

1 **REBUTTAL TESTIMONY OF KENNETH RAY MCCALLEN**
2 **ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.**
3 **BEFORE THE PUBLIC SERVICE COMMISSION OF FLORIDA**
4 **DOCKET NOS. 050119-TP AND 050125-TP**
5 **JANUARY 30, 2006**

6
7 **Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH**
8 **TELECOMMUNICATIONS, INC. (“BELLSOUTH”), AND YOUR**
9 **BUSINESS ADDRESS.**

10
11 **A. My name is Kenneth Ray McCallen. Since 1995 I have been an**
12 **Industry/Independent Relations Manager for BellSouth. My business address is**
13 **600 North 19th Street, Birmingham, Alabama, 35203.**

14
15 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**
16 **PROCEEDING?**

17
18 **A. Yes. I filed Direct Testimony on December 19, 2005.**

19
20 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

21
22 **A. My rebuttal testimony responds to certain issues raised in the Direct Testimony**
23 **filed on December 19, 2005 by Steven E. Watkins on behalf of the Small LEC**
24 **Joint Petitioners; Billy H. Pruitt on behalf of Sprint Nextel and T-Mobile; Marc B.**
25 **Sterling on behalf of Verizon Wireless; Timothy J. Gates on behalf of the**

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1 Competitive Carriers of the South (COMPSOUTH); and Richard T. Guepe on
2 behalf of AT&T Communications of the Southern States.

3

4 **Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?**

5

6 A. I have identified significant issues raised in the Direct Testimonies filed in this
7 proceeding and will address each.

8

9 **Issue 1: Is BellSouth's Transit Tariff an appropriate mechanism to address**
10 **transit traffic service provided by BellSouth?**

11

12 **Q. SEVERAL OF THE PARTIES STATE THAT BELLSOUTH'S TRANSIT**
13 **TARIFF IS NOT AN APPROPRIATE MECHANISM TO ADDRESS**
14 **TRANSIT TRAFFIC SERVICE PROVIDED BY BELLSOUTH (GATES, p.**
15 **17; WATKINS, p. 16 AND PRUITT, p. 18). PLEASE RESPOND.**

16

17 A. BellSouth disagrees. As stated in my Direct Testimony, unless the tariff is
18 superseded by a contract addressing transit traffic service, BellSouth's transit
19 tariff is appropriate to address transit traffic service provided by BellSouth.
20 BellSouth is using its network to provide a value-added service and should be
21 compensated accordingly. While many carriers utilize BellSouth's transit service
22 and derive an economic benefit from avoiding the cost of direct interconnection,
23 some carriers have refused to sign an agreement to compensate BellSouth fairly
24 for providing the service. BellSouth stands ready to negotiate contracts, and
25 continues to attempt to do so, with all carriers for transit traffic as is evidenced by

1 the numerous contracts that are already in place with CLECs and CMRS carriers.
2 Further as Mr. Guepe points out in his Direct Testimony (page 4 lines 19-21)
3 “[I]logically the provider of the service must have a means to offer the service, and
4 if it is not through a contract or agreement of some nature, a tariff is an
5 appropriate alternative.”

6
7 Further, as explained in my Direct Testimony, BellSouth’s transit tariff provides a
8 service option for Telecommunications Service Providers (TSPs) that do not have
9 a contractual agreement addressing transit service in place with BellSouth and
10 that do not have direct interconnection for exchanging traffic with other TSPs.
11 Although BellSouth is not required to provide a transit function, BellSouth is
12 willing to provide transit services to TSPs because BellSouth has a ubiquitous
13 network that is interconnected with most TSPs in its region. Again, when
14 BellSouth provides this valuable service it has a right to receive compensation—
15 which is precisely what the transit tariff provides.

16

17 **Issue 3: Which carrier should be responsible for providing compensation to**
18 **BellSouth for the provision of the transit transport and switching**
19 **services?**

20

21 **Q. WHO IS RESPONSIBLE FOR PAYING BELLSOUTH FOR THE**
22 **TRANSIT FUNCTION?**

23

24 **A.** As stated in my Direct Testimony, the originator of the traffic determines whether
25 or not traffic transits BellSouth’s network. The originating TSP chooses whether

1 to directly connect with other TSPs or to use BellSouth's transit service to send its
2 originating traffic to other TSPs. Therefore, as the cost causer, the originating
3 TSP should be responsible for paying transit charges. This is consistent with
4 general industry concepts regarding cost-causation, as well as the notion that the
5 originating TSP pays the terminating TSP for providing the terminating service.
6 In addition, BellSouth's current agreements with the CLECs and CMRS carriers
7 are consistent with the "originating party pays" concept.

8

9 **Q. DO ANY OF THE PARTIES IN THIS PROCEEDING HAVE A POSITION**
10 **CONTRARY TO BELLSOUTH'S?**

11

12 A. Yes. The Small LECs witness Mr. Steven E. Watkins, in his direct testimony on
13 pages 4 lines 9-23; 35 lines 18-23; 49 lines 11-21 disagrees with this generally
14 accepted concept and advocates shifting the responsibility away from the
15 originating ICO to the terminating carrier.

16

17 **Q. DO ANY OF THE OTHER PARTIES TO THIS DOCKET SHARE MR.**
18 **WATKINS' OPINION ON THIS ISSUE?**

19

20 A. No. Mr. Watkins stands alone in this distorted view, as evidenced in the Direct
21 Testimony of Mr. Pruitt at page 19, Mr. Gates at pages 25-26, Mr. Sterling at page
22 6 and Mr. Guepe at page 6 which support the only reasonable concept - the
23 originating party paying for the transport and termination of the call, including
24 transit charges. Further in Mr. Guepe's Direct Testimony on page 7 beginning on
25 line 13, he identifies that one of the Small LEC Petitioners, on whose behalf Mr.

1 Watkins has testified, has agreed that it is the responsibility of the originating
2 party to pay the provider of transit service. Mr. Guepe further says that this can be
3 found in an agreement filed with the Commission on October 28, 2005 between
4 Northeast Florida Telephone and Cingular Wireless.

5

6 **Issue 4: What is BellSouth's network arrangement for transit traffic and how**
7 **is it typically routed from an originating party to a terminating third**
8 **party?**

9

10 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF HOW TRANSIT**
11 **TRAFFIC IS ROUTED.**

12

13 A. In a number of places in his Direct Testimony (e.g. pages 36 and 37), Mr.
14 Watkins indicates a desire to better understand how the transit traffic to and from
15 ICOs is routed. The manner in which transit traffic is routed over BellSouth's
16 network is not all that complicated.

17

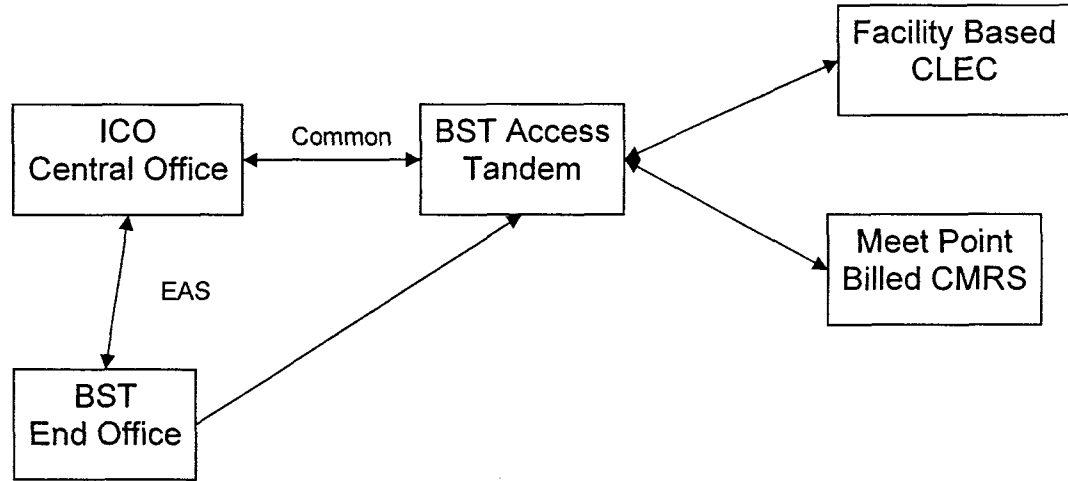
18 As covered in my Direct Testimony, the affected transit traffic is generally routed
19 through a BellSouth tandem office to the terminating third-party carrier.

20

21 The originating ICO may route the call over a common trunk group directly to the
22 BellSouth tandem, or, as in the case of local number portability, it may sometimes
23 route the call to a BellSouth end office over the EAS trunk group, where the call
24 may be further routed in order to be successfully delivered to the appropriate
25 terminating carrier.

1 To further illustrate below is a diagram which shows how transit traffic is routed
2 over BellSouth's network.

3
4 Transit Traffic Routing



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25

←→ Interconnecting trunk group(s)

17 Meet-Point-Billed ("MPB") traffic from the majority of the third-party carriers
18 will interconnect with the BellSouth network at the tandem office. The call would
19 then be routed over the common trunk group to the ICO network for termination.

21 Mr. Watkins makes the statement in his Direct Testimony on Page 37, line 13,
22 that the ICOs do not know in all cases what originating traffic is transited to third
23 party carriers. If the CLEC or CMRS provider has ported a number from
24 BellSouth, the ICO may not know that a call from its end user to that number is
25 going to the CLEC or CMRS provider and not to BellSouth. This is because the

1 ICO has made the business decision not to determine that fact by not performing
2 its own queries to a Local Number Portability data base. Instead they send the
3 call as dialed and rely on BellSouth to perform the query for them to determine
4 the proper terminating carrier and routing. However, in order for a CMRS
5 provider or CLEC with its own NPA/NXX codes (non-ported) to receive traffic
6 from the ICO, the ICO has to open those NPA/NXX codes in its switches. By
7 opening those codes, the ICO knows that it is going to be sending traffic to those
8 carriers.

9
10 **Issue 5: Should the FPSC establish the terms and conditions that govern the**
11 **relationship between an originating carrier and terminating carrier,**
12 **where BellSouth is providing transit service and the originating**
13 **carrier is not interconnected with, and has no interconnection**
14 **agreement with, the terminating carrier? If so, what are the**
15 **appropriate terms and conditions that should be established?**

16
17 **Q. COMPSOUTH (GATES, P. 5) STATES THAT BELLSOUTH'S TARIFF**
18 **LANGUAGE FORCES SPECIFIC REQUIREMENTS ON**
19 **RELATIONSHIPS BETWEEN ORIGINATING AND TERMINATING**
20 **CARRIERS. DO YOU AGREE?**

21
22 **A. No. BellSouth has made no attempt to force such specific requirements. The**
23 **tariff does suggest that originating and terminating carriers that exchange traffic**
24 **should have interconnection arrangements. BellSouth's intent in including this**
25 **language is to make clear that BellSouth, when serving as a transit provider, is not**

1 responsible for paying the terminating carrier for traffic originated by a carrier
2 other than BellSouth.

3

4 **Q. WHAT IS YOUR RESPONSE TO MR. WATKINS STATEMENT THAT**
5 **BELLSOUTH HAS “TRAPPED” THE SMALL LECS (PAGE 18) WITH**
6 **NO OPTION OTHER THAN THE TRANSIT TARIFF?**

7

8 A. This statement is not based in fact. The ICOs have several interconnection
9 choices regarding transit and are therefore not “trapped.” These four options are
10 clearly outlined in my Direct Testimony at pages 12-13.

11

12 **Issue 10: What effect does transit service have on ISP-bound traffic?**

13

14 **Q. SHOULD INTERNET SERVICE PROVIDER (ISP) TRAFFIC BE**
15 **SUBJECT TO A TRANSIT CHARGE?**

16

17 A. Yes. As covered in my Direct Testimony, BellSouth’s transiting function is
18 indifferent with regard to the types of traffic being transited over BellSouth’s
19 network. BellSouth expects to be compensated for the use of its network
20 regardless of the type of traffic transiting its network. ISP traffic is not excluded
21 from the transit traffic charges. BellSouth is neither the originator nor terminator
22 of the ISP transit traffic and should be compensated for the use of its network.
23 The originating carrier is compensated by the originating end-user, and the
24 originating carrier as the cost causer should compensate other carriers that assist
25 in the termination of such traffic.

1 Q. WHAT IS BELLSOUTH'S POSITION ON MR. GATES' DIRECT
2 TESTIMONY BEGINNING ON PAGE 36 ON ISP BOUND TRAFFIC?

3

4 A. BellSouth is not asking the Commission to assume jurisdiction over any ISP call
5 between the originating and terminating carriers, to become involved in the
6 compensation paid to the terminating carrier for such a call, or to in any way
7 interfere with the FCC's jurisdiction over ISP traffic. The ISP call itself and the
8 compensation owed between the originating and terminating carriers are still
9 subject to the FCC's orders and prices for reciprocal compensation.

10

11 The FCC's reciprocal compensation mechanisms, however, assume that only two
12 carriers are involved in an ISP-bound call, and they only provide for the
13 originating carrier to pay the terminating carrier. Those mechanisms do not
14 contemplate a third carrier in the middle of the call and, therefore, they do not
15 address compensation owed to a transit provider like BellSouth.

16

17 BellSouth is providing a valuable transit service for ISP-bound calls and
18 BellSouth should be compensated for that service. Absent the transit service tariff
19 or an agreement, BellSouth will not be compensated for providing this service in
20 many situations. It is appropriate for BellSouth to be compensated in those
21 situations, and it is appropriate to accomplish that by way of a Florida tariff.

22 BellSouth is neither originating nor terminating ISP traffic. It is merely providing
23 a transport and switching service over its network in the State of Florida.

24 BellSouth's tariff, therefore, appropriately compensates BellSouth for the service
25 it is performing without doing anything to alter the reciprocal compensation

1 obligations the FCC has established between the originating and terminating
2 carriers.

3

4 **Issue 11(a): What is the appropriate rate for transit service?**

5

6 **Q. HOW DID BELLSOUTH ARRIVE AT THE RATE OF \$0.003 PER**
7 **MINUTE OF USE FOR TRANSIT TRAFFIC?**

8

9 A. Contrary to Mr. Watkins' Direct Testimony on page 46, and as stated in my
10 Direct Testimony, BellSouth's tariffed transit rate is comparable to rates in
11 recently negotiated agreements between BellSouth and CLECs and between
12 BellSouth and CMRS carriers for transit services. BellSouth believes that these
13 numerous negotiated agreements establish a market based rate level. Exhibits
14 KRM-2 and KRM-3 attached to my Direct Testimony are listings of such
15 agreements and associated transit rates in effect in Florida.

16

17 **Q. IS BELLSOUTH REQUIRED TO PROVIDE A TRANSIT TRAFFIC**
18 **SERVICE?**

19

20 A. No. As BellSouth witness Kathy Blake further explains in her rebuttal testimony,
21 BellSouth has no 251 obligation to provide transit functions under the 1996 Act.
22 However, BellSouth has agreed to provide this function, just not at TELRIC. This
23 Commission, in Docket No. 040130-TP, the FCC in the TRO, the Wireline
24 Competition Bureau of the FCC in the Virginia Arbitration Order, and other state

1 commissions have reached the same conclusion. Accordingly the Commission
2 should maintain consistency and reach the same conclusion here.

3

4 **Issue 15: Should BellSouth issue an invoice for transit services and if so, in**
5 **what detail and to whom?**

6

7 **Q. SHOULD BELLSOUTH ISSUE AN INVOICE FOR TRANSIT SERVICES**
8 **AND IF SO, IN WHAT DETAIL AND TO WHOM? (Watkins, Page 51)**

9

10 A. As covered in my direct testimony, BellSouth includes the transit traffic charges
11 on the existing ICO settlements system reports/statements, which is the
12 established monthly payment process between BellSouth and the ICO's in
13 Florida. A line item for transit traffic is identified with the month of usage on the
14 Miscellaneous Settlement report. In order to provide additional supporting and
15 verification details, a Summary Report with monthly Transit Minutes of Use can
16 also be found at a BellSouth web-site for further validation by the originating
17 ICO. The information available at the web site includes a summary of minutes of
18 use and messages, message date, type of terminating carrier, the terminating
19 carrier name and Operating Company Number (OCN).

20

21 **Issue 16: Should BellSouth provide to the terminating carrier sufficiently**
22 **detailed call records to accurately bill the originating carrier for call**
23 **termination? If so, what information should be provided by**
24 **BellSouth?**

25

1 Q. MR. WATKINS (PP. 22 AND 52) STATES THAT BELLSOUTH SHOULD
2 PROVIDE DETAILED CALL DATA TO THE TERMINATING
3 CARRIERS. PLEASE DESCRIBE BELLSOUTH'S ROLE AS A TRANSIT
4 CARRIER WITH REGARD TO PROVIDING USAGE RECORDS TO
5 THE TERMINATING CARRIER.

6
7 A. In an attempt to discredit the tariff, Mr. Watkins commingles a discussion on
8 traffic originating from the ICO with discussion on traffic terminating to the ICO.
9 This makes it difficult to determine his point in this section of his testimony. To
10 have a meaningful discussion, it is necessary to clearly articulate the type and
11 direction of traffic. With regard to traffic that terminates to an ICO, BellSouth
12 simply states that it is not responsible for paying termination charges for traffic
13 originated by other carriers, transited through BellSouth's network and terminated
14 by the ICO. Further, BellSouth has stated that it has been providing for years and
15 will continue to provide industry standard EMI call detail records, where
16 available, to terminating carriers based on the information provided by the
17 originating carrier and recorded in BellSouth's systems. BellSouth's process of
18 creating and providing these records to terminating carriers follows long-standing
19 industry guidelines to provide accurate data to the carrier for billing purposes.
20 The records provided can in no way be described as "altered under some
21 makeshift arrangement" as Mr. Watkins states on page 53 of his testimony.

22
23 In addition, in instances where call detail records may not be available, BellSouth
24 has created and made available to the ICOs usage summary reports that are
25 sufficient for billing purposes by the terminating carrier. Mr. Watkins accusation

1 (page 22, lines 18 – 21) that BellSouth is somehow treating traffic as “local” that
2 should be treated as intraLATA toll to avoid proper compensation to the ICOs is a
3 feeble and baseless attempt to complicate the issue. BellSouth makes no attempt
4 to mandate what constitutes “local” traffic between an originating carrier and a
5 terminating ICO, as that issue is dependent upon agreement of those carriers.
6 BellSouth provides data identifying the originating carrier and minutes of use so
7 the responsible TSPs can compensate each other.

8
9 With regard to traffic bound for third party carriers that the ICO originates,
10 BellSouth should be compensated for the use of its network. The language in the
11 tariff applies the transit charge only to traffic that the ICO originates and for
12 which BellSouth is not otherwise compensated.

13
14 **Q. WHAT IS YOUR RESPONSE TO MR. WATKINS’ STATEMENT THAT**
15 **BELLSOUTH HAS AVOIDED MEANINGFUL DISCUSSIONS WITH**
16 **SIMILARLY SITUATED SMALL LECs IN OTHER STATES (PAGE 39,**
17 **LINES 8-12)?**

18
19 **A.** This statement by Mr. Watkins is highly inaccurate. In several other states
20 BellSouth has spent considerable time and effort in discussions and negotiations
21 to bring the issue of transit traffic to closure. What BellSouth considers much
22 more important is what has transpired in Florida. As covered in my Direct
23 Testimony, BellSouth initiated communications and discussions about transit
24 traffic with representatives from some of the Florida ICOs in early December,
25 2004. Most of the discussions concerned the appropriate transit rate and which

1 carrier should pay BellSouth for transit service. Information such as the volumes
2 of applicable Minutes of Use, Percent Local Usage (“PLU”) factors and proposals
3 and counter-proposals of transit agreements and memorandums of understanding
4 were shared and discussed between the parties via several conference calls and a
5 face-to-face meeting. This active effort continued from December, 2004 through
6 mid-April, 2005. Moreover, communications between BellSouth and the ICOs
7 are still ongoing. Unfortunately, the parties have not yet been able to reach
8 mutually agreeable terms and conditions for a transit traffic agreement and agreed
9 to adhere to the outcome of this proceeding.

10

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12

13 A. Yes.

14