

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

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REPORTING

In re:)
)
Petition by Level 3 Communications, LLC for)
Arbitration of Certain Terms and Conditions of a Proposed)
Agreement with BellSouth Telecommunications, Inc.)
_____)

Docket No. 000907-TP

Filed: November 1, 2000

**PRE-HEARING STATEMENT OF
BELLSOUTH TELECOMMUNICATIONS, INC.**

BellSouth Telecommunications, Inc. ("BellSouth"), in accordance with the provisions of the Order Establishing Procedure (Order No. PSC-00-1646-PCO-TP), issued September 15, 2000, submits its Pre-hearing Statement.

Witnesses

BellSouth proposes to call the following witness to offer testimony on the remaining issues in this docket (the parties have resolved issues 4, 5, and 8 since the filing of the Petition for Arbitration), as enumerated in Appendix A of the Order Establishing Procedure:

<u>Witness</u>	<u>Issues</u>
Cynthia K. Cox (Direct and Rebuttal)	1, 2, 3, 6, 7

BellSouth reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues

not presently designated that may be designated by the Pre-hearing Officer at the pre-hearing conference to be held on November 8, 2000. BellSouth has listed the witness for whom BellSouth filed testimony, but reserves the right to supplement that list if necessary.

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Exhibits

Cynthia K. Cox:	CKC-1 (Direct)	Maine Commission Order, Dockets 98-758 and 99-593 (6/30/00)
	CKC-1 (Rebuttal)	ISP Traffic Study Reports

BellSouth reserves the right to file exhibits to any testimony that may be filed under the circumstances identified above. BellSouth also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and Rules of this Commission.

Statement of Basic Position

The Commission’s goal in this proceeding is to resolve each issue in this arbitration consistent with the requirements of Section 251 of the Telecommunications Act of 1996 (“1996 Act”), including the regulations prescribed by the Federal Communications Commission (“FCC”), and to establish rates for interconnection services and network elements in accordance with Section 252(d) of the 1996 Act. The Commission should adopt BellSouth’s positions on the issues in dispute. BellSouth’s positions on these issues are reasonable and consistent with the 1996 Act, which cannot be said about the positions advocated by Level 3 Communications, LLC (“Level 3”).

BellSouth’s Position on the Issues of Law and Fact

Issue A: **What is the Commission’s jurisdiction in this matter?**

The Commission has jurisdiction, under 47 U.S.C. § 252, to resolve the disputed issues with which it has been presented in this case.

Issue 1: How should the parties designate the Interconnection Points (IPs) for their networks?

This issue concerns the financial implications of designated interconnection points, not the technical issues surrounding interconnection. BellSouth is entitled to designate the point of interconnection for traffic which originates on its network. Yet, in the language it has proposed for inclusion in the parties' agreement, Level 3 seeks to require BellSouth to collect BellSouth's local traffic in each of BellSouth's numerous local calling areas in the LATA, and for BellSouth also to be financially responsible for delivering local calls, destined for Level 3 local customers in each of those local calling areas to a single point in each LATA. BellSouth agrees that Level 3 can choose to build its own facilities to connect with BellSouth at a single technically feasible point in the LATA selected by Level 3. Level 3, however, cannot impose a financial burden on BellSouth to deliver BellSouth's originating local traffic to that single point. That is, BellSouth does not object to completing calls between BellSouth's customers and Level 3's customers using this single POI, provided that Level 3 is financially responsible for the additional costs that Level 3 causes. Level 3 can build facilities to a single point in each LATA and purchase whatever facilities it needs from BellSouth, or from another carrier, in order to reach individual local calling areas that Level 3 wants to serve. Level 3 does not have to build or purchase interconnection facilities to areas where Level 3 does not plan to serve customers.

Issue 2: Under what circumstances is Level 3 entitled to symmetrical compensation for leased facility interconnection?

The issue concerns the appropriate rate for the transport of traffic from the interconnection point between the parties' networks to Level 3's point of presence ("POP"). BellSouth agrees that symmetrical compensation should be provided when the services provided are equal. Level 3 is not seeking symmetrical compensation. Effectively, Level 3 is asking BellSouth to subsidize

Level 3 for the economic choices made by Level 3. In this case, Level 3 has chosen to install a single switch to serve an entire LATA. Level 3 is correct that, with this arrangement, it will not receive Dedicated Interoffice Transport. But, Level 3 is not entitled to receive compensation for interoffice transport facilities because it does not perform the function for which the compensation is intended.

Issue 3: Should each party be required to pay for the use of interconnection trunks on the other party's network? If so, what rates should apply?

The parties should be required to pay for interconnection trunks on the other party's network in the circumstances described in Issue 1, above. The applicable rates should be the rates established by this Commission for interconnection in the generic cost docket, Docket No. 990649-TP.

Issue 6: For purposes of the interconnection agreement between Level 3 and BellSouth, should ISP-bound traffic be treated as local traffic for the purposes of reciprocal compensation, or should it be otherwise compensated?

BellSouth's position on this issue is that ISP-bound traffic is not local traffic eligible for reciprocal compensation. BellSouth has presented its position to this Commission at length in three recent arbitration proceedings between BellSouth and ITC^DeltaCom, Intermedia and Global NAPS. BellSouth agrees to apply the Commission's Order in the Intermedia Arbitration proceeding (Order No. PSC-00-1519-FOF-TP, dated August 22, 2000) to this case, as an interim mechanism. BellSouth, however, contends that the interim mechanism must be subject to true-up, pending an order from the FCC on inter-carrier compensation for ISP-bound traffic. BellSouth agrees to this as a conciliatory offer that avoids requiring the Commission to rehear this issue. BellSouth reserves the right, however, to appeal or seek judicial review on this issue.

If the Commission decides that compensation should be paid for ISP-bound traffic in this proceeding, BellSouth submits that the reciprocal compensation rate for ISP-bound traffic should be lower than the reciprocal compensation rate for other local traffic because costs per minute for

ISP calls are lower than such costs for local calls. The cost for local calls is a combination of call set-up cost and a per minute rate. In the cost support for reciprocal compensation, the cost of call set-up is spread over the duration of the local call, based on the average duration of approximately 3 minutes. Assuming that the average duration of ISP calls is 20-25 minutes (versus approximately 3 minutes for an average local call), using the same reciprocal compensation rate for local and ISP calls means that call set up cost would be over recovered. Therefore, any per minute reciprocal compensation rate, if applied to ISP-bound traffic, should be a lower per minute rate to account for the longer call duration. The Commission adopted this approach in its recent order in the Global NAPs arbitration with BellSouth (Order No. PSC-00-1680-FPF-TP, dated September 19, 2000).

Issue 7(A): Should BellSouth be permitted to define its obligation to pay reciprocal compensation to Level 3 based upon the physical location of Level 3's customers?

BellSouth believes that reciprocal compensation should not be billed for calls that originate in one local calling area and terminate in another, regardless of the NPA/NXX assigned to the customers on either end of the call. BellSouth is not attempting to restrict Level 3's ability to allocate numbers, to its end users, out of its assigned NPA/NXX codes. It does not matter to BellSouth how Level 3 chooses to allocate its numbers to its end users. Level 3 can elect to give a telephone number to a customer who is physically located in a different local calling area than the local calling area where that NPA/NXX is assigned. If Level 3, however, chooses to give out its telephone numbers in this manner, calls originated by BellSouth end users to those distant Level 3 customers are not local calls. Consequently, such calls are not local traffic under the agreement and no reciprocal compensation applies.

Issue 7(B): Is BellSouth entitled to charge originating access on all calls to a particular Level 3 NPA/NXX when one or more numbers out of that NPA/NXX are assigned outside the boundaries of the BellSouth rate center or local calling area to which they are traditionally assigned?

BellSouth should be permitted to bill originating access charges on all calls to a particular NPA/NXX when one or more of the telephone numbers out of that NPA/NXX is assigned to a customer outside the local calling area if there is no reliable method of determining the destination of calls placed to individual numbers within such NPA/NXX. Such originating access charges are due for the reasons set forth in Issue 7A, above.

Stipulations

None.

Pending Motions

None.

Other Requirements

None.

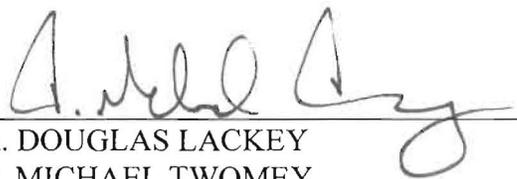
Respectfully submitted this 1st day of November, 2000.

BELLSOUTH TELECOMMUNICATIONS, INC.



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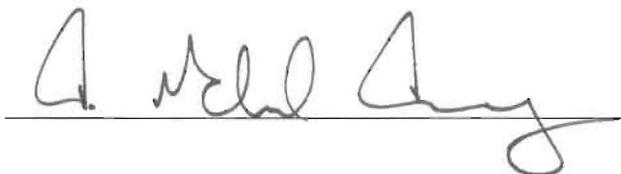
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on all parties of record by hand delivery, this 8th day of November, 2000.



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