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December 19, 2005

## VIA OVERNIGHT DELIVERY

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
& Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket Nos. 050008-OT and 050119/050125-TP

Dear Ms. Bayó:

I have just discovered that the Testimony of Marc B. Sterling filed today, December 19, with the Commission on behalf of Verizon Wireless contained a computer formatting problem on page 3 of such Testimony. Therefore, following discussions with members of your staff and with Ms. Felicia Banks, counsel for the Commission in this consolidated docket, enclosed please find a substitute original and sixteen (16) copies of Mr. Sterling's Testimony. Copies are being provided to all the parties of record in this docket pursuant to the attached Certificate of Service. Please return to me one stamped copy in the enclosed envelope.

I apologize for any inconvenience. Please call me if you should have any questions.

Sincerely,



Charles F. Palmer

CFP/kbj  
Enclosures

cc: All Parties of Record  
Ms. Laura King  
Mr. Paul Vickery  
Felicia Banks, Esq.

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FPSC-COMMISSION CLERK



1 **Q. What has your experience been with regard to negotiating interconnection**  
2 **agreements directly with independent local exchange carriers?**

3 A. On behalf of Verizon Wireless, I have negotiated direct and indirect  
4 interconnection agreements with independent local exchange carriers in various  
5 states. Verizon Wireless typically pursues an interconnection agreement with an  
6 independent LEC when Verizon Wireless intends to offer wireless telephone  
7 numbers rated in one or more of the independent LEC's exchanges or in rate  
8 centers that are within the extended area service ("EAS") call scope of the  
9 independent LEC. Having numbers rated to an independent LEC's rate centers  
10 enables the ILEC's subscribers to call Verizon Wireless's customers without  
11 incurring toll charges, which is a benefit to both carriers' subscribers because  
12 many ILEC customers desire wireless services that are local to their business or  
13 home exchanges. Where Verizon Wireless is able to get local calling for its  
14 subscribers, we find that the volume of land-to-mobile traffic increases and the  
15 traffic originated by Verizon Wireless and the traffic originated by the ILEC tends  
16 to become roughly balanced. The converse is also true, that where local treatment  
17 of landline-originated calls to CMRS NPA- NXX codes is not established through  
18 an interconnection agreement, the amount of traffic originated by an ILEC tends  
19 to be lower and the relative traffic exchange is less balanced.

20 Where the volume of traffic exchanged between Verizon Wireless and an ILEC is  
21 significant, Verizon Wireless pursues direct interconnection with the ILEC  
22 because at higher traffic volumes such arrangements become economically more  
23 efficient than indirect interconnection.

24 Regardless of whether enough traffic is exchanged with an ILEC to justify direct  
25 trunking arrangements, Verizon Wireless generally seeks to include direct and

1 indirect arrangements in the same agreement to avoid the time and expense  
2 necessary to amend interconnection agreements and to file any resulting  
3 amendments with state commissions. In some cases, where the parties cannot  
4 agree to rates, terms and conditions for direct interconnection, however, Verizon  
5 Wireless will enter agreements that only cover the exchange of indirect traffic.  
6 Often times, rural ILECs will not afford local treatment of calls to Verizon  
7 Wireless's customers without the establishment of direct connection facilities,  
8 regardless of the fact that the traffic exchanged is minimal and the arrangements  
9 are not economically efficient. In some of these cases where the traffic volumes  
10 exchanged are low, even though we do not believe there is a legal requirement to  
11 establish direct connection to enable locally rated NXX codes, Verizon Wireless  
12 has agreed to direct arrangements for the benefit of its customers, and the  
13 customers of the originating ILEC. It has been my experience that many ILEC  
14 customers that are assessed toll charges for calls completed to CMRS numbers  
15 that appear local to them, mistake the imposition of such toll charges as being the  
16 fault of the CMRS provider. As a result, such consumers bring complaints to  
17 Verizon Wireless or the various state Commissions. By getting what I call  
18 "rating" parity in our interconnection agreements, we can satisfy both our  
19 customers and the ILEC's customers. However, as the direct arrangements made  
20 in these instances are not economically feasible or justified by efficient  
21 engineering principals, these determinations are made on a case-by-case basis  
22 depending on the level of consumer demand in a particular market for locally  
23 rated numbers.

1 **Q. Why is the offering of locally rated NPA- NXX codes to wireless customers**  
2 **an important objective?**

3 A. Wireless customers want numbers that are rated locally to an independent LEC's  
4 rate centers to enable wireline subscribers in those areas to call them without  
5 incurring toll charges. Because this tends to increase the incentive for landline  
6 customers to call wireless customers, this is a benefit to both carriers' subscribers.  
7 Verizon Wireless's interconnection agreements also provide for compensation  
8 between Verizon Wireless and the independent LEC for any local traffic  
9 exchanged between the carriers.

10 **Q. Should CMRS carriers be required to directly interconnect with ILECs in**  
11 **order to receive land-to-mobile calls to local or EAS-rated numbers as local**  
12 **calls?**

13 A. No. There is no legal or regulatory rule that I am aware of that requires a CMRS  
14 provider to establish a direct interconnection before it can receive local calling. It  
15 is my understanding that pursuant to 47 U.S.C. § 251(a)(1), each  
16 telecommunications carrier has the duty to interconnect directly *or indirectly* with  
17 the facilities and equipment of other telecommunications carriers. In addition,  
18 the FCC's rules expressly require that, "A local exchange carrier must provide the  
19 type of interconnection reasonably requested by a mobile service licensee or  
20 carrier." See 47 C.F.R. § 20.11(a). It seems to me that this would require an  
21 ILEC to offer direct and indirect interconnection on basically the same terms.  
22 Decisions on whether to interconnect directly or indirectly should be left to the  
23 discretion of each interconnecting carrier and based on economic and engineering  
24 criteria. That being said, I am not aware of any technical reason why the

1 establishment of direct trunks is required for local calling to be implemented. .  
2 The advent of local number portability also highlights the need, and consumer  
3 demand, for ILECs to recognize their responsibility to exchange traffic indirectly.  
4 Where an ILEC's landline customers port their numbers to a CMRS carrier that  
5 exchanges traffic indirectly with the ILEC, the ILEC should, as its other landline  
6 customers would expect, continue to provide local calling to such ported-out  
7 numbers.

8 **Q. What, if any, agreements have you been able to reach with independent**  
9 **LECs in Florida?**

10 A. Verizon Wireless has agreements covering direct and indirect interconnection in  
11 Florida with ALLTEL Florida, Inc., GTC, Inc. d/b/a GT Com, and Smart City  
12 Telecommunications, LLC d/b/a Smart City Telecom. Verizon Wireless has also  
13 successfully negotiated agreements covering direct and indirect interconnection  
14 with several independent LECs in other BellSouth states.

15 **SPECIFIC ISSUES**

16 **Q. Have you had the opportunity to review the issues list prepared by the FPSC**  
17 **staff in these consolidated dockets?**

18 A. Yes, I have. Some of the issues are not necessarily applicable to Verizon  
19 Wireless. But many of them are of great importance, and I will endeavor to  
20 explain my company's perspective on those issues below.

21 **Q. What are your views on the three "General Issues" outlined by the FPSC**  
22 **staff? (Issue Nos. 1-3)**

23 A. With respect to Issue One, Verizon Wireless's only concern is that the terms in  
24 any BellSouth transit tariff should not affect the terms of interconnection and  
25 reciprocal compensation arrangements between originating and terminating

1 carriers. I would also add that under no circumstances should the costs of transit  
2 be born by a terminating carrier, because a terminating carrier has no control over  
3 how the call was sent to its network, and therefore it should not be subject to the  
4 costs of transporting that call. With regard to the second issue as to the  
5 responsibilities of the originating carrier and the third issue of who should pay  
6 BellSouth for transit services, those issues are inextricably intertwined. In a  
7 nutshell, the originating carrier is responsible for delivering its traffic to BellSouth  
8 in such a manner that it can be identified, routed, and billed. The originating  
9 carrier further is responsible for paying the transit charges for the traffic it  
10 originates over a third party's network. This cost allocation is fair, because the  
11 originating carrier may choose alternative routes if the indirect route is not  
12 economically efficient. .

13 **Q. Are you aware of any regulations or rulings that support your understanding**  
14 **that the originating carrier is responsible for transit costs?**

15 A. Yes. Both state commissions in the BellSouth region who have ruled on this issue  
16 – Tennessee and Georgia – have concluded the originating carrier is responsible  
17 for transit charges. Two federal Circuit Courts of Appeal have also issued rulings  
18 making it clear that the originating carrier is responsible for transit costs. In  
19 March of this year, the Tenth Circuit issued its ruling in Atlas Telephone Co. v.  
20 Oklahoma Corporation Commission, 400 F.3d 1256 (10<sup>th</sup> Cir. 2005), and  
21 essentially rejected all of the rural ILEC arguments on transit traffic that have  
22 been floated before state regulatory commissions for the past few years. That  
23 decision was consistent with the D.C. Circuit Court of Appeals Order in Mountain  
24 Communications, Inc. v. FCC, 355 F.3d 644 (D.C. Cir. 2004). All these rulings  
25 further are consistent with 47 CFR § 51.703(b) which directly states, “A LEC

1 may not assess charges on any other telecommunications carrier for  
2 telecommunications traffic that originates on the LEC's network."

3 **Q. Please explain Verizon Wireless's position on the "Trunking and Routing"**  
4 **issues. (Issue Nos. 4-10.)**

5 A. With regard to Issue No. 4, I shall defer to BellSouth to explain their network  
6 arrangement. As to Issue No. 7, BellSouth and the Small LECs can best respond.  
7 Issue Nos. 5, 8, and 9 are closely related, and I shall attempt to respond in one  
8 combined answer. In general, the FPSC should refrain from establishing terms  
9 and conditions affecting the interconnection obligations for direct and indirect  
10 arrangements. The FCC's Declaratory Ruling and Report and Order in CC  
11 Docket No. 01-92 released February 24, 2005 (the "T-Mobile Decision") made it  
12 clear that the 1996 Act calls for negotiation and arbitration of direct and indirect  
13 interconnection arrangements. Therefore, if any carrier determines its most  
14 efficient network option entails routing calls through BellSouth's tandem,  
15 regardless of whether that carrier is a CMRS provider or a Small LEC, that carrier  
16 is entitled to request interconnection with BellSouth and negotiate/arbitrate as  
17 necessary.

18 With regard to Issue No. 6 and whether the FPSC should determine traffic  
19 thresholds, the FPSC should allow carriers to make their own network  
20 engineering and economic determinations as to whether traffic volumes warrant  
21 shifting from indirect to direct connections. Those thresholds may well vary from  
22 carrier to carrier, and because the FCC's T-Mobile Decision authorizes any carrier  
23 to initiate negotiation/arbitration, there is no need for the FPSC to mandate a rigid  
24 volume threshold.



1 Finally, as to Issue No. 10 regarding ISP traffic, Verizon Wireless does not handle  
2 such traffic and thus takes no position.

3 **Q. What is your position with respect to the issues identified under “Rates,  
4 Compensation and Cost Recovery”? (Issue Nos. 11-14.)**

5 A. Verizon Wireless has negotiated transit rates with BellSouth as a part of its  
6 interconnection agreement with them in nine states. Verizon Wireless has paid,  
7 and continues to pay, BellSouth for transit service both before and after February  
8 11, 2005. Per our interconnection agreement with BellSouth, we pay at the rate of  
9 \$0.002 per minute of use for transiting Verizon Wireless-originated traffic via a  
10 BellSouth tandem to other carriers in the same LATA. As to Issue No. 14, the  
11 FPSC should take no unilateral action. As stated above, the Small LECs have  
12 procedural options since the T-Mobile Decision that obviate the need for generic  
13 FPSC action. If the FPSC should choose to act, it should be mindful of the  
14 maxim addressed above that the originating carrier is responsible for transit fees.  
15 Further, should any individual ILEC pursue recovery of its costs incurred to  
16 deliver its originated traffic indirectly, it should do so through a rate case intended  
17 to impact the rates charged to all of its landline subscribers. The ILECs should  
18 not discriminate against CMRS carriers, and should not be permitted to recover  
19 their costs of doing business by imposing charges only on calls to CMRS  
20 numbers.

21 **Q. What are your views on the “Administrative Issues”? (Issue Nos. 15-17.)**

22 A. BellSouth should issue invoices for transit services to the originating carrier. The  
23 invoices should identify the minutes transited by terminating end office CLLI  
24 code. BellSouth, as the provider of transit service, should provide records to the  
25 terminating carrier that enable the terminating carrier to bill accurately the

1           originating carrier for call termination. At a minimum, this information should  
2           include originating carrier name, originating carrier OCN, and minutes of use.  
3           Terminating carriers also have the option of implementing their own measurement  
4           systems. Verizon Wireless typically agrees to accept charges from terminating  
5           carriers based on usage data provided by BellSouth and typically bills such  
6           carriers for reciprocal compensation on traffic terminated by Verizon Wireless  
7           based on application of an agreed upon traffic factor to billed mobile-to-land  
8           usage. Any billing disputes should be resolved pursuant to the process outlined in  
9           the applicable interconnection agreement.

10   **Q.   Does this conclude your testimony?**

11   **A.   Yes, at this time.**

**CERTIFICATE OF SERVICE**

**DOCKET NO. 050119/050125-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. Mail this 19<sup>th</sup> day of December, 2005 to the following:

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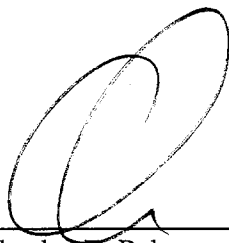
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