BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In re: ***BELLSOUTH TELECOMMUNICATIONS, INC. TARIFF TO MODIFY CCS7 ACCESS ARRANGEMENT***

Docket No. 02-00024

BELLSOUTH'S ANSWER TO JOINT PETITION

In accordance with the Directors' ruling during the March 12, 2002 Directors' Conference, BellSouth respectfully submits its Answer to the Joint Petition of XO Tennessee, Inc., US LEC of Tennessee, Inc., Time Warner Telecom of the Mid-South, L.P., and ITC^DeltaCom Communications, Inc. ("the Petition").

1. Upon information and belief, BellSouth admits the allegations set forth in the first sentence of Paragraph 1 of the Petition. In response to the second sentence of Paragraph 1 of the Petition, BellSouth states that it filed the tariff that is the subject of the Petition ("the CCS7 Tariff") on January 7, 2002 with a proposed effective date of February 6, 2002. In a filing dated February 7, 2002, BellSouth changed the proposed effective date of the CCS7 Tariff to March 1, 2002, and in a filing dated February 19, 2002, BellSouth changed the proposed effective date of the CCS7 Tariff to March 15, 2002. During the March 12, 2002 Directors' Conference, the Directors unanimously voted to suspend BellSouth's CCS7 Tariff for sixty (60) days. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in the last

sentence of Paragraph 1 of the Petition and, therefore, BellSouth denies those allegations.

With regard to the remainder of the allegations set forth in Paragraph 1 of the Petition, BellSouth states that in order to explain the effect of its CCS7 Tariff, it is helpful to explain what CCS7 service is, how carriers like the Petitioners can use BellSouth's CCS7 service, and how carriers like the Petitioners paid for this service prior to this tariff. Generally, CCS7 provides signaling functionality for call routing and completion as well as access to various databases. CLECs, wireless carriers, IXCs, and other ILECs operating in Tennessee have at least three options for obtaining this functionality in relation to calls placed by their end users. They either can provide their own CCS7 functionality; obtain CCS7 service from various third-party hubbing vendors such as Illuminet, Southern New England Telephone Corp., or Telecommunications Services Inc.; or obtain CCS7 service from BellSouth.

Carriers choosing to obtain CCS7 service from BellSouth can use the service in relation to three types of calls: (1) local calls; (2) interexchange calls between locations within the state of Tennessee ("non-local intrastate calls"); and (3) interexchange calls between locations in the state of Tennessee and locations in other states ("interstate calls"). BellSouth currently is being compensated for providing CCS7 service for these types of calls in the following manner:

(a) When carriers like the Petitioners use BellSouth's CCS7 service in relation to local calls, they pay the CCS7 rates set forth in their approved local interconnection agreements with BellSouth;[1]

[1] Third party hubbing vendors that are not CLECs do not have local interconnection agreements with BellSouth, and to date there has been no

(b) When carriers like the Petitioners use BellSouth's CCS7 service in relation to interstate calls, they pay the CCS7 rates set forth in BellSouth's F.C.C. Tariff No. 1 (the "Federal Tariff"); and

(c) When carriers like the Petitioners use BellSouth's CCS7 service in relation to non-local intrastate calls, *they pay nothing* because until recently, BellSouth was unable to monitor the messages it provided in relation to a particular carrier's traffic and, therefore, BellSouth did not have an intrastate CCS7 tariff.

When the CCS7 Tariff goes into effect, the only thing that will change for carriers like the Petitioners is that instead of receiving CCS7 service in relation to non-local intrastate calls without charge, carriers like the Petitioners will pay BellSouth for this CCS7 service. In other words, under the tariff:

(a) When carriers like the Petitioners use BellSouth's CCS7 service in relation to local calls, they *still* will pay the CCS7 rates set forth in their approved local interconnection agreements with BellSouth;[2]

(b) When carriers like the Petitioners use BellSouth's CCS7 service in relation to interstate calls, they *still* will pay the CCS7 rates set forth in BellSouth's F.C.C. Tariff No. 1; but

(c) Now that BellSouth is able to monitor the messages it provides in relation to a particular carrier's traffic, when carriers like the Petitioners use BellSouth's CCS7 service in relation to non-local

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intrastate CCS7 Tariff in effect in Tennessee. To date, therefore, third party hubbing vendors have paid BellSouth nothing for their use of BellSouth's CCS7 service in relation to local calls.

[2] After the CCS7 Tariff goes into effect, when third party hubbing vendors that are *not* CLECs (and thus do not have local interconnection agreements with BellSouth) use BellSouth's CCS7 service in relation to local calls, they will pay the CCS7 rates set forth in the CCS7 Tariff. After the CCS7 Tariff goes into effect, when third party hubbing vendors that *are* CLECs with local interconnection agreements with BellSouth use BellSouth's CCS7 service in relation to local calls, they will continue to pay the CCS7 rates set forth in their approved local interconnection agreements.

intrastate calls, they will pay the rates set forth in the CCS7 Tariff that is the subject of the Petition.

To the extent that the allegations set forth in Paragraph 1 of the Petition are inconsistent with this Paragraph of BellSouth's Answer, they are denied.

2. While BellSouth reserves the right to challenge the Petitioners' application of these general statements to specific facts if and when the need arises, BellSouth admits that in general: CCS7 provides signaling functionality for call routing and completion as well as access to various databases; CCS7 is used in relation to virtually every telephone call in which Dual Tone Multi-Frequency ("DTMF") is not still in use; and CCS7 is more efficient than DTMF signaling because it allows for faster call setup. To the extent that the allegations set forth in Paragraph 2 of the Petition are inconsistent with this Paragraph of BellSouth's Answer, they are denied.

3. BellSouth admits that the CCS7 Tariff sets forth a per message Transaction Capabilities Applications Part ("TCAP") rate and a per message Integrated Services Digital Network User Part ("ISUP") rate that applies to messages associated with non-local, intrastate calls.[3] *See* E6.8.1.J.3(a), (b). BellSouth admits that the CCS7 Tariff sets forth monthly recurring charges for connections (i.e., links) and terminations (i.e. ports) for CCS7 facilities associated with non-local, intrastate calls. *See* E6.8.1.J.1(a); E6.8.1.J.2(a). BellSouth admits that its Federal Tariff sets forth a per message TCAP rate and a per message ISUP

rate that applies to messages associated with interstate calls. *See* BellSouth's FCC Tariff No. 1, §6.8.1(I)(3). BellSouth admits that its Federal Tariff sets forth monthly recurring charges for connections and terminations for CCS7 facilities associated with interstate calls. *Id.*, §6.8.1.(I)(1),(2).[4] BellSouth further states that its interconnection agreements with various competitive local exchange companies contain per message TCAP rates for messages associated with local calls, per message ISUP rates for messages associated with local calls, and monthly recurring charges for connections and terminations for CCS7 facilities associated with local calls.

No carrier is billed twice for the same message, for the same connection, or for the same termination. Instead, with regard to messages, the percent interstate usage factor ("PIU") and the percent local usage factor ("PLU") that a carrier provides to BellSouth are applied to that carrier's total number of TCAP and ISUP messages to determine the number of such messages that are interstate, non-local intrastate, and local. Once this determination is made, the rates from the Federal Tariff are applied to the interstate messages, the rates from the CCS7 tariff are applied to the non-local intrastate messages, and the rates from any applicable interconnection agreement are applied to the local messages. If no interconnection

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[3] As noted throughout this Answer, the rates set forth in the CCS7 Tariff also will apply when a third party hubbing vendor that does not have an interconnection agreement with BellSouth uses BellSouth's CCS7 services in relation to local calls.

[4] The TCAP rates, the ISUP rates, and the monthly nonrecurring charges for connections and terminations are the same in the Federal Tariff as they are in the CCS7 Tariff.

agreement applies (i.e. if the carrier is a third-party hubbing vendor that is not a CLEC), the rates from the CCS7 Tariff apply to the local messages as well.

The recurring charges for connections and terminations are calculated in a similar manner. Any given connection and termination can carry messages associated with interstate, non-local intrastate, and local calls. BellSouth uses the PIU and PLU factors that a carrier provides to BellSouth to pro-rate the connection and termination charges set forth in the Federal Tariff, the CCS7 Tariff, and any applicable interconnection agreement in order to determine the amount the carrier pays for connections and terminations. Assume, for instance, that a carrier provides BellSouth with a PIU of 40% (which means that 40% of the messages carried over the connections and terminations purchased by that carrier are associated with interstate calls) and a PLU of 30% (which means that of the 60% of the messages carried over the connections and terminations purchased by that carrier that are *not* associated with interstate calls, 30% are associated with local calls and 70% are associated with non-local intrastate calls).[5] The rate the carrier will pay for a connection and a termination is the sum of 40% of the connection

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[5] This means that 18% (60% x 30%) of the of the total messages carried over the connections and terminations purchased by the carrier are associated with local calls and that 42% (60% x 70%) of the messages carried over the connections and terminations purchased by that carrier are associated with non-local intrastate calls. When the 18% of the messages associated with local calls and the 42% of the messages associated with non-local intrastate calls are added to the 40% of the messages that are associated with interstate calls, this adds up to 100% of the messages.

and termination rates set forth in the Federal Tariff,[6] 42% of the connection and termination rates set forth in the CCS7 Tariff,[7] and 18% of the connection and termination rates set forth in any applicable interconnection agreement.[8]

With regard to the allegations set forth in the second, third, and fourth sentences of Paragraph 3 of the Petition, while BellSouth reserves the right to challenge the Petitioners' application of these general statements to specific facts if and when the need arises, BellSouth admits that in general: there are at least five ISUP messages associated with a telephone call; there is at least one TCAP message associated with a telephone call in which a database query is required; ISUP messages provide for call acknowledgment, call set up, and call processing; and a TCAP message is used in connection with providing caller identification, 800 or toll free calls, and calls involving caller name and number data base (CNAM) queries.[9]

With regard to the allegations set forth in the fifth sentence of Paragraph 3 of the Petition, BellSouth admits that its CCS7 Tariff applies to all telecommunications providers and third party hubbing vendors that purchase CCS7

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6 This is because 40% of the messages carried over that connection and termination are associated with interstate calls.

7 This is because, as explained in footnote 5 above, 42% of the messages carried over that connection and termination are associated with non-local, intrastate calls.

8 This is because, as explained in footnote 5 above, 18% of the messages carried over that connection and termination are associated with interstate calls. If no interconnection agreement is applicable, the carrier would pay the sum of 40% of the connection and termination rates set forth in the Federal Tariff and 60% of the connection and termination rates set forth in the CCS7 Tariff.

capability with regard to non-local, intrastate calls from BellSouth. BellSouth also admits that its CCS7 Tariff applies to third party hubbing vendors that do not have local interconnection agreements with BellSouth and that purchase CCS7 capability with regard to local calls from BellSouth.

To the extent that the allegations set forth in Paragraph 3 of the Petition are inconsistent with this Paragraph of BellSouth's Answer, they are denied.

4. BellSouth denies that the Authority is required to consider any of the purported issues set forth in Paragraph 4 of the Petition. Without waiving this denial, BellSouth briefly responds to such purported issues as follows:

(a) Whether CLECs employing third party hubbing vendors will be able to take advantage of local interconnection agreement rates or always be charged interstate access rates. If a CLEC receives CCS7 services from a third party hubbing vendor, BellSouth will bill the third party hubbing vendor (and not the CLEC) for CCS7 services that BellSouth provides to that vendor. As explained above, the CCS7 rates in BellSouth's Federal Tariff will apply to CCS7 services BellSouth provides to that vendor in relation to interstate calls, and the CCS7 rates in the CCS7 Tariff will apply to CCS7 services BellSouth provides to that vendor in relation to non-local, intrastate calls. If the third party hubbing vendor is a CLEC with an interconnection agreement with BellSouth, the CCS7 rates in that vendor's interconnection agreement will apply to CCS7 services BellSouth provides to that vendor in relation to local calls. Otherwise, the rates in the CCS7 Tariff will apply

[9] TCAP messages are used for queries and responses, but they are not used

to CCS7 services BellSouth provides to that vendor in relation to local calls. In any event, it is the third party hubbing vendor (and not BellSouth) that will bill the CLEC for CCS7 services that the vendor provides to the CLEC, and BellSouth has no control over what rates the vendor charges for such services.

(b) Whether the tariff will permit BellSouth to charge an IXC and a CLEC for the same message resulting in a windfall double billing. As noted above, multiple CCS7 messages can be involved with any given telephone calls. While BellSouth may bill an IXC for some of the messages involved in a call and a CLEC for other messages involved in the same call, only one entity is billed for each CCS7 message involved in a call. Accordingly, an IXC and a CLEC will not be billed for the same message, and there is no "windfall double billing."

(c) Whether there is any documentation or evidence to support BellSouth's claim that its reduction to local switching rates maintains revenue neutrality and, if so, how do these rate payment obligations shift among customers. The rates set forth in the CCS7 Tariff are governed by the price regulation statutes, and those statutes allow BellSouth to collect "rates that are less than or equal to the maximum permitted by [section 65-5-209] . . . ." *See* T.C.A. §65-5-209(b). BellSouth, therefore, may "set rates for non-basic services as the company deems appropriate, subject to the limitations set forth in subsections (e) and (g) . . . ."[10] T.C.A. §65-5-209(h). Thus, although BellSouth has made the business decision to

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for database "dips."

make this tariff filing revenue neutral, there is absolutely no legal requirement for it to have done so.

Moreover, the Petitioners' question of how "rate payment obligations shift among customers" is irrelevant. As noted above, BellSouth is allowed to set its rates for the services addressed in the CCS7 Tariff "as it deems appropriate . . . ." The real issue that the Petitioners have is that they are having to actually pay for CCS7 services that they previously have been receiving but not paying for, and they simply would prefer not to do so. The Petitioners, however, have not -- and cannot -- cite to any authority that purportedly grants them the right to use BellSouth's services without paying for them.

(d) Whether it is reasonable to require CLECs and IXCs to calculate and develop a PIU/PLU for SS7 messages. With regard to PIU, any carrier currently purchasing CCS7 services from BellSouth in relation to interstate calls already has to determine a PIU when ordering signaling connections and terminations, and the method of calculating a PIU for signaling messages is no different than the method of calculating a PIU for signaling connections and terminations. Moreover, should a carrier elect not to provide a PIU, the CCS7 Tariff provides a default PIU of 50%. *See* Tariff E2.3.14.A.1.a. Additionally, third party hubbing vendors can provide BellSouth with a list of all of their customers, and BellSouth will use this information to provide a PIU for the vendor. *See id.*

[10] The CCS7 services that are the subject of this tariff clearly are not basic services -- they consist of signaling capabilities, not "an access line, dial tone, touch-tone, and usage." *See* T.C.A. §65-5-208(a)(1).

With regard to PLU, if a carrier is not a CLEC with a local interconnection agreement with BellSouth, a PLU is not necessary because, as explained throughout this Answer, the rates in the CCS7 Tariff apply to all CCS7 services that such a carrier uses in relation to calls that are not interstate (that is, local and non-local interstate traffic). If a carrier is a CLEC with an interconnection agreement with BellSouth, the interconnection agreement already requires the carrier to provide a PLU to BellSouth, and the method of calculating a PLU for CCS7 services is the same as the method of calculating a PLU for purposes of local interconnection agreements.

(e) Whether the Tariff, as an intrastate tariff, applies to interstate usage as indicated in Section 3.2.3.14.(A)(3). The relevant portion of the CCS7 Tariff section referenced in the Petition currently reads,

> For BellSouth CCS7 Access Arrangement, the customer must state in its order the PIU anticipated as specified in 1.b. preceding. The PIU reported will then be applied to the rates for Signaling Connections and Termination to arrive at the amount the customer is billed for *interstate* usage of these facilities each month.

(Emphasis added). This is a mistake in that the last line quoted above should read "amount the customer is billed for *intrastate* usage of these facilities each month." BellSouth is in the process of preparing and filing an amended tariff page to correct this mistake.

To the extent that any of the allegations set forth in Paragraph 4 of the Petition are inconsistent with this Paragraph of BellSouth's Answer, such allegations are denied.

5. BellSouth denies the allegations set forth in Paragraph 5 of the Petition.

6. BellSouth denies that the Petitioners are entitled to any of the relief sought in the WHEREFORE clause of the Petition.

7. Any allegations not expressly admitted herein are denied.

WHEREFORE, BellSouth respectfully requests that the Authority deny the relief requested by the Petitioners.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 22, 2002, a copy of the foregoing document was served on counsel for known parties, via the method indicated, addressed as follows:

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