

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

ORIGINAL

STEPHEN A. ECENIA
RICHARD M. ELLIS
KENNETH A. HOFFMAN
LORENA A. HOLLEY
MICHAEL G. MAIDA
MARTIN P. McDONNELL
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT
HAROLD F. X. PURNELL
MARSHA E. RULE
GARY R. RUTLEDGE
MAGGIE M. SCHULTZ
GOVERNMENTAL CONSULTANTS
PARSONS B. HEATH
MARGARET A. MENDUNI
M. LANE STEPHENS

February 20, 2006

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket Nos. 050119-TP and 050125-TP

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket on behalf of TDS Telecom, d/b/a TDS Telecom/Quincy Telephone, Northeast Florida Telephone Company, d/b/a NEFCOM, GTC, Inc, d/b/a GT Com, Smart City Telecommunications, LLC d/b/a Smart City Telecom and Frontier Communications of the South, LLC ("Small LECs") are the following documents:

1. Small LECs' Notice of Service of Filing Affidavit of Thomas McCabe;
2. Prehearing Statement of the Small LECs'; and
3. A disk containing a copy of the Prehearing Statement in Word Perfect 6.0.

Please acknowledge receipt of these documents by stamping the extra copy of this letter filed and returning the copy to me. Thank you for your assistance with this filing.

Sincerely,



Kenneth A. Hoffman

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Notice of Filing Affidavit
DOCUMENT NUMBER-DATE

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PH Statement

DOCUMENT NUMBER-DATE

01462 FEB 20 06

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition of TDS Telecom d/b/a)
TDS Telecom/Quincy Telephone, ALLTEL) Docket Nos. 050119-TP and 050125-TP
Florida, Inc., Northeast Florida Telephone)
Company d/b/a NEFCOM, GTC, Inc. d/b/a)
GT Com, Smart City Telecommunications,)
LLC d/b/a Smart City Telecom, ITS Tele-)
communications Systems, Inc. and Frontier)
Communications of the South, LLC,)
("Joint Petitioner") objecting to and)
requesting suspension of Proposed Transit)
Traffic Service Tariff filed by BellSouth)
Telecommunications, Inc.) Filed: February 20, 2006
_____)

**PREHEARING STATEMENT OF TDS TELECOM,
D/B/A TDS TELECOM/QUINCY TELEPHONE,
NORTHEAST FLORIDA TELEPHONE COMPANY, D/B/A NEFCOM,
GTC, INC. D/B/A GT COM, SMART CITY TELECOMMUNICATIONS, LLC
D/B/A SMART CITY TELECOM AND
FRONTIER COMMUNICATIONS OF THE SOUTH, LLC**

In compliance with the Order Establishing Procedure (Order No. PSC-05-1206-PCO-TP, "Procedural Order") issued in these dockets on December 6, 2005, the Small LECs respectfully submit their Prehearing Statement.

A. Witnesses

The Small LECs will call the following witness to offer testimony on the issues in this matter.

<u>Witness</u>	<u>Subject Matter of Direct and Rebuttal Testimony</u>
Steven E. Watkins (Direct and Rebuttal)	All Issues (Nos. 1-17)

The Small LECs reserve the right to call witnesses to respond to any Florida Public Service Commission ("Commission") inquiries not addressed in direct and rebuttal testimony and witnesses to address issues not presently designated that may be designated by the Prehearing Officer at the

DOCUMENT NUMBER DATE

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Prehearing Conference to be held on March 15, 2006.

B. Exhibits

The Small LECs reserve the right to file exhibits to any testimony that may be filed under the circumstances identified in Section “A” above. The Small LECs also reserve the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and the Rules of the Commission. The following exhibits have been prefiled and are sponsored by Steven E. Watkins:

<u>Witness/Sponsoring Party</u>	<u>Document Indicator</u>	<u>Title of Exhibit</u>
Steven E. Watkins	SEW-1	Summary of Work Experience and Education

C. Statement of Basic Position

Over the past decades, BellSouth and the Small LECs have established service arrangements for the provision of intrastate toll, access to interexchange carriers, and in more recent times, extended area service (“EAS”) calling between the end users in some of the Small LECs’ exchange areas and end users in BellSouth’s neighboring communities. These EAS arrangements, embraced and approved by the Commission, allowed for local calling between customers of BellSouth and the Small LECs between specific areas. Trunking arrangements between the Small LECs and BellSouth were implemented at the border between the two carriers for the exchange of EAS calls. These arrangements have traditionally been conducted on a bill and keep basis.

With the opening of local markets to competition and the advent of competitive carriers, traditional EAS calls from a Small LEC to BellSouth may now also involve EAS calls from the

Small LEC to a customer of a CLEC that competes with BellSouth. Rather than doing what BellSouth did, i.e., interconnecting with the Small LECs at the border of the Small LECs' networks, the CLECs chose instead to utilize the services of BellSouth to have this EAS traffic switched and trunked through a BellSouth tandem, commingled with other BellSouth traffic either over toll/access facilities or over EAS trunks.

The CLECs and CMRS providers have entered into interconnection agreements with BellSouth for the use of the BellSouth tandem switch. These negotiations were conducted without participation by the Small LECs. The Small LECs accepted these arrangements because, prior to the filing of BellSouth's proposed Transit Tariff, there was no change in the status quo. Even though new CLECs and CMRS providers had become the new calling or called party on these EAS routes, and had elected to use (and presumably pay for) BellSouth's switching facility to interconnect with the Small LECs - - rather than interconnecting directly with the Small LECs on the Small LECs' respective networks - - the Small LECs were not affected until the filing of BellSouth's proposed Transit Tariff.

After years of engaging in one consistent course of conduct where BellSouth exchanged this EAS traffic with the Small LECs without payment of compensation by either party, BellSouth has now filed its proposed Transit Tariff which, if approved, would impose the costs caused by the unilateral decision of the CLECs and CMRS providers to utilize the BellSouth network on the Small LECs. That result is both inequitable and unlawful.

There are a number of specific issues in this proceeding. As a general road map, the Small LECs offer the following essential components of their overall basic position.

(1) A tariff is not the proper mechanism to establish terms, conditions and rates for BellSouth's provision of transit service where BellSouth is interconnected with a Small LEC. BellSouth should properly establish interconnection terms and conditions in the same manner as other carriers and as required by law.

(2) The BellSouth Transit Tariff should not be permitted to be used as a vehicle to thrust obligations on the Small LECs beyond those that they are subject to under the Federal Telecommunications Act of 1996 and controlling rules. Simply put, the Small LECs' interconnection obligation for the exchange of traffic with the third party CLEC and CMRS providers is only to interconnect at a technically feasible point on the network of the Small LEC. The Small LEC has no obligation to exchange traffic with a CLEC or CMRS provider through an interconnection that is not on the network of the Small LEC - - in this case, the BellSouth tandem. The Small LECs have been and remain willing to continue to exchange traffic under this scenario so long as the cost causing CLEC or CMRS provider utilizing the BellSouth tandem switch - - as an essential extension of its own network - - pays BellSouth for the use of its network.

(3) The Small LECs have no obligation to pay the proposed transit traffic charge or any transit traffic charge caused by the network decision of the CLECs and CMRS providers. The Small LECs have no obligation to incur extra costs to transit local traffic to points beyond a technically feasible interconnection point on their incumbent LEC networks to accommodate a choice and request made by a CLEC or CMRS providers. As previously stated, the Small LECs are willing to continue to provision such extraordinary arrangements so long as the CLECs and CMRS providers are held responsible for the extraordinary costs that they caused (i.e., the expense of the transit service) as a direct result of their preferred interconnection arrangements.

(4) If the Commission determines that the Small LECs, in some situations, are responsible for the true cost of transit services, as opposed to the rate proposed in BellSouth's Transit Tariff, then all interconnection terms and conditions, including proper rates, should be properly established for BellSouth's transit service. Such interconnection terms and conditions should require, among other things, the discontinuation of BellSouth's commingling of third party transit traffic with BellSouth's own access traffic. CMRS transit traffic should be provisioned on trunks separate from wireline CLEC transit traffic. When the traffic with a particular CLEC or CMRS provider reaches a DS-1 level of traffic, then that CLEC or CMRS provider should be required to provision dedicated trunks with the Small LEC as opposed to commingling its traffic with other transit carriers.

**D, E and F. The Small LECs' Position on the
Factual, Legal and Policy Issues**

Issue 1: Is BellSouth's Transit Service Tariff an appropriate mechanism to address transit service provided by BellSouth?

Small LECs: No. Under the *T-Mobile Declaratory Ruling and Report and Order* issued by the Federal Communications Commission ("FCC") on February 24, 2005, the FCC has concluded that LEC tariffs are not the appropriate on-going mechanism for the establishment of terms and conditions for the exchange of non-access traffic. The FCC concluded that compensation arrangements for the exchange of local traffic should be developed through negotiated agreements and, if necessary, arbitrated agreements. Further, a unilateral tariff and, in particular, BellSouth's Transit Tariff, fails to address or adequately address all of the terms, conditions, rights and responsibilities that will need to be negotiated or potentially arbitrated with regard to the interconnection and exchange of transit traffic.

Issue 2: If an originating carrier utilizes the services of BellSouth as a tandem provider to switch and transport traffic to a third party not affiliated with BellSouth, what are the responsibilities of the originating carrier?

Small LECs: All carriers, including originating carriers, have the obligation to put in place interconnection agreements setting forth the rates, terms and conditions for the exchange of non-access traffic. With respect to BellSouth's proposed Transit Tariff, an originating carrier is not necessarily responsible for the true cost of switching and transporting transit traffic. That cost should be borne by the cost causer. In this case, and based on this record, the cost causers are the CLECs and CMRS providers who have unilaterally and voluntarily chosen to utilize BellSouth's network to interconnect with the Small LECs, rather than making the investment to provide a direct or indirect physical interconnection on the networks of the Small LECs as required by law. The CLECs and CMRS providers have chosen instead to interconnect indirectly by acquiring the right to use the BellSouth network for that purpose and it would be inequitable and unlawful to impose those costs on the Small LECs.

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

Small LECs: The CLECs and CMRS providers have elected to utilize this preferred interconnection arrangement in lieu of establishing separate interconnection points with the Small LECs and, therefore, should be responsible for providing compensation to BellSouth for the provision of transit transport and switching services.

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

Small LECs: It is the Small LECs' understanding that transit traffic exchanged between Small LECs and CLECs/CMRS providers traverse a BellSouth tandem switch. The traffic is then routed to the Small LECs over common trunk groups to the point of interconnection between BellSouth and the Small LEC.

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

Small LECs: Yes. The Commission should determine that the CLECs and CMRS providers, the carriers that have elected to use the BellSouth tandem switch for the origination and termination of transit traffic, are responsible for

payment to BellSouth for any charges approved by the Commission for BellSouth's transit service. In addition, to the extent that a Small LEC participates in such transit arrangements to ensure the viability of the preferred network interconnection arrangement of the CLEC or CMRS provider, the terms and conditions among all the carriers involved must be set forth in agreements. The proper contractual provisions should include, but not be limited to, the operational, delivery, scope of traffic, billing, payment and auditing, dispute resolution, traffic threshold and enforcement issues addressed in more detail in Mr. Watkins' Prefiled Direct Testimony, at pages 19-21.

Issue 6: **Should the FPSC determine whether and at what traffic threshold level an originating carrier should be required to forego use of BellSouth's transit service and obtain direct interconnection with a terminating carrier? If so, at what traffic level should an originating carrier be required to obtain direct interconnection with a terminating carrier?**

Small LECs: Yes. Generally speaking, a reasonable level of traffic for a threshold would be the amount of traffic that constitutes one T-1 of traffic usage. When the threshold is exceeded by an individual CLEC or CMRS provider, that provider would establish a single, dedicated T-1 trunk group for transit traffic.

Issue 7: **How should transit traffic be delivered to the Small LEC's network?**

Small LECs: The terms and conditions of the delivery of transit traffic to the networks of the Small LECs should be subject to voluntary negotiation and handled on a case by case basis. At the request of the Small LEC, BellSouth should be required to establish separate trunk groups for third party local transit traffic to avoid commingling such traffic with toll/access traffic.

Issue 8: **Should the FPSC establish the terms and conditions that govern the relationship between BellSouth and a terminating carrier, where BellSouth is providing transit service and the originating carrier is not interconnected with, and has no interconnection agreement with, the terminating carrier? If so, what are the appropriate terms and conditions that should be established?**

Small LECs: Yes. If CLECs and CMRS providers desire to continue to exchange traffic with Small LECs through the use of BellSouth's intermediary transit arrangement, then the CLECs, CMRS providers and BellSouth must address and proffer contractual agreements addressing the rights and responsibilities of all of the participants. The Commission should remain available to

arbitrate and resolve open issues to the extent voluntary negotiations do not result in agreements.

Issue 9: **Should the FPSC establish the terms and conditions of transit traffic between the transit service provider and the Small LECs that originate and terminate transit traffic? If so, what are the terms and conditions?**

Small LECs: Yes. See the Small LECs' responses to Issues 5 and 8.

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

Small LECs: The CLECs and CMRS providers should be responsible for any transit charges approved by the Commission for ISPs that are customers of CLECs and CMRS providers. The fact that the CLEC or CMRS provider's customer is an ISP, rather than a more traditional residential or business customer, does not change the fact that any transit charge approved by the Commission has been caused by the CLEC or CMRS provider. As such, there should be no compensation effect on the Small LECs. With respect to the level of the any transit charge for ISP-bound traffic, given the FCC's limit on intercarrier compensation for ISP-bound traffic (to no more than \$0.007 per minute of use) and the fact that BellSouth and the CLECs have been providing dial-up ISP-bound traffic service to ISPs without any charges to the Small LECs to date, there is no basis for BellSouth to extract compensation for ISP-bound calls from any carrier and certainly not from Small LECs.

Issue 11: **How should charges for BellSouth's transit service be determined?**

- (a) **What is the appropriate rate for transit service?**
- (b) **What type of traffic do the rates identified in (a) apply?**

Small LECs:

- (a) If the Commission approves a charge for BellSouth's transit service, the rates should be no higher than the rate that would apply for BellSouth's equivalent interstate access services. For ISP-bound traffic, no transit rate should be approved. However, if the Commission determines that transit should apply to ISP-bound traffic, the Commission should establish a rate that is less than the reciprocal compensation rate established by the FCC for ISP-bound traffic.
- (b) See response to subpart (a) above.

Issue 12: Consistent with Order Nos. PSC-05-0517-PAA-TP and PSC-05-0623-CO-TP, have the parties to this docket (parties) paid BellSouth for transit service provided on or after February 11, 2005? If not, what amounts if any are owed to BellSouth for transit service provided since February 11, 2005?

Small LECs: Yes. BellSouth has billed and the Small LECs have paid for transit service billed by BellSouth on or after February 11, 2005. These charges are being held by BellSouth subject to refund pending the outcome of this proceeding.

Issue 13: Have parties paid BellSouth for transit service provided before February 11, 2005? If not, should the parties pay BellSouth for transit service provided before February 11, 2005, and if so, what amounts, if any, are owed to BellSouth for transit service provided before February 11, 2005?

Small LECs: No. No amounts have been paid and no amounts are owed to BellSouth for periods prior to February 11, 2005. If the Commission determines that BellSouth is entitled to compensation for transit services provided before this date, the cost causers, the CLECs and CMRS providers, should be responsible for payment. Up until February 11, 2005, BellSouth knowingly provided transit service without charge to the Small LECs, without seeking agreements with the Small LECs, and without establishing any contractual terms for payment of compensation with the Small LECs.

Issue 14: What action, if any, should the FPSC undertake at this time to allow the Small LECs to recover the costs incurred or associated with BellSouth's provision of transit service?

Small LECs: If the Commission determines that is appropriate to allow BellSouth to recover the true cost of transit service and the result of this proceeding is to impose additional costs on the Small LECs, the Commission should authorize the Small LECs to recover such additional costs from all end users of the Small LECs, perhaps through a surcharge. Alternatively, the Commission could determine that the change in the historic status quo with respect to payment for transit service reflects a substantial change in circumstances under Section 364.051(4), Florida Statutes, for the Small LECs and make a finding in this proceeding that the imposition of a transit traffic rate constitutes a substantial change in circumstances.

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

Small LECs: Any transit service charge approved by the Commission should be reflected by BellSouth in a separate invoice. The charge should not be netted against compensation that BellSouth otherwise owes the Small LECs for traditional access and service revenue settlement arrangements. The separate invoice should include details of call records and any other information necessary to determine accuracy and completeness of usage.

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

Small LECs: Yes. At minimum, BellSouth should provide call detail records in the "EMI Category 11 - - Carrier Access Usage" format. The information provided by BellSouth should include the actual originating number, the Carrier Identification Code of the originating carrier, and the local routing number, if present.

Issue 17: **How should billing disputes concerning transit service be addressed?**

Small LECs: Billing disputes should be resolved among all of the carriers and, if necessary, by the Commission.

G. Stipulations

H, I. Pending Motions and Requests or Claims for Confidentiality

None at this time.

J. Other Requirements

The Small LECs know of no requirement set forth in the Procedural Order with which they cannot comply.


K. Decisions

The Small LECs are not aware of any decision or pending decision of the FCC or any court that has or may preempt or otherwise impact the Commission's ability to resolve any of the issues presented or the relief requested in this proceeding.

L. Witness's Qualifications

The Small LECs have no objections at this time to the qualifications of any witness that has prefiled testimony in this proceeding.

Respectfully submitted,



Kenneth A. Hoffman, Esq.
Martin P. McDonnell, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, FL 32302
850-681-6788 (Telephone)
860-681-6515 (Telecopier)

- - and - -

Benjamin H. Dickens, Jr., Esq.
Florida Bar No. 242764
Blooston, Mordkofsky, Jackson & Dickens
2120 L Street, Northwest
Washington, DC 20037
(202) 828-5510 (Telephone)
(202) 828-5568 (Telecopier)

CERTIFICATE OF SERVICE

I HEREBY certify that a copy of the foregoing was furnished to the following this 20th day of February, 2006, by Electronic Mail to the following:

Nancy B. White, Esq.
c/o Nancy H. Sims
150 South Monroe Street
Suite 400
Tallahassee, Florida 32301

Stephen B. Rowell, Esq.
ALLTEL
One Allied Drive, B5F11
Little Rock, AR 72202

Meredith E. Mays, Esq.
BellSouth Center - Suite 4300
675 West Peachtree Street, N.E.
Atlanta, GA 30375

Mr. James White
ALLTEL Florida, Inc.
6867 Southpoint Drive, N.
Suite 103
Jacksonville, FL 32216-8005

Felicia Banks, Esq.
Paul Vickery, Esq.
Laura King, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Tracy Hatch, Esq.
AT&T Communications of the Southern
States, LLC
101 North Monroe Street, Suite 700
Tallahassee, Florida 32301-1549

J. Jeffry Wahlen, Esq.
Ausley Law Firm
127 Calhoun Street
Tallahassee, Florida 32301

Vicki Gordon Kaufman, Esq.
Moyle Flanigan Katz Raymond & Sheehan,
P.A.
118 North Gadsden Street
Tallahassee, FL 32301

Mr. Robert M. Post, Jr.
ITS Telecommunications Systems, Inc.
16001 SW Market Street
Indiantown, FL 32956-0277

Susan J. Berlin
NuVox Communications, Inc.
Two North Main Street
Greenville, SC 29601

William R. Atkinson
Sprint Nextel
3065 Cumberland Circle, SE
Mailstop GAATLD0602
Atlanta, GA 30339

Ronald W. Gavilett, Esq.
Neutral Tandem
One South Wacker, Suite 200
Chicago, IL 60606

Floyd R. Self, Esq.
Messer, Caparello & Self, P.A.
215 South Monroe Street, Suite 700
P. O. Box 1876
Tallahassee, FL 32302

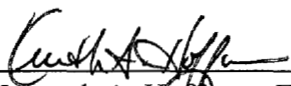
Charles V. Gerkin, Jr.
Friend, Hudak & Harris, LLP
Three Ravinia Drive, Suite 1450
Atlanta, GA 30346

Michele K. Thomas, Esq.
T-Mobile
60 Wells Avenue
Newton, MA 02459

Charles F. Palmer, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, GA 30308-2216

Elaine Critides
Verizon Wireless
1300 I Street, N.W.
Suite 400
Washington, DC 20005

Michael A. Gross, Esq.
Florida Cable Telecommunications, Assn.
246 E. 6th Avenue, Suite 100
Tallahassee, FL 32303

By: 

Kenneth A. Hoffman, Esq.
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