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1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 REBUTTAL TESTIMONY OF ROBERT C. SCHEYE
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NO. 950985-TP
5 SEPTEMBER 29, 1995

6
7
8
9 Q. Please state your name, address and position with
10 BellSouth Telecommunications, Inc. ("BellSouth" or
11 "The Company").

12
13 A. My name is Robert C. Scheye and I am employed by
14 BellSouth Telecommunications, Inc., as a Senior
15 Director in Strategic Management. My address is
16 675 West Peachtree Street, Atlanta, Georgia 30375.

17
18 Q. Did you file direct testimony in this docket?

19
20 A. Yes.

21
22 Q. What is the purpose of your rebuttal testimony?

23
24 A. The purpose of my rebuttal testimony is to address
25 the specific issues germane to this docket and to

1 respond to the positions taken by other parties in
2 the direct testimony filed on September 15, 1995.

3

4 Q. Has a formal issues list been agreed to in this
5 docket?

6

7 A. Yes, a formal issues list was agreed to by all
8 interested parties at the Florida Public Service
9 Commission (FPSC) Issues Identification Workshop
10 held on September 22, 1995. A copy of the FPSC
11 issues list is attached as RCS-3.

12

13 Q. Are the issues referenced above related only to
14 local interconnection arrangements?

15

16 A. No. While several of the issues are specific to
17 interconnection arrangements, many of the issues
18 address the specifics relating to the unbundling of
19 BellSouth's network. As stated in BellSouth's
20 direct testimony, unbundling issues as well as
21 universal service issues, must be addressed in
22 resolving local interconnection issues. The issues
23 list further demonstrates that these issues cannot
24 be resolved separate from each other. It is for
25 this reason that BellSouth has included discussions

1 of these issues in its direct and rebuttal
2 testimony filed in this docket.

3

4 Q. What is (are) the appropriate interconnection rate
5 structure, rates or other arrangements for the
6 exchange of local and toll traffic between ALECs
7 and BellSouth? [Issue No. 1]

8

9 A. As stated in direct testimony filed by Mr. A. J.
10 Varner, Dr. Andy Banerjee and myself, the
11 appropriate interconnection arrangement for the
12 exchange of local and toll traffic between ALECs
13 and BellSouth is an arrangement which is based on
14 the switched access rate structure and rate levels.
15 The existing switched access interconnection
16 arrangement incorporates all of the components
17 necessary to accommodate local interconnection
18 arrangements between ALECs and BellSouth. Because
19 the toll access model can support local traffic,
20 there is no need to develop new rate structures for
21 local traffic only. Adoption of the switched
22 access rate structure and rates will result in
23 minimizing the arbitrage potential since the
24 identical capabilities could be used for both local
25 and toll traffic (Such traffic is likely to become

1 indistinguishable within a short period of time).
2 The switched access model will also provide all the
3 functionality required with any given technical
4 interconnection arrangement (e.g., end office,
5 tandem, etc.)
6
7 Additionally, developing new rates and structures
8 for already existing capabilities would be
9 contentious, time consuming and an inefficient use
10 of resources. Unless some new standard was
11 established as an acceptable alternative to those
12 used for existing access, this process would likely
13 result in the same functionality at identical
14 prices. As a further example of the futility of
15 this process, BellSouth recently filed a revised
16 local transport structure which is not yet
17 effective. To suggest that switched access rates
18 are not appropriate would mean filing these
19 identical functions one more time, but under some
20 yet to be defined standard that theoretically might
21 produce different rates.
22
23 Q. Several parties, including AT&T's witness Mr.
24 Guedel, argue that the switched access rate levels
25 are too high for local interconnection compensation

1 arrangements. Do you agree?

2

3 A. No. It is important to note that, while AT&T may
4 take issue with the rate level of terminating
5 switched access for use in local interconnection
6 arrangements, Mr. Guedel does not necessarily
7 object to the switched access rate structure. The
8 current rate levels for terminating switched access
9 have, however, been already approved as just and
10 reasonable by the FPSC. Additionally, under the
11 stipulation reached in the Florida Rate Case,
12 BellSouth has reduced switched access rates by
13 approximately \$50M on July 1, 1994 and will make
14 further reductions of \$55M on October 1, 1995 and
15 \$36M on October 1, 1996, totaling an estimated
16 \$141M. In light of these significant reductions,
17 it is clear that BellSouth's switched access rates
18 are becoming more closely aligned with the apparent
19 expectations of the parties that find the existing
20 rates objectionable. Characterizations that the
21 switched access rate levels are overly inflated are
22 nothing more than an attempt to use this forum,
23 albeit a totally inappropriate one, to lobby for
24 further reductions in switched access rates.

25

1 Q. Can you elaborate on BellSouth's position regarding
2 the viability of a usage sensitive interconnection
3 structure in a flat rate local exchange service
4 environment, as referenced by Mr. Smith
5 representing FCTA, Mr. Devine representing MFS, Dr.
6 Cornell representing MCI and Mr. Kouroupas
7 representing TCG?

8
9 A. There are two important points that have been
10 omitted by those parties suggesting that a flat
11 rate service offering is not viable with a usage
12 based local interconnection arrangement. First, as
13 stated in my response to the previous question,
14 Florida's switched access rates are declining.
15 Therefore, the rate level used for Mr. Kouroupas'
16 chart will be less than \$.04793 on January 1, 1996,
17 when ALECs are permitted to begin providing local
18 service.

19
20 Second, and perhaps the most significant omission
21 by those parties objecting to the use of
22 terminating switched access rates, is that the
23 parties fail to acknowledge that this form of
24 compensation will be mutual. Because the payments
25 are mutual, the compensation paid to ALECs by

1 BellSouth to terminate traffic on an ALEC's network
2 will offset, to a great extent, the compensation
3 paid to BellSouth by ALECs. Therefore, the real
4 issue is the net difference between the usage
5 sensitive rates paid and the usage sensitive rates
6 collected. The difference can be expected to be
7 fairly fixed (or flat) as traffic patterns mature
8 and become more predictable between BellSouth and
9 the ALEC.

10

11 Q. Why is it important for the Commission to consider
12 the universal service support issues while
13 addressing local interconnection compensation
14 rates?

15

16 A. As stated in the direct testimony filed by
17 BellSouth in the Universal Service proceeding
18 (Florida Docket No. 950696) and in Mr. Varner's
19 direct testimony in this docket, the manner in
20 which the universal service mechanism is modified
21 to include the ALEC universal service support, as
22 required by revised Chapter 364, will affect the
23 rate structure and level for local interconnection
24 arrangements, regardless of the support mechanism
25 ultimately adopted. Consequently, these issues

1 cannot be viewed in a vacuum. For example, under
2 Alternative 1, the fixed or flat differences
3 referenced in the response to the previous question
4 are not likely to differ significantly from month
5 to month.

6

7 Q. What proposals have the other parties to this
8 proceeding made with regard to interconnection
9 arrangements for the exchange of local and toll
10 traffic between ALECs and BellSouth?

11

12 A. My understanding of the direct testimony filed by
13 the other parties to this docket indicates that
14 there are three proposals, in addition to
15 BellSouth's, that have been submitted for
16 consideration in this docket. These three
17 proposals are: 1) a flat rated local
18 interconnection arrangement endorsed by Teleport;
19 2) a local interconnection arrangement based on the
20 total service long run incremental cost (TSLRIC)
21 endorsed by AT&T; and 3) a bill and keep
22 interconnection arrangement endorsed by MCI, MFS,
23 FCTA.

24

25 Q. Would you describe BellSouth's position with regard

1 to Teleport's proposed flat rate local
2 interconnection arrangement?

3
4 A. Yes. Adoption of the proposed flat rate local
5 interconnection arrangement would result in the
6 introduction of a new rate structure and new rate
7 elements applicable only to local interconnection.
8 The proposal apparently assumes that local and toll
9 traffic can be distinguished but does not offer any
10 solution as to how this differentiation could be
11 made. Thus, this structure would necessitate new
12 billing and measurement arrangements for local
13 traffic exchanged between ALECs and BellSouth. The
14 proposed arrangement is also limited in that it
15 would appear to most aptly support a situation in
16 which only end office direct trunking arrangements
17 between an ALEC and BellSouth were in effect. This
18 arrangement does not as readily recognize the
19 additional functionality and efficiencies of tandem
20 interconnection arrangements and various
21 collocation options. Given this, there would be a
22 need for additional rates and structures, unless
23 all parties accepted only end office to end office
24 connections. Having only end office to end office
25 connections is a highly unlikely scenario and one

1 that would hinder ALEC entry into the local service
2 arena.

3

4 Q. Would you describe BellSouth's position regarding
5 the incremental cost arrangement proposed by AT&T?

6

7 A. Yes. Although this local interconnection
8 arrangement proposal recognizes switched access as
9 the appropriate rate structure, it requires the
10 development of new cost studies to determine the
11 local interconnection rates.

12

13 Additionally, it would require a determination that
14 a new standard should be applied to the development
15 of local interconnection rates which is different
16 than that used for access. Given that there is
17 also no solution offered with this proposal to
18 resolve the problem of distinguishing between local
19 and toll traffic, the potential for arbitrage would
20 also exist under this proposed arrangement.

21 Another significant drawback of this proposal is
22 that it would have a negative impact on carriers
23 most likely to have local exchange service
24 authority in the near term by potentially delaying
25 their ability to enter the market due to the time

1 required to provide cost studies and develop new
2 rates. Even assuming that there would be no debate
3 over the cost studies and resultant rates, this
4 aspect of the proposal would hinder, rather than
5 foster, the competitive environment envisioned in
6 the legislation. This plan also is not
7 economically efficient nor economically
8 appropriate, as discussed in greater detail in Dr.
9 Banerjee's rebuttal testimony.

10

11 Q. Would you describe BellSouth's position regarding
12 the bill and keep arrangement proposed by MCI, MFS
13 and FCTA?

14

15 A. Yes. Several parties (MCI, FCTA and MFS) propose
16 this alternative as the optimum plan to support
17 local interconnection arrangements because it
18 allegedly incents greater network efficiencies and
19 minimizes billing requirements. This arrangement,
20 however, like the flat rate proposal, does not
21 recognize the different types of technical
22 interconnection arrangements that may exist.
23 Because of this, ALECs will not be incented to
24 provide efficient functionality internal to their
25 own networks. Rather, ALECs will be incented to

1 use the efficiencies inherent to BellSouth's
2 network, functionalities for which BellSouth would
3 not be compensated. For example, ALECs may decide
4 to interconnect their end offices with BellSouth's
5 tandems, rather than building their own tandems.

6
7 By contrast, under BellSouth's proposed structure,
8 BellSouth will be incented to provide functionality
9 to ALECs that will allow them to operate
10 effectively because BellSouth will be compensated.
11 Where there is no compensation, and the carriers do
12 not share equally in providing the necessary
13 overall capabilities, a significant disincentive
14 will exist for one carrier to provide functionality
15 to the other. By example, regulators, through the
16 restructure of access transport and collocation,
17 have created additional competition for both
18 transport and tandem switching. If no one is
19 directly compensated for providing these functions,
20 it is highly unlikely that any party would be
21 incented to provide these services.

22
23 Bill and keep also does not eliminate the need for
24 billing and administrative systems, as was
25 suggested by the parties. There will still be a

1 need to hand off toll and 800 traffic to IXCs, to
2 LECs (for intraLATA toll only) and to ALECs which
3 requires the billing of switched access rates.
4 Because ALECs will bill switched access to many
5 different carriers, BellSouth's proposal of
6 applying switched access elements for local
7 interconnections places no additional billing
8 requirements on the ALECs. Conversely, any new
9 local interconnection structure, such as some of
10 those suggested by other parties, would indeed be
11 burdensome.

12
13 It is also suggested that "bill and keep" is
14 appropriate because it is the arrangement used
15 today for the exchange of traffic between BellSouth
16 and independent companies. The traditional
17 arrangements between independent companies and
18 BellSouth are quite different from the future
19 arrangements of ALECs and BellSouth. For example,
20 independent companies do not cover the same
21 geographic territory as BellSouth, nor do they
22 compete for the same customers as BellSouth.
23 Moreover, these interconnection arrangements are
24 typically end office to end office. These
25 arrangements were developed many years ago under an

1 entirely different set of circumstances.
2 Attempting to carry these arrangements forward
3 would be comparable to suggesting that LECs and
4 IXCs ought to pool their access and toll revenues.
5 Dr. Banerjee also addresses this concept in his
6 rebuttal testimony.

7

8 Q. Does "bill and keep" provide greater incentives for
9 development of true number portability by
10 BellSouth?

11

12 A. No. The local interconnection compensation
13 mechanism ultimately adopted has no bearing on
14 BellSouth's intention to provide true number
15 portability. BellSouth, as a party to the
16 stipulation reached in Florida on September 1,
17 1995, has agreed to and intends to provide interim
18 number portability to ALECs. Further, BellSouth is
19 supportive of and an active participant in the
20 national industry work on resolving the long term
21 number portability issue. BellSouth's position has
22 been clearly articulated in filings before this
23 Commission in Docket No. 950737-TP and before the
24 FCC in Docket No. 95-116.

25

1 Q. Should BellSouth be required to tariff the
2 interconnection rates or other interconnection
3 arrangements? [Issue No. 2]

4

5 A. Yes. There appears to be general agreement by all
6 parties on this issue.

7

8 Q. What are the appropriate technical and financial
9 arrangements which should govern interconnection
10 between ALECs and BellSouth for the delivery of
11 calls originated and/or terminated from carriers
12 not directly connected to an ALECs network? [Issue
13 No. 3]

14

15 A. As described in my testimony, BellSouth has been
16 analyzing the possibility of providing an
17 intermediary function that would allow calls to
18 transit from one carrier's network through
19 BellSouth's network to another carrier's network.
20 These situations may require certain "meet point
21 billing" arrangements where each carrier would bill
22 its portion of the interconnection arrangement to
23 the other carrier. There can be many permutations
24 involving both local and toll traffic, but these
25 should be manageable. It should be emphasized,

1 however, that all parties to such an arrangement
2 must agree on both the technical and financial
3 arrangements to assure a seamless configuration in
4 which all parties are properly compensated.

5
6 AT&T discusses a "mid-span meet" arrangement where
7 each carrier builds and is responsible for
8 operating trunk facilities out to some agreed upon
9 point between two central offices. BellSouth does
10 not envision a need for the "mid-span" proposal
11 made by AT&T, given the FPSC's recent collocation
12 order which provides additional options on the
13 ownership of transport facilities. Under the
14 provisions of the FPSC order issued September 21,
15 1995, BellSouth must file expanded interconnection
16 tariffs within 60 days of the order date.

17

18 Q. What are the appropriate technical and financial
19 requirements for the exchange of intraLATA 800
20 traffic which originates from an ALEC customer and
21 terminates to an 800 number served by BellSouth?

22 [Issue No. 4]

23

24 A. It is BellSouth's position that, during at least
25 the initial phase of local exchange competition,

1 the traffic at issue in this question will be
2 minimal. While BellSouth provides minimal
3 intraLATA 800 services, ALECs may opt not to
4 provide a comparable service, further reducing the
5 potential volume of traffic. There will also be a
6 need for procedures to be established for the
7 exchange of data in both directions for billing
8 purposes between the two parties involved. Given
9 the minimal amount of traffic involved, it is
10 BellSouth's opinion that the parties can resolve
11 this issue.

12

13 Q. What are the appropriate technical arrangements for
14 the interconnection of an ALEC's network to
15 BellSouth's 911 provisioning network such that
16 ALEC's customers are ensured the same level of 911
17 service as they would receive as a customer of
18 BellSouth? What procedures should be in place for
19 the timely exchange and updating of ALEC customer
20 information for inclusion in appropriate E911
21 databases? [Issue No. 5]

22

23 A. The ALECs must provide their own facilities or
24 lease facilities from BellSouth that will connect
25 the trunk side of the ALEC's end office to the

1 BellSouth 911 tandem serving the calling customer's
2 Public Safety Answering Point (PSAP). The trunks
3 must be capable of carrying Automatic Number
4 Identification (ANI) to the 911 tandem. The trunk
5 facility must conform with ANSI T1.405-1989
6 (Interface Between Carriers and Customer
7 Installations - Analog voice Grade Switched
8 Access). The trunk interface between the ALEC end
9 office and the BellSouth tandem may be either a
10 2-wire analog interface or a digital DS1 interface.
11 A minimum of two trunks are required, additional
12 trunks may be required depending on the volume of
13 traffic.

14
15 Procedures must be in place to handle transmission,
16 receipt and daily updates of the customer telephone
17 number and the name and address associated with
18 that number. At least three data files or
19 databases are generally required to provide data
20 for display at the Public Service Answering
21 Position (PSAP):

- 22
23 - Master Street Address Guide (MSAG)
24 - Telephone Number (TN)
25 - Network Information (TN/ESN)

1

2 To date, meetings between BellSouth and the ALECs
3 have not indicated any problems in these areas.

4

5 Q. What are the appropriate technical requirements for
6 operator traffic flowing between an ALEC's operator
7 services provider and BellSouth's operator services
8 provider including busy line verification and
9 emergency interrupt services? [Issue No. 6]

10

11 A. A dedicated trunk group, either one way or two way,
12 is required from the ALEC's end office to the
13 BellSouth Operator Services System. The trunk
14 group can be the same as that used for Inward
15 Operator Services (busy line verification and
16 emergency interrupt services) and Operator Transfer
17 Service.

18

19 Busy line verification and emergency interrupt
20 services are currently tariffed in the Access
21 Service Tariff. BellSouth would expect ALECs to
22 tariff a similar service for BellSouth.

23

24 Q. Under what terms and conditions should BellSouth be
25 required to list ALEC customers in its directory

1 assistance database? [Issue No. 7]

2

3 A. If an ALEC desires to list its customers in
4 BellSouth's directory assistance database,
5 BellSouth will provide this service as long as the
6 ALEC provides BellSouth with necessary information
7 in the format specified by BellSouth to populate
8 the database. To the extent that additional costs
9 are incurred to store ALEC directory assistance
10 information, ALECs should be required to absorb
11 them.

12

13 Q. Under what terms and conditions should BellSouth be
14 required to list ALEC customers in its universal
15 white and yellow pages directories and to publish
16 and distribute these directories to ALEC customers?
17 [Issue No. 8]

18

19 A. As a general matter, it should be noted that yellow
20 page directories are not "universal" because there
21 are several competitive "yellow pages" in
22 existence. BellSouth, however, does intend to list
23 ALEC business customers in BellSouth's yellow and
24 white page directories, as well as ALEC residence
25 customers in BellSouth's white page directories.

1 It is also BellSouth's intention to distribute
2 yellow and white page directories to ALEC
3 customers. White page listings for individual
4 customers will be offered at no charge. Additional
5 listing options and the provision of directories
6 outside a customer's service area will be provided
7 to ALEC customers under the same terms, conditions
8 and rates offered to BellSouth customers.

9

10 Q. What arrangements are necessary to ensure that
11 ALECs can bill and clear credit card, collect,
12 third party calls and audiotext calls? [Issue No.
13 9]

14

15 A. All ALECs entering the market in the BellSouth
16 region have two options for handling their non-sent
17 paid traffic. First, they may elect to have
18 another Regional Bell Company (RBOC) to serve as
19 their Centralized Message Distribution System
20 (CMDS) host. CMDS will provide ALECs with the
21 ability to bill for their services when the
22 messages are recorded by a local exchange company.
23 This would include credit card, collect and
24 third-party calls.

25

1 When this is the case, all messages that are
2 originated by the ALEC but billable by another
3 company, or that are originated by another company
4 and billable by the ALEC, will be sent through that
5 RBOC host for distribution. BellSouth would not be
6 involved in this scenario. If a call originates in
7 BellSouth territory that is billable by the ALEC,
8 BellSouth would send that message to Kansas City
9 (where the CMDS system resides). CMDS would
10 forward the message to the host RBOC who would then
11 distribute it to the ALEC. The reverse would be
12 true for any ALEC originated message that is
13 billable to a BellSouth customer. If the ALEC
14 elects to purchase operator and/or 800 database
15 service from BellSouth, and BellSouth is therefore
16 recording messages on the ALEC's behalf, BellSouth
17 will send those messages directly to the ALEC for
18 rating. The ALEC would then distribute the
19 messages to the appropriate billing company via
20 their RBOC host.

21
22 The second possible scenario is that the ALEC may
23 elect to have BellSouth serve as their CMDS host.
24 The only requirement for this option is that the
25 ALEC have Regional Accounting Office status

1 (RAO-status), which means that it has been assigned
2 its own RAO code from Bellcore. When BellSouth
3 provides the CMDS host function, BellSouth will
4 send CMDS all messages that are originated by an
5 ALEC customer that are billable outside the
6 BellSouth region. BellSouth will also forward all
7 messages that originate outside the BellSouth
8 region from CMDS to the ALEC for billing where
9 applicable. This service will be provided via
10 contract between the two companies.

11

12 As for audiotext calls, N11 service is the only
13 service currently offered by BellSouth in its
14 General Subscriber Service Tariff specifically
15 tailored for audiotext customers. 976 service is
16 grandfathered. For an ALEC to be able to provide
17 N11 service to an audiotext customer, they would
18 have to translate the audiotext provider's seven or
19 ten digit local telephone number to the appropriate
20 N11 service three-digit code at their end office.
21 Since the recording for that call would be done at
22 the ALEC's end office, BellSouth would not be
23 involved. The ALEC would then have to make its own
24 arrangement with the audiotext provider for billing
25 and collection of N11 calls to their customers. It

1 should be noted that BellSouth does not jointly
2 provide N11 service with any other carrier anywhere
3 in its service region.

4

5 Q. What arrangements are necessary to ensure the
6 provision of CLASS/LASS services between BellSouth
7 and an ALEC's interconnected networks? [Issue No.
8 10]

9

10 A. Full Signaling System 7 (SS7) connectivity is
11 required between end offices to ensure the
12 provision of CLASS/LASS services between BellSouth
13 and an ALEC. BellSouth plans to unbundle SS7
14 signaling in its Switched Access Service tariff and
15 ALECs will be able to purchase this connectivity as
16 an unbundled service.

17

18 Q. Does this conclude your testimony?

19

20 A. Yes.

21

22

23

24

25

Issues agreed upon at 950985-TP Issue ID
9/22/95

1. What are the appropriate rate structures, interconnection rates, or other compensation arrangements for the exchange of local and toll traffic between Teleport and Southern Bell?
2. Should Southern Bell tariff the interconnection rate(s) or other arrangements?
3. What are the appropriate technical and financial arrangements which should govern interconnection between TCG and BellSouth for the delivery of calls originated and/or terminated from carriers not directly connected to TCG's network?
4. What are the appropriate technical and financial requirements for the exchange of intraLATA 800 traffic which originates from a TCG customer and terminates to an 800 number served by BellSouth?
5. a) What are the appropriate technical arrangements for the interconnection of TCG's network to BellSouth's 911 provisioning network such that TCG's customers are ensured the same level of 911 service as they would receive as a customer of BellSouth?
b) What procedures should be in place for the timely exchange and updating of TCG customer information for inclusion in appropriate E911 databases?
6. What are the appropriate technical requirements for operator traffic flowing between TCG's operator services provider and BellSouth's operator services provider including busy line verification and emergency interrupt services?
7. Under what terms and conditions should BellSouth be required to list TCG's customers in its directory assistance database?
8. Under what terms and conditions should BellSouth be required to list TCG's customers in its universal white and yellow pages directories and to publish and distribute these directories to TCG's customers?
9. What arrangements are necessary to ensure that TCG can bill and clear credit card, collect, third party calls and audiotext calls?
10. What arrangements are necessary to ensure the provision of CLASS/LASS services between TCG's and Southern Bell's networks?