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BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF ROBERT C. SCHEYE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 960916-TP
SEPTEMBER 16, 1996

~~960916-TP~~

Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. (HEREINAFTER REFERRED TO AS "BELLSOUTH" OR "THE COMPANY").

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

Q. HAVE YOU FILED DIRECT TESTIMONY IN THIS DOCKET.

A. Yes. I filed direct testimony on behalf of BellSouth on September 9, 1996.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. ACSI filed its petition on August 13, 1996. On that same date, ACSI filed testimony of Richard Robertson, William Stipe and Dr. Marvin Kahn. On September 9, ACSI provided reformatted testimony of these same witnesses and supplemental testimony from Dr. Kahn. The purpose of my testimony is to rebut and provide comments on specific positions taken by these witnesses

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1 regarding the pricing and provisioning of unbundled loops. Since ACSI's
2 positions were articulated in its petition, I have already provided BellSouth's
3 positions on these issues in my direct testimony filed September 9, 1996.
4 Any references used in my testimony today will refer to page numbers in
5 ACSI's September 9 reformatted testimony.

6
7 Q. ON PAGE 5, MR. STIPE STATES THAT THE USE OF DIGITAL LOOP
8 CARRIER (DLC) IS NOT DRIVEN BY THE NEED TO PROVIDE
9 DIGITAL CAPABILITY BUT BY THE ECONOMIC TRADE OFF OF
10 EXPANDING COPPER LOOP FACILITIES AND SUPPORTING
11 STRUCTURE VERSUS THE COST OF THE DLC. IS THAT CORRECT?

12
13 A. Yes. BellSouth uses either copper facilities or DLC based on which is most
14 cost effective. Once copper loops extend beyond 12 kilofeet, it is generally
15 more cost effective for voice grade loops to use DLC. Using the most cost
16 effective technology benefits customers, including ACSI, because the cost of
17 the service will be lower than if BellSouth were required to use only one
18 facility or the other.

19
20 Q. MR. STIPE CLAIMS THAT BELLSOUTH HAS PRICED ITS
21 UNBUNDLED LOOP AS A DIGITAL SERVICE WHILE IT USES
22 ANALOG COPPER VOICE GRADE PAIRS TO PROVIDE ITS OWN
23 LOOP SERVICES. WHAT IS YOUR RESPONSE?

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1 A. BellSouth uses both DLC and copper facilities to serve its own residential
2 and business customers. Once again, it depends on which facility is the most
3 cost effective depending on the distance from the switching office. Contrary
4 to Mr. Stipe's assertion, about 40% of BST loops are served by DLC and
5 arrive at a switch at the DSO or DS1 level. As Ms. Caldwell has provided in
6 her testimony, the cost studies reflect the forward looking costs and
7 assumptions using a combination of these facilities. BellSouth's proposed
8 recurring monthly price reflects the costs for providing the loops over a
9 combination of these facilities. Once again, if BellSouth were to utilize only
10 copper facilities in all circumstances, then the costs of an unbundled loop
11 would be higher, not lower, and subsequently the price would be higher.

12

13 Q. ON PAGE 15, MR. ROBERTSON STATES THAT BELLSOUTH HAS
14 TREATED UNBUNDLED LOOPS AS SPECIAL ACCESS AND PRICED
15 IT IN THE SAME FASHION. DO YOU AGREE?

16

17 A. Yes, in some respects. BellSouth has proposed prices for the recurring and
18 non-recurring charges of the loops to cover the LRIC costs, some
19 contribution to shared and common costs, plus a reasonable profit.
20 BellSouth filed both recurring and non-recurring cost studies for the various
21 types of loops requested by MFS in Docket No. 950984 on May 29, 1996.
22 BellSouth filed updated cost studies on August 12, 1996 in its arbitration
23 case with AT&T and has filed these updated costs in this case. These
24 recurring costs reflect the costs of providing an unbundled loop based on the
25 requested characteristics -- 2-wire analog, 4-wire analog, 2-wire ISDN

1 digital, etc. Ms. Caldwell describes the functions and costs associated with
2 each of these unbundled loops in her direct testimony.

3
4 In BellSouth's opinion, the price for an unbundled network element that is
5 already provided on an unbundled basis should be similar to the existing
6 tariffed price if the costs are similar. Otherwise, tariff shopping would occur.
7 The recurring costs for an unbundled loop are similar to the costs of the
8 equivalent special access service. Therefore, we have proposed a similar rate
9 for the equivalent unbundled loops. However, as stated in my direct
10 testimony, we are proposing the Commission approved \$17.00 rate for the
11 two wire voice grade analog. This rate is below the similar special access
12 rate of \$21.15 and has been negotiated and agreed to by such local
13 competitors as Intermedia Communications, Inc.

14
15 BellSouth currently offers the equivalent 4-wire voice grade analog loops as
16 a special access service. Based on the recurring costs of the unbundled loops
17 for the similar functionalities that ACSI has requested, the existing recurring
18 rate of the equivalent special access rate is appropriate for the 4-wire
19 unbundled loop. There is no equivalent unbundled loop service for the 2-
20 wire ISDN loop requested. Therefore, the proposed price cannot be
21 compared to a special access service.

22
23 BellSouth is proposing different non-recurring rates for the requested
24 unbundled loop than the existing non-recurring rates for the similar special
25 access services to more closely align with costs as reflected in the August

1 1996 cost studies. The proposed non-recurring rate of \$140 for the first loop
2 and \$45 for each additional is significantly lower than the non-recurring rate
3 for the similar 2-wire and 4-wire analog loops.

4
5 Q. MR. ROBERTSON STATES THAT THE NON-RECURRING CHARGE
6 FOR THE UNBUNDLED LOOP SHOULD BE NO HIGHER THAN THE
7 NON-RECURRING RATE FOR A BUSINESS EXCHANGE SERVICE.
8 WHAT IS YOUR RESPONSE?

9
10 A. The non-recurring charge for the unbundled loop should be higher than the
11 non-recurring business rate because the costs are higher to provide an
12 unbundled loop. For example, it is BellSouth's understanding that local
13 service providers, such as ACSI, have requested that a Design Layout
14 Record (DLR) be furnished with each unbundled loop which describes the
15 transmission characteristics of that loop. A DLR for an individual loop is not
16 created when BellSouth provides bundled local exchange service. Rather,
17 BellSouth designs and engineers major sections of the outside plant facilities
18 serving a given end office rather than designing and engineering each
19 individual loop. These major designs may include 10,000 individual loops of
20 various lengths, distribution facilities and other factors which affect the
21 transmission qualities. Thus, if ACSI were to call and request that a
22 customer of our bundled local exchange service be converted to an
23 unbundled loop there would be no associated DLR with that line number or
24 loop. A DLR would need to be researched, created and assigned to that loop.
25 The costs to create a DLR for an existing loop used with a bundled local

1 exchange service are similar to the costs to provide a DLR for a new circuit,
2 such as in special access. Therefore, the costs reflect the additional functions
3 required in providing an unbundled loop. Consequently, the proposed non-
4 recurring price is higher than the rate charged for bundled local exchange but
5 is lower, as already stated, than the non-recurring rate for special access.

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7 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

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9 A. Yes.

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