3

4

5

6

7

8

9

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

EXHIBIT

DOCKET NO. 040130-TP

In the Matter of

JOINT PETITION BY NEWSOUTH COMMUNICATIONS CORP., NUVOX COMMUNICATIONS, INC., KMC TELECOM V, INC., KMC TELECOM III LLC, AND XSPEDIUS COMMUNICATIONS, LLC, ON BEHALF OF ITS OPERATING SUBSIDIARIES XSPEDIUS MANAGEMENT CO. SWITCHED SERVICES, LLC AND XSPEDIUS MANAGEMENT CO. OF JACKSONVILLE, LLC, FOR ARBITRATION OF CERTAIN ISSUES ARISING IN NEGOTIATION OF INTERCONNECTION AGREEMENT WITH BELLSOUTH TELECOMMUNICATIONS, INC.



11

10

12

13

14

ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE A CONVENIENCE COPY ONLY AND ARE NOT THE OFFICIAL TRANSCRIPT OF THE HEARING, THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

15

16 17

18

PROCEEDINGS:

AGENDA CONFERENCE

ITEM NO. 11

BEFORE:

COMMISSIONER RUDOLPH "RUDY" BRADLEY

COMMISSIONER LISA POLAK EDGAR

19 DATE: Tuesday, August 30, 2005

PLACE: 20

Betty Easley Conference Center

Room 148

4075 Esplanade Way Tallahassee, Florida

22

21

TRANSCRIBED FROM

TAPE BY: 23

JANE FAUROT, RPR

Official FPSC Hearings Reporter

(850) 413-6732

25

24

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION 08753 SEP 16 \$

PARTICIPATING:

JEREMY SUSAC, ESQUIRE, Anne Marsh, Michael Barrett, Jerry Hallenstein, Kit Kennedy, Doris Moss, Nancy Pruitt, and Paul Vickery, representing the Florida Public Service Commission Staff.

-	٠	
	ŧ	
-	٠.	

PROCEEDINGS

Edgar.

CHAIRMAN BAEZ: Item 11 is a panel of Bradley and

COMMISSIONER BRADLEY: Are we ready for Item 11? We're on Item 11. Staff.

MS. MARSH: Good morning, Commissioners. Marsh with the Commission Staff. I'm introducing Item 11. This is Docket Number 040130-TP, the joint petition of NewSouth, NuVox, and Xspedius for arbitration of certain issues with regard to their arbitration agreement with BellSouth. has withdrawn from this docket. Before we begin, Mr. Susac has some procedural matters he would like to suggest, so I will turn it over to Mr. Susac.

MR. SUSAC: Thank you. Jeremy Susac on behalf of staff.

Mr. Chairman, we have two procedural suggestions, and with your permission I will give you those suggestions.

COMMISSIONER BRADLEY: You are recognized.

MR. SUSAC: The first suggestion, because it is a two-member panel, you can simply, after a motion has been made, if you agree with the motion, you can say without objection and then show the item moved, or you can simply state that you would like to discuss the item, and then we can go into a guestion.

FLORIDA PUBLIC SERVICE COMMISSION

The second is due to the number of issues at hand, it

2

3

5

4

б

7

8 9

10

11 12

13

14

15 16

17

18 19

20

21

22

23

24

25

may be appropriate, in some instances, to take up more issues at once. For example, Issues 4, 5, and 7 all deal with liability issues. If that is your pleasure, staff is prepared to do that. If not, we can go issue-by-issue.

COMMISSIONER EDGAR: Commissioner Bradley, I think that it makes sense to kind of approach this in chunks, if you will. And so if there are some natural groupings of issues, and I believe that there are on some, I would like to approach it that way if you are comfortable with that. And then if there are those items that we would like to ask more questions or have more discussion, we can jump right into those.

COMMISSIONER BRADLEY: I would agree with the Commissioner, we should probably take them in groups. Because there are quite a few of them that are related, and I think the outcome of one will affect the outcome of the others.

Let's start with Issues 4, 5, and 7. And I have looked at them, and it is my understanding that these are liability limitations and indemnification items -- issues.

MR. SUSAC: That is correct, Mr. Chairman.

COMMISSIONER BRADLEY: Why don't we start with those.

MR. SUSAC: I'll begin with Issue 4. Issue 4 is what should the limitation of each party's liability in circumstances other than gross negligence or willful misconduct? Staff recommends that a party's liability should be limited to the issues of bill credits in all circumstances

other than gross negligence or willful misconduct. Staff arrived at that recommendation by agreeing with the FCC wireline bureau in the Virginia arbitration.

Essentially, the FCC wireline said that it is appropriate for an ILEC to treat a CLEC in the same manner as it treats its own retail customers. In this instance, BellSouth treats its retail customers by bill credits, so we feel that it is appropriate that they treat the CLECs with bill credits.

COMMISSIONER EDGAR: And that was Issue 4?

MR. SUSAC: That was Issue 4.

COMMISSIONER EDGAR: Okay. Commissioner Bradley, I would like to go ahead and hear the discussion or presentation on 5 and 7.

COMMISSIONER BRADLEY: Okay, and we'll vote on them in block.

MR. SUSAC: Okay. Issue 5. Issue 5 states if the CLEC does not have in its contracts with end users and/or tariff standard industry limitations of liability, who should bear the resulting risk.

Staff recommends that CLECs have the ability to limit their liability through their customer agreements and/or tariffs. And if a CLEC does not choose to limit its liability through customer agreements or tariffs, then the CLEC should bear the resulting risk. Staff would also note that all

parties to this proceeding currently limit their liability via their tariffs, so we don't believe any party would be prejudiced by that recommendation.

COMMISSIONER BRADLEY: 7.

MR. SUSAC: I believe the next is Issue 7.

Essentially Issue 7 is what should the indemnification obligations of the parties be under this agreement. Staff recommends a party should be indemnified, defended, held harmless against claims, losses, or damages to the extent reasonably arising from or in connection with the other party's gross negligence or willful misconduct.

Essentially, as we stated in the previous issues, parties have the ability to limit their liability in their tariffs and their agreements. If they don't, they bear the resulting risk. However, that shouldn't apply, in staff's opinion, to, in a sense, bad conduct, willful misconduct or gross negligence.

COMMISSIONER BRADLEY: Okay. Any discussion or a motion?

COMMISSIONER EDGAR: Based on staff's discussion, I would move staff's recommendation on 4, 5 and 7.

COMMISSIONER BRADLEY: Show this item as moved without objection.

Item 6, identification of damage terms.

MR. SUSAC: Yes, Mr. Chairman. Issue 6, how should

indirect, incidental, and consequential damages be defined for purposes of this agreement. Staff recommends that the Commission should not define indirect, incidental, or consequential damages for purposes of the agreement. The decision of whether a particular type of damage is indirect, incidental, or consequential should be made consistent with applicable law if and when a specific damage claim is presented to the Commission or a court of law.

COMMISSIONER BRADLEY: Any discussion or a motion?

COMMISSIONER EDGAR: I'm comfortable that staff's recommendation is in keeping with previous actions of this Commission, and I can move staff's recommendation.

COMMISSIONER BRADLEY: Okay. Show the item as being moved without objection.

Item 9, dispute resolution forum.

MR. SUSAC: Yes, Mr. Chairman. Issue 9, under what circumstances should a party be allowed to take a dispute concerning the interconnection agreement to a court of law for first resolution? Essentially, staff recommends that the parties should be allowed to seek resolution disputes arising out of an interconnection agreement to the Commission, the FCC, or courts of proper jurisdiction. However, staff believes that the Commission has primary jurisdiction over most disputes arising from interconnection agreements, and that if a petition is filed in an improper forum, it is ultimately subject to

being dismissed or held in abeyance while the Commission addresses matters within its own jurisdiction.

Staff is available for questions.

COMMISSIONER BRADLEY: Ouestions or discussion?

COMMISSIONER EDGAR: A statement, I believe, has been made that there may be another forum that might be more efficient than this Commission in rendering a decision.

MR. SUSAC: Staff notes that in most instances we have primary jurisdiction over disputes over the interconnection agreement. However, staff believes that no forum should be foreclosed to any party to this agreement, and one example we give is third-party damages. Third-party damages more than likely fall outside of the Commission's In that instance, a court of proper jurisdiction jurisdiction. may be appropriate in that instance. However, staff notes more often than not this Commission has primary jurisdiction over disputes arising from interconnection agreements.

COMMISSIONER EDGAR: And I agree with your last statement that we do have primary jurisdiction, and I can move staff's recommendation.

COMMISSIONER BRADLEY: Without objection, show the item as being moved.

Issue 12, applicable laws, rules and regulations.

MR. SUSAC: Yes, Mr. Chairman, Issue 12.

Issue 12, should the agreement explicitly state that

FLORIDA PUBLIC SERVICE COMMISSION

21

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

22

23

24

25

all existing state and federal laws, rules, regulations, and decisions apply unless otherwise specifically agreed to by the parties. Staff recommends answering that issue with no. A provision including such a statement could be subject to various interpretations in the context of a dispute.

Instead, the contract should be interpreted according to explicit terms, if those terms are clear and unambiguous.

In the event the contract language is deemed ambiguous, the terms should be interpreted in accordance with applicable law governing the contract interpretation.

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER EDGAR: I'm comfortable that the staff recommendation here and discussion is, again, in keeping with previous actions of this Commission. I can move staff's recommendation.

COMMISSIONER BRADLEY: Without objection, show the item as being moved, having been moved.

Item 26. Issue 26, I'm sorry.

MR. VICKERY: Good morning, Commissioners. My name is Paul Vickery with Commission Staff. Issue 26 is whether or not BellSouth is to be required to commingle UNEs or UNE combinations with any service, network element, or other offering that it is obligated to make available pursuant to Section 271 of the Act. Staff is recommending that BellSouth, upon a CLEC request, be allowed to commingle UNE and UNE

combinations with any service network element or other offering that it is obligated to make available pursuant to Section 271.

Staff is available for any questions that you may have.

COMMISSIONER BRADLEY: Discussion or a motion?

Discussion?

COMMISSIONER EDGAR: I have read these paragraphs over and over and over and over. And I have also gone back to the errata, and to the definition of errata. And, you know, it is my impression, Commissioner Bradley, that the language at question in this issue can reasonably be interpreted more than one way. So trying to take a step back, perhaps, and look at the bigger picture and where we are today, and where we may be headed, I think that what we have here is similar to an instance of, perhaps, dualing experts. We have dualing interpretations that, again, are reasonable, and that the language can reasonably be interpreted more than one way.

But the way I have tried to approach this, again, after reading and rereading and rereading, I do think that an errata is to make a correction, I'll make that statement and throw that out for possible discussion. In the discussion in the item, staff states that Paragraph 584 after the errata could be construed to mean that commingling of network elements unbundled pursuant to Section 271 is no longer required. And staff further states that the errata change to Paragraph 584

made the issue unclear and no longer straightforward. I'm not so sure it was clear and straightforward before, but I do agree that it is not completely clear and straightforward as we sit today.

So with that, again, I think what we need to do is look at it in the larger context, and that the language at issue should be interpreted within the larger context of FCC decisions and direction, and in keeping with this Commission's recognition of that direction.

Recreating UNE-Ps or UNE-P type service provisions, I believe, is in contradiction to the goals of the FCC and the direction that they have laid out in the TRO and as followed through with the errata that came after that. I also don't believe that the CLECs are significantly disadvantaged by removing 271 services from those services that must be commingled with UNEs or with UNE combinations. 271 services will continue to be available from BellSouth through special access tariffs or commercial agreements.

And that is kind of the thought process that I have gone through. I can move forward with a motion along those lines, or I'm open to more discussion or questions,

Commissioner Bradley, whatever is your pleasure.

COMMISSIONER BRADLEY: Well, this is a philosophical issue that I also have given a lot of thought to, and I have always stated that in order to have real competition that all

competitors must be facilities-based. And I think the message that we have received, or what I'm hearing as it relates to the direction of seeing -- as it relates to the direction that the FCC is moving in is that that is also their thinking. And I know it's painful, but the only way that we can have true competition is to have facilities-based companies competing. So, therefore, I agree with what you have said.

COMMISSIONER EDGAR: I do have a concern, as I stated, that regardless of pricing, that one could argue that commingling 251, those elements, and 271 switching could be representative of UNE-P. And I agree with your statement that that is not the direction that the FCC has given us and that this Commission has been following through on, as well. I can make a motion or we can discuss it further.

COMMISSIONER BRADLEY: I'll accept the motion.

COMMISSIONER EDGAR: Okay. I would move that the Commission deny staff's recommendation on Issue 26 and find that BellSouth is required, upon a CLEC's request, to commingle or to allow commingling of UNEs or UNE combinations with any service, network element, or other offering that it is obligated to make available. However, this does not include services, network elements, or other offerings made available only under Section 271.

COMMISSIONER BRADLEY: That's the motion?

COMMISSIONER EDGAR: That's the motion.

1.8

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER BRADLEY: Well, without objection, show the motion as having been accepted. We are now on Issue -- did you say something?

MS. MOSS: Commissioner, I was going to introduce Issues 36A/B, 37, and 38.

COMMISSIONER BRADLEY: Okay. We are on Issues 36A/B, 37, and 38. And these issues deal with line conditioning.

MS. MOSS: Yes. I'm Doris Moss with Commission

Staff. These issues are related to line conditioning. 36A

deals with the appropriate definition for line conditioning;

36B follows with BellSouth's obligations with respect to line

conditioning. Issue 37 deals with specific loading provisions.

And 38 deals with the rates, terms, and conditions for removal

of bridged tap.

Staff's recommendation in 36A is to define line conditioning based on the rules. This will encompass the obligation to ensure xDSL capability and also the requirement to provide nondiscriminatory access, which is parity. Based upon this definition, staff believes that BellSouth's obligations in Issue 36B are to provide line conditioning at parity. Therefore, in Issues 37 and 38, to provide --BellSouth's recommendation is for BellSouth to provide loading and bridged tap removal at parity with what BellSouth affords its own customers or other telecommunications carriers.

commissioner edgar: Thank you. I do think that it is reasonable to expect that BellSouth should not be required to perform services that are not consistent with what they would perform for their own customers or carriers. I do think that this is carrying forward on the concept of parity that this Commission has moved forward with in the past, and I can move staff recommendation on Item 36A, 36B, 37, and 38.

COMMISSIONER BRADLEY: Show Items 36A/B, 37, and 38 as having been moved without objection.

Item 56 -- I'm sorry, 51B/C, audit issues.

MR. KENNEDY: Good morning, Commissioners, Kit
Kennedy with Commission Staff. Issues 51B and C are about the
auditing of the service eligibility criteria for EELs. Staff
believes that identifying the specific circuits and providing
documentation in the audit notice would be an impediment to the
auditing process and was not the intention of the FCC.

In 51C, staff believes that including a list of auditors in the interconnection agreement from which BellSouth can choose is appropriate. In this way the CLEC will still be able to provide input without unreasonably delaying the audit. Staff is available for questions.

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER EDGAR: I think the staff recommendation is quite reasonable to me, and I can move it forward on 51B and 51C.

COMMISSIONER BRADLEY: Show Items 51B and C as having been moved without objection.

Item 65.

MR. VICKERY: Commissioners, this is Paul Vickery, again.

Item 65 deals with the TIC, Tandem Intermediary
Charge, and whether BellSouth is going to be allowed to charge
it. Staff is recommending that they be allowed to charge the
CLEC a TIC for the transport of transit traffic when CLECs are
not directly interconnected to third parties. And we are also
recommending that unless a different rate is negotiated prior
to the parties filing their agreement, the applicable rate in
this agreement should be .0015 cents per minute of use.

Staff is available for any questions you may have.

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER EDGAR: I do have a question.

COMMISSIONER BRADLEY: Question.

COMMISSIONER EDGAR: Mr. Vickery, my reading of this issue is that it may not be necessary for this Commission to make a finding of the specific amount for the TIC in order to resolve the question that is presented to us.

Do you agree with that, or could you give me some background?

MR. VICKERY: Yes, ma'am. I don't think we have to set a rate. We are not setting a rate, we are just trying to

set a point for negotiations to be continued. But we don't even have to go that far. I just think that the tariff that is in place right now sets the rate at .003 cents a minute, and the negotiations contained the rate of .0015, and they are free to negotiate to whatever rate they want to. So we don't have to set a rate.

COMMISSIONER EDGAR: I did also enjoy the discussion in this item, and wherever in here it is categorized, a TIC being categorized as an annoying insect or something. I don't see the exact quote, but it's always nice to see a little lightness in these sorts of things.

Commissioner Bradley, I am comfortable with staff's recommendation that BellSouth should be allowed to charge a TIC, a tandem intermediary charge. I do have, I guess, a question as to whether we have enough information in the record from hearing and the briefs before us to set that specific amount. I have a little concern there. Realizing that we don't know the give and take that was going on with negotiations, and recognizing that there is a tariff on the books, I welcome some discussion.

COMMISSIONER BRADLEY: Well, I guess what the issue here would be is should the TIC be negotiated or should there be a minimum point at which negotiations start. What would the practical impact be upon this item if we eliminate the language that requires a minimum starting point?

MR. VICKERY: Well, they are still going to be allowed to charge a TIC, and the tariff says that they should negotiate a rate if they don't want to apply for the tariffed rate, the .003 cents. So they would just start back to negotiations is the way that I see it.

Mr. Susac, do you agree with that?

MR. SUSAC: I agree with what Mr. Vickery said. I would just like to note that this rate does not have to be a TELRIC rate, so that there didn't have to be a submission of a cost study into the record for you to formulate a rate that you believe is reasonable. Staff came to the .0015 because that was a tentative agreement between the parties during the course of this proceeding, and we found that fair and reasonable. However, you do not need to set a rate, as Mr. Vickery said. The mere obligation would put the parties in a posture of negotiating a rate.

COMMISSIONER EDGAR: Commissioner Bradley.

COMMISSIONER BRADLEY: Uh-huh.

COMMISSIONER EDGAR: I guess maybe I would like to suggest approaching it this way. As I said a moment ago, I'm comfortable with the portion of the staff recommendation that allows BellSouth to charge a TIC, a Tandem Intermediary Charge, for transport of transit traffic, period. And then would go on to say that we could encourage that the parties continue negotiating at a rate, strongly encouraging that they begin

those negotiations at the .0015 per minute of use that was presented to us in that item.

COMMISSIONER BRADLEY: Okay. Is that a motion?

COMMISSIONER EDGAR: That is a motion.

COMMISSIONER BRADLEY: Let the record reflect that without objection the motion is moved as so stated by the Commissioner.

We are on Item 86B, customer service records.

MR. HALLENSTEIN: Good morning, Commissioners. Jerry Hallenstein with staff. In Issue 86B staff is recommending that disputes over unauthorized access to CSR information should be handled in accordance with the dispute resolution provision in the general terms and conditions of the interconnection agreement. If a CLEC does not dispute the allegations, BellSouth may suspend or terminate service.

Staff is available for questions.

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER EDGAR: I can move staff recommendation on Item 86B.

COMMISSIONER BRADLEY: Without objection, show Item 86B as having been moved.

Items 88, 97, 100. These items relate to tariffed rates and charges.

MR. BARRETT: Good morning, Commissioners, Michael Barrett of staff. I'm introducing those three issues.

FLORIDA PUBLIC SERVICE COMMISSION

Issue 88 addresses service expedites. Issue 97 addresses the time frame for bill payments. And Issue 100 addresses past due amounts and suspension of service.

COMMISSIONER BRADLEY: Repeat that again, please, I'm sorry, the three.

MR. BARRETT: 88 addresses charges for service expedites; 97 addresses the time frame for bill payments; and 100 addresses past due amounts and suspension of service.

COMMISSIONER BRADLEY: Okay. Discussion or a motion?

COMMISSIONER EDGAR: I can move staff recommendation on those three items, Commissioner Bradley.

COMMISSIONER BRADLEY: Let the record reflect that Items 88, 97, and 100 have been moved without objection.

Items 101, 102, 103, items that relate to deposits/billing.

MS. PRUITT: Good morning, Commissioners. Nancy
Pruitt. I will be introducing Issues 101 through 103 which
address deposits. Staff recommends a maximum deposit of two
months billing with no offset for past due amounts. Staff also
recommends that if a CLEC ignores a deposit request, and that
they do nothing, that service can be terminated.

COMMISSIONER BRADLEY: Discussion or a motion?

COMMISSIONER EDGAR: I'm comfortable with the staff recommendation, and I move staff's recommendation on Items 101, 102, and 103.

COMMISSIONER BRADLEY: Let the record reflect that without objection, Items 101, 102, and 103 have been moved without objection.

Is there anything else before us?

MR. SUSAC: 115, which is the close-docket issue, we are recommending that it remain open so that the parties can negotiate and come back with an agreement within 30 days of issuance of this Commission order.

COMMISSIONER EDGAR: So moved.

COMMISSIONER BRADLEY: Let the record reflect that Item 115 has been moved without objection. Anything else?

MR. SUSAC: That is all, Mr. Chairman.

COMMISSIONER BRADLEY: I think that concludes today's agenda, because that is the last item. Any other business? We are adjourned.

MR. SUSAC: Thank you very much.

3

2 STATE OF FLORIDA

CERTIFICATE OF REPORTER

COUNTY OF LEON

5

6

7

8

10

11

12

13

14

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was transcribed from audio cassette.

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

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

DATED THIS 16th day of September, 2005.

15

16

17

18

19

20 21

22

23

24

25

Administrative Services (850) 413-6732

FPSC Division of Commission Clerk and

JANE FAUROT, RPR Official FPSC Hearings Reporter

a e			
			• •
	•		