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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the matter of:

Petition of Sprint Communications Company Limited	)	
Partnership for Arbitration of Proposed Interconnection	)	Docket No. 961150-TP
Agreement with BellSouth Telecommunications, Inc.	)	
Pursuant to the Telecommunications Act of 1996	)	

DIRECT TESTIMONY

OF

DAVID E. STAHLY

ON BEHALF OF

SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP

October 3, 1996

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ON BEHALF OF

SPRINT COMMUNICATIONS COMPANY
LIMITED PARTNERSHIP

Q. Please state your full name and business address.

A. My name is David E. Stahly. My business address in 8140 Ward Parkway, Kansas City, Missouri, 64114.

Q. What is your position?

A. I am employed by Sprint Communications Company Limited Partnership ("Sprint") as a Policy Manager.

Q. Please describe your educational background, work experience and present responsibilities.

A. I received a Bachelor of Arts degree in Economics from Brigham Young University in 1985 and Master of Arts degree in Public Policy from the University of Chicago in 1987.

I began working for Sprint Communications Company Limited Partnership in 1994 as a Manager of Regulatory Access Planning. In that position, I represented Sprint before state and federal regulatory commissions regarding access issues and Sprint's negotiated access pricing and rate structures with the Local Exchange Carriers ("LECs").

Prior to joining Sprint's Long Distance Division, I was employed by Sprint Corporation's local telephone affiliate, Sprint-United North Central ("UNC") from 1990 to 1994. In that capacity, I was responsible for costing and pricing switched and special access services. While at UNC, I also conducted competitive analyses. Prior to joining Sprint, I worked for the Illinois Commerce Commission as an Executive Assistant to the Commissioners from 1986 to 1990. In that capacity, I provided financial and economic analyses of telecommunications, gas and electric utility issues and I assisted in the preparation of orders and opinions.

My current responsibilities include coordinating with representatives of Sprint business units regarding regulatory matters, contributing to the development of Sprint regulatory policy, and testifying on behalf of Sprint concerning economic and regulatory policy in telecommunications. I have testified before the Arkansas Public Service Commission, the Georgia Public Service Commission, the Oklahoma Corporation Commission, and the Washington Utility and Transportation Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe Sprint's position on all of the pricing issues that have been unresolved in negotiations over the interconnection agreement between Sprint and BellSouth. The testimony will cover cost-based pricing for interconnection, unbundled network elements, and transport and termination of traffic including discussion of interim rates and the establishment of permanent rates under the TELRIC-based pricing methodology. In addition, the testimony will cover wholesale pricing including discussion of the avoided cost methodology established by the Federal Communications Commission ("FCC"). Finally, the testimony will cover important pricing parity issues, including the application of volume discounts, the application of non-recurring charges, and pricing related to interim number portability.

I. TELRIC-based Pricing Methodology

(A) Summary of Position - TELRIC-based Pricing Methodology

Q. Has BellSouth provided cost studies that satisfy the requirements of the Telecommunications Act of 1996 (the Act) and the FCC's First Report and Order released August 8, 1996 in CC Docket No. 96-98 ("FCC Order")?

A. No. Exhibit 1, attached hereto, is (1) letter dated August 13, 1996 from Sprint to BellSouth, requesting proposed rates, rate design, cost studies, etc., with respect to providing unbundled network elements, transport and termination of traffic, avoided retail costs, etc. (2) Letter dated August 16, 1996 from BellSouth to Sprint purporting to respond to Sprint's request.

Q. Was the response from BellSouth as shown in Exhibit 1 complete or in compliance with the FCC order?

A. No. BellSouth simply provided material from contracts previously negotiated with other CLECs.

Q. What does the Act require for pricing interconnection and network elements?

A. The Act requires that Incumbent Local Exchange Company (ILEC) prices for interconnection and network elements shall be based on cost (without reference to any rate-base proceeding) and be nondiscriminatory, and may include a reasonable profit. (252(d)(1))

Q. What does the FCC Order require for pricing of interconnection and network elements?

A. The FCC Order requires that interconnection and unbundled elements be priced based on the sum of total element long run incremental cost (TELRIC) and a reasonable allocation of forward-looking common costs. (51.505)

Q. Please describe Sprint's pricing policy for interconnection and network elements.

A. Sprint believes that prices for interconnection and network elements must be based on economic cost. More specifically, Sprint recommends:

» Prices for interconnection and unbundled elements should be developed using the TELRIC-based pricing methodology established by the FCC.

» The level of contribution to common costs should be a uniform loading that is limited to a level that reflects the common costs of an economically efficient local exchange carrier.

» The reasonable profit level to be included in TELRIC should be the most recent authorized intrastate rate of return or prescribed interstate rate of return.

» Prices for network elements should be geographically deaveraged; for example, according to high cost, medium cost, and low cost areas.

(B) TSLRIC

Q. Please explain what is meant by TSLRIC?

A. Total Service Long Run Incremental Cost, or TSLRIC, represents the incremental cost of an entire product.[1] In other words, TSLRIC represents all the costs directly caused by a service. TSLRIC is also sometimes called total incremental cost, long run service incremental cost, long run incremental cost - total service, or average incremental cost (when divided by output).[2] TSLRIC includes all of the service-specific fixed costs and volume sensitive costs. It represents the total burden that the service places upon the

[1] William J. Baumol, Superfairness 113 (1986).

[2] William J. Baumol & J. Gregory Sidak, Toward Competition in Local Telephony 57-8 (1994).

resources of the company. In more precise terms, TSLRIC is the difference between (1) the total cost of a company that provides the service and a number of others, and (2) the total cost of that same company if it provided all of its other services in the same quantities, but not the service in question.

Q. Why is it appropriate to include TSLRIC in prices for interconnection and network elements?

A. TSLRIC is an appropriate basis for rates because it represents the economic cost of all of the resources the ILEC is using solely to provide the interconnections and network elements. Using TSLRIC ensures that the costs the interconnections and/or network elements cause are not being covered by other services. Most importantly, as a measure of forward-looking economic cost, TSLRIC best replicates the conditions of a competitive market and reduces the ability of an incumbent LEC to engage in anti-competitive behavior.

(C) TELRIC

Q. Is TSLRIC costing different from TELRIC costing?

A. Essentially, TSLRIC and TELRIC costing methodologies are the same. Their differences are related to the items being costed, not the method of developing the costs. More specifically, TSLRIC studies determine the forward-looking, long run incremental cost of **services** while TELRIC studies determine the forward-looking, long run incremental cost of **network elements**. The FCC chose the term total "element" long-run incremental cost to reflect that the "services" in question are, in reality, "elements" of the network. The FCC also noted that unlike telecommunication services, network elements correspond to distinct network facilities (paragraph 678).

Q. Please describe the TELRIC-based pricing methodology as defined in the FCC Order.

A. The TELRIC-based pricing methodology defined by the FCC requires prices to be set to recover the following categories of costs:

I. Directly attributable incremental cost of the element (TELRIC)

- a) Incremental costs of facilities and operations dedicated to the element
- b) Incremental costs of shared facilities and operations.

II. A reasonable allocation of common costs

The directly attributable incremental cost of the element would be determined via an *appropriately developed* TELRIC cost of service study. Sprint's position on an appropriate allocation of common costs will be defined below.

Q. Please describe Sprint's position on an appropriately developed TELRIC cost of service study.

A. The FCC clearly defines several characteristics of an appropriately developed TELRIC cost of service study. These characteristics should be reflected in any study submitted to the Commission for its approval. An appropriately developed TELRIC study:

1) Will include the long run, incremental costs caused by or directly attributable to the specific element. This will include both costs caused by facilities and operations dedicated to the element and those facility and operations costs shared by a group of elements.
2) Will reflect per-unit costs derived from total costs using reasonable, accurate fill factors.
3) Will reflect current wire center location and the most efficient technology available.
4) Will include a reasonable return on investment, e.g. profit.
5) Will reflect economic depreciation rates.
6) Will not include embedded costs, retail costs, opportunity costs or subsidies to other elements or services.

The FCC's order requires ILEC's to "explain with specificity why and how specific functions are necessary to provide network elements and how the associated costs were developed." (paragraph 691) Restated, the burden of proof is on the ILEC to substantiate all costs included in its TELRIC studies. Since Sprint has not been afforded the opportunity to review RBOC's TELRIC studies, it reserves the right to submit future testimony related to those cost studies once it has reviewed those studies and made its determination of whether the requirements of the FCC order have been satisfied.

Q. Please describe what is meant by "costs directly attributable to the specified element".

A. The FCC defined directly attributable forward-looking cost to include incremental investment costs and expenses dedicated to the element as well as the incremental costs of facilities and operations costs that are shared by a set of network elements. Directly attributable costs, then, are costs incurred specifically in the provision of a particular network element. To the extent that certain network elements share facilities or operations, these shared costs are included in the TELRIC of that set of elements and are to be attributed to specific network elements in reasonable proportions. To use the FCC's example, conduit that is used for both interoffice transport and loops may be apportioned to both the interoffice transport network element and to the local loop element. Unless it can be demonstrated that a cost is dedicated to the provision of a particular network element (or set of elements) it cannot be included in the TELRIC of the element (or set of elements).

(D) Common Costs

Q. What are common costs?

A. Common costs are one type of shared cost. Shared costs are costs that are:

» shared by more than one service;

» incremental to a set of services sharing the costs; and

» unaffected by any subset of the services sharing the costs

Another way of saying this is that shared costs are essential to the provision of more than one service and do not vary with the output of any of the services.

There are two basic types of shared costs:

- *Shared incremental costs* -- shared costs that are specific to only <u>some</u> services. For example, loops and transport may share conduit, but these costs are not shared with unbundled local switching. TELRIC includes shared incremental costs.

- *Overhead shared costs* -- These are common costs. They are shared by <u>all</u> services. These are costs that do not change or go away unless the company goes out of business. The classic example is the president's desk. TELRIC does not include overhead shared costs.

Q. In the TELRIC-based pricing methodology, what is meant by "forward-looking common costs"?

A. Under the TELRIC-based pricing methodology, forward-looking common costs represent the other component, along with TELRIC, to be included in ILEC prices. These costs are not specific or directly attributed to an element or set of elements. Also, since interconnection and network elements are intermediate products, and not retail service offerings, such costs as marketing, billing, and other retail related costs are not relevant common costs. The only relevant common costs, then, are those costs that are incurred in the overall operation of the firm, e.g. executive salaries. These costs are common to all services and specific to none. The adoption of the standard of using "forward-looking" common costs means that prices cannot be based on historical (i.e.

embedded or accounting) common costs. This is consistent with established economic cost principles and the overall forward-looking economic cost paradigm adopted by the FCC.

(E) Contributions to Common Costs

Q. Does the FCC provide any direction related to the size of common costs to be included under the TELRIC-based pricing methodology?

A. Yes. The FCC concluded that common costs should be smaller for network elements than for services since network elements correspond to discrete network facilities that have distinct operating characteristics. Also, under the TELRIC methodology, many facilities costs that may be common with respect to "services" will be directly attributed to the facilities when offered as unbundled network elements. The FCC also stated that a properly conducted TELRIC methodology will attribute costs to specific elements to the greatest possible extent, which will reduce the amount of common costs.

Q. Does the FCC provide any guidance with respect to the allocation of common costs?

A. Yes. The FCC deemed two allocation methods to be reasonable and rejected another. The two reasonable methods include:

- » the use of a fixed allocation, such as a percentage markup over the directly attributable forward-looking costs

- » the allocation of only a relatively small share of common costs to certain critical network elements, such as the local loop and collocation, that are most difficult for entrants to replicate promptly (i.e. bottleneck facilities)

The FCC explicitly rejected allocations that rely on allocating common costs in inverse proportion to the sensitivity of demand for various network elements. They concluded that such allocation methods undermine the pro-competitive objectives of the Act.

Q. What is Sprint's recommendation on the size and allocation of common costs?

A. Sprint recommends that the contribution to common costs be set as a percentage markup above the TELRIC of the element to reflect the forward-looking shared costs of a reasonably efficient firm.

Q. Why is it appropriate to include any common costs in interconnection prices?

A. Including a portion of these costs is appropriate because revenues from products must generally make a contribution to covering common costs if a company is to produce the product. This is true both from a business perspective and an economic perspective.

Q. Please explain the business perspective.

A. The most common pricing practice in business is to include a contribution to shared costs in prices.[3] Businesses determine the appropriate contribution several ways. The most common way is to simply apply a uniform markup above the incremental cost. This is often criticized as not being in the best interest of the company because the company could make more money if it varied its markups on the basis of competitive pressures.[4] However, when the company is a monopoly or at least has significant market power, it is not in the customers' interests nor in the public interest for the company to be allowed to maximize its profits by having high markups in non-competitive markets relative to markups in competitive markets. In fact, one of the primary purposes of regulation is to keep this from happening.

This is one of the reasons why Sprint believes that regulation should require ILECs to price interconnection and network elements in non-competitive markets just like they would if all of their markets were fully competitive. By treating all markets as equally

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[3] James L. Pappas & Mark Hirschey, Managerial Economics 573-84 (1990).

[4] Pappas & Hirschey, Managerial Economics 575-84 (1990).

competitive, ILECs would include no more than an average contribution to common costs in prices for non-competitive services such as interconnection and network elements.

Q. Please explain the economic perspective.

A. From an economic perspective, prices need to make a contribution to common costs to ensure that the prices are sustainable. The technical definition of sustainable prices is prices that: (1) allow an efficient company to earn normal profits; (2) do not invite competition from less efficient companies; (3) do not require a cross-subsidy; and (4) result in an efficient market.[5] In this case, an efficient market is one that provides the lowest overall cost of producing the industry's products. Sustainable prices allow a company to compete in a market and earn a normal profit.

Q. How much common cost should be included in interconnection prices?

A. The amount that interconnection prices should be marked up should be based on the amount of forward-looking common costs a company has relative to its overall costs. Conceptually, the markup would be calculated by dividing the company's economic common costs by the sum of its TSLRICs.

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[5] This definition is adapted from William J. Baumol, et. al., Contestable Markets and the Theory of Industry Structure 314 (1988).

Q. Why is a uniform markup appropriate for allocating common costs?

A. There are two reasons. First, a uniform markup treats the non-competitive markets as if they were competitive. This helps keep ILECs from using revenues from non-competitive markets to finance competitive responses in competitive markets. The second reason is that uniform markups are nondiscriminatory. Section 252(d)(1)(A)(ii) of the Act requires that prices for interconnection and network elements be nondiscriminatory. Price discrimination exists when markups vary among classes of customers.[6] The Act does not allow for degrees of discrimination. For example, the Act does not state that prices should not be unreasonably discriminatory. The Act simply allows for no discrimination.

Q. You said that the markup should be limited to reflect the common costs of an economically efficient local exchange carrier. Why should the markup be limited?

A. Limiting the markup serves two purposes. First, it provides incentives for ILECs to become more efficient. Basing prices on ILECs' own costs does not provide ILECs the same efficiency incentives as pure price regulation or competition. This is true even if the costs are measured as economic costs rather than as accounting costs as has been done in rate of return regulation. A maximum contribution improves the efficiency incentives. The second purpose of the maximum markup is to provide a limit on the

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[6] Pappas & Hirschey, Managerial Economics 573-84 (1990).

costs that can be charged to competitors. ILECs have an incentive to charge high prices to competitors. These high prices give ILECs a financial advantage over their competitors by increasing the ILECs' margins relative to their competitors' margins. Limiting the markup helps limit the prices that ILECs can charge to competitors.

Q. Has Sprint reviewed any measures of common costs?

A. Yes. Sprint has reviewed two sources of public data that reflect accounting measures of costs that are generally common in nature. These measures do not reflect an appropriate approach for defining common costs in accordance with the FCC rules because they are historical accounting costs, not forward-looking economic common costs. However, these analyses may provide a benchmark that can be used in evaluating the reasonableness of proposed common cost levels.

First, Sprint reviewed accounting data reported to the FCC by Tier 1 ILECs. A Tier 1 ILEC is an ILEC with more than $100,000,000 in annual revenues. The data reviewed was for 1995. This analysis is provided in Exhibit 2, attached hereto. This analysis shows that, on average, Tier 1 ILECs' Corporate Operations Expenses (Account 6700) are about 16% of Total Operating Expenses. And, on average, Tier 1 ILECs' General Support Plant (Account 2100) is about 15% of Total Telecommunications Plant in Service.

The second analysis is from Ex Parte materials filed by Southwestern Bell in the Matter of Federal-State Joint Board on Universal Service CC Docket No. 96-45. The analysis is provided in Exhibit 3, attached hereto, showing that Southwestern Bell calculates its own Total Common Costs to be 11% of its Total Costs.

(F) Return on Investment

Q. Please describe cost of capital?

A. Cost of capital is what a company has to pay creditors and shareholders for the money the company uses. The payment to creditors is generally called interest. The payment to shareholders is generally called profit.[7] Regulation and economic texts have long recognized that there is a normal level of profit, or return on investment, that shareholders need to receive if they are to continue to invest in the company. This normal level of profit is often referred to as the cost of equity.[8]

Q. Is cost of capital part of TELRIC?

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[7] James L. Pappas & Mark Hirschey, Managerial Economics 10 (1990).

[8] Pappas & Hirschey, Managerial Economics, 10, 652-3 (1990).

A. Yes. The incremental cost of network elements includes the cost of making additional investments. The money to make these investments comes from creditors and shareholders. As I explained above, the cost of obtaining money from creditors and shareholders is called the cost of capital.

Q. Does TELRIC include profit?

A. Yes. TELRIC provides for a reasonable profit consistent with Section 252(d)(1) which states that rates for interconnection and network elements "may include a reasonable profit." Because TELRIC includes the cost of capital, TELRIC includes a normal level of profit. The FCC concluded that the cost of capital included in TELRIC is equal to normal profit and that allowing anything greater than normal profits would not be "reasonable" under sections 251(c) and 251(d)(1).

Q. What is Sprint's recommendation regarding the level of return on investment included in TELRIC?

A. The return level should be the most recent authorized intrastate rate of return or prescribed interstate rate of return. The FCC concluded the following:

» the currently authorized rate of return at the federal or state level is a reasonable starting point for TELRIC calculations.

» ILECs bear the burden of demonstrating with specificity that the business risks of providing interconnection and unbundled elements (which are generally bottleneck, monopoly services that do not now face significant competition) would justify a different risk-adjusted cost of capital.

(G) Other TELRIC Considerations

Q. Please describe what is meant by "reasonably accurate fill factors"

A. Fill factors are the percentage of available network capacity utilized. These factors arise from the fact that when engineering and building of telecommunications facilities, LECs attempt to anticipate future needs. For example, when deploying loop plant, if the immediate need is 800 underground loops, a LEC may place enough loop plant to facilitate 1,000 loops in anticipation of future demand. It is more cost-effective to dig a trench once and allow for some excess than to dig up the trench every time a new loop is required. In this example, the fill-factor would be 80% (800 loops in use divided by 1,000 loops available). Efficient deployment balances the cost-benefit of excess capacity. On the one hand, not enough excess results in inefficient rework (e.g. digging new trenches every month). On the other, too much excess is an inefficient use of resources (e.g. burying plant that will never be used).

The FCC described reasonably accurate fill factors as estimates of the proportion of a facility that will be "filled" with network usage and concluded that per-unit costs be derived by dividing the total cost associated with the element by a reasonable projection of the actual total usage of the element.

Fill factors are important because they effect unit costs; a low fill factor increases unit cost, while a high fill factor lowers unit costs. A starting point for determining TELRIC fill factors should be the actual "fills" of the ILEC. However, since these fills reflect historical usage levels, they need to be examined for their reasonableness to be used for projections as required by the FCC Order. Using the historical fills as a starting point, the following issues should be considered in developing projected fills. First, to the extent that an ILEC has overbuilt excess capacity in anticipation of entering new lines of business, e.g. interLATA, historical fills will be too low as a basis for pricing elements for the provision of local services. Second, efficient and effective competition (which will only occur if element prices are cost-based) will result in new innovative local service offerings and drive retail rates to competitive levels, which will in turn change past usage patterns and stimulate overall demand. Third, competition should provide a catalyst for a new level of efficiency in every aspect of the incumbent LECs' business, including engineering and plant placement. These efficiencies may not be reflected in historical fills factors. In summary, appropriate fills should reflect efficient engineering practices. While the existing fills may represent a reasonable approximation of projected fills, the fills used in TELRIC pricing must take into account 1) ILEC overbuilds in anticipation of lines of business outside the scope of local service, 2) future changes in usage patterns and overall demand stimulation, and 3) overall increases in ILEC efficiency.

Q. What is the significance of applying a standard that requires the use of "current wire center locations and the most efficient technology available"?

A. Forward-looking cost measurements require capturing the costs of network facilities that will be incurred in the future. The use of current wire center locations and the most efficient technology available in determining forward-looking economic costs is the approach that reasonably balances the interests of ILECs, CLECs, and consumers. ILECs need prices that will recover their legitimate forward-looking economic costs. CLECs need to be provided the opportunity compete on an equitable basis with the ILEC. Consumers will benefit the most when there is facilities-based competition. The FCC explicitly rejected alternative approaches which represented extreme viewpoints that would either frustrate facilities-based competition on the one hand or hinder competitive entry on the other. Specifically, the FCC rejected the use of a hypothetical, least cost, most efficient network in calculating forward-looking element costs at one extreme, because this would discourage facilities-based competition, i.e. the incentive to build would be reduced if facilities were already available at least-cost prices. At the other extreme, the FCC rejected cost recovery based entirely on the past network design and technology (i.e. embedded cost), because this would result in inefficient pricing to the detriment of competitive entry. Instead, the FCC adopted a standard that uses the existing wire center locations and the most efficient technology deployed as most closely representing the incremental costs incumbent LECs will actually incur in making elements available to new entrants.

Q. **Please expand on the use of economic depreciation rates.**

A. The use of economic depreciation rates in TELRIC simply ensures that costs represent the actual useful economic lives of ILEC facilities, instead of regulatory lives. The actual useful economic lives may be different than that reflected in the existing prescribed depreciation rates. However, the FCC Order concluded that the ILEC bears the burden of demonstrating with specificity that different depreciation rates are justified (paragraph 702).

Q. **Why did the FCC reject considerations of embedded costs, retail costs, opportunity costs, and subsidies?**

A. In general, the FCC rejected these considerations as inconsistent with the cost-based pricing standard established by the Act and as inconsistent with pro-competitive goals.

Embedded costs, also referred to as accounting costs, represent the past expenditures of a firm in providing a product. Because the inputs (materials, labor, capital) to a firm's production change over time and because new technologies are introduced, the past expenses and capital expenditures recorded on a firm's books will not be reflective of the costs the firm will incur in the future. In order to encourage efficient entry, the FCC concluded that forward-looking economic costs provide the appropriate basis for prices potential entrants should pay for elements. In essence they found the use of embedded costs to be contrary to the expedient development of competition.

The FCC rejected the inclusion of retail costs in TELRIC-based prices based on the nature of what is being provided. Network element facilities and functions will be provided as intermediate products to requesting carriers. Therefore, since network elements are not retail products, retail costs cannot be included in the price.

Many incumbent LECs argued for the inclusion of opportunity costs in element prices, in essence, wishing to replace revenue lost when a new entrant provides retail service in place of the incumbent LEC. The FCC rejected the inclusion of opportunity costs as inappropriate to the goal of driving prices to competitive levels because the existing retail prices that would be used to compute opportunity costs are not cost based.

Inclusion of subsidies in the prices for interconnection and network elements would result in prices that are not cost-based, in violation of the Act's clear pricing standard.

(H) Geographic Deaveraging

Q. What does Sprint propose with regard to geographic deaveraging?

A. Sprint believes that ILECs should geographically deaverage prices for network elements. Switching and transport costs are a function of traffic density and should be deaveraged to high cost, medium cost, and low cost exchanges based on traffic density characteristics. Loop costs are a function of loop length and the density of end-user locations. These loop cost characteristics should be reflected in deaveraged prices that may vary from the geographic areas used for switching and transport deaveraging. For example, a low cost exchange with regard to switching may have both high and low loop costs.

Q. Why is this important?

A. Deaveraged rates more closely reflect the actual costs of providing interconnection and network elements because these costs can vary widely across a large geographical area, for example, a study area that is composed of both densely populated and sparsely populated areas. In keeping with the cost-based pricing standard of the Act, the FCC concluded that rates for interconnection and unbundled elements must be deaveraged and established a requirement of at least three cost-related rate zones. Deaveraging is important because it provides accurate market signals. Whereas geographic averaging, on the other hand, distorts competitors' entry decisions regarding whether to build or lease unbundled network elements.

II. Interconnection and Access to Unbundled Network Elements

(A) Summary of Position

Q. What is Sprint's position regarding the pricing of interconnection and unbundled network elements?

A. Sprint recommends the establishment of permanent rates reflecting the TELRIC-based pricing methodology discussed in detail previously in my testimony. With respect to interim prices, Sprint recommends that the default prices established in the FCC Order be applied until permanent rates are developed under the TELRIC-based pricing methodology.

(B) Default Prices

Q. Please provide the default prices for interconnection and unbundled elements.

A. In the absence of cost-based prices established under the TELRIC-based pricing methodology, the following default prices should be applied.

<u>Element</u>	<u>Rate</u>
Local Loops	$13.68
Local Switching	$0.003 per minute
Dedicated Transport	Tariffed interstate entrance facility and direct-trunked transport charges
Common Transport	Weighted average per minute equivalent of dedicated transport rate (as described in FCC 51.513(c)(4))

Tandem Switching	$0.0015 per minute
Collocation	Tariffed interstate expanded-interconnection charges
Signaling, call-related databases	Tariffed interstate charges where available

Q. Why is it important to establish interim prices?

A. Sprint encourages the Commission to undertake and conclude proceedings to establish permanent rates under the TELRIC-based pricing methodology as quickly as possible. However, to the extent that cost studies that satisfy the criteria of the Act and FCC Order have not been developed and provided for thorough review, the interim prices provide a means for establishing interconnection and accessing network elements without delay.

Q. The default local switching price you recommend is in the middle of the range set by the FCC, why is that?

A. Although the FCC stated that, in its review of the record evidence in the 96-98 proceeding, the most credible studies fell at the lower end of this range. Until permanent local switching prices are established, using the TELRIC-based pricing methodology, Sprint believes that applying the rate in the middle of the range is a reasonable approach.

III. Reciprocal Compensation Arrangements

(A) Summary of Position

Q. Has BellSouth submitted a cost study for transport and termination under reciprocal compensation arrangements which complies with the act and the FCC's order?

A. No.

Q. What does the act require for the pricing of transport and termination under reciprocal compensation arrangements?

A. Section 251(b)(5) of the Act requires all LECs to "establish reciprocal compensation arrangements for the transport and termination of telecommunications." Section

252(d)(2)(A) of the Act sets forth two standards for determining if reciprocal compensation rates are just and reasonable. The first standard is that, "such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier." The second standard is that it is necessary to "...determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls." Section 251(d)(2)(B)(i) of the Act states the rules do not "preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep arrangements).." Section 251(d)(2)(B)(ii) of the Act states that the Act does not "authorize the Commission or any State commission to engage in any rate regulation proceeding to establish with particularity the additional costs of transporting and terminating calls." Additionally, section 251(g) makes clear that Congress intended access charges to remain in effect, separate from the transport and termination of local traffic under reciprocal compensation arrangements.

Q. What does the FCC order require for the pricing of reciprocal compensation?

A. The pricing and application of transport and termination under reciprocal compensation arrangements requires two considerations; first, establishing the correct cost-based prices; and second, establishing a definition of local traffic to which the prices are applied.

(1) Pricing

The FCC defined the "additional cost" standard discussed in section 252(d)(2)(A)(ii) of the Act to be "the forward-looking , economic cost-based pricing standard that we are establishing for interconnection and unbundled elements." Specifically, "additional cost" is equal to TELRIC plus a reasonable allocation of forward-looking joint and common costs.

(2) Definition of Local Traffic

Regarding the definition of local traffic, the FCC declared that "state commissions have the authority to determine what geographic areas should be considered "local areas" for the purpose of applying reciprocal compensation obligations under section 251(b)(5),.."

(3) Other Considerations

The FCC also defined transport and termination which was necessary for correctly pricing each service. Transport was defined as "the transmission of terminating traffic that is subject to section 251(b)(5) from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party..." Additionally, the FCC defined termination as "the switching of traffic that is subject to section 251(b)(5) at the terminating carrier's end office switch (or equivalent facility) and delivery of that traffic from that switch to the called party's premises."

Q. What is Sprint's position regarding the pricing of reciprocal compensation?

A. Rates for transport and termination under reciprocal compensation arrangements should be based on the TELRIC-based pricing methodology as discussed previously in my testimony. In the interim period, until such rates are set, the commission should implement bill-and-keep.

(B) Developing Cost-Based Rates

Q. What options does the FCC order put forth for quickly establishing rates for transport and termination?

A. The FCC found that a state commission has three options for establishing transport and termination rates under reciprocal compensation. First, a state commission may conduct a through review of economic studies prepared using the same TELRIC-based methodology that is used for pricing unbundled elements. Second, a state may adopt the FCC's default proxy price of 0.2¢ per MOU to 0.4¢ per MOU for termination and a default proxy price for transport rates based on tariffed interstate rates. Third, a state may order "bill and keep."

Q. Which option should the commission choose?

A. The FCC stated that the only permanent solution is for state commissions to conduct a through review of economic studies prepared using TELRIC-based cost methodology. Bill-and-keep and the FCC's default proxy prices were established only as interim solutions to allow states to quickly establish interim rates in order promote the Act's goal of quickly permitting competitors into the local market.

Q. What does the FCC order require for establishing the cost-basis of transport and termination?

A. Termination (end office switching) should be based on TELRIC plus a reasonable allocation of forward-looking common costs. A full discussion of the correct methodology for calculating TELRIC and forward-looking joint and common costs is found in section I of this testimony.

Tandem switching should also be based on TELRIC plus a reasonable allocation of forward-looking common costs.

Interim transport should be based on existing tariffs. For transport, the FCC stated that the established price proxies for unbundled transport elements should be used. Specifically, common transport should be priced at the weighted average per minute equivalent of the dedicated transport rate as described in FCC 51.513(c)(4). Dedicated transport should be priced based on tariffed interstate rates.

Regarding lost revenues from other services, the FCC specifically noted that "the rates for the transport and termination of traffic shall not include an element that allows ILECs to recover any lost contribution to basic, local service rates represented by the interconnecting carriers' service."

Q. Doesn't section 251(d)(2)(b)(ii) of the Act prohibit a state commission from ordering a LEC to submit cost studies to establish the price of transporting and terminating calls?

A. No. The FCC found that Section 251(d)(2)(B)(ii) of the Act does not preclude state commissions from conducting an investigation of forward-looking TELRIC cost studies. The FCC differentiated such studies from the traditional rate base, rate-of-return studies that the FCC believes Congress intended to preclude in Section 251(d)(2)(B)(ii) of the Act.

Q. Why is it important for TELRIC-based rates to be correctly established?

A. It is crucial that the commission set the price of transport and termination under reciprocal compensation at economic cost. As the FCC noted in their order, call termination is an essential element in completing calls because competitors are required to use the ILEC's existing networks to terminate calls to the ILEC's customers. Hence, the ILEC has a great incentive and opportunity to charge terminating prices in excess of economically efficient levels (see FCC Order par. 1058) To ensure that rates for reciprocal compensation foster economically efficient competitive entry, termination rates should be priced at TELRIC plus a reasonable allocation of forward-looking common costs.

(C) Definition of Local Traffic

Q. How does the FCC order define local traffic?

A. The FCC concluded that "section 251(b)(5) reciprocal compensation obligations should apply only to traffic that originates and terminates within a local area,.." Conversely, access rates should apply to traffic that originates from or terminates to an area outside of the local area. The FCC went on to declare that "state commissions have the authority to determine what geographic areas should be considered "local areas" for the purpose of applying reciprocal compensation obligations under section 251(b)(5),.."

While some discussion was given to the inclusion of expanded local area calling plans into the definition of local calling areas, the FCC lacked sufficient record information to address the issue.

Q. How should local traffic be defined for the purposes of reciprocal compensation?

A. Local calling areas should be defined to included the largest flat-rated optional calling plan area the LEC offers as well as extended area service (EAS) routes. The inclusion of expanded local area calling plans such as EAS and mandatory wide area calling plans into the definition of local calling areas will foster full and fair competition, especially as competing carriers vertically integrate to provide local and toll traffic. It is critical for the state commission to define local calling areas the same for the RBOCs and its competitors. Defining non-mirroring local calling will create an unlevel playing field and arbitrarily advantage one competitor over another.

Q. How can non-mirroring local calling areas create an unlevel playing field and arbitrarily advantage one competitor over another?

A. Presently, access is priced several times higher than reciprocal compensation. If a competitor can have its traffic rated as reciprocal compensation rather than access, that competitor will have an enormous cost advantage. The ILEC can take advantage of the distinction between access and reciprocal compensation and define their traffic as local traffic based on their expanded local area calling plans.

Q. Even if the ILEC and the CLEC have the same local calling areas won't the wide disparity between rates for reciprocal compensation and access cause similar problems?

A. While existing non-local access was not addressed by the FCC Order, it is important to note that both the FCC and Congress (see section 251(g)) observed that the rates for access and the rates for transporting and terminating local traffic will ultimately converge since they provide the same identical network functions. Such a convergence is inevitable and essential. In a competitive environment, it is nearly impossible to maintain arbitrary pricing distinctions for identical services. Any attempt to maintain such artificial distinctions leads to the very real probability that carriers will seek opportunities to arbitrage and have their access traffic rated under the less expensive reciprocal compensation rates. Such gaming leads to competition, not based on which competitors operate most efficiently, but based on which competitors can get their access traffic rated under reciprocal compensation. This will be of particular concern when the RBOCs are allowed into the in-region long distance market. If an arbitrary pricing distinction remains between access and reciprocal compensation, the RBOC will only incur their economic cost for access, while its competitors pay inflated access charges. Artificial pricing distinctions create an uneven playing field and stifle the development of true competition.

(E) Other Pricing Issues - Proxy Prices, Symmetry, and Bill-and-Keep

Q. When is it appropriate for a commission to adopt the FCC's proxy rates?

A. A state should adopt the FCC proxy rates if it has not set rates consistent with the FCC's default price ceilings and ranges nor reviewed or conducted TELRIC cost studies.

Q. What is the proxy price recommended by the FCC?

A. For transport, the FCC stated that the established price proxies for unbundled transport elements should be used. Specifically, common transport should be priced at the weighted average per minute equivalent of the dedicated transport rate as described in FCC 51.513(c)(4). Dedicated transport should be priced based on tariffed interstate rates. Termination (end office switching) should be priced within the 0.2¢ - 0.4¢ proxy range. Tandem switching should be priced at the proxy of 0.15¢ per minute of use. The FCC recommended default proxy prices only as an interim price until the state can conduct or review a forward-looking cost study and develop state-specific transport and termination rates. Use of the proxy is intended to promote the Act's goal of rapid competition in the local exchange.

Q. Are symmetrical rates appropriate?

in answering the question of whether transport and termination charges should be symmetrical the FCC concluded that, "it is reasonable to adopt the incumbent LEC's transport and termination prices as a presumptive proxy for other telecommunications carriers' additional costs of transport and termination."

Q. Is it appropriate for the Commission to order bill-and-keep on an interim basis?

A. Yes. The argument in favor of symmetry extends into bill-and-keep. Specifically, the FCC concluded that "state commissions may impose bill-and-keep arrangements if neither carrier has rebutted the presumption of symmetrical rates and if the volume of termination traffic that originates on one network and terminates on another network is approximately equal to the volume of terminating traffic flowing in the opposite direction, and is expected to remain so,...". Absent traffic studies of the flow of local traffic between an ILEC and a CLEC or approved cost studies, it is reasonable to utilize bill-and-keep.

Q. Why should the Commission quickly establish interim rates for reciprocal compensation?

A. It is important for rates to be established as quickly as possible to begin the development of competition and start offering the benefits of such competition to end users. In an effort to quickly allow competition to begin to develop, Sprint recommends that the Commission implement bill-and-keep (or the proxy rates where measurement capabilities exist) for an interim period while the Commission conducts economic cost studies to determine the appropriate rate. Delays in allowing competing CLECs to interconnect their networks to the ILECs and terminate their traffic on the ILECs' networks is one of the biggest threats to the development of local competition. The Commission should act swiftly to allow the CLECs to interconnect their networks by requiring bill-and-keep (or proxies) for the interim period. Such a policy will bring the benefits of local competition to customers in as quick a manner as possible without causing undue harm to the interconnecting carriers. Allowing local competition to begin immediately under an interim arrangement will quickly foster the development of competition while still giving the Commission time to deliberate on the proper cost basis for a more permanent rate under reciprocal compensation.

Q. Please summarize your recommendations for the commission.

A. In the early stages of competition, where the ILECs move from controlling 100% of local traffic to a competitive market, it is critical for the commission to set the rules for the transport and termination of local traffic under reciprocal compensation such that they promote the development of competition. This requires a number of factors as discussed above. First, for the purpose of reciprocal compensation, the Commission should define local calling areas the same for the RBOCs and its competitors. The inclusion of expanded local area calling plans such as extended area service (EAS) and mandatory wide area calling plans into the definition of local calling areas will foster full and fair competition, especially as competing carriers vertically integrate to provide local and toll traffic. Second, it is important for rates to be established as quickly as possible to begin the development of competition. In an effort to quickly allow competition to begin to develop, Sprint recommends that the Commission implement interim bill-and-keep or proxies where a measurement process is established while the Commission conducts cost studies to determine the appropriate rate. And third, it is crucial that the commission set the price of transport and termination under reciprocal compensation at economic cost, i.e. the TELRIC-based pricing methodology. Setting prices at this level will foster and ensure the development of full and fair competition. These steps, taken together, will foster the growth of local competition and ensure that end user customers enjoy those benefits.

IV. Wholesale Pricing for Resale

(A) Summary of Position

Q. Has BellSouth provided avoided cost studies that satisfy the requirements of the Act and the FCC Order?

A. No.

Q. What does the Act require for the pricing of wholesale services?

A. Section 252(d)(3) states that wholesale rates should be determined "on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier."

Q. What does the FCC Order require for the pricing of wholesale services?

A. The FCC found that the 1996 Act required states to make an assessment of what costs are reasonably avoidable when a LEC sells its services wholesale. Specifically, the FCC rejected the LEC's arguments that operating expenses must actually be reduced to be considered "avoided" for purposes of section 252(d)(3) and concluded that an avoided cost study must include indirect, or shared, costs as well as direct costs.

Q. What is Sprint's position regarding the pricing of wholesale services?

A. Wholesale rates should be based on the retail rates charged to subscribers for the telecommunications service requested less all avoidable costs. Avoidable costs include the direct marketing, billing, collection, and other costs that are not incurred when an ILEC sells a service at wholesale, plus an allocation of the general support expenses, corporate operations expenses, and uncollectibles. Rather than offering just one overall discount rate, ILECs should offer a specific wholesale discount rate for at least five separate categories of service to more accurately reflect the different underlying avoidable costs inherent in the five categories. The five categories are simple access (R1, B1, and local usage), complex access (Centrex, Key, and PBX), features (CCF, CLASS, and Centrex features), Operator/DA, and Other (private line, intraLATA toll, etc.).

(B) Avoided Cost Study - Methodology

Q. Please describe the Avoided Cost Study methodology required by the FCC Order.

A. The FCC specifically identified 20 (Uniform System of Accounts) USOA cost accounts that contain avoidable costs. All[9] costs recorded in accounts 6611 - product

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[9] The FCC Order actually applied a factor of 90% to these accounts in determining the default range in order to recognize that some of these costs are not avoided by selling services at wholesale. FCC Order at paragraph 928.

management; 6612 - sales; 6613 - product advertising; and 6623 - customer services are the direct costs of serving customers and are presumed to be avoidable. Accounts 6621 - call completion services and 6622 - number services are avoidable costs because resellers will provide these services themselves or contract for them separately from the LEC or from third parties.

The costs contained in accounts 6121-6124 - general support expenses; 6711, 6612, 6721-6728 - corporate operations expenses; and 5301 - telecommunications uncollectibles are avoidable in proportion to the avoided direct expense identified in accounts 6611-6613 and 6621-6623 because wholesale operations will reduce general overhead activities such as customer inquiries, billing and collection, etc..

Q. Why is it reasonable to include general overhead expenses in an avoided cost study as recommended by the FCC?

A. As a LEC provides fewer retail services and more wholesale services, it is reasonable to expect that the LEC can avoid the general and administrative overhead and general support costs that are currently used to support the LEC's enormous retail operations today. In paragraph 912 of the FCC's 96-98 Order, the FCC stated:

> "...the overall level of indirect expenses can reasonably be expected to decrease as a result of a lower level of overall operations resulting from a reduction in retail activity."

This point can best be illustrated with the following example. Suppose the LEC's retail business decreased to zero and the LEC became solely a wholesale supplier of local services. In that scenario, the LEC would not need any retail customer service representatives. This, in turn, would mean that the LEC would not need the land and buildings that housed those representatives, the computers they used, nor the information support services people that supported those computers, nor the office equipment they used, the accounting personnel to pay them, nor the human resources personnel to hire and train them, etc. The list goes on to include each function and service the LEC currently supplies to its retail customer service representative employees. Thus, it follows, that as the size of the LEC's retail business decreases, so should the accompanying overhead is avoided. As the need for such overhead decreases, it is inevitable that the LEC would seek to reduce its overhead to capture those cost savings. Hence, it is reasonable and necessary to allocate a portion of those current overhead expenses to the directly avoidable costs as recommended by the FCC.

(C) Wholesale Rate Categories

Q. For how many categories of service should discount rates be determined?

A. Ideally, an avoided cost study should be conducted for each individual retail service an ILEC provides. However, neither the Commission nor any company has the time or resources to conduct such a monumental number of studies and debate them before the Commission. Thus, it makes sense to combine a number of services and conduct a limited number of cost studies. The debate rests on the appropriate number of service categories. In their order, the FCC acknowledged that while a uniform discount rate is simple to apply, avoided costs may vary among services. The FCC concluded that states may choose to approve nonuniform wholesale discount rates based on an avoided cost study for a number of different service groups.

Q. How many categories of service do you recommend?

A. Rather than offering just one uniform discount rate, I recommend that BellSouth should offer a specific wholesale discount rate for at least five separate categories of service to more accurately reflect the different underlying avoided costs inherent in the five categories. The minimum five categories are simple access (R1, B1, and local usage), complex access (Centrex, Key, and PBX), features (CCF, CLASS, and Centrex features), Operator/DA, and Other (private line, intraLATA toll, etc.).

Q. What is the benefit of using at least five categories of service rather than just one?

Five separate categories of service would more accurately reflect the different underlying avoided costs inherent in the categories. While some parties may argue for only one or two categories of service, such a limited number does not accurately set an appropriate discount rate for some of the services contained within those categories. That is because the bulk of an ILEC's revenue resides in local access services such as R1, B1, local usage, Centrex, Key, and PBX. These services have vastly different avoided costs than do operator/DA services, custom calling features, and other services. If all of these services are lumped into one avoided cost study, the large local access service categories skew the study towards the discount rate appropriate only for itself. The end result is that a single overall discount rate will mean that custom calling features are not discounted enough and that operator/DA services are discounted too much. Such an imbalance in discount rates will create an unlevel playing field and may competitively harm some of the entrants.

(D) Benefits of Correctly Determining Wholesale Rates

Q. What benefits accrue if wholesale rates are based on correctly calculated avoided cost studies?

A. Correctly determining wholesale rates will place resellers on a more equal footing with the ILECs and allow them to more fairly compete with the ILECs. With both the ILEC and the CLEC using wholesale rates as the cost basis for their service, they are forced to compete for customers by efficiently marketing their services and reducing their general overheads. Such competition will force the ILECs to operate on a much more efficient basis and lead to lower rates for all services for end users, whether they purchase their service from the ILEC or the CLEC.

Q. What harm will occur if wholesale rates are priced higher than they should be?

A. To set wholesale rates at a level that does not remove all of the avoided costs, gives the ILECs an anticompetitive advantage over resellers. ILECs can use the additional revenue to under price resellers, operate less efficiently, or cross-subsidize other services. Correctly set wholesale prices will spur the development of resale competition which will lead to better choices and prices for customers and foster the development of facilities-based competition.

Q. What other benefits accrue if wholesale rates are based on the FCC's avoided cost study methodology?

A. The FCC clearly identified the appropriate USOA accounts to be used in calculating avoidable costs. The guidelines were designed to foster consistent interpretations of the

1996 Act in setting wholesale rates based on avoided cost studies with the hope that such consistency would facilitate swift entry by national and regional resellers.

Q. Will wholesale rates fairly compensate the ILECs?

A. Wholesale rates will fairly compensate ILECs for wholesale services just as fully as retail rates compensate them for retail services. The result is competitively neutral. Avoidable costs are those costs the ILEC does not incur when they sell the service on a wholesale basis. These costs fall into three categories: (1) the direct costs of serving retail customers of those specific services that are avoided when the service is sold on a wholesale basis; (2) costs avoided because resellers will provide for these retail activities themselves or contract for them separately from the LEC or a third party; and (3) the ILEC's overhead costs which should proportionally decrease as the ILEC's retail business decreases.

(E) Proxy Wholesale Rates

Q. When is it appropriate to use a proxy default rate?

A. In general, the FCC's proxies are to be used only in the interim period while appropriate avoided cost studies are being conducted. The FCC identified three situations when it would be appropriate to use of their proxy default rates: one, in a state arbitration proceeding if an avoided cost study that satisfies the FCC's avoided cost criteria does not exist; two, where a state has not completed its review of the ILEC's avoided cost study; and three, where a rate was established by a state before the release date of the FCC's Order and is based on a study that does not comply with the FCC's avoided cost study criteria.

Q. **What is the appropriate default wholesale discount rate?**

A. The FCC set a default proxy range of 17% to 25% that is to be used in the absence of an avoided cost study that meets the criteria set forth by the FCC. While the FCC calculated a proxy wholesale discount rate specific to BellSouth of 19.20%, the FCC noted that a state may choose a discount rate from anywhere within the 17% to 25% range, but should articulate the reasons for their selection of a particular discount rate.

(Note: Paragraph 930 of the Order sets forth the following discount rates.)

US West	18.80%
GTE	18.81%
BellSouth	19.20%
Bell Atlantic	19.99%

SBC	20.11%
NYNEX	21.31%
Pacific	23.87%
Ameritech	25.98%

V. Parity Pricing Issues

(A) Volume Discounts

Q. What Act requirements are related to the issue of volume discounts?

A. The Act: 1) requires interconnection on rates, terms, and conditions that are just, reasonable, and *nondiscriminatory* (251(c)(2)(D)); 2) requires *nondiscriminatory* access to network elements (251(c)(3)) and 3) *prohibits discriminatory* resale conditions (251(c)(4)(B)).

Q. Are there requirements in the FCC Order related to the issue of volume discounts?

A. Yes. The FCC found that the term "nondiscriminatory", as used throughout section 251 of the Act, applies to the terms and conditions an incumbent LEC imposes on third parties as well as itself and that by providing interconnection to a competitor in a manner less efficient than an incumbent LEC provides itself, the incumbent LEC violates the duty to be "just" and "reasonable" under section 251(c)(2)(D) (paragraph 218). With respect to volume pricing, the FCC indicated that volume discounts should correspond to cost differences of selling in large volumes. Specifically, the FCC noted that in calculating the proper wholesale rate, incumbent LECs may prove that their avoided costs differ when selling in large volumes (paragraph 953).

Q. What is Sprint's position regarding volume discounts?

A. Sprint believes that volume discounts that are not based on cost differences of providing the service at the specified volume are not consistent with the cost-based principles contained in the Act and the FCC Order and are discriminatory and contrary to the public interest. Any volume discount in interconnection and resale prices must be cost-justified or prohibited.

Q. Why are non-cost based term and volume discounts discriminatory?

A. Such discounts advantage larger CLECs to the detriment of smaller CLECs. The term "nondiscriminatory" is used throughout Section 251 of the Act because Congress intended to create an environment where any reasonably efficient provider has the opportunity to compete. Non-cost based discounts discriminate in favor of only the largest providers that can take advantage of the discount, without regard to whether the party receiving the discount is actually the most efficient provider.

Q. Why are non-cost based volume discounts contrary to the public interest?

A. Discounts that are not proportionate to the amount of cost actually saved create an environment where size, rather than economic efficiency, becomes the key determinant of marketplace success. The outcome from the public's perspective is a diminishment in the number of choices available and the exclusion of potentially more-efficient providers from the market. For example, suppose a CLEC purchasing 100,000 individual loops receives a per loop price that is 50% less than two CLECs each purchasing 50,000 of the exact same 100,000 loops, the first CLEC has a sizable advantage over the other CLECs merely because of its size, not because it is any more efficient than the other CLECs. Whether the underlying provider sells the 100,000 loops to the first CLEC or to the other two CLECs separately there is little, if any, difference in the underlying provider's cost. Yet, although the first CLEC has not introduced any efficiencies, it has the opportunity to drive the smaller CLECs out of the market. Unless volume discounts are tied directly to actual cost differences, smaller, more efficient CLECs may be driven out of the market to the detriment of the public interest.

(B) Interim Number Portability

Q. What is Sprint's position regarding the pricing of interim number portability?

A. The term sheet Sprint has used in negotiations states "Sprint and the ILEC will establish reasonable cost recovery for RCF/DID. Existing retail call forwarding rates are not considered reasonable for this purpose. Sprint proposes that interim number portability be priced at TELRIC cost less a 55% discount which recognizes that interim number portability solutions degrade network performance to Sprint's customers. Should a lower interim number portability price be offered by ILEC to others or ordered by a regulatory body, Sprint may adopt the lower price."

Q. What is BellSouth's objection to these terms?

A. BellSouth has proposed a monthly charge of approximately $1.50 per ported telephone number. BellSouth's proposal is inconsistent with Sprint's request.

Q. Why should Sprint's position be adopted?

A. Sprint's proposal provides a reasonable, competitively-neutral approach to compensation for interim number portability. RCF and DID as interim number portability solutions are inferior to the permanent database solution being developed by the industry. Sprint's proposal of a 55% discount is based on the discount that the FCC required for inferior long distance access.[10] Sprint believes that this precedent provides a reasonable level of discount for the inferiority of interim number portability solutions.

The intent of the Act is to set up competitive markets. Competition will be at best slowed or ineffective if the ILEC is allowed to provide competitors with inferior interconnection solutions and then to also charge premium prices to these competitors. The inferior technical qualities would force competitors' services to be of lower quality than the ILECs' services. The premium prices would cause the competitors to incur costs that are equal to or greater than the ILECs' costs. This would limit the competitors' abilities to offer lower prices that would compensate customers for the lower service quality. Also, this discount is consistent with the Section 252(d)(1) of the Act which requires that prices be just, reasonable, cost-based, and nondiscriminatory. The discount is just, reasonable, and nondiscriminatory because it places the ILEC and the other carriers on comparable competitive footing.

(C) Application of Cost-Based Pricing - Miscellaneous

[10] FCC Access Charge Rules, 47 C.F.R. § 69.105.

Q. **Are there other items where compensation issues have been unresolved?**

A. Yes, the provision of CIP (CIC within the SS7 call set-up signaling protocol), fees related to engineering surveys for potential right-of-way use, and PIC administration change charges.

Q. **What is Sprint's position regarding compensation for CIP provision items?**

A. With respect to CIP, the term sheet states that "To the extent available in its network, the ILEC shall provide CIP (CIC within the SS7 call set-up signaling protocol). Sprint presumes there is no incremental recurring cost associated with this request and believes no charge is appropriate. If, after performing a TELRIC study, incremental costs are identified, Sprint will pay those costs for delivery of this information to Sprint. If chargeable, Sprint will likewise perform a cost study to identify this cost when it provides this information to ILEC and shall charge ILEC in a similar manner. At the option of Sprint, the ILEC must provide SS7 functionality via GR-394 SS7 format and/or GR-317 SS7 format."

Q. **What is BellSouth's position?**

A. BellSouth has indicated that a charge of $0.28 per trunk per month has been approved in its Interstate tariff.

Q. Why should Sprint's position be adopted?

A. Sprint believes that it has presented a reasonable approach to compensation for CIP provision. To the extent that there are incremental recurring costs, they have not been demonstrated. Sprint believes that if incremental recurring costs can be identified, a reasonable price standard is the TELRIC-based pricing methodology. To the extent that tariffed prices exist, they have not been developed under this methodology.

Q. What is Sprint's position regarding compensation for engineering surveys?

A. With respect to fees for engineering surveys, the term sheet states that "Fees related to engineering surveys for potential right-of-way use shall be based on TELRIC plus a reasonable allocation of joint and common costs and be consistent with the provisions of the Act.

Q. What is BellSouth's position.

A. BellSouth's position is that any expense incurred by occupancy of Sprint shall be borne by Sprint. No reference is made as to how the cost is developed.

Q. Why should Sprint's position be adopted?

A. Sprint believes that the TELRIC-based pricing methodology is a reasonable means of compensation for these engineering survey costs because it represents the economic cost of providing this activity. Without this standard BellSouth may impose charges not reflective of the underlying cost of these activities to the detriment of Sprint.

Q. What is Sprint's position regarding compensation for PIC administration?

A. With respect to PIC administration change charges, the term sheet states that "Any PIC administration change charge must be at TELRIC plus a reasonable allocation of forward-looking joint and common costs."

Q. What is BellSouth's position.

A. BellSouth agrees in principle but does not want a reference to TELRIC.

Q. Why should Sprint's position be adopted?

A. PIC administration changes are a necessary input to Sprint's business and Sprint is entirely dependent upon the ILEC as switch provider for this activity. Application of the

TELRIC-based pricing methodology is a reasonable approach in establishing these charges and is completely consistent with the methodology applied to interconnection and unbundled network elements.

Q. **Does this conclude your testimony?**

A. Yes it does.

EXHIBIT 1

Sprint.

Jim Burt
Director - Local Market Development

8140 Ward Parkway
Kansas City, MO 64114
M/S: MOKCMP0209
TEL: (913) 624-6057
FAX: (913) 624-5901

August 13, 1996

Ms. Carol Jarman
BellSouth
Suite 440
Two Chase Corporate Drive
Birmingham, AL 35244

Dear Carol:

In an effort to further facilitate a negotiated agreement between Sprint and BellSouth under Section 251 of the Telecommunications Act of 1996, Sprint is requesting that BellSouth provide its proposed rates and the accompanying rate design for the following unbundled network elements as set forth and defined in the FCC's First Report and Order in CC Docket No. 96-98/95-85 (Released August 8, 1996) ("First Report and Order"):

- Local Loop
- Network Interface Device
- Switching Capability
    - Local Switching
    - Tandem Switching
- Interoffice Transmission Facilities
- Signaling Networks and Call-Related Databases
- Operations Support Systems
- Operator Services and Directory Assistance

In addition to providing the rates and rate design for the above categories of unbundled network elements, Sprint is requesting that BellSouth also provide the underlying cost methodology as well as a demonstration that BellSouth has met the requirements of the newly adopted Subpart F of Part 51 of Title 47 of the Code of Federal Regulations (C.F.R.). Please include a thorough explanation of how common costs are directly attributed to the affected unbundled network elements, as well as an explanation of the cost of capital utilized along with the authority for use of that particular cost.

Sprint is also requesting that BellSouth provide its proposed rates and the accompanying rate structure for the transport and termination of local telecommunications traffic, as set forth in the First Report and Order. In providing its proposed rates and rate design for reciprocal compensation, Sprint is requesting that BellSouth again provide the underlying cost methodology (including common cost and cost of capital documentation) as well as documentation demonstrating that BellSouth has met the requirements set forth in the First Report and Order.

Finally, Sprint is requesting that BellSouth provide its avoided retail costs as set forth in Subpart G, Section 51.609, in what ever level of disaggregation it deems appropriate. In providing its proposed avoided retail costs and accompanying rate design, Sprint is requesting that BellSouth again provide sufficient documentation to demonstrate that BellSouth has met the avoided retail costing requirements set forth by the FCC in this regard.

Sprint is requesting that BellSouth provide this information no later than close of business August 20, 1996. Sprint believes that BellSouth's submission of this critical costing and rate information in the context of its current negotiations with Sprint is the most efficient way to determine the extent of agreement between our two companies at this critical stage of negotiations.

Sincerely,

Jim Burt

Jim Burt

PC: Jerry Hendrix, BellSouth

Copy - Dave Stahly

Date: August 16, 1996

To: Jim Burt

From: Jerry Hendrix

RE: Sprint's August 13, 1996 Requests

Attached are responses to the following requests:

- Please provide proposed rates and the accompanying rate design for the following unbundled network elements as set forth and defined in the FCC's First Report and Order in CC Docket No. 96-98/95-85 (Released August 8, 1996) ("First Report and Order"):

  - Local Loop
  - Network Interface Device
  - Switching Capability
    1. Local Switching
    2. Tandem Switching
  - Interoffice Transmission Facilities
  - Signaling Networks and Call-Related Databases
  - Operations Support Systems
  - Operator Services and Directory Assistance

- Please provide proposed rates and the accompanying rate structure for the transport and termination of local telecommunications traffic, as set forth in the First Report and Order.

I am not clear on your request for Network Interface Device (NID) proposed rates and/or rate designs. Please clarify what it is you are looking for.

As for Operations Support Systems we do not have proposed rates and/or rate designs. We will need to discuss this further as we continue with the SME calls.

Jim, we are continuing to address your other requests and will target to meet the August 20 date.

Attachments

cc: Carol Jarman
Mary Jo Peed

ATTACHMENT A

EXAMPLE OF "5% CAP"

Case 1:

BellSouth terminates 10,000 min. to ALEC X	ALEC X bills BellSouth for 10,000 min.
ALEC X terminates 15,000 min. to BellSouth	BellSouth bills ALEC X for 10,500 min. (10,000 + 5%)

Case 2:

BellSouth terminates 15,000 min. to ALEC X	ALEC X bills BellSouth for 10,500 min. (10,000 + 5%)
ALEC X terminates 10,000 min. to BellSouth	BellSouth bills ALEC X for 10,000 min.

Case 3:

BellSouth terminates zero min. to ALEC X	ALEC X bills BellSouth zero
ALEC X terminates 10,000 min. to BellSouth	BellSouth bills ALEC X zero

Case 4:

BellSouth terminates 10,000 min. to ALEC X	ALEC X bills BellSouth zero
ALEC X terminates zero min. to BellSouth	BellSouth bills ALEC X zero

Case 5:

BellSouth terminates 10,000 min. to ALEC X	ALEC X bills BellSouth for 10,000 min.
ALEC X terminates 10,200 min. to BellSouth	BellSouth bills ALEC X for 10,200 min. (difference is less than cap)

Case 6:

BellSouth terminates 10,200 min. to ALEC X	ALEC X bills BellSouth for 10,200 min. (difference is less than cap)
ALEC X terminates 10,000 min. to BellSouth	BellSouth bills ALEC X for 10,000 min.

<u>Case 7:</u>

BellSouth and ALEC X both terminate 10,000 min. to each other	ALEC X and BellSouth both bill each other 10,000 min.

Attachment B-1

Local Interconnection Service

Service: Local Interconnection*

Description: Provides for the use of BellSouth Switching and transport facilities and common subscriber plant for connecting calls between an ALEC's Point of Interface (POI) and a BellSouth end user.

It can also be used to connect calls between an ALEC and an Interexchange Carrier (IC), and Independant Exchange Telephone Company (ICO), or a Mobile Service Service Provider (MSP), or between two ALECs.

It is furnished on a per-trunk basis. Trunks are differentiated by traffic type and directionality. There are two major traffic types: (1) Local and (2) Intermediary. Local represents traffic from the ALEC's POI to a BellSouth tandem or end office and Intermediary represents traffic originated or terminated by an ALEC which is interconnected with an IC, ICO, MSP or another ALEC.

Rates and charges will be applied as indicated below.

State(s):	Alabama						Florida					
RATE ELEMENTS	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per
DS1 Local Channel	--	--	$133.81	LC	$866.97	LC - First	--	--	$133.81	LC	$866.97	LC - First
					$486.83	LC - Add'l					$486.83	LC - Add'l
DS1 Dedicated Transport	--	--	$23.50	per mile	--	--			$16.75	per mile	--	--
			$90.00	fac.term.	$100.49	fac. term.	--	--	$59.75	fac.term.	$100.49	fac. term.
DS1 Common Transport	$0.00004	per mile	--	--	--	--	$0.00004	per mile	--	--	--	--
	$0.00036	fac. term.	--	--	--	--	$0.00036	fac. term.	--	--	--	--
Local Switching LS2 (FGD)	$0.00756	access mou	--	--	--	--	$0.00876	access mou	--	--	--	--
Tandem Switching	$0.00074	access mou	--	--	--	--	$0.00050	access mou	--	--	--	--
Information Surcharge	$0.03218	100 mou	--	--	--	--	--		--	--	--	--
Tandem Intermediary Charge**	$0.002	access mou	--	--	--	--	$0.002	access mou	--	--	--	--
Composite Rate-DS1 Dedicated	$0.00978						$0.01028					
Composite Rate-DS1 Tandem Sw.	$0.00991						$0.01056					

State(s):	Georgia						Kentucky					
RATE ELEMENTS	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per
DS1 Local Channel	--	--	$133.81	LC	$866.97	LC - First	--	--	$133.81	LC	$866.97	LC - First
			--	--	$486.83	LC - Add'l			--	--	$486.83	LC - Add'l
DS1 Dedicated Transport	--	--	$23.50	per mile	--	--	--	--	$23.50	per mile	--	--
			$90.00	fac.term.	$100.49	fac. term.	--	--	$90.00	fac.term.	$100.49	fac. term.
DS1 Common Transport	$0.00004	per mile	--	--	--	--	$0.00004	per mile	--	--	--	--
	$0.00036	fac. term.	--	--	--	--	$0.00036	fac. term.	--	--	--	--
Local Switching LS2 (FGD)	$0.00787	access mou	--	--	--	--	$0.00756	access mou	--	--	--	--
Tandem Switching	$0.00074	access mou	--	--	--	--	$0.00074	access mou	--	--	--	--
Information Surcharge	--	--	--	--	--	--	$0.03218	Prem/100 mou	--	--	--	--
							$0.01448	Trans/100 mou				
Tandem Intermediary Charge**	$0.002	access mou	--	--	--	--	$0.002	access mou	--	--	--	--
Composite Rate-DS1 Dedicated	$0.00978						$0.00978					
Composite Rate-DS1 Tandem Sw.	$0.00991						$0.00991					

*Rates are displayed at the DS1-1.544 Mbps. level. For rates and charges applicable to other arrangement levels, refer to Section E6 of BellSouth Telecommunication's, Inc.'s Intrastate Access Tariff

**The Tandem Intermediary Charge applies only to Intermediary Traffic.

-DS1 Local Channel: denotes a DS1 dedicated transport facility between the ALEC's serving wire center and the ALEC's POI, also called an Entrance Facility. This element will apply when associated with services ordered by an ALEC which utilizes a BellSouth facilities. This element is not required when an ALEC is collocated.

-DS1 Dedicated Transport: provides transmission and facility termination. The facility termination applies for each DS1 interoffice Channel terminated. Can be used from the ALEC's serving wire center to the end users end office or from the ALEC's serving with center to the tandem.

-Common Transport: Composed of Common Transport facilities as determined by BellSouth and permits the transmission of calls terminated by BellSouth.

-Access Tandem Switching: provides function of switching traffic from or to the Access Tandem from or to the end office switch(es). The Access Tandem Switching charge is assessed on all terminating minutes of use switched at the access tandem.

-Compensation Credit (CAP): BellSouth and the ALECs will not be required to compensate each other for more than 105% of the total billed local interconnection minutes of use of the party with the lower total billed local interconnection minutes of use in the same month.

Service: Local Interconnection* (Cont'd)

State(s):	Louisiana						Mississippi					
RATE ELEMENTS	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per
DS1 Local Channel	–	–	$133.81	LC	$866.97	LC - First	–	–	$133.81	LC	$866.97	LC - First
					$486.83	LC - Add'l					$486.83	LC - Add'l
DS1 Dedicated Transport	–	–	$16.75	per mile	–	–			$23.50	per mile	–	–
			$59.75	fac.term.	$100.49	fac. term.	–	–	$90.00	fac.term.	$100.49	fac. term.
DS1 Common Transport	$0.00004	per mile	–	–	–	–	$0.00004	per mile	–	–	–	–
	$0.00036	fac. term.	–	–	–	–	$0.00036	fac. term.	–	–	–	–
Local Switching LS2 (FGD)	$0.00869	access mou	–	–	–	–	$0.00787	access mou	–	–	–	–
Tandem Switching	$0.00050	access mou	–	–	–	–	$0.00074	access mou	–	–	–	–
Information Surcharge	–	–	–	–	–	–	–	–	–	–	–	–
Tandem Intermediary Charge**	$0.002	access mou	–	–	–	–	$0.002	access mou	–	–	–	–
Composite Rate-DS1 Dedicated	$0.01021						$0.00978					
Composite Rate-DS1 Tandem Sw.	$0.01049						$0.00991					

State(s):	N.Carolina						S.Carolina					
RATE ELEMENTS	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per
DS1 Local Channel	–	–	$133.81	LC	$866.97	LC - First	–	–	$133.81	LC	$866.97	LC - First
					$486.83	LC - Add'l			–		$486.83	LC - Add'l
DS1 Dedicated Transport	–	–	$23.50	per mile	–		–	–	$23.50	per mile	–	–
			$90.00	fac.term.	$100.49	fac. term.			$90.00	fac.term.	$100.49	fac. term.
DS1 Common Transport	$0.00004	per mile	–	–	–	–	$0.00004	per mile	–	–	–	–
	$0.00036	fac. term.	–	–	–	–	$0.00036	fac. term.	–	–	–	–
Local Switching LS2 (FGD)	$0.01140	access mou	–	–	–	–	$0.01085	access mou	–	–	–	–
Tandem Switching	$0.00074	access mou	–	–	–	–	$0.00074	access mou	–	–	–	–
Information Surcharge	–	–	–	–	–	–	$0.03741	100 mou	–	–	–	–
Tandem Intermediary Charge**	$0.002	access mou	–	–	–		$0.002	access mou	–	–	–	
Composite Rate-DS1 Dedicated	$0.01331						$0.01323					
Composite Rate-DS1 Tandem Sw.	$0.01344						$0.01336					

State(s):	Tennessee					
RATE ELEMENTS	Per MOU	Applied Per	Monthly Recur.	Applied Per	Non-Recur.	Applied Per
DS1 Local Channel	–	–	$133.81	LC	$866.97	LC - First
					$486.83	LC - Add'l
DS1 Dedicated Transport	–	–	$23.50	per mile	–	
			$90.00	fac.term.	$100.49	fac. term.
DS1 Common Transport	$0.00004	per mile	–	–	–	–
	$0.00036	fac. term.	–	–	–	–
Local Switching LS2 (FGD)	$0.01750	access mou	–	–	–	–
Tandem Switching	$0.00074	access mou	–	–	–	–
Information Surcharge	–	–	–	–	–	–
Tandem Intermediary Charge**	$0.002	access mou	–	–	–	–
Composite Rate-DS1 Dedicated	$0.01941					
Composite Rate-DS1 Tandem Sw.	$0.01954					

*Rates are displayed at the DS1-1.544 Mbps. level. For rates and charges applicable to other arrangement levels, refer to Section E6 of BellSouth Telecommunication's, Inc.'s Intrastate Access Tariff

**The Tandem Intermediary Charge applies only to Intermediary Traffic.

-DS1 Local Channel: denotes a DS1 dedicated transport facility between the ALEC's serving wire center and the ALEC's POI, also called an Entrance Facility. This element will apply when associated with services ordered by an ALEC which utilizes a BellSouth facilities. This element is not required when an ALEC is collocated.

-DS1 Dedicated Transport: provides transmission and facility termination. The facility termination applies for each DS1 interoffice Channel terminated. Can be used from the ALEC's serving wire center to the end users end office or from the ALEC's serving with center to the tandem.

-Common Transport: Composed of Common Transport facilities as determined by BellSouth and permits the transmission of calls terminated by BellSouth.

-Access Tandem Switching: provides function of switching traffic from or to the Access Tandem from or to the end office switch(es). The Access Tandem Switching charge is assessed on all terminating minutes of use switched at the access tandem.

-Compensation Credit (CAP): BellSouth and the ALECs will not be required to compensate each other for more than 105% of the total billed local interconnection minutes of use of the party with the lower total billed local interconnection minutes of use in the same month.

Attachment B-2

Local Interconnection Service

Service: Toll Switched Access

Description: Provides the Switched Local Channel, Switched Transport, Access Tandem Switching, local end office switching and end user termination functions necessary to complete the transmission of ALEC intrastate and interstate calls from outside the BellSouth's basic local calling area.

Provided in the terminating direction only. Provides trunk side access to a BellSouth tandem/end office for the ALEC's use in terminating long distance communications from the ALEC to BellSouth end users.

Provided at BellSouth tandem/end office as trunk side terminating switching through the use of tandem/end office trunk equipment. The switch trunk equipment may be provided with wink start-pulsing signals and answer and disconnect supervisory signaling, or without signaling when out of band signaling is provided.

Provided with multifrequency address or out of band signaling. Ten digits of the called party number, as appropriate, will be provided by the ALEC's equipment to a BellSouth tandem/end office.

State(s): All

Rates, Terms and Conditions:

In all states, rates, terms and conditions will be applied as set forth in Section E6 of BellSouth Telecommunication's, Inc.'s Intrastate Access Service Tariffs and in Section 6 of the BellSouth Telecommunication's, Inc. Interstate Access Tariff, F.C.C. No. 1.

Attachment B-3

Local Interconnection Service

Service: Service Provider Number Portability-Remote

Description: Service Provider Number Portability (SPNP) is an interim service arrangement provided by BellSouth to ALECs whereby an end user, who switches subscription to local exchange service from BellSouth to an ALEC, is permitted to retain use of the existing BellSouth assigned telephone number provided that the end user remains at the same location.

SPNP-Remote is a telecommunications service whereby a call dialed to an SPNP-Remote equipped telephone number, assigned by BellSouth, is automatically forwarded to an ALEC assigned seven or ten digit telephone number within BellSouth's basic local calling area as defined in Section A3 of BellSouth's General Subscriber Service Tariff. The forwarded-to number is specified by the ALEC.

SPNP-Remote provides a single call path for the forwarding of no more than one simultaneous call to the ALEC specified forwarded-to number. Additional call paths for the forwarding of multiple simultaneous calls are available on a per path basis, and are in addition to the rate for SPNP-Remote service.

State(s):	Per Number Ported, Each Monthly Rate	Additional Capacity for Simultaneous Call Forwarding, per Additional Path Monthly Rate	Per Order, per end user location Nonrecurring Charge
Alabama	$1.50	$0.75	$25.00
Florida	$1.50 Business $1.25 Residence	$0.50 Business $0.50 Residence	$25.00 Business $25.00 Residence
Georgia	$1.75	$0.75	$25.00
Kentucky	$1.50	$0.75	$25.00
Louisiana	$1.50	$0.75	$25.00
Mississippi	$1.75	$0.75	$25.00
N.Carolina	$1.50	$0.75	$25.00
S.Carolina	$1.50	$0.75	$25.00
Tennessee	$1.75	$0.75	$25.00

Attachment B-4

Local Interconnection Service

Service: Service Provider Number Portability-Direct Inward Dialed (DID)*

Description: Service Provider Number Portability (SPNP) is an interim service arrangement provided by BellSouth to ALECs whereby an end user, who switches subscription to local exchange service from BellSouth to an ALEC is permitted to retain use of the existing BellSouth assigned telephone number provided that the end user remains at the same location.

SPNP-DID provides trunk side access to BellSouth end office switched for direct inward dialing to ALEC premises from the telecommunications network directly to lines associated with ALEC switching equipment.

SPNP-DID will be available on either a DSO, DS1 or DS3 basis.

SPNP-DID Trunk Termination will only be provided with SS7 Signaling at rates set forth in E6 of BellSouth Telecommunication's, Inc.'s Intrastate Access Tariffs.

Direct facilities are required from the BellSouth end office where a ported number resides to the ALEC end office serving the ALEC end user.

State(s):	Alabama				Florida			
RATE ELEMENTS	Monthly Recurring	Applied Per	Non-Recurring	Applied Per	Monthly Recurring	Applied Per	Non-Recurring	Applied Per
Per Number Ported - Business	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Number Ported - Residence	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Order	–	–	$25.00	end user	–	–	$25.00	end user
	–	–	–	location	–	–	–	location
SPNP-DID Trunk Termination	$13.00	trunk	$160.00	trunk-init.	$15.00	trunk	$170.00	trunk-init.
			$80.00	trunk-sub.			$86.00	trunk-sub.
DS1 Local Channel**	$133.81	LC	$866.97	LC - First	$133.81	LC	$866.97	LC - First
	–	–	$486.83	LC - Add'l	–	–	$486.83	LC - Add'l
DS1 Dedicated Transport**	$23.50	per mile	–	–	$16.75	per mile	–	–
	$90.00	fac. term.	$100.49	fac. term.	$59.75	fac. term.	$100.49	fac. term.

State(s):	Georgia				Kentucky			
RATE ELEMENTS	Monthly Recurring	Applied Per	Non-Recurring	Applied Per	Monthly Recurring	Applied Per	Non-Recurring	Applied Per
Per Number Ported - Business	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Number Ported - Residence	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Order	–	–	$25.00	end user	–	–	$25.00	end user
	–	–		location	–	–		location
SPNP-DID Trunk Termination	$14.00	trunk	$165.00	trunk-init.	$13.00	trunk	$150.00	trunk-init.
			$83.00	trunk-sub.			$80.00	trunk-sub.
DS1 Local Channel**	$133.81	LC	$866.97	LC - First	$133.81	LC	$866.97	LC - First
	–	–	$486.83	LC - Add'l	–	–	$486.83	LC - Add'l
DS1 Dedicated Transport**	$23.50	per mile	–	–	$23.50	per mile	–	–
	$90.00	fac. term.	$100.49	fac. term.	$90.00	fac. term.	$100.49	fac. term.

* Rates are displayed at the DS1-1.544 Mbps. level. For rates and charges applicable to other arrangement levels, refer to Section E6 of BellSouth's Intrastate Access Tariffs.

**May not be required if the ALEC is collocated at the ported number end office.

Attachment C-2

Unbundled Products and Services and New Services

Service: Access to Numbers

Description: For that period of time in which BellSouth serves as North American Numbering Plan administrator for the states in the BellSouth region, BellSouth will assist ALECs applying for NXX codes for their use in providing local exchange services.

State(s): All

Rates: No Charge

Attachment C-3

Unbundled Products and Services and New Services

Service: Access to 911 Service

Description: Provides a universal, easy-to-remember number which is recognized nationally as the appropriate number to call in an emergency.

Additionally, ALEC-1 must provide a minimum of two dedicated trunk groups originating from ALEC-1's serving wire center and terminating to the appropriate 911 tandem. These facilities, consisting of a Switched Local Channel from ALEC-1's point of interface to it's serving wire center and Switched Dedicated Transport to the 911 tandem, may be purchased from BellSouth at the Switched Dedicated Transport rates set forth in Section E6 of BellSouth Telecommunication's Inc.'s Intrastate Access Service Tariffs.

State(s): All

Rates: Will be billed to appropriate municipality.

Attachment C-4

Unbundled Products and Services and New Services

Service: 800 Database

Description: Provides for utilization of the BellSouth 800 Service Control Points for obtaining 800 Service routing information.

800 Database service is provided using a common nationwide 800 Database. The BellSouth network components utilized in the provision of this service are the Service Switching Point (SSP), the Common Channel Signaling Seven Network, the Signal Transfer Point (STP), and the Service Control Point (SCP). Additionally, the Service Management System functions nationally as the central point for the administration of all 800 numbers and downloads 800 number information to BellSouth's SCPs.

ALEC's with STPs will be able to connect directly to BellSouth local or regional STP for obtaining 800 database routing information from BellSouth's SCP and will not be required to order FGD or TSBSA Technical Option 3 Service. For this connection the ALECs may utilize Signaling System Seven Terminations interconnected in Birmingham, AL and Atlanta, GA with BellSouth's local or regional STP.

State(s): All

Rates, Terms and Conditions:

In all states, the 800 Database rates, terms and conditions will be applied as set forth in Sections E2, E5, E6 and E13 of BellSouth Telecommunication's, Inc.'s Intrastate Access Service Tariffs.

Attachment C-5

Unbundled Products and Services and New Services

Service: Line Information Database (LIDB)- Storage Agreement

Description: The LIDB Storage Agreement provides the terms and conditions for inclusion in BellSouth's LIDB of billing number information associated with BellSouth exchange lines used for Local Exchange Companies' resale of local exchange service or Service Provider Number Portability arrangements requested Local Exchange Companies' on behalf of the Local Exchange company's end user. BellSouth will store in it's database, the relevant billing number information and will provide responses to on-line, call-by-call queries to this information for purposes of Billed Number Screening, Calling Card Validation and Fraud Control.

Each time an ALECs data is used BellSouth will compensate that ALEC at a rate of 40% of BellSouth's LIDB Validation rate per query as displayed in Attachment C-6 following.

State(s): All

Rates: No Charge

LINE INFORMATION DATA BASE (LIDB)
STORAGE AGREEMENT
FOR RESOLD LOCAL EXCHANGE LINES OR
SERVICE PROVIDER NUMBER PORTABILITY ARRANGEMENTS

This agreement, effective as of ____________________, 1996, is entered into by and between BellSouth Telecommunications, Inc. ("BST"), a Georgia corporation, and ____, ("Local Exchange Company").

WHEREAS, in consideration of the mutual covenants, agreements and obligations set forth below, the parties hereby agree as follows:

I. SCOPE

This Agreement sets forth the terms and conditions for inclusion in BST's Line Information Data Base (LIDB) of billing number information associated with BST exchange lines used for Local Exchange Company's resale of local exchange service or Service Provider Number Portability (SPNP) arrangements requested by Local Exchange Company on behalf of Local Exchange Company's end user. BST will store in its data base the relevant billing number information, and BST will provide responses to on-line, call-by-call queries to this information for purposes specified below.

LIDB is accessed for:

- Billed Number Screening
- Calling Card Validation for Calling Cards issued by BellSouth
- Fraud Control

II. DEFINITIONS

2.01. Billing number - a number used by BST for the purpose of identifying an account liable for charges. This number may be a line or a special billing number.

2.02. Line number - a ten digit number assigned by BST that identifies a telephone line associated with a resold local exchange service, or with a SPNP arrangement.

2.03 Special billing number - a ten digit number that identifies a billing account established by BST in connection with a resold local exchange service or with a SPNP arrangement.

2.04. Calling Card number - a billing number plus PIN number assigned by BST.

2.05 PIN number - a four digit security code assigned by BST which is added to a billing number to compose a fourteen digit calling card number.

2.06. Toll billing exception indicator - associated with a billing number to indicate that it is considered invalid for billing of collect calls or third number calls or both, by the Local Exchange Company.

2.07. Billed Number Screening - refers to the activity of determining whether a toll billing exception indicator is present for a particular billing number.

2.08. Calling Card Validation - refers to the activity of determining whether a particular calling card number exists as stated or otherwise provided by a caller.

2.09. Billing number information - information about billing number or Calling Card number as assigned by BST and toll billing exception indicator provided to BST by the Local Exchange Company.

III. RESPONSIBILITIES OF PARTIES

3.01. BST will include billing number information associated with resold exchange lines or SPNP arrangements in its LIDB. The Local Exchange Company will request any toll billing exceptions via the Local Service Request (LSR) form used to order resold exchange lines, or the SPNP service request form used to order SPNP arrangements.

3.02. Under normal operating conditions, BST shall include the billing number information in its LIDB upon completion of the service order establishing either the resold local exchange service or the SPNP arrangement, provided that BST shall not be held responsible for any delay or failure in performance to the extent such delay or failure is caused by circumstances or conditions beyond BST's reasonable control. BST will store in its LIDB an unlimited volume of the working telephone numbers associated with either the resold local exchange lines or the SPNP arrangements. For resold local exchange lines or for SPNP arrangements, BST will issue line-based calling cards only in the name of Local Exchange Company. BST will not issue line-based calling cards in the name of Local Exchange Company's individual end users. In the event that Local Exchange Company wants to include calling card numbers assigned by the Local Exchange Company in the BST LIDB, a separate agreement is required.

3.03. BST will provide responses to on-line, call-by-call queries to the stored information for the specific purposes listed in the next paragraph.

3.04. BST is authorized to use the billing number information to perform the following functions for authorized users on an on-line basis:

(a) Validate a 14 digit Calling Card number where the first 10 digits are a line number or special billing number assigned by BST, and where the last four digits (PIN) are a security code assigned by BST.

(b) Determine whether the Local Exchange Company has identified the billing number as one which should not be billed for collect or third number calls, or both.

3.05. BST will provide seven days per week, 24-hours per day, fraud control and detection services. These services include, but are not limited to, such features as sorting Calling Card Fraud detection according to domestic or international calls in order to assist the pinpointing of possible theft or fraudulent use of Calling Card numbers; monitoring bill-to-third number and collect calls made to numbers in BST's LIDB, provided such information is included in the LIDB query, and establishing Account Specific Thresholds, at BST's sole discretion, when necessary. Local Exchange Company understands and agrees BST will administer all data stored in the LIDB, including the data provided by Local Exchange Company pursuant to this Agreement, in the same manner as BST's data for BST's end user customers. BST shall not be responsible to Local Exchange Company for any lost revenue which may result from BST's administration of the LIDB pursuant to its established practices and procedures as they exist and as they may be changed by BST in its sole discretion from time to time.

3.06. Local Exchange Company understands that BST currently has in effect numerous billing and collection agreements with various interexchange carriers and billing clearing houses. Local Exchange Company further understands that these billing and collection customers of BST query BST's LIDB to determine whether to accept various billing options from end users. Additionally, Local Exchange Company understands that presently BST has no method to differentiate between BST's own billing and line data in the LIDB and such data which it includes in the LIDB on Local Exchange Company's behalf pursuant to this Agreement. Therefore, until such time as BST can and does implement in its LIDB and its supporting systems the means to differentiate Local Exchange Company's data from BST's data and the parties to this Agreement execute appropriate amendments hereto, the following terms and conditions shall apply:

(a) The Local Exchange Company agrees that it will accept responsibility for telecommunications services billed by BST for its billing and collection customers for Local Exchange Customer's end user accounts which are resident in LIDB pursuant to this Agreement. Local Exchange Company authorizes BST to place such charges on Local Exchange Company's bill from BST and agrees that it shall pay all such charges. Charges for which Local Exchange Company hereby takes responsibility include, but are not limited to, collect and third number calls.

(b) Charges for such services shall appear on a separate BST bill page identified with the name of the entity for which BST is billing the charge.

(c) Local Exchange Company shall have the responsibility to render a billing statement to its end users for these charges, but Local Exchange Company's obligation to pay BST for the charges billed shall be independent of whether Local Exchange Company is able or not to collect from Local Exchange Company's end users.

(d) BST shall not become involved in any disputes between Local Exchange Company and the entities for which BST performs billing and collection. BellSouth will not issue adjustments for charges billed on behalf of an entity to Local Exchange Company. It shall be the responsibility of the Local Exchange Company and the other entity to negotiate and arrange for any appropriate adjustments.

IV. COMPLIANCE

Unless expressly authorized in writing by the Local Exchange Company, all billing number information provided pursuant to this Agreement shall be used for no purposes other than those set forth in this Agreement.

V. TERMS

This Agreement will be effective as of ______________________, 1996, and will continue in effect for one year, and thereafter may be continued until terminated by either party upon thirty (30) days written notice to the other party.

VI. FEES FOR SERVICE AND TAXES

6.01. The Local Exchange Company will not be charged a fee for storage services provided by BST to the Local Exchange Company, as described in Section I of this Agreement.

6.02. Sales, use and all other taxes (excluding taxes on BST's income) determine by BST or any taxing authority to be due to any federal, state or local taxing jurisdiction with respect to the provision of the service set forth herein will be paid by the Local Exchange Company. The Local Exchange Company shall have the right to have BST contest with the imposing jurisdiction, at the Local Exchange Company's expense, any such taxes that the Local Exchange Company deems are improperly levied.

VII. INDEMNIFICATION

To the extent not prohibited by law, each party will indemnify the other and hold the other harmless against any loss, cost, claim, injury, or liability relating to or arising out of negligence or willful misconduct by the indemnifying party or its agents or contractors in connection with the indemnifying party's provision of services, provided, however, that any indemnity for any loss, cost, claim, injury or liability arising out of or relating to errors or omissions in the provision of services under this Agreement shall be limited as otherwise specified in this Agreement. The indemnifying party under this Section agrees to defend any suit brought against the other party for any such loss, cost, claim, injury or liability. The indemnified party agrees to notify the other party promptly, in writing, of any written claims, lawsuits, or demands for which the other party is responsible under this Section and to cooperate in every reasonable way to facilitate defense or settlement of claims. The indemnifying party shall not be liable under this Section for settlement by the indemnified party of any claim, lawsuit, or demand unless the defense of the claim, lawsuit, or demand has been tendered to it in writing and the indemnifying party has unreasonably failed to assume such defense.

VIII. LIMITATION OF LIABILITY

Neither party shall be liable to the other party for any lost profits or revenues or for any indirect, incidental or consequential damages incurred by the other party arising from this Agreement or the services performed or not performed hereunder, regardless of the cause of such loss or damage.

IX. MISCELLANEOUS

9.01. It is understood and agreed to by the parties that BST may provide similar services to other companies.

9.02. All terms, conditions and operations under this Agreement shall be performed in accordance with, and subject to, all applicable local, state or federal legal and regulatory tariffs, rulings, and other requirements of the federal courts, the U. S. Department of Justice and state and federal regulatory agencies. Nothing in this Agreement shall be construed to cause either party to violate any such legal or regulatory requirement and either party's obligation to perform shall be subject to all such requirements.

9.03. The Local Exchange Company agrees to submit to BST all advertising, sales promotion, press releases, and other publicity matters relating to this Agreement wherein BST's corporate or trade names, logos, trademarks or service marks or those of BST's affiliated companies are mentioned or language from which the connection of said names or trademarks therewith may be inferred or implied; and the Local Exchange Company further agrees not to publish or use advertising, sales promotions, press releases, or publicity matters without BST's prior written approval.

9.04. This Agreement constitutes the entire agreement between the Local Exchange Company and BST which supersedes all prior agreements or contracts, oral or written representations, statements, negotiations, understandings, proposals and undertakings with respect to the subject matter hereof.

9.05. Except as expressly provided in this Agreement, if any part of this Agreement is held or construed to be invalid or unenforceable, the validity of any other Section of this Agreement shall remain in full force and effect to the extent permissible or appropriate in furtherance of the intent of this Agreement.

9.06. Neither party shall be held liable for any delay or failure in performance of any part of this Agreement for any cause beyond its control and without its fault or negligence, such as acts of God, acts of civil or military authority, government regulations, embargoes, epidemics, war, terrorist acts, riots, insurrections, fires, explosions, earthquakes, nuclear accidents, floods, strikes, power blackouts, volcanic action, other major environmental disturbances, unusually severe weather conditions, inability to secure products or services of other persons or transportation facilities, or acts or omissions of transportation common carriers.

9.07. This Agreement shall be deemed to be a contract made under the laws of the State of Georgia, and the construction, interpretation and performance of this Agreement and all transactions hereunder shall be governed by the domestic law of such State.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their fully authorized officers.

BELLSOUTH TELECOMMUNICATIONS, INC.

By: ______________________
Title: ______________________
Date: ______________________
Address: ______________________
____
____

THE LOCAL EXCHANGE COMPANY

By: ______________________
Title: ______________________
Date: ______________________
Address: ______________________
____
____

Attachment C-6

Unbundled Products and Services and New Services

Service: Line Information Database Access Service (LIDB) - Validation

Description: Provides a customer the ability to receive validation of billing information through query of data stored in BellSouth's LIDB data base. See below for additional information.

State(s): All

Rate Elements	Description	Monthly	Non-Recurring
LIDB Common Transport	Provides for transport of the customer's query from the LIDB Location (RSTP) to the data base (SCP). This charge will apply each time the customer requests and receives validation of a BellSouth calling card or requests and receives the status of a billed number associated with a LEC line stored in the BellSouth LIDB.	$0.00030	--
LIDB Validation	Provides for query of data resident in BellSouth's LIDB. This rate will apply each time a customer requests and receives validation of LEC calling card or requests and receives the status of a billed number associated with a LEC line stored in BellSouth's LIDB. As set forth in Attachment C-5 (LIDB Storage Agreement), preceding, each time an ALEC data is used, BellSouth will compensate that ALEC at a rate of 40% of BellSouth's LIDB Validation rate per query.	$0.03800	--
Originating Point Code Establishment or Change	Provides for the establishment or change of a customer requested Originating Point Code. This charge will apply each time the customer establishes or changes a point code destination identifying one of his locations or a location of one of his end users.	--	$91.00
CCS7 Signaling Connections	Rates, terms and conditions for CCS7 Signaling Connections are as set forth in Section E6.8 of BellSouth Telecommunication's Inc.'s Intrastate Access Services Tariff.		

Attachment C-7

Unbundled Products and Services and New Services

Service: Signaling

Description: Provides for connection to and utilization of BellSouth's Signaling System 7 network for both call setup and non-call setup purposes.

State(s): All

Rate Elements	Monthly Rate	Recurring Rate	Non-Recurring	Applied Per
CCS7 Signaling Connection - Provides a two-way digital 56 Kbps dedicated facility connecting a customer's signaling point of interface in a LATA to a BellSouth STP. Each customer's connection requires either a pair or a quad of signaling connections.	$155.00	–	$510.00	56 Kpbs facility
CCS7 Signaling Termination - Provides a customer dedicated point of interface at the BellSouth STP for each of the customer's SS7 connections.	$355.00	–	–	STP Port
CCS7 Signaling Usage* - Refers to the messages traversing the BellSouth signaling network for call set-up and non call set-up purposes.	– –	$0.000023 $0.000050	– –	Call Set Up Msg. TCAP Msg.
CCS7 Signaling Usage Surrogate*	$395.00	–	–	56 Kpbs facility

*Where signaling usage measurement and billing capability exists, CCS7 Signaling Usage will be billed on a per message basis. Where measurement capability does not exist, CCS7 Signaling Usage Surrogate will be billed on a per 56 Kbps facility basis.

May 29, 1996

Attachment C-8

Unbundled Products and Services and New Services

Service: Operator Call Processing Access Service

Description: Provides Operator and Automated call handling. This includes processing and verification of alternate billing information for collect, calling card, and billing to a third number. Operator Call Processing Access Service also provides customized call branding; dialing instructions; and other operator assistance the customer may desire.

Rate Elements	State(s)	Monthly Recurring	Applied Per
Operator Provided Call Handling	All	$1.17	Per Work Minute
Call Completion Access Termination Charge	Alabama	$0.06	Per Call Attempt
This charge will be applicable per call attempt	Florida	$0.06	Per Call Attempt
and is in addition to the Operator Provided	Georgia	$0.06	Per Call Attempt
Call Handling charge listed above.	Kentucky	$0.06	Per Call Attempt
	Louisiana	$0.06	Per Call Attempt
	Mississippi	$0.06	Per Call Attempt
	N.Carolina	$0.08	Per Call Attempt
	S.Carolina	$0.08	Per Call Attempt
	Tennessee	$0.12	Per Call Attempt
Fully Automated Call Handling	All	$0.15	Per Attempt
Operator Services Transport			
Operator Services transport rates, terms and conditions are as set forth in E6 of BellSouth Telecommunication's, Inc.'s Intrastate Access Service Tariff.			

Attachment C-9

Unbundled Products and Services and New Services

Service: Directory Assistance Access Service (Number Services)

Description: See below

Rate Elements	Description	State(s)	Monthly Rate
Directory Assistance Call Completion Access Service	Optional service provided to an Access subscriber of BellSouth's DA Access Service. Given a listed telephone number at the request of an Access subscriber's end user, BellSouth will provide or attempt to provide from the DA Operator System, call completion to the number requested. All local and intralata call completion attempts are routed over an intertoll trunk facility directly to the terminating end office that serves the designated number. An Automatic Message Account (AMA) record that includes conversation time, originating, terminating, and billing number details is made for each call completion attempt. This record is in addition to the record made for the DA transaction.	All	$0.25 (per call attempt)
Call Completion Access Termination Charge	This charge will be applicable per call attempt and is in addition to the DACC Access Service charge listed above.	Alabama Florida Georgia Kentucky Louisiana Mississippi N.Carolina S.Carolina Tennessee	$0.06 $0.06 $0.06 $0.06 $0.06 $0.06 $0.06 $0.06 $0.12
Number Services Intercept Access Service	Number Services Intercept Access refers calls from disconnected numbers to the proper number or numbers. A separate dedicated intercept trunk facility to the Number Services switch for intercept calls is required. Standard trunk signaling is used to send the intercepted number to the Number Services switch and a database hook-up is performed to retrieve the referral number. The referral number is provided to the calling party by a mechanized audio announcement. The subscribing Access customer must provide the updates to the intercept database to support the service.	All	$0.30 (per intercept query)
Directory Assistance Service Call	Rates, terms and conditions will be applied as set forth in E9.1.7 for Georgia and as set forth in E9.5.3 for AL,FL,KY,LA,MS,NC,SC,TN of BellSouth Telecommunication's Inc.'s Intrastate Access Service Tariff.		
Directory Transport	Rates, terms and conditions will be applied as set forth in E9.1.7 for Georgia and as set forth in E9.5.3 for AL,FL,KY,LA,MS,NC,SC,TN of BellSouth Telecommunication's Inc.'s Intrastate Access Service Tariff.		
Directory Assistance Interconnection	Rates, terms and conditions will be applied as set forth in E9.1.7 for Georgia and as set forth in E9.5.3 for AL,FL,KY,LA,MS,NC,SC,TN of BellSouth Telecommunication's Inc.'s Intrastate Access Service Tariff.		
Directory Assistance Database Service	Rates, terms and conditions will be applied as set forth in A38.1 of BellSouth Telecommunication's Inc.'s General Subscriber Service Tariff.		
Direct Access to DA Service	Rates, terms and conditions will be applied as set forth in Section 9.3 of BellSouth Telecommunication's, Inc.'s Interstate Access Service Tariff F.C.C. No.1.		

Attachment C-10

Unbundled Products and Services and New Services

Service: Busy Line Verification and Emergency Interrupt

Description: BellSouth will provide Inward Operator Service for Busy Line Verification and Verification and Emergency Interrupt.

State(s): All

Rates, Terms and Conditions: In all states, rates, terms and conditions will be applied as set forth in Section E18 of BellSouth Telecommunication's, Inc.'s Intrastate Access Service Tariff.

Attachment C-11

Unbundled Products and Services and New Services

Service: Centralized Message Distribution System - Hosting (CMDS-Hosting)

Description: CMDS-Hosting is the Bellcore administered national system used to exchange Exchange Message Record (EMR) formatted message data among host companies.

All intraLATA and local messages originated and billed in the BellSouth Region involving BellSouth CMDS hosted companies will be processed through the Non-Send Paid Report System described in Attachment C-12 following.

State(s): All

Rate Elements	Description	Monthly
Message Distribution	Message Distribution is routing determination and subsequent delivery of message data from one company to another. Also included is the interface function with CMDS, where appropriate. This charge is applied on a per message basis.	$0.004
Data Transmission	This charge is applied on a per message basis.	$0.001

Attachment C-12

Unbundled Products and Services and New Services

Service: Non-Sent Paid Report System (NSPRS)

Description: NSPRS includes: 1) a mechanized report system that provides to the BellSouth CMDS hosted companies within the BellSouth Region information regarding Non-Sent Paid message and revenue occurring on calls originated and and billed within the BellSouth region; 2) distribution of Bellcore produced Credit Card and Third Number System (CATS) reports and administration of associated elements; 3) distribution of Bellcore produced non-conterminous CATS reports and administration of associated settlements.

State(s): All

Rate Elements	Billing and Collections Fee Retained by Billing Co.	Applied Per
NSPRS - intrastate FL and NC	$0.066	message
NSPRS - intrastate all other BellSouth states	$0.05	message
NSPRS - CATS	$0.05	message
NSPRS - non-conterminous	$0.16	message

Attachment D

Contract Provisions for RAO Hosting and NSPRS

SECTION 1. SCOPE OF AGREEMENT

1.01 This Agreement shall apply to the services of Revenue Accounting Office (RAO) Hosting and the Non-Sent Paid Report System (NSPRS) as provided by BellSouth to the ALEC. The terms and conditions for the provisions of these services are outlined in the Exhibits to this Agreement.

SECTION 2. DEFINITIONS

2.01 A. Centralized Message Distribution System is the BellCore administered national system, based in Kansas City, Missouri, used to exchange Exchange Message Record (EMR) formatted data among host companies.

B. Compensation is the amount of money due from BellSouth to the ALEC or from the ALEC to BellSouth for services and/or facilities provided under this Agreement.

C. Exchange Message Record is the nationally administered standard format for the exchange of data among Exchange Carriers within the telecommunications industry.

D. Intercompany Settlements (ICS) is the revenue associated with charges billed by a company other than the company in whose service area such charges were incurred. ICS on a national level includes third number and credit card calls. ICS within the BellSouth region includes third number, credit card and collect calls.

E. Message Distribution is routing determination and subsequent delivery of message data from one company to another. Also included is the interface function with CMDS, where appropriate.

F. Non-Sent Paid Report System (NSPRS) is the system that calculates ICS amounts due from one company to another in the state of Florida.

G. Revenue Accounting Office (RAO) Status Company is a local exchange company/alternate local exchange company that has been assigned a unique RAO code. Message data exchanged among RAO status companies is grouped (i.e. packed) according to From/To/Bill RAO combinations.

SECTION 3. RESPONSIBILITIES OF THE PARTIES

3.01 RAO Hosting and NSPRS services provided to the ALEC by BellSouth will be in accordance with the methods and practices regularly adopted and applied by BellSouth to its own operations during the term of this Agreement, including such revisions as may be made from time to time by BellSouth.

3.02 The ALEC shall furnish all relevant information required by BellSouth for the provision of RAO Hosting and NSPRS.

SECTION 4. COMPENSATION ARRANGEMENTS

4.01 Applicable compensation amounts will be billed by BellSouth to the ALEC on a monthly basis in arrears. Amounts due from one party to the other (excluding adjustments) are payable within thirty (30) days of receipt of the billing statement.

SECTION 5. ASSOCIATED EXHIBITS

5.01 Listed below are the exhibits associated with this Agreement.

Exhibit A Message Distribution Service (RAO Hosting)

Exhibit B Intercompany Settlements (NSPRS)

5.02 From time to time by written agreement of the parties, new Exhibits may be substituted for the attached Exhibits, superseding and canceling the Exhibits then in effect.

SECTION 6. TERM OF AGREEMENT

6.01 This agreement is effective ____________ and will continue in force until terminated, with or without cause, by thirty (30) days prior notice in writing from either party to the other. This Agreement may be amended from time to time upon written agreement of the parties.

Executed this ______________ day of ____________________, 1996.

WITNESS:	THE ALEC
______________________	______________________ (title)
WITNESS:	BELLSOUTH TELECOMMUNICATIONS,INC
______________________	______________________ (title)

Exhibit A

SECTION 1. SCOPE OF EXHIBIT

1.01 This exhibit specifies the terms and conditions, including compensation, under which BellSouth shall provide message distribution service to the ALEC. As described herein, message distribution service includes the following:

1) Message Forwarding to Intraregion LEC/ALEC - function of receiving an ALEC message and forwarding the message to another LEC/ALEC in the BellSouth region.

2) Message Forwarding to CMDS - function of receiving an ALEC message and forwarding that message on to CMDS.

3) Message Forwarding from CMDS - function of receiving a message from CMDS and forwarding that message to the ALEC.

SECTION 2. RESPONSIBILITIES OF THE PARTIES

2.01 An ALEC that is CMDS hosted by BellSouth must have its own unique RAO code. Requests for establishment of RAO status where BellSouth is the selected CMDS interfacing host, require written notification from the ALEC to BellSouth at least six (6) weeks prior to the proposed effective date. The proposed effective date will be mutually agreed upon between the parties with consideration given to time necessary for the completion of required BellCore functions. BellSouth will request the assignment of an RAO code from its connecting contractor, currently BellCore, on behalf of the ALEC and will coordinate all associated conversion activities.

2.02 BellSouth will receive messages from the ALEC that are to be processed by BellSouth, another LEC/ALEC in the BellSouth region or a LEC outside the BellSouth region.

2.03 BellSouth will perform invoice sequence checking, standard EMR format editing, and balancing of message data with the EMR trailer record counts on all data received from the ALEC.

2.04 All data received from the ALEC that is to be processed or billed by another LEC/ALEC within the BellSouth region will be distributed to that LEC/ALEC in accordance with the agreement(s) which may be in effect between BellSouth and the involved LEC/ALEC.

2.05 All data received from the ALEC that is to be placed on the CMDS network for distribution outside the BellSouth region will be handled in accordance with the agreement(s) which may be in effect between BellSouth and its connecting contractor (currently BellCore).

2.06 BellSouth will receive messages from the CMDS network that are destined to be processed by the ALEC and will forward them to the ALEC on a daily basis.

2.07 Transmission of message data between BellSouth and the ALEC will be via electronic data transmission.

2.08 All messages and related data exchanged between BellSouth and the ALEC will be formatted in accordance with accepted industry standards for EMR formatted records and packed between appropriate EMR header and trailer records, also in accordance with accepted industry standards.

2.09 The ALEC will ensure that the recorded message detail necessary to recreate files provided to BellSouth will be maintained for back-up purposes for a period of three (3) calendar months beyond the related message dates.

2.10 Should it become necessary for the ALEC to send data to BellSouth more than sixty (60) days past the message date(s), that ALEC will notify BellSouth in advance of the transmission of the data. If there will be impacts outside the BellSouth region, BellSouth will work with its connecting contractor and the ALEC to notify all affected parties.

2.11 In the event that data to be exchanged between the two parties should become lost or destroyed, both parties will work together to determine the source of the problem. Once the cause of the problem has been jointly determined and the responsible party (BellSouth or the ALEC) identified and agreed to, the company responsible for creating the data (BellSouth or the ALEC) will make every effort to have the affected data restored and retransmitted. If the data cannot be retrieved, the responsible party will be liable to the other party for any resulting lost revenue. Lost revenue may be a combination of revenues that could not be billed to the end users and associated access revenues. Both parties will work together to estimate the revenue amount based upon historical data through a method mutually agreed upon. The resulting estimated revenue loss will be paid by the responsible party to the other party within three (3) calendar months of the date of problem resolution, or as mutually agreed upon by the parties.

2.12 Should an error be detected by the EMR format edits performed by BellSouth on data received from the ALEC, the entire pack containing the affected data will not be processed by BellSouth. BellSouth will notify the ALEC of the error condition. The ALEC will correct the error(s) and will resend the entire pack to BellSouth for processing. In the event that an out-of-sequence condition occurs on subsequent packs, the ALEC will resend these packs to BellSouth after the pack containing the error has been successfully reprocessed by BellSouth.

2.13 In association with message distribution service, BellSouth will provide the ALEC with associated intercompany settlements reports (national and regional) as appropriate.

2.14 In no case shall either party be liable to the other for any direct or consequential damages incurred as a result of the obligations set out in this agreement.

SECTION 3. COMPENSATION

3.01 For message distribution service provided by BellSouth for the ALEC, BellSouth shall receive the following as compensation:

Rate Per Message $0.004

3.02 For data transmission associated with message distribution service, BellSouth shall receive the following as compensation:

Rate Per Message $0.001

3.03 Data circuits (private line or dial-up) will be required between BellSouth and the ALEC for the purpose of data transmission. Where a dedicated line is required, the ALEC will be responsible for ordering the circuit, overseeing its installation and coordinating the installation with BellSouth. The ALEC will also be responsible for any charges associated with this line. Equipment required on the BellSouth end to attach the line to the mainframe computer and to transmit successfully ongoing will be negotiated on a case by case basis. Where a dial-up facility is required, dial circuits will be installed in the BellSouth data center by BellSouth and the associated charges assessed to the ALEC. Additionally, all message toll charges associated with the use of the dial circuit by the ALEC will be the responsibility of the ALEC. Associated equipment on the BellSouth end, including a modem, will be negotiated on a case by case basis between the parties.

3.04 All equipment, including modems and software, that is required on the ALEC end for the purpose of data transmission will be the responsibility of the ALEC.

SECTION 1. SCOPE OF EXHIBIT

1.01 This Exhibit specifies the terms and conditions, including compensation, under which BellSouth and the ALEC will compensate each other for Intercompany Settlements (ICS) messages.

SECTION 2. RESPONSIBILITIES OF THE PARTIES

2.01 BellSouth will remit to the ALEC the revenue, less a billing charge, for IntraLATA ICS messages, Local ICS messages, and charges for other services when related messages and/or services are provided by the ALEC and billed to:

1) a BellSouth customer,

2) another company within the BellSouth region (excluding Florida) associated with the exchange of message data with BellSouth (excluding CIID and 891 messages),

3) another company within the conterminous United States that utilizes CMDS directly or indirectly and settles with BellSouth directly or indirectly through the Credit Card and Third Number Settlement System (CATS) administered by BellCore,

4) another company utilizing the non-conterminous RAO codes associated with AT&T's Transport and Tracking Intercompany System settlements with BellSouth.

2.02 These other services include, but are not limited to:

1) Maritime Mobile Radiotelephone Services radio link charges as set forth in the FCC's Maritime Mobile Radiotelephone Services tariff.

2) Aviation Radiotelephone Service-radio link charges as set forth in the FCC's Aviation Radiotelephone Service tariff.

3) Public Land Mobile Radiotelephone Transient-Unit Non-Toll Service changes as approved by the authorized state regulatory commission (or municipal regulatory authority).

4) Non-Toll Service Charges billed to a calling card or to a third number as filed with and approved by the authorized state regulatory commission (or municipal regulatory authority).

5) Directory Assistance Call Charges to a calling card or to a third number as approved by the authorized regulatory commission.

2.03 The ALEC will bill, collect and remit to BellSouth the charges for intraLATA and/or local ICS messages and other services as described above where such messages and/or services are provided by:

1) BellSouth,

2) another company within the BellSouth region (excluding Florida) associated with the exchange of message data with BellSouth (excluding CIID and 891 messages).

3) another company within the conterminous United States that utilizes CMDS directly or indirectly and settles with BellSouth directly or indirectly through the Credit Card and Third Number Settlement System (CATS).

2.04 For ICS revenues involving the ALEC and other non-BellSouth LECs/ALECs within the state, BellSouth will provide the ALEC with monthly reports summarizing the ICS revenues for messages that originated with the ALEC and were billed by each of the other Florida LECs/ALECs and those messages that originated with each of the other Florida LECs/ALECs and were billed by the ALEC.

SECTION 3. COMPENSATION

3.01 The following compensation shall be retained by the billing company for the billing of ICS messages and services:

		Rate Per message
1)	Calls originated and billed in Florida or originated and billed in North Carolina	$0.0666
	Calls originated in any of the states within BellSouth region and billed in that same state	$0.05
2)	Calls originated in a state within BellSouth's region and billed in another state or originated in another state and billed in a state within BellSouth's region	$0.05
3)	Calls originated in a state within BellSouth's region and billed outside the conterminous United States	$0.16

Attachment C-13

Unbundled Products and Services and New Services

Service: Virtual Collocation

Description: Virtual Expanded Interconnection Service (VEIS) provides for location interconnection in collocator-provided/BellSouth leased fiber optic facilities to BellSouth's switched and special access services, and local interconnection facilities.

State(s): All

Rates, Terms and Conditions: In all states, the rates, terms and conditions will be applied as set forth in Section 20 of BellSouth Telecommunication's Inc.'s Interstate Access Service Tariff, F.C.C. No. 1.

Service: Physical Collocation

Description: Per FCC - (10/19/92 FCC Order, para 39)
Physical Collocation is whereby "the interconnection party pays for LEC central office space in which to locate the equipment necessary to terminate its transmission links, and has physical access to the LEC central office to install, maintain, and repair this equipment."

State(s): All

Rates, Terms and Conditions: To be negotiated

Attachment C-14

Unbundled Products and Services and New Services

Service: Poles, Ducts, Conduits and Rights of Way

State(s): All

Rates, terms and conditions: This service will be provided via a Standard License Agreement.

Attachment C-15

Unbundled Products and Services and New Services

Service: Unbundled Exchange Access Loop

Description: Provides the connection from the serving central office to a subscriber's premises. It is engineered to meet the same parameters as a residence or business exchange access line.

Information relative to multiplexing of the Unbundled Exchange Access Loop is described in Attachment C-16 following.

State(s):

Rate Elements	Alabama Monthly	Alabama Nonrecurring Charges First	Alabama Nonrecurring Charges Add'l	Florida Monthly	Florida Nonrecurring Charges First	Florida Nonrecurring Charges Add'l	Georgia Monthly	Georgia Nonrecurring Charges First	Georgia Nonrecurring Charges Add'l
Unbundled Exchange Access Loop	$25.00	$68.00	$24.00	$21.15	$71.00	$25.00	$25.00	$71.00	$25.00
Unbundled Exchange Access IOC									
- Fixed	$30.00	$97.00	N/A	$28.50	$87.00	N/A	$32.00	$105.00	N/A
- 1 - 8 Miles	$2.05	N/A	N/A	$1.65	N/A	N/A	$2.05	N/A	N/A
- 9 - 25 Miles	$2.00	N/A	N/A	$1.60	N/A	N/A	$2.00	N/A	N/A
- Over 25 Miles	$1.95	N/A	N/A	$1.55	N/A	N/A	$1.95	N/A	N/A

State(s):

Rate Elements	Kentucky Monthly	Kentucky Nonrecurring Charges First	Kentucky Nonrecurring Charges Add'l	Louisiana Monthly	Louisiana Nonrecurring Charges First	Louisiana Nonrecurring Charges Add'l	Mississippi Monthly	Mississippi Nonrecurring Charges First	Mississippi Nonrecurring Charges Add'l
Unbundled Exchange Access Loop	$25.00	$68.00	$24.00	$18.50	$73.00	$2[illegible].00	$25.00	$69.00	$24.00
Unbundled Exchange Access IOC									
- Fixed	$30.00	$93.00	N/A	$30.00	$100.00	N/A	$30.00	$96.00	
- 1 - 8 Miles	$2.05	N/A	N/A	$2.05	N/A	N/A	$2.05	N/A	N/A
- 9 - 25 Miles	$2.00	N/A	N/A	$2.00	N/A	N/A	$2.00	N/A	N/A
- Over 25 Miles	$1.95	N/A	N/A	$1.95	N/A	N/A	$1.95	N/A	N/A

State(s):

Rate Elements	N.Carolina Monthly	N.Carolina Nonrecurring Charges First	N.Carolina Nonrecurring Charges Add'l	S.Carolina Monthly	S.Carolina Nonrecurring Charges First	S.Carolina Nonrecurring Charges Add'l	Tennessee Monthly	Tennessee Nonrecurring Charges First	Tennessee Nonrecurring Charges Add'l
Unbundled Exchange Access Loop	$30.03	$70.00	$25.00	$25.00	$69.00	$23.00	$25.00	$69.00	$23.00
Unbundled Exchange Access IOC									
- Fixed	$11.85	$71.87	N/A	$50.00	$97.00	N/A	$30.00	$96.00	N/A
- 1 - 8 Miles	$2.15	N/A	N/A	$2.05	N/A	N/A	$2.05	N/A	N/A
- 9 - 25 Miles	$2.15	N/A	N/A	$2.00	N/A	N/A	$2.00	N/A	N/A
- Over 25 Miles	$2.15	N/A	N/A	$1.95	N/A	N/A	$1.95	N/A	N/A

Attachment C-16

Unbundled Products and Services and New Services

Service: Channelization System for Unbundled Exchange Access Loops

Description: This new rate element provides the multiplexing function for Unbundled Exchange Access Loops. It can convert up to 96 voice grade loops to DS1 level for connection with the ALEC's point of interface. The multiplexing can be done on a concentrated basis (delivers at 2 DS1 level to customer premise) or on a non-concentrated basis (delivers at 4 DS1 level to customer premise) at the option of the customer.

In addition to the following rates elements, 1.544 Mbps local channel and/or interoffice channel facilities may be required as set forth in E7 of BellSouth Telecommunication's, Inc.'s Intrastate Access Service Tariff for non-collocated ALECs.

State(s)	Alabama			Florida			Georgia		
Rate Elements	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l
Unbundled Loop Channelization System (DS1 to VG), Per System	$575.00	$525.00	N/A	$555.00	$490.00	N/A	$555.00	$490.00	N/A
Central Office Channel Interface (circuit specific plug-in equipment), 1 per circuit	$1.70	$8.00	$8.00	$1.70	$7.00	$7.00	$1.70	$7.00	$7.00

State(s)	Kentucky			Louisiana			Mississippi		
Rate Elements	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l
Unbundled Loop Channelization System (DS1 to VG), Per System	$540.00	$495.00	N/A	$530.00	$510.00	N/A	$560.00	$450.00	N/A
Central Office Channel Interface (circuit specific plug-in equipment), 1 per circuit	$1.60	$8.00	$8.00	$1.60	$8.00	$8.00	$1.70	$6.00	$6.00

State(s):	N.Carolina			S.Carolina			Tennessee		
Rate Elements	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l	Monthly Rate	Nonrecurring Charge First	Add'l
Unbundled Loop Channelization System (DS1 to VG), Per System	$545.00	$475.00	N/A	$520.00	$480.00	N/A	$530.00	$520.00	N/A
Central Office Channel Interface (circuit specific plug-in equipment), 1 per circuit	$1.65	$7.00	$7.00	$1.60	$6.00	$6.00	$1.60	$8.00	$8.00

Attachment C-17

Unbundled Products and Services and New Services

Service: Unbundled Exchange Ports

Description: An exchange port is the capability derived from the central office switch hardware and software required to permit end users to transmit or receive information over BellSouth's public switched network. It provides service enabling and network features and functionality such as translations, a telephone number, switching, announcements, supervision and touch-tone capability.

In addition, a BellSouth provided port with outgoing network access also provides access to other services such as operator services, long distance service, etc. It may also be combinded with other services available in BellSouth's Intrastate Access Service Tariffs as technically feasible.

When an Unbundled Port is connected to BellSouth provided collocated loops, cross-connection rate elements are required as set forth in Section 20 of BellSouth Telecommunications's, Inc.'s Interstate Access Tariff, FCC No.1.

Alabama Rate Elements	Rate	Per	Florida Rate Elements	Rate	Georgia Rate Elements	Rate
Monthly (1)			Monthly		Monthly	
Residence Port	$2.50		Residence Port	$2.00	Residence Port	$2.28
Business Port	$7.00		Business Port	$4.50	Business Port	$4.60
PBX Trunk Port (2,3,4)	$7.00		PBX Trunk Port	$7.50	PBX Trunk Port	$7.37
Rotary Service	$2.00		Rotary Service	$2.00	Rotary Service	$2.77
Primary Rate ISDN NAS (5,6)	$20.00					
Usage-Mileage Bands			Usage-(STS)		Usage-(STS)	
A (0 miles)	$0.02	Init.min.	- init. min.	$0.0275	-setup per call	$0.02
	$0.01	Add'l min.	- add'l min.	$0.0125	- per minute or	
B (1-10 miles)	$0.04	Init.min.			fraction thereof	$0.02
	$0.02	Add'l min.				
C (11-16 miles)	$0.06	Init.min.				
	$0.04	Add'l min.				
D (17-22 miles & existing LCA described in A3.6 greater than 22 mi.)	$0.10	Init.min.				
	$0.07	Add'l min.				
E (23-30 miles)	$0.10	Init.min.				
	$0.10	Add'l min.				
F (31-40 miles)	$0.10	Init.min.				
	$0.10	Add'l min.				
G (Special Band) (7)	$0.10	Init.min.				
	$0.10	Add'l min.				

NOTES:

(1) Nonrecurring Charges, as displayed in Table I on Page 3, and Usage Charges, as displayed on this page, apply in addition to monthly rates.
(2) Applies per outgoing, incoming or 2-way trunk port.
(3) DID requires rates and charges as indicated in Table II on Page 3 in addition to the PBX Trunk Port rates.
(4) IOD requires rates and charges as indicated in Table III on Page 3 in addition to the PBX Trunk Port rates.
(5) Applies per outgoing, incoming or 2-way voice grade equivalent.
(6) Primary rate ISDN requires a primary rate interface in addition to the primary rate ISDN NASes. Additional charges also apply per Primary Rate B-Channel, Call-by-Call Integrated Service Access Service Selection and Incoming Call Identification. See Table IV on Page 3 for rates and charges.
(7) In addition to the local calling described in A3 of BellSouth's General Subscriber Service Tariff, if any wire center in an exchange is located within 40 miles of any wire center in the originating exchange, local calling will be provided from the entire originating exchange to the entire terminating exchange. The usage charges for Band G are applicable for distances greater than 40 miles.

Attachment C-17

Unbundled Products and Services and New Services

Service: Unbundled Exchange Ports (Cont'd)

Kentucky

Rate Elements	Rate	Per
Monthly		
Residence Port	$3.50	
Business Port	$10.00	
PBX Trunk Port	$10.00	
Rotary Service	$3.50	
Usage-Mileage Bands		
A (0 miles)	$0.04	Init.Min.
	$0.02	Add'l min.
B (1-10 miles)	$0.04	Init.Min.
	$0.02	Add'l min.
C (Greater than 10 miles Limited LCA)	$0.06	Init.Min.
	$0.04	Add'l min.
D (1-10 miles beyond Limited LCA)	$0.04	Init.Min.
	$0.02	Add'l min.
E (11-16 miles beyond Limited LCA)	$0.06	Init.Min.
	$0.04	Add'l min.
F (17-22 miles beyond Limited LCA)	$0.09	Init.Min.
	$0.07	Add'l min.
G (23-30 miles beyond Limited LCA)	$0.09	Init.Min.
	$0.07	Add'l min.
H (31-40 miles beyond Limited LCA)	$0.09	Init.Min.
	$0.07	Add'l min.
I (Greater than 40 miles beyond Limited LCA)	$0.09	Init.Min.
	$0.07	Add'l min.

Louisiana

Rate Elements	Rate	Per
Monthly		
Residence Port	$2.50	
Business Port	$7.00	
PBX Trunk Port	$7.00	
Rotary Service	$3.50	
Usage-Mileage Bands		
0 (0 miles)	$0.02	Init.Min.
	$0.01	Add'l min.
A (1-10 miles)	$0.04	Init.Min.
	$0.02	Add'l min.
B (11-16 miles)	$0.06	Init.Min.
	$0.04	Add'l min.
C (17-22 miles)	$0.10	Init.Min.
	$0.07	Add'l min.
D (23 - 30 miles Basic LCA and Intra Parish Expanded LCA)	$0.14	Init.Min.
	$0.10	Add'l min.
	~~$0.10~~	~~Add'l min.~~
E (Greater than 30 miles Basic LCA and Intra Parish Expanded LCA)	$0.14	Init.Min.
	$0.14	Init.Min. Add'l
F (23 - 30 miles Inter-Parish Expanded LCA)	$0.14	Init.Min.
	$0.10	Add'l min.
G (31 - 40 miles Inter-Parish Expanded LCA)	$0.14	Init.Min.
	$0.14	Add'l min.
H (Greater than 40 miles Inter-Parish)	$0.14	Init.Min.
	$0.14	Add'l min.

Mississippi

Rate Elements	Rates	Per
Monthly		
Residence Port	$3.75	
Business Port	$7.50	
PBX Trunk Port	$7.50	
Rotary Service	$3.75	
Usage - Mile Bands		
A (0 miles)	$0.02	Init.min.
	$0.01	Add'l min.
B (1-10 miles)	$0.04	Init.min.
	$0.02	Add'l min.
C (11-16 miles, existing LCA described in A3.6 greater than 16 miles, and calls to county seat greater than 16 miles)	$0.06	Init.min.
	$0.04	Add'l min.
D (17-30 miles)	$0.09	Init.min.
	$0.07	Add'l min.
E (31-55 miles Biloxi LATA)	$0.09	Init.min.
	$0.07	Add'l min.
F (31-55 miles Jackson LATA)	$0.12	Init.min.
	$0.10	Add'l min.
G (56-85 miles Biloxi LATA)	$0.16	Init.min.
	$0.14	Add'l min.

N.Carolina

Rate Elements	Rates
Monthly	
Residence Port	$2.00
Business Port	$6.00
PBX Trunk Port	$6.00
Rotary Service	$1.50
Usage - (STS)	
- Init.min.	$0.05
- Add'l min.	$0.02

S.Carolina

Rate Elements	Rates
Monthly	
Residence Port	$4.00
Business Port	$10.50
PBX Trunk Port	$10.50
Rotary Service	$3.00
Usage - (STS)	
- Basic Svc.Area	$0.02
- Expanded Svc.Area	$0.12

Tennessee

Rate Elements	Rates	Per
Monthly		
Residence Port	$4.00	
Business Port	$10.00	
PBX Trunk Port	$10.00	
Rotary Service	$8.50	
Usage - Mile Bands		
A (0-16 miles)	$0.02	mou
B (17-30 miles)	$0.05	mou
C >30 miles	$0.10	mou

Unbundled Products and Services and New Services

Service: Unbundled Exchange Ports (Cont'd)

State: Alabama

TABLE I - NONRECURRING CHARGES

Port Type	Rate First	Additional
Residence	$26.00	$11.00
Business	$48.00	$11.00
PBX Trunk	$48.00	$11.00
Primary Rate ISDN NAS	$48.00	$11.00

PORT ANCILIARY SERVICES

TABLE II - DID

Rate Element	Nonrecurring Charge	Monthly Rate
Per Group of 20 Numbers	$480.00	$3.00
Per Trunk Port	$50.00	$20.00
Per Trunk w/MF or DTMF	$0.00	$7.50

TABLE III - IOD

Rate Element	Nonrecurring Charge	Monthly Rate
Per First 10 Trunk Ports	$675.00	$350.00
Trunk Ports 11 thru 50, ea.	$68.00	$34.00
Ea. Trunk Port after 50th	$27.00	$8.10

TABLE IV - PRIMARY RATE ISDN

Rate Element	Nonrecurring Charge	Mo.-to-Mo.	Monthly Rates 24-48 Mos.	49-72 Mos.	73-96 Mos.
Primary Rate Interface, ea.	$325.00	$390.00	$290.00	$280.00	$270.00
Per B-Channel	$8.00	$7.00	$5.00	$5.00	$5.00
Cal-by-Call, per Facility Group	$93.00	$15.00	$10.00	$10.00	$10.00
ICI, per Incoming or 2-W Port, 1-8	$0.00	$25.00	$25.00	$25.00	$25.00
ICI, per Incoming or 2-W Port, 9-16	$0.00	$20.00	$20.00	$20.00	$20.00
ICI, per Incoming or 2-W Port, 16+	$0.00	$15.00	$15.00	$15.00	$15.00

Attachment C-18

Unbundled Products and Services and New Services

Service: Local Calling Area Boundary Guide

Description: Provided to ALECs to assist in deployment of numbers on their network to conform with BellSouth existing local calling area geographics.

State: All

Rate(s): No Charge

ATTACHMENT "D"

APPLICABLE DISCOUNTS

The telecommunications services available for purchase by ALEC-1 for the purposes of resale to ALEC-1 end users shall be available at the following discount off of the retail rate.

STATE	DISCOUNT RESIDENCE	BUSINESS
ALABAMA	10%	10%
FLORIDA	18%	12%
GEORGIA	11.6%	9.6%
KENTUCKY	10%	8%
LOUISIANA	11%	10%
MISSISSIPPI	9%	8%
NORTH CAROLINA	12%	9%
SOUTH CAROLINA	10%	9%
TENNESSEE	11%	9%

Discounts will not apply to: Unbundled port service; nonrecurring charges; federal or state subscriber line charges; inside wire maintenance plans; pass-through charges (e.g. N11 end user charges); and taxes

Attachment B-4

Local Interconnection Service

Service: Service Provider Number Portability-Direct Inward Dialed (DID)* (Cont'd)

State(s): Louisiana / Mississippi

RATE ELEMENTS	Louisiana Monthly Recurring	Applied Per	Non-Recurring	Applied Per	Mississippi Monthly Recurring	Applied Per	Non-Recurring	Applied Per
Per Number Ported - Business	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Number Ported - Residence	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Order	--	--	$25.00	end user	--	--	$25.00	end user
	--	--	--	location	--	--		location
SPNP-DID Trunk Termination	$13.00	trunk	$170.00	trunk-init.	$13.00	trunk	$150.00	trunk-init.
			$86.00	trunk-sub.			$80.00	trunk-sub.
DS1 Local Channel**	$133.81	LC	$866.97	LC - First	$133.81	LC	$866.97	LC - First
	--	--	$486.83	LC - Add'l	--	--	$486.83	LC - Add'l
DS1 Dedicated Transport**	$16.75	per mile	--	--	$23.50	per mile	--	--
	$59.75	fac. term.	$100.49	fac. term.	$90.00	fac. term.	$100.49	fac. term.

State(s): N.Carolina / S.Carolina

RATE ELEMENTS	N.Carolina Monthly Recurring	Applied Per	Non-Recurring	Applied Per	S.Carolina Monthly Recurring	Applied Per	Non-Recurring	Applied Per
Per Number Ported - Business	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Number Ported - Residence	$0.01	each	$1.00	each	$0.01	each	$1.00	each
Per Order	--	--	$25.00	end user	--	--	$25.00	end user
	--	--	--	location	--	--		location
SPNP-DID Trunk Termination	$13.00	trunk	$160.00	trunk-init.	$13.00	trunk	$164.00	trunk-init.
			$83.00	trunk-sub.			$81.00	trunk-sub.
DS1 Local Channel**	$133.81	LC	$866.97	LC - First	$133.81	LC	$866.97	LC - First
			$486.83	LC - Add'l			$486.83	LC - Add'l
DS1 Dedicated Transport**	$23.50	per mile	--	--	$23.50	per mile	--	--
	$90.00	fac. term.	$100.49	fac. term.	$90.00	fac. term.	$100.49	fac. term.

State(s): Tennessee

RATE ELEMENTS	Monthly Recurring	Applied Per	Non-Recurring	Applied Per
Per Number Ported - Business	$0.01	each	$1.00	each
Per Number Ported - Residence	$0.01	each	$1.00	each
Per Order	--	--	$25.00	end user
	--	--	--	location
SPNP-DID Trunk Termination	$13.00	trunk	$164.00	trunk-init.
			$83.00	trunk-sub.
DS1 Local Channel**	$133.81	LC	$866.97	LC - First
			$486.83	LC - Add'l
DS1 Dedicated Transport**	$23.50	per mile	--	--
	$90.00	fac. term.	$100.49	fac. term.

*Rates are displayed at the DS1-1.544 Mbps. level. For rates and charges applicable to other arrangement levels, refer to Section E6 of BellSouth Telecommunication's Inc.'s Intrastate Access Tariff.

**May not be required if the ALEC is collocated at the ported number end office.

Attachment C-1

Unbundled Products and Services and New Services

Service: Subscriber Listing Information

Description: Subscriber primary listing information provided at no charge and in an acceptable format will be published at no charge as standard directory listings in an alphabetical directory published by or for BellSouth at no charge to each ALEC end user customer.

State(s): All

Rates:
(1) No charge for ALEC-1 customer primary listings.
(2) Additional listings and optional listings may be provided by BellSouth at rates set forth in BellSouth's Intrastate General Subscriber Services Tariffs.

Draft 5/3/96

EXHIBIT ______

ALPHABETICAL DIRECTORY SIDE AGREEMENT

I. CARRIER agrees to provide to BellSouth Advertising & Publishing Corporation ("BAPCO"), through BST, at CARRIER's expense and at no charge, listing information concerning its subscribers (designating any who do not desire published listings), consisting of: customer, name, address, telephone number and all other information reasonably requested by BAPCO for BAPCO's use in publishing directories of whatever type and format and for other derivative purposes. Such information shall be provided on a schedule and in a format reasonably acceptable to BAPCO. CARRIER shall advise BAPCO promptly regarding any directory-related inquiries, requests or complaints which it shall receive from CARRIER's subscribers and shall provide reasonable cooperation to BAPCO in response to or resolution of the same. CARRIER shall respond promptly regarding corrections or queries raised by BAPCO and to process listing changes requested by subscribers.

II. BAPCO shall include one standard listing for each CARRIER subscriber per hunting group in BAPCO's appropriate local alphabetical directory as published periodically by BAPCO unless nonlisted or nonpublished status is designated by subscribers. BAPCO shall also include one standard listing for each CARRIER business subscriber per hunting group in an appropriate heading as selected by the subscriber in BAPCO's appropriate local classified directory as published periodically by BAPCO unless nonlisted or nonpublish status is designated by subscriber. Such listings shall be interfiled with the listings of other local exchange telephone company subscribers and otherwise published in the manner of such other listings according to BAPCO's generally applicable publishing policies and standards. BAPCO shall deliver such local alphabetical and classified directory to CARRIER's subscribers according to BAPCO's generally applicable policies and standards.

III. BAPCO shall maintain full authority over its publishing schedules, policies, standards, and practices and over the scope and publishing schedules of its directories.

IV. Each party agrees to defend, indemnify and hold harmless the other from all damages, claims, suits, losses or expenses, including without limitation costs and attorneys fees, to the extent of such party's relative fault, arising out of or resulting from any error, omission or act of such party hereunder. CARRIER agrees to limit its liability and that of BAPCO by contract with CARRIER's subscribers or by tariff to no more than the cost of service for any errors or omissions in any listings published hereunder for CARRIER subscribers. Each party shall notify in writing the other promptly of any claimed error or omission affecting this paragraph and of any claim or suit arising hereunder or relating to this Agreement and shall provide reasonable and timely cooperation in its resolution of the same. Without waiver of any rights hereunder, the indemnified party may at its expense undertake its own defense in any such claim or suit.

V. BAPCO's liability to CARRIER for any errors or omissions in directories or for any default otherwise arising hereunder shall be limited to One Dollar ($1) for any error or omission in any subscriber listing in any directory published by BAPCO.

VI. This Side Agreement shall be subject to the term and cancellation provisions of the agreement to which it is appended ("the Agreement"), except that BAPCO shall have the right to terminate this Side Agreement upon sixty days prior written notice given at any time following the initial term of the Agreement.

VII. A separate Agreement may be entered into between BAPCO and CARRIER concerning Yellow Pages, or classified directories, directory delivery, CallGuide pages, and other directory related issues.

BAPCO:

BY: ____________________

NAME: ____________________

TITLE: ____________________

DATE: ____________________

CARRIER:

BY: ____________________

NAME: ____________________

TITLE: ____________________

DATE: ____________________

DRAFT 5/20/96

AGREEMENT

In consideration of the mutual promises contained herein, BellSouth Advertising & Publishing Corporation, a Georgia corporation ("BAPCO") and ________________, a ________________ corporation ("CARRIER") agree as follows:

1. RECITALS. BAPCO is the publisher of alphabetical and classified directories for certain communities in the southeastern region of the U.S (the "Directories"). CARRIER provides, or intends to provide, local exchange telephone service in communities in which BAPCO publishes Directories. BAPCO and CARRIER hereby establish the terms by which BAPCO will include listings of CARRIER subscribers in such Directories and by which BAPCO will provide such Directories to CARRIER subscribers.

2. CARRIER OBLIGATIONS. CARRIER agrees as follows:

(a) CARRIER shall provide to BAPCO, or its designee, at CARRIER's expense and at no charge, listing information concerning its subscribers (designating any who do not desire published listings), consisting of customer name, address, telephone number and all other information reasonably requested by BAPCO as set forth on Exhibit A for BAPCO's use in publishing Directories of whatever type and format and for other derivative purposes. Such subscriber listing information shall be provided in the format and on the schedule set forth in said Exhibit, or as otherwise mutually agreed between the parties from time to time.

(b) CARRIER shall also provide directory delivery information to BAPCO as set forth in Exhibit A for all subscribers.

(c) CARRIER shall advise BAPCO promptly of any directory-related inquiries, requests or complaints which it may receive from CARRIER subscribers and shall provide reasonable cooperation to BAPCO in response to or resolution of the same.

(d) CARRIER shall respond promptly regarding corrections or queries raised by BAPCO to process listing changes requested by subscribers.

3. BAPCO OBLIGATIONS. BAPCO agrees as follows:

(a) BAPCO shall include one standard listing for each CARRIER subscriber per hunting group in BAPCO's appropriate local alphabetical Directory as published periodically by BAPCO unless nonlisted or nonpublished status is designated by subscribers. Such listings shall be interfiled with the listings of other local exchange telephone company subscribers and otherwise published in the manner of such other listings according to BAPCO's generally applicable publishing policies and standards.

(b) BAPCO shall publish additional listings, foreign listings and other alphabetical Directory listings of CARRIER subscribers upon their request consistent with BAPCO's generally applicable policies in BAPCO's alphabetical Directories at BAPCO's prevailing rates, terms and conditions.

(c) BAPCO will distribute its regularly published alphabetical and classified Directories to local CARRIER subscribers in accordance with BAPCO's prevailing practices, including delivery following Directory publication and upon establishment of new CARRIER service, if a current Directory for that geographic area has not previously been provided. Such deliveries may include separate advertising materials accompanying the Directories.

(d) BAPCO will include CARRIER information in the customer guide pages of its alphabetical Directories for communities where CARRIER provides local exchange telephone service at the time of publication in accordance with BAPCO's prevailing standards for the same. CARRIER will provide information requested by BAPCO for such purpose on a timely basis.

(e) BAPCO shall make available at no charge to CARRIER or its subscribers one listing for CARRIER business customers per hunting group in one appropriate heading in BAPCO's appropriate local classified directory as published periodically by BAPCO. Such listings shall be published according to BAPCO's generally applicable publishing policies and standards.

(f) BAPCO agrees to solicit, accept and publish directory advertising from business subscribers for CARRIER in communities for which BAPCO publishes classified Directories in the same manner and upon substantially the same terms as it solicits, accepts and publishes advertising from advertisers who are not CARRIER subscribers.

4. PUBLISHING POLICIES. BAPCO shall maintain full authority over its publishing schedules, policies, standards, and practices and over the scope and publishing schedules of its Directories.

5. LIABILITY AND INDEMNITY.

(a) BAPCO's liability to CARRIER for any errors or omissions in directories or for any default otherwise arising hereunder shall be limited to One Dollar ($1) for errors or omissions in any subscriber listing in any directory published by BAPCO.

(b) Each party agrees to defend, indemnify and hold harmless the other from all damages, claims, suits, losses or expenses, including without limitation costs and attorneys fees, to the extent of such party's relative fault, arising-out of or resulting from any error, omission or act of such party hereunder. CARRIER agrees to limit its liability and that of BAPCO by contract with CARRIER's subscribers or by tariff to no more than the cost of service for any errors or omissions in any listings published hereunder for CARRIER subscribers. Each party shall notify in writing the other promptly of any claimed error or omission affecting this paragraph and of any claim or suit arising hereunder or relating to this Agreement and shall provide reasonable and timely cooperation in its resolution of the same. Without waiver of any rights hereunder, the indemnified party may at its expense undertake its own defense in any such claim or suit.

6. TERM. This Agreement shall be effective on the date of the last signature hereto for a term of two (2) years and shall relate to Directories published by BAPCO during such period. Thereafter, it shall continue in effect unless terminated by either party upon sixty days prior written notice.

7. ASSIGNMENT. This Agreement shall be binding upon any successors or assigns of the parties during its Term.

8. RELATIONSHIP OF THE PARTIES. This Agreement does not create any joint venture, partnership or employment relationship between the parties or their employees, and the relationship between the parties shall be that of an independent contractor. There shall be no intended third party beneficiaries to this Agreement.

9. NONDISCLOSURE.

(a) During the term of this Agreement it may be necessary for the parties to provide each other with certain information ("Information") considered to be private or proprietary. The recipient shall protect such Information from distribution, disclosure or dissemination to anyone except its employees or contractors with a need to know such Information in conjunction herewith, except as otherwise authorized in writing. All such Information shall be in writing or other tangible form and clearly marked with a confidential or proprietary legend. Information conveyed orally shall be designated as proprietary or confidential at the time or such oral conveyance and shall be reduced to writing within forty-five (45) days.

(b) The parties will not have an obligation to protect any portion of Information which: (1) is made publicly available lawfully by a nonparty to this Agreement; (2) is lawfully obtained from any source other than the providing party; (3) is previously known without an obligation to keep it confidential; (4) is released by the providing party in writing; or (5) commencing two (2) years after the termination date of this Agreement if such Information is not a trade secret under applicable law.

(c) Each party will make copies of the Information only as necessary for its use under the terms hereof, and each such copy will be marked with the same proprietary notices as appear on the originals. Each party agrees to use the Information solely in support of this Agreement and for no other purpose.

10. FORCE MAJEURE. Neither party shall be responsible to the other for any delay or failure to perform hereunder to the extent caused by fire, flood, explosion, war, strike,

riot, embargo, governmental requirements, civic or military authority, act of God, or other similar cause beyond its reasonable control. Each party shall use best efforts to notify the other promptly of any such delay or failure and shall provide reasonable cooperation to ameliorate the effects thereof.

11. PUBLICITY. Neither party shall disclose the terms of this Agreement nor use the trade names or trademarks of the other without the prior express written consent of the other.

12. REPRESENTATIVES AND NOTICES.

(a) Each party shall name one or more representatives for contacts between the parties which shall be authorized to act on its behalf. Such representatives may be changed from time to time upon written notice to the other party.

(b) Notices required by law or under this Agreement shall be given in writing by hand delivery, certified or registered mail, or by facsimile followed by certified or registered mail, addressed to the named representatives of the parties with copies to:

If to BAPCO:

Director-LEC/BST Interface
BellSouth Advertising & Publishing Corporation
Room 270
59 Executive Park South
Atlanta, GA 30329

With Copy to:

Associate General Counsel
BellSouth Advertising & Publishing Corporation
Room 430
59 Executive Park South
Atlanta, GA 30329

If to CARRIER:

____

____

____

13. MISCELLANEOUS. This Agreement represents the entire Agreement between the parties with respect to the subject matter hereof and supersedes any previous oral or

written communications, representations, understandings, or agreements with respect thereto. It may be executed in counterparts, each of which shall be deemed an original. All prior and contemporaneous written or oral agreements, representations, warranties, statements, negotiations, and /or understandings by and between the parties, whether express or implied, are superseded, and there are no representations or warranties, either oral or written, express or implied, not herein contained. This Agreement shall be governed by the laws of the state of Georgia.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives in one or more counterparts, each of which shall constitute an original, on the dates set forth below.

BELLSOUTH ADVERTISING & PUBLISHING CORPORATION	CARRIER:
	______________________________
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

EXHIBIT A

- CARRIER Listing Information, Format, Schedule for Provision
- CARRIER Delivery Information, Format, Schedule for Provision

BellSouth

InterConnection Services Pricing
29th Floor SBC - Atlanta, GA 30375
Fax# (404) 529-7839

1996 *Summer Olympic Games*
Atlanta, Georgia

Page(s): 2 **(excluding cover)** **Date:** 8/22/96

To: Jim Burt **Tele#:**

Fax#:

From: Bernard Shell **Tele#:** 404-529-0586

Message: Jim,
These are responses to your cost requests. Pls. call if you have questions.
Bernard Shell

If any problems are incurred call: **Telephone#:**

Sprint Negotiations
Jim Burt 8/14/96 Data Requests
Cost Item #1

Request: Provide the underlying cost methodology as well as a demonstration that BellSouth has met the requirements of the newly adopted Subpart F of Part 51 of Title 47 of the Code of Federal Regulations (C.F.R.). Please include a thorough explanation of how common costs are directly attributed to the affected unbundled network elements, as well as an explanation of the cost of capital utilized along with the authority for use of that particular cost.

Response: BellSouth is in the process of reviewing the recent FCC order to determine what changes will be required in its costing methodology. Our current estimate is that new studies will be complete within 2 - 6 months, depending on the particular element.

Sprint Negotiations
Jim Burt 8/14/96 Data Requests
Cost Item #2

Request: Provide BellSouth's avoided retail costs as set forth in Subpart G, Section 51.609, in what ever level of disaggregation BellSouth deems appropriate. In provided its proposed avoided retail costs and accompanying rate design, Sprint is requesting that BellSouth again provide sufficient documentation to demonstrate that BellSouth has met the avoided retail costing requirements set forth by the FCC in this regard.

Response: See response to Cost Item #1.

	Corporate Exp Percentage of Total Op Expenses ARMIS Report 4302 (USOA) - Tier 1 Companies April 1996			General Support Plant Percentage of Total Plant ARMIS Report 4302 (USOA) - Tier 1 Companies July 1996		
	1995 Corporate Overhead Expenses	1995 Total Operating Expenses	%	1995 TPIS - General Support	1995 Telephone Plant In Service	%
Ameritech	878,030	7,598,375	11.56%	4,183,214	27,747,309	15.08%
Bell Atlantic	1,208,897	8,790,583	13.75%	5,203,866	32,016,519	16.25%
Bell South	1,525,850	10,171,221	15.00%	6,041,583	42,933,973	14.07%
NYNEX	1,832,481	9,657,611	18.97%	4,239,271	32,131,247	13.19%
Pacific	1,352,899	6,895,400	19.62%	4,836,198	25,455,945	19.00%
Southwestern	817,736	6,350,532	12.88%	4,246,849	27,683,349	15.34%
US West	1,105,602	7,367,372	15.01%	5,334,847	30,002,086	17.78%
Total RBOCs	8,721,495	56,831,094	15.35%	34,085,828	217,970,428	15.64%
GTE / Contel	1,651,765	8,980,302	18.39%	5,067,562	38,072,347	13.31%
Sprint Local	442,999	3,078,967	14.39%	1,209,569	11,020,915	10.98%
Cincinnati Bell	168,442	507,003	33.22%	246,453	1,500,228	16.43%
Rochester	28,701	203,219	14.12%	85,564	850,838	10.06%
SNET	256,833	1,212,935	21.17%	798,167	4,043,974	19.74%
GRAND TOTAL	11,270,235	70,813,520	15.92%	41,493,143	273,458,730	15.17%

EXHIBIT

ACTUAL COSTS DEPLOYED TO MAINTAIN AND SUPPPORT LOCAL EXCHANGE NETWORK ARE REASONABLE

SWBT - Missouri

1995

	SWBT	SWBT COST %
1		
Direct Facility Invest.		
2 COE	1,099,034,095	
3 C&WF	1,623,530,880	
4 IOT	75,039,189	
5 Operator Systems	10,938,195	
6 *TOTAL DIRECT FACILTY INVESTMENT*	2,808,542,359	
7 COE Reserves	414,319,730	
8 C&WF Reserves	691,113,305	
9 IOT Reserves	41,755,256	
10 Oper Sys Reserves	3,818,139	
11 COE Deferred Taxes	179,633,613	
12 C&WF Deferred Taxes	126,187,549	
13 IOT Deferred Taxes	9,255,719	
14 Oper Sys Deferred Taxes	1,708,367	
15 *TOTAL DIRECT FACILTY RESERVES*	1,467,791,976	
16 Net Investment	1,340,750,383	
17 Direct Return and Tax	218,646,869	20.59%
Direct Facility Exp.		
18 COE Maint.	51,501,660	
19 C&WF Maint.	100,644,772	
20 IOT Maint.	24,[illegible]7,783	
21 OS Maint.	[illegible]0,582	
22 COE Depreciation	96,[illegible]0,455	
23 C&WF Depreciation	81,[illegible]1,311	
24 IOT Depreciation	6,770,891	
25 OS Depreciation	776,697	
26 Network Operations	81,[illegible]414,395	
27 Property Tax	[illegible],609,139	
28 Total Direct Expense	[illegible]98,557,605	46.96%
29 Total Direct Cost	717,304,464	67.55%
Customer Service Related Expenses		
30 Customer Service Exp. (1)	58,728,954	
31 Operator Services (1)	24,698,115	
32 Total Customer Services Expenses	83,427,069	7.86%
Network and Service Support Investments		
33 Gen. Sup. Fac. Inv.	857,523,913	
34 Oth. Investment	56,278,361	
35 Gen. Sup.-Def. Taxes	100,090,798	
36 GSF Reserves	255,234,136	
37 Other Reserves	5,938,786	
38 Net Investment	552,538,555	
39 Support Investment Return and Tax	90,106,844	8.49%
Network and Service Support Expenses		
40 Depreciation (GSF)	50,842,095	
41 Amortization	4,785,315	
42 GSF Expenses	(17,567,984)	
43 Other	3,091,945	
44 Other Taxes	11,816,425	
45 Total Support Expenses	52,967,795	4.99%
Common Costs		
46 Marketing	23,279,585	
47 Corporate	94,745,819	
48 Total Common Costs	118,025,404	11.12%
49 Total Costs	1,061,831,577	100.00%

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing Prefiled Testimonies on behalf of Sprint Communications Company Limited Partnership via overnight express mail (Airborn) United States mail, first class postage paid and properly addressed to the following:

Nancy H. Sims
BellSouth Telecommunications
150 S. Monroe Street
Suite 400
Tallahassee, FL 32301

This 2nd day of October, 1996

Lorraine Kowalski

Lorraine Kowalski