 same trunk group(s). Since local and intraLATA toll traffic will be carried on the same
456 trunk groups, RC Section 15.2 requires the parties to develop a percent local usage
457 (“PLU”) factor. RC Section 15.2.1.1 provides that PLU is calculated by dividing the
458 local minutes of use (“MOU”) by the total MOU terminated over the local / intraLATA
459 toll trunk groups. And RC Section 15.2.2 sets forth terms and conditions for either party
460 to audit the other party’s reported PLU and for billing adjustments to be made based on
461 the results of any such audit.

¹¹ RC Sections 5.5 and 5.6 also provide that treatment of local ISP-bound traffic is the same as that applicable to local traffic.

462 **Q. DID THE PARTIES DEVELOP A “PLU” PURSUANT TO SECTION 15.2?**

463 A. No. However, Global Illinois did provide a PLU factor on its ASRs for the local /
464 intraLATA toll trunk groups it ordered from AT&T Illinois.

465

466 **Q. HOW IS THE PLU FACTOR USED IN BILLING?**

467 A. The parties are obligated to pass CPN on all calls, and as I stated above, it is CPN (in
468 conjunction with the terminating end user’s telephone number) that determines the
469 jurisdiction of a call. (*See* my discussion regarding Appendix RC Section 4 and CPN
470 above.) The PLU factor is only applied to traffic that is delivered without CPN. For
471 example, suppose Global Illinois delivered 100 calls to AT&T Illinois and that CPN was
472 contained on 92% of those 100 calls, leaving eight calls that were delivered without CPN
473 (*i.e.*, “no-CPN calls”). Further suppose that Global Illinois’ PLU factor is 75% (*i.e.*, 75%
474 local and 25% intraLATA toll). In this example, the ICA would authorize AT&T Illinois
475 to bill Global Illinois the local compensation rate on six of the eight Global Illinois no-
476 CPN calls, and the remaining two no-CPN calls would be billed at tariffed switched
477 access rates.

478

479 **Q. DID AT&T ILLINOIS BILL GLOBAL ILLINOIS BASED ON THE**
480 **RECIPROCAL COMPENSATION RATES SET FORTH IN THE ICA?**

481 A. No, these are not the rates billed to Global Illinois. Rather, AT&T Illinois billed Global
482 Illinois the reciprocal compensation rates from the Illinois CC No. 20 Tariff Part 23,
483 Section 2, which were approved by the Commission.¹²
484

485 **Q. WHAT ARE THE TARIFF RECIPROCAL COMPENSATION RATES BILLED**
486 **TO GLOBAL ILLINOIS?**

487 A. The specific rates are set fort in the Tariff 20, Part 23, Section 3.1 as follows:

End Office Local Termination, per MOU	\$0.003746
Tandem Switching, per MOU	\$0.001072
Tandem Transport Termination, per MOU	\$0.000201
Tandem Transport Facility, per MOU, per mile	\$0.000013

488
489 **Q. HOW DO THE ICA RECIPROCAL COMPENSATION RATES COMPARE TO**
490 **THE TARIFF RECIPROCAL COMPENSATION RATES THAT WERE BILLED**
491 **TO GLOBAL ILLINOIS?**

492 A. As indicated in the rates provided above, the ICA and tariff reciprocal compensation rate
493 structures are similar in that they both have four separate rate elements – local switching,
494 tandem switching, tandem transport termination, and tandem transport facility mileage.
495 The tariff is different from the ICA in that it has just one rate for tandem switching and
496 just one rate for end office switching. The ICA, in contrast, has two rate elements each
497 for both tandem and end office switching; one for the call set up (that is charged just once

¹² Second Interim Order, *Illinois Commerce Commission On Its Own Motion, Investigation into forward looking cost studies and rates of Ameritech Illinois for interconnection, network elements, transport and termination of traffic and Illinois Bell Telephone Company, Proposed rates, terms and conditions for unbundled network elements*, Docket Nos. 96-0486/0569, Consol. (ICC Feb. 17, 1998).

498 on each call) and a minute of use rate (that is charged on every minute). There is no
499 difference between the rate structure or the rates for the transport rate elements in the
500 ICA and the tariff.

501

502 **Q. HAS AT&T ILLINOIS ANALYZED THE GLOBAL ILLINOIS' RECIPROCAL**
503 **COMPENSATION BILL TO DETERMINE WHETHER GLOBAL ILLINOIS**
504 **WAS BETTER OFF UNDER THE TARIFF RATES?**

505 A. Yes. First, AT&T Illinois pulled actual call detail records from Global Illinois' local /
506 intraLATA toll trunks for the March 2008 time period. Second, using the total minutes
507 of use and messages from that month, AT&T Illinois was able to calculate the average
508 duration of each call sent to AT&T Illinois by Global Illinois – which is approximately
509 2.41 minutes per call. Next, AT&T Illinois reviewed the past three years of billed usage
510 data (April 2005 to April 2008) and using the average call duration and the actual MOU
511 data, AT&T Illinois was able to re-calculate the bill as if it were billed under the
512 bifurcated rate structure of the ICA. That analysis shows that AT&T Illinois under billed
513 Global Illinois for reciprocal compensation by approximately \$80,000 over the three year
514 period.

515

516 **Q. IS AT&T ILLINOIS PROPOSING TO RECOVER THIS UNDERBILLING**
517 **FROM GLOBAL ILLINOIS?**

518 A. No.

519

520 **Q. THIS ANALYSIS GOES BACK THREE YEARS TO APRIL 2005, BUT BILLING**
521 **FOR RECIPROCAL COMPENSATION STARTED IN MAY 2004. WHAT CAN**
522 **YOU SAY ABOUT THE RECIPROCAL COMPENSATION BILLING BETWEEN**
523 **THESE DATES?**

524 A. AT&T Illinois' analysis shows that the reciprocal compensation bills to Global Illinois
525 using the tariff rates were less than the bills that would have resulted from the ICA rates.
526 This is so for every month of the three year period analyzed. This would be equally true
527 for the eleven month period between May 2004 and April 2005. In any event, there was
528 only *de minimus* usage in that earlier time period.

529

530 **VII. TRANSITING – BREACH OF ICA**

531

532 **Q. PLEASE DESCRIBE THE TRANSITING SERVICE AT&T ILLINOIS**
533 **PROVIDES TO GLOBAL ILLINOIS.**

534 A. AT&T Illinois' transiting service allows Global Illinois to utilize AT&T Illinois' network
535 to exchange traffic with third-party carriers with which Global has no direct
536 interconnection. This service provides Global Illinois the option to complete its
537 customers' originating traffic to end users of other Local Exchange Carriers ("LECs"),
538 CLECs and wireless carriers (*i.e.*, non-AT&T Illinois end users) via AT&T Illinois'
539 network, without the necessity of separate interconnection arrangements with each of
540 these third parties. AT&T Illinois' end users are not part of these transited calls. Indeed,
541 the calls neither originate from nor terminate to AT&T Illinois' network or end users.
542 Irrespective of AT&T Illinois' transiting service offering, however, Global Illinois retains

543 its right to interconnect directly to third-party carriers. In other words, Global Illinois can
544 interconnect directly with third-party carriers or use the facilities of other carriers to
545 indirectly interconnect with third-party carriers.

546

547 **Q. DOES GLOBAL ILLINOIS NEED TO ISSUE AN “ORDER” FOR AT&T**
548 **ILLINOIS’ TRANSIT SERVICE?**

549 A. No. Global Illinois’ ICA contains terms and conditions that apply to transit service, and
550 those terms do not require Global Illinois to explicitly “order” transit service. Pursuant to
551 the ICA, Global Illinois can simply deliver transit calls over the local / intraLATA toll
552 trunks to AT&T Illinois, and AT&T Illinois will complete those calls to the appropriate
553 third party carrier.

554

555 **Q. DOES AT&T ILLINOIS CHARGE OTHER CARRIERS FOR TRAFFIC THAT**
556 **IT TRANSITS ON THEIR BEHALF?**

557 A. Yes. Transiting charges are typically established in AT&T Illinois’ ICAs, including its
558 ICA with Global Illinois.

559

560 **Q. PLEASE IDENTIFY AND DESCRIBE THE RELEVANT ICA PROVISIONS**
561 **REGARDING COMPENSATION FOR TRANSITING SERVICE PROVIDED TO**
562 **GLOBAL ILLINOIS.**

563 A. Appendix RC Section 9.1 addresses compensation for AT&T Illinois' transiting service
564 provided to Global Illinois¹³ and states:

565 Transiting Service allows one Party to send Local, Optional,
566 intraLATA Toll Traffic, and 800 intraLATA Toll Traffic to a third
567 party network through the other Party's tandem. A Transiting rate
568 element applies to all MOUs between a Party and third party
569 networks that transits an SBC-13STATE network. The
570 originating Party is responsible for payment of the appropriate
571 rates unless otherwise specified. The Transiting rate element is
572 only applicable when calls do not originate with (or terminate to)
573 the transit Party's End User. Pursuant to the Missouri Public
574 Service Commission Order in Case No. TO-99-483, the Transit
575 Traffic rate element shall not apply to MCA Traffic (i.e., no
576 transiting charges shall be assessed for MCA Traffic) for SWBT-
577 MO. The rates that SBC-13STATE shall charge for transiting
578 CLEC traffic are outlined in Appendix Pricing.

579 The Pricing Schedule in the Global Illinois ICA sets forth AT&T Illinois' transit rate
580 elements and rates as follows:

Tandem Switching, per minute of use	\$0.004836
Tandem Termination, per minute of use	\$0.000189
Tandem Facility, per minute of use	\$0.000093

581
582 **Q. JUST TO BE CLEAR, DO AT&T ILLINOIS' TRANSITING CHARGES DIFFER**
583 **BASED ON THE TYPE OF TRAFFIC GLOBAL ILLINOIS DELIVERS TO**
584 **AT&T ILLINOIS?**

585 A. No. AT&T Illinois' charges to Global Illinois for transiting services are solely based on
586 the transiting function AT&T Illinois provides in handling that traffic. They are totally

¹³ Certain provisions in Appendix RC and Appendix ITR relate to transiting service trunking requirements and do not directly address compensation. For example, RC Section 9.5 and ITR Section 4.2.1 provide that

587 unrelated to the regulatory classification of traffic. So, AT&T Illinois charges the same
588 rate for transiting, regardless of whether the traffic is local or toll.

589

590 **Q. DOES AT&T ILLINOIS ASSESS INTERCARRIER COMPENSATION ON**
591 **BEHALF OF THE TERMINATING CARRIER FOR TRANSITING TRAFFIC?**

592 A. No. AT&T Illinois did not and does not assess intercarrier compensation charges (*i.e.*,
593 reciprocal compensation for local traffic and switched access for toll traffic) on behalf of
594 terminating carriers for Global Illinois' transiting traffic, because those calls do not
595 terminate to AT&T Illinois' end users. It is the responsibility of the originating and
596 terminating carriers to establish the appropriate intercarrier compensation arrangements
597 for calls exchanged between their respective customers.

598

599 **Q. DID GLOBAL ILLINOIS USE THE TRANSIT SERVICES PROVIDED BY**
600 **AT&T ILLINOIS?**

601 A. Yes. Global Illinois used AT&T Illinois' network to send traffic to third party carriers.
602 This began in June 2004 and continues to the present.

603

604 **Q. DID GLOBAL ILLINOIS PAY FOR THE TRANSIT SERVICES PROVIDED?**

605 A. No. Global Illinois has an unpaid balance for transit services going back to 2004.

606

607

Global Illinois is required to establish direct interconnection with a third party when its transit traffic to that

608 **VIII. GLOBAL ILLINOIS' CERTIFICATION**

609

610 **Q. ARE YOU FAMILIAR WITH THE CORPORATE STRUCTURE OF THE**
611 **VARIOUS GLOBAL NAPS ("GLOBAL") ENTITIES?**

612 A. Yes. Based on my review of and involvement in regulatory and judicial proceedings in
613 other states, I am aware of the corporate structure of the various Global entities.

614

615 **Q. PLEASE EXPLAIN THAT CORPORATE STRUCTURE?**

616 A. It is difficult to explain because Global has taken great pains to conceal much of its
617 activities. Based on my experience, I have learned that Global Illinois is structured the
618 same as other Global entities that are certificated to provide service in various states, such
619 as Global NAPs California, Inc. and Global NAPs Ohio, Inc., and that all these entities
620 operate under the umbrella of their corporate parent, Ferrous Miner Holdings, Inc.
621 ("Ferrous Miner"). I have further learned that Ferrous Miner owns other Global entities,
622 including Global NAPs, Inc., Global NAPs Networks, Inc. ("Global Networks") and
623 Global NAPs Realty, Inc. ("Global Realty"), and that Ferrous Miner is wholly owned by
624 Mr. Frank Gangi.

625

626 **Q. DOES GLOBAL ILLINOIS CURRENTLY HOLD CERTIFICATES OF**
627 **EXCHANGE SERVICE AUTHORITY, RESALE SERVICE AUTHORITY, AND**
628 **INTEREXCHANGE SERVICE AUTHORITY IN ILLINOIS?**

third party requires 24 or more trunks.

629 A. Yes. Global Illinois submitted its application for certification to provide facilities-based
630 local exchange service, resold service, and interexchange service on June 8, 2001.¹⁴ I
631 have attached Global Illinois' application ("Certification Application") as Schedule
632 PHP-5 and the attachments to that application as Schedule PHP-6. Pursuant to the
633 Administrative Law Judge's ("ALJ") request at hearing (July 17, 2001) and to remedy
634 deficiencies in Global Illinois' application, Global Illinois supplemented its application
635 on August 14, 2001 with certain late filed exhibits, including a more comprehensive
636 description of Global Illinois' management and technical resources ("Late Filed Exhibit
637 2") (provided as Schedule PHP-7) as well as financial information specific to Global
638 Illinois ("Late Filed Exhibit 3")¹⁵ (attached as Schedule PHP-8). Global Illinois also
639 amended Appendices A through C of its application on August 14, 2001 ("Late Filed
640 Exhibit 1"). Global Illinois' Late Filed Exhibit 1 is provided as Schedule PHP-9. The
641 Commission's order approving Global Illinois' application, which was granted on
642 October 24, 2001,¹⁶ is attached as Schedule PHP-10.

643

644 **Q. WHAT REPRESENTATIONS DID GLOBAL ILLINOIS MAKE TO THE**
645 **COMMISSION TO OBTAIN CERTIFICATION?**

646 A. In seeking certification under Article 13 of the Illinois Public Utilities Act, Global Illinois
647 represented that it had the requisite technical, financial and managerial qualifications to
648 provide the services set forth in its application.

¹⁴ Case No. 01-0445, *Global NAPS Illinois, Inc. Application to Operate as a Facilities-Based and Resold Carrier of Local Telecommunications Services Statewide in the State of Illinois*.

¹⁵ The financial information provided with Global Illinois' application was for Global NAPs, Inc. and reflected in excess of \$67 million in revenue as of September 30, 2000.

649 **Q. WHO MADE THESE REPRESENTATIONS ON GLOBAL ILLINOIS' BEHALF?**

650 A. Mr. William Rooney, Vice President and General Counsel for Global Illinois.

651

652 **Q. IN WHAT FORM WERE THESE REPRESENTATIONS MADE?**

653 A. Mr. Rooney submitted a Verified Oath asserting the truth of Global Illinois' signed
654 certification application. This Verification is included at the end of Global Illinois'
655 application. (*See* Schedule PHP-5.)

656

657 **Q. WHAT FINDING DID THE COMMISSION MAKE BASED ON THESE**
658 **REPRESENTATIONS?**

659 A. The Commission appears to have relied on these representations to find that Global
660 Illinois possessed the requisite technical, financial and managerial resources and abilities
661 to provide local exchange telecommunications services, interexchange
662 telecommunications services, and resold telecommunications services.

663

664 **Q. WHAT REQUIREMENTS OR CONDITIONS WERE INCLUDED IN THE**
665 **ORDER GRANTING GLOBAL ILLINOIS' CERTIFICATION?**

666 A. The Commission granted Global Illinois certification based, in part, on certain relevant
667 findings as set forth in the Certification Order, including:

668 (3) as required by Sections 13-403, 13-404 and 13-405 of the
669 Act, Applicant possesses sufficient technical, financial
670 and managerial resources to provide facilities-based
671 interexchange, resold local and interexchange, and

¹⁶ Order in Case No. 01-0445, dated October 24, 2001 ("Certification Order").

672 facilities-based local exchange telecommunications
673 services in Illinois;

674 (6) with regard to its interexchange and local exchange
675 service, Applicant should be granted a waiver from 83 Ill.
676 Adm. Code 710, the Uniform System of Accounts for
677 Telecommunications Carriers, as long as Applicant
678 maintains its accounting records in accordance with
679 Generally Accepted Accounting Principles and at a level
680 of detail substantially similar to the accounting system
681 which it currently uses pursuant to its Chart of Accounts,
682 and in sufficient detail to comply with all applicable tax
683 laws;

684 (8) Applicant should establish books of account such that
685 revenues from its telecommunications services, subject to
686 the public utility revenue tax, are segregated from the
687 revenues derived from other business activities not
688 regulated by the Commission;

689 The Commission granted Global Illinois certification pursuant to Sections 13-403, 13-
690 404, and 13-405 of the Public Utilities Act. The Commission also ordered that:

691 [A]s a condition of these Certificates, Global NAPs Illinois,
692 Inc. be, and is hereby, directed to establish books of account
693 such that revenues from its telecommunications services,
694 subject to the public utility revenue tax, are segregated from
695 the revenues derived from other business activities not
696 regulated by the Commission.

697 *See* Schedule PHP-10.

698

699 **Q. ARE THE REPRESENTATIONS GLOBAL ILLINOIS MADE TO THE**
700 **COMMISSION IN ITS CERTIFICATION APPLICATION TRUE TODAY?**

701 A. No. Some of Global Illinois' representations that may have been true in 2001 would be
702 false if those same representations were made today. For example, Global Illinois stated
703 that it (and/or its affiliates) had never had a certification revoked or suspended in any

704 state.¹⁷ This is no longer true, as I discuss below regarding California. Global Illinois
705 also represented that there had never been any complaints or judgments against it,¹⁸
706 which also is not true today. The Commission's application form requires a full
707 explanation for a "Yes" answer to either of the above questions, indicating that these are
708 important factors in evaluating a carrier's fitness for certification.

709
710 Global Illinois made certain financial representations in August 2001 (*see* Schedule PHP-
711 8) that bear no resemblance to Global Illinois' current financial situation. For example,
712 Global Illinois stated that it had \$1 million in plant assets, \$1,894,000 in revenue, and
713 \$255, 900 in net income "For the Period from Inception through December 31, 2001."¹⁹
714 Yet Global Illinois has no assets, no customers, and no revenue.

715
716 Surprisingly, Global Illinois asserted that none of its officers has any "ownership or
717 interest in any other entity which has provided or is currently providing
718 telecommunications services."²⁰ As evidence of its managerial and technical resources,
719 Global Illinois identified Frank Gangi as the General Manager of Global NAPs, Inc.²¹

720 Frank Gangi is the President of Global NAPs, Inc., a company
721 he founded in 1996. Since then, Mr. Gangi has been
722 responsible for the overall network design and engineering and
723 other technical aspects of Global NAPs, Inc. and all of its
724 affiliates and subsidiaries.

¹⁷ Certification Application, Item 10; Late Filed Exhibit 1, Appendix A, Item 17.

¹⁸ Certification Application, Item 11; Late Filed Exhibit 1, Appendix A, Item 17.

¹⁹ It is unclear what specific period was reflected in Global Illinois' financial reports, because "since its inception" is vague – especially given the fact that Global Illinois was not certified to provide telecommunications services in Illinois at the time it made those representations.

²⁰ Certification Application at Item 16.

²¹ Certification Application at Item 14; Late Filed Exhibit 2.

725 And Global Illinois identified 18 other states where its affiliates were operating.²² *If* it
726 was true that none of the Global entities was operating in 2001, it certainly is not true
727 today.

728
729 Global Illinois' representations have not been fulfilled in other areas as well. For
730 example, Global Illinois indicated its intention to employ two people,²³ yet it has never
731 done so. Global Illinois stated that it intended to "bill directly for its services,"²⁴ yet it
732 does *not* bill for its services (in fact, as explained below, it has no customers). Global
733 Illinois represented to the Commission that it would utilize its own equipment and/or
734 facilities and that it intended to deploy its own switch in Illinois.²⁵ But Global Illinois
735 has no assets. And Global Illinois stated its intention to "offer local service, beginning
736 with ISDN service,"²⁶ however, Global Illinois has no customers, local or otherwise. I
737 discuss these matters with more specificity below.

738

739 **Q. HAS GLOBAL ILLINOIS LIVED UP TO THE FINDINGS THE COMMISSION**
740 **REFLECTED IN ITS ORDER GRANTING GLOBAL ILLINOIS LOCAL**
741 **EXCHANGE SERVICE AUTHORITY, RESALE SERVICE AUTHORITY, AND**
742 **INTEREXCHANGE SERVICE AUTHORITY?**

743 A. No. Contrary to the Commission's Finding (3) in its Certification Order, Global Illinois
744 does not possess sufficient financial resources to provide these services, including

²² Certification Application at Item 9.
²³ Amended Appendices, Appendix A, number 6.
²⁴ Certification Application at Item 17.
²⁵ Certification Application at Item 26.

745 facilities-based local exchange service. Global Illinois has no employees, no assets, no
746 customers, and no revenues. Yet it still obtains telecommunications services from AT&T
747 Illinois, incurring liabilities for which it refuses to pay. It provides services to and
748 receives services from its affiliate(s) without documentation of the transactions.

749
750 While granting Global Illinois a waiver from the requirement to maintain its accounting
751 records in accordance with the Uniform System of Accounts (“USOA”), the Commission
752 did require Global Illinois to maintain its financial transactions in accordance with
753 Generally Accepted Accounting Practices (“GAAP”) and in sufficient detail to comply
754 with public utility tax laws.²⁷ In its Certification Application, Global Illinois claimed that

755 Through GAAP accounting methodology, the Commission will
756 be able to obtain any information necessary to evaluate the
757 Applicant’s performance without imposing any unnecessary
758 account burden on the Applicant.²⁸

759 Global Illinois further asserted that its accounting system would “provide an equivalent
760 portrayal of operating results and financial conditions as the USOA.”²⁹ Yet Global
761 Illinois does not conduct its affiliate transactions at arms length (as evidenced by the lack
762 of documentation for the transfer of customers, assets, and revenues between affiliates),
763 blurring beyond recognition the line between Global Illinois and its affiliates – making it
764 impossible for the Commission to evaluate Global Illinois’ financial fitness independent
765 of its affiliates. While Global Illinois incurs the liabilities, another entity (or entities)
766 enjoys the revenues.

²⁶ Certification Application at Item 27.

²⁷ Certification Order at Findings (6) and (8).

²⁸ Late Filed Exhibit 1, Appendix C, item 1.

767 **Q. WHAT REVENUES ARE YOU REFERRING TO?**

768 A. The Global entities are clearly handling traffic that is originating on other networks – that
769 is the very traffic that AT&T Illinois is terminating to its end users and transiting to other
770 carriers. The Global entities are not handling this traffic for free. They are either
771 handling that traffic for the entities that originate it (in which case they are being paid by
772 those entities) or it is traffic originated by the customers of other Global entities (in which
773 case the Global entities are obtaining revenue from those customers). In either case, the
774 Global entities are generating revenue – but none of that revenue is held by Global
775 Illinois.

776

777 **Q. DOES GLOBAL ILLINOIS HAVE ANY EMPLOYEES?**

778 A. No. In response to AT&T Illinois' first set of interrogatories in this case ("First
779 Interrogatories"), Global Illinois stated that it has no employees today and has never had
780 any employees.³⁰

781 AT&T Illinois Request to Global Illinois No. 1-8:

782 Please identify every fact and produce all documents on which
783 Global Illinois relies for its denial that it has no employees. Please
784 state the number of current employees of Global Illinois, and the
785 number of employees Global Illinois had in (a) 2007, (b) 2006, (c)
786 2005, (d) 2004, (e) 2003, and (f) 2002.

787 SUBJECT TO ITS GENERAL OBJECTIONS GLOBAL NAPS ILLINOIS, INC.
788 REPLIES AS FOLLOWS:

789 Although there are no documents or facts which can establish
790 the negative of the subject of this request, Global has no
791 information or documents reflecting the existence of, payment
792 to or compensation of a Global NAPs Illinois, Inc. employee.

²⁹ Late Filed Exhibit 1, Appendix C, item 3.

³⁰ First Interrogatories, Response No. 1-8.

- 793 a. 2007: 0
794 b. 2006: 0
795 c. 2005: 0
796 d. 2004: 0
797 e. 2003: 0
798 f. 2002: 0

799

800 **Q. DOES GLOBAL ILLINOIS HAVE ANY ASSETS?**

801 A. No. In AT&T Illinois' action against Global Illinois in district court,³¹ Global Illinois
802 admitted that it had no assets in response to AT&T Illinois' First Set of Requests to
803 Admit ("First Admissions"):³²

804 18. Global NAPs Illinois, Inc. has no assets other than its
805 certificate of public convenience and necessity.

806 RESPONSE: Admitted.

807 Global Illinois' First Admissions are attached as Schedule PHP-11.

808

809 Similarly, as stated on March 23, 2007 by Global Illinois in response to AT&T Illinois'
810 discovery ("Second Discovery") question No. 31b in the District Court Proceeding:

811 31. Explain the business relationship and identify all business
812 transactions and contracts (and produce copies of the contracts)
813 between Global Illinois and the entities identified in Global's
814 response to Interrogatory number 10.

815 ANSWER:

³¹ Case No. 06 C 3431, *In the United States District Court for the Northern District of Illinois Eastern Division, Illinois Bell Telephone, Inc. v. Global NAPs Illinois, Inc.* ("District Court Proceeding").

³² First Admissions, number 18, December 15, 2006.

816 b. Global NAP [sic] Networks, Inc. provides the network
817 facilities necessary for Global NAPs Illinois, Inc. to exchange
818 traffic. ...

819 Global Illinois' Second Discovery responses are attached as Schedule PHP-12.

820

821 **Q. DOES GLOBAL ILLINOIS HAVE ANY CUSTOMERS?**

822 A. No, as Global Illinois has revealed in various ways. For instance, in response to AT&T
823 Illinois' First Interrogatories in this proceeding, Global Illinois acknowledged that it has
824 no customers of its own.³³

825 AT&T Illinois Request to Global Illinois No. 1-10:

826 Please identify every fact and produce all documents on which
827 Global Illinois relies for its denial that it has no customers. Please
828 identify every customer that Global Illinois currently has, and
829 produce all contracts between Global Illinois and each of its
830 current customers.

831 SUBJECT TO ITS GENERAL OBJECTIONS GLOBAL NAPS ILLINOIS, INC.
832 REPLIES AS FOLLOWS:

833 Although there are no facts which can establish this negative,
834 all customers served by the Global NAPs affiliated
835 corporations are currently customers of Global NAPs
836 Networks, Inc. (See response to Request 1-11.) Global NAPs
837 Illinois, Inc. works in conjunction with affiliated Global NAPs
838 entities to provide necessary services.

839

840 In the District Court Proceeding, Global Illinois made similar admissions that it has no
841 customers.³⁴

842 26. Any contracts that Global may have had with customers
843 have expired or have been assumed by or transferred to Global

³³ First Interrogatories, Response No. 1-10.

³⁴ District Court Proceeding, First Admissions, number 26.

844 NAPs Networks, Inc. or some other Global subsidiary, affiliate,
845 or parent entity.

846 RESPONSE: Admitted.

847

848 Likewise, Global Illinois' responses to AT&T Illinois' Second Discovery question
849 numbers 28 and 31 in the District Court Proceeding provide further support for my
850 assertion that Global Illinois has no customers.

851 28. Identify by name and address all customers of Global that
852 have delivered to Global traffic that Global then delivered to
853 AT&T Illinois, and for each such customer identify (a) the date
854 when the customer first began delivering to Global traffic that
855 Global then delivered to AT&T Illinois, (b) whether the
856 customer currently delivers to Global traffic that Global then
857 delivers to AT&T Illinois, and (c), if the customer is not
858 currently delivering to Global traffic that Global then delivers
859 to AT&T Illinois, the date when the customer ceased delivering
860 such traffic.

861 ANSWER: Global NAPs Illinois, Inc. does not currently have
862 any customers. It has a working relationship with Global
863 NAPs Networks to exchange traffic between these two entities.

864

865 31. Explain the business relationship and identify all business
866 transactions and contracts (and produce copies of the contracts)
867 between Global Illinois and the entities identified in Global's
868 response to Interrogatory number 10.

869 ANSWER:

870 a. Global NAPs, Inc. provides a variety of services including
871 administration, management & legal. Further, Global
872 NAPs, Inc. is the contracting/sales party to all customers
873 exchanging traffic in Illinois.

874 b. ... Global NAPs Networks, Inc. is also the assignee of
875 customer contracts from Global NAPs Inc. whose
876 customers exchange traffic in Illinois.

877

878 **Q. DOES GLOBAL ILLINOIS HAVE ANY REVENUE?**

879 A. No. Since Global Illinois has no assets (other than its state certification) and it admittedly
880 has no customers, it has no mechanism to generate revenues.

881

882 **Q. DOES GLOBAL ILLINOIS HAVE ANY ABILITY TO PROVIDE LOCAL**
883 **EXCHANGE SERVICES?**

884 A. Given that Global Illinois has no assets and no employees, I do not see how it would be
885 able to provide any local exchange services.

886

887 **Q. HOW DO YOU EXPLAIN THE FACT THAT GLOBAL ILLINOIS IS**
888 **OPERATING A TELECOMMUNICATIONS BUSINESS IN ILLINOIS?**

889 A. It appears that Global Illinois operates its business (to the extent Global Illinois can be
890 said to have any business at all) via its uncertificated affiliate, Global Networks.
891 However, this is not an arms length arrangement – as demonstrated by the fact that
892 Global Illinois receives no revenues and as Global Illinois itself admits in its response to
893 AT&T Illinois First Interrogatories in this proceeding:³⁵

894 AT&T Illinois Request to Global Illinois No. 1-11:

895 Please identify all customers of Global Illinois to whom Global
896 Illinois provided any service at any time between July 2002 to
897 2007, and produce all contracts between Global Illinois and
898 customers of Global Illinois, entered into at any time between 2002
899 and 2007.

900 SUBJECT TO ITS GENERAL OBJECTIONS GLOBAL NAPS ILLINOIS, INC.
901 REPLIES AS FOLLOWS:

³⁵ First Interrogatories, Response No. 1-11.

902 Global NAPs Illinois, Inc. provides services to Global NAPs
903 Networks, Inc., an affiliated corporation. There are no written
904 contracts between these two entities. There are no other
905 contracts between Global NAPs, Illinois, Inc. and others
906 executed during the period between July, 2002 to 2007.

907

908 Similarly, Global Illinois responds to AT&T Illinois' Second Discovery question number
909 31 in the District Court Proceeding that there are no contracts between Global NAPs, Inc.
910 and its affiliates.

911 31. Explain the business relationship and identify all business
912 transactions and contracts (and produce copies of the contracts)
913 between Global Illinois and the entities identified in Global's
914 response to Interrogatory number 10.

915 ANSWER: Each of the listed entities are affiliates of Global
916 NAPs Illinois, Inc. To my knowledge and understanding, there
917 are no formal written contracts between these affiliates.

918

919 In responding to AT&T Illinois' additional discovery ("Additional Discovery") in the
920 District Court Proceeding, Global Illinois acknowledged that it does not have
921 documentation of the services it provides to Global Networks (¶ 12 pages 6-7):³⁶

922 Document Requests 48 and 55. In response to Request 48,
923 Global states that it "does not have customers specific to
924 Illinois, but serves Global NAPs Networks, Inc. in its provision
925 of services to regionally/nationally diverse customers including
926 customers located in Illinois." In response to Request 55,
927 Global refers to its response to request 48. Please produce all
928 documents that reflect, refer to, or relate to Global's provision
929 of services to Global NAPs Networks, Inc., or confirm that no
930 such documents exist.

931 RESPONSE: Global IL states that it offers
932 telecommunications services in Illinois. Upon information and

³⁶ Additional Discovery at ¶ 12, response numbers 48 and 55, May 14, 2007.

933 belief, Global IL states that there are no relevant documents
934 responsive to these requests.

935 Global Illinois' responses to AT&T Illinois' Additional Discovery are attached as
936 Schedule PHP-13.

937

938 **Q. ARE ANY OF GLOBAL ILLINOIS' AFFILIATES AUTHORIZED BY THE**
939 **COMMISSION TO PROVIDE TELECOMMUNICATIONS SERVICES IN**
940 **ILLINOIS?**

941 A. No.

942

943 **Q. ARE YOU FAMILIAR WITH THE ENTITY KNOWN AS GLOBAL NAPS, INC.?**

944 A. Yes.

945

946 **Q. WHAT IS THE RELATIONSHIP BETWEEN GLOBAL ILLINOIS AND**
947 **GLOBAL NAPS, INC.?**

948 A. Global Illinois and Global NAPS, Inc. are sister companies, under the direction and
949 control of Ferrous Miner, which is wholly owned and controlled by Frank Gangi.

950 According to publicly available corporation records, Global Illinois and Global NAPS,

951 Inc. share the same officers and directors, including Frank Gangi and his brother-in-law

952 Michael Couture. Both Global Illinois and Global NAPS, Inc. are certificated to provide

953 service (though in different states), and, as I explain, both appear to be "paper

954 companies" that incur liabilities by purchasing services from incumbent carriers like

955 AT&T Illinois, while the revenues earned in connection with the purchase of those
956 services are “assigned” to related companies.

957

958 **Q. DO YOU HAVE ANY INFORMATION ABOUT THE OPERATIONS OF**
959 **GLOBAL NAPs, INC. THAT PERTAIN TO THE ISSUES BEFORE THE**
960 **COMMISSION?**

961 A. Yes. Global NAPs, Inc.’s business practices were virtually identical to those of Global
962 Illinois in terms of using the services of incumbent local exchange carriers to transport,
963 terminate, and transit traffic while refusing to pay for those services. Global NAPs, Inc.
964 ordered and used (for several years) services provided by AT&T Connecticut, all the
965 while consistently refusing to pay a single penny for those services. AT&T Connecticut
966 brought a federal court lawsuit against Global NAPs, Inc. similar to the complaints that
967 AT&T Illinois filed with the Illinois federal district court and the Commission.³⁷ While
968 the specifics of AT&T Connecticut’s complaint vary somewhat in content from AT&T
969 Illinois’ complaints due to the parties’ particular interconnection arrangements and ICA
970 in Connecticut, Global NAPs, Inc.’s pattern of behavior is consistent with that exhibited
971 by Global Illinois. No matter the service provided by the terminating carrier, both Global
972 entities refused to pay for those services.

973

³⁷ Civil Action No. 03:04CV02075(JCH), *The Southern New England Telephone Company, Plaintiff, versus Global NAPs, Inc., et al, Defendants*, U.S. District Court, District of Connecticut (“CT Court Proceeding”). AT&T Connecticut is attempting to pierce the corporate veil to hold all Global entities and Ferrous Miner, the parent company, responsible for the actions that are the subject of that litigation.

974 **Q. PLEASE PROVIDE A BRIEF SYNOPSIS OF THE MOST RELEVANT ASPECTS**
975 **OF AT&T CONNECTICUT’S FEDERAL COURT LAWSUIT.**

976 A. On May 5, 2006, the Connecticut federal district court granted AT&T Connecticut a
977 prejudgment remedy (“PJR”) in the amount of \$5.25 million (“CT PJR Order”), in which
978 Global NAPs, Inc. (upon its representation to the Court that it would have no financial
979 problems posting a bond for that amount) was allowed to post a bond within 21 days.³⁸
980 Global NAPs, Inc. was also given 14 days (*i.e.*, until May 19, 2006) to disclose assets
981 sufficient to secure the remedy. When Global NAPs, Inc. did not post the bond, AT&T
982 Connecticut sought to attach Global NAPs, Inc.’s assets pursuant to the Court’s May 31,
983 2006 written PJR order. AT&T Connecticut’s efforts at attachment were fraught with
984 obstacles and delay of Global NAPs, Inc.’s making. Among other things, AT&T
985 Connecticut learned that Global NAPs, Inc. had no customers – it purportedly had
986 transferred any customers it once had to Global Networks, without any documentation or
987 compensation – and that it had very little network assets, with many of the network assets
988 in Connecticut purportedly being owned by a “one man” Canadian company (whose sole
989 owner, officer, and employee is a food caterer at the Omni Montreal hotel and a long-
990 time personal friend of Frank Gangi) and all of the network assets outside of Connecticut
991 purportedly being owned by Global Networks (after being transferred from Global NAPs,
992 Inc. to Global Networks without documentation or compensation). On December 22,
993 2006, AT&T Connecticut filed a motion for contempt and sanctions against Global
994 NAPs, Inc. for its failure to comply with the Connecticut federal district court’s orders.

³⁸ CT PJR Order at 16-22.

995 The court granted AT&T Connecticut's motion for civil contempt on July 9, 2007 ("CT
996 Contempt Order") and awarded AT&T Connecticut the reasonable costs of bringing the
997 contempt action, including attorneys' fees. The CT Contempt Order is attached as
998 Schedule PHP-14.

999
1000 Regarding the merits of AT&T Connecticut's special access service (DS3 and DS1)
1001 claims against Global NAPs, Inc., on March 27, 2007 the Connecticut federal district
1002 court granted AT&T Connecticut's motion for partial summary judgment with respect to
1003 21 of the 26 special access services at issue. On April 21, 2008, the court calculated the
1004 damages owed by Global NAPS, Inc. to AT&T Connecticut at just under \$5.25 million.
1005 Since Global NAPs, Inc. has, to date, been either unwilling or unable to pay AT&T
1006 Connecticut that which it has been ordered to pay, AT&T Connecticut continues its
1007 efforts to pierce the corporate veil to gain access to the funds of Ferrous Miner and its
1008 myriad Global subsidiaries – wherever they may be located.

1009

1010 **Q. IS AT&T CONNECTICUT STILL PROVIDING SERVICES TO GLOBAL NAPs,**
1011 **INC.?**

1012 A. No. AT&T Connecticut discontinued its provision of services to Global NAPs, Inc. in
1013 November 2006.

1014

1015 **Q. DO YOU HAVE ANY INFORMATION ABOUT THE OPERATIONS OF**
1016 **GLOBAL CALIFORNIA THAT PERTAIN TO THE ISSUES BEFORE THE**
1017 **COMMISSION?**

1018 A. Yes. Global California’s business practices were virtually identical to those of Global
1019 Illinois and Global NAPs, Inc. Global California used services provided by AT&T
1020 California, including switched access (transport and termination of intraLATA toll
1021 traffic), transport and termination of local traffic, and transiting service – but consistently
1022 refused to pay a single penny for those services. AT&T California brought actions
1023 against Global California similar to the complaints AT&T Illinois filed with the Illinois
1024 federal district court and the Commission. Cox California Telecom LLC (“Cox
1025 California”) was subjected to a similar “refusal to pay” experience with Global California
1026 and took the matter to the California Public Utility Commission (“CPUC”) for resolution.

1027

1028 **Q. VERY BRIEFLY, PLEASE DESCRIBE THE RESULT OF COX CALIFORNIA’S**
1029 **COMPLAINT AGAINST GLOBAL CALIFORNIA.**

1030 A. Cox California brought a complaint against Global California for failure to pay for
1031 termination of intraLATA toll calls, which was filed April 28, 2006.³⁹ On January 11,
1032 2007, the CPUC granted Cox California’s motion for summary judgment and ordered
1033 Global California to pay Cox California nearly a million dollars, plus interest (“CPUC
1034 Decision 07-01-004”). CPUC Decision 07-01-004 is attached as Schedule PHP-15.
1035 Despite the CPUC’s order, Global California still did not pay Cox. On April 12, 2007,
1036 the CPUC ordered Global California to supplement the record (“Supplemental Record
1037 Order”) with information regarding where its creditors could go for satisfaction. The

³⁹ California Case No. 06-04-026, *In the Matter of Cox California Telecom LLC (U-5864-C), Complainant, versus Global NAPs California, Inc. (U-6449-C), Defendant.* (“Cox California Complaint”)

1038 Supplemental Record Order is provided as Schedule PHP-16. Set forth on pages 1-2 of
1039 the Supplemental Record Order is the following significant background information:

1040 On April 9, 2007, GNCI appeared through counsel at the show
1041 cause hearing and introduced an affidavit from Richard Gangi,
1042 identified as the Treasurer of GNCI, which states that GNCI
1043 has no liquid assets, no offices, no real or personal property
1044 and no bank accounts in California. Gangi's affidavit also
1045 states, in numbered paragraph 4:

1046
1047 4. On January 12, 2007, Global NAPS California, Inc. did not
1048 have sufficient cash or other capital on hand to pay the amount
1049 required by [Decision D.07-01-004]. At no time between
1050 January 12, 2007 and the date of this declaration has Global
1051 NAPS California, Inc. had sufficient cash or other capital on
1052 hand to pay the amount required by the Decision. (Brackets in
1053 original.)

1054

1055 **Q. HOW IS THIS RELEVANT TO AT&T ILLINOIS' COMPLAINT AGAINST**
1056 **GLOBAL ILLINOIS?**

1057 A. The acknowledgement of Global California's treasurer (who also was Global Illinois'
1058 treasurer until his death on May 26, 2007) that Global California was unable to pay Cox
1059 California as ordered by the CPUC is particularly relevant because Global Illinois is
1060 exactly the same type of entity as Global California. Neither company has any assets or
1061 cash upon which a creditor can rely to satisfy a financial judgment. Global Illinois and
1062 Global California are identically situated – they are sister companies (under control and
1063 direction of the same parent, Ferrous Miner) with no assets other than their state
1064 certifications. The certificated company incurs the liabilities, while another corporate
1065 entity enjoys the revenues.

1066

1067 **Q. WHAT IS THE STATUS OF GLOBAL CALIFORNIA’S CERTIFICATION?**

1068 A. Global California’s certification is suspended indefinitely. The CPUC’s February 14,
1069 2008 letter, attached as Schedule PHP-17, provides the CPUC’s synopsis regarding the
1070 status of Global California’s certification and the CPUC’s directives to other carriers to
1071 cease exchanging traffic with Global California. AT&T California discontinued
1072 exchanging traffic with Global California on March 16, 2008 and has since terminated
1073 Global California’s ICA.

1074

1075 **Q. DO YOU HAVE ANY INFORMATION ABOUT THE OPERATIONS OF**
1076 **GLOBAL ENTITIES IN OTHER STATES THAT PERTAINS TO THE ISSUES**
1077 **BEFORE THE COMMISSION?**

1078 A. Yes. Global’s state certificated entities all exhibit the identical behavior – they receive
1079 services from AT&T’s incumbent LECs and other facilities-based local exchange
1080 companies and refuse to pay for them. On June 30, 2006, AT&T Ohio filed a civil
1081 complaint (later amended) against Global Ohio for non-payment.⁴⁰ And while the Ohio
1082 court dismissed the breach of ICA claims on the ground that AT&T Ohio first needed to
1083 exhaust its administrative remedies with the Ohio PUC, the remaining claims are still
1084 pending before the court.

1085

1086 In Florida, Georgia, and North Carolina, the AT&T ILECs of BellSouth
1087 Telecommunications, Inc. (“BellSouth”) provided services to certificated Global entities

1088 in those states for which the Global entities refused to pay. BellSouth indicated that it
1089 would terminate services if Global did not pay the charges due under contract. In
1090 response, Global filed a complaint in court, and BellSouth counter-claimed for breach of
1091 contract.⁴¹ On September 20, 2007, the court granted BellSouth's motion for summary
1092 judgment regarding the validity of the agreements and the types of charges for which the
1093 Global entities were liable. The BellSouth incumbent LECs discontinued service to
1094 Global in all three states by November 2007 pursuant to the ICAs' terms.

1095

1096 **Q. ARE YOU AWARE OF OTHER INCUMBENT LOCAL EXCHANGE CARRIERS**
1097 **(“ILECS”) WITH SIMILAR EXPERIENCES WITH GLOBAL ENTITIES?**

1098 A. Yes. For example, on November 15, 2005, independent ILECs in Georgia brought a
1099 claim against Global NAPs, Inc. to the state commission for non-payment of intrastate
1100 switched access charges.⁴² On April 8, 2008, the Georgia commission rendered its initial
1101 decision in favor of the independent ILECs, which is attached as Schedule PHP-18. On
1102 May 7, 2008, Global NAPs, Inc. applied for review of that initial decision, which review
1103 is pending at the Georgia commission.

1104

⁴⁰ Case No. 06 CV 549, U.S. District Court for the Southern District of Ohio, In the Matter of *The Ohio Bell Telephone Company, Inc., Plaintiff, versus Global NAPs Ohio, Inc., Defendant.*

⁴¹ Case No. 5:04-CV-96-BO(1), U.S. District Court for the Eastern District of North Carolina, In the Matter of *Global NAPs North Carolina, Inc., Global NAPs Georgia, Inc., and Global NAPs South, Inc., Plaintiffs, versus BellSouth Telecommunications, Inc., Defendant.*

⁴² Docket No. 21905-U, In the Matter of *Request for Expedited Declaratory Ruling as to the Applicability of Intrastate Access Tariffs of Blue Ridge Telephone Company, Citizens Telephone Company, Plant Telephone Company, and Waverly Hall Telephone LLC to the Traffic Delivered to them by Global NAPs, Inc.*

1105 Similarly, Verizon brought claims against various Global entities in federal court in
1106 Massachusetts and New York seeking to collect assorted charges the Global entities have
1107 refused to pay. The Massachusetts federal court, in Case No. 02-12489, granted Verizon
1108 a prejudgment remedy of approximately \$70 million, which remains unsatisfied. Verizon
1109 also has brought claims seeking to reach the assets of affiliated Global entities in order to
1110 recover the amounts due Verizon.

1111
1112 In addition, Frank Gangi, the President and ultimate sole owner of all the Global entities
1113 including Global Illinois, has a documented history of using sham corporations to engage
1114 in corporate dishonesty. In a prior action in the United States District Court for the
1115 Central District of California, the Court found that another Frank Gangi corporation,
1116 called CINEF/X, was a sham: “Gangi and CINEF/X perpetuated a fraud on the Court by
1117 misleading the Court about the bona fides of CINEF/X. Gangi and CINEF/X obstructed
1118 justice by manufacturing witnesses and evidence Finally, Mr. Gangi has perjured
1119 himself to conceal his scheme.” August 31, 1995 Order in *CINEF/X, Inc. v. Digital*
1120 *Equipment Corp.*, No. CV 94-4433 SVW (JRx) at 31-32. The Ninth Circuit upheld the
1121 district court’s imposition of sanctions for this fraud.

1122

1123 **Q. WHY IS IT APPROPRIATE FOR THE COMMISSION TO CONSIDER THE**
1124 **ACTIONS OF GLOBAL ILLINOIS’ AFFILIATES IN OTHER STATES?**

1125 A. As I stated, the same people – most importantly, Frank Gangi – that are behind these
1126 other companies are behind Global Illinois. Their business practices in other states
1127 directly pertain to whether Global Illinois has the requisite managerial resources and

1128 abilities to remain certificated. There is every reason to believe that the modus operandi
1129 of the Ferrous Miner family of Global companies is the same in every state. This is
1130 shown by the consistent pattern and practice in each state of refusing to pay the bills of
1131 other carriers providing service, and using every means imaginable to avoid paying these
1132 bills.

1133

1134 **Q. IS GLOBAL ILLINOIS' REFUSAL TO PAY ITS BILLS IN THE PUBLIC**
1135 **INTEREST?**

1136 A. No. Global Illinois' use of AT&T Illinois' services while consistently refusing to pay for
1137 them causes harm in numerous ways. Global Illinois has been enjoying a free ride on
1138 AT&T Illinois' network for several years, at the expense of AT&T Illinois, which must
1139 attempt to spread that cost over AT&T Illinois' own customers or bear the cost itself.
1140 And while AT&T Illinois has been forced to subsidize Global Illinois' business
1141 operation, other carriers pay for the services they receive from AT&T Illinois, giving
1142 Global Illinois an unfair and undeserved competitive advantage over other carriers, which
1143 distorts the market and harms competition. By harming AT&T Illinois through its cost
1144 shifting schemes, by harming competition in Illinois generally, and by operating its
1145 business in a way that generates no revenues and therefore evades payment of state
1146 telecommunications taxes, Global Illinois has harmed and continues to harm the public.

1147

1148 **Q. WHAT IS YOUR RECOMMENDATION FOR THE COMMISSION**
1149 **REGARDING GLOBAL ILLINOIS' CERTIFICATION?**

1150 A. Global Illinois no longer possesses the requisite technical, financial and managerial
1151 resources and abilities to provide facilities-based local exchange services (if it ever did in
1152 the first place). Accordingly, I recommend that the Commission revoke the
1153 telecommunications service authority it provided to Global Illinois in its Certification
1154 Order of October 24, 2001.

1155

1156 **IX. CONCLUSION**

1157

1158 **Q. BASED ON YOUR TESTIMONY AND THE TESTIMONY OF THE OTHER**
1159 **AT&T ILLINOIS WITNESSES, WHAT ACTION DO YOU RECOMMEND THE**
1160 **COMMISSION TAKE ON AT&T ILLINOIS' COMPLAINT AGAINST GLOBAL**
1161 **ILLINOIS FOR ICA AND TARIFF VIOLATIONS AND FOR FAILURE TO**
1162 **SATISFY THE REQUIREMENTS OF ITS CERTIFICATION?**

1163 A. I recommend that the Commission issue an order finding that Global Illinois has violated
1164 its obligations:

- 1165 i) under AT&T Illinois' state tariff by refusing to pay for DS3 special access
1166 services;
- 1167 ii) under the state tariff and the parties' ICA by refusing to pay intrastate
1168 switched access charges for intraLATA toll traffic delivered to AT&T Illinois
1169 for completion;
- 1170 iii) and breached the ICA by refusing to pay for reciprocal compensation for local
1171 traffic delivered to AT&T Illinois for completion;
- 1172 iv) and breached the ICA by refusing to pay for transiting service provided by
1173 AT&T Illinois.

1174 I also recommend the Commission find that Global Illinois owes AT&T Illinois the
1175 amounts billed for these services, plus late payment charges.

1176

1177 Additionally, I recommend the Commission rule that Global Illinois no longer possesses

1178 the requisite technical, financial and managerial resources and abilities to hold its

1179 certificates of telecommunications service authority issued under Sections 13-403,

1180 13-404, and 13-405 of the Illinois Public Utilities Act and that the Commission take

1181 appropriate steps to revoke Global Illinois' certification.

1182

1183 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

1184 **A. Yes.**