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150 South Monroe Street
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March 1, 2002

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

Re: 000075-TP (Generic ISP) (Phase II)

Dear Ms. Bayó:

Enclosed is BellSouth Telecommunications, Inc.'s Direct Testimony of
Elizabeth R. A. Shiroishi, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was
filed and return the copy to me. Copies have been served to the parties shown on the
attached Certificate of Service.

Sincerely,

E. Earl Edenfield, Jr.
E. Earl Edenfield, Jr. (KH)

AUS _____ Enclosures

CAF _____

CMP _____

COM 1108 cc: All Parties of Record

CTR _____ Marshall M. Criser III

ECR _____ R. Douglas Lackey

GCL _____ Nancy B. White

OPC _____

MMS _____

SEC 1 _____

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CERTIFICATE OF SERVICE
Docket No. 000075-TP (Phase II)

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via

(*) Hand Delivery and Federal Express this 1st day of March, 2002 to the following:

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(+) Signed Protective Agreement

1 - BELLSOUTH TELECOMMUNICATIONS, INC.
2 DIRECT TESTIMONY OF BETH SHROISHI
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NO. 000075-TP (PHASE II)
5 MARCH 1, 2002
6

7 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH
8 TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS
9 ADDRESS.
10

11 A. My name is Elizabeth R. A. Shiroishi. I am employed by BellSouth as Managing
12 Director for Interconnection Services. My business address is 675 West
13 Peachtree Street, Atlanta, Georgia 30375.
14

15 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND
16 AND EXPERIENCE.
17

18 A. I graduated from Agnes Scott College in Decatur, Georgia, in 1997, with a
19 Bachelor of Arts Degree in Classical Languages and Literatures. I began
20 employment with BellSouth in 1998 in the Interconnection Services Pricing
21 Organization as a pricing analyst. I then moved to a position in product
22 management, and now work as a Managing Director for Interconnection Services.
23 In this position, I am responsible both for negotiating and for overseeing the
24 negotiations of Interconnection Agreements, as well as Local Interconnection,
25 Internet Service Provider ("ISP")/Enhanced Service Provider ("ESP"), and

1 Internet Protocol ("IP") issues.

2

3 Q. HAVE YOU TESTIFIED PREVIOUSLY?

4

5 A. Yes. I have testified before the Florida Public Service Commission in Docket No.
6 991267-TP, Docket No. 000075-TP (Phase I), and Docket No. 001810-TP.
7 Additionally, I filed testimony in Docket No. 992018-TP.

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10

11 A. The purpose of my testimony is to present BellSouth's policy positions on issues
12 13 and 17 as contained in the Commission's Second Order On Procedure,
13 Schedule and Issues for Phase 2 (Order No. PSC-02-0139-PCO-TP) dated
14 January 31, 2002. For each issue in this proceeding, BellSouth's originally filed
15 testimony will appear first, with additional testimony following and labeled as
16 such.

17

18 ***Issue 13: How should a "local calling area" be defined, for purposes of determining***
19 ***the applicability of reciprocal compensation?***

20

21 Q. WHAT IS BELL SOUTH'S POSITION ON THIS ISSUE?

22

23 A. For purposes of determining the applicability of reciprocal compensation, a
24 "local calling area" can be defined as mutually agreed to by the parties and

1 pursuant to the terms and conditions contained in the parties' negotiated
2 interconnection agreement.

3
4 Q. WHAT DOES BELLSOUTH REQUEST THE COMMISSION DO?

5
6 A. The Commission should allow each party to establish their own local calling area
7 for reciprocal compensation purposes.

8
9 **ADDITIONAL TESTIMONY:**

10 Q. WHAT IS THE COMMISSION'S JURISDICTION IN THIS MATTER?

11
12 A. While I am not a lawyer, it is my understanding that Paragraph 1035 of the FCC's
13 Local Competition First Report and Order issued August 8, 1996 ("Local
14 Competition Order") gives state commissions the authority to determine what
15 geographic areas should be local for reciprocal compensation purposes.
16 Specifically, Paragraph 1035 states:

17
18 With the exception of traffic to or from a CMRS network,
19 state commissions have the authority to determine what
20 geographic areas should be considered "local areas" for the
21 purpose of applying reciprocal compensation obligations
22 under section 251 (b)(5), *consistent* with the state
23 commissions' historical practice of defining local service
24 areas for wireline LECs
25 (emphasis added)

26 As stated in this passage, state commissions are given the jurisdiction to make the
27 determination of what the default local calling area should be for reciprocal
28 compensation purposes, but it must do so consistent with its historical practice of

1 defining local services areas for wireline LECs. Additionally, the Florida Public
2 Service Commission must do so within the parameters of Florida law.

3
4 Q. SHOULD THE COMMISSION ESTABLISH A DEFAULT DEFINITION OF
5 LOCAL CALLING AREA FOR THE PURPOSE OF INTERCARRIER
6 COMPENSATION TO APPLY IN THE EVENT PARTIES CANNOT REACH
7 A NEGOTIATED AGREEMENT?

8
9 A. It has not been BellSouth's experience that this issue is one that requires the
10 Commission to establish a default definition. While many other issues
11 surrounding intercarrier compensation (e.g., whether or not reciprocal
12 compensation is owed for ISP-bound traffic, payment for transport when calls are
13 transported outside of the local calling area, how virtual NXX traffic should be
14 compensated, etc.) have been highly contested and arbitrated, this specific issue
15 has not. BellSouth has entered into interconnection agreements that address this
16 issue in a variety of ways. By looking at traffic patterns of each Party (BellSouth
17 and the particular ALEC) and by developing terms and conditions that are
18 interrelated to the definition of local calling area for intercarrier compensation,
19 BellSouth and ALECs have historically been able to reach agreement on this
20 issue. And of course, any other ALEC may opt in to these interrelated provisions
21 under 252(i) of the Telecommunications Act of 1996 (the "Act").

22
23 However, if this Commission does decide to establish a default definition of local
24 calling area for intercarrier compensation purposes, as I stated earlier, such
25 definition must be within the parameters of FCC Rules and Florida laws.

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Q. IF THE COMMISSION WERE TO ESTABLISH A DEFAULT DEFINITION OF
LOCAL CALLING AREA FOR THE PURPOSE OF INTERCARRIER
COMPENSATION, WHAT SHOULD THAT DEFINITION BE?

A. As stated originally in this proceeding, BellSouth's position is that, for purposes
of determining the applicability of reciprocal compensation, a "local calling area"
can be defined as mutually agreed to by the parties and pursuant to the terms and
conditions contained in the parties' negotiated interconnection agreement, with
the originating Party's local calling area determining the intercarrier
compensation between the Parties. BellSouth currently has the arrangement
described above in many of its interconnection agreements, and is able to
implement such arrangement through the use of billing factors. These factors
allow the originating carrier to report to the terminating carrier the percent of
usage that is interstate, intrastate, and local. Thus, the originating Party, whose
calling area determines the intercarrier compensation due for the call, reports the
jurisdiction of the call through the use of factors. With developing technology,
there are also instances when the terminating Party would have enough
information to develop the jurisdiction (and thus the appropriate intercarrier
compensation) of the call.

Although BellSouth believes that its plan is administratively manageable,
BellSouth does understand the concerns raised as to the implementation of
different calling areas. If the Commission ultimately determines that BellSouth's
plan is not administratively feasible, BellSouth is in support of setting the default

1 as the local calling scope as determined by the Commission and set forth in the
2 ILEC's tariff, consistent with the proposals set forth in the testimony filed by
3 Sprint and Verizon in the last phase of this proceeding. This would further allow
4 each Party (whether the originating Party or terminating Party) to easily validate
5 and identify the jurisdiction of traffic sent and received.
6

7 Q. HAVE OTHER COMMISSION'S ESTABLISHED THE ILEC'S LOCAL
8 CALLING AREA AS THE DEFAULT DEFINITION OF LOCAL CALLING
9 AREA FOR THE PURPOSE OF INTERCARRIER COMPENSATION?
10

11 A. Yes. The Texas Commission issued an Order, in Docket No. 16189, with a
12 definition of local traffic which bounded it to the ILEC's (Southwestern Bell)
13 local calling area (see *Petition of MFS Communications Company, Inc. for*
14 *Arbitration of Pricing of Unbundled Loops Agreement Between MFS*
15 *Communications Company, Inc. and Southwestern Bell Telephone Company,*
16 *Docket No. 16189, et al*, Award (November 8, 1996). This Order stated that the
17 reciprocal compensation rates adopted applied to "calls that originate and
18 terminate within the mandatory single- or multi-exchange local calling area of
19 SWBT, including the mandatory Extended Area Service (EAS areas served by
20 SWBT)." Subsequently, in Docket Number 21982 (*See Revised Arbitration*
21 *Award, Proceeding To Examine Reciprocal Compensation Pursuant To Section*
22 *252 of the Federal Telecommunications Act of 1996*. Docket No. 21982 (August
23 31, 2000) at 12), the Texas Commission reached the same conclusion, but revised
24 the language to be more specific. Said revised language defines local traffic as:
25

1 [a call that] (i) originates from and terminates to such end-
2 users in the same SWBT exchange area; or (ii) originates
3 from and terminates to such end-users within different
4 SWBT exchanges, or within a SWBT exchange and an
5 independent ILEC exchange, that share a common
6 mandatory local calling area, e.g., mandatory extended area
7 service (EAS), mandatory extended local calling service
8 (ELCS), or other types of mandatory expanded local calling
9 scopes.

10

11 Q. IF THE FLORIDA COMMISSION ESTABLISHES THE ILEC'S LOCAL
12 CALLING AREA AS THE DEFAULT DEFINITION OF LOCAL CALLING
13 AREA FOR THE PURPOSE OF INTERCARRIER COMPENSATION,
14 WOULD SUCH A DEFINITION BE CONSISTENT WITH PARAGRAPH 1035
15 OF THE LOCAL COMPETITION ORDER AND FLORIDA LAW?

16

17 A. Yes.

18

19 Q. MUST LOCAL CALLING AREAS FOR INTERCARRIER COMPENSATION
20 PURPOSES MIRROR THE LOCAL CALLING AREAS ESTABLISHED FOR
21 RETAIL PURPOSES?

22

23 A. No. Today, all of BellSouth's interconnection agreements with ALECS allow the
24 ALEC to set its own local calling area for retail purposes. The Parties then agree
25 upon, and put in the interconnection agreement, how they will determine what is
26 "local" for intercarrier compensation purposes. As stated earlier in my testimony,
27 this is accomplished through the use of billing factors.

28

1 Q. HOW ARE ACCESS CHARGES ASSESSED WHEN AN INTRALATA TOLL
2 CALL IS HANDED OFF FROM AN ILEC TO AN ALEC OR ALEC TO AN
3 ILEC?
4

5 A. Just as with a switched access interLATA call, there are really three parts to an
6 intraLATA toll call: the originating local exchange carrier's network, the
7 transport that consists of the "toll component," and the terminating local exchange
8 carrier's network. The only difference between an interLATA switched access
9 call and intraLATA toll call is that the call does not cross LATA boundaries, and
10 thus, the ILEC can carry that call if the end user chooses to have the ILEC as its
11 Local Presubscribed Interexchange Carrier (LPIC). However, for compensation
12 purposes, think of the call in this way: whomever receives the retail revenues for
13 the call pays the other participating carriers for the use of their networks. Let's
14 look at three different scenarios. For the first scenario assume that a BellSouth
15 end user is LPICed to BellSouth, and makes an intraLATA toll call to an ALEC
16 end user. In this instance, BellSouth receives the retail revenues associated with
17 the toll service, and pays the originating (in this case, BellSouth, through internal
18 transactions) local exchange carrier and terminating (in this case, the ALEC) local
19 exchange carrier for the use of their networks. This scenario is depicted as
20 Diagram A in Exhibit ERAS-1. For the second scenario, assume that the same
21 BellSouth end user calls the same ALEC end user, but this time the BellSouth end
22 user is LPICed to its Interexchange Carrier. In this instance, the IXC receives the
23 retail revenues associated with the toll service, and pays the originating (in this
24 case, BellSouth) local exchange carrier and terminating (in this case, the ALEC)
25 local exchange carrier for the use of their networks. This scenario is depicted as

1 Diagram B in Exhibit ERAS-1. For the third scenario, assume that the same
2 BellSouth end user calls the same ALEC end user, but this time the BellSouth end
3 user is LPICed to the same ALEC who happens to be the called party's local
4 exchange carrier. In this instance, the ALEC receives the retail revenues
5 associated with the toll service, and pays the originating (in this case, BellSouth)
6 local exchange carrier and terminating (in this case, the ALEC through internal
7 transactions) local exchange carrier for the use of their networks. This scenario is
8 depicted as Diagram C in Exhibit ERAS-1

9
10 Q. WHAT WOULD BE THE FINANCIAL IMPACT IF WHAT ARE
11 CURRENTLY INTRALATA TOLL CALLS BETWEEN ILECS AND ALECS,
12 INSTEAD BECOME SUBJECT TO RECIPROCAL COMPENSATION?

13
14 A. The complexity of this issue comes from the fact that, as you can see from
15 Diagrams A, B, and C, there are different compensation schemes depending on
16 who is the toll provider. If calls that are currently intraLATA tolls were to
17 become subject to reciprocal compensation, then BellSouth would actually owe
18 money, under Diagrams B and C, instead of receiving originating access charges.
19 Obviously this is an inequitable result.

20
21 Q. WHAT DOES BELL SOUTH REQUEST THE COMMISSION DO?

22
23 A. If the Commission decides to set a default local calling area for reciprocal
24 compensation purposes aside from each party defining its own, such default
25 should be the ILEC's local calling area.

1 *Issue 17: Should the Commission establish compensation mechanisms governing the*
2 *transport and delivery of traffic subject to Section 251 of the Act to be used in the*
3 *absence of the parties reaching an agreement for negotiating a compensation*
4 *mechanism? Is so, what should be the mechanism?*

5
6 Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

7
8 A. As previously stated in response to Issue 10, the Commission is required to ensure
9 that BellSouth has established reciprocal compensation arrangements for the
10 transport and termination of local telecommunications traffic pursuant to the Act
11 and FCC rules. As such, the rates, terms and conditions of any compensation
12 mechanism established by the Commission must also comport with the Act and
13 FCC rules. The resolution of the other issues in this proceeding will result in the
14 establishment of a compensation mechanism. Once the mechanism is determined,
15 the only issue to be resolved is a determination of which party is financially
16 responsible for the facilities used to transport and terminate local traffic.

17
18 **ADDITIONAL TESTIMONY:**

19 Q. WHAT IS THE COMMISSION'S JURISDICTION IN THIS MATTER?

20
21 A. While I am not a lawyer, it is my understanding that Section 252(d)(2) of the Act
22 gives each state commission the jurisdiction to set rates for the transport and
23 termination of traffic subject to Section 251(b)(5). Section 252(d)(2)(B)(i)
24 specifically states that this authority to set rates for the transport and termination
25 of traffic subject to 251(b)(5) "shall not be construed to preclude arrangements

1 that afford the mutual recovery of costs through the offsetting of reciprocal
2 obligations, including arrangements that waive mutual recover
3 (such as bill-and-keep arrangements).” Section 51.713 of the Code of Federal
4 Regulations goes into further detail as to when bill-and-keep arrangements may
5 be established by a state commission.
6

7 Q. DOES THE COMMISSION HAVE THE AUTHORITY TO ESTABLISH A
8 BILL-AND-KEEP INTERCARRIER COMPENSATION MECHANISM IN A
9 GENERIC PROCEEDING?
10

11 A. Yes. The Act and Code of Federal Regulations clearly gives the Commission the
12 authority to establish bill and keep arrangements, without limitation as to the type
13 of proceeding the issue is addressed in. Although the FPSC has Authority to
14 establish bill-and-keep, the FCC has recently issued a Notice of Proposed
15 Rulemaking In the Matter of a Unified Intercarrier Compensation Regime (CC
16 Docket No. 01-92), Released April 27, 2002 looking at this issue in the context of
17 a broader proceeding. . While this Notice by the FCC seeks comments beyond
18 the scope of this issue (i.e., bill-and-keep for local usage elements), the outcome
19 of such proceeding will address this issue.
20

21 Q. CAN THE COMMISSION ESTABLISH A BILL-AND-KEEP
22 ARRANGEMENT FOR INTERCARRIER COMPENSATION PURPOSES
23 UNDER THE PRESUMPTION THAT THE TRAFFIC IS ROUGHLY IN
24 BALANCE?
25

1 A. Absolutely. In fact Section 51.713 (c) seems to anticipate just such a scenario.

2 Section 51.713 (c) states:

3 (c) Nothing in this section precludes a state commission from presuming
4 that the amount of telecommunications traffic from one network to the
5 other is roughly balanced with the amount of telecommunications traffic
6 flowing in the opposite direction and is expected to remain so, unless a
7 party rebuts such a presumption.

8

9 Q. IF THE COMMISSION IMPOSES BILL-AND-KEEP AS A DEFAULT
10 MECHANISM, WILL THE COMMISSION NEED TO DEFINE
11 GENERICALLY “ROUGHLY BALANCED?” IF SO, HOW SHOULD THE
12 COMMISSION DEFINE “ROUGHLY BALANCED?”

13

14 A. Not necessarily. In compliance with Section 51.713 (c), the Commission could
15 presume that traffic is roughly balanced, subject to a carrier rebutting such a
16 presumption. In order to address a rebuttal of such presumption, the Commission
17 would then need to have a definition of roughly balanced. The FCC recently
18 struggled with this same issue in making a determination of how ISP-bound
19 traffic should be defined (which is traffic that is generally out of balance). The
20 FCC made a determination in it’s Order on Remand and Report and Order in CC
21 Docket 99-68 released April 27, 2001 (“ISP Order on Remand”) that traffic above
22 3:1 ratio of originating to terminating traffic would be considered ISP-bound
23 traffic. Following this already established precedent, this Commission should
24 find that traffic below a 3:1 ratio of originating to terminating traffic is “roughly
25 balanced.” If a Party wished to rebut the presumption that their traffic was

1 roughly balanced, such a showing would be made to this Commission, since this
2 Commission has jurisdiction of local traffic.

3

4 Q. DOES BELLSOUTH CURRENTLY HAVE IN PLACE INTERCONNECTION
5 AGREEMENTS WITH ALECS THAT PROVIDE FOR BILL AND KEEP ON
6 LOCAL TRAFFIC?

7

8 A. Yes. BellSouth currently has in place quite a number of bill-and-keep contracts
9 for local traffic. For example, BellSouth has entered into such agreements in
10 Florida with Sprint, COVAD, CRG International dba Network One, Knology,
11 Atlantic.net, Allegiance, and Hart. Such contracts state that per minute-of-use
12 elements for local calls that originate from one Party and terminate to the other
13 Party shall be compensated as bill-and-keep.

14

15 Q. WILL THE ADOPTION OF BILL AND KEEP ARRANGEMENTS AS A
16 DEFAULT MECHANISM MINIMIZE THE NEED FOR REGULATORY
17 INTERVENTION FOR THE IMMEDIATE TERM AND FOR THE FUTURE?

18

19 A. To some extent. One easy item to identify which would become null (and thus
20 not require regulatory intervention) is the highly contentious issue of whether an
21 ALEC is entitled to be compensated at the ILEC's tandem interconnection rate.
22 However, carriers could still have disputes over the jurisdiction of traffic, whether
23 or not traffic is roughly balanced, and other tangential issues.

24

25 Q. WHAT DOES BELLSOUTH REQUEST THE COMMISSION DO?

1

2 A. BellSouth requests that the Florida Public Service Commission make the finding
3 that traffic subject to 251(b)(5) is presumed to be roughly balanced, and,
4 following already established precedent, find that traffic below a 3:1 ratio of
5 originating to terminating traffic is roughly balanced. Based on the presumption
6 that traffic subject to 251(b)(5) is roughly balanced, BellSouth requests that the
7 Commission set as the default mechanism that calls that originate from one Party
8 and terminate to the other Party in the ILEC's geographic calling scope (as
9 defined by the ILEC's tariff) shall be bill-and-keep for usage based elements.
10 Access traffic, which is not subject to 251(b)(5), would fall outside the scope of
11 this bill-and-keep, as would non-usage based elements.

12

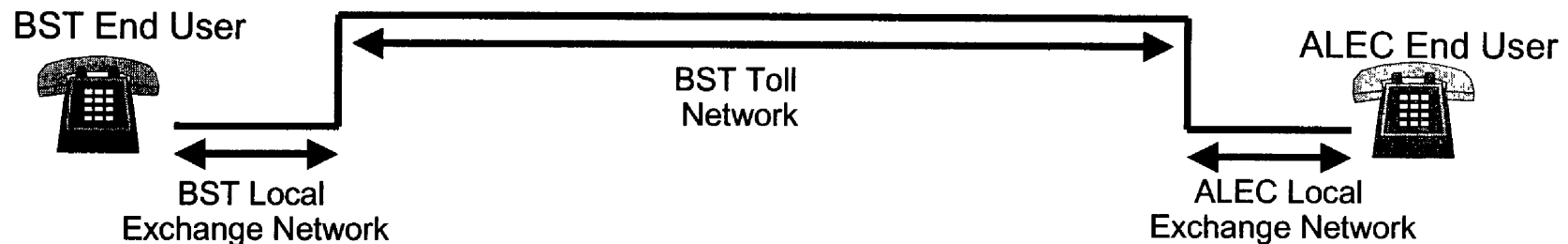
13 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

14

15 A. Yes.

Diagram A

BST is Toll Provider (LPIC)

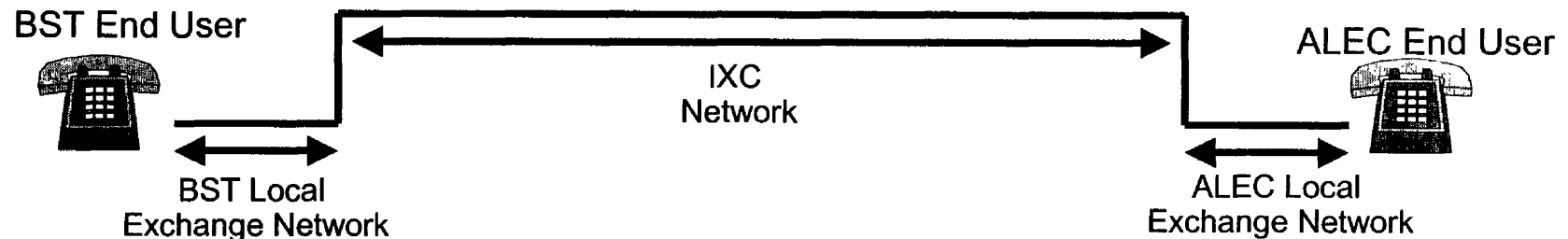


Toll Provider (ILEC):

- receives retail revenues
 - ◆ pays the originating (in this case, BellSouth, through internal transactions) local exchange carrier for the use of network
 - ◆ pays the terminating (in this case, the ALEC) local exchange carrier for use of network
-

Diagram B

IXC is Toll Provider (LPIC)

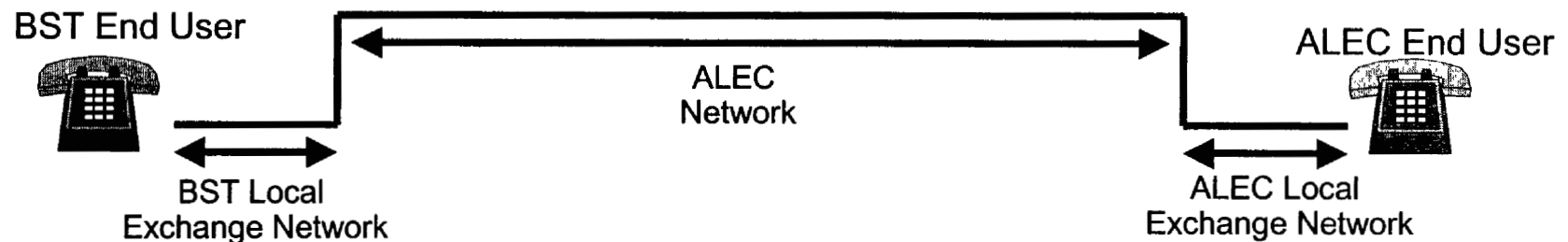


Toll Provider (IXC):

- ◆ receives retail revenues
 - pays the originating (in this case, BellSouth) local exchange carrier for the use of network
 - ◆ pays the terminating (in this case, the ALEC) local exchange carrier for use of network
-

Diagram C

ALEC is Toll Provider (LPIC)



Toll Provider (ALEC):

- ◆ receives retail revenues
 - pays the originating (in this case, BellSouth) local exchange carrier for the use of network
 - ◆ pays the terminating (in this case, the ALEC through internal transactions) local exchange carrier for use of network
-

Diagram A

ILEC is Toll Provider (LPIC)

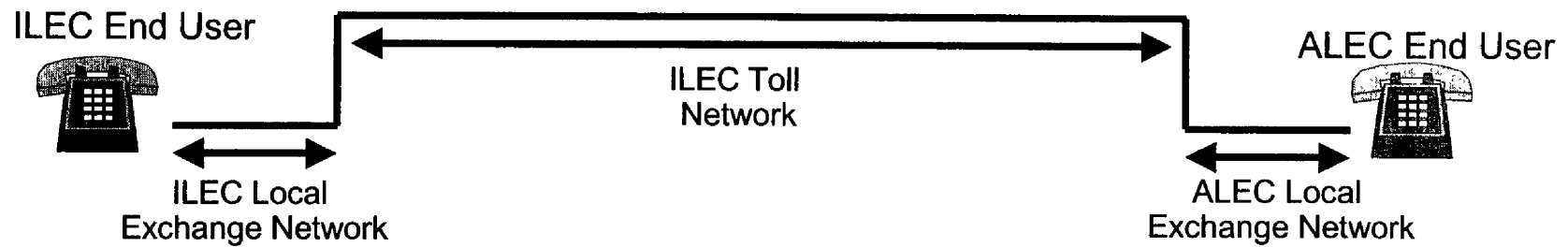


Diagram D

