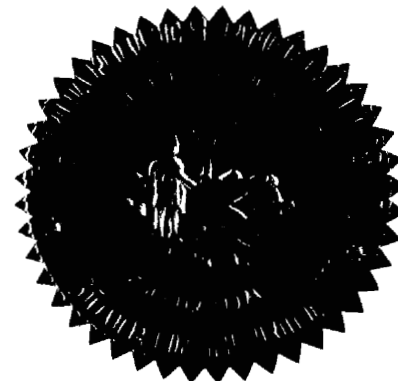


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020129-TP

In the Matter of

JOINT PETITION OF US LEC OF FLORIDA,
INC., TIME WARNER TELECOM OF FLORIDA,
L.P., AND ITC^DELTACOM COMMUNICATIONS
OBJECTING TO AND REQUESTING SUSPENSION
OF PROPOSED CCS7 ACCESS ARRANGEMENT
TARIFF FILED BY BELLSOUTH
TELECOMMUNICATIONS, INC.



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VOLUME 1
Pages 1 through 171

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI
COMMISSIONER RUDOLPH "RUDY" BRADLEY

DATE: Tuesday, September 10, 2002

TIME: Commenced at 9:30 a.m.
Concluded at 5:04 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
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22

23

24

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I N D E X

OPENING STATEMENTS

	PAGE NO.
BY MR. McDONNELL	12
BY MR. TURNER	18

WITNESSES

NAME:	PAGE NO.
STEVE BROWNSWORTH	
Direct Examination by Ms. Edwards	28
Prefiled Direct Testimony Inserted	32
Prefiled Rebuttal Testimony Inserted	48
Cross Examination by Mr. Turner	63
Redirect Examination by Ms. Edwards	113
WANDA MONTANO	
Stipulated Prefiled Direct Testimony Inserted	128
Stipulated Prefiled Rebuttal Testimony Inserted	138
MARK ARGENBRIGHT	
Stipulated Prefiled Direct Testimony Inserted	146
Stipulated Prefiled Rebuttal Testimony Inserted	158

EXHIBITS

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	NUMBER:		ID.	ADMTD.
	1	Document 09047-02, 09054-02, Stipulated Exhibit 3, Stipulated Exhibit 4, Stipulated Exhibit 5, and Stipulated Exhibit 6	11	11
	2	Documents 09459-02, 09460-02, 09461-02, 09462-02, 09463-02, 09465-02, 09457-02, and 09541-02	11	11
	3	September 4th, 2002 deposition transcript of Mark E. Argenbright	11	11
	4	BellSouth responses to ITC's first set of interrogatories and first set of production of documents	27	27
	5	SB-1 Through SB-4	30	126
	6	SB-5 Through SB-7	31	126
	7	IXC and ITC-D Routing Calls Via BellSouth Tandem, Diagram A	68	126
	8	Diagram B	68	126
	9	Diagram C	68	126
	10	Diagram D	68	126
	11	WGM-1 and WGM-2	127	127
	12	MA-1 and MA-2	144	144
	13	(Confidential) MA-1	145	145
		CERTIFICATE OF REPORTER		171

P R O C E E D I N G S

1
2 CHAIRMAN JABER: Let's go ahead and get started with
3 this hearing.

4 Staff, you have a notice to read.

5 MR. TEITZMAN: Pursuant to notice issued August 1st,
6 2002, this time and place has been set for a hearing in Docket
7 Number 020129-TP, joint petition of US LEC of Florida, Inc.,
8 Time Warner Telecom of Florida, L.P., and ITC^DeltaCom
9 Communications, objecting to and requesting suspension of
10 proposed CCS7 access arrangement tariff filed by BellSouth
11 Telecommunications, Inc.

12 CHAIRMAN JABER: Thank you, Mr. Teitzman. Let's take
13 appearances.

14 MR. TURNER: Madam Chair, I am Patrick Turner
15 representing BellSouth.

16 CHAIRMAN JABER: State your name again.

17 MR. TURNER: Patrick Turner.

18 CHAIRMAN JABER: Mr. Turner, where is Ms. White this
19 morning?

20 MR. TURNER: She had some things come up, but she is
21 here in spirit.

22 CHAIRMAN JABER: I don't feel her here. (Laughter.)

23 MR. TURNER: I hope I don't have to.

24 CHAIRMAN JABER: You can take that any way you want.

25 MR. McDONNELL: I am Marty McDonnell. I am here on

1 behalf of US LEC of Florida and Time Warner Telecom of Florida,
2 L.P. And with me on behalf of Time Warner is Karen Camechis.

3 MS. EDWARDS: My name is Nanette Edwards. I am here
4 on behalf of ITC^DeltaCom Communications, Inc.

5 MS. McNULTY: Donna McNulty appearing on behalf of
6 WorldCom, Inc.

7 MR. TEITZMAN: Adam Teitzman and Patty Christensen on
8 behalf of the Commission.

9 CHAIRMAN JABER: The ITC^DeltaCom attorney, give me
10 your name one more time.

11 MS. EDWARDS: Nanette, N-A-N-E-T-T-E, Edwards,
12 E-D-W-A-R-D-S.

13 CHAIRMAN JABER: Thank you. Okay.

14 Staff, do we have preliminary matters to take up this
15 morning?

16 MR. TEITZMAN: Yes. First, the parties have agreed
17 to stipulate the testimony of MCI WorldCom witness Mark E.
18 Argenbright, and US LEC witness Wanda Montano, and that would
19 include the direct and rebuttal testimony.

20 CHAIRMAN JABER: All right. Anything else? At the
21 appropriate time we will insert their testimonies into the
22 record.

23 COMMISSIONER DEASON: I'm sorry, what was --

24 CHAIRMAN JABER: Argenbright, direct and rebuttal,
25 and Montano.

1 MR. TEITZMAN: Yes. BellSouth witness Greg
2 Follensbee will be adopting the direct and rebuttal testimony
3 of BellSouth witness John Ruscilli. Mr. Ruscilli will not be
4 appearing at this hearing.

5 CHAIRMAN JABER: Okay. What else?

6 MR. TEITZMAN: I would just like to remind the
7 parties that there are several confidential documents that will
8 be used today at the hearing. Some of these have been noticed
9 as intent to request confidential classification, others have
10 been entered as claims of confidential treatment, and that
11 anything used at hearing today will need a request for
12 confidential classification filed within 21 days to retain its
13 confidentiality.

14 CHAIRMAN JABER: Okay. Parties are on notice and
15 reminded with regard to the Commission's practice on
16 confidential documents. You are to distribute those documents
17 with the red folders and make sure that during cross
18 examination you don't inadvertently reveal what is in the
19 confidential documents. And with respect to the appropriate
20 follow-up, as staff counsel just indicated, you will have ten
21 days to file a request for confidential classification for the
22 information that was used today.

23 MS. McNULTY: Is that 21 days or ten days?

24 CHAIRMAN JABER: Did you say ten days?

25 MR. TEITZMAN: It's 21 days.

1 CHAIRMAN JABER: Thank you, Ms. McNulty.

2 MS. McNULTY: Thank you.

3 CHAIRMAN JABER: Okay. Staff counsel, what is next?

4 MR. TEITZMAN: Yes. I would also like to note that

5 US LEC, ITC^DeltaCom, Time Warner Telecom, and MCI WorldCom

6 filed a notice of intent to utilize proprietary and

7 confidential information, and that the notice covered

8 BellSouth's response to ITC DeltaCom's first request for

9 production of documents.

10 CHAIRMAN JABER: Go ahead.

11 MR. TEITZMAN: I believe that is all for the

12 preliminary matters.

13 CHAIRMAN JABER: Okay. Now, with respect to staff's
14 stipulated exhibits, have you distributed the list of exhibits?

15 MR. TEITZMAN: No, I haven't, but I can do that. I
16 do have copies of the list.

17 CHAIRMAN JABER: I would like that, because I think
18 for the sake of efficiency we will just go through your first
19 15 stipulated exhibits and mark them accordingly.

20 MR. TEITZMAN: Ms. Christensen will pass them out.

21 CHAIRMAN JABER: And do the parties still intend to
22 do opening statements?

23 MR. McDONNELL: Yes, Madam Chairman.

24 CHAIRMAN JABER: And what was agreed upon at the
25 prehearing conference, ten minutes per side or per party? Per

1 party.

2 MR. McDONNELL: Yes.

3 CHAIRMAN JABER: Is that correct, staff?

4 MR. TEITZMAN: That is correct.

5 MS. McNULTY: And, Chairman Jaber, just for your
6 edification, the ALECs have combined, so it is just ten minutes
7 per ALEC side.

8 CHAIRMAN JABER: Thank you, Ms. McNulty, that is
9 great. And you also agreed that direct and rebuttal would be
10 taken up at the same time?

11 MR. TEITZMAN: That is correct.

12 CHAIRMAN JABER: Now that everyone has this list,
13 staff.

14 MR. TEITZMAN: Staff has 15 stipulated exhibits on
15 this list. However, we would recommend that they be divided
16 into two composite exhibits. One would consist of all
17 responses to staff's discovery requests, the second composite
18 exhibit would consist of the depositions, including their
19 late-filed deposition exhibits.

20 CHAIRMAN JABER: It looks like the first six items
21 could be a composite exhibit, is that what you are suggesting?

22 MR. TEITZMAN: Yes, that is correct.

23 CHAIRMAN JABER: Okay. Let's indicate for purposes
24 of the record that Document 09047-02, 09054-02, Stipulated
25 Exhibit 3, Stipulated Exhibit 4, Stipulated Exhibit 5, and

1 Stipulated Exhibit 6 are identified as Composite Exhibit 1.
2 And, Staff, what I will ask is that you give this list to the
3 court reporter.

4 MR. TEITZMAN: I believe she already has a copy.

5 CHAIRMAN JABER: Okay. Documents 09459-02, 09460-02,
6 09461-02, 09462-02, 09463-02, 09465-02, 09457-02, and 09541-02
7 are identified as Composite Exhibit 2. Did the parties have
8 additional exhibits via stipulation that can be identified for
9 now?

10 MR. TURNER: Madam Chair, Patrick Turner. I believe
11 this is consistent with conversations between staff and
12 WorldCom's counsel. There is one additional deposition, that
13 of Mark Argenbright, that we would like to put into the record,
14 and I don't believe there is any objection. I have no
15 preference on how to do that, but I just wanted to advise you
16 that we do have copies here in the red folders and at your
17 leisure, however you suggest we put it in we will do.

18 CHAIRMAN JABER: I don't see any objection to the
19 identification of Mr. Argenbright's deposition exhibit being
20 identified as a hearing exhibit. Do you have the date of that
21 deposition?

22 MR. TEITZMAN: September 4th.

23 CHAIRMAN JABER: Okay. The September 4th, 2002
24 deposition transcript of Mark E. Argenbright will be identified
25 as Exhibit 3.

1 MS. McNULTY: Thank you, Chairman Jaber.

2 CHAIRMAN JABER: Anything else with respect to
3 exhibits?

4 MR. McDONNELL: Madam Chair, there are a number of
5 BellSouth discovery responses to ITC^DeltaCom that ITC^DeltaCom
6 and the other parties may wish to utilize at the hearing. I'm
7 not sure if we have a stipulation regarding their
8 admissibility, but for the purposes of the hearing we will be
9 using those.

10 CHAIRMAN JABER: Do you have a stipulation with
11 respect to identifying those exhibits now and getting that out
12 of the way, or do you need to discuss it further?

13 MR. TURNER: I haven't had a chance to talk about it,
14 but I'm sure we can come up with something fairly quickly.

15 CHAIRMAN JABER: Okay. Let's start with opening
16 statements. Let's get the first witness on the stand and at
17 the break you all talk about those exhibits a little bit
18 further.

19 MR. McDONNELL: Fine.

20 CHAIRMAN JABER: Let's go ahead and admit Exhibits 1
21 through 3 into the record.

22 (Exhibits 1 through 3 marked for identification and
23 admitted into the record.)

24 CHAIRMAN JABER: Staff, that takes us to opening
25 statements, correct?

1 MR. TEITZMAN: That is correct.

2 CHAIRMAN JABER: Okay. And, Ms. McNulty, you just
3 represented that you have combined your statements. I would
4 note that this is your petition, it's probably appropriate for
5 you all to go first.

6 MR. McDONNELL: That would be fine.

7 CHAIRMAN JABER: Go ahead, Mr. McDonnell.

8 MR. McDONNELL: Thank you, Madam Chair. Thank you,
9 Donna.

10 Members of the Commission, as I stated earlier, my
11 name is Marty McDonnell. I am here on behalf of US LEC and
12 Time Warner Telecom of Florida in petitioning this Commission
13 to cancel the CCS7 access arrangement tariff filed by BellSouth
14 that is currently in effect. Counsel for ITC^DeltaCom and MCI
15 WorldCom have been gracious enough to allow me to present the
16 opening statement to the Commission on behalf of all
17 petitioners as we are similarly situated regarding this tariff;
18 that is, we as ALECs and IXC's in Florida are suffering
19 significant irreparable financial hardship as a result of
20 BellSouth's imposition of this tariff, and the reasons are
21 three.

22 It is our position, first, that Florida Statute
23 Section 364.163 precludes BellSouth from raising access rates
24 such as they have done in the instant tariff. Number two, this
25 tariff as implemented is discriminatory, is unjust, and is not

1 reasonable. The basis for that is, as I believe the Commission
2 is going to hear, that BellSouth has unilaterally decided not
3 to bill independent local exchange companies for this tariff.
4 Additionally, BellSouth has unilaterally decided to only bill
5 wireless carriers 50 percent of the charges that they owe under
6 this tariff. Nonetheless, it is BellSouth's position that the
7 ALECs and IXCs in Florida be required to pay 100 percent of the
8 tariffed rates and will not agree to a bill and keep situation.

9 We continue to believe that the Commission staff
10 correctly concluded that this tariff violates Section
11 364.163(2), Florida Statutes. That is before BellSouth could
12 increase rates for any specific network access service, two
13 things must happen. First, the mandated cap on BellSouth's
14 rates for network access service must have expired and, I
15 believe this the dispute, the mandated cap -- excuse me,
16 BellSouth's intrastate switched access rates must have reached
17 parity with its interstate switched access rates. Both
18 requirements must be met before there can be an increase in any
19 specific switched access service rate in Florida.

20 There is no dispute BellSouth has met the first
21 requirement because the rate caps were terminated on January 1,
22 2001. BellSouth, however, has failed to meet the second
23 requirement that provides that BellSouth's intrastate switched
24 access rates reach parity with interstate rates. BellSouth
25 will argue that it reached parity before the statute was

1 amended and, therefore, it should be allowed to go forward with
2 this rate increase. It is our understanding that BellSouth's
3 argument is that it reached parity in 1994.

4 BellSouth's interpretation of the statute is
5 inconsistent with the plain reading of the statute and clearly
6 inconsistent with the legislative intent of the amendment which
7 is applicable to all companies subject to this section,
8 including BellSouth. This legal issue will be addressed in
9 significantly greater detail in our post-hearing briefs. I
10 don't anticipate that it would be an issue that would take up a
11 lot of the Commission's time today, however, I think it is
12 important that the Commission understand that the petitioners
13 are not receding from their petition that this tariff violates
14 Florida law.

15 I believe in order to discuss the other aspects of
16 this tariff it is important that the Commission understand how
17 the CCS7 network operates. To give a brief overview, I would
18 like to utilize an exhibit that was prepared by Mr. Greg
19 Follensbee on behalf of BellSouth in support of his rebuttal
20 testimony to explain the methodology of the SS7 network.

21 If I may, Madam Chair.

22 CHAIRMAN JABER: Sure.

23 MR. McDONNELL: This, as I stated, is an exhibit to
24 Mr. Follensbee's rebuttal testimony, and it is GRF-1. As an
25 overview, and I'm not going to try and talk too much about it,

1 but just for the Commission's edification, as an overview the
2 voice messages go over one line, and the CCS7 messages go over
3 a separate line. And the CCS messages are two types: ISUP,
4 which are basically set up messages for the call to make sure
5 the system is clear, originate the call, and terminate the
6 call, and the other set of messages are called TCAP messages.

7 What I would like to talk about a little bit is the
8 I-S-U-P, or ISUP messages. Prior to this tariff going into
9 effect, every company that interconnected with BellSouth had
10 their own STP. The STP is the link between the CCS7 network of
11 the interconnecting carrier and the interconnecting network of
12 BellSouth; that is, the signals go back and forth regarding the
13 origination and termination of the call, et cetera. Back and
14 forth between the STP of BellSouth and the STP in this example
15 of ITC^DeltaCom.

16 And it doesn't matter who originated the call because
17 the STPs are communicating much like a conversation. To put it
18 simply, is the line open; yes, the line is open. Is that the
19 right number; yes, that is the right number. Is it an 800
20 number? For call waiting it might have to dip in to find out
21 the identification of the calling party. But they work in
22 concert, and for the most part every message going one way will
23 be returned, because it is a question and answer. Not in a
24 voice manner, but in a computer manner.

25 Prior to BellSouth implementing the billing for this

1 system, each and every carrier in Florida handled it on a bill
2 and keep basis; that is, ITC^DeltaCom and the other ALECs and
3 IXC's built their own STP, BellSouth built their own STP. And
4 because every party was required to have an STP and they all
5 communicated with each other, basically offsetting each other
6 financially, it was bill and keep.

7 Earlier this year, BellSouth filed the instant
8 tariff. And what BellSouth has done is implemented -- it is
9 labeled here LMS. It is called the Agilent Link Monitoring
10 System. And what this systems allows BellSouth to do is now
11 count the messages that come from our STPs to their STPs. And
12 they count them in both directions; that is, a message from our
13 STP to BellSouth's STP is now counted. A message back from
14 BellSouth's STP to our STP is now counted. Each and every
15 message is now billed to the ALECs and IXC's in the State of
16 Florida.

17 BellSouth, I believe the testimony is going to show,
18 does not bill ILECs any per message charge for the ILEC's use
19 of the SS7 network, even though BellSouth does the identical
20 work for the ILECs that they do for the ALECs and the IXC's, and
21 even though the ILECs set up their own STPs identical to the
22 STPs set up by the ALECs and IXC's. And, additionally, I
23 believe the evidence is going to show that BellSouth bills
24 wireless carriers at 50 percent of the tariffed rate. We
25 submit that is discriminatory, that is unjust, and unreasonable

1 to treat the ALECs and IXC's in that manner.

2 Additionally, in its filing BellSouth asserted to the
3 Commission that this tariff will be revenue neutral. That is,
4 BellSouth set forth a reduced local switching rate which they
5 stated was in place to offset the additional revenues that
6 their new system was going to generate for them. The evidence
7 will show that the revenues generated by BellSouth's tariff
8 far, far, far outweigh the reductions in their local switching
9 rate. And, in fact, BellSouth is recognizing significantly
10 more revenue than they have put in this filing. They are
11 also -- the numbers are proprietary and I'm not going to say
12 anything in public about them. Hopefully they will come to the
13 Commission's attention before the end of this hearing.

14 Finally, the invoices that BellSouth sends to the
15 ALECs and IXC's for the SS7 are so lacking in detail that the
16 ILECs and IXC's are unable to pass those costs through to their
17 end users, so the bills that BellSouth sends to the ALECs and
18 IXC's are, in effect, stuck on the ALECs' and IXC's' lap. We
19 have asked for billing details sufficient to pass the costs
20 through, we are unable to get that from BellSouth.

21 Additionally, this Agilent Link Monitoring System
22 which is an absolutely prerequisite for BellSouth imposing this
23 new tariff on the ALECs and IXC's, is prohibitively expensive
24 for anybody who doesn't have economies of scale like BellSouth.
25 So not only are the ALECs and IXC's precluded from passing it on

1 to their customers, they are also precluded from setting up
2 their own system to basically bill BellSouth back for the same
3 thing BellSouth is billing the ALECs and IXC's. And for those
4 foregoing reasons we are asking the Commission to cancel this
5 tariff. Thank you.

6 COMMISSIONER DEASON: Mr. Turner.

7 MR. TURNER: Thank you. Commissioners, I am Patrick
8 Turner and I represent BellSouth. The tariff that is before
9 you today addresses the CCS7 network or the signaling network.
10 Sometimes it is called the SS7 network. Now, that is a network
11 that is separate from the voice or data network. As Mr.
12 McDonnell just said, the voice and data travel over one path,
13 the signals travel over another path.

14 I found that it helps me think about this if I think
15 in terms of the SS7 network as being sort of the air traffic
16 controller of the telecommunications segment. And let me
17 explain what I mean by that. Air traffic controllers don't fly
18 the planes, they don't put people on the planes, or do anything
19 like that, but they sit over here, they watch where the planes
20 are going, they say you go here, you go there, and they make
21 sure everybody gets where they are supposed to be safely.

22 That is sort of what our CCS7 network does. It sits
23 off to the side. When a call gets set up, it talks to our
24 voice network. It says here is the path I want you to send
25 that call over. Some other things it does is there is an 800

1 number, for example. You have to translate that into a regular
2 telephone number with an area code and an NXX and an XXX.

3 Well, the signaling network takes that 800 number, it sends a
4 query to a database and says I want you to take this 800 number
5 and change it to a number I can use to set this call up. It
6 gets it back and it says, okay, I know the number now. Let me
7 look and see how I'm going to do this. And it sets up a voice
8 path. And as Mr. McDonnell says, there are some messages going
9 back and forth to get that voice path set up.

10 And one thing about it is the beauty of it is it
11 doesn't use the actual voice transmission facilities while it
12 is doing this. See, before we had SS7 what would happen is you
13 would have to set up an actual voice path and the signaling
14 would go across that trunk. Now it might take eight seconds,
15 and in one call that is no big deal, but when you multiply that
16 by every single telephone call that is going on across the
17 entire country, that is an awful lot of voice paths being tied
18 up for this. So you have got this separate network that does
19 all of that on the front end before you ever establish that
20 voice path and make it busy.

21 Now, when the call is over, the SS7 network says
22 okay, we are finished, release the voice path and let's make it
23 clear for somebody else. At a real high level, that is what
24 happens. Now we are going to walk through with some of these
25 witnesses in more detail exactly what is an A-Link, what is a

1 B-Link, what is a STP, but basically at a high level that is
2 what the signaling network is doing.

3 Now, most calls today are put over this SS7 network.
4 Some aren't. Some are still used with the voice the way I said
5 earlier. But for the most part, we are using SS7. Now, like I
6 said, when a plane is flying from one location to another, it
7 may go through a series of air traffic control stations. This
8 one will say, okay, I'm handing you off now to the next air
9 traffic controller, listen to him. He will tell them where to
10 go and then they will hand off to the next. And it keeps going
11 until the plane lands.

12 Much the same thing happens in the signaling network.
13 A call starts out, one STP, which is one of the computers that
14 Mr. McDonnell mentioned, might start that call. It might be an
15 IXC's STP. It might hand that call off to a BellSouth STP,
16 which in turn may turn around and hand it off to a DeltaCom
17 STP. The point is all three of those STPs are providing a very
18 important function of telling that call where to go and how to
19 set up. And if it didn't perform that function, as you will
20 hear today, the signal wouldn't go through, the call wouldn't
21 get set up, and nobody could talk to anybody. So when
22 BellSouth's STP is sending signals back and forth with other
23 carriers' STPs, it is performing a very important function. It
24 is routing the calls, it's setting them up, and making sure
25 that everybody can talk to one another. Now, that is an

1 important function, it is a worthwhile function for everybody
2 involved, and it is a function that we should be paid for
3 doing.

4 We incur costs in setting up our network. We incur
5 costs in keeping it up to speed and running it. And at the
6 local level we are paid for that function. Our local
7 interconnection agreements that are submitted and approved to
8 the Commission include a per message signal charge. Beyond
9 that, the FCC has a tariff. We have a tariff in effect at the
10 FCC that charges a per message signal charge just like we want
11 to charge here. In fact, the rates are exactly the same. So,
12 other carriers are paying us per message for messages that are
13 used to set up local calls and messages that are used to set up
14 interstate calls. Well, that leaves a gap.

15 If you have got a call that is not interstate, in
16 other words, it stays within the State of Florida, but it's not
17 local, because it leaves one calling area and goes into
18 another, well, there is a gap. Those are messages that are
19 transferring that we are not getting paid for. So we put this
20 tariff into effect to do exactly what we already do at the
21 local and interstate level and that is charge for providing
22 this important service.

23 Now, carriers are paying local charges, they are
24 paying the federal charges, but they are complaining about
25 these charges. Well, in effect, what that means is they want

1 our air traffic controllers to help them get their planes from
2 one place to another, but they don't want to pay on a per
3 message basis for that. And we believe that that is unjust and
4 unfair.

5 The petitioners and the intervenors have objected to
6 this tariff on various grounds. As Mr. McDonnell said, one of
7 the first grounds is the legal ground, Florida Statute. And I
8 agree with Mr. McDonnell, I think that is primarily a legal
9 issue. One of our witnesses set of out some facts that talk
10 about when the statutes went into effect, what the rates were.
11 And those facts are going to be important to apply the law to
12 it, but I agree with Mr. McDonnell, by and large that is a
13 legal issue. And rather than spending time in the hearing room
14 arguing about it, what we would like to do is write you a good
15 brief on it and put our position on paper that way.

16 The next issue you heard them raise was the issue of
17 revenue neutrality. And let me tell you our position on that
18 and how it sort of came about. At the FCC when we filed this
19 tariff that instituted these per message charges, we did make
20 it revenue neutral under the federal guidelines. What we did
21 is we said we are going to start charging per message and that
22 is going to bring revenue in. What we'll do is we will reduce
23 the local switching component of switched access charges, okay.
24 It's not local switching for local calls, it is the component
25 of switched access services that is performed by the local

1 switch. So it is all access stuff. And what we did is we said
2 we have got this much coming in, we have got this much going
3 out, revenue neutral.

4 Now, normally that is not a very complicated -- or a
5 transaction that draws a lot of dispute. You look at your
6 actual usage and you say I'm applying my new rate to the actual
7 usage and you just go on with it. Well, this was a little bit
8 different. We have got a unique circumstance. Because when we
9 did this at the FCC level, we hadn't had these systems in place
10 that could count these messages. So we didn't have an actual
11 count of the message demand at the time. So what we did is we
12 came up with a formula as best we could and said we figure --
13 we know how much voice messages are going out, we came up with
14 a formula to derive saying if we had this many voice messages
15 over the historical period that converts into this many ISUP
16 and TCAP messages. And based on the demand we got using that
17 conversion factor, that is how we did the revenue neutral
18 filing.

19 Now when we came about to do it in the State of
20 Florida, we did have some actual data, some actual messages
21 counts. The thing was, though, we didn't have any factors at
22 the time from the carriers to tell us that of these messages
23 that are not interstate, this many are local and this many are
24 intrastate. So given that, we decided to go ahead and use the
25 same methodology we had at the FCC. And what we did was we

1 said for a time period in the past here is the number of voice
2 messages we had. We tried to convert that using the formula
3 that we had used with the FCC into the number of voice messages
4 that that would relate to. And we said based on that we will
5 lower the local switching rate in a manner that when this thing
6 goes into effect the revenue should be the same. That is the
7 way it is typically done with the exception that we didn't have
8 actual data, we had to do the best we could to convert.

9 Now, in light of the concerns that the CLECs have
10 raised, you will hear BellSouth witness Mr. Follensbee tell you
11 that if the tariff is allowed to remain in effect, which we
12 think it should, given the unique situation here, given we
13 didn't have actual count to work with at the time that we put
14 it into effect, if the tariff is allowed to stay in effect,
15 BellSouth is willing to look at the actual count it has had
16 over the last six months and lower local switching in order to
17 even it out based on that six months of data.

18 Another argument that is set forth in the testimony
19 about why the tariff should be rejected is that they are
20 claiming that more than one carrier will be billed for the same
21 message. And we think we will show you today in the hearing
22 that that simply is not happening.

23 Mr. McDonnell mentioned bill detail, and I think you
24 will hear through the witness for ITC^DeltaCom that, first,
25 even if BellSouth had given the exact level of bill detail that

1 they wanted, and even if we could have agreed to a price that
2 both parties agreed was reasonable, these parties would still
3 be here objecting to that tariff. So bill detail is not really
4 the issue. But we will have people to address that, and I
5 think we will have some questions for Mr. Brownworth to talk
6 about that as well.

7 You also heard that we are not charging independent
8 companies on a per message basis, and that is correct. Either
9 today through our witnesses or in our briefs, what you will
10 also hear though is there is a separate tariff out there for
11 independent companies in the State of Florida, and there is a
12 local switching rate just like there was a local switching rate
13 in this tariff. Now, when we put this tariff into effect, yes,
14 we did start charging on a per message basis for signaling, but
15 you recall we lowered that local switching component of
16 switched access.

17 Over on the ILEC side of the house, we are not
18 charging for the messages, but we didn't lower that switched
19 access component for the ILECs. So we don't think it is
20 correct to say that we are giving any kind of an unfair
21 advantage to the ILECs.

22 You heard Mr. McDonnell say that they are all
23 similarly situated here. Well, I agree to the extent that they
24 don't like the tariff they are similarly situated. But I think
25 you will see in our briefs some of these parties are saying we

1 don't have a problem with paying for messages on a per message
2 basis, we just don't like the way you have elected to do it
3 here. Some of them are saying we don't want to pay for this
4 whatsoever. So I'm not sure that they are really all that
5 similarly situated.

6 In conclusion, by providing these signaling messages
7 that help set up intrastate non-local calls, which is what this
8 tariff applies to, BellSouth is providing a valuable service to
9 carriers. Those carriers should pay for those services just
10 like they pay for those services when we set them up for local
11 calls and for interstate calls. That is the just thing to do.
12 Thank you.

13 COMMISSIONER DEASON: Staff, do you have an opening
14 statement?

15 MR. TEITZMAN: Staff does not have an opening
16 statement. However, we have received our confidential exhibits
17 and we would like to pass them out now before we begin with
18 testimony.

19 COMMISSIONER DEASON: Let's go ahead and we will just
20 take a ten-minute recess at this point. And anything that you
21 all need to discuss and get ready before we actually take
22 witnesses, this would be the time to do that.

23 MR. TEITZMAN: Thank you.

24 (Recess.)

25 CHAIRMAN JABER: Let's go ahead and get back on the

1 record.

2 Mr. McDonnell, were you able to reach an agreement on
3 the exhibits you would like to use?

4 MR. McDONNELL: We have, Your Honor, pursuant to --
5 Your Honor. Madam Chair, pursuant to stipulation with all
6 parties, all of BellSouth's responses to ITC's first set of
7 interrogatories and first set of production of documents will
8 be introduced into the record.

9 CHAIRMAN JABER: Mr. Turner.

10 MR. TURNER: Yes, ma'am, we agree.

11 CHAIRMAN JABER: All right. Then the BellSouth
12 responses to ITC's first set of interrogatories and first set
13 of production of documents will be introduced as Composite
14 Exhibit 4, and Composite Exhibit 4 is admitted into the record.

15 (Exhibit 4 marked for identification and admitted
16 into the record.)

17 CHAIRMAN JABER: I do believe that brings us to our
18 first witness, and that would be Mr. Brownworth.

19 Commissioner Deason, did you all swear in witnesses?
20 Okay. If I could go ahead and ask all the witnesses in the
21 room to stand and raise your right hand.

22 (Witnesses sworn collectively.)

23 CHAIRMAN JABER: And we need Mr. Brownworth. Begin.

24 - - - - -

25 STEVE BROWNORTH

1 was called as a witness on behalf of ITC^DeltaCom and, having
2 been duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MS. EDWARDS:

5 Q Mr. Brownworth, please state your full name for the
6 record.

7 A Steve Brownworth.

8 Q Can you please provide a brief description of your
9 work experience and background.

10 A Yes, I have over 18 years in telecommunications
11 experience mainly in network design along with provisioning and
12 line costs. I have eight years experience with ITC^DeltaCom,
13 and prior to that I was responsible for planning within the MCI
14 network. My current responsibilities today include network
15 planning and design of the ITC^DeltaCom network, including
16 voice, data, IP, and SS7, capital cost justification, planning
17 and forecasting of capital for use in our network, carrier
18 costs, contracts, provisioning of our fiber-optic network, and
19 with SS7 responsible for SS7 contracts, monitoring of the links
20 in the SS7 network, as well as planning regarding capital and
21 expense with the SS7 network.

22 Q Did you cause to be filed 16 pages of direct
23 testimony and four exhibits?

24 A Yes, I did.

25 Q Do you have any corrections or changes to your

1 prefiled direct testimony?

2 A Yes, I have two.

3 Q What page and line?

4 A Page 2, Line 18. I would like "minimum industry
5 standard" to be struck and in its place the term "the carrier
6 customer needs for." In addition --

7 CHAIRMAN JABER: I was not able to get that change
8 from you. The carrier -- you want stricken minimum industry
9 standard and inserted what?

10 THE WITNESS: "The carrier customer needs for." With
11 a period after auditing and the term "practices" stricken.

12 CHAIRMAN JABER: Could you please repeat the changes.

13 THE WITNESS: After auditing there will be a period
14 with the term "practices" stricken. The second change, the
15 second change is on Page 7, Line Number 19 and 20. There I
16 would like to have a comma after message in Line 19 with the
17 rest of that sentence stricken. And after the comma, the
18 wording, "updated with routing information."

19 BY MS. EDWARDS:

20 Q With those --

21 CHAIRMAN JABER: Changes and corrections.

22 Q Yes. With those changes and corrections if I asked
23 you the same questions would your answers be the same today?

24 A Yes.

25 Q Did you also cause to be filed 13 pages of rebuttal

1 testimony and three exhibits?

2 A Yes.

3 Q Do you have any changes or corrections to that
4 testimony?

5 A No, I do not.

6 Q Okay. If I asked you the same questions, would your
7 answers be the same?

8 A Yes.

9 MS. EDWARDS: Okay. At this time, Madam Chairwoman,
10 I would like to submit the testimony as though read into the
11 record and move the exhibits, but subject to cross.

12 CHAIRMAN JABER: Thank you, Ms. Edwards. The
13 prefiled direct testimony of Steve Brownworth shall be inserted
14 into the record as though read. And Exhibits SB-1 through SB-4
15 are identified as Composite Exhibit 5.

16 (Exhibit 5 marked for identification.)

17 MS. EDWARDS: And, Madam Chairwoman, we have rebuttal
18 Exhibits SB-5 through SB-7.

19 CHAIRMAN JABER: Let's go forward, though, with
20 asking him if he has any changes to his rebuttal testimony.

21 BY MS. EDWARDS:

22 Q Do you have any changes to your rebuttal testimony?

23 A No, I do not.

24 CHAIRMAN JABER: Okay. The prefiled rebuttal
25 testimony of Steve Brownworth shall be inserted into the record

1 as though read, and Exhibits SB-5 through SB-7 are identified
2 as Composite Exhibit 6.

3 (Composite Exhibit 6 marked for identification.)

4 Counsel, does your witness have a very short summary
5 of his testimony?

6 MS. EDWARDS: Yes.

7

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1 **Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS?**

2 A: My name is Steve Brownworth. I am an employee of ITC^DeltaCom
3 Communications, Inc., (ITC^DeltaCom), and my business address is 1791
4 O.G. Skinner Drive, West Point, Georgia 31833

5

6 **Q: PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND**
7 **BACKGROUND.**

8 A: My education and relevant work experience are as follows:

9

10 I received a bachelor's degree in Quantitative Methods from the University
11 of Illinois – Chicago in 1982. I have over 18 years of telecommunications
12 experience. My experience primarily lies in the design and deployment of
13 Interexchange Carrier (IXC) and Alternative Local Exchange Company
14 (ALEC) architecture. I've held management responsibilities in these areas
15 for most of this time.

16

17 Currently I'm the Director of Systems Planning for ITC^DeltaCom. I am
18 responsible for the network architecture of the voice switch, ATM/Frame
19 and IP data networks. I've been in this position for the last 8 years. In my
20 role at ITC^DeltaCom, I've assisted other companies in their initial network
21 design and configurations including SoLinc, PowerTel and Mindspring.
22 Specifically in the area of SS7, my group manages vendor contracts, link

1 utilization, guidelines for route selection, and justification of capital and
2 expense spending.

3

4 Prior to joining ITC^DeltaCom, I spent five years, 1989-1994 with MCI, as
5 Sr. Manager, Network Design, managing strategic designs of their SONET
6 transmission deployment, real-time restoration and reliability plans, dynamic
7 switch routing and capital cost justifications. Prior to MCI, from 1982 to
8 1989, I held management positions with Telecom*USA, SouthernNet and
9 Telesphere, in switch network design, traffic engineering, line cost, and
10 provisioning.

11

12 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

13 A: No.

14

15 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A: The purpose of my testimony is to describe SS7 functionality and why
17 Bellsouth's proposed SS7 tariff filing is discriminatory and fails to meet
18 *the carrier customer needs for*
~~minimum industry standard~~ billing and auditing practices. I will address
19 Issues 1-3 and 5-11.

20

21 **Q: WHAT IS SS7?**

22 A: Signaling system 7 (SS7) is architecture for performing out-of-band
23 signaling in support of the call-established, routing and information

1 exchange functions of the public switched telephone network (PSTN). It
2 identifies functions to be performed by a signaling system network and a
3 protocol to enable their performance.

4

5 The SS7 network is separate from the voice network, and is used solely for
6 the purpose of switching data messages pertaining to the business of
7 connecting telephone calls and maintaining the signaling network.

8

9 Another function of SS7 is to provide access to databases. The SS7
10 network must be capable of receiving messages, routing to the appropriate
11 database, and maintaining reliable transfer of messages from the SS7
12 network into the database environment. Attached as Exhibit SB-1 is a more
13 detailed description of SS7.

14

15 **Q: ISSUE 1: TO WHAT TYPE OF TRAFFIC DOES BELLSOUTH'S CCS7**
16 **ACCESS TARIFF APPLY?**

17 **A:** Based on our review of the tariff and conversations and correspondence
18 with BellSouth, BellSouth will bill on a per message basis for all SS7
19 messages that cross the SS7 Gateway to an IXC, ALEC, or wireless carrier
20 that has a pair or a quad of SS7 links directly connected to one of
21 BellSouth's SS7 Gateway Service Transfer Points (STPs). BellSouth will
22 charge that IXC, ALEC or wireless carrier for all SS7 messages, regardless
23 of whether those messages are associated with a

1 local or long distance call or "whether they are non-call-associated
2 messages" (e.g. SS7 messages associated with pagers) and will charge for
3 both those messages BellSouth originates as well as for messages
4 originated by the other carrier. (See Exhibit SB-2, email dated May 29,
5 2001 from BellSouth employee Mark Robbins to Tom Hyde, employee of
6 Cbeyond Communications, Inc.)

7
8 BellSouth has tariffed port charges, link charges, and usage charges for
9 SS7. BellSouth now charges a per message Transacting Capability
10 Application Part (TCAP) charge of \$.000123, and a per message Integrated
11 Services Digital Network User Part (ISUP) charge of \$.000035, in addition
12 to the normal recurring switched access charges applicable to
13 interexchange calls.

14
15 An ISUP message is for call-set up and typically there are five (5) or six (6)
16 ISUP messages on one phone call. TCAP messages are associated with
17 access to databases such as LNP, caller-id, etc. There are also database
18 dip charges to query the LNP, CNAM, and LIDB databases, in addition to
19 the TCAP message charge assessed by BellSouth.

20
21 Because ITC^DeltaCom is a third-party provider of SS7 services to
22 wireless, ALEC, IXC and Independent Telephone Companies, this tariff
23 means that ITC^DeltaCom must bear the costs for these companies'

1 signaling costs through our network, even though their trunking, in most
2 cases, is not tied to our switched network. In its tariff filing, BellSouth
3 defined ITC^DeltaCom as a third-party provider. BellSouth did not make
4 any provisions for how the third-party provider was to take data and pass-
5 through billing detail to our SS7 customers.

6

7 **Q: ISSUE 2: DID BELLSOUTH PROVIDE CCS7 ACCESS SERVICE TO**
8 **ALECS, IXCS, AND OTHER CARRIERS PRIOR TO FILING ITS CCS7**
9 **TARIFF?**

10 A: Yes. The service itself isn't new. The effect of this tariff filing is to
11 restructure charges for SS7 messages, rather than provide and charge for a
12 new service.

13

14 **Q: ISSUE 3: IS BELLSOUTH'S CCS7 ACCESS ARRANGEMENT TARIFF**
15 **REVENUE NEUTRAL? PLEASE EXPLAIN.**

16 A: This tariff filing is not revenue neutral for ITC^DeltaCom. As shown in
17 Exhibit SB-3, BellSouth began billing ITC^DeltaCom for Florida intrastate
18 SS7 messages in August of 2001. The amounts vary significantly from
19 month to month and are inconsistent with the traffic patterns of our network.
20 Finally, it appears that the number of SS7 messages being billed is
21 increasing.

22

1 **Q: ISSUE 5: WHAT DOES BELLSOUTH CHARGE SUBSCRIBERS UNDER**
2 **THE CCS7 ACCESS ARRANGEMENT TARIFF FOR THE TYPES OF**
3 **TRAFFIC IDENTIFIED IN ISSUE 1?**

4 A: Pursuant to this tariff filing, BellSouth is charging ITC^DeltaCom for all SS7
5 messages (originating and terminating) that cross BellSouth's STP.
6 BellSouth seeks to charge an ISUP message fee of \$.000035 and a TCAP
7 message fee of \$.0000123.

8

9 As I stated earlier, this tariff filing applies to any entity that has a connection
10 to Bellsouth's SS7 network. The net result is that wireless carriers,
11 Incumbent Local Exchange Carriers (ILECs), IXCs, and paging companies,
12 to the extent they are connected to BellSouth's SS7 network will have to
13 pay these SS7 message charges. Ultimately, these companies will have to
14 flow through these charges to their customers – the end user.

15

16 **Q: ISSUE 6: IS MORE THAN ONE CARRIER BILLED AN ISUP OR TCAP**
17 **MESSAGE FOR THE SAME SEGMENT OF ANY GIVEN CALL?**

18 A: Yes, ITC^DeltaCom believes that inappropriate double billing is occurring.
19 In the course of a call that is routed from another carrier through BellSouth
20 and terminated to an ITC^DeltaCom end user, there will be cases where
21 both ITC^DeltaCom and the other carrier will be billed for the same
22 message of a given call.

23

1 **Q. CAN YOU PROVIDE AN EXAMPLE?**

2 **A.** In the access tariff, the most common case will be jointly provisioned
 3 switched access between BellSouth and ITC^DeltaCom. Both BellSouth
 4 and ITC^DeltaCom will charge an IXC carrier an equal number of ISUP
 5 messages through their own SS7 networks. For a given call from an IXC to
 6 ITC^DeltaCom, where BellSouth provides the access tandem, BellSouth will
 7 bill the IXC carrier for the ISUP messages from the IXC STP to the
 8 BellSouth STP. The BellSouth STP will then take that message and transfer
 9 it to the ITC^DeltaCom STP and BellSouth will bill ITC^DeltaCom for the
 10 associated ISUP message.

11

12 **Q. WHAT IS YOUR UNDERSTANDING OF BELLSOUTH'S JUSTIFICATION**
 13 **FOR BILLING TWO ISUP MESSAGES IN THE ABOVE EXAMPLE?**

14 **A.** Our understanding of BellSouth's position is that there are two separate
 15 messages and two separate billing events when the BellSouth STP (1)
 16 takes the message from the IXC and (2) transfers the message to
 17 ITC^DeltaCom. BellSouth treats the STP as a billing point by billing for the
 18 message incoming to the BellSouth STP and for the messaging exiting the
 19 STP, even though it is the same message, ^{updated with routing information,} ~~and the same content in the~~
 20 ~~message.~~

21

22 **Q. IN YOUR EXAMPLE, IS BELLSOUTH CHARGED FOR ISUP OR TCAP**
 23 **MESSAGES BY ANY OTHER CARRIER?**

1 **A.** No. Even though the IXC and ITC^DeltaCom STPs are equally involved in
2 the processing of the call with the BellSouth STPs, BellSouth is not billed
3 for any transaction by the other parties. If there are six (6) ISUP messages
4 sent and received by the IXC carrier, the IXC carrier will end up getting
5 billed for twelve (12) messages: six (6) ISUP messages from BellSouth and
6 six (6) ISUP messages from ITC^DeltaCom. From the IXC view, the IXC will
7 be billed by BellSouth for the six (6) ISUP messages as well as the TCAP
8 messages and by ITC^DeltaCom for an equal number of messages for the
9 same call.

10

11 This same case exists where ITC^DeltaCom as an IXC carrier terminates
12 an intrastate call to offices other than BellSouth off the BellSouth access
13 tandem. In this case ITC^DeltaCom as the IXC carrier is charged for the
14 ISUP messages it sends BellSouth. If the end office belongs to another
15 carrier and that carrier utilizes BellSouth STPs, the end office carrier also
16 would be billed by BellSouth for the same number of ISUP messages,
17 pursuant to this tariff. If ITC^DeltaCom's switch sent or received six (6)
18 ISUP messages, ITC^DeltaCom can expect to be billed from both
19 BellSouth and the other carrier. This assumes that the other carrier can
20 create a billing system to pass these charges back to the IXC carrier. In
21 most cases, I believe the smaller IXC, wireless and independent carriers
22 lack the capability and knowledge to implement a SS7 billing system. Also,

1 the number of messages they are billed by BellSouth, in many cases, may
2 not warrant the development and implementation of such a system.

3

4 **Q: ISSUE 7: IS BELLSOUTH BILLING ISUP AND TCAP MESSAGES THAT**
5 **ORIGINATE ON ALEC NETWORKS AND TERMINATE ON**
6 **BELLSOUTH'S NETWORK?**

7 A: Yes. BellSouth's SS7 tariff filing applies a charge per ISUP and TCAP
8 message for all calls (local, long distance, wireless, and non-content calls
9 such as pagers) for both originating and terminating messages on the same
10 call. In other words, BellSouth bills for both the messages BellSouth's
11 customer originates as well as the messages that the other carrier
12 originates.

13

14 **Q. IS BELLSOUTH'S BILLING APPROACH APPROPRIATE?**

15 A. No. Companies that provide SS7 functionality (IXCs, ALECs, wireless
16 carriers, ILECs etc.) are equally involved in the signaling of these SS7
17 messages. BellSouth does not own or control all of the transmitting
18 facilities. It is inappropriate for BellSouth to charge for all the signaling of
19 messages associated with a call. Further, as described more fully below in
20 connection with Issue 9, BellSouth is offering a "bill and keep" arrangement
21 to ILECs and to our knowledge does not currently bill ILECs with STPs
22 connected directly to BellSouth. Clearly, any such arrangement should be
23 offered on a nondiscriminatory basis.

1

2 From a historical perspective, access cost is and has always been a cost
3 input to IXCs and thus served as one of the integral costs for the billing of
4 toll services. This cost is passed to the end user in the form of long distance
5 rates. To charge an ALEC instead of or in addition to the IXC for what has
6 traditionally been an input cost to long distance would create a situation
7 where the ALEC would be forced to raise local rates to their local customers
8 to offset the interexchange carrier's cost of toll and recover its own costs.
9 The net result would be local carriers subsidizing long distance services. If
10 this tariff filing is permitted to go into effect, the phrase "third party provider"
11 must be removed and replaced with "interexchange carrier" or "a carrier
12 acting as an interexchange carrier" in order to avoid such a subsidy.

13

14 **Q: ISSUE 8: WHAT IS THE IMPACT, IF ANY, OF BELL SOUTH'S CCS7**
15 **ACCESS ARRANGEMENT TARIFF ON SUBSCRIBERS?**

16 **A:** If "subscriber" is defined as "third party provider" as set forth in BellSouth's
17 tariff filing, this tariff will force ITC^DeltaCom and other third party providers
18 either to become unwilling billing agents for BellSouth access charges or
19 absorb unreasonable and duplicative expenses. Ultimately, end-user
20 subscribers will experience price increases as these costs are passed on to
21 them.

22

1 **Q. IS IT CURRENTLY POSSIBLE FOR ITC^DELTACOM TO PROPERLY**
2 **PASS THROUGH BELLSOUTH'S CCS7 CHARGES TO OTHER**
3 **CARRIERS?**

4 **A.** No. The information we receive from BellSouth is insufficient to allow us to
5 pass costs through to other carriers. In order for us to properly pass
6 through BellSouth's CCS7 charges, we would first need SS7 call records
7 with OPC (Originating Point Code) and DPC (Destination Point Code)
8 information so that each SS7 message can be related (and billed) to the
9 proper carrier. Next, In addition to billing messages to the third-party
10 customers, ITC^DeltaCom would have to require all of our customers to
11 report jurisdictional reporting of the messages for local and interLATA
12 usage. The billing we receive from BellSouth today is a total count of
13 messages in the state broken down by jurisdictionality (inter and intrastate)
14 and message category (TCAP and ISUP)

15
16 In order to bill our customers properly, ITC^DeltaCom will have to
17 implement more sophisticated capture and billing systems than BellSouth
18 provides. To determine which carriers used messages to BellSouth,
19 ITC^DeltaCom will have to look at each billable message the STP
20 produces, identify the OPC/DPC combination and relate that combination to
21 the customer. We will then have to apply the appropriate jurisdictional
22 reporting percentages and produce a new usage billing to our current SS7
23 and IXC access customers.

1 **Q. IS IT POSSIBLE TO PROPERLY ALLOCATE SS7 MESSAGES TO THE**
2 **APPROPRIATE JURISDICTION FOR PURPOSES OF APPLYING**
3 **ACCESS CHARGES?**

4 **A.** No. Currently, BellSouth doesn't have a mechanism for an ALEC or third-
5 party SS7 provider to submit a jurisdictional report for a proper allocation of
6 SS7 messages between local and access. ITC^DeltaCom's third-party
7 customers (ALECs, Independents and Wireless) have mostly local calls, so
8 ITC^DeltaCom will be mis-billed by BellSouth applying access charges to
9 signaling associated with the local interconnection trunk groups of
10 ITC^DeltaCom and its customers. ITC^DeltaCom has the additional burden
11 to ask our SS7 customers for reports based on the messages the carrier
12 sends to us. To date, BellSouth has not given us the proper instructions or
13 forms to separate local messages from access messages. Currently, we
14 are billed for SS7 messages for calls that are BellSouth originated on the
15 local interconnection trunks as interstate and intrastate calls because
16 BellSouth does not have the ability to accept local SS7 utilization reporting.

17
18 **Q. HOW HAS ITC^DELTACOM REACTED TO BELLSOUTH'S TARIFF**
19 **FILING?**

20 **A.** We have not added any new customers to our product line and are
21 reviewing our position of being a third-party provider. In addition, we are
22 currently working with other companies to find ways to route SS7 around
23 BellSouth. Unfortunately, as long as BellSouth remains the access tandem

1 provider for their areas, carriers cannot avoid ISUP message charges from
2 BellSouth.

3

4 **Q. ISSUE 9: DOES BELLSOUTH BILL ILECS FOR THE SIGNALING**
5 **ASSOCIATED WITH THE TYPES OF TRAFFIC IDENTIFIED IN ISSUE 1?**

6 **A.** No. BellSouth's SS7 tariff filing is therefore discriminatory to other carriers.

7

8 **Q. PLEASE EXPLAIN.**

9 A: ITC^DeltaCom has asked BellSouth whether it has in the past charged or
10 intends to charge Independent Local Exchange Carriers ("ILECS") for SS7
11 messages. To date, BellSouth has provided no answer other than stating
12 that ITC^DeltaCom can adopt any other interconnection agreement on file
13 with the Commission. ITC^DeltaCom is not aware of any agreement filed
14 with the Florida Public Service Commission that provides ALECs with "bill
15 and keep" on SS7 messages/usage, ports and links such as that offered in
16 the BellSouth template for ILECs.

17

18 Recently, ITC^DeltaCom obtained a copy of the proposed interconnection
19 agreement that BellSouth sent to the ILECs. The portion of that proposed
20 interconnection agreement related to the SS7 signaling is attached hereto
21 as Exhibit SB-4. That agreement provides that there will be no charges for
22 SS7 where the ILEC connects with BellSouth via a bridge link (B-Link) for
23 SS7 messages or usage, port or links so long as the ILEC uses the B-Link

1 for public switched network traffic and the agreement applies to both local
2 and intraLATA calls.

3

4 **Q: IS BELLSOUTH'S TARIFF DISCRIMINATORY WITH REGARD TO**
5 **BILLING DETAIL?**

6 **A.** Yes. BellSouth unreasonably discriminates between access customers and
7 SS7 customers by failing to provide minimum billing detail necessary for
8 auditing and billing of SS7 records.

9

10 **Q. PLEASE EXPLAIN.**

11 **A.** Today, BellSouth maintains billing records containing the origination and
12 termination of toll calls such that Bellsouth is able to appropriately bill
13 switched access minutes of use (MOU). Upon request, BellSouth provides
14 access customers billing detail information at no extra charge such that the
15 billing can be verified and so that access customers can audit BellSouth
16 billing. In contrast, BellSouth effectively refuses to provide the originating
17 and terminating message detail (Originating Point Code and Destination
18 Point Code) and apparently refuses to retain records for auditing purposes.
19 BellSouth retains records for switched access for billing minutes of use to
20 access customers. BellSouth should maintain records and provide billing
21 detail for billing switched access for these messages just as they do for the
22 minutes associated with these toll calls.

23

1 **Q. HAS BELLSouth OFFERED ANY EXPLANATION FOR ITS FAILURE**
2 **TO PROVIDE BILLING DETAIL?**

3 **A.** BellSouth states that providing bill detail such as the OPC and DPC for
4 those SS7 messages associated with switched access calls is a "service"
5 and BellSouth has indicated that they would charge approximately
6 \$300,000 per year per company to provide this minimum level of billing
7 detail. This is unreasonably discriminatory. The rules that apply to
8 maintaining data for billing switched access to IXCs should also apply to
9 maintaining data for billing the messages on those switched access calls.
10 Since BellSouth has to retain records including calling party and called
11 party information for billing switched access minutes of use, they must also
12 retain the message detail if they intend to bill for the messages associated
13 with those switched access minutes of use.

14

15 **Q: ISSUE 10: WHAT ACTIONS SHOULD THIS COMMISSION TAKE?**

16 **A:** This Commission should reject BellSouth's tariff filing as it is discriminatory.
17 Furthermore, BellSouth is either unwilling or unable to provide sufficient
18 billing detail associated with these messages in order for carriers such as
19 ITC^DeltaCom to properly audit BellSouth's billing. If, however, this
20 Commission approves BellSouth's tariff filing, this Commission should
21 require BellSouth to provide a minimum level of billing detail including OPC
22 and DPC data.

23

1 Q: ISSUE 11: IF THE TARIFF IS TO BE WITHDRAWN, WHAT
2 ALTERNATIVES IF ANY, ARE AVAILABLE TO BELLSOUTH TO
3 ESTABLISH A CHARGE FOR NON-LOCAL CCS7 ACCESS SERVICE
4 PURSUANT TO FLORIDA LAW?

5 A: Since BellSouth claims that this tariff filing is revenue neutral, then
6 withdrawing this tariff filing and reinstating the previous tariff rates, terms
7 and conditions is all that is required.

8

9 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

10 A: Yes.

1 **Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS?**

2 A: My name is Steve Brownworth. I am an employee of ITC^DeltaCom
3 Communications, Inc., ("ITC^DeltaCom"), and my business address is 1791 O.G.
4 Skinner Drive, West Point, Georgia 31833

5

6 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A: The purpose of my testimony is to respond to the testimony of Mr. Ruscilli and
8 Mr. Milner. Specifically, I will address problems with Mr. Milner's testimony
9 regarding the application of SS7 charges (Issues 2 and 7) and Mr. Ruscilli's
10 testimony regarding calculation and application of PLU/PIU factors.

11

12

13 **Q: DO YOU AGREE WITH MR. MILNER WHEN HE STATES THAT " TO DATE**
14 **THE PER MESSAGE CHARGE FOR THE CCS7 SERVICE HAS BEEN**
15 **ZERO....." (PAGE 5, LINE 21)?**

16

17 A: No, not entirely. While the per message charge for the service has been never
18 been charged separately, BellSouth has been charging carriers through various
19 switched access elements. Mr. Milner's testimony leads one to believe that
20 BellSouth was not getting compensated for the use of their SS7 network. It
21 further appears that BellSouth has been billing an amount (claimed as
22 confidential) in annualized surrogate usage charges, in addition to the switched
23 access elements, which indicates that BellSouth was recouping CCS7 costs on a

1 fixed-cost basis as well as through its switched access elements. See
2 Confidential Exhibit SB-6, Bates Page 00002.

3
4 **Q: REGARDING ISSUE 6, ON PAGE 6, LINE 16, MR. MILNER STATED**
5 **“...ONLY ONE ENTITY IS BILLED FOR A PARTICULAR CCS7 MESSAGE**
6 **INVOLVED IN A CALL. ACCORDINGLY, AN IXC AND AN ALEC WILL NOT**
7 **BE BILLED FOR THE SAME MESSAGE AND THERE IS NO DOUBLE**
8 **BILLING.” DO YOU STILL BELIEVE THAT A CARRIER WILL BE DOUBLED**
9 **BILLED?**

10
11 **A:** Yes. It is my understanding from discussions with Mr. Randklev (BellSouth
12 product manager) that BellSouth simply counts the number of SS7 messages
13 sent and received from customer links and bills for each counted message.
14 However, BellSouth takes the position that a new message is created (and
15 therefore, a new billing event occurs) when a message passes through a Service
16 Transfer Point (“STP”). BellSouth bills the carrier who originated the message
17 and then bills the carrier who terminated the “new message” that was supposedly
18 created when the original message passed through a STP. However, there is
19 no “new message”. We view this as one continuous message for which
20 BellSouth should bill only the carrier that launched it. BellSouth should not bill
21 the carrier receiving the message. Apparently BellSouth's billing system is not
22 able to differentiate between messages on the basis of their jurisdiction or
23 origination and termination, but is limited to a simple “peg count” of messages.

1 Exhibit SB-5 is an illustration of the flow of SS7 messages on a single phone call
2 from Telcordia document GR-905-CORE. Figure 4-1 of the Exhibit clearly shows
3 that the "IAM" messages flow from the originating network all the way to the
4 terminating network. My understanding is that BellSouth will bill IAM messages to
5 both the originating network and the terminating network, which is inapposite to
6 the diagram set forth in Exhibit SB-5.

7

8 **Q: REGARDING ISSUE NO. 7, MR. MILNER STATES THAT BELLSOUTH WILL**
9 **BILL CARRIERS FOR MESSAGES THAT BOTH ORIGINATE AND**
10 **TERMINATE TO THAT CARRIER BECAUSE THE DIRECTIONALITY OF THE**
11 **MESSAGE DOESN'T MATTER. (PAGE 7, LINE 22 – 24) PLEASE**
12 **COMMENT.**

13

14 **A:** Mr. Milner is forced to take this position because BellSouth can't determine
15 directionality or jurisdictionality.

16

17 **Q: HAS BELLSOUTH ADDRESSED ITC^DELTACOM'S NEEDS AS A THIRD-**
18 **PARTY PROVIDER TO BE ABLE TO PASS-THROUGH THESE CHARGES TO**
19 **YOUR SS7 CUSTOMERS?**

20

21 **A:** No. Although we have attempted to resolve these matters with BellSouth,
22 BellSouth has not agreed to provide us with detailed billing information we
23 require and the costs quoted have been excessive. ITC^DeltaCom provided
24 BellSouth with a sample format of the information we need but BellSouth has not

1 followed up with the details concerning this information. BellSouth stated that the
2 problem they had with providing bill detail was storing and processing the data
3 records. Additionally, they had not defined any systems or processes to handle
4 this product enhancement.

5

6 **Q: WHY DOESN'T ITC^DELTACOM FOLLOW BELLSOUTH'S METHODOLOGY**
7 **AND SIMPLY COUNT MESSAGES AND CHARGE YOUR CUSTOMERS FOR**
8 **THEM IN THE SAME MANNER AS BELLSOUTH'S PROPOSED TARIFF?**

9

10 A: We wish it were that easy. Our customers use the ITC^DeltaCom STPs for
11 messages that terminate to locations served by carriers other than BellSouth.
12 These messages include calls to IXCs, ITC^DeltaCom switches, databases
13 homed off our STP for wireless transmissions, and other third-party providers as
14 well as calls between the customers' own switches. Charging for counted
15 messages would result in overcharging our customers for signaling not directly
16 related to BellSouth and for other LEC STP message charges.

17

18 As a joint provider of access from BellSouth's tandem to our end offices,
19 ITC^DeltaCom must be able to pass-through these message charges to our
20 access customers. This traffic comes from BellSouth's STP and we must have
21 data that allows us to identify the access provider from all the messages sent and
22 received from BellSouth STPs. This data can only come from a more detailed
23 billing system that reviews individual messages.

1 **Q: IS BELLSOUTH ASKING YOU TO DEVELOP SOMETHING THEY**
2 **THEMSELVES REALIZE IS A SIZABLE EFFORT FOR THEIR OWN**
3 **ORGANIZATION?**

4
5 A: Yes. Any carrier, regardless of its size, is going to have to go through the same
6 effort of getting SS7 messages that contain certain data whether OPC/DPC for
7 pass-through or called from and to numbers for jurisdictional reporting. Each
8 carrier will have to gather, process and store that information associated with its
9 own STPs or switches. BellSouth's own responses to ITC^DeltaCom's Request
10 for Production of Documents illustrates that the demand level for ISUP and TCAP
11 messages for the year 2000 is extraordinarily high. See Confidential Exhibit SB-
12 6, Bates page 00007. ITC^DeltaCom and other carriers will be forced to develop
13 highly sophisticated, robust billing, tracking and auditing systems for these SS7
14 messages. This seems excessive to implement a BellSouth tariff that is
15 supposed to be revenue neutral.

16
17 **Q: IS MR. RUSCILLI'S TESTIMONY CONCERNING JURISDICTIONAL**
18 **REPORTING CONSISTENT WITH BELLSOUTH'S JURISDICTIONAL FACTOR**
19 **GUIDELINES POSTED ON BELLSOUTH'S WEBSITE?**

20
21 A: No. While I do not disagree with Mr. Ruscilli as to the calculation methodology for
22 PLU and PIU factor calculations for SS7 messages, that methodology is not
23 consistent with the BellSouth Jurisdictional Factor Guideline published on

1 BellSouth's website. Both Mr. Ruscilli's statements in his direct testimony and
2 the intrastate tariff imply that PIU and PLU will be determined by the number of
3 messages rather than the number of switched access minutes. The BellSouth
4 Jurisdictional Factor Guideline, however, directs CLECs and IXCs to report
5 minutes of use rather than number of messages for the signaling PIU. These
6 inconsistent instructions could result in misreporting of signalling PIUs and PLUs.
7 Further, neither the intrastate tariff filing nor the Jurisdictional Factor Guideline
8 define what is or is not considered local traffic.

9
10 **Q: AS A THIRD PARTY PROVIDER OF SS7, HAS ITC^DELTACOM IDENTIFIED**
11 **OTHER PROBLEMS WITH REPORTING JURISDICTIONAL PERCENTAGES**
12 **FOR MESSAGES?**

13
14 **A:** Yes. There are two additional issues we have with Mr. Ruscilli's testimony. The
15 first issue is the methodology in creating the SS7 jurisdictional percentages for a
16 third-party provider. Even if we did receive PIUs from our customers, we would
17 also have to ask them for all their message or minute information for local and
18 access to get a true weighted average PIU/PLU. This creates the additional
19 burden on us to ask, what is in many cases our competition, for very sensitive
20 company data. Without this information we will have to use defaults, but we
21 would not know what percentage of our default traffic to apply to the PIU/PLUs
22 without being able to differentiate between the number of minutes or messages
23 that ITC^DeltaCom generates versus what our SS7 carrier customers generate.

1 To get an accurate accounting of jurisdictional SS7 messages we would need to
2 know more than just a simple peg count, we would need to know the originating
3 and terminating destination for each message and which carrier generated that
4 message.

5
6 The second issue is that BellSouth seems to be limiting the definition to local
7 calls to anyone that has an approved interconnection agreement with BellSouth.
8 For instance, we have wireless and independent carriers on our STPs.
9 ITC^DeltaCom would need to determine if our customers have an agreement
10 with BellSouth that fits BellSouth's criteria. For example, it is not clear whether a
11 wireless carrier ordering type-two service from the GSST (General Subscriber
12 Services Tariff) or an independent local exchange carrier that has a settlement
13 agreement with BellSouth would be considered to have an agreement for local
14 service.

15

16 **Q: WHAT IF A CARRIER IS UNABLE TO REPORT ON THE**
17 **JURISDICTIONALITY OF THE MESSAGES?**

18

19 **A:** BellSouth's intrastate tariff does have default language. The default PIU in the
20 intrastate tariff is 50%. However, this does not address the local contribution of
21 carriers with an approved interconnection agreement. It only states that 50% of
22 the messages will be billed at the intrastate rate and the other 50% of the
23 messages billed that the interstate rate. However, if a carrier refuses to share

1 this information or cannot accurately report the number of SS7 messages to the
2 third-party SS7 provider (ITC^DeltaCom), BellSouth does not specify how this
3 should be included into a weighted PIU/PLU factor.

4

5 **Q: DO YOU HAVE A RECOMMENDATION TO THE COMMISSION ON A BETTER**
6 **ALTERNATIVE TO THE THIRD-PARTY PIU CALCULATION?**

7

8 A: Yes. I would recommend that until either company (BellSouth or the third party
9 SS7 provider) has the capability to report on the jurisdictionality of SS7
10 messages by review of the *actual* messages, the third-party provider should use
11 their own PIU and PLU percentages as a surrogate for their third-party SS7
12 customers' traffic.

13

14 **Q: HAS BELLSOUTH FILED SIGNALING PIUs AND PLUs WITH**
15 **ITC^DELTACOM?**

16

17 A: No. I have checked with the ITC^DeltaCom organizations that work with
18 BellSouth on billing and determined that we have not received any signaling PIUs
19 from BellSouth.

20

21 **Q: MR. RUSCILLI STATED THAT ALECS HAVE THREE OPTIONS FOR**
22 **OBTAINING CCS7 FUNCTIONALITY FOR THEIR CALLS: PROVIDE THEIR**
23 **OWN FUNCTIONALITY, OBTAIN IT FROM A THIRD PARTY VENDOR OR**

1 **OBTAIN IT FROM BELLSOUTH. (PAGE 3, LINE 19 THROUGH PAGE 4, LINE**
2 **4.) PLEASE COMMENT.**

3
4 A: Mr. Ruscillis' testimony is misleading. He implies that ALECs that do not "choose
5 to obtain" CCS7 from BellSouth would not incur charges under BellSouth's CCS7
6 tariff. This is not true. In reality, BellSouth applies CCS7 charges for every call
7 routed through its STPs, even if the ALEC provides its own CCS7 functionality for
8 that call, or obtains it from a third party. For example, ITC^DeltaCom places
9 many calls using its own SS7 functionality, but those calls end up being routed
10 through BellSouth's STPs (and ITC^DeltaCom is then charged pursuant to the
11 CCS7 tariff) because we cannot link directly into each BellSouth end office. In
12 reality, there is only one option, all call messages must route through a BellSouth
13 STP and incur CCS7 tariff charges, even if ALECs provide their own CCS7
14 functionality.

15
16 **Q: IS THE TARIFF FILING REVENUE NEUTRAL TO ITC^DELTACOM?**

17 A: No. ITC^DeltaCom is a third party provider of SS7 networks, and therefore
18 processes carrier traffic other than our own. Additionally, since the local
19 switching offset only applies to BellSouth switches and not to other carriers, we
20 will see an increase in costs from carriers outside of BellSouth, as those other
21 carriers are not planning to reduce their switched access elements. Thus, a call
22 from an independent local exchange carrier to ITC^DeltaCom means that
23 ITC^DeltaCom will be billed both access from the independent and SS7 charges

1 from BellSouth with no reduction in local switching. This example is simply to
2 show that this "revenue neutral" tariff restructure has other implications.

3

4 **Q: DO YOU QUESTION THE ACCURACY OF MR. RUSCILLI 'S CLAIM THAT**
5 **THIS TARIFF FILING IS REVENUE NEUTRAL?**

6 A: Yes. I have not had enough time to fully review BellSouth's responses to
7 ITC^DeltaCom's discovery, but based on the email correspondence BellSouth
8 produced I do have questions. Specifically, my concerns are as follows:

9 • It is important to note the purpose for which BellSouth initially developed
10 usage billing for SS7. The objective was [REDACTED]

11 [REDACTED] See Confidential Exhibit SB-6, Bates Pages 00002-
12 00160.

13 • It appears that BellSouth's forecast did not include any TCAP peg counts
14 associated with certain types of messages that will nevertheless generate
15 SS7 billing, such as [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

- 1 [REDACTED]
- 2 [REDACTED]
- 3 [REDACTED] Confidential Exhibit SB-6, Bates Page 00002.
- 4 • It is unclear what growth factor BellSouth used in its calculations. On
5 Bates Page 00006 of Confidential Exhibit SB-6, BellSouth used a growth
6 factor of [REDACTED] but on Bates Page 00049 of Confidential Exhibit No. SB-6
7 BellSouth used a demand growth factor of only [REDACTED]
 - 8 • [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED] Confidential Exhibit SB-6, Bates Pages
13 00027-00031;00035.
 - 14 • It appears that BellSouth did not include [REDACTED] as part of its
15 TCAP message count. Confidential Exhibit SB-6, Bates Page
16 00010;00033. There are TCAP messages associated [REDACTED]
17 [REDACTED] The omission of these TCAP message counts
18 would result in a lower forecasted demand.
 - 19 • The demand methodology in BellSouth's FCC Description and
20 Justification filing appears to exclude from its demand forecast the the
21 messages of companies with SS7 direct connectivity to BellSouth who are
22 not third party providers of SS7 and do not purchase local switching. If
23 the intrastate demand forecast methodology is the same, this exclusion

1 would result in a reduction in a lower forecasted demand, which causes
2 me to doubt BellSouth's claim of revenue neutrality. BellSouth's FCC
3 Description and Justification filing is attached as Exhibit SB-7
4

5 **Q: MR. RUSCILLI APPARENTLY BELIEVES THAT ITC^DELTA COM IS A "COST**
6 **CAUSER" FOR BELLSOUTH'S STPS. (PAGE 16, LINES 15-18) PLEASE**
7 **RESPOND.**

8 **A:** While ITC^DeltaCom "causes" costs for calls that it *originates* to BellSouth from
9 its end users, it is not the cost causer for calls originated by BellSouth or other
10 carriers and routed through ITC^DeltaCom's STP network to the BellSouth STP
11 network. The carriers originating such calls "cause" those costs. That is why it is
12 unreasonable for BellSouth to charge ITC^DeltaCom for third-party calls without
13 providing the billing detail necessary for DeltaCom to bill its third-party
14 customers.
15

16 **Q: MR. RUSCILLI STATES THAT HE IS "NOT SURE WHAT ALECS INTENDED**
17 **TO ADDRESS" IN ISSUE NO. 8 (IMPACT OF BELLSOUTH'S CCS7 TARIFF**
18 **ON SUBSCRIBERS). PLEASE RESPOND.**

19 **A:** ITC^DeltaCom would like the Commission to understand the effect BellSouth's
20 CCS7 tariff will have on ALECs' business, including the ability to compete with
21 BellSouth, ITC^DeltaCom cannot continue to compete with BellSouth if we must
22 absorb cost increases that BellSouth passes to its competitors. ITC^DeltaCom
23 must be able to pass BellSouth's CCS7 costs to the users of our own SS7

1 network, including our carrier access customers and the carriers for whom we
2 provide SS7 services.

3

4 **Q: IN YOUR DIRECT TESTIMONY YOU STATED THAT BELLSOUTH HAD**
5 **OFFERED A BILL-AND-KEEP ARRANGEMENT TO ILECS. ON PAGE 15 OF**
6 **HIS TESIMONY, MR. RUSCILLI STATES THAT BELLSOUTH CHARGES**
7 **ILECS FOR THE SIGNALLING ASSOCIATED WITH TRAFFIC THEY**
8 **EXCHANGE WITH BELLSOUTH. PLEASE COMMENT.**

9

10 A: Mr. Ruscilli's answer addressed the link question only and did not state whether
11 BellSouth has been charging ILECs for *usage* associated with TCAP and ISUP
12 messages and when BellSouth began billing for such services. Additionally, in
13 response to ITC^DeltaCom's Interrogatory No. 1, Bellsouth states it has *not*
14 billed SS7 messages to ILECs with B-Links. Yet, ILECs originate and terminate
15 access minutes as they have the end office responsibility for their subscribers.
16 Therefore, BellSouth should be billing independents for SS7 usage in the same
17 manner that it has for ITC^DeltaCom and other carriers.

18

19 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A: Yes. However, I respectfully reserve the right to supplement my testimony based
21 upon BellSouth's recent responses to ITC^DeltaCom discovery if necessary, due
22 to BellSouth's late response to such discovery.

1 BY MS. EDWARDS:

2 Q At this time, Mr. Brownworth, can you please deliver
3 your short summary.

4 A Very good. Once again, my name is Steve Brownworth
5 with ITC^DeltaCom. I would like to thank the Commission,
6 Commission staff, and other interested parties for the
7 opportunity to explain the significant issues that ITC^DeltaCom
8 has with respect to this tariff filing.

9 ITC^DeltaCom is here today because of the business
10 impact to ITC^DeltaCom from the proposed BellSouth tariff
11 filing. ITC^DeltaCom will see costs unnecessarily increase as
12 a result of this tariff filing both from direct costs from
13 BellSouth as well as potential infrastructure costs and
14 improvements associated with, for example, Signaling System 7
15 billing systems. BellSouth's tariff filing is both
16 discriminatory and unfair to ITC^DeltaCom, and ITC^DeltaCom
17 respectfully submits that this tariff filing be removed.

18 I would like to make three points to why I feel this
19 tariff should be removed and give a brief description of each.
20 First, the tariff filing is not revenue neutral. Second, the
21 tariff and product lacks billing detail necessary for customers
22 of this product to utilize the service fully. And, third, this
23 filing discriminates against ITC^DeltaCom and other carriers.

24 On the first point, revenue neutrality. In review of
25 confidential data, we found the demand studies were

1 underestimated in the amount of messages. This led towards
2 BellSouth receiving more SS7 revenue than was offset by local
3 switching. The tariff filed by BellSouth should be revised to
4 reflect this new updated information on demand.

5 Secondly, BellSouth's billing detail only shows total
6 ISUP and TCAP messages per STP. We need to know more than just
7 a simple tech (phonetic) count of messages to manage our
8 business. We have asked BellSouth to look into providing
9 detailed information to access customers that would allow us
10 for the handling of third-party billing. These conversations
11 were started in good faith, but have not received an update
12 from BellSouth with respect to our request.

13 Finally, our third point, the tariff unfairly
14 discriminates and places ITC^DeltaCom at a competitive
15 disadvantage. This is done in one of three ways. The
16 independent telephone companies are provided SS7 message
17 services from BellSouth at no charge. BellSouth has spent a
18 significant amount of capital to develop a billing system for
19 revenue neutral filing. This capital cost is significant. So
20 significant that few carriers, including ITC^DeltaCom, would be
21 able to match the capital incurred by BellSouth for the
22 development of this system. And, thirdly, we believe we are
23 being billed for SS7 messages that we feel are inappropriate
24 due to the reciprocal nature of BellSouth and ITC^DeltaCom's
25 networks.

1 To conclude, BellSouth proposes implementation of a
2 tariff that adds unnecessary costs and complexity to the
3 telecommunications environment. For the key reasons of revenue
4 neutrality, billing detail, cost discrimination, I would like
5 to reiterate that this filing be withdrawn. This concludes my
6 statement, and I thank you for your time.

7 CHAIRMAN JABER: Thank you, Mr. Brownworth.

8 MS. EDWARDS: The witness is available for cross.

9 CHAIRMAN JABER: Thank you. Mr. Turner. Well, let
10 me make sure. The ALEC side will not have questions of this
11 witness?

12 MS. McNULTY: That is correct.

13 CHAIRMAN JABER: Mr. Turner.

14 MR. TURNER: Thank you.

15 CROSS EXAMINATION

16 BY MR. TURNER:

17 Q Mr. Brownworth, we met a couple of weeks ago during
18 your deposition, and I want to do just a couple of brief
19 housekeeping matters first. The first of which is I want to
20 make sure I got down the changes to your direct testimony
21 appropriately. So if you would go with me to Page 2 of your
22 direct testimony.

23 A Yes.

24 Q Start at Line 17. What I'm going to do is beginning
25 at Line 17, and I know that is in the middle of the sentence,

1 but I don't think you changed that part of it. Once you get
2 there, tell me and we will go from there.

3 A Line 17, Page 7?

4 Q No, sir, Page 2, Line 17. That is what I believe you
5 edited earlier.

6 A That is correct.

7 Q What I want to do is beginning at Line 17 I'm going
8 to read what I understand the testimony should now say, and
9 when I get through you tell me if I've got it right, just so I
10 haven't written it down wrong. It says BellSouth's proposed
11 SS7 tariff filing is discriminatory and fails to meet carrier
12 customer needs for billing and auditing.

13 A That is correct.

14 Q And let's do the same thing quickly on Page 7,
15 Line 19. Once you get there, tell me. I will read Line 19
16 through 20 and make sure I got it right as edited.

17 A Go ahead.

18 Q It says, "STP, even though it is the same message,
19 updated with routing information." Do I have that right?

20 A That is correct.

21 Q Finally, have you had a chance to review the
22 transcript of the deposition you gave I guess about a week and
23 a half ago now?

24 A I did read through it one time.

25 Q Do you have any changes or -- substantive changes.

1 If there is a typo or things, I'm not worried about that, but
2 do you have any substantive changes that you wanted to make to
3 that deposition transcript?

4 A Nothing that is substantive.

5 Q Okay. The BellSouth tariff that is the subject of
6 this proceeding addresses BellSouth's CCS7 network, right?

7 A That is correct.

8 Q And sometimes that is referred to as the SS7 network,
9 as well?

10 A Yes.

11 Q So today if we are using SS7 and CCS7, can we agree
12 we are using it interchangeably?

13 A Those terms are synonymous.

14 Q Okay. Now, at a very high level I just want to talk
15 about what that CCS network does. And in order to do that, go
16 with me to Exhibit SB-1 of your direct testimony.

17 A I'm there.

18 Q We may have to reference that, and so I just wanted
19 to get you to where we might need to be.

20 A Okay.

21 Q In general, can we agree that the SS7 network is
22 separate from the voice network?

23 A Separate, but there is a direct relationship between
24 messages and calls.

25 Q But the messages traverse a different network than

1 the -- let me say it this way, the signaling messages traverse
2 a different network than the voice messages or the data
3 messages involved in the actual telephone call, is that right?

4 A That is correct.

5 Q And we can agree, can't we, that one of the functions
6 that the SS7 network performs is to set up a telephone call?

7 A That is one of the functions, yes.

8 Q And just to put one example on that, I'm not going to
9 say this is the only example, but one of the things the SS7
10 network does is it determines if the line that is being called
11 is busy or not, right?

12 A Yes.

13 Q And if it is busy, it basically tells the voice
14 network not even to set up the voice path for that call because
15 there is no need to, the line is busy, right?

16 A There might be some setting up of lines, but it is
17 very quick so it doesn't tie up the lines for the entire time
18 that the phone line is listening to busy tones, yes.

19 Q Okay. And if it is not busy, the SS7 network
20 basically sets up and tells the voice network here is the path
21 that you need to use to complete this call, right?

22 A Correct.

23 Q And once the call is over, it is the SS7 network that
24 tells the voice network in effect the call is over so you can
25 tear down that path and it can be used for something else,

1 right?

2 A It is really the switches that tell the STP network
3 that I am done with this call, and then the STP network
4 transfers that message through.

5 Q Okay. Fair enough. Now, another thing that the SS7
6 network can do is make queries to databases, right?

7 A Yes.

8 Q For instance, if there is an 800 number that needs to
9 be translated into a regular telephone number, the SS7 network
10 is what makes that query and gets the translated number, right?

11 A It's just a query and response mechanism.

12 MR. TURNER: Madam Chair, at this point I think we
13 are going to have to go through some network diagrams. What I
14 propose to do is I have four of them. If I may, I am just
15 going to hand them all out at once. We can identify them and
16 then I can start talking through them and save me some walking
17 around time.

18 MR. McDONNELL: That's fine with us.

19 MR. TURNER: Madam Chair, would you like me to
20 identify these now or do you want to do it as I get to them?

21 CHAIRMAN JABER: I think we should go through the
22 process of identifying them now.

23 MR. TURNER: Okay. Madam Chair, the first is the
24 document that has an A in the top right corner, and it is
25 entitled IXC and ITC-D routing calls via BellSouth tandem.

1 CHAIRMAN JABER: The diagram titled IXC and ITC-D
2 routing calls via BellSouth tandem Diagram A is identified as
3 Exhibit 7.

4 (Exhibit 7 marked for identification.)

5 MR. TURNER: The next one has a B in the top right
6 corner. It is ITC-D and CLEC/wireless routing calls via
7 BellSouth tandem.

8 CHAIRMAN JABER: Do you have any other exhibits like
9 this where you have indicated, you know, Diagram A, Diagram B?

10 MR. TURNER: No, ma'am, I believe these are the only
11 four I have.

12 CHAIRMAN JABER: Okay. Then I think just for a short
13 title let's call this one Diagram B, and that will be Hearing
14 Exhibit 8.

15 (Exhibit 8 marked for identification.)

16 CHAIRMAN JABER: I would note that the third diagram,
17 Diagram C, is titled ITC-D and CLEC/wireless routing calls via
18 BellSouth tandem. That will be identified as Exhibit 9.

19 (Exhibit 9 marked for identification.)

20 CHAIRMAN JABER: The fourth diagram, D, titled ITC-D
21 and CLEC/wireless wiring calls via BellSouth tandem will be
22 identified as Exhibit 10.

23 (Exhibit 10 marked for identification.)

24 CHAIRMAN JABER: Go ahead, Mr. Turner.

25 MR. TURNER: Thank you, ma'am.

1 BY MR. TURNER:

2 Q Mr. Brownworth, this will probably be the longest
3 part of our cross, but what I want to do is have you and I walk
4 through these diagrams and see what matters we agree to and
5 what matters we disagree about. And the first thing I want to
6 do is let's start with the diagram that has the A in the top
7 right corner. That is Hearing Exhibit 7. And let's start out
8 by talking about how this diagram came into being. To make it
9 a shortcut, I believe during your deposition or before your
10 deposition in your presence of counsel, I had asked you to draw
11 for us a diagram that reflected the scenarios that you set out
12 on Page 7 and 8 of your prefiled direct testimony. Do you
13 recall that?

14 A Yes, I do.

15 Q And do you recognize Diagram A, which is Hearing
16 Exhibit 7, to be one of those exhibits that you prepared for
17 me?

18 A Yes.

19 Q And as I recall this is the diagram that you drew in
20 order to reflect jointly provisioned switched access between
21 BellSouth and ITC^DeltaCom, is that right?

22 A That is correct.

23 Q All right. And then Exhibit 8, which is Diagram B,
24 as I am recalling that is the diagram that you drew for us to
25 depict where ITC^DeltaCom, as an IXC carrier, terminates an

1 intrastate call to offices other than BellSouth off the
2 BellSouth access tandem, is that right?

3 A That is correct.

4 Q Keeping Exhibit B in front of you for now, what I
5 want to do is sort of walk through it. And the first thing I
6 want to do is let's just identify what each of these symbols is
7 and what it is intended to depict. And once we do that we will
8 take the next step. Now, I have added something to the diagram
9 that you originally drew, and I want to make sure you are okay
10 with that. I put on the far left of the page a little oval
11 entitled ITC^DeltaCom end user. Do you see that?

12 A Yes.

13 Q And I have simply drawn a dark thick black line that
14 goes from that end user up to the switch on the left side of
15 the page. Are you okay with my making that addition?

16 A I would like to clarify that it is an ITC^DeltaCom
17 long distance end user versus what might be construed as local.

18 Q Okay. So we can identify him as an ITC^DeltaCom long
19 distance end user, right?

20 A That is correct.

21 Q Now, the switch that is on the left side of the page,
22 that is representing an ITC^DeltaCom voice switch, right?

23 A Yes.

24 Q And from that voice switch you have drawn a thick
25 black line that runs diagonally up to the switch that is in the

1 top center of the page, right?

2 A Yes.

3 Q Now, the switch that is in the top center of the
4 page, it is inside that clear box labeled BellSouth access
5 tandem, that is the BellSouth access tandem switch, right?

6 A That is correct.

7 Q And that is a voice switch, right?

8 A Yes.

9 Q And the line that you have drawn to connect the
10 DeltaCom switch on the left to the BellSouth tandem switch in
11 the top center, that is representing a Feature Group D trunk,
12 right?

13 A I'm sorry, could you repeat that again.

14 Q Yes. The thick black line that connects the DeltaCom
15 voice switch on the left side of the page to the BellSouth
16 access switch on the top center of the page, that is a Feature
17 Group D trunk?

18 A Yes, it is.

19 Q Okay. Then you have taken a dark black line that goes
20 from the BellSouth tandem switch at the top center of the page
21 and you have drawn it down to another switch that is on the
22 right-hand side of the page, right?

23 A Yes.

24 Q Now, that switch on the right bottom of the page,
25 that is depicting a voice switch of some other ALEC, right?

1 A Yes.

2 Q In other words, it is not DeltaCom, it is some other
3 ALEC. Now, the line that runs from the BellSouth tandem switch
4 down to that other ALEC's switch on the right side of the page,
5 that is interconnection trunks, right?

6 A Correct.

7 Q And then you have got a thick black line going from
8 the ALEC's switch on the right side of the page down to the
9 oval representing the end user, the ALEC end user on the right
10 side of the page, right?

11 A Yes.

12 Q And that is a loop facility, right?

13 A Correct.

14 Q Now, all of those facilities we just talked about,
15 starting on the left of the page, the loop from the end user to
16 the DeltaCom switch, the Feature Group D trunk set to the
17 BellSouth tandem, the interconnection trunk set to the ALEC
18 switch, and the loop going down to the ALEC end user, all of
19 those facilities are being used to provide the voice or data
20 traffic, right?

21 A Yes.

22 Q And those are not the facilities that are going to be
23 used to provide the signaling that we are talking about with
24 regard to this tariff, right?

25 A That is correct.

1 Q So let's now look at the part of the diagram that
2 depicts the facilities that are going to be used to handle this
3 signaling. Let's start with the ITC^DeltaCom STP pair. That
4 is the black oval on the left side of the page. Now, you have
5 got a thin line going from that oval up to the ITC^DeltaCom
6 voice switch, right?

7 A Correct.

8 Q And over to the left of that we have labeled that an
9 A-Link number one, right?

10 A Yes.

11 Q Okay. Now, that STP, the DeltaCom STP, let's first
12 figure out what that acronym stands for. Can we agree that
13 that stands for a service transport point?

14 A Or signaling transfer point.

15 Q Do they use both them or how do you want to say it?

16 A Typically, signaling.

17 Q Okay. I will use signaling. And the signaling
18 transport points, they are basically the packet switches of the
19 SS7 network, right?

20 A Yes.

21 Q And they receive incoming message and they route them
22 on to their appropriate destination, right?

23 A Yes.

24 Q And we will get into the details of that a bit more
25 in a minute, but for now let's go back and continue our

1 Labeling. Now, you have a thin black line that runs from the
2 ITC^DeltaCom STP up to the oval at the center of the page which
3 you have labeled BellSouth STP pair, right?

4 A Yes.

5 Q That thin line that connects the DeltaCom STP to the
6 BellSouth STP is a B-Link, B as in boy, right?

7 A Yes.

8 Q All right. Now, from that BST, or that BellSouth
9 STP, you have a line going down to the ALEC end office switch
10 on the right side of the page, right?

11 A Yes.

12 Q And that is an A-Link, right?

13 A Yes.

14 Q And those facilities that we just talked about,
15 beginning on the left side of the page, the A-Link that goes
16 from the DeltaCom voice switch to the DeltaCom STP, the B-Link
17 that goes from the DeltaCom STP to the BellSouth STP, and then
18 the A-Link that goes from the BellSouth STP down to the other
19 ALEC switch, those are the facilities that are going to be
20 carrying these signaling messages, right?

21 A Yes.

22 Q Now that we have labeled the diagram, let's talk
23 about how SS7 signaling messages travel over these facilities.
24 And to do that I guess we need to talk about the two types of
25 SS signaling messages. You can agree with me that generally

1 there are two types of signals, ISUP and TCAP, right?

2 A Correct.

3 Q And it just wouldn't be right if we didn't say what
4 those stood for, so ISUP stands for Integrated Services Digital
5 Network User Part, right?

6 A Yes.

7 Q And TCAP stands for Transacting Capability
8 Application Part, right?

9 A That sounds correct.

10 Q It doesn't do me any good at all, but it just doesn't
11 seem right if we didn't say what it stood for. Now, ISUP
12 messages basically are used to set up a call, right?

13 A Set up, monitor, and tear down, yes.

14 Q Fair enough. As opposed to TCAP messages, which are
15 used when you are accessing a database, right?

16 A Yes. Well, in some cases a transaction dip can be
17 utilized for LNP (phonetic), which you would involve for the
18 processing of a call.

19 Q Okay. So either database --

20 A It is still a database.

21 Q Those are the two broad purposes of a TCAP message,
22 right?

23 A Correct.

24 Q Going back to our Diagram B, which is Hearing Exhibit
25 8, let's look at what happens when the DeltaCom end user, the

1 DeltaCom long distance end user at the left side of the page,
2 let's say he places, he or she places an intrastate non-local
3 call to the ALEC end user over on the right side of the page,
4 okay?

5 A Yes.

6 Q And to make life easier for now, let's assume that
7 there is no LNP or there is no database dip that needs to be
8 done for this particular call, okay?

9 A Yes.

10 Q When that call reaches the DeltaCom switch on the
11 left side of this page, that DeltaCom switch is going to send a
12 signaling message up to the DeltaCom or down to the DeltaCom
13 STP pair on the left side of the page, right?

14 A Yes.

15 Q That STP is going to add some rounding information
16 and it is going to send it over the B-Link to the BellSouth
17 STP, right?

18 A Sometimes the STP adds routing information, sometimes
19 it doesn't. In this case it is getting the routing information
20 from the switch, so it is just passing on the signal.

21 Q In this particular call scenario, then, the
22 ITC^DeltaCom pair is not going to have to add routing
23 information, right?

24 A Correct. Well, the routing information is already
25 part of what is being sent in the initial message.

1 Q So it takes the initial message, including the
2 routing information in that initial message and it sends it
3 along to the BellSouth STP pair, right?

4 A That is correct.

5 Q And that signal is going to travel over that B-Link
6 that we've got connecting the two, right?

7 A That is correct.

8 Q Now, the BellSouth STP pair is going to take that
9 signaling message, and the BellSouth STP pair is going to add a
10 destination code, right?

11 A Only when the call goes from the access tandem back
12 to the other end office, not in the initial Feature Group D
13 call itself.

14 Q Okay. But eventually that BellSouth STP pair has got
15 to communicate with the ALEC switch on the right side of the
16 page, right?

17 A And that is when it updates the routing information.

18 Q Okay. So at some point then in this transaction,
19 that BellSouth STP pair is going to have to add some routing
20 information for that message in order to pop it down to the
21 ALEC switch, right?

22 A Correct.

23 Q All right. Now, from the time that that call gets
24 set up until the time that that call gets torn down, you can
25 have signaling messages going in both directions in this

1 diagram, right?

2 A Yes.

3 Q Now that we have talked about how the messages flow,
4 let's talk a bit about who gets billed for what. And you will
5 recall I asked you to assume that this is an intrastate
6 non-local call, right?

7 A Yes.

8 Q And the messages associated with an intrastate
9 non-local call, those are the messages to which BellSouth's
10 tariff that we are here to talk about today apply, can we agree
11 to that?

12 A Yes.

13 Q All right. Let's talk about the messages that are
14 going back and forth across the A-Link on the left side of the
15 page that connects the DeltaCom end office switch, the black
16 box, to the DeltaCom STP pair. Those messages that travel that
17 A-Link, can we agree that BellSouth in this call scenario would
18 not be charging DeltaCom for those messages?

19 A Well, that is my own internal network, so BellSouth
20 wouldn't be charging me for my own internal network.

21 Q So the answer is no, BellSouth is not going to be
22 charging you for messages that traverse the A-Link between your
23 end off switch and the ITC^DeltaCom STP, right?

24 A That is correct, the answer is no.

25 Q Now, let's talk about messages that go over the

1 B-Link that is running between the ITC^DeltaCom STP and the
2 BellSouth STP. The messages that travel across that B-Link
3 under BellSouth's tariff, BellSouth is going to bill
4 ITC^DeltaCom for those messages, right?

5 A That is correct.

6 Q Now, let's talk about the messages that travel across
7 the A-Link on the right side of the page that connects the
8 BellSouth STP pair to the ALEC switch. Focussing for now just
9 between DeltaCom and BellSouth, we can agree, can't we, that
10 under this tariff BellSouth will not be charging DeltaCom for
11 messages that travel across that A-Link?

12 A BellSouth may not, but I may be billed by the ALEC
13 for those messages.

14 Q And we will get there in a second. But can we agree
15 that under BellSouth's tariff, BellSouth is not going to be
16 charging DeltaCom for messaging that takes place over the
17 A-Link that connects the BellSouth STP pair to the ALEC switch
18 on the right side of the page?

19 A Yes.

20 Q Now, you just mentioned what you mentioned in your
21 direct testimony, you said that the ALEC who owns the switch on
22 the right side of the page may try to bill DeltaCom for
23 messages that go over the A-Link between BellSouth's STP and
24 the ALEC end office switch, right?

25 A That's correct.

1 Q BellSouth has been billing under its intrastate
2 tariff in Florida for, what, about six months now, right?

3 A That is correct.

4 Q How many ALECs in this configuration here have billed
5 DeltaCom for messages that travel over that A-Link between the
6 BellSouth STP pair and the ALEC switch?

7 A I'm not aware of any ALECs that actually have the
8 Signaling System 7 capability in order to bill ITC^DeltaCom for
9 this type of message.

10 Q I appreciate it, I need to make sure I hone in,
11 though. To the best of your knowledge, has DeltaCom received a
12 bill from any ALEC saying I want you to pay me for messages
13 that are going across this A-Link between BellSouth's STP and
14 my end office switch?

15 A I am not aware of any billing.

16 Q We are making progress, we are getting through the
17 diagrams. But what we haven't done yet is we haven't talked
18 about TCAP messages because I asked you to assume we didn't
19 have database dips in this call. So what I would like you to
20 do now is flip over to Hearing Exhibit 9, which is the diagram
21 that has C up in the top right corner?

22 A Yes.

23 Q It is the same diagram as we just got through talking
24 about with the exception that I have drawn a database there in
25 the middle of the page, do you see that?

1 A Yes.

2 Q And I have drawn a connection between the database in
3 the middle of the page and the BellSouth STP pair. Do you see
4 that?

5 A Yes.

6 Q Now, some ALECs maintain their own databases, right?

7 A Very few databases. They either receive those --
8 usually they use the databases of either BellSouth or a third
9 party provider. There are a few ALECs that have their own
10 internal databases, but it is an exception more than the rule.

11 Q Okay. So a very few have their own databases, right?

12 A Yes.

13 Q Some use databases that third parties other than
14 BellSouth maintain, right?

15 A That is correct.

16 Q And some use BellSouth's database, right?

17 A Yes.

18 Q Let's assume for purposes of this diagram here,
19 Diagram C, let's say the ALEC who owns that switch, the voice
20 switch on the right side of the page, let's say that ALEC is
21 using BellSouth's database, okay?

22 A Yes.

23 Q And just to make this real easy, I want you to assume
24 that that BellSouth STP that is there in the center of the
25 page, let's assume that that is the STP that happens to

1 communicate with the database, okay?

2 A Yes.

3 Q Now, just to demonstrate the TCAP messages, I am
4 going to ask you to assume that the ALEC end user on the right
5 side of the page makes an intrastate non-local call to the
6 ITC^DeltaCom end user on the left side of the page. Are you
7 with me so far?

8 A Yes.

9 Q And let's assume that this call is one in which we
10 are going to have to -- BellSouth is going to have to dip into
11 the database in order to make those signaling work, okay?

12 A Yes.

13 Q And we have already assumed that the ALEC has said,
14 BellSouth, I want to use your database, right?

15 A Correct.

16 Q And, finally, just to make it flow, let's assume that
17 this is one of the database dips that has to take place right
18 off the bat before anything else happens on the call, okay?

19 A Correct.

20 Q Now, as I understand it, what is going to happen is
21 the call is going to hit the ALEC switch on the bottom right of
22 the page, right?

23 A Correct.

24 Q And the ALEC switch is going to recognize that it has
25 to dip a database, right?

1 A Right.

2 Q So it is going to send a TCAP message up the A-Link
3 to the BellSouth STP pair, right?

4 A Correct.

5 Q That STP pair is going to get that message and say,
6 okay, I have got to dip my database, so it is going to send a
7 TCAP message to the database, right?

8 A Correct.

9 Q And then the database -- and I know it probably tears
10 you up to hear me say it this way because I don't have the
11 first clue of the technicalities, but the database basically
12 just looks into its records, pulls out the information it needs
13 and sends back that information to the BST STP pair, right?

14 A Correct. It actually sends the information back to
15 the switch routing through the STP pair. The STP doesn't do
16 anything with that information.

17 Q I'm getting there. It sends the TCAP message back to
18 the STP, and then the STP sends the TCAP message back to the
19 switch and says here is the information you need, right?

20 A Correct.

21 Q That is how the TCAP messages flow. Let's talk about
22 how they get billed under the tariff. The TCAP messages that
23 traverse the A-Link between the ALEC switch and the BellSouth
24 STP, can we agree that under BellSouth's tariff that we are
25 talking about today, BellSouth is going to charge the ALEC on

1 the right side of the page for those TCAP messages?

2 A Yes.

3 Q BellSouth is not going to be charging DeltaCom for
4 those TCAP messages, is it?

5 A That is correct.

6 Q Now, I want to see if we have a factual difference
7 here. When the TCAP messages flow between BellSouth's STP and
8 the BellSouth database, what is your understanding as to
9 whether BellSouth is charging anybody for those TCAP messages?

10 A It is my understanding that the link there is part of
11 your cost of the database dip itself. It is really a dip
12 charge that is in your intrastate or federal tariff.

13 Q Okay. So your understanding is that the TCAP
14 messages that go from the STP to the database, there is no per
15 TCAP message charge associated with those TCAPs under this
16 tariff, right?

17 A I'm not sure how you allocate those costs, whether
18 those costs were actually a part of the database dip itself or
19 the information, or where you included those costs.

20 Q Okay. Fair enough.

21 COMMISSIONER DEASON: I'm sorry, database dip?

22 THE WITNESS: Database dip. When Mr. Turner talked
23 about receiving information or going into the database, the
24 industry term is dip where I am just going in and dipping and
25 pulling out information. Dip doesn't stand for anything, it's

1 just an easy to use acronym. It is one of the few acronyms
2 that we have that doesn't have --

3 COMMISSIONER DEASON: That's about the first time I
4 have heard of that.

5 BY MR. TURNER:

6 Q In effect what you are saying is your database is
7 dipping into its records and pulling out what it needs?

8 A That is correct.

9 Q All right. Let's flip the page and go to Exhibit D,
10 which is actually Hearing Exhibit 10?

11 COMMISSIONER DEASON: Before we leave that, let me
12 make sure I understand. The TCAP dip to the database that
13 flows between the BellSouth STP and the database, is there a
14 charge for that? And if there is, where is that charge -- I
15 assume there is a cost associated with that. How is that cost
16 recovered, to the best of your knowledge?

17 THE WITNESS: To the best of my knowledge, BellSouth
18 has filed charges for 800 database queries for LNP queries, for
19 SEEN (phonetic) queries in other databases. And it is my
20 understanding that that cost would be associated with those
21 queries. I am not the BellSouth cost expert, but that is my
22 understanding.

23 COMMISSIONER DEASON: So it is your understanding
24 that there is a separate charge for those database queries?

25 THE WITNESS: Yes.

1 COMMISSIONER DEASON: And in this particular scenario
2 that we have here, who would be charged for that?

3 THE WITNESS: It would actually be the carrier
4 requesting the information.

5 COMMISSIONER DEASON: So in this example it would be
6 the ALEC serving the end user that placed the call.

7 THE WITNESS: Yes, Commissioner.

8 BY MR. TURNER:

9 Q Just to continue along our discussion of TCAPs, go
10 with me to Hearing Exhibit 10, which has the D up in the top
11 right corner. Do you see that?

12 A Yes.

13 Q That is simply Hearing Exhibit 9 with the addition
14 that I have added another database over here on the left side
15 of the page, okay. Do you see that?

16 A Right. I was confused. Was D Exhibit 9 or Exhibit
17 10?

18 Q I'm sorry, it is Exhibit 10.

19 A I'm with you.

20 Q Does DeltaCom maintain its own databases or does it
21 use a third party?

22 A We use third-party databases.

23 Q Okay. So I have sort of made a little shortcut here
24 that we will have to talk about. What I want to do now is
25 let's talk about what happens when a database has to be dipped.

1 But instead of the ALEC originating the call, it is the
2 DeltaCom end user that originates that call, okay.

3 A Okay.

4 Q Now in that case, the DeltaCom switch is going to
5 recognize that there has to be a dip into a database, right?

6 A That is correct.

7 Q And it is going to send a TCAP message up the A-Link
8 from the switch to the DeltaCom STP, right?

9 A That is correct.

10 Q Now, I have drawn a straight line into a database
11 under the assumption that DeltaCom has its own databases, but
12 that is not accurate. So can we agree that what would happen
13 is between that DeltaCom STP pair, that TCAP is going to bounce
14 around some other STPs and eventually get to the database that
15 the third party that does your database work for you maintains?

16 A Right. There will be an interim STP in between the
17 database and the ITC^DeltaCom STP, that is correct.

18 Q I don't think that is going to alter things, so let's
19 just assume that we sort of maybe put an ellipses there and
20 understand that there are some other STPs involved between the
21 DeltaCom STP on the left side of the page and that database
22 down at the bottom, okay?

23 A Yes.

24 Q Now, when your DeltaCom STP gets that TCAP message
25 from your end office switch, it is going to send that message

1 along those various STPs and it is finally going to hit the
2 database, right?

3 A That is correct.

4 Q The database will dip it, it is going to send
5 information back through your STP over that A-Link and back to
6 your switch, right?

7 A That is correct.

8 Q And in my scenario I have drawn here, none of that
9 ever hits the BellSouth signaling network, right?

10 A Yes, that is correct.

11 Q So can we agree that all of the TCAP messages that
12 are inherent in what we just talked about in that database dip
13 on the left side of the page, none of those TCAP messages are
14 going to be billed by BellSouth under this tariff, right?

15 A Right.

16 Q We have got one more diagram. We skipped A, so we
17 need to go back to Diagram A, which is Hearing Exhibit 7. Just
18 tell me when you are there.

19 A I'm there.

20 Q Just as a shortcut, because I think we have gone
21 through this enough, what I have done is I've got a DeltaCom
22 end user on the right side of the page, right?

23 A Yes.

24 Q And actually this is a diagram that you drew for us.
25 Now, over on the left side of the page, in order to illustrate

1 your concerns with this tariff, we have simply cut it off at
2 that IXC switch, right?

3 A That is correct.

4 Q So there is other stuff happening over there on the
5 left side of the page, but under this scenario BellSouth is not
6 involved in that other stuff, right?

7 A That's right.

8 Q So let's just pick up what happens when there is this
9 type of call that goes through an IXC carrier, through a
10 BellSouth tandem, over your switch and to your end user. Now,
11 on the voice, you are going to have starting at the left, the
12 IXC switch is going to do some stuff, send it over to that
13 Feature Group D to the BellSouth switch at the top right of the
14 page, right?

15 A Correct.

16 Q And then that switch is going to perform its
17 functions, send the voice message down the interconnection
18 trunk to the DeltaCom switch at the right side of the page,
19 right?

20 A Correct.

21 Q And that switch is going to do its thing and send the
22 message down the loop to the DeltaCom end user on the right
23 side of the page, right?

24 A Correct.

25 Q Now, on the signaling side of the house. Going back

1 to the left side of the page, that IXC switch on the left side
2 of the page, it is going to communicate with the IXC's STP on
3 the left side of the page, right?

4 A Right.

5 Q And it is going to communicate over an A-Link, right?

6 A Yes.

7 Q And we can agree, can't we, that messages that flow
8 over that A-Link, BellSouth is not billing anybody for those
9 messages under this tariff, right?

10 A Correct.

11 Q And then the IXC's STP is going to communicate with
12 BellSouth's STP in the upper middle of the page, right?

13 A Correct.

14 Q And those messages are going to travel over that
15 B-Link, right?

16 A Correct.

17 Q Now, under BellSouth's tariff, and again we are
18 assuming an intrastate non-local call, BellSouth is going to
19 bill those messages back to the IXC, right?

20 A Correct.

21 Q Then some messages can flow between the BellSouth STP
22 pair at the center and the DeltaCom STP pair on the bottom
23 right, correct?

24 A Correct.

25 Q And those will travel over the B-Link that you have

1 drawn there that connect those two STPs, right?

2 A That is correct.

3 Q And the messages that travel over that B-Link under
4 BellSouth's tariff, BellSouth is going to charge those messages
5 to DeltaCom, right?

6 A That is correct.

7 Q Then messages can flow from the DeltaCom STP pair
8 over the A-Link to the DeltaCom end office switch, right?

9 A Yes.

10 Q And under BellSouth's tariff, BellSouth is not going
11 to be charging DeltaCom for messages that flow over that
12 A-Link, right?

13 A Correct.

14 Q Now, let's go to your direct testimony at Page 8.
15 Just let me know when you are there.

16 A I'm there.

17 Q Well, you got there before I did. Don't do that
18 again. (Laughter.)

19 Let's look at Lines 3 through 6. First of all,
20 generally, we can agree and take a look if you need to, but I
21 believe that the discussion that you are having up at the top
22 of Page 8, that discussion is related to this diagram which is
23 Diagram A, Hearing Exhibit 7, can we agree on that?

24 A Yes.

25 Q Now, on Page 8, beginning on Line 3, you say if there

1 are six ISUP messages sent and received by the IXC carrier, the
2 IXC carrier will end up getting billed for 12 message; six ISUP
3 messages from BellSouth and six ISUP messages from
4 ITC^DeltaCom. Do you see that?

5 A Yes, I do.

6 Q Now, we have already agreed that for the messages
7 that flow between the IXC's STP and the BellSouth STP, flowing
8 over that IXC B-Link that you have labeled there, BellSouth is
9 charging those messages back to the IXC, right?

10 A That is correct.

11 Q Can we also agree that today DeltaCom is not billing
12 that IXC for any messages?

13 A Because we lack the billing technology, billing
14 capability, and also because we haven't yet filed intrastate
15 tariffs that would allow for that billing.

16 Q And understanding those are reasons, the fact is
17 DeltaCom is not billing that IXC for messages in this scenario
18 today, is it?

19 A No, it is not.

20 Q Now, if this tariff stays in effect, it is my
21 understanding that DeltaCom intends to start charging that IXC
22 for messages in this call scenario. Is my understanding
23 correct?

24 A Strategically, we would like to charge for the
25 messages if BellSouth's tariff goes in effect. Tactically, we

1 are not sure if we can actually afford the billing system that
2 would allow us for the billing of these messages. So it is the
3 difference between, yes, our intent is to bill if we can find
4 an economic solution in order to bill the interexchange
5 carrier.

6 Q Assuming that you had every billing detail you need,
7 it was economic to do so, DeltaCom's intent would be to bill
8 the IXC for messages in this call scenario, right?

9 A That is correct, because it is associated with
10 switched access Feature Group D traffic.

11 Q And DeltaCom would intend to bill for messages in
12 this scenario, even though there is no direct connection
13 between the IXC's STP and DeltaCom's STP, right?

14 A Well, that is not really the reason. I mean, there
15 are different reasons why we would bill the interexchange
16 carrier other than the direct relationship. We feel that this
17 is a jointly provisioned switched access where in this case you
18 are the originating LEC and I am the terminating LEC, and it is
19 a Feature Group D call in which traditionally the Feature Group
20 D trunks and messages have always been billed to the
21 interexchange carrier, so we are being billed by BellSouth for
22 SS7 messages associated with the Feature Group D call, and we
23 are merely passing that back through to the interexchange
24 carrier.

25 CHAIRMAN JABER: Mr. Brownworth, let me ask you a

1 hypothetical. If you had tariffs on file with the FCC and were
2 able to bill the IXC in a similar fashion that BellSouth is
3 billing you, in your opinion, would you have an issue with
4 BellSouth's tariff?

5 THE WITNESS: It is getting to that point, Madam
6 Chairman. The issue is that we would only file it as a
7 defensive action to protect our costs. The fact is that as
8 ITC^DeltaCom, I am not sure if we can actually afford to
9 implement the billing system. I'm working on our 2003 capital
10 plan. We have so many priorities that an SS7 billing system is
11 very expensive, and at this point in time I'm just not sure if
12 we can actually afford implementing such a system.

13 CHAIRMAN JABER: So it is really a cost-recovery
14 issue for you. You don't dispute -- is that correct, is it a
15 cost-recovery issue?

16 THE WITNESS: It's not so much cost-recovery, it's
17 finding a way to -- if we are being billed something we haven't
18 been billed previously, to find an equitable way to pass that
19 charge on through to the person, in this case the interexchange
20 carrier.

21 CHAIRMAN JABER: The last time I checked that is also
22 known as cost-recovery.

23 THE WITNESS: I will take your word for it, Madam
24 Chairman, I'm not a cost expert.

25 CHAIRMAN JABER: You want to be able to recover the

1 cost from someone?

2 THE WITNESS: Yes.

3 CHAIRMAN JABER: And what stands in your way of doing
4 that is, I guess, a technical feasibility issue, in your
5 opinion, and the tariff that you have not been able to file
6 yet.

7 THE WITNESS: That is correct. We wouldn't file a
8 tariff if we didn't have the capability. It doesn't make sense
9 for us to file a tariff for rates if we don't have the
10 capability to charge for those rates.

11 CHAIRMAN JABER: And what stands in your way with
12 regard to the technical capability is, again, a matter of
13 putting money, investing money into a program that allows you
14 to do the billing?

15 THE WITNESS: Right. And it's a fairly significant
16 cost for us as a company.

17 CHAIRMAN JABER: Is that the only impediment?

18 THE WITNESS: There are some back office systems and
19 billing that have to be modified, but it is fairly minor
20 compared to the actual SS7 billing system that would have to be
21 put in place.

22 CHAIRMAN JABER: Is the cost like a confidential --
23 do you have a gauge for what the costs would be, or is that
24 something that you all have not revealed?

25 THE WITNESS: We are working with several vendors

1 right now on cost. We saw BellSouth's cost, which is
2 confidential, and it caused us to relook at our costs. We
3 don't think that the vendors we have been talking to have
4 really fully explored our total costs, but it is a significant
5 portion of my capital plan, absolutely.

6 CHAIRMAN JABER: Is there another software or another
7 mechanism that allows you to accomplish the same thing?

8 THE WITNESS: Not that has been identified by the
9 FCC. I think the FCC said that you have a system in place in
10 which you keep track of the individual messages and didn't
11 indicate any other cost-recovery scenario, but they would be
12 open if someone had a different mechanism to approach them with
13 that.

14 CHAIRMAN JABER: Commissioner Deason, did you have a
15 question?

16 COMMISSIONER DEASON: Yes. I wanted to follow up a
17 question on the cost-recovery aspect. I understand your desire
18 to recover costs that you feel are being imposed upon you now.
19 My question is it is my understanding that BellSouth's position
20 is that the tariff is revenue neutral, and also I understand
21 that there is some difference of opinion as to whether it
22 really is revenue neutral. But if the tariff were really
23 revenue neutral, would you have any additional costs that you
24 would need to seek recovery?

25 THE WITNESS: Yes, because when BellSouth says it is

1 revenue neutral, it is revenue neutral as an aggregate, but
2 ITC^DeltaCom as a third-party provider of other wireless, CLEC,
3 and independent telephone companies is going to be receiving
4 more costs than we had before, and we have to find some
5 mechanism in order to pass those costs on to our either users
6 of the SS7 network, or in this example here back to the
7 interexchange carrier. These are not costs that we incurred
8 before because the offset is on local switching.

9 In this scenario here we are not billed by BellSouth
10 for local switching. Someone else is being billed for local
11 switching in this respect. So at the aggregate revenue
12 neutral, looking at DeltaCom as an individual company we have
13 to find a way that we are going to be billed more by BellSouth
14 and have to find some way of recovering that cost.

15 COMMISSIONER DEASON: But now if the call were going
16 in the opposite direction, would you be billed for switching
17 then?

18 THE WITNESS: Yes.

19 COMMISSIONER DEASON: And that's where you received
20 the reduction, is that correct?

21 THE WITNESS: I'm sorry, I would be billed -- if the
22 call is going the opposite direction from a DeltaCom local
23 customer calling an interexchange carrier, in that case I would
24 still be billed messages by BellSouth. In the case of the
25 trunk itself, BellSouth and ourselves would bill from the local

1 interconnection trunks. In this case here, I would be billed a
2 tandem interconnection charge, not a local switching charge.

3 COMMISSIONER DEASON: So you're saying there is not
4 an offset in your costs in that situation.

5 THE WITNESS: That is correct.

6 COMMISSIONER DEASON: And why is that, again?

7 THE WITNESS: Because when I take a call from my
8 local customer calling an interexchange carrier to utilize
9 their services, the interexchange carrier is really the --
10 there is no local BellSouth end office. The interexchange
11 carrier's switch is not part of the BellSouth network. The
12 only switch I use in the BellSouth network is the access
13 tandem. Local switching applies to end offices. With the
14 access tandem I'm paying an interconnection fee for the use of
15 the BellSouth tandem and there is no offset with that
16 particular rate element.

17 CHAIRMAN JABER: What you are referring to is the
18 access charges, not costs associated with the signaling.

19 THE WITNESS: Right. But what I just mentioned was
20 the cost associated with the voice path.

21 COMMISSIONER DEASON: Well, I thought that it was
22 BellSouth's position that the switched access charges were
23 reduced to achieve revenue neutrality.

24 THE WITNESS: That is correct. But in this cost
25 scenario -- in this cost scenario here I would not be billed

1 any switched access by BellSouth. In either direction I would
2 not be billed by BellSouth for Feature Group D access.

3 COMMISSIONER DEASON: But there would be situations
4 where you would pay that and it would be at a lesser rate and
5 you are saying that that doesn't constitute an offset.

6 THE WITNESS: Right. In the case where ITC^DeltaCom
7 is an interchange carrier, which we are, and we place an
8 intrastate phone call, in that case we would get a local
9 revenue offset along with the SS7 billing.

10 COMMISSIONER DEASON: And your position is that in
11 the aggregate there is not an offset, you still have a net
12 increase in costs above what you had before this tariff went
13 into effect?

14 THE WITNESS: Yes. For ITC^DeltaCom that is correct.

15 COMMISSIONER DEASON: Are there other carriers who
16 are net beneficiaries of this tariff in the aggregate?

17 THE WITNESS: I guess there would have to be. I am
18 trying to think of a scenario where there would be. Certainly
19 any carrier utilizing a significant amount of Feature Group D
20 traffic could benefit from it where the only thing -- if a
21 carrier is using just strictly Feature Group D trunking, it has
22 no local interconnection, then they are getting a true revenue
23 neutral where they are being charged for the Feature Group D
24 call and then being offset by local switching.

25 So in that case -- I don't know if they would

1 necessarily benefit, I would have to think about that and see
2 if there was a scenario under which a company would benefit.
3 You would think there would be. If DeltaCom has a cost
4 disparity, then under what circumstance would a company
5 benefit, I just can't think of it off the top of my head right
6 now.

7 COMMISSIONER DEASON: But you would agree, though,
8 that if it were truly revenue neutral to BellSouth and it is a
9 net cost to you there has to be someone else who is a net
10 beneficiary?

11 THE WITNESS: That is correct.

12 CHAIRMAN JABER: Commissioner Deason, if I could just
13 follow up some more to flesh your position with respect to
14 still not being revenue neutral in the aggregate. I heard you
15 say you have got additional costs associated with a third
16 party. Are you referring to using a third party as a STP?

17 THE WITNESS: In this case I am actually a provider
18 of signaling services to other carriers within BellSouth's
19 territory, independent telephone companies, a couple of
20 wireless carriers, and a couple of CLEC carriers. So in this
21 case since those carriers are interconnected to my STP, any
22 signaling that occurs between those carriers and BellSouth, I
23 will receive the cost for that because BellSouth doesn't see
24 those links, those links are part of my network. All of that
25 signaling going across between BellSouth's network and my

1 network, I now bear the cost of that signaling. And I need to
2 finds a mechanism that I can utilize to pass those costs on to
3 my customers sitting behind my STP pairs.

4 CHAIRMAN JABER: Let me make sure I understand. So
5 does ITC^DeltaCom serve as a third-party STP for other
6 carriers?

7 THE WITNESS: That is correct.

8 CHAIRMAN JABER: But you do not serve as an STP for
9 yourself?

10 THE WITNESS: We do for ourselves. There are some
11 cases, especially for ISUP, definitely for ISUP. In the case
12 of TCAP messages or databases, we utilize either BellSouth's
13 database or another carrier's database. So in the case of
14 databases, we utilize different vendors for that. But in the
15 case of trunk signaling and setup of the voice path, we
16 definitely utilize our own network.

17 CHAIRMAN JABER: Okay. Well, set aside the BellSouth
18 tariff filing for a moment. Why would you allow ITC^DeltaCom
19 to be a third-party STP for other carriers without having a
20 cost-recovery mechanism?

21 THE WITNESS: We do have a cost-recovery mechanism
22 with those third party -- with our customers. We typically
23 charge a port charge.

24 CHAIRMAN JABER: A what charge?

25 THE WITNESS: A port charge for our STP port. We

1 charge any sort -- the links that we talked about, if I have to
2 incur any costs to hook their network to our network, we pass
3 those costs through on to that customer. And then we charge a
4 fixed charge based upon if a customer wants to route from Point
5 A to Point B, we charge them a fixed monthly charge. But we do
6 not charge any variable charges regarding ISUP messages. It is
7 all fixed cost billing.

8 CHAIRMAN JABER: Could some sort of fixed cost
9 billing structure be set up for you to offset any sort of
10 additional costs you think goes over and above the revenue
11 neutrality?

12 THE WITNESS: We have had some internal discussions
13 about that with fixed costs, and we are still struggling with
14 that. Because when you implement a fixed cost, you have a
15 situation you may have some carriers utilizing the network for
16 hundreds of thousands of messages and some carriers only
17 utilizing the network for very few messages. To charge a fix
18 cost for a carrier who is not utilizing the network to carry
19 that, or not utilizing it much to carry that, or not
20 significantly utilizing the network, we haven't found that to
21 be a fair mechanism.

22 CHAIRMAN JABER: Is that an issue that could be
23 addressed contractually among carriers based on percentage of
24 traffic historically and, you know, allowing carriers to
25 renegotiate when traffic changes substantially?

1 THE WITNESS: You are referring to the carriers that
2 are off my STP?

3 CHAIRMAN JABER: Yes.

4 THE WITNESS: It is possible we can go back to our
5 carriers, carrier customers and tell them what our situation is
6 and seen how we can negotiate something that is acceptable.

7 CHAIRMAN JABER: Thank you, sir.

8 BY MR. TURNER:

9 Q Mr. Brownworth, to follow-up just very briefly on
10 that.

11 A Yes.

12 Q DeltaCom in addition to providing signaling for calls
13 going back and forth between its own users, you also provide
14 signaling on behalf of other companies for calls that go to
15 their end users, right?

16 A I'm sorry, I couldn't hear the last part of that
17 question.

18 Q In addition to doing your own signaling for calls
19 that go to and from your own end user, you also contract out
20 with other companies to provide signaling for them for calls to
21 their end users, right?

22 A Not in the BellSouth case. In other words, I'm
23 trying to think of a scenario, Mr. Turner, but in terms of
24 BellSouth, we only utilize BellSouth. We don't utilize a third
25 party to get to your end users.

1 Q I'm sorry, I wasn't clear on what I asked you. You
2 are a third-party hubbing provider, right?

3 A That is correct.

4 Q And that means that you provide signaling services
5 for other carriers, right?

6 A That is correct.

7 Q Even if you aren't actually providing voice service
8 to those carriers' customers, you are providing signaling
9 services to those carriers to help set up those calls, right?

10 A I understand what you are saying now. That is
11 correct, the majority of the third-party providers we have do
12 not have trunks into our network, they are utilizing our STP
13 because it is more efficient for them to do so.

14 Q Let me ask you this. Isn't it fair to say that if
15 DeltaCom were not a third-party hubbing provider, the number of
16 messages that it is getting charged would be less than it is
17 today when it is a third-party hubbing provider?

18 A That is logical.

19 Q One final question before I move on to what I wanted
20 to finish up with. Under BellSouth's intrastate tariff, has
21 DeltaCom ever filed a percent local usage factor with BellSouth
22 to say of the percentage of messages that are not interstate
23 messages, this is how many are local messages, have you ever
24 filed that with BellSouth?

25 A No, because we don't know how to file it with

1 BellSouth. There are no clear instructions on how to file a
2 PLU. A signaling PLU. We do have a PLU associated with
3 access, but not a PLU associated with signaling.

4 Q Okay. Let's assume that DeltaCom had gotten it
5 straight as to exactly how to go about filing a percent local
6 use factor for signaling with BellSouth, okay. Just assume
7 that that had happened. In that case, some of the
8 non-interstate signals would have been billed to DeltaCom under
9 the local interconnection agreement, right?

10 A That is correct.

11 Q And the rates under the local interconnection
12 agreement given the TELRIC requirements are lower than the
13 rates for signaling under the intrastate tariff, right?

14 A That is correct.

15 Q So if DeltaCom had filed a percent local usage for
16 signaling, it would have been billed less under this tariff
17 than it has been billed under the tariff since it hasn't
18 submitted a percent local usage factor, right?

19 A Yes, we would expect that when we file a signaling
20 PLU we will go back and true-up the messages that have been
21 billed.

22 Q So even to the extent that you have discussed that
23 this has not been revenue neutral from your standpoint, once
24 you submit that PLU the right way, overall in the aggregate the
25 amount you are paying BellSouth for signaling ought to go down,

1 right?

2 A I can answer that question in two ways. One is short
3 term, yes. But my concern is that BellSouth has filed comments
4 and they are trying to review the FCC that wants to do away
5 with signaling. So the strategic part of me says that I may --
6 if BellSouth gets their way in front of the FCC regarding
7 removing SS7 as UNEs, I may be right back to this intrastate
8 tariff.

9 Q Okay. Let's talk briefly about the STP and the
10 function that BellSouth's STP performs. Let's look back on
11 Exhibit 7. It is Hearing Exhibit 7, Diagram A.

12 A Okay.

13 Q In the call flow that is going on here, the BellSouth
14 STP pair is, in fact, going to be adding routing information to
15 messages, right?

16 CHAIRMAN JABER: I'm sorry, can you repeat that, Mr.
17 Turner.

18 MR. TURNER: Yes.

19 BY MR. TURNER:

20 Q In the call flow scenario that is going on here, the
21 signaling associated with those calls, BellSouth's STP is going
22 to be adding routing information to those signals to tell it
23 you go here, you go there, right?

24 A In some messages, yes. Like an initial message when
25 the interchange carrier's switch sends it to the BellSouth

1 access tandem switch, that information is already contained.
2 But when that switch, the access tandem switch needs to send
3 the call elsewhere, that is when the BellSouth STP actually
4 changes the routing information.

5 Q And when BellSouth's STP has to change the routing
6 information, if it failed to do so the signaling itself would
7 fail, right?

8 A That is correct.

9 Q And if the signaling itself failed, the call wouldn't
10 go through, right?

11 A The same is true with the DeltaCom network. If we
12 failed to change the routing, the call would fail, as well. So
13 that is the case in any network.

14 Q Okay. But specifically with regard to BellSouth, if
15 BellSouth's STP pair failed to add that routing information,
16 the signal would fail and the call would not go through, right?

17 A That is correct.

18 Q We have already mentioned that DeltaCom is a
19 third-party hubbing provider. We can agree, can't we, that
20 DeltaCom has incurred additional cost above normal switching
21 cost to establish and maintain its own SS7 network?

22 A Yes, because we have had to purchase the STPs and the
23 software associated with the STPs, that is correct.

24 Q Okay. So, in fact, DeltaCom as you mentioned, had to
25 pay the cost associated with the capital for the STP itself,

1 right?

2 A That is correct.

3 Q It stands to reason that BellSouth has had to pay for
4 the cost associated with its STPs in its network, right?

5 A Yes.

6 Q DeltaCom also pays annual costs for software upgrades
7 and vendor maintenance of the STP in its network, right?

8 A That is correct.

9 Q Doesn't it stand to reason that BellSouth also has to
10 pay for software upgrades and vendor maintenance for its STPs?

11 A Yes.

12 Q DeltaCom has dedicated head count and other employees
13 that have SS7 responsibilities on a less than full-time basis,
14 right?

15 A That is correct.

16 Q It stands to reason that BellSouth has employees with
17 SS7 responsibilities, right?

18 A Correct.

19 Q DeltaCom has transport costs from its STPs to the
20 BellSouth STPs, right?

21 A That is correct.

22 Q BellSouth has transport costs from the gateway STPs
23 to the STPs of the other carriers, right?

24 A My costs are more expense-related than
25 capital-related, but essentially they are costs.

1 Q Okay. Now, when DeltaCom acts as a third-party
2 hubbing provider, does it charge those carriers for providing
3 the signaling service?

4 A Yes, we do.

5 Q And that is not done pursuant to a tariff, is it?

6 A No, it is done pursuant to a contract.

7 Q Are those contracts for signaling between DeltaCom
8 and other providers filed with this Commission?

9 A They are carrier-to-carrier contracts and I'm not a
10 legal expert, so I'm not sure if we have actually -- to my
11 knowledge, I don't believe we have filed those accounts with
12 the Florida Public Service Commission.

13 Q Okay. But when you provide third-party hubbing
14 service to another carrier, you charge for the port, you charge
15 a port charge associated with your ports on your STPs, right?

16 A That is correct.

17 Q In addition to that you charge a link charge
18 associated with getting signals from the port on your STP --
19 and I lost my place. From the port on the STP to wherever they
20 go, right?

21 A The signaling point of interconnection, if you will.

22 Q In addition to that, you charge what is typically
23 called an OPD/DPC or translation charge, right?

24 A That is correct.

25 Q And that is a fixed amount that you charge for the

1 signals that go from one STP to another, right?

2 A That is correct.

3 Q So when you provide signaling services to third
4 parties, you are charging them for signals, aren't you?

5 A Well, I understand what you are saying there. It is
6 basically to recover the costs. The OPC/DPC is basically to
7 recover the costs that we incur when we interconnect to the
8 BellSouth network regarding the ports and links that we pay for
9 you. In terms of our contract, we do have in some of our
10 contracts the ability to pass through message charges if they
11 are billed to us, it is just a mechanism of passing through
12 those message charges.

13 Q You charge for the port on the STP, right?

14 A Correct.

15 Q You charge for the link that connects the STP to
16 wherever it goes, right?

17 A Correct.

18 Q And you charge that other charge that is a charge for
19 signaling, right?

20 A It is part signaling, yes.

21 Q Are you familiar with the FCC decision, the Ameritech
22 FCC decision that DeltaCom provided to us in discovery, or to
23 the staff in response to discovery requests?

24 A I have seen it, but I have not studied it. I didn't
25 provide that portion of the response.

1 Q So if I asked you questions about it, you wouldn't
2 feel comfortable answering them?

3 A Not unless I could read it ahead of time, no.

4 Q That's fair.

5 MR. TURNER: Madam Chair, we believe that is an
6 important decision, but given what Mr. Brownworth has just said
7 we will address it in our brief.

8 BY MR. TURNER:

9 Q Mr. Brownworth, BellSouth has a tariff at the FCC
10 that charges on a per message basis for ISUP and TCAP messages
11 associated with interstate calls, right?

12 A That is correct.

13 Q And the rates for those ISUP and TCAP messages in the
14 FCC tariff are identical to the rates in this Florida tariff,
15 right?

16 A That is my understanding.

17 Q And DeltaCom has been paying messages under the
18 federal tariff for months now, right?

19 A We have actually been disputing those charges. We
20 have been billed, but we have been disputing those charges.

21 Q The tariff is in effect, though, right?

22 A That is correct.

23 Q And we can agree, can't we, that to the extent that
24 you have concerns with the Florida tariff, those same concerns
25 would have applied to the FCC tariff?

1 A Yes.

2 Q Has DeltaCom filed a complaint with the FCC regarding
3 BellSouth's federal per message signaling rates?

4 A No. In light of the information that we found out
5 here in Florida that we are considering taking some action with
6 the FCC. We don't know if that is a formal complaint, an
7 informal complaint, an ex parte meeting, but I believe we will
8 do some sort of action with the FCC in light of what we found
9 here in the Florida information.

10 MR. TURNER: Madam Chair, that concludes my cross
11 examination.

12 CHAIRMAN JABER: Thank you, Mr. Turner. Ms. Edwards.

13 MS. EDWARDS: Thank you. I have a few questions on
14 redirect.

15 CHAIRMAN JABER: Actually, hang on a second. I'm
16 sorry, I forgot staff. I should never make the mistake of
17 forgetting staff.

18 MR. TEITZMAN: Staff has no questions.

19 CHAIRMAN JABER: That's why I forgot staff.

20 Commissioners, do you have any questions?

21 Redirect?

22 REDIRECT EXAMINATION

23 BY MS. EDWARDS:

24 Q Mr. Brownworth, you were asked a series of questions.
25 Going back to the diagram, the Exhibit 7A, do you have that in

1 front of you?

2 A Yes, I do.

3 Q When the interexchange carrier picks up the phone and
4 dials an intrastate non-local call, that subscriber, the IXC
5 will send I believe -- is it called an IAM message initially?

6 A Yes, the interexchange carrier switch will launch an
7 IAM message, which is basically an ISUP message that
8 initializes the call.

9 Q Are there different types of ISUP messages?

10 A Yes.

11 Q Could you name a few?

12 A The IAM is a basically an initiation message that
13 starts out the phone call. You typically have an answer from
14 the other switch saying go ahead and proceed with the call, and
15 then you have release messages saying I'm done with the call,
16 are you done with the call. And then there are some other
17 messages that deal with conflicts between how the calls are set
18 up.

19 Q Just taking that first IAM message, is there more
20 than one field or more than one component of that IAM message?

21 A There are several fields with an IAM message.

22 Q Can you name some of those fields?

23 A The information is, for instance, the ANI, the
24 calling party information, the called party information, there
25 is a privacy indicator indicating if someone has subscribed to

1 services such as directory assistance or they want, you know,
2 they are confidentially held with their number, it indicates a
3 privacy factor so that can be passed from carrier to carrier.
4 There are several others, but those be the main ones that are
5 utilized.

6 Q Now, when the IXC launches that IAM message and it
7 goes to the BellSouth STP pair, and let's further assume that
8 the BellSouth STP pair does update the routing field from that
9 STP pair to the DeltaCom STP pair, is the IAM message that was
10 launched from the IXC STP pair the same IAM message that
11 DeltaCom received at its STP pair?

12 A It contains the same information minus the routing
13 information, so it contains the same ANI, called to, called
14 from, privacy indicators.

15 Q Okay. And BellSouth today in its tariff, do you know
16 does this tariff -- does BellSouth propose to charge both the
17 originating and terminating ISUP messages?

18 A The billing system doesn't discriminate. It bills
19 for any message whether it is originating or terminating
20 regardless of jurisdictionality. And our jurisdictionality
21 factors are applied, and that is my understanding of the
22 billing mechanism.

23 Q Okay. So according to Bellcore documents, how many
24 ISUP messages are typically on one phone call?

25 A They vary, but they typically say six to seven

1 messages per call.

2 Q In this call example, Exhibit 7A, how many messages
3 potentially would BellSouth be billing?

4 A They would be billing six or seven to the
5 interexchange carrier and six or seven to ITC^DeltaCom.

6 Q Now, we went through a lot of discussion about the
7 facilities that are necessary to set up these STPs, the
8 signaling transfer points. Does DeltaCom perform -- in this
9 call does DeltaCom perform essentially the same functions with
10 those ISUP messages that BellSouth does?

11 A In this particular call here we only show one
12 ITC^DeltaCom end office switch. In the real life situation, I
13 don't want to make this too complex, but ITC^DeltaCom has a lot
14 of next generation switches. So typically the call from the
15 BellSouth switch to the interconnection switch, there may be
16 other DeltaCom switches involved. In that case, the
17 ITC^DeltaCom pair would have to update routing information, as
18 well.

19 Q Looking at this call scenario, do you have --

20 CHAIRMAN JABER: Let me try to understand the point
21 there, Mr. Brownworth. So does that have the effect of
22 BellSouth billing you for additional messages or does that have
23 the effect of reducing costs to you at the end of the day?

24 THE WITNESS: Neither. It's a case -- it's more of a
25 perception I believe that BellSouth is indicating that they do

1 something special with their STP as it relates to their access
2 tandem. And we have switches that -- multiple switches in our
3 network, and we do the same thing, so the functions that
4 BellSouth performs is not unique to other carriers.

5 CHAIRMAN JABER: And by the same token the fact that
6 BellSouth will bill for six or seven messages either way is not
7 unique. By contract you can do that, too. Is that a true
8 statement?

9 THE WITNESS: Only if I have the -- only if I elect
10 to purchase and implement the billing system. At that point in
11 time it would be true. Right now I have no billing system. I
12 have no way of passing those charges on or even billing those
13 charges to the other parties.

14 CHAIRMAN JABER: Well, I thought we established
15 earlier that via contract arrangement you are, at least through
16 a fixed cost, recovering some of those signaling costs?

17 THE WITNESS: No. The fixed costs include our costs
18 as they were before the tariff filing. We have in our
19 contracts wording that basically says if there is any change in
20 regulatory or tariff filings that we have the capability to go
21 back to that carrier with 30 days notice and pass through those
22 charges. We have communicated with our customers the fact that
23 these activities are going on, but what we haven't communicated
24 to the customer yet is how do we go about, per our contract,
25 fairly passing through those costs, because it's a

1 pass-through, not a pass-through plus a markup. So that is the
2 crux in our contract we have to deal with is how do we pass
3 through those charges to our third-party providers.

4 CHAIRMAN JABER: Because your fear is through the
5 fixed costs you are not recovering all of what you perceive to
6 be additional costs that could be generated if the tariff is
7 approved?

8 THE WITNESS: My concern about fixed costs is if I
9 allocate a fixed cost to everyone, there are some independents
10 that have remote switches that only have a few hundred people
11 off of them, and then there is a wireless switch that services
12 the entire southeast. So it wouldn't be fair for me to charge
13 an independent with a remote switch with a few hundred users
14 the same rate that a wireless carrier servicing the entire
15 southeast would incur. And it is that issue that we are trying
16 to internally deal with which is why we don't think that fixed
17 cost is an appropriate mechanism. We have to find some other
18 mechanism for that cost.

19 CHAIRMAN JABER: But if you establish different cost
20 mechanisms for different carriers with different traffic,
21 wouldn't that be discriminatory?

22 THE WITNESS: If I did it on a per message basis it
23 wouldn't be discriminatory because I would say you had five
24 messages, you had ten messages. I am billing you for five, I
25 am billing you for ten. So in that case I don't believe that

1 would be discriminatory. I think it is more discriminatory for
2 fixed costs. It's not fair for me to charge someone who is not
3 utilizing my network the same cost as someone who is very
4 heavily utilizing my network, and that is the crux that we
5 have.

6 We wanted to come to our customers with a unified
7 answer. And part of the reason why we haven't communicated
8 with our customers to an extent is that we are not really sure
9 where ITC^DeltaCom and BellSouth are going in this tariff
10 filing. For instance, our interconnection agreement was put in
11 place before BellSouth started billing messages, so we have to
12 address our interconnection agreement which is under
13 negotiation currently, plus whatever happens with the FCC and
14 whatever happens to the various state hearings that we may have
15 to go through. So a lot of things are up in the air. We just
16 didn't want to miscommunicate to our customers what our intent
17 is, other than the fact that we would like to pass-through the
18 charges.

19 CHAIRMAN JABER: Okay.

20 THE WITNESS: Thank you, Madam Chairman.

21 BY MS. EDWARDS:

22 Q Following up on Commissioner Jaber's questions, has
23 DeltaCom requested billing detail from BellSouth that would
24 enable DeltaCom to pass-through more fairly these additional
25 costs?

1 A Yes, we have.

2 Q What was BellSouth's response?

3 A BellSouth hasn't responded yet to those specific
4 queries. We have had high level executive meetings.

5 Basically, I am available to talk to BellSouth regarding what
6 can be done.

7 Q Do you recall when you had these discussions with
8 BellSouth first?

9 A I believe it was in March of this year.

10 Q And have you provided a format, proposed format for
11 the additional billing detail that DeltaCom would need?

12 A I provided a high level summary that BellSouth can go
13 and investigate what their capability would be.

14 Q You have looked at quite a bit of BellSouth's
15 responses to discovery, correct?

16 A Yes.

17 Q Okay. In those responses to discovery, does it
18 appear to you that some of the information could be made
19 available?

20 A Yes. Not information regarding the third-party
21 billing. What was interesting, and BellSouth had a 14-day
22 study in which they actually showed the breakout of the
23 individual messages, so they showed how many IM messages, how
24 many answer messages, how many answer release messages they
25 had, and that would be very helpful for me. Because then I

1 could then determine to what extent that I am utilizing IM
2 messages versus my third-party providers.

3 Because I know how many calls are in my network
4 versus my switches. I can count calls. So every call that I
5 generate to BellSouth, I am going to generate an IAM message.
6 So if I know I generated 50 calls and I am being billed by
7 BellSouth 60 IM messages, then I know what IM messages are
8 associated with my network versus what is associated with my
9 third-party provider. So I can get a gauge of what my business
10 issues are.

11 Q Let's move on to some of the other questions Mr.
12 Turner asked you. First, let me understand, if DeltaCom were
13 given this billing detail, DeltaCom would essentially bill for
14 ISUP messages originating and terminating back to BellSouth,
15 correct?

16 A Not in the case of the -- well, in the case that
17 BellSouth filed a signaling PIU that indicated non-local
18 intrastate use, we would do that. In the case of our local
19 interconnection agreement, we would bill back local messages.

20 Q Do these ISUP messages that are sent back and forth
21 between BellSouth's STP and DeltaCom's STP, do they roughly
22 cancel each other out or not?

23 A That is hard to say. The concept I guess would be
24 let's say I put an Agilent system in just like BellSouth, and I
25 put it between my STP pier and BellSouth's STP pier and I filed

1 the exact same tariffs. Would they cancel out? I'm not sure
2 because I don't know what BellSouth's issues would be with
3 respect to that type of, you know, duplicating their system,
4 and so I'm not sure if they would cancel each other out or not.

5 Q Is it based upon traffic, volume of traffic, or is it
6 based upon the messages sent back and forth?

7 A It is based upon the messages, not based upon the
8 traffic.

9 Q So would you anticipate that BellSouth would be
10 sending more ISUP messages to DeltaCom?

11 A No, it would be an equal amount.

12 Q So the parties would send each other an equal amount
13 of messages, ISUP messages?

14 MR. TURNER: Madam Chair, I'm sorry, but I think she
15 was been leading her witness for several questions now, and I
16 would ask that she phrase them more openly than what she is
17 doing.

18 MS. EDWARDS: I will be happy to do so.

19 BY MS. EDWARDS:

20 Q In this call example, how many ISUP messages
21 potentially could BellSouth bill DeltaCom?

22 A Six.

23 Q How many ISUP messages could DeltaCom potentially
24 bill BellSouth?

25 A Six.

1 Q Has DeltaCom offered an alternative compensation
2 structure to BellSouth for ISUP messages?

3 A Would you repeat the question, please.

4 Q Has DeltaCom offered BellSouth --

5 MR. TURNER: Madam Chair, I'm sorry, I know this is
6 odd. May I have one moment with Ms. Edwards? I am concerned
7 we might be getting into settlement discussions, and --

8 CHAIRMAN JABER: That sounds like a good idea.

9 MR. TURNER: Thank you.

10 CHAIRMAN JABER: Commissioners, I want to finish with
11 this witness before we take a long break, though. So go ahead
12 and take a few minutes here.

13 (Pause.)

14 MS. EDWARDS: Madam Chair, let me withdraw that
15 question, but I will rephrase it.

16 BY MS. EDWARDS:

17 Q Has DeltaCom inquired of BellSouth as to whether
18 BellSouth had offered a bill and keep arrangement to ILECs?

19 A Yes.

20 Q If, in fact, DeltaCom and BellSouth are billing each
21 other approximately the same number of ISUP messages, just
22 assume that for me, why would BellSouth go -- why spend so much
23 money on an Agilent system?

24 A I really can't answer that question, I'm not
25 BellSouth. I don't know where they are going with the Agilent

1 system, what their strategic direction is regarding the SS7
2 product.

3 Q Do you know what the cost is without saying, because
4 it is confidential, do you know what the cost of the Agilent
5 Link Monitoring System is to BellSouth?

6 A I saw the cost study somewhere, the cost components
7 that they did show.

8 MS. EDWARDS: Madam Chairman, I just have this last
9 scenario and we can take a break or take lunch. I am handing
10 out BellSouth's -- I believe it is Hearing Exhibit -- the one
11 that was stipulated, Number 4, BellSouth responses to
12 DeltaCom's -- BellSouth's response to a late-filed exhibit. I
13 think that is consolidated Exhibit Number 4.

14 CHAIRMAN JABER: Thank you.

15 BY MS. EDWARDS:

16 Q We handed out an exhibit. Now, please recognize this
17 was a document not produced by DeltaCom, so I recognize that it
18 is very difficult to read the numbers. And we tried to blow it
19 up as best we could. We did highlight, as you can see, certain
20 lines on this exhibit. But, again, I do apologize for the fact
21 that it is very difficult to read the numbers.

22 Mr. Brownworth, after having looked at this discovery
23 response from BellSouth, is it your opinion that a small ALEC
24 could readily afford this type of investment?

25 A Well, the BellSouth cost is -- BellSouth has, I

1 think, roughly 17 STPs and eight gateways, so they have 25
2 STPs, so their cost is more modular. But the costs are
3 significant. I'm not sure in this case what is the upfront
4 costs, the cost of getting in the door versus what the cost is
5 of equipping all the switches. So it is really what is the
6 upfront cost. And then BellSouth is going to have additional
7 costs just due to the size of their network. Since I haven't
8 met with Agilent, I don't know how BellSouth generated these
9 costs. It's really difficult to say.

10 Q Would it be fair to say -- well, is it more than
11 DeltaCom can afford today?

12 A If Agilent is going to charge me the same amount that
13 they charged BellSouth, that is a given for me.

14 MS. EDWARDS: I think I am almost done, Madam Chair.
15 I would just like to take a second to look at my notes.

16 (Pause.)

17 BY MS. EDWARDS:

18 Q One last question, Mr. Brownworth. Before this
19 tariff went into effect, did DeltaCom bill SS7 messages to
20 BellSouth and/or did BellSouth bill SS7 messages to DeltaCom?

21 A No. Let me rephrase that. You are talking about the
22 intrastate tariffs?

23 Q Yes.

24 A We have billed each other SS7 messages I think with
25 the effect of the FCC tariff. I want to make sure I get the

1 timing right.

2 Q Now, BellSouth has billed -- are you saying that --

3 A BellSouth has billed DeltaCom based upon initially
4 the FCC tariff and as they get each state effective billing us
5 for that. We started billing at least at a surrogate rate for
6 our local interconnection trunks SS7 billing when BellSouth
7 started billing us at the federal level.

8 Q Has DeltaCom billed BellSouth any SS7 message fees?

9 A Associated with our interconnection agreement, yes.

10 Q A per message rate?

11 A Not a per message rate. It is a surrogate rate that
12 is defined in the UNE cost rates.

13 Q Is that a flat rate or a variable?

14 A Flat rate.

15 Q For this particular intrastate tariff, before the
16 tariff went into effect, was DeltaCom charged a per message
17 fee?

18 A No.

19 Q And when I said this particular SS7 tariff,
20 intrastate SS7 tariff, was DeltaCom billed a per message SS7
21 rate for intrastate Florida tariff prior to January 2002?

22 A We were billed some messages in 2001 as intrastate
23 SS7 messages.

24 MS. EDWARDS: Thank you. That's all.

25 CHAIRMAN JABER: Thank you, sir.

1 THE WITNESS: Thank you, Madam Chairman.

2 CHAIRMAN JABER: With respect to Exhibits 5 and 6,
3 ITC^DeltaCom, are you seeking that those exhibits be admitted
4 into the record?

5 MS. EDWARDS: Yes.

6 CHAIRMAN JABER: Without objection, Exhibits 5 and 6
7 are admitted into the record. BellSouth Exhibits 7 through 10?

8 MR. TURNER: Yes, ma'am, we would move them into the
9 record, please.

10 CHAIRMAN JABER: Without objection, Exhibits 7
11 through 10 are admitted into the record.

12 (Exhibits 5 through 10 admitted into the record.)

13 CHAIRMAN JABER: Our next witness is a stipulated
14 witness, Montano. Let's go ahead and insert that testimony
15 into the record.

16 MR. McDONNELL: Thank you, Madam Chair. Pursuant to
17 stipulation, US LEC asks to introduce into the record the
18 eight-page prefiled direct testimony of Witness Wanda Montano,
19 the six-page rebuttal testimony of Witness Wanda Montano, and I
20 believe it is WGM-1 and WGM-2, which were exhibits attached to
21 Ms. Montano's direct testimony. We ask that the testimony be
22 put into the record as though read.

23 CHAIRMAN JABER: The prefiled direct testimony of
24 Wanda Montano shall be inserted into the record as though read.
25 I have Exhibit WGM-1. I don't have that the prehearing order

1 indicated that there is an Exhibit 2 attached anywhere. Is it
2 in the rebuttal testimony?

3 MR. McDONNELL: I could be mistaken.

4 CHAIRMAN JABER: Okay. Let me identify WGM-1 as
5 Exhibit 11. And without objection Exhibit 11 is admitted into
6 the record.

7 (Exhibit 11 marked for identification and admitted
8 into the record.)

9 MR. McDONNELL: That was the only exhibit, Madam
10 Chair. Thank you.

11 CHAIRMAN JABER: And the prefiled rebuttal testimony
12 of Wanda Montano shall be inserted into the record as though
13 read.

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1 **Q: PLEASE STATE YOUR NAME, TITLE, AND ADDRESS FOR THE**
2 **RECORD.**

3 **A:** My name is Wanda G. Montano. I am currently Vice President, Regulatory and
4 Industry Affairs for US LEC Corp., the parent company of US LEC of Florida Inc.
5 (“US LEC”), and its operating subsidiaries, including the Petitioner in this
6 proceeding. My business address is 6801 Morrison Blvd., Charlotte, NC 28211.

7 **Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES FOR US LEC.**

8 **A:** I am responsible for the management of US LEC’s relationships with state and
9 federal agencies who oversee our business, as well as for US LEC’s relationships
10 with Incumbent Local Exchange Carriers (“ILECs”), Alternative Local Exchange
11 Carriers (“ALECs”), Independent Telephone Companies (“ICOs”) and wireless
12 companies.

13 **Q: PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
14 **PROFESSIONAL EXPERIENCE.**

15 **A:** I joined US LEC in January 2000. Prior to that, I was employed in various
16 positions by Teleport Communications Group (“TCG”) and then by AT&T
17 following AT&T’s acquisition of TCG. In 1998-1999, I served as General
18 Manager for North and South Carolina (Sales Executive) for AT&T (Charlotte,
19 N.C.). During 1997-1998, I was Vice President and Managing Executive for North
20 and South Carolina (Sales and Operations Executive) for TCG (Charlotte, N.C.).
21 During 1995-1997, I served as Vice President, CLEC Services for TCG (Staten
22 Island, N.Y.). During 1994-1995, I was Director of Process Reengineering for

1 TCG (Staten Island, N.Y.). During 1992-1994, I was Director of Marketing for
2 TCG (Staten Island, N.Y.). During 1990-1992, I was Senior Product Manager for
3 Graphnet (Teaneck, NJ). From 1982-1990, I was Regulatory Manager at Sprint
4 Communications Corp. in Reston, Virginia, and, from 1979-1982, I was a paralegal
5 for GTE Service Corporation in Washington, D.C. I have a B.S. from East
6 Carolina University in Greenville, N.C. (1974). I received my Paralegal Certificate
7 from the University of Maryland in 1980 and I received my M.B.A. in Marketing
8 and Government Affairs from Marymount University of Virginia in 1988.

9 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

10 **A:** Yes, in an enforcement case against BellSouth which was settled and dismissed,
11 and in a current arbitration proceeding between US LEC and Verizon.

12 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 **A:** The purpose of my testimony is to address Issues 7, 8, 9, 10, and 11 contained in
14 the Tentative Issues List (included as Attachment A to the Order Establishing
15 Procedure, issued on June 21, 2002).

16 **ISSUE 7:**

17 **Q: Under BellSouth's CCS7 Access Arrangement Tariff, is BellSouth billing**
18 **ISUP and Transactional Capabilities Application Part (TCAP) messages**
19 **charges for calls that originate on an ALEC's network and terminate on**
20 **BellSouth's network?**

21 **A:** Yes, BellSouth is charging for both TCAP and ISUP messages.

22 **Q. What is US LEC's concern regarding the charges for the TCAP messages?**

1 A. TCAP messages are charged to carriers on a “per-dip” basis. That means that when
2 one network sends a database query to another, the provider network charges the
3 other a fee for “dipping” into their database and providing the information. US
4 LEC has no issue with those dip charges. In this tariff filing, however, BellSouth
5 now proposes to charge the carriers for the actual SS7 messages in addition to the
6 dip charges. Although BellSouth professes that these tariff changes are revenue
7 neutral, US LEC has not been able to find any corresponding reduction in the
8 TCAP dip charges to represent the offset of the charging for the TCAP messages.
9 Since there are approximately 4 TCAP SS7 messages per call that is dipped, the
10 corresponding reduction in the TCAP dip charge should be 4 times the rate for the
11 TCAP SS7 message.

12 **Q. What is US LEC’s concern with the ISUP messages?**

13 A. BellSouth’s Florida Access Services Tariff states, with respect to the “BellSouth
14 CCS7 Access Arrangement” (in BellSouth’s Florida Access Tariff E6.1(E)(2), Fifth
15 Revised Page 26) that “ISUP usage charges will be assessed “per signaling
16 messages delivered to or from the customer, regardless of direction, through its
17 dedicated CCS7 port connection.” Similarly, the tariff states on Second Revised
18 Page 26.1, that TCAP usage charges will be assessed per signaling messages
19 delivered to the customer, regardless of direction . . .”

20 **Q. Is this billing appropriate?**

21 No. It is not appropriate for BellSouth to assess charges for ISUP messages which
22 flow in both directions. BellSouth’s CCS7 Access Arrangement imposes charges

1 for Signaling System 7 (“SS7”) services that employ not only its own facilities, but
2 also the facilities of interconnected carrier customers (ICOs, ALECs and
3 Interexchange Carriers (“IXCs”)).

4 **Q. Please describe how ISUP messages flow between the calling and the called**
5 **network.**

6 **A.** SS7, called CCS7 by BellSouth, is the industry standard signaling system that uses
7 an overlay network for routing purposes and database access. This out-of band
8 network utilizes packet switching and is separate from the circuit-switched voice
9 network. In performing its routing function, the SS7 network establishes
10 transmission paths for telephone calls (known as call set-up), and closes (or “tears
11 down”) those paths after a telephone call ends. The messages used to perform call
12 set-up and tear down are known as Integrated Services Digital Network User Part
13 (“ISUP”) messages. The SS7 network begins its functionality by sending an Initial
14 Address Message (“IAM”) from the calling network to the called network. This
15 message requests the use of interoffice facilities and contains addressing
16 information. An additional ISUP message known as a Continuity Test Message
17 (“COT”) is sent to check facilities. The called network sends the Address
18 Complete Message (“ACM”) which confirms the availability of facilities and the
19 terminating equipment of the subscriber. Further, the Answer Message (“ANM”)
20 is sent by the called network to confirm the called party has answered the phone
21 (gone off-hook) and the facilities are then “nailed up” and switch resources
22 engaged. Once the call is completed and the called party hangs up the phone, a

1 Release (“REL”) message is sent by the called network, which requests the release
2 of the interoffice facilities and the switch resources. The final ISUP message,
3 Release Complete (“RLC”), is sent by the calling network to confirm that all
4 facilities and switch resources have been released. This clearly indicates the
5 interwoven nature of SS7 signaling and the joint provisioning of this service by all
6 parties involved in the provisioning of the call to the subscriber.

7 **Q. Please describe how the CCS7 Access Arrangement tariff charges for services**
8 **provided via the facilities of other carriers.**

9 A. Facilities for this interconnected network are supplied by a variety of carriers, not
10 solely from BellSouth. As illustrated above, the ISUP messages used to perform
11 call set-up and tear down are transmitted across the SS7 network from Service
12 Transport Point (“STP”) to STP. STPs are switches that are deployed in pairs by
13 network operators, and various carriers own and operate STPs. Both BellSouth in
14 its operation as an ILEC, and US LEC operating as an ALEC, have their own STPs.
15 The central offices for ILECs and ALECs are “homed behind” the STPs of the
16 particular company. For example, US LEC’s central offices are homed behind its
17 STP pairs in Norfolk, VA, and Charlotte, NC. When multiple carriers’ networks
18 are being interconnected, the STPs are connected by network facilities called “B”
19 or “bridge” links. “A” links are used to connect the central offices of the carrier
20 with its STPs. Some of these B-links are owned and operated by ALECs and some
21 are owned and operated by BellSouth. These links are bi-directional, meaning that
22 messages flow in both directions on the link. Attached to my testimony as Exhibit

1 WGM-1 is a diagram that illustrates the network design I have described, showing
2 how ISUP messages pass. In evaluating the inequity of the BellSouth tariff, it is
3 important to understand this network architecture.

4
5 As discussed above, the ISUP messages flow both to and from the calling network
6 and to and from the called network. I emphasize that BellSouth does not own or
7 control all of the transmitting facilities (the bridge links) and switching functions
8 (the STPs). The ISUP messages flow both from and to ALEC networks, and from
9 and to BellSouth's network. Many of the messages are routed over non-BellSouth
10 transport facilities, and to and from non-BellSouth STPs. However, this BellSouth
11 tariff charges its carrier customers for messages flowing from another carrier, as
12 well as to the carrier, whether or not the call originates on a BellSouth's network or
13 on an ALEC network.

14 **Q. Please describe how BellSouth's tariff will negatively affect**
15 **telecommunications competition in Florida.**

16 This tariff creates a situation that is inequitable and anti-competitive, because
17 BellSouth is attempting to recover not only its own costs, but also seeks to charge
18 for services performed and costs incurred by other carriers. To compound the
19 inequity, BellSouth takes the position that its software can measure messages, but it
20 currently has not deployed the necessary software to capture and pass sufficient
21 information for any third party (be it a carrier customer, an end user customer or
22 this Commission) to audit the charges assessed, or to identify the costs sufficiently

1 to associate those costs with end user rates. Following the ALECs' request that
2 BellSouth supply necessary billing detail, BellSouth initially agreed to do so, but at
3 a rate that is prohibitive. BellSouth's quote for the call detail is \$30,000 per month
4 per ALEC or \$360,000 per ALEC annualized. This will result in an increase to an
5 ALEC's costs to provide competitive services, and may result in the need for
6 ALECs to revise their competitive service offerings, to the detriment of Florida
7 consumers.

8 **Q. Is BellSouth's rate "revenue neutral?"**

9 A. No. Although BellSouth has not provided, and US LEC has not reviewed the
10 relevant cost data, BellSouth first attempts to shift the charge for this service from
11 the Mobile Services tariff which applies to cellular mobile carriers to carriers who
12 purchase service from the switched access tariff. This tariff is used predominantly
13 by ALECs and Interexchange carriers. Additionally, in moving the application of
14 this charge from one class of carriers to another, BellSouth further seeks to shift
15 from a flat-rated "surrogate" charge to a per ISUP message charge with no cap on
16 how much it can recover. This new form of charging will allow BellSouth to
17 exceed the previous flat-rate charge which theoretically recovered BellSouth's
18 costs.

19 **ISSUE 8:**

20 **Q: Please explain the impact of BellSouth's CCS7 Access Arrangement Tariff on**
21 **subscribers.**

1 **A:** BellSouth's CCS7 Access Arrangement Tariff, if permitted to remain in effect, will
2 have several adverse consequences for Florida telephone consumers. First, it
3 appears that BellSouth has chosen to restructure, and raise, its access rates in a way
4 that will increase the costs of its competitors—both ALECs and third party hubbing
5 vendors. These changes, if permitted, will require revisions to rates that customers
6 pay. Either the ALECs will have to absorb the increased costs and become less
7 competitive, or pass through the increased costs in rate increases to its end
8 customers. In addition, BellSouth has implemented this new rate structure in a way
9 that is difficult for its carrier customers to audit, as I discussed in my previous
10 answer.

11 **ISSUE 9:**

12 **Q: Does BellSouth bill ILECs for the signaling associated with the types of traffic**
13 **identified in Issue 1?**

14 **A:** US LEC believes that BellSouth has not designed its tariff rate to be imposed on
15 other ILECs because under current agreements between ILECs (e.g. BellSouth and
16 other non-Bell incumbents), the CCS7 message charges and B-links generally are
17 handled on a bill and keep basis. Upon information and belief, BellSouth's
18 treatment of the other ILECs operating in Florida is discriminatory to US LEC as
19 these carriers are not charged these rate elements.

20 **Q. Has Bell South offered US LEC a "bill and keep" arrangement?**

21 **A.** BellSouth has not offered US LEC a bill and keep arrangement. In a meeting on
22 March 28, 2002, in Atlanta, Georgia, between BellSouth and ALEC members of

1 the Southeastern Competitive Carriers Association (SECCA), BellSouth's
2 representative, Tom Randklev, indicated that bill and keep arrangements with the
3 Independent Companies did exist. Further, Mr. Randklev appeared to understand
4 that the messages flow in both directions and are billed regardless of network of
5 origination. Mr. Randklev further agreed that the ALECs should simply bill
6 BellSouth the identical invoiced amounts each ALEC is billed by BellSouth. This
7 proposed "solution" is a poor use of resources and would impose unnecessary costs
8 on the ALECs to send the bill, and on BellSouth to process the bill, when a bill-
9 and-keep arrangement would accomplish the same result.

10 **ISSUE 10:**

11 **Q: Should BellSouth's CCS7 Access Arrangement Tariff remain in effect? If**
12 **not, what action(s) should the Florida Public Service Commission take?**

13 **A:** No. BellSouth's CCS7 Access Arrangement should not remain in effect. US LEC
14 agrees with the Staff Recommendation in its May 9, 2002 Memorandum to the
15 Commission. Our counsel will address the legal issues in our brief in this
16 proceeding, including the issue of whether the tariff violates Florida legal
17 restrictions on increases to access services. In addition, US LEC encourages a
18 thorough review of the costing and competitive issues in this proceeding, because
19 without such review, BellSouth has provided insufficient support for its claim of
20 "revenue neutrality." US LEC also is extremely concerned that BellSouth has
21 implemented this tariff in a way that has a discriminatory impact on Petitioners and
22 their customers, to the ultimate detriment of Florida consumers. In addition, US

1 LEC believes that the tariff discriminates against the ALECs in that these charges
2 are not being uniformly applied to similarly situated telecommunications service
3 providers in the State of Florida. Further, US LEC is concerned that where an
4 interexchange call originates outside the LATA and transits the BellSouth tandem
5 that BellSouth is double-dipping and charging both the ALECs and the
6 interexchange carriers the ISUP message charges. US LEC encourages the PSC to
7 investigate this aspect of the service.

8 **ISSUE 11:**

9 **Q: If the tariff is to be withdrawn, what alternatives, if any, are available to**
10 **BellSouth to establish a charge for non-local CCS7 access service pursuant to**
11 **Florida law?**

12 **A:** US LEC supports the withdrawal of the tariff and does not believe that BellSouth
13 should recover these charges from any carriers. Since ISUP messages flow in both
14 directions during the life of a call without regard to whether the call originated on
15 an ALEC's network or on an ILEC's network, and are jointly provided by the
16 networks involved in the call, the charges should be bill and keep. Otherwise, the
17 ALECs should be entitled to bill BellSouth the exact amount they have billed the
18 ALECs. This latter alternative is patently unnecessary and wasteful of the
19 resources of all carriers as the amounts due and payable to each other would be
20 identical and would "wash" out.

21 **DOES THIS CONCLUDE YOUR TESTIMONY?**

22 Yes, it does.

1 **Q: PLEASE STATE YOUR NAME, TITLE, AND ADDRESS FOR THE**
2 **RECORD.**

3 **A:** My name is Wanda G. Montano. I am currently Vice President, Regulatory and
4 Industry Affairs for US LEC Corp., the parent company of US LEC of Florida Inc.
5 (“US LEC”), and its operating subsidiaries, including the Petitioner in this
6 proceeding. My business address is 6801 Morrison Blvd., Charlotte, NC 28211.

7 **Q: HAVE YOU PREVIOUSLY LFILED TESTIMONY IN THIS MATTER?**

8 **A:** Yes. I have filed direct testimony in this matter, and in that testimony I described
9 my duties and responsibilities, my educational background, and my professional
10 experience.

11 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A:** In this rebuttal testimony, I respond to issues discussed in the direct testimony of
13 BellSouth witnesses John A. Ruscilli and W. Keith Milner.

14 **Q: IS BELL SOUTH’S RATE CHANGE COMPETITIVELY NEUTRAL?**

15 **A:** No. Mr. Ruscilli states at page 16 of his testimony that BellSouth’s revised charge
16 for network access service is “revenue neutral”. BellSouth has not demonstrated
17 revenue neutrality, and its CCS7 tariff creates competitive inequity in several ways.
18 One way it creates competitive inequity is to advantage its wireless affiliate, and
19 disadvantage its ALEC customers and competitors. Another way BellSouth
20 contributes to competitive inequity is to charge incumbent local exchange carriers
21 and ALECs different rate structures. Finally, BellSouth’s imposition of CCS7
22 charges for traffic flowing in both directions, irrespective of whether costs were
23 caused by BellSouth and/or incurred by an ALEC, undermines the financial
24 viability of competitors. Each of these inequities will be addressed in more detail
25 below.

1 **Q: HOW DOES BELL SOUTH'S TARIFF PROVIDE AN ADVANTAGE TO**
2 **ITS WIRELESS AFFILIATE?**

3 **A:** Mr. Ruscilli states on page 9 of his testimony that BellSouth has made reductions in
4 its interconnection for mobile service provider offering (contained in Section A35.1
5 of BellSouth's General Subscriber Service Tariff). He claims that these reductions,
6 along with reductions to BellSouth Local Switching Rates reflected in Section
7 E6.8.2 of its Intrastate Access Tariff, will be "revenue neutral." On page 16 of his
8 testimony, Mr. Ruscilli explains that his "revenue neutral" claim is based upon a
9 calculation that "in the aggregate, BellSouth will be receiving the same amount of
10 revenue after the charge. . ." However, Mr. Ruscilli fails to mention that this
11 calculation only includes revenues for BellSouth Telecommunications, and not for
12 its affiliates and parent BellSouth Corp. BellSouth Corp.'s latest form 10-K filed
13 with the Securities and Exchange Commission in February 2002 states that
14 BellSouth Corp. is 40% owner of Cingular Wireless, the second largest wireless
15 provider in the United States. The 10-K states that profits from BellSouth's
16 Cingular venture represent 11% of its year 2000 profits, and 13% of its 1999
17 revenue. Therefore, reductions in costs to wireless providers would directly benefit
18 BellSouth Corp., and will not be "revenue neutral" if the revenue of the entire
19 corporation is taken into account. Because BellSouth claims it is reducing rates to
20 the CMRS carriers to offset the charges to the ALECS, that rate reduction will
21 benefit its affiliate while increasing rates to its competitors.

22 **Q. HOW DOES BELL SOUTH CHARGE DIFFERENT RATES TO ILECS AND**
23 **ALECS?**

24 **A.** Mr. Ruscilli states at page 15 of his testimony, in response to a question about how
25 BellSouth charges ILECS for signaling associated with the traffic they exchange,

1 that many ILECs purchase “A-links” from BellSouth to obtain signaling on calls
2 originated or terminated to an end-user of an ILEC. Mr. Ruscilli explains that A-
3 links connect end offices or databases (SCPs) to STPs. However, Mr. Ruscilli fails
4 to explain in his answer that when an ALEC such as US LEC owns STPs, the
5 ALEC purchases B-links from BellSouth, rather than A-links. Yet, BellSouth’s
6 tariff proposes to charge ALECs for B-link services they provide to themselves.
7 BellSouth confirms, in its answers to data requests in this proceedings, that it does
8 not charge other ILECs for any B-Link traffic (*See* BellSouth’s answer to Item No.
9 1 of ITC^DeltaCom’s 1st Interrogatories). Mr. Ruscilli’s testimony fails to address
10 why charges for B-links are appropriate.

11 **Q. WHAT IS THE IMPACT OF BELLSOUTH’S IMPOSITION OF CCS7**
12 **CHARGES IN BOTH DIRECTIONS?**

13 **A.** Mr. Milner confirms on page 7 of his testimony that BellSouth bills CCS7 charges
14 for usage of the network regardless of the direction the messages are sent, and
15 emphasizes that regardless of whether the call originates or terminates on the
16 ALEC’s network, the ALEC will be charged. Imposition of charges for traffic
17 flowing in both directions is problematic. As I stated in my direct testimony, ISUP
18 messages flow in both directions during the life of a call without regard to whether
19 a call originated on an ALEC’s network or on an ILEC’s network, and are jointly
20 provided by the networks involved in the call. Mr. Ruscilli states at page 16 that
21 “BellSouth should not be prohibited from amending its tariffs to require the cost
22 causer of network access service to pay for the network access service it
23 receives. . .” However, BellSouth’s charges include per-message charges for
24 messages flowing in both directions, and thus there is not always a direct
25 relationship between the “cost causer” and the charge BellSouth imposes. In fact, it

1 is not clear whether BellSouth considers the cost causer to be its own customers
2 who are placing calls to the ALECs or customers of ALECs who are calling
3 BellSouth subscribers or if somehow the ALECs' networks standing alone are the
4 cost causers. Whomever BellSouth considers to be the cost causer, it remains
5 steadfastly evident that B-link signaling is jointly provided by BellSouth and an
6 ALEC such as US LEC which operates its own STPs.

7 **Q. SHOULD ALECS BE ALLOWED TO BILL BELLSOUTH FOR ISUP**
8 **MESSAGES?**

9 **A.** Yes. BellSouth knows, and its representative has admitted in meetings with
10 ALECs, that ALECs would be justified in billing BellSouth for the ISUP messages
11 which are provided jointly by BellSouth and the ALECs (and other ILECs and
12 wireless companies) and both originate and terminate on their networks. However,
13 as I discussed in my direct testimony, we do not advocate this approach, because it
14 imposes a set of unnecessary costs (for billing, collecting, auditing amounts due)
15 for charges that essentially are a "wash" between carriers exchanging traffic. Such
16 additional mutual billing of CCS7 charges could cause rates to end users to rise
17 unnecessarily. This scenario can be avoided by rejecting the BellSouth CCS7
18 tariff.

19 **Q. ARE THERE OTHER REASONS WHY BELLSOUTH'S RATE CHANGE**
20 **SHOULD BE REJECTED?**

21 **A.** Yes. In Mr. Ruscilli's Direct Testimony at page 14, BellSouth is dismissive of
22 valid concerns about potential rate increases to subscribers, calling this issue an
23 "unremarkable fact" that is "simply characteristic of a "free market economy."
24 With this statement, BellSouth appears to imply that access services are readily
25 available from other carriers. This implication is incorrect. In BellSouth's Florida

1 service territories, BellSouth has an overwhelmingly dominant market position in
2 the provision of access services. It faces limited competition for SS7 and other
3 access services. BellSouth's access facilities were built by funds paid by its captive
4 ratepayers, including its carrier customers, in a regulated environment that, until the
5 last few years, limited any "free market" competition to its services, and protected
6 its access revenue. Attempts to implement competitive service offerings have been
7 difficult, as this Commission is aware, and there is not yet in Florida or anywhere
8 else in BellSouth's region, a truly competitive market in the access services
9 BellSouth now seeks to restructure. There never has been any contention in this
10 proceeding or elsewhere that BellSouth's access rates were not covering its costs of
11 providing access services, and it is highly unlikely that BellSouth could make that
12 case.

13 **Q. DOES BELLSOUTH'S CCS7 TARIFF PUNISH ALECS WHO EITHER**
14 **OPERATE THEIR OWN STPS OR CHOOSE TO PURCHASE THE CCS7**
15 **TARIFF FROM A THIRD PARTY?**

16 **A.** Yes. In Mr. Ruscilli's testimony at the bottom of page 3, it states that ALECs,
17 wireless carriers, IXCs and other ILECs have three options to obtain CCS7
18 functionality. These include providing their own functionality, purchasing such
19 functionality from a third party or from BellSouth. Were an ALEC such as US
20 LEC to purchase CCS7 functionality from BellSouth, that service would be
21 purchased and charges would accrue in accordance with whatever tariff or contract
22 governs the relationship. Since US LEC has chosen to purchase and operate its
23 own CCS7 service, BellSouth has no right to charge US LEC for services US LEC
24 provides to itself.

25

1 **Q. DOES BELLSOUTH'S PROPOSED TARIFF DISCRIMINATE AGAINST**
2 **THE ALECS IN FAVOR OF OTHER CARRIERS IN FLORIDA?**

3 **A.** Yes. Mr. Ruscilli's testimony mentions other ILECs as having the same options for
4 purchasing SS7 functionality. Yet, BellSouth has admitted in its Answer to
5 ITC^DeltaCom's Interrogatory No. 1 that it does not charge other ILECs for its
6 CCS7 service. BellSouth's tariff discriminates against the ALECs who are jointly
7 providing services, because BellSouth does not charge other Florida ILECs that are
8 jointly providing service with BellSouth.

9 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 **A.** Yes, it does.

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1 CHAIRMAN JABER: Our next witness is Mr. Argenbright.
2 And, again, via stipulation his testimony may be inserted into
3 the record.

4 MS. McNULTY: Madam Chairman, I would just like to
5 point out for the record that the direct testimony is
6 proprietary on Page 3.

7 CHAIRMAN JABER: On page what, Ms. McNulty?

8 MS. McNULTY: On Page 3, Line 23.

9 CHAIRMAN JABER: Thank you. And, Ms. McNulty, do you
10 want to go ahead and identify his testimony and his exhibits?

11 MS. McNULTY: Yes. Mr. Argenbright's direct
12 testimony consists of 12 pages, and it also contains two
13 exhibits that I ask to be identified and moved into the record,
14 proprietary Exhibit MA-1 is proprietary and it is a comparison
15 of CCS7 and local switching usage. And Exhibit MA-2 is public
16 and it consists of two pages.

17 CHAIRMAN JABER: Is there a public version of MA-1
18 that we could identify and admit into the record?

19 MS. McNULTY: Yes, ma'am.

20 CHAIRMAN JABER: Okay. Great. The prefiled direct
21 testimony of Mark Argenbright shall be inserted into the record
22 as though read, and MA-1 and MA-2 are identified as Composite
23 Exhibit 12 and will be admitted into the record.

24 (Exhibit 12 marked for identification and admitted
25 into the record.)

1 MS. McNULTY: May I also identify for an exhibit the
2 confidential version of MA-1, perhaps as a separate exhibit?

3 CHAIRMAN JABER: MA-1 confidential will be identified
4 as Exhibit 13.

5 MS. McNULTY: Thank you.

6 (Confidential Exhibit 13 marked for identification.)

7 CHAIRMAN JABER: Staff, remind me. Ms. Christensen,
8 we don't -- we identify the confidential exhibit and admit the
9 confidential exhibit into the record, we just identify it for
10 purposes of your recommendation, correct?

11 MS. CHRISTENSEN: I'm not clear on that.

12 MS. McNULTY: My opinion is it needs to be moved into
13 the record and the court reporter will have a confidential
14 version of it.

15 MS. CHRISTENSEN: I would tend to agree, and then
16 that can be kept in the confidential records back at our court
17 reporter.

18 CHAIRMAN JABER: Okay. Exhibit 13 will be admitted
19 into the record.

20 (Exhibit 13 admitted into the record.)

21 CHAIRMAN JABER: The prefiled rebuttal testimony of
22 Mark Argenbright shall be inserted into the record as though
23 read.

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****REDACTED****

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF MARK ARGENBRIGHT

ON BEHALF OF WORLDCOM

DOCKET NO. 020129-TP

JULY 1, 2002

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Mark E. Argenbright. My business address is Six Concourse Parkway, Suite 3200, Atlanta, Georgia 30328.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by WorldCom, Inc. in the Law and Public Policy group and hold the position of Senior Staff Specialist, State Regulatory Policy. In my current position, I assist in the development and coordination of WorldCom's regulatory and public policy initiatives for the company's domestic operations. These responsibilities require that I work closely with our state regulatory groups across the various states, including Florida.

Q. PLEASE SUMMARIZE YOUR TELECOMMUNICATIONS BACKGROUND AND EDUCATION.

A. My previous position within WorldCom was Senior Manager, Regulatory Analysis, in which I was responsible for performing regulatory analysis in support of a wide range of company activities. Prior to that, I was employed by the Anchorage Telephone Utility (now known as Alaska Communications

1 Systems) as a Senior Regulatory Analyst and American Network, Inc. as a Tariff
2 Specialist. I have worked in the telecommunications industry for sixteen years,
3 with the majority of my positions in the area of regulatory affairs. I received a
4 Bachelor of Science Degree in Business Administration from the University of
5 Montana in 1980.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is address issues raised by BellSouth's January 18,
8 2002 tariff filing implementing changes to the BellSouth Florida intrastate
9 Access Services Tariff which result in an increase to the rates charged for
10 functions performed by its Common Channel Signaling System 7 ("CCS7")
11 network. Specifically I will discuss Issue 3 relating to why, contrary to
12 BellSouth's assertion, this tariff filing is not revenue neutral, Issue 4 concerning
13 the CCS7 Access Arrangement Tariff's violation of Section 364.163, Florida
14 Statutes, as well as the discriminatory and anticompetitive implications of this
15 filing.

16 **Q. PLEASE DESCRIBE THE BELLSOUTH CCS7 ACCESS**
17 **ARRANGEMENT TARIFF FILING.**

18 A. In its CCS7 Access Arrangement tariff filing, BellSouth's has two basic
19 "moving parts" -- one being the reduction of local switching rates and the other
20 being the increase in rates associated with the Integrated Services Digital
21 Network User Part ("ISUP") and Transaction Capability Application Part
22 ("TCAP") messages which traverse the CCS7 network. (ISUP messages are
23 involved in the call set-up functions performed by the CCS7 network and TCAP

1 messages are involved in accessing databases such as LIDB and LNP.) The
2 filing also deletes the CCS7 access arrangement that was previously located in
3 BellSouth's Florida General Subscriber Service Tariff at Section A35, directing
4 CMRS providers to the Access Services Tariff for continued CCS7 access
5 arrangements. Finally, the filing makes various "administrative" changes that
6 unsuccessfully attempt to portray the CCS7 Access Arrangement as a "new"
7 service.

8 **Q. BELLSOUTH PORTRAYS THIS TARIFF FILING AS "REVENUE**
9 **NEUTRAL." DO YOU AGREE WITH THIS CHARACTERIZATION?**

10 A. No. While it is true that the rates for local switching are reduced and the rates
11 for CCS7 service are increased, there is no support in the filing demonstrating
12 that the demand for each of these individual services, when applied to these
13 rates, actually result in the same amount of revenue for BellSouth. Further,
14 there is no indication as to the trend of demand for these services, which would
15 be necessary in order to understand the revenue impact on a going forward basis.

16 **Q. HAS THE IMPACT OF THESE RATE CHANGES HAD A NEUTRAL**
17 **EFFECT WITH RESPECT TO WORLDCOM'S COSTS BASED ON THE**
18 **USAGE OF THESE TWO SERVICES?**

19 A. No. In comparing the additional costs incurred by WorldCom for ISUP and
20 TCAP messages and the savings represented by the \$0.0001 reduction in the
21 local switching rate for the time period from February 2002 to June 2002,
22 WorldCom has seen an increase in its costs in excess of *****PROPRIETARY**
23 **REDACTED PROPRIETARY*****. Of course, where WorldCom sees this as

1 a cost increase, BellSouth enjoys a revenue increase.

2 **Q. DOES WORLDCOM HAVE A CONCERN THAT THIS EFFECT WILL**
3 **CONTINUE IN THE FUTURE?**

4 A. Yes. BellSouth has essentially abandoned revenue from an access element,
5 local switching, for which demand is generally flat. At the same time, under the
6 guise of revenue neutrality, it has dramatically increased rates for another access
7 element, CCS7 messages, for which demand is growing significantly. Attached,
8 as Exhibit MA-1 is a chart entitled "Comparison of CCS7 and Local Switching
9 Usage." This exhibit illustrates the significant growth in CCS7 messages for
10 which BellSouth is charging WorldCom, as compared to the relatively level
11 usage of local switching minutes for which WorldCom is being billed. In
12 addition to supporting the fact that this filing is not revenue neutral, this chart
13 makes clear that the trend of increasing usage of CCS7 messages will continue
14 to provide BellSouth with additional revenue at the expense of its competitors.

15 **Q. WHAT ARE THE COMPETITIVE IMPLICATIONS OF THIS**
16 **REVENUE INCREASE FOR BELLSOUTH?**

17 A. As I stated above, BellSouth's increase in revenue comes from its direct
18 competitors such as ALECs and IXCs. Further, the bulk of this revenue is
19 generated through charges associated with a function, the creation and
20 transmission of ISUP messages, that is required for virtually every call that is
21 carried on the public switched telephone network. Both BellSouth and its
22 competitors, such as WorldCom, with its own SS7 network, rely on the creation
23 and transmission of ISUP messages by all carriers involved in a call. In other

1 words, use of the CCS7 network is a necessary cost input for all carriers.
2 In addition to BellSouth's realization of an increase in revenue, one of the most
3 significant anticompetitive aspects of this filing is that BellSouth also benefits
4 by saddling its competitors with rates for CCS7 usage that are well in excess of
5 BellSouth's costs. In Docket No. 990649-TP this Commission established
6 TELRIC rates for these very rate elements. (Orders No. PSC-01-1181-FOF-TP,
7 issued May 25, 2001, and PSC-01-2051-FOF-TP, issued October 18, 2001).
8 Although these are rates for unbundled network elements, there is only one
9 CCS7 network, and, therefore, the TELRIC rates are a reasonable approximation
10 of the costs that BellSouth incurs when it utilizes its CCS7 network for local and
11 intraLATA calls. BellSouth has asked this Commission to approve its 271
12 application and, if successful in the full 271 process, these TELRIC rates would
13 then be the approximate costs BellSouth experiences in competing to provide
14 interLATA calls as well. Exhibit MA-2 (Proprietary) illustrates the drastic
15 disparity between BellSouth's TELRIC rates, those it will experience as a cost
16 input, and the CCS7 Access Arrangement rates, which are the cost inputs that
17 BellSouth's competitors will experience. The cost advantage being enjoyed by
18 BellSouth is discriminatory and anticompetitive.

19 As discussed, this filing is not revenue neutral and gives BellSouth an
20 unwarranted competitive advantage. BellSouth attempts to justify this filing by
21 indicating that it is to introduce a new service and to implement parity with its
22 interstate rates. As discussed below, this is not a "new" service but, rather, new
23 rate elements. The notion of reaching parity with interstate access rates is really

1 a selective attempt to import unjustified subsidies into the Florida intrastate
2 market and to target those subsidies at a service with growing demand. The
3 Commission should not allow these two unsupported explanations for this filing
4 to be considered acceptable.

5 **Q. WITH REGARD TO ISSUE 4 AND THE QUESTION AS TO WHETHER**
6 **OR NOT BELL SOUTH'S CCS7 ACCESS ARRANGEMENT TARIFF**
7 **FILING COMPORTS WITH SECTION 364.163, FLORIDA STATUTES,**
8 **CAN YOU DESCRIBE THE SITUATIONS IN WHICH RATE**
9 **INCREASES, SUCH AS THOSE IMPLEMENTED BY BELL SOUTH,**
10 **ARE ALLOWED BY THE STATUTE?**

11 A. Yes. Although I am not an attorney, a straightforward reading of the statute
12 indicates that two things must happen before BellSouth can increase rates for
13 any specific network access service. The statute defines network access service
14 as "any service provided by a local exchange telecommunications company to a
15 telecommunications company certificated under this chapter or licensed by the
16 Federal Communications Commission to access the local exchange
17 telecommunications network..." Section 364.163, Florida Statutes. First, the
18 mandated cap on BellSouth's rates for network access services must have
19 expired *and*, second, BellSouth's intrastate switched access rates must have
20 reached parity with its interstate switched access rates. Once both of these
21 conditions are met, rate increases are limited to an amount less than or equal to
22 the cumulative change in inflation since the last adjustment. This is further
23 limited to a maximum increase of three percent annually of the then-current

1 prices. The relevant portion of Section 364.163 (2), Florida Statutes, provides:
2 After the termination of the caps imposed on rates by subsection (1) and
3 after a local exchange telecommunications company's intrastate
4 switched access rates reach parity with its interstate switched access
5 rates, a company subject to this section may, on 30 days' notice,
6 annually adjust any specific network access service rate in an amount not
7 to exceed the cumulative change in inflation experienced after the date of
8 the last adjustment, provided, however, that no such adjustment shall
9 ever exceed 3 percent annually of the then-current prices. Inflation shall
10 be measured by the changes in Gross Domestic Product Fixed 1987
11 Weights Price Index, or successor fixed weight price index, published in
12 the Survey of Current Business, or successor publication, by the United
13 States Department of Commerce.

14
15 Moreover, Section 364.163 (5) allows increases in rates for existing network
16 access services that are allowed by Section 364.163 (2) to become effective on
17 no sooner than 30 days notice. Importantly, this section also provides that the
18 Commission shall have regulatory oversight of such increases.

19 **Q. DO YOU BELIEVE THAT BELL SOUTH'S CCS7 ACCESS**
20 **ARRANGEMENT TARIFF MEETS THE REQUIREMENTS OF THE**
21 **STATUTE?**

22 **A** No.¹

¹. The tariff would be in compliance with the statute in the limited instance of the reduction of rates for the local switching element, as Section 164.163 (4) provides

1 While the first condition, the termination of the rate caps on January 1,
 2 2001, has been met, the second condition, parity of intrastate switched access
 3 rates with interstate switched access rates, has not been. For example,
 4 BellSouth's interstate access tariff, Tariff F.C.C. NO.1, Section 6.8.2(A)(1)
 5 Usage Sensitive Rates, 25th Revised Page 6-161, Effective May 15, 2001, has a
 6 rate for LS2 access service of \$0.002158. The rate for BellSouth's intrastate
 7 LS2 access service, even with the reduction contained in this filing, is
 8 \$0.008661. Clearly, parity does not exist. Until the parity condition is satisfied,
 9 the statute does not provide for any circumstance in which switched access rates
 10 can be increased in the manner proposed by BellSouth. (Section 364.163 (3)
 11 provides for increases in rates for network access services prior to parity with
 12 interstate switched access rates but is limited to the circumstance of
 13 governmentally mandated programs or an increase in income tax. Neither of
 14 which applies to this situation.)

15 Accordingly, BellSouth's CCS7 Access Arrangement tariff fails to
 16 comply with the requirements of the statute.

17 **Q. BELLSOUTH CHARACTERIZES ITS CCS7 ACCESS ARRANGEMENT**
 18 **AS A "NEW" SERVICE. DO YOU AGREE WITH THAT POSITION?**

19 **A.** No. Although BellSouth puts forth good effort to present the CCS7 access
 20 arrangement as a new service, it simply is not so. The service has been in
 21 existence and charges have been applicable to its use. It would appear that the
 22 only thing "new" about this service would be BellSouth's ability to bill for the

that "...a company subject to this section may choose to decrease network service rates at any time, and decreased rates shall become effective upon 7 days' notice."

1 service differently.

2 The CCS7 or, alternatively, SS7, network has been in place in some form
3 or fashion since at least the early-1990s. Certainly, as of January 1, 1999, when
4 BellSouth's network access rates were capped, ISUP and TCAP messages were
5 being transmitted by BellSouth to support calls on the public switched telephone
6 network. BellSouth's revisions to its tariff filings demonstrate that BellSouth's
7 CCS7 network was already in existence and operational prior to BellSouth's
8 January, 2002, filing. For example, prior to the January filing BellSouth's
9 Access Services Tariff read as follows:

10 BellSouth SWA CCSAC

11 This option allows the customer to receive signals for call set-up out of
12 band. This option is only available with BellSouth SWA FGD or
13 BellSouth SWA TSBSA 3.

14

15 This option requires the establishment of a signaling connection and path
16 between the IC's signaling point of interface and the Company's
17 designated Local Signal Transfer Point (STP). This path may also be
18 used for the transmission of Mobile Service Providers' ISUP call control
19 and TCAP messages. (*BellSouth Access Services Tariff, Section E6.1.3*
20 *(A)(9)(e), BellSouth SWA CCSAC, 5th Revised Page 20, Effective*
21 *October 5, 2001.*)

22

23 Again, prior to the January filing, the tariff read in pertinent part:

1 Depending on the signaling facilities available, this option will be
2 provisioned via MF or CCS7 signaling. The CCS7 alternative requires
3 the establishment of; 1) BellSouth SWA CCSAC as described in e.
4 preceding and 2) CCS7 Signaling Connections and CCS7 Signaling
5 Terminations between the IC's signaling point of interface and each of
6 the Telephone Company's STPs as further described in E. following.
7 *(BellSouth Access Services Tariff, Section E6.1.3(A)(9)(k), Tandem*
8 *Signaling, 5th Revised Page 24, Effective October 5, 2001.)*

9
10 The pre-January 2002 tariff sections addressing the application of
11 rates also demonstrate the existence of access rates associated with the signaling
12 service. Again in pertinent part the tariff formerly read:

13 In addition, when a signaling connection is installed for use with the
14 BellSouth SWA FGD and BellSouth SWA TSBSA 3 BellSouth SWA
15 CCSAC option and TCAP message transmission option, the charge is
16 applied per signaling connection. *(BellSouth Access Services Tariff,*
17 *Section E6.7.1(A)(3)(a), Nonrecurring Charges, Sixth Revised Page 88,*
18 *Effective October 5, 2001.)*

19
20 BellSouth Access Services Tariff, Section E6.8.1(F)(2)(a), Trunk Side
21 Service, 4th Revised Page 110, Effective October 5, 2001 specified a
22 nonrecurring charge of \$915.00 First and \$263.00 Additional "Per Trunk or
23 Signaling Connection." The January 2002 tariff filing even moves the

1 previously existing “Point Code Establishment Change” nonrecurring charges to
2 the “new” section with the minor text change to indicate “CCS7 Point Code
3 Establishment or Change.” The rates are moved unchanged.

4 This review of some of the changes made, or not made, to the existing
5 tariff by BellSouth in its filing to, in its words, “introduce a new offering,
6 BellSouth CCS7 Access Arrangement” accomplishes two things. First, it
7 demonstrates that, because the use of the out-of-band signaling network is and
8 has been closely interwoven with the use of the public switched telephone
9 network to facilitate the processing of telephone calls, BellSouth’s previous
10 version of its access tariff can not escape addressing the existence and use of the
11 CCS7 network. Second, not only is the service not new, the rates introduced by
12 BellSouth’s filing are increases to existing specific network access services and
13 such increases violate Section 364.163, Florida Statutes.

14 Q. **PLEASE SUMMARIZE YOUR TESTIMONY.**

15 A. Contrary to assertions contained in BellSouth’s filing, the increases in rates for
16 CCS7 service and coincident reduction in the local switching rates are not
17 revenue neutral. As demonstrated, at least in WorldCom’s case, the net effect of
18 these changes over the last 4-5 months has been a substantial increase in access
19 costs. Further, the drastic growth in the use of ISUP and TCAP messages as
20 compared to the flat demand for local switching suggests that this cost increase,
21 which is a revenue increase for BellSouth, will only continue to grow. Also,
22 allowing BellSouth this advantage over its direct competitors is anti-
23 competitive. If allowed to continue, BellSouth will enjoy a much lower cost for

1 this service than the cost that it will impose on its competitors.

2 Finally, the CCS7 Access Arrangement that BellSouth characterizes as a
3 new service has been in existence and used by BellSouth and offered by
4 BellSouth to other carriers at a price long before the filing of this “new” service.
5 This is supported by BellSouth’s own tariff. At best, BellSouth’s offering is a
6 restructuring of an existing service, which results in an increase in rates. Such
7 an increase is not consistent with the basic requirements found in Section
8 364.163. Florida Statutes.

9 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE?**

10 A. For the reasons discussed above, the Commission should order BellSouth to
11 cancel its tariff for CCS7 Access Arrangement and return those revenues
12 collected from the billing of these rates.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **REBUTTAL TESTIMONY OF MARK ARGENBRIGHT**
3 **ON BEHALF OF MCI WORLDCOM**
4 **DOCKET NO. 020129-TP**
5 **JULY 29, 2002**

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

8 A. My name is Mark E. Argenbright. My business address is Six Concourse
9 Parkway, Suite 3200, Atlanta, Georgia 30328.

10 **Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS**
11 **DOCKET?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. I am going to review Mr. Ruscilli's and Mr. Milner's testimonies as they relate
15 to Issue 3, concerning the lack of revenue neutrality associated with BellSouth's
16 CCS7 tariff filing, Issue 4 concerning the violation of Section 364.163, Florida
17 Statutes, and the harmful competitive implications of this tariff filing.

18 **Q. MR. RUSCILLI INDICATES THAT THE RATE REDUCTIONS**
19 **PROPOSED BY BELLSOUTH TO ACCOMPLISH REVENUE**
20 **NEUTRALITY INVOLVE RATES FOR INTRASTATE ACCESS**
21 **SERVICES AND RATES FOR MOBILE SERVICE PROVIDERS. IS**
22 **THIS APPROPRIATE?**

23 A. No. Allowing BellSouth to offset revenue increases it receives through

1 increases in its intrastate switched access rates with reductions in rates for
2 services BellSouth provides out of its retail tariff is bad policy. For example,
3 BellSouth could leverage such a policy to its competitive advantage by
4 offsetting increases in its intrastate switched access rates with reductions in its
5 intrastate toll rates. This would allow BellSouth to lower its retail rates for
6 intrastate toll and increase the costs its competitors would incur in providing
7 service in competition with those reduced toll rates, all the while claiming that,
8 at the end of the day, BellSouth is realizing no additional revenue.

9 This concern is applicable to this CCS7 tariff filing. The definition of
10 “Telecommunications Company” as provided in Section 364.02, Florida Statutes
11 specifically excludes Commercial Mobile Radio Service (“CMRS”) providers.
12 Therefore, BellSouth is actually attempting to increase rates for
13 telecommunications companies and to characterize it as revenue neutral based
14 on a reduction in revenues received from non-telecommunications companies.
15 Or, put differently, BellSouth’s ALEC and IXC competitors are being subjected
16 to a substantial increase in rates for CCS7 messages which BellSouth believes
17 should be accepted by the Commission as revenue neutral. The reduction in the
18 local switching rate does not by itself offset the revenue increase. BellSouth
19 must include the reduction in the rates for CMRS providers in order to claim
20 revenue neutrality. It is understandable why ALECs and IXCs are less than
21 thrilled with the alleged “neutrality” of this filing. Obviously, any such
22 demonstration should be rejected in order to avoid the anti-competitive
23 implications of such a policy.

1 **Q. SHOULD THE GROWTH IN DEMAND BE CONSIDERED WHEN THE**
2 **COMMISSION REVIEWS THIS REQUEST TO INCREASE RATES**
3 **FOR THE CCS7 RATE ELEMENT?**

4 A. Yes. While the simple math involved in multiplying a current (or estimated)
5 level of demand by the amount of a proposed rate increase produces a revenue
6 number for consideration, that number is simply a snapshot of the potential
7 impact at the moment the demand was measured. When the proposed rate
8 increase involves an element that has a substantial rate of growth, any claim of
9 neutrality should be tested against the effect of that growth in demand. Without
10 such an analysis, what may appear to be revenue neutral today may well
11 represent a significant increase in revenue.

12 This is the case with BellSouth's CCS7 tariff filing. Unless the demand
13 for local switching is exhibiting similar growth as the demand for CCS7
14 messages, which it is not, any revenue neutral status will quickly be overrun
15 with a revenue increase.

16 **Q. DO YOU AGREE WITH MR. RUSCILLI THAT, WITH RESPECT TO**
17 **COMPLIANCE WITH SECTION 364.163, FLORIDA STATUTES,**
18 **BELLSOUTH HAS MET THE PARITY REQUIREMENT?**

19 A. No. While BellSouth achieved parity between its intrastate switched access
20 rates and its 1994 interstate switched access rates in 1997, as Mr. Ruscilli
21 acknowledges, the statute was amended in May of 1998 establishing new points
22 in time for the rate cap references. The amendment, which established and
23 extended the cap on rates for switched network access services, must be

1 interpreted to have also reapplied the parity requirement found in Subsection (2).
 2 Under the amended statute, BellSouth must reach parity with its interstate rates
 3 subsequent to the amendment. Since BellSouth has not reached parity with its
 4 interstate rates since the amendment, this proposed tariff violates Section
 5 364.163. This interpretation is far more consistent with the policy goals of the
 6 Legislature when the amendment was passed than that being advanced by Mr.
 7 Ruscilli.

8 **Q. HOW DID THE LEGISLATURE VIEW INTRASTATE SWITCHED**
 9 **ACCESS RATES WHEN CONSIDERING AND PASSING THE**
 10 **AMENDMENT OF FLORIDA STATUTE 364.163?**

11 A. The June 2, 1998 Final Bill Research & Economic Impact Statement for HB
 12 4785 provides significant insight into the concerns the Legislature had with
 13 respect to intrastate switched network access charges. At page 2, under
 14 Substantive Research, the situation at that time was characterized in part as
 15 follows:

16 It is generally agreed among industry analysts that charges for
 17 intrastate network access services (intrastate switched access
 18 charges) are priced far in excess of cost and, in many cases,
 19 substantially higher than comparable charges applicable to
 20 interstate calls (interstate switched access charges).

21
 22 Continuing:

23
 24 Regulators traditionally have used revenues from the high
 25 intrastate switched access rates (and high rates for other services)

1 to implicitly subsidize universal service and maintain basic
2 residential local telecommunications rates at levels believed by
3 many to be below the cost to provide local service. The implicit
4 subsidy mechanism was left in place when chapter 364, Florida
5 Statutes, was revised in 1995 to open Florida's local
6 telecommunications markets to competition. However, the pricing
7 structure resulting from this historic regulatory policy appears to
8 be a barrier to market entry for telecommunications provider
9 wishing to compete in local residential markets. As such, the
10 policy may have contributed to the stalled development of local
11 competition despite the gradual reductions in intrastate switched
12 access charges required by section 364.163(6), Florida Statutes
13 (1995). (Emphasis added)

14
15 The Legislature, in revising Section 364.163, perceived significant problems
16 with the then current level of intrastate access charges even in light of the
17 reductions in such charges, including BellSouth's attainment of parity in 1997.
18 Against this backdrop of concern for the level of intrastate access charges, the
19 Legislature passed the bill amending Section 364.163 to establish new effective
20 dates on which switched network access rates were to be capped and established
21 new dates for such rate caps to expire.

22 Obviously, in amending Section 364.163 to establish rate caps and
23 extend the expiration date two years beyond where the previous version of the

1 statute placed them, the Legislature intended to prohibit any further increases in
2 switched network access rates. This prohibition was made applicable to all
3 companies subject to the section, which included BellSouth.

4 Simply, the Legislature recognized that even with the reductions in
5 switched network access rates that had been achieved under the earlier version
6 of the statute, rate levels remained too high and directed that those rates could
7 go no higher than their January 1, 1999 levels until the caps expire and the
8 company seeking to increase rates has reached parity with its interstate switched
9 network access rates subsequent to the amendment of the statute.

10 Under the interpretation advanced in this proceeding by BellSouth, this
11 filing should be accepted as complying with Section 364.163 because the caps
12 established by the amended statute have expired and, BellSouth's intrastate
13 switched network access had once been at parity some five years ago compared
14 to interstate rate levels from eight years ago.

15 Mr. Ruscilli is correct, "parity between interstate and intrastate switched
16 access charges is a moving target." (Ruscilli, Direct Testimony, page 12) The
17 Legislature, in expressing their concern regarding the high level of intrastate
18 switched network access rates, recognized this problem and that is exactly why
19 the parity requirement contained in 364.163 (2) must be interpreted to be
20 applicable in the context of BellSouth's rate levels since the amendment of the
21 statute.

22 **Q. CAN BELLSOUTH DEMONSTRATE THAT ITS INTRASTATE**
23 **SWITCHED NETWORK ACCESS RATES ARE CURRENTLY AT**

1 **PARITY WITH ITS INTERSTATE SWITCHED NETWORK ACCESS**
2 **RATES?**

3 A. Of course not. What is of equal interest is the current disparity between
4 BellSouth's intrastate and interstate rates for switched network access services
5 as well as the rather miniscule reduction in intrastate rates since 1998.
6 BellSouth's 1998 rate for originating and terminating an intrastate telephone call
7 was \$0.0489 (the 1994 interstate rate with which BellSouth achieved parity was
8 \$0.0583). (House of Representatives Committee on Utilities and
9 Communications Final Bill Research and Economic Impact Statement, Bill
10 CS/HB 831, May 12, 1998)

11 As of February 2002 BellSouth's intrastate rate was \$0.0455 (a mere 7%
12 reduction from the 1998 level) and its interstate rate was \$0.0098 (a reduction of
13 83% from the 1994 level). (House of Representatives Committee on Utilities
14 and Communications Analysis, Bill PCB UTCO 02-01, February 5, 2002)

15 As Mr. Milner suggests, this filing is increasing rates for BellSouth's intrastate
16 CCS7 service. "To date, the per message charge for the service has been zero."
17 (Milner, Direct Testimony, page 5) Such an increase in rates for its intrastate
18 switched network access service must comply with Section 364.163 (2) which
19 requires that the rate cap must expire *and* there must be parity between
20 BellSouth's intrastate and interstate switched network access rates. This
21 requirement has not been met and such a finding is consistent with the policy
22 goals of the Legislature as well as with the existence of such a disparity between
23 BellSouth's intrastate and interstate rates.

1 **Q ARE COMPETITIVE ALTERNATIVES TO THE CCS7 SERVICE FOR**
2 **WHICH BELL SOUTH SEEKS TO INCREASE RATES AVAILABLE, AS**
3 **SUGGESTED BY MR. RUSCILLI?**

4 A. No. Mr. Ruscilli attempts to portray the CCS7 service being provided by
5 BellSouth as a service that a carrier could choose to get from an alternative
6 provider. (Ruscilli, Direct Testimony, page 3) This is not the case. One
7 supposed option is for a carrier to provide its own SS7 network. WorldCom has
8 its own SS7 network and has received bills from BellSouth for CCS7 messages.
9 Obviously, a carrier having its own SS7 network cannot avoid ISUP and TCAP
10 messages being sent to and received from the BellSouth SS7 network. The other
11 alternative offered by Mr. Ruscilli is for a carrier to acquire SS7 services from a
12 hub provider. However, Mr. Ruscilli makes clear later in his testimony that
13 BellSouth will be billing hub providers for the CCS7 messages as well.
14 (Ruscilli, Direct Testimony, page 6, footnote 1) If the hub providers are to be
15 billed by BellSouth, they really do not represent an alternative to BellSouth's
16 CCS7 service.

17 There simply are no competitive alternatives to the CCS7 service for
18 which BellSouth seeks this rate increase. If a carrier's end users make calls to or
19 receive calls from BellSouth end users, then messages are going to be sent to
20 and received from the BellSouth SS7 network. BellSouth is a monopoly
21 provider and receiver of CCS7 messages with respect to calls to and from its end
22 users. Accordingly, any increases in the rates for this service must be borne by
23 carriers, most of which compete with BellSouth in offering services which rely

1 on CCS7 messages. Allowing BellSouth to increase rates for this monopoly
2 service, particularly to levels well in excess of cost, is a detriment to the
3 competitive market in Florida.

4 **Q. WHAT ARE THE COMPETITIVE IMPLICATIONS OF BELLSOUTH'S**
5 **STATED INTENTION TO BILL FOR CCS7 MESSAGES REGARDLESS**
6 **OF THE DIRECTION OF THE CALL?**

7 A. While the increases in the rate as well as the level of the rate have their own
8 competitive concerns, the proposed application of the rates by BellSouth is also
9 anticompetitive. Mr. Milner indicates that BellSouth intends to bill for CCS7
10 messages regardless of whether the calls originate on the BellSouth network or
11 the network of an ALEC. (Milner, Direct Testimony, page 7)

12 As has been described in the testimony of other parties, a call in a single
13 direction between end users on two different networks involves the sending and
14 receiving of CCS7 messages in both directions. For a simple example, a
15 BellSouth end user originating a call to be terminated to a WorldCom end user
16 would cause the BellSouth SS7 network to send an initial CCS7 message to the
17 WorldCom SS7 network to determine whether or not the line serving the
18 WorldCom end user being called is available. Assuming the line was idle, the
19 WorldCom SS7 network would send a message to be received by the BellSouth
20 SS7 network indicating a call could be established. A similar two-way
21 transmission of messages would occur when the call was terminated.

22 In this example the WorldCom SS7 network received messages from and
23 sent messages to the BellSouth SS7 network. BellSouth's method of applying

1 its proposed CCS7 message charges would result in WorldCom being billed for
2 all of these messages. However, all of these CCS7 messages were in support of
3 a call originated by a BellSouth end user. Were it not for the actions of a
4 BellSouth customer utilizing services purchased from BellSouth, WorldCom
5 would not have incurred any charges for CCS7 messages. Contrary to Mr.
6 Ruscilli's suggestion, this is hardly an instance of the cost causer being made
7 responsible. Instead, BellSouth's proposal penalizes carriers that have built their
8 own networks and happened to acquire customers in competition with
9 BellSouth. The Commission should not accept this faulty assertion as a reason
10 for approving BellSouth's tariff.

11 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

12 A. As a threshold matter, BellSouth's tariff filing is not in compliance with Section
13 364.163, Florida Statutes, and should be rejected by the Commission. Such a
14 result not only makes sense from a "compliance" perspective but is good policy
15 as well. The Florida Legislature has recognized that the presence of implicit
16 subsidies within intrastate switched network access rates inhibits competition.
17 This filing perpetuates the existence of such anti-competitive subsidies. As I
18 demonstrated in my direct testimony, the proposed rates are well above the
19 TELRIC based rates this Commission established for CCS7 messages in Docket
20 No. 990649-TP. (Orders No. PSC-01-1181-FOF-TP, issued May 25, 2001, and
21 PSC-01-2051-FOF-TP, issued October 18, 2001)

22 Additionally, the existence of revenue neutrality, which this filing does
23 not achieve, is not a substitute for the requirements of the statute. Only parity

1 between BellSouth's interstate and intrastate switched network access rates
2 would allow BellSouth to seek an increase in its intrastate switched network
3 access rates.

4 This filing initiates additional competitive harm because there are no
5 competitive alternatives to BellSouth's CCS7 service and BellSouth, in this
6 monopoly position, intends to apply the proposed rates to messages associated
7 with calls that are initiated by its own customers on its own network.

8 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE WITH REGARD**
9 **TO BELLSOUTH'S CCS7 TARIFF FILING?**

10 A. For the reasons discussed above, the Commission should reject BellSouth's
11 tariff filing and return the monies billed to date under this tariff be returned to
12 the carriers that were charged.

13 In the alternative, if the Commission does not reject this tariff filing,
14 which WorldCom believes it should, the Commission should reduce BellSouth's
15 proposed rates to match those TELRIC rates established in Docket No. 990649-
16 TP. As has been discussed, there is only one CCS7 network and it operates in
17 support of local, intraLATA and interLATA calls. There is no difference in cost
18 between an ISUP message sent in support of a local call and the same message
19 sent in support of an intraLATA call. Simply, a message is a message. This
20 alternative would still result in an increase in intrastate switched network access
21 rates, which WorldCom believes is inconsistent with the requirements of Section
22 364.163, but the considerable implicit subsidies would be reduced.

23

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes.

1 MS. McNULTY: Thank you.

2 CHAIRMAN JABER: That brings us to Mr. Follensbee.

3 We are going to take a break until 1:00 o'clock and
4 pick up with Mr. Follensbee. Thank you.

5 (Lunch recess.)

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1 STATE OF FLORIDA)
 2 : CERTIFICATE OF REPORTER
 3 COUNTY OF LEON)

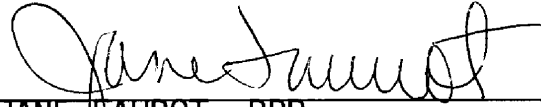
4
 5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
 6 Services, FPSC Division of Commission Clerk and Administrative
 7 Services, do hereby certify that the foregoing proceeding was
 8 heard at the time and place herein stated.

9 IT IS FURTHER CERTIFIED that I stenographically
 10 reported the said proceedings; that the same has been
 11 transcribed under my direct supervision; and that this
 12 transcript constitutes a true transcription of my notes of said
 13 proceedings.

14 I FURTHER CERTIFY that I am not a relative, employee,
 15 attorney or counsel of any of the parties, nor am I a relative
 16 or employee of any of the parties' attorney or counsel
 17 connected with the action, nor am I financially interested in
 18 the action.

19 DATED THIS 17TH DAY OF SEPTEMBER, 2002.

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