

BEFORE THE TENNESSEE REGULATORY AUTHORITY

ORIGINAL

IN RE:

NEUTRAL TANDEM-TENNESSEE, LLC

)  
)  
) Docket No. 06-00268

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TRANSCRIPT OF PROCEEDINGS

Wednesday, December 20, 2006

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APPEARANCES:

For Neutral Tandem:

Mr. Ron Gavillet

For TRA Staff:

Ms. Lisa C. Foust

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Reported By:  
Teri A. Campbell, RPR, CCR



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1 (The aforementioned cause came on to  
2 be heard on Wednesday, December 20, 2006, beginning at  
3 approximately 2:00 p.m., before Monica Smith-Ashford,  
4 Hearing Officer, when the following proceedings were  
5 had, to-wit:)

6  
7 HEARING OFFICER: We're here today in  
8 Docket No. 06-00268 in re: Petition of Neutral  
9 Tandem-Tennessee, LLC for a CCN. Today is December 20,  
10 2006. This hearing was duly noticed on December 6,  
11 2006, and is being conducted pursuant to the Uniform  
12 Administrative Procedures Act.

13 I'm Monica Smith-Ashford. I've been  
14 appointed as hearing officer in this matter. I'll ask  
15 the parties to identify themselves for the record.

16 MR. GAVILLET: Good afternoon. Ron  
17 Gavillet, G-A-V-I-L-L-E-T, with Neutral  
18 Tandem-Tennessee. I'm the executive vice president and  
19 general counsel.

20 HEARING OFFICER: Thank you.  
21 Mr. Gavillet, will you please raise your right hand?

22 (Mr. Gavillet sworn.)

23 HEARING OFFICER: Once again, would  
24 you repeat your name and position with the company?

25 MR. GAVILLET: Sure. It's Ron

1 Gavillet, G-A-V-I-L-L-E-T. I'm the executive vice  
2 president and general counsel.

3 HEARING OFFICER: Would you please  
4 describe the managerial, technical, and financial  
5 qualifications of Neutral Tandem-Tennessee?

6 MR. GAVILLET: I'd be happy to.  
7 Neutral Tandem-Tennessee is a wholly-owned LLC of  
8 Neutral Tandem, Inc., of which I'm also the general  
9 counsel of.

10 We have on our management team  
11 starting with our CEO, Rian Wren, a gentleman who had  
12 over 20 years experience with AT&T, eventually assuming  
13 the position as president of the southeast and  
14 southwest divisions of AT&T. He later went to Comcast  
15 Communications where he was for approximately five  
16 years. He managed their voice communications services  
17 before assuming the position as president and CEO of  
18 Neutral Tandem.

19 Rob Junkroski, our CFO, has  
20 approximately nearly 20 years -- I think it's about 17  
21 years -- as a financial officer, including  
22 approximately 10 years as an officer of communications  
23 companies, most recent of which before joining Neutral  
24 Tandem was Focal Communications in Chicago, which was a  
25 national communications company, a CLEC.

1 I myself have 20 years experience in  
2 telecommunications all as an attorney both in private  
3 practice as well as with communications companies,  
4 twice with MCI in different legal capacities,  
5 regulatory and senior legal manager. And --

6 HEARING OFFICER: I'm sorry. Can I  
7 interrupt you just a second? When you refer to Neutral  
8 Tandem, are you talking about Neutral Tandem, Inc. or  
9 are you talking specifically about Neutral  
10 Tandem-Tennessee, the subsidiary?

11 MR. GAVILLET: Both. The management  
12 team operates both.

13 HEARING OFFICER: Okay.

14 MR. GAVILLET: Actually,  
15 interestingly, Neutral Tandem, Inc. itself is not a  
16 certified carrier. All the certificates are held in  
17 underlying LLCs. But the management team, you know,  
18 facilitates the operations of both.

19 Then the last gentleman whose  
20 background I wanted to mention was Surendra Saboo, who  
21 is our chief operating officer and executive vice  
22 president. Like Mr. Wren, he had a long career at AT&T  
23 as well as with Comcast. He has a great deal of  
24 technical sophistication.

25 So on a combined basis, I feel

1 confident that the applicant has the requisite  
2 technical, financial, and managerial capability.

3 HEARING OFFICER: Okay. You discussed  
4 the managerial qualifications. Now, what about the  
5 technical and the financial?

6 MR. GAVILLET: Sure. On a technical  
7 basis, we currently are operating across the country.  
8 We provide service in about 45 LATAs utilizing 14  
9 switching columns. We deployed both Nortel DMS-500 as  
10 well as SONA softswitches to provide our services. I'm  
11 very happy to say that we've never had a commission  
12 complaint lodged against us and we've never had a  
13 billing dispute with our customers.

14 One of the reasons for our success, I  
15 think, is we've principally provided service to  
16 carriers. We have about 54 customers right now.  
17 They're all the carriers you would recognize. Everyone  
18 from AT&T to Cingular to, you know, Sedion (phonetic)  
19 for example, the voiceover IP company. Our principal  
20 service facilitates the exchange of traffic between  
21 those carriers.

22 Before we entered the market, they  
23 largely had to rely on the Bell company to provide that  
24 service. It's called transit service. We enter a  
25 market and provision high capacity fiberoptic lines

1 between our switch and all the competitive switches in  
2 the marketplace. Then those carriers that are our  
3 customers exchange traffic with one another through our  
4 tandem switch -- you know, thus the name Neutral  
5 Tandem -- versus the Bell company tandem. So the  
6 successful operation of that service, I think, is a  
7 demonstration of our technical expertise.

8 Our financials, I think, speak for  
9 themselves. As of the nine-month financials, we had  
10 this year 38 million in revenue and 5.6 million in net  
11 income. We'll finish the year with just about 53  
12 million in revenue. There are very few  
13 telecommunications companies that are net income  
14 positive. We've succeeded at that.

15 HEARING OFFICER: Okay. Now, what are  
16 your business plans in Tennessee?

17 MR. GAVILLET: We anticipate operating  
18 in Tennessee much like we have in our other markets. I  
19 will tell you we'll most likely lease space in at least  
20 two cities starting with Nashville. We'll most likely  
21 lease space in a carrier -- what's termed a carrier  
22 hotel where a number of carrier switches are located  
23 and where we can access a variety of fiberoptic  
24 carriers.

25 Our desire is to utilize as many

1 different fiberoptic carriers as possible in a market  
2 in order to minimize the risk of disruption of our  
3 network. In many markets, we utilize over 10 different  
4 fiberoptic carriers. We have over 30 different  
5 fiberoptic carriers nationally that we utilize.

6 we'll lease the space. we'll  
7 provision or install most likely a SONA softswitch  
8 which will operate as a tandem switch. we'll then  
9 order fiberoptic connections between our switch and all  
10 competitive, both wireless and wire line switches, in  
11 the marketplace. And, based on our experience, within  
12 six months, we'll probably have nearly every switch on  
13 our network because nearly every carrier in the market  
14 is currently a customer.

15 HEARING OFFICER: What is the time  
16 frame for beginning operations in Tennessee?

17 MR. GAVILLET: We had hoped to  
18 actually be certified around now. I would anticipate  
19 that we'll probably enter into a lease by the end of  
20 the first quarter. And 60 days after we enter into a  
21 lease provided it's already conditioned, built-out  
22 space, we'll have our switch installed. So most  
23 definitely by the 4th of July we'll be providing  
24 service in the state.

25 HEARING OFFICER: Are you familiar

1 with the petition and the exhibits including the  
2 prefiled testimony that have been filed in this docket?

3 MR. GAVILLET: Yes, I am.

4 HEARING OFFICER: Are there any  
5 corrections or changes to the information that was  
6 contained in the petition and exhibits?

7 MR. GAVILLET: I noticed one --  
8 probably at least one typographical error. I was  
9 referred to in -- I'll give you the exact reference.  
10 Under Exhibit D, the biographies of principal officers'  
11 technical qualifications, I was referred to on the --  
12 I'm sorry. The pages aren't numbered. I was referred  
13 to as CEO. I'm actually VP, as I mentioned.

14 HEARING OFFICER: Okay.

15 MR. GAVILLET: Under technical  
16 qualifications on the third page. It was in the  
17 address. That was the only thing that jumped out at me  
18 as being an error.

19 HEARING OFFICER: Okay. In the  
20 petition beginning on page 5, you request a waiver of  
21 TRA Rule 1220-4-1-.11 and also TRA Rule 1220-4-2-.09.  
22 Can you please explain your request for the waiver?

23 MR. GAVILLET: Just one second,  
24 please.

25 HEARING OFFICER: Sure. It begins on

1 page 5 of the petition.

2 MR. GAVILLET: I'd be happy to. I  
3 believe those have to do with general rules regarding  
4 uniform system of accounts. As a practice as a  
5 competitive carrier, we do keep our books in a GAAP  
6 format versus the uniform system of accounts basis  
7 which is traditionally the accounting practices of  
8 local exchange -- incumbent local exchange carriers.

9 So it would be a burden for us to  
10 adopt a different accounting system for a single state  
11 like this. That's the reason for that waiver.

12 HEARING OFFICER: Now, TRA Rule  
13 1220-4-2-.09 has to do with billing recording  
14 equipment. The rule states: "where mechanical and  
15 electronic means are used for recording information  
16 that will affect a customer's bill, such equipment  
17 shall be frequently inspected to see that it is  
18 functioning properly." You requested a waiver of that  
19 rule as well.

20 MR. GAVILLET: I'm sorry. I think  
21 that's probably unnecessary. Our billing system is  
22 regularly reviewed and certainly I see no need for such  
23 a waiver.

24 HEARING OFFICER: Okay. Does Neutral  
25 Tandem-Tennessee plan to offer voice grade services at

1 this time?

2 MR. GAVILLET: Not to residential and  
3 small business users. Our tandem services, which the  
4 principal -- actually, schools of customers -- are  
5 carriers. It is voice grade. It's a voice grade, but  
6 it's not dial tone services.

7 At this time, we don't -- we don't  
8 intend to offer dial tone services. Our initial  
9 services in the market will be local exchange access  
10 and transit services which will all be voice grade.

11 HEARING OFFICER: What about in the  
12 future? Does Neutral Tandem plan to offer voice grade  
13 services to residential customers?

14 MR. GAVILLET: It's highly unlikely  
15 we'll ever offer voice grade services to residential  
16 customers. Our name suggests our business objective  
17 and that's to be neutral and not compete with our  
18 customers who themselves offer such services. So I  
19 don't anticipate in the near future offering dial tone  
20 residential services.

21 HEARING OFFICER: If Neutral  
22 Tandem-Tennessee plans to offer voice grade services in  
23 the future to residential customers, do you agree to  
24 notify the Authority 60 days prior to offering such  
25 services and indicate that you will offer Lifeline and

1 Link-Up services, White Page listing, access to 911  
2 services, and free 900/976 number blocking and  
3 educational discounts that were in existence as of  
4 June 6, 1995?

5 MR. GAVILLET: Yes.

6 HEARING OFFICER: Also does Neutral  
7 Tandem-Tennessee agree to notify the Authority within a  
8 year from the date of this hearing if it does offer --  
9 if it does not offer voice grade services to  
10 residential customers?

11 MR. GAVILLET: Yes. If I could just  
12 get a clarification. So within one year of this  
13 hearing or the order?

14 HEARING OFFICER: Within the hearing.

15 MR. GAVILLET: Within one year of the  
16 hearing, if we're not offering voice grade services to  
17 residential customers, it's our obligation to notify  
18 the commission?

19 HEARING OFFICER: We request that you  
20 notify the commission because this allows the TRA to  
21 keep track of the tariffs and to be able to determine  
22 why there are not tariffs for certain CLECs that are  
23 operating in the state.

24 MR. GAVILLET: Absolutely. We agree.

25 HEARING OFFICER: Thank you. Is there

1 anything else that you would like to add?

2 MR. GAVILLET: We look forward to  
3 operating in the state.

4 HEARING OFFICER: Great. All  
5 submitted filings as corrected or amended are ordered  
6 to be made a part of the record.

7 Mr. Gavillet, is there any objection  
8 to questions being asked directly of you by TRA staff?

9 MR. GAVILLET: No. No objection.

10 HEARING OFFICER: Staff, do you have  
11 any questions?

12 MS. FOUST: No questions.

13 HEARING OFFICER: Thank you. You're  
14 excused.

15 MR. GAVILLET: Okay. Thank you.

16 HEARING OFFICER: Do you have any  
17 other witnesses?

18 MR. GAVILLET: No.

19 HEARING OFFICER: Is there any member  
20 of the public who would like to make a comment on this  
21 matter at this time?

22 Let the record show that no one is  
23 seeking recognition.

24 Also note for the record that there  
25 have been no interventions filed in this docket.





Based on the testimony and my review of the information contained in the record, I find that Neutral Tandem-Tennessee, LLC has met the requirements of Tennessee Code Annotated Section 65-4-201 and that the company's application should be approved.

I will enter a written initial order granting the CCN. That order will become a final order of the Authority 15 days after it's issued unless appealed or unless the voting panel of directors assigned to this docket gives notice of its intention to review the initial order within that 15-day period.

This hearing is adjourned.

MR. GAVILLET: Thank you.

(Proceedings concluded at  
2:28 p.m.)

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REPORTER'S CERTIFICATE

STATE OF TENNESSEE )  
COUNTY OF DAVIDSON )

I, Teri A. Campbell, Registered Professional Reporter, Certified Court Reporter, and Notary Public for the State of Tennessee, hereby certify that I reported the foregoing proceedings at the time and place set forth in the caption thereof; that the proceedings were stenographically reported by me; and that the foregoing proceedings constitute a true and correct transcript of said proceedings to the best of my ability.

I FURTHER CERTIFY that I am not related to any of the parties named herein, nor their counsel, and have no interest, financial or otherwise, in the outcome or events of this action.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and seal of office this 3rd day of January, 2007.



TERI A. CAMPBELL,  
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