BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

GREG DARNELL

ON BEHALF OF WORLDCOM

DOCKET NO. 960786-TL

July 20, 2001

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Greg Darnell, and my business address is 6 Concourse Parkway, Suite 3200, Atlanta, Georgia, 30328.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by WorldCom, Inc. (formerly known as MCI WorldCom, Inc.) as Regional Senior Manager -- Public Policy.

Q. HAVE YOU PREVIOUSLY TESTIFIED?

A. Yes, I have testified in proceedings before regulatory commissions in Alabama, California, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee, as well as before the Florida Public Service Commission ("Commission"), and on numerous occasions have filed comments with the Federal Communications Commission ("FCC"). Attached as Exhibit ____ (GJD-1) to this testimony is a summary of my academic and professional qualifications.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to show that BellSouth does not currently provide nondiscriminatory access to all required network elements in accordance with the requirements of checklist item (ii) [Issue 3 in this proceeding]. In doing so, I will rebut portions of the direct testimony of Ms. Cox and Ms. Caldwell proffered on behalf of BellSouth. These witnesses erroneously claim that BellSouth meets this checklist requirement by offering nondiscriminatory access to all required UNEs at TELRIC rates.

Issue 3: Does BellSouth currently provide nondiscriminatory access to all required unbundled network elements, with the exception of OSS which will be handled in the third party test, in accordance with Sections 251(c)(2) and 252(d)(1) of the Telecommunications Act of 1996, pursuant to Section 271(c)(2)(B)(ii) and applicable rules promulgated by the FCC?

(a) Does BellSouth currently provide all required unbundled network elements at TELRIC-based prices?

Q. WHAT DOES CHECKLIST ITEM NO. (ii) REQUIRE?

A. Section 271(c)(2)(B)(ii) states that BellSouth must provide "Nondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(2) and 252(d)(1)."

Section 252(d)(1) in turn requires that the pricing of unbundled network elements shall be nondiscriminatory, based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element, and may include a reasonable profit.

Q. HAS THE FCC ADOPTED PRICING RULES TO IMPLEMENT THE REQUIREMENTS OF SECTION 252(d)(1)?

A. Yes, the FCC in August 1996 promulgated pricing rules which govern the states' implementation of the section 252(d)(1) pricing requirements. *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order (rel. Aug. 8, 1996) ("Local Competition Order"). Despite appeals by BellSouth and other ILECs, the FCC's authority to promulgate pricing rules was upheld by the United States Supreme Court. *See AT&T Corp. v. Iowa Utils. Bd.*, 119 S. Ct. 721 (1999). The FCC's pricing rules require that states interpret Section 252(d)(1) of the Act to require that the rates for UNEs to be set at the sum of the Total Element Long Run Incremental Cost (TELRIC), plus a reasonable allocation of forward-looking common costs. 47 C.F.R. § 51.505(a). The TELRIC of a UNE is defined by 47 C.F.R. § 51.505(b) as:

> (T)he forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other elements.

Q. DOES THE FCC REQUIRE A SPECIFIC APPROACH TO TELRIC PRICING?

A. Yes. The particular TELRIC approach taken by the FCC, and made applicable to the states, is often referred to as the "scorched node" method. 47 C.F.R. §51.505 (b) (1) states:

> Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.

The FCC's TELRIC methodology assumes that wire centers will be placed at the ILECs' current wire centers, but that the rest of the network will be reconstructed assuming the most-efficient technology for reasonably foreseeable capacity requirements. Local Competition Order ¶ 685. This definition of "forward-looking" adopted by the FCC takes existing switch locations as a given, and then, assuming a hypothetical carrier, "builds out" an interoffice and local network, based on efficient engineering practices and forward-looking (but currently available), least-cost technology.

Q. WHAT MUST BELLSOUTH DO TO DEMONSTRATE THAT ITS UNE RATES COMPLY WITH THE ACT AND FCC RULES?

A. By definition, "cost-based" rates must be supported by cost studies proving that the rates are derived from the forward-looking cost of providing the leased elements, taking into account the particular circumstances present in each state. The FCC has specifically stated that it expects "a BOC to include in its [section

271] application detailed information concerning how unbundled network element prices were derived." *In re Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in Michigan*, CC Docket No. 97-137, Memorandum Opinion and Order, FCC 97-298 at ¶ 291 (rel. Aug. 19, 1997) (footnote omitted). The FCC will reject a 271 application if basic TELRIC principles are violated. *In re Application of Verizon New England Inc., Bell Atlantic Communications Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d//b/a Verizon Enterprise Solutions), And Verizon Global Networks Inc., For Authorization to Provide In-Region, InterLATA Services in Massachusetts*, CC Docket No. 01-9, Memorandum Opinion and Order, FCC 01-130 at ¶ 20 (rel. April 16, 2001).

Q. WHAT UNE RATES HAS BELLSOUTH SUBMITTED IN THIS PROCEEDING?

A. BellSouth has submitted two categories of rates. The rates which BellSouth has submitted for most UNEs are included as Attachment A to BellSouth's proposed Statement of Generally Available Terms (SGAT), which is Exhibit CKC-5 to Ms. Cox' testimony. The rates in Attachment A are the rates that BellSouth *proposed* in the Commission's UNE cost docket, Docket No. 990649-TP. Ms. Cox says that when the Commission enters a written order in that docket, the rates in Attachment A will be updated to reflect the Commission-approved rates. At that time, Ms. Cox says that BellSouth will, upon request, negotiate amendments to incorporate those rates into existing agreements. (Cox Direct at 10-11)

In addition to the UNEs that were considered in Docket No. 990649-TP, there are certain additional UNEs for which BellSouth has filed cost studies for the first time in this proceeding. These include studies for (i) physical collocation, (ii) line sharing, and (iii) non-designed unbundled copper loops.

Q. DOES THIS FILING SHOW THAT BELLSOUTH'S CURRENT UNE RATES IN FLORIDA ARE "COST-BASED" AND IN COMPLIANCE WITH THE ACT?

A. No. The rates included in BellSouth's filing for most UNEs are the rates that it *proposed* in Docket 990649-TP, not the rates approved by the Commission in its May 25, 2001 order. (Order No. PSC-01-1181-FOF-TP) Since BellSouth has not yet updated its filing in this docket to reflect these Commission-reviewed rates, it presumably is waiting until the Commission enters its order on reconsideration before submitting its "final" rate schedule. This means, however, that as of today BellSouth is not offering UNEs at the rates approved by the Commission. As discussed below, even those Commission-approved rates will not be "cost-based" unless and until the Commission completes the next phase of the UNE cost docket *and* orders BellSouth to make other changes which are needed to make BellSouth's rates TELRIC-compliant. Further, BellSouth is for the first time in this proceeding proposing what it contends are cost-based rates for a number of UNEs, including physical collocation, line sharing, and non-designed UCLs. The earliest that BellSouth can be considered to be offering "cost-based" rates for these elements will be at the conclusion of this 271 proceeding.

Q. WHAT CHANGES MUST BE MADE IN THE RATES APPROVED BY THE COMMISSION IN THE UNE COST DOCKET IN ORDER FOR BELLSOUTH'S RATES TO BE COST-BASED?

A. BellSouth will not have cost-based rates unless and until (i) BellSouth has updated its UNE cost studies to replace its loading factor calculations with a "bottoms-up" calculation of costs as required by the final order in Docket No. 990649-TP, (ii) the Commission orders BellSouth to recalculate all UNE prices using a single network design which properly reflects economies of scale and scope as requested by the Motion for Reconsideration and Clarification filed in that docket by WorldCom, AT&T, Covad and Z-Tel, and (iii) the Commission orders BellSouth to make the other changes identified in the Motion for Reconsideration and Clarification that are necessary to make BellSouth's rates TELRIC-compliant.

Q. PLEASE EXPLAIN WHY BELLSOUTH'S COST STUDIES MUST IMPLEMENT THE BOTTOMS-UP APPROACH BEFORE THEY CAN BE TELRIC-COMPLIANT.

A. In its cost study filing in the UNE cost docket, BellSouth calculated cable and structure costs by the applying loading factors to material prices instead of explicitly modeling the cost of engineering, installation and associated structures. The Commission found that BellSouth's use of these linear loading factors will distort cost relationships between rural and urban areas, which is a particular problem in a case in which loop rates were being deaveraged. Because the Commission was unable to correct this flaw based on the record before it, the Commission is requiring BellSouth to refile its loop model within

120 days of the issuance of the Order to replace these loading factors with an explicit "bottoms-up" modeling of these engineering and placement costs. (Order No. PSC-01-1181-FOF-TP, pages 283-284, 305-306) Until this refiling has been made and reviewed by all parties, and new rates have been set by the Commission, BellSouth will not have "cost-based" loop rates and will not meet the requirements of checklist item (ii).

Q. PLEASE EXPLAIN WHY BELLSOUTH'S RATES MUST BE RECALCULATED USING A SINGLE NETWORK DESIGN FOR ALL ELEMENTS IN ORDER TO COMPLY WITH THE ACT'S COST STANDARD.

A. In its cost study filing in the UNE cost docket, BellSouth submitted three distinct loop cost scenarios: (1) the BST 2000 Scenario used to determine the cost of stand-alone loops; (2) the Combo Scenario used to determine the cost of voice grade loops combined with a switch port; and (3) the Copper Only Scenario used to derive the cost of copper-based xDSL loops. Although the Commission found that the use of a single unified network design, in principle, is the most appropriate for setting UNE rates (Order, page 154), it nevertheless set UNE loop rates based on BellSouth's three-scenario approach. (Order, page 155) Under FCC Rule 51.505(b), however, the use of a single, unified network design is not only the most appropriate in principle, but it is in fact required. This requirement is in place so that the UNE rates can reflect the economies of scope and scale enjoyed by the incumbent and as such provide ALECs with a realistic opportunity to compete against the incumbent's services

using UNEs. The rates set using BellSouth's three scenario approach are therefore not "cost based" as required by the FCC's pricing rules.

Q. WHY DO YOU SAY THAT A SINGLE UNIFIED NETWORK DESIGN IS REQUIRED BY THE FCC'S RULES?

A. FCC Rule 51.505(b) states:

> (b) Total element long-run incremental cost. The total element long-run incremental cost of an element is the forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, ***calculated taking as a given the incumbent LEC's provision of other elements.***
>
> (1) Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the ***most efficient telecommunications technology currently available*** and ***the lowest cost network configuration***, given the existing location of the incumbent LEC's wire centers.
>
> (Emphasis added.)

Under this rule, UNE rates must be set based on "the lowest cost network configuration," not on several different network configurations. That single network configuration must take into account "the incumbent LEC's provision of

other elements." That is, the single network must be designed taking into account the demand for all elements, not just the element for which costs are determined. This is necessary in order to capture the economies of scale and scope that the LEC achieves as the result of offering its whole panoply of elements and services.

Q. HOW DOES BELLSOUTH'S USE OF THE THREE-SCENARIO APPROACH VIOLATE THIS RULE?

A. BellSouth's use of the three-scenario approach violates Rule 51.505(b) in three ways. First, BellSouth used different engineering assumptions for the entire network based on the type of UNE being costed. For loop/port combinations, BellSouth assumed an engineering design in the Combo Scenario based on the use of integrated digital loop carrier (IDLC) technology. For stand-alone loops, BellSouth assumed an engineering design in the BST 2000 Scenario based on the use of older, universal digital loop carrier (UDLC) technology. And for xDSL loops, BellSouth assumed an engineering design in the Copper Only Scenario based on the use of all copper loops. This violates the requirement in Rule 51.505(b) to use "the" lowest cost network configuration. The lowest cost network configuration for serving demand that includes stand-alone loops, loop/port combinations, and xDSL loops would be a single network that includes the appropriate mix of IDLC, UDLC and all copper loops. Yet despite the fact that the FCC's rules require the use of a single, most efficient network, BellSouth failed to provide cost studies that comply with those rules.

Second, by modeling an "all copper" network and an "all UDLC network" for pricing some loops, BellSouth did not model the use of the "most efficient technology currently available."

Third, BellSouth's use of three different scenarios violates the requirement in Rule 51.505(b) to calculate costs for UNEs taking into account as a given the "incumbent LEC's provision of other elements." The purpose of this requirement is to ensure that UNE cost studies take into account the efficiencies that the incumbent LEC achieves from deploying a network to meet all demand for all elements, thereby achieving economies of scale and scope. In order to properly reflect the requirements of this rule, BellSouth must model a single network that takes into account the expected demand for loop/port combinations, stand-alone loops, and xDSL loops. That forecast must include demand both for UNE loops and for loops to meet BellSouth's own retail demand. The mix of IDLC, UDLC and copper loops in the resulting single network thus would be optimized to meet the demand for the various types of facilities, and that network would include the efficiencies resulting from economies of scale and scope. Instead, BellSouth modeled three separate networks, assuming alternatively that every customer location would require service via IDLC loops (Combo), that every customer location would require service via UDLC loops (BST 2000), and that every customer location would require service via copper loops (Copper Only). That assumption is clearly flawed. Some percentage of customer locations will require IDLC, some percentage will require UDLC, and some percentage will require copper. Only

by projecting actual demand for each type of facility will the resulting network include the appropriate economies of scale and scope.

Q. IS THE REQUIREMENT THAT THE TOTAL ANTICIPATED DEMAND FOR A NETWORK ELEMENT MUST BE USED IN THE DEVELOPMENT OF THE UNE RATES COVERED BY FCC RULES?

A. Yes. 47 C.F.R. 51.511(a) requires that total anticipated demand for a network element to be used in the development of UNE rates. Specifically, Rule 51.511(a) requires:

> The forward-looking economic cost per unit of an element. . ., as defined in § 51.505 of this part, divided by a reasonable projection of the sum of the total number of units of the element that the incumbent LEC is likely to provide to requesting telecommunications carriers and the total number of units of the element that the incumbent LEC is likely to use in offering its own services, during a reasonable measuring period.

Q. DOES THE PROCESS UTILIZED BY BELLSOUTH AND ADOPTED BY THIS COMMISSION IN THE DEVELOPMENT OF UNE RATES COMPLY WITH THIS FCC RULE?

A. No. BellSouth never forecasts the demand for UNEs in the development of its UNE rates. BellSouth develops its prices for UNE rates based on what it calls an "Rservice" technique. BellSouth's Rservice method of costing, costs UNEs to all customers that could ever ***potentially*** want the UNE. This means for a

typical residential POTS customer, BellSouth's costing methodology assumes that this customer will want BellSouth's retail voice service, an ALEC's UNE-P voice service, service provided by an ALEC using a stand alone voice loop, DSL service provided by the BellSouth data affiliate, and DSL service provided by a data-ALEC using a DSL loop. As such, the rates established for BellSouth's UNE ignore certain economies of scale and scope enjoyed by BellSouth. The impact on the development of local competition in Florida of ignoring these economies can be seen in the marketplace.

Q. PLEASE EXPLAIN WHAT OTHER CHANGES NEED TO BE MADE TO BELLSOUTH'S COST MODEL IN ORDER FOR THE RESULTING RATES TO BE TELRIC-COMPLIANT.

A. There are at least two other changes that are required before the rates produced by BellSouth's cost model could be considered TELRIC-compliant. Drop lengths must be recalculated assuming routing from the corner of lots and shared cost allocations must be recalculated on a per-pair basis.

Q. WHY MUST DROP LENGTHS BE RECALCULATED BASED ON A DIFFERENT ROUTING ASSUMPTION THAN BELLSOUTH USED IN ITS COST STUDIES?

A. FCC Rule 51.505(b)(1) requires the use of "the lowest cost network configuration." The use of angular drop placement necessarily produces shorter drop distances than the rectilinear drop placement method used by BellSouth, and thereby produces the lowest cost configuration. Until BellSouth's models

reflect the "lowest cost network configuration," the costs produced by those models cannot be deemed TELRIC-compliant.

Q. WHAT CHANGE MUST BE MADE TO BELLSOUTH'S METHOD OF ALLOCATING SHARED COSTS?

A. In using the BellSouth loop cost model (BSTLM) to calculate costs for specific UNEs, it is necessary to allocate shared investments (such as digital loop carrier common equipment and fiber feeder cable) to individual services. In the UNE cost docket, the Commission approved BellSouth's method of allocating shared investments in loop plant based on DS0 equivalents (i.e. the number of voice channel equivalents represented by a particular service.) Under this "per-DS0" methodology, a 2-wire facility used to provide high-capacity T-1 service -- which carries 24 voice channel equivalents -- is allocated 24 times as much shared cost as a 2-wire voice grade loop. WorldCom and AT&T advocated allocating shared investments based on the number of copper pair equivalents used to provide the service. This "per-pair" methodology means that a copper pair equivalent used to provide voice service bears the same allocation of shared costs as the same facility used to provide T-1 service. Such an allocation avoids the anti-competitive impact of placing high levels of shared costs on high-capacity services whose demand is fairly inelastic.

In Paragraph 696 of its Local Competition Order, the FCC stated:

> We conclude that forward-looking common costs shall be allocated among elements and services in a reasonable manner, ***consistent with the pro-competitive goals of the***

1996 Act. . . .[A]n allocation methodology that relies exclusively on allocating common costs in inverse proportion to the sensitivity of demand for various network elements and services [i.e. Ramsey pricing] may not be used.

(Emphasis added.)

When applied to the allocation of shared costs which by definition are not causally related to a single service or facility, these pro-competitive requirements of the FCC's rule require shared costs to be allocated in a way that minimizes any adverse impact on competition. Thus the Commission should require that those costs be allocated on a per-pair basis in order to ensure that the resulting rates are TELRIC-compliant.

Q. WHY IS IT IMPORTANT THAT BELLSOUTH BE REQUIRED TO REVISE ITS UNE RATES TO BE TELRIC-COMPLIANT BEFORE IT GETS SECTION 271 APPROVAL?

A. It is important because BellSouth's current rates, which are not TELRIC-compliant, are so high as to be a barrier to entry. Each of the changes described above should bring BellSouth's UNE rates closer to cost, and increase the likelihood of broad scale competitive local entry.

Q. CAN THE RATES THAT BELLSOUTH HAS FILED FOR THE FIRST TIME IN THIS PROCEEDING BE EFFECTIVELY ANALYZED TO DETERMINE IF THEY ARE COST BASED?

A. No. BellSouth uses its BellSouth Loop Model (BSTLM) to support its proposed rates for its non-designed loop offering (i.e. element A.13.12). BellSouth failed to file its complete BSTLM in this proceeding. Its filing is missing the GIS preprocessing data for its wire centers in Florida. This means none of the engineering assumptions BellSouth has made in determining the network design that supports the cost for its non-designed loop offering can be changed. As such, even if parties were permitted adequate time and process to analyze BellSouth's non-designed loop offering, it could not be done in this proceeding. Data ALECs have been asking BellSouth for non-designed loops since 1999. BellSouth should not be permitted to shoehorn a UNE cost case into this 271 compliance review.

Q. DO YOU HAVE REASON TO BELIEVE THE RATES BELLSOUTH HAS PROPOSED FOR ITS NON-DESIGNED LOOP OFFERING, PHYSICAL COLLOCATION AND LINE SPLITTING ELEMENTS ARE NOT COMPLIANT WITH THE ACT'S COST BASED REQUIREMENTS AND THE FCC RULES?

A. Yes. The input assumptions BellSouth has made in the development of its non-designed loop offering fail to incorporate the decisions this Commission reached in its May 25, 2001 order. Assuming these decisions on cost of capital, depreciation and inflation should be equally applied to the cost development of non-designed loops, BellSouth's proposed rates for non-designed loops do not meet the cost-based standard determined by this Commission. Further, BellSouth has proposed a new rate structure for Physical Collocation and has proposed an additional new rate element for Cable Records.

Q. DOES BELLSOUTH'S PROPOSED NEW RATE STRUCTURE FOR PHYSICAL COLLOCATION AND LINE SPLITTING CREATE CONCERNS?

A. Yes. BellSouth proposes to charge ALECs a separate monthly recurring rate for security access systems. There is no rational need for a separate monthly recurring rate for security access systems. Charging separately for security access systems would be synonymous with charging separately for door locks. It is not necessary to have separate rates for shared and common costs such as door locks and security access systems. In fact, the creation of a separate rate for a shared and common cost is unadvisable because unnecessarily complicates the analysis and creates an opportunity to double recover costs.

BellSouth also proposes a new charge for access to cable records. These cable records are known as Circuit Facility Assignments (CFAs). Presently, there is no additional charge for CFAs. By creating this new charge for CFAs, BellSouth must be contending that the previous rates for collocation are not adequately compensating them for the forward-looking cost of providing ALECs with CFAs. As such, in order for this Commission to analyze this contention, all costs of collocation must be analyzed.

BellSouth also proposes a charge for a new UNE called line splitting. BellSouth proposes to only sell line splitting in groups of 24 or 96. However, certain ALECs require lines to be split on an individual line basis. Further, the cost support BellSouth has filed does not identify the level of anticipated line splitting demand BellSouth has used in the development of its line splitter costs.

As such, it is unclear if BellSouth has complied with 47 C.F.R. 51.511(a) in the development of its line splitting rates.

Q. IN LIGHT OF THESE CONCERNS, HOW SHOULD THE COMMISSION PROCEED?

A. The Commission has already ordered BellSouth to refile its UNE cost studies to replace its loading factors with a "bottoms-up" cost approach. It makes sense for BellSouth to update its studies for physical collocation, line splitting and non-design UCLs at the same time and file them in the UNE cost docket. The Commission could then hold a single set of hearings to resolve all the remaining cost issues in a docket designed for that purpose. This procedure would not delay BellSouth's 271 application, since its current rates are not "cost-based" and need to be further revised before it can get 271 relief in any event.

Q. ARE THERE ANY OTHER REASONS THAT THE COMMISSION SHOULD NOT TRY TO SET ANY UNE RATES IN THIS DOCKET?

A. Yes. The purpose of Section 271 is to allow BellSouth (and the other RBOCs) to obtain interLATA authority only *after* they have demonstrated that their markets are open to competition. One of the important requirements for an open market is the availability of cost-based UNE rates. Rates which first become available to competitors only at the end of the state's section 271 review will not have contributed to the development of competition. BellSouth should be required to make its 271 demonstration using rates that are in effect at the time, not rates that will become effective some time in the future.

Issue 3(b) Has BellSouth satisfied other associated requirements, if any, for this item?

Q. IN ADDITION TO PRICING ISSUES, WHAT OTHER REQUIREMENTS DOES THE ACT PLACE ON BELLSOUTH WITH REGARD TO OFFERING UNES?

A. Checklist item (ii) states that BellSouth must provide "Nondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(2) and 252(d)(1)".

Q. DOES BELLSOUTH PROVIDE NONDISCRIMINATORY ACCESS TO ALL CAPABILITIES OF THE LOOP INCLUDING ALL ATTACHED ELECTRONICS?

A. No. BellSouth does not provide nondiscriminatory access to all capabilities of the loop and all attached electronics. A loop is capable of being split by a line splitting device into a low frequency channel and a high frequency channel. When a loop is split in this manner it expands the capability of the loop so that both voice and data can exist on the same loop.

BellSouth uses line-splitting devices to split loops for itself. BellSouth will also provide a line splitting device to data ALECs to permit line splitting between a voice ALEC and a data ALEC. Thus, if BellSouth has a line sharing arrangement with a data ALEC by which BellSouth provides voice service to the customer and the data ALEC provides digital subscriber line ("DSL") service, and another ALEC wins the customer's voice business, BellSouth is willing (in

principle, at least) to allow the two ALECs to use the splitter to provide service to the voice and DSL service to the customer.

What BellSouth is ***not*** willing to do is permit line splitting between itself and a voice ALEC. In other words, if BellSouth provides voice and DSL service to a customer, and an ALEC wins the customer's voice business, BellSouth will not allow the ALEC to use the splitter and provide voice service using the same line BellSouth uses to provide DSL service. The end result is that a customer who wants to use BellSouth for DSL service and an ALEC for voice service must use two separate lines at a higher cost. As a practical matter, therefore, ALECs will have no realistic opportunity to provide voice service to customers for whom BellSouth provides DSL service.

Q. WHAT IS THE EFFECT OF THIS DISCRIMINATION IN THE PROVISION OF LINE-SPLITTING?

A. BellSouth's failure to provide voice-ALECs with nondiscriminatory access to line splitters creates an unnecessary barrier to local competitive entry by preventing voice-ALECs from offering service to certain customers. The customers that will be denied the benefits of competition by this discriminatory practice are the growing number of customers that want DSL services. BellSouth should not be permitted to exercise its monopoly power in this manner.

Before BellSouth can be considered in compliance with checklist item (ii) it must provide voice-ALECs with line splitters on nondiscriminatory terms and conditions and at cost-based rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

GREGORY J. DARNELL
PROFESSIONAL EXPERIENCE

6/21/96 – Date REGIONAL SENIOR MANAGER, WORLDCOM, INC., PUBLIC POLICY.

Responsibilities: Define MCI's public policy and ensure effective advocacy throughout BellSouth Region.

9/1/95 - 6/21/96 SENIOR STAFF SPECIALIST III, MCI, NATIONAL ACCESS POLICY.

Responsibilities: Define MCI's national access policies and educate field personnel. Present MCI's access policy positions to Executive Management and obtain concordance.

9/1/94 - 9/1/95 SENIOR STAFF SPECIALIST III, MCI, CARRIER RELATIONS.

Responsibilities: Manage MCI's business relationship with ALLTEL.

1/1/93 - 9/1/94 SENIOR STAFF SPECIALIST II, MCI, SOUTHERN CARRIER MANAGEMENT.

Responsibilities: Chief of Staff.

9/1/91 - 1/1/93 MANAGER, MCI, ECONOMIC ANALYSIS.

Responsibilities: Testify before state utility commissions on access issues. Write tariff and rulemaking pleadings before the FCC. Serve as MCI's expert on Local Exchange Carrier revenue requirements, demand forecasts and access rate structures.

1/1/90 - 9/1/91 SENIOR STAFF SPECIALIST I, MCI, FEDERAL REGULATORY.

Responsibilities: Direct analysis to support MCI's positions in FCC tariff and rulemaking proceedings. Provide access cost input to MCI's Business Plan. Write and file petitions against annual tariff filings and requests for rulemaking. Train State Utility Commissions on the use and design of financial databases.

1/1/89 - 1/1/90 STAFF SPECIALIST III, MCI, FEDERAL REGULATORY.

Responsibilities: Track and monitor tariff transmittals for Ameritech, BellSouth, SWBT and U S West. Author petitions opposing RBOC tariff filings. Represent MCI at National Ordering and Billing Forum.

10/9/87 - 1/1/89 SUPERVISOR, MCI, TELCO COST ANALYSIS.

Responsibilities: Supervise team of analysts in their review of interstate access tariff changes. Coordinate updates to Special Access billing system.

1/1/86 - 10/9/87 FINANCIAL ANALYST III, MCI, TELCO COST.

Responsibilities: Analyze MCI's access costs and produce forecasts.

6/1/85 - 1/1/86 STAFF ADMINISTRATOR II, MCI, LITIGATION SUPPORT.

Responsibilities: Support MCI's antitrust counsel in taking depositions, preparing interrogatories and document requests.

1/1/84 - 6/1/85 PRODUCTION ANALYST, MCI, LITIGATION SUPPORT.

Responsibilities: Review and abstract MCI and AT&T documents obtained in MCI's antitrust litigation.

8/1/82 - 1/1/84 LEGAL ASSISTANT, GARDNER, CARTON AND DOUGLAS.

Responsibilities: Research and obtain information from the FCC, FERC and SEC.

EDUCATIONAL EXPERIENCE

9/1/00 – Date *UNIVERSITY OF MARYLAND, GRADUATE SCHOOL OF TELECOMMUNICATIONS MANAGEMENT*

Studies: Management Accounting, Public Policy and Network Engineering.

9/1/91 - 1/1/93 *GEORGE WASHINGTON UNIVERSITY, GRADUATE SCHOOL OF TELECOMMUNICATIONS.*

Studies: Advanced courses in Public Policy, Electrical Engineering and Economics.

9/1/78 - 6/1/82 *UNIVERSITY OF MARYLAND, B.A., ECONOMICS.*

Studies: Macro and Micro Economics, Statistics, Calculus, Astronomy and Music.