ORIGINAL

Legal Department

PATRICK W. TURNER
General Attorney

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0761

July 1, 2002

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COMMISSION CLERK

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

Re: Docket No. 020129-TP (CCS7 Tariff)

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Direct Testimony of W. Keith Milner and John A. Ruscilli, 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,

Patrick W. Turner (KA)

Patrick W. Turner

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CERTIFICATE OF SERVICE
DOCKET NO. 020129-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via (*) Hand Delivery, Electronic Mail and First Class U.S. Mail this 1st day of July 2002 to the following:

Jason Fudge (*)
Adam Teitzman (*)
Staff Counsel
Florida Public Service
Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
jfudge@psc.state.fl.us
Ateitzma@psc.state.fl.us

Kenneth A. Hoffman, Esq.
Martin P. McDonnell, Esq.
Rutledge, Ecenia, Purnell, Hoffman,
P.A.
P.O. Box 551
Tallahassee, FL 32302-0551
Tel. No. (850) 681-6788
Fax. No. (850) 681-6515
Attys. for US LEC
Ken@Reuphlaw.com

Karen Camechis, Esq.
Pennington Law Firm
P.O. Box 10095
Tallahassee, FL 32302-2095
Tel. No. (850) 222-3533
Fax. No. (850) 222-2126
Atty. for Time Warner
karen@penningtonlawfirm.com

Nanette Edwards
4092 South Memorial Parkway
Huntsville, AL 35802
Tel. No. (256) 382-3856
Fax. No. (256) 382-3936
Atty. for ITC^DeltaCom
nedwards@itcdeltacom.com

Patrick W. Turner

Patrick W. Turner (KA)

BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF JOHN A. RUSCILLI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020129-TP

JULY 1, 2002

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

A. My name is John A. Ruscilli. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

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

A. I attended the University of Alabama in Birmingham where I earned a Bachelor of Science Degree in 1979 and a Master of Business Administration in 1982. After graduation I began employment with South Central Bell as an Account Executive in Marketing, transferring to AT&T in 1983. I joined BellSouth in late 1984 as an analyst in Market Research, and in late 1985 moved into the Pricing and Economics organization with various responsibilities for business case analysis, tariffing, demand analysis and price regulation. I served as a subject matter expert on ISDN tariffing in various commission and public service commission ("PSC") staff meetings in Tennessee, Florida, North Carolina and Georgia. I later moved into the State Regulatory and External Affairs organization with responsibility for implementing both state price regulation requirements and the provisions of the Telecommunications Act of 1996 (the "Act"), through arbitration and 271 hearing support. In July 1997, I became Director of Regulatory and Legislative Affairs for BellSouth Long Distance, Inc., with responsibilities that included obtaining the necessary certificates of public convenience and necessity, testifying, Federal Communications Commission ("FCC") and PSC support, federal and state compliance reporting and tariffing for all 50 states and the FCC. I assumed my current position in July 2000.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present BellSouth's position on several policy issues set forth in the Florida Public Service Commission's ("Commission's") Order Establishing Procedure dated June 21, 2002 pertaining to the Joint Petition of US LEC of Florida, Inc., Time Warner Telecom of Florida, LP and ITC^DeltaCom Communications' ("Petitioners'") Objection to and Requesting Suspension of Proposed CCS7 Access Arrangement Tariff ("Petition") filed on February 15, 2002. In my testimony, I respond to the following issues: 1, 3, 4, 5, 8, 10, and 11. The wording of these issues in my testimony are the same as contained in the Commission's June 21, 2002 Order Establishing Procedure (Order No. PSC-02-0853-PCO-TP).

BellSouth's witness Mr. Keith Milner is also filing direct testimony in this case.

Q. PLEASE DESCRIBE CCS7 SERVICE, GENERALLY, AND BELLSOUTH'S CCS7 ACCESS ARRANGEMENT SERVICE, SPECIFICALLY.

A. Generally, CCS7 provides signaling functionality for call routing and completion as well as access to various databases. BellSouth's CCS7 Access Arrangement service offering allows for customers to interconnect to BellSouth at designated Signal Transfer Points ("STPs") for use with services that require receiving and terminating signaling information using the common channel signaling protocol. Mr. Milner provides additional information in his testimony regarding the technical aspects of BellSouth's CCS7 Access Arrangement Tariff ("CCS7 Tariff") offering.

Q. PLEASE DESCRIBE THE CURRENT CCS7 SERVICE OPTIONS AVAILABLE TO CARRIERS LIKE THE PETITIONERS.

A. Alternative Local Exchange Carriers ("ALECs"), wireless carriers, Interexchange Carriers ("IXCs"), and other Incumbent Local Exchange Carriers ("ILECs") in Florida have at least three options for obtaining this functionality in relation to calls placed by their end users. These options are:

1. Provide their own CCS7 functionality

2. Obtain CCS7 from various third-party hubbing vendors such as Illuminet, Southern New England Telephone Corp., or Telecommunications Services Inc.; or
3. Obtain CCS7 service from BellSouth.

Issue 1: To what kind of traffic does BellSouth's CCS7 Access Arrangement tariff apply?

Q. IN GENERAL, IN RELATION TO WHAT KINDS OF TRAFFIC CAN CARRIERS USE CCS7 SERVICES THAT THEY CHOOSE TO OBTAIN FROM BELLSOUTH?

A. Generally, carriers choosing to obtain CCS7 service from BellSouth can use the service in relation to three types of calls: (1) interexchange calls between locations in the state of Florida and locations in other states ("interstate calls"); (2) local calls; and (3) interexchange calls between locations within the state of Florida ("non-local intrastate calls").

Q. DOES THE CCS7 TARIFF THAT IS THE SUBJECT OF THIS PROCEEDING APPLY TO MESSAGES THAT ARE USED IN RELATION TO INTERSTATE CALLS?

A. No. 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. BellSouth's Federal Tariff sets forth a per message Transaction Capabilities Application Part ("TCAP") rate and a per message Integrated Switched Digital Network User Part ("ISUP") rate that applies to messages associated with interstate calls. *See* BellSouth's FCC Tariff No. 1, §6.8.1(I)(3). Mr. Milner's direct testimony in this proceeding discusses the use of these message types during call processing. BellSouth's Federal Tariff also sets forth monthly recurring charges for connections and terminations for CCS7 facilities associated with interstate calls. *Id.*, §6.8.1.(I)(1),(2). 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 that is the subject of this proceeding.

Q. DOES THE CCS7 TARIFF THAT IS THE SUBJECT OF THIS PROCEEDING APPLY TO MESSAGES THAT ARE USED IN RELATION TO LOCAL CALLS?

A. It does, but only to the extent that a carrier that uses BellSouth's CCS7 in relation to local calls is not a party to an approved interconnection agreement with BellSouth.

BellSouth's 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. When carriers that are parties to such an interconnection agreement 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, and BellSouth's tariff does not apply in those situations.

If an entity that does not have an approved interconnection agreement with BellSouth uses BellSouth's CCS7 services in relation to local calls, the CCS7 tariff that is the subject of this proceeding applies to that entities use of such services. [1]

Q. DOES THE CCS7 TARIFF THAT IS THE SUBJECT OF THIS PROCEEDING APPLY TO MESSAGES THAT ARE USED IN RELATION TO NON-LOCAL, INTRASTATE CALLS?

A. Yes. Now that BellSouth is able to monitor the messages it provides in relation to a particular carrier's traffic and has implemented its CCS7 Tariff, when carriers like the Petitioners use BellSouth's CCS7 service in relation to non-local intrastate calls, they pay the rates set forth in the CCS7 Tariff that is the subject of this proceeding. The Florida CCS7 Tariff that is the subject of these proceedings sets forth a per-message TCAP rate and a per message ISUP rate that applies to messages

[1] Under the CCS7 Tariff, when third party hubbing vendors that are *not* ALECs (and thus do not have local interconnection agreements with BellSouth) use BellSouth's CCS7 service in relation to local calls, they pay the CCS7 rates set forth in the CCS7 Tariff. When third party hubbing vendors that *are* ALECs with local interconnection agreements with BellSouth use BellSouth's CCS7 service in relation to local calls, they continue to pay the CCS7 rates set forth in their approved local interconnection agreements.

associated with non-local, intrastate calls.[2] *See* Tariff E6.8.1.J.3(a), (b). It also 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* Tariff E6.8.1.J.1(a); E6.8.1.J.2(a).

Q. HOW DOES BELLSOUTH DETERMINE WHETHER USAGE FOR CCS7 SIGNALING MESSAGES SHOULD BE BILLED UNDER THE FEDERAL TARIFF, THE STATE TARIFF, OR AN APPLICABLE LOCAL INTERCONNECTION AGREEMENT?

A. With regard to CCS7 signaling 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-loca. .rastate, 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 agreement applies (i.e., if the carrier is a third-party hubbing vendor that is not an ALEC), the rates from the CCS7 Tariff apply to the local messages as well.

2 As noted throughout this testimony, 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.

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).[3] The rate the carrier will pay for a connection and a termination is the sum of 40% of the connection and termination rates set forth in the Federal Tariff,[4] 42% of the connection and termination rates set forth in the CCS7 Tariff,[5] and 18% of the connection and termination rates set forth in any applicable interconnection agreement.[6]

[3] 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.

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

[5] This is because, as explained in footnote 3 above, 42% of the messages carried over that connection and termination are associated with non-local, intrastate calls.

[6] This is because, as explained in footnote 3 above, 18% of the messages carried over that connection and termination are associated with interstate calls. If no interconnection agreement is applicable, the

Issue 3: Is BellSouth's CCS7 Access Arrangement Tariff revenue neutral? Why or why not?

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

A. BellSouth's CCS7 Tariff is revenue neutral. Revenues projected for BellSouth's CCS7 Tariff have been offset by the reductions BellSouth made to the Local Switching rates reflected in Section E6.8.2 of BellSouth's Intrastate Access Tariff, as well as reductions made in BellSouth's interco. .ction for mobile service provider offering reflected in Section A35.1 of BellSouth's Florida General Subscriber Service Tariff. A copy of the price out package demonstrating revenue neutrality is attached as Exhibit JAR-1. This information is proprietary.

Issue 4: Does BellSouth's CCS7 Access Arrangement Tariff violate Section 364.163 or any other provisions of Chapter 364, Florida Statutes?

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

A. BellSouth's tariff is consistent with Section 364.163 of the Florida Statutes, concerning network access services.

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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.

Q. HAS THE TEXT OF SECTION 364.163 CHANGED OVER TIME?

A. Yes, it has.

Q. HAS THE RELATIONSHIP BETWEEN INTRASTATE SWITCHED ACCESS RATES AND INTERSTATE SWITCHED ACCESS RATES CHANGED OVER TIME?

A. Yes.

Q. COULD YOU EXPLAIN HOW THE TEXT OF SECTION 364.163 HAS CHANGED OVER TIME IN CONJUNCTIONS WITH HOW THE RELATIONSHIP BETWEEN INTRASTATE SWITCHED ACCESS RATES AND INTERSTATE SWITCHED ACCESS RATES HAVE CHANGED OVER TIME?

A. Yes. The following is a brief history of how the statute has changed over time in relation to when the intrastate switched access rates of BellSouth and some other LECs reached parity with their respective interstate switched access rates.

- Section 364.163(1), effective July1, 1995, stated that effective January 1, 1996, the rates of network access services would be capped at the rates in effect on July 1, 1995.

- Subsection (2) stated that after termination of the rate caps and after a Local Exchange Carrier's ("LEC's") intrastate switched access rates reached parity with its interstate switched access rates, that rates d be adjusted by no more than 3% annually of the then current prices.

- Section (6) stated that if a LEC's intrastate switched access rates were higher than interstate rates in effect on December 31, 1994, the LEC must reduce intrastate rates by 5% annually beginning October 1, 1996 to reach parity. Upon reaching parity no further reductions should be required.

BellSouth's intrastate switched access rates reached parity with its December 31, 1994 interstate switched access rates in 1997, along with one other LEC. The Commission Staff affirmed this in a memo to the Commission dated October 1, 1997 (*see* Exhibit JAR-2). The Staff also noted that the remaining LECs would achieve parity from 2000 – 2010. Further, in its *Competition in Telecommunications Market* dated December 1997 at page 37, the Commission reported to the Florida Legislature, "BellSouth's March 1, 1997, intrastate switched access rate reductions filed pursuant to Order No. PSC-97-0128-FOF-TL, in Docket No. 920260-TL, brought BellSouth's intrastate composite switched access rate below its December 31, 1994, interstate composite switched access rate, thus achieving parity." The relevant portion of the Commission's report containing the information cited above is attached as Exhibit JAR-3.

Effective May 28, 1998, the statute was changed to read as follows:

- Subsection (1) – effective 1/1/00, rates for network access are capped at rates in effect on 1/1/99 and remain capped until 1/1/01.

- Subsection (2) – after termination of caps and after a LEC reaches parity with interstate rates, rates can be adjusted. (Note that there is no specific date listed to achieve parity.)

- Subsection (6) – mandated a reduction of 5% then 10% for LECs with more than 100,000 but less than 3 million lines. (Subsection (6) escalated the access reduction amounts so that companies rated by the Commission as unable to achieve parity earlier than 2000 would do so sooner. Also, the category of LECs referenced by the Commission did not include BellSouth, which has more than 3 million access lines. As noted above, BellSouth had already reached parity in 1997.

In general, parity between interstate and intrastate switched access charges is a moving target. The 1995 version of Section 364.163 of the Florida Statute, however, used interstate rates in effect on December 31, 1994 as a target to enable the LECs to know what the intrastate access rates would have to reach in order to achieve parity. As the Commission's Staff indicated, BellSouth has reached that parity. BellSouth, therefore, should be allowed to introduce charges for a technical capability that it previously had been unable to bill.

Issue 5: What does BellSouth charge subscribers under the CCS7 Access Arrangement Tariff for the types of traffic identified in Issue 1?

Q. PLEASE DESCRIBE HOW SUBSCRIBERS TO BELLSOUTH'S CCS7 TARIFF ARE CHARGED.

A. There are three types of rates and charges that apply to BellSouth's CCS7 offering: monthly rates (recurring), one-time charges (nonrecurring) and usage charges (per signaling message). For each connection, subscribers to BellSouth's CCS7 Tariff must order a CCS7 Access Connection and CCS7 Access Termination. The CCS7 Access Arrangement is provided via the CCS7 Signaling Connection and the CCS7 Signaling Termination. The CCS7 Signaling Connection provides a 2-way digital 56 kilobits per second ("kbps") facility, dedicated to a single customer, which originates at the customer's signaling point of interconnection in a LATA and terminates at a BellSouth Signal Transfer Point ("STP") selected by BellSouth. The CCS7 Signaling Termination provides a dedicated point of interface at a BellSouth STP for the customer's CCS7 Signaling Connection. Usage of BellSouth's CCS7 Access Arrangement provides for the use of BellSouth's network for the transmission of call set-up and non-call set-up traffic.

The rate elements associated with BellSouth's CCS7 Tariff are as follows:

Monthly Charges (recurring):

CCS7 Signaling Connection, per 56 kbps facility $155.00

CCS7 Signaling Termination, per STP port	$377.05	

One-time Charges (nonrecurring):

CCS7 Signaling Connection, per 56 kbps facility	$150.00	
CCS7 Point Code Establishment or Change:	1st	Add'l
Originating Point code	$40.00	$ 8.00
Per Destination Point Code	8.00	8.00

Usage Charges (per signaling message):

Call Set-Up, per message (ISUP)	$.000035
TCAP, per message	$.000123

Issue 8: What is the impact, if any, of BellSouth's CCS7 Access Arrangement Tariff on subscribers? Does such impact, if any, affect whether BellSouth's CCS7 Access Arrangement Tariff should remain in effect?

Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?

A. BellSouth is not sure what the ALECs intended to address by way of this issue, and BellSouth reserves the right to more fully address this issue by way of rebuttal testimony. In similar proceedings before the Tennessee Regulatory Authority, however, ALECs objected that BellSouth's CCS7 tariff will require ILECs and ALECs to "recover this 'new' per message charge for SS7" from their end users and that the tariff will "have an impact on all non-BellSouth ILECs and all CLECs resulting in all affected carriers raising their traffic sensitive rates."[7] If these were valid objections to the tariff, then every rate

[7] Tennessee Regulatory Authority Docket No. 02-00024, Petitioners' Motion to Dismiss at pp. 6-7.

increase proposed by every regulated carrier would be denied because any rate increase "will have an impact on" all business customers who purchase the service. Thus, the possibility always exists that business customers who pay the increased rates may raise the prices of the goods and services they sell to others. This unremarkable fact simply is a characteristic of a free market economy and is not a valid basis for denying a proposed rate change.

Issue 9: Does BellSouth bill ILECs for the signaling associated with the types of traffic identified in Issue 1? (a) If not, why not? (b) Has BellSouth offered ILECs a bill and keep arrangement for local and/or intrastate CCS7 messages and B-links?

Q. DOES BELLSOUTH CHARGE ILECS FOR THE SIGNALING ASSOCIATED WITH TRAFFIC THE COMPANIES EXCHANGE?

A. Yes. Many ILECs purchase A-links from BellSouth to get signaling on calls originated by or terminated to an end user of the ILEC. The A-links connect end offices or databases (Signal Control Points or "SCPs") to STPs. The types of calls are either local or intraLATA toll calls, which would include Extended Area Service traffic ordered by this Commission.

Q. HAS BELLSOUTH OFFERED ILECS A BILL-AND-KEEP ARRANGEMENT FOR CCS7 MESSAGES AND B-LINKS (WHICH CONNECT STPs TO STPs) IN FLORIDA?

A. No.

Issue 10: Should BellSouth's CCS7 Access Arrangement Tariff remain in effect? If not, what action(s) should the Florida Public Service Commission take?

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

A. BellSouth's CCS7 Tariff should remain in effect. BellSouth is providing a service of value, and is entitled to compensation. BellSouth should be compensated for the ALECs' use of BellSouth's CCS7 network for non-local intrastate calls. The CCS7 Tariff will also enable BellSouth to be properly compensated for use of its CCS7 capability in relation to local calls by third party hubbing vendors that do not have local interconnection agreements with BellSouth.

BellSouth should not be prohibited from amending its tariffs to require the cost causer of a network access service to pay for the network access service it receives from BellSouth merely because BellSouth's tariffs had not previously set forth a charge for that network access service. Instead, under such circumstances, BellSouth should be allowed to do what it has done in this tariff filing: introduce a charge for a network access service by making a filing that is revenue neutral (meaning that in the aggregate, BellSouth will be receiving the same amount of revenue after the charge is introduced as it was receiving before the charge was introduced). Once the charge is introduced in this fashion, BellSouth should be allowed to adjust the charge annually in compliance with Section 364.163.

Issue 11: If the tariff is to be withdrawn, what alternatives, if any, are available to BellSouth to establish a charge for non-local CCS7 access service pursuant to Florida law?

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

A. The tariff should not be withdrawn. If, however, the Commission decides to the contrary, the Commission should establish appropriate procedures to be followed when introducing a charge for a network access service that is being provided but for which there is no tariffed rate. As I stated earlier, BellSouth should not be prohibited from amending its tariffs to require the cost causer of a network access service to pay for the network access service it receives from BellSouth merely because BellSouth's tariffs had not previously set forth a charge for that network access service.

Another alternative, should the Commission decide that the tariff be withdrawn, which BellSouth believes it should not, would be for BellSouth to continue offering non-local, intrastate CCS7 services without charge, necessitating the increase of rates for other services. This method, however, would be contrary to assessing cost to the cost-causer.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

#451682

ENTIRE DOCUMENT REDACTED FOR PUBLIC DISCLOSURE

State of Florida
-M-E-M-O-R-A-N-D-U-M-

BellSouth Telecommunications, Inc
FPSC Docket No 020129-TP
July 1, 2002
Exhibit JAR-2

Public Service Commission

DATE: October 1, 1997

TO: Chairman Julia L. Johnson
Commissioner J. Terry Deason
Commissioner Susan F. Clark
Commissioner Diane K. Kiesling
Commissioner Joe Garcia

FROM: Suzanne Ollila, Division of Communications

RE: 1997 Flow-Through of LEC Switched Access Reductions by IXCs, pursuant to Section 364.163(6), Florida Statutes

The 1997 LEC switched access rate reductions, and the resulting IXC flow-throughs are complete. All rate reductions are effective no later than October 1, 1997, as required by statute.

Six LECs were required to reduce their intrastate switched access rates in 1997. In 1997, two LECs, BellSouth and Frontier, achieved parity with their December 31, 1994 interstate switched access rates. BellSouth only needed a 2.7 percent rate reduction on March 1, 1997 to achieve parity, although its total rate reduction (as a part of its settlement agreement) was 18.7 percent. Frontier achieved parity with a 3.5 percent reduction. ALLTEL, GTE Florida, Sprint-Florida, and Vista-United implemented intrastate switched access rate reductions of 5.3 percent, 5 percent, 5.2 percent, and 6.3 percent, respectively. Staff anticipates that with annual 5 percent rate reductions, the remaining four LECs will achieve parity beginning in 2000. Staff estimates that ALLTEL, GTE Florida, Sprint-Florida, and Vista-United will achieve parity on October 1, 2001, October 1, 2010, October 1, 2008, and October 1, 2000, respectively.

At the May 6, 1997 commission agenda conference you requested that staff provide you with the dollar amount of the switched access rate reductions flowed through by the IXCs to their customers, including any amount flowed through in excess of the statutory requirement. The dollar amount flowed through associated with the access reductions required by Section 364.163(6), F.S. is $21.2 million annualized (October 1, 1997 through September 30, 1998). Only one facility-based IXC had an expense reduction of less than $100 per month, and thus was exempt from the flow-through requirement.

This year, there was also a significant opportunity for IXCs to flow through more than the required amount, and to flow it through prior to October 1. A number of IXCs did take advantage of this opportunity. Pursuant to Order No. PSC-97-0128-FOF-TL in Docket No. 920260-TL (settlement agreement), BellSouth reduced its intrastate switched access rates by more than the amount necessary to reach parity with its December 31, 1994 interstate switched access rate, and made the rate reduction effective March 1, 1997. MCI flowed through BellSouth's rate reduction effective March 1, 1997, seven months earlier than the required October reduction. The dollar impact of MCI's reduction from March 1, 1997 through September 30, 1997 is not included in the following number because MCI filed for confidential treatment of its supporting documentation. The additional amount flowed through by IXCs primarily reflects the difference in BellSouth's 2.7 percent rate reduction to reach parity with its December 31, 1994 interstate rate and the 18.7 percent total rate reduction in access associated with the settlement agreement amount. This additional amount is $29.5 million annualized (October 1, 1997 through September 30, 1998).

The annualized total dollar amount the IXCs flowed through is $50.7 million.

If you have any questions, please call me at 3-6540.

Bill Talbott	Richard Tudor	Stan Greer
Mary Bane	Sally Simmons	Robin Norton
Walter D'Haeseleer	David Dowds	Beth Culpepper

BellSouth Telecommunications, Inc.
FPSC Docket No. 020129-TP
July 1, 2002
Exhibit JAR-3

COM[illegible]

TELECOMMUNICATIONS MARKETS

DECEMBER 1997

A PUBLICATION OF THE
Florida Public Service Commission's
Division of Communications

		Table 3-3	
POTENTIAL DISCOUNTS FOR SCHOOLS AND LIBRARIES IN FLORIDA			
County	% of Public School Students Eligible for Free/Reduced Lunch[1]	% Discount[2]	
		Urban	Rural
NASSAU	31.33	50	60
OKALOOSA	29.84	50	60
OKEECHOBEE	53.95	80	80
ORANGE	38.20	60	70
OSCEOLA	00	NO FIGURES AVAILABLE	
PALM BEACH	29.37	50	60
PASCO	44.10	60	70
PINELLAS	37.81	60	70
POLK	52.99	80	80
PUTNAM	61.86	80	80
ST. JOHNS	26.44	50	60
ST. LUCIE	53.17	80	80
SANTA ROSA	30.98	50	60
SARASOTA	33.49	50	60
SEMINOLE	25.32	50	60
SUMTER	62.86	80	80
SUWANNEE	44.92	60	70
TAYLOR	46.74	60	70
UNION	42.21	60	70
VOLUSIA	39.70	60	70
WAKULLA	36.14	60	70
WALTON	50.83	80	80
WASHINGTON	51.99	80	80

[1] The number of students that qualify for the free/reduced lunch program is collected from each school district by the Department of Education. The figures represent the average for all schools in each district.

[2] Depending upon whether Florida schools file individually or on a county wide basis, individual schools may receive greater or lesser discounts than for the county as a whole.

SOURCE: Free/Reduced Lunch Program information provided by Florida Department of Education.

SWITCHED ACCESS

Section 364.163(6), Florida Statutes, requires any LEC whose current intrastate switched access rates are higher than its December 31, 1994, interstate switched access rates to reduce its intrastate switched access rates by 5% annually, beginning October 1, 1996. Once parity between the intrastate and 1994 interstate rates is reached, no further reductions are required.

On October 8, 1996, Order No. PSC-96-1265-FOF-TP, was issued. This was the first

Order issued to implement the mandatory access reductions. It accomplished two things: 1) it ensured that the LECs reduced their intrastate switched access rates by 5%, and 2) ensured that the facilities-based IXCs passed the reductions through to their customers.

The LECs who were required to reduce their rates by 5% effective October 1, 1996, were ALLTEL Florida, Inc., Frontier Communications of the South, Inc., GTE Florida, Inc., Sprint-Florida, Inc., and Vista-United Telecommunications. BellSouth was not required to reduce its intrastate rates by 5%. Instead, a different percentage (16.2%) was applied to BellSouth based on the stipulation in Docket No. 920260-TL resolving BellSouth's last earnings review. The stipulation called for a series of annual switched access rate reductions. BellSouth's March 1, 1997, intrastate switched access rate reductions filed pursuant to Order No. PSC-97-0128-FOF-TL, in Docket No. 920260-TL, brought BellSouth's intrastate composite switched access rate below its December 31, 1994, interstate composite switched access rate, thus achieving parity.

Per Order No. PSC-97-0604-FOF-TP, issued May 27, 1997, tariffs were filed on August 1, 1997, for the 1997 reductions. The LECs who were required to reduce their rates by 5%, effective October 1, 1997, were ALLTEL Florida, Inc., Frontier Communications of the South, Inc., GTE Florida, Inc., Sprint-Florida, Inc., and Vista-United Telecommunications. With this filing Frontier's intrastate switched access rates reached parity with its December 31, 1994, interstate switched access rates.

PAY TELEPHONE PROCEEDING

There have been several significant regulatory changes recently in the pay telephone industry. The most significant changes have come about as a result of Section 276 of the