

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Resolution of
petition(s) to establish
nondiscriminatory rates, terms,
and conditions for
interconnection involving local
exchange companies and
alternative local exchange
companies pursuant to Section
364.162, F.S.

DOCKET NO. 950985-TP

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FIRST DAY - EVENING SESSION
VOLUME IV
Pages 545 through 601

PROCEEDINGS:

Hearing

BEFORE:

CHAIRMAN SUSAN F. CLARK
COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE:

Wednesday, January 10, 1996

TIME:

Commenced at 5:30 p.m.
Concluded at 6:50 p.m.

PLACE:

4075 Esplanade Way, Room 148
Tallahassee, Florida

REPORTED BY:

JANE FAUROT, RPR
Notary Public in and for the
State of Florida at Large

APPEARANCES:

(As heretofore noted.)

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I N D E X

WITNESSES - VOLUME IV

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EXHIBITS - VOLUME IV

Number: Identified Admitted

12		598
21	BellSouth Europe	567 598
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P R O C E E D I N G S

1

2

(Transcript follows in sequence from Volume III.)

3

(Hearing reconvened at 5:30 p.m.)

4

CHAIRMAN CLARK: Call the hearing back to order.

5

Mr. Melson, are you now ready to proceed?

6

MR. MELSON: Yes, I am. Thank you, Madam

7

Chairman.

8

Just to recap, I wrote a couple of numbers up on

9

the little sheet there behind you, I believe.

10

CHAIRMAN CLARK: On the easel.

11

MR. MELSON: Easel. I knew there was a name for

12

it.

13

CONTINUED CROSS EXAMINATION

14

BY MR. MELSON:

15

Q I believe we agreed that the price for -- the per

16

minute of use price that Southern Bell is advocating to

17

charge an ALEC for termination of a local call in this

18

proceeding is 4.495 cents per minute, is that right?

19

A Yes, sir.

20

Q And I believe we also agreed that the rate for an

21

ALEC who signed your agreement is 1.052 cents per minute, is

22

that correct?

23

A That is correct.

24

Q Now, could you turn, please, to your answer to

25

Interrogatory Number 6, which is Confidential Exhibit Number

1 18.

2 A I'm sorry, sir. Interrogatory response to --

3 Q Interrogatory Number 6.

4 A Okay. Yes, sir.

5 Q Now, the only thing on this page that's
6 confidential is the three numbers that appear in the middle
7 of the page, is that correct?

8 A Yes.

9 Q All right. Now, the text of the answer says, in
10 essence, that Southern Bell has not conducted a cost study
11 of the cost for local interconnection, but switched access
12 costs are a good proxy, is that a fair summary?

13 A That's a fair summary, yes, sir.

14 Q Now, if I wanted to determine the cost of switched
15 access that you're using as a proxy, would I add the amount
16 on Line 1 for local transport to one of the amounts labeled
17 local switching?

18 A Yes, you would.

19 Q I would not add all three numbers together, I
20 would simply add the first line to one of the other lines?

21 A That's correct.

22 Q Now, if I were to add local transport on the first
23 line to local switching two on the third line, would you
24 agree with me that the answer I get would be expressed in
25 tenths of a cent per minute, it would be zero point some

1 number of tenths of a cent?

2 A Yes.

3 Q Now, the difference between the 4.495 that we
4 discussed earlier, Southern Bell's proposal, and this number
5 of tenths of a cent is the contribution that Southern Bell
6 would receive under its rate towards its shared cost, is
7 that correct?

8 A Yes, as well as contribution towards carrier of
9 last resort.

10 Q And universal service?

11 A Yes.

12 Q Now, the amount stated in Interrogatory 6 for
13 local transport includes tandem switching, is that correct?

14 A To the best of my knowledge, that is correct.

15 Q All right. And while we have got the confidential
16 materials in front of us, if you could turn to your document
17 production which has been labeled Confidential Exhibit
18 Number 19, and I believe that is the cost study that backs
19 up the numbers on the interrogatory answer?

20 A Yes.

21 Q Could you turn to the first page of numbers, it
22 looks like it has got a stamped number 0000001 at the bottom
23 of the page.

24 COMMISSIONER KIESLING: Could you say again which
25 page?

1 MR. MELSON: I'm sorry. It's Page 1. It also
2 says F17I01Z. It's labeled at the top switched access
3 local transport cost summary parens FGB.

4 THE WITNESS: I don't have your page, so -- I'm
5 not sure I have your page. Okay.

6 BY MR. MELSON:

7 Q Were you present earlier when Mr. Devine was on
8 the stand?

9 A Yes.

10 Q And do you recollect seeing what has been marked
11 as Exhibit 4, labeled local interconnection arrangements?

12 A Yes.

13 Q Now, let me step back one minute. The number that
14 we just looked at on Interrogatory 6 that's in tenths of a
15 cent per minute, that covers Southern Bell's cost of
16 everything on the right-hand side of the Exhibit 4 diagram,
17 the tandem switching, the local transport, the local
18 switching, and so forth, is that correct?

19 A But there is more to the right of the diagram than
20 you just described.

21 Q Okay. Does it cover all of the costs of
22 terminating a local call that are related to things on the
23 right of the diagram?

24 A No, sir, it doesn't.

25 Q And what does it not include?

1 A There is no cost of the loop which is on that
2 diagram, if I can sort of remember it from here. So,
3 everything from the far right of the local switch is not
4 included.

5 Q All right. Fair enough. Now, do you remember the
6 example that Mr. Lackey was talking with Mr. Devine about,
7 where one of these end offices might be in Homestead and one
8 might be in Miami, some 60 miles apart?

9 A Yes.

10 Q All right. If we look at Page 1 of your exhibit,
11 at Line 4, can we see what would be an average number of
12 miles that would be involved in local transports?

13 A For switched access you can, yes, sir.

14 Q All right. And you're saying -- and these are the
15 numbers you're using as a proxy for local interconnection?

16 A Yes, sir.

17 Q And that number is less than 60 miles, is it not?

18 A Yes, it is less than 60 miles.

19 Q All right. I'm finished now with the confidential
20 documents. I'm going to change gears here for a minute,
21 Mr. Scheye. I would like to talk about the compensation
22 arrangements that are in place today between Southern Bell
23 and the other incumbent local exchange companies with whom
24 it exchanges traffic. And the first situation I want to
25 talk about is a toll call from a customer of another LEC,

1 let's say United just for purposes of example, to a customer
2 of Southern Bell, where United is the toll carrier. Do you
3 understand the example?

4 A Yes.

5 Q In that situation, United collects the toll
6 revenue from the customer who makes the call and pays
7 terminating access charges to Southern Bell, is that right?

8 A Yes, it is.

9 Q And do you understand that under MCI Metro's
10 proposal in this docket, MCI Metro would pay Southern Bell
11 exactly the same terminating access charges if it originated
12 a toll call from an MCI Metro customer and terminated it to
13 a Southern Bell customer?

14 A No, I don't understand that.

15 Q Would that be an appropriate -- in your mind,
16 would that be an appropriate compensation arrangement for
17 that type of toll call?

18 A Yes, that's what we are proposing.

19 Q All right. Now, let's assume a local call from a
20 customer of United to a customer of Southern Bell. In that
21 situation there is no compensation from United to Southern
22 Bell for terminating the call, is that correct?

23 A That's correct.

24 Q And vice versa, if Southern Bell terminates a
25 local call to United, there is no compensation from Southern

1 Bell to United?

2 A That's correct.

3 Q All right. Now, if you would, please, turn to
4 Page 8 of your direct testimony at Line 25.

5 A I'm sorry, sir, I didn't pick up what page you
6 asked me to go to.

7 Q I'm sorry, Page 8.

8 A Page 8, Line 25?

9 Q Correct.

10 A Okay.

11 Q There you say, and it's really beginning at the
12 end of that line, "Except for some extended calling service
13 arrangements, BellSouth and the other LECs in Florida
14 compensate each other with terminating access charges," is
15 that correct?

16 A Yes, that's what it says.

17 Q Based on the examples we have just talked about,
18 wouldn't it be equally accurate to say that except for toll
19 calls, BellSouth and the other LECs in Florida terminate
20 each others traffic on the basis of mutual traffic exchange?

21 A Yes.

22 Q Now, if you will turn to Page 13 of your direct
23 testimony. Beginning at Line 9, you talk about the
24 situation where BellSouth provides an intermediary function,
25 is that correct? I think you really use --

1 A Yes.

2 Q Let me make sure we are clear about what you mean
3 when you say an intermediary function. Assume that MFS and
4 MCI Metro are both interconnected with Southern Bell, but
5 they are not interconnected with each other. If an MCI
6 Metro customer places a local call to an MFS customer and
7 Southern Bell moves the call between MCI Metro and MFS,
8 would that be an example of what you mean by the
9 intermediary function?

10 A Yes, it is.

11 Q All right. Now, assume that MCI Metro and AT&T
12 are both interconnected with Southern Bell, but not with
13 each other. And assume that an AT&T customer places a long
14 distance call to an MCI Metro customer and Southern Bell
15 moves the call between AT&T and MCI Metro, would that be
16 another example of the intermediary function?

17 A No, sir.

18 Q All right. So, in your terminology, the
19 intermediary function applies solely to local traffic?

20 A Yes, sir, it does.

21 Q All right. Now, at Page 13 of your testimony at
22 Lines 21 through 23, you say it may not be appropriate for
23 Southern Bell to be involved in these situations, is that
24 correct?

25 A Yes, sir, that's correct.

1 Q And then at Page 14, Lines 1 through 4, you say
2 that Southern Bell may consider providing this type of
3 interconnection if the parties can agree on technical and
4 financial issues, is that correct?

5 A That is also correct.

6 Q Okay. Now, under the stipulation, Southern Bell
7 has agreed to provide this function to ALECs who have signed
8 the agreement, is that right?

9 A That's right.

10 Q So, is it fair to say that there is no technical
11 reason this type of intermediary function cannot be
12 provided?

13 A Yes, that's a fair statement.

14 Q Okay.

15 A At least with those carriers under those
16 circumstances. I can't tell you that that's the case in
17 every circumstance.

18 Q Okay. What investigation did you make of the
19 circumstances of those carriers to determine that there were
20 no technical impediments?

21 A Based on my understanding of the trunking
22 arrangements that those carriers are interested in, the fact
23 that those carriers would be coming through my tandems in
24 most cases anyhow. It is compatible, therefore. I can't
25 speak in the theoretical of every other carrier with every

1 other circumstance, however.

2 Q Let me ask this. Is this an issue that MFS and
3 MCI Metro have talked to Southern Bell about?

4 A Yes.

5 Q Do you have any reason to believe that it would
6 not be technically feasible to provide this type of
7 arrangement to MFS and MCI Metro?

8 A Yes.

9 Q Okay. And what is that reason?

10 A They don't want to compensate me for it, and,
11 therefore, they are asking me to invest in technical
12 capabilities and incur all the costs without recovery.

13 Q I guess at this point I'm not asking about
14 financial feasibility or economic feasibility, I'm asking
15 about technical feasibility. Is it technically feasible to
16 provide this intermediary function to MFS and MCI Metro?

17 A If you are limiting your question to the strict
18 engineering, then I have no knowledge that would say it's
19 not technically possible to do the same thing with MFS and
20 MCI, that would be correct.

21 Q All right. And under the stipulation, the charge
22 when Southern Bell performs this intermediary function is
23 the 1.052 cents plus an additional two-tenths of a cent per
24 minute, is that correct?

25 A No, sir, that's not correct.

1 Q Okay. Tell me what it is, then?

2 A In the instance that you're referring to,
3 BellSouth would not provide all the functionality in that
4 case, because in that case if I use your old example, I
5 think MFS and MCI would both provide the local switching
6 element. So I believe the only elements that BellSouth
7 would be providing would be the tandem switching and the
8 transport. So it would be only those components of our rate
9 structure that would apply, plus the two-tenths of a cent,
10 sir.

11 Q So it would be two-tenths of a cent plus some
12 number that is less than 1.052?

13 A That is exactly right, sir.

14 Q And that rate, including the two-tenths of a cent
15 per minute, covers Southern Bell's cost of providing this
16 intermediary function, is that correct?

17 A To the best of our knowledge, and to the best of
18 our understanding of what will be required, that is correct.
19 Now, this is a brand new function for us in some cases, but
20 we believe so.

21 Q And let me ask you about your understanding of MCI
22 Metro's proposal for mutual traffic exchange. Were you
23 present during the testimony of Mr. Price?

24 A Yes, sir. But as I mentioned earlier, some of his
25 answers I just couldn't hear, so I may not have heard

1 everything.

2 Q Let me ask your understanding. Do you understand
3 that MCI Metro proposes to pay for this intermediary
4 function even under a situation where mutual traffic
5 exchange is being used for traffic between MCI Metro and
6 Southern Bell?

7 A No, sir, I think that's inconsistent with MCI's
8 proposal.

9 Q In your view, would it be appropriate for MCI to
10 pay for this intermediary function, then?

11 A Absolutely.

12 Q And if that were MCI's proposal, then you would
13 agree with that aspect of MCI's proposal?

14 A I would find that conclusion inconsistent with
15 MCI's proposal, because MCI has claimed that my proposal or
16 BellSouth's proposal, I should say, does not require them to
17 do any measurement and billing. Now, what you're
18 suggesting, or MCI is suggesting, I should say, in this
19 instance is for some calls there would be measurement and
20 billing. So, therefore, in order to determine which calls I
21 have to measure and bill, presumably I've got to measure
22 them all anyhow. So there would be no savings from that
23 perspective, so I would find that inconsistent, sir. But if
24 that is MCI's proposal, I will accept that.

25 Q All right. Did you hear Mr. Price's testimony

1 regarding the need for mechanized systems for order entry,
2 trouble tracking, data base maintenance, and so forth?

3 A Yes, I did, sir.

4 Q And is it Southern Bell's position that they will
5 provide those functions on a mechanized basis?

6 A As soon as we are capable of doing so, we will do
7 so.

8 Q And do you have a timetable under which you expect
9 to be able to provide those functions?

10 A Not yet. I do not.

11 Q Do you have an estimate of the cost of providing
12 that type of mechanized interface?

13 A No, I do not.

14 Q Let's move back, if we could, to Exhibit 4, again.

15 A I'm sorry, Exhibit 4 of the direct testimony? Oh,
16 got it.

17 Q The local interconnection picture that I've lost
18 my copy of.

19 A Mr. Lackey has it.

20 Q Maybe he has mine. Let the record reflect I
21 provided him some documents earlier.

22 If I understand your testimony, BellSouth will
23 agree to interconnect at the end office or at the tandem
24 switch, is that correct?

25 A That's correct.

1 Q And will BellSouth agree to a midspan meet?

2 A No, we will not.

3 Q Does Southern Bell connect to other local exchange
4 companies today via a midspan meet?

5 A In some instances with an independent, which I
6 assume you are alluding to, since there is franchise
7 territories where we don't encroach on their territory and
8 they do not encroach on our territory, there are cases where
9 we meet at the franchise boundary, and some people would
10 describe that as a midspan meet.

11 Q All right.

12 CHAIRMAN CLARK: Let me interject and ask a
13 question. Why do you not want to do midspan or meet point
14 interconnection?

15 THE WITNESS: What we are suggesting is we will
16 provide the facility all the way back to the carrier, the
17 alternate local exchange carrier, or conversely, the local
18 exchange carrier can meet us at our switch through
19 collocation. And they can do that at either the tandem or
20 the end office or both. Midspan meet, when you deal with
21 multiple different carriers who have different
22 characteristics, opens up a whole new area of methods and
23 procedures. For example, if that circuit goes down, who
24 tests it, who maintains it, and things like that. And while
25 it may be technically possible in the future given

1 everything else that is required for local interconnection
2 to be implemented in the short-term, given that we have
3 provided the alternative of either providing the facility
4 ourselves, or providing the facility or allowing the carrier
5 to provide it through collocation, it is but a third option,
6 but it is an option that we do not have procedures for
7 dealing with it today. And rather than to simply say to all
8 newcomers, sure, we can do that, not knowing their
9 capabilities versus ours, it just opens up a whole new area
10 for discussion. Now, we have indicated that if the
11 circumstance arise, we would certainly investigate that with
12 a particular carrier, but did not want to make that a
13 general offering.

14 CHAIRMAN CLARK: Okay.

15 BY MR. MELSON:

16 Q Mr. Scheye, let's talk for just a minute about
17 busy line verification and emergency interrupt. How is busy
18 line verification -- well, first, could you tell us what
19 busy line verification and emergency interrupt are?

20 A They are basically operator services where today
21 our operator will interrupt the line because a call has to
22 get through, or for emergency purposes, or verify that the
23 line is in use.

24 Q Do you provide busy line verification and
25 emergency interrupt today to other local exchange companies?

1 A We provide it to other local exchange companies to
2 the extent that they would use our operators and we provide
3 it to interexchange carriers today, also.

4 Q And when it is provided -- what are the
5 arrangements under which it is provided to other local
6 exchange companies, is that pursuant to a tariff, or is it
7 pursuant to contract?

8 A That would be a contract.

9 Q And on what basis is it provided to interexchange
10 carriers?

11 A Tariff.

12 Q And on Page 29 of your stipulation, which is
13 RCS-7, part of Exhibit 15, there is a statement that
14 BellSouth and the ALECs shall mutually provide each other
15 busy line verification and emergency interrupt services
16 pursuant to tariff. What tariff does that refer to?

17 A Well, in our case it would refer to the tariff
18 that we already have as part of access. In the instance of
19 the alternate carrier, presumably they would reflect the
20 same rates that we have.

21 Q Do you intend to make that service available to
22 alternate LECs pursuant to contract as opposed to tariff?

23 A We have suggested tariffs, but it is not outside
24 the realm of possibility to do it under a contract, as well.

25 Q While we are back at the agreement, I believe

1 earlier you told me that in the event the Commission were to
2 adopt a universal service fund during the two-year period
3 that the agreement is in place, that the signatories to the
4 agreement would not have to participate in that fund. Were
5 you able during the break to identify the language in the
6 agreement that suggests that?

7 A Yes, sir. Let me refer you to Page 12 of that
8 agreement. I believe it's the second paragraph, and there
9 is a statement in there, and I will paraphrase it rather
10 than read it, that simply says that BellSouth will maintain
11 carrier of last resort obligations during this period. Now,
12 that language was changed from the original TCG agreement
13 where it was much more explicit that at least TCG would not
14 contribute. The change of that language was made because
15 the Commission had already ruled on universal service and
16 alternative one was no longer a viable alternative. So, the
17 language was changed, but the intent was maintained from the
18 original agreement.

19 Q And do you have Page 12 in front of you?

20 A I don't, but I can --

21 Q If you would, please. Could you just read to me
22 the first three words of the last paragraph on the page?

23 A Can I read you the first three words of the last
24 paragraph?

25 Q Yes, sir.

1 A Notwithstanding the foregoing.

2 Q Thank you. Let me turn to my last area of
3 questions. Well, I said that too soon. Let me move just
4 briefly to a couple of questions regarding your rebuttal
5 testimony. You have already answered that. We are being
6 efficient. I'm going to read you four statements and ask
7 you if you will agree with them, or disagree with them, or
8 have no opinion.

9 A Could you tell me the source of those statements,
10 sir.

11 Q Let me read them to you first. Interconnection
12 charges should reflect cost causation, and as such, should
13 be based on long-run incremental costs. Do you agree with
14 that, disagree, or have no opinion?

15 A Sir, as I said, would you give me the source of
16 that statement.

17 Q I would like for you to answer my question,
18 please.

19 A Are you indicating you won't give me the source of
20 that statement?

21 Q Not at this time, no, sir.

22 A Okay. I would say I have no opinion, then.

23 Q Do you agree, disagree, or have no opinion with
24 the statement that incumbents bring enormous structural
25 advantages to competitive situations, including such things

1 as paid for infrastructure, name recognition, brand loyalty,
2 consumer inertia, and preferential access to data regarding
3 the calling habits of its interconnecting competitors'
4 customers. Agree, disagree, no opinion?

5 A I would probably have to say -- not knowing the
6 context of those statements, I would have to say I have no
7 opinion.

8 Q What about this next statement. Monopoly bred
9 inefficiency plays into the incumbents' hands by, one,
10 enabling dramatic improvements in operating results through
11 relative easy 'fat cutting,' and, two, justifying high
12 interconnect prices designed largely to recoup the
13 incumbents' past inefficiencies?

14 A I could probably say I don't agree with that one,
15 sir.

16 CHAIRMAN CLARK: You don't agree.

17 A I disagree with that statement.

18 Q Disagree with that?

19 A Yes.

20 Q And the final statement --

21 A At least as it applies to BellSouth. I can't
22 speak to any other region or company.

23 Q Sure. But as it applies to BellSouth?

24 A Yes, I don't think I would agree with that.

25 Q Okay. To develop effective competition,

1 interconnection charges must be adjusted to motivate
2 incumbent efficiency and counterbalance the incumbents
3 considerable structural advantages?

4 A It doesn't sound like I would agree with that.
5 But, again, I can't tell the context of your statement, so
6 it's tough to do that.

7 Q Let me ask you, and I will now tell you the
8 context, and ask you would your answer be different if I
9 told you that those statements came from BellSouth Europe's
10 comments in response to a green paper by the European
11 Commission on competition in Europe?

12 A I'm glad you raised that, sir. I have read that
13 entire paper, and if you read all of those statements in the
14 context of that paper as opposed to taking some statements
15 simply on the surface, I think there is another statement in
16 there that says BellSouth International, or BellSouth
17 Europe, believes it is appropriate to pay about 3 to 4 cents
18 for interconnection with an incumbent. So, again, that's
19 why I offered no opinion, sir, because I think you're taking
20 some of those statements out of context. I think the
21 overall paper that you're referring to, which I have read,
22 and if you read it in its entirety, I would be more than
23 happy to accept the rate levels that BellSouth Europe was
24 willing to pay to the European community.

25 MR. MELSON: Commissioners, we're going to hand

1 this out and ask that it be identified as the next numbered
2 exhibit.

3 CHAIRMAN CLARK: The document entitled BellSouth
4 Europe, comments of BellSouth Europe to the European
5 Commission's green paper on the liberalization of
6 telecommunications infrastructure and cable television
7 networks, dated March 15, 1995, will be identified as
8 Exhibit 21.

9 (Exhibit Number 21 marked for identification.)

10 MR. TYE: And I've got no further questions.

11 COMMISSIONER DEASON: Mr. Tye, I was just
12 wondering, with the cut back to AT&T, are you trying to
13 embellish your position with MCI?

14 MR. TYE: I may be one of the 40,000, I need all
15 the friends I can make nowadays, Commissioner.

16 MR. MELSON: I've got no further questions for Mr.
17 Scheye. Thank you.

18 CHAIRMAN CLARK: Mr. Tye.

19 MR. TYE: I have just a few, Chairman Clark.

20 CROSS EXAMINATION

21 BY MR. TYE:

22 Q Mr. Scheye, I'm Mike Tye, and I represent AT&T for
23 the moment.

24 A And I'm a witness for BellSouth at least for the
25 moment, sir.

1 Q Mr. Scheye, I just wanted to ask you a few
2 questions about the residual interconnection charge, the
3 RIC. As I understand it, the RIC is more or less a creature
4 of local transport restructure, is that correct?

5 A That is correct.

6 Q Okay. It didn't exist prior to local transport
7 restructure?

8 A No, it did not.

9 Q Okay. Now, BellSouth has completed local
10 transport restructure at the federal level, but you still
11 haven't filed your tariffs in this jurisdiction, or you do
12 not have tariffs in effect in this jurisdiction, is that
13 correct?

14 A We have filed the tariffs with this Commission,
15 and I do not know whether they are effective yet or not,
16 sir.

17 Q Okay. Does the tariff that you filed in this
18 state look pretty much like your federal tariff does?

19 A Yes. I haven't looked at it, specifically, but I
20 think it does.

21 Q Okay. I want to hand you a document and ask you
22 if you can verify for me that this is a BellSouth federal
23 tariff?

24 A Yes, it is. I believe it represents itself.

25 MR. LACKEY: Excuse me, could I ask that you wait

1 until I get a copy of it before --

2 MR. TYE: I won't ask him any questions about it
3 until you get one, Doug.

4 CHAIRMAN CLARK: Mr. Tye, do you want an exhibit
5 number?

6 MR. TYE: Yes, I would, Commissioner Clark. I
7 believe it would be Exhibit 21.

8 CHAIRMAN CLARK: No, it will be Exhibit 22, and it
9 is BellSouth Telecommunications, Inc. tariff FCC Number 1,
10 effective June 24th, 1994, for access service.

11 MR. TYE: Thank you, Chairman Clark.

12 (Exhibit Number 22 marked for identification.)

13 BY MR. TYE:

14 Q Mr. Scheye, would you look at Page 2 of this
15 document, and specifically Sections 2.4.7(B)(3). And have
16 you found that section?

17 A I have it, sir. Yes, I'm sorry.

18 Q Now, if you go down to the bottom of that
19 paragraph, there is a sentence that starts, "The
20 interconnection charge at the end office telephone company
21 will apply," do you see that sentence?

22 A Yes.

23 Q Is that the residual interconnection charge that
24 you're talking about there in this tariff?

25 A While I don't have a whole tariff here, it would

1 appear to be.

2 Q Okay. It's the RIC, then, is that correct?

3 A Yes, it would appear to be.

4 Q Okay. Now, in Section C, you see the same
5 sentence towards the end of the section?

6 A Yes.

7 Q Okay. Is that also the RIC?

8 A Yes, I would think so.

9 MR. TYE: Thank you, sir. I have no further
10 questions.

11 CHAIRMAN CLARK: Mr. Horton.

12 MR. HORTON: I think mine has already been
13 answered.

14 CHAIRMAN CLARK: Mr. Fincher.

15 MR. FINCHER: No questions.

16 CHAIRMAN CLARK: Mr. Falvey.

17 MR. FALVEY: Yes, I have just a few questions. I
18 also would like to move some exhibits. There is a set of
19 BellSouth interrogatory answers to MFS, they were entered as
20 Exhibit 20 by Staff, and it was sort of a hand-picked
21 selection of the responses. I would like to compliment that
22 exhibit with the remaining responses, and I can list them
23 for the record, if you would like.

24 CHAIRMAN CLARK: Do you have copies of them?

25 MR. FALVEY: What I have is the full set of the

1 interrogatories. I haven't walked back through and culled
2 out the ones that Staff has not already put into evidence,
3 so what I would hope to do is provide that tomorrow morning.

4 CHAIRMAN CLARK: That will be fine.

5 MR. FALVEY: Okay. Thank you.

6 CHAIRMAN CLARK: What I would suggest is maybe
7 that you simply cull them out and we will identify it as a
8 separate exhibit.

9 MR. FALVEY: Okay. I do have the numbers.

10 CHAIRMAN CLARK: I don't think you need to do that
11 today, do it tomorrow. And at that time provide us with
12 copies of those interrogatories.

13 MR. FALVEY: Okay. And if I could go ahead and
14 lay the foundation with Mr. Scheye.

15 CHAIRMAN CLARK: Well, do you want to ask
16 questions about the interrogatories that are not in?

17 MR. FALVEY: Just one, I think.

18 CHAIRMAN CLARK: Okay. Why don't you just go
19 ahead and ask him the questions, and we will identify them
20 tomorrow. You don't have copies for us to look at while
21 you're questioning him?

22 MR. FALVEY: That's right.

23 CHAIRMAN CLARK: Go ahead.

24 MR. FALVEY: Thank you.

25 CROSS EXAMINATION

1 BY MR. FALVEY:

2 Q In assigning NXX codes to ALECs, would BellSouth
3 apply any charge to an ALEC?

4 A No.

5 Q What percentage of ALEC customers do you believe
6 will be former BellSouth customers switching over to ALECs?

7 A I don't know, sir.

8 Q Can you guess at what percentage that might be,
9 whether it would be greater than 75 or greater than 90
10 percent?

11 A It certainly could be, but I don't know your
12 marketing plan, so I think you would be in a better position
13 to answer that than I would be.

14 Q Have any of your witnesses suggested that there
15 would be a competitive threat from ALECs to BellSouth
16 revenues?

17 A So far, I'm the first witness in this proceeding,
18 so unless you want to refer me to some other proceeding, I
19 don't know who that witness might be, sir.

20 Q Well, let's look at your testimony, your direct
21 testimony. On Page 5 -- I'm sorry, Page 8 of your direct
22 testimony.

23 A Page 8?

24 Q Yes. Hold on a second. Make it Page 9, and it's
25 Line 10, the sentence beginning -- or Line 7, the sentence

1 beginning, "for example." And did you get a chance to read
2 that sentence?

3 A Yes.

4 Q You talk about you will be competing for this --
5 we will be competing ALECs for the same customers as
6 BellSouth?

7 A Yes, sir, it's the nature of local competition.

8 Q Okay. And now when a customer switches over from
9 BellSouth to an ALEC, do you expect that there will be a
10 need for remote call forwarding?

11 A That's possible. It may not be required in all
12 cases and likely would not be.

13 Q Likely would not be required that they would use
14 remote call forwarding?

15 A I said in all cases.

16 Q Oh, in all cases. I understand. And under your
17 proposal, at least to MFS, haven't you not proposed that
18 BellSouth will retain switched access charges on all ported
19 calls, that is all calls that utilize remote call
20 forwarding?

21 A I heard that comment earlier, and I thought it was
22 an interesting comment, because I think that's about 10
23 percent of the story. And it was never clarified, so if I
24 could take a moment I would like to clarify that. What
25 BellSouth has said is on a ported call in question from an

1 interexchange carrier, it is very difficult for all the
2 carriers to distinguish the local calls from the toll calls.
3 One simple mechanism that we have recommended as a possible
4 solution to that problem would be that BellSouth would
5 collect the access revenues, in turn, that call would then
6 look like a local call from the BellSouth switch to in this
7 instance the MFS switch, and we would then compensate MFS at
8 the local interconnection rate. And that was done simply as
9 a convenience to try to simplify what is the ultimate
10 proposal, which is a meet point billing situation where we
11 would retain our rate elements and MFS or the other
12 alternate carrier would bill their rate elements. So we
13 have never suggested that we retain all the switched access
14 revenues without some compensation going to the alternate
15 local exchange carrier, sir.

16 Q Was that a yes or a no, just going back to our
17 conversation this morning?

18 A I think based on what I heard this morning, the
19 answer would be, no, we have not suggested that, sir,
20 without further explanation as I just made.

21 Q Were you here this morning for Mr. Devine's
22 testimony?

23 A Yes.

24 Q And were you generally able to hear him?

25 A Yes, I was able to hear him, sir.

1 Q Okay. Didn't Mr. Devine represent that MFS will
2 mirror BellSouth calling areas?

3 A Yes, he did say that.

4 Q So, doesn't that pretty much take care of the
5 traffic -- or local toll distinction originating traffic
6 identification problem at least with respect to MFS?

7 A What I recall, and if I misstate, I apologize, I
8 believe Mr. Devine said initially that would be MFS's
9 intent, but over time that may not be strictly adhered to in
10 all cases. I don't believe he used those words, but there
11 was nothing that said that they would lock into that and
12 guarantee that for the next 50 years or ten years.

13 Q But for the time being there is no problem?

14 A In that instance with MFS, I would think you're
15 correct. Now --

16 Q Well, I'm sorry, if I could just -- well, go ahead
17 and finish your answer.

18 A Right now I believe we have about 15 carriers
19 certified in the State of Florida that we have to deal with,
20 so MFS is not the only circumstance we are trying to resolve
21 here.

22 Q Is it your understanding that the MFS petition
23 case is, in fact, limited to arrangements between BellSouth
24 and MFS?

25 A No, sir, I don't.

1 Q If you could clarify that, and explain to me what
2 other ALECs will come under the arrangements that come out
3 of the MFS petition case that we are currently conducting?

4 A It was my understanding, at least, and if I have
5 misunderstood I will change my answer, but that MFS in its
6 testimony was requesting that this Commission make certain
7 decisions about the nature of local interconnection in the
8 State of Florida. I don't recall seeing that they asked
9 that that particular set of decisions made by this
10 Commission only apply to MFS.

11 Q Do you recall -- you said you were here earlier --
12 do you recall Mr. Devine's opening statement when he said
13 that the stipulation signed between MFS and other parties is
14 an agreement that perhaps other parties can live with?

15 A I'm sorry, I don't recall that statement, but if
16 you will repeat it I will be happy to -- that other parties
17 could agree with?

18 Q The statement was to the effect that other parties
19 have signed this stipulation, which is perhaps the
20 stipulation that they can agree with?

21 A Oh, yes, sir. I'm sorry, yes.

22 Q And do you recall -- were you at the hearing, by
23 any chance, at which the stipulation was approved?

24 A Yes, I was.

25 Q And do you recall at that time that MFS also

1 stated that it was not objecting to the stipulation as
2 between those parties?

3 A Yes, I recall that.

4 Q Okay. On the same note, could you list all ALECs
5 who have requested bill and keep compensation that have
6 informed you that they will not mirror the BellSouth local
7 calling areas? Just give me -- you can list -- if you want
8 to stop at some point, but just starting with a list of
9 those ALECs?

10 A You have indicated today that MCI Metro -- or, I'm
11 sorry, MFS plans to mirror at least in some undefined period
12 of time. To my knowledge, MCI Metro has not taken a
13 position one way or the other on that, and there are any
14 number of other carriers in the State of Florida that have
15 not said one way or the other about the arrangement nor
16 their local calling areas.

17 Q I guess my question was could you list some of
18 them?

19 A City of Lakeland, Sprint Metropolitan.

20 Q And all of these people have -- all of these
21 companies have requested bill and keep compensation
22 arrangements, because that was the nature of the initial
23 question?

24 A No, sir. As I said, they have not indicated to me
25 what they would request, but presumably if this Commission

1 required a tariff to be filed for interconnection, that
2 would be the tariff under which they would purchase the
3 services.

4 Q But the answer, I guess, then, to my question is,
5 no, you can't list any ALEC that has requested bill and keep
6 compensation that has told you that they do not intend to
7 mirror the BellSouth calling areas?

8 MS. WILSON: I object to that question. Madam
9 Chairman, to the extent that that calls for confidential
10 negotiations, information from confidential negotiations
11 entered into between other parties and BellSouth, I object
12 to that question. He is asking Mr. Scheye to name other
13 parties that would not be mirroring BellSouth's territory.
14 And that is information that was discussed and given to
15 BellSouth in confidential negotiations by the other parties
16 and that is inappropriate.

17 MR. FALVEY: Are you speaking on behalf of one of
18 your clients that is -- I mean, my understanding is that you
19 have already stipulated to an arrangement that only to some
20 extent includes bill and keep, so --

21 MS. WILSON: Okay. Perhaps I misunderstood.

22 MR. LACKEY: I haven't won anything to date, so
23 I'm staying out of this.

24 MS. WILSON: Perhaps I misunderstood the question,
25 Madam Chairman. I thought it was directed towards parties

1 who had both stipulated and not stipulated. If it's only
2 directed to parties who have not stipulated, then I have no
3 grounds for the objection, and I would withdraw it.

4 MR. FALVEY: No, that's correct. It is those
5 parties who have not stipulated already.

6 BY MR. FALVEY:

7 Q And I guess -- I think you answered the question,
8 didn't you answer it no?

9 A I said -- I think I said the answer is, no, at
10 least for some period of time that is yet to be defined.

11 Q Okay. And if you could turn to Page 5 of your
12 direct testimony, Line 23. That sentence beginning with the
13 word first and going over to Page 6.

14 A Yes.

15 Q Could you just read that out so that we are on the
16 same page.

17 A The sentence, sir?

18 Q Sure.

19 A Okay. "First, with location or parenthetically
20 geographic number portability, end users will be able to
21 move from one area to another and still retain their same
22 telephone numbers."

23 Q Could you describe the current extent of the
24 availability of geographic number portability in Florida?

25 A There are some limited services, like 500 service,

1 that allows you to do that, and there are certain specific
2 NXX codes that are offered in the State of Florida which are
3 similar to a 950 offering, where you could -- and I don't
4 honestly know the name of the service, but you can take that
5 NXX code and use it in multiple central offices.

6 Q Can I refer you to -- if you have it before you --
7 your response to Interrogatory Number 85, if you have that
8 available. MFS Interrogatory Number 85. I could provide it
9 for you.

10 A It may save time, thanks.

11 Q Could you read the question. I believe it's
12 identical to the one that I just asked you on the record.

13 A Please describe the current extent of the
14 availability of geographic number portability in Florida.
15 Response --

16 Q Well, you can hold off on the response. Does the
17 response say anything about 500, or 950, or any of those
18 things you just mentioned?

19 A No. Does the question?

20 Q No, does the response. Because I believe it's an
21 identical question.

22 A The response was made specific to remote call
23 forwarding.

24 Q Oh, I'm sorry, but I guess what I'm saying is that
25 I read that question prior -- when I asked my previous

1 question, I read that question off of the piece of paper.
2 And so, I guess, what I'm asking, the answer is, no, that it
3 does not, it does not mention 500 or 950. Could you
4 summarize that response or read that response?

5 A Sure. The summary says as it pertains to remote
6 call forwarding, you cannot do it other than within a
7 particular exchange.

8 Q So, currently geographic number portability is
9 only available within an exchange?

10 A Using remote call forwarding, that's correct, sir.

11 Q So, are you changing your interrogatory answer?

12 A Sir, I didn't answer this one, Mr. Culpepper did.

13 Q So, are you saying you don't have the same opinion
14 as one of your subordinates?

15 MR. LACKEY: I object. Madam Chairman, what we
16 had talked about with regard to these interrogatories was in
17 order to get them in the record that Mr. Scheye would state
18 that to the best of his knowledge, information, and belief
19 that they were true and accurate so that we could get past
20 the hurdle that they are not admissible. But we made it
21 clear, I thought, to the parties that, you know, to the
22 extent he doesn't have any personal knowledge about the
23 answer to any interrogatory, he certainly can't explain it,
24 answer it, hold forth on it, or otherwise be responsible for
25 it.

1 CHAIRMAN CLARK: Mr. Scheye, I understand that you
2 agree with that answer, and you qualify it. The distinction
3 Mr. Falvey appears to be trying to make is that in that
4 answer you didn't talk about 905 (sic) and 500 numbers. And
5 as I understood your response to what appeared to be his
6 concern that you were answering the question differently,
7 it's because it was qualified by saying with respect to
8 remote call forwarding?

9 THE WITNESS: That is correct. I was trying to be
10 slightly more expansive and provide a little more
11 information.

12 MR. FALVEY: The answer was qualified by remote
13 call forwarding.

14 CHAIRMAN CLARK: The answer to the interrogatory
15 was qualified, is that right?

16 THE WITNESS: That is correct, and I was trying to
17 provide a little more information, and that was all.

18 MR. FALVEY: Okay. I'm going to move on.

19 BY MR. FALVEY:

20 Q Do you have the stipulation -- well, just
21 referring to the stipulation. Doesn't the stipulation
22 permit parties to agree to -- and I'm going to quote --
23 exchange traffic on an in-kind basis, unquote, if it is
24 mutually agreed that the costs associated with the local
25 traffic exchange are greater than the net monies exchanged?

1 A Yes, I think that's a direct quote or statement
2 within that agreement.

3 Q Okay. And does BellSouth currently use in-kind
4 exchange with independent LECs?

5 A For local traffic we do, sir.

6 Q I asked you this question in a deposition a few
7 days ago, and we can refer to that, if necessary. But what
8 percentage of your physical interconnections to independents
9 are at a mutual meet point?

10 A As I think I indicated then, I don't know the
11 precise percentage. I still don't know the precise
12 percentage. As I tried to explain a little bit earlier,
13 because of circumstances with independents we have our
14 franchise territory and they have their franchise territory
15 and it leads to certain kinds of, quote, meet point or
16 midspan meets as are being alluded to or discussed here. In
17 the case of an ALEC, of course, their franchised area and
18 ours are identical.

19 CHAIRMAN CLARK: Let me follow up on that. I
20 guess the underlying reason why you think a meet point is
21 appropriate is because there is a geographic split. You
22 don't compete with them and they don't compete with you, and
23 in effect you just tie your lines together at one point, and
24 you're concerned that if you have more people tying in their
25 lines then you have to figure out a way to figure out whose

1 trunk or whose line is whom?

2 THE WITNESS: That's correct. In addition, we are
3 limited, of course, in what we can do with independents
4 because we don't compete with each other and we have our own
5 little territories that we provide service to. And there is
6 a defined number, and the circumstances are pretty well
7 defined and have been for years and years. In the new world
8 or with the alternate carriers, of course, we all have the
9 same territory, I guess, or the overlap, however the precise
10 way to say that is. And there are multiple different
11 carriers and multiple different circumstances, and that
12 opens up a whole new set of issues and concerns and
13 questions that would have to be answered.

14 CHAIRMAN CLARK: Well, if say United becomes a
15 competitor of yours in your territory, would you continue to
16 use the meet point way of interconnecting if you don't offer
17 it to other ALECs?

18 THE WITNESS: No, we would not. For example, if I
19 could expand on that, United Metropolitan has requested
20 certification from this Commission, and they have indicated
21 that they will provide service in BellSouth territory, and
22 we have indicated to United Metropolitan that they would not
23 come under the same terms and conditions as United, the
24 local exchange independent telephone company. In other
25 words, we will treat them like every other alternate local

1 exchange company.

2 CHAIRMAN CLARK: What if United, not a separate
3 company --

4 THE WITNESS: If United, the local exchange
5 carrier, did the same thing, but not through a subsidiary,
6 we would treat them exactly in the same manner as we would
7 treat every other alternate local exchange carrier.

8 CHAIRMAN CLARK: So, would you discontinue the
9 connections that you have?

10 THE WITNESS: Yes, we would discontinue those, or
11 change the financial relationship certainly between them.

12 MR. FALVEY: If I could have a few follow-ups on
13 that.

14 BY MR. FALVEY:

15 Q I guess, first of all, with respect to the
16 connections with the independents, would you say that -- I
17 mean, can you give me an estimate? Is it 50 percent, is it
18 two-thirds, is it fairly common? Some estimate of how
19 common that arrangement is, a meet point arrangement?

20 A Sir, you asked me that question and I didn't have
21 an answer, and I still don't.

22 Q Well, I guess I'm trying to ask it a different
23 way. I mean --

24 A I still don't have a good estimate for you. I'm
25 sorry, I don't have that.

1 Q Okay. And my understanding is when you meet up
2 with an independent at the boundary, there is really just
3 one meet point, right?

4 A Typically there would be. Well, it doesn't have
5 to be. We could meet technically at a variety of different
6 places, I guess. With a company as big as United there may
7 be different places because there are different exchanges
8 involved.

9 Q So was it one per exchange or one per LATA?

10 A No, it certainly wouldn't be one per LATA, because
11 United, if we just use them as an example, has exchanges all
12 over the state. So there would certainly have to be unique
13 ones for each area that we and they meet together someplace.
14 And I don't know what that number is, but there is certainly
15 more than one.

16 Q So, if MFS wanted to have one neutral midpoint
17 within a LATA, why is that more complicated? In fact,
18 wouldn't that be less complicated?

19 A No, it would be a whole lot more complicated,
20 because --

21 Q I'm trying to get at the distinction that Madam
22 Chairman was bringing out, that the fact that it's on the
23 boundary between the independent and the ALEC -- and
24 BellSouth's territory, that that makes it a more simplified
25 connection. If we just want one connection within the LATA,

1 isn't that a fairly simple arrangement?

2 MR. LACKEY: Excuse me, Madam Chairman, I believe
3 Mr. Falvey cut Mr. Scheye off in the middle of an answer.

4 CHAIRMAN CLARK: Mr. Scheye, did you have more of
5 an answer to the question before this last question?

6 THE WITNESS: I'm not sure I did.

7 MR. LACKEY: I heard the word because, and then it
8 went on.

9 THE WITNESS: I might have, but I don't recall.

10 CHAIRMAN CLARK: Can you remember it?

11 THE WITNESS: I'm sure I did.

12 MR. FALVEY: You can answer either question,
13 actually. If you could answer either question it would be
14 helpful.

15 CHAIRMAN CLARK: I think you need to repeat your
16 question.

17 MR. LACKEY: And for the record, I just didn't
18 want Mr. Scheye wondering where his lawyer had gone.

19 CHAIRMAN CLARK: I think Mr. Scheye is doing a
20 fine job.

21 THE WITNESS: Do you mind signing a letter to that
22 effect? We are also downsizing at BellSouth.

23 CHAIRMAN CLARK: You seem to be doing a good job
24 of protecting yourself.

25 BY MR. FALVEY:

1 Q Hypothetically, if MCI were to request a single
2 neutral midpoint within a LATA, how would that be more
3 complicated than what you have described as multiple meet
4 points with an adjacent independent LEC?

5 A I think we have got apples and oranges here. What
6 we do with an independent that I think you are alluding to
7 is -- and, again, if it's okay to use United -- we have a
8 BellSouth exchange and a United exchange and we are trying
9 to pass local traffic between those two points. So we run a
10 big trunk or a facility between that, and because of the
11 franchising areas, they provide a piece of it and we provide
12 a piece of it. And that's the only traffic that goes over
13 that trunk, and we are at one end and they are at the other
14 end, and that's it. A quote neutral -- and it only serves
15 that particular area, it doesn't go beyond that. So, if
16 United has another exchange some other place, then there is
17 another similar trunk. A neutral meet point for a LATA
18 encompasses a huge amount of territory, because our LATAs
19 are certainly very large. It encompasses local traffic and
20 toll traffic both, none of which is envisioned or included
21 in anything we do with any independent today under any
22 circumstances.

23 MR. FALVEY: I have no further questions.

24 CHAIRMAN CLARK: Thank you. Staff.

25 MR. HATCH: Staff just has a few follow-up

1 questions.

2

CROSS EXAMINATION

3 BY MR. HATCH:

4 Q Mr. Scheye, my name is Tracy Hatch, I will be
5 asking a couple of questions on behalf of Staff.

6 What is your definition of an end office, how
7 would you define that?

8 A An end office, some people call it a classified
9 switch, or a local switch, or a dial tone switch.

10 Q Would it be fair to characterize an end office as
11 the first point of connection of an end user? It's the
12 first switching type facility that it hits, generally?

13 A Yes.

14 Q Several of the parties had talked about the RIC
15 earlier; what exactly is the RIC designed to recover as a
16 charge?

17 A It is designed to recover those transport and
18 tandem switching costs that are not explicitly covered by
19 the transport and tandem rate elements. The revenue
20 requirements for transport and tandem switching is greater
21 than the rate levels that we are allowed to charge and
22 recover, so there is a piece left, and those costs are
23 recovered by the residual interconnection charge.

24 Q Essentially, that's a revenue plug figure, because
25 you can't stick it in any other pie, is that correct?

1 A Yes, that's probably a reasonable way to describe
2 it.

3 Q What is BellSouth's position on who should collect
4 the RIC and who should retain that revenue in the various
5 scenarios that have been described in terms of transport?

6 A BellSouth believes that when BellSouth provides
7 the tandem functionality and some of the transport for
8 terminating or originating an interexchange call when an
9 alternate local exchange carrier's end office is involved,
10 that BellSouth should retain those revenues, because we have
11 incurred those costs that the RIC is intended to cover.

12 Q But in terms of your interconnection rate, you
13 would not pay the terminating ALEC a RIC charge, either,
14 would you?

15 A I'm sorry, sir, are you talking about the local
16 interconnection RIC?

17 Q Yes.

18 A If they provided that functionality, I would.

19 Q And what about on a toll termination?

20 A The same thing. I mean, if their rate structure
21 had a RIC included in it, just like a carrier common -- I
22 think we talked earlier about the RIC and the carrier common
23 line, and if their access charges -- we're talking about
24 their access charges now, I believe you said. If they had
25 those elements in there, then I would pay them. And I pay

1 the independents that today, as an example.

2 Q So, when the functionalities are the same, you
3 would pay the RIC in either case?

4 A Yes. In the case -- that's access I think that we
5 are talking about here, are we not?

6 Q Yes.

7 A Yes, I agree with that, sir.

8 Q What about on the local level?

9 A On the local, I wouldn't envision that kind of
10 situation arising.

11 Q In any case?

12 A No, I would not -- if there was a circumstance,
13 and I guess I haven't really thought about this, that I was
14 purchasing tandem functionality from an ALEC, and purchasing
15 transport from the ALEC, and the ALEC was similarly
16 constrained as BellSouth is in terms of how it has to set
17 its rates, and, therefore, cannot collect those charges
18 directly from both the tandem and the transport, then I
19 think it would be legitimate and reasonable for the ALEC to
20 assess that charge upon me.

21 Q What do you mean by similarly constrained in terms
22 of setting rates?

23 A BellSouth is required by rule as to how it can set
24 the tandem rate and the transport rates that require the
25 residual interconnection element. I'm not free to charge

1 both of those elements and essentially absorb the RIC into
2 those elements.

3 Q How is BellSouth constrained in setting those
4 rates?

5 A I have rules that do not allow me to do that. The
6 FCC rules, sir.

7 Q What about on an intrastate basis?

8 A On an intrastate basis, we have attempted as best
9 we can to try to mirror structures between our interstate
10 and intrastate access rate elements, because it's easier for
11 the interexchange carriers and the other carriers to
12 understand that. But to the extent -- if I could follow-up
13 -- to the extent that I could modify my structure here in
14 the State of Florida that precluded the need for a RIC and
15 allowed me to charge my tandem and transport at full cost,
16 then you're right, then I wouldn't have a RIC and there
17 would be presumably no issue.

18 Q Changing gears a little bit. Did I understand you
19 to say earlier that there is a statutory provision that
20 requires you to recover costs?

21 A Yes, sir.

22 Q What statutory provision are you citing to that
23 requires you to recover costs?

24 A I believe in the legislation it indicates that
25 services cannot be provided by BellSouth for interconnection

1 and unbundling below their costs.

2 Q Could you provide me a statutory citation of such
3 a reference?

4 A I would be happy to do it. I don't have it with
5 me, but I will be happy to find that for you, sir, and
6 provide it to you.

7 Q Are you referring to the provision, I believe it's
8 in 364.051 -- no, that's different. It's .161, that says
9 that you cannot price below cost?

10 A I believe that --

11 Q Is that what you're referring to?

12 A I think there are a couple of references, and I
13 would have to go back through the entire legislation before
14 I would want to say that that was the particular cite. And
15 I would be happy to do that for you.

16 Q Pricing below cost is not the same thing as
17 requiring recovery of cost, is it?

18 A No, I don't think it's quite the same.

19 MR. LACKEY: Madam Chairman, we will be more that
20 happy to find the cite to the statute for Mr. Scheye and Mr.
21 Hatch. We will have it in the morning.

22 MR. HATCH: That's fine.

23 BY MR. HATCH:

24 Q BellSouth has elected price regulation, has it
25 not?

1 A Yes.

2 Q And so to the extent that it has elected price
3 regulation, it is no longer subject to rate base regulation,
4 is that correct?

5 A Yes, that is my understanding.

6 Q It's your testimony, isn't it, that you oppose
7 bill and keep because it essentially does not allow you to
8 recover your costs for termination, is that essentially
9 correct?

10 A That's one of the concerns we have. That's not
11 the only concern, but that's certainly a critical one.

12 Q I believe -- if you would turn to your rebuttal
13 testimony to MFS on Page 5, would you look at that?

14 A Did you say Page 5, sir?

15 Q Yes.

16 A Rebuttal. And you said MFS?

17 Q Yes, your rebuttal testimony to MFS.

18 A Yes, sir, I have it.

19 Q Essentially, I'm going to be referring to Lines 6
20 through 25, and it's sort of an extended discussion of why
21 you do not like or do not endorse bill and keep. If you
22 would look down at Lines 20 through 23, do you see that
23 statement where it begins however, on Line 20?

24 A Yes.

25 Q Read the last sense of that. And you can read

1 through there all the way to the bottom through Line 25.

2 A "However, in using the number I gave above --"

3 Q I'm sorry, I didn't mean for you to read it out
4 loud, just to familiarize yourself with the text. I'm
5 sorry.

6 A Okay.

7 Q Do you see where you make the statement, "If the
8 traffic is an unbalanced situation --"

9 A Yes. I'm sorry, I didn't mean to interrupt you,
10 sir.

11 Q Do you see that sentence?

12 A Yes.

13 Q Whether it is a bill and keep scenario or whether
14 you have mutual compensation at essentially equivalent rates
15 back and forth, as long as the traffic is unbalanced, you're
16 always going to have a cost recovery problem under your
17 example, is that correct?

18 A Yes, that's correct.

19 MR. HATCH: That's all Staff has.

20 CHAIRMAN CLARK: Commissioners. Redirect.

21 MR. LACKEY: The most dangerous part.

22 REDIRECT EXAMINATION

23 BY MR. LACKEY:

24 Q Mr. Scheye, do you recall Mr. Hatch asked you a
25 moment ago for a citation to the statute that you had

1 referenced in your testimony?

2 A Yes, sir, I do.

3 Q Did you have reference to Section 364.162,
4 Subparagraph 4, which reads, "In setting the local
5 interconnection charge, the Commission shall determine that
6 the charge is sufficient to cover the cost of furnishing
7 interconnection"?

8 A That's it, sir. Yes, sir.

9 MR. LACKEY: Are there any other questions you
10 wish Mr. Lackey to ask you? I have no further
11 redirect.

12 CHAIRMAN CLARK: Don't answer that.

13 THE WITNESS: Would somebody object.

14 MR. LACKEY: I have no further redirect.

15 CHAIRMAN CLARK: Okay. Exhibits.

16 MR. LACKEY: I move Exhibit 14 and 15.

17 MR. HATCH: Staff would move 16 through 20.

18 MR. TYE: AT&T moves Exhibit 22.

19 MR. MELSON: MCI Metro moves 21.

20 MR. LACKEY: Before you admit 21 --

21 CHAIRMAN CLARK: Okay. Let me just -- Exhibits 13
22 through 20 are admitted without objection.

23 (Exhibit Number 13 through 20 admitted into
24 evidence.)

25 CHAIRMAN CLARK: All right. Now we're on 21.

1 And, Mr. Melson, you are moving 21?

2 MR. MELSON: I move Exhibit 21.

3 CHAIRMAN CLARK: Is there an objection?

4 MR. LACKEY: I have an objection to the document.
5 I mean, on its face it purports to be something from
6 BellSouth Europe. We are not BellSouth Europe, we are
7 BellSouth Telecommunications, Inc. We are a Georgia
8 corporation. I'm not exactly sure what this was submitted
9 for, but it certainly hasn't been authenticated, there has
10 been no one who has been able to describe what it is,
11 identify it, or otherwise lay a foundation for admission
12 into evidence in this proceeding that I'm aware of.

13 CHAIRMAN CLARK: Mr. Melson.

14 MR. MELSON: I believe Mr. Scheye, before I handed
15 it out, when I said the statements were from the BellSouth
16 Europe study, "Oh, yes, I have read that." I could voir
17 dire him if you would like.

18 THE WITNESS: Could I make a statement?

19 CHAIRMAN CLARK: No, you may not.

20 MR. LACKEY: You were doing so well.

21 MR. MELSON: I believe that voir dire would show
22 that he is familiar with it. At this point, though, I would
23 limit the offer and not offer it for the truth of the
24 matters asserted in it, but simply offer it to show that an
25 affiliate of BellSouth Telecommunications takes a

1 substantially different position than BellSouth
2 Telecommunications takes when the question is whether you
3 are a competitor or an incumbent former monopolist.

4 CHAIRMAN CLARK: Mr. Lackey.

5 MR. LACKEY: I don't think it has been established
6 that BellSouth Europe is an affiliate to begin with, but if
7 he's just offering it for what he said, I guess there is
8 nothing I can object to on that basis. We just don't want
9 it asserted for the truth of what is in there for the most
10 part.

11 CHAIRMAN CLARK: Okay.

12 MR. MELSON: You can't have it both ways, Mr.
13 Lackey.

14 CHAIRMAN CLARK: That it's not being offered for
15 the truth of the statements contained therein, it's only
16 being offered to show an affiliate of BellSouth has taken a
17 different position as evidenced in that document.

18 Exhibit 22.

19 MR. TYE: I move Exhibit 22, Madam Chairman.

20 CHAIRMAN CLARK: Exhibit 22 is admitted into the
21 record without objection. We also now have the errata sheet
22 to Exhibit 12, so we will admit that in the record without
23 objection.

24 (Exhibit Numbers 12, 21 and 22 admitted into
25 evidence.)

1 MR. FALVEY: Madam Chairman, I just want to
2 clarify. Mr. Scheye is taking the stand again tomorrow for
3 rebuttal, is that correct?

4 CHAIRMAN CLARK: No, he did rebuttal today.

5 MR. FALVEY: Well, I'm not sure I got to the
6 bottom, then, of my exhibit tomorrow in terms of he ought to
7 lay a foundation that the interrogatories are true and
8 correct and so on. Maybe if we can do that for the full set
9 of all interrogatories responded to and then I can provide
10 copies tomorrow.

11 MR. LACKEY: That will be fine. I'm willing to
12 stipulate that whatever we filed was true and correct.

13 CHAIRMAN CLARK: Mr. Scheye, are you going to be
14 here tomorrow?

15 THE WITNESS: Yes, I will be.

16 CHAIRMAN CLARK: Whether or not you're on the
17 stand?

18 THE WITNESS: I'm afraid so.

19 CHAIRMAN CLARK: Well, what I would suggest is you
20 two get together as to what is in that exhibit and if you
21 can stipulate it. If not, we will put him back on the stand
22 and get it authenticated or whatever.

23 MR. LACKEY: If it's our documents, I'm obviously
24 going to agree to it.

25 THE WITNESS: Right. I mean, they are signed

1 interrogatories.

2 CHAIRMAN CLARK: Remind me at the beginning
3 tomorrow to deal with that. Mr. Scheye, you may be excused
4 as a witness.

5 THE WITNESS: Thank you.

6 CHAIRMAN CLARK: Mr. Melson, you had indicated if
7 we got through Mr. Scheye today you were confident that we
8 could finish in the next two days.

9 MR. MELSON: Yes, I am. I have got -- my
10 examination of Mr. Scheye was longer than my examination of
11 all the remaining witnesses put together will be, and I
12 assume Mr. Lackey can probably say the same about his
13 initial examination of Mr. Devine. So, I would expect that
14 we will finish before the close of business on Friday.

15 CHAIRMAN CLARK: Both this docket and unbundling?

16 MR. MELSON: Both this and unbundling, yes. My
17 understanding is we are going to commence unbundling
18 immediately upon the conclusion of this.

19 CHAIRMAN CLARK: You are correct.

20 MR. MELSON: Frankly, at least one lawyer at the
21 table would be better prepared for unbundling if we quit at
22 ten minutes of 7:00 this evening.

23 CHAIRMAN CLARK: Is there a consensus that if we
24 quit now we will still be able to finish these two dockets
25 before close of business Friday?

1 MR. LACKEY: Yes, ma'am, I believe that.

2 CHAIRMAN CLARK: Okay. And that's with the
3 understanding we cannot go late tomorrow night.

4 MR. FALVEY: What is late, just out of curiosity?
5 I mean, are you talking about going to this hour?

6 CHAIRMAN CLARK: No, 5:00 o'clock.

7 MR. FALVEY: Until 5:00.

8 CHAIRMAN CLARK: Okay. We will adjourn the
9 hearing at this time and we will reconvene tomorrow at 9:00
10 o'clock, and take up Doctor Banerjee.

11 (The hearing was adjourned at 6:50 p.m.)

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