

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of : DOCKET NO. 960833-TP  
 : DOCKET NO. 960846-TP  
 Petitions by AT&T Communications of : DOCKET NO. 960916-TP  
 the Southern States, Inc., MCI :  
 Telecommunications Corporation, MCI :  
 Metro Access Transmission Services, :  
 Inc., and 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. :



THIRD DAY - MORNING SESSION

VOLUME 13

Pages 1907 through 1980

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN SUSAN F. CLARK  
 COMMISSIONER J. TERRY DEASON  
 COMMISSIONER JULIA L. JOHNSON  
 COMMISSIONER DIANE K. KIESLING  
 COMMISSIONER JOE GARCIA

DATE: Friday, October 11, 1996

TIME: Commenced at 9:05 a.m.

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

REPORTED BY: JOY KELLY, CSR, RPR  
 Chief, Bureau of Reporting  
 ROWENA NASH HACKNEY  
 Official Commission Reporter

APPEARANCES:  
 (As heretofore noted.)

DOCUMENT NUMBER-DATE  
 10940 OCT 11 96  
 FPSC RECORDS/REPORTING

## 1 WITNESSES - VOLUME 13

2 NAME PAGE NO.

3 ROBERT C. SCHEYE

4	Continued Cross Examination By Mr. Hoe	1911
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6	Cross Examination By Ms. White	1973

7

## 8 EXHIBITS - VOLUME 13

9 NUMBER ID. ADMTD.

10

11

57	(ACSI) Tariff BellSouth Basic Local Exchange Service	1936	1980
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12

58	(ACSI) General Subscriber Service Tariff of BellSouth for Florida	1952	1980
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59	(Scheye) RCS-7	1971	1980
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60	RCS-8	1971	1980
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61	RCS-9	1971	1980
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62	RCS-10	1971	1980
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18

63	(Scheye) RCS-11 including the deposition transcript	1972	1980
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46			1980
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## P R O C E E D I N G S

(Hearing Reconvened at 9:05 a.m.)

(Transcript follows in sequence from  
Volume 12.)

**CHAIRMAN CLARK:** Call the hearing back. We were on continuation having to do with the brief, Mr. Lackey.

**MR. LACKEY:** Yes, ma'am. This is my position. As you could tell last night I was concerned about their having passed on the witness who had addressed these exhibits earlier this week and could obviously have talked to them. Notwithstanding that, I don't want to put myself in the position of raising a suggestion that I want to keep something from this Commission that is germane, so, therefore, I will stipulate as to the authenticity of the brief -- actually if the North Carolina General Attorney wasn't so provincial they would have put my name on it, too, since it was such a good brief.

And with regard to the Net material, I will accept the representation that it is authentic. I have not looked at it myself. I don't have an objection to using it at this proceeding.

**CHAIRMAN CLARK:** I'm sorry, with regard to what material?

1           **MR. LACKEY:** The first exhibit was the  
2 BellSouth home page download from the Internet, I  
3 believe. I believe that's what that exhibit was.

4           **MR. TYE:** That's Exhibit 51.

5           **CHAIRMAN CLARK:** BellSouth Residential  
6 Services Home Page.

7           **MR. LACKEY:** Yes. I cannot authenticate it  
8 myself but I will accept counsel's representation that  
9 it is what it is, and I have no objection to it going  
10 into the record.

11           **CHAIRMAN CLARK:** Okay.

12           **MR. TYE:** Madam Chairman, with that noted,  
13 we appreciate Mr. Lackey's willingness to work that  
14 out. I think we have just one question left for this  
15 witness. If we might be permitted to ask that, then  
16 we're done.

17           **CHAIRMAN CLARK:** Thank you. Go ahead.

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1                                   **ROBERT C. SCHEYE**

2 resumed the stand as a witness on behalf of BellSouth  
3 Telecommunications, Inc. and, having been previously  
4 sworn, testified as follows:

5                                   **CONTINUED CROSS EXAMINATION**

6 **BY MR. HOE:**

7           **Q**     Good morning, Mr. Scheye.

8           **A**     Good morning.

9           **Q**     The one question has to do with an exhibit  
10 to your rebuttal testimony, I believe it's RCS  
11 Exhibit 6, which I believe is proprietary. Do you  
12 have that in front of you?

13          **A**     You said that was on the rebuttal, correct?

14          **Q**     That's my understanding.

15          **A**     Yes, sir, I do have it and it is  
16 proprietary.

17          **Q**     RCS-6?

18          **A**     Yes, sir.

19          **Q**     Now one question: Are those the prices that  
20 you are currently recommending be set by this  
21 Commission?

22          **A**     We're proposing two sets of prices. One, we  
23 have a column on here that says "BellSouth proposed  
24 prices." To the extent that the Commission, however,  
25 decides to use the TELRIC methodology adopted by the

1 FCC we have provided them the basis for using that as  
2 well. So it would be up to the Commission if they  
3 chose to use TELRIC as the basis, we have prices for  
4 that.

5 Q Are the TELRIC numbers that you just  
6 mentioned in a different exhibit that you've  
7 presented?

8 A The numbers on RCS-6 are estimates of the  
9 TELRIC results. Since that time we have submitted the  
10 TELRIC results to this Commission for at least the  
11 first three items listed there, sir.

12 Q Where would we find those? Do they have an  
13 exhibit number?

14 MR. LACKEY: Madam Chairman, I assume  
15 Mr. Hoe doesn't know this, but those were filed on  
16 October 4th separately and will be introduced by  
17 Ms. Caldwell. These are the TELRIC studies that were  
18 not complete at the time the testimony was prefiled.

19 MR. HOE: Thank you, counsel. That's all I  
20 have.

21 CHAIRMAN CLARK: Mr. Melson, when you said  
22 you deferred, did that mean you had no questions?

23 MR. MELSON: No. It meant I would have many  
24 fewer after they finished, and my prediction came  
25 true. I have got just a few.

## 1 CROSS EXAMINATION

2 BY MR. MELSON:

3 Q Mr. Scheye, one of the issues in this case  
4 relates to the notification to wholesale customers of  
5 changes to retail services. Are you familiar with  
6 that issue?

7 A Yes, sir, I am.

8 Q And it's BellSouth's position, is it not,  
9 that a wholesale customer should receive notice of  
10 those changes concurrently with the BellSouth's tariff  
11 filing at the Commission of the change to the  
12 underlying retail service?

13 A Yes, sir. We propose to notify the  
14 wholesale customers, if you will, at the same time we  
15 would notify retail customers.

16 The concern we have about prior  
17 notification, or earlier notification prior to the  
18 tariff filing is something that could happen between  
19 that time and the tariff filing and the service not be  
20 submitted or filed.

21 Q Internally does BellSouth notify its own  
22 customer service people, customer support people,  
23 marketing people in advance of the time that a tariff  
24 is filed?

25 A Sir, I'm not familiar with whatever -- the

1 process we use. Certainly the product manager for  
2 that particular service would be aware of it. But I  
3 don't know that we have a formal notification process  
4 of all of our sales people prior to the tariff filing.

5 Q Would you agree to notify a wholesale  
6 customer at the same time that internal notification  
7 is made to the various BellSouth organizations with  
8 responsibility for providing and marketing the  
9 service?

10 A We're more than willing to work with  
11 carriers like MCI. If there is a process that we can  
12 use that will assure that we do not give you  
13 information, and for whatever reason we choose not to  
14 file the service for other reasons, yes, that's the  
15 type of item we feel ought to be negotiated between  
16 the parties. That's something we think we can work  
17 out to be adequately addressed by all of the parties,  
18 and we would look forward to continuing discussions on  
19 that to get that resolved between us and all the  
20 parties.

21 Q Is it true that we haven't worked it out to  
22 date?

23 A We have not worked it out to date, yes, sir,  
24 that is why it is in the arbitration proceeding.

25 Q Is it true that MCI has requested 45 days



1 advance notice of changes or notice when BellSouth has  
2 notified its internal organizations of a change?

3 A That's my understanding of the MCI request.

4 Q And is it yes or no, does BellSouth believe  
5 that is a reasonable request?

6 A Not at this point in time we do not.

7 CHAIRMAN CLARK: Why not?

8 WITNESS SCHEYE: Because of the problem we  
9 have or the situation if 45 days prior to a tariff  
10 filing we decide to submit service X, a new service,  
11 and we notify MCI, AT&T or any other reseller of that  
12 service, and three weeks later for some reason we  
13 decide, well, it's not the proper time to file it.  
14 MCI or AT&T may have already notified its customer of  
15 the effect that this service is coming in two weeks,  
16 three weeks, or whatever.

17 CHAIRMAN CLARK: Mr. Scheye, I don't see why  
18 that's a problem. You just tell them you changed your  
19 mind.

20 WITNESS SCHEYE: If they were willing to  
21 accept that sort of, "Okay, if you change your mind  
22 and if you don't file it, there's no liability,  
23 there's no problem. If we've incurred expenses in  
24 advertising it, that's the risk you take," I think we  
25 can work out an amiable solution to that.

1           **CHAIRMAN CLARK:** When you say "if we have  
2 incurred expenses."

3           **WITNESS SCHEYE:** We being MCI, AT&T. In  
4 other words, if BellSouth has notified them to use  
5 this example 45 days in advance, if a month later, for  
6 whatever reason, BellSouth chooses -- decides it can't  
7 file the service, and if MCI may have notified its  
8 customers that this service was coming and we call  
9 them up and say, "Sorry, we decided not to," as long  
10 as they are willing to take that risk, not ask us to  
11 compensate them for any advertising, I think we can  
12 work it out.

13           The concern becomes the liability between  
14 the parties. If they've spent money and we've  
15 inadvertently notified them of something and then  
16 turned around and decided not to do it.

17           **Q**       **(By Mr. Melson)** Mr. Scheye, let me change  
18 gears a minute.

19           You talked with Mr. Hoe yesterday about 0-  
20 dialing. Let me talk to you about repair service. In  
21 Florida how does a BellSouth customer call BellSouth's  
22 repair service?

23           **A**       Residents and small business customers use  
24 611; large business customers use a unique, or a  
25 7-digit phone number that may vary around the state.

1           Q     And is it my understanding that BellSouth  
2 believes that it is not technically feasible for 611,  
3 when dialed by a MCI customer of a resold service, to  
4 be routed to a MCI repair center?

5           A     Yes, sir, that is correct. It's not  
6 technically feasible to route 611, just like it was  
7 not technically feasible to route a 0- call to a  
8 different location from a resold line. So it has the  
9 same technical feasibility problem that the 0- call  
10 had.

11          Q     Are there other states in which BellSouth  
12 uses a 7-digit number, a regular local phone number,  
13 for a call to repair service?

14          A     In North Carolina, for example, we use --

15          Q     Could you answer yes or no and then explain?

16          A     Yes. Yes, there's a difference.

17                     In North Carolina, for example, we use 611  
18 for residence but 7-digit phone number for all  
19 business.

20          Q     If the Commission decided that parity in the  
21 dialing pattern was an important consideration, would  
22 one way to implement that be simply to let all  
23 carriers, including BellSouth, use a 7-digit number to  
24 reach their respective repair services?

25          A     That certainly could be a decision by this

1 Commission and we would all be dialing seven digits,  
2 yes, sir.

3 Q My last line of questions relates to  
4 something -- again follow up on a conversation you had  
5 yesterday with Mr. Hoe regarding what I refer to as  
6 leave-behind materials, the card that you put on the  
7 door when your repair technician has gone out and  
8 nobody has been at home, that type of thing.

9 My understanding is that BellSouth's  
10 proposal is to use an unbranded generic  
11 fill-in-the-blank card where your technician would  
12 manually write in the name of the company on whose  
13 behalf the service is being provided. Is that  
14 understanding correct?

15 A That is correct, sir.

16 Q I understand you oppose having that same  
17 technician leave behind a branded card that is  
18 supplied to you by the carrier; is that correct?

19 A That is correct, sir.

20 Q What is the basis for your objection to  
21 using a preprinted branded card supplied by the  
22 carrier?

23 A The objection is basically administrative.  
24 We don't know how many resellers might operate in a  
25 state, in a particular state or in a particular area.

1 If we were to use uniquely produced cards by each of  
2 the carriers, each of our technicians would have to  
3 have a supply of those cards; each of those  
4 technicians would have to make sure when he or she  
5 left behind a card that it was the correct card for  
6 that carrier. That we think is beyond what our  
7 technicians need to be worried about. They need to be  
8 repairing the service.

9 We think this solution will adequately cover  
10 the understanding of that particular customer as to  
11 who they purchase their service from.

12 Q So in your opinion it's more difficult for  
13 the technician to pull the right card out of the back  
14 of the truck than to write the name of the carrier on  
15 to the generic card?

16 A It's more difficult in the sense that each  
17 carrier then presumably would decide what kind of card  
18 it wanted or didn't want. Some carriers may decide  
19 they didn't want cards. Then our technicians would  
20 presumably have to use the generic card. Those are  
21 the types of things that we think go beyond what is  
22 really needed in this arena.

23 CHAIRMAN CLARK: Mr. Scheye, I have to tell  
24 you that just listening today, it sure seems if I were  
25 the technician, I'd rather have a card that says

1 "AT&T" and whatever they want to say, then I don't  
2 don't have to worry that I've spelled it right or I've  
3 left behind the right information. They don't supply  
4 you the card, it's not your problem.

5 **WITNESS SCHEYE:** If it was that simple,  
6 Madam Chairman, I think that is a simple solution.  
7 But there's a potential for a lot of different  
8 carriers out there. Our technicians have a lot of  
9 responsibility that they've already taken.

10 We do not believe, at least experience, that  
11 this type of issue is going to be at all confusing to  
12 our customers. Today, for example, and it's in that  
13 example I cited, recently I had Home Depo do some work  
14 for me at my house. Home Depo contracts out the work,  
15 a technician from a different company with a different  
16 truck came out. It was not confusing to me that he  
17 was still the person I had contracted with via Home  
18 Depo.

19 It's the choice and decision we have made to  
20 date that we think will provide adequate parity on a  
21 resold service and it does balance what we believe are  
22 the requirements of our technician.

23 **CHAIRMAN CLARK:** Let me ask you the question  
24 a different way. If AT&T and MCI don't believe that's  
25 parity to them, what difference does it make to

1 Southern Bell?

2           **WITNESS SCHEYE:** Parity is obviously a very  
3 judgmental issue for all of us.

4           **CHAIRMAN CLARK:** Let me just ask the  
5 question differently. What difference does it make to  
6 you whether you have a generic card you have to write  
7 on or you have a preprinted one for each company?

8           **WITNESS SCHEYE:** The difference is mainly  
9 the number of carriers. If we were confident there  
10 was two or three carriers, there really wouldn't be  
11 much of a problem, I would agree with you, but if  
12 there are going to be 20, 30, 40 resellers  
13 potentially, it could present itself as a problem.

14           **CHAIRMAN CLARK:** I'm confused as to why the  
15 number makes any difference. Because he's still  
16 having to have to know to be able to write it in.

17           **WITNESS SCHEYE:** He will need to know -- if  
18 he is out -- again it's an administrative question.  
19 Can our technicians, given everything they already  
20 have to do, is it the type of thing that we want to  
21 add on to the responsibilities they already have?  
22 It's clearly a judgment question. There's no doubt  
23 about that.

24           **CHAIRMAN CLARK:** Mr. Melson.

25           **MR. MELSON:** That was all I had. Thank you,

1 Mr. Scheye.

2 WITNESS SCHEYE: Thank you.

3 CHAIRMAN CLARK: Mr. Horton.

4 Mr. Mutschelknaus.

5 MR. MUTSCHELKNAUS: Thank you, very good.

6 CROSS EXAMINATION

7 BY MR. MUTSCHELKNAUS:

8 Q Good morning, Mr. Scheye. I'm Brad  
9 Mutschelknaus here for ACSI. Good to see you again.

10 A You, too, sir.

11 Q I'd like to start by discussing a little bit  
12 about your proposed pricing of the recurring charges  
13 for the local loops.

14 First if I could just clarify one thing with  
15 you, so hopefully we could move things along. I'd  
16 like to clarify the relationship between your  
17 testimony and and Ms. Caldwell's.

18 Are you here to in any way sponsor or  
19 testify about the results of the cost study submitted  
20 by BellSouth?

21 A I'm not here to speak to the specifics of  
22 the cost studies.

23 Q On the other hand, are you here to propose  
24 the prices that BellSouth proposes to charge?

25 A Yes, I am.



1 Q And are you also prepared to discuss how  
2 those prices were calculated or derived?

3 A I'm sorry, what was the last part?

4 Q Are you also prepared to testify on how  
5 those prices were computed or derived by BellSouth?

6 A I can't give you the details of the  
7 underlying assumptions in the cost study. That  
8 Ms. Caldwell would have to give you.

9 Q Well, I'd like to talk to you for a minute  
10 about the particular prices that you have proposed to  
11 charge ACSI. And I believe you have included those in  
12 your direct testimony in the ACSI docket.

13 And I refer you specifically, sir, to Page 9  
14 of your direct testimony. There's a chart that you  
15 included on that page. Do you see that?

16 A Let me find the testimony, sir. Page 9 of  
17 direct?

18 Q That's correct.

19 A Yes, sir, I have it.

20 Q Now, your testimony a moment ago confused me  
21 so perhaps we can clarify this right now.

22 It was my understanding that these are the  
23 prices that you are proposing to charge ACSI for  
24 purchasing the three flavors of local loops that are  
25 listed in this chart; is that correct?

1           A     Yes, sir, that's correct.  When we submitted  
2 the prices, the first price -- and I'm sure it's not  
3 proprietary -- the \$17 price was derived from a  
4 earlier proceeding with this Commission, an unbundling  
5 docket.  And that price evolved out of that and we  
6 have proposed it in many case.

7                     Since that time, however, the FCC order came  
8 out with the TELRIC-based pricing methodology.  And  
9 what we have done is replaced or added to the record  
10 what a TELRIC-based price would be to the extent that  
11 this Commission chooses to use TELRIC basis for  
12 pricing, they have adequate information to do that,  
13 sir.

14           Q     So it's your proposal -- I guess, what is  
15 BellSouth's preference to charge these rates or the  
16 TELRIC rates?

17           A     It's BellSouth's preference that overall  
18 rates or all unbundled elements be based on the  
19 proposals we have been making in negotiations and in  
20 this arbitration.  However, we couldn't ignore the  
21 fact that the FCC order existed.

22                     The FCC order discusses if you don't provide  
23 TELRIC data, the Commission may have to choose proxy  
24 prices.  So we have provided to this Commission  
25 adequate information to the extent that they plan to

1 use TELRIC to establish the prices based upon TELRIC,  
2 but we still support using our current tariff-based  
3 prices in many instances as well as the prices  
4 displayed here.

5 Q Well, let's chat about that for a moment.  
6 When you say your tariff-based prices, I think you  
7 just testified that the proposed price on Page 9 of  
8 your testimony for a 2-wire loop is based on your  
9 current tariffed rate for loops here in Florida?

10 A The 2-wire price is not our current price,  
11 it is a derivative of a prior proceeding with this  
12 Commission. So it's actually a lower price than the  
13 current tariff price.

14 Q When you say "the current tariff price," can  
15 you tell me what you are referring to?

16 A The special access or private line price in  
17 the case of the loop.

18 Q And in the case of the 4-wire analog loop  
19 and 2-wire ISDN loop, what you're proposing is the  
20 special access rate, is it not?

21 A For the 4-wire, you're correct, sir. The  
22 two-wire ISDN is based on a total service long run  
23 incremental cost because we didn't have a special  
24 access comparable service.

25 Q So the 4-wire is based on a special access

1 but the ISDN is not?

2 A That's correct, sir.

3 Q The 4-wire, which is based on special  
4 access, is it your testimony that the initial special  
5 access rates established by BellSouth and reflected in  
6 this price, were set in a manner consistent with the  
7 FCC requirements?

8 A We would not say that, sir. That's why we  
9 have provided the TELRIC-based numbers, because there  
10 would be a difference. That's precisely why we  
11 provided TELRIC.

12 Q And as you've testified a moment ago, the  
13 2-wire analog voice loop is indeed priced  
14 significantly below its special access counterpart, is  
15 it not?

16 A Yes, it is, sir.

17 Q So this Commission has already once rejected  
18 your argument that unbundled loops should be priced at  
19 special access rates, hasn't it?

20 A That's correct, sir.

21 Q Why do you think they should change that  
22 policy here?

23 A I'm not asking them to change that policy.  
24 We're asking them to either accept these prices, the  
25 2-wire prices what they've already ordered, or in the

1 alternative, if they plan to use the FCC's methodology  
2 to adopt TELRIC-based pricing, and that's an option  
3 they have given the FCC order.

4 Q In the case of a 4-wire loop you are asking  
5 them to change, aren't you? You're asking them to  
6 adopt the special access rate?

7 A Yes. They did not reject that in the prior  
8 proceeding. They choose on the 2-wire loop to use  
9 three cost studies, I believe, that were on the record  
10 for prior proceedings. They made a judgment as to  
11 sort of weighting those and ended up with a \$17  
12 number.

13 Q But the Commission then determined that the  
14 actual cost and the appropriate price for the 2-wire  
15 analog was significantly below what the counterpart or  
16 closest equivalent special access circuit would be?

17 A They did that, sir, based on the studies  
18 they had in the record.

19 Q Mr. Scheye, is an unbundled loop and a  
20 special access circuit the same thing?

21 A They are functionally equivalent, yes, sir  
22 they are.

23 Q Isn't it true, though, that there are many  
24 services provided by BellSouth for a special access  
25 service that are unnecessary for the provision of an

1 unbundled loop?

2           A     Not that we think or believe based on the  
3 conversations with most of the carriers who will be  
4 our presumably the largest purchaser of special access  
5 or unbundled loops. Most of the carriers have asked  
6 us for data layout records for an unbundled loop.  
7 That's something that we only provide on a special  
8 access circuit.

9           Q     Isn't that incorporated in your nonrecurring  
10 charge?

11          A     Yes.

12          Q     We're talking about the recurring charges  
13 right now.

14          A     But you asked me, I thought -- and I didn't  
15 mean to answer the wrong question, but I thought you  
16 said are special access and an unbundled loop  
17 basically the same service. I didn't know -- so  
18 that's what I was answering, sir.

19          Q     For example, if you have a special access  
20 circuit you need to install automatic test equipment,  
21 which doubles the need for cross-connects over that  
22 for an unbundled loop; isn't that true?

23          A     Not to my knowledge, sir, that's not true.

24          Q     Isn't it true that BellSouth processes  
25 special access orders through a special services

1 design center and it's not necessary to do that for  
2 unbundled loops?

3 A That, again, is not necessarily the case,  
4 sir, based on what we understand the parties want in  
5 the way of unbundled loops.

6 Q Where do you get that understanding?

7 A Where do we get it?

8 Q Yeah.

9 A We've talked to several different carriers  
10 as to the process they want. In this proceeding we've  
11 heard further need for electronic interfaces and  
12 ordering using the ASR process, which are inherent  
13 with special access. We have been told that most  
14 carriers want data layout records which again is  
15 something that is akin to a special access circuit  
16 today.

17 Q Were you involved in the negotiations with  
18 ACSI, Mr. Scheye?

19 A In the early days; not as it was finalized,  
20 sir.

21 Q Did ACSI ever ask BellSouth to process its  
22 unbundled loop orders through the Special Services  
23 Design Center?

24 A I can't answer that, sir.

25 Q Mr. Scheye, if unbundled network elements

1 and special access services are really the same thing,  
2 why do you think that Congress and the FCC went  
3 through all of the trouble of requiring and defining  
4 network element unbundling?

5       A     I think network unbundling is a much broader  
6 subject than a loop.  Certainly a loop is a piece of  
7 the network element definitions, but both Congress and  
8 the FCC have defined a much broader list of, quote,  
9 "unbundled elements."  The fact that one of them,  
10 quote, "the loop" might be equivalent to a special  
11 access, I guess I don't understand the relationship,  
12 sir.

13       Q     Didn't you also propose, for example, that  
14 the interoffice transport charges be equivalent to  
15 your current tariffed transport rates?

16       A     What we have proposed, for example -- yes.  
17 Dedicated transport, whether it be used for an  
18 unbundled loop or for special access ought to be the  
19 same.  That's basically an area that the FCC orders  
20 supports.

21               Common transport basically would be  
22 equivalent to the current common transport rates that  
23 we have in our access tariffs.  And again that's  
24 basically supported by the FCC order.  Even the FCC  
25 order, which many of us disagree with, does recognize



1 the similarity.

2 Q Let's talk for a moment about what will  
3 happen if the Commission departs from these proposed  
4 rates and based on TELRIC.

5 You have submitted as an attachment to your  
6 direct testimony a proprietary exhibit. I'm not going  
7 to ask you about the numbers. But I think it's been  
8 marked as RCS-49. It's called "Comparison of Cost to  
9 BellSouth and ACSI Proposed Prices."

10 A Yes. RCS-2.

11 Q Yes. Now, it's my understanding you  
12 submitted your, quote, "hypothetical" TELRIC costs in  
13 the second column of that chart?

14 A Yes, that's correct.

15 Q And where did you get those?

16 A Those numbers are based upon using our long  
17 run or total service long run incremental costs, and  
18 guesstimating or approximating what the joint and  
19 common additive might be.

20 Q Did they turn out to be materially different  
21 than the TELRIC cost numbers submitted by Ms. Caldwell  
22 on October 4th?

23 A Materially different. They are different, I  
24 will give you that. Are they materially different? I  
25 I think in the case of the 2-wire, and I'm using my

1 memory right now, it's fairly close, almost identical.  
2 The 4-wire and the 2-wire ISDN I think deviate a  
3 little bit differently, to a slightly greater extent.

4 Q Slightly different.

5 A Yes.

6 Q If that's the case, I'm wondering why the  
7 TELRIC information that you were relying on and  
8 producing this on September 9th wasn't made available  
9 to the parties until just a few days before the  
10 hearing?

11 A Before the hearing?

12 Q Yes. October 4th, I believe, is the date we  
13 got the --

14 A That's when the studies were completed, sir.

15 Q Well, apparently they were sufficiently  
16 complete for you to prepare this testimony and submit  
17 it on September 9th.

18 A My testimony guesstimates what those results  
19 would be. They were not based upon those results.  
20 That's why my testimony uses the term "hypothetical".

21 Q Did you look at any of the information that  
22 Ms. Caldwell used to produce her cost studies to come  
23 up with these numbers?

24 A No, sir, the cost studies weren't completed  
25 at the time so I couldn't look at them.

1 Q It just happens they are within pennies of  
2 each other?

3 A If they are that close, than we're very good  
4 guesstimators, yes, sir. Believe me, those studies  
5 were not available. Had they been available, we would  
6 have submitted them and I would not have produced  
7 hypothetical numbers.

8 Q All right. I'd like to talk just a moment  
9 about the relationship, these wholesale recurring loop  
10 rates you propose to charge to ACSI, and the retail  
11 rates that BellSouth charges to its own end-user  
12 customers. You are aware, I take it, of how ACSI  
13 intends to use the unbundled loops it wishes to  
14 purchase from BellSouth?

15 A It's my understanding that ACSI plans to  
16 purchase an unbundle loop and terminate it on its own  
17 switch.

18 Q And you are aware that ACSI intends to use  
19 that loop to create its own local exchange service to  
20 compete with BellSouth?

21 A Yes, that would be my understanding, sir.

22 Q Indeed, I think your testimony describes  
23 that loop as a primary component of the local exchange  
24 service.

25 A Yes.

1           Q     Now, when BellSouth provides local exchange  
2 service to its own end-user customers, you use the  
3 same type of loop, do you not?

4           A     We use certainly a similar loop, but of  
5 course, it terminates directly into our switch so you  
6 have a different possess in place.

7           Q     But the cost of the loop is included in the  
8 price that you charge for that basic local exchange  
9 service to end users?

10          A     Yes, it certainly is.

11          Q     And in addition to the loop your basic  
12 exchange service price covers the cost of you  
13 providing the switching on the originating end of the  
14 call?

15          A     The cost for both the loop and the switching  
16 certainly go into the pricing. However, as we know,  
17 local exchange pricing in all of our states have a lot  
18 of public policy implications built upon that. So to  
19 say does the particular rate that we charge cover  
20 those costs, I think in the case of certainly  
21 residence service the answer is clearly it does not.  
22 In the case of some business services it may.

23          Q     Let me rephrase the question. When you  
24 charge basic -- you charge one of your end user local  
25 exchange customers for basic local service and that

1 customer pays the basic rate for the month, they  
2 obtain the use of the loop, correct?

3 A Correct.

4 Q They also obtain originating switching from  
5 BellSouth, correct?

6 A And terminating capability.

7 Q And they obtain interoffice transport from  
8 BellSouth, correct?

9 A They can use the transport, yes.

10 Q And they can obtain local tandem switching  
11 from BellSouth?

12 A They can use it, yes, that's correct.

13 Q And they can obtain the terminating end  
14 office switching from BellSouth?

15 A All those capabilities are built into the  
16 service; is that correct, sir.

17 Q Are you aware of what BellSouth charges for  
18 a local exchange services -- basic local exchange  
19 services in Florida today?

20 A Broadly I think I have an exhibit that  
21 compares that. I'm sure it doesn't have all of the  
22 charges on there, but I believe it's as low as \$13 or  
23 residence and it runs certainly much higher, \$30, \$40  
24 for just the basic line for business and PBX trunk.

25 Q I don't want you to have to guess about

1 this.

2           **MR. MUTSCHELKNAUS:** Madam Chairman, if I  
3 could approach the witness, I'll just give him a copy  
4 of the tariff page. (Hands document to witness.)

5           Madam Chairman, I have extra copies for  
6 anybody that would be interested but I would ask the  
7 Commission -- I'll ask the question but I thought I'd  
8 ask the Commission to take official notice of the  
9 tariff and we can avoid --

10           **CHAIRMAN CLARK:** Why don't you hand out  
11 copies and we'll make it an exhibit as long as  
12 Mr. Scheye concurs that it is, in fact, the tariffed  
13 rates.

14           **MR. MUTSCHELKNAUS:** That's fine. (Pause)

15           **CHAIRMAN CLARK:** The next exhibit number I  
16 have is Exhibit 57 and that will be Tariff BellSouth  
17 Basic Local Exchange Service.

18           (Exhibit 57 marked for identification.)

19           **MR. MUTSCHELKNAUS:** Correct. And just to  
20 make the record clear, Madam Chairman, this is an  
21 excerpt taken from the BellSouth General Subscriber  
22 Service Tariff, speaking of Exhibit 57. And  
23 specifically it's from Section A-3 Basic Local  
24 Exchange Service, and it's just an excerpt that  
25 includes the rate pages.

1 Q (By Mr. Mutschelknaus) Mr. Scheye, do you  
2 have Exhibit 57 in front of you?

3 A Yes, sir.

4 Q Is there any reason for you to think that  
5 this tariff is incorrect, subject to check?

6 A No, sir, I don't.

7 Q Okay. Let's talk first of the residential  
8 rates currently charged by BellSouth in Florida. Does  
9 this help your recollection of what the current range  
10 of rates is for 1-FR service in Florida?

11 A Yes, sir. The 13, which I was quoting, is  
12 probably the ten-sixty-five plus the three-fifty  
13 subscriber line charge is what I was probably  
14 remembering. But it's lower in the lower rate groups.

15 Q Okay. As I understand it, your current  
16 tariff structure here in Florida is to have 12 rate  
17 groups. But if we take one toward the middle, let's  
18 say Rate Group 7 is \$9.50?

19 A Yes, plus a subscriber line charge.

20 Q But for the \$9.50, or the \$9.50 plus the  
21 subscriber line charge if you prefer, -- let me  
22 rephrase that.

23 For the \$9.50 the end user would obtain all  
24 of the services that we went through a moment ago that  
25 are included in basic local exchange service from

1 BellSouth?

2 A Yes.

3 Q The loop, the switching, the transport,  
4 etcetera?

5 A They can make a local call and I think  
6 that's what you're implying. Yes, sir.

7 Q By contrast the rate that you are proposing  
8 to charge ACSI of \$17 for a 2-wire connection would  
9 include only one component of that overall service;  
10 isn't that right?

11 A That's correct. Just the loop.

12 Q And ACSI would have to -- in order to create  
13 its own local exchange product, include the cost of  
14 that \$17 and then add its cost of providing all of the  
15 other services to its end users. Is that right?

16 A Yes, sir, that's correct. Just in the exact  
17 way that BellSouth does the same thing. Let's assume  
18 for sake of this discussion that \$17 is the, quote,  
19 "cost" of the loop. We incur the \$17 expense, we  
20 incur the cost of the local switch and the other  
21 components, and we charge, to use your example, \$9.50.  
22 So on a stand-alone basis for that service, all things  
23 being equal, we lose X dollars per month.

24 Q I thought we established a moment ago that  
25 you're not the cost witness in this proceeding.



1           A     I wasn't planning to be the cost witness. I  
2 just said assuming --

3           Q     Do you know or are you aware of what the  
4 cost studies are --

5           MS. WHITE: Excuse me. May the witness be  
6 allowed to finish his answer before he's asked another  
7 question?

8           Q     Fine. I withdraw. Go ahead.

9           A     I simply said assuming that the \$17  
10 represented the cost, which this Commission used cost  
11 studies to develop, you add to that the cost of the  
12 other components that you mentioned, the switching and  
13 the transport, etcetera, so people can place a call.  
14 We would incur those expenses just like ACSI would  
15 incur those expense.

16                     Similarly, that same customer may generate  
17 additional revenue in terms of verticle features,  
18 intraLATA toll, access revenues, etcetera, and  
19 presumably that same customer could generate those  
20 same revenues for ACSI.

21           Q     Mr. Scheye, do you have personal direct  
22 knowledge that residential exchange services in  
23 Florida are priced below incremental cost to  
24 BellSouth?

25           A     Based on the studies I saw in Docket 984

1 that were used by this Commission, then I would have  
2 to say that for the loop and the line it's below cost,  
3 yes, sir.

4 Q Let me ask this differently: Do you think  
5 that if ACSI has to pay \$17 for connection to that  
6 residential customer, add all of this other cost on  
7 top of it in creating a price, it would be feasible  
8 for ACSI to compete in the residential marketplace  
9 against BellSouth?

10 A Absolutely. There's no question in my mind  
11 they can.

12 Q On a price basis?

13 A Absolutely. Again, there's no question in  
14 my mind that any carrier paying these prices  
15 connecting to their switch in the example you gave,  
16 looking at the margins that customers provide in the  
17 way of the vertical features, access, etcetera,  
18 there's no doubt that carriers can indeed compete  
19 effectively with us, to the extent they want to,  
20 obviously.

21 Q So you lose a little bit on every minute and  
22 make it up on volume; is that the theory?

23 A No, sir, I don't think I said that at all.

24 Q Let's take a look at the 1-FB prices and  
25 again sort of take the midpoint. Zone 7, could you

1 identify what current business rates are for BellSouth  
2 for local exchange service in Florida?

3 A You want to use Rate Group 7 again? It was  
4 25.75. Again we could add the \$6 subscriber line with  
5 you get \$31, \$32.

6 Q When saw you say add the subscriber line  
7 charge, isn't it reasonable to expect that ACSI, too,  
8 will have to add a subscriber line charge or an  
9 equivalent?

10 A That will be up to ACSI. But I mean you can  
11 use the 25.75, I'm not quibbling with you about it;  
12 that's what we charge our customers.

13 Q Again, that 25.75, just to make the record  
14 clear, includes the full bundled services that we  
15 talked about that creates the local exchange service,  
16 meaning the loop as well as transport and switching,  
17 does it not?

18 A Certainly. Because these are flat rates  
19 that we're displaying so you get local usage implicit  
20 in the basic rate, that's correct, sir.

21 Q Mr. Scheye, are you familiar with -- let me  
22 ask this differently. In the course of your  
23 performance of your professional duties at BellSouth,  
24 do you monitor the local loop pricing that is being  
25 derived or ordered in other states across the country?

1           A     No, sir, I don't.

2           Q     Don't you think that it would be relevant to  
3 your business to know what local loops prices are  
4 being set by other local exchange companies across the  
5 country?

6           A     Certainly someone in my company probably has  
7 a record of various decisions and/or negotiated  
8 agreements that have been reached with other regions  
9 or with other carriers. I don't have personal  
10 knowledge of that, though, sir.

11          Q     Well, have you reviewed the testimony of --  
12 let me start this differently.

13                     Do you know who Mr. Rich Robertson of ACSI  
14 is?

15          A     Do I know him?

16          Q     Yes.

17          A     Yes, sir. He used to work for BellSouth.

18          Q     You used to work with him, didn't you?

19          A     Yes, I did.

20          Q     Have you reviewed his direct testimony in  
21 this proceeding?

22          A     I looked at it and honestly I can't give you  
23 a recollection of exactly what it said.

24          Q     Do you recall -- let me refresh your  
25 recollection, do you recall that he testified that

1 Ameritech has agreed to charge rates as low as \$6.55  
2 for its unbundled loops?

3 A I don't recall it from his testimony. I  
4 know in the Ameritech-MFS agreement their rates are  
5 probably in that ballpark for the Chicago area.

6 Q And are you aware that PacTel in California  
7 has agreed to charge rates as low as \$12.50 which  
8 includes the subscriber line charge?

9 A I wasn't aware of that but I'll accept that.

10 Q And are you aware that the Michigan PSC  
11 ordered unbundled loops to be charged by Ameritech in  
12 Michigan for \$8?

13 A Again I accept your numbers.

14 Q And just as a final example, are you aware  
15 that in Connecticut the Southern New England Telephone  
16 has been ordered by the Commission there to charge  
17 \$10.18 for unbundled loops?

18 A Again I'll accept your numbers. I think if  
19 you look around I understand New York Telephone or  
20 NYNEX is offering rates in excess of \$20, so I think  
21 there are numbers all over the place all over the  
22 country.

23 Q Do you have any idea why BellSouth's cost of  
24 providing a loop would be so radically different than  
25 those other telephone companies?

1           A     I have no idea why our cost could be  
2 different. I don't know that the numbers that any of  
3 those regions or companies are proposing cover their  
4 costs. Maybe they have chosen for whatever reason to  
5 provide those services below cost. That's certainly  
6 their prerogative, I guess.

7           Q     Can you think of a reason why Ameritech  
8 would voluntarily agree to charge rates below its  
9 cost?

10          A     I can't imagine what Ameritech would do,  
11 sir, sorry.

12          Q     Just to clarify one matter on this, in your  
13 testimony on Page 9 below that chart we referred to  
14 earlier you make a point of the fact that the 2-wire  
15 rate, \$17 rate that you're proposing, was voluntarily  
16 agreed to by two companies, Intermedia and Teleport.  
17 Are you familiar with that testimony?

18          A     Yes, sir, I am.

19          Q     Isn't it true that Teleport's affiliated  
20 with some cable television companies?

21          A     I believe Teleport is partially owned by  
22 several large cable companies, yes, sir.

23          Q     And they have their own local loops as cable  
24 TV companies, do they not?

25          A     No, sir, they don't. Not to my knowledge.

1 Teleport, while having ownership from several cable  
2 companies, at least as I understand their operation  
3 here in Florida, it has nothing to do with any cable  
4 operations in the state of Florida, and that they are  
5 currently purchasing unbundled loops from us.

6 Q Let me move to a different matter.

7 On these rates that you proposed, again  
8 staying with the specific rates that you've listed on  
9 Page 9 of your testimony, now I take it this is a  
10 single statewide averaged rate that you're proposing?

11 A Yes, that's correct.

12 Q Now, are you aware of the FCC requirement  
13 that rates be deaveraged into at least three density  
14 zones?

15 A Yes. That's a TELRIC-based number or would  
16 be upon adoption of TELRIC, yes, sir.

17 Q Correct me if I'm wrong, it's my  
18 understanding your TELRIC studies did not break it  
19 down into density zones either?

20 A Not at this point in the state of Florida.  
21 What BellSouth has done in recognition of the FCC  
22 order that you've cited, we've begun the process of  
23 developing TELRIC-based prices, the loop prices we  
24 have submitted here in Florida.

25 We just last week developed the first,

1 quote, "deaveraging plan" for the state of Georgia and  
2 we submitted that in my testimony several weeks ago.

3           What we have determined, at least from our  
4 experience in Georgia, is that there can be some  
5 severe implications on pricing matters when a  
6 Commission chooses to deaverage the unbundled  
7 elements, and that what we're recommending is before  
8 deaveraging begin, all those aspects and all those  
9 implications be looked at and examined very carefully  
10 so we do not precipitously simply deaverage and find  
11 out we have a huge problem on our hands.

12           Q     Are you familiar with -- let me ask you  
13 this: How in Georgia did you determine your density  
14 zones? What was the methodology?

15           A     In Georgia we have four rate groups that  
16 represent the entire state of Georgia. What we looked  
17 at were the various cost characteristics. We looked  
18 at the various pricing characteristics. And what we  
19 have proposed in the state of Georgia, again in just  
20 testimony I believe it was last week, was aligning  
21 certain rate groups with the zones.

22                     In other words, we took the four rate  
23 groups, we created three zones from them; we combined  
24 the two most rural zones into one and what we  
25 determined was that the lowest TELRIC price would be



1 in the highest zone, in other words the metropolitan  
2 area of Atlanta. The highest TELRIC price would be in  
3 the rural area, or Zone 3. What that told us was  
4 since our local exchange pricing in Georgia is similar  
5 to what it is in Florida, that the highest prices for  
6 local exchange service are in the metropolitan areas,  
7 we would have a complete inverse relationship. That's  
8 the information we have presented. That's what has  
9 told us that once one begins the deaveraging, one will  
10 have some very serious pricing matters to consider  
11 before implementing it.

12 Q So I take it then that the results you saw  
13 in Georgia are consistent with what the Hatfield Model  
14 produces when it engages in deaveraging? Are you  
15 familiar with the exhibits filed herein showing --  
16 taken from the Hatfield Model that shows what happens  
17 with the 60 average zones?

18 A I'm not familiar with it and I don't believe  
19 I would say it is consistent with the Hatfield Model.

20 I think it is consistent with the concept  
21 that in metropolitan areas the price of a loop is  
22 likely to be cheaper than it is in rural areas. If  
23 that's what the Hatfield Model yields, then I would  
24 say at least conceptually you have that level of  
25 consistency, but not methodology-wise.

1 Q But -- I'm sorry, I didn't mean --

2 A I'm sorry. We didn't use the Hatfield Model  
3 to develop that so I can't tell you methodology-wise  
4 whether they are consistent.

5 Q That's fine. If you'll accept with me that  
6 the Hatfield Model used loop density zones to  
7 establish pricing relationships, isn't that what  
8 BellSouth did in Florida?

9 A We haven't done it in Florida yet.

10 Q I'm sorry, in Georgia?

11 A In Georgia what we looked at, and some of  
12 the results that came out -- and again this is what we  
13 determined -- again only for the state of Georgia --  
14 was that there are lots of different characteristics  
15 that apparently impact costing.

16 For example, what we found are two exchanges  
17 right next door to each other in Georgia that are in  
18 the metropolitan area of Atlanta.

19 CHAIRMAN CLARK: Mr. Scheye, I'm going to  
20 interrupt you. He asked a simple question. Please  
21 answer the question he asked.

22 WITNESS SCHEYE: I'm sorry. Could you  
23 repeat the question?

24 Q (By Mr. Mutschelknaus) Well, the question  
25 was a simple one, and that is whether you used loop

1 density zones to establish your proposed zone prices  
2 in Georgia?

3 A It was not based on simple density, no, sir.

4 Q All right. Isn't that what the FCC  
5 requires, though?

6 A The FCC suggests density. It doesn't say  
7 that the zones have to be based on density, no, sir.

8 Q Let me ask you this question. I believe you  
9 have indicated in your testimony that it's BellSouth's  
10 position that rates should reflect cost?

11 A Yes.

12 Q And so I'm having a hard time understanding  
13 why it is that you're so troubled with setting rates  
14 to reflect the zone density, the cost -- you said in  
15 Georgia what concerned you was that if you followed  
16 the cost relationships, you'd end up with lower prices  
17 in high density areas because that's where the lower  
18 cost is. Isn't that consistent with your general  
19 pricing philosophy?

20 A We're not denying that, sir. What we're  
21 saying is there are other implications that have to be  
22 considered when one implements that kind of an  
23 approach, because local exchange pricing today is not  
24 based upon those principles.

25 Q Okay. Would you oppose a decision by this

1 Commission to establish four density zones as you're  
2 proposing in Georgia?

3 A In Georgia we're proposing three, not four,  
4 excuse me, sir. Again that's the FCC order. If that  
5 order is implemented, we're planning to be able to  
6 implement zones. All we're suggesting is there are  
7 going to be a lot of implications to consider when  
8 that's done.

9 Q Since you haven't proposed any zones in your  
10 testimony or your cost studies, would you be willing  
11 to use the density zones included in the Hatfield  
12 Model as a surrogate until such time as you can get  
13 around to computing density zones --

14 A No, sir, we wouldn't -- I'm sorry, I didn't  
15 mean to cut you off. No, sir, we would not be willing  
16 to because our experience with, say, density is not  
17 the only factor.

18 Q Let's go on then to your nonrecurring  
19 charges which are listed on that same chart on Page 9  
20 of your direct testimony. And, again, I assume you're  
21 not here to talk about the underlying cost.

22 A That's correct, sir.

23 Q Can you just tell me what these nonrecurring  
24 prices represent and how you derive them, briefly, if  
25 you could?

1           A     I'm sorry, on page --

2           Q     Page 9.

3           A     Direct testimony Page 9.

4           Q     Yeah. Page 9. Let's just take the 2-wire  
5 example. It's my understanding from your chart that  
6 you're proposing to charge \$140 for the initial  
7 circuit for each customer, for the installation of a  
8 2-wire connection?

9           A     That's correct, sir. That number is derived  
10 Florida an incremental cost study. It is lower than  
11 the current special access 2-wire rate.

12          Q     And that number would apply obviously if we  
13 asked you to install a whole new loop at somebody's  
14 house?

15          A     Yes, it would.

16          Q     It would also apply, would it not, if we're  
17 just asking an existing exchange service customer to  
18 have their loop switched to us?

19          A     Yes, it would be taken off our switch and  
20 provided to you and cross-connected somehow to you,  
21 that's correct.

22          Q     Does BellSouth have a corresponding  
23 nonrecurring charge that it asks its end users to pay  
24 when it installs its own basic exchange service to an  
25 end user?

1           A     I'm sorry, do we have a charge for what  
2 again?

3           Q     When BellSouth installs basic local exchange  
4 service to its own end users, does it have a  
5 corresponding nonrecurring charge that it applies?

6           A     Yes.

7           Q     And I won't go through a memory test with  
8 you. I'd like to get it in the record if I could.

9           MR. MUTSCHELKNAUS: Madam Chairman, I'd like  
10 to show the witness a copy of the tariff reference.  
11 We're going to have it marked as an exhibit.

12           CHAIRMAN CLARK: The next exhibit I have is  
13 58, if you would describe what you're passing out.

14           MR. MUTSCHELKNAUS: General Subscriber  
15 Service Tariff of BellSouth for Florida, and it is  
16 Section A-4 Service Charges, excerpts from that  
17 section.

18           (Exhibit 58 marked for identification.)

19           Q     Mr. Scheye, if I could direct your attention  
20 to Section A-4.3.1 which is original Page 6 of this  
21 package?

22           A     Yes, sir.

23           Q     Now, there's something listed in there  
24 called a line connection charge. Is that essentially  
25 the nonrecurring charge that BellSouth applies to its

1 own end-user customers when they order local exchange  
2 service?

3 A That's what it would seem to be, yes, sir.

4 Q And what is that number for a residential  
5 customer?

6 A \$40 for the first; \$12 for each additional.

7 Q And for business customer what would the  
8 rate be?

9 A 56 and 12.

10 Q And that corresponds, does it not, to \$140,  
11 and \$45 that you intend to charge ACSI?

12 A It corresponds in the sense that they are  
13 both nonrecurring charges. It's not the nonrecurring  
14 charge for the same thing, however, so --

15 Q Is it not the policy of BellSouth when  
16 establishing nonrecurring charges to cover its cost of  
17 installing service?

18 A Yes. And we're installing two different  
19 types of services here.

20 Q Well, let's talk about what you are  
21 installing in the first one.

22 First of all, let's talk about what your  
23 installing in the case of 2-wire analog voice grade  
24 loop for ACSI. What are we getting for that \$140?

25 A What you get is basically the same type of

1 thing that one gets as a special access 2-wire circuit  
2 for which currently we charge 270. You will get a  
3 data layout record. You will get the service  
4 processed in a way, the way carriers get services  
5 processed. You'll be able to use an ASR electronic  
6 process to feed that order into our systems. You will  
7 get a bill rendered out of our CAB system for it, all  
8 of which is inherent in the one form or another in a  
9 nonrecurring charge.

10 Q Can I direct your attention for A-4.1  
11 definition of Line Connection Charge. Would you read  
12 that into the record, please. First page of the  
13 document.

14 A A-4.1. Service Charge definition?

15 Q Is there a definition of the line connection  
16 charge in there?

17 A It applies for establishing exchange access  
18 line or trunk. The charge includes service ordering,  
19 central office work, exchange access line work and a  
20 standard voice miniature six-position network  
21 interface.

22 Q When ACSI orders the 2-wire loop to that  
23 same residence, we're obtaining service ordering,  
24 isn't that correct?

25 A It will have service ordering certainly.



1 Q Central office work.

2 A There will be a different type of central  
3 office work.

4 Q Exchange access line work?

5 A There will certainly be a line, yes, sir.

6 Q Well, it sounds to me like it's the same  
7 thing.

8 A If it were the same thing you would  
9 basically be reselling our service, the exchange line  
10 and the port, and in that instance the identical  
11 nonrecurring charge would apply.

12 Q If ACSI has -- let me backtrack.

13 If there is an existing BellSouth customer  
14 for exchange services that simply wishes to switch  
15 their service to ACSI, their existing service. Why is  
16 it necessary to treat that as a whole new special  
17 access installation?

18 A I guess I can answer it this way: Assuming  
19 that ACSI said just roll it off there, send me a crisp  
20 bill, don't send me a data layout record; provide it  
21 in the same manner that you do today and simply roll  
22 it off of the switch and cross-connect it. In that  
23 case you're probably right, the nonrecurring would be  
24 very, very similar to the nonrecurring we have for a  
25 residence or business line.

1                   However, again, that's not what we  
2 understand the carriers want, and that's why we have  
3 priced it out or costed it out based on our  
4 understanding what carriers do want.

5           Q       Maybe we're getting somewhere today then.  
6 Would BellSouth be willing to create two separate  
7 nonrecurring prices, one for the carriers that want  
8 the simplified service, and another that want the gold  
9 plated special access offering?

10          A       I'll take exception to the term "gold  
11 plated". But BellSouth is certainly willing to  
12 consider two different nonrecurring for two different  
13 functions. And if the carrier wants a different  
14 function at a different cost and are willing to live  
15 with what we get on that basis, yes, sir, we'd  
16 absolutely be willing to consider that.

17          Q       Were you in the room yesterday when  
18 Mr. Robertson testified for ACSI?

19          A       No, sir, I was not.

20          Q       Can you understand why it would concern a  
21 company like ACSI that it would need to charge its  
22 customer a \$140 installation charge, whereas BellSouth  
23 would charge the same customer \$56?

24          A       I don't know that -- we assume that ACSI  
25 would have charged their end user \$140 or \$10 --

1 whatever, obviously, that's up to ACSI.

2 Q As a businessman, don't you think it  
3 reasonable to assume that at least in the long-term  
4 ALECs, such as ACSI, will be forced to pass through  
5 the charges paid to BellSouth to the ALEC's customers?

6 A I mean, I would guess that over time you'll  
7 certainly do that.

8 Q I'm going to ask you a question about how  
9 this nonrecurring price was calculated; and if you are  
10 the wrong witness, just let me know.

11 A Okay.

12 Q In the testimony of ACSI's witnesses, ACSI's  
13 witnesses said it appeared to them that what BellSouth  
14 was essentially doing was requiring them to pay the  
15 cost of installing a whole new circuit every time they  
16 ordered an unbundled loop, regardless of whether the  
17 loop was already there. Do you have a response to  
18 that?

19 A I don't think that's true, sir. But I did  
20 not do the cost study.

21 Q You did not do the cost study?

22 A That's correct.

23 Q In your Page 5 of your rebuttal testimony,  
24 you identify what you regard as a difference between  
25 the work required for installing an unbundled loop

1 verses an end user loop installation to your own end  
2 users.

3 A Yes.

4 Q And what you discussed in that question and  
5 answer is the creation of a design layout record. Do  
6 you see that, sir?

7 A Yes, I do.

8 Q Since that's the only difference that you  
9 mentioned, I assume that that's an important  
10 distinction in your mind?

11 A It's certainly a significant distinction  
12 because it's a manual operation to produce such a  
13 record, and that would occur whether it's a new  
14 circuit or an existing circuit.

15 Q And since it's the only one your mentioned,  
16 I assume that it's the most important distinction in  
17 your mind?

18 A Not necessarily the most important. It's  
19 one that's out there today that all the carriers asked  
20 for, so that's why it's cited.

21 Q Have you had a chance to review the TELRIC  
22 studies that BellSouth has produced in this  
23 proceeding?

24 A No, sir, I haven't.

25 Q Would you accept, subject to check -- well,

1 let me ask you this before that. Is the creation of a  
2 design layout record an engineering function?

3 A I believe it is.

4 Q And would you accept, subject to check, that  
5 the engineering costs in the TELRIC study only amount  
6 to approximately 3.5% of the total nonrecurring  
7 charge?

8 A I can't speak to what's in, quote,  
9 engineering as a percentage of that study verses the  
10 generic function of creating a DLR and whether they  
11 are compatible situations.

12 Q Let's move on to another topic, loop cross  
13 connects. Pages 16 and 17 of your direct testimony,  
14 you agree in Lines 23 to 24 that a loop cross connect  
15 is a necessary element in order to properly hand off  
16 an unbundled loop. Do you see that?

17 A Page 16 --

18 Q Page 16, Lines 23 and 24.

19 A Yes.

20 Q Could you just briefly explain for the  
21 Commission what this loop cross connect is?

22 A The assumption here is that the loop has  
23 gone from a customer's premises to our wire center and  
24 has been, quote, connected to a collocation site for  
25 ACSI. And, typically, when we take a piece of our

1 facility and put it into a collocation, it's, quote,  
2 cross connected.

3 Q And ACSI as a practical matter can't make  
4 use of the loop until it also obtains a loop cross  
5 connect; isn't that right?

6 A Unless it chooses to buy the transport from  
7 BellSouth, from that wire center to the ACSI switch.  
8 It can do it either way.

9 Q Right. But you didn't offer ACSI any loop  
10 cross connect pricing during the negotiations, did  
11 you?

12 A We were still in the process of developing  
13 the cost for it. It wasn't a matter of not wanting to  
14 offer it, we didn't have a number.

15 What we've done in the MFS agreement is to  
16 suggest a price, I believe -- and I'm going by  
17 memory -- of about \$1.50 until such time as we can  
18 develop an adequate cost study. In which case if the  
19 cost study is more or less, we'll true it up to that  
20 basis.

21 Q And you didn't add any prices in your  
22 testimony in this proceeding either, did you?

23 A I have not, sir. That was correct because  
24 we haven't done the cost study yet.

25 Q Do you know who Mr. Jerry Hendricks is?

1           A     Yes.

2           Q     And is he authorized to speak on behalf of  
3 BellSouth in terms of offering prices to  
4 interconnectors?

5           A     He can in certain instances, yes, sir, and  
6 he would be with ACSI.

7           Q     Are you aware that he presented pricing to  
8 ACSI last week for loop cross connects?

9           A     No, sir.

10          Q     I believe it's in the record from  
11 Mr. Robertson's testimony yesterday that last week  
12 ACSI was presented pricing of \$160 nonrecurring charge  
13 for a loop cross connect. Do you have any reason to  
14 believe that's not so?

15          A     I don't have any reason to think it's not  
16 so.

17          Q     Indeed, would that be consistent with  
18 BellSouth's practice to charge \$160 for each loop  
19 cross connect as a nonrecurring charge?

20          A     I don't know what the charge represents,  
21 sir, so it's hard for me to say. It may have been a  
22 nonrecurring charge in lieu of recurring charge. It  
23 could have been for a DS-1. I don't know what it was  
24 for.

25          Q     If there is a \$160 nonrecurring charge for

1 loop cross connect, you would have to add that to \$140  
2 for the loop to create what the up-front cost to ACSI  
3 for ordering one loop from BellSouth would be,  
4 wouldn't you?

5 A If that's exactly what the charge is, you  
6 certainly would, sir. That's correct.

7 Q So it would be \$300 for an initial loop?

8 A Yes, in that scenario.

9 Q As compared to the \$56 you charge your own  
10 end users?

11 A Again, they are two different functions, but  
12 56 is a nonrecurring, you're right -- or 50.

13 Q It would make it kind of hard to compete for  
14 that business customer, wouldn't it?

15 A The only thing I can tell you, sir, is there  
16 are already people doing it; and somehow I assume they  
17 are making money. So I can't give you an opinion  
18 about that.

19 MR. MUTSCHELKNAUS: Okay, final area, and  
20 then I'll end, Madam Chairman.

21 Q (By Mr. Mutschelknaus) Mr. Scheye, you  
22 make some reference in your testimony, you are aware,  
23 are you not, that ACSI during the negotiations asked  
24 for some loop types in addition to those that you've  
25 listed, the three you've listed on Page 9 of your



1 direct testimony?

2 A I believe ACSI asked for ADSL and HDSL, if  
3 memory serves me correctly.

4 Q And you haven't proposed any pricing for  
5 those, have you?

6 A Not yet, sir. The costing design work is  
7 still on the way.

8 Q Does BellSouth object to providing those  
9 types of loops as unbundled network elements?

10 A No, we don't.

11 Q So the only issue is what you are going to  
12 charge for it?

13 A Yes, that's correct.

14 Q Well, since you haven't proposed any prices,  
15 how would you suggest that the Commission set a price  
16 for those two types of loops?

17 A I think there's several options. One,  
18 depending if the Commission chooses to use  
19 TELRIC-based pricing, certainly to instruct us to  
20 submit a TELRIC-based cost for an ADSL and HDSL type  
21 loop, or loops, say if they are two different types.  
22 And we would do so.

23 Q The ADSL and HDSL loop types are not  
24 included in the present or the already filed TELRIC  
25 cost study, are they?

1           A     No. No, sir. The numbers that were filed  
2 last week do not include those, that's correct.

3           Q     Would it be reasonable to establish the  
4 current -- whatever the 2-wire loop rate as the  
5 interim rate for HDSL and ADSL until such time as  
6 BellSouth can get around to producing studies?

7           A     That's sort of a leap of faith since we  
8 haven't completed the costing design, to assume that  
9 they have the identical cost irrespective of which  
10 number is picked, that may be somewhat of a leap.  
11 HDSL also comes both in a 2-wire form and a 4-wire  
12 form, so at minimum, you would have to split it on  
13 that basis.

14                     I do believe some other regions have done  
15 something like that, though I think you would  
16 basically have to do that for a very, very short  
17 period of time, until such time as the cost study was  
18 available to see, in fact, what the differential was.

19           Q     Well, you estimated a TELRIC for these other  
20 types of loops, I guess you're finding it tough to do  
21 that for HDSL and ADSL?

22           A     It's tough because there was no basis. The  
23 ones that I used the hypotheticals, at least I had a  
24 total service long run incremental cost number to work  
25 from. In the case of ADSL and HDSL, I had no numbers

1 to work from. Had I had them, I would have done the  
2 exact same thing.

3 Q Well, do you think that if the Commission  
4 established its 2-wire and 4-wire loop rates as  
5 interim rates for HDSL and ADSL that that might  
6 encourage BellSouth to complete the TELRIC cost  
7 studies for HDSL and ADSL?

8 A I don't believe so, we need any  
9 encouragement. We are planning to do those as soon as  
10 we get the designs done, so we can get them done  
11 fairly quickly.

12 MR. MUTSCHELKNAUS: Thank you. That's all I  
13 have, Madam Chairman. Mr. Scheye, thank you very  
14 much.

15 WITNESS SCHEYE: Thank you.

16 CHAIRMAN CLARK: Staff.

17 CROSS EXAMINATION

18 BY MS. CANZANO:

19 Q Good morning, Mr. Scheye.

20 A Good morning.

21 Q Do you believe that recombining unbundled  
22 elements to recreate a service will generally be at a  
23 higher or a lower rate than the equivalent wholesale  
24 rate for a service?

25 A If you recombine the services using some of

1 the data that Mr. Varner mentioned yesterday, the  
2 recombination will be at a substantially lower price  
3 than any wholesale discount. We have estimated that  
4 to the extent that were to occur, we would lose an  
5 additional \$100 million in revenue for each 10% lines  
6 lost on that basis. So it would substantially lower.

7 Q And that's why it would be substantially  
8 lower?

9 A It would be substantially lower because the  
10 vertical features, for example, that would be priced  
11 at the wholesale rate, minus the discount, would be  
12 effectively at zero in the unbundling. Secondly, the  
13 access charges which would be at full price in the  
14 resale mode, would be at a very reduced unbundled  
15 price. Those two elements by themselves, plus the  
16 differential in the loop price, would approximate, as  
17 I said, about \$100 million for 10% of the lines.

18 Q We are going to switch gears here.

19 A Okay.

20 Q Is it correct that MCI has virtual  
21 collocation with BellSouth Florida?

22 A I believe they do, yes.

23 Q If that's the case then, which company  
24 should bear the cost for MCI's conversion from virtual  
25 collocation to physical collocation?

1           A     If MCI chooses to reconfigure, MCI should  
2 incur those expenses because they can keep their  
3 virtual collocation if they desire to keep it.

4           Q     Has BellSouth negotiated time frames with  
5 other carriers for the establishment of physical and  
6 virtual collocation?

7           A     For virtual, we are using our current  
8 tariffs. For physical, we have negotiated agreements  
9 with two or three carriers in the state of Florida  
10 that include rates, terms and timing conditions for  
11 physical. TCG being one of them.

12          Q     So for each one -- let's break them down.  
13 For physical collocation, what is BellSouth's position  
14 for establishing physical collocation?

15          A     We plan to do it. We will do it. We have  
16 prices established for doing it, at least on a  
17 negotiated basis with the carriers that to date have  
18 told us they are interested in it.

19                   The time frames for implementing it will  
20 vary a little bit by office type because it depends on  
21 how much rearrangement is required in that particular  
22 office. It will also depend if the carrier in  
23 question wants a cage built for their equipment or  
24 whether they want it out on the floor without a cage.

25          Q     Can you be more specific than that, give us

1 examples for the different types of end offices?

2 A We would estimate on the short end, probably  
3 60 days. On the long end in an extreme case, which  
4 would be a complete recondition of an office, it could  
5 take six months or longer.

6 Q And what about for virtual collocation?

7 A Virtual is fairly immediate because there is  
8 no cage building and there's no space redoing since  
9 it's our equipment in it.

10 Q Are you familiar with Mr. Caplan's  
11 testimony?

12 A I was not here yesterday, so I didn't here  
13 him speak. I glanced at his testimony. I'm not that  
14 familiar with all the pieces.

15 Q Do you recall that he suggested that the  
16 maximum time intervals for establishing collocation  
17 would be three months for physical and two months for  
18 virtual. Do you recall that?

19 A I'll accept that, subject to check, yes,  
20 ma'am.

21 Q Do you believe that those would be  
22 reasonable time frames?

23 A Two months is probably reasonable for  
24 virtual. Three months, in all cases, will not be  
25 reasonable for physical.

1 Q How about for the majority of the cases and  
2 for the majority of your offices?

3 A I would hate to say that because we have  
4 very little experience with physical collocation right  
5 now. To say we can do them on average in three  
6 months, not knowing exactly what an average  
7 configuration really means, given that carriers could  
8 use outside contractors, I don't think I could agree  
9 to that at this point. We just don't have enough  
10 information to do that.

11 Q We are switching gears once again. Are the  
12 functions of transport and termination for local  
13 interconnection and the origination and termination of  
14 IXC toll traffic essentially the same?

15 A Yes, they are.

16 Q So the traffic is originating and  
17 terminating over the same network, isn't that correct?

18 A Yes, that's correct.

19 Q Would you agree that the major difference  
20 between the two is who is delivering or taking the  
21 call?

22 A Yes. The other carrier we deal with, that's  
23 correct.

24 Q Do you believe that the rates for switched  
25 access and the local -- excuse me, and the transport

1 and termination rates for local interconnection must  
2 eventually match?

3 A Yes, that's what we are striving for.

4 Q You are aware of the pending FCC plans to  
5 institute access charge reform in the near future, are  
6 you not?

7 A Yes.

8 Q Have you been involved in those proceedings?

9 A Only on the periphery.

10 Q Will BellSouth be involved in those  
11 proceedings?

12 A Absolutely.

13 Q Do you believe that access charge reform  
14 needs to occur?

15 A Absolutely.

16 Q Do you believe it should be done in  
17 conjunction with the establishment of the universal  
18 service fund?

19 A Absolutely.

20 Q Mr. Scheye, Staff has a number of exhibits,  
21 but it's my understanding that BellSouth has agreed to  
22 stipulate into the record everything except for the  
23 deposition that Staff took of you; is that correct?

24 MS. WHITE: That's correct?

25 MS. CANZANO: Chairman Clark, Staff would



1 like to have identified as an exhibit what Staff has  
2 prepared as RCS-7 through 10 and also the  
3 interrogatory responses that are set forth in RCS-11.  
4 And we can have that as, I guess, a composite exhibit.

5           Excuse me, Staff would actually prefer to  
6 have these identified separately because it will make  
7 it easier for recommendation purposes.

8           **CHAIRMAN CLARK:** Okay. RCS-7 will be marked  
9 as Exhibit 59. RCS-8 will be marked as Exhibit 60.  
10 RCS-9 will be marked as Exhibit 61. RCS-10 will be  
11 marked as Exhibit 62. And that part of RCS-11 which  
12 is the responses to Staff's second set of  
13 interrogatories will be marked as Exhibit 63.

14           (Exhibits 59 through 63 marked for  
15 identification.)

16           **MR. MELSON:** Commissioner Clark?

17           **CHAIRMAN CLARK:** Yes, Mr. Melson.

18           **MR. MELSON:** I would like to ask, I've had  
19 these sitting up here since yesterday. I assumed that  
20 Staff was putting in the deposition exhibit.

21           **MS. CANZANO:** We are going to put the  
22 deposition in also in just a minute, but we'd like to  
23 see if there are any changes.

24           **MR. MELSON:** Okay.

25           **Q**       **(By Ms. Canzano)** Mr. Scheye, have you had

1 an opportunity to review the deposition transcript and  
2 the copy?

3 A Yes.

4 Q Do you have any changes that you would like  
5 to make to that?

6 A None. Not at this time, no.

7 Q Is it true and correct, to the best of your  
8 knowledge?

9 A Yes.

10 Q Thank you.

11 MS. CANZANO: So we'd like this also into  
12 the record. So I don't know if you prefer to mark  
13 this just as one exhibit?

14 CHAIRMAN CLARK: Let me just -- you have  
15 them connected together as RCS-11, as I understand it.

16 MS. CANZANO: Yes. It would be Staff's  
17 preference, we can mark this as one exhibit.

18 CHAIRMAN CLARK: All right. RCS-11,  
19 including the deposition transcript, will be marked as  
20 Exhibit 63.

21 (Exhibit 63 marked for identification.)

22 MS. CANZANO: Thank you.

23 Thank you, Mr. Scheye. Staff has no further  
24 questions.

25 CHAIRMAN CLARK: Questions, Commissioners?

1 Redirect.

2 MS. WHITE: Yes, I have a few questions of  
3 Mr. Scheye.

4 CROSS EXAMINATION

5 BY MS. WHITE:

6 Q With regard to Exhibit 54, Mr. Hoe was  
7 asking you about the Georgia resale discount proposed  
8 by BellSouth. Do you recall that?

9 A Yes.

10 Q Why was the Georgia resale tariff suspended;  
11 do you know?

12 A It was suspended because of filings both  
13 made by AT&T and MCI. The Georgia Commission taking  
14 those into account, subsequently suspended the tariff.

15 Q And yesterday, I believe, under questioning  
16 from Mr. Hoe, you were talking about the technical  
17 feasibility of branding 0- calls for alternative local  
18 exchange companies?

19 A Yes.

20 Q Can you explain that further?

21 A Yes. What we were saying was it is not  
22 technically feasible for our switch to recognize a  
23 call from a resold customer any differently than a  
24 nonresold customer. Since it's the same end user  
25 involved, it's the same switch involved. So the

1 switch has no way technically to know to root it one  
2 way or another or to notify the operator to say  
3 something differently. That's why it's not  
4 technically feasible to provide that capability today.  
5 From a resold service it could be provided, of course,  
6 if the carrier had its own switch.

7 Q Now, with regard to the zones -- and I  
8 believe this was Mr. Mutschelknaus -- did I do that  
9 right?

10 MR. MUTSCHELKNAUS: Perfectly.

11 CHAIRMAN CLARK: You say perfect to every  
12 pronunciation.

13 MS. WHITE: I think so.

14 MR. MUTSCHELKNAUS: I'm used to is.

15 MS. WHITE: I thought if I said it really  
16 fast it might work.

17 Q (By Ms. White) He was asking you about  
18 deaveraging loop prices based on density -- with zones  
19 based on density?

20 A Yes.

21 Q Are there other factors that should be  
22 looked at besides density?

23 A Certainly. We believe the pricing of basic  
24 services will be a significant factor. We determined,  
25 at least in Georgia, that there are other factors that

1 cause the costs to differ from one area to another  
2 that has nothing to do with density. All that needs  
3 to be analyzed and all the implications understood  
4 before one enters into that kind of process.

5 Q Can any anomalies result if zones are based  
6 just on density?

7 A Oh, absolutely. Again, we found two  
8 exchanges right next door to each other that looked to  
9 be identical, but they had dramatically different  
10 costs. It had nothing to do with the density. It had  
11 to do something with the characteristics of those two  
12 offices. So we would expect huge anomalies of one  
13 that simply went mechanically through a density  
14 process.

15 Q You were also asked about ADSL and HDSL type  
16 loops?

17 A Yes.

18 Q Do you -- and I believe Mr. Mutschelknaus  
19 was asking about if the Commission ordered prices for  
20 those and then BellSouth did a cost study. Do you  
21 recall that discussion?

22 A Yes.

23 Q Now, would BellSouth agree or have any  
24 problem if the Commission set interim rates for those  
25 types of loops with some kind of true-up mechanism?

1           A     That would be preferred.  If we cannot get  
2 the studies in to this Commission in time for them to  
3 make a decision, we would prefer a proxy of that sort  
4 with a true-up mechanism.  That would make the most  
5 sense.

6           Q     Now, the Staff also asked you some questions  
7 about recombination and resale.  And I believe you  
8 suggested that a 10% market loss where unbundling was  
9 used in place of resale would cause a \$100 million  
10 loss.  Can you briefly explain that?

11          A     Certainly.  In the resale environment we are  
12 talking about a discount off the basic service, the  
13 basic 1-FR, 1-FB vertical feature.  In addition -- and  
14 let's use 15% for discussion purposes.  In addition,  
15 BellSouth would continue to get the access revenues  
16 that originate and terminate from that line.  And  
17 that's that sort of a base scenario condition.

18                     If one then creates the identical line using  
19 the unbundled loop and the unbundled port, it's  
20 functionally the identical service.  However, the  
21 price for the loop and the port would be different,  
22 certainly, and that would cause one revenue  
23 difference.

24                     Secondly, the vertical features would be  
25 effectively free so that there would be no revenues

1 being attributed to those because they are part of the  
2 FCC's definition of the unbundled switching.

3           Third, and very significantly, instead of  
4 BellSouth getting access revenues for each minute of  
5 use that originated or terminated from that line, we  
6 would only get the unbundled rates which are  
7 significant lower than the access rates. If you take  
8 that in combination and look at, say 10% of the line  
9 loss, that equates to about \$100 million net loss to  
10 BellSouth.

11           We would further expect that since the joint  
12 marketing restriction may not apply to AT&T and MCI if  
13 they are using the unbundled elements, that the  
14 potential for loss is even greater in terms of that.  
15 But the \$100 million is simply a loss to the  
16 corporation for having provided the identical service,  
17 the resold service, however the pricing anomalies  
18 resulted in that \$100 million loss.

19           Q     Is that a loss due to resold competition?

20           A     No. That loss is strictly due to the  
21 pricing policies that have been put in place, as I  
22 said, the vertical features which currently provide  
23 support would be at zero. The access charges that we  
24 currently get would be effectively at the TELRIC-based  
25 unbundled rates, has nothing to do with competition.

1 The same customers lost, the same competition has  
2 occurred? It's basically the pricing policies or the  
3 regulatory policies causing that differential.

4 Q Now, ACSI asked you about charging \$17 for a  
5 loop through a competitor; and a ratepayer, a  
6 BellSouth customer, is only paying \$9.50 in a  
7 particular rate group for local exchange service.

8 If that BellSouth customer doesn't make any  
9 long distance calls, then BellSouth loses money; is  
10 that correct?

11 A Yes. The 9.50 doesn't cover the cost.

12 Q And then if the customer makes hundreds of  
13 calls or has a bunch of vertical services, then both,  
14 BellSouth and ACSI could make a profit on that  
15 customer?

16 A Yes, absolutely.

17 Q Now, which customers does BellSouth have to  
18 serve?

19 A We have to serve every customer all over the  
20 state.

21 Q Does ACSI have that same responsibility?

22 A No. We assume the competitors will go after  
23 the customers who are in the metropolitan areas and  
24 are the most valued customers, those that have the  
25 most vertical features produce the most access in toll



1 revenue.

2 MS. WHITE: Thank you. I have nothing  
3 further.

4 CHAIRMAN CLARK: Exhibits.

5 MS. WHITE: Yes. BellSouth would move  
6 Exhibits 46, 47, 48, 49.

7 CHAIRMAN CLARK: Without objection those  
8 exhibits are entered in the record.

9 MR. HOE: Madam Chair, AT&T would move  
10 Exhibits 50, 51, 52, 54, 55, and 56.

11 CHAIRMAN CLARK: Without objection.

12 MS. WHITE: May I ask a question about 53?  
13 Is that not being --

14 MR. HOE: Yeah. That consists of the two  
15 large volumes of the other agreements, and just simply  
16 as a matter of paperwork and size of the record, we  
17 don't feel we need to have that in the record as  
18 evidence.

19 CHAIRMAN CLARK: All right. 53 is not  
20 entered in the record. What about 55?

21 MR. HOE: We move that into evidence.

22 CHAIRMAN CLARK: All right. Without  
23 objection, those are entered in the record.

24 MR. HOE: And 56 as well, Madam Chair.

25 CHAIRMAN CLARK: And 56 is entered in the

