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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by AT&T) DOCKET NO. 960833-TP
 Communications of the Southern) DOCKET NO. 960846-TP
 States, Inc., MCI) DOCKET NO. 960916-TP
 Telecommunications Corporation,)
 MCI Metro Access Transmission)
 Services, Inc., American)
 Communications Services, Inc.,)
 and American Communications)
 Services of Jacksonville, Inc.,)
 for arbitration of certain terms)
 and conditions of a proposed)
 agreement with BellSouth)
 Telecommunications, Inc.,)
 concerning interconnection and)
 resale under the)
 Telecommunications Act of 1996.)

EVENING SESSION

VOLUME 11

Pages 1548 through 1719

PROCEEDINGS:

HEARING

BEFORE:

CHAIRMAN SUSAN F. CLARK
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER DIANE K. KIESLING
 COMMISSIONER JOE GARCIA

DATE:

Thursday, October 10, 1996

TIME:

Commenced at 6:30 p.m.

PLACE:

Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY:

RAY D. CONVERY, Court Reporter
 (904) 224-0728

APPEARANCES:

(As heretofore noted.)

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ANTHONY B. PECORARO

Prefiled Direct Testimony Inserted Docket 960846	1551
Prefiled Rebuttal Testimony Inserted Docket 960833	1574

ROBERT C. SCHEYE

Direct Examination by Ms. White	1598
Prefiled Direct Testimony Inserted Docket 960833	1601
Prefiled Rebuttal Testimony Inserted Docket 960833	1679

EXHIBITS

NUMBER	ID	ADMITD.
45 ABP-1, ABP-2, ABP-3	1596	1597

1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume 10.)

3 CHAIRMAN CLARK: Let's call the hearing back to
4 order. I understand after the parties have had an
5 opportunity to talk that we can at least stipulate into
6 the record the direct and rebuttal testimony of Mr.
7 Pecoraro. Shall we go through the motions of doing that?8 MS. WHITE: Yes, ma'am. I'm sorry. I didn't
9 hear your last question.10 CHAIRMAN CLARK: Can we go through the motions
11 of putting Mr. Pecoraro's testimony in the record?12 MS. WHITE: Sure. BellSouth would move the --
13 give me a minute here.14 BellSouth would move the rebuttal testimony of
15 Anthony Pecoraro in the 960833, that's the AT&T docket,
16 which consists of 23 pages, the direct testimony of Mr.
17 Pecoraro in the 960846 docket, that is the MCI docket,
18 which consists of 23 pages, and the -- okay, and that's
19 it.

20 CHAIRMAN CLARK: That's all I have.

21 The prefiled direct testimony of Mr. Pecoraro in
22 960846 will be inserted in the record as though read, and
23 the prefiled rebuttal testimony will be inserted -- in
24 Docket 960833, will be inserted in the record as though
25 read.

1 **DIRECT TESTIMONY OF ANTHONY V. PECORARO**
2 **ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.**
3 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
4 **DOCKET NO. 960846-TP**
5 **SEPTEMBER 9, 1996**

6
7
8 Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

9
10 A. My name is Anthony V. Pecoraro. My address is 3100 Braddock Drive,
11 Raleigh, North Carolina 27612. I am a Partner Emeritus at Rendall and
12 Associates. I am a consultant to the telecommunications industry on
13 technical matters.

14
15 Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND
16 EXPERIENCE.

17
18 A. I have worked with telephone switching systems for over 30 years. I
19 was employed by Northern Telecom (Nortel) for 18 years. The most
20 recent assignment at Nortel was as Director of Advanced Switching
21 Systems for both DMS-10 and the DMS-100 family of products. In this
22 position I was responsible for assessing the market demand for
23 switching products in terms of capabilities and features and planning
24 the DMS evolution to meet the market needs.

25

1 Since 1985 I have consulted with telecommunications companies
2 regarding evolving technological changes in the industry, business and
3 technology issues resulting from regulatory change and business
4 strategies that involve both network design and commercial
5 implications.

6
7 I have presented papers at numerous industry conferences including
8 various state telephone association meetings, USTA conferences and
9 NARUC meetings. The general theme of these papers was either
10 networking technology or the impact of regulatory change. I have
11 published articles on network reliability and network evolution in
12 Telephony and Telephone Engineer and Management. In addition,
13 while at Nortel, I represented the Switching Group in the information
14 meetings for the Exchange Carriers Standards Association (ECSA) T1
15 committees which were established to develop consensus on industry
16 technical issues.

17

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY BEING FILED
19 TODAY?

20

21 A. My testimony provides an assessment of the technical feasibility of
22 using central office switching capabilities to provide for the selective
23 routing of 0-, 411 and 611 calls. More specifically I assess the viability
24 and effects of using Line Code Screening within the switch software
25 translations to allow the routing of 0-, 411 and 611 calls to different

1 places based solely on the identity of the Alternative Local Exchange
2 Company (ALEC) serving the particular subscriber line involved. I
3 should note that my testimony also supports the direct testimony filed in
4 this proceeding by Mr. Keith Milner of BellSouth Telecommunications,
5 Inc. ("BellSouth") regarding these same topics.

6

7 Q. IT HAS BEEN ASSERTED THAT THE USE OF A SWITCH
8 SOFTWARE FEATURE CALLED "LINE CLASS CODES" COULD BE
9 USED TO ALLOW CARRIER SPECIFIC ROUTING OR "SELECTIVE
10 ROUTING" FOR 0-, 411 AND 611 CALLS. DO YOU AGREE WITH
11 THESE ASSERTIONS?

12

13 A. No. My testimony will show that the Line Class Code capability is not
14 sufficient to allow for selective routing on any substantive basis. I will
15 further show that BellSouth has exercised prudent conservation of this
16 limited capability and that attempts to utilize Line Class Codes in the
17 manner suggested would significantly jeopardize call processing
18 reliability.

19

20 Before I explain the fallacies in these claims I would like to first discuss
21 the general architecture of a stored program control switching system
22 with special emphasis on the computer memory and translation areas.
23 This background should assist in understanding a very complicated
24 process with which MCI evidently wants this Commission to tamper.

25

1 Q. WHAT ARE THE MAIN COMPONENTS OF A TYPICAL STORED
2 PROGRAM CONTROLLED LOCAL SWITCHING SYSTEM THAT ARE
3 RELEVANT TO THE ISSUES BEING CONSIDERED HERE?

4

5 A. A local switching system such as the Lucent Technologies 5ESS,
6 Siemens EWSD or Nortel DMS-100 is basically a large computer. Like
7 all computers, including the personal computer that you may have on
8 your desk, a switching system consists of two primary parts: the
9 hardware and the software.

10

11 Q. PLEASE BRIEFLY DESCRIBE THE HARDWARE?

12

13 A. The switching system is composed of three major sub-systems. They
14 are:

- 15 ● The switching matrix
- 16 ● The computing complex
- 17 ● The peripheral complex

18

19 The switching matrix is the part of the switch which allows connections
20 to be made between different parts of the switch. This is the hardware
21 that, when properly connected, allows the completion of calls. The
22 computing complex controls the switching matrix and all other aspects
23 of the actual local switching functions. This is the equivalent of the
24 personal computer's "chip" or central processor. The peripheral
25 complex of the switching system is a large set of port circuits. These

1 ports are interface devices that connect the switching matrix to various
2 external and internal elements. In plain English, ports are the
3 doorways in and out of the switch. The external elements may be (1)
4 transmission facilities used to connect the switch to subscribers'
5 telephones or (2) trunk circuits which connect the switch to other
6 switching systems or operator platforms. The internal elements are
7 service circuits which provide various tones, announcements, and other
8 internal functions.

9

10 Q. WILL YOU DESCRIBE THE SOFTWARE COMPONENTS OF THE
11 TYPICAL SWITCH?

12

13 A. Yes. The software system represents the brain of the local switching
14 system. Just as a personal computer is useless without its software, a
15 switching system cannot function without software. There are two
16 primary categories of software. The first includes the operating
17 programs which contain all of the logic to perform all of the functions
18 which the local switching system must perform. For virtually all of the
19 switching systems of a particular type, i.e., DMS-100 local switches,
20 the operating programs are identical in most respects. I say these
21 programs are virtually identical because all of these switches perform
22 essentially identical logical steps.

23

24 The second category of software deals with translation information.
25 Each switch will have translations software, but the information the

1 software processes will be different. The translation software can be
2 thought of as a database, with predefined "tables" containing specific
3 kinds or types of information. For example, the information which
4 differentiates the switching system in Courtland Street in Atlanta from
5 the switching system in North Raleigh, is in the translation information.

6

7 Q. WHAT IS TRANSLATION INFORMATION?

8

9 A. To continue the personal computer example, the translation information
10 is analogous to the data you input representing your financial records,
11 your letters and documents. By comparison, the local switching
12 operating programs are analogous to the Disk Operating System
13 (DOS)®, Microsoft Windows® and Lotus 123® programs used on your
14 personal computer.

15

16 Q. WHAT TYPE OF INFORMATION IS INCLUDED AS TRANSLATION
17 INFORMATION?

18

19 A. Translation information includes all the information which identifies a
20 particular end user, his or her services, telephone number,
21 presubscriptions, billing arrangements and similar things. In addition,
22 every trunk circuit in a particular switching system must be recorded in
23 the translation information for that switching system. I should note that,
24 although the information within the tables has to be customized for the
25 specific geographic area served by each switch, the arrangement of the

1 tables and the structure of the translations software is rigidly defined to
2 work with the call processing software.

3

4 Q. WHAT ARE THE MAIN CONSIDERATIONS OF A SWITCH
5 MANUFACTURER IN DESIGNING THE TRANSLATION SYSTEM?

6

7 A. In designing the translation system for a switching system, most
8 manufacturers have two primary objectives. First, the translation
9 systems and its supporting subsystems are designed for flexibility. The
10 more flexible the translation system, the more useful it tends to be for
11 the operating telephone company. Secondly, the translation system is
12 designed for very rapid access by the operating programs during call
13 processing. The speed of access directly impacts the speed of
14 response to subscribers' input and the total capacity of the switching
15 system. The net result is that translation systems for all local switching
16 systems are extremely complex.

17

18 Q. DO ALL TELEPHONE COMPANIES FILL IN THE TRANSLATION
19 INFORMATION IN THE SAME WAY?

20

21 A. No. It may help to think of the translation software and information as
22 being analogous to the way an individual chooses to fill out a Microsoft
23 Excel or Lotus 123 spreadsheet. The form (the operating program) is
24 preset, but the column and row labels, and the data in the columns and
25 rows can be customized. Just as there are many ways of building a PC

1 spreadsheet to implement a particular accounting system, there are
2 many ways to enter data into a local switching system translation data
3 system to implement the same services and features for the same set
4 of subscribers. Each telephone company enters the data in its own
5 way in the manner which will optimize its own objectives.

6

7 Q. CAN YOU GIVE US A DESCRIPTION OF WHAT A TYPICAL SET OF
8 TRANSLATIONS TABLES MIGHT CONTAIN?

9

10 A. Certainly. One table that the switch will have will contain the office
11 parameter data. This table will identify the type of physical equipment
12 in the office and will establish the location of the equipment in the
13 switch. Other tables will contain information showing how trunks are
14 arranged in the office. Another table will have individual subscriber
15 data for subscribers taking service. You can see that the number of
16 tables can be quite extensive.

17

18 Q. HOW IS THIS INFORMATION USED DURING CALL PROCESSING?

19

20 A. You will recall that I mentioned that there were two types of software.
21 The first type, which I refer to as call processing software, receives the
22 digits the subscriber has dialed, and, on the basis of the office
23 parameter information and the data contained in the trunk and
24 subscriber tables, as well as any other relevant tables, completes the
25 call. Using the simplest example, if a call is placed from one subscriber

1 to another served by the same switch, the call processing software
2 receives the dialed digits, looks up the relevant information in the
3 translations tables and completes the call. If the called number is busy,
4 the call processing software then looks up an alternative destination for
5 the call, perhaps a busy signal. Remember that these switches are just
6 computers and the processing software simply looks at alternatives
7 until the call either reaches its destination or is otherwise handled. For
8 instance, if the subscriber who was called in the example above was on
9 his or her telephone when the second call came in, but had subscribed
10 to call forwarding of some type, the computer would learn this as it
11 searched the translation tables and would complete the call
12 accordingly.

13

14 I have made the example as simple as possible, but you have to
15 understand that, in fact, the process is very complicated. There is not a
16 single translation table that is used in processing the typical call, but
17 rather there may be a significant number of them. For instance, each
18 table has a specific function and therefore in order to complete a call,
19 the call completion software has to move from table to table, in
20 sequence. It may be helpful to think of the process as a "decision tree,"
21 with choices at one level dictating which path the call processing
22 follows to get to the next level.

23

24 Q. HOW DO THE TRANSLATION TABLES DIRECT THE CALL
25 PROCESSING SOFTWARE TO THE NEXT STEP OR CHOICE?

- 1 A. Without getting overly technical, it may help to use the Nortel DMS-100
2 as an example. The switch has internal translation tables, which
3 consist of vertical columns and horizontal rows. The intersection of the
4 columns and rows create fields or spaces where information can be
5 stored and subsequently located by the call processing software.
6 These fields may contain data expressed in the form of numeric or
7 alphanumeric strings of information, or they may simply point the way
8 to another designated table. By processing the information in the
9 designated fields, the call processing software works its way through
10 the switch and delivers the call to the appropriate place.
11
- 12 Q. CAN YOU EXPLAIN IN MORE DETAIL HOW A CALL WOULD BE
13 PROCESSED USING A SUBSCRIBER SERVED BY A DMS-100
14 SWITCH AS THE EXAMPLE?
15
- 16 A. Yes. When a subscriber picks up his telephone handset and dials a
17 number, the call processing begins in a table called Line Equipment
18 Number Lines (LENLINES). This table stores all the basic information
19 related to the subscriber line. This table associates the equipment
20 location or address for the subscriber with the subscriber's telephone
21 number, lists the features the subscriber has taken, such as call
22 waiting, and provides a pointer to another table called the Line Attribute
23 (LINEATTR) Table. In this latter table, each subscriber's line is
24 associated with a specific Class of Service (Line Class Code). For
25 instance, for the basic residential flat rated line there is a specific Line

1 Class Code which happens to be designated or identified as 1FR.

2 Other examples of Line Class Codes are:

- 3 ● Residential Enhanced Services (RES)
- 4 ● Dial Tone First Coin Service (CDF)
- 5 ● Zero Minus Denied Service (ZMD)

6

7 Q. PLEASE EXPLAIN HOW THESE LINE CLASS CODES ARE USED.

8

9 A. When a residential customer, who has a 1FR Line Class Code dials 0-,
10 the Line Attributes Table points to another table, the Position Table for
11 0- calls. This table in turn identifies a route to various operator
12 positions. For calls requiring a number pretranslation such as 411 or
13 611, the Line Attributes Table points the call to the appropriate
14 pretranslator table, and these tables then point the call to the
15 appropriate destination. Obviously a separate Line Class Code is not
16 needed for each subscriber for each function, but rather the same Line
17 Class Code can be used for multiple subscribers, sending each of them
18 (for the appropriate call) to the same destination.

19

20 Q. HOW MANY LINE CLASS CODES ARE THERE WHICH CAN BE
21 USED IN THE LINE ATTRIBUTES TABLE?

22

23 A. There are 256 different Line Class Codes in the Nortel DMS-100. Each
24 of the 256 codes can be associated with up to 20 additional variables.
25 These variables can be considered as pointers that send the call to

1 other tables. Each unique combination of a Line Class Code and these
2 other variables requires a separate entry in the Line Attributes Table.
3 While this would seem to allow practically a limitless number of
4 combinations, the DMS-100 Line Attributes Table will only allow a
5 maximum of 1024 entries. Therefore, for the purpose of the discussion
6 we are having, it would be accurate to think of there being 1024
7 different opportunities to use a Line Class Code-type function in the
8 DMS-100.

9

10 Q. IF THERE ARE 1024 POSSIBLE SELECTIVE ROUTING
11 POSSIBILITIES, IT SEEMS REASONABLE TO CONCLUDE THAT
12 THERE ARE PLENTY OF OPPORTUNITIES TO USE THESE CODES
13 TO ROUTE 0- TRAFFIC TO MCI. CAN YOU COMMENT ON THIS?

14

15 A. First, you must realize that the existing telephone system uses a
16 number of these Line Attributes, perhaps, let's say, as many as 300 of
17 the total of 1024 in a given DMS-100 switch. One could mistakenly
18 conclude, I suppose, that if MCI wanted to have all of its customers
19 sent to its operators when they dial 0-, that it would be a simple matter
20 of adding one new attribute, that is, utilizing one more of the 1024
21 opportunities, and that there would be plenty left. However, this is
22 simply not accurate. One would assume that MCI, who has gone to the
23 trouble of having its own operators available, would like all of its
24 customers, irrespective of the type of service that customer has, to be
25 able to reach the operators. Therefore, there would have to be a new

1 attribute created in the Line Attributes Table, for every class of
2 customer service that MCI chooses. To make this clear, there is
3 currently a Line Class Code for residential services and dialing 0-
4 sends the call to BellSouth's operators. To route 0- to MCI's operators,
5 the Line Attribute Table would have to use another of the 1024
6 opportunities, but with a different variable assigned to the 1FR Line
7 Class Code. The same would also be true for MCI's 1FB customers.
8 Of course, this would not only have to be done for every combination of
9 line features chosen, but also for every other ALEC which wanted to
10 provide this type of service. There is a finite number of these codes.
11 You could perhaps proceed on a first-come, first-served basis, but at
12 some point, the last fellow is going to come up short.

13

14 Q. WOULD THIS SITUATION ALSO ADVERSELY IMPACT THE
15 INTRODUCTION OF NEW SERVICES?

16

17 A. Absolutely. The easiest way to demonstrate this is to consider what
18 happens when a new service or feature is added to the network. Let's
19 use an optional calling plan. It is not simply a matter of adding one
20 additional attribute, to account for the new plan. That is, residential
21 customers might (or might not) want to use the new plan, and business
22 customers might (or might not) want the service as well. Customers
23 who presently have flat rate service might want the new service (or they
24 might not). As a result, when a new service is added like this, all of the
25 existing entries would have to be duplicated to offer these options.

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Q. ARE THERE OTHER PROBLEMS WITH THIS SELECTIVE ROUTING CAPABILITY BEYOND THAT WHICH YOU HAVE JUST DESCRIBED?

A. Yes. The DMS-100, for example, is configured such that there are only 16 possible routes (pointers to outgoing trunk groups) to operators for 0- calls. Moreover, there is only a single route available for 411 and a single route for 611 calls. Here again, even if the Line Class Code problem could be overcome, at some point all of these routes would be assigned and some ALECs could not be accommodated.

Q. WHAT DO YOU MEAN WHEN YOU SAY THAT THERE IS ONLY A SINGLE ROUTE FOR 411 AND A SINGLE ROUTE FOR 611 CALLS IN THE DMS-100 SWITCH?

A. In the DMS-100 switch 411 and 611 are "hard coded" in software, that is, they cannot be changed by the telephone company. Nortel has conducted a number of tests for the DMS-100 to determine if 411 could be code converted and properly routed to an MCI operator. None of these tests were successful.

Q. YOU HAVE BEEN DISCUSSING LINE CLASS CODES AND LINE ATTRIBUTE TABLES. IS THERE ANOTHER OPTION THAT COULD BE USED TO SELECTIVELY ROUTE CALLS?

1 A. Yes. It is possible to screen and route a call specifically on the Line
2 Class Code assigned in the LINEATTR Table. In this case an entirely
3 new Class of Service would be assigned to the MCI lines. The
4 LINEATTR Table can point these classes to Class Of Service
5 Screening sub-tables which can identify preferred trunk routes on the
6 basis of the Line Class Code. Each unique Line Class Code would
7 require a separate sub-table. The DMS-100 is limited to 256 of these
8 sub-tables which effectively sets the limit of 256 Line Class Codes in
9 the LINEATTR Table. Of course, that new Class of Service would
10 consume one of the 1024 fields in the Line Attribute Table but is also
11 subject to the additional limitation of a maximum of 256 classes of
12 service. Thus the option of creating new classes of service gets you
13 nowhere. In summary, there is simply not enough translation capability
14 to provide selective routing for the quantity of ALECs that would
15 request it.

16
17 Q. HOW MANY POTENTIAL ALECs MIGHT BE EXPECTED TO
18 DEMAND SELECTIVE ROUTING?

19
20 A. My expertise is in the area of switching system technology; however, I
21 would expect all the larger resellers (namely AT&T, Sprint, MCI,
22 Worldcom, BTI) to want to extend their existing operator systems,
23 respectively, to also handle the operator services for local calls.

24
25 Q. WHY DO YOU BELIEVE THAT?

1

2 A. MCI has already made its intent known by initiating these proceedings.
3 AT&T has made its intent known by initiating a similar proceeding with
4 this Commission. In addition, I spoke to representatives of the other
5 three companies. The view of those companies I discussed this issue
6 with is that if MCI gets the capability, they would want it too. This would
7 require the replication and exhaust of limited capabilities.

8

9 Q. PLEASE EXPLAIN HOW THIS REPLICATION LEADS TO
10 EXHAUSTION OF LIMITED CAPABILITIES.

11

12 A. If these five resellers wanted to provide their own operator services,
13 additional codes would have to be provided. I would expect these
14 companies to want to resell all or most of the same types of services
15 BellSouth offers. In this case, therefore, BellSouth would have to
16 provide 500% more Line Attribute codes.

17

18 Q. WOULD YOU EXPECT ANY OTHER DEMAND BEYOND THESE
19 FIVE COMPANIES?

20

21 A. Yes. Again, though my main expertise is in the area of switching
22 system technology, my experience in service development and
23 deployment lead me to believe that there will be other companies
24 wanting to provide operator services. Further, the additional
25 requirement for individualized branding for the smaller resellers (which

1 do not provide their own operator services) would increase the demand
2 on line class codes.

3

4 Q. IS BELLSOUTH USING REASONABLE CONSERVATION METHODS
5 IN ASSIGNING ITS TRANSLATION TABLES.

6

7 A. I believe they are. Since they have limited the possible combinations of
8 Line Class Codes and the other 20 variables in the same table to a few
9 hundred it would seem BellSouth has been efficient in its assignments.
10 In addition, I have discussed this with Nortel representatives who
11 indicate that many telephone companies are already approaching
12 exhaust of the LINEATTR table's capacity of 1024.

13

14 Q. COULD BELLSOUTH POSSIBLY REDUCE ITS LINEATTR ENTRIES
15 AND RECOVER THIS CAPACITY FOR OTHER ALECs?

16

17 A. No. Although some translation tables allow for reassignment or reuse of
18 entries the LINEATTR Table does not. Nortel documentation strongly
19 cautions against reclamation or reassignment within the LINEATTR
20 Table because of call processing reliability concerns. You will recall my
21 description of linking of translation areas as resembling a "decision
22 tree" where the decision at one level points to a different table or
23 function. Nortel strongly advises against removing, reassigning or
24 reusing entries in the LINEATTR Table in order to avoid a situation
25 where pointers are left in that do not point to anything and thus could

1 inadvertently cause major disruptions in call processing or even switch
2 "crashes".

3

4 Q. WHAT HAPPENS WHEN THESE CAPABILITIES ARE EXHAUSTED?

5

6 A. Two things occur. First, as I mentioned earlier, the ability of BellSouth
7 to offer new services such as optional calling plans is severely,
8 negatively impacted. Second, BellSouth would be unable to provide
9 selective routing for any other ALECs.

10

11 Q. ARE THERE ANY OTHER SERVICES OR CALL TYPES THAT
12 SHOULD BE CONSIDERED BESIDES 0-, 411, AND 611 FOR
13 SELECTIVE ROUTING THAT ARE LIKELY TO BE REQUIRED BY
14 RESELLERS?

15

16 A. Yes. I believe there is a whole class of incoming calls that could be
17 negatively affected by the exhaust of limited capabilities due to the
18 introduction of selective routing that should be considered in this
19 proceeding. Some examples would be routing of incoming calls to an
20 announcement when service has been disconnected, or to intercept
21 when a number has been changed.

22

23 Q. DID YOU DISCUSS SELECTIVE ROUTING WITH OTHERS AND DID
24 THEY HAVE A SOLUTION?

25

1 A. I discussed this with the other possible resellers, MCI, Sprint,
2 WorldCom and BTI. In addition I have seen Ameritech's submission to
3 the Illinois Commerce Commission and some correspondence from
4 Nortel and Lucent Technologies regarding this capability.

5

6 Q. DID THESE OTHER POSSIBLE RESELLERS IDENTIFY A POSSIBLE
7 SOLUTION?

8

9 A. No.

10

11 Q. DID THE AMERITECH SUBMISSION INDICATE THEY HAD A
12 SOLUTION?

13

14 A. No, on the contrary they indicated it was at present not feasible.

15

16 Q. DID NORTEL INDICATE THEY HAD A SOLUTION?

17

18 A. No. Nortel's letter said what they called Alternate Local Exchange
19 Routing Capability is not currently available and would require major
20 development effort of the DMS-100 system.

21

22 Q. DID LUCENT TECHNOLOGIES INDICATE THEY HAD A SOLUTION?

23

24 A. No. In a letter to BellSouth dated July 8, 1996, Lucent Technologies
25 said Alternate Local Exchange Routing Capability or Third PIC is not

1 currently available on the 5ESS switch. Lucent Technologies did not
2 provide any estimate of development effort but only said they were
3 investigating the resources, time frames and costs of developing this
4 feature.

5

6 Q. YOU HAVE EXTENSIVELY DISCUSSED THE CAPABILITIES OF THE
7 NORTEL DMS-100 IN TERMS OF ITS ABILITIES TO PROVIDE FOR
8 SELECTIVE ROUTING. WHAT OTHER SWITCH TYPES ARE USED
9 IN BELLSOUTH'S NETWORK?

10

11 A. I understand that BellSouth uses the following switch types in addition
12 to the DMS-100:

- 13 • Lucent Technologies 1AESS
- 14 • Lucent Technologies 2BESS
- 15 • Lucent Technologies 5ESS
- 16 • Nortel DMS-10
- 17 • Siemens Stromberg Carlson DCO
- 18 • Siemens EWSD

19

20 Q. DO THESE SWITCHES HAVE THE SAME CAPABILITIES
21 CONCERNING CAPACITIES OF LINE CLASS CODES?

22

23 A. No. Though all of these switch types have a capability analogous to
24 Line Class Codes or line types, the size of the capability varies

25

1 significantly. For example, the 2BESS has a capacity of only 256 while
2 the 5ESS has a capacity of 4,096.

3

4 Q. DOES THIS MEAN THAT SWITCHES WILL VARY IN THEIR ABILITY
5 TO ACCOMMODATE SELECTIVE ROUTING?

6

7 A. Yes. In fact, the FCC's First Report and Order in Docket No. 96-98
8 ("Order") comments at Paragraph 418 that "We recognize that the
9 ability of an incumbent LEC to provide customized routing to a
10 requesting carrier will depend on the capability of the particular switch
11 in question." Thus those switch types with smaller Line Class Code
12 capacities are more constrained in their ability to accommodate
13 selective routing or "customized routing" as described in the FCC's
14 Order.

15

16 Q. DOES THE FCC'S ORDER MENTION ANY PARTICULAR SWITCH
17 TYPE(S) IN ITS DISCUSSION OF SELECTIVE ROUTING?

18

19 A. Yes, at Paragraph 418, the Order states that "AT&T acknowledges
20 that, although the ability to establish customized routing in 1AESS
21 switches may be affected by "call load" in each office, only 9.8% of the
22 switches used by the seven RBOCs, GTE and SNET are 1AESS
23 switches."

24

25 Q. WHAT IS THE LINE CLASS CODE CAPACITY OF THE 1AESS?

1

2 A. The capacity is 1024, the same as for the Nortel DMS-100. Further,
3 the capacity of Line Class Codes is frequently less than for the 1AESS
4 in the cases for example of the Nortel DMS-10 (512), Stromberg
5 Carlson DCO (512). Even for those switch types with higher Line Class
6 Code capacities such as the Lucent 5ESS and Siemens EWSD, the
7 replication of Line Class Codes for additional ALECs will ultimately lead
8 to exhaust of the capability as is shown in Mr. Milner's direct testimony.

9

10 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

11

12 A. In my opinion, the selective routing of 0- calls can technically be
13 accomplished only with significant, severe limitations on the total
14 number of ALECs that could be accommodated, the service variations
15 these ALECs could offer and the ability of BellSouth to provide new
16 socially desirable services. Solutions for selective routing of 411 and
17 611 service code calls is not viable since the routing of these calls is
18 relatively fixed by the software design of the system.

19

20 Both Lucent Technologies, the manufacturer of the 5ESS system and
21 Nortel, the manufacturer of the DMS-100, assert the capability of
22 "Alternate Local Exchange Routing Capability" does not currently exist
23 within their respective systems.

24

25 In summary, the use of Line Code Screening techniques to

1 accommodate selective routing of 0-, 411, and 611 calls though
2 possible is not practical.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5

6 A. Yes.

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1 **REBUTTAL TESTIMONY OF ANTHONY V. PECORARO**
2 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

3 **DOCKET NO. 960833-TP**

4 **AUGUST 30, 1996**

5
6
7 **Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.**

8
9 **A. My name is Anthony V. Pecoraro. My address is 3100 Braddock Drive,**
10 **Raleigh, North Carolina 27612. I am a Partner Emeritus at Rendall and**
11 **Associates. I am a consultant to the telecommunications industry on**
12 **technical matters.**

13
14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**
15 **EXPERIENCE.**

16
17 **A. I have worked with telephone switching systems for over 30 years. I was**
18 **employed by Northern Telecom (Nortel) for 18 years. The most recent**
19 **assignment at Nortel was as Director of Advanced Switching Systems for**
20 **both DMS-10 and the DMS-100 family of products. In this position I was**
21 **responsible for assessing the market demand for switching products in**
22 **terms of capabilities and features and planning the DMS evolution to**
23 **meet the market needs.**

24
25 **Since 1985 I have consulted with telecommunications companies**

1 regarding evolving technological changes in the industry, business and
2 technology issues resulting from regulatory change and business
3 strategies that involve both network design and commercial implications.
4 I have presented papers at numerous industry conferences including
5 various state telephone association meetings, USTA conferences and
6 NARUC meetings. The general theme of these papers was either
7 networking technology or the impact of regulatory change. I have
8 published articles on network reliability and network evolution in
9 Telephony and Telephone Engineer and Management. In addition, while
10 at Nortel, I represented the Switching Group in the information meetings
11 for the Exchange Carriers Standards Association (ECSA) T1 committees
12 which were established to develop consensus on industry technical
13 issues.

14

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY BEING FILED
16 TODAY?

17

18 A. My testimony is filed in rebuttal to direct testimony filed in this proceeding
19 by Mr. James A. Tamplin, Jr. of AT&T. I make reference to Mr.
20 Tamplin's direct testimony beginning on Page 25, discussing the topics
21 of Local Switching, Operator Systems, Common Transport and
22 Dedicated Transport. Mr. Tamplin's discussion of these topics concludes
23 on Page 29 of his direct testimony. I should note that in rebutting Mr.
24 Tamplin's testimony, my testimony also supports the direct testimony
25 filed in this proceeding by Mr. Keith Milner of BellSouth regarding these

1 same topics.

2

3 My testimony provides an assessment of the feasibility of using central
4 office switching capabilities to provide for the selective routing of 0-, 411
5 and 611 calls. More specifically I assess the viability and effects of
6 using Line Code Screening within the switch software translations to
7 allow the routing of 0-, 411 and 611 calls to different places based solely
8 on the identity of the Alternative Local Exchange Company (ALEC)
9 serving the particular subscriber line involved.

10

11 Q. MR. TAMPLIN'S DIRECT TESTIMONY ASSERTS THAT THE USE OF A
12 SWITCH SOFTWARE FEATURE CALLED "LINE CLASS CODES"
13 COULD BE USED TO ALLOW CARRIER SPECIFIC ROUTING OR
14 "SELECTIVE ROUTING" FOR 0-, 411 AND 611 CALLS. DO YOU
15 AGREE WITH MR. TAMPLIN'S ASSERTIONS?

16

17 A. No. My testimony will show that the Line Class Code capability is not
18 sufficient to allow for selective routing on any substantive basis. I will
19 further show that BellSouth has exercised prudent conservation of this
20 limited capability and that attempts to utilize Line Class Codes in the
21 manner suggested by Mr. Tamplin would significantly jeopardize call
22 processing reliability.

23

24 Before I explain the fallacies in Mr. Tamplin's claims I would like to first
25 discuss the general architecture of a stored program control switching

1 system with special emphasis on the computer memory and translation
2 areas. This background should assist in understanding a very
3 complicated process with which Mr. Tamplin evidently wants this
4 Commission to tamper.

5

6 Q. WHAT ARE THE MAIN COMPONENTS OF A TYPICAL STORED
7 PROGRAM CONTROLLED LOCAL SWITCHING SYSTEM THAT ARE
8 RELEVANT TO THE ISSUES BEING CONSIDERED HERE?

9

10 A. A local switching system such as the Lucent Technologies 5ESS,
11 Siemens EWSD or Nortel DMS-100 is basically a large computer. Like
12 all computers, including the personal computer that you may have on
13 your desk, a switching system consists of two primary parts: the
14 hardware and the software.

15

16 Q. PLEASE BRIEFLY DESCRIBE THE HARDWARE?

17

18 A. The switching system is composed of three major sub-systems. They
19 are:

- 20 1. The switching matrix
- 21 2. The computing complex
- 22 3. The peripheral complex

23

24 The switching matrix is the part of the switch which allows connections to
25 be made between different parts of the switch. This is the hardware that,

1 when properly connected, allows the completion of calls. The computing
2 complex controls the switching matrix and all other aspects of the actual
3 local switching functions. This is the equivalent of the personal
4 computer's "chip" or central processor. The peripheral complex of the
5 switching system is a large set of port circuits. These ports are interface
6 devices that connect the switching matrix to various external and internal
7 elements. In plain English, ports are the doorways in and out of the
8 switch. The external elements may be (1) transmission facilities used to
9 connect the switch to subscribers' telephones or (2) trunk circuits which
10 connect the switch to other switching systems or operator platforms. The
11 internal elements are service circuits which provide various tones,
12 announcements, and other internal functions.

13

14 Q. WILL YOU DESCRIBE THE SOFTWARE COMPONENTS OF THE
15 TYPICAL SWITCH?

16

17 A. Yes. The software system represents the brain of the local switching
18 system. Just as a personal computer is useless without its software, a
19 switching system cannot function without software. There are two
20 primary categories of software. The first includes the operating programs
21 which contain all of the logic to perform all of the functions which the
22 local switching system must perform. For virtually all of the switching
23 systems of a particular type, i.e., DMS-100 local switches, the operating
24 programs are identical in most respects. I say these programs are
25 virtually identical because all of these switches perform essentially

1 identical logical steps.

2

3 The second category of software deals with translation information.

4 Each switch will have translations software, but the information the
5 software processes will be different. The translation software can be
6 thought of as a database, with predefined "tables" containing specific
7 kinds or types of information. For example, the information which
8 differentiates the switching system in Courtland Street in Atlanta from the
9 switching system in North Raleigh, is in the translation information.

10

11 Q. WHAT IS TRANSLATION INFORMATION?

12

13 A. To continue the personal computer example, the translation information
14 is analogous to the data you input representing your financial records,
15 your letters and documents. By comparison, the local switching
16 operating programs are analogous to the Disk Operating System
17 (DOS®), Microsoft Windows® and Lotus 123® programs used on your
18 personal computer.

19

20 Q. WHAT TYPE OF INFORMATION IS INCLUDED AS TRANSLATION
21 INFORMATION?

22

23 A. Translation information includes all the information which identifies a
24 particular end user, his or her services, telephone number,
25 presubscriptions, billing arrangements and similar things. In addition,

1 every trunk circuit in a particular switching system must be recorded in
2 the translation information for that switching system. I should note that,
3 although the information within the tables has to be customized for the
4 specific geographic area served by each switch, the arrangement of the
5 tables and the structure of the translations software is rigidly defined to
6 work with the call processing software.

7

8 Q. WHAT ARE THE MAIN CONSIDERATIONS OF A SWITCH
9 MANUFACTURER IN DESIGNING THE TRANSLATION SYSTEM?

10

11 A. In designing the translation system for a switching system, most
12 manufacturers have two primary objectives. First, the translation
13 systems and its supporting subsystems are designed for flexibility. The
14 more flexible the translation system, the more useful it tends to be for the
15 operating telephone company. Secondly, the translation system is
16 designed for very rapid access by the operating programs during call
17 processing. The speed of access directly impacts the speed of response
18 to subscribers' input and the total capacity of the switching system. The
19 net result is that translation systems for all local switching systems are
20 extremely complex.

21

22 Q. DO ALL TELEPHONE COMPANIES FILL IN THE TRANSLATION
23 INFORMATION IN THE SAME WAY?

24

25 A. No. It may help to think of the translation software and information as

1 being analogous to the way an individual chooses to fill out a Microsoft
2 Excel or Lotus 123 spreadsheet. The form (the operating program) is
3 preset, but the column and row labels, and the data in the columns and
4 rows can be customized. Just as there are many ways of building a PC
5 spreadsheet to implement a particular accounting system, there are
6 many ways to enter data into a local switching system translation data
7 system to implement the same services and features for the same set of
8 subscribers. Each telephone company enters the data in its own way in
9 the manner which will optimize its own objectives.

10

11 Q. CAN YOU GIVE US A DESCRIPTION OF WHAT A TYPICAL SET OF
12 TRANSLATIONS TABLES MIGHT CONTAIN?

13

14 A. Certainly. One table that the switch will have will contain the office
15 parameter data. This table will identify the type of physical equipment in
16 the office and will establish the location of the equipment in the switch.
17 Other tables will contain information showing how trunks are arranged in
18 the office. Another table will have individual subscriber data for
19 subscribers taking service. You can see that the number of tables can
20 be quite extensive.

21

22 Q. HOW IS THIS INFORMATION USED DURING CALL PROCESSING?

23

24 A. You will recall that I mentioned that there were two types of software.
25 The first type, which I refer to as call processing software, receives the

1 digits the subscriber has dialed, and, on the basis of the office parameter
2 information and the data contained in the trunk and subscriber tables, as
3 well as any other relevant tables, completes the call. Using the simplest
4 example, if a call is placed from one subscriber to another served by the
5 same switch, the call processing software receives the dialed digits,
6 looks up the relevant information in the translations tables and completes
7 the call. If the called number is busy, the call processing software then
8 looks up an alternative destination for the call, perhaps a busy signal.
9 Remember that these switches are just computers and the processing
10 software simply looks at alternatives until the call either reaches its
11 destination or is otherwise handled. For instance, if the subscriber who
12 was called in the example above was on his or her telephone when the
13 second call came in, but had subscribed to call forwarding of some type,
14 the computer would learn this as it searched the translation tables and
15 would complete the call accordingly.

16
17 I have made the example as simple as possible, but you have to
18 understand that, in fact, the process is very complicated. There is not a
19 single translation table that is used in processing the typical call, but
20 rather there may be a significant number of them. For instance, each
21 table has a specific function and therefore in order to complete a call, the
22 call completion software has to move from table to table, in sequence. It
23 may be helpful to think of the process as a "decision tree," with choices
24 at one level dictating which path the call processing follows to get to the
25 next level.

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**Q. HOW DO THE TRANSLATION TABLES DIRECT THE CALL
PROCESSING SOFTWARE TO THE NEXT STEP OR CHOICE?**

A. Without getting overly technical, it may help to use the Nortel DMS-100 as an example. The switch has internal translation tables, which consist of vertical columns and horizontal rows. The intersection of the columns and rows create fields or spaces where information can be stored and subsequently located by the call processing software. These fields may contain data expressed in the form of numeric or alphanumeric strings of information, or they may simply point the way to another designated table. By processing the information in the designated fields, the call processing software works its way through the switch and delivers the call to the appropriate place.

**Q. CAN YOU EXPLAIN IN MORE DETAIL HOW A CALL WOULD BE
PROCESSED USING A SUBSCRIBER SERVED BY A DMS-100
SWITCH AS THE EXAMPLE?**

A. Yes. When a subscriber picks up his telephone handset and dials a number, the call processing begins in a table called Line Equipment Number Lines (LENLINES). This table stores all the basic information related to the subscriber line. This table associates the equipment location or address for the subscriber with the subscriber's telephone number, lists the features the subscriber has taken, such as call waiting,

1 and provides a pointer to another table called the Line Attribute
2 (LINEATTR) Table. In this latter table, each subscriber's line is
3 associated with a specific Class of Service (Line Class Code). For
4 instance, for the basic residential flat rated line there is a specific Line
5 Class Code which happens to be designated or identified as 1FR. Other
6 examples of Line Class Codes are:

- 7 ● Residential Enhanced Services (RES)
- 8 ● Dial Tone First Coin Service (CDF)
- 9 ● Zero Minus Denied Service (ZMD)

10

11 Q. PLEASE EXPLAIN HOW THESE LINE CLASS CODES ARE USED.

12

13 A. When a residential customer, who has a 1FR Line Class Code dials 0-,
14 the Line Attributes Table points to another table, the Position Table for 0-
15 calls. This table in turn identifies a route to various operator positions.
16 For calls requiring a number pretranslation such as 411 or 611, the Line
17 Attributes Table points the call to the appropriate pretranslator table, and
18 these tables then point the call to the appropriate destination. Obviously
19 a separate Line Class Code is not needed for each subscriber for each
20 function, but rather the same Line Class Code can be used for multiple
21 subscribers, sending each of them (for the appropriate call) to the same
22 destination.

23

24 Q. HOW MANY LINE CLASS CODES ARE THERE WHICH CAN BE USED
25 IN THE LINE ATTRIBUTES TABLE?

1
2 A. There are 256 different Line Class Codes in the Nortel DMS-100. Each
3 of the 256 codes can be associated with up to 20 additional variables.
4 These variables can be considered as pointers that send the call to other
5 tables. Each unique combination of a Line Class Code and these other
6 variables requires a separate entry in the Line Attributes Table. While
7 this would seem to allow practically a limitless number of combinations,
8 the DMS-100 Line Attributes Table will only allow a maximum of 1024
9 entries. Therefore, for the purpose of the discussion we are having, it
10 would be accurate to think of there being 1024 different opportunities to
11 use a Line Class Code-type function in the DMS-100.

12

13 Q. IF THERE ARE 1024 POSSIBLE SELECTIVE ROUTING
14 POSSIBILITIES, IT SEEMS REASONABLE TO CONCLUDE THAT
15 THERE ARE PLENTY OF OPPORTUNITIES, AS MR. TAMPLIN
16 SUGGESTS, TO USE THESE CODES TO ROUTE 0- TRAFFIC TO
17 AT&T. CAN YOU COMMENT ON THIS?

18

19 A. First, you must realize that the existing telephone system uses a number
20 of these Line Attributes, perhaps, let's say, as many as 300 of the total of
21 1024 in a given DMS-100 switch. One could mistakenly conclude, I
22 suppose, that if AT&T wanted to have all of its customers sent to its
23 operators when they dial 0-, that it would be a simple matter of adding
24 one new attribute, that is, utilizing one more of the 1024 opportunities,
25 and that there would be plenty left. However, this is simply not accurate.

1 One would assume that AT&T, who has gone to the trouble of having its
2 own operators available, would like all of its customers, irrespective of
3 the type of service that customer has, to be able to reach the operators.
4 Therefore, there would have to be a new attribute created in the Line
5 Attributes Table, for every class of customer service that AT&T chooses.
6 To make this clear, there is currently a Line Class Code for residential
7 services and dialing 0- sends the call to BellSouth's operators. To route
8 0- to AT&T's operators, the Line Attribute Table would have to use
9 another of the 1024 opportunities, but with a different variable assigned
10 to the 1FR Line Class Code. The same would also be true for AT&T's
11 1FB customers. Of course, this would not only have to be done for every
12 combination of line features chosen, but also for every other ALEC which
13 wanted to provide this type of service. There is a finite number of these
14 codes. You could perhaps proceed on a first come, first served basis,
15 but at some point, the last fellow on is going to come up short.

16

17 Q. WOULD THIS SITUATION ALSO ADVERSELY IMPACT THE
18 INTRODUCTION OF NEW SERVICES?

19

20 A. Absolutely. The easiest way to demonstrate this is to consider what
21 happens when a new service or feature is added to the network. Let's
22 use a new optional EAS plan or a regional calling plan. It is not simply a
23 matter of adding one additional attribute, to account for the new plan.
24 That is, residential customers might (or might not) want to use the new
25 plan, and business customers might (or might not) want the service as

1 well. Customers who presently have flat rate service might want the new
2 service (or they might not). As a result, when a new service is added like
3 this, all of the existing entries would have to be duplicated to offer these
4 options.

5

6 Q. ARE THERE OTHER PROBLEMS WITH THIS SELECTIVE ROUTING
7 CAPABILITY BEYOND THAT WHICH YOU HAVE JUST DESCRIBED?

8

9 A. Yes. The DMS-100, for example, is configured such that there are only
10 16 possible routes (pointers to outgoing trunk groups) to operators for 0-
11 calls. Moreover, there is only a single route available for 411 and a
12 single route for 611 calls. Here again, even if the Line Class Code
13 problem could be overcome, at some point all of these routes would be
14 assigned and some ALECs could not be accommodated.

15

16 Q. WHAT DO YOU MEAN WHEN YOU SAY THAT THERE IS ONLY A
17 SINGLE ROUTE FOR 411 AND A SINGLE ROUTE FOR 611 CALLS IN
18 THE DMS-100 SWITCH?

19

20 A. In the DMS-100 switch 411 and 611 are "hard coded" in software, that is,
21 they cannot be changed by the telephone company. Nortel has
22 conducted a number of tests for the DMS-100 to determine if 411 could
23 be code converted and properly routed to an AT&T operator. None of
24 these tests were successful.

25

1 Q. YOU HAVE BEEN DISCUSSING LINE CLASS CODES AND LINE
2 ATTRIBUTE TABLES. IS THERE ANOTHER OPTION THAT COULD
3 BE USED TO SELECTIVELY ROUTE CALLS?
4

5 A. Yes. It is possible to screen and route a call specifically on the Line Class
6 Code assigned in the LINEATTR Table. In this case an entirely new
7 Class of Service would be assigned to the AT&T lines. The LINEATTR
8 Table can point these classes to Class Of Service Screening sub-tables
9 which can identify preferred trunk routes on the basis of the Line Class
10 Code. Each unique Line Class Code would require a separate sub-
11 table. The DMS-100 is limited to 256 of these sub-tables which
12 effectively sets the limit of 256 Line Class Codes in the LINEATTR Table.
13 Of course, that new class of service would consume one of the 1024
14 fields in the Line Attribute Table but is also subject to the additional
15 limitation of a maximum of 256 classes of service. Thus the option of
16 creating new classes of service gets you nowhere. In summary, there is
17 simply not enough translation capability to provide selective routing for
18 the quantity of ALECs that would request it.
19

20 Q. HOW MANY POTENTIAL ALECs MIGHT BE EXPECTED TO DEMAND
21 SELECTIVE ROUTING?
22

23 A. My expertise is in the area of switching system technology however I
24 would expect all the larger resellers (namely AT&T, Sprint, MCI,
25 Worldcom, BTI) to want to extend their existing operator systems,

1 respectively, to also handle the operator services for local calls.

2

3 **Q. WHY DO YOU BELIEVE THAT?**

4

5 **A. AT&T has already made its intent known by initiating these proceedings.**

6 In addition, I spoke to the other four companies. The view of those
7 companies I discussed this issue with is that if AT&T gets the capability,
8 they would want it too. This would require the replication and exhaust of
9 limited capabilities.

10

11 **Q. PLEASE EXPLAIN HOW THIS REPLICATION LEADS TO**
12 **EXHAUSTION OF LIMITED CAPABILITIES.**

13

14 **A. If these five resellers wanted to provide their own operator services,**
15 **additional codes would have to be provided. I would expect these**
16 **companies to want to resell all or most of the same types of services**
17 **BellSouth offers. In this case, therefore, BellSouth would have to provide**
18 **500% more Line Attribute codes.**

19

20 **Q. WOULD YOU EXPECT ANY OTHER DEMAND BEYOND THESE FIVE**
21 **COMPANIES?**

22

23 **A. Yes. Again, though my main expertise is in the area of switching system**
24 **technology, my experience in service development and deployment lead**
25 **me to believe that there will be other companies wanting to provide**

1 operator services. Further, the additional requirement for individualized
2 branding for the smaller resellers (which do not provide their own
3 operator services) would increase the demand on line class codes.
4

5 Q. IS BELLSOUTH USING REASONABLE CONSERVATION METHODS
6 IN ASSIGNING ITS TRANSLATION TABLES.

7

8 A. I believe they are. Since they have limited the possible combinations of
9 Line Class Codes and the other 20 variables in the same table to a few
10 hundred it would seem BellSouth has been efficient in its assignments. In
11 addition, I have discussed this with Nortel representatives who indicate
12 that many telephone companies are already approaching exhaust of the
13 LINEATTR table's capacity of 1024.

14

15 Q. COULD BELLSOUTH POSSIBLY REDUCE ITS LINEATTR ENTRIES
16 AND RECOVER THIS CAPACITY FOR OTHER ALECs?

17

18 A. No. Although some translation tables allow for reassignment or reuse of
19 entries the LINEATTR Table does not. Nortel documentation strongly
20 cautions against reclamation or reassignment within the LINEATTR
21 Table because of call processing reliability concerns. You will recall my
22 description of linking of translation areas as resembling a "decision tree"
23 where the decision at one level points to a different table or function.
24 Nortel strongly advises against removing, reassigning or reusing entries
25 in the LINEATTR Table in order to avoid a situation where pointers are

1 left in that do not point to anything and thus could inadvertently cause
2 major disruptions in call processing or even switch "crashes".

3

4 Q. WHAT HAPPENS WHEN THESE CAPABILITIES ARE EXHAUSTED?

5

6 A. Two things occur. First, as I mentioned earlier, the ability of BellSouth to
7 offer new services such as Extended Area Service or Regional Calling
8 Plans is severely, negatively impacted. Second, BellSouth would be
9 unable to provide selective routing for any other ALECs.

10

11 Q. ARE THERE ANY OTHER SERVICES OR CALL TYPES THAT
12 SHOULD BE CONSIDERED BESIDES 0-, 411, AND 611 FOR
13 SELECTIVE ROUTING THAT ARE LIKELY TO BE REQUIRED BY
14 RESELLERS?

15

16 A. Yes. I believe there is a whole class of incoming calls that could be
17 negatively affected by the exhaust of limited capabilities due to the
18 introduction of selective routing that should be considered in this
19 proceeding. Some examples would be routing of incoming calls to an
20 announcement when service has been disconnected, or to intercept
21 when a number has been changed.

22

23 Q. DID YOU DISCUSS SELECTIVE ROUTING WITH OTHERS AND DID
24 THEY HAVE A SOLUTION?

25

1 A. I discussed this with the other possible resellers, MCI, Sprint, WorldCom
2 and BTI. In addition I have seen Ameritech's submission to the Illinois
3 Commerce Commission and some correspondence from Nortel and
4 Lucent Technologies regarding this capability.

5

6 Q. DID THESE OTHER POSSIBLE RESELLERS IDENTIFY A POSSIBLE
7 SOLUTION?

8

9 A. No.

10

11 Q. DID THE AMERITECH SUBMISSION INDICATE THEY HAD A
12 SOLUTION?

13

14 A. No, on the contrary they indicated it was at present not feasible.

15

16 Q. DID NORTEL INDICATE THEY HAD A SOLUTION?

17

18 A. No. Nortel's letter said what they called Alternate Local Exchange
19 Routing Capability is not currently available and would require major
20 development effort of the DMS-100 system.

21

22 Q. DID LUCENT TECHNOLOGIES INDICATE THEY HAD A SOLUTION?

23

24 A. No. In a letter to BellSouth dated July 8, 1996, Lucent Technologies said
25 Alternate Local Exchange Routing Capability or Third PIC is not currently

1 available on the 5ESS switch. Lucent Technologies did not provide any
2 estimate of development effort but only said they were investigating the
3 resources, time frames and costs of developing this feature.
4

5 Q. YOU HAVE EXTENSIVELY DISCUSSED THE CAPABILITIES OF THE
6 NORTEL DMS-100 IN TERMS OF ITS ABILITIES TO PROVIDE FOR
7 SELECTIVE ROUTING. WHAT OTHER SWITCH TYPES ARE USED IN
8 BELLSOUTH'S NETWORK?

9
10 A. I understand that BellSouth uses the following switch types in addition to
11 the DMS-100:

- 12
- 13 ● Lucent Technologies 1AESS
- 14 ● Lucent Technologies 2BESS
- 15 ● Lucent Technologies 5ESS
- 16 ● Nortel DMS-10
- 17 ● Siemens Stromberg Carlson DCO
- 18 ● Siemens EWSD

19
20 Q. DO THESE SWITCHES HAVE THE SAME CAPABILITIES
21 CONCERNING CAPACITIES OF LINE CLASS CODES?

22
23 A. No. Though all of these switch types have a capability analogous to Line
24 Class Codes or line types, the size of the capability varies significantly.
25 For example, the 2BESS has a capacity of only 256 while the 5ESS has

1 a capacity of 4,096.

2

3 Q. DOES THIS MEAN THAT SWITCHES WILL VARY IN THEIR ABILITY
4 TO ACCOMMODATE SELECTIVE ROUTING?

5

6 A. Yes. In fact, the FCC's Order comments at Paragraph 418 that "We
7 recognize that the ability of an incumbent LEC to provide customized
8 routing to a requesting carrier will depend on the capability of the
9 particular switch in question." Thus those switch types with smaller Line
10 Class Code capacities are more constrained in their ability to
11 accommodate selective routing or "customized routing" as described in
12 the FCC's Order.

13

14 Q. DOES THE FCC'S ORDER MENTION ANY PARTICULAR SWITCH
15 TYPE(S) IN ITS DISCUSSION OF SELECTIVE ROUTING?

16

17 A. Yes, at Paragraph 418, the Order states that "AT&T acknowledges that,
18 although the ability to establish customized routing in 1AESS switches
19 may be affected by "call load" in each office, only 9.8% of the switches
20 used by the seven RBOCs, GTE and SNET are 1AESS switches."

21

22 Q. WHAT IS THE LINE CLASS CODE CAPACITY OF THE 1AESS?

23

24 A. The capacity is 1024, the same as for the Nortel DMS-100. Further, the
25 capacity of Line Class Codes is frequently less than for the 1AESS in the

1 cases for example of the Nortel DMS-10 (512), Stromberg Carlson DCO
2 (512). Even for those switch types with higher Line Class Code
3 capacities such as the Lucent 5ESS and Siemens EWSD, the replication
4 of Line Class Codes for additional ALECs will ultimately lead to exhaust
5 of the capability as was shown in Mr. Milner's direct testimony.

6

7 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

8

9 A. In my opinion, the selective routing of 0- calls can technically be
10 accomplished only with significant, severe limitations on the total
11 number of ALECs that could be accommodated, the service variations
12 these ALECs could offer and the ability of BellSouth to provide new
13 socially desirable services. Solutions for selective routing of 411 and
14 611 service code calls is not viable since the routing of these calls is
15 relatively fixed by the software design of the system.

16

17 Both Lucent Technologies, the manufacturer of the 5ESS system and
18 Nortel, the manufacturer of the DMS-100, assert the capability of
19 "Alternate Local Exchange Routing Capability" does not currently exist
20 within their respective systems.

21

22 In summary, the use of Line Code Screening techniques to
23 accommodate selective routing of 0-, 411, and 611 calls though possible
24 is not practical.

25

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2

3 A. Yes.

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1 MS. WHITE: And Mr. Pecoraro had three
2 exhibits, ABP 1 through 3 attached to his AT&T rebuttal
3 testimony, and the three exhibits -- and I believe
4 they're the same three exhibits that were attached to his
5 direct testimony in the 960846 case. If you'd like to,
6 we could put it all together in a composite exhibit.
7 They're both labeled ABP 1 through 3, but they're the
8 exact same exhibits, or we could do it separately. It
9 doesn't matter.

10 MR. MELSON: Madam Chairman, since it's a
11 combined record, could we just put them in once?

12 CHAIRMAN CLARK: Okay. Yes, let's -- thank you.
13 That was helpful. We will mark as Exhibit 45 what has
14 been -- what is currently identified as Exhibit ABP 1
15 through 3, that is attached to the prefiled direct
16 testimony of Mr. Pecoraro. Okay.

17 MS. WHITE: Thank you.

18 CHAIRMAN CLARK: And it will be admitted in the
19 record without objection. It will be Exhibit 45.

20 (Exhibit No. 45 marked for identification and
21 received in evidence.)

22 CHAIRMAN CLARK: Okay. We have Mr. Scheye on
23 the stand, is that right?

24 MS. WHITE: Yes, I'm sorry. You're absolutely
25 right.

1 ROBERT C. SCHEYE
2 was called as a witness on behalf of BellSouth
3 Telecommunications, Inc., having been duly sworn,
4 testified as follows:

5 DIRECT EXAMINATION

6 BY MS. WHITE:

7 Q Mr. Scheye, would you please state your full
8 name and address for the record?

9 A Robert C. Scheye.

10 Q And your address?

11 A 675 West Peachtree Street, Atlanta, Georgia.

12 Q Would you please tell the Commission by whom
13 you're employed and in what capacity?

14 A BellSouth Telecommunications. I'm a senior
15 director in Strategic Management.

16 Q Have you previously caused to be prepared and
17 prefiled in this case direct testimony in Docket 960833,
18 that's the AT&T case, consisting of 78 pages?

19 A Yes.

20 Q And have you caused to be prepared and prefiled
21 in this case the AT&T Docket, 960833, rebuttal testimony
22 of 41 pages?

23 A Yes.

24 Q Do you have any substantive additions,
25 corrections or changes to make to the AT&T direct and

1 rebuttal testimony at this time?

2 A I do not.

3 Q Have you caused to be prepared and prefiled in
4 this case direct testimony and in this case -- I'm sorry
5 -- it's the 960846, the MCI case, direct testimony
6 consisting of 77 pages?

7 A Yes.

8 Q And have you caused to be prefiled in the MCI
9 case rebuttal testimony consisting of 15 pages?

10 A Yes.

11 Q Do you have any substantive changes to make to
12 that testimony?

13 A I do not.

14 Q Have you caused to be prefiled in the ACSI
15 Docket, 960916, direct testimony consisting of 18 pages?

16 A Yes.

17 Q Do you have any changes to make to that
18 testimony?

19 A I do not.

20 Q Have you caused to be prefiled rebuttal
21 testimony in the ACSI Docket, No. 960916, rebuttal
22 testimony consisting of six pages?

23 A Yes.

24 Q Do you have any changes to that testimony?

25 A I do not.

1 Q If I were to ask you the same questions that
2 were posed in all of that testimony, would your answers
3 be the same?

4 A Yes.

5 MS. WHITE: I'd like to have that testimony
6 inserted into the record as if read.

7 CHAIRMAN CLARK: Ms. White, so I'm clear, I
8 understand that we have prefiled direct and rebuttal
9 testimony for Mr. Scheye in all three dockets?

10 MS. WHITE: That's correct.

11 CHAIRMAN CLARK: All right. That testimony will
12 be inserted in the record as though read.

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BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF ROBERT C. SCHEYE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 960833-TP
AUGUST 12, 1996

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

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

Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND
EXPERIENCE.

A. I began my telecommunications company career in 1967 with the Chesapeake
and Potomac Telephone Company (C&P) after graduating from Loyola
College with a Bachelor of Science in Economics. After several regulatory
positions in C&P, I went to AT&T in 1979, where I was responsible for the
Federal Communications Commission ("FCC") Docket dealing with
competition in the long distance market. In 1982, with the announcement of
divestiture, our organization became responsible for implementing the
Modification of Final Judgment (MFJ) requirements related to

1 nondiscriminatory access charges. In 1984, our organization became part of
2 the divested regional companies' staff organization which became known as
3 Bell Communications Research, Inc (Bellcore). I joined BellSouth in 1987 as
4 a Division Manager responsible for jurisdictional separations and other FCC
5 related matters. In 1993, I moved to the BellSouth Strategic Management
6 organization where I have been responsible for various issues including local
7 exchange interconnection, unbundling and resale.

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10

11 A. The purpose of my testimony is to provide a framework for BellSouth's
12 response to AT&T's request for arbitration and to provide responses to the
13 issues identified by the parties and the Florida Public Service Commission
14 ("Commission") in this proceeding. My testimony is divided into the
15 following sections:

16

17 **Section I:** General Overview of Negotiations

18 **Section II:** BellSouth's Response to the AT&T Arbitration Petition

19 **Section III:** BellSouth's Discussion of Issues in this Arbitration Proceeding

20 **Section IV:** Summary and Recommendations for the Commission

21

22 In Section III, my testimony is organized under the following major headings:

23 A) Resale; B) Interconnection; C) Unbundled Network Elements; and, D)

24 Additional Interconnection Requirements/Issues.

25

1 In addition, attached to my testimony as Exhibit RCS-1, is a "red-lined" copy
2 of AT&T's proposed interconnection agreement (previously provided to
3 AT&T) containing BellSouth's initial proposed changes. Additions are
4 underlined and deletions are indicated by strikethrough print. BellSouth has
5 attached this annotated version of AT&T's agreement in an attempt to more fully
6 define the resolved and unresolved issues between AT&T and BellSouth.

7

8 **I. GENERAL OVERVIEW OF NEGOTIATIONS**

9

10 Q. PLEASE DESCRIBE BELLSOUTH'S APPROACH TO NEGOTIATING
11 INTERCONNECTION AGREEMENTS WITH ALTERNATIVE LOCAL
12 EXCHANGE COMPANIES ("ALECS").

13

14 A. BellSouth has entered into negotiations with prospective ALECs with the full
15 intention of reaching negotiated agreements covering all relevant issues.
16 BellSouth established negotiating teams and dedicated resources from all areas
17 of the Company to develop positions, review ALEC interconnection requests
18 and proposals, and meet with ALEC representatives either by phone or face to
19 face in a sincere effort to reach agreements. Some carriers are relatively small
20 having more limited interests, while others are much larger with more far
21 reaching needs. Regardless of size or interests, BellSouth has attempted to
22 provide the necessary information and meet the needs of these companies. In
23 recognition of certain ALEC business needs, BellSouth has made significant
24 compromises on many important issues.

25

1 Q. AT&T IS CRITICAL OF THE BELL COMPANIES' APPROACH TO
2 NEGOTIATIONS AND CITES LCI'S WITHDRAWAL FROM
3 NEGOTIATIONS AS SUPPORT. IS THIS CRITICISM WELL-FOUNDED?
4

5 A. No, at least not in BellSouth's case. LCI indicated that a few incumbents
6 mutually agreed to LCI's request for a suspension of negotiations, one of
7 which was BellSouth. Additionally, one reason cited by LCI for suspending its
8 negotiations was its inability to obtain adequate information from the
9 incumbents. LCI also indicated that the few incumbents, including BellSouth,
10 that had mutually agreed with the suspension, had also been the most
11 forthcoming in providing the needed information. To date, BellSouth has
12 negotiated with more than twenty-five new competitors with diverse interests
13 and needs. Many of these negotiations are continuing and BellSouth
14 anticipates that progress will be made in reaching mutually satisfactory
15 agreements.
16

17 Q. HOW SUCCESSFUL HAVE THESE NEGOTIATIONS BEEN TO DATE?
18

19 A. Negotiations have been very successful. Many of the agreements already
20 reached had their roots in negotiations that began prior to passage of the
21 Telecommunications Act of 1996 (the "Act"). BellSouth has been negotiating
22 with companies since mid-1995, or long before Congress determined that
23 negotiations were the preferred method of reaching interconnection
24 agreements. In fact, BellSouth reached an agreement with several parties in
25 Florida in late 1995, allowing local competition to move forward in this state.

1 Since that time, BellSouth has successfully negotiated fifteen additional
2 agreements within the BellSouth region with facilities based and/or reseller
3 companies. BellSouth is not aware of any other incumbent LEC that has
4 reached agreements with this number of diverse new entrants. Eleven of the
5 following fifteen agreements have been filed with this Commission for
6 approval and some have also been filed in the other eight BellSouth states:

7

8 American Communications Services, Inc. (ACSI)
9 American Metrocomm Corporation (MetroComm)
10 Business Telecom, Inc. (BTI)
11 Hart Communications
12 Intermedia Communications, Inc. (ICI)
13 MCImetro
14 MediaOne
15 National Telecommunications
16 NEXTLINK
17 Payphone Consultants, Inc.
18 SouthEast Telephone, Ltd.
19 Telephone Company of Central Florida
20 Teleport Communications Group (TCG)
21 Time Warner
22 TriComm, Inc.

23

24 Contrary to the assertions of AT&T, several of these agreements are
25 comprehensive and represent reasonable compromises between BellSouth and

1 competitors of BellSouth. These are not cookie-cutter agreements. They differ
2 in many ways in order to meet the needs of many different carriers. As a result
3 of these agreements, several carriers are already operating in the state of
4 Florida in direct competition with BellSouth. While the numbers may be
5 limited today, they will continue to grow rapidly.

6

7 Q. HOW WOULD YOU DESCRIBE THE SUBSTANCE OF THESE
8 AGREEMENTS AND THE PARTIES THAT HAVE SIGNED THEM?

9

10 A. The simplest description would be that these agreements are "diverse". There
11 are many differences contained in these agreements. Some are indeed partial
12 agreements. The best examples of partial agreements are the MCImetro
13 agreement and those agreements which only deal with resale issues. For those
14 parties desiring resale only, a partial agreement is the only practical answer.
15 Other agreements are more comprehensive, covering interconnection,
16 unbundling and resale, but not specifying the precise rates for each and every
17 item. Some of the agreements include time frames for discussing specific
18 pricing issues, such as the Time Warner agreement. The rationale for this type
19 of agreement is that individual new entrants do not all have the same level of
20 interest for each of the critical items of interconnection, unbundling and resale.
21 An agreement of this type allows the new entrant to concentrate on its highest
22 priority items, leaving other areas the subject of later discussions. This is a
23 very sensible approach for any carrier with such needs.

24

25 Other agreements are somewhat more comprehensive in that they specify rates

1 for each area of interconnection, unbundling and resale. An example would be
2 the Teleport agreement, though there are several others that are similar, e.g.,
3 ICI and Hart Communications.

4
5 It should be quite apparent that these agreements run the full spectrum of
6 company size and complexity of issues. To characterize these agreements and
7 competitors as "incomplete" or "niche services" or "not broad-based
8 competitive offerings" demonstrates less than a full understanding of the
9 competitive market in Florida. Companies such as Time Warner, Teleport,
10 MCI, ICI and others, whether signing partial or more comprehensive
11 agreements with BellSouth, are formidable competitors with strong financial,
12 technical and marketing capabilities. Additionally, their brands are well
13 known both within and outside the state of Florida.

14
15 Q. PLEASE DESCRIBE BELLSOUTH'S APPROACH TO NEGOTIATIONS
16 WITH AT&T.

17
18 A. BellSouth has approached the AT&T negotiations with the same sincere desire
19 to negotiate a reasonable, mutually beneficial agreement as it has with all other
20 new entrants. BellSouth has proposed compromise positions that would allow
21 AT&T to effectively compete for customers in the BellSouth region under
22 reasonable terms and conditions and also provide BellSouth fair compensation
23 for its facilities and services.

24
25 Since the passage of the Act, BellSouth has been motivated by even greater

1 incentive to reach agreements that meet the fourteen point checklist set out by
2 Congress as one of the requirements BellSouth must meet in order to enter and
3 compete in the interLATA services market. Even as we proceed through this
4 arbitration phase, BellSouth continues to negotiate with AT&T in a continuing
5 effort to reach mutually agreeable rates, terms, and conditions for
6 interconnection, unbundling of network elements, and resale of services.

7

8 Q. PLEASE DESCRIBE AT&T'S APPROACH TO NEGOTIATIONS.

9

10 A. AT&T's approach to negotiations with BellSouth has been "heavy on rhetoric"
11 and "light on practice". AT&T would have this Commission believe it has
12 done everything in its power to reach an agreement with BellSouth. AT&T
13 describes the many teams it has established to conduct negotiations, and AT&T
14 has inundated the Commission with volumes of "proof" of its willingness to
15 negotiate. In other words, its style is "heavy on rhetoric". In practice,
16 however, the story is quite different. From BellSouth's perspective, AT&T did
17 not enter into negotiations with the intent of reaching a mutually beneficial
18 agreement. AT&T entered negotiations armed with positions that it fully
19 understood would not be acceptable to BellSouth and has refused to
20 compromise on them. It is no wonder that AT&T has been unable to negotiate
21 a single agreement with any RBOC in any state in the nation.

22

23 AT&T's attitude toward negotiations is best exemplified in an article entitled
24 "Ready, Set, Devour?" from Business Week, dated July 8, 1996, which quotes
25 AT&T General Counsel, John D. Zeglis. The article, referring to statements

1 by Mr. Zeglis, states that he “figures that the company will end up in
2 arbitration in all 50 states and based on his own lack of success with arbitrators
3 back in AT&T’s monopoly days, he’s confident that the Bells will lose every
4 time.” With such an attitude, one could hardly expect negotiations to be
5 successful. Based on Mr. Zeglis’ comments, AT&T fully expects to arbitrate
6 in all 50 states and to win on every issue. BellSouth, however, continues to
7 negotiate in good faith, to resolve whatever issues are possible to resolve
8 outside of arbitration.

9
10 I find it particularly interesting that in its petition, AT&T states: “Moreover,
11 AT&T has requested negotiations with the RBOCs in all 50 states, making
12 AT&T the leading contender to provide real competition for the RBOCs in the
13 local market.” AT&T appears proud of this “accomplishment”, but clearly
14 AT&T has nothing to show for its “best efforts”. In comparing negotiations
15 with AT&T to other parties, it can all be summed up in the current score:
16 BellSouth agreements with other parties -- “16”; AT&T agreements with
17 RBOCs -- “0”.

18
19 **II. BELLSOUTH’S RESPONSE TO THE AT&T ARBITRATION**
20 **PETITION**

21
22 Q. WHAT IS YOUR OVERALL RESPONSE TO AT&T’S PETITION FOR
23 ARBITRATION?

24
25 A. As stated, BellSouth has engaged in numerous meetings and telephone

1 conversations with AT&T, has traded written correspondence with AT&T
2 during the negotiation process, and has compromised on a number of issues
3 during the last several months. Despite AT&T's claims, BellSouth firmly
4 believes that its proposals on resale, unbundling of network elements,
5 interconnection and pricing promote competition and meet the requirements as
6 set forth in the Act. On the other hand, AT&T's requests and mandates have
7 distorted and confused the nature of the issues and the requirements of the Act.
8 For example, AT&T demands that BellSouth: 1) offer for resale all of its
9 services and pricing plans; 2) use AT&T's brand in all contacts with AT&T's
10 customers; 3) agree to compensate AT&T in the event BellSouth fails to meet
11 AT&T's "quality standards;" and 4) price interconnection and unbundling at
12 total service long run incremental cost (TSLRIC). The Act in no way requires
13 any of these items, nor are they required for competition to flourish.

14
15 What AT&T demonstrates with these tactics is a strategy based on a dual
16 purpose: first, to force reductions in BellSouth's prices or to avoid paying for
17 services rendered by BellSouth; and second, as discussed earlier, to delay
18 BellSouth's entrance into the interLATA market. AT&T should not be
19 allowed to prevail on either goal.

20

21 Q. IN YOUR OPINION, HAS AT&T CLEARLY IDENTIFIED AND
22 OUTLINED THE ISSUES REQUIRING ARBITRATION?

23

24 A. No. It appears that AT&T's approach has been to attempt to confuse the issues
25 by combining several different concepts inappropriately in a strained effort to

1 support an AT&T position. For example, AT&T has attempted to
2 intentionally confuse the resale of retail services with the unbundling of
3 network elements by attempting to "alter" a current retail service, such as basic
4 business and residence exchange service, and combine it with AT&T's own
5 operator and repair services. AT&T wants to apply a discount to a specific
6 tariffed rate, but not comply with the terms and conditions that govern that
7 tariffed pricing option, e.g., use and user restrictions.

8
9 Another attempt to confuse the issues is AT&T's description of several
10 seemingly different issues that, in reality, are only a single issue. For example,
11 AT&T states that BellSouth will not unbundle operator systems. As another
12 issue, AT&T states that BellSouth will not route local calls to AT&T's
13 operator, directory assistance or repair services without the use of unfamiliar or
14 different telephone numbers. As another issue, AT&T claims BellSouth will
15 not provide transport (dedicated or common) separate from switching. Finally,
16 AT&T states BellSouth will not provide branding on resold services. Though
17 BellSouth will address these issues in more detail in Section III of this
18 testimony, the point here is that several seemingly unrelated issues are, in
19 reality, the same issue. That issue is the routing of calls from a resold basic
20 exchange service (or unbundled local switch) in a manner quite different from
21 that which exists today and based on whatever routing AT&T believes should
22 occur. Whether BellSouth responds to AT&T three or more times or just once
23 to the real issue, the answer will be the same -- such routing of traffic to
24 different locations and/or trunks using the same existing dialing arrangements
25 (0, 411, and 611) is not technically feasible.

1

2 Q. COULD YOU PROVIDE AN EXAMPLE?

3

4 A. Yes. Uniquely branding a "0" call dialed to a BellSouth operator from a resold
5 line (or for that matter from any local exchange line) requires the dial tone
6 switch serving that line to distinguish this "0" call from all other calls
7 emanating from the same switch. If, indeed, the switch could (which it cannot)
8 differentiate this "0" call, the switch could then route the "0" call to a unique
9 trunk. The unique trunk, in this instance, would terminate at a BellSouth
10 operator services position. Because a unique trunk is involved, the operator
11 would be able to distinguish this "0" call from "0" calls coming from other
12 trunk groups. The key issue is routing capability.

13

14 Next, AT&T wants the ability from this same resold line to have the "0" call
15 routed to an operator other than BellSouth's. If, as explained in the first
16 example, the dial tone switch could distinguish this "0" call from all other "0"
17 calls and route it to a unique trunk, then this example is essentially identical.
18 In this case, the unique trunk, instead of terminating at a BellSouth operator
19 would simply terminate at a different operator location. The critical issue
20 again is the routing capability.

21

22 The next issue relates to common and dedicated transport. AT&T desires a
23 local call from its resold lines to route on a unique trunk, rather than
24 BellSouth's interoffice trunks. For example, if the end user of the resold
25 service places a regular seven digit dialed local call to a friend served by

1 another BellSouth central office, AT&T wants the dial tone switch to recognize
2 this call from the resold line and place it on a unique trunk, rather than route it
3 over the normal trunks that would typically connect the two central offices. To
4 accomplish this, the dial tone switch would in this case have to recognize that
5 the seven digit dialed call (as compared to the "0" calls in the prior examples)
6 is to be routed to a unique trunk. Again, the issue is the same, i.e., the
7 capability to uniquely route calls from a resold line as compared to non-resold
8 lines. Whether the call is "0", "411", "611" or "seven digits", doesn't
9 appreciably change the nature of the issue, or the answer.

10
11 The only possible benefit of AT&T stating the same issue multiple times
12 without relating it to other "identical" issues is to hope that through the
13 confusion that has been created, AT&T need only "win" one of the supposedly
14 unrelated issues in order to get what it wants. The issues, however, involved in
15 implementing the Act are complex enough. Confusion, obfuscation and
16 similar tactics only delay resolution and consume time and resources.

17
18 **III. BELLSOUTH'S DISCUSSION OF ISSUES IN THIS ARBITRATION**

19
20 **Q. PLEASE DESCRIBE HOW BELLSOUTH INTENDS TO ADDRESS THE**
21 **ISSUES IN THIS SECTION.**

22
23 **A.** BellSouth intends to address all issues in this proceeding using the
24 Commission's tentative list of issues. At the conclusion of this proceeding, it
25 is BellSouth's hope and intent that with the resolution of issues provided by the

1 Commission, the parties can then finalize a comprehensive agreement, in short
2 order, to submit to this Commission. BellSouth addresses the issues in a
3 sequence such that related issues and priority issues can be dealt with in a
4 manner that enhances their understanding and reflects their importance. In this
5 testimony, I identify the issues and state the positions of AT&T, as we
6 understand them, and of BellSouth. For some issues, I provide all of
7 BellSouth's testimony. In several cases, however, I defer more detailed
8 discussion to other BellSouth witnesses.

9
10 The issues in this section are organized under the major headings of A) Resale;
11 B) Interconnection; C) Unbundled Network Elements; and, D) Additional
12 Interconnection Requirements/Issues.

13
14 **A. RESALE**

15
16 **Issue: WHAT SERVICES PROVIDED BY BELLSOUTH, IF ANY,
17 SHOULD BE EXCLUDED FROM RESALE?**

18
19 **AT&T Position:** BellSouth must offer to AT&T for resale any services it
20 provides to its retail customers. BellSouth must sell all features and functions
21 available in connection with telecommunications services.

22
23 **BellSouth Position:** In accordance with Section 251(c)(4)(A) of the Act,
24 BellSouth must "offer for resale at wholesale rates any telecommunications
25 service that the carrier provides at retail to subscribers who are not

1 telecommunications carriers....” Certain options or service offerings which are
2 not retail services or have other special characteristics should be excluded from
3 resale.

4

5 Q. WHY DOES BELLSOUTH BELIEVE THESE OPTIONS SHOULD BE
6 EXCLUDED FROM RESALE?

7

8 A. Basically, AT&T states that it wants to resell every tariffed or untariffed option
9 which has been or is currently offered by BellSouth in connection with a retail
10 service. The Act does not require the resale of all such options nor is AT&T’s
11 request consistent with what AT&T offers for resale for its own long distance
12 services.

13

14 For example, Contract Service Arrangements (CSAs) and promotions are not
15 unique services, rather they are unique pricing plans for tariffed services which
16 AT&T can create for itself by using the underlying retail service. The
17 911/E911 and N11 offerings are not generally available tariffed offerings for
18 end users but offerings limited to governments/municipalities and Information
19 Service Providers (ISPs), respectively. These services are offered to a single
20 entity within an area under unique, abbreviated dialing arrangements and
21 billing arrangements. LifeLine Assistance Programs are not retail services, but
22 instead are subsidized programs which provide a credit or waiver of certain
23 charges to assist low income families. These services are appropriately
24 excluded from resale.

25

1 Q. IN TERMS OF THE RESALE ISSUES PRESENTED BY AT&T FOR
2 ARBITRATION, ARE AT&T REQUIREMENTS CONSISTENT WITH
3 AT&T'S OWN RESALE PROCEDURES?
4

5 A. No. In many instances, and as previously stated, what AT&T is asking of
6 BellSouth is inconsistent with AT&T's own behavior.
7

8 For example, AT&T believes BellSouth's CSAs must be available for resale.
9 BellSouth has explained that these are unique pricing arrangements responsive
10 to unique competitive circumstances. However, AT&T's Tariff 15 expressly
11 provides for competitive pricing plans that "are designed to respond to
12 competitive circumstances affecting specific customers." AT&T only offers
13 these types of arrangements to customers that are "similarly situated" in order
14 to meet the requirements of Sections 201, 202 and 203 of the Communications
15 Act. Indeed, the FCC has accepted AT&T's claim that a reseller is not
16 necessarily similarly situated, and the CSA arrangement that AT&T offers to a
17 retail customer need not be provided at the same rates, terms and conditions in
18 a resale situation.
19

20 AT&T provides no explanation why it should be allowed to withhold from
21 resale specific rates, terms and conditions developed for unique competitive
22 situations, yet demands that BellSouth do the opposite. While practicing what
23 one preaches is not a criteria under the Act, it may be a basis for assessing the
24 reasonableness of a request.
25

1 Q. PLEASE LIST EACH OF THE SERVICES OR OPTIONS IN DISPUTE
2 AND PROVIDE BELLSOUTH'S RATIONALE FOR ITS EXCLUSION
3 FROM RESALE.

4
5 A. **Grandfathered** or obsoleted services are no longer available for sale to end
6 users. To allow grandfathered services to be resold would serve to undermine
7 this basic definition. Once a customer decides to obtain its services through
8 another local exchange service provider, that customer is no longer a BellSouth
9 customer. Further, just as grandfathered services are not available for transfer
10 between customers, they should likewise not be available to transfer from one
11 local exchange provider to another.

12
13 **Promotions** are not "services". Promotions are designed to meet competition
14 through special limited time offerings to encourage the sale of a given service.
15 In 1995, there were a total of nineteen promotional offerings filed in Florida by
16 BellSouth. Out of those nineteen promotional offerings, thirteen were simply
17 waivers of nonrecurring charges that only extended for a two month period. If
18 a reseller wishes to promote a particular service, there is nothing to stop the
19 reseller from offering its own promotion of an already discounted BellSouth
20 resold service or any of its own services.

21
22 **Contract Service Arrangements** are a special rate which the Commission has
23 authorized BellSouth to charge in lieu of its tariffed rates in order to respond to
24 a specific competitive threat on a customer-by-customer basis. It would not be
25 logical or appropriate to require BellSouth to offer for resale a contract service

1 arrangement which was priced specifically for a particular customer's needs in
2 the face of a competitive threat. In any event, a reseller can buy the underlying
3 service, receive the applicable wholesale discount, and resell the service, alone
4 or in conjunction with other offerings, to attract a customer on its own merits --
5 not by virtue of its ability to obtain an additional discount off an already
6 discounted rate.

7
8 **LifeLine Assistance programs** are not services. They are subsidy programs
9 whereby BellSouth provides qualifying low income subscribers a credit on
10 their monthly charges and a discount on nonrecurring charges for basic service.
11 They are set without regard to the cost of the service and should not be resold,
12 and certainly not at a discount. The LifeLine Assistance programs consist of
13 both the LifeLine Connection Assistance (or Link-Up) program and the
14 Subscriber Line Charge (SLC) Waiver (or LifeLine) program, and are typically
15 certified by either the FCC or state commission. Non-participating carriers can
16 apply for state commission and/or FCC certification.

17
18 Upon certification, carriers must contact the National Exchange Carrier
19 Association (NECA) to enroll in the LifeLine Assistance funding programs. It
20 is our understanding that any telecommunications carrier can apply for support
21 from these funds, as appropriate. If an ALEC wishes to market and provide
22 service to persons eligible for the programs, that ALEC should apply for
23 certification, offer the same or similar subsidy credit or waiver programs, and
24 apply for support from the applicable funds just as BellSouth must do. Such
25 carriers should bear the administrative costs as well as any amount not

1 reimbursed under these programs.

2

3 N11 Service is not a retail offering to end users. It is offered to an
4 intermediary party for the purposes of allowing the intermediary party to offer
5 a service to an end user. In one sense the intermediary could be acting in a
6 manner similar to a reseller. N11 Service is actually a three digit abbreviated
7 dialing arrangement provided to information service providers. These
8 companies in turn, provide a service to the end user. N11 Service provides
9 access to whomever subscribes to local service.

10

11 **E911/911** - E911/911 services are used by counties and other governmental
12 authorities and are limited to one customer per area. Further, end users do not
13 pay a charge to BellSouth for these services and therefore, they are not true
14 retail services. In fact, the only charge assessed the end user states that the
15 charge is billed on behalf of the appropriate municipality.

16

17 **State specific discount plans or services** - While AT&T mentions state
18 specific discount plans, there are no such plans or services in Florida.

19

20 **Issue: WHAT TERMS AND CONDITIONS, INCLUDING USE AND**
21 **USER RESTRICTIONS, IF ANY, SHOULD BE APPLIED TO RESALE**
22 **OF BELLSOUTH SERVICES?**

23

24 **AT&T Position:** All use and user restrictions and terms and conditions that
25 limit or restrict the resale of a retail service should be eliminated.

1

2 BellSouth Position: Any use or user restrictions or terms and conditions found
3 in the relevant tariff of the service being resold should apply. Use and user
4 restrictions as well as terms and conditions are integral components of the
5 retail service that is being resold and do not impose unreasonable or
6 discriminatory conditions on the resale of these services.

7

8 Q. PLEASE EXPLAIN YOUR RATIONALE FOR RETAINING USE AND
9 USER RESTRICTIONS AND TERMS AND CONDITIONS ON SERVICES
10 AVAILABLE FOR RESALE.

11

12 A. *First, The Act requires BellSouth to offer for resale any telecommunications*
13 *service that it provides at retail to its subscribers. A retail service is comprised*
14 *of the stated rates, terms and conditions in the tariff. The rate for a particular*
15 *offering varies based on the terms and conditions of the service. If the terms*
16 *and conditions were different, the price would likely be different or the*
17 *particular retail service might not even be offered. Terms and conditions are*
18 *an integral part of the service.*

19

20 *Second, use and user restrictions are basically class of service restrictions. The*
21 *Act specifically permits the Commission to apply such class of service or use*
22 *and user restrictions. Section 251(c)(4)(B) of the Act states that the LEC is*
23 *“not to prohibit, and not to impose unreasonable or discriminatory conditions*
24 *or limitations on, the resale of such telecommunications service, except that a*
25 *State commission may, consistent with the regulations prescribed by the*

1 Commission under this section, prohibit a reseller that obtains at wholesale
2 rates a telecommunications service that is available at retail only to a category
3 of subscribers from offering such service to a different category of
4 subscribers.” The most predominant use and user restriction in place today is
5 for basic residence and business service such that residence service cannot be
6 purchased at the lower residence rate and used for business purposes. For
7 example, the flat monthly rate for rate group 1 in Florida is \$7.30. If AT&T
8 were to prevail in its request for removal of class of service restrictions and
9 terms and conditions as well as apply its proposed 72% discount, AT&T would
10 be able to purchase this service for \$2.04 and resell it to business customers.

11

12 The Act requires the resale of a service, not just the picking and choosing of
13 various prices. Such terms, conditions and use or user restrictions do not pose
14 any unreasonable or discriminatory condition on AT&T or any other reseller.
15 Resellers will be able to offer the same service under the same conditions that
16 BellSouth offers the service to its own customers. If AT&T wishes to provide
17 a service with different terms and conditions than BellSouth’s offering, or with
18 different or no use or user restrictions, it can do so by leasing unbundled
19 features and combining them with its own capabilities to provide the service.

20

21 Q. DOES AT&T RESELL ITS SERVICES UNDER THE SAME TERMS AND
22 CONDITIONS AS ITS RETAIL OFFERINGS?

23

24 A. Yes. BellSouth has found no evidence to indicate that AT&T offers services
25 under different terms and conditions for resale versus retail use. AT&T’s Wide

1 Area Telecommunications Service located in section A12.4 of AT&T's Florida
2 General Services Tariff is a prime example.

3

4 Q SHOULD THERE BE ANY ADDITIONAL LIMITATIONS ON RESALE
5 OF SERVICES?

6

7 A. Yes. As stated in the Act, new entrants serving more than 5% of the nation's
8 presubscribed access lines, which includes AT&T, MCI and Sprint, are not
9 permitted to jointly market local exchange services obtained through resale,
10 with interLATA services until such time as the Bell Operating Company is
11 authorized to provide interLATA services in-region, or until thirty-six months
12 have passed since the date of enactment of the Act, whichever is earlier
13 (Section 271(e)(1) of the Federal Act). AT&T seems to have omitted this
14 requirement of the Act in its discussions.

15

16 **Issue: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE REAL-**
17 **TIME AND INTERACTIVE ACCESS VIA ELECTRONIC**
18 **INTERFACES TO PERFORM THE FOLLOWING: PRE-SERVICE**
19 **ORDERING, SERVICE TROUBLE REPORTING, SERVICE ORDER**
20 **PROCESSING AND PROVISIONING, CUSTOMER USAGE DATA**
21 **TRANSFER, LOCAL ACCOUNT MAINTENANCE? IF SO, FOR**
22 **WHAT PROCESSES AND IN WHAT TIME FRAME SHOULD THEY**
23 **BE DEPLOYED? WHAT SHOULD BE THE METHODS AND**
24 **PROCEDURES FOR DELIVERY OF OPERATIONAL INTERFACES?**

25

1 **AT&T Position:** BellSouth must provide AT&T with real-time and interactive
2 access to BellSouth operations support systems via electronic interfaces.

3

4 **BellSouth Position:** For ordering and trouble reporting, BellSouth is providing
5 functionality similar to the processes that have worked effectively in the
6 exchange access world. BellSouth has established interfaces to allow ALECs
7 to obtain pre-ordering information electronically. BellSouth also has provided
8 electronic customer usage data transfer and is modifying its original design to
9 accommodate AT&T's requests. The details of these interfaces and other work
10 efforts are contained in Ms. Calhoun's testimony.

11

12 **Issue: WHEN AT&T RESELLS BELLSOUTH'S SERVICES, IS IT**
13 **TECHNICALLY FEASIBLE OR OTHERWISE APPROPRIATE TO**
14 **BRAND OPERATOR SERVICES AND DIRECTORY SERVICES**
15 **CALLS THAT ARE INITIATED FROM THOSE RESOLD SERVICES?**

16

17 **AT&T Position:** BellSouth should brand with the AT&T name BellSouth's
18 operator services and directory assistance services when calls are initiated from
19 resold services.

20

21 **BellSouth Position:** Branding is not required by the Act and is not required to
22 promote competition. In addition to the position explained below, Mr. Milner
23 describes a significant problem with AT&T's request in that it is not
24 technically feasible.

25

1 Q. EXPLAIN BELLSOUTH'S POSITION ON THIS ISSUE.

2

3 A. This issue has not been clearly explained in AT&T's petition. It is one of the
4 many issues which AT&T has intertwined with unbundling or resale in relation
5 to its request for routing of calls with the designated 0, 411, and 611 codes
6 which I discussed earlier. In this request, AT&T asks BellSouth to brand with
7 AT&T's name when an AT&T customer uses BellSouth resold service and
8 dials a BellSouth operator, directory assistance or repair center. Beyond the
9 technical problems, BellSouth's retail local exchange service includes access to
10 BellSouth's operator, repair and directory assistance services through these
11 specific dialing arrangements, e.g., 0, 411, and 611. Resale of this service by
12 the very meaning of resale includes these same functionalities. BellSouth
13 cannot offer branding for AT&T or other resellers when providing resold local
14 exchange service because BellSouth will not be able to distinguish calls from
15 the lines AT&T is reselling from customers of other local resellers, or from
16 BellSouth. However, AT&T could easily provide access and branding for its
17 own operator or repair services to create the discrete recognition of the AT&T
18 brand by providing its customers with another designated number to call.

19

20 **Issue: WHEN AT&T RESELLS BELLSOUTH'S LOCAL EXCHANGE**
21 **SERVICE, IS IT TECHNICALLY FEASIBLE OR OTHERWISE**
22 **APPROPRIATE TO ROUTE 0+ AND 0- CALLS TO AN OPERATOR**
23 **OTHER THAN BELLSOUTH'S SERVICE, TO ROUTE 411 AND 555-**
24 **1212 DIRECTORY ASSISTANCE CALLS TO AN OPERATOR OTHER**
25 **THAN BELLSOUTH'S, OR TO ROUTE 611 REPAIR CALLS TO A**

1 **REPAIR CENTER OTHER THAN BELLSOUTH'S?**

2

3 AT&T Position: BellSouth must provide direct routing to AT&T's operator
4 services and directory assistance services from resold services using the
5 identical digits BellSouth uses to route calls to its own operators, etc. This
6 issue is another version of the AT&T routing issue, simply described from a
7 different perspective.

8

9 BellSouth Position: BellSouth will route calls to AT&T's requested service if
10 AT&T provides the appropriate unique dialing arrangements. BellSouth's
11 retail service includes access via specified 0, 411, and 611 dialing
12 arrangements to BellSouth's operator, directory assistance, and repair service.
13 Therefore, the resold services include the same functionalities. As stated,
14 routing of calls to various operator providers through the same dialing
15 arrangements is not technically feasible or otherwise appropriate. Call routing
16 is described in detail in Mr. Milner's testimony.

17

18 Q PLEASE EXPAND ON BELLSOUTH'S POSITION.

19

20 A. AT&T has raised the routing issue as another resale issue. First, BellSouth
21 will not keep AT&T from directing calls from resold services to AT&T
22 operators, repair or directory assistance services. The issue is how the call is
23 dialed, i.e., "0", as opposed to some other code. AT&T has publicized other
24 options and customers are already accustomed to dialing "00" and 1+800-
25 XXX-XXXX for various operator services. Similarly, customers dial different

1 directory assistance numbers by area code today. Repair in some states today
2 is dialed on a seven digit basis rather than using three digits (611).

3

4 The customer confusion or competitive disadvantage issue raised by AT&T is
5 non-existent. Interestingly, BellSouth at one time used seven digit numbers to
6 reach repair and moved to a three digit code without causing any particular
7 problems. Today, large business customers in Florida dial unique seven digit
8 numbers and not 611.

9

10 As stated, BellSouth's retail service includes access to BellSouth's operator,
11 repair and directory assistance service through specific dialing arrangements.

12 Therefore, the resold service includes these same functionalities. Routing calls
13 to multiple providers through the same dialing arrangements is not technically
14 feasible, as Mr. Milner discusses in detail in his testimony.

15

16 Finally, in requesting the same routing and dialing arrangements as BellSouth,
17 AT&T is actually requesting a newly created hybrid service that adds some
18 type of unique routing capabilities, yet it also continues to employ all of
19 BellSouth's capabilities via resale. BellSouth is not required, nor should the
20 Act require BellSouth, to create a new bundled retail service for resale or to
21 create capabilities when there are reasonable options readily available. The
22 best solution is for AT&T to provide different dialing arrangements or lease
23 unbundled elements to combine with its own switch capabilities to provide
24 access to its operator or repair functions.

25

1 AT&T also ignores a significant problem, i.e., how the end user would reach a
2 BellSouth operator should it desire to do so. For example, the customer should
3 still be entitled to obtain BellSouth's intraLATA toll service if it so desires.
4 Under AT&T's plan to route all calls to the AT&T operator, it would be
5 impossible for the end user to reach the BellSouth operator. BellSouth's
6 proposal gives the customer the option to reach both BellSouth's and AT&T's
7 operators through explicit dialing plans. AT&T's plan would seem to offer the
8 customer only one choice -- and this from the pro-competition advocate?

9
10 AT&T also fails to point out that with intraLATA toll presubscription, as it is
11 being implemented in Florida, any end user presubscribed to AT&T for
12 intraLATA services, whether AT&T is reselling that customer service or not,
13 will reach an AT&T operator on any 0+ intraLATA toll call.

14
15 Q. DO YOU EXPECT THAT NEW DIALING ARRANGEMENTS FOR
16 OPERATOR SERVICES, DIRECTORY ASSISTANCE, OR REPAIR
17 CALLS WILL CAUSE CONFUSION?

18
19 A. No. BellSouth believes our customers are more adept than AT&T implies.
20 Currently, customers have available to them an array of dialing arrangements
21 to place operator type calls. In addition to "00" dialing to reach AT&T's or
22 other IXC's operators, AT&T markets a 1-800-CALLATT (which apparently
23 is a replacement for 1-800-OPERATOR). MCI advertises a 1-800-COLLECT
24 service, though its marketing is predominantly unbranded. Given the number
25 of carriers and calling arrangements provided, it is doubtful that customers

1 would be particularly confused by dialing "00" to reach an operator or a
2 different seven digit number to reach a repair center. The issue is even further
3 simplified by the propensity of inexpensive handsets with speed dialing
4 capabilities which can be programmed with "1" for operator, "2" for telephone
5 repair, and "3" for directory assistance. Indeed, it would likely be substantially
6 cheaper to equip all "potentially confused" customers with an inexpensive
7 telephone than to replace all of the switches to accomplish what AT&T has in
8 mind. By further example of dialing differences, AT&T provides, in addition
9 to access to its operator, AT&T calling cards, AT&T Universal Cards, AT&T
10 Corporate Calling Cards, and AT&T Global PrePaid Cards as well as several
11 other options for domestic and international calling.

12

13 End users are becoming increasingly more adept at selecting carriers, cards and
14 dialing arrangements when placing calls from home, business, public pay
15 telephones, etc. AT&T's purported "concern" over customer confusion seems
16 to be inconsistent with the current realities of the marketplace and its own
17 practices.

18

19 **Issue: WHEN BELLSOUTH'S EMPLOYEES OR AGENTS INTERACT**
20 **WITH AT&T'S CUSTOMERS WITH RESPECT TO A SERVICE**
21 **PROVIDED BY BELLSOUTH ON BEHALF OF AT&T, WHAT TYPE**
22 **OF BRANDING REQUIREMENTS ARE TECHNICALLY FEASIBLE**
23 **OR OTHERWISE APPROPRIATE?**

24

25 **AT&T Position:** AT&T proposes that when BellSouth personnel or systems

1 communicate with AT&T customers on behalf of AT&T they should: 1) advise
2 customers they are representing AT&T; 2) provide customer information
3 materials supplied by AT&T; and, 3) refrain from marketing BellSouth directly
4 or indirectly to customers.

5

6 BellSouth Position: BellSouth service technicians will advise customers that
7 they are providing service on behalf of AT&T. Service technicians will not
8 provide customer information provided by AT&T, but will provide generic
9 access cards with the appropriate provider's name (AT&T). BellSouth
10 personnel, when providing services on behalf of AT&T, will not market
11 directly or indirectly to AT&T customers.

12

13 Q. PLEASE PROVIDE AN EXPLANATION OF YOUR POSITION.

14

15 A. In most instances, BellSouth does not expect to communicate with the end user
16 customer regarding resold services, but will be communicating with the
17 reseller regarding such services. However, those individuals who must have
18 customer contact, such as service technicians making installations or repairs at
19 the customers' premises, have been trained to advise the end user that they are
20 acting on behalf of the reseller.

21

22 Q. AT&T PROPOSES THAT IF BELLSOUTH PERSONNEL OR AGENTS
23 COMMUNICATE WITH AT&T CUSTOMERS ON BEHALF OF AT&T,
24 THOSE PERSONNEL SHOULD FURNISH ANY CUSTOMER
25 INFORMATION MATERIALS PROVIDED BY AT&T. DOES

1 BELLSOUTH AGREE?

2

3 A. No. First, while it is not clear exactly what type of "customer information
4 materials" AT&T intends, BellSouth's service technicians certainly should not
5 be required to assist AT&T in its marketing effort by distributing promotional
6 materials to AT&T's customers. Further, AT&T's request is not required by
7 the Act. While AT&T's intent in this regard is not clear, the most common
8 type of "customer information material" employed by BellSouth's service
9 technicians is known as a "No Access" Card. This pre-printed card is used to
10 advise a customer who is not at home when the service technician arrives that
11 the customer must make additional arrangements for a return visit. BellSouth
12 has developed a generic, professionally printed no-access card that will be used
13 on behalf of all ALECs.

14

15 Attempting to use ALEC-specific cards has many difficulties. For example,
16 each technician's vehicle would have to be stocked with cards for a
17 multiplicity of ALECs. In addition, the technician is required to write in
18 certain customer-specific information on each card. Without uniform cards,
19 the technicians would be required to recall the different preferences of each and
20 every ALEC, increasing both training difficulties as well as the potential for
21 error. Finally, with multiple cards there would be a much greater potential that
22 the technician could select the wrong provider's card. A generic card used on
23 behalf of all ALECs alleviates all these concerns. In addition, a generic
24 procedure eliminates the possibility of competitive "one upmanship", i.e.,
25 each carrier wanting its "leave behind" information to be bigger and better than

1 the next one.

2

3 Q. AT&T PROPOSES THAT IF BELLSOUTH PERSONNEL OR SYSTEMS
4 COMMUNICATE WITH AT&T CUSTOMERS ON BEHALF OF AT&T,
5 THOSE PERSONNEL SHOULD REFRAIN FROM MARKETING
6 BELLSOUTH DIRECTLY OR INDIRECTLY TO CONSUMERS. DOES
7 BELLSOUTH AGREE?

8

9 A. Yes. In most instances, BellSouth does not expect to communicate with the
10 end user customer regarding resold services, but will be communicating with
11 the reseller regarding such services. However, those individuals who must
12 have customer contact, such as service technicians making installations or
13 repairs at the customers' premises, as well as those individuals who might
14 receive misdirected calls from end users, have received explicit training that
15 they are not to make any attempt to market BellSouth's services to these
16 customers.

17

18 Q. AT&T CLAIMS THAT, TO AVOID CONFUSION, BELLSOUTH
19 PERSONNEL SHOULD REPRESENT THEMSELVES AS AT&T ON
20 REPAIR CONTACTS. PLEASE COMMENT.

21

22 A. As stated previously, in these limited contacts, BellSouth employees will
23 represent themselves as providing service on behalf of AT&T, not as AT&T.
24 Representing themselves as AT&T would be inaccurate and would appear to
25 create more confusion rather than less, especially if the customer knows that

1 the underlying provider of local service is BellSouth. This condition is fairly
2 common in the IXC arena where a reseller may state who the underlying
3 service provider is. Further, in the era of "outsourcing," it is common to
4 contract with one entity only to have the work performed by another. This is
5 common practice which appears to work quite well, e.g., Home Depot, cable
6 companies, carpet companies, heating and air conditioning, etc.

7
8 Finally, there would be additional costs to provide the branding that AT&T has
9 requested. Costs would be incurred, not avoided, to meet many of AT&T's
10 requests for resale.

11
12 Q. DOES AT&T SUPPORT THE USE OF THE RESELLER'S "BRAND" IN
13 ITS ACTIONS ON BEHALF OF RESELLERS OF AT&T'S SERVICES?

14
15 A. While AT&T has tried to minimize these opportunities, there are some
16 instances of potential branding in the context of billing and collection. For
17 example, AT&T has performed billing for resellers of services such as
18 Megacom and Software Defined Network (SDN). Typically, AT&T has
19 refused to brand the bill on behalf of the reseller. Further, it is BellSouth's
20 understanding that AT&T will cease performing these functions sometime this
21 year. In the case of installation and repair matters, the reseller will typically
22 deal with AT&T on behalf of the end user, giving AT&T little "opportunity" to
23 brand on behalf of the reseller.

24
25 Similarly, BellSouth is not aware of any instances where AT&T provides a

1 reseller's brand involving operator services or comparable long distance type
2 services.

3

4 **Issue: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE NOTICE**
5 **TO ITS WHOLESALE CUSTOMERS OF CHANGES TO**
6 **BELLSOUTH'S SERVICES? IF SO, IN WHAT MANNER AND IN**
7 **WHAT TIME FRAME?**

8

9 **AT&T Position:** BellSouth should provide timely and meaningful notice of
10 changes in 1) retail services; 2) retail prices; and, 3) operational changes.

11 Notice should be with the same timing that BellSouth experiences. AT&T
12 seems to believe this is a competitive equity issue.

13

14 **BellSouth Position:** BellSouth will provide notice to wholesale customers of
15 changes in services offered for resale at the time BellSouth notifies customers
16 of such changes.

17

18 Q. PLEASE EXPLAIN THIS ISSUE.

19

20 A. It is my understanding that AT&T and BellSouth have agreed to terms for
21 notification of technology or operational changes that impact AT&T's use of
22 services purchased by AT&T from BellSouth. The only outstanding issue is
23 that AT&T wants BellSouth to provide notice 45 days in advance of the
24 introduction of new services and changes in prices. In this rapidly fluctuating
25 competitive environment, it would be impractical to provide advance notice to

1 the extent AT&T has requested. Additionally, such notice in advance might
2 subject BellSouth to complaints or other obligations should plans for new
3 service introductions or price changes not occur as originally noticed.
4 BellSouth plans to notify all resellers of these changes at the same time
5 BellSouth files public notice of the changes. Further, based on BellSouth's
6 understanding, the type of parity that AT&T is requesting of BellSouth is not
7 provided by AT&T to resellers of its services.

8
9 **Issue: SHOULD PREFERRED INTEREXCHANGE CARRIERS (PIC)**
10 **CHANGES RECEIVED FROM IXC_s BE TREATED DIFFERENTLY**
11 **FOR A BELLSOUTH EXCHANGE SERVICE BEING RESOLD BY**
12 **AT&T THAN FOR A BELLSOUTH RETAIL EXCHANGE SERVICE?**

13
14 **AT&T Position:** AT&T proposes that BellSouth not process long distance
15 carrier designation changes sent to BellSouth for AT&T customers served by
16 resold services.

17
18 **BellSouth Position:** BellSouth plans to handle PIC requests for all resellers
19 under the same guidelines and framework used to handle PIC requests today
20 for IXC_s.

21
22 Q. WHY HAS BELLSOUTH REFUSED TO COMPLY WITH AT&T'S
23 REQUEST TO REJECT ALL PIC CHANGES INITIATED BY OTHER IXC_s
24 FOR AT&T'S RESALE CUSTOMERS?

25

1 A. AT&T is asking for other than normal treatment which would raise the issue of
2 parity among the IXCs. Further, implementation of AT&T's proposal would
3 appear to hinder a customers' ability to choose their preferred interexchange
4 carrier. Resale has always had the intended purpose of helping competition,
5 not hindering it.

6
7 In addition, BellSouth believes that the local service offered by BellSouth for
8 resale includes the capability for IXCs with proper end user authorization to
9 change the PIC on the resold line via the industry's mechanized interface,
10 known as "CARE".

11
12 Throughout the industry, PIC changes are made by the IXCs via an electronic
13 CARE system. For example, if a customer chooses an IXC other than AT&T
14 for its long distance service, that IXC today would electronically notify
15 BellSouth of the PIC change through CARE, and BellSouth would update the
16 line records accordingly. In a resale environment, however, if another IXC
17 succeeded in being selected as the pre-subscribed IXC for an AT&T local
18 customer, AT&T would prefer that BellSouth reject the mechanized CARE
19 transaction from the other IXC, notify AT&T, and await a local service request
20 from AT&T before processing the PIC change.

21
22 There are problems, however, with AT&T's approach. First, complying with
23 AT&T's request would place BellSouth in the position of refusing properly
24 processed PIC change requests from its other IXC customers. Further,
25 AT&T's request also would needlessly increase the volume of local service

1 requests submitted by AT&T to BellSouth. BellSouth believes this
2 Commission should recognize the continued use of the mechanized CARE
3 process as the appropriate vehicle for processing PIC changes in a local resale
4 environment.

5
6 Nonetheless, to accommodate AT&T's concerns about maintaining current
7 information about its end users' accounts, including PIC information,
8 BellSouth is analyzing the feasibility of a separate electronic process that
9 would notify an ALEC that a PIC change has occurred on a resold line. Of
10 course, cost recovery for that interface must be addressed.

11

12 Q. PLEASE DESCRIBE HOW BELLSOUTH PLANS TO PROCESS PIC
13 CHANGES FOR CUSTOMERS OF LOCAL RESOLD SERVICES.

14

15 A. Existing tariffed processes, procedures, and charges provide the framework for
16 changes of intraLATA or interLATA presubscription for customers of record
17 of ALECs operating as resellers.

18

19 When AT&T is a reseller of BellSouth local service for the provision of local
20 service to its end user customers, AT&T becomes BellSouth's customer of
21 record for that line. For these situations, BellSouth will accept PIC changes
22 from AT&T as the customer of record or from other IXCs. All applicable
23 charges associated with intraLATA and/or interLATA PIC changes would
24 apply.

25

1 To process PIC changes differently for AT&T than other resellers could create
2 parity issues among the IXCs because requests would be processed differently
3 and possibly under varying time frames.

4
5 **Issue: WHAT ARE THE APPROPRIATE WHOLESALE RATES FOR**
6 **BELLSOUTH TO CHARGE WHEN AT&T PURCHASES**
7 **BELLSOUTH'S RETAIL SERVICES FOR RESALE?**

8
9 **AT&T Position:** AT&T recommends an overall discount range from 67%-
10 72% which is comprised of three components: 1) costs that will be avoided; 2)
11 operations parity adjustment; and 3) additional adjustments to "jump start"
12 competition.

13
14 **BellSouth Position:** The Act requires that rates for resold services shall be
15 based on retail rates minus the costs that will be avoided due to resale.
16 BellSouth proposes a discount to be applied to both residential and business
17 services based on avoided cost studies.

18
19 Q. WHAT IS THE RATIONALE FOR BELLSOUTH'S POSITION?

20
21 A. Section 252(d)(3) of the Act sets forth the standard for a state commission to
22 use when establishing a resale rate. "a State commission shall determine
23 wholesale rates on the basis of retail rates charged to subscribers for the
24 telecommunications service requested, excluding the portion thereof
25 attributable to any marketing, billing, collection, and other costs that will be

1 avoided by the local exchange carrier.” Therefore, discounts to reflect
2 “avoided costs” are the only appropriate discounts that should be applied to
3 resold services. BellSouth conducted a cost study analysis to determine these
4 avoided costs. Mr. Walter Reid describes the cost study approach and the
5 detailed analysis as well as the resulting discounts in his testimony.

6

7 Q WHAT IS BELLSOUTH’S POSITION REGARDING THE DISCOUNTS
8 THAT AT&T PROPOSES FOR THE RESALE OF ITS RETAIL SERVICES?

9

10 A. AT&T continues to increase its discount level from state to state and adds new
11 components to its requested discount rate. For Florida, AT&T has proposed a
12 discount in the range of 67% to 72% whereas in earlier proceedings it proposed
13 an overall discount of 35% in Illinois and most recently 38% in Georgia. In
14 these two states only two discount components were proposed. In this filing,
15 AT&T has proposed three components: the first to reflect avoided costs
16 (42%); the second to account for the lack of certain requested operational
17 interfaces (15%); and, the third to “jump start” competition (10-15%).
18 AT&T’s position continues to vary but always increases its desired resale
19 discount presumably to assure itself of a better discount should a Commission.
20 despite the requirements of the Act, choose to split the difference.

21

22 Overall AT&T’s proposed discount components and levels are totally arbitrary,
23 without justification, and unrelated to the pricing principles in the Act and
24 should be rejected. Mr. Walter Reid addresses how an avoided cost study
25 should be done and identifies the appropriate avoided costs. Ms. Gloria

1 Calhoun addresses the operational interfaces that will be used to provide
 2 services to ALECs and provides an analysis of the request by AT&T. Dr.
 3 Richard Emmerson discusses the appropriate economic principles for resale
 4 and pricing of services. The combination of these testimonies further point out
 5 the deficiencies in AT&T's proposal and its unrealistic discount request.

6

7 Q. WOULD YOU COMPARE AT&T'S REQUEST FOR A RESALE
 8 DISCOUNT WITH ITS OWN RESALE DISCOUNT?

9

10 A. Yes. In offering resale of its own services beginning in 1982 and continuing to
 11 the present, AT&T offers the following resale discounts:

12

13	Avoided (or avoidable) Costs	=	zero
14	Interface Deficiencies	=	zero
15	Jump Start Competition	=	zero
16	Total	=	zero

17

18 While AT&T can argue that it is not obligated under the law to provide an
 19 avoided cost discount, nothing precludes AT&T from passing on the billing
 20 and marketing savings that accrue from a resale situation to the resellers in a
 21 manner that would be consistent with its obligation under Sections 201, 202,
 22 and 203 of the Communications Act. Similarly, if their procompetitive
 23 rhetoric is to be believed, they would gladly pass these savings along to
 24 resellers. Further, its two additional discount components are well beyond the
 25 scope of the Act and are no more relevant to BellSouth than they are to

1 AT&T. Again there appears to be wide and unexplained differences between
2 what is being practiced and what AT&T has requested of BellSouth.

3

4 Q. YOU CLAIM AT&T PROVIDES NO RESALE DISCOUNTS. WHAT ARE
5 THE PURPORTED 50% TO 80% THAT HAVE BEEN CLAIMED BY
6 SOME PARTIES AS DISCOUNTS?

7

8 A. As discussed previously, AT&T provides no discount when it sells a service to
9 a reseller versus a retail customer. For example, the discount for a standard
10 long distance call or WATS service is zero. By comparison, the rates for
11 BellSouth's intraLATA comparable long distance, WATS, local exchange,
12 vertical services, etc. will be discounted for resale, according to the avoided
13 costs. (This inequity alone should indicate the unreasonableness of AT&T's
14 posture.)

15

16 The 50% - 80% data is developed by comparing a high volume, and/or contract
17 term plan with the basic long distance rate. For example, if the effective per
18 minute rate for a high volume service of \$.10 (whether used for resale or retail
19 purposes) is compared to a \$.25 long distance price, an effective discount of
20 60% exists. However, this is not a resale discount; it is a volume or term
21 discount, i.e., a discount based on differing circumstances.

22

23 By analogy, one could purchase a case (twenty-four cans) of Coke for \$6.00 or
24 \$.25 per can in a local grocery store, whereas if the individual can had been
25 purchased, it might have cost \$.50 The effective discount would be 50% due

1 to volume and circumstances, not resale.

2

3 **B. INTERCONNECTION**

4

5 **Issue: WHAT ARE THE APPROPRIATE TRUNKING**
6 **ARRANGEMENTS BETWEEN AT&T AND BELLSOUTH FOR**
7 **LOCAL INTERCONNECTION?**

8

9 **AT&T Position:** BellSouth should interconnect with AT&T using both one-
10 way and two-way trunk groups. These trunks should carry both intraLATA
11 and local interconnection traffic.

12

13 **BellSouth Position:** Each interconnecting party should have the right to
14 determine the most efficient trunking arrangements for its network. Parties
15 should be free to work together and establish two-way arrangements if both
16 parties agree; however, such arrangements should not be mandated. Mr.
17 Atherton addresses this issue in detail in his testimony.

18

19 **Issue: WHAT SHOULD THE COMPENSATION MECHANISM FOR**
20 **THE EXCHANGE OF LOCAL TRAFFIC BE BETWEEN AT&T AND**
21 **BELLSOUTH?**

22

23 **AT&T Position:** Mutual traffic exchange (bill and keep) is the most
24 appropriate compensation arrangement for local interconnection. If the
25 Commission imposes a specific charge, the rate must be set based on total

1 service long run incremental cost (TSLRIC).

2

3 BellSouth Position: The rate for the transport and termination of traffic should
4 be set with recognition of the intrastate switched access rate. BellSouth has
5 negotiated interconnection rates based on these charges exclusive of the
6 residual interconnection charge (RIC) and carrier common line (CCL) charge
7 with a 105% cap applied on usage. The Act does not authorize a commission
8 to mandate that a party accept bill and keep as the method of interconnection,
9 eliminating the right to recover its costs.

10

11 Q. PLEASE PROVIDE THE RATIONALE FOR BELLSOUTH'S POSITION.

12

13 A. BellSouth proposes in this proceeding, and has negotiated with a number of
14 carriers in Florida, for local interconnection rates based on switched access
15 minus the non-traffic sensitive rate elements. Further, BellSouth has
16 negotiated a cap of 105% on the number of minutes for which one party must
17 compensate the other based on the lowest number of minutes carried between
18 them. BellSouth has offered these terms, rates and conditions to AT&T and
19 proposes the Commission adopt these rates in this arbitration.

20

21 Q. IS BELLSOUTH'S PROPOSED RECIPROCAL TRANSPORT AND
22 TERMINATION RATE FOR LOCAL CALLS REASONABLE?

23

24 A. Yes. BellSouth believes the local interconnection rate should be based on the
25 intrastate switched access rate to the extent possible. The components of local

1 interconnection and toll access are functionally equivalent, and therefore, the
2 rate structure should be similar. This issue seems to be accepted by AT&T and
3 BellSouth. Basing the local interconnection rate on the switched access rate
4 will facilitate the transition of all interconnection types into a single
5 interconnection rate. As technology changes, competition increases, and
6 interconnection types (e.g., local, toll, independent, cellular/wireless) become
7 more integrated, such a transition is imperative.

8
9 BellSouth has reached agreements that include a local interconnection rate
10 based on the *current* switched access rate minus any non-traffic sensitive rate
11 elements. In Florida, the resulting negotiated reciprocal compensation rate
12 averages approximately \$0.01 per minute.

13

14 Q. HOW DOES BELLSOUTH'S PROPOSED RATE COMPARE TO OTHER
15 AGREEMENTS NEGOTIATED BY OTHER REGIONAL COMPANIES?

16

17 A. A compelling piece of evidence as to the reasonableness of BellSouth's
18 proposed rate is the agreement MFS reached with Ameritech. MFS agreed to a
19 local interconnection rate of \$0.009 per minute which is clearly in line with the
20 \$0.01 BellSouth average rate.

21

22 Q. DOES BELLSOUTH'S PROPOSED RATE MEET THE PRICING
23 STANDARDS IN SECTION 252(d) OF THE ACT?

24

25 A. Yes. The Act outlines pricing standards for the transport and termination of

1 traffic such that the terms and conditions for reciprocal compensation are
2 considered just and reasonable when:

3
4 “(i) such terms and conditions provide for the mutual and
5 reciprocal recovery by each carrier of costs associated with the
6 transport and termination on each carrier’s network facilities of
7 calls that originate on the network facilities of the other carrier;
8 and, (ii) such terms and conditions determine such costs on the
9 basis of a reasonable approximation of the additional costs of
10 terminating such calls.” Section 252(d)(2)(A).

11
12 BellSouth’s proposed average local interconnection rate of \$0.01 per minute
13 meets that standard in that it allows for the recovery of BellSouth’s costs and is
14 reasonable. The reasonableness of BellSouth’s rate is further demonstrated by
15 the agreements that BellSouth has reached with other facilities based carriers.
16 Companies such as Time Warner, Intermedia Communications Inc., MCImetro
17 and others have found BellSouth’s rates to be reasonable, allowing them a fair
18 opportunity to compete for local exchange customers. If the rates these
19 companies agreed to were not reasonable, they would not have signed an
20 agreement but would have filed for arbitration of the local interconnection rate.

21
22 Q. PLEASE EXPLAIN WHY BELLSOUTH SUPPORTS A CAP ON
23 INTERCONNECTION COMPENSATION.

24
25 A. A cap on local interconnection means that neither interconnecting party would

1 be required to compensate the other more than a specified percent of the total
2 billed local interconnection minutes of use of the party with the lower total
3 minutes of use. In effect, a cap provides financial stability for an
4 interconnecting party in circumstances where an imbalance in the traffic flow
5 could exist. In those situations where traffic is virtually in balance, the cap
6 would not even come into play. The cap would apply to the total billed local
7 interconnection minutes of use measured by the local switching element
8 calculated for each party.

9
10 Early in the negotiating process BellSouth became aware that many of the
11 parties wanted this cap. Since that time, each agreement BellSouth has signed
12 with another party has contained a cap on local interconnection minutes of use
13 compensation. These agreements have two or three year terms and items such
14 as the cap can be renegotiated at that time. BellSouth believes that this is a
15 reasonable approach for all parties in order to provide some stability during the
16 start-up phase of interconnection.

17
18 Q. DOES BELLSOUTH AGREE WITH AT&T'S POSITION THAT BILL AND
19 KEEP SHOULD BE IMPLEMENTED AS A COMPENSATION
20 MECHANISM FOR LOCAL INTERCONNECTION?

21
22 A. No. BellSouth recognizes that the Florida Commission ordered bill and keep
23 for local interconnection in Docket No. 950985-TP. BellSouth disagrees with
24 that decision and with the Commission's denial of BellSouth's request for
25 reconsideration on the bill and keep provision. BellSouth plans to appeal that

1 decision.

2

3 First and most fundamentally, it is my understanding that mandatory bill and
4 keep violates Section 252 of the Act. The Act clearly allows negotiating
5 parties to relinquish the mutual recovery of costs voluntarily should they so
6 desire and enter voluntarily into bill and keep arrangements. The Act does not
7 authorize a state commission to mandate that a party accept bill and keep as the
8 method of cost recovery.

9

10 Second, as mentioned above, with this arrangement there is no mechanism for
11 the recovery of costs associated with the termination of local calls. For
12 example, if it costs BellSouth three cents a minute to terminate a local call and
13 it costs a new entrant five cents a minute to terminate a local call, this
14 arrangement will not allow either party to recover its costs. At best, in the
15 situation illustrated, if the traffic were perfectly balanced, the carrier with the
16 lower cost might be able to conclude that it was somehow okay because the
17 payments it avoided making to the other carrier exceeded its own costs. Using
18 the numbers above, however, the new entrant would be unable to recover the
19 net difference of two cents per minute under any theory. This problem could
20 be accentuated if there is a traffic imbalance.

21

22 Third, a compensation arrangement of this type prevents BellSouth from being
23 compensated for access to, and use of, its valuable, ubiquitous network. Also,
24 it does not recognize different types of technical interconnection arrangements
25 that may exist. Because there will be varying interconnection arrangements,

1 there must be a way to differentiate the charges based upon these differences.
2 Under bill and keep, there would be no way to differentiate the charges and this
3 would discourage the development of efficient networks by the new entrants.
4 New entrants would simply take advantage of the functionalities in BellSouth's
5 network, having no incentive to build their own capabilities because they could
6 obtain them for free from BellSouth.

7
8 Fourth, the distinction between local and toll calls can no longer be assured.
9 The industry must move to a common interconnection structure. Bill and keep
10 cannot serve that function. Adoption of bill and keep will undermine long
11 distance competition as well as local competition.

12
13 Fifth, it should be noted that bill and keep does not eliminate the need for
14 billing and administrative systems. There will continue to be a need to hand
15 off toll and 800 traffic to interexchange carriers, to LECs and to new entrants,
16 which will require the billing of switched access rates. Because new entrants
17 will bill switched access to many different carriers, BellSouth's proposal to
18 apply switched access elements for local interconnection places no significant
19 additional billing requirements on new entrants.

20
21 Finally, bill and keep establishes an inappropriate arrangement between
22 competing carriers. Bill and keep is similar to a barter arrangement, which is
23 not a typical method used for compensating businesses for services provided.

24
25 **Issue: DO THE PROVISIONS OF SECTIONS 251 AND 252 APPLY TO**

1 **THE PRICE OF EXCHANGE ACCESS? IF SO, WHAT IS THE**
2 **APPROPRIATE RATE FOR EXCHANGE ACCESS?**

3

4 AT&T Position: The Act requires BellSouth to provide exchange access at
5 rates based and set at cost.

6

7 BellSouth Position: Sections 251 and 252 of the Act do not apply to the price
8 of exchange access. Therefore, BellSouth does not believe that the
9 Commission can arbitrate this issue and it should be dismissed.

10

11 Q. WHAT IS THE RATIONALE FOR BELLSOUTH'S POSITION
12 REGARDING INTRASTATE SWITCHED ACCESS PRICING?

13

14 A. The Act explicitly addresses resale, unbundling and local transport and
15 termination services and the associated pricing standards that the Commission
16 should use for arbitration. Switched access is not a new or insignificant
17 service since it represents more than three billion dollars annually for
18 BellSouth. If the intent of Congress was to change the pricing or structure for
19 switched access, it would have explicitly identified these requirements in the
20 Act. No such requirements are included in the Act.

21

22 This is not to say that the Act is totally silent on access matters -- quite the
23 contrary. The Act spells out that, in designing arrangements between the
24 incumbent and new LECs, provisions should include the ability of exchanging
25 both local and access traffic. BellSouth's negotiated agreements explicitly

1 cover meet point, technical and billing arrangements associated with access
2 services. Why? Because the Act requires it. Further, not one of the sixteen
3 agreements already signed includes any negotiated access charges or
4 arrangements similar to what AT&T believes is needed.

5

6 The Act also states clearly that incumbent LECs must continue to meet their
7 obligation to provide access to IXCs consistent with regulatory requirements.
8 This provision presumably prohibits an incumbent's ability to interfere with
9 the long distance market by withdrawing some or all of its existing access
10 offerings. With this level of specificity on so many access issues, how can one
11 expect that the need to negotiate access would not have been clearly spelled
12 out?

13

14 **C. UNBUNDLED NETWORK ELEMENTS**

15

16 Q. **Issue: ARE THE FOLLOWING ITEMS CONSIDERED TO BE**
17 **NETWORK ELEMENTS, CAPABILITIES, OR FUNCTIONS? IF SO,**
18 **IS IT TECHNICALLY FEASIBLE FOR BELLSOUTH TO PROVIDE**
19 **AT&T WITH THE ELEMENTS? (NETWORK INTERFACE DEVICE,**
20 **LOOP DISTRIBUTION, LOOP CONCENTRATOR/MULTIPLEXER,**
21 **LOOP FEEDER, LOCAL SWITCHING, OPERATOR SYSTEMS,**
22 **DEDICATED TRANSPORT, COMMON TRANSPORT, TANDEM**
23 **SWITCHING, SIGNALING LINK TRANSPORT, SIGNAL TRANSFER**
24 **POINTS, SERVICE CONTROL POINTS/DATA BASES)**

25

1 AT&T Position: It is technically feasible to unbundle all twelve elements
2 requested by AT&T from BellSouth's network. A thirteenth item mentioned is
3 AIN triggers.

4
5 BellSouth Position: BellSouth and AT&T have agreed on the definitions and
6 capabilities for four elements requested by AT&T -- tandem switching,
7 signaling link transport, signal transfer points, and service control points/data
8 bases. BellSouth has also agreed to provide unbundled loop facilities,
9 unbundled local switching, operator systems, and dedicated transport. AT&T
10 has requested additional capabilities of these unbundled elements which are
11 not technically feasible.

12
13
14 Q. FIRST, DESCRIBE HOW BELLSOUTH DETERMINED WHAT WAS
15 APPROPRIATE TO BE UNBUNDLED OR INTERCONNECTED BASED
16 ON THE REQUIREMENTS OF THE ACT?

17
18 A. As one would expect and is true with most new endeavors, many of the
19 specific requirements for unbundled elements and interconnection were
20 unknown in the beginning. Specific elements were not requested until
21 negotiations began which was after enactment of the changes to Florida Statute
22 364. Subsequently, BellSouth used the requirements in the Act as a framework
23 to develop the initial plan for unbundling and interconnection. Several of the
24 initial elements, e.g., loops and interoffice transport, are currently available in
25 the GSST, Private Line or Access Tariffs. The competitive checklist included

1 in Section 271 of the Act establishes an appropriate benchmark for unbundling
2 and BellSouth has established unbundled capabilities that are consistent with
3 those requirements. Overall, the additional capabilities that BellSouth plans to
4 make available immediately on an unbundled basis include:

5

6

7

Sec. 251(c)(6)

8

- Collocation

9

Sec. 271 (c)(2)(B)(iii)

10

- "Nondiscriminatory access to the poles, ducts, conduits and rights-of-way"

11

12

Sec. 271 (c)(2)(B)(iv)(v)(vi)

13

- Exchange Line (Loops), Switching (Ports), and Transport

14

"Local loop transmission from the central office to the customer's

15

premises, unbundled from switching or other services." (iv)

16

"Local transport from the trunk side of a wireline local exchange carrier

17

switch unbundled from switching or other services." (v)

18

"Local switching unbundled from transport, local loop transmission, or

19

other services." (vi)

20

21

Sec. 271 (c)(2)(B)(vii)

22

"Non-discriminatory access to-

23

- Emergency Services

24

"911 and E911 services;" (I)

25

- Directory Assistance (DA)

- 1 “directory assistance services to allow the other carrier’s customers to
2 obtain telephone numbers;” (II)
- 3 - Operator services
4 “operator call completion services.” (III)
- 5
- 6 Sec. 271 (c)(2)(B)(viii)
- 7 - Directory Listings
8 “White pages directory listings for customers of the other carrier’s
9 telephone exchange service”.
- 10
- 11 Sec. 271 (c)(2)(B)(ix)
- 12 - Access to Numbers (NXX Codes)
13 “[Access to telephone numbers for assignment to the other carrier’s
14 telephone exchange service customers.”
- 15
- 16 Sec. 271 (c)(2)(B)(x)
- 17 - Centralized Message Database Service (CMS)
18 - Access to 800 Database
19 - Line Information Database Service (LIDB)
20 - Signaling (Signaling System 7)
21 “Nondiscriminatory access to databases and associated signaling necessary
22 for call routing and completion.”
- 23
- 24 Sec. 271 (c)(2)(B)(XI)
- 25 - Interim Service Provider Number Portability

1 “[I]nterim telecommunications number portability through remote call
2 forwarding, direct inward dialing trunks, or other comparable
3 arrangements...”

4

5 Q. AT&T ALLEGES THAT BELLSOUTH REFUSES TO UNBUNDLE 8 OF 12
6 REQUESTED ELEMENTS. PLEASE EXPLAIN YOUR
7 UNDERSTANDING AND POSITION ON THESE REQUESTED
8 ELEMENTS.

9

10 A. It is my understanding that the definition of the unbundled capability
11 associated with tandem switching, signaling link transport, signal transfer
12 points, and service control points/data bases are not subject to arbitration.
13 AT&T has requested eight additional elements: Unbundled Loop Facilities
14 (Sub-loop elements: Network Interface Device, Loop Distribution, Loop
15 Concentrator/Multiplexed, Loop Feeder), Switching, Dedicated Transport,
16 Common Transport, Operator Systems.

17

18 Contrary to AT&T's claim, BellSouth does offer unbundled loops, switching,
19 transport (including dedicated), and operator systems. We disagree primarily
20 on how AT&T has defined these unbundled elements or how they have
21 requested that they be provisioned. I will briefly describe these elements that
22 BellSouth is offering on an unbundled basis. Mr. Milner addresses why the
23 specific elements or additional capabilities that AT&T has requested are not
24 technically feasible.

25

1 Local loop facilities -- AT&T is not requesting the unbundling of a loop but
2 rather "sub-loop" unbundling. The provision of these elements is not
3 technically feasible as indicated in Mr. Milner's testimony. As information, in
4 its petition for arbitration with Bell Atlantic in Virginia, AT&T appears to have
5 agreed that some sub-loop elements requested of BellSouth need not be subject
6 to arbitration. In that petition on page 27, AT&T states: "Bell has agreed to
7 provide or already provides through its access tariffs most of the unbundled
8 network elements AT&T has requested. With regard to the three elements that,
9 together, comprise the connection typically referred to as the "local loop"
10 extending from the customer's premise to Bell's end office switch, AT&T has
11 agreed, that until firms begin marketing the equipment necessary to unbundle
12 the loop into the three separate "sub-loop" elements, Bell need only unbundle
13 the loop as a single element."

14
15 Therefore, it seems that AT&T has agreed in principle that sub-loop
16 unbundling is not feasible at this time. As I understand it, the only "sub-loop"
17 element that is left to arbitration in Bell Atlantic is the Network Interface
18 Device (NID). AT&T leaves unexplained why the equipment necessary to
19 create these sub-elements is not available to Bell Atlantic but apparently is
20 available to BellSouth.

21
22 BellSouth is providing a variety of unbundled loops as a single element.
23 BellSouth is offering 2-wire and 4-wire analog voice grade loops, 2-wire ISDN
24 digital grade loops, and 4-wire DS-1 grade loops.

25

1 Local Switching -- AT&T has again raised the routing issue in its request for
2 unbundled local switching. AT&T also requests access to AIN triggers in its
3 request for unbundled local switching. Mr. Milner describes the technical
4 infeasibility of providing these features.

5
6 BellSouth does offer unbundled local switching. The fundamental local
7 switching capability involves the line termination (port) and the line side
8 switching (dialtone) capability in the central office. These functions provide
9 connectivity to the switching features associated with the telephone line and
10 telephone numbers, routing capability to BellSouth's end users and other
11 BellSouth capabilities as well as the capability to reach other new entrants and
12 interexchange carriers. With these functionalities a new entrant, who has not
13 fully deployed its own switching functionality, can use BellSouth's unbundled
14 switching to reach a broader base of customers.

15
16 Unbundled elements will generally be used in conjunction with a new entrant's
17 own facilities and functions to provide competitive local exchange services.
18 The capabilities that BellSouth provides through its unbundled switching,
19 including the line termination (port), will meet the needs of carriers as they
20 begin to develop and ultimately expand their own networks. In addition to line
21 side local switching, BellSouth will provide unbundled trunk side switching
22 which is already available in BellSouth switched access tariffs.

23
24 Operator Systems -- AT&T requests that BellSouth's operator services be
25 unbundled.

1

2

Contrary to AT&T's statements, BellSouth does offer access to stand-alone operator services. AT&T again creates confusion stating that BellSouth is not being responsive by not providing unbundled operator services. In reality, AT&T is again talking about routing of "0" or "411" calls to its operator services under resale arrangements or as part of its request for unbundled switching. AT&T has commingled the provision of BellSouth's unbundled operator services with the provision of its own unbundled operator services. These are two entirely different structures and circumstances. BellSouth does offer unbundled operator services. These capabilities, including Busy Line Verification and Interrupt, operator call assistance and directory assistance, are included in many of BellSouth's negotiated agreements.

13

14

Local Transport -- AT&T requests that Dedicated and Common Transport be unbundled.

15

16

17

BellSouth does offer unbundled local transport. BellSouth offers dedicated transport through its Special Access Tariff. Common Transport by its nature is used by multiple carriers. As noted in the Commission's March 29th Order in Docket No. 950984, page 8, "ALECs currently have the option to lease these facilities from the LEC or to provide the facilities themselves. Thus, we find that it is unnecessary to require BellSouth to create a new pricing element because loop transport facilities are currently available in BellSouth's tariff."

18

19

20

21

22

23

24

Once again, AT&T claims that the reason local transport has not been unbundled is because, when used in conjunction with the BellSouth switch,

25

1 AT&T will not obtain the routing they desire. This is the same routing issue
2 that has been raised regarding unbundled switching, unbundled operator
3 systems, and branding for resold services.
4

5 **Issue: SHOULD AT&T BE ALLOWED TO COMBINE BELLSOUTH'S**
6 **UNBUNDLED NETWORK ELEMENTS TO RECREATE EXISTING**
7 **BELLSOUTH SERVICES?**

8
9 AT&T Position: AT&T is entitled to use unbundled network elements alone
10 or in any combination in its provision of local services.
11

12 BellSouth Position: ALECs should be able to combine BellSouth provided
13 elements with their own capabilities to create a unique service. However, they
14 should not be able to use only BellSouth's unbundled elements to create the
15 same functionality as BellSouth's existing service.
16

17 Q. EXPLAIN THE RATIONALE FOR BELLSOUTH'S POSITION.

18
19 A. In many instances, combining unbundled elements provided by BellSouth in
20 conjunction with a new entrant's capabilities is practical and appropriate. It is
21 not appropriate, however, that the recombination be totally unbundled elements
22 provided only by BellSouth and, when taken together, create the identical
23 functionality as an existing BellSouth service. Nowhere in the Act does it
24 anticipate the recreation of an existing service by the simple reassembling of
25 the LEC's unbundled elements. If that is what Congress had in mind, it would

1 have eliminated the resale provision.

2

3 Unbundling is the purchase of underlying network elements that can be
4 combined with a carrier's own elements to offer services, while resale involves
5 the purchase of underlying network elements that are already combined and
6 offered as a finished service. Based on this understanding, when the
7 combination of unbundled elements produces the finished service, then the
8 recombination should be purchased as a resold service. To do otherwise is to
9 condone tariff arbitrage without any justification. The most apparent
10 recombination of elements that would produce a finished service is the loop
11 and port (local switching) which is the functional equivalent of a basic local
12 exchange service.

13

14 Q. HOW IS BELLSOUTH'S POSITION CONSISTENT WITH THE
15 REQUIREMENTS OF THE ACT?

16

17 A. BellSouth's position is entirely consistent with the requirements and the intent
18 of the Act. Clearly the intent of the Act was to promote both facilities based
19 and resale competition. The Act clearly obligates BellSouth to both unbundle
20 components and provide for the resale of its services. Consistent with this
21 intent, two pricing standards were established. Allowing the same service to
22 be purchased through unbundled components or through resale at two different
23 prices would be contrary to this intent. Further, such pricing would lead to
24 total arbitrage and provide no incentives for a carrier to invest in new
25 capabilities.

1

2

**Issue: WHAT SHOULD BE THE PRICE OF EACH OF THE ITEMS
CONSIDERED TO BE NETWORK ELEMENTS, CAPABILITIES, OR
FUNCTIONS?**

3

4

5

6

AT&T Position: Prices of unbundled elements should be set at TSLRIC.

7

8

9

10

11

12

13

14

15

**Q. WHAT IS BELL SOUTH'S POSITION ON THE PRICING OF
UNBUNDLED ELEMENTS?**

16

17

18

A. As stated previously, BellSouth provides through its tariffs some services which are already unbundled as a general offering to either end users or to other telecommunications providers. Therefore, the prices have already been set and approved by the Commission. These prices meet the pricing standards in the Act and no adjustment is needed. Pricing at rates other than those that currently exist will create opportunities for tariff shopping and arbitrage. For new or additional unbundled elements, BellSouth proposes a price which covers cost, provides contribution to recovery of shared and common costs,

19

20

21

22

23

24

25

1 includes a reasonable profit and is not discriminatory. BellSouth recommends
2 the proposed rates for selected unbundled components as provided in
3 Attachment (RCS-2) of this testimony.

4

5 Q. WHY ARE BELLSOUTH'S PROPOSED RATES APPROPRIATE?

6

7 A. BellSouth proposed the special access line rate for the 2-wire analog voice
8 grade loop in the unbundling Docket No. 950984-TP. The Commission
9 established the recurring rate for this unbundled loop at \$17.00. Therefore,
10 BellSouth has proposed and offered this \$17.00 rate to AT&T and other
11 providers. This rate covers the incremental cost of providing the loop, as well
12 as some contribution to shared and common costs. This rate is below the
13 special access rate and has been negotiated and agreed to by such local
14 competitors as Intermedia Communications, Inc.

15

16 BellSouth currently offers an unbundled 4-wire voice grade analog loop and a
17 4-wire digital grade loop service. BellSouth proposes using the existing
18 tariffed recurring special access rates for these unbundled services for which
19 BellSouth filed cost studies on May 28, 1996. The proposed rates cover the
20 cost of the loops and provide a minimal amount of contribution to shared and
21 common costs.

22

23 Q. DO THESE PRICES MEET THE PRICING STANDARDS IN THE ACT?

24

25

1 A. Yes. Section 252(d)(1) of the Act states that the rates for interconnection and
2 network elements:

3 “(A) shall be --

4 “(i) based on the cost (determined without reference to a
5 rate-of-return or other rate-based proceeding) of providing
6 the interconnection or network element (whichever is
7 applicable), and

8 “(ii) nondiscriminatory, and

9 (“B) may include a reasonable profit.”

10

11 As stated above, BellSouth has filed cost studies on these services. The
12 proposed rates cover incremental costs and provide a minimal contribution to
13 shared and common cost. These same rates are available to other providers
14 who request these unbundled elements.

15

16 Q. WHY ARE THE RATES PROPOSED BY BELLSOUTH FOR
17 UNBUNDLED ELEMENTS MORE APPROPRIATE THAN THOSE
18 PROPOSED BY AT&T?

19

20 A. First and foremost, AT&T proposes that TSLRIC should serve as the target
21 price and the cap for unbundled loops. *There is nothing in the Act which*
22 *requires that those elements be priced at cost and nothing that indicates that*
23 *TSLRIC should be the cost methodology. The Act only requires that prices be*
24 *based on cost. Pricing a service at TSLRIC does not take into account joint*
25 *and common costs. As Dr. Emmerson explains in his testimony, it is*

1 appropriate for the price of all services, including unbundled elements, to
2 provide a contribution to the recovery of joint and common costs. As
3 advocated by AT&T, TSLRIC is a measurement of forward-looking costs
4 when an entire network is being built from scratch, or alternatively, if the
5 network is being replaced in its entirety. However, BellSouth's current
6 technology and capital equipment in place in the network do not become
7 irrelevant for the provision of future services, including unbundled loops. The
8 cost of such facilities should include the network that is in place rather than
9 some hypothetical one.

10

11 The Ohio Commission recently recognized that joint and common costs must
12 be recovered (Order dated June 12, 1996, Case No. 95-845-TP-COI, page 39).
13 In adopting generic guidelines for competition for local exchange services, the
14 Commission ruled that interconnection and unbundled element rates should
15 allow a LEC to recover its long run service incremental costs and an
16 appropriate allocation of joint costs. Further, LECs were allowed to add 10%
17 of the sum of the long run service incremental costs and the allocated joint
18 costs in order to recover common costs.

19

20 AT&T also suggests that BellSouth be required to conduct disaggregated loop
21 studies for various density zones and thereafter deaverage the statewide loop
22 rates. Deaveraged pricing of loops has very serious implications that are well
23 beyond the scope of this proceeding and is inconsistent with existing pricing
24 practices for retail rates for local exchange service established by this
25 Commission. The present rate structure in Florida incorporates long standing

1 policies of purposefully pricing some services markedly above incremental
2 costs in order to price other services at or below cost. Further, basic local
3 exchange rates have been based on statewide average rates according to the
4 number of lines in a particular exchange -- the greater the number of lines in an
5 exchange, the higher the price. As a result of these two policies, Florida
6 currently has some of the lowest residential rates in the nation, around \$10 per
7 month. Unbundled loops are the primary component of basic local exchange
8 service. Pricing these loops based on density and usage would be contrary to
9 the pricing practices for basic local exchange service. While BellSouth
10 believes that rate rebalancing and economic pricing should be implemented for
11 all services in the long run, the Commission should not require such pricing of
12 unbundled loops until such time as the Commission provides for the pricing of
13 retail services in the same manner. The current Florida statute caps flat rate
14 residential and single line business local rates until January, 2001, and flat rate
15 multi-line business rates until January, 1999. Therefore, rebalancing of these
16 retail rates to more closely align with cost is not feasible at this time.

17
18 Further, deaveraged pricing of loops would pose an additional barrier to
19 facilities based competition in the rural areas as compared to metropolitan
20 areas. Higher rates for the low density, longer loops in these areas would pose
21 an even greater barrier to the development of facilities based competition in
22 rural areas.

23
24 In summary, AT&T proposes that prices be equal to TSLRIC. Economic cost
25 should be a floor for a service price, not the ceiling. Further, AT&T's cost

1 assumptions and adjustments have no relationship to the cost for such elements
2 provided by BellSouth. BellSouth, on the other hand, has filed costs which are
3 required by Florida Statutes and should be used as the basis for establishing a
4 price floor. Prices should be set to cover these costs, shared and common cost
5 and a reasonable profit. The Commission should reject AT&T's rates and
6 accept BellSouth's proposed prices for unbundled elements.

7
8 **Issue: DO THE PROVISIONS OF SECTIONS 251 AND 252 APPLY TO**
9 **ACCESS TO UNUSED TRANSMISSION MEDIA (E.G., DARK FIBER)?**
10 **IF SO, WHAT ARE THE APPROPRIATE RATES, TERMS, AND**
11 **CONDITIONS?**

12
13 AT&T Position: BellSouth should allow access to unused transmission media.

14
15 BellSouth Position: BellSouth believes that AT&T is referring to dark or dry
16 fiber only and knows of no other example of unused transmission facilities.
17 Sections 251 and 252 do not apply to unused transmission media. Dry fiber is
18 *neither an unbundled network element, nor is it a retail telecommunications*
19 *service to be resold. If it is not a network element and it is not a retail service,*
20 *there is no other standard under the Act for its provision..*

21
22 To be a retail service it must be currently available as a tariffed (or
23 comparable) service offering. Dry fiber is not. To be an unbundled network
24 element, it must contain some functionality inherent in BellSouth's network.
25 *Dry fiber is no more a network element than the four walls surrounding a*

1 switch are an unbundled element.

2

3 **Issue: WHAT ARE THE APPROPRIATE STANDARDS, IF ANY, FOR**
4 **PERFORMANCE METRICS, SERVICE RESTORATION, AND**
5 **QUALITY ASSURANCE RELATED TO SERVICE PROVIDED BY**
6 **BELLSOUTH FOR RESALE AND FOR NETWORK ELEMENTS**
7 **PROVIDED TO AT&T BY BELLSOUTH? SHOULD BELLSOUTH BE**
8 **REQUIRED TO PROVIDE PROCESS AND DATA QUALITY**
9 **CERTIFICATION FOR CARRIER BILLING, DATA TRANSFER, AND**
10 **ACCOUNT MAINTENANCE?**

11

12 **AT&T Position:** BellSouth should satisfy quality standards ensuring that
13 AT&T's customers receive at least the same quality of service as BellSouth
14 customers. AT&T proposes that BellSouth periodically satisfy specified Direct
15 Measures of Quality (DMOQs). AT&T proposes liquidated damages in the
16 form of specific credits in the event BellSouth fails to meet these standards.

17

18 **BellSouth Position:** BellSouth will provide the same quality for services
19 provided to AT&T and other ALECs that it provides to its own customers for
20 comparable services. The current Commission rules for service quality and
21 monitoring procedures should be used to address any concerns. It is premature
22 to specify DMOQs until adequate experience is available. It is, however,
23 appropriate to jointly develop quality measurements. Liquidated damages are
24 not subject to arbitration.

25

1 Q. EXPLAIN BELLSOUTH'S POSITION.

2

3 A. BellSouth will provide the same quality of service, installation and repair
4 intervals and maintenance procedures for retail services resold to AT&T and
5 other local carriers that it provides to its own end users. The Commission
6 currently has service quality rules in place with monitoring and complaint
7 procedures. These procedures are the appropriate means to address most
8 service quality concerns.

9

10 BellSouth has always recognized that measurements of quality would be
11 required for services it provides to other local exchange service providers just
12 as measurements of quality are required for services it provides to its
13 customers. Indeed, services sold to AT&T for resale will be subject to the
14 same quality measurements applicable to the services sold by BellSouth to any
15 other end user. The question is, what quality measurements should be reported
16 to AT&T?

17

18 BellSouth's approach has been to reach agreement with ALECs on the basic
19 elements of interconnection with a commitment to develop mutually agreeable
20 measurements. The following is BellSouth's proposal to AT&T:

21

22 The parties agree that within 180 days of the approval of this
23 Agreement, they will develop mutually agreeable specific quality
24 measurements concerning ordering, installation and repair items
25 included in this Agreement, including but not limited to

1 interconnection facilities, 911/E911 access, provision of requested
2 unbundled elements and access to databases. The parties will also
3 develop mutually agreeable incentives for maintaining compliance
4 with the quality measurements. If the parties cannot reach agreement
5 on the requirements of this section, either party may seek mediation
6 or relief from the Commission.

7

8 BellSouth believes this is a reasonable approach that allows AT&T to enter the
9 local market immediately as well as permitting both companies to gain some
10 experience as they determine what measurements are appropriate. The goal of
11 any measurements should be to assure AT&T it is receiving from BellSouth a
12 level of service comparable to the service BellSouth provides to itself or its end
13 users. BellSouth should not implement AT&T specific measurements but
14 should assist in developing a set of measurements applicable to the ALEC
15 industry. Again, the goal of any ALEC quality measurements should be to
16 assure other local service providers that services obtained from BellSouth are
17 provided in a non-discriminatory manner.

18

19 Q. ARE FINANCIAL PENALTIES FOR FAILURE TO MEET QUALITY
20 STANDARDS APPROPRIATE AT THIS TIME?

21

22 A. No. BellSouth believes that the issues of financial penalties and other
23 liquidated damages are not subject to arbitration under Section 251 of the Act.
24 To the extent that AT&T attempts to include penalties in its request for
25 arbitration of service standards, the Commission should dismiss that portion of

1 the issue.

2

3 Should the Commission choose to address this issue, BellSouth points out that
4 any amount AT&T proposes is arbitrary, has no relevance to whether actual
5 damages have occurred, and is in the nature of a penalty or fine. Such clauses
6 are not included in the provision of access services for other
7 telecommunications providers, and based on 15 years of BellSouth experience
8 in the access arena, such a provision has never been warranted.

9

10 Further, financial penalty and liquidated damages clauses are not appropriate
11 for negotiated agreements subject to arbitration since Florida law and
12 Commission procedures are adequate to handle a breach of contract situation
13 should it arise.

14

15 **D. ADDITIONAL INTERCONNECTION REQUIREMENTS AND ISSUES**

16

17 **Issue: IS IT APPROPRIATE FOR BELLSOUTH TO PROVIDE**
18 **COPIES OF ENGINEERING RECORDS THAT INCLUDE**
19 **CUSTOMER SPECIFIC INFORMATION WITH REGARD TO**
20 **BELLSOUTH'S POLES, DUCTS, AND CONDUITS? HOW MUCH**
21 **CAPACITY IS APPROPRIATE FOR BELLSOUTH TO RESERVE**
22 **WITH REGARD TO ITS POLES, DUCTS AND CONDUITS?**

23

24 **AT&T Position:** BellSouth should provide to AT&T copies of pole and
25 conduit engineering records that include proprietary information to facilitate

1 planning the access to these facilities. BellSouth should only reserve in
2 advance one year's capacity plus maintenance spares on any given route and
3 AT&T should have the same right.

4
5 BellSouth Position: BellSouth will provide structure occupancy information
6 regarding conduits, poles, and other rights-of-way requested by AT&T and will
7 allow designated AT&T personnel or agents to examine engineering records or
8 drawings pertaining to such requests. It is reasonable for BellSouth to reserve
9 in advance five years of capacity in a given facility. Mr. Milner provides
10 additional detail on this issue in his testimony.

11

12 **Issue: WHAT RATES SHOULD APPLY TO COLLECT, THIRD**
13 **PARTY, INTRALATA AND INFORMATION SERVICE PROVIDER**
14 **CALLS?**

15

16 AT&T Position: BellSouth is not totally clear on AT&T's request but believes
17 that AT&T is asking BellSouth to rate calls through a uniform system
18 (region/nationwide) for processing intraLATA collect and third number type
19 calls.

20

21 BellSouth Position: Such a uniform system for rating of calls for LECs,
22 Independent Companies and other providers does not currently exist. Current
23 systems are more state specific. However, BellSouth is investigating the
24 feasibility of a uniform system.

25

1 Q. DESCRIBE BELLSOUTH'S POSITION ON THIS ISSUE.

2

3 A. It is my understanding that AT&T has requested a uniform regional system for
4 the processing of intraLATA collect and third number type calls in addition to
5 information services calls. This issue is not clearly defined in AT&T's petition
6 for arbitration. Given the lack of specificity of the issue itself, BellSouth is
7 responding to what it believes to be. Further analysis may determine that there
8 are other aspects of this issue that can not be discerned by the information that
9 has been provided.

10

11 As BellSouth understands, the regional system AT&T envisions would be
12 uniform across states, call types and incumbent LECs (e.g., BellSouth or
13 independent companies). Such a system may, indeed, simplify matters for
14 AT&T in processing these types of calls. There appears to be a one "small"
15 problem -- such a system does not exist today. BellSouth can and will provide
16 the capabilities AT&T is requesting, but because the current systems are state
17 specific, the level of uniformity will not exist. BellSouth has also indicated
18 that it has been examining the feasibility of systems modification based on
19 some Bellcore proposals which could create national uniformity (if adopted by
20 all systems users).

21

22 However, BellSouth has no obligation to develop and implement a new system
23 simply to meet AT&T's desire for uniformity. There are no such obligations
24 under the Act. Indeed, in AT&T's view of "parity", the same level of non-
25 uniformity that exists for BellSouth should be acceptable to AT&T.

1

2 Presumably, the information services part of this request is linked to this
3 regional system but the relationship is not clear.

4

5 **Issue: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE COPIES**
6 **OF ALL INTERCONNECTION AGREEMENTS ENTERED INTO**
7 **BETWEEN BELLSOUTH AND OTHER CARRIERS?**

8

9 **AT&T Position:** BellSouth should produce all interconnection agreements
10 including previous agreements, agreements to be reached in the future and,
11 specifically those between BellSouth and other incumbent local exchange
12 carriers.

13

14 **BellSouth Position:** The Act does not require that all previous interconnection
15 agreements be filed with the Commission. The Act deals specifically with
16 agreements resulting from a request for interconnection pursuant to Section
17 251. BellSouth will provide all agreements that have been negotiated pursuant
18 to Section 251 once they become public.

19

20 Q. PLEASE PROVIDE THE BASIS FOR BELLSOUTH'S POSITION.

21

22 A. BellSouth will file agreements reached as a result of a request for
23 interconnection services or network elements pursuant to Section 251 of the
24 Act. BellSouth has filed several negotiated agreements with the Commission
25 to date. It is my understanding that AT&T believes that all existing

1 agreements must be submitted to the Commission to comply with the statutory
2 requirements of Section 252 of the Act. Adoption of this position would
3 mandate the filing of pre-existing agreements between non-competing
4 incumbent ILECs which are agreements governing the exchange of traffic
5 between their mutually exclusive service areas. BellSouth strongly disagrees
6 that the Act requires these agreements to be submitted and further believes
7 these agreements are not relevant to these proceedings.

8
9 Section 252 pertains to the procedures for negotiation, arbitration and approval
10 of agreements negotiated under Section 251 of the Act. In my opinion, Section
11 252 does not require the submission of all existing agreements relative to
12 interconnection, but only agreements that have been reached as result of a
13 request for interconnection or network elements pursuant to Section 251.

14
15 This interpretation of the Act is also consistent with the intent of the Act and
16 its practical application. The purpose of the Act was to open local competition.
17 Sections 251 and 252 are designed to apply to the negotiation, arbitration and
18 approval of agreements that result from a request to an incumbent LEC carrier
19 to fulfill its obligation under the Act to open competition. The agreements that
20 are the target of AT&T's request are between non-competing local exchange
21 carriers, the majority of which were entered into many years ago under entirely
22 different circumstances. These local exchange carriers operate in different
23 service areas and do not compete with one another for local exchange
24 customers. Thus, these local exchange carriers will not be competing against
25 new entrants under the terms of these older interconnection agreements. To

1 this extent, these arrangements between non-competing local exchange carriers
2 are irrelevant to this or other local competition proceedings.

3

4 It is possible that currently non-competing incumbent carriers may request
5 interconnection under the provisions of the Act and seek to enter and compete
6 in the adjacent local exchange company's territory. If and when this happens,
7 BellSouth would submit this negotiated agreement for approval.

8

9 Finally, the Commission has recently addressed this issue at the request of
10 AT&T in Docket No. 960290-TP. In response to AT&T's interpretation of the
11 Act and rationale for its request, the Commission in its Order (Order No. PSC-
12 96-0959-FOF-TP, pages 3-4) states: "We believe that a better interpretation of
13 the plain meaning of Section 252(a)(1) in context of reading Part II of the Act
14 is that the agreements to be filed are those negotiated for purposes of
15 interconnection in a competitive market." The Commission then ruled that
16 only interconnection agreements between local exchange telecommunications
17 carriers competing in the same geographic markets entered into before or after
18 the enactment of the Act should be filed with the Commission. Therefore, the
19 Commission has already addressed the filing of interconnection agreements,
20 and BellSouth requests the Commission to not arbitrate this issue.

21

22 **Issue: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE**
23 **CARRIER BILLING USING INDUSTRY STANDARDS?**

24

25 **AT&T Position:** AT&T has requested BellSouth to bill resold local exchange

1 services via the carrier access billing system (CABS).

2

3 BellSouth Position: There is no industry standard requiring billing for
4 services sold to resellers through CABS, nor is one imminent. Billing through
5 the Customer Record Information System (CRIS) contains the necessary
6 infrastructure to provide the line level detail associated with resold services.
7 Ms. Calhoun addresses this issue and BellSouth's position in her testimony.

8

9 **Issue: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE**
10 **INTERIM NUMBER PORTABILITY SOLUTIONS IN ADDITION TO**
11 **REMOTE CALL FORWARDING?**

12

13 AT&T Position: BellSouth should provide a wider range of options to AT&T
14 for interim portability. In addition, BellSouth should be able to transfer a
15 customer's service to the use of remote call forwarding for number portability
16 within five minutes.

17

18 BellSouth Position: BellSouth offers Remote Call Forwarding and Direct
19 Inward Dialing as interim number portability solutions. In addition, Mr.
20 Atherton's testimony addresses the Local Exchange Routing (LERG) solution
21 requested by AT&T. He also discusses AT&T's request for a five minute
22 conversion.

23

24 Q. WHAT IS THE APPROPRIATE RATE FOR INTERIM NUMBER
25 PORTABILITY?

1
2 A. With regard to the rate for interim portability, the Commission has approved
3 rates for providing interim portability via Remote Call Forwarding in Florida
4 Docket No. 950737-TP. The Commission determined the following rates for
5 interim number portability via Remote Call Forwarding: \$1.00 per line, per
6 month for one path; \$0.50 for each additional path per month; and, a
7 nonrecurring charge of \$10.00 per customer. BellSouth recommends that these
8 approved rates be applied in this arbitration case with AT&T. The
9 Commission should decide this issue based on its original order in the above
10 referenced proceeding.

11
12 The FCC has recently released an order in Docket No. 95-116 which, if and
13 when final, may have implications for interim number portability. The order,
14 however, has not been published in the Federal Register and remains subject to
15 motions for reconsideration and judicial review.

16
17 **Issue: SHOULD AT&T RECEIVE, FOR ITS CUSTOMERS,**
18 **NONDISCRIMINATORY ACCESS TO WHITE AND YELLOW PAGE**
19 **DIRECTORY LISTINGS?**

20
21 **AT&T Position:** BellSouth understands this issue to be AT&T's request to
22 place their logo on the covers of directories published by BellSouth's affiliates.

23
24 **BellSouth Position:** BellSouth does not believe that the issue of placing a logo
25 on a directory cover is subject to arbitration under Section 251 of the Act, and

1 BellSouth requests that the Commission not arbitrate this issue. The Act
2 requires inclusion of subscriber listings in White Pages directories. BellSouth
3 has already agreed to ensure that AT&T and other ALEC subscribers' listings
4 are included in the White Pages directories. Any Commission action beyond
5 this agreed upon provision would affect the interests of BellSouth Advertising
6 and Publishing Company as publisher which is not a party to this proceeding.

7

8 Q. HOW DOES BELLSOUTH RECOMMEND THE COMMISSION DEAL
9 WITH THE ISSUE OF LOGOS ON DIRECTORIES?

10

11 A. AT&T did not clearly explain this issue in their petition, but from my
12 understanding of the negotiations, AT&T wants to place their logo on the
13 directory covers. The Commission should dismiss this issue from arbitration
14 and recommend that AT&T continue to negotiate with BellSouth Advertising
15 and Publishing Company (BAPCO) as the appropriate entity for such issues.
16 BAPCO, which is a separate BellSouth Corporation affiliate, publishes the
17 White Pages. Where directory publishing is concerned, the contracting party is
18 BAPCO, not BellSouth. BAPCO should be allowed to determine what it can
19 provide to all local exchange companies on issues beyond those addressed in
20 the Act. They have negotiated extensively and independently with AT&T.
21 Such private negotiations should not be hindered. Therefore, BellSouth is
22 requesting the Commission not to arbitrate this issue.

23

24

25

1 **IV. SUMMARY AND RECOMMENDATIONS**

2

3 Q. PLEASE SUMMARIZE YOUR TESTIMONY AND PROVIDE
4 BELLSOUTH'S RECOMMENDATIONS FOR THE COMMISSION.

5

6 A. BellSouth appreciates the opportunity to respond to AT&T's petition for
7 arbitration. BellSouth has developed a track record in recent months of
8 negotiating in good faith with numerous ALECs with very diverse interests.
9 The results of these negotiations have been fruitful, producing sixteen
10 agreements, eleven of which have been filed in Florida. AT&T, on the other
11 hand, has produced a lot of rhetoric, but zero negotiated agreements with any
12 RBOC in any state in the nation.

13

14 BellSouth requests that the Commission find that BellSouth has been
15 reasonable in its approach to negotiations and BellSouth requests that the
16 Commission adopt its positions on the issues in this proceeding. Regarding
17 the major issues identified in my testimony as resale, interconnection and
18 unbundling, BellSouth recommends the Commission find that: the average
19 local interconnection rate of \$0.01 in Florida is reasonable and meets the
20 pricing standards of the Act; the rates proposed by BellSouth for unbundled
21 network elements are reasonable and meet the pricing standards of the Act;
22 and, BellSouth's approach to resale of its services is appropriate and the
23 discount levels addressed by Mr. Reid meet the avoided cost pricing standard
24 of the Act.

25

1 BellSouth looks forward to a speedy resolution of the issues in this proceeding
2 and further hopes that the progress made in this arbitration will allow
3 BellSouth and AT&T to complete a full agreement for filing with this
4 Commission.

5

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7

8 A. Yes.

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **BELLSOUTH TELECOMMUNICATIONS, INC.**
2 **REBUTTAL TESTIMONY OF ROBERT C. SCHEYE**
3 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
4 **DOCKET NO. 960833-TP**
5 **AUGUST 30, 1996**

6
7 Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH
8 BELLSOUTH TELECOMMUNICATIONS, INC. (HEREINAFTER
9 REFERRED TO AS "BELLSOUTH" OR "THE COMPANY").

10

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

14

15 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

16

17 A. Yes. I filed direct testimony on behalf of BellSouth on August 12, 1996.

18

19 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

20

21 A. The purpose of my testimony is to address the positions taken by various
22 AT&T witnesses in their direct testimony on the issues in this arbitration
23 proceeding. In addition, I will respond to some issues raised in the
24 supplemental testimony filed by AT&T on August 23, 1996 concerning
25 AT&T's interpretation of the Federal Communication Commission's ("FCC")

1 First Report and Order in CC Docket 96-98 (hereinafter referred to as “the
2 Order”).

3

4 Q. DOES THE FCC’S ORDER AFFECT THE ISSUES IN THIS
5 PROCEEDING?

6

7 A. Yes. If the FCC’s Order remains in effect as issued and is not subsequently
8 modified, it will have a dramatic effect on the Florida Public Service
9 Commission’s (hereinafter referred to as “the Commission”) discretion and
10 flexibility in addressing the issues in this proceeding, as well as on issues in
11 other proceedings. It appears that the only thing left to the sole discretion of
12 state commissions is the ability to administer rates that are charged for basic
13 local exchange service.

14

15 Q. PLEASE EXPLAIN.

16

17 A. BellSouth has always believed the states would play a critical role in
18 implementing the Telecommunications Act of 1996 (hereinafter referred to as
19 “the Act”), and is concerned that this critical role, a role certainly envisioned
20 by Congress, has been substantially undermined by many of the provisions of
21 the FCC’s Order. The FCC’s confusing dictates in such fundamental areas as
22 resale discounts, particularly in a manner that is inconsistent on its face with
23 the plain and unambiguous language of the Act, severely curtail the discretion
24 and authority of the state commissions. While recent statements made by the
25 FCC in defense of its Order refer to “close association with and reliance on the

1 states ...,” the Rules in this Order appear to significantly restrict state
2 commission participation and latitude. Numerous industry participants,
3 including the National Association of Regulatory and Utility Commissioners
4 (“NARUC”), have expressed concerns with the FCC’s Order and have
5 indicated their intention to appeal the Order.

6

7 Q. DOES BELL SOUTH PLAN TO APPEAL THE ORDER?

8

9 A. Yes. The Company is particularly concerned that the FCC Order usurps the
10 intent of Congress, takes away the power of the states to establish prices, and
11 that the Order establishes prices for the use of BellSouth’s network which will
12 discourage facilities-based competition and possibly result in a taking of
13 BellSouth’s property. BellSouth recommends that, until all challenges to the
14 FCC’s Order have been exhausted, the Commission carefully evaluate whether
15 provisions of the FCC’s Order are consistent with Act, and whether the Order
16 requires immediate adoption and implementation by state commissions.

17

18 Q. DO YOU HAVE ANY GENERAL COMMENTS TO MAKE CONCERNING
19 AT&T’S TESTIMONY?

20

21 A. Yes. Dr. Kaserman stated the following on page 6 of his direct testimony”

22

23 “...Monopoly power such as that held by BellSouth is a valuable asset
24 that is not likely to be surrendered voluntarily. As a result, voluntary
25 bilateral negotiations with a monopolist are unlikely to bear

1 competitive fruit. Thus, despite the Act's requirement in Section
2 251(c)(1) that the ILECs negotiate in good faith, it is not likely that
3 such negotiations will yield the complete pricing and provisioning
4 agreements necessary for successful entry."

5
6 Dr. Kaserman implies that this arbitration proceeding is the result of BellSouth
7 failing to negotiate in good faith because, as Dr. Kaserman asserts, BellSouth
8 is a monopoly. Mr. Carroll, on pages 8 and 9 of his testimony, attempts to
9 portray the negotiations with BellSouth as being unproductive because of
10 BellSouth's intransigence. Nothing could be further from the truth.

11
12 As I stated in my direct testimony, from the beginning, BellSouth has
13 attempted to negotiate a reasonable and mutually beneficial agreement with
14 AT&T, just as BellSouth has done with nineteen (19) other companies. The
15 Company has compromised on many issues that AT&T insisted were
16 necessary for them to compete effectively. BellSouth has not, nor does it
17 intend to, agree to unreasonable terms and conditions or unreasonable
18 compensation levels for use of its facilities and services. The question for this
19 Commission to ask is "Who, based on the track record of successful
20 negotiations, is attempting to exclude competition from its markets - BellSouth
21 or AT&T?"

22
23 Q. ARE THERE ANY ISSUES WHICH THE PARTIES AGREE ARE NO
24 LONGER APPROPRIATE FOR THIS ARBITRATION PROCEEDING?

25

1 A. It is my understanding that AT&T and BellSouth Advertising & Publishing
2 Corporation ("BAPCO") have reached agreement concerning all of the
3 directory issues raised in AT&T's Petition other than AT&T's request to place
4 its name and logo on the cover of directories published by BAPCO. AT&T
5 will, if it has not already done so, file a letter notifying the Florida Public
6 Service Commission of this development and request withdrawal of all other
7 directory issues from consideration. As I stated in my direct testimony,
8 however, the name and logo issue should be dismissed from this proceeding.
9 Where directory publishing is concerned, AT&T should continue to negotiate
10 with BAPCO. Further, this issue is not subject to arbitration under Section 251
11 of the Act. The Act requires only that BellSouth include basic listings for
12 other provider's subscribers in BellSouth's White Pages.

13

14 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

15

16 A. My testimony is divided into sections on Resale, Unbundled Network
17 Elements, Interconnection and Parity. Within each section, I will provide the
18 Company's response to the positions taken by AT&T's witnesses.

19

20 **RESALE**

21 Q. DOES THE ACT SPECIFY A BASIS FOR ESTABLISHING WHOLESALE
22 RATES FOR RESOLD SERVICES?

23

24 A. Yes. Section 252(d)(3) prescribes the following:

25

1 “...a State commission shall determine wholesale rates on the basis of
 2 retail rates charged to subscribers for the telecommunications service
 3 requested, excluding the portion thereof attributable to any marketing,
 4 billing, collection, and other costs that will be avoided by the local
 5 exchange carrier.” (emphasis added)

6
 7 The language is very clear. It limits the adjustment to retail rates to only those
 8 costs that will in fact be avoided. The adjustment does not include costs that
 9 may be avoidable or costs that a competitor wishes were avoidable or
 10 adjustments for any reason other than actually avoided costs.

11
 12 Q. ON PAGE 4 OF MR. CARROLL’S TESTIMONY, HE PROPOSES A
 13 DISCOUNT RANGE OF 66.7% TO 71.7% FOR USE IN ESTABLISHING
 14 WHOLESALE RATES FOR RESALE OF BELLSOUTH’S RETAIL
 15 SERVICES (41.7% ATTRIBUTABLE TO MR. LERMA’S AVOIDED
 16 RETAIL COST MODEL). IS THIS PROPOSAL REASONABLE AND
 17 CONSISTENT WITH THE ACT?

18
 19 A. Absolutely not. Mr. Carroll is proposing the following “methodology:”

20

21	BellSouth’s		Lack of		Competitive		Wholesale
22	Avoided Costs	+	Operational Parity	+	Stimulus	=	Discount
23	41.7%		15%		10%-15%		66.7%-71.7%

24
 25 Only one element of Mr. Carroll’s methodology, avoided costs, is addressed

1 by, and is consistent with, the Act. And, as will be shown in Mr. Reid's
 2 rebuttal testimony, that one element is significantly overstated by AT&T. The
 3 remaining two elements are totally arbitrary, without justification, and
 4 unrelated to the pricing principles in the Act.

5
 6 Nowhere in the Act can one find the terms "lack of operational parity" or
 7 "competitive stimulus." AT&T's strategy is simple - propose the highest
 8 number possible and hope that the Commission will split the difference
 9 between BellSouth's proposed discount and AT&T's proposal.

10

11 Q. DR. KASERMAN PROPOSES A DIFFERENT METHODOLOGY ON
 12 PAGE 26 OF HIS TESTIMONY. IS IT CONSISTENT WITH THE ACT?

13

14 A. No. Dr. Kaserman's methodology for his "avoided cost pricing rule" is as
 15 follows:

16

17	Excess		Organizational		TSLRIC of	
18	Profit	+	"Fat"	+	Retail Functions	= Discount
19	X%		Y%		Z%	XYZ%

20

21 Although Dr. Kaserman does not arrive at a recommended percentage
 22 discount, he does state, that if done properly, the resulting wholesale rate will
 23 equal the Total Service Long Run Incremental Cost ("TSLRIC") of the
 24 wholesale functions, unless the existing retail rate is below the TSLRIC of the
 25 service. Even in that instance, however, Dr. Kaserman contends that the below

1 cost rates send the appropriate economic signals to potential market entrants.
2 Later in his testimony, Dr. Kaserman adds another possible element to his
3 methodology for calculating the discount, i.e., an adjustment for unequal
4 interconnection and provisioning arrangements. If I understand what Dr.
5 Kaserman is proposing, this adjustment would force the resulting wholesale
6 rate below the TSLRIC of the service.

7
8 Dr. Emmerson will address Dr. Kaserman's economic efficiency arguments in
9 his rebuttal. My comments regarding Dr. Kaserman's methodology mirror my
10 earlier comments concerning Mr. Carroll's methodology with one exception -
11 none of the elements of Dr. Kaserman's proposed methodology are consistent
12 with the plain wording of the Act. Nowhere in the Act can one find the terms
13 "organizational fat," "excess profit," "TSLRIC of retail functions" or "unequal
14 interconnection and provisioning arrangements."

15

16 Q. ON PAGES 28-30 OF MR. GILLAN'S TESTIMONY, HE ATTEMPTS TO
17 PROVIDE A BASIS FOR THIS COMMISSION TO EITHER ACCEPT
18 AT&T'S UNREASONABLE DISCOUNT OR EVEN INCREASE IT. HIS
19 RATIONALE RESTS ON BELLSOUTH'S RETENTION OF ACCESS
20 CHARGES IN A RESALE SITUATION. HOW DO YOU RESPOND?

21

22 A. Mr. Gillan's discussion is irrelevant to the establishment of a wholesale
23 discount. Access is a wholesale service that is not subject to a resale discount.
24 Further, Mr. Gillan evidently interprets the resale provisions of the Act and the
25 purpose of the discount to be to reduce BellSouth's profitability. This is

1 absolutely not the case, as was explained by Mr. Varner on pages 19-20 of his
2 direct testimony when discussing the establishment of the discount based on
3 sound economic principles. Further, as I stated earlier, the discount is to be
4 based on avoided costs - nothing more and nothing less. Finally, Mr. Gillan
5 implies that an unequal cost recovery situation is created if BellSouth is
6 permitted to retain its access charge revenues. This is somewhat puzzling
7 because BellSouth would only receive access charges if the reseller's customer
8 made interLATA long distance calls which, I assume, the reseller would
9 recover through its long distance rates.

10

11 Q. DOES THE ACT SPECIFY WHICH OF BELLSOUTH'S RETAIL
12 SERVICES ARE TO BE MADE AVAILABLE FOR RESALE?

13

14 A. Yes. Section 251(c)(4) prescribes the following:

15

16 "(4) RESALE.--The duty--

17 (A) to offer for resale at wholesale rates any telecommunications
18 service that the carrier provides at retail to subscribers who are not
19 telecommunications carriers; and

20 (B) not to prohibit, and not to impose unreasonable or
21 discriminatory conditions or limitations on, the resale of such
22 telecommunications service, except that a State commission may, under
23 this section, prohibit a reseller that obtains at wholesale rates a
24 telecommunications service that is available at retail only to a category
25 of subscribers from offering such service to a different category of

1 subscribers." (emphasis added)

2

3 Once again, the plain wording of the Act is clear. BellSouth is to make
4 available its retail services for resale. BellSouth is permitted, however, to
5 impose reasonable and nondiscriminatory conditions and limitations on the
6 resale of its services, in addition to the explicit use and user restriction and the
7 joint marketing restriction specified in the Act.

8

9 Q. ON PAGE 2 OF HIS TESTIMONY, MR. SATHER, ONE OF AT&T'S
10 RESALE WITNESSES, REQUESTS THAT THE COMMISSION
11 ELIMINATE ALL OF BELLSOUTH'S RESALE RESTRICTIONS.
12 OTHERWISE, ACCORDING TO MR. SATHER, BELLSOUTH WILL BE
13 AFFORDED A COMPETITIVE ADVANTAGE. HOW DO YOU
14 RESPOND?

15

16 A. Mr. Sather's request has three elements. First, he requests that the
17 Commission prohibit BellSouth from excluding any services from resale.
18 Second, he requests that the Commission not permit BellSouth to impose use
19 and user restrictions. And third, he requests that the Commission not allow
20 BellSouth to require resellers to adhere to the terms and conditions specified in
21 BellSouth's tariffs. Mr. Sather asserts, with little justification, that each of
22 these "restrictions" are unreasonable and discriminatory. Contrary to Mr.
23 Sather's assertions, each of BellSouth's restrictions is fully consistent with the
24 plain wording of the Act, and the Commission should approve them as
25 reasonable and non-discriminatory.

1

2 Q. PLEASE IDENTIFY THE SERVICES THAT BELL SOUTH PROPOSES TO
3 EXCLUDE FROM RESALE AND PROVIDE JUSTIFICATION FOR SUCH
4 EXCLUSIONS.

5

6 A. As I stated in my direct testimony, BellSouth is proposing to exclude
7 obsoleted/grandfathered services, contract service arrangements, promotions,
8 LinkUp and Lifeline services, and N11 services (including 911 and E911).

9

The justification for each service is as follows:

10

11 **Obsoleted/Grandfathered Services** are no longer available for sale to,
12 or transfer between, end users, nor should they be transferrable between
13 providers. The Company has made available new services to replace
14 the existing services. To the extent that AT&T or any other competitor
15 wishes to entice the customer of a grandfathered service to change
16 providers, it may do so by either reselling the replacement service at a
17 discount or by providing its own new service to the customer through
18 the purchase of unbundled network elements combined with its own
19 facilities.

20

21 **Contract Service Arrangements ("CSAs")** are utilized to respond to
22 specific competitive threats on a customer-by-customer basis and
23 contain rates established specifically for each competitive situation. It
24 is completely illogical for BellSouth to develop a customer-specific
25 proposal containing non-tariffed rates, only to have AT&T walk-in,

1 purchase the proposal from BellSouth at a discount and offer the same
2 proposal to the customer at a slightly lower price than BellSouth had
3 developed. Elimination of this restriction as proposed by Mr. Sather
4 effectively takes BellSouth out of the game and ensures that AT&T can
5 win every customer-specific competitive encounter with BellSouth. As
6 with obsoleted/grandfathered services, if AT&T wishes to entice the
7 customer to select AT&T in lieu of BellSouth, AT&T can purchase the
8 necessary service(s) to meet the customer's needs from BellSouth at the
9 wholesale rate and resell the service(s) alone or add additional value by
10 including other options or offerings.

11
12 **Promotions** are not retail services. In most instances, they are simply
13 limited time waivers of nonrecurring charges. It would be completely
14 illogical for BellSouth to run promotions to attract customers, only to
15 be required to give AT&T the same limited time waiver for
16 nonrecurring charges, in addition to the already discounted wholesale
17 monthly recurring rate, so that AT&T can attract customers. In effect,
18 BellSouth would be subsidizing AT&T's marketing program. If AT&T
19 wishes to conduct promotions, its stockholders should have to bear the
20 consequences just as BellSouth's will. Competitive advantage should
21 be earned in the marketplace, not given through an inappropriate resale
22 requirement or discount.

23
24 **LinkUp and Lifeline** are subsidy programs designed to assist low
25 income residential customers by providing a monthly credit on

1 recurring charges and a discount on nonrecurring charges for basic
2 telephone service. If AT&T or any other competitor wishes to provide
3 similar programs through resale, they should be required to purchase
4 BellSouth's standard basic residence service, resell it at an appropriate
5 rate, and apply for and receive certification from the appropriate agency
6 to receive whatever funds may be available to assist in funding its
7 subsidy program.

8
9 N11 services, including 911 and E911, are not retail services provided
10 to end users. BellSouth provides N11 services to other companies or
11 government entities who in turn provide the actual service to end user
12 customers. Thus, BellSouth should not be required to offer these
13 services for resale.

14

15 Q. MR. SATHER WAS PARTICULARLY CRITICAL OF WHAT HE
16 TERMED BELLSOUTH'S ABUSE OF THE GRANDFATHERING
17 PROCESS TO MANIPULATE THE MARKETPLACE. HE CITED AN
18 EXAMPLE INVOLVING ESSX AND MULTISERV. IS HIS PORTRAYAL
19 OF BELLSOUTH'S ACTIONS ACCURATE?

20

21 A. Absolutely not. BellSouth is not abusing the grandfathering process. Rather,
22 the Company is using this established process to honor subscriber contracts
23 and to provide reasonable options to its existing customers. The internal
24 decision to obsolete ESSX® service and Digital ESSX® service was made
25 almost three years before the first tariff filing to accomplish this was made.

1 Obsoleting ESSX services and replacing them with MultiServ was intended to
2 restructure the service to make it easier for customers to understand, and to
3 simplify sales, administration, and billing, and to provide a more feature-rich
4 service. To assert that BellSouth is using the grandfathering process to gain a
5 competitive advantage is ludicrous.

6

7 Q. PLEASE DESCRIBE THE TARIFF FILING TO GRANDFATHER ESSX
8 AND DIGITAL ESSX.

9

10 A. With the grandfathering of ESSX service and Digital ESSX service, the sale of
11 new systems ceased. Existing customers who were under a Term Payment
12 Plan contract were allowed to retain their existing systems. The Company
13 committed to honor those contracts and allow the retention of the
14 grandfathered service until the contracts expired. These subscribers were also
15 allowed to add and delete features, lines, etc., on their systems until their
16 contract expired. Customers who were not under a current contract were
17 allowed to keep their ESSX service until a specific date.

18

19 When the tariff was initially introduced, there was no provision for customers
20 to retain their existing service. After concerns were expressed that customers
21 needed time to evaluate the new MultiServ offerings as well as other
22 telecommunications options available in the marketplace, the Company made
23 available a recast offer. This option allowed customers to recast their service
24 by entering into a written agreement no later than a date certain and retain their
25 current service for a period of time selected by the customer, up to three years

1 from the tariff effective date. Customers who were not under a contract of
2 greater than thirty-six (36) months in duration were given the option to extend
3 their ESSX service period to a maximum of 36 months. This recast option was
4 made available in all states. The customers who chose not to recast their
5 existing service and was no longer under contract was given a minimum of ten
6 months to make a decision regarding their telecommunications service.

7

8 Q. WAS THE GRANDFATHERING OF ESSX AND DIGITAL ESSX
9 SERVICE HANDLED ANY DIFFERENTLY THAN PAST INSTANCES OF
10 GRANDFATHERING SERVICES?

11

12 A. No. Whenever BellSouth has grandfathered a service, the Company has
13 attempted to address the needs of its customers.

14

15 Q. MR. SATHER STATED THAT THE COMPANY HAS FILED TARIFFS
16 THAT ALLOW MONTH-TO-MONTH ESSX CUSTOMERS TO ORDER
17 ADDITIONAL LINES EVEN THOUGH THE SERVICE IS
18 GRANDFATHERED. IS THIS A COMMON PRACTICE?

19

20 A. Normally, no. But, as I indicated above, ESSX customers under contract were
21 provided the option to order additional lines and/or features for the duration of
22 their contract. The Company filed the tariffs to extend these options to month-
23 to-month customers for the limited time they are allowed to retain ESSX
24 service.

25

1 Q. WILL AT&T BE COMPETITIVELY DISADVANTAGED IF
2 GRANDFATHERED ESSX SERVICE IS NOT AVAILABLE FOR
3 RESALE?
4

5 A. Absolutely not. AT&T will have the same opportunity to move ESSX
6 customers to MultiServ offerings as BellSouth. The current tariff for
7 MultiServ permits ESSX customers to change to MultiServ without incurring
8 nonrecurring charges or a termination liability. AT&T will be able to utilize
9 the same terms and conditions when offering MultiServ via resale to existing
10 ESSX customers. Additionally, AT&T can purchase MultiServ with the
11 wholesale discount applicable to resold services which gives AT&T a pricing
12 advantage. And as always, AT&T has the opportunity to convince ESSX
13 customers to purchase other competitive offerings from AT&T, such as PBX
14 and key systems. Similarly, AT&T can use their own facilities in combination
15 with unbundled network elements to offer unique services.
16

17 Q. ON PAGE 15 OF HIS TESTIMONY, MR. CARROLL STATES THAT
18 BELLSOUTH HAS, THROUGH ITS MONOPOLY POSITION AND
19 UNILATERAL ABILITY TO GRANDFATHER SERVICES, TOTAL
20 CONTROL OVER WHAT SERVICES AT&T WILL BE ABLE TO OFFER
21 AS A COMPETITOR. IS HE CORRECT?
22

23 A. This is clearly not the case. First, there are only a very limited number of
24 grandfathered services today. Second, if Mr. Carroll is suggesting that
25 BellSouth will somehow manipulate the grandfathering provisions to limit

1 competition, the basis for any such belief is totally ill-founded. Third, Mr.
2 Carroll appears to ignore the role the Commission has in accepting tariff
3 changes. One would expect that the Commission might become concerned if
4 the number of grandfathered services grew very rapidly.

5

6 Another factor ignored by Mr. Carroll is that services such as ESSX, which
7 have been grandfathered, have been facing very strong competition for years
8 from PBX providers.

9

10 Q. PLEASE ADDRESS THE SECOND ELEMENT OF MR. SATHER'S
11 REQUEST - THE ELIMINATION OF USE AND USER RESTRICTIONS.

12

13 A. The Act specifically permits BellSouth to apply use and user restrictions if
14 approved by the Commission. If accepted, Mr. Sather's recommendation to
15 eliminate such restrictions would allow AT&T to undermine the rate structure
16 and rate levels for business services by purchasing basic residence service and
17 reselling it as basic business service. A significant level of support for
18 universal service is provided by business services. Most, if not all, of that
19 support would flow to AT&T's stockholders under AT&T's proposal.

20

21 Q. WHAT IS BELLSOUTH'S RESPONSE TO MR. SATHER'S REQUEST
22 THAT BELLSOUTH BE PROHIBITED FROM ENFORCING THE TERMS
23 AND CONDITIONS IN ITS TARIFFS?

24

25 A. As I stated in my direct testimony, the terms and conditions contained in

1 BellSouth's tariffs, along with the tariffed rates, are an integral part of the
2 tariffed services. If the terms and conditions for a particular service were non-
3 existent or different, BellSouth might choose not to offer the service or the
4 price would likely be different. Further, Mr. Sather's request is totally at odds
5 with the Act. The Act requires that BellSouth make available for resale its
6 retail telecommunications services. The Act does not require that BellSouth
7 offer its retail services "minus their associated terms and conditions" or that
8 BellSouth create new retail services. This is effectively what Mr. Sather is
9 requesting.

10

11 Q. HAVE YOU PREPARED AN ANALYSIS THAT SHOWS THE EFFECT OF
12 MR. SATHER'S RECOMMENDATIONS?

13

14 A. Yes. Attached to my testimony is Exhibit No. RCS-3, which is a sample
15 comparison of BellSouth's proposed resale discount to AT&T's proposal for
16 local exchange rates. First, I show the impact of the proposed discount of
17 12.2% and 19% to business and residential rates. This discount is based on the
18 calculated avoided costs supported in Mr. Reid's testimony.

19

20 Second, I show AT&T's proposed gradations of discounts to reflect their three
21 proposed components -- avoided costs, operational interface penalties, and the
22 "jump start" incentive. The last row of the graph shows the impact of Mr.
23 Sather's proposed elimination of use or class of service restrictions.

24 Essentially, the cumulative effect of AT&T's proposal is to resell a 72%
25 discounted residential rate to compete with BellSouth's business retail rate. To

1 put their proposal into perspective, AT&T proposes to purchase residential
2 local service for Rate Group 12 at \$2.98 per month (72% discount = .28 x
3 \$10.65) and compete against BellSouth's business retail rate of \$29.10 for Rate
4 Group 12!

5
6 Importantly, this result does not even include the impact of AT&T's last
7 proposal that would negate terms and conditions for services which could be
8 interpreted to mean the elimination of rate groups. This example shows how
9 preposterous AT&T's proposal is and graphically illustrates its interpretation
10 of "competitive parity." The Commission should reject all of AT&T's
11 proposals regarding resale.

12

13 Q. MR. SATHER ASSERTS ON PAGE 12 OF HIS TESTIMONY THAT
14 BELLSOUTH, THROUGH ITS VARIOUS RESTRICTIONS ON RESALE,
15 IS PROHIBITING AT&T FROM MAKING "CREATIVE OFFERINGS" TO
16 CUSTOMERS. IS HE CORRECT?

17

18 A. No. Creativity should depend on whether AT&T can add a new capability or
19 some additional value to a retail service purchased from BellSouth. Its market
20 success should hinge on convincing the customer that the additional capability
21 or added value warrants the customer switching suppliers. After reviewing
22 AT&T's testimony, it appears that AT&T's creativity is limited to creating and
23 exploiting arbitrage opportunities that benefits its stockholders.

24

25 **UNBUNDLED NETWORK ELEMENTS**

1 Q. AT&T WITNESS TAMPLIN STATES ON PAGE 17 OF HIS TESTIMONY
2 THAT BELLSOUTH SHOULD NOT BE PERMITTED TO PLACE ANY
3 RESTRICTIONS ON AT&T'S OR ANY OTHER CARRIER'S USE OF
4 UNBUNDLED NETWORK ELEMENTS LEASED FROM BELLSOUTH.
5 ARE ANY RESTRICTIONS APPROPRIATE?

6
7 A. Yes. While AT&T and other new entrants should be able to combine
8 unbundled network elements purchased from BellSouth with their own
9 capabilities to create unique services, they should not be permitted to purchase
10 only BellSouth's unbundled elements and recombine those elements to create
11 the same functionality and/or service as BellSouth's existing retail service.

12
13 Q. PLEASE EXPLAIN WHY THIS RESTRICTION IS NECESSARY.

14
15 A. If AT&T is permitted to simply order unbundled elements of a BellSouth
16 service (which in reality would not be unbundled) and recreate that service
17 with those elements, and if AT&T prevails in convincing this Commission that
18 such unbundled elements should be priced at cost (an issue discussed in more
19 detail later), AT&T will be in a no-lose situation. Such a policy would provide
20 AT&T with the following:

21
22 1. The ability to resell BellSouth's retail services, but avoid the
23 Act's pricing standard for resale (assuming the wholesale discount for
24 resale is not established high enough for AT&T's liking);

25

1 2. The ability for AT&T (and MCI and Sprint) to avoid the joint
2 marketing restriction specified in the Act, as well as any use and user
3 restrictions contained in BellSouth's tariffs;

4
5 3. The ability to argue for the retention of access charges by
6 AT&T even though the actual service arrangement is "disguised
7 resale";

8
9 4. Assuming a wholesale discount acceptable to AT&T, the ability
10 to maximize its market position by targeting the most profitable form of
11 resale to particular customers; and,

12
13 5. The ability to foreclose, to a large extent, facilities-based
14 competition and competitors.

15
16 AT&T could achieve all of this without investing the first dollar in new
17 facilities or new capabilities.

18
19 Q. IS BELLSOUTH'S POSITION CONSISTENT WITH THE ACT?

20
21 A. Yes. Clearly, as I indicated in my direct testimony, the intent of the Act is to
22 promote both facilities-based and resale competition. Two pricing standards
23 were established by the Act: one for resale and one for unbundled network
24 elements. Allowing the same service to be purchased through unbundled
25 elements at one price (equal to cost per AT&T), and allowing the same service

1 to be resold at a different and presumably higher price, effectively eliminates
2 resale as a viable form of competition. Had this been Congress' intent, there
3 would have been no reason to establish two pricing standards and no reason to
4 establish the joint marketing restriction. Facilities-based competition, as
5 envisioned by Congress, involves the purchase of unbundled network elements
6 from BellSouth by AT&T, and the combination of those elements with
7 AT&T's own network and capabilities to offer services to customers. Any
8 other interpretation of Congress' intent would mean that Congress wanted to
9 create an arbitrage situation - a totally illogical and nonsensical interpretation.

10

11 To illustrate this point simply, consider the joint marketing restriction. Would
12 Congress, having labored over the enactment of telecommunications
13 legislation for several years, included a joint marketing restriction associated
14 with resale only to include an unbundling "loophole" around this restriction
15 that is large enough to drive a truck through?

16

17 Q. PLEASE PROVIDE AN EXAMPLE OF AT&T'S PLAN TO CIRCUMVENT
18 THE INTENT OF CONGRESS.

19

20 A. Mr. Tamplin provides the best example in his testimony on page 19 where he
21 states:

22

23 "For existing BellSouth customers who simply want AT&T as their
24 local service provider, the Loop/Switching combination will allow the
25 change without requiring any physical change in the existing BellSouth

1 network infrastructure. In addition, use of the Loop/Switching
2 combination will not require AT&T to collocate any equipment in
3 BellSouth's central office."

4
5 Mr. Gillan attempts to support AT&T's position through his discussion of the
6 "platform" approach (i.e., the purchase of the loop, switching capabilities and
7 transport as an unbundled element) discussed on pages 40-43 of his testimony.
8 It is important to note that AT&T's example does not indicate that AT&T
9 plans to add one scintilla of added value to the customer through additional
10 capabilities or services. They simply insert themselves between BellSouth and
11 the end user customer and collect the revenues.

12
13 Q. AT&T WITNESSES KASERMAN, GILLAN AND ELLISON CONTEND
14 THAT THE ACT REQUIRES, OR THAT IT IS ECONOMICALLY
15 CORRECT TO REQUIRE, BELLSOUTH TO SET PRICES FOR
16 UNBUNDLED NETWORK ELEMENTS (AS WELL AS FOR
17 INTERCONNECTION AND TERMINATION AND TRANSPORT OF
18 TRAFFIC) EQUAL TO TSLRIC. DO YOU AGREE?

19
20 A. Absolutely not. Dr. Emmerson will address the economic arguments and will
21 provide the basic economic principles which should guide the Commission's
22 consideration of the pricing issues in this proceeding. His testimony will point
23 out the fallacies of the positions of AT&T's witnesses from an economic
24 standpoint.

25

1 Regarding the contention that the Act requires prices equal to TSLRIC, these
2 witnesses are simply wrong. The plain wording of the Act in Section 252(d)(1)
3 is as follows:

4
5 “(d) PRICING STANDARDS.--

6 (1) INTERCONNECTION AND NETWORK ELEMENT
7 CHARGES.--

8 Determinations by a State commission of the just and reasonable rate
9 for the interconnection of facilities and equipment for purposes of
10 subsection (c)(2) of section 251, and the just and reasonable rate for
11 network elements for purposes of subsection (c)(3) of such section--

12 (A) shall be--

13 (i) based on the cost (determined without reference to a
14 rate-of-return or other rate-based proceeding) of providing the
15 the interconnection or network element (whichever is
16 applicable), and

17 (ii) nondiscriminatory, and

18 (B) may include a reasonable profit.”

19
20 Nowhere in the Act can one find the term “TSLRIC” or phrases such as “set
21 equal to direct economic cost”.

22
23 Q. MR. ELLISON CONTENDS ON PAGE 3 OF HIS TESTIMONY THAT
24 “BELLSOUTH HAS NOT AGREED TO MEET THE ACT’S PRICING
25 REQUIREMENTS.” HOW DO YOU RESPOND?

1

2 A. A more accurate statement on Mr. Ellison's part would have been that
3 BellSouth has not agreed to accept AT&T's interpretation of the Act's pricing
4 requirements. BellSouth has proposed prices based on BellSouth's long run
5 incremental cost of providing the element or service, including recognition of
6 its joint and common costs.

7

8 BellSouth is proposing the attached price list (Exhibit No. RCS-4) as the prices
9 for unbundled network elements and network services. The Company is
10 proposing the Commission-approved rate of \$17.00 for the unbundled two-
11 wire loop, and prices for other types of loops which reflect the cost of the loops
12 plus a contribution to joint and common costs.

13

14 BellSouth has proposed in its price list various rates for local switching which
15 is comprised of the port plus a usage charge. The Commission approved a rate
16 of \$2.00 for the two wire port in Docket No. 950984-TP and that rate is being
17 proposed in this proceeding for this element. The Commission did not
18 approve a usage rate in the MFS docket. BellSouth asked for reconsideration
19 of this issue stating that a usage rate was needed to reflect the usage sensitive
20 costs of the port. In its Order No. PSC-96-1024-FOF-TP, the Commission
21 stated that the party (MFS) had requested the unbundled port, but not local
22 switching and therefore, no usage rate was necessary at this time. BellSouth
23 proposes that local switching includes the port as well as usage and is
24 proposing various flat rates on a monthly basis for the various ports and a per
25 minute of use rate for usage to reflect local switching. The usage rate is based

1 on the approved tariff rate for the Shared Tenant Service which the
2 Commission has already approved as an appropriate rate for interconnection.

3
4 Unbundled switching has been considered a highly competitive service and is
5 currently readily available from alternate suppliers, i.e., MFS and other
6 alternate access vendors. Because of this availability, the Commission in
7 Docket No. 950984-TP ruled that prices for ports provided by GTE and
8 United/Centel should be set at market prices (Order No. PSC-96-0811-FOF-
9 TP, pages 25 & 31). BellSouth provided costs of the various ports on May 28,
10 1996 and August 12, 1996. The proposed rates for ports and usage cover cost,
11 provide contribution, and are reasonable and nondiscriminatory.

12
13 Further confirmation of the competitive nature of unbundled switching can be
14 found in this same docket involving BellSouth. In response to a question
15 concerning the pricing of unbundled elements asked by Chairman Clark,
16 MCI's witness Ms. Cornell stated the following:

17
18 "I believe that when it is an essential facility and available only from
19 the incumbent or available only from the firm whom you are asking it,
20 it should be at total service long run incremental cost. When there is
21 genuinely a competitive alternative or the fairly clear ability for there to
22 be a competitive alternative, it does not need to be." (emphasis added)

23
24 "I believe that originating local switching, which is what I assume you
25 get when you buy a port, essentially, if you were to subscribe to an

1 unbundled port, is competitively available. (emphasis added) MCI
2 Metro is going to put in a switch, MFS is going to put in a switch.”

3

4 Regarding loop transport, the Commission in Docket No. 950984-TP found it
5 unnecessary for BellSouth to create a new pricing element for loop transport
6 because these facilities are currently available in the tariff. Additionally, the
7 Commission noted that Alternative Local Exchange Companies (“ALECs”)
8 currently have the option to lease the facilities from BellSouth or to provide
9 facilities themselves (Order No. PSC-96-0444-FOF-TP). Consistent with that
10 ruling, BellSouth proposes existing tariffed rates for loop transport facilities in
11 this proceeding.

12

13 In Docket No. 950985-TP, the Commission found that tariffed rates for
14 operator-handled traffic (Busy Line Verification and Busy Line Verification
15 and Interrupt) between BellSouth and interexchange carriers appeared to be
16 reasonable for use between BellSouth and other ALECs. The Company has
17 proposed these tariff rates in its price proposal for these existing services and
18 has proposed additional rates for new unbundled operator functions.

19

20 The proposed prices represent rates that have either been approved by the
21 Commission in previous Orders or tariffs, or are new rates which are similar to
22 rates that have been negotiated and agreed to by other carriers. BellSouth has
23 filed cost studies for these proposed unbundled elements or services.

24

25

1 Additionally, BellSouth proposes the attached BellSouth Telecommunications
2 Negotiations Handbook for Collocation (Exhibit No. RCS-5) which describes
3 the terms, condition and rates for physical collocation. Similar rates, terms and
4 conditions have been negotiated with Teleport and ICI for physical collocation.
5 The rates, terms and conditions for BellSouth's Virtual Expanded
6 Interconnection Service are contained in Section 20 of BellSouth's Access
7 Tariff.

8

9 Q. MR. ELLISON ON PAGES 5-9 OF HIS SUPPLEMENTAL TESTIMONY
10 STATES THAT THE COMMISSION SHOULD USE AT&T'S PRICE
11 PROPOSAL FOR UNBUNDLED ELEMENTS AND THAT ITS PRICE
12 PROPOSAL COMPLIES WITH FCC RULES, WITH ONE EXCEPTION;
13 SUCH PRICES MAY NOT PROVIDE FOR RECOVERY OF AN
14 APPROPRIATE ALLOCATION OF JOINT AND COMMON COSTS.
15 WHAT IS YOUR OPINION?

16

17 A. First, BellSouth disagrees with Mr. Ellison's arbitrary adjustments to
18 BellSouth's cost studies as set forth in his direct testimony. Ms. Caldwell has
19 addressed his assumptions and adjustments.

20

21 Second, BellSouth disagrees with the FCC's proposed pricing requirement that
22 unbundled elements be priced equal to TELRIC plus forward looking common
23 costs. Rather, prices should reflect costs, contribution to joint and common
24 costs, plus a reasonable profit. Assuming that the FCC's decision is upheld
25 and implemented, however, their methodology allows for the recovery of

1 common costs plus other changes in methodology which would increase, not
2 decrease, the level of cost as compared to a LRIC or TSLRIC study.

3 BellSouth has not conducted a TELRIC study for unbundled elements. The
4 Company has conducted and filed with this Commission multiple LRIC studies
5 for unbundled elements requested by local providers.

6
7 For illustrative purposes only, BellSouth prepared, on a proprietary basis, a
8 comparison of its LRIC cost with hypothetical TELRIC costs plus forward
9 looking common costs. BellSouth's prices from its proposed price list and
10 AT&T's proposed prices for selected unbundled elements are also shown.
11 This comparison is attached as Exhibit No. RCS-6. The point of this
12 comparison is to simply illustrate that a TELRIC study would be higher than a
13 LRIC study and that BellSouth's proposed prices are reasonable or may not be
14 high enough based on this comparison. In contrast, AT&T's proposed prices
15 do not even cover LRIC costs, much less the increased level of a TELRIC cost
16 study.

17

18 Q. HOW DO BELLSOUTH'S PROPOSED PRICES COMPARE TO THE
19 FCC'S PROXY LEVEL PRICES?

20

21 A. As an example, the FCC has proposed as a proxy level an aggregate rate of
22 \$13.68 for an unbundled loop in Florida. This proxy rate is lower than the
23 LRIC costs that the Commission used to base its \$17.00 price for the two-wire
24 local loop. Again, assuming logically that the addition of joint and common
25 costs recommended by the FCC for a TELRIC study would increase rather

1 than decrease the level of costs, BellSouth's proposed rates and LRIC studies
2 provide a much more reasonable approximation of costs than do the FCC's
3 proposed proxy rates or AT&T's proposed rates. Therefore, BellSouth
4 recommends that the Commission adopt its proposed prices.

5

6 Q. ON PAGE 7 OF HIS TESTIMONY, MR. ELLISON CONTENDS THAT
7 THE RATES PROPOSED BY THE COMPANY WERE NOT BASED ON
8 COSTS OF ANY SORT. IS HE CORRECT?

9

10 A. No. He bases his contention on the fact that some of the Company's proposed
11 rates are currently tariffed rates for either the same or similar services. As this
12 Commission well knows, currently tariffed rates have been supported with cost
13 studies that have been reviewed by the Commission and its Staff prior to their
14 approval. Simply because these rates contain contribution to joint and
15 common costs incurred by BellSouth that Mr. Ellison and AT&T do not like,
16 does not mean that the rates are not based on cost. Obviously, what Mr.
17 Ellison is recommending is that this Commission intentionally create the
18 ability for AT&T to engage in arbitrage and totally undermine the price levels
19 and structures that exist in Florida today.

20

21 Additionally, Mr. Ellison has taken exception to the cost of capital used in
22 BellSouth's studies. While I am not an expert on the subject, it is indisputable
23 that BellSouth's business is becoming increasingly more risky with the entry of
24 AT&T and others into the local telecommunications business, certainly riskier
25 than when the return Mr. Ellison suggests was established. Further, to the

1 extent that cost of capital is an issue, which it should not be, an arbitration
2 proceeding may not be the best forum for addressing such an issue.

3

4 Q. DR. KASERMAN CITED NUMEROUS BENEFITS TO THE
5 COMPETITIVE PROCESS BY REQUIRING BELL SOUTH TO SET
6 PRICES EQUAL TO TSLRIC. IRRESPECTIVE OF ECONOMIC
7 CONSIDERATIONS, IS HIS RECOMMENDATION SOUND
8 REGULATORY POLICY?

9

10 A. No. In support of his recommendation, Dr. Kaserman ignores or attempts to
11 minimize the issue of recovery of joint and common costs. To cover all bases
12 and close his discussion of TSLRIC and cost recovery, however, he states that
13 if the Commission finds that BellSouth experiences a revenue shortfall as a
14 result of setting prices equal to TSLRIC, the Commission should allow
15 BellSouth to recover the shortfall by increasing its retail prices. His
16 prescription is downright laughable. Stripping away the rhetoric, Dr.
17 Kaserman is recommending that this Commission give AT&T the best possible
18 deal on "wholesale" prices, and if by chance BellSouth is financially harmed,
19 permit BellSouth to raise its "retail" prices. Common sense leads to the
20 conclusion, I think, that Dr. Kaserman's prescription makes AT&T's retail
21 services more attractive and BellSouth's more unattractive. Stated differently,
22 Dr. Kaserman is suggesting that the only remedy to a bad decision is to raise
23 retail prices. The alternative, of course, is to make good decisions initially,
24 mitigating the need for this type of dilemma.

25

1 Dr. Kaserman builds all of his pricing guidelines from the overall principle
2 stated on page 11 of his testimony:

3

4 “Therefore, as local exchange markets evolve from monopoly to
5 competition, it is absolutely essential that regulators abandon existing
6 policies of cross-subsidization and inefficient pricing and substitute
7 efficient pricing structures.”

8

9 It is interesting to note that Dr. Kaserman’s principle is forward-looking only.
10 He did not recommend that regulators correct existing cross-subsidization and
11 inefficient pricing before moving to a competitive environment. He did not
12 recommend the development of an alternative universal service support
13 mechanism to assist in the correction of past inefficient pricing policies. He
14 did not recommend that BellSouth be permitted to rebalance its rates to more
15 economically efficient levels in order to send the correct signals to potential
16 market entrants. Instead, Dr. Kaserman’s solution is to ignore the past
17 practices of this Commission and the industry of ensuring universal service, to
18 ignore the joint and common costs incurred by BellSouth or portray them as
19 only attributable to retail functions, to demand that services that AT&T
20 purchases be priced equal to cost, to downplay any potential negative impacts
21 from competition designed on AT&T’s terms, and to recommend unworkable
22 solutions should any negative impacts surface. Fortunately for Florida
23 consumers, Dr. Kaserman does not establish regulatory policy.

24

25 Q. ON PAGE 25 OF HIS TESTIMONY, MR. ELLISON REQUESTS THE

1 COMMISSION TO DIRECT BELLSOUTH TO CONDUCT
2 DISAGGREGATED LOOP STUDIES AND TO PRICE "WHOLESALE"
3 LOOPS ON A DEAVERAGED BASIS. SHOULD THE COMMISSION
4 ADOPT HIS RECOMMENDATION?

5
6 A. Absolutely not. The Commission should not require wholesale pricing on this
7 basis until such time as the Commission permits the pricing of retail services in
8 the same manner. Mr. Ellison's recommendation is simply another attempt by
9 AT&T to gain a competitive advantage and undermine current rate structures
10 and rate levels developed to support historic Commission policy. Like Dr.
11 Kaserman, Mr. Ellison would have this Commission look only to the future
12 without any consideration of its past practices or policies. It should also be
13 noted that, even though the FCC's Order requires disaggregated loop prices,
14 the Order did not specify a deadline by which such prices must be in effect.
15 Therefore, until BellSouth can complete the necessary studies to support
16 disaggregated prices, the Commission should adopt BellSouth's proposed loop
17 rates.

18

19 **INTERCONNECTION (TRANSPORT & TERMINATION OF TRAFFIC)**

20 Q. MR. ELLISON PROPOSES THE INTERIM USE OF BILL-AND-KEEP FOR
21 THE TRANSPORT AND TERMINATION OF TRAFFIC ON PAGE 26 OF
22 HIS TESTIMONY. HIS RECOMMENDATION IS SUPPORTED BY MR.
23 GILLAN (PAGE 37). IS BILL-AND-KEEP AN APPROPRIATE
24 COMPENSATION MECHANISM?

25

1 A. No. I addressed this issue in detail on pages 45-47 of my direct testimony as
2 did Mr. Varner on pages 14-15 of his direct testimony. Those arguments will
3 not be repeated here other than to re-emphasize that bill-and-keep can not be
4 mandated by a state commission.

5
6 Mr. Ellison's primary criticism of BellSouth's proposed rates is that the rates
7 are based on some of the switched access rates which, according to Mr.
8 Ellison, are not based on economic costs as required by the Act, or in other
9 words, rates that have not been set equal to TSLRIC. As I stated earlier in the
10 discussion on pricing of unbundled network elements, nowhere in the Act can
11 one find the term "economic costs." AT&T is once again attempting to
12 interpret the Act in order to avoid the payment of compensatory rates for
13 services rendered.

14
15 Q. MR. GILLAN ASSERTS THAT IT IS IMPORTANT THAT RATES FOR
16 TRAFFIC TERMINATION BE IDENTICAL FOR LOCAL TRAFFIC AND
17 LONG DISTANCE TRAFFIC. IDENTICAL RATES ARE REQUIRED, PER
18 MR. GILLAN, SO THAT COMPETITORS CAN ESTABLISH DIFFERENT
19 LOCAL CALLING AREAS AND ELIMINATE THE NEED FOR
20 BELLSOUTH TO IMPLEMENT AUDITING SYSTEMS. IS HE
21 CORRECT?

22
23 A. There is agreement that the facilities used for local interconnection can be
24 functionally identical to those used to provide access. Past regulatory
25 practices, however, have required that access rates recover a disproportionate

1 share of costs. While auditing may be an area that might be eliminated in the
2 future once a common interconnection rate structure is implemented, the
3 auditing concern can not drive fundamental public policy concerns.

4
5 Further, Mr. Gillan's concerns about auditing systems and procedures are
6 unfounded. There has been an established system of traffic auditing in place
7 for years for access. As Mr. Gillan is well aware, the Percent Interstate Usage
8 ("PIU") factor and the periodic audits of its use are well established in the
9 industry. Adaptation of this basic methodology for use as a Percent Local
10 Usage ("PLU") factor to distinguish local traffic terminating minutes from
11 other traffic types will be a simple and straightforward process. Mr. Gillan is
12 simply attempting to find another reason to convince the Commission to lower
13 access charges to cost.

14

15 **PARITY**

16 Q. AT&T WITNESS SHURTER FOCUSES ON THE ISSUE OF SERVICE
17 PARITY WHICH HE DEFINES AS "A NEW ENTRANT'S CAPABILITY
18 TO PROVIDE ITS CUSTOMERS THE SAME EXPERIENCE AS
19 BELLSOUTH PROVIDES ITS OWN CUSTOMERS." HE ASSERTS THAT
20 SUCH PARITY IN CONNECTION WITH THE RESALE OF
21 BELLSOUTH'S RETAIL SERVICES IS A REQUIREMENT OF THE ACT.
22 IS HE CORRECT?

23

24 A. No. Parity is not a new issue in the telecommunications arena. It should not,
25 however, be used in an exaggerated manner to gain unwarranted discounts, or

1 to gain some new capabilities without incurring the costs.

2

3 Q. PLEASE EXPLAIN.

4

5 A. In developing its standard of service parity, AT&T relies on the language of
6 Section 251(c)(2)(C) which imposes the following obligation on BellSouth in
7 the context of interconnection (e.g., transmission and routing):

8

9 “...that is at least equal in quality to that provided by the local exchange
10 carrier to itself or to any subsidiary, affiliate, or any other party to
11 which the carrier provides interconnection; and...” (emphasis added)

12

13 Even though this section of the Act has nothing to do with resale, AT&T
14 somehow equates it with resale, defines it as service parity and begins the
15 process of including numerous requests, most of which are not related to resale
16 and not subject to arbitration, under the guise of a requirement for parity.

17

18 Q. ACCORDING TO MR. SHURTER, WHAT ARE THE UNRESOLVED
19 ISSUES RELATED TO SERVICE PARITY?

20

21 A. Mr. Shurter lists the following issues as unresolved:

22

23 1. Provisioning by BellSouth to AT&T of real-time interactive
24 access via electronic interfaces to BellSouth’s computerized operations
25 support systems (i.e., pre-ordering systems, ordering and provisioning

1 systems, maintenance and repair systems, customer usage data transfer
2 system, and local account maintenance system);

3

4 2. Provisioning by BellSouth to AT&T of direct routing from
5 AT&T's customers to AT&T's Operator Services and Directory
6 Assistance Services platforms;

7

8 3. Presentation of AT&T's brand in a fashion acceptable to AT&T
9 (i.e., advising customers, furnishing customer information materials,
10 AT&T logo on directories);

11

12 4. Contractual commitments on BellSouth's part to AT&T's list of
13 Direct Measures of Quality; and,

14

15 5. Reasonable access to information (i.e., copies of interconnection
16 agreements, advance notice of changes in service offerings).

17

18 Q. WHICH OF THE ABOVE ARE SUBJECT TO ARBITRATION?

19

20 A. In my opinion, only advance notice of changes in service offerings is arguably
21 subject to arbitration under the Act.

22

23 Q. HAS BELLSOUTH REFUSED TO PROVIDE ANY OF THE
24 CAPABILITIES REQUESTED BY AT&T RELATED TO SERVICE
25 PARITY?

1

2 A. No. BellSouth has only indicated that it is not technically feasible to provide
3 direct routing to AT&T's Operator Services and Directory Assistance Services
4 platforms. Additionally, contractual commitments on service quality should
5 only be developed once more experience is gained. On the issue of the AT&T
6 logo on BellSouth's directories, the Company has continuously advised AT&T
7 to discuss the issue with BAPCO (see earlier discussion). On the issue of
8 copies of interconnection agreements, AT&T should have copies of each
9 interconnection agreement executed for the purpose of local competition to
10 which BellSouth is party. The Company's position regarding its agreements
11 entered into with independent telephone companies prior to enactment of the
12 Act remains the same - the Act does not require that copies of these agreements
13 be made available to competitors.

14

15 As shown in Ms. Calhoun's testimony, on all other requests made by AT&T
16 related to "service parity," BellSouth has offered what it believes are
17 reasonable solutions to AT&T's requests. For example, the Company is
18 working diligently with AT&T on the issue of real-time interactive electronic
19 access to operations support systems. In fact, BellSouth has just recently filed
20 a status report on this issue with the Georgia Public Service Commission
21 regarding the progress made to date, including the fact that some of AT&T's
22 requests seem to be moving targets.

23

24 Q. YOU INDICATED THAT BELLSOUTH IS NOT ABLE TO PROVIDE
25 DIRECT ROUTING TO CERTAIN AT&T PLATFORMS. WHY NOT?

1

2 A. Very simply, such routing is not required by the Act, and it is not technically
3 feasible as explained by Mr. Milner in his direct testimony and by Mr.
4 Pecararo in his rebuttal testimony. It is not surprising to me that AT&T has
5 attempted to blur and confuse this issue by relating it to "service parity." It is
6 absolute obfuscation on AT&T's part, however, to attempt to relate routing to
7 dialing parity (Shurter, page 13).

8

9 What AT&T is requesting is that BellSouth create and offer a new basic local
10 exchange retail service and make it available for resale - one that does not
11 include access to BellSouth's Operator Services or its Directory Assistance
12 Services. As I indicated earlier in my discussion concerning the enforcement
13 of existing terms and conditions in BellSouth's tariffs, the Act requires that
14 BellSouth make its retail services available for resale. The Act does not
15 require BellSouth to offer its retail services for resale "without capabilities
16 dictated by the purchaser" or that BellSouth create new retail services. Further,
17 the Act does not permit AT&T to apply the concept and requirement of
18 unbundling to a resold BellSouth retail service. Resale and unbundling are not
19 the same regardless of AT&T's desires. If AT&T wishes to offer a unique
20 basic local exchange service that includes direct access to its platforms, AT&T
21 can purchase unbundled network elements from BellSouth and combine them
22 with its own platforms.

23

24 With respect to the issue of dialing parity, AT&T is attempting to turn the Act
25 on its head. Dialing parity has a very specific meaning in terms of local

1 competition - a customer of AT&T or any other competitor shall not have to
2 dial any extra digits when placing a local call than the customer had to dial
3 when placing a local call as a customer of BellSouth. Dialing parity does not
4 mean that an AT&T customer shall be able to dial the same telephone numbers
5 to reach AT&T's Operator Services and Directory Services platforms as the
6 customer dials to reach BellSouth's platforms. It is AT&T's responsibility to
7 set up its own telephone numbers to support its offering of these services, as
8 well as unique telephone numbers for other customer support operations such
9 as repair bureaus. Their contention that having to establish such numbers will
10 lead to customer confusion belies AT&T's previous successes in educating
11 their customers concerning new dialing habits, such as 1-800-CALL-ATT.

12

13 Q. IN THEIR DISCUSSIONS OF SERVICE PARITY, DID AT&T'S
14 WITNESSES FAIL TO MENTION ANY SIGNIFICANT ISSUES THIS
15 COMMISSION SHOULD CONSIDER?

16

17 A. Yes. In their discussions of real-time, interactive electronic interfaces to
18 BellSouth's operations support systems. AT&T ignored the issue of the FCC's
19 treatment of electronic interfaces as unbundled elements and the costs
20 associated with the development of such interfaces. As indicated in Ms.
21 Calhoun's testimony, BellSouth is incurring significant costs to meet AT&T's
22 requests. Once the costs are finalized, the Company will propose a cost
23 recovery mechanism designed to recover all costs related to the provisioning of
24 electronic interfaces to ALECs.

25

1 Q. WITH THE FILING OF AT&T'S SUPPLEMENTAL TESTIMONY ON
2 AUGUST 23, 1996, WERE NEW PARITY ISSUES IDENTIFIED?

3

4 A. Yes. In assessing the impact of the FCC's Order on the issues in this
5 proceeding, AT&T found that the FCC did not address the issue of how
6 BellSouth should treat a PIC change request received from an IXC other than
7 AT&T or the issue of Process and Data Quality Certification. Without the
8 ability to rely on the FCC's Order to provide a linkage to the Act, AT&T now
9 rationalizes their requests in these areas as required by the FCC's concept of
10 parity. (Carroll Supplemental Testimony, Exhibit JCS-1) This is an example
11 of "decision shopping" by AT&T. If you cannot get the decision you want in
12 one forum, try another forum.

13

14 Nowhere in the FCC's discussion of parity does it suggest that PIC changes
15 should be treated differently or that quality certification is needed. The term
16 "parity" cannot be used as a default mechanism for everything that is not
17 covered in the FCC's Order.

18

19 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

20

21 A. Yes.

22 (Transcript continues in Volume 12.)

23

24

25