BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF ROBERT C. SCHEYE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960786-TL

JULY 31, 1997

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

A. My name is Robert C. Scheye, and I am employed by BellSouth Corporation as a Senior Director. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN DOCKET NO. 960786-TL?

A. Yes. I filed direct testimony on behalf of BellSouth Telecommunications, Inc. ("BellSouth") on July 7, 1997.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. Thirteen intervenor witnesses representing seven companies filed direct testimony on July 17, 1997. Many of these witnesses comment on BellSouth's draft Statement of Generally Available Terms and Conditions ("Statement"). My rebuttal testimony responds to these witnesses.

In this regard, I discuss why the pricing principles included in the Statement are consistent with the Florida Public Service Commission's ("Commission's") decisions and with the Telecommunications Act of 1996 ("the Act"). Along with BellSouth witness Gloria Calhoun, I discuss BellSouth's operational support systems ("OSSs"). I address the issue globally, placing the other parties' comments into their proper perspective, while Ms. Calhoun describes BellSouth's actual OSS implementation plans.

Finally, I focus on the primary purpose of Docket No. 960786-TL, which is to determine whether BellSouth's Statement is checklist compliant. I discuss the problems with either rejecting the Statement or allowing it to take effect without assessing compliance. In summary, I show why the Commission should find that BellSouth's Statement is in compliance with the competitive checklist as required by the Act.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into four parts. Part A is dedicated to discussing in general terms the issues raised by the intervenors. Parts B and C address the two major issues raised by the parties — operational readiness and the pricing of unbundled elements and interconnection. Part D responds to certain additional issues raised by the intervenors and are identified in the testimony as Resale Issues; Recombination and Unbundled Switching; Number Portability; Transport and Termination; and Unbundled Elements. In responding to the

intervenor testimony, I also show that the provisions in the Statement are consistent with the Commission's orders. These orders include the December 31, 1996 Final Order on Arbitration for consolidated Docket Nos. 960833-TP (AT&T), 960846-TP (MCI) and 960916 -TP (ACSI) (hereinafter referred to as the "December 31, 1996 Final Order on Arbitration in the consolidated dockets"); the December 16, 1996 Order on Petition for Arbitration with MFS, Docket No. 960757-TP; the March 29, 1996 Order for Docket No. 950985-TP; the October 1, 1996 Order on Motions for Reconsideration in Docket No. 950985-TP; the March 29, 1996 Order for Docket No. 950984-TP; and the April 24, 1997 Order for Docket No. 950737-TP (number portability).

PART A - GENERAL DISCUSSION OF ISSUES RAISED BY THE INTERVENORS

Q. PLEASE COMMENT ON THE ISSUES RAISED IN THE TESTIMONY FILED BY THE INTERVENORS.

A. Much of the intervenor testimony, as I will discuss later, appears to be motivated by a desire to limit competition in both the local and interexchange markets or simply to relitigate policy matters already addressed by this Commission in arbitration proceedings. AT&T and MCI for example, appear to take a shotgun approach raising any and every conceivable issue, including many issues resolved through arbitration, apparently hoping the Commission latches onto one of them to delay or bar BellSouth's entry into the in-region interLATA market. These carriers have already had ample opportunity to

address such issues in their arbitration proceedings. It would appear that all these intervenors are willing to do is point to hypothetical future problems.

Q. HOW DO THE COMMENTS PROVIDED BY THE INTERVENORS RELATE TO "THEIR" USE OF THE STATEMENT?

A. AT&T, MCI and Sprint collectively use a massive amount of paper and present a large number of witnesses attacking BellSouth's Statement. Yet, the carriers' witnesses never indicate that they anticipate purchasing interconnection, unbundled network elements or services for resale from the Statement. Perhaps this should come as no surprise. Each of these carriers has negotiated extensively with BellSouth, and each one has signed an agreement reflecting the Commission's arbitration decisions.

As a result of their agreements, these carriers will gain experience with BellSouth's operational systems and will be able to perfect their own systems. This latter capability is extremely significant because Alternative Local Exchange Companies ("ALECs") must be able to interact with BellSouth's automated systems. By going through all these processes, these carriers will gain vital experience in providing local exchange service, gain name recognition as a "local exchange" provider in addition to their current status as a globally recognized leader in the long distance arena, and attract more customers to their services.

What these carriers appear to want to do is preclude others from doing likewise

and to keep BellSouth from providing in-region interLATA services to its customers in Florida. By requesting that this Commission reject BellSouth's Statement as non-compliant with the 14-point competitive checklist defined in Section 271(c)(2)(B) of the Act, these carriers are foreclosing one avenue through which other ALECs can compete in the local exchange market.

Q. ARE THERE OTHER MOTIVATIONS FOR THESE MAJOR CARRIERS TO ACT IN SUCH A FASHION?

A. There are three possibilities: (1) the major carriers may believe that if BellSouth can focus on their individual operational issues, rather than the concerns of a larger number of carriers, each may get more individualized attention; (2) these carriers simply want to limit the number of competitors by foreclosing use of the Statement; and another possibility is (3) the three largest carriers simply do not want to face competition from BellSouth in the interLATA long distance market in Florida.

Q. PLEASE ELABORATE ON YOUR ASSERTION THAT SOME OF THE CARRIERS MAY WANT TO LIMIT THE NUMBER OF COMPETITORS BY FORECLOSING USE OF THE STATEMENT.

A. Regardless of the motivation, it is clear that precluding other carriers from availing themselves of the Statement creates clear advantages to AT&T, MCI and Sprint. As described in my direct testimony and in Ms. Calhoun's testimony, different size carriers have different operational interface

capabilities (for example, LAN to LAN as compared to dial-up for pre-ordering functions). BellSouth envisions that AT&T, MCI and Sprint will generally use the interfaces designed for "large" ALECs. Conversely, carriers that choose to operate under the Statement will likely include some of the "small" ALECs. Presumably the larger carriers do not have the same concerns with operational readiness or the need for experience with those systems that they won't be using but that might be used by the smaller ALECs. If, as all the carriers would seem to agree, actual use of these operational systems will be the best means for gaining experience, why would anyone want to limit the extent of that experience?

Q. BASED ON THE NATURE OF THE TESTIMONY FILED BY THE OTHER PARTIES, WOULD YOU CLARIFY YOUR VIEW OF THE PURPOSE OF FILING THE STATEMENT?

A. Yes. The Statement can serve several purposes, including allowing new ALECs to enter the local market without negotiating a separate agreement. The general theme of the Act is to promote local competition, and the Statement can be an integral part of that process. BellSouth's submission of its Statement reflecting prior Commission orders and decisions, is intended to facilitate local competition in Florida and, subsequent to the Federal Communications Commission's ("FCC") approval, to allow BellSouth's entry into the Florida interLATA long distance market. It is also important to understand the procedural requirements for BellSouth's entry into long distance. A critical aspect is that the competitive checklist as defined in

Section 271 (c)(2)(B) has been met.

Specifically, the FCC, in accordance with Section 271 (d)(2)(B) of the Act, will consult with the state commissions to verify compliance with the Section 271 (c) requirements. Section 271 (d)(3)(A) also provides that the FCC in approving a request for in-region interLATA relief must determine that the competitive checklist has been implemented.

If checklist compliance is to be met in whole or in part through the use of a Statement, the provisions for gaining approval of such a Statement are covered by Section 252 (f). Specifically, once a Statement has been submitted, the state Commission has sixty days to complete its review or the Statement may take effect. In order to comply with these requirements, a Statement must contain all fourteen points of the checklist and must meet the procedural needs.

Q. BASED ON THE TESTIMONY FILED IN THIS PROCEEDING, MANY PARTIES WOULD HAVE THIS COMMISSION REJECT BELLSOUTH'S STATEMENT. DO YOU HAVE A VIEWPOINT ON HOW THE COMMISSION SHOULD EVALUATE THE TESTIMONY OF THESE PARTIES?

A. Yes. As discussed in detail in my testimony, I believe there are several critical points that should be considered, including the following:

1) These objections concerning the Statement come from ACSI, AT&T, MCI,

Sprint, ICI and MFS (WorldCom). Each of these parties, however, have a negotiated or an arbitrated agreement with BellSouth. One, ACSI, is already providing local service to business customers. In the testimony of the 13 witnesses representing these companies, there is no mention that any of these carriers intend to purchase from the Statement that they are so willing to criticize. While the carriers are critical of the Statement, their agreements with BellSouth include essentially the same services, terms and prices. Thus, their concerns that the Statement is inappropriate, even though it is similar to their own negotiated/arbitrated agreements, should be dismissed.

2) Rejecting the Statement, as many parties suggest, will inhibit the development of local competition in Florida. In light of the fact that AT&T, MCI, Sprint, ACSI, ICI and MFS have agreements with BellSouth, they will be able to compete in Florida. Recommendations to reject the Statement will only serve to limit the number of other ALECs that might compete with these carriers.

3) The suggestion by several parties that checklist compliance is dependent on additional cost studies is inappropriate and well beyond the requirements of the Act, the FCC's Order and this Commission's Orders. Nevertheless, BellSouth filed cost studies with the Commission on March 18, 1997 as required in the December 31, 1996 Final Order on Arbitration in the consolidated dockets. Further, from a practical standpoint there is no need to delay checklist compliance. The cost studies have been filed, and ALECs can review these studies. This should eliminate any potential issues with the currently proposed

rates.

4) The proposed rates meet the requirements of this Commission and of the Act and will allow competition to develop more quickly.

5) Approving the Statement will allow more ALECs to test the ordering processes described in the Statement, gain experience in the provision of local service, and compete with BellSouth and other ALECs; denying the Statement serves none of these purposes. The arguments to delay a finding of checklist compliance until operational support systems are further tested or until more actual experience has been gained are based more on the carriers' desires to keep BellSouth out of in-region interLATA long distance than they are about advancing local competition. If testing, experience or other similar devices become the "carrot," as some would suggest, the further advancement of the operational systems will become "politicized," slowing the process and delaying the advancement of local competition.

6) Essentially all of the intervenor witnesses ignore the fact that arbitration proceedings have already taken place in Florida, and that the Commission has already issued decisions on many of the issues they raise. AT&T, Sprint, MFS, ACSI and MCI primarily raised numerous issues that have been arbitrated, decided and included in an agreement with BellSouth. This proceeding is not the forum for reconsideration. Conversely, AT&T and MCI appear to raise other issues that were not arbitrated, primarily because the parties reached agreement on them without arbitration. Raising them here is

nonsensical and serves no purpose but to confuse the issues.

Q. IN LIGHT OF THE INTERVENOR TESTIMONY, SHOULD BELLSOUTH'S STATEMENT BE REJECTED?

A. No. Despite the rhetoric, the supposed concerns, the accusations, and the revisitation of issues, the arguments are not convincing, and the Commission should find that the Statement complies with the competitive checklist. All of the witnesses directed some portion of their testimonies toward the Statement.

Despite the sheer volume of testimony dedicated to the Statement, several of the fourteen checklist points were not specifically, or at best only marginally, addressed by the intervenors. A few, such as the technical interconnection arrangements, are only revisitations of already-resolved issues. Some comments, such as those dealing with transport, seem to be based on either a lack of understanding and/or a lack of knowledge of what has already occurred before this Commission. Still other comments do not seem to have any applicability to BellSouth's Statement or to the State of Florida. In summary, none of the issues presented by the witnesses, individually or in total, warrant rejection of the Statement.

Q. IN BROAD TERMS, INTO WHAT CATEGORIES DO MOST OF THE ISSUES RAISED BY THE INTERVENORS FALL?

A. There are two: (1) Does operational readiness exist? and (2) Are the interim or

temporary rates compliant with the checklist requirements in the Act? The concerns about the operational support systems will be addressed in Part B, and the pricing provisions will be discussed in detail in Part C of this testimony.

These issues, prices and operational readiness, are certainly very important. However, as discussed in more detail later, awaiting finality on all the rate and cost issues coupled with the "final" operational systems would probably guarantee that the debate over the Statement would continue for years and years to come, regardless of whether these issues actually impede any carrier's ability to compete. All the while, customers in Florida would be denied the advantages of increased competition.

PART B: OPERATIONAL SUPPORT SYSTEMS

Q. HOW DO YOU RESPOND TO THE OVERALL IMPLICATIONS OF THE PARTIES THAT BELLSOUTH'S OPERATIONAL SUPPORT SYSTEMS ARE NOT READY FOR THE IMPLEMENTATION OF LOCAL COMPETITION?

A. The systems are in place to process orders and support the provisioning of services. However, many of these processes will be evolutionary and continually refined as industry standards evolve and are defined. Not only will the processes and the development of generic systems that all ALECs can use continue to evolve as the industry changes, OSSs will also continue to change

to meet the specific requirements requested by individual ALECs. The complexity and the significance of the operational procedures make an evolutionary process the only approach that can be taken. Nevertheless, the systems are ready today in a manner that provides an efficient competitor with an opportunity to compete.

Q. CAN YOU DESCRIBE ANY SITUATION ANALOGOUS TO THE EVOLUTIONARY PROCESS DESCRIBED ABOVE?

A. Yes. The issue of operational capabilities that is involved with implementing the Statement is not dissimilar to the circumstances surrounding the implementation of the Modification of Final Judgment (MFJ). One of the most critical aspects of the MFJ was the ability of the divested companies to process access orders, install the required facilities and issue accurate and timely bills.

The focus of the MFJ, however, was the divestiture of the Regional Bell Operating Companies on January 1, 1984. There were numerous procedures that had to be put into place by that date, including comprehensive access procedures. Despite all the work efforts involved, the focus remained on the critical issue — the actual divestiture. One can only imagine what might have happened if the MFJ had indicated that the divestiture could not occur until every aspect was in its final and complete form.

On January 1, 1984 divestiture did occur. Access structures and rates had not been finalized; the FCC and presumably several of the state commissions were

still analyzing the access issues including changes that had been mandated by the FCC over the final few months. Despite these changes and uncertainties, comprehensive access was indeed implemented as part of the overall divestiture. After the actual divestiture, procedural changes continued to be developed and implemented. In actuality, the activity level increased because at least there was the certainty that access existed and had to be implemented. That process continued in an evolutionary fashion to meet the needs of AT&T who had essentially the entire market, MCI and Sprint with fairly small existing market shares, and several smaller carriers with either a very small or no embedded market share. The procedures that were in place January 1, 1984 were adequate to allow long distance competition to accelerate, but the divested regional companies didn't stop evolving those procedures to make them as efficient and effective as possible. In fact, that process continues even today, more than thirteen years after the divestiture.

Q. HOW DO THE SITUATIONS INVOLVING IMPLEMENTATION OF DIVESTITURE AND LOCAL EXCHANGE COMPETITION COMPARE?

A. The overall state of competition on the surface is very similar. However, potential competitors and new entrants into the local market have huge regulatory advantages over AT&T's post-divestiture competitors. They have access to mandatory wholesale discounts and unbundled network elements at cost-based prices. The effectiveness of a Statement of Generally Available Terms and Conditions that is determined to be in compliance with the 1996 Act will provide new competitors additional advantages and will help

guarantee that local competition advances far more quickly than real long distance competition.

As in the long distance market, the size and scope of local competitors is expected to vary from very large to relatively small. Some will provide local service on a national scale while others may limit their activities to Florida or several states within the southeast. The post-divestiture long distance market was similar, but AT&T faced competition from companies with less name recognition, while BellSouth faces competition from some of the largest companies in the world with extremely well known brand names and plenty of capital.

The implementation issues associated with the Statement are clearly complex and far reaching. They may be the most complicated set of circumstances since divestiture and the implementation of access. Just like the FCC and the state commissions continued their refinements of access after January 1, 1984, it is likely that further adjustments may be implemented in the areas of interconnection, unbundling and resale. For example, this Commission requested and BellSouth filed additional cost studies and announced its intention to review and modify rates as may be required. Did the complexity, size and uncertainty associated with the establishment of access procedures delay divestiture? No. Did these factors keep competition from developing in the long distance market? Once again the answer is no. Just as the focus of the MFJ had to remain on divestiture, the focus of this proceeding – compliance with the Act's competitive checklist – cannot be lost.

Q. ISN'T THERE A SIGNIFICANT DIFFERENCE IN THAT AT DIVESTITURE ALL COMPETITORS (IXCs) WERE AFFECTED THE SAME WAY BY ANY OPERATIONAL DEFICIENCIES?

A. While it is true that all interexchange carriers were ordering facilities from the LEC, the impact was clearly not the same for all. The number and type of access facilities that AT&T needed to order were minimal because they had essentially all of the market. By contrast, other carriers, competing with AT&T, needed to contend not only with increased market share but also growth as well. To be successful these carriers had to make much greater use of the ordering procedures than AT&T.

Further, divestiture mandated the implementation of equal access on a very aggressive schedule. Equal access, or Feature Group D, as it became known, impacted AT&T and other carriers quite differently. Equal access was implemented on an end office by end office basis. MCI, Sprint and others wishing to use equal access had to order new access facilities, substantially replacing their existing facilities. Conversely, AT&T's existing facilities, which became known as Feature Group C, were either not changed at all or only minimally changed to convert from Feature Group C to Feature Group D. Substantially differing reliance on these new ordering procedures was a requirement that could not be and was not avoided.

Equal access also included the ability for each end user to select one long-

distance carrier for dialing interLATA calls on a 1+ basis (as compared to 10XXX for non-presubscribed carriers). At the time of implementation, all end users were dialing AT&T on a 1+ basis and could not use other carriers in the same manner. The impact of faulty presubscription procedures was clear — AT&T would gain by maintaining 1+ customers and all other carriers would lose.

If the new ordering procedures had failed, would the effect across carriers have been the same? The answer to this is apparent; the non-AT&T carriers would have clearly suffered, and the effect on AT&T would not have been neutral, but it would have been significantly advantaged.

If the philosophy espoused in this proceeding by several intervening parties had been employed at the time of divestiture, divestiture would not have occurred on schedule, if at all. Fortunately, the MFJ required that the parties remain focused on the objective of divestiture and not allow the possibility that some process or procedure might not be in its absolutely final form to delay moving forward.

History on this issue is quite revealing. As noted, on January 1, 1984, divestiture indeed occurred even though many of the issues had not been finally resolved. Competition did begin to occur, carriers began to gain market share, end users began presubscribing to carriers other than AT&T, and the rest, as the expression goes, "is history."

Q. GIVEN YOUR ANALOGY WITH DIVESTITURE, HOW WOULD YOU EVALUATE THE OPERATIONAL CAPABILITIES AS THEY EXISTED AT DIVESTITURE WITH WHAT WE ARE DISCUSSING HERE?

A. BellSouth is much further along now than a divested Regional Bell Operating Company (RBOC) such as BellSouth was then. Several reasons lead me to that conclusion. First, many of the systems that will be used for unbundling and interconnection are the same ones that have been put into place for access. A simple example is the Carrier Access Billing System (CABS). For local exchange competition, it needed to be modified to handle new elements; whereas at divestiture it had to be built from the ground up.

Second, the Act requires negotiations which have resulted in BellSouth and ALECs, such as those in this proceeding, discussing in detail operational requirements. At divestiture, the majority of these efforts were being accomplished by the RBOCs with a great deal less direct input from the other carriers. For example, it wasn't until after divestiture that many of the national operational forums were established. Even then, these national industry forums were large groups without the same benefits of the one-on-one discussions that occur in negotiations. Third, there have been major advancements from the systems capabilities that existed in the 1982-1983 time frame to the current capabilities.

Finally, unlike at the time of divestiture, the operational capabilities being implemented here are being used initially for small quantities of services as

ALECs begin operating. No embedded services need to be converted over to these systems immediately. Conversely, at divestiture, all existing access services being provided to AT&T, MCI, Sprint and others were converted to the new systems. By analogy, every minute of access needed to be capable of being measured and billed from day one; a daunting task that took some time to fully achieve. By comparison, not every minute of local usage needs to be converted, only the usage between BellSouth and the facilities-based ALECs. In sum, we are all smarter, having learned from the experiences of implementing access. While not every aspect is directly convertible to interconnection and resale, there are a number of similarities from divestiture and implementation of access that are clearly relevant here.

Q. DO OTHER PARTIES AGREE WITH THIS ASSESSMENT?

A. In general, I would expect the intervenors to disagree with this. In the Georgia AT&T arbitration proceeding, however, AT&T's witness, Ms. Pam Nelson, who did not present testimony in this proceeding, seems to have a viewpoint that is similar to the one I have described here. In response to a question posed by BellSouth's attorney concerning the time it took to develop trouble reporting gateways for access, Ms. Nelson said: "Roughly -- roughly a couple of years and that was -- those gateways are exactly the kind of gateways that can be used and built from. A lot of the experience that was going on when the electronic bonding gateways and access for it were being developed is experience that we are suggesting, asking that BellSouth build from jointly with AT&T in order to have the electronic gateways that we are talking about

in the local world. So absolutely." Georgia Docket No. 6801-U, Hearing Transcript page 699.

Further, in discussing the procedures for presubscribed interexchange carrier ("PIC") changes, Ms. Nelson described the evolutionary nature of systems development. Her response stated: "Can you clarify what kind of time frame we were talking about. I mean, this was like a long time ago those gateways have been in place. They continue to be developed. They continue to be enhanced." Georgia Docket No. 6801-U, Hearing Transcript page 700.

These issues did not delay the entry of long distance competition nor the freedoms gained by AT&T at divestiture. These issues will not delay the mandated entry of competition in the local exchange market nor should they be used to deny BellSouth entry into the long distance competition.

Q. IS BELLSOUTH IN A POSITION TO PREVENT ALECS FROM COMPETING BASED ON OPERATIONAL ISSUES, AS ALLUDED TO BY MR. MARTINEZ (MCI) THROUGHOUT HIS TESTIMONY?

A. No. This situation is again very similar to the concerns raised at the time of divestiture. History tells us again that these concerns are not warranted. From a practical standpoint, BellSouth cannot use operational procedures to limit competition. It is probable, with the attention that has been focused on operational issues, that the operational process will exist in a fishbowl, with all parties able to see what is occurring and to report to this Commission and the

FCC any perceived shortcomings. Moreover, this argument ignores the requirements of the Act, the FCC's requirements in this area and the Florida Commission's own requirements as determined in the arbitration cases.

With the degree of emphasis that has been placed on the operational issues and the significance that it holds, it is difficult, if not impossible, to construct a scenario where BellSouth benefits from using the operational interfaces to retard local competition.

Q. IS THERE A BALANCE OF INCENTIVES WITH REGARD TO ELECTRONIC INTERFACES?

A. Yes. Several intervenors suggest BellSouth is motivated to implement its operational systems inefficiently. In reality, the incentives are weighted in the opposite direction, i.e., to implement effective procedures quickly and effectively. First, as has been discussed, the development of procedures in a fishbowl prevents BellSouth from trying to slow the process. But there is a more practical reason for BellSouth to want to move quickly. Local competition is occurring and will continue to occur. This issue was resolved by the passage of the Act. Similarly, effective and efficient interface systems are needed given the sheer number of customers that may opt for local service from an ALEC and the number of ALECs that can be expected in the market. This need is further substantiated when one couples the requirements of the various forms and types of interconnection, the number of services available for resale and the actual number of unbundled elements or comparable

capabilities. When one considers the number of loop types, switch (port) types, transport services, billing arrangements, collocation configurations, operator and directory assistance functions and so forth, the competitive checklist's fourteen items quickly amount to hundreds of possibilities, and that number will grow with the use of the bona fide request process.

The capabilities that BellSouth must achieve are clear. Interim processes, stop gap procedures and so forth are expensive and time consuming and delay one's ability to achieve its final objectives. If BellSouth was to slow the process in ways that parties suggest, it would cost BellSouth money, not make BellSouth money.

Q. SEVERAL INTERVENOR WITNESSES, INCLUDING ACSI'S MURPHY, AT&T'S HAMMAN AND BRADBURY, MFS/WORLDCOM'S MCCAUSLAND, MCI'S MARTINEZ AND SPRINT'S CLOSZ ASSERT THAT THE OPERATIONAL SYSTEMS ARE NOT FULLY TESTED AND FUNCTIONAL, AND THIS COMMISSION SHOULD WAIT BEFORE AGREEING THAT BELLSOUTH HAS MET THE CHECKLIST. WHAT IS YOUR OPINION?

A. First, as described by Ms. Calhoun, BellSouth's systems have been tested, and as described by BellSouth witness Bill Stacy, are in actual commercial use. Further, internal testing and monitoring are on-going and BellSouth suggests that all carriers do some process testing prior to passing "live" orders. This will provide more assurance that both the ALEC and BellSouth have a

common understanding of the procedures and flows in the ordering process. This testing will, hopefully, occur with existing and new ALECs on an ongoing basis. It is not a one-month, two-month or one-year process. It is an ongoing process as new carriers arrive and as new procedures are developed.

The suggestion that compliance be delayed until further testing can be accomplished, however, is flawed for several reasons. First, testing will hopefully not be a limited effort, but should be ongoing and evolutionary. Second, while testing is extremely important, we must maintain the primary focus in conjunction with the intent of Congress. That focus is to implement both local competition and full competition in the long distance market through having a checklist compliant Statement in effect allowing any carrier to avail itself of interconnection, unbundled capabilities and resale capabilities consistent with the Act and with decisions already made by this Commission. Additionally, as suggested by some witnesses, if testing becomes a "carrot" to achieve compliance, it will become a decisive means for trying to delay the compliance. By adding new "requirements" or arguing that the testing was not adequate, or claiming that failures occurred again, a competitor can overly complicate the process for the purpose of achieving delay. Testing procedures should not be complicated by other motivations or incentives that are not directly related to the test procedures themselves. Conversely, testing should be accomplished by BellSouth and the ALECs in a professional manner without ulterior motives.

Q. SEVERAL WITNESSES FOR ACSI, AT&T AND SPRINT ASSERT THAT

BELLSOUTH SHOULD PROVE ITS SYSTEMS CAPABILITY READINESS. WHAT IS THE BEST METHOD OF PROVING OPERATIONAL READINESS?

A. BellSouth's operational systems have been up and running for several months. BellSouth is processing orders for both resellers and facilities-based carriers, and BellSouth would expect additional operational carriers when the Statement is approved as checklist compliant.

BellSouth has also developed the Local Interconnection and Facilities-Based Ordering Guidelines and Resale Ordering Guidelines for ALECs. These Handbooks, which are attached to my direct testimony, are "living" documents that will be updated on a continual basis. The Handbooks can certainly provide any interested party with updated information concerning operational procedures. BellSouth has also conducted, and will conduct in the future, comprehensive seminars for ALECs that will include discussions of the operational procedures that are being discussed here.

To place the issue of "proof" in perspective, there is no doubt that putting off competitive choices for the customers of Florida while years of experience with these operational interfaces is gained might be, to the largest ALECs, the best approach to this issue. The most experience that can be gained with these systems, however, will come after the Statement has been approved. Therefore, what some may say is the "best proof" will be more readily achieved, if compliance with the checklist is provided in a timely manner.

Further, from a practical standpoint, the Commission can rely on a combination of items as discussed above to satisfy any concerns related to operational readiness. If indeed parties would like actual experience to be a greater part of monitoring these procedures, their needs can be best met by supporting checklist compliance, not delaying it.

Q. ON PAGE 7 OF HIS TESTIMONY, MR. HAMMAN OF AT&T CITES SEVERAL CRITERIA FOR ACHIEVING CHECKLIST COMPLIANCE, I.E., METHODS AND PROCEDURES, OPERATIONAL TESTING, ACTUAL OPERATIONAL EXPERIENCE AND EXPERIENCE MEASURED AGAINST BENCHMARKS. WOULD YOU COMMENT?

A. Yes. Before he lists compliance criteria, on page 6 of his testimony, Mr. Hamman states that compliance means that each and every requirement of Sections 251 and 252(d) of the Act are met. This is not disputed. However, he then goes on to define AT&T's four criteria for such compliance (page 7). These criteria are not contained in the Act, and are contradictory to the Act. For example, the Act describes Track B in which there are no facilities-based carriers for residence and business service. It is conceivable that a company could file under Track B and no ALEC had ordered any of the checklist items. Actual operational experience and the other criteria would be totally meaningless. These criteria would appear to be nothing more than obstacles put forth to delay the process. This is further substantiated by other comments put forth by AT&T.

Q. COULD YOU PROVIDE SUCH AN EXAMPLE?

A. Yes. Mr. Hamman is critical of BellSouth's provision of interconnection. He claims that AT&T has requested the most efficient interconnection architecture. He then concludes that this means that local, intraLATA and interLATA calls should be on two-way trunks. The need for a percent local usage (PLU) factor has been recognized by AT&T and BellSouth, but procedures to develop this factor have not yet been finalized. Therefore, according to AT&T, BellSouth is not in compliance. There are several flaws in this argument that are indicative of AT&T's intentions, i.e., delay. First, the majority of carriers believe one-way trunks are not only adequate, but probably would be the most efficient. This is also reflected in the AT&T/BellSouth agreement, a fact not mentioned by Mr. Hamman. The exception might be when a carrier had so little traffic that a one-way trunk group was simply too large. This would hardly be the case with AT&T. Second, and most revealing of AT&T's tactics, is that an interconnection trunk would connect an ALEC's local switch with a BellSouth local switch. AT&T has no local switches in Florida, and based on AT&T's apparent plans, it is highly unlikely that AT&T will be placing any local switches in Florida in the foreseeable future. As discussed later in the testimony, AT&T is apparently trying to use an existing toll switch and its existing switched access facilities with its Digital Link service as a basis for its apparent concern. It can also be noted that AT&T in its arbitration case in Florida did not raise the issue of two-way trunks and only now raises this supposed issue with the Commission.

Q. MR. HAMMAN ALSO RAISES SEVERAL CONCERNS ABOUT BELLSOUTH'S ABILITY TO COMPLY DUE TO THE STATUS OF VARIOUS ASPECTS OF THE AT&T/BELLSOUTH AGREEMENT. WOULD YOU PLEASE COMMENT ON THESE CONCERNS.

A. Yes. Throughout his testimony, Mr. Hamman describes the various portions of the AT&T/BellSouth agreement. For example, on page 14 in discussing performance measures for electronic interfaces, he describes how "the parties will need to gather data over the first several months of performance before appropriate measurements can be established." He may be correct in his view that some actual experience is needed before certain standards can be finalized. One might envision this as an ongoing process as new and/or different standards are developed over time. However, AT&T is incorrect on two counts. First, BellSouth's ability to meet this criteria and to be found checklist compliant should not depend on the schedule AT&T decides upon for using electronic interfaces. Second, the need for ongoing data is not a basis for delaying compliance. Presumably if AT&T chooses never to enter the market in Florida, these standards could never be met. If AT&T's argument were to prevail, we can be assured that they would delay entry into Florida to keep BellSouth from providing interLATA long distance services.

In another example, Mr. Hamman, on page 21 of his testimony, states that the parties have a document governing space for collocation. On this basis, he concludes that "until the procedures set forth in the document are finalized and requests for collocation are processed, it is too soon to know whether

BellSouth can meet the Act's requirements for collocation." This statement ignores the simple fact that physical collocation requests from other carriers have been met, i.e. BellSouth has a large number of physical collocation requests in progress and several completed. The Act does not deem AT&T, or its agreement, as a necessary prerequisite to checklist compliance.

Q. ON PAGE 46 OF HIS TESTIMONY, MR. HAMMAN IS CRITICAL OF BELLSOUTH'S PROVISION OF OPERATOR AND DIRECTORY ASSISTANCE SERVICES DUE TO A LACK OF BRANDING CAPABILITY. IS THIS CRITICISM APPROPRIATE?

A. In determining the appropriateness of direct routing in all states, including Florida, the issue has always been whether ALECs could order this service to obtain the desired branding. The operative word here is "order," and nowhere in Mr. Hamman's testimony does he suggest that AT&T has placed an order for this service. An ALEC wanting its own brand can order direct routing and this branding capability today.

Q. YOU APPEAR TO BELIEVE THAT AT&T IS ESSENTIALLY TRYING TO DRAW OUT AND UNDULY DELAY THE PROCESS OF CHECKLIST COMPLIANCE. CAN YOU FURTHER ILLUSTRATE THIS POINT?

A. Yes. The last few examples are illustrations of this situation. AT&T witnesses repeatedly indicate that either AT&T must be fully satisfied before compliance is granted or that more time/experience is needed, or the witnesses simply

confuse the issues; all for the same purpose — delay. While not an exhaustive list, the following excerpts from AT&T's witness, Mr. Hamman, clearly highlight AT&T's delay tactics and strategy to overly complicate the issues.

Illustrative examples:

On page 10, Mr. Hamman (at line 14) indicates that experience in providing services to IXCs "has only limited relevance" to access and interconnection. Yet on page 40 he is critical because BellSouth would not allow local traffic on AT&T's transport services used for IXC access. Similarly, AT&T continuously argues that access and interconnection are fundamentally the same and should be priced accordingly. It is inconceivable that one could conclude that the services provided to IXCs are functionally the same as the capabilities included in the checklist, but that the experience BellSouth has in providing these essentially identical capabilities has no relevance.

On page 14, at line 12 in discussing performance measures, the same witness suggests an additional "six months to a year will be required to determine how the measurements are working."

On page 16 at line 10, discussing network unbundling, AT&T's witness suggests "It is vitally important that there be a sufficient period of time to permit BellSouth and the CLECs to work out transitional issues . . ."

On page 21, discussing the fact that AT&T and BellSouth have a document

governing collocation, AT&T suggests that "until the procedures set forth in the document are finalized . . . it is too soon to know whether BellSouth can meet the Act's requirements for collocation."

On the subject of maintenance (page 22, line 22), AT&T suggests that compliance requires not only procedures being in place but that "field experience will be required."

In considering the provisioning of "the unbundled platform," AT&T (page 31, line 4) believes compliance is contingent upon procedures being defined and put in place for AT&T, before AT&T can enter the market. Further, to satisfy AT&T (page 32), "methods and procedures must be tested and analyzed against performance measurements."

Mr. Hamman states once again on page 47, in connection with Checklist Item No. 9, that methods and procedures must be established for the assignment of telephone numbers. However, in the paragraph above this statement, he references "telecommunications numbering administration guidelines, plans or rules" that are being established. These are industry guidelines which BellSouth does not control.

Q. PLEASE DESCRIBE BELLSOUTH'S ACTUAL EXPERIENCE IN PROVIDING THE VARIOUS CHECKLIST ELEMENTS.

A. As discussed in more detail in the testimony of BellSouth witnesses Keith

Milner and Bill Stacy, BellSouth has actual and substantial experience in providing capabilities associated with each of the 14 checklist items.

Checklist Item No. I: Interconnection

- As of July 1, 1997, BellSouth had over 22,830 local interconnection trunks of various types that had been ordered, provisioned and were in service throughout the BellSouth region. This includes 7,828 interconnection trunks in Florida. In addition, these trunks and the processes used to obtain them are very similar to switched access trunks, with which BellSouth, as well as many ALECs, have had years of experience. To borrow a term from the Act, a facilities-based carrier providing services "exclusively" over its own facilities would need nothing more than interconnection to compete with BellSouth.

Checklist Item No. II: Access to Unbundled Network Elements

- As of June 15, 1997, BellSouth has more than 246 collocation arrangements in place or in progress throughout the BellSouth region, with 65 of them in Florida. The collocation arrangements involve both physical collocation (62 regionally and 7 in Florida) and virtual collocation (184 regionally and 58 in Florida). The virtual collocation arrangements are offered through the interstate access tariff and negotiated agreements, and the physical arrangements are offered only through agreements. 112 arrangements (31 in Florida), roughly split

between physical and virtual, are in progress, while the others are already completed.

Checklist Item No. III: Access to Poles, Ducts, Conduits and Rights-of-Way

- BellSouth has provided access to its poles, ducts, conduits and rights-of-way through agreements that in some cases date as far back as twenty-five years or more. The capabilities are identical to what an ALEC would receive.

Checklist Item No. IV: Unbundled Local Loop Transmission

- As of July 1, 1997, BellSouth had 3,575 unbundled loops in service throughout the BellSouth region, about three times the number in March. This number includes 1,392 unbundled loops in Florida. Some of those loops also involve unbundled local transport provided to connect the loop with a collocation arrangement in a different office or an ALEC's own location.

Checklist Item No. V: Local Transport From the Trunk Side Unbundled From Switching Or Other Services

- Unbundled interoffice transport which is also comparable to interconnection trunks is very similar to the interoffice transport component of access services, both with which BellSouth and many

ALECs have had years of experience. Examples of some current applications of local transport include providing transport paths from ALECs to BellSouth's Directory Assistance databases, to BellSouth's Operator Services databases and to BellSouth's E911 databases. See Checklist Item No. VII for specific quantities of these transport paths provided as of July 1, 1997.

Checklist Item No. VI: Unbundled Local Switching

- BellSouth had processed orders for 26 unbundled ports as of June 17, 1997, with seven in Florida. However, with the exception of the wiring of the loop to the port in the central office, this offering is virtually identical to BellSouth's existing retail exchange services. It is not surprising that only a few ports have been ordered because it would typically entail an ALEC providing its own loop to the BellSouth switch, which is not the type of configuration envisioned for some time.

Checklist Item No. VII: Nondiscriminatory Access to 911/E911, Directory Assistance Services, and Operator Call Completion Services

- As of July 1, 1997, BellSouth had 169 trunks in service connecting ALECs with BellSouth's E911 arrangements throughout the region, including 88 in Florida. BellSouth also has had experience loading data for several ALECs into BellSouth's E911 databases.
- As of July 1, 1997, BellSouth had 412 directory assistance trunks

involving ALECs in service throughout the BellSouth region, with 156 in Florida. In addition, BellSouth has for many years provided comparable directory assistance to independent telephone companies in Florida, as well as to interexchange carriers. BellSouth also has offered its Directory Assistance Database Service (DADS) regionally since 1993, and currently provides DADS to 11 customers. BellSouth also has offered its Direct Access to Directory Assistance Service (DADAS) since 1996, and has one customer.

- As of July 1, 1997, BellSouth had provided 40 verification and inward operator trunks (11 in Florida) and 176 trunks to operator services to ALECs (31 in Florida). There should be no doubt about BellSouth's ability to provide these capabilities to ALECs, as BellSouth has been providing these capabilities to independent companies and interexchange carriers for years.

Checklist Item No. VIII: White Pages Directory Listings for ALEC Customers

- See Checklist Item No. XIV.

Checklist Item No. IX: Nondiscriminatory Access to Telephone Numbers

- With regard to providing ALECs with access to telephone numbers, as of June 23, 1997, BellSouth had activated a total of 496 NPA/NXX codes for ALECs throughout the BellSouth region, with 130 provided in Florida.

Checklist Item No. X: Nondiscriminatory Access to Signaling and Signaling Databases

- BellSouth has one ALEC connected directly to BellSouth's SS7 network regionally, and, as of July, 1, 1997, seven other ALECs access the SS7 network through third party hub providers.
- BellSouth has provided access to the toll free number database for several years. BellSouth currently provides access to its toll-free (800) number database with eight million database queries in January through April of 1997. BellSouth also offers Advanced Intelligent Network (AIN) products that allow other parties to create and store applications in BellSouth's service control points. Those products have been used since April, 1996 and have been used in technical trials. BellSouth also has Line Information Database (LIDB) agreements in place with several ALECs. More than 129 million non-BellSouth queries were made to LIDB in January through April of 1997.

Checklist Item No. XI: Service Provider Number Portability

- As of July 8, 1997, BellSouth had in service interim number portability arrangements involving remote call forwarding (RCF) for 7,401 ported numbers, an increase from 3,573 in March. Some 2,780 of the ported numbers were in Florida. This RCF arrangement is comparable to the retail offering of RCF, although the rate is much lower. There is also

additional significance to this number in that it exceeds the number of unbundled loops discussed previously. **The differences between these numbers would suggest that ALECs are using their own loop facilities to provide local service.**

Checklist Item No. XII: Dialing Parity

- As addressed in my direct testimony, BellSouth currently provides dialing parity.

Checklist Item No. XIII: Reciprocal Compensation

- See Checklist Item No. I regarding interconnection. Reciprocal compensation involves the recovery of costs associated with the transport and termination on each carrier's facilities of calls that originate on the network facilities of the other carrier. The trunks described in Checklist Item No. I are used for this purpose.

Checklist Item No. XIV: Retail Services Available for Resale

- BellSouth had processed orders for more than 88,000 resold local exchange services as of May 15, 1997, of which more than 49,000 were in Florida. As these orders include directory listings, this also provides evidence of BellSouth's ability to process ALECs' orders for white pages directory listings, and to include those listings in the directory

assistance database.

Given BellSouth's substantial experience and many successes in providing the checklist items, there is no merit to the claims of other parties that BellSouth's checklist compliance is speculative or premature. Further, these numbers would tend to indicate an order of priority in terms of the need for checklist related items by competitors. The primary issue for facilities-based carriers is interconnection and for resellers, of course, is the resale procedures. Certainly, loops are important as well, but as the numbers suggest, some competitors are not relying on unbundled loops but are using their own. These are also the areas with which BellSouth has relatively more experience.

PART C: PRICING OF UNBUNDLED ELEMENTS

Q. MR. WOOD (PAGE 18) ASSERTS THAT THE PRICES IN BELLSOUTH'S STATEMENT ARE NOT COMPLIANT WITH THE CHECKLIST. WOULD YOU PLEASE ADDRESS MR. WOOD'S ARGUMENTS?

A. Yes. Mr. Wood contends that "limitations in the cost data available to the Commission in the arbitration proceedings appears to have resulted in the establishment of a number of permanent rates for unbundled elements that are not cost-based and which therefore cannot be used to demonstrate compliance with item (ii) of the competitive checklist."

First, the Commission did review and address costing methodologies to be

used in setting rates in the arbitration cases. For example, the Commission reviewed MCI's and AT&T's proposed Hatfield costs as well as the Total Service Long Run Incremental Cost (TSLRIC) studies provided by BellSouth. The rates that the Commission ordered in the arbitration cases are included in the Statement. Other rates in the Statement are from approved negotiated agreements or existing BellSouth tariff rates.

In the AT&T and MCI arbitration proceedings, the Commission found that TSLRIC is the "appropriate costing methodology" and ordered BellSouth to file TSLRIC cost studies for those rates for which interim rates were set. (December 31, 1996 Final Order on Arbitration in the consolidated dockets, page 33). BellSouth filed the applicable cost studies on March 18, 1997. The Commission-ordered rates are consistent with both Sections 252(c)(2) and (d)(1) of Act.

Despite the Commission's clear indication that it had reviewed cost methodologies and had established rates based on such, Mr. Wood implies that the rates are not cost-based.

Underlying Mr. Wood's argument is his apparent assumption that there must be a singular method or a permanent cost methodology to be used in meeting the cost standard under the Act. First, the standard for review of the Statement is the cost standard under the Section 252(d) of the Act, the same standard that the Commission applied in the arbitration cases — cost plus a reasonable profit.

A singular means is not the only method for meeting this standard. For example, this standard can be met in developing rates that are not subject to prospective or retroactive adjustments, rates subject to prospective only adjustments, or rates subject to both retroactive and prospective adjustments. Additionally, rates based on differing costing approaches, e.g., Total Element Long Run Incremental Cost (TELRIC) or Hatfield or LRIC or TSLRIC or a multitude of other methodologies, could meet the cost standard if the Commission has determined that these are the appropriate approaches for establishing such rates. As long as the rate that BellSouth establishes is cost based, which can include a reasonable profit, the standard can be met.

Additionally, Mr. Wood ignores the real world events of determining a precise or singular methodology for determining costs. The FCC tried to mandate a specified methodology, and the Eighth Circuit Court of Appeals vacated such pricing rules, stating "the FCC exceeded its jurisdiction in promulgating the pricing rules." (July 18, 1997 U. S. Court of Appeals for the Eighth Circuit decision, Case No. 96-3321, section II). Mr. Wood's implication could be construed to mean that rates cannot be in compliance until all issues before the Court and FCC have been resolved. The purpose of such a claim is patently clear — to further delay BellSouth's entry into interLATA service. This result would be as illogical as delaying the ability of local competitors to resell or to lease unbundled elements until all pricing issues are fully resolved.

Mr. Wood supports his argument that costs have not been determined by

pointing to the fact that the Commission has "required BellSouth to provide cost studies. . ." BellSouth filed the applicable cost studies in compliance with this Order. There probably has never been a contested case in which all issues were completely resolved initially, and I doubt if any case has reached the magnitude of this one with respect to the sheer volume of individual cost studies, differing methodologies and issues involved in setting rates for unbundled elements. There is clearly no reason that all such issues necessarily have to be finalized. The only issue is whether the appropriate standards have been met. To this end, there is no doubt that this Commission fulfilled its statutory obligation for arbitration under the Act by setting cost-based rates for the unbundled elements offered by BellSouth for purchase by AT&T and MCI.

Q. PLEASE ADDRESS MR. WOOD'S CONTENTION (PAGE 24) THAT INTERIM RATES CANNOT BE COMPLIANT WITH THE ACT?

A. As Mr. Varner explains in his testimony, Mr. Wood ignores the plain language of Section 252(d), which only requires that rates for interconnection be cost based. This Commission conducted its arbitration proceedings subject to Section 252(c), which expressly requires that the Commission establish rates according to Section 252(d). This is the same cost standard that is to be applied by the Commission in its review of rates in this proceeding. There is nothing that prohibits initial cost-based rates established through arbitration from meeting this standard. Similarly, there is nothing in the Act that precludes the Commission from using several cost methodologies or from using a different methodology to establish cost-based rates at a later date. In

these instances, the rates would still be cost based, which is all that 252(d) requires.

Further, the belief that compliance with Sections 252 and 271 of the Act requires the establishment of "permanent prices" also is at odds with the FCC's view of the Act. The FCC itself recognized the appropriateness of "interim arbitrated rates" that "might provide a faster, administratively simpler, and less costly approach to establishing prices ...." (First Report and Order, Docket No. 96-325 at ¶ 767 (August 8, 1996)). Likewise, in reviewing Ameritech - Michigan's Section 271 application, the Michigan Public Service Commission expressly rejected the contention "that interim rates may not be utilized to satisfy the requirements of the Act..." noting that rates are always subject to review and revision. (See Application of Ameritech Michigan Pursuant To Section 271 of the Telecommunications Act of 1996, CC Docket No. 97-1 (Feb. 5, 1997) at p. 13).

Q. DO OTHERS SUPPORT YOUR VIEW THAT RATES WILL CHANGE?

A. Yes. Dr. David Kaserman testifying on behalf of AT&T in a recent Mississippi arbitration proceeding stated that "no rate is permanent; at no time is there perfect information." Dr. Kaserman further asserted that "...we are not going to decide today permanent rates, and you won't decide in six months. I don't think there is any such thing as a permanent rate. You're going to be coming back and re-examining costs as long as this firm has a monopoly position and until the firm is deregulated. Whoever is in charge is going to be

looking periodically at cost figures supplied by this firm to change the rates that are in place. That's going to be an ongoing process. And I think it's going to be around for a long time." (Mississippi PSC Docket No. 96-AD-0559, February 10, 1997, Hearing transcript, page 115.)

In response to a question dealing with his opinion of rates that might be in effect for five to six months, and subject to a forward adjustment only, Dr. Kaserman said: "So my concern becomes somewhat less. I still have a little concern about the cost numbers that they are going to come up with; but as long as you base rates on cost, then you're going to have that problem of verifying cost." (Mississippi Hearing transcript, page 126.) These comments, which reflect in a manner the practical determination of rates, would certainly support a degree of variability in what some parties choose to describe as "permanent" rates, similar to what might be anticipated in "true-up" rates.

Q. WHAT OTHER FACTORS NEED TO BE CONSIDERED REGARDING INTERIM OR TEMPORARY RATES?

A. The arbitrated agreements, the negotiated agreements and the BellSouth proposed Statement are established for a specified period, for example, two years. Given that the compliance with the cost standards of the Act are ultimately intended to allow BellSouth to enter the in-region long distance market, an entry that will hopefully continue well beyond a two year period, it is difficult to imagine how much more "certainty," if any, can be attributed to a "permanent" rate than a "true-up" or temporary rate.

The rates included in the Statement have resulted from arbitration proceedings, negotiations or existing tariff rates, so there are no new rates. Similarly, future rates, those that result from the Commission's future proceedings, will be a result of a Commission's decision, not any unilateral action by BellSouth. Overall, there would appear to be more than enough checks and balances to assure that the concerns raised by the witnesses will remain unfounded.

The proposed rates in the Statement for the most part are based on TSLRIC. The Commission may establish adjusted rates, if necessary, after further review. Under those circumstances there is no conceivable justification that would lead to a conclusion that the same process as described above cannot also apply to an approved Statement and the ALECs that purchase from it.

Q. PLEASE ADDRESS MR. WOOD'S CONTENTION (PAGE 31) THAT RATES FOR UNBUNDLED ELEMENTS MUST REFLECT ANY GEOGRAPHIC COST DIFFERENCES IN ORDER TO BE COMPLIANT WITH THE ACT.

A Mr. Wood is trying to relitigate deaveraged pricing of unbundled elements, an issue that the Commission has already addressed and rejected in arbitration cases. A number of points are important here. First, the Act does not require that rates for unbundled elements be deaveraged. The Commission can determine whether geographic rates should be set and the timing for implementation of such rates. At this time there is clearly no basis for a

requirement for deaveraged rates and, as such, there is no basis for delaying checklist compliance.

Q. MS. MURPHY(ACSI) RAISES THE CONCERN THAT ACSI CANNOT COMPETE FOR RESIDENCE CUSTOMERS BECAUSE OF THE UNBUNDLED LOOP PRICES. DO YOU AGREE WITH THIS ASSESSMENT?

A. No. Ms. Murphy states "Unfortunately, BellSouth has demanded a price for unbundled loops and associated facilities that exceeds the corresponding price charged by BellSouth for residential retail local exchange services." (page 8). I accept that ACSI does not plan to enter the residence market, but not for the reasons stated. The ACSI agreement was the first agreement signed by BellSouth that included a true-up rate for loops. This agreement was reached the morning that an ACSI arbitration hearing was scheduled in Alabama. The evening before, I contacted ACSI personally and asked whether we might be able to resolve the outstanding issues. ACSI agreed that we would request a delay in the start time of the Alabama hearing so that the parties could spend a few hours discussing the issues. That morning, BellSouth and ACSI representatives met and agreed upon loop prices (including Florida prices). If ACSI chooses to not enter the residence market they should not cast aspersions at prices to which ACSI voluntarily agreed to, as the cause.

Q. WITH THE NUMBER OF ISSUES CONCERNING COST-BASED RATES, ARE THERE ANY ANALOGOUS SITUATIONS THAT THE

COMMISSION CAN CONSIDER?

A. While the specific issues here relate to the Act, the FCC's TELRIC methodologies and the Florida Commission's action in the arbitration cases, there is some previous experience that can be beneficial for consideration here. At the time of divestiture, the MFJ provided guidelines equivalent to those in the Act. For example, the MFJ (Appendix B) states that "Each tariff for exchange access should be filed on an unbundled basis... and no tariff shall require an interexchange carrier to pay for types of exchange access that it does not utilize. The charges for each type of exchange access shall be cost justified and any differences in charges to carriers shall be cost justified on the basis of differences in services provided." This language is not dissimilar to the criteria set forth in Section 252(d) of the Act.

These MFJ requirements were initially implemented in 1984 by the FCC, every state commission and hundreds of telephone companies. While the FCC promulgated costing rules (Part 69) for access, most states did not have a specific formula to follow. Since those initial filings, rates have changed innumerable times and, more importantly, the basis for establishing those rates has changed significantly. In 1984, rate of return regulation was the primary basis for establishing rates. Today, price caps in the federal arena and incentive or price regulation in the states are the norm. The changing regulatory requirements have substantially modified the procedures for establishing access rates.

Throughout this entire process, there were no claims that the MFJ costing standards had not been met. One can only imagine what might have happened (and might still be happening) if a decision had been made requiring final rates or a final costing methodology before the cost standards of the MFJ were satisfied. While the circumstances are very similar, the attitude and motivations of the parties are not. At that time, AT&T, MCI and others wanted divestiture to occur; AT&T would meet its MFJ obligations and MCI would get equal access, parity with AT&T, etc. In today's environment, these same carriers benefit from delay — the longer they can keep BellSouth out of the in-region long distance market the better off they are.

PART D: SPECIFIC RESPONSES TO ISSUES RAISED BY THE INTERVENORS

RESALE ISSUES

Q. ON PAGES 21-24 OF MS. MURPHY'S TESTIMONY, SHE VOICED CONCERNS DEALING WITH CONTRACT SERVICE ARRANGEMENTS (CSAs) AND/OR BELLSOUTH'S ABILITY TO "LOCK IN" CUSTOMERS THROUGH OTHER PROCESSES. WOULD YOU COMMENT ON THIS?

A. Yes. Ms. Murphy's (ACSI) concerns about the provision of CSAs is not a new issue. It has been the subject of several arbitration proceedings before this Commission, and a decision has been rendered. CSAs are available for resale. There is no need for the Commission to revisit this issue. This is merely one of

several issues raised in this proceeding, without any reference to this Commission's prior decisions, that have already been decided.

The testimony of this witness points out one of the concerns that can arise in a proceeding such as this. The Commission has already evaluated many of the items Ms. Murphy and the other intervenors raise, and BellSouth has relied on those decisions in developing its Statement.

Q. WOULD YOU NOW COMMENT ON SOME OF THE OTHER SUPPOSED NON-COMPETITIVE PRACTICES THAT WERE ADDRESSED BY MS. MURPHY?

A. Yes. Ms. Murphy (ACSI) seems to believe that BellSouth is "locking in" customers through contracts and perceives that having authorized sales agents and arrangements with building managers are relevant to this proceeding. BellSouth has used contract arrangements for years to respond to competition. Prior to the Commission's recent decisions, these contracts were not available to be resold. Now, as discussed previously, any new contract for telecommunications service will be available for resale, making it easier for an ALEC to compete with BellSouth.

Ms. Murphy's belief that either BellSouth's agency programs or its relationship with building managers is anticompetitive is unfounded. Use of sales agents is a common practice in the marketplace. I understand that Ms. Murphy's own company, ACSI, recently purchased CyberGate, which is an

authorized sales agency. BellSouth has also used agents for many years to augment its own sales force. This is not a recent practice aimed at locking out competition. Sound business practices dictate such arrangements and assure that an agent cannot simply shift a customer base to another provider without some protections being built into the agency agreement. Further, let me assure ACSI that BellSouth has only a handful of agents in Florida, and that there are any number of agents that ACSI may wish to use.

The relationship with building owners, described by Ms. Murphy, has no exclusivity to BellSouth. ACSI and other ALECs are free to do whatever they desire. A simple reading of paragraph 10 of the letter of agreement between BellSouth and building owners (Exhibit No. 4 to Ms. Murphy's testimony) states "...nothing in this agreement shall be construed to preclude any building tenant from obtaining telecommunications services from others legally authorized to provide such services." BellSouth has less than 20 such contracts with building owners in Florida. Indeed, ALECs in Florida are entering into more exclusive arrangements with property owners than BellSouth.

RECOMBINATION AND UNBUNDLED SWITCHING

Q. MR. GILLAN, MR. WOOD AND OTHERS SUGGEST THAT BELLSOUTH'S STATEMENT IS DEFECTIVE BECAUSE BELLSOUTH DOES NOT PROVIDE CARRIERS THE ABILITY TO ORDER NETWORK ELEMENTS IN COMBINATION. DO YOU AGREE WITH THEIR ASSESSMENT?

A. No. The nature of the testimony may need to be assessed based on the actual issue in a specific state. Mr. Gillan, for example, uses eighteen pages discussing the combination of network elements. Mr. Gillan also filed testimony in Kentucky, Louisiana and South Carolina on the combination of network elements. The differences among the four testimonies are minimal, although he includes extra pages to discuss the local switching element in particular in his Florida testimony. On page 32, lines 5-7, the Kentucky version states: "Even though federal rules and this Commission's orders require that such combinations be made available, BellSouth is not yet providing carriers the ability to order network element combinations in the manner described above." In South Carolina and Louisiana, Mr. Gillan did substitute language which acknowledges that these commissions did not require that BellSouth provide network element combinations at the unbundled prices in their arbitration decisions.

The fundamental difference between the Kentucky and Florida arbitration Orders is that Kentucky requires recombination of loops and ports at the unbundled prices, while Florida requires recombination but has not made a decision regarding the pricing issue. In Kentucky, Mr. Gillan argued an issue that AT&T had essentially won yet still attempted to somehow show that it is not available. His conclusion is that BellSouth has not complied with the checklist in this area. In Florida, the same arguments have been expanded, and witnesses are requesting reconsideration of a decision that AT&T did not agree with in the arbitration proceeding. Mr. Gillan, therefore, concludes for

different reasons that compliance has not been achieved. Two states — two entirely different Commission decisions — yet the same conclusion, i.e., no compliance, but for different reasons. It would seem apparent that the bulk of the eighteen pages is not at all related to the conclusion that has been reached, but rather reflects a desire to draw a conclusion of non-compliance, regardless of the circumstances.

Similarly, Mr. Wood, on page 5 of his testimony, asserts that "BellSouth has refused to permit new entrants to purchase combinations of unbundled network elements at the rates ordered by this Commission." BellSouth's Statement provides for the recombination of network elements at the resale discount price. It is fully compliant with the Commission's decisions on this issue. BellSouth has every intention of providing unbundled elements and interconnection services on a generally available basis in compliance with the Commission's Orders.

Q. WOULD YOU PLEASE RESPOND TO ASSERTIONS BY MR. GILLAN (PAGE 28) AND MR. GULINO (PAGE 20) THAT RECOMBINATION OF ELEMENTS IS NOT BEING PROVIDED?

A. Mr. Gillan asserts that an ALEC must be able to purchase combinations of network elements, such as preexisting loop and switch combinations. BellSouth's Statement does provide ALECs the ability to lease recombined network elements, and specifically the preexisting loop and switch connections that Mr. Gillan is requesting.

Mr. Gulino (pages 19-22) further asserts that recombination is not being provided because industry standards have not been developed, and the Statement does not clearly identify what elements can be combined. The issue of industry standards is one that MCI raises globally and is discussed in more detail by Ms. Calhoun. Suffice it to say here that there is no requirement for an industry standard solution, and while BellSouth will continue to support industry wide compatibility, the lack of this can in no way be used to deny compliance of the Statement.

Q. PLEASE ADDRESS MR. GILLAN'S ASSERTION (PAGE 28) THAT UNBUNDLED SWITCHING IS NOT BEING PROVIDED BECAUSE CERTAIN SYSTEMS HAVE NOT BEEN DEVELOPED TO SUPPORT CARRIER ACCESS BILLING AND TO PLACE PURCHASERS IN CONTROL OF THE FEATURES AND ROUTING CAPABILITIES IN THE SWITCH.

A. Before dealing with the specifics of Mr. Gillan's comments, it appears that the words of a great American philosopher, "deja vu all over again," are appropriate here (attributed to Lawrence "Yogi" Berra). Mr. Gillan and other witnesses for AT&T and MCI have made these same arguments before. The Commission has clearly evaluated them and included them in prior decisions as deemed appropriate. Many of these arguments, to Mr. Gillan's apparent dismay, have been rejected. Repeating the same arguments, albeit somewhat condensed from prior filings, appears not to be needed.

Mr. Gillan seems to imply that BellSouth will not provide local switching unbundled from transport, local loop transmission or other services as specified in the competitive checklist. In terms of the unbundled switching element, BellSouth does indeed provide that capability unbundled from transport in accordance with the Act, the FCC Order and this Commission's decisions. Additionally, multiple local providers can use unbundled switching to provide their own services. Mr. Gillan (page 21), Mr. Hamman (page 28) and Mr. Wood (page 20) have again defined unbundled switching in terms of the "platform" approach, a concept that has not been endorsed by any Commission to date within the BellSouth region, nor is it a capability that the FCC Order, in defining unbundling, requires. AT&T continues to raise this with the apparent motivation to confuse, complicate and delay.

The Commission can be assured that the Statement provides ALECs the ability to purchase unbundled switching, which includes the features in the switch, as defined by the FCC and approved by this Commission.

In conclusion, the Act does not require Mr. Gillan's platform approach which essentially means leasing switch capacity. The FCC rules did not require such provisioning. Neither did this Commission require such provisioning. The Statement is consistent with this Commission's Orders in the arbitration cases where unbundled switching was arbitrated.

Q. MR. GILLAN ALSO STATES THAT THE PROVISION OF UNBUNDLED

SWITCHING REQUIRES SYSTEMS TO SUPPORT CARRIER ACCESS BILLING (PAGE 28). WHAT IS YOUR RESPONSE?

A. Carrier access billing has been in place for many years, and as changes in switched access charges have occurred, the systems have accommodated the changes. This will continue to occur as interstate and intrastate access charges continue to undergo change.

Q. ARE THERE OTHER RELEVANT POINTS REGARDING THE INTERVENOR WITNESSES' ARGUMENTS ABOUT UNBUNDLED LOCAL SWITCHING?

A. Yes. Mr. Gillan states that: "The switch lies at the heart of local exchange service" (page 16). Apparently, Mr. Gillan and others ignore the fact that there are alternatives to BellSouth's switch. Dr. Cornell, an economist, on the "same side" as Mr. Gillan, in a recent Florida proceeding (for Docket Nos. 950984-TP and 950985-TP), testified that switching was a competitively available capability that could be market priced as opposed to the pricing standards that were proposed for the loop. Specifically, in response to a question concerning the pricing of unbundled elements asked by then Chairman Clark, Dr. Cornell stated the following:

> "I believe that when it is an essential facility and available only from the incumbent or available only from the firm whom you are asking it, it should be at total service long run incremental cost. When there is genuinely a competitive alternative or the fairly clear ability for there to

be a competitive alternative, it does not need to be... I believe that originating local switching, which is what I assume you get when you buy a port, essentially, if you were to subscribe to an unbundled port, is competitively available. MCI Metro is going to put in a switch, MFS is going to put in a switch."

BellSouth certainly agrees that switching is a readily available commodity, especially to a company as large and financially strong as AT&T. Of course, until very recently, AT&T was a primary producer of these switches, which are today available from Lucent Technologies Inc.

To summarize the issue of switching, the arguments are not new. The Commission has decided the means by which switching will be provided, and despite all these issues, unbundled switching will allow multiple vendors to provide service from a single switch, which Mr. Gillan believes is important.

Overall there are ample issues before this Commission in this proceeding. Parties should not use this forum to request reconsideration of prior Commission decisions. This tact is not to be condoned, especially when no new facts have been provided.

Q. WHAT DID THE COMMISSION ORDER REGARDING THE RECOMBINATION OF UNBUNDLED ELEMENTS AND THE PROVISION OF SWITCHING?

A. This Commission addressed these issues during the AT&T and MCI arbitration

proceedings. In its December 31, 1996 Final Order on Arbitration in the consolidated dockets, the Commission allowed AT&T and MCI to combine unbundled network elements in any manner they choose, including recreating a BellSouth service, but the Commission did not rule on the pricing of recombined elements. (Order No. PSC-96-1579-FOF-TP, pages 37-38).

Further, in its March 19, 1997 Final Order on Motions for Reconsideration on the consolidated dockets, regarding the rates for recombined elements, the Commission stated "it is inappropriate for us to make a determination on this issue at this time." (Order No. PSC-97-0298-FOF-TP, page 7). On May 27, 1997, the Commission entered an Order (Order No. PSC-97-0602-FOF-TP) regarding the arbitrated Interconnection Agreement between BellSouth and AT&T. In that Order, the Commission said "... we stated that the pricing issue associated with the rebundling of UNEs to duplicate a resold service was not arbitrated." (Order, page 7) (emphasis added).

On June 10, 1997, BellSouth sent to AT&T a letter inviting AT&T to negotiate this currently unresolved issue of the pricing of recombined elements. AT&T refused to negotiate, stating that its position on this issue was set forth in its Motion To Compel Compliance. The Motion was filed with this Commission on June 9, 1997. BellSouth's letter seeking negotiations was sent the day after it signed the Interconnection Agreement but before being served with a copy of AT&T's Motion.

At this time, BellSouth is treating recombined elements for pricing purposes as

resale. The Statement reflects this position, pending the outcome of AT&T's June 9, 1997 Motion to Compel and District Court proceedings. If the Commission, in responding to AT&T's Motion, indicates another position, BellSouth may need to revise the Statement.

The provision of unbundled switching was also arbitrated by the Commission. In its December 31, 1996 Final Order on Arbitration in the consolidated dockets, the Commission referenced the FCC's definition of the local switching network element. The FCC definition includes custom calling features within the definition of switching functions. The reference to the FCC definition in this section of the Commission Order implies that when local switching is purchased as an unbundled network element, vertical services shall be included in the price of the unbundled switching element at no additional charge. (Order No. PSC-96-1579-FOF-TP, pages 15-16) BellSouth's Statement provides combined elements and unbundled switching consistent with the Commission's Orders.

NUMBER PORTABILITY

Q. MR. HAMMAN (AT&T, PAGE 51) BELIEVES THE STATEMENT IS DEFICIENT IN THAT ONLY TWO FORMS OF NUMBER PORTABILITY ARE INCLUDED. IS THIS A DEFICIENCY?

A. No. Mr. Hamman asserts that Route Indexing - Portability Hub is required as an interim portability option in order to meet the nondiscriminatory access

standard. He indicates that BellSouth has negotiated with AT&T to provide multiple forms of number portability yet the Statement only provides for some of those options such as Remote Call Forwarding (RCF). Mr. Hamman is correct that multiple arrangements were indeed negotiated with AT&T and were not required from the arbitration cases. There may be any number of items that are in individual negotiated agreements that are not included in the Statement. This fact doesn't make the Statement deficient; it makes it different.

Several other points need to be made. First, the Act does not require multiple forms of interim number portability to meet the checklist. BellSouth envisions that the ALECs using the Statement would typically utilize RCF and possibly Direct Inward Dialing (DID). Therefore, these are the only methods for number portability that have been included in the Statement at this time. Further, to the extent any party wants a form of interim number portability different from those already included in the Statement, the bona fide request process can be employed. And finally, AT&T is the only party objecting to the interim number portability options, and AT&T has never indicated that it plans to use the Statement in lieu of its own agreement.

Indeed, BellSouth's number portability offerings are in compliance with the Commission's decision and with the stipulation reached with the parties in Docket No. 750737-TP (number portability).

Q. MR. HAMMAN EXPRESSES CONCERNS ABOUT BELLSOUTH'S

PLANS REGARDING THE IMPLEMENTATION OF LONGER TERM OR PERMANENT NUMBER PORTABILITY. WOULD YOU PLEASE COMMENT?

A. Yes. Mr. Hamman's concerns are captured on page 50, "While BellSouth has made progress, it has not yet met its LNP obligations under Section 271 of the Act . . ." Mr. Hamman must realize that long term number portability is not required for checklist compliance as yet.

Withholding interLATA relief until long term number portability is implemented epitomizes AT&T intentions in this proceeding, i.e., to do everything possible to keep BellSouth out of the long distance business and deprive the consumers in Florida of additional long distance options. However, to provide assurance to AT&T and anyone else that may have similar "concerns," BellSouth understands its obligations and its efforts toward meeting its long term number portability obligations will not be diminished one iota if interLATA relief is granted prior to this implementation.

Q. WHAT HAS THE COMMISSION DETERMINED REGARDING INTERIM NUMBER PORTABILITY?

A. In its December 31, 1996 Final Order on Arbitration in the consolidated dockets, the Commission found that BellSouth was willing to provide all number portability options that were requested by the parties. Therefore, the method for interim number portability was not arbitrated. The Commission

also found "that the ALECs shall provide the same temporary number portability methods as they request BellSouth to provide." (Order No. PSC-96-1579-FOF-TP, page 98) BellSouth offers the two primary options, RCF and DID, in its Statement and other options on a negotiated basis.

TRANSPORT AND TERMINATION (LOCAL INTERCONNECTION)

Q. MR. GULINO TAKES ISSUE WITH ASPECTS OF THE TRANSPORT AND TERMINATION (INTERCONNECTION) OFFERING. ARE THESE NEW CONCERNS THAT MUST BE CONSIDERED?

A. No. Compensation arrangements for the transport and termination of local traffic calls was arbitrated by this Commission. Mr. Gulino is trying to reopen a resolved issue.

Mr. Gulino's concerns about interconnection seem to be primarily focused on collocation (testimony, page 11). Mr. Gulino is correct that one form of interconnection involves collocation. Interconnection can be accomplished by either virtual or physical collocation, or without any collocation. As stated earlier, BellSouth is processing both virtual and physical collocation orders. If Mr. Gulino wants more complete implementation, he should push for timely approval of the Statement so that more ALECs can enter the market and make use of the various forms of interconnection that will be made available. Of course, MCI could volunteer to purchase all the service capabilities offered under the Statement so that no other ALEC has to be first; such an offer has not

been forthcoming from MCI yet.

Further, Mr. Gulino's concerns over collocation may be taken care of somewhat by a simple fact that his testimony ignores. His testimony is written as if physical collocation is some imponderable effort that BellSouth will use to manipulate the process. Mr. Gulino fails to mention, in addition to the collocation orders in progress, that several years ago BellSouth was required by FCC rules to implement physical collocation, and BellSouth was able to physically collocate carriers who requested it. Those carriers may have been collocating to bypass BellSouth transport facilities, i.e., to compete with BellSouth. Not surprisingly, no manipulation occurred then, and it will not occur now. Even if for some reason physical collocation was somehow delayed, an ALEC could purchase transport from BellSouth, mitigating the need for collocation, at rates that this Commission has established in the arbitration proceedings.

The point is, BellSouth provides the ability for any requesting carrier to order collocation arrangements to satisfy individual needs, and BellSouth will work cooperatively with the requesting carrier to fully implement each arrangement. In addition, our information indicates that what Mr. Gulino perceives as deficiencies in BellSouth's ordering guidelines and provisioning intervals has certainly not hindered other ALECs' ability to negotiate and order collocation arrangements from BellSouth. In fact, as already discussed, physical collocation orders are currently being processed.

Q. HAS THE COMMISSION ADDRESSED THE ISSUE OF COLLOCATION?

A. Yes. In its December 16, 1996 Order on Petition for Arbitration with MFS, Docket No. 960757-TP, the Commission adopted the physical collocation rates contained in the BellSouth Telecommunications Negotiations Handbook for Collocation ("Collocation Handbook") and required BellSouth to provide TSLRIC studies, which were subsequently provided. BellSouth offers collocation in its Statement at the rates ordered in the MFS arbitration case (Order No. PSC-96-1531-FOF-TP), and to the extent that rates were not specified in the proceeding, BellSouth has included rates in its Statement from the Interconnection Agreement between BellSouth and AT&T. Additionally, the Commission required in its December 31, 1996 Final Order on Arbitration in the consolidated dockets that MCI should be able to:

1) interconnect with other collocators that are interconnected with BellSouth in the same central office,
2) purchase unbundled dedicated transport between the collocation facility and MCI's network, and
3) collocate subscriber loop electronics in a BellSouth central office.

Q. ON PAGE 40, MR. HAMMAN ASSERTS THAT IN GEORGIA BELLSOUTH REFUSED TO PROVIDE AT&T THE ABILITY TO USE EXISTING DEDICATED TRANSPORT FACILITIES TO PROVIDE LOCAL SERVICE TO DIGITAL LINK CUSTOMERS. DO YOU AGREE?

A. As BellSouth understands this configuration, an AT&T end user has a

dedicated facility (for example, a DS1) from the end user premises to an AT&T toll switch (i.e., the AT&T Point of Presence). The service in question does not go through a BellSouth switch. When that end user makes or receives calls, the AT&T POP does the switching. If the end user initiates a call, the AT&T switch is in control of whether to switch the call. If AT&T had an interconnection arrangement with BellSouth it could switch the call back into the BellSouth network. If the end user was using Digital Link for incoming calls, the telephone number associated with it might be an 800/888 number, or a standard seven digit number. The only dedicated transport in this configuration is the facility used to connect the end user's premises to the AT&T POP. To the extent any issue exists, it is the same two-way trunking issue that AT&T discusses in its interconnection (Checklist Item No. 1) discussion. The discussion of Digital Link attempts to create a new "problem" because it is discussed in the context of dedicated transport. In fact, the Digital Link transport is not at issue, only, apparently, the interconnection arrangements discussed previously. It should also be noted that the only way the two-way trunk could be provided under AT&T's agreement is through a bona fide request. Such a request was submitted on April 23, and BellSouth responded in accordance with the bona fide request process. In other words, the issue is being addressed consistent with the terms of the agreement.

Q. HAS THE COMMISSION RULED ON THE COMPENSATION FOR TRANSPORT AND TERMINATION?

A. Yes. The Commission established rates for call transport and termination in

the December 31, 1996 Final Order on Arbitration in the consolidated dockets. The Commission found "that BellSouth and AT&T should compensate each other for transport and termination of calls on each other's network facilities at rates of $0.00125 per minute for tandem switching and $0.002 for end office termination." (Order No. PSC-96-1579-FOF-TP, page 68)

UNBUNDLED ELEMENTS

Q. MR. GULINO (MCI) HAS APPARENT PROBLEMS WITH THE STATEMENT'S OFFERING OF DEDICATED AND COMMON TRANSPORT (PAGES 24-25). DO THESE CONCERNS WARRANT REJECTING THE STATEMENT?

A. No. Mr. Gulino seems to have issues which appear to be based on a level of understanding that hopefully can be alleviated by some additional clarification. He asserts that BellSouth's Statement "fails to embody the Act's requirement of unbundled transport in that it does not provide for transmission over "multi-jurisdictional" trunks once such trunks become technically feasible." The Act and the FCC's Order require the availability of capabilities that are technically feasible. By Mr. Gulino's own admission what he is requesting is currently not feasible. In his testimony, he goes on further to state that MCI's own agreement, which was in part voluntarily negotiated and in part arbitrated, contains no such provisions. Apparently, MCI did not feel a need for such a capability in its own agreement, but would like it in the Statement, which MCI is not likely to use. It is difficult to fathom the "logic." Nevertheless, if such

a capability ever becomes technically feasible, it could be requested through the bona fide request process. However, for now the Statement needs to include capabilities that are feasible to provide, not those that are not.

BellSouth's Statement adequately provides for the provision of unbundled common and dedicated transport. Further Section I.A.3 adequately provides an ALEC with methods for reporting local traffic when local traffic is routed with other multi-jurisdictional traffic over the same functionalities. Additionally, adequate one-way and two-way trunking arrangements are provided as described in Section I.D of the Statement. Further, the Statement specifically provides for a bona fide request process for requests for alternative arrangements. This request process is the appropriate method to handle MCI's or other ALECs' requests for additional trunking arrangements.

CONCLUSION

Q. IN PART, DUE TO THE CONCERNS RAISED ABOVE, SEVERAL OF THE INTERVENORS RECOMMEND THAT THE COMMISSION REJECT THE STATEMENT. ISN'T ONE POSSIBLE ALTERNATIVE TO SIMPLY ALLOW THE STATEMENT TO GO INTO EFFECT WITHOUT MAKING A DETERMINATION OF CHECKLIST COMPLIANCE?

A. Section 252(f) of the Act allows a Statement, such as that filed by BellSouth, to take effect and allows the Commission to continue its review before determining compliance or non-compliance with the competitive checklist.

There is no debate that this option is available, but what must be considered is what benefits might accrue from delaying a compliance decision.

It is generally acknowledged that the Statement may be used for three potential purposes: 1) to provide checklist compliance under a Track B filing for in-region interLATA relief; 2) in conjunction with one or more negotiated or arbitrated agreements to fulfill checklist compliance under a Track A filing; and, 3) to provide new entrants an effective means to compete for local exchange service without the need to negotiate or arbitrate their own agreement. Therefore, despite issues and decisions that may be beyond the scope of this proceeding, an approved Statement can be an effective tool to facilitate competition in Florida.

Q. GIVEN THE OPTIONS THAT THE COMMISSION HAS, ISN'T THE EFFECT THE SAME IF THE COMMISSION CHOOSES TO REJECT THE STATEMENT OR SIMPLY ALLOWS IT TO TAKE EFFECT WITHOUT A DECISION?

A. No. These two actions are likely to have differing impacts and are thus discussed separately. If the Commission were to reject the Statement, one of the ALEC's options for entering the local exchange market without a negotiated agreement would be precluded. Further, one of the fundamental objectives of this proceeding, which is to provide the basis for the Commission to consult with the FCC, will not have been met because a Statement that comports with the Act's requirements would not be available. Such an

outcome would essentially guarantee that the Commission would replicate this proceeding once a new statement is submitted.

Simply allowing the Statement to take effect poses some of the same problems as rejecting the Statement, but has some unique considerations. Assuming the Statement became effective BellSouth could proceed with its filing with the FCC for in-region interLATA relief.

New entrants could still purchase from the Statement but might be in somewhat of a quandary not knowing whether the terms, conditions and prices can be sustained. An entrant desiring some greater control of these terms and conditions would likely opt for a negotiated agreement to gain such control. The usefulness of such a Statement to these entrants is, therefore, questionable. Overall, given the source of the rates, terms and conditions included in the Statement, i.e., prior Commission decisions, and the time and effort committed to this proceeding by the Commission and the intervenors, and the limited usefulness of a Statement that is not considered compliant, the suggestions of some of the parties in this proceeding would not seem to provide any benefit to any parties other than those who would benefit from BellSouth's delayed entry into the in-region marketplace.

Q. GIVEN EVERYTHING THAT HAS BEEN ARGUED BY THE INTERVENORS, IS THERE AN OVERALL PERSPECTIVE TO CONSIDER?

A. Yes. In evaluating the arguments of AT&T, Sprint, MCI, ACSI, ICI, etc. it is extremely important to keep in perspective their motivations. There are adequate examples in the testimony in this proceeding as well as prior to this proceeding (for example, the AT&T and MCI arbitration cases) that clearly point to the real reason the parties are objecting to BellSouth's Statement — they want to continue to enjoy the long distance market in Florida without BellSouth as a participant, for as long as possible. They aren't looking to provide the consumers in Florida with additional local service competition any time soon. But they are fighting very hard to keep additional long distance options from them!

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes.