

430  
/r

NANCY B. WHITE  
General Attorney

BellSouth Telecommunications, Inc.  
150 South Monroe Street  
Suite 400  
Tallahassee, Florida 32301  
(404) 335-0710

ORIGINAL  
FILE COPY

January 25, 1996

Mrs. Blanca S. Bayo  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

RE: Docket No. 950985-TP

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Brief of the Evidence. Please file these documents in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

Sincerely,

*Nancy B. White*  
Nancy B. White (HW)

- ACK
- AFA
- APP
- CAF
- CMU  Chan
- CTR
- SAC
- LEG
- LIN
- OPC
- RC
- SEC
- WAS
- OTH

Enclosures

cc: All Parties of Record  
A. M. Lombardo  
R. G. Beatty  
R. D. Lackey

RECEIVED & FILED

*Mar*  
EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

00952 JAN 25 96

FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE**  
**Docket No. 950985-TP**

I HEREBY CERTIFY that a copy of the foregoing has been  
furnished by Federal Express this 25th day of January, 1996 to:

RICHARD H. BRASHEAR  
ALLTELL FLORIDA, INC.  
206 WHITE STREET  
LIVE OAK, FL 32060  
904-364-2517

DANIEL V. GREGORY  
QUINCY TELEPHONE COMPANY  
107 W. FRANKLIN STREET  
QUINCY, GL 32351  
904-875-5214

F. B. POAG  
CENTRAL TELEPHONE COMPANY  
OF FLORIDA  
555 LAKE BORDER DRIVE  
APOPKA, FL 32703  
407-889-6405

JOHN H. VAUGHAN  
ST. JOSEPH TELEPHONE AND  
TELEGRAPH COMPANY  
502 5TH STREET  
PORT ST. JOE, FL 32456  
904-229-7221

LAURIE A. MAFFETT  
FRONTIER COMMUNICATIONS OF  
THE SOUTH, INC.  
180 SOUTH CLINTON AVENUE  
ROCHESTER, NY 14646  
716-777-5125

FERRIN SEAY  
FLORALA TELEPHONE  
COMPANY, INC.  
522 N. 5TH STREET  
FLORALA, AL 36442  
334-858-3211

BEVERLY Y. MENARD  
GTE FLORIDA, INC.  
106 EAST COLLEGE AVENUE  
SUITE 1440  
TALLAHASSEE, FL 32301  
813-224-4825

LYNN B. HALL  
VISTA-UNITED  
TELECOMMUNICATIONS  
P.O. BOX 10180  
LAKE BUENA VISTA, FL 32830  
407-827-2210

A. D. LANIER  
GULF TELEPHONE COMPANY  
115 W. DREW STREET  
PERRY, FL 32347  
904-584-0900

JODIE DONOVAN  
TCG SOUTH FLORIDA  
1133 21ST STREET, NW  
SUITE 400  
WASHINGTON, DC 20036  
202-739-0010

ROBERT M. POST, JR.  
INDIANTOWN TELEPHONE  
SYSTEM, INC.  
16001 S.W. MARKET STREET  
INDIANTOWN, FL 34956  
407-597-3113

MICHAEL W. TYE  
AT&T  
101 NORTH MONROE STREET  
SUITE 700  
TALLAHASSEE, FL 32301  
904-425-6360

JOHN T. MCGLEW  
N.E. FLORIDA TELEPHONE  
COMPANY, INC.  
130 N. 4TH STREET  
MACCLENNY, FL 32063  
904-259-2261

ROBIN D. DUNSON, ESQ.  
1200 PEACHTREE STREET, NE  
PROMENADE I, ROOM 4038  
ATLANTA, GEORGIA 30309  
810-8689

RICHARD D. MELSON  
HOPPING GREEN SAM & SMITH  
123 S. CALHOUN STREET  
TALLAHASSEE, FL 32301  
904-222-7500

PATRICK K. WIGGINS  
INTERMEDIA COMMUNICATIONS OF  
FLORIDA, INC.  
WIGGINS & VILLACORTA  
501 EAST TENNESSEE STREET, #B  
TALLAHASSEE, FL 32308  
904-222-1534

FLOYD SELF  
MCCAW COMMUNICATIONS  
MESSER, VICKERS, CAPARELLO,  
MADSEN, LEWIS, GOLDMAN & METZ  
215 S. CALHOUN STREET, #701  
TALLAHASSEE, FL 32301  
904-222-0720

BOB ELIAS  
FLORIDA PUBLIC SERVICE  
COMMISSION  
2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FL 32399  
904-613-6189

RICHARD M. RINDLER  
JAMES C. FALVEY  
SWIDLER & BERLIN, CHARTERED  
3000 K STREET, NW  
SUITE 300  
WASHINGTON, DC 20007  
202-424-7500

KENNETH A. HOFFMAN, ESQ.  
RUTLEDGE, ECENIA, UNDERWOOD,  
PURNELL & HOFFMAN  
215 SOUTH MONROE STREET  
SUITE 420  
TALLAHASSEE, FL 32301-1841  
904-681-6788

PAUL KOUROUPAS  
DIRECTOR, REGULATORY AFFAIRS  
TELEPORT COMM. GROUP INC.  
TWO TELEPORT DRIVE  
SUITE 300  
STATEN ISLAND, NY 10311  
718-355-2634

MICHAEL J. HENRY  
MCI TELECOMMUNICATIONS CORP.  
780 JOHNSON FERRY ROAD  
SUITE 700  
ATLANTA, GEORGIA 30342  
843-6373

PETER M. DUNBAR, ESQ.  
CHARLES W. MURPHY, ESQ.  
PENNINGTON & HABEN, P.A.  
215 SOUTH MONROE STREET  
2ND FLOOR  
TALLAHASSEE, FL 32301  
904-222-3533

JILL BUTLER  
FLORIDA REGULATORY DIRECTOR  
TIME WARNER COMMUNICATIONS  
2773 RED MAPLE RIDGE  
TALLAHASSEE, FL 32301  
904-942-1181

LAURA L. WILSON, ESQ.  
CHARLES F. DUDLEY, ESQ.  
FLORIDA CABLE  
TELECOMMUNICATIONS ASSN.  
310 N. MONROE STREET  
TALLAHASSEE, FL 32301  
904-681-1990

WILLIAM H. HIGGINS  
AT&T WIRELESS SERVICES  
SUITE 900  
250 S. AUSTRALIAN AVENUE  
WEST PALM BEACH, FL 33401  
407-655-7447

ANTHONY P. GILLMAN  
KIMBERLY CASWELL  
GTE FLORIDA, INC.  
c/o RICHARD M. FLETCHER  
106 EAST COLLEGE AVENUE  
SUITE 1440  
TALLAHASSEE, FL 32301  
813-228-3087

TIMOTHY DEVINE  
MFS COMMUNICATIONS  
250 WILLIAMS STREET  
SUITE 2200  
ATLANTA, GA 30303  
404-224-6115

DONALD L. CROSBY  
CONTINENTAL CABLEVISION  
7800 BELFORT PARKWAY  
SUITE 270  
JACKSONVILLE, FL 32256  
904-731-8810

A. R. SCHLEIDEN  
CONTINENTAL FIBER  
TECHNOLOGIES D/B/A ALTERNET  
4455 BAYMEADOWS ROAD  
JACKSONVILLE, FL 32217  
904-448-3390

BILL WIGINTON  
HYPERION TELECOMM.  
BOYCE PLAZA III  
2570 BOYCE PLAZA ROAD  
PITTSBURGH, PA 15241  
412-221-1888

SUE E. WEISKE  
TIME WARNER COMM.  
160 INVERNESS DRIVE WEST  
ENGLEWOOD, CO 80112

DONNA CANZANO  
FLORIDA PUBLIC SERVICE  
COMMISSION  
2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FL 32399  
904-613-6202

*Nancy B. White (AW)*

TABLE OF CONTENTS

STATEMENT OF THE CASE . . . . . 1

STATEMENT OF BASIC POSITION . . . . . 4

ISSUE NO. 1: What are the appropriate rate structures, interconnection rates or other compensation arrangements for the exchange of local and toll traffic between ALECs and BellSouth? 7

    A. INTRODUCTION . . . . . 7

    B. BELLSOUTH'S PREFILED PROPOSAL . . . . . 8

    C. BILL AND KEEP . . . . . 19

    D. THE RESIDUAL INTERCONNECTION CHARGE . . . . . 32

ISSUE NO. 2: If the Commission set rates, terms, and conditions for interconnection between the respective ALECs and BellSouth, should BellSouth tariff the interconnection rate(s) or other arrangements? . . . . . 35

ISSUE NO. 3: What are the appropriate technical and financial arrangements which should govern interconnection between the respective ALECs and BellSouth for the delivery of calls originated and/or terminated from carriers not directly connected to the respective ALEC's network? . . . . . 35

ISSUE NO. 4: What are the appropriate technical and financial arrangements for the exchange of intraLATA 800 traffic which originates from the respective ALECs' customer and terminates to an 800 number served by or through BellSouth? . . . . . 37

ISSUE NO. 5a: What are the appropriate technical arrangements for the interconnection of the respective ALECs' network to BellSouth's 911 provisioning network such that the respective ALECs' customers are ensured the same level of 911 service as they would receive as a customer of BellSouth? . . . . . 38

ISSUE NO. 5b: What procedures should be in place for the timely exchange and updating of the respective ALECs' customer information for inclusion in appropriate E911 database? . . . . 40

ISSUE NO. 6: What are the appropriate technical and financial requirements for operator handled traffic flowing between the respective ALECs and BellSouth including busy line verification and emergency interrupt service? . . . . . 40

ISSUE NO. 7: What are the appropriate arrangements for the provision of directory assistance services and data between the respective ALECs and BellSouth? . . . . . 41

ISSUE NO. 8: Under what terms and conditions should BellSouth be required to list the respective ALECs' customers in its yellow and white pages directories and to publish and distribute these directories to the respective ALECs' customers? . . . . . 43

ISSUE NO. 9: What are the appropriate arrangements for the provision of billing and collection services between the respective ALECs and BellSouth, including billing and clearing, credit card, collect, third party, and audiotext calls? . . . . 44

ISSUE NO. 10: What arrangements are necessary to ensure the provision of CLASS/LASS services between the respective ALECs and BellSouth's networks? . . . . . 46

ISSUE NO. 11: What are the appropriate arrangements for physical interconnection between the respective ALECs and BellSouth, including trunking and signalling arrangements? . . . . . 47

ISSUE NO. 12: To the extent not addressed in the number portability docket, Docket No. 950737-TP, what are the appropriate financial and operational arrangements for interexchange calls terminated to a number that has been "ported" to the respective ALECs? . . . . . 50

ISSUE NO. 13: What arrangements, if any, are necessary to address other operational issues? . . . . . 51

ISSUE NO. 14: What arrangements, if any, are appropriate for the assignment of NXX codes to the respective ALECs? . . . . . 53

CONCLUSION . . . . . 55

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Resolution of petition(s) )  
to establish nondiscriminatory )  
rates, terms, and conditions for )  
interconnection involving local )  
exchange companies and alternative )  
local exchange companies pursuant )  
to Section 364.162, Florida )  
Statutes )  
\_\_\_\_\_ )

Docket No. 950985-TP

Filed: January 25, 1996

---

BELLSOUTH TELECOMMUNICATIONS, INC.'S

BRIEF OF THE EVIDENCE

---

Robert G. Beatty  
J. Phillip Carver  
Suite 1910  
150 W. Flagler St.  
Miami, Florida 33130

R. Douglas Lackey  
Nancy B. White  
Suite 4300  
675 W. Peachtree St.  
Atlanta, Georgia 30375

ATTORNEYS FOR BELLSOUTH  
TELECOMMUNICATIONS, INC.

OF COUNSEL:

Roger M. Flynt, Jr.  
Suite 4504  
675 W. Peachtree St., NE  
Atlanta, Georgia 30375

DOCUMENT NUMBER-DATE

00952 JAN 25 88

FPSC-RECORDS/REPORTING 1351

STATEMENT OF THE CASE

Section 364.16(3), Florida Statutes, requires each local exchange telecommunications company to provide interconnection with its facilities to any other provider of local exchange telecommunications services requesting such interconnection. Section 364.162, Florida Statutes, requires alternate local exchange companies and incumbent local exchange companies to negotiate mutually acceptable prices, terms, and conditions for interconnection. If such negotiations are unsuccessful, then the Commission, upon petition, must establish the rates, terms, and conditions of interconnection. Section 364.162(4), Florida Statutes, specifically requires the local interconnection charge to cover the cost of providing interconnection.

This docket was opened on August 31, 1995, when Teleport Communications Group ("TCG") filed a petition asking the Commission to set appropriate interconnection rates. Subsequently, Continental Cablevision, Inc. ("Continental"), Metropolitan Fiber Systems of Florida, Inc. ("MFS") and MCI Metro Access Transmission Services, Inc. ("MCI") filed similar petitions. Numerous parties intervened. The Prehearing Officer issued an Order Establishing Procedure, which set the hearing of this matter on January 9, 1996, the hearing actually commencing on January 10, 1996, and concluding the next day.

In October, 1995, TCG and BellSouth Telecommunications, Inc. ("BellSouth") entered into a Stipulation and Agreement resolving the issues raised in TCG's petition. In December, 1995,



BellSouth entered into a similar Stipulation and Agreement with the Florida Cable Telecommunications Association, Inc. ("FCTA"), Continental, Time Warner AxS of Florida, L.P. ("Time Warner"), Digital Media Partners, and Intermedia Communications of Florida, Inc. ("Intermedia"). TCG also agreed to this Stipulation. The December, 1995 Stipulation and Agreement was approved by the Commission on December 19, 1995.

As a result of the Stipulations, only the witnesses of MFS, MCI, AT&T and BellSouth were presented. During the hearing, direct and rebuttal testimony was presented by BellSouth's witnesses, Robert Scheye, Senior Director of Strategic Management, and Dr. Andy Banerjee, a Senior Consultant with National Economic Research Associates, Inc. Direct and rebuttal testimony was also presented by AT&T Communications of the Southern States ("AT&T"), MFS, and MCI. Intervenors who participated in the hearing, but who did not present testimony, included TCG, Continental, FCTA, Intermedia, McCaw Communications of Florida, Inc., Sprint Communications Company Limited Partnership, Time Warner, Digital Media Partners, and the Staff of the Commission ("Staff"). The hearing produced a transcript of 783 pages and 27 exhibits.

This brief is submitted in accordance with the posthearing procedures of Rule 25-22.056, Florida Administrative Code. The statement of each issue identified in this matter is followed immediately by a summary of BellSouth's position on that issue and a discussion of the basis for that position. Each summary of

BellSouth's position is labeled accordingly and marked by an asterisk. In any instance in which BellSouth's position on several issues are similar or identical, the discussions of these issues have been combined or cross-referenced rather than repeated.

### STATEMENT OF BASIC POSITION

Sections 364.16 and 364.162, Florida Statutes require this Commission to establish the rates, terms, and conditions of access to and interconnection between alternate local exchange companies ("ALECs") and incumbent local exchange companies, if negotiations between these entities fail. While BellSouth was successful in its local interconnection negotiations with three of the five parties who filed petitions in this docket, BellSouth was unable to reach an agreement with MFS and MCI.

Local interconnection was significantly affected by the universal service issues addressed in Docket No. 950696-TP. Specifically, Order No. PSC-95-1592-FOF-TP issued on December 27, 1995 mandated that local exchange companies should continue to fund universal service and carrier of last resort obligations as they currently do, and did not create a fund for this purpose. The Commission, however, noted that the current practice of funding universal service obligations through markups on services offered by the local exchange companies could extend to services such as local interconnection. (Order PSC-95-1592-FOF-TP, pg. 28). Thus, the manner in which the Commission has directed that universal service be supported directly affects the rate structure and level for local interconnection.

The appropriate interconnection arrangement for the exchange of toll and local traffic between ALECs and BellSouth is an arrangement based on the current switched access rate structure and rate levels. The existing switched access interconnection

arrangement incorporates all of the components necessary to accommodate local interconnection arrangements between ALECs and BellSouth. It provides a fair and equitable compensation arrangement for terminating traffic on the networks of the ALECs and BellSouth. The toll access model can support local traffic and, therefore, there is no need to develop a rate structure for local traffic only. Further, adoption of the switched access rate structure and rate levels will result in minimizing the potential for arbitrage since the identical capabilities can be used for both local and toll traffic. This is significant in that most of the industry agrees that local and toll traffic will likely become indistinguishable. Moreover, the switched access model will provide all the functionality required in any given technical interconnection arrangement (i.e., end office or tandem).

MCI, MFS and AT&T proposed a local interconnection arrangement called "bill and keep." Such an arrangement is analogous to barter; each company terminates traffic for the other at no monetary charge. Unfortunately for these parties, this proposal is contrary to Florida law because Section 364.162(4) specifically speaks of a "charge" for local interconnection, not a trade or barter. Further, "bill and keep" must be rejected because it does not recognize the different types of technical interconnection arrangements that may exist; it does not eliminate the need for billing and administrative systems; and it prevents BellSouth from recovering its costs, as

required by statute. The plan suggested by BellSouth should be adopted because it allows BellSouth to recover its costs; allows for more efficient functionality and is a comprehensive transitional structure to which all interconnection plans (local, toll, independent, cellular/wireless) could merge.

ISSUE NO. 1: What are the appropriate rate structures, interconnection rates or other compensation arrangements for the exchange of local and toll traffic between ALECs and BellSouth?

\*POSITION: The local interconnection plan should include a compensation arrangement for terminating traffic on BellSouth and ALEC networks based on the switched access rate structure and rate levels; a default to the toll access model when local calls cannot be distinguished from toll; and eventual merger of toll interconnection arrangements.

A. INTRODUCTION

Section 364.16(3), Florida Statutes, requires each local exchange telecommunications company to provide access to and interconnection with its facilities to alternate local exchange telecommunications companies requesting such access and interconnection. To that end, Section 364.162, Florida Statutes, requires companies to negotiate mutually acceptable rates, terms, and conditions. If the parties are unable to bring the negotiations to a successful conclusion, then the Commission is to establish the rates, terms, and conditions of interconnection. MFS and MCI have accused BellSouth of intransigence in the negotiation process. (Tr. pp. 119-120 and 300). Such an accusation is false.

BellSouth was able to negotiate a mutually acceptable interconnection agreement with the majority of the parties to this case. (Exhibit 15). The Stipulation and Agreement

("Stipulation") resolved all of the issues in this docket as to the signatories. The signatories included Time Warner, Digital Media Partners, TCG, the FCTA, Intermedia, and Continental. The FCTA signed the agreement on behalf of all of its members, which included companies that operate as Alternate Access Vendors, as well as cable television providers. (Tr. pp. 513-514). Contrary to the apparent positions of MCI, MFS and AT&T, this was not a "cable television" agreement. Because the Stipulation covered all the main factors of interconnection, as well as universal service and the price for number portability, the rate therein was less than that contained in the proposal made by BellSouth in its prefiled testimony. As will be discussed herein, MFS, MCI, and AT&T (an intervenor, not a petitioner in this docket), all requested a "compensation" mechanism known as bill and keep. MFS, however, acknowledged that it would prefer a per minute local interconnection charge. AT&T suggested bill and keep was only appropriate for an "initial" period of time. Within this brief, discussion of the specifics of the Stipulation and discussions of BellSouth's prefiled proposal will be delineated as such. BellSouth remains ready, willing and available, as it has been, to negotiate these matters with MFS and MCI, the remaining petitioners in this docket.

B. BELLSOUTH'S PREFILED PROPOSAL

In its prefiled testimony, BellSouth proposed a local interconnection plan that includes the following components:

- \* Compensation arrangements for terminating traffic on BellSouth and ALEC networks;

- \* A default to the toll access model if local calls cannot be distinguished from toll;
- \* Charges for local interconnection based on the switched access rate structure and rate levels (the level and components may vary based on the universal service mechanism adopted); and
- \* A transitional structure that will eventually merge all interconnection plans (local, toll, independent, cellular/wireless) into one common structure. (Tr. p. 451).

The proposal, as noted above, acknowledged that the rate level for local interconnection was subject to change depending on the interim universal service mechanism adopted by the Commission. This was because, in the universal service docket (Docket No. 950696), BellSouth had proposed a universal service preservation charge which would have eliminated the contribution element for universal service support in BellSouth's switched access charges. (Tr. p. 618). The Commission, however, chose not to establish a specific interim universal service mechanism, but rather to continue the current practice of funding universal service and carrier of last resort obligations through markups on services offered by the incumbent local exchange companies. (Order No. PSC-95-1592-FOF-TP). Moreover, the Commission noted that such markups could extend to services such as local interconnection. (Id. at 28). Thus, BellSouth made a valid point that the rate levels for local interconnection would be affected by universal service. (Tr. p. 473).

MCI and MFS, on the other hand, contended that BellSouth's proposal violated revised Chapter 364 by "linking" universal service and local interconnection. (Tr. pp. 54-56 and Exhibit 1,



p. 25). MCI and MFS tried to show that, because language was eliminated from the statute that specifically relied on the local interconnection charge to provide for the total cost of universal service, BellSouth could not even mention universal service in the same breath as local interconnection. (Id.). This is wrong for several reasons. First, the amendment in question eliminated specific language; it did not add new language that would forbid consideration of whether universal service could have an effect on the local interconnection rate. Second, the provision of the bill under discussion specifically spoke of funding all of the cost of universal service through a premium on the local interconnection charge. (Tr. p. 55). BellSouth is not proposing that this be done; rather it is proposing that, like any other service provided by BellSouth, local interconnection be marked up to contribute to universal service. In its proposal, BellSouth is merely stating the obvious fact that the Commission should not view these issues in a vacuum. (Tr. p. 474). The fact remains that the universal service mechanism could have an effect on the local interconnection rate, a fact acknowledged by the Commission itself in its universal service order. Moreover, even Mr. Timothy Devine, the witness for MFS, recognized that these issues are interrelated. (Tr. p. 119).

BellSouth's proposal, therefore, was that the charges for local interconnection be based on the current switched access rate structure and rate levels. This way, consistent with the Commission's acknowledgement in its universal service order, the

local interconnection rate would include a markup to partially fund universal service. This mark up is important because, as stated by Dr. Banerjee, an economist with National Economic Research Associates, Inc., of all the parties to this docket, only BellSouth has the obligation to provide universal and ubiquitous service; the ALECs do not. (Tr. p. 617). Even MFS acknowledged this distinction. (Exhibit 5, pp. 18-19).

Under BellSouth's proposal, the rates for local interconnection would be reciprocal, but could be equal or unequal. (Tr. pp. 516-517). In other words, the charge from BellSouth to an ALEC for terminating traffic could be greater than the charge from the ALEC to BellSouth for termination. (Tr. p. 675). This, of course, is due not only to the contribution that is contained in BellSouth's local interconnection rate and not in the ALEC's rate, but also the fact that the cost of interconnection for each company could differ. (Id.).

The ALECs suggest that BellSouth's network may be inefficient. This is absurd. In this regard, the costs of interconnection arise from the costs of the underlying network. (Tr. p. 708). BellSouth has a substantial network in Florida in order to meet its obligation to provide ubiquitous service. (Tr. p. 708). Dr. Cornell, a witness for MCI, admitted that society benefits from a ubiquitous telephone network and that Florida citizens are entitled to reasonably affordable telephone service. (Tr. p. 768). Mr. Devine acknowledged that BellSouth

has an obligation to provide ubiquitous service to everyone in its territory. (Tr. p. 245).

BellSouth's costs for terminating a call, therefore, are based on the network architecture that has developed over the years in order to provide service to all types of customers throughout its territory. (Tr. p. 246). Both Mr. Devine and Dr. Cornell acknowledged that the costs incurred by BellSouth to terminate a call are not necessarily identical to the cost of an ALEC to terminate the same call. (Tr. pp. 249-250 and 774). As to whether this network is efficient, the simple truth is that it is the network that presently exists and that has served the citizens of Florida well for a great number of years. The ALECs cannot come to Florida with complaints about the network that BellSouth has built while under the supervision of this Commission. The network must be taken as it is found. This does not mean, however, that BellSouth is simply free to build inefficiencies into its network to vex new entrants. To the contrary, the same network that underlies the cost of interconnection is the same network that BellSouth uses to serve its own customers. (Tr. p. 676). LECs must control and minimize these costs in order to avoid losing customers to new entrants. (Tr. pp. 676-678). However, ALECs, who must also try to be efficient in order to obtain customers, are allowed to target the classes of customers they want. For MFS and MCI, this means targeting business customers, the most profitable type of customer. (Tr. p. 708). These companies will not be targeting

residential customers and therefore may not have networks as expansive as an LEC needs to provide ubiquitous service. Thus, it may be no surprise that LEC costs are higher than the costs of ALECs, but that is not a sign of LEC inefficiency.

It is, of course, possible that LECs or ALECs may be inefficient, in spite of the incentives to be otherwise. However, this cannot be a long term condition. Customers of inefficient ALECs whose prices are too high, will have the option of taking their business to another ALEC or returning to the incumbent local exchange company they left. On the other hand, such customers may chose to go to another ALEC. (Tr. pp. 709 and 715). The same holds true for any incumbent local exchange company that is inefficient. Its prices, not only for interconnection but for the other services that depend on the same network, will be higher and its customers will have an incentive to move their business to a more efficient ALEC. (Tr. p. 713). If the incumbent is inefficient and loses all its customers, it will go out of business. That is the nature of competition. (Tr. pp. 713-714). In short, speculation and fears that incumbent local exchange companies will be or will become inefficient and drive up prices if BellSouth's proposal is adopted, is simply without foundation.

In addition, with the use of switched access rate levels, contribution could also be made to shared and common costs. (Tr. pp. 674 and 683). Dr. Cornell argued that if "cash" compensation was chosen as the financial arrangement for local

interconnection, it should be set at the direct economic cost of local interconnection. (Tr. p. 386). Dr. Banerjee explained, however, that if BellSouth were prohibited from including contribution for shared and common costs in the rate level for local interconnection, it would be impossible for BellSouth to cover all of its costs. (Tr. p. 653). As will be discussed more fully herein, such a result would be in direct violation of Section 364.162(4) which requires the Commission to determine that the local interconnection charge is sufficient to cover the cost of furnishing interconnection.

MFS and MCI also assert that a rate level for local interconnection set at switched access rates would cause a price squeeze to the ALECs because of the contribution element. (Tr. pp. 82-83 and 382). Dr. Banerjee effectively refuted that assertion by proposing an imputation test that requires that the incumbent local exchange company's price for the competitive retail service (in this case, local exchange service) must equal the direct cost of providing the retail service plus the contribution earned from the wholesale service (in this case, local interconnection). (Tr. pp. 666-667). Dr. Cornell, on the other hand, argued for an imputation test that would require the incumbent local exchange company to recover from its retail service the price it charges for local interconnection plus all costs of providing the retail service. (Tr. p. 723). Dr. Banerjee clearly demonstrated that these two imputation tests would differ only when the LEC's cost of providing the wholesale

service to itself was different than the cost of providing the service to another company. (Docket 950984, Tr. p. 379).

Interestingly, in the example at the transcript page just cited, BellSouth's imputation standard would have resulted in lower charges to consumers, not higher charges as may have been implied.

It should be noted that, while there was disagreement as to the appropriate rate levels for local interconnection, AT&T and MFS indicated some of the benefits of a usage sensitive rate structure. Mr. Guedel, AT&T's witness, stated that "pricing [local interconnection and switched access] at equal levels would greatly simplify ... processes." (Tr. p. 494). Mr. Guedel's basis for this statement is the fact that the functionality involved in switched access is essentially the same as that involved in local interconnection. (Exhibit 13, p. 35). Moreover, MFS's witness, Mr. Devine, acknowledged that MFS would prefer a per minute of use rate as opposed to any other compensation mechanism, contrary to MFS's prefiled sworn testimony. (Exhibit 6, pp. 67-69). As acknowledged by Mr. Devine, MFS is currently providing local exchange service in New York, Maryland, and Illinois on a per minute of use local interconnection charge. In addition, MFS recently signed an agreement with PacTel for local interconnection on a per minute of use charge. (Tr. pp. 235 and 254-255).

Interestingly enough, both AT&T and MFS, spoke of the Commission's adopting an interim local interconnection charge.

(Tr. pp. 429-431 and Exhibit 6, pp. 67-69). It should be noted that, at no place in the statute is the Commission authorized to order an interim mechanism, nor has this docket been initiated to create an interim local interconnection charge. Therefore, such a suggestion by AT&T and MCI should be rejected.

To further support its proposal, BellSouth also asserted that, in the future competitive environment, carriers will no longer be able to distinguish between local and toll calls. (Tr. p. 451). With the advent of local competition, ALECs will terminate both local and toll traffic on BellSouth's network. (Tr. p. 452). With the impact of number portability and the assignment of NXX codes to ALECs, BellSouth will become unable to differentiate between the types of calls terminating on its network (Tr. p. 452).

Moreover, while the use of a "Percent Local Usage" factor could alleviate concerns about the origin of calls that ALECs send to an LEC's network, the same is not true of calls in the other direction. With location (geographic) number portability, end users will be able to move from one area to another and still retain their same numbers. (Tr. pp. 452-453). Using remote call forwarding, geographic number portability is currently available within an exchange. (Tr. p. 581). In addition, there are limited services, like 500 service, where geographic number portability is possible, as well as NXX codes that can be used in multiple central offices. (Tr. pp. 579-580). Therefore, it will be impossible for BellSouth to know if an end user is calling a

point within the traditional local calling area. If this happens, the concept of Local Calling Areas will become virtually meaningless. (Tr. p. 453).

Specifically, ALECs will be assigned NXX codes that they will be able to deploy in any manner they see fit. (Tr. p. 453). This deployment by the ALECs may be completely different from the way BellSouth utilizes its own NXX codes. (Id.). For example, an ALEC may assign a single NXX code to both toll and local calling areas. (Tr. p. 498). In that situation, BellSouth would not know whether the call was being completed to a local calling area or to a toll calling area. BellSouth would hand the call to the ALEC and the ALEC would use its switch and facilities to deliver the call to the customer with the number dialed. BellSouth would have no knowledge of where the called party was located. Because of this, the ALEC's use of the NXX code would prevent BellSouth from knowing whether to charge the ALEC originating access or to pay the ALEC for terminating a local call. This would be compounded by the fact that if it had been clear that the call in question was a toll call, the call would have been (1) handed off to the calling customer's chosen IXC for originating access or (2) BellSouth would have handled the call and charged the calling party a toll rate. (Tr. p. 499).

While both MFS and MCI stated that they would mirror BellSouth's local calling areas, they qualified that statement considerably by admitting this was only their initial intent. (Tr. pp. 575 and 577). There is no guarantee that these



companies will adhere to BellSouth's local calling areas for any specific period of time. (Tr. p. 575). Moreover, there are approximately 15 other carriers who have become certificated to provide local exchange service in Florida and who have not indicated the manner of their use of NXX codes. (Tr. p. 577).

BellSouth intends to adapt its current switched access system for use with local exchange traffic. Therefore, no new billing systems are required for BellSouth. (Tr. p. 495). ALECs will also need to put similar systems in place to bill and measure their switched access charges for toll calls. (Id.). This is supported by Mr. Devine who, interestingly enough, admitted that MFS simply mirrors the incumbent local exchange company's switched access charges in the other states where MFS is providing service. (Tr. p. 211). Moreover, such billing systems are also required for the jurisdictions that have adopted a usage sensitive structure for local interconnection (e.g., New York and Maryland). (Tr. pp. 495-496). In light of this, measuring and billing will not be a problem for the ALECs.

In summary, BellSouth's proposal provides for compensation flowing between ALECs and LECs, based on the costs and other obligations of each carrier. BellSouth's proposal resolves issues generated by dissimilar calling areas and differing costs, while insuring that all similarly situated carriers are treated fairly. MFS, AT&T and MCI's proposals do none of these things and should be rejected in favor of BellSouth's proposal.

C. BILL AND KEEP

MFS, MCI, and AT&T (at least initially) propose that the Commission adopt "bill and keep" as the appropriate local interconnection arrangement. (Tr. pp. 156, 395-396, and 429). Bill and keep (or mutual traffic exchange) is a mechanism by which each company terminates traffic for the other with no distinct and separate charge for such termination. (Tr. p. 370). While its proponents claim bill and keep is the best mechanism for local interconnection, BellSouth will demonstrate why that is simply not the case. Moreover, the adoption of bill and keep would constitute a violation of Florida law.

Section 364.162, Florida Statutes, is the section of revised Chapter 364 that deals with local interconnection. Throughout this section, the phrase "local interconnection charge" is used. More directly to the point, Section 364.162(4) specifically states:

In setting the local interconnection charge, the commission shall determine that the charge is sufficient to cover the cost of furnishing interconnection.

The statute does not mention bill and keep, mutual exchange, trade or barter as a basis for exchanging traffic. It is clear that the legislature expected a monetary amount, to be arrived at either by negotiation or by the Commission, to be set to pay for the termination of calls between local telecommunications companies. The rules of statutory interpretation will not allow a different interpretation.

In order to determine the meaning of a statute, any tribunal, including an administrative agency, must consider all pertinent legal principles of statutory construction. The most simply applied of these principles is that no interpretation is appropriate when the statute is facially clear and totally lacking in ambiguity. In such an instance, the tribunal considering the statute does not so much interpret it as simply apply it in the manner that is dictated by its clear language. As the Supreme Court (was this the supreme court) stated in Streeter v. Sullivan, 509 So.2d 268, 271 (Fla. 1987):

The first rule of statutory interpretation is that '[w]hen the language of the statute is clear and unambiguous and conveys a clear and definite meaning, there is no occasion for resorting to the rules of statutory interpretation and construction; the statute must be given its plain and obvious meaning'. A.R. Douglass, Inc. v. McRaney, 102 Fla. 1141, 1144, 137 So.2d 157, 159 (Fla. 1931).<sup>1</sup>

Thus, when a statute's meaning is so obvious that there is essentially no room for interpretation, the tribunal considering the statute has nothing more to do than simply apply its plain language to reach an obvious result.

---

<sup>1</sup> The same rule was expressed, albeit in somewhat different language, in Citizens v. Public Service Commission, 425 So.2d 534, 541-42 (Fla. 1982) as follows:

The rule in Florida is that where the language of the statute is so plain and unambiguous as to fix the legislative intent and leave no room for construction, the Court should not depart from the plain language used by the legislature.

While it seems clear that the cited statute is not ambiguous in any way, in a circumstance in which discerning the meaning of a statute requires some degree of interpretation, the rules become more complex. In this instance, there are a number of principles of statutory interpretation that must be applied to reach a proper result. Although there are myriad cases that set forth these principles, the guidelines they prescribe can be summarized in three broad rules: (1) the interpretation must be consistent with the legislative intent, (2) it must be reasonable (i.e., absurd results are to be avoided), and (3) the statute should be interpreted as a whole so that all parts of the statute are consistent with one another.

When a statute is susceptible to more than one interpretation, the reviewing tribunal must first seek to give effect to the intent of the legislature in creating the statute. As stated in Lowry v. Parole and Probation Commission, 473 So.2d 1248, 1249 (Fla. 1985), "[w]here reasonable differences arise as to the meaning or application of a statute, the legislative intent must be the polestar of judicial construction." At the same time, this Court has repeatedly held that the legislative intent must be determined whenever possible by looking to the way in which it is reflected in the language of the statute:

In statutory construction, case law clearly requires that legislative intent be determined primarily from the language of the statute. [citations omitted]. The reason for this rule is that the legislature must be assumed to know the meaning of the words and to have expressed its intent by the use of the words found in that statute.

S.R.G. Corp. v. Dept. of Revenue, 365 So.2d 687, 689 (Fla. 1978). "It is a well-established rule of construction that the intent of the legislature as gleaned from the statute is the law." Dept. of Legal Affairs v. Sanford-Orlando Kennel Club, Inc., 434 So.2d 879, 882 (Fla. 1983) (quoting Small v. Sun Oil Co., 222 So.2d 196, 201 (Fla. 1969)). Accordingly, in determining the legislative intent, "the statutory language is the first consideration." St. Petersburg Bank & Trust Co. v. Hamm, 414 So.2d 1071, 1073 (Fla. 1982).

The second fundamental applicable principle of statutory construction is that the tribunal interpreting the statute is "obligated to avoid constructing [the] particular statute so as to achieve an absurd or unreasonable result." Carawan v. State, 515 So.2d 161, 167 (Fla. 1987). Instead, a statute should be interpreted in a manner that will render it reasonable. This rule is not intended to be an alternative to the rule that the legislative intent should control. Instead, the two rules are entirely consistent and the requirement that a statute be construed so as to be reasonable is, in fact, a corollary to the mandate to give effect to the legislative intent. In other words, it is assumed that an absurd or unreasonable result is contrary to what the legislature intended:

It is, of course, a well settled principle that courts should avoid interpreting statutes in ways which ascribe to the legislature an intent to create an absurd result. [citations omitted] ... Allied Fidelity Insurance Co. v. State, 415 So.2d 109, 110-11 (Fla. 3rd DCA 1982) ('[A]n axiom of statutory construction [is] that an

interpretation of a statute which leads to an unreasonable or ridiculous conclusion or result obviously not designed by the legislature will not be adopted').

Ferre v. State ex rel. Reno, 478 So.2d 1077, 1082 (Fla. 3rd DCA 1985).

The third fundamental applicable tenet of statutory construction is that a statute should be interpreted on the basis of the entire statute, not merely by looking to isolated portions of the statute. As this Court stated in Forsythe v. Longboat Key Beach Erosion Control District, 604 So.2d 452, 455 (Fla. 1992), "[i]t is axiomatic that all parts of a statute must be read together in order to achieve a consistent whole." Further, "every statute must be read as a whole with meaning ascribed to every portion and due regard given to the semantic and contextual interrelationship between its parts." Forsythe, at 455 (quoting Fleischman v. Dept. of Professional Regulation, 441 So.2d 1121, 1123 (Fla. 3rd DCA 1983), review denied, 451 So.2d 847 (Fla. 1984)).

Applying the above described principles to the instant case requires the conclusion that the Commission must interpret Section 364.162, Florida Statutes, as requiring a separate and distinct charge for local interconnection. Bill and keep is not such a charge. Such a statutory construction is not only within the range of permissible interpretations, it is the only interpretation that is consistent with the above-described rules of statutory construction.

The clear language of the statute which requires a "charge" is not the only part of this section that mandates the rejection of "bill and keep." Not only must there be a charge, it must "cover" the costs of interconnection. The most fundamental problem with the bill and keep arrangement, aside from that discussed above, is that it contains no recovery for the costs associated with the termination of local calls. (Tr. p. 488). For example, if it costs BellSouth five cents a minute to terminate a local call and it costs an ALEC three cents a minute to terminate a local call, the bill and keep arrangement will not allow either party to recover its costs. At best, in the situation illustrated, if the traffic were perfectly balanced, the carrier with the lower cost might be able to conclude that it somehow is okay because the payments it avoided making to the other carrier exceeded its own costs. However, using the numbers given above, BellSouth would be unable to recover the net difference of two cents per minute under any theory. If the traffic is unbalanced, the situation could be worse or better, depending on the direction of the imbalance. (Tr. p. 488). The point remains, however, that unless both parties' costs are identical and unless the traffic is perfectly balanced, this interconnection arrangement does not provide, even in theory, a mechanism for BellSouth, as well as other parties, to recover the costs incurred. (Tr. pp. 488-489).

MFS and MCI, as discussed herein, have acknowledged that the costs of interconnection for BellSouth and the costs of

interconnection for ALEC will not necessarily be identical. (Tr. pp. 249-250 and 774). With regard to the traffic balance, AT&T's witness admitted that he had no evidence concerning whether traffic would be in balance. (Exhibit 3, p. 42). Dr. Cornell "estimated" that traffic would be in balance "within a year or two," but presented no empirical evidence. (Exhibit 12, p. 10). Mr. Devine presented the only evidence concerning traffic balances. (Exhibit 7). However, even that document only demonstrated that the usage ratios in the Borough of Manhattan, after two years, were out of balance, with the balance in that instance favoring the ALEC. (Exhibit 6, p. 26). Even if there was any intuitive merit to the ideal that traffic between LECs and ALECs will be balanced, the empirical data did not demonstrate this.

Essentially, what MFS, MCI, and AT&T are proposing with bill and keep, is that BellSouth should allow ALECs to use BellSouth's network free of charge. (Tr. p. 506). All BellSouth is seeking is payment for the use of BellSouth's facilities, just as BellSouth is willing to pay the ALECs for the use of the ALECs' facilities. (Id). BellSouth owns a ubiquitous network that is valuable. Indeed, its value has been recognized by ALECs, such as MFS and Continental Cablevision. AT&T has acknowledged that the LECs have spent hundreds of millions of dollars in constructing their networks. The bill and keep proposal prevents BellSouth from being compensated for access to and the use of its valuable, ubiquitous network. (Tr. p. 490). To preclude



BellSouth from receiving compensation for the ALECs' use of BellSouth's network is clearly unfair, inappropriate and illegal under Section 364.162(4), Florida Statutes.

MFS and MCI argue that bill and keep can not be equated to terminating local calls "for free" because Bellsouth will recover its costs by charging its own customers to send and receive local calls. (Tr. p. 250). Mr. Devine also asserts that the introduction of local competition will increase the use of the local exchange network. (Id.). BellSouth, however, will be unable to raise its basic local exchange residential rates to cover the cost of local interconnection and the increased cost associated with the increased usage on the local exchange network. (Tr. pp. 250-251 and Section 364.051(2)(a), Florida Statutes). The problem will only be exacerbated as BellSouth provides additional functionalities as part of the interconnection arrangement because BellSouth's costs will increase even more. (Tr. p. 489). There must be a financial component in any local interconnection plan. The fact that bill and keep, by definition, lacks this financial component and would not permit cost recovery, constitutes a fatal legal flaw in that proposed interconnection arrangement. (Tr. p. 489).

Apart from the legal issue, MFS and MCI claim that bill and keep possesses several benefits, but this is simply not accurate in this context. First, these parties argue that bill and keep is used as the local interconnection arrangement between traditional independent local exchange companies and Bellsouth

and, therefore, is appropriate between BellSouth and ALECs. (Tr. pp. 79 and 371). It should be noted that, except for some extended calling service arrangements, BellSouth and other local exchange companies in Florida compensate each other with terminating access charges. (Tr. p. 456). While LECs do use "bill and keep" in Extended Area Services arrangements that have evolved over time, these are historical arrangements put into place during a period when rate of return regulation was prevalent. Under this form of regulation, if BellSouth's or the independent's costs for terminating a call for one another were not explicitly recovered, the ratepayers of each company would reimburse their company for these costs. (Tr. p. 496). The parties also ignore the fact that, historically, independent companies served contiguous geographic territories different from BellSouth and, therefore, did not compete for the same customers as BellSouth. Moreover, interconnection arrangements were typically end office to end office. (Tr. p. 455). This will not be the case in the future. BellSouth and the ALECs will be competing for the same set of customers and will be operating in the same geographical territory. (Tr. p. 639).

In addition, for BellSouth, the regulatory framework has changed to one of price regulation. In the future, this Commission will simply not be able to direct that BellSouth's subscribers reimburse BellSouth for these costs. BellSouth will have to recover these costs from the entity that caused them. This means that historical independent local exchange company

arrangements must also evolve to a different structure. (Tr. p. 496). This was acknowledged by Mr. Scheye, upon questioning by Chairman Clark, when he stated that if a traditional independent local exchange company requests local interconnection with BellSouth, the independent company would be treated as any other ALEC. (Tr. pp. 584-585).

Bill and keep is also claimed to be more efficient and neutral with respect to the technology and architecture chosen by BellSouth and the ALECs. (Tr. pp. 396-397). This claim is simply without merit. Bill and keep does not recognize the different types of technical interconnection arrangements that may exist. Under a bill and keep arrangement, ALECs will not be encouraged to provide efficient functionality internal to their own networks. Rather, ALECs will be encouraged to use the efficiencies inherent to BellSouth's network, functionalities for which BellSouth would not be compensated. For example, under a bill and keep arrangement, ALECs may decide to interconnect their end offices with BellSouth's tandems, rather than develop their own network, because there will be no financial incentive to make this investment. (Tr. p. 454).

By contrast, under BellSouth's proposed rate structure, BellSouth will be encouraged to provide functionality to ALECs because BellSouth will be compensated for such provision. (Tr. p. 455). Under BellSouth's proposal, ALECs may conclude that it is less costly and therefore more efficient to interconnect with BellSouth at a tandem. If an ALEC chooses to interconnect at

BellSouth's tandem office, BellSouth would assess the ALEC a switching charge and the ALEC would avoid the construction costs of building a network to every end office for interconnection. (Tr. pp. 492-493). Alternatively, if an ALEC chooses to connect at the end office, then it avoids the proposed BellSouth tandem switching charges, but incurs the additional construction costs involved with direct end office interconnection. It is clear that either of these options would be equitable and fair for both the ALEC and BellSouth. What the ALECs want, and what bill and keep would provide, is a situation where the ALECs avoid paying the tandem switching charge and, at the same time, avoid incurring the construction costs of building to end offices. With bill and keep, the ALECs would simply connect at the tandem, avoid the switching costs, and have access to every end office subtending the tandem. This demonstrates the clear inequities inherent in the bill and keep arrangement. (Tr. p. 493).

The parties also claim that bill and keep eliminates the need for billing and administrative systems. (Tr. p. 76). Again, this claim is without merit. There will still be a need to hand off toll and 800 traffic to IXC's, to LEC's and to ALEC's, which will require the billing of switched access rates. Because ALEC's will bill switched access to many different carriers, BellSouth's proposal of applying switched access elements for local interconnections places no additional billing requirements on the ALEC's. (Tr. p. 455). As noted earlier, in light of rulings and negotiated agreements for usage based local

interconnection rates, measurement and billing systems must be in place, in any event.

The parties also tout the fact that bill and keep is reciprocal. (Tr. p. 396). This conveniently ignores the fact that BellSouth's proposal is also reciprocal. BellSouth's plan ensures that each company that incurs costs will be allowed to recover those costs, notwithstanding the fact that the costs of any respective company may be different. (Tr. p. 507). MFS uses an analysis put forth by TCG (who subsequently signed the Stipulation) that purported to show that an ALEC would be unable to offer a flat-rate service if it was charged usage sensitive interconnection rates. (Exhibit 8). The exhibit, however, glaringly omitted the revenue sources available from vertical and toll services. This makes the exhibit meaningless. (Tr. p. 458). In addition, the exhibit was limited to residential services. As discussed earlier, MFS and MCI are targeting business customers, not residential customers. In fact, in order for a residential customer in Florida to obtain service from MFS, the customer will be required to specifically contact MFS and beg for it. (Tr. p. 243). Further, the compensation paid to ALECs by BellSouth to terminate traffic on an ALEC's network will offset, to a certain extent, the compensation paid to BellSouth by an ALEC. This revenue source is also omitted from the exhibit. (Tr. p. 459).

Finally, the advocates of bill and keep ignore the fact that not only is bill and keep different from BellSouth's proposal, it

is different than the terms of the agreement reached with a number of carriers already. Adopting two entirely different compensation schemes for the same type of interconnection would create a logistical nightmare. If the Commission is disposed to move away from both alternatives offered by the parties, the movement should only be in the direction of the terms and conditions of the existing agreements.

During the course of the hearing, MCI's counsel read four statements to Mr. Scheye from a document entitled "BellSouth Europe, Comments of BellSouth Europe to the European Commission's Green Paper on the Liberalization of Telecommunications Infrastructure and Cable Television Networks," dated March 15, 1995. (Exhibit 21). The purpose of this exercise, of course, was to attempt to show that BellSouth Europe, a company that is not BellSouth Telecommunications, had made statements somehow contrary to BellSouth's position in this docket.

It should first be noted that the telecommunications market and structure in Europe has not been shown to be identical or even in any way similar to Florida. Second, counsel for MCI read these statements out of the context in which they were written, thereby distorting and twisting their meaning. Third, while MCI wants to pick and choose phrases from the document, it neglects to mention that BellSouth Europe is recommending therein a per minute of use local interconnection rate of 2 to 3 cents, consistent with BellSouth's proposal and Stipulation, not MCI's bill and keep mechanism. (Exhibit 21, p. 13).

Clearly, the reasons why MFS, MCI and A&T favor "bill and keep", all point to the desire of these companies to use BellSouth's, and presumably other LECs' networks, for free. A "free ride" is most certainly not what the legislature intended when it authorized local competition. These parties' contentions regarding the proper rate structure and rates for interconnection must be disregarded.

D. THE RESIDUAL INTERCONNECTION CHARGE

AT&T, who to date has not applied for certification as an ALEC in Florida (but has in Georgia for some reason), also favored bill and keep, for reasons similar to MFS and MCI. However, AT&T had its own financial issue to advocate, which would, if adopted, advantage AT&T as an interexchange carrier or as an ALEC, should it ever chose to apply in Florida to become one. Mr. Guedel, AT&T's witness, took the position that no Residual Interconnection Charge ("RIC") should be collected by BellSouth when BellSouth acts as an intermediary for a call between an interexchange carrier ("IXC") and a customer who is served by an ALEC. (Tr. p. 435). In order to clearly examine this issue, it is necessary to describe the situation involved. When BellSouth receives a call from an IXC at BellSouth's tandem office, and BellSouth terminates the call through one of it's end offices to the subscriber, it charges the IXC a transport rate, an access tandem switching rate, a local or end office switching rate, the Carrier Common Line Charge ("CCLC") and the RIC. (Tr.

p. 205). In a situation where a call from an IXC is received at a BellSouth tandem office and then terminated through an ALEC end office (subtending the tandem), BellSouth and the ALEC would split the transport and charge the IXC accordingly, BellSouth would charge the IXC the tandem switching, and the ALEC would charge the IXC the local switching and the CCLC. (Tr. pp. 207-208). The only element of switched access charges in dispute is the issue of who collects and charges the RIC in such a situation. (Tr. p. 208). AT&T's position is that, in either situation discussed above, the RIC should not be billed to the IXC. (Tr. p. 435 and Exhibit 13, p. 16). MFS has taken the position that, in the second situation discussed above, the ALEC should be able to charge the RIC. (Tr. p. 202).

AT&T and MFS agreed on several facts surrounding the establishment of the RIC. The RIC arose out of the local transport restructure proceeding at the Federal Communications Commission ("FCC"). (Tr. p. 208 and Exhibit 13, p. 7). In the FCC arena, the RIC was established to recover the revenue requirement difference between what the prerestructure transport charge generated and that generated under the restructure. (Tr. p. 210 and Exhibit 13, p. 8). There was also a local transport restructure proceeding in Florida, during which a RIC was established. (Tr. pp. 208-209 and Exhibit 13, p. 10). In Florida, the RIC was developed based on the contribution that local exchange companies received from local transport prior to



the restructure of the transport function. (Exhibit 13, pp. 14-15).

ALECs have not established a revenue requirement associated with the RIC in Florida. (Tr. pp. 212-213). BellSouth, on the other hand, has established a revenue requirement for the RIC in Commission proceedings in Florida. (Tr. p. 213). Allowing the ALEC to collect a RIC charge, therefore, would simply create a windfall for the ALEC, whether it was MFS or AT&T. AT&T's position, as noted earlier, is that the RIC is an element that should not be charged to AT&T by any local exchange company, including the ALECs. (Exhibit 13, p. 16). In this circumstance, AT&T, as an interexchange carrier, obtains a windfall; it avoids paying a RIC for calls that terminate through an ALEC end office. AT&T forgets, however, the fact that the RIC in Florida was developed as a contribution mechanism. The RIC was based on an estimated number of LEC transport minutes. (Exhibit 13, pp. 17-18). At least part of the purpose of this was to discourage bypass of the LEC networks, since the LEC with the end office would still collect the RIC even where the tandem and transport were bypassed. (Exhibit 13, pp. 13-14). Allowing MFS and AT&T to prevail in this argument will simply prevent BellSouth and, indeed, all LECs' who have established a RIC, from collecting the money the RIC was expressly created to provide these companies, while providing a windfall to either the ALECs or the interexchange carriers. This unjust result should not be allowed.

Concluding on this issue, BellSouth's proposal, which allows all participants to recover their costs of terminating or otherwise handling calls for other carriers is fair, sensible and will insure that BellSouth and other LECs remain able to meet their obligations to the citizens of the State of Florida. Adopting the proposals of the other parties will serve to enrich them, at the expense of the incumbent local exchange companies and, most likely, at the expense of the residential ratepayers in this State. BellSouth's proposal should be accepted in its entirety and that of the other parties should be rejected.

**ISSUE NO. 2:** If the Commission set rates, terms, and conditions for interconnection between the respective ALECs and BellSouth, should BellSouth tariff the interconnection rate(s) or other arrangements?

**\*POSITION:** Yes. BellSouth intends to file its rate for local exchange interconnection in a tariff or in contracts filed with the Commission.

**ISSUE NO. 3:** What are the appropriate technical and financial arrangements which should govern interconnection between the respective ALECs and BellSouth for the delivery of calls originated and/or terminated from carriers not directly connected to the respective ALEC's network?

**\*POSITION:** If necessary, and if the technical and financial issues can be resolved, BellSouth will provide an intermediary

function to allow calls from an ALEC customer to transmit through BellSouth's network to another ALEC's network.

This issue describes a situation where two ALECs are both interconnected with BellSouth, but not with each other. The intermediary function involved would be the transport of a local call by BellSouth between the two ALECs. (Tr. p. 554). BellSouth's prefiled proposal was that if ALECs felt such a function was necessary and the technical and financial issues could be resolved, then BellSouth could provide such a function. (Tr. p. 555). Under the Stipulation, BellSouth agreed to provide this function for the price of the tandem switching and transport rate elements, plus two-tenths of a cent. (Tr. p. 557). This price covers BellSouth's cost of providing the function. (Id.). During cross-examination, it was suggested that MCI, at least might be willing to pay the stipulated charge for this function. (Tr. p. 558). With regard to the companies which signed the Stipulation, it was determined that no technical impediments existed. (Tr. pp. 555-556). The parties appear to agree that the two-tenths of a cent charge is reasonable, but there appears to be a disagreement as to whether the ALECs should pay this charge and to charge for switching and transporting the call. Interestingly, one of the alledged benefits of bill and keep is that measuring and billing calls are unnecessary. The ALECs' willingness to pay a usage based price for this intermediary function appears inconsistent with their position on bill and

keep, since this intermediary function clearly involves measuring all usage and billing of this type of call.

**ISSUE NO. 4: What are the appropriate technical and financial arrangements for the exchange of intraLATA 800 traffic which originates from the respective ALECs' customer and terminates to an 800 number served by or through BellSouth?**

**\*POSITION: Procedures are needed for the exchange of data in both directions for billing purposes between the ALECs and BellSouth.**

BellSouth provides minimal intraLATA 800 services. ALECs may opt not to provide a comparable service, further reducing the potential volume of traffic. Procedures must be established for the exchange of data in both directions for billing purposes between the two parties involved. (Tr. p. 462). Under the Stipulation, BellSouth agreed to compensate ALECs for the origination of intraLATA 800 traffic terminated to BellSouth pursuant to the ALECs' originating switched access charges. The arrangement is reciprocal. (Exhibit 15, Stipulation and Agreement, Attachment D, p. 3). Nothing in the testimony of MCI or AT&T indicated that there was disagreement on this issue. MFS's only dispute on this issue appears to be the Stipulation's requirement that BellSouth and the ALECs will mutually provide the appropriate records for a fee of \$0.015 per record. (Tr. p. 112). MFS alleges that the records should be exchanged without a

fee. (Tr. p. 113). This certainly does not appear to be an obstacle in an agreement by the parties on this issue.

**ISSUE NO. 5a: What are the appropriate technical arrangements for the interconnection of the respective ALECs' network to BellSouth's 911 provisioning network such that the respective ALECs' customers are ensured the same level of 911 service as they would receive as a customer of BellSouth?**

**\*POSITION: Each ALEC should provide its own or lease facilities to connect the trunk side of the ALEC's end office to the BellSouth 911 tandem serving the calling customer's Public Safety Answering Point ("PSAP"). The trunks must carry Automatic Number Identification and conform with the industry interface standard.**

BellSouth, as do the other parties, feels that public safety is a paramount concern in the provision of telephone service. As noted above, the best way to accomplish this is to have each ALEC provide its own facilities or lease facilities from BellSouth that will connect the trunk side of the ALEC's end office to the BellSouth 911 tandem serving the calling customer's PSAP. (Tr. p. 462). The trunks must be capable of carrying Automatic Number Identification (ANI) to the 911 tandem. The trunk facility must conform with ANSI T1.405-1989 (Interface Between Carriers and Customer Installations - Analog Voice Grade Switched Access). The trunk interface between the ALEC end office and the BellSouth tandem may be either a 2-wire analog interface or a digital DS1

interface. A minimum of two trunks are required. Additional trunks may be required depending on the volume of traffic. (Tr. p. 463).

The Stipulation went into this issue in greater detail. (Exhibit 15, Stipulation, Attachment D, p. 1). Both MCI and AT&T indicated that the Stipulation resolved this issue on their part. (Tr. pp. 341 and 440). Even MFS, on a conceptual basis, agrees with the points set out in the Stipulation; its problem appears to be that more detail is needed. (Tr. pp. 174-175). Upon questioning from Chairman Clark, Mr. Devine admitted that BellSouth had not refused to handle 911 in an acceptable manner. (Tr. p. 179). Moreover, although Mr. Devine considered the PacTel agreement to contain a treasure trove of detail on 911 service, when examined, one finds only rhinestones, certainly not the wealth promised. (Exhibit 3, p. 28). There is nothing contained in the PacTel Agreement that is not contained in the Stipulation regarding 911 service other than tariff references to what is apparently a California tariff and prices for certain aspects of the service.

No party to this docket wants 911 service to fail; it is too important to the public welfare. Therefore, it would certainly appear that the parties could reach an agreement on this issue.

**ISSUE NO. 5b: What procedures should be in place for the timely exchange and updating of the respective ALECs' customer information for inclusion in appropriate E911 database?**

**\*POSITION:** Procedures are needed to handle the transmission, receipt, and daily updates of the customer telephone number and the name and address associated with that number. The Master Street Address Guide, Telephone Number, and Network Information databases are required to provide data for display at the PSAP.

For the reasons discussed in Response to Issue 5(a), BellSouth believes the parties are essentially in agreement on this issue. The Stipulation specifically provides that BellSouth and the ALECs will work cooperatively to provide daily updates, to ensure the proper working of the system, and to provide accurate customer data. (Exhibit 15, Stipulation, Attachment D, p. 2).

**ISSUE NO. 6:** What are the appropriate technical and financial requirements for operator handled traffic flowing between the respective ALECs and BellSouth including busy line verification and emergency interrupt service?

**\*POSITION:** These services are currently tariffed in BellSouth's Access Service Tariff. A dedicated trunk group is required from the ALEC's end office to the BellSouth Operator Service System.

In order to provide such traffic, on a technical basis, a dedicated trunk group, either one way or two way, is required from the ALEC's end office to the BellSouth Operator Services System. The trunk group can be the same as that used for Inward

Operator Services (busy line verification and emergency interrupt services) and Operator Transfer Service. Busy line verification and emergency interrupt services are currently tariffed in the Access Service Tariff. (Tr. p. 464). On this issue, MCI, AT&T and even MFS appear to be in agreement that there is no real dispute. (Tr. pp. 94, 349, and 440).

**ISSUE NO. 7: What are the appropriate arrangements for the provision of directory assistance services and data between the respective ALECs and BellSouth?**

**\*POSITION: BellSouth will list ALEC's customers in BellSouth's directory assistance database provided the information is supplied by the ALEC to BellSouth in the appropriate format. If the data is not submitted in the proper format, the ALEC should pay the cost of any translation.**

If an ALEC desires to list its customers in BellSouth's directory assistance database, BellSouth will provide this service as long as the ALEC provides BellSouth with necessary information in the format specified by BellSouth to populate the database. To the extent that additional costs are incurred by BellSouth, the ALEC should be required to pay BellSouth these costs. (Tr. pp. 464-465). Mr. Price, MCI's witness, acknowledged that if information is given to BellSouth in a format unlike that used by BellSouth, then some form of translation would have to be performed. Such translation would



have a cost associated with it, a cost that could be avoided if the information was given to BellSouth in BellSouth's format. (Tr. p. 348). AT&T did not mention this issue.

MFS requested that BellSouth be required to provide branded and unbranded directory assistance. (Tr. p. 95). BellSouth currently provides directory assistance service via the access tariff. Branding is not available with this offering at this time. The company is examining the possibility of providing branding on directory assistance access calls, but such examination is incomplete at this time. (Tr. p. 465).

MFS also requested that ALECs be allowed to license BellSouth's directory assistance database for use in providing competitive directory assistance services. (Tr. p. 95). BellSouth currently licenses the use of data contained in its directory assistance database via DADS (Directory Assistance Database Service), tariffed in the BellSouth General Subscriber Services Tariff. (Tr. p. 465). ALECs may use DADS data to provide their own directory assistance type service. (Tr. pp. 465-466). Thus, it appears that what the parties want is essentially available, although perhaps not at the price everyone wants.

**ISSUE NO. 8: Under what terms and conditions should BellSouth be required to list the respective ALECs' customers in its yellow and white pages directories and to publish and distribute these directories to the respective ALECs' customers?**

**\*POSITION:** BellSouth will arrange to list ALEC customers in the appropriate BellSouth directory and will arrange for distribution of such directories to ALEC customers. Primary listings will be provided free, so long as the data is received in the proper format.

BellSouth will arrange to list ALEC business customers in BellSouth's yellow and white page directories, as well as ALEC residence customers in BellSouth's white page directories. It is also BellSouth's intent to arrange distribution of yellow and white page directories to ALEC customers. White page listings for individual customers will be offered at no charge. Additional listing options (e.g., design listings) and the provision of directories outside a customer's service area will be provided to ALEC customers under the same terms, conditions and rates offered to BellSouth customers. (Tr. p. 466). This position was reiterated in the Stipulation. (Exhibit 15, Stipulation, Attachment D, pp. 2-3). Both MCI and AT&T acknowledged that the Stipulation resolved this issue to their satisfaction. (Tr. pp. 349 and 440).

While MFS finds the Stipulation acceptable on this issue, it wishes to be paid a royalty. (Tr. pp. 109-110). The bottom line on this point appears to be that, although it is a "huge" value to MFS for its customers to be listed in the telephone directory, BellSouth should pay MFS for the value to MFS. (Exhibit 5, pp. 80-82). Of course, MFS does not intend to compensate BellSouth

for this value. (Id.). Aside from this point, the parties appear to be essentially in agreement on this issue.

**ISSUE NO. 9:** What are the appropriate arrangements for the provision of billing and collection services between the respective ALECs and BellSouth, including billing and clearing, credit card, collect, third party, and audiotext calls?

**\*POSITION:** BellSouth will provide billing and collection services to ALECs either via tariff or contract.

All ALECs entering the market in the BellSouth region have two options for handling their non-sent paid traffic. First, an ALEC may elect to have another Regional Bell Company (RBOC) serve as its Centralized Message Distribution System (CMDS) host. CMDS will provide the ALEC with the ability to bill for its services when the messages are recorded by a local exchange company. This would include credit card, collect and third-party calls. Under this option, all messages that are originated by the ALEC but billable by another company, or that are originated by another company and billable by the ALEC, will be sent through that RBOC host for distribution. BellSouth would not be involved in this scenario. (Tr. p. 467). If a call originates in BellSouth territory that is billable by the ALEC, BellSouth would send that message to Kansas City (where the CMDS system resides). CMDS would forward the message to the host RBOC who would then distribute it to the ALEC. (Tr. pp. 467-468). The reverse would

be true for any ALEC originated message that is billable to a BellSouth customer. If the ALEC elects to purchase operator and/or 800 database service from BellSouth, and BellSouth is therefore recording messages on the ALEC's behalf, BellSouth will send those messages directly to the ALEC for rating. The ALEC would then distribute the messages to the appropriate billing company via their RBOC host. (Tr. p. 468).

The second option is that the ALEC may elect to have BellSouth serve as their CMDS host. The only requirement for this option is that the ALEC have Regional Accounting Office status (RAO-status), which means that it has been assigned its own RAO code from Bellcore. When BellSouth provide the CMDS host function, BellSouth will send CMDS all messages that are originated by an ALEC customer that are billable outside the BellSouth region. BellSouth will also forward all messages that originate outside the BellSouth region from CMDS to the ALEC for billing where applicable. This service will be provided via contract between the two companies. (Tr. p. 468).

As for audiotext calls, N11 service is the only service currently offered by BellSouth in its General Subscriber Service Tariff specifically tailored for audiotext customers. 976 service is grandfathered. For an ALEC to be able to provide N11 service to an audiotext customer, they would have to translate the audiotext provider's seven or ten digit local telephone number to the appropriate N11 service three-digit code at their end office. Since the recording for that call would be done at

the ALEC's end office, BellSouth would not be involved. The ALEC would then have to make its own arrangement with the audiotext provider for billing and collection of N11 calls to their customers. It should be noted that BellSouth does not jointly provide N11 service anywhere in its service region. (Tr. p. 469).

AT&T did not mention this issue in Mr. Guedel's testimony. While MCI's witness, Mr. Price, discussed this issue in his prefiled testimony, nothing therein suggests that there is a dispute between BellSouth and MCI on this issue. (Tr. p. 313). MFS's witness, Mr. Devine, indicated in his prefiled testimony that MFS desired to provide 976 service. (Tr. p. 91). Because BellSouth is involved with such service only on a grandfathered basis, as noted above, MFS would have to make its own arrangements.

**ISSUE NO. 10: What arrangements are necessary to ensure the provision of CLASS/LASS services between the respective ALECs and BellSouth's networks?**

**\*POSITION: Full Signaling System 7 ("SS7") connectivity is required between end offices to ensure the provision of CLASS/LASS services between BellSouth and an ALEC. BellSouth plans to unbundle same in its Switched Access Service tariff.**

Full Signaling System connectivity is required between end offices to ensure the provision of CLASS/LASS services between

BellSouth and an ALEC. BellSouth plans to unbundle SS7 signaling in its Switched Access Service tariff and ALECs will be able to purchase this connectivity as an unbundled service. (Tr. p. 470). The Stipulation provides that BellSouth and the ALECs will provide Common Channel Signaling ("CCS") to enable full interoperability of CLASS features and functions. (Exhibit 15, Stipulation, Attachment D, p. 5).

Once again, AT&T did not mention this issue in its prefiled testimony, however, on cross-examination, Mr. Guedel stated that AT&T was essentially in agreement with BellSouth on this issue. (Tr. p. 440). MCI, as well, appeared to be in agreement with BellSouth on this issue. (Tr. p. 339). MFS, in its discussion of the technical requirements for CLASS interoperability, also appears to be in agreement. (Tr. pp. 70-71 and 114-115).

**ISSUE NO. 11: What are the appropriate arrangements for physical interconnection between the respective ALECs and BellSouth, including trunking and signalling arrangements?**

**\*POSITION: Local interconnection, which includes trunking and signaling, should be provided at the access tandem and end office level. This is the only currently feasible arrangement and is the arrangement that currently exists with the interexchange carriers.**

It is BellSouth's position that local interconnection, which includes trunking and signaling, should be provided at the access

tandem and end office level. This is the only technically feasible arrangement and is the arrangement that currently exists with the interexchange carriers. (Tr. p. 470). A very similar issue was raised at the time of divestiture to ensure that all interexchange carriers could connect in the most efficient manner with the RBOCs. It was determined that the size and configuration of the LATAs could be a major factor. Generally, however, the RBOC deployment of access tandems was considered to provide the minimal number of points of connection. (Tr. p. 477). Under the Stipulation, the parties thereto agreed that the physical interconnection arrangements should be resolved no later than January 31, 1996. (Exhibit 15, Stipulation, p. 6).

As before, AT&T had no comment on this issue in its prefiled testimony. MCI agreed that the Stipulation, which provided for Common Channel System 7 Signaling, was acceptable. (Tr. p. 339). With regard to trunking, MCI stated that it wanted the option of using either one-way or two-way trunks to interconnect with BellSouth. (Tr. pp. 339-340). MCI acknowledged, however, that BellSouth had never told MCI that BellSouth would not provide that option. (Tr. p. 340). Therefore, there appears to be no issue in dispute with MFS on the trunking and signaling piece of this issue.

MCI and MFS, however, also want the added option of interconnecting on a meet-point basis because that is how BellSouth currently connects with traditional independent local exchange companies. (Tr. pp. 144-145). As explained by Mr.

Scheye, however, there is currently a geographic split between BellSouth and the traditional independent local exchange companies; there is no competition between them. (Tr. p. 583). Currently, BellSouth simply interconnects with these companies at the boundary line of the respective company's territory. (Tr. p. 586). Typically, a trunk or other facility is run between the two companies involved and the only traffic on that trunk consists of local calls between the territory of the two parties on the trunk. (Tr. p. 588). MFS's request for one meet-point per LATA, on the other hand, encompasses more than two companies, local as well as toll traffic, and a lot more territory than is encompassed in any current BellSouth to independent local exchange company meet-point. (Tr. p. 588). In addition, a mid-span meet opens up new problems, such as who maintains the trunk and who tests it. (Tr. p. 560). While it is an option that may be possible in the future, BellSouth has no procedures in place for such an option today. (Tr. p. 561). The request of MCI and MFS should be rejected.

MFS also proposes that BellSouth be required to permit an ALEC to directly interconnect to any other entity that maintains a collocation facility at the same BellSouth tandem office at which the ALEC maintains a collocation facility. (Tr. pp. 88-89 and 147-148). This too should be rejected. BellSouth currently provides collocation to any provider wishing to interconnect with BellSouth. BellSouth should not be required to permit ALECs to directly interconnect to other entities which maintain a



collocation facility at the same BellSouth wire center at which an ALEC maintains a collocation facility for two reasons. (Tr. p. 475). First, collocation was not intended to require LECs to interconnect service providers with anyone but the LEC. (Id.). ALECs wishing to directly interconnect with each other should negotiate alternative interconnection arrangements between each other. (Tr. pp. 475-476). Second, the situation envisioned by MFS would appear to be one in which BellSouth would provide space to two unrelated entities. Under the Florida collocation tariff filed by BellSouth on November 20, 1995 in Docket No. 921074-TP, this arrangement would not be permitted. It is BellSouth's position, therefore, that this issue is beyond the scope of this proceeding. (Tr. p. 476).

**ISSUE NO. 12:** To the extent not addressed in the number portability docket, Docket No. 950737-TP, what are the appropriate financial and operational arrangements for interexchange calls terminated to a number that has been "ported" to the respective ALECs?

**\*POSITION:** BellSouth should bill its switched access rate elements to the interexchange carrier and would anticipate that ALECs would do likewise. The IXC would receive two bills for the call, one from BellSouth and one from the ALEC, but the total charges would only constitute one access charge.

This situation is identical to one in which an interexchange carrier is connected through the BellSouth access tandem and then is connected to an ALEC end office. Under these circumstances, BellSouth would bill its switched access rate elements to the interexchange carrier and would anticipate that ALECs would do likewise. This same arrangement would be applicable to a call that has been "ported", therefore, no special technical provisions are required. (Tr. p. 471). Contrary to allegations by MCI and MFS, BellSouth has never suggested that BellSouth retain all of the switched access revenues. (Tr. pp. 143, 304-305, and 574). Indeed, the Stipulation specifically provides for the arrangement discussed herein. (Exhibit 15, Stipulation, pp. 14-15).

**ISSUE NO. 13: What arrangements, if any, are necessary to address other operational issues?**

**\*POSITION: To the extent that issues arise between the parties that cannot be resolved through a negotiation process, the Commission's existing complaint procedures are the appropriate means for resolution.**

Operational issues, such as handling of repair calls, white page directory information pages and order processing provisions, are most appropriately resolved through the negotiation process. It is BellSouth's intention to address them in this manner. Should issues arise between the parties that cannot be resolved,

the existing Commission complaint procedures are the appropriate means for resolution. (Tr. p. 471). The Stipulation specifically provides that operational issues should be resolved by January 31, 1996. Thereafter, if not resolved, any of the parties thereto may petition the Commission for resolution (Exhibit 15, Stipulation, p. 6).

Once again, AT&T was silent on this issue. MCI supported a mechanized intercompany interface for dealing with various operational issues. (Tr. pp. 305-306). MCI, however, was unable to advise the Commission of any state that had ordered such a mechanized interface, how much such an interface would cost, nor how long it would take to develop. (Tr. pp. 344-346). Mr. Scheye advised the Commission that BellSouth is currently working on such an interface. (Tr. p. 559). MCI, however, refused to pay for any part of the development cost. (Tr. p. 343).

MFS proposed that customers who switch local exchange companies and do not retain their original telephone number should be provided with a transfer of service announcement on the original telephone number by the company formerly providing the customer's telephone service. (Tr. p. 97). BellSouth currently provides a standard intercept announcement service when a customer's service is transferred. (Tr. p. 476). BellSouth proposes that this service will be provided to BellSouth customers when a customer does not retain their original telephone number. (Tr. pp. 476-477). Therefore, there does not appear to be disagreement on this part of the issue.

**ISSUE NO. 14:** What arrangements, if any, are appropriate for the assignment of NXX codes to the respective ALECs?

**\*POSITION:** Numbers should be available to all carriers on an equal basis in a competitive local exchange environment. As long as BellSouth is the NXX administrator for its region, ALECs must process requests through BellSouth.

BellSouth acknowledges that numbers should be available to all carriers on a equal basis in a competitive local exchange environment. This issue is currently being examined at the federal level. BellSouth supports the national work, as well as the use of an independent administrator for the assignment and control of NPA and NXX codes and other special codes available in the North American Numbering Plan (NANP). BellSouth will continue to participate in national forums established to develop and implement such an independent administrator. (Tr. p. 472). Until such time that these issues are resolved at the national level, ALECs must process requests through BellSouth as long as BellSouth is the NXX administrator for its region. (Id.).

AT&T did not discuss this issue in the prefiled testimony. On cross-examination, however, Mr. Guedel acknowledged that AT&T and BellSouth were essentially in agreement on this issue. (Tr. p. 440). Mr. Price admitted that BellSouth had never indicated to MCI that BellSouth would not assign the NXX codes in a nondiscriminatory manner. (Tr. p. 347). Since MFS appears to want only assignment of the NXX codes on a nondiscriminatory

basis and BellSouth has agreed to do that, the parties appear to be essentially in agreement on this issue.

### CONCLUSION

Although this docket deals with many issues related to the interconnection of the networks of local exchange and alternate local exchange companies, the real controversy in this proceeding is the appropriate pricing arrangement for the exchange of local traffic between BellSouth and the ALECs. The ALECs want to use BellSouth's network and facilities for free. BellSouth wants the ALECs to pay for the use of BellSouth's facilities, just as BellSouth is willing to pay the ALECs for the use of the ALECs facilities.

There is no dispute that there are costs incurred by BellSouth to terminate local calls and that such costs must be recovered as required by Florida statute. To recover these costs, BellSouth has proposed a usage-based plan modeled after the switched access structure and rates. BellSouth's proposal addresses four concerns. First, it ensures that BellSouth recovers its costs. Second, it addresses the fact that traditional local/toll distinctions will blur with time and ultimately disappear with increased competition. Using either the MFS or MCI bill-and-keep proposals simply does not reflect these market realities. Third, BellSouth's proposal recognizes that competitors will wish to interconnect at different points within BellSouth's network and differentiates the charges accordingly. Finally, BellSouth's plan is reciprocal; each carrier that incurs costs is allowed to recover those costs from the other, even when their costs are different.

Every advantage of BellSouth's plan is absent from the plans advocated by the other parties in this proceeding. MFS and MCI advocate bill and keep, a plan premised on the assumption that traditional local/toll distinctions will be maintained and that all competitive carriers will wish to interconnect in the same manner. Bill and keep, simply means that no payments are exchanged between the companies.

The deficiencies of such a plan are obvious. First, BellSouth will have no means of recovering the costs it has incurred in providing for interconnection to its network. Second, bill and keep does not encourage the provision of efficient networks by the ALECs. The ALECs may connect at every end office that BellSouth has or they may connect at a tandem. Under BellSouth's plan, a company can make an economic decision based on BellSouth's price versus providing these own capabilities for itself. With bill and keep, there are not any economic decisions to be made because the additional functionality will simply be provided for free.

For the reasons set forth herein, the Commission should adopt BellSouth's proposal for the parties who did not reach agreement with BellSouth and reject the proposals of MFS and MCI.

Respectfully submitted this 25th day of January, 1996.

BELLSOUTH TELECOMMUNICATIONS, INC.

*Robert G. Beatty*  
ROBERT G. BEATTY  
J. PHILLIP CARVER  
c/o Nancy H. Sims  
150 South Monroe Street, Room 400  
Tallahassee, Florida 32301  
(305)347-5555

*R. Douglas Lackey*  
R. DOUGLAS LACKEY  
NANCY B. WHITE  
675 West Peachtree St., Room 4300  
Atlanta, Georgia 30375  
(404)335-0710