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**BELLSOUTH TELECOMMUNICATIONS, INC.**  
**DIRECT TESTIMONY OF ALPHONSO J. VARNER**  
**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**DOCKET NO. ████████ TP**  
**SEPTEMBER 9, 1996**

Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH  
BELLSOUTH TELECOMMUNICATIONS, INC.

A. My name is Alphonso J. Varner and I am employed by BellSouth  
Telecommunications, Inc. (hereinafter referred to as "BST" or "the Company")  
as a Senior Director in Regulatory Policy and Planning. My business address is  
675 West Peachtree Street, Atlanta, Georgia 30375.

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

A. I graduated from Florida State University in 1972 with a Bachelor of Engineering  
Science degree in systems design engineering. I immediately joined Southern Bell  
in the division of revenues organization with the responsibility for preparation of  
all Florida investment separations studies for division of revenues and for  
reviewing interstate settlements.

Subsequently, I accepted an assignment in the rates and tariffs organization with  
responsibilities for administering selected rates and tariffs including preparation of

1 tariff filings. In January 1994, I was appointed Senior Director of Pricing for the  
2 nine state region. I assumed my current responsibilities in August 1994.

3  
4 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE FLORIDA  
5 PUBLIC SERVICE COMMISSION ( HEREINAFTER REFERRED TO AS  
6 THE "FPSC" OR THE "COMMISSION")?

7  
8 A. Yes. I have filed testimony in several proceedings before this Commission, most  
9 recently in Docket No. 960833-TP.

10  
11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY BEING FILED TODAY?

12  
13 A. The purpose of my testimony is to: 1) give a general overview of BST's position  
14 on competition; 2) discuss broadly the requirements of the Telecommunications  
15 Act of 1996 (hereinafter referred to as the "Act"); 3) address the issues raised in  
16 the MCI Telecommunications Corporation and MCImetro Access Transmission  
17 Services, Inc. (hereinafter collectively referred to as MCI) Petition for  
18 Arbitration and the impact of the Federal Communications Commission's  
19 (hereinafter referred to as "the FCC") First Report and Order in Docket No. 96-  
20 98 (hereinafter referred to as the "FCC's Order") on those issues and the impact,  
21 if any, on BST's positions; and 3) introduce the Company's additional witnesses  
22 who will address the specific issues in more detail.

23  
24 **I. OVERVIEW**

25

1 Q. WHAT EFFECT DOES THE ACT HAVE ON THE  
2 TELECOMMUNICATIONS INDUSTRY?

3  
4 A. The passage of the Act signified a new era for the telecommunications industry.  
5 Through the Act, Congress sought to promote the development of competition in  
6 all telecommunications market segments. The Act created the possibility for all  
7 customers to have numerous choices of providers for the full range of both  
8 existing telecommunications services and future services. Congress envisioned  
9 and intended, through specific provisions in Sections 251 and 252 of the Act, that  
10 the superior method for achieving fully competitive markets was through arms-  
11 length negotiations between existing and potential providers of  
12 telecommunications services. The Act encourages parties to negotiate to reach  
13 voluntary local interconnection agreements, and creates significant incentives to  
14 do so. Section 251(c)(1) requires incumbent local exchange carriers (hereinafter  
15 referred to as "LECs") to negotiate the particular terms and conditions of  
16 agreements to fulfill the duties described in Sections 251(b) and (c)(2-6).

17  
18 Also through the Act, Congress opened all markets to any provider who wishes  
19 to offer telecommunications services. All companies have been given the  
20 freedom to enter the local telecommunications market. BellSouth and the other  
21 Regional Bell Operating Companies ("RBOCs") have the freedom to enter the  
22 interLATA long distance market after they comply with the "competitive  
23 checklist" contained in Section 271 of the Act and are then permitted to do so by  
24 the FCC. This gives all existing and potential providers the necessary incentives  
25 to provide consumers the full range of telecommunications services.

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Q. IF PARTIES ARE UNABLE TO REACH AGREEMENT THROUGH NEGOTIATION, AS ENCOURAGED BY THE ACT, WHAT OPTIONS ARE AVAILABLE TO THE PARTIES?

A. The Act allows a party to petition a state commission for mediation at any time during the negotiations and/or to petition for arbitration of unresolved issues between the 135th and 160th day from the date a request for negotiations was received. This arbitration option has been taken by as both AT&T and MCI. Importantly, the issues subject to arbitration are limited to those activities necessary to fulfill the duties set forth in Section 251. The arbitration petition must identify the issues resulting from the negotiations which are unresolved, as well as those which are resolved. The Act requires the petitioning party to submit along with its petition "...all relevant documentation concerning: (1) the unresolved issues; (2) the position of each of the parties with respect to those issues; and (3) any other issues discussed and resolved by the parties." A non-petitioning party to the negotiations may respond to the other party's petition and provide such additional information as it wishes within twenty-five days after the state commission receives the petition. The Act expressly limits the state commission's consideration to the unresolved issues set forth in the petition and in the response.

Q. WHAT ARE THE OBLIGATIONS OF THE STATE COMMISSIONS IN THE ARBITRATION PROCESS?

1 A. In resolving the open issues in the arbitration process, a state commission must:  
2 (1) ensure that such resolution and conditions meet the requirements of Section  
3 251 of the Act, including the regulations prescribed by the FCC pursuant to  
4 Section 251; (2) establish any rates for interconnection, services, or network  
5 elements according to Section 252(d); and (3) provide a schedule for  
6 implementation of the terms and conditions by the parties to the agreement.

7  
8 In accomplishing this, the state commission must ensure that the incumbent LEC  
9 has met its obligations relating to: (1) interconnection; (2) unbundled access to  
10 network elements; (3) resale; (4) notice of changes; (5) collocation; (6) number  
11 portability; (7) dialing parity; (8) access to rights-of-way; and (9) reciprocal  
12 compensation. These are the obligations that are to be the basis of the  
13 negotiations and, if negotiations are unsuccessful, form the basis for arbitration.  
14 Issues or topics not specifically related to these areas are outside the scope of an  
15 arbitration proceeding.

16  
17 Q. PLEASE DESCRIBE BST'S APPROACH TO NEGOTIATING  
18 INTERCONNECTION AGREEMENTS WITH ALTERNATIVE LOCAL  
19 EXCHANGE COMPANIES ("ALECS").

20  
21 A. BST has entered into negotiations with prospective ALECs with the full intention  
22 of reaching negotiated agreements covering all relevant issues. BST established  
23 negotiating teams and dedicated resources from all areas of the Company to  
24 develop positions, review ALEC interconnection requests and proposals, and  
25 meet with ALEC representatives either by phone or face-to-face in a sincere

1 effort to reach agreements. Some carriers are relatively small having more  
2 limited interests, while others are much larger with more far reaching needs.  
3 Regardless of size or interests, BST has attempted to provide the necessary  
4 information and meet the needs of each of these companies. In recognition of  
5 certain ALEC business needs, BST has made significant compromises on many  
6 important issues.

7  
8 BST is committed to, and supports, competition and therefore, supports and is  
9 committed to the negotiation process We have concluded negotiations and have  
10 signed agreements with numerous new competitors. We continue to negotiate  
11 with MCI even though MCI has requested arbitration in Florida and other  
12 BellSouth states.

13  
14 Q. HOW SUCCESSFUL HAVE BST'S NEGOTIATIONS BEEN TO DATE?

15  
16 A. Negotiations have been very successful. Many of the agreements already  
17 reached had their roots in negotiations that began prior to passage of the Act.  
18 BST has been negotiating with companies since mid-1995, or long before  
19 Congress determined that negotiations were the preferred method of reaching  
20 interconnection agreements. In fact, BellSouth reached an agreement with  
21 several parties in Florida in late 1995, allowing local competition to move  
22 forward in this state. Since that time, the Company has successfully negotiated  
23 twenty additional agreements within the BellSouth region with both facilities-  
24 based and resale competitors. BST is not aware of any other LEC that has  
25 reached agreements with this number of diverse new entrants. Thirteen of the

1 following twenty agreements have been filed with this Commission for approval:

2  
3 American Communications Services, Inc. (ACSI)

4 American Metrocomm Corporation (MetroComm)

5 Business Telecom, Inc. (BTI)

6 Competitive Communications, Inc. (CCI)

7 Georgia Comm South

8 Hart Communications

9 Intermedia Communications, Inc. (ICI)

10 Intetech

11 MCImetro

12 MediaOne

13 MFS Communications Company (MFS)

14 National Telecommunications

15 NEXTLINK

16 Payphone Consultants, Inc.

17 SouthEast Telephone, Ltd.

18 Telephone Company of Central Florida

19 Teleport Communications Group (TCG)

20 Time Warner

21 TriComm, Inc.

22 WinStar Telecommunications, Inc.

23  
24 Q. HOW WOULD YOU DESCRIBE THE SUBSTANCE OF THESE  
25 AGREEMENTS AND THE PARTIES THAT HAVE SIGNED THEM?

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A. The simplest description of these agreements would be “diverse”. There are many differences contained in these agreements. Some are indeed partial agreements. The best examples of partial agreements are the MCI agreement (which I will discuss later) and those agreements which only deal with resale issues. For those parties desiring resale only, a partial agreement is the only practical answer. Other agreements are more comprehensive, covering interconnection, unbundling and resale, but not specifying the precise rates for each and every item. Some of the agreements include time frames for discussing specific pricing issues, such as the Time Warner agreement. The rationale for this type of agreement is that individual new entrants do not all have the same level of interest for each of the critical items of interconnection, unbundling and resale. An agreement of this type allows the new entrant to concentrate on its highest priority items, leaving other areas the subject of later discussions. This is a very sensible approach for any carrier with a more limited set of needs.

Other agreements are somewhat more comprehensive in that they do specify rates for interconnection, unbundling and resale. An example would be the Teleport agreement, although there are several others that are similar, e.g., ICI and Hart Communications.

The above agreements run the full spectrum with regard to company size and complexity of issues. Companies such as Time Warner, Teleport, MCI, ICI and others, whether signing partial or more comprehensive agreements with BST, are formidable competitors with strong financial, technical and marketing



1 capabilities. Additionally, their brands are well known both within and outside  
2 the state of Florida.

3  
4 Q. YOU REFER ABOVE TO THE MCI AGREEMENT AS BEING A PARTIAL  
5 AGREEMENT. WOULD YOU PLEASE ELABORATE?

6  
7 A. Yes. Although I have not been a party to the negotiations with MCI, I am  
8 familiar with the process and the agreement. BST has essentially negotiated with  
9 MCI in two phases. Phase one of the process resulted in an agreement signed on  
10 May 13, 1996 to be effective on May 15, 1996, submitted to this Commission,  
11 and approved by this Commission on August 13, 1996. The agreement was for a  
12 period of two years and included agreement on the following issues:  
13 interconnection (which includes trunking arrangements), reciprocal  
14 compensation, interim number portability, access to 911/E911 services, matters  
15 relating to directory listings and directory distribution, interchange of local 800  
16 traffic, use of BellSouth's line information database ("LIDB"), and access to  
17 BellSouth's SS7 database.

18  
19 Phase two, begun at the completion of phase one, addressed the issues of resale  
20 and unbundling. Since there was an agreement on the issues addressed in phase  
21 one, revisiting these issues in phase two, or in an arbitration proceeding, would  
22 be, not only inefficient but, inappropriate.

23  
24 Q. ARE THERE ISSUES THAT MCI ADDRESSES IN THIS PROCEEDING  
25 THAT ARE NOT APPROPRIATELY INCLUDED IN THIS ARBITRATION

1           PROCESS?

2

3       A.     Yes. There are three types of issues that MCI has inappropriately included in  
4           this proceeding. The most troublesome to BST are the issues that appeared to  
5           have been settled with the signing of the partial agreement (which MCI refers to  
6           as the "Interim Agreement") between MCImetro and BST. MCI has included in  
7           its petition for arbitration several of the issues that, as I stated above and based  
8           on the agreement, BST considered negotiated, agreed upon, and in other words,  
9           settled. BST does not believe that these issues are appropriate to be included in  
10          this proceeding. The specific issues will be identified and discussed briefly in  
11          the testimony of Mr. Robert C. Scheye.

12

13          The second type of issue that BST does not believe is appropriate to include in  
14          this proceeding, or any arbitration proceeding, is an issue on a subject that is not  
15          covered by the act, i.e., logos on directory covers, the appropriate carrier billing  
16          standards, liquidated damages, etc., and, in some cases, involve matters outside  
17          the jurisdiction of this Commission. These will also be covered briefly by Mr.  
18          Scheye.

19

20          The final type of issue that should not be included in this proceeding is an issue  
21          that is the result of an FCC or State Commission Order rather than an inability to  
22          agree in negotiations, i.e., cost recovery for dialing parity. This, like several  
23          other issues raised by MCI, should not be part of this arbitration process but  
24          should be raised, if necessary, in a separate proceeding where all affected parties  
25          participate.

1

2 Q. DOES THE FCC'S ORDER HAVE A SIGNIFICANT IMPACT ON THE  
3 ISSUES IN THIS PROCEEDING?

4

5 A. If the FCC's Order remains in effect as released, it will have a significant impact  
6 on the issues in this proceeding, as well as the flexibility and extent of this  
7 Commission's authority over such issues. As BST has stated in several other  
8 proceedings, the FCC's Order appears to require regulatory micromanagement of  
9 the telecommunications industry. Such micromanagement is inconsistent with  
10 the Act. Congress, through the Act, clearly intended less regulation to encourage  
11 rapid opening of markets. The FCC's approach to the opening of these markets  
12 may well be the biggest barrier to one of the major objectives of Congress: the  
13 development of facilities-based competition. Facilities-based competition was  
14 intended to result from the implementation of the Act. The FCC's Order is not  
15 consistent with that intent.

16

17 Q. HOW DOES THE FCC'S APPROACH PRESENT A BARRIER TO  
18 FACILITIES BASED COMPETITION?

19

20 A. As stated in my supplemental testimony filed on August 23, 1996 in Docket No.  
21 960833-TP, the best example of this barrier lies in the FCC's Rules for pricing of  
22 unbundled network components which BST must provide to its competitors. If  
23 the FCC's methodology of pricing these elements on the basis of forward-  
24 looking economic costs is implemented, by definition, no other carrier will be  
25 able to provide its own network any cheaper than it can obtain access to the

1 existing one. In fact, in light of BST's economies of scale which no other carrier  
2 may want to, or be able to, duplicate, it may be that no other carrier can provide  
3 its own facilities as cheaply as they could buy them from BST. Carriers will be  
4 able to obtain an element from BST for a day, a week, a month, a year or  
5 whatever timeframe they choose. When they no longer have a use for the  
6 element, it reverts to BST. In contrast, BST must invest the capital, install the  
7 equipment, and recover the investment over long periods of time. They have no  
8 choice.

9  
10 Some parties claim that network control issues may motivate carriers to build-out  
11 their own network. Indeed, MCI is doing small amounts of this. Simple  
12 economics, however, the real basis for investment decisions, says this is more  
13 logically the exception than the rule.

14  
15 Q. DOES THE FCC'S ORDER HAVE ANY EFFECT ON THE ROLE OF STATE  
16 COMMISSIONS IN PROCEEDINGS OF THIS TYPE?

17  
18 A. Yes. BST has always believed the states would, and should, play a critical role  
19 in implementing the Act. Again, if the FCC's Order remains in effect as issued,  
20 BST is concerned that, although the Act established discretion and flexibility for  
21 the state commissions to exercise, the FCC's Order appears to limit this role in  
22 an excessive and inappropriate manner. The FCC has issued Rules, in  
23 excruciating detail, which appear to substantially undermine a state's ability to  
24 carry out its role established by the Act. The FCC's dictating such fundamental

1 things as resale discounts, particularly in a manner that is inconsistent on its face  
2 with the Act, simply eviscerates the role of the state commissions.

3  
4 Q. HAS BST CHANGED ANY OF ITS POSITIONS TAKEN IN  
5 NEGOTIATIONS WITH MCI AS A RESULT OF THE FCC'S ORDER?  
6

7 A. Not at this time, although in the absence of a court or FCC order to the contrary,  
8 BST and this Commission may be forced to accept different results than those  
9 they have proposed. The Order and Rules touch upon many significant issues  
10 that will impact the development of the telecommunications industry for many  
11 years. The full impact of the FCC's Order cannot be completely assessed until  
12 the legal appropriateness of the entire Order is determined. BST has announced  
13 its intent to seek review of the Order. Many significant changes may be seen  
14 before the Order and Rules are final. After a more complete review is  
15 accomplished and decisions about the legal appropriateness of the Order and  
16 Rules are made, BST may need to change some of its positions. We are simply  
17 not prepared to do so now.  
18

19 **II. ISSUES**  
20

21 Q. ARE THERE ISSUES INCLUDED IN THE MCI PETITION THAT WERE  
22 ALSO INCLUDED IN THE AT&T PETITION?  
23

24 A. Yes. In fact, most of the issues presented were common to both companies'  
25 petitions. For this reason, I adopt my supplemental testimony filed on August

1 23, 1996 and Part II of my rebuttal testimony filed on August 30, in Docket No.  
2 960833-TP. I will address, in this portion of my testimony, only those issues  
3 that I did not address in Docket No. 960833-TP or those that need additional  
4 clarification.  
5  
6

7 Q. DO SECTIONS 251 AND 252 OF THE ACT APPLY TO THE PRICE OF  
8 EXCHANGE ACCESS?  
9

10 A. BST does not believe that the Act applies to the price of exchange access. The  
11 Order is also very clear on this issue, leaving nothing to debate. In support of  
12 BST's position, Paragraph 51.305(b) of the Rules states, "[a] carrier that requests  
13 interconnection solely for the purpose of originating or terminating its  
14 interexchange traffic on an incumbent LEC's network and not for the purpose of  
15 providing to others telephone exchange service, exchange access service, or both,  
16 is not entitled to receive interconnection pursuant to section 251(c)(2) of the  
17 Act."  
18

19 Q. DO THE RULES ADDRESS WHAT INTRASTATE ACCESS CHARGES  
20 SHOULD BE COLLECTED ON A TRANSITIONAL BASIS FROM  
21 CARRIERS WHO PURCHASE BST'S UNBUNDLED LOCAL SWITCHING  
22 ELEMENT?  
23

24 A. Yes. The Rules do allow assessment, by the incumbent LEC upon  
25 telecommunications carriers that purchase unbundled local switching elements,

1 of the carrier common line charge (CCLC) and 75% of the residual  
2 interconnection charge (RIC) currently applied on access traffic. These charges  
3 continue to apply to those services where the CCLC and RIC already apply, i.e.,  
4 interstate traffic and intrastate toll traffic. This is, in reality, a reduction in access  
5 charges equal to 25% of the RIC when the access is provided using unbundled  
6 facilities. There is no mandated change in the level of access charges under any  
7 other condition.

8  
9 The FCC recognized that opening the local exchange market to competition will  
10 reduce revenues available for the support of universal service. By allowing the  
11 incumbent LEC to continue to assess the carrier common line charge and a  
12 charge equal to 75% of the residual interconnection charge on the interstate  
13 minutes of use traversing the unbundled local switching elements, the  
14 Commission also recognized the need for an incumbent LEC to continue  
15 receiving some support for universal service until such time that it is determined  
16 how much support is actually needed and from what sources that support should  
17 be received, i.e., either at the conclusion of the Federal Universal Support  
18 proceeding or the Interstate Access Reform proceeding. The Rules, in Paragraph  
19 51.515 state that the assessment may continue "until the earliest of the following,  
20 and not thereafter: (1) June 30, 1997; (2) the later of the effective date of a final  
21 Commission decision in CC Docket No. 96-45, Federal-State Joint Board on  
22 Universal Service, or the effective date of a final Commission decision in a  
23 proceeding to consider reform of the interstate access charges described in part  
24 69; or (3) with respect to a Bell operating company only, the date on which that  
25 company is authorized to offer in-region interLATA service in a state pursuant to

1 section 271 of the Act.”

2  
3 The FCC’s Rules also allow BST to assess a comparable charge to that discussed  
4 above on intrastate toll minutes of use for the same time period as the interstate  
5 assessment unless the state commission makes a decision that the incumbent  
6 cannot assess such charges. This Commission also acknowledged a need for  
7 state support for universal service in its Order in Docket No. 950696-TP and said  
8 that, for the interim, universal service support should continue to be funded  
9 through existing implicit sources. This Commission must continue to allow this  
10 intrastate assessment until the earlier of such time as it determines the final  
11 support procedures for universal service or no later than June 30, 1997, as stated  
12 in the FCC Rules. It should be noted, however, that this date, although allowing  
13 the FCC to issue an order on universal service, allows no time for Florida to  
14 complete its consideration of universal service support.

15  
16 Q. ON PAGE 18 OF MCI’S PETITION, IT STATES THAT “IN ORDER TO  
17 COMPLY WITH THE ACT, ACCESS CHARGES FOR BOTH SWITCHED  
18 AND SPECIAL ACCESS MUST BE REDUCED TO TSLRIC AS QUICKLY  
19 AS POSSIBLE, BUT IN NO EVENT LATER THAN THE DATE THAT  
20 BELLSOUTH OBTAINS IN-REGION INTERLATA AUTHORITY.” DO  
21 YOU AGREE WITH THIS CONCLUSION?

22  
23 A. Absolutely not. Nowhere in the Act are access charges, or other interconnection  
24 or unbundled network elements charges, required to be priced at TSLRIC. In  
25 addition, the Act does not have any requirements with regard to interexchange



1 access for BST to obtain in-region interLATA authority. Further, the FCC has  
2 made it extremely clear that it intends to address access in a separate proceeding  
3 and indeed have set a tentative to do such.  
4

5 Q. MCI, ON PAGE 29 OF ITS PETITION, STATES THAT "UNBUNDLED  
6 ELEMENTS MUST BE PRICED AT TSLRIC" AND GOES ON TO SAY ON  
7 PAGE 30 THAT TSLRIC IS THE PROPER PRICING STANDARD UNDER  
8 THE ACT. DO YOU AGREE WITH MCI'S CONCLUSION?  
9

10 A. No. MCI appears again to be misinterpreting the Act. The Act states in Section  
11 252(d)(1) that network element charges shall be 1) based on the cost of providing  
12 the network element; 2) nondiscriminatory; and 3) may include a reasonable  
13 profit. Nowhere in the pricing standards does it say that unbundled network  
14 elements should be priced at cost.  
15

16 Q. ON PAGE 46 OF THE PETITION, MCI STATES THAT IF THE  
17 COMMISSION ULTIMATELY IMPOSES A SPECIFIC CHARGE FOR  
18 LOCAL INTERCONNECTION, "THE COMMISSION MUST SET THE  
19 RATE FOR INTERCONNECTION EQUAL TO TELRIC." IS THIS  
20 CONSISTENT WITH THE FCC ORDER?  
21

22 A. No. The FCC Order, in the paragraph referenced by MCI, specifies forward  
23 looking economic cost rather than TELRIC as the basis for transport and  
24 termination rates. The Order defines forward looking economic cost in  
25 Paragraph 51.505 as TELRIC and a reasonable allocation of forward-looking

1 common costs.

2

3 Q. ON PAGE 31 OF ITS PETITION, MCI SUGGESTS THE USE OF THE  
4 HATFIELD MODEL TO SUPPORT MCI'S VIEW OF ECONOMIC COST  
5 FOR UNBUNDLED ELEMENTS. IS THIS AN APPROPRIATE METHOD?  
6

6

7 A. No. The fundamental flaws inherent in the Hatfield Model make it an  
8 inappropriate tool to estimate costs of any BST network element.  
9

9

10 The basic areas of the model to which BST objects are:

11 \*The Hatfield Model is based on a theoretical network that can never  
12 exist, rather than the actual network used to provide service;

13 \*The Hatfield Model has evolved over time, there being several  
14 "versions, the results of which have varied greatly (point in fact: MCI  
15 states on page 31 that it is preparing a "new version:" of the Hatfield  
16 study);

17 \*The Hatfield Model uses data, in part derived from another model, the  
18 Benchmark Cost Model, which itself is fatally flawed;

19 \*The Hatfield Model uses unusually low estimates of joint and common  
20 costs;

21 \*The Hatfield Model uses unrealistic cost of money;

22 \*The Hatfield Model uses overly high plant utilization factor;

23 \*The Hatfield Model uses overly long depreciation lives; and

24 \*The Hatfield Model underestimates the economic cost of service,  
25 especially in urban areas.

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The Hatfield Model, therefore, does not produce rates that are consistent with the actual costs incurred by BST and, therefore, should not be used by this Commission for this purpose.

In addition, assuming logically that the inclusion of joint and common costs recommended by the FCC for a forward-looking economic cost study would increase rather than decrease the level of costs, BST's proposed rates and LRIC studies provide a much more reasonable approximation of costs than do the FCC's proxy rates or the Hatfield Model rates, as proposed by MCI. This Commission should, therefore, adopt BST's proposed prices.

**III. INTRODUCTION OF ADDITIONAL WITNESSES AND SUMMARY**

**Q. PLEASE LIST THE ADDITIONAL BST WITNESSES IN THIS PROCEEDING AND DESCRIBE BRIEFLY WHAT WILL BE COVERED IN THEIR TESTIMONY.**

**A. Each issue in this proceeding, using the Issues List included as Exhibit 5 of MCI's Petition, will be covered in detail by BST's additional witnesses. Specifically, testimony will be provided by the following BST witnesses:**

<b>WITNESS</b>	<b>ISSUES ADDRESSED</b>
Mr. Vic Atherton	Network Issues/Technical Feasibility
Ms. D. Daonne Caldwell	Incremental Cost Methodology

1	Ms. Gloria Calhoun	Operational Issues
2	Dr. Richard Emmerson	Economic Principles for Cost and Price
3	Mr. Keith Milner	Network Issues/Technical Feasibility
4	Mr. Anthony Pecoraro	Network Issues/Technical Feasibility
5	Mr. Walter Reid	Avoided Cost Methodology
6	Mr. Robert C. Scheye	Interconnection, Unbundling & Resale

7

8 Mr. Atherton will describe the appropriate trunking arrangements for  
9 interconnection between BST's network and the network of MCI.

10

11 Ms. Caldwell presents the Company's cost studies for unbundled elements, upon  
12 which the Company's prices for those elements are based, and describes BST's  
13 methodology for developing those costs.

14

15 Ms. Calhoun adopts her direct prefiled testimony in Docket No. 960833-TP and  
16 clarifies BST's position on particular issues.

17

18 Dr. Emmerson discusses the basic economic principles that should underlie this  
19 Commission's consideration of costs and prices for BST's unbundled network  
20 elements. In addition, he discusses the appropriate wholesale/retail relationship  
21 for BST's retail services that will be made available for resale.

22

23 Mr. Milner discusses the technical feasibility of unbundling the eight network  
24 elements for which no agreement has been reached between MCI and BST and  
25 includes a discussion on access to Advanced Intelligent Network ("AIN")

1 capabilities.

2

3 Mr. Pecoraro provides an assessment of the feasibility of using central office  
4 switching capabilities to provide for the selective routing of calls requested by  
5 MCI.

6

7 Mr. Reid addresses the appropriate methodology for use in determining the  
8 Company's retail costs which will be avoided when services are provided to  
9 resellers rather than end-users and presents the Company's study that calculates  
10 the appropriate discounts based on those avoided costs. He also presents a study  
11 that calculates a discount based on the guidelines set forth in the FCC's Order.

12

13 Mr. Scheye presents a general discussion of the MCI negotiation process and  
14 discusses in detail each of the specific issues raised by MCI in this proceeding.

15

16 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

17

18 A. BellSouth believes that competition for local exchange services can be in the  
19 public interest when implemented in a competitively neutral manner, devoid of  
20 artificial incentives and/or regulatory rules that advantage or disadvantage an  
21 individual provider or group of providers. Competition, properly implemented,  
22 can provide business and residence customers with real choices from numerous  
23 telecommunications providers. Properly implemented, competition will allow  
24 efficient competitors to attract customers and be successful in a competitive  
25 marketplace where regulatory oversight is minimized. The Company believes

1 that this is the environment that Congress, through the Act, intended to create. It  
2 is this view of competition that BellSouth has taken as it negotiates with  
3 prospective providers of local exchange service.

4  
5 The Company has strong financial incentives to comply with all provisions of the  
6 Act. Congress has mandated that, unless specifically exempted, local exchange  
7 companies must open their markets to competition. BellSouth has already and is  
8 continuing to comply with the directives of the Act by entering into numerous  
9 interconnection agreements with other providers. Significantly, Congress tied  
10 the ability of BellSouth and the other RBOCs to enter the interLATA services  
11 market to its compliance with the "competitive checklist" contained in the Act.  
12 BellSouth has every intention of meeting the checklist as quickly as possible in  
13 order to provide a full array of telecommunications services to its customers.

14  
15 One of the most important responsibilities of this Commission is to determine the  
16 extent the FCC's Order comports with the Act. BST is not suggesting that the  
17 FCC's Order be ignored since, until legal action is completed to the contrary, the  
18 FCC's Rules are binding. Because it is clear, however, that there are major  
19 conflicts between the FCC's Order and Rules and the Act, this Commission must  
20 continue to exercise its judgment and authority in carrying out its responsibilities  
21 in the implementation of the Act. This Commission must ensure that all relevant  
22 issues are included and resolved in this proceeding so that the end result will be  
23 an agreement between MCI and BST that is in compliance with the Act.

24  
25 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

1

2 A. Yes.