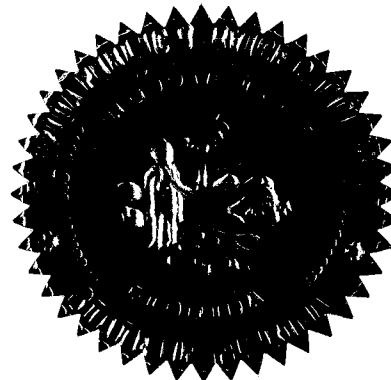


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT PETITION BY TDS TELECOM  
D/B/A TDS TELECOM/QUINCY TELEPHONE;  
ALLTEL 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  
TELECOMMUNICATIONS SYSTEMS, INC.; AND  
FRONTIER COMMUNICATIONS OF THE SOUTH,  
LLC ["JOINT PETITIONERS"] OBJECTING  
TO AND REQUESTING SUSPENSION AND  
CANCELLATION OF PROPOSED TRANSIT  
TRAFFIC SERVICE TARIFF FILED BY  
BELLSOUTH TELECOMMUNICATIONS, INC.

DOCKET NO. 050119-TP



-----  
PETITION AND COMPLAINT FOR SUSPENSION  
AND CANCELLATION OF TRANSIT TRAFFIC  
SERVICE TARIFF NO. FL2004-284 FILED  
BY BELLSOUTH TELECOMMUNICATIONS, INC.,  
BY AT&T COMMUNICATIONS OF THE SOUTHERN  
STATES, LLC.

DOCKET NO. 050125-TP

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VOLUME 2

Pages 51 through 173

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LISA POLAK EDGAR  
COMMISSIONER J. TERRY DEASON  
COMMISSIONER ISILIO ARRIAGA  
COMMISSIONER MATTHEW M. CARTER, II  
COMMISSIONER KATRINA J. TEW

DATE: Wednesday, March 29, 2006

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION

03658 APR 25 06

FPSC-COMMISSION CLERK

1 PLACE: Betty Easley Conference Center  
Room 148  
2 4075 Esplanade Way  
Tallahassee, Florida  
3  
4 REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734  
5  
6 APPEARANCES: (As heretofore noted.)  
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## 1 I N D E X

## 2 WITNESSES

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4

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19 CERTIFICATE OF REPORTER

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EXHIBITS

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146

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## P R O C E E D I N G S

(Transcript follows in sequence from Volume 1.)

CHAIRMAN EDGAR: I think we're ready to get started.  
Call your first witness.

MR. TYLER: Thank you, Madam Chair. BellSouth calls  
Kenneth Ray McCallen.

## KENNETH RAY McCALLEN

was called as a witness on behalf of BellSouth  
Telecommunications, Inc., and, having been duly sworn,  
testified as follows:

## DIRECT EXAMINATION

BY MR. TYLER:

Q Mr. McCallen, would you confirm for the record  
whether you have previously been sworn in?

A Yes, I have been previously sworn in.

Q Thank you, sir.

Would you please state your full name and occupation  
for the record.

A Yes. My full name is Kenneth Ray McCallen. I'm a  
manager with BellSouth. I'm responsible for the Independent  
Company Account Team that deals with independent companies in  
all nine states of the BellSouth region.

Q And, sir, did you cause to be filed in this docket 23  
pages of direct testimony, along with three exhibits, and 14  
pages of rebuttal testimony?

1           A     Yes, I did.

2           Q     Do you have any corrections to those filings?

3           A     No, I do not.

4           Q     And if I were to ask you the same questions that were  
5 asked of you in those filings, would your answers today be the  
6 same?

7           A     Yes, they would.

8           MR. TYLER: Madam Chair, BellSouth would ask that,  
9 subject to cross-examination, the testimony of Mr. McCallen be  
10 entered into the record as if read from the stand.

11           CHAIRMAN EDGAR: Seeing no objection, show that  
12 entered into the record.

13           MR. TYLER: Thank you.

14

15

16

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24

25

1                   **DIRECT TESTIMONY OF KENNETH RAY MCCALLEN**  
2                   **ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.**  
3                   **BEFORE THE PUBLIC SERVICE COMMISSION OF FLORIDA**  
4                   **DOCKET NO'S. 050119-TP AND 050125-TP**  
5                   **DECEMBER 19, 2005**

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 19<sup>th</sup> Street, Birmingham, Alabama, 35203.

14

15   **Q.   PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND**  
16           **AND EXPERIENCE.**

17

18   A.   I have a Bachelor of Science degree in Electrical Engineering Technology from  
19           the University of Tennessee at Martin. Over the last 28 years, I have held a  
20           variety of positions at BellSouth, including: Outside Plant Engineer, Investment  
21           Separations Manager, Interstate Access Filing and Financial Analysis Manager,  
22           Project Manager, Pricing Manager, and Industry/Independent Relations Manager.

1 In my current position, I am responsible for managing BellSouth's accounts with  
2 Independent Telephone Companies, which includes negotiations and sales.

3

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

5

6 A. My testimony explains and supports BellSouth's transit tariff. In the course of my  
7 testimony, I will briefly discuss the negotiations between BellSouth and the  
8 Independent Telephone Company ("ICO") parties to this docket. Also, I will  
9 provide a general overview of transit traffic and BellSouth's transit tariff, as well  
10 as describe the provision of transit service to ICOs. Finally, I will address the  
11 issues identified by the Commission in Attachment "A" to the Order Establishing  
12 Procedure (Order No. PSC-05-1206-PCO-TP issued 12/6/05).

13

14 **Q. HAVE BELLSOUTH AND THE ICO PARTIES TO THIS DOCKET  
15 ATTEMPTED TO RESOLVE THEIR DIFFERENCES?**

16

17 A. Yes. BellSouth initiated communications and discussions about transit traffic  
18 with representatives from some of the Florida ICOs in early December, 2004.  
19 Most of the discussions concerned the appropriate transit rate and which carrier  
20 should pay BellSouth for transit service. Information such as the volumes of  
21 applicable Minutes of Use, Percent Local Usage ("PLU") factors and proposals  
22 and counter-proposals of transit agreements and memorandums of understanding  
23 were shared and discussed between the parties via several conference calls and a

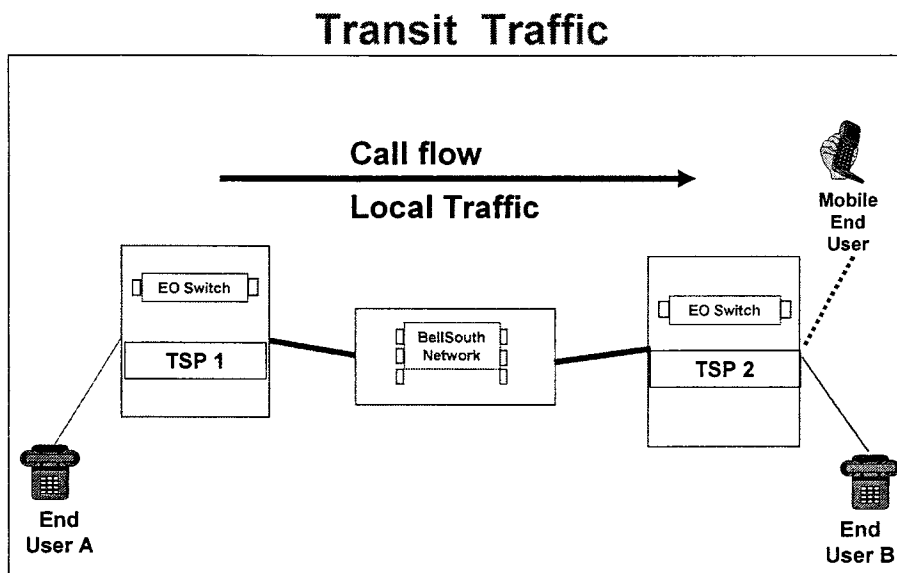


1 face-to-face meeting. This active effort continued from December, 2004 through  
2 mid-April, 2005. Moreover, Communications between BellSouth and the ICOs  
3 are still ongoing. Unfortunately, the parties have not yet been able to reach  
4 mutually agreeable terms and conditions for a transit traffic agreement and agreed  
5 to adhere to whatever procedural schedule was developed by the PSC regarding  
6 BellSouth's Transit Service Tariff.

7  
8 **Q. CAN YOU PROVIDE A GENERAL OVERVIEW OF TRANSIT**  
9 **TRAFFIC?**

10  
11 A. Yes. Generally, transit traffic is traffic that neither originates nor terminates on  
12 BellSouth's network, but that is delivered to BellSouth by the  
13 Telecommunications Service Provider ("TSP") that originated the traffic so that  
14 BellSouth can deliver the traffic to the TSP that will terminate the traffic.  
15 Assume, for example, that a customer of TSP 1 calls a customer of TSP 2. If TSP  
16 1's network is not directly interconnected to TSP 2's network, TSP 1 may  
17 originate the call and deliver it to BellSouth who, in turn, will deliver the call to  
18 TSP 2 so that it, in turn, can terminate the call to its end user. The diagram below  
19 provides a pictorial description of transit traffic.

20



5

1

2 **Q. CAN YOU PROVIDE BACKGROUND INFORMATION REGARDING**  
 3 **THE CURRENT SITUATION BETWEEN BELLSOUTH AND THE ICOs**  
 4 **REGARDING ICO-ORIGINATED TRANSIT TRAFFIC?**

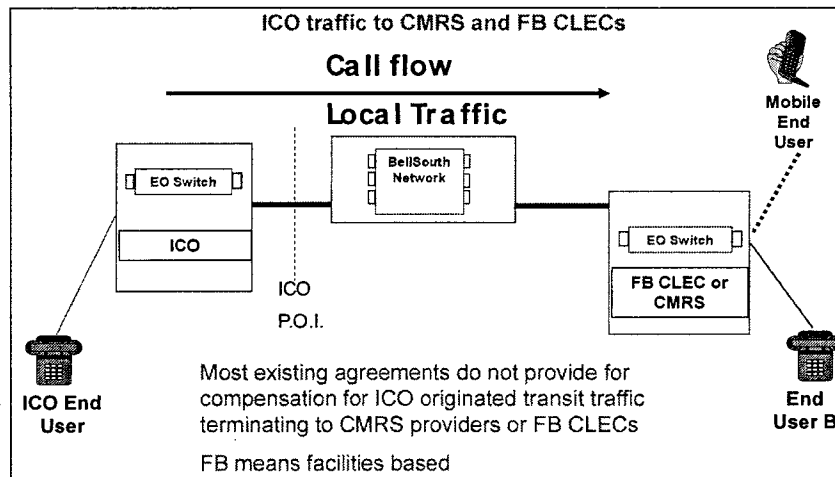
5

6 **A.** Yes. BellSouth and the ICOs have been exchanging traffic for many years, and  
 7 the compensation regimes and agreements have also been in place for many years.  
 8 However, with the explosive growth of wireless and ISP-bound traffic and the  
 9 implementation of the Telecommunications Act of 1996, numerous other TSPs  
 10 now serve end users who place calls to or who are called by the ICOs' end users.  
 11 The ability to place calls to the networks of these additional TSPs is valuable to  
 12 ICOs – it allows ICO end users to place calls ubiquitously to friends, family  
 13 members, and businesses that have opted to use wireless phones, or that have  
 14 switched their telephone service to a CLEC. It also allows the ICO to avoid the

1 expense of building facilities to interconnect directly with each of these TSPs.  
2 The transit service functionalities and value to an ICO as an originating TSP are  
3 inherently the same as those for CLEC and CMRS originated transit traffic.  
4 While BellSouth is willing to provide an efficient and valuable means for ICOs to  
5 send their originated traffic bound for CLECs and CMRS providers through  
6 BellSouth's network, BellSouth is not willing to provide this service without  
7 receiving compensation for the use of its network.

8  
9 It is critical to note that ICOs have chosen in the past and continue to this day to  
10 route traffic bound for other TSPs through BellSouth's network, thereby creating  
11 transit traffic. Further, as I explained earlier, an ICO has alternatives to routing  
12 traffic through BellSouth's network, including: establishing direct one-way or  
13 two-way interconnection, utilizing a transit provider or blocking traffic. These  
14 will be discussed in greater detail later in my testimony. Additionally, in the  
15 scenario in which an ICO originated a call which then transits BellSouth's  
16 network and is terminated by another TSP, BellSouth has no end user from which  
17 to receive compensation for the use of its network. The diagram below illustrates  
18 ICO originated transit traffic.

## Transit Traffic



3

1

2 **Q. WHAT DOES BELL SOUTH'S TRANSIT TARIFF ACCOMPLISH?**

3

4 A. BellSouth's transit tariff, attached as Exhibit KRM-1, provides a service option  
 5 for TSPs that do not have a contractual agreement addressing transit service in  
 6 place with BellSouth and that do not have direct interconnection for exchanging  
 7 traffic with other TSPs.<sup>1</sup> Although BellSouth is not required to provide a transit  
 8 function, BellSouth is willing to provide transit services to TSPs because  
 9 BellSouth has a ubiquitous network that is interconnected with most TSPs in its  
 10 region.

11

12 **Q. WHAT IS MEANT BY DIRECT INTERCONNECTION?**

13

<sup>1</sup> In some situations, a TSP with a direct interconnection with another TSP may send "overflow" traffic through BellSouth's network on a transit basis. The charges in BellSouth's transit tariff would apply to such "overflow" traffic.

1 A. When I refer to direct interconnection, I mean there are trunk groups in place that  
2 physically connect BellSouth's network directly to another TSP's network.

3

4 **Q. IN WHAT WAY IS IT ADVANTAGEOUS FOR A TSP TO**  
5 **INTERCONNECT WITH BELL SOUTH AND UTILIZE BELL SOUTH'S**  
6 **TRANSIT SERVICE?**

7

8 A. BellSouth's business decision to provide transit service results in network  
9 efficiency and allows other TSPs to avoid the expense involved with having to  
10 establish direct connections. In other words, an ICO or a CLEC may have trunk  
11 groups in place between its network and BellSouth's network, but may not have a  
12 trunk group in place between the CLEC and the ICO that allows for the direct  
13 exchange of traffic. In order for the ICO and CLEC to exchange traffic from their  
14 respective end users, the traffic transits BellSouth's network, and the two TSPs  
15 are indirectly interconnected to one another.

16

17 BellSouth's transit tariff allows TSPs to use BellSouth's ubiquitous network to  
18 interconnect indirectly with other TSPs. The tariff only charges the originating  
19 TSP for local transit traffic and Internet/Information Service Provider (ISP)-  
20 bound transit traffic for which BellSouth is not otherwise being compensated. In  
21 other words, the tariff allows TSPs that have not negotiated contractual  
22 arrangements with BellSouth and that choose to send their originated traffic over  
23 BellSouth's network to do so at the tariffed rate.

1 TSPs can avoid the tariffed transit charges by entering into direct interconnection  
2 agreements with other TSPs, by entering into contractual arrangements for transit  
3 service with BellSouth or possibly with any other TSPs that may offer transit  
4 service.

5  
6 **Q. CAN YOU PROVIDE ADDITIONAL DETAILS ABOUT WHAT THE**  
7 **TERM "LOCAL TRAFFIC" MEANS AS IT RELATES TO THE**  
8 **BELLSOUTH TRANSIT TRAFFIC SERVICE TARIFF?**

9  
10 **A.** Yes. For wireline-to-wireline traffic, Local Traffic is any intraLATA circuit  
11 switched call transiting BellSouth's network that originates from and terminates  
12 to TSPs other than BellSouth, and for which BellSouth does not collect any  
13 charges from end users.<sup>2</sup> In this scenario, unlike the originating and terminating  
14 TSPs, BellSouth has no end user participating in the call and, therefore, BellSouth  
15 receives no compensation from any end user for the use of BellSouth's network.  
16 Instead, BellSouth receives compensation by a transit charge incorporated into a  
17 BellSouth agreement with the originating TSP or under BellSouth's transit tariff.

18  
19 For wireless-to-wireless traffic, wireline-to-wireless traffic, and wireless-to-  
20 wireline traffic, Local Traffic is any circuit switched call originating from and  
21 terminating to TSPs other than BellSouth and transiting BellSouth's network that

---

<sup>2</sup> This traffic includes ICO to ICO traffic, CLEC to ICO traffic, ICO to CLEC traffic, and CLEC to CLEC traffic. For the purpose of BellSouth's tariff, "Local Traffic" includes ISP-bound traffic exchanged between TSPs through the BellSouth Network.

1 originates and terminates within the same Major Trading Area (“MTA”). An  
2 MTA is the FCC-authorized wireless license territory which is defined as a local  
3 service area for CMRS traffic in 47 C.F.R 24.202(a). This traffic includes, but is  
4 not limited to, CMRS-to-CMRS traffic, CMRS-to-ICO traffic, ICO-to-CMRS  
5 traffic, CLEC-to-CMRS traffic and CMRS-to-CLEC traffic.

6

7 **Q. PLEASE EXPLAIN WHY BELLSOUTH’S TRANSIT TARIFF INCLUDES**  
8 **ISP-BOUND TRAFFIC?**

9

10 A. ICOs that send their originated ISP-bound traffic to BellSouth are using  
11 BellSouth’s network and BellSouth’s transit service, and they should not be  
12 permitted to do so without compensating BellSouth. BellSouth’s tariff addresses  
13 traffic that uses BellSouth’s network – traffic exchanged between two non-  
14 BellSouth TSPs. This tariff has nothing to do with reciprocal compensation that  
15 BellSouth pays to or receives from other TSPs. BellSouth simply seeks  
16 compensation from TSPs that use its network. It makes no difference whether a  
17 call originates from an ICO end user, transits BellSouth’s network, and is  
18 delivered to a CLEC’s end user, or originates from an ICO end user, transits  
19 BellSouth’s network, and is delivered to a CLEC’s ISP provider. In either case,  
20 BellSouth’s network has been used, and, absent the transit tariff, TSPs that have  
21 no contractual agreement addressing transit traffic with BellSouth can originate  
22 traffic that transits BellSouth’s network without compensating BellSouth for the  
23 use of its network. An ICO originated call that transits over BellSouth’s network,

1 and that is bound for an ISP number served by a non-BellSouth TSP constitutes  
2 transit traffic as certainly as would any similarly routed local voice call using the  
3 BellSouth network. Therefore, it would not be appropriate to exclude ISP-bound  
4 traffic from BellSouth's transit tariff.

5  
6 **Q. UNDER BELLSOUTH'S TARIFF, WHICH TSP PAYS FOR TRANSIT**  
7 **SERVICE – THE TSP ORIGINATING THE TRAFFIC OR THE TSP**  
8 **TERMINATING THE TRAFFIC?**

9  
10 A. As mentioned earlier, the originating TSP (cost-causer) pays for the transit service  
11 it uses under BellSouth's tariff.

12  
13 **Q. IS IT APPROPRIATE TO REQUIRE THE ORIGINATING TSP TO PAY**  
14 **TRANSIT CHARGES?**

15  
16 A. Yes. The originator of the traffic decides if its traffic transits BellSouth's  
17 network. The originating TSP can choose whether to directly connect with other  
18 TSPs or to use BellSouth's transit service to send its originating traffic to those  
19 other TSPs. Requiring the originating TSP to pay transit charges, therefore, is  
20 consistent with general industry concepts regarding cost-causation, and it also is  
21 consistent with the notion that the originating TSP pays the terminating TSP for  
22 providing the terminating service.

23



1 In addition, BellSouth's current agreements with the CLECs and CMRS carriers  
2 are consistent with the "originating party pays" concept.

3  
4 BellSouth is not seeking to force ICOs to use its transit service, nor is BellSouth  
5 seeking to charge ICOs when it is not appropriate to do so. Rather, BellSouth is  
6 only seeking to be compensated when ICOs use BellSouth's network by sending  
7 ICO-originated traffic over that network. ICOs, just like other TSPs, should be  
8 responsible for paying for the services they use.

9  
10 **Q. WHAT IS THE BASIS FOR BELLSOUTH'S TRANSIT TARIFF RATE OF**  
11 **\$0.003 PER MINUTE OF USE (MOU)?**

12  
13 **A.** BellSouth's tariffed transit rate is comparable to rates in recently negotiated  
14 agreements between BellSouth and CLECs and between BellSouth and CMRS  
15 carriers for transit services. Exhibits KRM-2 and KRM-3 are listings of such  
16 agreements and associated transit rates in effect in Florida.

17  
18 **Q. CAN YOU EXPLAIN THE DIFFERENCE BETWEEN DIRECT AND**  
19 **INDIRECT INTERCONNECTION AND THE CHOICES ICOs HAVE**  
20 **REGARDING THEIR ORIGINATED TRAFFIC DESTINED FOR THIRD-**  
21 **PARTY TSPs?**

22

1 A. Yes. Although I am not a lawyer, I understand generally that Section 251(a) of  
2 the 1996 Act requires all TSPs to interconnect their networks either directly or  
3 indirectly with each other and with any TSP requesting such interconnection.

4

5 In BellSouth's view, ICOs have several interconnection choices. These choices  
6 include the following:

7

8 1. An ICO can directly connect with the terminating CLEC or CMRS  
9 carrier without sending its originated traffic through BellSouth. In  
10 this scenario, the ICO and the CLEC or CMRS carrier could  
11 mutually establish direct, two-way trunk groups, thus bypassing  
12 BellSouth's network completely and avoiding the tariffed transit  
13 traffic charge; or

14

15 2. The CLEC or CMRS carrier could choose to send its traffic to the  
16 ICO through trunk groups connected to BellSouth's network and  
17 compensate BellSouth for transit. The ICO, however, could elect  
18 to establish one-way direct trunk groups that connect the ICO's  
19 network to the CLEC's or CMRS carrier's network and deliver  
20 ICO originated traffic directly, bypassing BellSouth's network  
21 altogether and avoiding the transit traffic charge; or

22

1           3.     The ICO can deliver its originated local transit traffic, destined for  
2                     other TSPs, to BellSouth (or possibly any another company that  
3                     may offer transit service) and pay for the transiting service it is  
4                     using; or

5

6           4.     An ICO could presumably decide to block their end-users'  
7                     originated calls to TSPs with whom it does not have an effective  
8                     interconnection agreement/compensation arrangement and decline  
9                     to originate traffic to such TSPs.

10

11   **Q.    IS BELLSOUTH'S TRANSIT SERVICE TARIFF AN APPROPRIATE**  
12           **MECHANISM TO ADDRESS TRANSIT SERVICE PROVIDED BY**  
13           **BELLSOUTH? (ISSUE 1)**

14

15   A.    Yes, unless the tariff is superseded by a contract addressing transit traffic service.  
16           BellSouth is using its network to provide a value-added service and should be  
17           compensated accordingly.

18

19   **Q.    IF AN ORIGINATING CARRIER UTILIZES THE SERVICES OF**  
20           **BELLSOUTH AS A TANDEM PROVIDER TO SWITCH AND**  
21           **TRANSPORT TRAFFIC TO A THIRD PARTY NOT AFFILIATED WITH**  
22           **BELLSOUTH, WHAT ARE THE RESPONSIBILITIES OF THE**  
23           **ORIGINATING CARRIER? (ISSUE 2)**

1 A. The originating carrier, or cost-causer, should pay for the transit and termination  
2 of the traffic. This is appropriate because the originating carrier collects the  
3 revenue from the originating caller.

4

5 **Q. WHICH CARRIER SHOULD BE RESPONSIBLE FOR PROVIDING**  
6 **COMPENSATION TO BELLSOUTH FOR THE PROVISION OF THE**  
7 **TRANSIT TRANSPORT AND SWITCHING SERVICES? (ISSUE 3)**

8

9 A. As I have addressed previously in this testimony, the originating carrier (cost-  
10 causer) of the transit traffic should be responsible for paying the transit charges to  
11 the transit provider. BellSouth should not be required to use network capacity to  
12 complete calls for the originating carrier without compensation.

13

14 **Q. WHAT IS BELLSOUTH'S NETWORK ARRANGMENT FOR TRANSIT**  
15 **TRAFFIC AND HOW IS IT TYPICALLY ROUTED FROM AN**  
16 **ORIGINATING PARTY TO A TERMINATING THIRD PARTY? (ISSUE**  
17 **4)**

18

19 A. The affected transit traffic is generally routed through a BellSouth tandem office  
20 to the terminating third-party carrier. The originating ICO may route the call over  
21 a common trunk group directly to the BellSouth tandem, or, as in the case of local  
22 number portability, it may sometimes route the call to a BellSouth end office over

1 the EAS trunk group, where the call may be further routed in order to be  
2 successfully delivered to the appropriate terminating carrier.

3  
4 **Q. SHOULD THE FPSC ESTABLISH THE TERMS AND CONDITIONS**  
5 **THAT GOVERN THE RELATIONSHIP BETWEEN AN ORIGINATING**  
6 **CARRIER AND THE TERMINATING CARRIER, WHERE BELLSOUTH**  
7 **IS PROVIDING TRANSIT SERVICE AND THE ORIGINATING**  
8 **CARRIER IS NOT INTERCONNECTED WITH, AND HAS NO**  
9 **INTERCONNECTION AGREEMENT WITH, THE TERMINATING**  
10 **CARRIER? IF SO, WHAT ARE THE APPROPRIATE TERMS AND**  
11 **CONDITIONS THAT SHOULD BE ESTABLISHED? (ISSUE 5)**

12  
13 **A.** No. BellSouth will not dictate terms and conditions between other parties. Under  
14 the provisions of the Telecommunications Act of 1996, both the originating and  
15 terminating carriers have the obligation to negotiate interconnection agreements  
16 for the delivery of traffic to each other. As discussed earlier, both carriers have  
17 options as to how to deliver traffic to the other party.

18  
19 **Q. SHOULD THE FPSC DETERMINE WHETHER AND AT WHAT**  
20 **TRAFFIC THRESHOLD LEVEL AN ORIGINATING CARRIER**  
21 **SHOULD BE REQUIRED TO FOREGO USE OF BELLSOUTH'S**  
22 **TRANSIT SERVICE AND OBTAIN DIRECT INTERCONNECTION**  
23 **WITH A TERMINATING CARRIER? IF SO, AT WHAT TRAFFIC**

1           **LEVEL SHOULD AN ORIGINATING CARRIER BE REQUIRED TO**  
2           **OBTAIN DIRECT INTERCONNECTION WITH A TERMINATING**  
3           **CARRIER? (ISSUE 6)**

4

5    A.    No. The threshold for direct interconnection should be negotiated between the  
6           carriers that originate and terminate the traffic.

7

8    **Q.    HOW SHOULD TRANSIT TRAFFIC BE DELIVERED TO THE SMALL**  
9           **LEC'S NETWORKS? (ISSUE 7)**

10

11   A.    Meet-Point-Billed ("MPB") traffic from the majority of the third-party carriers  
12           will interconnect with the BellSouth network at the tandem office. The call would  
13           then be routed over the common trunk group to the ICO network. Some Non-  
14           MPB traffic may be routed directly to an end office and be assumed to route over  
15           the EAS trunk group.

16

17   **Q.    SHOULD THE FPSC ESTABLISH THE TERMS AND CONDITIONS**  
18           **THAT GOVERN THE RELATIONSHIP BETWEEN BELLSOUTH AND A**  
19           **TERMINATING CARRIER, WHERE BELLSOUTH IS PROVIDING**  
20           **TRANSIT SERVICE AND THE ORIGINATING CARRIER IS NOT**  
21           **INTERCONNECTED WITH, AND HAS NO INTERCONNECTION**  
22           **AGREEMENT WITH, THE TERMINATING CARRIER? IF SO, WHAT**

1           **ARE THE APPROPRIATE TERMS AND CONDITIONS THAT SHOULD**  
2           **BE ESTABLISHED? (ISSUE 8)**

3

4    A.    No. Although Bellsouth is not required to provide a transit function, BellSouth is  
5           willing to provide transit services to TSP's because BellSouth has a ubiquitous  
6           network that is interconnected with most TSP's in its region. BellSouth believes  
7           its Transit Service Tariff contains sufficient terms and conditions regarding its  
8           relationships to either the originating or terminating carriers involved in such  
9           transit traffic. Additionally, BellSouth is willing to negotiate interconnection  
10          agreements with carriers addressing transit traffic service.

11

12   **Q.    SHOULD THE FPSC ESTABLISH THE TERMS AND CONDITIONS OF**  
13   **TRANSIT TRAFFIC BETWEEN THE TRANSIT SERVICE PROVIDER**  
14   **AND THE SMALL LECS THAT ORIGINATE AND TERMINATE**  
15   **TRANSIT TRAFFIC? IF SO, WHAT ARE THE TERMS AND**  
16   **CONDITIONS? (ISSUE 9)**

17

18   A.    No. The carrier originating the traffic has the obligation to negotiate the rates,  
19           terms and conditions related to such traffic with both the terminating LEC as well  
20           as the transiting company. BellSouth has provided appropriate information  
21           regarding our provisioning of transit service, via our tariffed transit offering,  
22           within the content of the Transit Traffic Service Tariff language.

23

1 **Q. WHAT EFFECT DOES TRANSIT SERVICE HAVE ON ISP BOUND**  
2 **TRAFFIC? (ISSUE 10)**

3  
4 A. As covered earlier in my testimony, BellSouth still transits this traffic and expects  
5 to be compensated for the use of its network. ISP traffic is not excluded from the  
6 transit traffic charges. BellSouth is neither the originator nor terminator of the  
7 ISP traffic and should to be compensated for the use of the network. The  
8 originating carrier is compensated by the originating end user, and the originating  
9 carrier as the cost causer should compensate other carriers that assist in the  
10 termination of such traffic.

11  
12 **Q. HOW SHOULD CHARGES FOR BELLSOUTH'S TRANSIT SERVICE BE**  
13 **DETERMINED? (ISSUE 11)**

14  
15 A. BellSouth will apply the transit traffic rate to the local usage transited between  
16 other carriers. The local traffic can be identified by one of three methods: 1) the  
17 originating carrier can record and report the actual local usage; 2) the originating  
18 carrier can provide a Percent Local Usage ("PLU") factor based on their own  
19 traffic study; and 3) BellSouth can provide a PLU factor for the originating carrier  
20 based on traffic studies.

21  
22 **(a) WHAT IS THE APPROPRIATE RATE FOR TRANSIT**  
23 **SERVICE? (ISSUE 11a)**



1 As previously stated, BellSouth has established a composite transit tariff  
2 rate for all entities of \$0.003 per MOU. This rate is comparable to rates in  
3 recently negotiated agreements between BellSouth and CLECs. (See  
4 Exhibit KRM-2) and between BellSouth and CMRS carriers (see exhibit  
5 KRM-3).

6  
7 **(b) WHAT TYPE OF TRAFFIC DO THE RATES IDENTIFIED IN**  
8 **(a) APPLY? (ISSUE 11b)**

9  
10 The rates apply to local traffic and ISP-bound traffic originated by a TSP,  
11 as defined earlier in my testimony, handed to BellSouth for transiting and  
12 ultimate delivery to the appropriate terminating third-party TSP. Either  
13 the rate established by BellSouth's Transit Tariff or within an agreement  
14 addressing transit traffic with the originating carrier would apply.

15  
16 **Q. CONSISTENT WITH ORDER NOS. PSC-05-0517-PAA-TP AND PSC-05-**  
17 **0623-CO-TP, HAVE THE PARTIES TO THIS DOCKET ("PARTIES")**  
18 **PAID BELLSOUTH FOR TRANSIT SERVICE PROVIDED ON OR**  
19 **AFTER FEBRUARY 11, 2005? IF NOT, WHAT AMOUNTS IF ANY ARE**  
20 **OWED TO BELLSOUTH FOR TRANSIT SERVICE PROVIDED SINCE**  
21 **FEBRUARY 11, 2005? (ISSUE 12)**

22

1 A. Yes. Since February 11, 2005, ICO parties have paid BellSouth, via the existing  
2 BellSouth-ICO monthly settlements system, at the tariffed rate for usage.

3

4 **Q. HAVE PARTIES PAID BELLSOUTH FOR TRANSIT SERVICE**  
5 **PROVIDIED BEFORE FEBRUARY 11, 2005? IF NOT, SHOULD THE**  
6 **PARTIES PAY BELLSOUTH FOR TRANSIT SERVICE PROVIDED**  
7 **BEFORE FEBRUARY 11, 2005, AND IF SO, WHAT AMOUNTS, IF ANY,**  
8 **ARE OWED TO BELLSOUTH FOR TRANSIT SERVICE PROVIDED**  
9 **BEFORE FEBRUARY 11,2005? (ISSUE 13)**

10

11 A. No. ICO's have not paid BellSouth for local transit services prior to February 11,  
12 2005.

13

14 **Q. WHAT ACTION, IF ANY, SHOULD THE FPSC UNDERTAKE AT THIS**  
15 **TIME TO ALLOW THE SMALL LECS TO RECOVER THE COSTS**  
16 **INCURRED OR ASSOCIATED WITH BELLSOUTH'S PROVISION OF**  
17 **TRANSIT SERVICE? (ISSUE 14)**

18

19 A. BellSouth is not in a position to determine or address the financial position and  
20 recovery options of other carriers.

21

22

1 **Q. SHOULD BELLSOUTH ISSUE AN INVOICE FOR TRANSIT SERVICES**  
2 **AND IF SO, IN WHAT DETAIL AND TO WHOM? (ISSUE 15)**

3  
4 A. BellSouth will include the transit traffic charges on the existing ICO settlements  
5 system reports/statements, which is the established monthly payment process  
6 between BellSouth and the ICO's in Florida. A line item for transit traffic is  
7 identified with the month of usage on the Miscellaneous Settlement report. An  
8 additional spreadsheet with monthly Transit Minutes of Use can also be found at a  
9 BellSouth web-site for further validation by the originating ICO.

10  
11 **Q. SHOULD BELLSOUTH PROVIDE TO THE TERMINATING CARRIER**  
12 **SUFFICIENTLY DETAILED CALL RECORDS TO ACCURATELY BILL**  
13 **THE ORIGINATING CARRIER FOR CALL TERMINATION? IF SO,**  
14 **WHAT INFORMATION SHOULD BE PROVIDED BY BELLSOUTH?**  
15 **(ISSUE 16)**

16  
17 A. BellSouth currently provides Industry Standard EMI Records, where available, to  
18 terminating carriers for traffic from Meet-Point Billed carriers. The terminating  
19 carrier should refer to industry standard documentation for the EMI call detail  
20 record data BellSouth provides. In addition, Summary Reports are also provided  
21 for UNE-P CLEC usage and for Non-MPB CMRS usage. The Summary Reports  
22 contain adequate information to allow the terminating carrier to invoice the

1           originating carrier. The Summary Reports are available on a BellSouth web-site  
2           for the terminating carrier's review, analysis, downloading and billing purposes.  
3

4   **Q.   HOW SHOULD BILLING DISPUTES CONCERNING TRANSIT**  
5           **SERVICE BE ADDRESSED? (ISSUE 17)**  
6

7   A.   Any disputes involving the validity of the terminating carrier's billing to the  
8           originating carrier, or the authority of the terminating carrier to bill the originating  
9           carrier should be resolved by the controlling regulatory body or pursuant to the  
10          dispute resolution process in accordance with their contract. To the extent the  
11          dispute involves questions related to the minutes of use billed or other issues  
12          surrounding the record information supplied by BellSouth, BellSouth will provide  
13          support regarding questions on the data.  
14

15    **CONCLUSION**  
16

17   **Q.   WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**  
18

19   A.   The Commission should deny all complaints against BellSouth's transit tariff and  
20          fully approve the tariff at the filed rates.  
21  
22  
23

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2

3 A. Yes.

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 19<sup>th</sup> 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

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 “[l]ogically 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.**

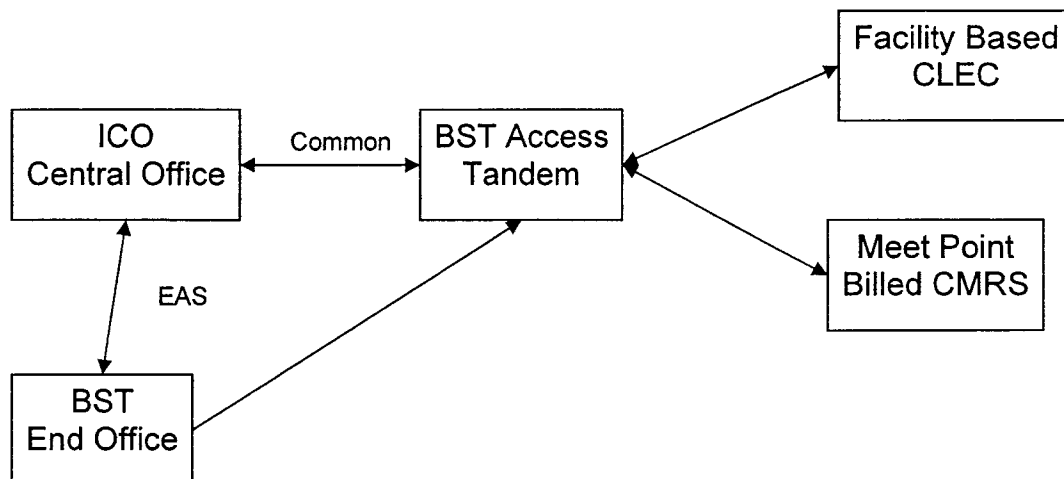
12  
13          A.     In a number of places in his Direct Testimony (e.g. pages 36 and 37), Mr.  
14           Watkins indicates a desire to better understand how the transit traffic to and from  
15           ICOs is routed. The manner in which transit traffic is routed over BellSouth's  
16           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



13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 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 BELL SOUTH'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

1 BY MR. TYLER:

2 Q Mr. McCallen, did you prepare a summary of your  
3 testimony?

4 A Yes, I did.

5 Q Would you please provide that at this time?

6 A Certainly.

7 Good morning, Madam Chair, Commissioners, it's a  
8 pleasure to be here before you today.

9 The purpose of my testimony is to explain BellSouth's  
10 transit traffic tariff, when it applies and why it is  
11 appropriate.

12 First, let me briefly explain what transit traffic  
13 is, and to do that I will refer to my direct testimony, Page 4,  
14 that has a drawing. But it's exactly the same one that  
15 Mr. Tyler used this morning, and you've all gotten handouts of  
16 that. So I'll give you a moment to get to that drawing.

17 Generally, transit traffic is traffic that neither  
18 originates nor terminates on BellSouth's network but that is  
19 delivered to BellSouth by the service provider that will  
20 terminate the traffic.

21 In the diagram, for example, a customer,  
22 telecommunications service provider or TSP 1 is placing a local  
23 call to a customer of TSP 2. If TSP 1's network is not  
24 directly interconnected to TSP 2's network,  
25 TSP 1 may choose to send the call to BellSouth, who in turn

1 will deliver the call to TSP 2 so that it in turn can terminate  
2 the call to its end-user. That service that BellSouth is  
3 providing, taking the call originated by TSP 1 and handing it  
4 off to TSP 2, is commonly called transit service.

5 As the diagram shows, when BellSouth provides a  
6 transit service, it is basically stuck in the middle between  
7 the originating and terminating carrier. Although BellSouth is  
8 not required to provide a transit function, BellSouth is indeed  
9 willing to voluntarily provide this transit service to TSP 1,  
10 the originating carrier that sends such traffic, so long as  
11 BellSouth is appropriately compensated.

12 Having given that brief explanation of what transit  
13 traffic is, I would like to explain our tariff that is the  
14 subject of this hearing. The tariff sets out prices, terms and  
15 conditions under which we are willing to provide the transit  
16 service to a TSP in the absence of a contractual agreement.  
17 And, again, I'd like to continue referring to the diagram.

18 When End-user A places this call, TSP 1 is, again,  
19 basically handing this call to BellSouth and asking them to  
20 deliver to TSP 2, which will then transport and terminate the  
21 call to User B. Clearly, BellSouth is performing a service.  
22 But if there is no contract or tariff in place, BellSouth is  
23 not getting paid for providing this service. We're not getting  
24 any compensation from End-user A because that end-user is not  
25 BellSouth's customer. It is TSP 1's customer. And BellSouth

1 is not getting any compensation from End-user B because that  
2 end-user is not BellSouth's customer, it is TSP 2's customer.  
3 Many carriers, mostly CLECs and CMRS providers, have  
4 contractually agreed that when BellSouth provides this transit  
5 service for calls that are originated by their end-users, these  
6 providers, as the originating carriers, will pay BellSouth for  
7 this service. This tariff does not apply in that case.

8 In other words, if TSP 1 has entered into a contract  
9 with BellSouth for transit service, TSP 1 pays for that service  
10 based on the contract, not based on the tariff.

11 But there are other carriers, including many of the  
12 parties to this docket, that have not entered into that type of  
13 contract with BellSouth as of yet but that nevertheless choose  
14 to deliver transit traffic to BellSouth. That is where  
15 BellSouth's transit tariff comes in.

16 If TSP 1 is one of the carriers that does not have a  
17 contract with BellSouth that addresses transit traffic and they  
18 do send this call to BellSouth, then TSP 1 is subject to the  
19 terms and conditions of the tariff and pays BellSouth the  
20 tariffed prices for this transit service that BellSouth is  
21 providing. Under our tariff it is TSP 1, the carrier that  
22 originated the call, that pays for the transit service. This  
23 is completely consistent with industry practice. And that is  
24 an important point to keep in mind. The only time a service  
25 provider pays BellSouth anything under this tariff is when that

1 provider has decided not to enter into a contractual  
2 arrangement addressing transit traffic and when that carrier  
3 also has decided to send this type of traffic to BellSouth.

4           In the diagram, for example, TSP 1 has options other  
5 than using BellSouth's tariffed transit service. Some options  
6 include the following. TSP 1 can directly connect with  
7 TSP 2 by way of mutually established direct trunk groups.  
8 TSP 1 can deliver its originated local transit traffic destined  
9 for other TSPs to BellSouth or possibly any other company that  
10 may offer transit service and pay for the transit service it is  
11 using by way of a negotiated agreement covering local transit  
12 traffic.

13           Another option, TSP 1 could decide to decline to  
14 originate local transit calls to TSPs with whom it does not  
15 have an effective interconnection agreement or compensation  
16 arrangement by not opening or authorizing that TSP's NPA/NXX  
17 codes in its central office switch.

18           Excuse me. But if TSP 1 decides not to take any of  
19 these actions and still decides to send this type of traffic to  
20 BellSouth, the transit tariff will apply and the originating  
21 carrier will pay the tariffed transit prices for this valuable  
22 service that BellSouth is providing.

23           The BellSouth tariffed transit rate is comparable to  
24 rates in recently negotiated agreements between BellSouth and  
25 CLECs and BellSouth and CMRS carriers for transit services.

1           For those carriers terminating the traffic that  
2 BellSouth, that transits BellSouth's network BellSouth has  
3 provided for years and will continue to provide industry  
4 standard EMI records where available, and, additionally, where  
5 EMI records are not available, in many cases BellSouth now  
6 provides usage summary reports, which, like EMI records,  
7 contain information sufficient and adequate for the intended  
8 purpose of billing termination charges to the originating  
9 carriers.

10           I would also like to point out that since the tariff  
11 was filed, BellSouth has continued discussions and providing  
12 proposed transit agreements with the small LEC parties that are  
13 intervenors in this docket.

14           Since BellSouth sent its latest proposed contract in  
15 January 2006, to date only two have responded. It should also  
16 be noted that the total transit billing by BellSouth to all the  
17 small LECs that have intervened in this docket is currently  
18 less than 50,000, \$50,000 per month.

19           I would like to conclude my summary by stating that  
20 the ability of providers like TSP 1 in the diagram to place  
21 calls to the networks of other providers is valuable to them.  
22 It allows the end-users served by such providers to place calls  
23 to their friends, family members and businesses that have opted  
24 to use wireless phones or that may have switched their  
25 telephone service to a CLEC. It also allows these providers



1 like TSP 1 to avoid the expense of building facilities to  
2 interconnect directly with all other providers. BellSouth is  
3 willing to provide this efficient and valuable transiting  
4 service, but is not willing to provide the service without  
5 receiving appropriate market comparable compensation for the  
6 use of its network. Excuse me. Therefore, we are asking the  
7 Commission to deny all complaints against BellSouth's transit  
8 tariff. Thank you very much, and that concludes my summary.

9 MR. TYLER: Thank you, sir.

10 Madam Chair, Mr. McCallen is available for  
11 cross-examination.

12 MS. BANKS: Madam Chair, before we begin, staff,  
13 just for clarification -- I heard Mr. Tyler reference  
14 Witness McCallen's direct and rebuttal testimony, and I didn't  
15 hear that being marked for an exhibit.

16 MR. TYLER: I had not asked that it be marked. I  
17 just asked that it be moved into. Do we need to mark it?

18 MS. BANKS: Okay. Well, just to show it's  
19 Exhibit 34.

20 MR. TYLER: 34.

21 MS. BANKS: Thank you.

22 MR. TYLER: Thank you.

23 MR. HOFFMAN: Madam Chairman, if I may, I'm always  
24 hesitant to interrupt a witness when that witness is providing  
25 a summary.

1           But I, I don't recall where in the witness's prefiled  
2 testimony that this witness provided testimony regarding the  
3 amount of billing to the small LECs per month. I think his  
4 statement in his summary is that it was total billings to the  
5 small LECs is currently less than \$50,000 per month. And if  
6 that is the case, then I would move to strike that portion of  
7 his summary.

8           MR. TYLER: Madam Chair, I believe that that  
9 information is in the interrogatory responses that BellSouth  
10 provided in this docket.

11           MR. HOFFMAN: And, of course, my response to that is  
12 the summary is supposed to be limited to the prefiled  
13 testimony, not to -- it is not supposed to also capture the  
14 wide expanse of discovery responses. And so being that that  
15 statement was outside the scope of his prefiled testimony, I  
16 believe that it's appropriate that it be stricken.

17           CHAIRMAN EDGAR: Ms. Banks.

18           MS. BANKS: Madam Chair, I believe Mr. Hoffman is  
19 correct, that traditionally the summary of a witness's  
20 testimony is limited to the testimony that's been filed. Of  
21 course, you, as the presiding officer, have the discretion  
22 whether or not to have it entered into the record.

23           CHAIRMAN EDGAR: Thank you.

24           Mr. Tyler, I do believe that Mr. Hoffman has a point.

25           MR. TYLER: May I just add, Madam Chair, it's already

1 a matter of the record since it is in the interrogatory  
2 responses.

3 CHAIRMAN EDGAR: And so, Mr. Hoffman, you are asking  
4 that we move to strike a specific portion of the testimony that  
5 we just heard?

6 MR. HOFFMAN: Madam Chairman, based on Mr. Tyler's  
7 statement, which, of course, I will take him at his word, I'm  
8 going to withdraw the objection. I think that procedurally the  
9 statement is inappropriate. But being that the -- if Mr. Tyler  
10 is representing that that number has been stipulated into the  
11 record, then I will withdraw my objection.

12 CHAIRMAN EDGAR: Mr. Tyler, are you so representing?

13 MR. TYLER: I am, Madam Chair.

14 CHAIRMAN EDGAR: Okay. Then I believe we're ready to  
15 move to cross.

16 MS. KAUFMAN: Madam Chairman, excuse me. I just --  
17 I'm sorry. I just wanted to get some clarification about what  
18 Exhibit 34 was. I'm sorry.

19 MS. BANKS: Exhibit 34 is the direct and rebuttal  
20 testimony of Witness McCallen.

21 MR. TYLER: And let me just ask also, excuse me, is  
22 that including the three exhibits to his direct testimony?

23 MS. BANKS: I'm sorry. Could I make one  
24 clarification? Because generally testimony that is prefiled is  
25 entered into the record, we normally don't give it an exhibit.

1 It just becomes a part of the record. Excuse me.

2 MS. KAUFMAN: Thank you.

3 CHAIRMAN EDGAR: And so I am clear, so we are now  
4 without an Exhibit 34 as of yet; is that correct?

5 MS. BANKS: That is correct, Madam Chair.

6 CHAIRMAN EDGAR: Okay.

7 MR. TYLER: And, Madam Chair, may I just be clear  
8 that the three exhibits that were attached to his direct  
9 testimony are, in fact, a part of the record that's moved in  
10 with the direct and the rebuttal.

11 CHAIRMAN EDGAR: That is my understanding.

12 MS. KAUFMAN: Madam Chair, I'm sorry.

13 CHAIRMAN EDGAR: Ms. Kaufman.

14 MS. KAUFMAN: I don't believe that's correct. There  
15 is an objection pending to KRM-2, and it's not listed on the  
16 stipulated exhibit list. So I think it's Mr. McCallen's 1 and  
17 3 that have been stipulated.

18 CHAIRMAN EDGAR: Okay. Well, let's take a second to  
19 make sure that we all know where we are. Ms. Banks.

20 MS. BANKS: Madam Chair, that is correct. When staff  
21 circulated their stipulated exhibit, proposed stipulated  
22 exhibit list, there was a noted objection to Witness McCallen's  
23 Exhibit 2, KRM-2, and so staff took that off of its stipulated  
24 exhibit list.

25 CHAIRMAN EDGAR: Okay. So my understanding, and

1 thank you, Ms. Kaufman, for that question and additional  
2 clarification, is that -- a correction to my previous statement  
3 that the Exhibit 2 from this witness is not admitted, but 1 and  
4 3 will be. And, yes, Mr. Tyler.

5 MR. TYLER: Yes, Madam Chair. I would just mention  
6 to the Commission that that exhibit is subject to  
7 cross-examination and, therefore, we would respectfully request  
8 that it be entered subject to that cross-examination. There's  
9 no prejudice to any party. They have every opportunity to  
10 cross-examine Mr. McCallen regarding that exhibit.

11 CHAIRMAN EDGAR: Okay. Let's all recognize that  
12 we're at the beginning of two very long days.

13 Ms. Kaufman, do you have further comment?

14 MS. KAUFMAN: Yes, Madam Chair. I think the typical  
15 practice is any exhibits that the parties do not agree to be  
16 entered, then you take that up at the conclusion of the  
17 witness's cross. So I don't think it's appropriate to enter  
18 Mr. McCallen's Exhibit 2 until the parties have cross-examined  
19 and raised any objections they might have at the conclusion of  
20 his examination.

21 CHAIRMAN EDGAR: Ms. Banks, your comment.

22 MS. BANKS: Madam Chair, I would agree with  
23 Ms. Kaufman. That's traditionally how we have addressed  
24 exhibits where they're addressed at the end,  
25 subject to cross-examination, and then they're marked and

1 entered.

2 CHAIRMAN EDGAR: Okay. So we will reserve.

3 MR. TYLER: Thank you, Madam Chair.

4 CHAIRMAN EDGAR: Thank you all.

5 Are we ready for cross?

6 MR. GROSS: The FCTA has no cross.

7 CHAIRMAN EDGAR: Thank you, Mr. Gross.

8 Mr. Hatch.

9 MR. HATCH: I have no cross.

10 MR. O'ROARK: No cross, Madam Chair.

11 MR. PALMER: We have no cross.

12 CHAIRMAN EDGAR: Ms. Kaufman.

13 MS. KAUFMAN: Thank you, Madam Chair, Commissioners.

14 CROSS EXAMINATION

15 BY MS. KAUFMAN:

16 Q Good morning, Mr. McCallen.

17 A Yes, good morning.

18 Q I'm Vicki Kaufman and I am going to be asking you  
19 some questions on behalf of Sprint Nextel. And you might  
20 recall that I asked you some questions during deposition, but I  
21 guess we've not met face to face yet.

22 First of all, I want to try to do the easy part, and  
23 that is I want to see if I can figure out where there's  
24 agreement between Sprint Nextel and BellSouth, so let me ask  
25 you a few questions along that line.

1           And I think you mentioned this in your summary, but  
2 it's your testimony, isn't it, and BellSouth's position that  
3 the originator of the transit traffic should pay the transit  
4 charge, whatever the Commission ultimately determines the  
5 appropriate charge to be; is that correct?

6           A     Yes.

7           Q     So if there was a call that originated on the small  
8 LEC network for one of their customers and it transits Bell's  
9 network and it terminates, for example, on Sprint Nextel's  
10 network, you would agree that the small LEC is the party that  
11 should pay for that transit service.

12          A     Yes, I would agree.

13          Q     And you referenced this in your summary too, but  
14 would you agree with me that probably the primary reason that  
15 we're here in this docket and all gathered here today is the  
16 inability of BellSouth to come to agreement with the small LECs  
17 in regard to this payment issue we've just discussed?

18          A     That is indeed one of the driving factors, yes.

19          Q     And as I understand it also, the negotiations with  
20 the small LECs have not been going all that well. Would you  
21 agree with that from BellSouth's perspective?

22          A     I wouldn't agree with that entirely, no. We've been  
23 having fruitful conversations with one of the large LECs and  
24 are still moving forward with them.

25          Q     Do you feel that you're making any progress with the

1 smaller LECs?

2 A Not to this point, no.

3 Q Okay. And it's true, isn't it, I think we discussed  
4 this in your deposition, that one reason you're trying to  
5 resolve this through a tariff is sort of as a matter of tactic  
6 and strategy to get the small LECs onboard with your payment  
7 proposal?

8 A I would probably put it to the point that we were  
9 trying to ensure that we are providing this valuable service,  
10 and without an agreement, BellSouth -- this traffic is still  
11 being originated by the small LECs still using our network and  
12 we're getting absolutely no compensation. So we were using  
13 this tariff as a means to receive a fair level of compensation  
14 for providing the service.

15 Q But would it be fair to suggest that if you had been  
16 successful in your negotiations with the small LECs, that at  
17 this point you wouldn't need to be before the Commission with a  
18 tariff?

19 A That's a possibility, yes.

20 Q Okay. You also agree, don't you, with Sprint Nextel  
21 that the Commission should not establish terms and conditions  
22 between the originating carrier and the terminating carrier in  
23 this transit situation we've been talking about?

24 A Yes. I believe what our answer was, that that should  
25 be between the originating and terminating carriers.



1 Q And you're not asking the Commission to establish the  
2 terms and conditions between Bell and a terminating carrier who  
3 uses a transit service; right?

4 A Yes. I believe that's correct, too.

5 Q And you're also not asking the Commission to set any  
6 kind of traffic threshold at which the transit service would  
7 not be available; is that correct?

8 A Would you repeat that, please?

9 Q I sure will. You don't support and you're not asking  
10 the Commission to set a traffic threshold at which transit  
11 service would not be provided.

12 A Yes, that's basically true with a clarification.  
13 Once again, we would see that to be between the originator and  
14 terminator of the traffic to decide what a proper level might  
15 be to put in direct trunk groups.

16 Q Right. You don't see that --

17 A Yes.

18 Q -- as the Commission's role; you see that as a matter  
19 between the carriers.

20 A Yes. That's correct.

21 Q Okay. I think you mentioned in your summary that  
22 when Bell provides the transit function so that a call can be  
23 completed, that Bell incurs costs on its network and you want  
24 to be compensated for those costs; correct?

25 A I believe I stated that we do provide a function, a

1 valuable function, and, yes, we think we should receive a fair  
2 level of compensation. Yes.

3 Q Right. You don't want to provide it for free;  
4 correct?

5 A Exactly.

6 MS. KAUFMAN: Okay. I've got a diagram too because I  
7 didn't want to be left out from the diagram passing out. And,  
8 Commissioners, this is actually already attached to  
9 Mr. Pruitt's testimony as BHP-1. I just have some copies for  
10 convenience, if you don't want to search through all of your  
11 papers.

12 MS. BANKS: Madam Chair, I was just going to give the  
13 exhibit number that Ms. Kaufman just referenced is Exhibit 26.

14 CHAIRMAN EDGAR: 26. Yes. Thank you.

15 MS. KAUFMAN: Thank you, Ms. Banks.

16 BY MS. KAUFMAN:

17 Q Do you have the exhibit in front of you, Mr.  
18 McCallen?

19 A Yes, I do.

20 Q Okay. We talked about this exhibit some at your  
21 deposition, didn't we?

22 A Yes.

23 Q And you would agree with me, wouldn't you, that the  
24 scenario depicted on Mr. Pruitt's exhibit is a typical transit  
25 situation when there's a CMRS carrier involved?

1 A Yes, I would.

2 Q And so what we've got is a direct connection -- a  
3 direct interconnection between the CMRS carrier switching  
4 center and the Bell tandem; correct?

5 A Yes.

6 Q And we've, we've used Jacksonville here for  
7 illustrative purposes.

8 A Right.

9 Q And then the Bell access tandem is directly connected  
10 to the small LEC switch; correct?

11 A Yes.

12 Q So if a call is originated on the CMRS carrier's  
13 network and it's going to a customer of the small LEC, the CMRS  
14 carrier sends the call from its facility to the direct  
15 interconnection at the tandem, and then Bell sends it to the  
16 small LEC; correct?

17 A Yes. That's correct.

18 Q Okay. And as far as the CMRS carriers are concerned,  
19 this is the kind of call, if they don't have an agreement, to  
20 which you want to apply the .003 minute of use rate; correct?

21 A Yes, that's correct, if they don't have an agreement.

22 Q Okay. And I think you would agree, you may have said  
23 this already, that that .003 rate is intended to capture the  
24 cost of providing the service as well as added value; is that  
25 correct?

1           A     It's intended to be compensated for the valuable  
2 service we're providing, yes.

3           Q     So it's intended to recover not only the cost of  
4 providing the service, but I think you called it added value.

5           A     Yes.

6           Q     Okay. Now I want to walk through with you the  
7 functions that Bell is providing when it's carrying this kind  
8 of a call.

9                     We'll start with the tandem switching. When Bell is  
10 transiting a call, as illustrated in Mr. Pruitt's diagram, it  
11 performs a tandem switching function; correct?

12          A     Yes.

13          Q     And that's generally a minute of use charge; correct?

14          A     Yes. That's right.

15          Q     And I'm sorry if this seems somewhat simplistic, but  
16 it's the cost to recover the cost of switching the call,  
17 correct, at the tandem?

18          A     Yes. I believe that's correct.

19          Q     Okay. And there is also generally when you carry  
20 this kind of call a tandem trunk port element; correct?

21          A     I believe that's correct. Yes.

22          Q     And that's also a per minute of use charge usually?

23          A     Yes.

24          Q     And that's supposed to cover the cost to Bell of  
25 using, the carrier using the trunk port; correct?

1 A Right.

2 Q Now there's also a common transport per mile element  
3 that you want to recover for; correct?

4 A That is one of the components.

5 Q Right.

6 A In those type, in those type of agreements that cover  
7 it on an elemental basis, yes.

8 Q Okay. And that's to cover the cost of transporting  
9 the call; correct?

10 A That's right. That's right.

11 Q And that's usually on a per mile per minute of use  
12 basis; right?

13 A I believe that's correct.

14 Q Now we discussed this some at your deposition, but  
15 you would agree, you would agree with me, would you not, that  
16 the .003 rate that's in your tariff is not based on any average  
17 number of miles?

18 A Yes. That's correct. I would agree with that.

19 Q Okay. And the last function I think that you're  
20 performing is a common transport facilities termination.

21 A I believe that's correct. Yes.

22 Q And that's also usually a minute of use?

23 A Per minute of use. Yes.

24 Q And that's to cover the cost of terminating the call.

25 A Well, the common transport part, yes.

1 Q Okay. And I think you told us at your deposition  
2 that those -- that there are no other costs that you're trying  
3 to recover through this rate.

4 A I don't believe I said, said that. I think what  
5 you've gone through talks about all the elemental parts of this  
6 that are covered possibly in some agreements. But what we're  
7 trying to address here is just a total composite simple per  
8 minute of use rate where you don't have to add together  
9 differing elemental components to come up with a rate per  
10 minute for providing transit.

11 Q I understand. And I understand that, that you are  
12 proposing what you've called a market rate. But where I'm  
13 trying to focus are the costs that BellSouth has incurred.  
14 Forget for the moment about your added value portion. I'm just  
15 trying to cover the costs.

16 So didn't you tell me in your deposition that there  
17 are no other costs that Bell is incurring other than the four  
18 we've just reviewed?

19 A I'm trying to remember exactly how that went back and  
20 forth.

21 Q Well, do you have your deposition?

22 A No, I do not unfortunately. I don't have it.

23 Q All right. I will be happy to read you that portion.  
24 I don't know if counsel has his deposition and can provide it  
25 to him, or I could go stand over there, whichever is easier.

1 MR. TYLER: Counsel, if you want to just direct him  
2 to whatever you're referring to, that's fine.

3 BY MS. KAUFMAN:

4 Q Okay. I'm looking at Page 53 of your deposition, and  
5 I'll read the question.

6 And I asked you this question. The question was, "In  
7 terms of the cost that BellSouth incurs in performing this  
8 function, we've gone through four of them, I guess. Are there  
9 any other costs that BellSouth is incurring when it is  
10 performing that transit function?"

11 And your answer was, "Again, what we're proposing  
12 here, it is not on a cost base. It's a market-based rate. The  
13 functionalities by this service are the same that we do for  
14 wireless carriers as well. That's what we're talking about  
15 possibly for small LECs. So no, no other specific costs to  
16 advise you of at this time."

17 Was that your answer?

18 A Yes.

19 Q Now I want to talk to you now about the .003 charge  
20 and the, the added value.

21 And I think you told us in your summary and you said  
22 in your direct that that charge is comparable to rates that  
23 other carriers have agreed to. Is that right?

24 A Yes.

25 Q And you have listed those agreements in your

1 KMC-2 revised; correct?

2 A Well, it's KRM-2.

3 Q I'm sorry.

4 A But I'm not real sure -- with all the debate that  
5 went on in the beginning, I don't know if we can talk about  
6 this at this time.

7 Q I think we can talk about it.

8 A Okay.

9 Q I'm sorry I got your initials wrong. KRM-2 revised.

10 A That's fine.

11 Q Now, and that is the multi-paged document, it's seven  
12 pages, and lists, I think it's over 200 interconnection  
13 agreements; correct?

14 A Yes.

15 Q Okay. And this has been revised three times;  
16 correct?

17 A I believe it's been revised twice. It was initially  
18 filed and then revised twice.

19 Q Okay. This is the second --

20 A This is the third version.

21 Q Okay. This is the third version of this exhibit.

22 A Yes.

23 Q Okay. Now I think you told us in your summary that  
24 you're the Industry Independent Relations Manager for  
25 BellSouth.



1 A Yes.

2 Q And you've been in that job since 1995, so that's  
3 over ten years?

4 A Yes.

5 Q Okay. And in that job you deal with the small LECs;  
6 correct?

7 A I deal with all independent companies in all nine  
8 states. And I should also add that I'm also in the same exact  
9 organization with other account management and negotiation  
10 people from BellSouth that deal with CLECs and CMRS carriers.

11 Q You don't deal with CLECs, do you?

12 A I am not personally involved in the negotiations with  
13 CLECs, no. But I'm kept in the loop with, for instance, things  
14 that are going on with them during negotiations from my  
15 contacts within BellSouth and primarily for transit related  
16 issues most recently.

17 Q It's not part of your job responsibilities.

18 A No, ma'am, it's not.

19 Q And you are not involved in any negotiations with the  
20 CLECs.

21 A Not personally involved negotiating with them face to  
22 face. However, I am consulted periodically for comparative  
23 purposes by our negotiators, negotiators talking to me about  
24 what we're doing with the ICOs.

25 Q And you're not personally involved in any

1 negotiations with the CMRS carriers either; correct?

2 A That's correct. The same still applies for that as  
3 well for the wireless carrier negotiations.

4 Q Now as we look at your exhibit and all of these  
5 agreements and the total transit charges that you have listed  
6 here, you don't really know which of these interconnection  
7 agreements may have been signed by the party with absolutely no  
8 negotiation, do you?

9 A I'm sorry. Would you restate that?

10 Q I will try. Do you know which of these agreements  
11 were signed by the customer with absolutely no negotiation?

12 A No, I don't have personal knowledge on individual,  
13 all of these 200 plus that are shown here. I always assume  
14 that some negotiation has had to occur before we enter into an  
15 agreement with any carrier.

16 Q Would it surprise you to learn that often times  
17 especially smaller carriers do not negotiate but they simply  
18 sign the template agreement?

19 A That would surprise me, yes.

20 Q I see. This exhibit that we've been discussing,  
21 KRM-2, is the basis for the .003 rate; correct?

22 A It is one of the foundation points we're trying to  
23 make that all of these carriers have willingly agreed to a  
24 comparable transit rate per minute of use. When you look  
25 through here, you see rates, quite a few of them, in the

1 0025 plus to the 0035 rate level where they have willingly  
2 agreed to that, which to us seems to point that a .003 is a  
3 reasonable market-based rate.

4 Q Now when you first filed your tariff, you had a  
5 .006 rate; correct?

6 A Yes, we did.

7 Q Is it your testimony that that is also a market rate?

8 A At the time that we filed the tariff, that's where we  
9 were headed. We, we filed it -- I believe that was maybe in  
10 November of '04. We filed it and debated it further, looking  
11 further at other issues and comparing more so to these and  
12 decided that we should pull that down. And we refiled it, I  
13 believe, in a January '05 time frame, I believe, if I'm  
14 correct, at 003.

15 Q So the market rate went down from .006 to .003?

16 A For purposes of this tariff's filing, yes.

17 Q Okay. Are, are -- would you say that all the rates  
18 that are listed in here could be considered market rates?

19 A I would say that they could be considered a  
20 negotiated rate, which is what I'm using for a market rate,  
21 yes.

22 Q So, for example, on Page 4 of 7 toward the bottom,  
23 the MCImetro access rate is .0005. Is that a market rate?

24 A What page again? I'm sorry.

25 Q I'm sorry. It's Page 4 of 7 and it's toward the

1 bottom, about a quarter of the way from the bottom.

2 A With, with the added information that you need to pay  
3 attention to what the effective date was of the agreement, if  
4 you'll look, that's a 2001 effective date. When you look  
5 throughout the rest of these 279, I believe it is, and you see  
6 the more recent effective dates, you'll see where we're -- we  
7 have quite a few of them at 003539, I believe it is.

8 Q Well, you've listed this agreement on here, correct,  
9 as evidence of comparable rates?

10 A What we provided this Commission --

11 MS. KAUFMAN: I'm sorry. Madam Chair, if I could  
12 just have a yes or a no first, I think it would speed things  
13 up.

14 THE WITNESS: Yes, with the following clarification.  
15 As it's stated in my testimony, this was just provided as such  
16 a listing that for convenience sake you could see all this  
17 information. Every bit of this has to be approved by the  
18 Commission and it's publicly available. You could search  
19 through all of the rate sheets and all of that and put all of  
20 this together yourself, but this was just a convenience to  
21 provide this.

22 BY MS. KAUFMAN:

23 Q I understand, and I'm sure the parties appreciate  
24 that.

25 I guess my question is you've proffered this exhibit

1 as evidence of comparable rates that carriers have agreed to.  
2 And you would agree that the MCI access transmission rate is  
3 listed on here as one of those rates; correct?

4 A Yes.

5 Q I should have asked you this before I started asking  
6 about the exhibit, but it's true that you did not prepare this  
7 exhibit, isn't it?

8 A Others that I work with prepared it. But, but I  
9 worked with them in finalizing it. Yes.

10 Q Okay. But you didn't prepare it, did you?

11 A Not personally, no.

12 Q Okay. I just have a couple of more questions about  
13 the exhibit, if you've still got it in front of you.

14 If you would look at the very first page, the very  
15 first carrier that you've listed on there is 1-800-Reconnect  
16 doing business as USTel; correct?

17 A Yes. That's correct.

18 Q Okay. Do you know what kind of service this carrier  
19 provides?

20 A No, I do not know.

21 Q Do you know if they provide service through resale?

22 A No, I don't know.

23 Q Do you know if they're the sort of carrier that  
24 provides prepaid cards to customers who may have credit  
25 difficulties?

1 A No.

2 Q Okay. If they were a reseller, would it be correct  
3 that they would never use transit service?

4 A I don't know the answer to that for sure. I don't  
5 deal with the resellers, so.

6 Q Okay. Do you know how much transit traffic Reconnect  
7 sent last month, in February '06?

8 A No, I don't know that information, and I haven't had  
9 a need to know that information.

10 Q Is it possible they didn't have any?

11 A Anything is possible. I don't know the answer.

12 Q Do you know if 1-800-Reconnect negotiated that  
13 transit rate with BellSouth?

14 A I believe, as I said earlier, I assume that when  
15 people enter into an interconnection agreement, there's at  
16 least some level of negotiation, so.

17 Q Do you know if 1-800-Reconnect negotiated that  
18 .003 rate with BellSouth before it signed its agreement?

19 MR. TYLER: Madam Chair, excuse me, if you would, for  
20 one second. I just need to interject an objection.

21 CHAIRMAN EDGAR: Mr. Tyler.

22 MR. TYLER: In that this question has been asked and  
23 answered and it's getting to the point of almost badgering at  
24 this point.

25 MS. KAUFMAN: Madam Chair, I don't, I don't think

1 that he answered it. He said he assumed. I just asked him,  
2 "Do you know?" I think those are two different -- he didn't  
3 answer the question that I asked him.

4 CHAIRMAN EDGAR: All right. Mr. Tyler, point taken.

5 Ms. Kaufman, a little latitude, but we are going to  
6 need to move along.

7 BY MS. KAUFMAN:

8 Q Okay. Let me try one more time and then we will move  
9 along, Mr. McCallen. Do you know -- do you have any personal  
10 knowledge as to whether 1-800-Reconnect negotiated that  
11 .003 rate?

12 A No, I do not.

13 Q And just to move along, Madam Chair, if I asked you  
14 those sort of questions about any of these carriers, you don't  
15 have any personal knowledge about what, what was or was not  
16 negotiated; is that right?

17 A Basically no, with a clarification.

18 As I said earlier, the, some of the CLEC negotiators  
19 are in the same organization with me at BellSouth and I am kept  
20 informed at times on when some of the negotiations start  
21 specifically involving transit. So I'm kept informed via, for  
22 instance, emails and such, but I'm not an active participant in  
23 their negotiations.

24 Q But generally you are not aware as to whether any  
25 particular carrier has negotiated that rate?

1           A       Not on a particular carrier-by-carrier basis, no, I  
2 am not.

3           MS. KAUFMAN:   Okay.  If I could just have one second.  
4 Thank you.

5                    Thank you, Madam Chair.  That's all I have.  Thank  
6 you for your indulgence.

7           MS. BERLIN:   Good morning, Mr. McCallen.  Susan  
8 Berlin for Competitive Carriers of the South.

9           MS. BANKS:   Excuse me, Madam Chair.  I'm sorry to  
10 interrupt.

11                    Ms. Kaufman, were you going to mark that exhibit?

12           MS. KAUFMAN:  Ms. Banks, I think it's already in the  
13 record, so I don't need to mark it again, if that's all right.

14           MS. BANKS:   Okay.  That was KRM-2?

15           MS. KAUFMAN:  Oh, I thought you were referring to  
16 Mr. Pruitt's exhibit, the chart.  No, I don't intend to mark  
17 Mr. McCallen's exhibit.

18           MS. BANKS:   Okay.  I was just trying to get  
19 clarification.

20           MS. KAUFMAN:  Unless you want me to.

21           MS. BANKS:   I was just trying to get clarification on  
22 that.

23           CHAIRMAN EDGAR:  And, again, it was Item 26 that you  
24 were referring to, is that correct, or Exhibit 26?

25           MS. KAUFMAN:  That's what I was referring to.  I



1 think Ms. Banks was referring to the chart that's still in  
2 controversy.

3 CROSS EXAMINATION

4 BY MS. BERLIN:

5 Q Good morning, Mr. McCallen.

6 A Good morning.

7 Q You say on Page 19 of your direct testimony that your  
8 Exhibit KRM-2 lists recently negotiated agreements between  
9 BellSouth and CLECs; is that right?

10 A Yes.

11 Q It does not include all interconnection agreements,  
12 only those that are recently negotiated?

13 A It was our attempt to capture all of them that are  
14 effective in Florida.

15 Q Taking a look at Exhibit KRM-2 -- I'm looking at the  
16 one that was filed on March 10th, and that is the most recent  
17 one; correct?

18 A That's correct.

19 Q The list of customer names is on the left and you say  
20 there's about 275 of them. And I wonder whether you have any  
21 information about what percentage of these or what number of  
22 these companies make use of transit service.

23 A I don't have the personal knowledge of how much on  
24 any given month, and, again, we must keep in mind that transit  
25 traffic could change month over month from the originating

1 carrier. But I don't, I don't have personal daily working  
2 knowledge of how much transit traffic they originate. That's  
3 true.

4 Q Are there some of these customers that don't have any  
5 transit traffic, do you know?

6 A I don't know for sure.

7 Q Well, just based on my rudimentary understanding, if  
8 you have your own facilities, you might use BellSouth's network  
9 to transit, to send traffic to another carrier; right?

10 A Could you rephrase that? I missed the first part of  
11 that.

12 Q Well, I just, I want to draw a distinction between a  
13 facilities-based carrier and a carrier with no facilities.  
14 Let's start instead with a carrier that doesn't have any  
15 facilities and instead only uses BellSouth's network for  
16 everything, a reseller or a customer that formerly relied on  
17 UNE-P and now has the platform product for BellSouth. Such a  
18 customer would never transit any traffic; is that right?

19 MR. TYLER: Excuse me, Madam Chair. Let me interject  
20 another objection.

21 CHAIRMAN EDGAR: Mr. Tyler.

22 MR. TYLER: Object to the form of the question. I  
23 think it's compound, perhaps she can break it down, but it's an  
24 improper question.

25 CHAIRMAN EDGAR: One question at a time.

1 BY MS. BERLIN:

2 Q Okay. Well, it's similar to what  
3 Ms. Kaufman asked you, but I think you actually do have an  
4 answer.

5 You're aware of how a reseller does business  
6 basically, are you not?

7 A Basically. Again, I don't deal with that type of  
8 carrier, but basically, yes.

9 Q Basically a reseller where they're reselling doesn't  
10 have its own network; correct?

11 A Correct.

12 Q So any such traffic caused by a customer of a  
13 reseller would actually originate on the BellSouth network;  
14 right?

15 A Basically. That's my understanding, yes.

16 Q And such a CLEC would not then use the transit  
17 service or would it?

18 A It's my understanding that they would not be using  
19 the transit service.

20 Q And the same would be true for a UNE-P provider,  
21 would it not?

22 A By UNE-P, you mean one that uses our switching  
23 network and does not have any of their own network?

24 Q Yes.

25 A Yes, that would basically be true.

1 Q So every customer listed on your list that is  
2 exclusively a reseller or a UNE-P or a former UNE-P, now a --  
3 that's a compound question too. Let me start again.

4 So every customer on your list that is a reseller who  
5 has agreed to a transit charge doesn't ever pay that charge; is  
6 that right?

7 A If they are strictly just a reseller and not  
8 converting to becoming a facility-based CLEC, which is, my  
9 understanding, is what a lot of the former UNE-Ps are in the  
10 mode of changing to a facility-based, but if they're strictly  
11 just a reseller, I believe you're correct.

12 Q And the same would be true for an exclusive UNE-P  
13 provider that doesn't have any facilities as well?

14 A I believe that's correct.

15 Q So looking at the chart itself, the second column is  
16 called "Total Transit Charges," and I wonder if you could  
17 explain to us how this number was derived.

18 A I believe that we put a footnote there to try and  
19 help explain that, Note 1 on the exhibit.

20 Total transit charges include tandem intermediary  
21 charge, tandem switching and common transport facility  
22 termination with zero miles in our example here, if applicable.  
23 And also we had other footnotes. Some of these in a column  
24 that's labeled "Total Transit Charges" are strictly composite  
25 transit rates that do not have to go through the additive steps

1 of what I just read for you in the tandem intermediary charge,  
2 tandem switching, et cetera. We are moving our standard  
3 agreements more to a composite transit rate, which is what we  
4 have in the tariff that's the subject here.

5 Q Some carriers or some companies that are listed here  
6 don't pay a tandem intermediary charge today; is that right?

7 A It's my understanding that some of the older  
8 agreements did not have the tandem intermediary charge or TIC,  
9 as it's called, in it. That's correct.

10 Q So where it says "Total transit charges include  
11 tandem intermediary charge, tandem switching and common  
12 transport facility termination with zero miles," sometimes that  
13 tandem intermediary charge is zero; right?

14 A Yes, because it was not in the agreement.

15 Q And I'm looking at the next column where it says,  
16 "Effective in states," and for a great number of these  
17 companies the same rate is effective in all nine BellSouth  
18 states, I see, and I'm wondering -- just taking a look at the  
19 formula, tandem switching plus common transport facility plus  
20 tandem intermediary charge, how is it that the rate is the same  
21 in all nine states for a number of companies?

22 A Just by way of the negotiations with the carriers  
23 because these are per agreements.

24 Q So it's not a Florida-specific number unless it  
25 indicates effective and states Florida only?

1 A That's my understanding, yes.

2 Q Well, I'm looking at a discovery response that  
3 BellSouth provided to CompSouth, and I could circulate it.  
4 It's already in and it's already part of this big stack that  
5 everyone has received, and in the big stack it's Exhibit 10.

6 A I don't have that.

7 Q Let me dig them out.

8 MS. BANKS: Madam Chair, I had just a clarification.  
9 Staff has Exhibit 10 listed as a proprietary exhibit. Is that  
10 correct?

11 MS. BERLIN: Well, this is, this is not a proprietary  
12 exhibit, so I may be wrong when I say it's Exhibit 10.

13 Yeah. It's actually Exhibit 9 formerly known as  
14 Stip 10, or it's in there anyway. And we can circulate this  
15 and make it a separate exhibit.

16 THE WITNESS: He just handed me a stack of them. Is  
17 that what I need to be looking at is right here?

18 You can leave them there. I may need them later.  
19 Okay. Thank you.

20 BY MS. BERLIN:

21 Q Have you seen this document before, Mr. McCallen?

22 A Yes, I have.

23 Q It is BellSouth's response to CompSouth's first  
24 request for production, Item 2; right?

25 A Yes.

1 Q Did you prepare this response?

2 A I worked with people in our organization that helped  
3 put it together, yes.

4 Q And looking at the response itself, Item A -- in Item  
5 A it says, A tandem switching rate of, it has a number, and a  
6 tandem facility termination rate of another number were used to  
7 develop, to develop the number that appears in the total  
8 transit charges column; right?

9 A Yes.

10 Q And those particular numbers came from, according to  
11 C, Docket Number 90649, I mean, A-TP; right?

12 A Yes. I see that.

13 Q And that was a Florida docket, was it not?

14 A Yes, I believe it is.

15 Q So you added together the, the numbers that's set  
16 forth in A, which came from a Florida costing, cost case, and  
17 then added in any TIC that the various CLEC negotiated with  
18 BellSouth to arrive at this total transit charge; right?

19 A Yes.

20 Q And that's what apparently the vast majority of CLECs  
21 in the region have agreed to pay is based on the Florida cost  
22 case?

23 A Well, they have, they have effective agreements in  
24 all of the states.

25 Q You say that most of these carriers or many carriers

1 are now moving to a composite transit rate. Is that what you  
2 said?

3 A What I actually said was that what we at BellSouth  
4 are trying to do is to move to a standard agreement that we, my  
5 understanding, that we start negotiating from is a composite  
6 rate for the transit function.

7 Q But very few of the carriers listed on your exhibit  
8 today have a composite transit rate; right?

9 A The predominance of what you see listed are older  
10 agreements, and the move toward the composite rate is a recent  
11 thing we're trying to do in our standard agreement. So the  
12 majority of what we listed, yes, they would not be a composite  
13 rate.

14 Q I'm not sure I understood your answer when I asked  
15 you whether this number in total transit charges is specific  
16 only to Florida even for all the companies that are listed as  
17 having a rate in nine states. Is it Florida specific only?

18 A Well, the rates that are shown here are the ones that  
19 are in effect for Florida, yes.

20 Q So where it says it's effective in nine states, you  
21 mean they have an ICA in nine states, not necessarily that the  
22 particular transit rate applies?

23 A Not necessarily. And, again, with a clarification, I  
24 don't do the individual negotiation with the CLECs, but the  
25 rates that are shown here are the ones that are in effect in



1 Florida for these carriers.

2 Q So you don't do any negotiation with the CLECs  
3 yourself, I believe you told Ms. Kaufman, but you do negotiate  
4 with the independent companies to establish a transit rate;  
5 right?

6 A Right.

7 Q Has any, has any independent company ever disputed  
8 BellSouth's proposed transit charges in negotiations with you?  
9 They do --

10 A Yes, obviously.

11 Q And do they ever raise the argument that there's  
12 another vendor out there that has lower prices than BellSouth?

13 A I have not heard that argument per se, no.

14 Q Do you know whether the CLECs raised that with your  
15 cohorts at BellSouth?

16 A No, I don't have personal knowledge of that. I do,  
17 however, have personal knowledge, and I think we submitted it  
18 either in testimony or interrogatory response, about a  
19 potential alternative transit carrier called Neutral Tandem. I  
20 think that's been submitted. That could be one possibly  
21 alternate provider of transit.

22 Q But to your knowledge and to this day no company has  
23 ever said in negotiations with you or that you've ever heard  
24 about from anyone in your group, BellSouth's rates are too  
25 high, I can go to Neutral Tandem?

1 A That's correct. I have not heard that statement.

2 Q And it's BellSouth's position that the proposed  
3 tariffed rate for transit service is a market-based rate;  
4 right?

5 A Yes.

6 Q And how are you defining the market?

7 A What we were defining this as is what comparable to  
8 the other agreements with other types of carriers, with CLECs  
9 and wireless that have willingly agreed to a rate that's  
10 comparable to this, so we see that as a market-based rate.

11 MS. BERLIN: Thanks. I don't have anymore questions.  
12 And should I mark this? It's already in the record. Whichever  
13 you prefer. We could mark this and request to move it in as  
14 its own exhibit or --

15 CHAIRMAN EDGAR: Ms. Banks.

16 MS. BANKS: Madam Chair, I think that's actually a  
17 part of composite exhibit, Exhibit 11 of staff's stipulated  
18 exhibit list.

19 MS. BERLIN: That's fine.

20 CHAIRMAN EDGAR: I'd prefer to not have too many  
21 numbers on too many different -- just for my own clarity. So,  
22 Mr. Hoffman.

23 MR. HOFFMAN: Thank you, Madam Chairman.

24 CROSS EXAMINATION

25 BY MR. HOFFMAN:

1 Q Mr. McCallen, I'm Ken Hoffman. I represent the small  
2 local exchange companies. I think we've talked before on your  
3 deposition.

4 A Yes.

5 Q Most of my questions, Mr. McCallen, are going to  
6 focus on your prefiled direct testimony.

7 A Okay.

8 Q So when I refer to testimony, unless I tell you  
9 otherwise, I'm referring to your prefiled direct testimony.

10 A All right.

11 Q And let me begin by asking you to turn to Page 2 of  
12 your prefiled direct testimony beginning at Line 14 and  
13 continuing through Page 3, Line 6 of your direct. You  
14 discussed the efforts of BellSouth and the small LECs to reach  
15 an agreement on a transit rate which carriers would pay  
16 BellSouth for transit service; is that correct?

17 A Yes.

18 Q Now those discussions never resulted in a mutual  
19 agreement between the parties, did they?

20 A No, they did not.

21 Q And it was because those discussions were not making  
22 sufficient progress that BellSouth filed the transit tariff  
23 that is the subject of this proceeding; is that correct?

24 A That was the primary driver for filing the tariff,  
25 yes.

1 Q Now would you agree that rather than filing the  
2 tariff, that BellSouth could have started the negotiation and  
3 perhaps arbitration process with a small local exchange company  
4 which could have led to this issue potentially being arbitrated  
5 before the Commission?

6 A My, my answer to that is that we didn't see this as a  
7 legal requirement or anything subject to the arbitration  
8 process. We tried good faith negotiations by the companies and  
9 basically reached an impasse with most of them. We are  
10 continuing and having fruitful conversations with one of them  
11 still today.

12 Q Okay. But my question really is was that an option  
13 available to BellSouth, that once the negotiations broke down,  
14 my words, that BellSouth --

15 MR. TYLER: Excuse me. I'm sorry to interrupt you,  
16 but I --

17 CHAIRMAN EDGAR: Mr. Tyler.

18 MR. TYLER: -- need to object. This is a lay  
19 witness. He's not a lawyer. He's being asked for a legal  
20 opinion. The question is improper.

21 CHAIRMAN EDGAR: Mr. Hoffman.

22 MR. HOFFMAN: I'm not asking this witness to  
23 interpret any law or interpret any statute. I'm asking him as  
24 the negotiator with the independent companies if he knew  
25 whether or not he had the option or his company had the option

1 to negotiate and, if negotiations broke down, to file a  
2 petition for arbitration.

3 CHAIRMAN EDGAR: I'll allow it.

4 THE WITNESS: Again, in response to your question, of  
5 course we're aware that those things happen between BellSouth  
6 and other carriers. In the situation for transit service  
7 standalone with no other issues, we did not see it as something  
8 that we would file for arbitration with the small LECs.

9 BY MR. HOFFMAN:

10 Q Respectfully, Mr. McCallen, you still haven't  
11 answered my question.

12 MR. TYLER: And respectfully I have to renew my  
13 objection. He's asking him about what would be an obligation  
14 under the Telecommunications Act. He's not a lawyer. He can't  
15 testify in that regard.

16 CHAIRMAN EDGAR: Mr. Hoffman, are you asking the  
17 witness for his opinion?

18 MR. HOFFMAN: No. I'm asking him if he knew whether  
19 or not it was an option available to BellSouth. That's all I'm  
20 asking him, and I don't think he's answered that yet.

21 CHAIRMAN EDGAR: To the witness --

22 MR. TYLER: And, Madam Chair -- I'm sorry. Excuse  
23 me.

24 CHAIRMAN EDGAR: Mr. Tyler.

25 MR. TYLER: But whether or not it's an option goes

1 directly to whether or not it's an obligation, which calls for  
2 a legal conclusion.

3 CHAIRMAN EDGAR: Mr. Hoffman, can you try to  
4 rephrase, please?

5 MR. HOFFMAN: Well, I'll try.

6 BY MR. HOFFMAN:

7 Q Mr. McCallen, in your role as the lead negotiator on  
8 behalf of BellSouth with the independent companies, to your  
9 knowledge if the negotiations broke down, did BellSouth have  
10 the option to file a petition for arbitration?

11 A Based on my knowledge, my opinion, no, I don't  
12 believe that was an option we had.

13 Q Thank you. That's -- thank you.

14 So backing up, what the company did was the company  
15 filed a tariff; correct?

16 A Yes, we did indeed file a tariff.

17 Q All right. Now that tariff reflects what, what you  
18 have characterized as a market rate for transit service;  
19 correct?

20 A Yes.

21 Q Now when did BellSouth file the tariff that is at  
22 issue in this proceeding?

23 A The one that's at issue right now was filed, I  
24 believe I just said earlier, I think it was in January of '05.

25 Q Okay. Would you accept, subject to check, that it

1 was February 11 of 2005?

2 A No. That was the effective date.

3 Q Okay. So it was filed in January?

4 A It was filed in late January and became effective  
5 February 11th, Mr. Hoffman.

6 Q Okay. Thank you. And your testimony, as I  
7 understand it, is that the tariffed rate is a market-based rate  
8 that is in some way related to the existing interconnection  
9 agreements between BellSouth and CLECs and CMRS carriers. Is  
10 that a fair statement?

11 A It is related in that it's trying to show what a, a  
12 fair, willingly agreed to rate for providing the transit  
13 service is, yes, with other originating carriers.

14 Q And isn't it true that there is no information that  
15 you provided in your prefiled testimony, direct or rebuttal,  
16 regarding what other transit carriers charge for transit  
17 service?

18 A I believe that's true, yes.

19 Q Now apart from the agreements that you've attached as  
20 an exhibit to your testimony, was there anything else that  
21 BellSouth considered in developing the transit traffic rate in  
22 the tariff?

23 A That was the primary driver is what other carriers  
24 were willing to pay, other originating carriers were willing to  
25 pay, yes.

1 Q Okay. So there was nothing else considered other  
2 than that?

3 A That was -- yes, that's correct.

4 Q All right. Are you aware that as recently as  
5 October 11 of 2005 in an arbitration before this Commission  
6 between BellSouth and a number of CLECs, that the Commission  
7 strongly encouraged BellSouth and the CLECs to negotiate a  
8 tandem intermediary charge of .0015 per minute of use?

9 A I am aware of that, but it was strongly recommended  
10 as a floor or a beginning point for that TIC charge. That's my  
11 understanding of what they said.

12 Q Okay. Is it your understanding that the Commission  
13 ordered that the .0015 would be a floor or that the Commission  
14 simply strongly encouraged the parties to negotiate that  
15 specific rate?

16 A My understanding, again, and I'm not a lawyer and  
17 wasn't personally involved, but my understanding was that the  
18 staff strongly recommended the 0015 was a floor level for the  
19 TIC additive charge, which also would be added to the other  
20 elemental pieces.

21 Q Now if I understand your testimony, no consideration  
22 was given to this recent pronouncement of the Commission in  
23 this October 2005 order which strongly encouraged a transit  
24 rate of .0015; is that correct?

25 A And again I need to correct a statement in your



1 question. It wasn't a strongly recommended transit rate in  
2 total of 0015. That's a TIC additive. Which if you work  
3 through the exhibit that I gave you and the footnote we just  
4 discussed in KRM-2, 0015 is an additive in the agreements we  
5 have, which brings it up to comparable rates from 0025 to 0035.

6 Q Okay. Would you agree that the presence of an  
7 approved tariffed rate would adversely affect the ability of a  
8 small LEC to freely negotiate a transit rate with BellSouth  
9 that was lower than the tariffed rate?

10 A No, sir, I would not. And that's based on the fact  
11 that we have continued negotiations and sent out agreements  
12 under nondisclosure, but those contained different rates from  
13 the tariffed rate for the small LECs to consider.

14 Q Would you agree that, at minimum that the presence  
15 of a tariffed rate would be available to BellSouth to impose a  
16 specific rate on a negotiating small LEC if the small LEC would  
17 not agree to BellSouth's proposal?

18 A It, of course, would be an outstanding tariff  
19 And I'm sure it would be discussed during negotiations.  
20 But, again, I must say that we did send out (WORDS REDACTED) a  
21 different version that had a different rate in it (WORDS  
22 REDACTED).

23 Q And you would agree, would you not, that if under the  
24 tariff proposal of BellSouth, if the small LEC is not willing  
25 to agree to whatever rate BellSouth proposes, that the tariff

1 rate kicks in; correct?

2 A Yes, with a clarification. I said this in my summary  
3 and it runs throughout the testimony, Mr. Tyler touched on it  
4 this morning, the small LECs have other options. They can  
5 directly connect with these other carriers. They can  
6 investigate a possibility of a Neutral Tandem, or for their own  
7 originated traffic they themselves can control their own  
8 central office switch and not open up or authorize the NPA/NXX  
9 codes of the CLEC or wireless carrier to whom they're trying to  
10 send traffic. So they do have other options. It's not just  
11 either BellSouth in an agreement or a tariff. They do have  
12 some other options about their originated transit traffic.

13 Q Mr. McCallen, are you aware that in this BellSouth  
14 joint CLEC arbitration proceeding that I've referred to and  
15 that your attorney referred to in his opening statement, that a  
16 witness by the name of Mr. Mertz testified on behalf of KMC  
17 that the TIC proposed by BellSouth, he said, "Although the TIC  
18 proposed by BellSouth in the filed rate sheet exhibits is  
19 .0015, BellSouth had threatened to nearly double that rate if  
20 petitioners did not agree to it during negotiations"? Are you  
21 familiar with that testimony?

22 A No, I'm not.

23 Q Would you turn to Page 4 of your prefiled direct  
24 testimony, beginning at Line 6. You talk about how BellSouth  
25 and the small LECs have exchanged traffic for many years;

1 correct?

2 A Yes.

3 Q The small LECs and BellSouth have traditionally used  
4 direct interconnections to exchange local EAS traffic for many  
5 years; correct?

6 A Yes.

7 Q And isn't it true that the small LECs have never been  
8 responsible for paying BellSouth for tandem switching or  
9 transports for these local EAS calls?

10 A The BellSouth and ICO EAS agreements per se are  
11 pretty much bill-and-keep in both directions. Yes.

12 Q So the answer is yes?

13 A Yes.

14 Q The fact of the matter is that BellSouth and the  
15 small LECs have exchanged this local EAS traffic for decades on  
16 a bill-and-keep basis; correct?

17 A That's true.

18 Q And the small LECs have never physically extended  
19 their networks beyond the point where their network meets  
20 BellSouth's network typically at or near the border of their  
21 service territories; correct?

22 A Not that I'm personally aware of, no.

23 Q Is that a true statement to your knowledge?

24 A As far as to my knowledge, yes, that's true.

25 Q Now following the implementation of the

1 Telecommunications Act of 1996, which you refer to on Page 4,  
2 Line 9 of your prefiled direct testimony, BellSouth began to  
3 provide transit service for CLECs who entered the local telecom  
4 market; correct?

5 A Yes.

6 Q And if I understand your testimony, BellSouth started  
7 providing transit service for wireless carriers in  
8 approximately 2000; is that correct?

9 A Yes, I believe that's correct.

10 Q So during the 1996 or 1997 through, I'll say,  
11 February of 2005 time frame where the tariff became effective,  
12 BellSouth had agreements in place with CLECs and wireless  
13 carriers that provided for payment of transit fees by these  
14 carriers, but did not charge the small LECs for the transit  
15 service; correct?

16 A That's correct.

17 Q Now during this period of eight to nine years when  
18 BellSouth was charging the CLECs and the wireless carriers for  
19 transit fees but not charging the small LECs, wouldn't you  
20 agree that BellSouth believed it was properly imposing these  
21 transit charges on the cost causer?

22 A No, I would not agree to that at all.

23 Q So for the eight- or nine-year period that we just  
24 discussed, BellSouth was imposing transit fees on a party that  
25 was not the cost causer.

1           A       We were imposing transit fees on their originated  
2 traffic, yes, for what they originate and send through us, but  
3 not for the small LEC originated traffic going the other  
4 direction.

5           Q       If you would turn to Page 7 of your prefiled direct  
6 testimony at Lines 18 through 20.

7                   I believe there you explain that the originating  
8 carrier is charged by BellSouth for transit service; correct?

9           A       I'm sorry. What lines again?

10          Q       Page 7 of your direct.

11          A       Okay.

12          Q       Lines 18 through 20.

13          A       Yes. It's addressing the tariff only charges the  
14 originating carrier.

15          Q       And if you flip over to Page 10, Lines 19 through 22,  
16 you state that it is consistent with general industry concepts  
17 regarding cost causation to require the originating carrier to  
18 pay transit charges; correct?

19          A       Yes.

20          Q       Now at the time that your deposition was taken on  
21 March 16th of 2006, it remained your position that it was  
22 appropriate to impose the transit charge on the originating  
23 carrier under general industry concepts; correct?

24          A       Yes.

25          Q       And at the time your deposition was taken, which was,

1 of course, after you filed your testimony, you could not point  
2 to any specific industry precedent that supported your  
3 position; correct?

4 A With the exception -- at that time I may not have  
5 addressed it. But with the exception, as I believe has been in  
6 the opening comments this morning, I think it was in Georgia, I  
7 believe, addressed it and Tennessee addressed the point of the  
8 originating party pays transit.

9 Q Okay. My question was at the time of your deposition  
10 you would agree, would you not, that you could not point me to  
11 any specific industry precedent that supported your position?

12 A I believe that's correct, yes.

13 Q Now isn't it true that the FCC has stated as recently  
14 as March 2005 that the reciprocal compensation provisions of  
15 the federal act do not explicitly address the intercarrier  
16 compensation to be paid for transit service?

17 A I'm not a lawyer and deal with those kind of things  
18 every day, but could you repeat that one more time for me,  
19 please?

20 Q Are you aware that the FCC has stated as recently as  
21 March 2005 that the reciprocal compensation provisions of the  
22 federal act do not explicitly address the intercarrier  
23 compensation to be paid for transit service?

24 A Like I said, I'm not a lawyer. I'm not -- I don't  
25 have an inherent knowledge of that, no.

1 MR. HOFFMAN: Okay. Madam Chairman, I'd like to have  
2 an exhibit, which Mr. McDonnell will pass out, marked for  
3 identification.

4 CHAIRMAN EDGAR: Mr. Hoffman, not rushing you yet  
5 anyway, but about how much longer? Could you give an estimate  
6 as to your cross?

7 MR. HOFFMAN: I would say 30 minutes.

8 CHAIRMAN EDGAR: Okay. I for one am having a low  
9 blood sugar moment. So noting that it's 12:30, is this an  
10 appropriate time to take a lunch break?

11 MR. HOFFMAN: Yes, ma'am.

12 CHAIRMAN EDGAR: Okay. With that, we will -- will 45  
13 minutes work? Okay. Then let's aim to come back from lunch at  
14 1:15. And we are in lunch recess until 1:15.

15 (Lunch recess taken.)

16 CHAIRMAN EDGAR: Okay. Thank you all. We are back  
17 on the record and, Mr. Hoffman, you may proceed.

18 MR. HOFFMAN: Thank you, Madam Chairman. I've handed  
19 out a copy of an exhibit, which contains a description in  
20 Paragraph 132 from FCC Further Notice of Proposed Rulemaking on  
21 Intercarrier Compensation, FCC 05-33, Released March 3, 2005.  
22 And I would ask that that exhibit be marked for identification,  
23 please.

24 CHAIRMAN EDGAR: Okay. So for identification  
25 purposes, this is -- hold on. 34 or 35, Ms. Banks?

1 MS. BANKS: It's Exhibit 34.

2 CHAIRMAN EDGAR: 34. Okay.

3 MS. BANKS: Yes, Madam Chair.

4 CHAIRMAN EDGAR: What do you want to call this,  
5 Mr. Hoffman?

6 MR. HOFFMAN: I will call this FCC Further Notice of  
7 Proposed Rulemaking on Intercarrier Compensation.

8 CHAIRMAN EDGAR: Okay.

9 (Exhibit 34 marked for identification.)

10 BY MR. HOFFMAN:

11 Q Mr. McCallen, do you have a copy of that exhibit  
12 that's been marked Exhibit 34?

13 A Yes, I do.

14 Q Would you please turn to the last page of that  
15 exhibit, and direct your attention to Paragraph 132. And would  
16 you please read into the record the second sentence in  
17 Paragraph 132.

18 A The sentence starting with, "The reciprocal  
19 compensation"?

20 Q Yes.

21 A Okay. "The reciprocal compensation provisions of the  
22 Act address the exchange," no, yeah, "address the exchange of  
23 traffic between two carriers, but do not explicitly address the  
24 intercarrier compensation to be paid to the transit service  
25 provider for carrying Section 251(b)(5) Traffic."



1 Q Thank you. Now if you turn back to the first page of  
2 the order, it shows that the FCC released this order on  
3 March 3 of 2005; correct?

4 A Yes.

5 Q Now even though this issue of which carrier may be  
6 responsible for transit charges is, at least according to the  
7 FCC, unresolved, are you aware that the FCC has previously  
8 stated in an order that, in fact, it's the terminating carrier  
9 and not the originating carrier that is required to pay a  
10 transit traffic charge?

11 A No, I'm not aware of that.

12 MR. HOFFMAN: Madam Chairman, I'm going to ask Mr.  
13 McDonnell to hand out another exhibit and ask that it be marked  
14 for identification.

15 CHAIRMAN EDGAR: Okay. So we will show this as  
16 Exhibit 35.

17 MR. HOFFMAN: Yes, ma'am. I'll refer to it as  
18 Footnote 70 from FCC TSR Wireless Order.

19 (Exhibit 35 marked for identification.)

20 MR. TYLER: Madam Chair.

21 CHAIRMAN EDGAR: Yes, sir.

22 MR. TYLER: Excuse me for the interruption, but let  
23 me just object to this line of questioning to the extent that  
24 he's asking this witness questions of a legal nature. We have  
25 a policy witness who will testify in that regard. I don't know

1 that there's anything in Mr. McCallen's direct, and I would  
2 submit to you that there's not, that speaks to any of these  
3 issues in this line of questioning. So it's not relevant for  
4 this witness.

5 CHAIRMAN EDGAR: Mr. Hoffman.

6 MR. HOFFMAN: Respectfully, Madam Chairman, I'm not  
7 sure how a cross-examination exhibit could be more relevant.

8 This witness has testified that the originating  
9 carrier pays, and this, this witness has just testified that he  
10 is not aware of an FCC order that has said exactly the  
11 opposite, and the intent of this exhibit is to demonstrate and  
12 confirm that.

13 CHAIRMAN EDGAR: All right. Mr. Hoffman, I'm going  
14 to ask you to take note of the point raised by opposing counsel  
15 which is that the witness is not an attorney. And also note,  
16 Mr. Tyler, that you will have the opportunity on redirect.

17 MR. HOFFMAN: Thank you, Madam Chairman.

18 BY MR. HOFFMAN:

19 Q Mr. McCallen, if you will turn to the last page of  
20 Exhibit 35 and direct yourself to Footnote 70. And if you  
21 would, please, read into the record the second sentence in  
22 Footnote 70.

23 A "However, complainants are required to pay for  
24 transiting traffic, that is traffic that originates from a  
25 carrier other than an interconnecting LEC but nonetheless is

1 carried over the LEC network to the paging carrier's network."

2 Q And, Mr. McCallen, would you accept, subject to  
3 check, and you can actually turn to the first page of the  
4 order, that the complainants in this case were the terminating  
5 paging carriers?

6 A I've never seen this before, so you're hitting me  
7 totally cold with it.

8 Q Yes, sir. Take a look at Paragraph 2.

9 A Okay.

10 Q Is my statement correct?

11 A Could you repeat it, please?

12 Q Yes, sir. Would you accept, subject to check, that  
13 the complainants in the TSR Wireless case were the terminating  
14 paging carriers?

15 A It does appear that way.

16 Q Thank you. Now, Mr. McCallen, I would ask, if you  
17 would, to turn back to your prefiled direct testimony on  
18 Page 8 on Lines 1 through 4 where you mention that carriers can  
19 avoid the tariffed transit charges by negotiating direct  
20 interconnection agreements with other telecommunications  
21 service providers or by negotiating contractual arrangements  
22 for transit service with BellSouth; correct?

23 A Yes.

24 Q Wouldn't you agree that the contract negotiation  
25 process is a give and take process?

1 A Yes, I would.

2 Q And wouldn't you agree that the contract negotiation  
3 process is a process where an agreement will be reached  
4 typically addressing a whole host of issues?

5 A Yes.

6 Q And that as part of that give and take process, what  
7 one party may agree to in an agreement may not necessarily  
8 reflect the position that party would take in an arbitrated or  
9 litigated proceeding.

10 A I suppose so for, for moving along, yes, I could  
11 agree to that. I would also like to point out and clarify  
12 again on the negotiations that are the subject of why we're  
13 here today between BellSouth and the small LECs, that has been  
14 primarily just transit traffic standalone type agreement, not  
15 bringing in a lot of other issues.

16 Q And typically negotiated agreements though, that's a  
17 give and take process and parties may be willing to give up  
18 certain things in terms of language or prices in order to gain  
19 other things that they want in the contract; correct?

20 A Correct.

21 Q Now if you would turn to Page 9 of your prefiled  
22 direct beginning at Line 7. There you discuss your position as  
23 to why the tariff includes ISP-bound traffic; correct?

24 A Yes.

25 Q Now would you agree that an intrastate service falls

1 under the authority of a state Commission?

2 A Yes.

3 Q And would you agree that an interstate service falls  
4 under the authority of the FCC?

5 A Yes.

6 Q Are you aware that the FCC has ruled in its ISP  
7 remand order that the link that local exchange companies  
8 provide to connect subscribers with Internet service providers  
9 is an interstate access service?

10 A Again, I'm not a lawyer and deal with FCC issues that  
11 much, but my understanding that as far as the predominance of  
12 what I've read on this issue is dealing with originating and  
13 terminating carriers in an ISP-bound call, not the existence of  
14 a third party transit carrier like BellSouth is. So I don't  
15 know that I would agree with you that the link, if that's what  
16 you're meaning by that word, I don't know that I can agree with  
17 that.

18 Q Okay. On Page 14 of your prefiled direct testimony  
19 on Lines 1 through 3 you state that the originating carrier  
20 should pay the transit fee because the originating carrier  
21 collects the revenue from the originating caller; correct?

22 A Yes. In the combination of those two sentences, yes,  
23 that's what I said.

24 Q Would you agree that the hold times, hold, H-O-L-D,  
25 times for a call terminated to an ISP is typically much longer

1 than a traditional local voice call?

2 A Yes, to a dial-up ISP, I would agree with that.

3 Q Would you also agree that the extended hold times for  
4 an ISP-bound call could result in substantial transiting fees  
5 under BellSouth's tariff based on the minutes of use charge  
6 that could exceed the amount of revenue collected from a  
7 subscriber for local service?

8 A I would have to kind of ask for clarification and see  
9 an example. But I would also want to clarify again that the  
10 originating small LEC does have an option to put in a direct  
11 trunk group to possibly the CLEC that is actually serving the  
12 ISP and not have to pay BellSouth anything.

13 Q Okay. I think you talked about that before. I think  
14 you mentioned that a, that a small LEC also has the option to  
15 go to an alternative transit service provider; correct?

16 A That's a possibility, yes.

17 Q Okay. Who are they?

18 A The Neutral Tandem is the only one that I have seen  
19 on their website.

20 Q So the small LECs in Florida could go to Neutral  
21 Tandem. That's an option; correct?

22 A They could contact Neutral Tandem and investigate it,  
23 yes.

24 Q Where are they located?

25 A I don't know for sure.

1 Q You don't know?

2 A I know they're in Florida.

3 Q Would you accept, subject to check, that Neutral  
4 Tandem's switch is located in Miami?

5 A Subject to check.

6 Q If -- assuming that that's true, would it be cost  
7 efficient for TDS Telecom or Quincy Telephone to interconnect  
8 through Neutral Tandem in Miami for local calls?

9 A I couldn't say for sure. That would be up to TDS  
10 Telecom to contact Neutral Tandem and find out for sure. I  
11 don't know what other arrangements Neutral Tandem could  
12 possibly have with some kind of backbone carrier. I just, I  
13 don't know for sure what they can offer.

14 Q Okay. You just know there's a Neutral Tandem out  
15 there somewhere in Florida?

16 A And it offers, I believe the website said something  
17 like competitive transit alternative.

18 Q Now getting back to my prior question, wouldn't you  
19 agree at least hypothetically that with respect to calls made  
20 to Internet service providers, that the amount of transiting  
21 fees imposed under the tariff could exceed the amount billed by  
22 the originating carrier to a subscriber for local service?

23 A Again, I can't say for sure. Hypothetically, I  
24 suppose so.

25 Q Would you agree that the only interconnection

1 obligation that BellSouth has under the federal Telecom Act is  
2 to interconnect directly or interconnect indirectly by using a  
3 third party's facilities?

4 MR. TYLER: Begging your pardon again, Madam Chair.  
5 He's calling for a legal conclusion, and I object to that line  
6 of questioning.

7 MR. HOFFMAN: I'll withdraw that. Let me try to  
8 rephrase that, Madam Chairman.

9 BY MR. HOFFMAN:

10 Q Mr. McCallen, do you know what BellSouth's  
11 interconnection obligations are or not?

12 A I am familiar with them. I have to work with those  
13 within those guidelines. But, honestly, Ms. Blake filed  
14 testimony as our policy witness and I believe she can address  
15 those issues better than I can.

16 Q Okay. Respectfully, Mr. McCallen, I don't think she  
17 addresses this particular issue. And what I'm, I guess what  
18 I'm asking you is do you know whether or not BellSouth is  
19 required to interconnect directly or indirectly on its network  
20 with other carriers?

21 A To the best of my knowledge, I believe we are  
22 required per the Act, yes.

23 Q Okay. And would you agree that the same  
24 responsibility or obligation applies to the small local  
25 exchange companies?



1 A I would assume so, yes.

2 Q Now you stated in your deposition that to your  
3 knowledge BellSouth typically interconnects with other carriers  
4 on the BellSouth network; is that correct?

5 A Yes.

6 Q Now before local markets were opened up to  
7 competition, and we talked about this earlier --

8 A Uh-huh.

9 Q -- you are aware, are you not, that BellSouth and the  
10 small LECs exchanged local EAS traffic by interconnecting their  
11 networks at their respective borders; correct?

12 A Yes. That's correct. And, again, I would like to  
13 clarify that nothing about the issue in front of you all today,  
14 we're not, BellSouth is not proposing any changes to any EAS  
15 arrangement between BellSouth and the small LECs.

16 Q And what's, what has happened over the last ten years  
17 or so, and we talked about this before, is that many CLECs and  
18 wireless carriers have made the decision that it's more cost  
19 efficient for them to use BellSouth's existing network to  
20 produce an indirect interconnection with a small LEC rather  
21 than they make the investments and extend and make a direct  
22 interconnection to the small LECs; correct?

23 A Based on the fact that they have willingly agreed to  
24 pay us transit, I would assume so, yes.

25 Q Now your position, your company's position is that

1 BellSouth should be entitled to charge a price, a rate for this  
2 service to somebody; correct?

3 A To the originating carrier.

4 Q And your position is it's the originating carriers  
5 should pay?

6 A Yes.

7 Q Correct?

8 A Yes.

9 Q And BellSouth wishes to be paid for the use of  
10 BellSouth's network that completes that indirect  
11 interconnection between the CLEC and the small LEC; correct?

12 A Correct.

13 Q Now if BellSouth's network wasn't there, and you've  
14 already testified that the incumbent local exchange companies  
15 like BellSouth and like the small LECs have an obligation to  
16 interconnect on their incumbent networks, if BellSouth's  
17 network wasn't there, then the CLECs and the wireless carriers  
18 either have to do one of two things: They either have to make  
19 that investment to establish a direct point of interconnection,  
20 or they have to use BellSouth's or some other transiting  
21 carrier's network; correct?

22 A In order for the CLEC's originated traffic to get to  
23 a small LEC?

24 Q Yes.

25 A Yes, I think you've stated that correctly.

1           Q     And vice versa; in order for the small LEC's  
2 originated traffic to get to the CLEC, the CLEC either has to  
3 use BellSouth's network as an intermediary or they have to  
4 bring, build, construct their network to interconnect on the  
5 network of the small LEC. It's one or the other; correct?

6           A     I can't say for sure on that. It would appear to me  
7 that it would be incumbent upon the small LECs to possibly  
8 contact the CLECs themselves and look into building direct  
9 trunk groups.

10          Q     But didn't you already testify that the obligation of  
11 both BellSouth and the small LECs is to establish a point of  
12 interconnection on the network, on the physical network of  
13 BellSouth or the small LECs?

14          A     Of, of BellSouth, yes, I believe I did.

15          Q     And I think you testified that that same obligation  
16 applies to the small LECs; correct?

17          A     I believe so.

18          Q     And all I'm saying to you is for the third party CLEC  
19 or wireless carrier to get to where it must get to to exchange  
20 traffic with the small LECs, it either has to use BellSouth's  
21 intermediary network --

22          A     Uh-huh.

23          Q     -- or it has to build the facilities to establish a  
24 direct interconnection on the network of the small LEC. Would  
25 you agree with that?

1           A     Having not worked for a CLEC but based on what you  
2 have said, I think that would be correct.

3           Q     Now on Page 15 of your, of your prefiled direct at  
4 Lines 13 through 16 you state your opinion that both the  
5 originating and terminating carriers have the obligation to  
6 negotiate interconnection agreements for the delivery of  
7 traffic to each other.

8           A     Yes. That's correct.

9           Q     Now wouldn't you agree that BellSouth likewise has  
10 the same obligation to negotiate interconnection agreements  
11 with the originating carrier and the terminating carrier for  
12 the service that BellSouth provides?

13          A     In the subject at hand for transit traffic service, I  
14 would agree that BellSouth should negotiate with the  
15 originating carrier that is actually originating the transit  
16 traffic.

17          Q     And, in fact, that's what BellSouth has done.

18          A     Yes. BellSouth, I'd like to further clarify,  
19 BellSouth has attempted to negotiate interconnection agreements  
20 with the small LECs who also originate transit traffic that's  
21 going in the other direction.

22          Q     Yes, sir. Now to your knowledge is there anything  
23 that prevents the small LECs from filing transit tariffs in the  
24 same way that BellSouth has?

25          A     I'm not a lawyer and work in the regulatory arena,

1 but I'm not aware of anything.

2 Q Okay. If you would accept my representation that the  
3 small LECs are authorized to file tariffs that are considered  
4 to be nonbasic services in the same manner that BellSouth has,  
5 if you would accept that --

6 A Okay.

7 Q -- for the purposes of this question, then let me ask  
8 you this question. If the small -- if a small LEC can do that  
9 and this Commission approves BellSouth's tariff two months from  
10 now, and then three months from now one of the small LECs files  
11 a tariff that says that the CLECs and the wireless carriers pay  
12 the transiting charge, what's the result? Which tariff  
13 prevails?

14 A Pays which transiting charge?

15 Q Let's assume the Commission two months from now  
16 assumes -- I'm sorry -- approves the tariff in the exact way  
17 that BellSouth has filed it. And under that tariff the  
18 originating carrier pays; correct?

19 A Correct.

20 Q Okay. Now let's assume one month after that, I'll  
21 pick a company, Smart City files a tariff with this Commission  
22 that says the CLECs and the wireless carriers always pay. My  
23 question is which tariff prevails?

24 MR. TYLER: Excuse me, Madam Chair.

25 CHAIRMAN EDGAR: Mr. Tyler.

1 MR. TYLER: Same objection regarding the fact that  
2 he's asking for a legal conclusion as to what occurs legally  
3 when you have dueling tariffs, for lack of a better term.

4 CHAIRMAN EDGAR: Mr. Hoffman, in this instance I  
5 agree with Mr. Tyler.

6 MR. HOFFMAN: Thank you, Madam Chairman. I'll move  
7 on.

8 BY MR. HOFFMAN:

9 Q Mr. McCallen, if you would please turn to Page 18 of  
10 your prefiled direct testimony on Lines 7 through 10. You  
11 state that, "The originating carrier as the cost causer should  
12 compensate other carriers that assist in the termination of  
13 such traffic." Do you see that?

14 A Yes.

15 Q Now your reference there to "other carriers" is to  
16 BellSouth; correct?

17 A The, the reference there is talking about the  
18 originating carrier should compensate any other carriers, if  
19 it's a transit provider such as BellSouth in the middle or a  
20 terminating carrier.

21 Q Does your reference include BellSouth?

22 A Yes.

23 Q All right. Now isn't it true that BellSouth in  
24 providing its transit service does not provide a termination  
25 function?

1           A     As far as terminating the call itself? No, we don't  
2 terminate the call.

3           Q     Please turn to Page 20 of your prefiled direct,  
4 Lines 4 through 12. Now there you state that the small local  
5 exchange companies have not paid BellSouth for local transit  
6 services prior to February 11 of 2005.

7           A     I'm sorry. You're on Page 20?

8           Q     Yes.

9           A     Okay. Most of that was the question. The answer is  
10 on Line 11.

11           A     Okay. Yes, I'm with you.

12          Q     Okay. Now isn't it true that BellSouth has never  
13 invoiced any of the small local exchange companies in Florida  
14 for transit service prior to February 11 of 2005?

15          A     Yes. That's correct.

16          Q     Please turn to your rebuttal testimony, Page 12,  
17 beginning at Line 17 and continuing through Line 21. I'll give  
18 you a chance to find that and look at that.

19          A     Page 12?

20          Q     Yes, sir. Page 12 beginning at Line 17.

21          A     Okay.

22          Q     Now there you take issue with Mr. Watkins' statement  
23 on Page 53 of his direct testimony that the records that  
24 BellSouth provides to terminating carriers that are supposed to  
25 allow the terminating carrier to accurately bill the

1 originating carrier for call termination are altered. You  
2 disagree with that; correct?

3 A That's correct.

4 Q Okay. Now isn't it, isn't it true that in some cases  
5 BellSouth replaces the originating number on calls that  
6 traverse a BellSouth tandem switch with a so-called billing  
7 telephone number?

8 A BellSouth assigns a billing telephone number to the  
9 trunk group coming from a CLEC or a meet-point-billed CMRS  
10 carrier that clearly identifies which originating carrier it's  
11 coming from. So, yes.

12 Q Okay. And so it's true that BellSouth in some cases  
13 does not provide the actual originating telephone number on  
14 calls that traverse a BellSouth tandem switch but assigns a  
15 billing telephone number?

16 A For purposes of our billing systems, the billing  
17 telephone number is all we need in order to know who the  
18 originating carrier is, and those records have been passed on  
19 to other terminating carriers and been used for billing  
20 purposes and seem to be working fine.

21 Q Okay. And the answer to my question is, yes,  
22 BellSouth does do that for the reasons you stated.

23 A Yes, we use a billing telephone number.

24 Q Rather than the originating telephone number.

25 A In some instances, I suppose so.



1 Q Is that yes or no?

2 A Yes.

3 Q Thank you. Now do you dispute the fact that this  
4 practice prohibits a small local exchange company from  
5 determining the correct jurisdiction of the originated call?

6 A Yes. Yes. I dispute that. It's -- the intention is  
7 not to establish jurisdiction. The intention of these EMI  
8 records and the other records that we also provide is to give  
9 the terminating carrier sufficient and adequate information to  
10 know who the originating carrier was, and we provide that by  
11 information in those records and the number of minutes so that  
12 they can bill the originating carrier for the traffic that they  
13 have terminated.

14 Q But you would agree, would you not, that when  
15 BellSouth does not include the actual originating telephone  
16 number on a call record, then one cannot determine the  
17 jurisdiction of the call?

18 A I don't know that to always be true. No.

19 Q Do you know it sometimes to be true?

20 A It could possibly be true sometimes. Yes.

21 Q Okay. Turn to Page 20, please, Mr. McCallen, of your  
22 prefiled direct, beginning at Line 14. I'm back on your direct  
23 now.

24 A I was fixing to say, I ran out of pages. I was still  
25 in my rebuttal and I said, "Oh, boy." Page 20, yes, sir.

1 Q If I understand what you've said there, beginning at  
2 Line 14, BellSouth is not taking a position regarding what  
3 action this Commission should take to allow the small LECs to  
4 recover the costs associated with BellSouth's provision of  
5 transit service. Is that an accurate statement?

6 A Yes. Yes.

7 Q Okay. Are you aware that this Commission in this  
8 proceeding has treated BellSouth's transit traffic tariff as a  
9 nonbasic service?

10 A Yes, I'm aware of that.

11 Q And are you aware that under Florida law as a  
12 nonbasic service BellSouth would be permitted to increase the  
13 transit rate up to 20 percent per year?

14 A I don't have a first-hand knowledge of that  
15 information. I don't work in that part of the business. But  
16 I'm aware there's some flexibility in the nonbasic services,  
17 yes.

18 Q Okay. Assuming that my representation that as a  
19 nonbasic service BellSouth could increase the rate 20 percent  
20 per year is correct, if this tariff is approved, then BellSouth  
21 could increase the tariffed rate 20 percent per year; correct?

22 MR. TYLER: Excuse me, Madam Chair.

23 CHAIRMAN EDGAR: Mr. Tyler.

24 MR. TYLER: Yes. The witness has already testified  
25 that he does not know. It's been asked and answered, and yet

1 again it's the same questioning that requires a legal  
2 determination. This witness is not a lawyer. And the statute  
3 speaks for itself; it is what it is and it says what it says.

4 CHAIRMAN EDGAR: Mr. Hoffman.

5 MR. HOFFMAN: I'll move on.

6 BY MR. HOFFMAN:

7 Q Mr. McCallen, are you familiar with BellSouth's  
8 transit traffic tariff filing in Tennessee?

9 A Yes.

10 Q Isn't it true that the transit tariff -- I'm sorry.  
11 Let me start over. That the transit traffic tariff that  
12 BellSouth filed in Tennessee had an initial rate of .003 until  
13 December 31, 2005, and that the rate increased to  
14 .006 effective January 1, 2006?

15 A Yes. That's the way I believe it to be.

16 Q Mr. McCallen, would you agree that if BellSouth and  
17 the small LECs had not established EAS routes over the past  
18 many decades, that we would have no issue today in this  
19 proceeding regarding a transit fee because those routes would  
20 be toll routes and BellSouth would not be involved as a local  
21 exchange carrier in transiting local traffic?

22 A Okay. I'll try and address that. On the assumption  
23 that if no, there were no EAS agreements, completely local free  
24 calling, so to speak, between BellSouth and the small LECs, and  
25 with the coming of competitive carriers if there were toll

1 charges involved, let's say, from the small LECs and they were  
2 compensating us per our agreements under some sort of toll  
3 exchange of traffic and BellSouth was getting compensated for  
4 the use of its network, then you're exactly right because there  
5 would not be local transit traffic per se.

6 MR. HOFFMAN: Thank you, Mr. McCallen. That's all  
7 the questions I have, Madam Chairman.

8 CHAIRMAN EDGAR: Mr. Self.

9 MR. SELF: Thank you, Madam Chairman.

10 CROSS EXAMINATION

11 BY MR. SELF:

12 Q Good afternoon, Mr. McCallen. I'm Floyd Self on  
13 behalf of T-Mobile.

14 A Yes, sir.

15 Q I just have a few questions that are left after the  
16 cross that you've already had.

17 A Okay.

18 Q I would like to start, if I may, first with your  
19 rebuttal testimony. So if you could turn to that, please.

20 A Okay.

21 Q On the first page of your rebuttal at Line 22, and it  
22 carries over to Page 2, you identify that your rebuttal  
23 testimony is going to respond to the testimony of certain  
24 witnesses.

25 A Yes.

1 Q And one of the witnesses that you identify on Line  
2 24 is Mr. Pruitt; correct?

3 A Yes.

4 Q Now if you could turn over to Page 4 of your  
5 rebuttal, please, starting down with the question at Line 17.  
6 This section of your testimony, you're actually providing some  
7 rebuttal to some of the direct testimony of Mr. Watkins;  
8 correct?

9 A Yes.

10 Q And if you look down on lines, your answer beginning  
11 on Line 20 and certainly Line 21, you reference Mr. Pruitt's  
12 direct testimony. Do you see that?

13 A Yes, I do.

14 Q And I believe the context of your reference to  
15 Mr. Pruitt is that you're actually citing Mr. Pruitt in support  
16 of your rebuttal to Mr. Watkins; correct?

17 A That's correct.

18 Q Okay. Now I've tried going through your rebuttal  
19 testimony several times and I was looking for other places  
20 where you referenced or otherwise were attempting to rebut  
21 something that Mr. Pruitt testified to and I can't find any.  
22 Can you point me to any other place in your rebuttal testimony  
23 where you are offering rebuttal testimony to Mr. Pruitt?

24 A Bear with me just a minute.

25 Q Sure.

1           A     I believe that is actually the only place that we  
2 cite a reference to Mr. Pruitt's testimony.

3           Q     Okay. Very good. You obviously read Mr. Pruitt's  
4 direct testimony. Yes?

5           A     Yes.

6           Q     And did you review the documents that were attached  
7 to his direct testimony as exhibits to his direct testimony?

8           A     I have, I have reviewed them. I don't have them here  
9 with me.

10          Q     That's fine. I'm not going to ask any specific  
11 questions about them.

12          A     Okay.

13          Q     I just want to ask you a general question about  
14 Mr. Pruitt's direct testimony. And you've had some questions  
15 that have gone around this a little bit, but I just wanted to  
16 be a little more direct about it.

17                   Do you recall Mr. Pruitt's rate proposal for what he  
18 advocates as what the transit rate should be?

19          A     I'm sorry. I don't recall the details.

20          Q     Okay. Do you recall that his rate proposal -- he  
21 used an existing interconnection agreement between BellSouth  
22 and Sprint Communications Company and Sprint Spectrum, which he  
23 attached excerpts of it to his direct testimony.

24          A     Uh-huh.

25          Q     And he identified -- basically he took the components

1 that I believe you've talked with some of the other witnesses  
2 about, tandem switching, tandem port, shared rate, a common  
3 transport rate and a common transport facility charge. Does  
4 that sound familiar?

5 A That sounds familiar, yes.

6 Q Okay. In terms of the rate elements that are  
7 associated with transit traffic, did Mr. Pruitt capture the  
8 correct rate elements to the best of your memory?

9 A Strictly just working from memory, without looking at  
10 it, he probably did so.

11 Q Okay. Well, certainly if it's tandem switching,  
12 tandem port, shared minutes of use, common transport and common  
13 transport facility, can you think of any other elements that  
14 should be included?

15 A Not in from where he was coming from in his  
16 discussion, no.

17 Q Okay. And for purposes of his rate he used a 40-mile  
18 transport rate. Do you recall that?

19 A Yeah, I think so.

20 Q Okay. In your opinion, is 40 miles a reasonable  
21 transport mileage distance?

22 A It may be. I don't know for sure. I mean, everybody  
23 has an opinion of what reasonable might be.

24 Q Okay. I believe when Ms. Berlin was cross-examining  
25 you earlier about the response to a CompSouth request for

1 production, which I believe was identified, Commissioners, as a  
2 part of Exhibit 11, that document indicates that zero mileage  
3 was assumed for the distant sensitive portion of the common  
4 transport; is that correct?

5 A On the KRM-2, yes.

6 Q Okay.

7 A But that was the CLEC. And, again, refresh my  
8 memory. Mr. Pruitt is on behalf of Sprint?

9 Q Sprint Nextel and T-Mobile.

10 A Okay. Wireless carriers.

11 Q Well, Sprint Spectrum, I can't speak for them, but  
12 they also -- Sprint Nextel, excuse me, also has a CLEC, I  
13 believe.

14 A Oh, okay. I assumed Sprint Nextel was the wireless  
15 carrier.

16 Q Okay. If you'll give me just a moment.

17 I want to follow up now, if I may, on a question and  
18 exhibit that Mr. Hoffman just asked you about, what has been  
19 identified, Commissioners, as Exhibit 35, which was the TRS  
20 Wireless order, Footnote 70 that Mr. Hoffman shared with you.

21 And, and my question is not about that, but is to ask  
22 you, Mr. McCallen, whether you are aware of any subsequent FCC  
23 orders pertaining to this subject that is the subject of  
24 Footnote 70?

25 A Personally I am not. Again, I know this is



1 repetitive, but I'm not a lawyer, and Ms. Blake is our policy  
2 witness and she's here today. She may be able to address this  
3 better than I.

4 Q Okay. Just one more question, if I may. So are you  
5 familiar with what's known as the TEXCOM Reconsideration Order  
6 of the FCC?

7 A I've heard of it, but I don't have personal knowledge  
8 of it. Again, Ms. Blake may be able to address that better.

9 MR. SELF: That's fine. That's all I have, Madam  
10 Chairman. Thank you.

11 CHAIRMAN EDGAR: Thank you, Mr. Self.

12 Mr. Gerkin, do you have cross?

13 MR. GERKIN: Yes, ma'am.

14 CHAIRMAN EDGAR: Please approach.

15 THE WITNESS: Madam Chair, would it be possible to  
16 take a short break?

17 CHAIRMAN EDGAR: Absolutely. We will take a  
18 ten-minute break.

19 THE WITNESS: Thank you very much.

20 (Recess taken.)

21 (Transcript continues in sequence with Volume 3.)  
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23  
24  
25

1 STATE OF FLORIDA        )  
                                  :  
2 COUNTY OF LEON         )

## CERTIFICATE OF REPORTER

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4           I, LINDA BOLES, RPR, CRR, Official Commission  
Reporter, do hereby certify that the foregoing proceeding was  
5 heard at the time and place herein stated.

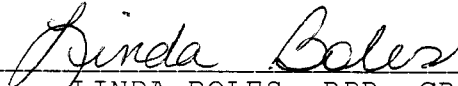
6           IT IS FURTHER CERTIFIED that I stenographically  
reported the said proceedings; that the same has been  
7 transcribed under my direct supervision; and that this  
transcript constitutes a true transcription of my notes of said  
8 proceedings.

9           I FURTHER CERTIFY that I am not a relative, employee,  
attorney or counsel of any of the parties, nor am I a relative  
10 or employee of any of the parties' attorneys or counsel  
connected with the action, nor am I financially interested in  
11 the action.

12                           DATED THIS 13<sup>th</sup> DAY OF APRIL, 2006.

13

14

  
\_\_\_\_\_  
LINDA BOLES, RPR, CRR  
FPSC Official Commission Reporter  
(850) 413-6734

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