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October 15, 1996

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

RE: Docket No. 961150-TP

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Direct Testimony of Vic Atherton, Daonne Caldwell, Gloria Calhoun, Keith Milner, Tony Pecoraro, Walter Reid, Robert Scheye, and Al Varner. Please file these documents in the captioned docket.

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

Sincerely,

Nancy B. White
Nancy B. White (AW)

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg

Atherton	11030-96	✓
Caldwell	11031-94	✓
Calhoun	11034-96	✓
Milner	11035-96	✓
Pecoraro	11036-96	✓
Reid	11037-94	✓
Scheye	11038-96	✓
Varner	11039-96	✓

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 2
- LIN 5
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

CERTIFICATE OF SERVICE

Docket No. 961150-TP

I HEREBY CERTIFY that a copy of the foregoing has been furnished by Federal Express this 15th day of October, 1996 to:

Benjamin W. Fincher
Sprint
3100 Cumberland Circle
#802
Atlanta, GA 30339

Monica Barone
Florida Public Service
Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Nancy B. White (M)

BELLSOUTH TELECOMMUNICATIONS, INC.

TESTIMONY OF ALPHONSO J. VARNER

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 961150-TP

OCTOBER 15, 1996

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

A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior Director
for Regulatory Policy and Planning for the nine state BellSouth region. My
business address is 675 West Peachtree Street, Atlanta, Georgia, 30375.

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

A. I graduated from Florida State University in 1972 with a Bachelor of Engineering
Science degree in systems design engineering. I immediately joined Southern Bell
in the division of revenues organization with the responsibility for preparation of all
Florida investment separations studies for division of revenues and for reviewing
interstate settlements.

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1
2 Subsequently, I accepted an assignment in the rates and tariffs organization with
3 responsibilities for administering selected rates and tariffs including preparation of
4 tariff filings. In January 1994, I was appointed Senior Director of Pricing for the
5 nine state region. I assumed my current responsibilities in August 1994.
6

7 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE FLORIDA
8 PUBLIC SERVICE COMMISSION (HEREINAFTER REFERRED TO AS THE
9 "FPSC" OR THE "COMMISSION")?
10

11 A. Yes. I have filed testimony before this Commission on several occasions; most
12 recently in the AT&T and MCI local interconnection arbitration proceedings,
13 Docket Nos. 960833 and 960846.
14

15 Q. WHAT IS THE PURPOSE OF THE TESTIMONY THAT YOU ARE FILING
16 TODAY?
17

18 A. The purpose of my testimony is to address the Petition for Arbitration of
19 Interconnection filed by Sprint Communications Company. Specifically, my
20 testimony: 1) presents a brief overview of BellSouth's position on competition;
21 2) discusses broadly the requirements of the Telecommunications Act of 1996
22 (hereinafter referred to as the "Act"); 3) provides an overview of the Federal

1 Communications Commission's (hereinafter referred to as the "FCC") First
2 Report and Order in Docket No. 96-98 (hereinafter referred to as the "FCC's
3 Order") with regard to the issues raised by Sprint that are included in the matrix
4 attached as Exhibit 3 to Sprint's filing; and 4) introduces the Company's
5 witnesses who will address the specific issues in more detail.

6
7 Q. HOW IS YOUR TESTIMONY ORGANIZED?

8
9 A. My testimony is divided into three parts: I) General Discussion; II) Issues Raised
10 by Sprint; and III) Introduction of BellSouth Witnesses and Summary. In Part II,
11 I have tried to follow the general structure of Sprint's Matrix of Issues.

12
13 **I. GENERAL DISCUSSION**

14
15 Q. DOES BELLSOUTH SUPPORT COMPETITION IN THE LOCAL
16 TELECOMMUNICATIONS MARKET?

17
18 A. **Yes.** BellSouth believes that competition for local exchange telecommunications
19 services is in the public interest if implemented in a competitively neutral manner,
20 devoid of artificial incentives and/or regulatory rules that advantage or
21 disadvantage a particular provider or group of providers. Competition, properly
22 implemented, will provide business and residence customers with real choices

1 from numerous telecommunications providers. Properly implemented,
2 competition will allow efficient competitors to attract customers and be successful
3 in a competitive marketplace where regulatory oversight is minimized. We
4 believe that this is the environment that Congress, through the Act, intended to
5 create. It is this view of competition that BellSouth has used as the basis of
6 negotiations with prospective providers of local exchange service, and it is this
7 view that BellSouth believes Congress embraced with its emphasis on negotiated
8 agreements.

9
10 Q. IN ITS PETITION, ON PAGES 12 AND 28, SPRINT REFERS TO
11 BELL SOUTH THWARTING THE DEVELOPMENT OF COMPETITION AND
12 HAVING "A NATURAL INCENTIVE TO DENY OPERATIONAL PARITY
13 TO SPRINT SO THAT RETAIL CUSTOMERS WILL HAVE NO INCENTIVE
14 TO MIGRATE TO SPRINT." IS THIS AN APPROPRIATE DESCRIPTION OF
15 BELL SOUTH'S BEHAVIOR WITH REGARD TO LOCAL COMPETITION?

16
17 A. Absolutely not. BellSouth has strong financial incentives to comply with all
18 provisions of the Act. Congress has mandated that local exchange companies
19 must open their markets to competition, unless specifically exempted. BellSouth
20 has already and is continuing to comply with the directives of the Act by entering
21 into numerous interconnection agreements with other providers. Significantly,
22 Congress tied the ability of BellSouth and the other Regional Bell Operating

1 Companies ("RBOCs") to enter the interLATA services market to its compliance
2 with the "competitive checklist" contained in the Act. BellSouth has every
3 intention of meeting the checklist as quickly as possible in order to provide a full
4 array of telecommunications services to its customers.

5
6 BellSouth is not trying to block competition. The bottom line is, BellSouth is just
7 arguing for reasonable and nondiscriminatory terms for competition now.

8
9 Q. DOES SPRINT HAVE ANY INCENTIVES TO PORTRAY BELLSOUTH
10 INACCURATELY WITH REGARD TO ENTRANCE INTO THE LOCAL
11 COMPETITION MARKET?

12
13 A. Absolutely. It is clear that Sprint has tremendous incentive to take whatever
14 measures it deems necessary, not only for it to enter the local exchange market,
15 but to prevent BellSouth, and indeed any other RBOC, from meeting the
16 requirements of Section 271 of the Act and thereby obtaining authority to enter
17 the interLATA services market. It appears that keeping BellSouth out of the
18 interLATA services market may be important to Sprint.

19
20 While defending its inability to reach an agreement with BellSouth, Sprint
21 criticizes the content and minimizes the value of interconnection agreements the
22 Company has reached with other alternative local exchange carriers ("ALECs").

1 Based on their agreements, however, these companies are installing trunks,
2 switches and facilities, in preparation for facilities-based competition. Companies
3 are reselling BellSouth's services at reasonable resale rates and under conditions
4 contemplated by the Act.

5
6 **Q. WHAT IS BELLSOUTH'S GENERAL ASSESSMENT OF THE FCC'S**
7 **ORDER?**

8
9 **A. As BellSouth has previously stated, the FCC's Order appears to be regulatory**
10 **micromanagement of the telecommunications industry which is inconsistent with**
11 **the Act. Congress clearly intended less regulation and rapid opening of markets.**
12 **BellSouth has attempted to help reach this goal by negotiating interconnection**
13 **agreements with many of its potential competitors and opening its network to**
14 **competition. The FCC's approach may be the biggest barrier to the development**
15 **of facilities based competition that results from the implementation of the Act and**
16 **surely was not the intended result of Congress.**

17
18 **Q. HOW DOES THE FCC'S APPROACH PRESENT A BARRIER TO THE**
19 **DEVELOPMENT OF FACILITIES BASED COMPETITION?**

20
21 **A. The best example lies in the pricing of unbundled network components which**
22 **BellSouth must provide to competitors. If the FCC's methodology of pricing**

1 these elements on the basis of forward-looking, incremental costs (plus a portion
2 of forward looking joint and common costs) stands, by definition, no other carrier
3 will be able to provide its own network any cheaper than it can obtain access to
4 the existing one. In fact, in light of BellSouth's economies of scale which no
5 other carrier may want to, or be able to, duplicate, it may be that no other carrier
6 can provide its own facilities as cheaply as they could buy them from BellSouth.
7 Despite claims that network control issues may motivate carriers to build-out their
8 own network, simple economics - the real basis for investment decisions - says
9 otherwise.

10

11 Q. **IS THERE A GENERAL EXPLANATION FOR WHY BELLSOUTH'S**
12 **POSITIONS, IN SOME CASES, ARE INCONSISTENT WITH THE FCC'S**
13 **ORDER AND RULES?**

14

15 A. **Yes. BellSouth developed positions on the major issues being addressed in**
16 **negotiations close to the time that the Act was approved. BellSouth's positions**
17 **are based on, and in compliance with, the Act. Where these positions are contrary**
18 **to the FCC's Order, it is generally because the FCC's Order does not comport**
19 **with the Act. I discuss this when addressing the specific issues.**

20

1 Q. WHAT IS BELLSOUTH ASKING THIS COMMISSION TO DO IN THE
2 CASES WHERE THE COMPANY'S POSITION IS CONSISTENT WITH THE
3 ACT BUT CONTRARY TO THE FCC'S ORDER?
4

5 A. One of the most important responsibilities of this Commission is to determine the
6 extent the FCC's Order comports with the Act. BellSouth is not suggesting that
7 the FCC's Order be ignored, although it has been temporarily stayed. Because it
8 is clear, however, that there are major conflicts between the FCC's Order and
9 Rules and the Act, this Commission must continue to exercise its judgment and
10 authority in carrying out its responsibilities in the implementation of the Act.
11 This Commission must ensure that all relevant issues are included and resolved in
12 this proceeding so that the end result will be an agreement between BellSouth and
13 Sprint that is in compliance with the Act.
14

15 To the extent that the Commission feels compelled to adopt provisions of the
16 FCC's Order that are inconsistent with the Act, a true-up mechanism must be
17 adopted. The need for such a mechanism is straight forward: the rights of both
18 this Commission and BellSouth must be preserved. Any rate, term, or condition
19 implemented as a result of this proceeding that is inconsistent with BellSouth's
20 position and is subsequently found to be inconsistent with the Act through appeals
21 or reconsideration, must be amended as soon as it is determined to be inconsistent.
22 Further and equally important, BellSouth must be entitled to recoup, to the extent
23 possible, whatever financial losses it has incurred due to this decision. While

1 such a recoupment can never fully correct the potential harms that can occur, it is
2 the minimum correction required in such a circumstance.

3
4 **II. ISSUES RAISED BY SPRINT**

5
6 Q. HOW IS THIS SECTION OF YOUR TESTIMONY ORGANIZED?

7
8 A. This section of testimony generally follows the order established by the Sprint
9 Matrix. It contains sections discussing: 1) Most Favored Nation; 2)
10 Interconnection; 3) Business Process; 4) Quality of Service; 5) Unbundled
11 Network Elements; 6) Access to Poles, Ducts, Conduit and Rights-of-Way; 7)
12 Resale; and 8) Dialing Parity.

13
14 **MOST FAVORED NATION**

15
16 Q. ON PAGES 18-20 OF ITS PETITION, SPRINT DISCUSSES THE "MOST
17 FAVORED NATION" (MFN) CONCEPT. DOES BELLSOUTH AGREE WITH
18 SPRINT'S INTERPRETATION OF THIS CONCEPT UNDER THE
19 PROVISIONS OF EITHER THE ACT OR THE FCC'S ORDER?

20
21 A. No. BellSouth does not agree with Sprint's interpretation of this concept, and
22 importantly, BellSouth does not believe that this issue is subject to arbitration
23 under the guidelines set forth in Section 252(b) of the Act.

1
2 Even the most liberal reading of the Act or the FCC's Order cannot expand the
3 definition of nondiscrimination to include the MFN concept advanced by Sprint.
4 Sprint is claiming that under the guise of nondiscrimination it should be allowed
5 to select a service it wants to resell and possibly pick a rate for that service from
6 an agreement that BellSouth may have with one ALEC, a term associated with
7 that service from another agreement that BellSouth may have with another ALEC,
8 and then quite possibly choose a condition from still another agreement. Sprint
9 should only be allowed to select all of the provisions of an entire category of an
10 agreement. Sprint should not be allowed to pick and choose individual rates,
11 terms or conditions. BellSouth does not agree that the nondiscrimination
12 provisions of the Act or the FCC's Order can be stretched to accommodate this
13 "cafeteria plan" envisioned by Sprint.
14

15 Q. WHAT IS THE BASIS FOR BELLSOUTH'S POSITION?
16

17 A. Paragraph 51.809(a) of the FCC's Rules states: "An incumbent LEC shall make
18 available without unreasonable delay to any requesting telecommunications
19 carrier any individual interconnection, service, or network element arrangement
20 contained in any agreement to which it is a party that is approved by a state
21 commission pursuant to Section 252 of the Act, upon the same rates, terms, and
22 conditions as those provided in the agreement. An incumbent LEC may not limit
23 the availability of any individual interconnection, service or network element only
24 to those requesting carriers serving a comparable class of subscribers or providing
25 the same service (i.e., local, access, or interexchange) as the original party to the

1 agreement.”

2
3 In accordance with Section 252 (i), “A local exchange carrier shall make available
4 any interconnection, service, or network element provided under an agreement
5 approved under this section to which it is a party to any other requesting
6 telecommunications carrier upon the same terms and conditions as those provided
7 in the agreement.”

8
9 BellSouth understands this language to mean that once it has reached an
10 agreement with a party regarding a specific interconnection, service or network
11 element arrangement, the same interconnection, service, or network element
12 arrangement must be made available to any other requesting carrier at the same
13 rates, terms, and conditions as those provided in the agreement. The above
14 language does not allow a requesting carrier to pick and choose individual rates,
15 terms, and conditions for a given service or from a given agreement. It is
16 BellSouth’s position that the interconnection, service, or network element
17 arrangements, in whole, with their associated rates, terms, and conditions as set
18 forth in a given agreement are not severable.
19

20 **INTERCONNECTION**

21
22 Q. IS BELLSOUTH’S GENERAL POSITION ON PHYSICAL
23 INTERCONNECTION CONSISTENT WITH THE ACT AND THE FCC’S
24 ORDER?

1

2 A. Yes. Physical interconnection is covered in Section 51.305 of the FCC's Rules.
3 BellSouth's position as put forth in the testimonies of Mr. Vic Atherton and Mr.
4 Robert C. Scheye are consistent with the requirements of the Order.

5

6 Q. WHAT IS BELLSOUTH'S POSITION ON WHAT IS REQUIRED BY THE
7 FCC ORDER WITH REGARD TO TWO-WAY TRUNKING?

8

9 A. BellSouth submits that each interconnecting party should have the right to
10 determine the most efficient trunking arrangements for its network. Parties
11 should be free to work together and establish two-way arrangements if both
12 parties agree; however, such arrangements should not be mandated. Mr. Atherton
13 addresses this issue in detail in his testimony.

14

15 Paragraph 51.305 (f) of the FCC Rules provides that, if technically feasible,
16 BellSouth must provide two-way trunking upon request. This does not, however,
17 require a company to relinquish control over its own network and network
18 planning. Paragraph 203 of the FCC Order states, "[e]ach carrier must be able to
19 retain responsibility for the management, control, and performance of its own
20 network." This paragraph supports BellSouth's position that parties should have
21 the right to determine the most efficient trunking arrangements for its network.
22 Not to do so would be to relinquish management, control and/or performance of

1 the network.

2

3 Q. IS BELLSOUTH'S POSITION ON RECIPROCAL COMPENSATION
4 ARRANGEMENTS FOR THE TRANSPORT AND TERMINATION OF
5 LOCAL TRAFFIC CONSISTENT WITH THE ACT AND THE FCC'S
6 ORDER?

7

8 A. Yes and no. BellSouth submits that its position is consistent with the Act and
9 contrary to the FCC's Order.

10

11 Paragraph 51.705 of the Rules says that rates for transport and termination of local
12 telecommunications traffic are to be established, at the election of the state
13 commission, on the basis of: 1) the forward-looking economic costs of such
14 offerings, using a cost study pursuant to the Rules; 2) default proxies as provided
15 in the Rules; or 3) a bill-and-keep arrangement. Paragraph 51.503 provides the
16 general pricing standard for interconnection. It states that rates are to be
17 established, at the election of the state commission, pursuant to the forward
18 looking economic cost-based methodology set forth in the Rules, or consistent
19 with the proxy ceilings and ranges set forth in the Rules.

20

21 The rules for the forward-looking economic cost-based studies referred to in these
22 sections are the same as those provided for unbundled network elements.

1 Paragraph 51.713 of the Rules also gives the state commission the option to
2 impose a bill-and-keep arrangement for reciprocal compensation if the
3 commission determines that the amount of local telecommunications traffic from
4 one network to the other is roughly balanced with the traffic flowing in the
5 opposite direction, and is expected to remain so, and there has been no showing
6 that rates should be asymmetrical.

7
8 The Rules go on to say if the state commission determines that the cost
9 information available to it with respect to interconnection and transport and
10 termination does not support adoption of rates that are consistent with the cost
11 study procedures set forth in the Rules, it may establish rates for interconnection
12 consistent with proxies specified in Paragraph 51.513 of the Rules or rates for
13 transport and termination consistent with proxies specified in Paragraph 51.707 of
14 the Rules. Any rate established in this manner is superseded once the state
15 commission establishes rates based on an appropriate study or on a bill-and-keep
16 arrangement for transport and termination.

17
18 BellSouth submits that the rate for the transport and termination of traffic should
19 be set with recognition of the intrastate switched access rate. BellSouth has
20 proposed interconnection rates based on these charges, exclusive of the residual
21 interconnection charge (RIC) and carrier common line (CCL) charge, which
22 BellSouth urges this Commission to adopt. BellSouth believes that the Act does

1 not authorize a commission to mandate that a party accept bill-and-keep as the
2 method of interconnection, eliminating the right to recover its costs.

3
4 BellSouth has not submitted cost studies to support its proposed rates, pursuant to
5 the guidelines set forth in the Rules. No such cost studies are currently available.
6 The rates proposed by BellSouth are different than the default proxies provided in
7 Paragraphs 51.513 and 51.707 of the Rules. As stated above, before using these,
8 or any proxies, the FPSC should determine whether or not these proxies are
9 consistent with the Act.

10
11 In addition, the Rules give the Commission the option of ordering a bill-and-keep
12 arrangement with regard to transport and termination. As BellSouth demonstrates
13 in the testimony of Mr. Scheye, bill-and-keep is not an appropriate cost recovery
14 arrangement. BellSouth does not believe that the Act permits bill-and-keep to be
15 mandated. Certainly if mandating bill-and-keep is not authorized by the Act, it is
16 not appropriate for the FCC's Order to allow state commissions to mandate such
17 arrangements.

18
19 **BUSINESS PROCESS**

20
21 Q. SPRINT'S WITNESS, MR. KEY, DISCUSSES THE PROVISION OF MEET
22 POINT BILLING ARRANGEMENTS ON THE SAME TERMS AND

1 **CONDITIONS AS MADE AVAILABLE TO OTHER INDEPENDENT LECs**
2 **ENGAGED IN MEET POINT BILLING ARRANGEMENTS WITH**
3 **BELLSOUTH. WHAT IS BELLSOUTH'S POSITION?**

4
5 **A. It is my understanding that Sprint is requesting terms from agreements that**
6 **predate the Act. BellSouth does not believe that it is obligated to provide Sprint,**
7 **or any other ALEC, meet point billing arrangements on the same terms and**
8 **conditions as are made available to other independent LECs. BellSouth submits**
9 **that the Act does not require that the terms of all previous interconnection**
10 **agreements be made available to new entrants. The Act deals specifically with**
11 **agreements resulting from a request for interconnection pursuant to Section 251.**

12
13 **Adoption of Sprint's proposal would mandate the filing of pre-existing**
14 **agreements between non-competing incumbent LECs which are agreements**
15 **governing the exchange of traffic between their mutually exclusive service areas.**
16 **BellSouth strongly disagrees that the Act requires these agreements to be**
17 **submitted and further submits that these agreements are not relevant to these**
18 **proceedings.**

19
20 **Q. HAS THIS COMMISSION TAKEN ANY ACTION ON THE ISSUE OF**
21 **AGREEMENTS ENTERED INTO BETWEEN TWO NON-COMPETING**
22 **LECs?**

1

2 A. Yes. The Commission has supported BellSouth's position on this issue. In
3 Docket No. 960290-TP, Order No. PSC-96-0959-FOF-TP, issued on July 24,
4 1996, the FPSC stated on page 3-4, "We believe that a better interpretation of the
5 plain meaning of Section 252(a)(1)...is that the agreements to be filed are those
6 negotiated for purposes of interconnection in a competitive market." The
7 Commission also says on page 5, "It does not make sense to require those types of
8 agreements (EAS) to be filed for approval under Section 252 because they were
9 entered into under a different regulatory regime based on rate-of-return regulation
10 that existed at the time such agreements were made. Nor does it make sense to
11 allow a company entering the competitive market to choose specific provisions
12 from agreements entered into during rate-of-return regulation." After several
13 paragraphs of discussion on this issue, the Commission concludes on page 5,
14 "Accordingly, we find that Section 252(a)(1) of the Telecommunications Act of
15 1996 requires the filing of interconnection agreements between competitive
16 carriers in the same geographic markets entered into before or after the enactment
17 of the Act."

18

19 Q. SPRINT REFERS TO PARAGRAPH 516 OF THE FCC'S ORDER AND
20 SECTION 251(c)(2)(C) OF THE ACT AS JUSTIFICATION FOR SEVERAL
21 OF THE POSITIONS IT HAS TAKEN IN SECTION III. OF ITS MATRIX.
22 WHAT IS BELL SOUTH'S POSITION WITH REGARD TO THESE TWO

1 CITES?

2
3 A. Paragraph 516 of the FCC's Order addresses the provision of operational
4 interfaces as an unbundled network element. Section 251(c)(2)(C) of the Act,
5 however, concerns the provision of interconnection that is at least equal in quality
6 to that provided by the LEC to itself or to any subsidiary. Although I am not clear
7 on the relationship that Sprint can draw between these two references, I will
8 briefly discuss BellSouth's position on the general issue of operational interfaces.

9
10 BellSouth has made available or has under active development electronic
11 interfaces for ordering and provisioning, pre-ordering, trouble reporting and
12 billing data. For ordering and trouble reporting with regard to unbundled
13 elements, BellSouth is providing functionality similar to the processes that have
14 worked effectively in the exchange access world. BellSouth has established
15 interfaces to allow ALECs to obtain pre-ordering information electronically.
16 BellSouth has also provided electronic customer usage data transfer and is
17 modifying its original design to accommodate ALEC requests in this area. Ms.
18 Calhoun discusses in her testimony most of the specific issues raised by Sprint in
19 this general area.

20
21 BellSouth submits that its existing electronic interfaces to support ALECs, as well
22 as those under development, are in overall compliance with the Act, with the

1 precepts described in the FCC Order, and in compliance with national standards,
2 where they exist.

3
4 Paragraph 51.313 (c) of the Rules states that as a just, reasonable and
5 nondiscriminatory term and condition for the provision of unbundled network
6 elements, "[a]n incumbent LEC must provide a carrier purchasing access to
7 unbundled network elements with the pre-ordering, ordering, provisioning,
8 maintenance and repair, and billing functions of the incumbent LEC's operations
9 support systems." Paragraphs 517 and 518 of the Order discuss that
10 nondiscriminatory access to operations support systems functions could be viewed
11 as a "term and condition" of unbundling other network elements under section
12 251(c)(3), or resale under section 251(c)(4) of the Act. Paragraph 51.603 provides
13 that "[a] LEC shall make its telecommunications services available for resale to
14 requesting telecommunications carriers on terms and conditions that are
15 reasonable and non-discriminatory."

16
17 The FCC concludes in its Order that providing nondiscriminatory access to
18 operations support systems functions is technically feasible and that all incumbent
19 LECs that currently do not comply with this requirement must do so as
20 expeditiously as possible, but in any event no later than January 1, 1997. As
21 discussed in Ms. Calhoun's testimony, BellSouth believes this is an unrealistic
22 date to require completion of this project.

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QUALITY OF SERVICE

Q. SPRINT USES THE TERM "PARITY" AS A BASIS FOR MANY OF ITS REQUESTS. IS PARITY A VALID ISSUE FOR THIS PROCEEDING?

A. Yes. BellSouth agrees that parity is certainly an issue in opening the local telecommunications market to competition. While the Company agrees conceptually that "service parity", although not addressed in specific terms by the Act, must be achieved to some degree, the Company interprets the requirements for parity differently than Sprint. Whereas parity is an appropriate consideration on several issues, in many instances what Sprint is requesting under the parity umbrella goes well beyond any requirements of the Act or, even of the FCC's Order. Parity does not mean that Sprint's, or any other ALEC's, access to BellSouth's network or its facilities or its systems or any piece of its business, must be identical to BellSouth's in all respects.

The FCC Order discusses parity in the resale environment as making service available at least equal in quality to that provided by the incumbent LEC to itself. Additionally, incumbent LEC services are to be provisioned with the same timeliness as they are provisioned to any other parties to whom the carrier provides the service, such as subsidiaries and end users. The Order requires

1 interconnection, at any technically feasible point, that is at least equal in quality,
2 at rates, terms, and conditions that are just, reasonable and nondiscriminatory.

3 For access to unbundled network elements, the Act requires nondiscriminatory
4 access at any technically point at just, reasonable and nondiscriminatory terms.

5
6 The FCC Order requires nondiscriminatory access, equal in quality, and just,
7 reasonable, and nondiscriminatory rates; that is what BellSouth has offered and
8 has agreed to provide.

9
10 Q. MUST BELLSOUTH IMPLEMENT PROCESSES AND STANDARDS THAT
11 WILL ENSURE THAT SPRINT RECEIVES SERVICES FOR RESALE,
12 INTERCONNECTION, AND UNBUNDLED NETWORK ELEMENTS THAT
13 ARE AT LEAST EQUAL IN QUALITY TO THOSE THAT BELLSOUTH
14 PROVIDES ITSELF AND ITS AFFILIATES?

15
16 A. BellSouth will provide the same quality for services provided to Sprint and other
17 ALECs that it provides to its own customers for comparable services. The current
18 Commission rules for service quality and monitoring procedures should be used to
19 address any concerns. It is premature to specify additional standards until
20 adequate experience is available. At such time, however, it is appropriate to
21 jointly develop such quality measurements.

22

1 Paragraph 311 of the Order discusses reporting requirements. The FCC believes
2 that the record is insufficient at this time to adopt requirements. They do,
3 however, encourage the states to adopt reporting requirements.
4

5 BellSouth submits to this Commission, that until such time as adequate
6 experience is developed on this subject of quality measurements, the Company's
7 position is consistent with the Order and should be adopted.
8

9 **UNBUNDLED NETWORK ELEMENTS**

10
11 Q. WHAT IS BELLSOUTH'S GENERAL POSITION ON THE PROVISION OF
12 UNBUNDLED NETWORK ELEMENTS?

13
14 A. Subpart D of the FCC's Rules includes a discussion of the unbundling of network
15 elements. It specifies that where technically feasible, access to unbundled
16 network elements must be provided at just, reasonable and nondiscriminatory
17 terms. (Emphasis added.) Paragraph 51.319 provides a list of specific network
18 elements that are to be offered on an unbundled basis. Those items are: 1) local
19 loop; 2) network interface device; 3) switching capability; 4) interoffice
20 transmission facilities; 5) signaling networks (access to service control points
21 through the unbundled STP) and call-related databases; 6) operation support
22 systems functions; and 7) operator services and directory assistance.

1
2 **BellSouth's assessment of the Act, the Order, and Sprint's request concludes that,**
3 **where technically feasible, elements in these seven categories must, and will be**
4 **provided on an unbundled basis. The testimony of Mr. Keith Milner and Mr.**
5 **Robert Scheye address the specific issues raised by Sprint in more detail.**
6

7 **Q. SHOULD ALECs BE ALLOWED TO COMBINE UNBUNDLED NETWORK**
8 **ELEMENTS IN ANY MANNER THEY CHOOSE, INCLUDING**
9 **RECREATING EXISTING BELL SOUTH'S SERVICES?**
10

11 **No. ALECs should be able to combine BellSouth provided elements with their**
12 **own capabilities to create a unique service. BellSouth does not believe, however,**
13 **that the Act allows the use of only BellSouth's unbundled elements to create the**
14 **same functionality as a BellSouth existing service, i.e., it is not appropriate to**
15 **combine BellSouth's loop and port to create basic local exchange service.**
16

17 **Paragraph 51.315 of the Rules states that an incumbent LEC shall provide**
18 **network elements in a manner that allows requesting telecommunications carriers**
19 **to combine such network elements in order to provide a telecommunications**
20 **service. An incumbent LEC that denies a request to combine elements must**
21 **prove to the state commission that the requested combination is not technically**
22 **feasible or that the requested combination would impair the ability of other**

1 carriers to obtain access to unbundled network elements or to interconnect with
2 the incumbent LEC's network.

3

4 Q. CAN YOU PLEASE EXPLAIN BELL SOUTH'S POSITION ON THIS ISSUE
5 IN MORE DETAIL?

6

7 A. Yes. To illustrate the point that BellSouth is trying to make on this issue I have a
8 hypothetical example that I have included as Exhibit AJV-1. In this example,
9 assume there is a business customer in Rate Group 12, with two business lines
10 with hunting and a single vertical feature on each of his lines. My example also
11 assumes average usage on the lines to fully illustrate the example. Based on these
12 assumptions, this business customer pays BellSouth \$69.52 each month for his
13 first line.

14

15 Now consider that this business customer decides to purchase local service from
16 Sprint. Under resale, Sprint calls BellSouth and says "Mr. Businessman is now
17 my customer, and I want to resell your business line to him." For the sake of
18 ease, assume BellSouth's Act compliant resale discount is used. In that case, the
19 reseller would pay BellSouth \$63.36 per month for the line and the Company
20 would continue to receive access charges from that customer.

21

1 Now consider that Sprint, in the same instance, calls BellSouth and says, "Mr.
2 **Businessman is now my customer. I want an unbundled loop to his premise and I**
3 **want to rebundle that with your switching."** Using the FCC proxy rates, the
4 revenues paid to BellSouth would drop to \$22.75 for this line and the joint
5 marketing restriction on resold services would be avoided.

6
7 What is the point here? If Sprint takes the customer away because it has better
8 plans, prices, services, etc., then that is competition and the customer is lost and
9 there is nothing to do but try to win the customer back. On the other hand, if
10 Sprint, or any other ALEC, simply use the artifice of unbundling/rebundling the
11 customer's service, a different result occurs. The ALEC has not won the
12 customer through some competitive process that allows it to offer a better price.
13 The process that Congress has created, through the Act, has simply been "gamed".
14 The ALEC has not added value, built a network, or done anything other than use a
15 loophole created by the FCC to accrue profits to themselves rather than the
16 incumbent local exchange carrier. Indeed, this loss that BellSouth suffers is not a
17 competitive loss at all, but can more accurately be called a regulatory loss, or a
18 government-imposed loss. That is not what competition is about.

19
20 Q. DOES YOUR EXHIBIT ALSO ILLUSTRATE THE EFFECT OF
21 REBUNDLING?
22

1 A. Yes. Page 2 of Exhibit AJV-1 illustrates the effect of rebundling. It shows the
2 average rate for business lines and trunks, and resident lines, including vertical
3 services, toll and access. First, it shows the price for the combination of these
4 services for an average customer if the services are resold. For example, the retail
5 price of an average business line would be \$61.16; if the service was resold, it
6 would be \$55.99. If this same package of services was repriced, assuming it was
7 sold as unbundled elements and subsequently rebundled, the difference between
8 the revenues for the rebundled elements and the resold services is the contribution
9 loss due to regulatory rules. Those losses based on FCC proxy rates are as
10 follows:

11 **PER LINE LOSS**

12	Business lines:	\$33.24
13	Trunks:	\$34.49
14	Residence service:	\$ 7.68

15
16 When these per line losses are multiplied by the number of respective lines, it
17 produces the contribution loss at various levels of market share erosion.

18 Essentially, for each ten percent of market share that an ALEC gains in this
19 manner, BellSouth loses \$90M in contribution due to these arbitrary regulatory
20 artifices. This is the loss that is over and above the reduction experienced from
21 providing services at the resale discount.
22

1 Q. WHAT DO THE ACT AND THE FCC ORDER REQUIRE WITH RESPECT
2 TO THE PRICING OF UNBUNDLED NETWORK ELEMENTS?
3

4 A. The price of unbundled network elements according to the Act must be based on
5 cost and may include a reasonable profit. Tariffed prices for existing, unbundled
6 tariffed services meet this requirement and, when they exist, are the appropriate
7 prices for these unbundled elements. The price for a new unbundled service
8 should be set to recover its costs, provide contribution to shared and common
9 costs and provide a reasonable profit.
10

11 The general pricing standards for elements is discussed in Paragraph 51.503 of the
12 Rules. Elements must be offered at rates, terms, and conditions that are just,
13 reasonable, and nondiscriminatory. The rates for each element an incumbent LEC
14 offers shall comply with the rate structure set forth in the FCC's Rules. One
15 significant requirement of the general rate structure standard included in
16 Paragraph 51.507 is that, "[s]tate commissions shall establish different rates for
17 elements in at least three defined geographic areas within the state to reflect
18 geographic cost differences." Rates shall be established pursuant to the forward-
19 looking economic cost pricing methodology set forth in the Rules, or consistent
20 with the proxy ceilings and ranges in the Rules.
21

1 **The Rules provide that until such time as cost studies are submitted and approved,**
2 **the Commission may set rates based on default proxies that are provided in**
3 **Paragraph 51.513. The rates proposed by BellSouth are different than the default**
4 **proxies provided in the Paragraphs 51.513 and 51.707 of the Rules. BellSouth is**
5 **not ignoring the requirements set forth in the FCC Order, nor is it suggesting that**
6 **the FPSC do so. Before using proxies, however, this Commission should**
7 **determine whether or not these proxies are consistent with the Act.**

8
9 **It should be noted, however, that even when these studies are all complete, they**
10 **will not be totally responsive to the FCC's Order. The parties involved must then**
11 **determine appropriate geographic zones for the deaveraging of rates. Although**
12 **BellSouth agrees that deaveraging is required by the FCC Order, this**
13 **determination must be made carefully, taking into full consideration the impact on**
14 **local rates and this Commission's pricing policy and, more specifically, the effect**
15 **on consumers, and specifically rural consumers.**

16
17 **The price of unbundled network elements, according to the Act, must be based on**
18 **cost and may include a reasonable profit. Existing tariffed prices for existing,**
19 **unbundled tariffed services are based on Total Service Long Run Incremental**
20 **Cost ("TSLRIC") and have been approved by this Commission. These existing**
21 **tariffed rates meet the requirement of the Act and are, therefore, the appropriate**
22 **approximate prices for the unbundled elements until such time as Total Element**

1 Long Run Incremental Cost ("TELRIC") studies are complete. As stated, under
2 the Act, the price for a new unbundled service should be set to recover its costs,
3 provide contribution to shared and common costs and provide a reasonable profit.
4 The existing tariffed rates do this for existing elements; the FCC proxy rates do
5 not.

6
7 BellSouth's current prices and its TELRIC studies are based upon the same
8 TSLRIC studies. Assume, logically, that the inclusion of joint and common costs
9 recommended by the FCC for a forward-looking economic cost study would
10 increase rather than decrease the level of costs included in a TSLRIC study.

11 BellSouth's proposed rates, based upon these same LRIC/TSLRIC studies, would,
12 therefore, provide a much more reasonable approximation of costs than do the
13 FCC's proxy rates. Again, the pricing standards of the Act require that the price
14 for an unbundled network element shall be based on costs and may include a
15 reasonable profit. The pricing standard included in the FCC Order is TELRIC
16 and a reasonable allocation of forward-looking common costs. It appears logical,
17 and clear to BellSouth, that using either the pricing standard included in the Act or
18 the Order would provide a price higher than the FCC's default proxies. Using the
19 FCC's proxy rates would, therefore, not recover costs, be unjust, unreasonable
20 and certainly not compensatory. In addition, if the FCC proxy rates are lower
21 than BellSouth's LRIC, the proxy rates would not cover direct costs as required
22 by Florida Statute 364.051(6)(c). The statute requires that services offered to

1 consumers cover their direct costs. To the extent that such rates must cover costs
2 for services offered to consumers, the same standard should be applied to
3 unbundled network elements which will eventually be sold to consumers.
4

5 Attached to the testimony of BellSouth's witness, Ms. Daonne Caldwell, are the
6 TELRIC studies that the Company has completed. BellSouth requests that the
7 FPSC approve these studies and the Company's proposed rates based on those
8 studies. Where studies are not yet available, BellSouth requests that the
9 Commission adopt BellSouth's proposed rates. Mr. Scheye and Ms. Caldwell
10 also discuss this issue in their testimony.
11

12 **ACCESS TO POLES, DUCTS, CONDUITS, AND RIGHT-OF-WAY**
13

14 Q. WHAT IS BELLSOUTH'S POSITION WITH REGARD TO RIGHTS-OF-
15 WAY?
16

17 A. It is reasonable for BellSouth to reserve in advance five years of capacity in a
18 given facility. BellSouth will provide structure occupancy information regarding
19 conduits, poles, and other rights-of-way requested and will allow designated
20 personnel or agents to examine engineering records or drawings pertaining to such
21 requests. Mr. Milner discusses this in more detail in his testimony.
22

1 The FCC's Order addresses reserving capacity in Paragraph 1170. It states that
2 Section 224(f)(1) of the Act requires nondiscriminatory treatment of all providers
3 of telecommunications or video services and does not contain an exception for the
4 benefit of such a provider on account of its ownership or control of the facility or
5 right-of-way. Paragraph 1170 goes on to say that permitting an incumbent LEC
6 to, for example, reserve space for local exchange service, to the detriment of a
7 would-be entrant into the local exchange business, would favor the future needs of
8 the incumbent over the current needs of the new entrant. Section 224(f)(1)
9 prohibits such discrimination among telecommunications carriers. If the FCC
10 Order stands as issued, BellSouth will need to change its position on reserve
11 capacity.

12
13 **RESALE**

14
15 Q. TO WHAT EXTENT IS BELLSOUTH'S POSITION ON RESALE
16 CONSISTENT WITH THE FCC'S ORDER AND THE ACT?

17
18 A. In accordance with Section 251(c)(4)(A) of the Act, BellSouth must "offer for
19 resale at wholesale rates any telecommunications service that the carrier provides
20 at retail to subscribers who are not telecommunications carriers...." Certain
21 options or service offerings which are not retail services or have other special
22 characteristics should be excluded from resale. These include contract service

1 arrangements, promotions, grandfathered or obsoleted services, LifeLine
2 assistance programs, N11 service, and E911/911 services.

3
4 Section 51.605 of the Final Rules provides that an incumbent LEC cannot impose
5 restrictions on the resale of telecommunications services offered by the incumbent
6 LEC except as provided in Section 51.613. Section 51.615 refers to the
7 withdrawal of services and states, “[w]hen an incumbent LEC makes a
8 telecommunications service available only to a limited group of customers that
9 have purchased such a service in the past, the incumbent LEC must also make
10 such a service available at wholesale rates to requesting carriers to offer on a
11 resale basis to the same limited group of customers that have purchased such a
12 service in the past.” Sub-paragraph (a) of Section 51.613 states that specific
13 restrictions regarding cross-class selling may be permitted by the state
14 commission and that short term promotions are exempt from the wholesale rate.
15 Section 51.613 (b) goes on to state, “[w]ith respect to any restrictions on resale
16 not permitted under paragraph (a), an incumbent LEC may impose a restriction
17 only if it proves to the state commission that the restriction is reasonable and
18 nondiscriminatory.”

19
20 BellSouth submits that all of its proposed service restrictions are permissible
21 under paragraph 51.613(b) of the Rules. Based on the discussion presented in Mr.
22 Scheye’s testimony in this proceeding, BellSouth believes that the restrictions that

1 it proposes are narrowly tailored, reasonable, nondiscriminatory and, therefore,
2 permitted by the Order. BellSouth's position is, therefore, consistent with the
3 FCC's Order and this Commission is urged to approve our proposal.
4

5 **Q. MUST BELLSOUTH BE PROHIBITED FROM IMPOSING RESTRICTIONS**
6 **ON THE SERVICES IT MAKES AVAILABLE FOR RESALE?**
7

8 **A. No. Any use or user restrictions or terms and conditions found in the relevant**
9 **tariff of the service being resold should apply. Use and user restrictions as well as**
10 **terms and conditions are integral components of the retail service that is being**
11 **resold. These terms and conditions do not impose unreasonable or discriminatory**
12 **conditions on the resale of these services and may be reflected in the rates being**
13 **charged, and hence should be carried through with the discount. Elimination of**
14 **the terms and conditions may affect the pricing or even the general availability of**
15 **the service.**
16

17 **The assessment of the FCC's Order here is the same as it is above. Section**
18 **51.613(b) allows an incumbent LEC to impose restrictions if it proves to the state**
19 **commission that they are reasonable and nondiscriminatory. We believe the terms**
20 **and conditions limitations requested by BellSouth and discussed in more detail in**
21 **Mr. Scheye's testimony, are reasonable and nondiscriminatory, permitted by the**
22 **Rules, and should be allowed by this Commission.**

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Q. WHAT ARE THE APPROPRIATE BELLSOUTH WHOLESALE RATES?

A. The Act requires that rates for resold services shall be based on retail rates minus the costs that will be avoided due to resale. BellSouth proposes a discount to be applied to both residential and business services based on avoided cost studies. BellSouth presents an avoided cost study in the testimony of Mr. Walter Reid that is in compliance with the Federal Act and asks this Commission to adopt that study.

Wholesale pricing is addressed in Paragraphs 51.605 through 51.611 of the FCC's Rules. The Rules allow wholesale rates that are, at the election of the state commission, either consistent with the avoided cost methodology described in the Rules, or are interim wholesale rates, pursuant to the Rules. Paragraph 914 of the Order says that a study may not calculate avoided costs based on non-cost factors or policy arguments nor can it make disallowances for reasons not provided in the Pricing Standards section of the Act.

The Rules also refer to one discount that applies to all retail services. The FCC does not, however, prohibit the development and state approval of other than a single, uniform discount rate for all services.

1 **The avoided cost methodology set forth in the Rules is different than the**
2 **methodology that BellSouth supports and actually turns the pricing principle in**
3 **the Act on its head. The Act clearly dictates the use of a "top down" approach to**
4 **develop wholesale rates, and thus, the calculation begins with the retail rate and**
5 **works down to the wholesale rate by deducting avoided costs. This is the only**
6 **fair and logical approach, in light of the fact that BellSouth's rates are not**
7 **necessarily cost-based and reflect social pricing considerations and a different**
8 **competitive environment.**

9
10 **The FCC's approach, in essence, begins from the bottom and works up based on**
11 **costs that a pure wholesaler would incur (though disguised in terms of reducing**
12 **the retail rate by all costs that a pure wholesaler would not incur). This is clearly**
13 **inconsistent with the Act.**

14
15 **Mr. Reid also presents a study in his testimony that calculates avoided costs using**
16 **the guidelines and including the rebuttable presumptions set forth in the FCC**
17 **Rules. BellSouth does not propose to set wholesale discounts in accordance with**
18 **this study. BellSouth submits this study for information purposes only.**

19
20 **Q. MUST BELLSOUTH BRAND SERVICES SOLD OR INFORMATION**
21 **PROVIDED TO CUSTOMERS ON BEHALF OF SPRINT?**

22

1 A. Branding is not required by the Act. BellSouth cannot offer branding for Sprint or
2 other resellers when providing resold local exchange service because BellSouth
3 will not be able to distinguish calls of Sprint resold customers from calls of
4 customers of other local resellers, or from BellSouth.

5
6 In addition, when BellSouth service technicians provide material they will provide
7 generic access cards with the appropriate provider's name (Sprint). BellSouth
8 personnel, when providing services on behalf of Sprint, will not market directly or
9 indirectly to Sprint customers.

10
11 There appear to be two issues here: 1) whether or not BellSouth can offer
12 selective routing of calls that are made by customers of Sprint when using a resold
13 BellSouth service; and 2) what type of branding is appropriate when a BellSouth
14 employee interacts with a Sprint customer when performing work on behalf of
15 Sprint.

16
17 On the first issue, as discussed in the testimony of Mr. Keith Milner and Mr.
18 Anthony Pecoraro, BellSouth has shown, in compliance with the Rules, that
19 providing what is being requested by Sprint is not technically feasible and,
20 therefore, does not have to be, and indeed cannot be, provided.

21

1 With regard to the second issue, the FCC Rules do address branding. The
2 discussion is, however, limited to the areas of operator, call completion, and
3 directory assistance services. The Rules do not appear to contemplate what Sprint
4 is requesting here as branding and, therefore, this issue is not covered by the
5 Rules. BellSouth's position, which is discussed in more detail in Mr. Scheye's
6 testimony can, and therefore should be, accepted by this Commission.

7
8 Q. IN THE ABOVE ANSWER, YOU MENTION SELECTIVE CALL ROUTING.
9 CAN YOU PLEASE DISCUSS THIS IN MORE DETAIL?

10
11 A. Yes. BellSouth will route calls to an ALEC's requested service if the ALEC
12 provides the appropriate unique dialing arrangements. BellSouth's retail service
13 includes access via specified 0, 411, and 611 dialing arrangements to BellSouth's
14 operator, directory assistance, and repair service. Therefore, the resold services
15 include the same functionalities. As discussed in the testimony of Messrs. Milner
16 and Scheye, routing of calls to various operator providers through the same
17 dialing arrangements is not technically feasible or otherwise appropriate.

18
19 Paragraph 877 of the Order states, "section 251(c)(4) does not impose on
20 incumbent LECs the obligation to disaggregate a retail service into more discrete
21 retail services. The 1996 Act merely requires that any retail services offered to
22 customers be made available for resale." Paragraph 51.613 (c) of the Rules then

1 states, inconsistently, that the failure by an incumbent LEC to comply with
2 reseller unbranding or rebranding requests is a restriction on resale. The
3 paragraph goes on, however, to state that an incumbent LEC may impose such a
4 restriction if it proves to the state commission that the restriction is reasonable and
5 nondiscriminatory, such as by proving to a state commission that the incumbent
6 LEC lacks the capability to comply with unbranding or rebranding requests.

7
8 Because call routing, or selective call routing, as requested is not technically
9 feasible, BellSouth lacks the capability to comply with this request even if it were
10 otherwise appropriate. BellSouth's position on this issue is, therefore, consistent
11 with the FCC Rules and should be adopted by this Commission.

12
13 **DIALING PARITY**

14
15 Q. DO ANY OF SPRINT'S ISSUES CONCERN DIALING PARITY? IS
16 DIALING PARITY ADDRESSED IN THE ACT AND/OR THE FCC ORDER
17 REQUIRE?

18
19 A. Yes. Sprint specifically addresses dialing parity in section XII.A. of its matrix.
20 Several other issues raised by Sprint also really address a form of dialing parity.
21 The FCC's Second Order states in Paragraph 51.207 of the Rules, "A LEC shall
22 permit telephone exchange service customers within a local calling area to dial the

1 same number of digits to make a local telephone call notwithstanding the identity
2 of the customer's or the called party's telecommunications service provider."
3 BellSouth submits that this means that a Sprint customer should have to dial no
4 more digits to make a local call than a BellSouth customer. BellSouth has agreed
5 to this. BellSouth submits that the Rules do not, however, require that a Sprint
6 customer be able to dial the same string of digits to reach Sprint's Directory
7 Services and Operator Services platforms as the customer dials to reach
8 BellSouth's platforms.

9
10 The issue here is the same as that included in the discussion of branding and
11 selective call routing on pages 35-37 of my testimony. Sprint appears to be
12 making the same technically infeasible request in several variations. Regardless
13 of the manner in which the request is made, selective routing is not technically
14 feasible and BellSouth is, therefore, unable to comply with the request.

15
16 **III. INTRODUCTION OF BELLSOUTH WITNESSES AND SUMMARY**

17
18 Q. PLEASE LIST THE BELLSOUTH WITNESSES IN THIS PROCEEDING AND
19 DESCRIBE BRIEFLY WHAT WILL BE COVERED IN THEIR TESTIMONY.

20
21 A. Each issue in this proceeding, considered in disagreement as shown on the Sprint
22 Term Sheet Matrix attached as Exhibit "3" of Sprint's Petition, will be covered in

1 detail by BellSouth's witnesses. Specifically, testimony will be provided by the
2 following BellSouth witnesses:

3	4	5
	WITNESS	ISSUES ADDRESSED
6	Mr. Vic Atherton	Network Issues/Technical Feasibility
7	Ms. D. Daonne Caldwell	Total Long Run Incremental Cost Methodology
8	Ms. Gloria Calhoun	Operational Issues
9	Mr. Keith Milner	Network Issues/Technical Feasibility
10	Mr. Anthony Pecoraro	Network Issues/Technical Feasibility
11	Mr. Walter Reid	Avoided Cost Methodology
12	Mr. Robert C. Scheye	Interconnection, Unbundling, Resale & 13 Compensation

14
15 Mr. Atherton discusses appropriate points of interconnection. He also describes
16 the appropriate trunking arrangements for interconnection between BellSouth's
17 network and the network of Sprint. Specifically, Mr. Atherton addresses Issues
18 II.B.1.a., II.B.2., II.B.5., II.D.1., II.D.2., and III.E.10.

19
20 Ms. Caldwell presents the Company's cost studies for unbundled elements, upon
21 which the Company's proposed prices for those elements are based, and describes
22 BellSouth's methodology for developing those costs. Specifically, Ms. Caldwell

1 **addresses Issue XIII.B.1.**

2

3 **Ms. Calhoun shows that BellSouth has expended considerable resources to**
4 **develop the interfaces to allow ALECs, facilities-based or resellers, to provide**
5 **local telecommunications services to Florida consumers. Further, Ms. Calhoun**
6 **will explain how BellSouth's substantial implementation efforts to develop the**
7 **current interfaces and to continue development of more advanced interfaces**
8 **represent a balanced, reasonable and prudent approach to meeting the operational**
9 **interface needs of Sprint, as well as all other new entrants. Ms. Calhoun**
10 **addresses Issues III.A.10., III.A.11., III.B.2., III.C.3.a., III.C.3.b., III.C.3.d.,**
11 **III.D.8., III.E.10., III.F.3., III.F.4., IV.A.9., XIV.D.3., and XIV.D.4.**

12

13 **Mr. Milner discusses the technical feasibility of unbundling the network elements**
14 **for which no agreement has been reached between Sprint and BellSouth,**
15 **including an extensive discussion on selective call routing. Mr. Milner's**
16 **testimony also includes a discussion on Sprint's request for access to Advanced**
17 **Intelligent Network ("AIN") capabilities. Mr. Milner addresses Issues III.E.10.,**
18 **III.F.3., IV.A.1., IV.A.3., IV.A.2., IV.A.4. - 8., V.A.1., V.A.3., V.C.3., VII.A.9.,**
19 **and XII.A.2. in his testimony.**

20

21 **Mr. Pecoraro provides an assessment of the feasibility of using central office**
22 **switching capabilities to provide for the selective routing of calls requested by**

1 **Sprint. Mr. Pecoraro provides support for many of the specific issues addressed**
2 **by Mr. Milner.**

3
4 **Mr. Reid addresses the appropriate methodology for use in determining the**
5 **Company's retail costs which will be avoided when services are provided to**
6 **resellers rather than end-users and presents the Company's study that calculates**
7 **the appropriate discounts based on those avoided costs. He also presents a study**
8 **that calculates a discount based on the guidelines set forth in the FCC's Order.**

9 **Mr. Reid addresses Issue XIV.B.3.**

10
11 **Mr. Scheye discusses interconnection, services available for resale and resale**
12 **restrictions, branding and pricing in his testimony. He specifically addresses**
13 **Issues II.B.5., II.D.2., II.F.3., III.A.12., III.C.2., III.D.2., III.D.8., III.E.9., III.F.7.,**
14 **IV.A.1., IV.A.3., IV.A.7., IV.A.8., IV.B., V.B.1., VII.A.8., VII.B., VIII.A.2.,**
15 **VIII.A.3., XI.B.1., XII.A.2., XIII.A.1., XIII.B.1., XIII.B.2., XIV.A.1., XIV.A.2.,**
16 **XIV.A.5., and XIV.B.3.**

17
18 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

19
20 **A. Yes. The FCC has released an Order establishing rules for the implementation of**
21 **local competition that goes far beyond the authority given to it by Congress. The**
22 **Order appears to be extremely unbalanced, deciding almost every issue in favor of**

1 the new entrants and the IXCs. Contrary to the intent of Congress, it is not an
2 Order that will encourage the development of facilities-based competition, but one
3 that not only destroys the incentive of a new entrant to invest in its own network
4 but threatens to undermine the maintenance of universal service. BellSouth does
5 not believe that it was the intent of Congress to compel the LECs to subsidize
6 their competitors.

7
8 This Commission's responsibility, under the law, is broader than to stimulate
9 local competition. Section 364.01 of the Florida Statute requires the Commission
10 to, "Protect the public health, safety, and welfare by ensuring that basic local
11 telecommunications services are available to all consumers in the state at
12 reasonable and affordable prices." The statute also requires the Commission to
13 "Encourage competition through flexible regulatory treatment among providers of
14 telecommunications services in order to ensure the availability of the widest
15 possible range of consumer choice in the provision of all telecommunications
16 services." Finally, the statute requires the encouragement of all providers to
17 introduce new or experimental telecommunications services free of unnecessary
18 regulatory restraints. This part of the FPSC's mandate has not been changed by
19 the Act or the FCC's Order. This is still the duty of this Commission and entails
20 more than the narrow responsibility of doing the most it can to ensure the success
21 of new competitors.

22

1 A lopsided result in favor of new entrants to the local telecommunications
2 services market could have devastating results as opposed to the results being
3 anticipated by Congress. Congress intended a fair competitive framework.
4 Undue bias toward new entrants may provide the incumbent LECs with less
5 incentive to invest and place new services and technologically advanced
6 capabilities. If this happens, the results could be far-reaching for Florida in terms
7 of the state's continuing to have universal access to modern telecommunications
8 services at reasonable rates.

9
10 In conclusion, BellSouth respectfully requests that this Commission accept and
11 approve the positions put forth by BellSouth in this proceeding.

12
13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14
15 A. Yes.

Florida Retail, Resale and Rebundling Comparisons

A Typical Business Customer

	Rate Gp 12 Business Line	BST Resale Discount @ 12.20%	FCC Resale Discount @ 19.20%	Unbundled FCC Proxies
Exchange Line	\$29.10	\$25.55	\$23.51	\$13.68
Port	-	-	-	\$2.00
Hunting	\$10.42	\$9.15	\$8.42	-
CF Don't Answer	\$3.25	\$2.85	\$2.63	-
Local Usage	-	-	-	\$3.93
IntraLATA Toll/Local Calling Plus	\$7.73	\$6.79	\$6.25	\$0.65
InterLATA IntraState Access	\$5.15	\$5.15	\$5.15	\$0.73
InterLATA Interstate Access	\$7.87	\$7.87	\$7.87	\$1.76
SLC	\$6.00	\$6.00	\$6.00	\$0.00
Total	\$69.52	\$63.36	\$60.82	\$22.75
Effective Discount from Retail		8.9%	13.9%	67.3%

ILLUSTRATIVE

Florida Example of Unbundled Elements

Post 7/97 Analysis
 (Subscriber Average Rates)

End-User Generated Recurring Revenue				Unbundled Network Elements - FCC Proxy			
	Business Line	Business Trunks	Residence	Business Line	Business Trunks	Residence	
Ang Rate	\$27.82	\$41.49	\$12.23	Loop	\$13.68	\$13.68	
Hunting	\$4.45	\$0.00	\$0.00	Switch Port	\$2.00	\$2.00	
Vert. Svc.	\$2.66	\$0.00	\$3.82	Hunting	\$0.00	\$0.00	
Local Calling Plus	\$2.84	\$2.84	\$1.16	Vert. Svc.	\$0.00	\$0.00	
InterLATA Toll	\$4.89	\$4.89	\$2.36	Local Calling Plus	\$0.38	\$0.38	
InterLATA IntraState Toll Access	\$5.15	\$5.15	\$3.56	Local Usage	\$3.93	\$8.92	
InterLATA IntraState Toll Access	\$7.87	\$7.87	\$7.05	InterLATA Toll	\$0.27	\$0.27	
Subtotal	\$55.39	\$82.24	\$30.31	InterLATA IntraState Toll	\$0.73	\$0.73	
SLC	\$5.78	\$8.00	\$3.50	InterLATA IntraState Toll	\$1.78	\$1.78	
Total Retail	\$61.16	\$90.24	\$33.81	Subtotal	\$22.75	\$27.74	
Total Intra Access and SLC	\$42.36	\$49.22	\$19.70	SLC	\$0.00	\$0.00	
				Total	\$22.75	\$27.74	
Retail							
DOT Retail ^(a) @ 19.07%(9)	\$37.19	\$43.21	\$15.92				
SLC	\$5.78	\$8.00	\$3.50				
IntraState and IntraState Access	\$13.02	\$13.02	\$10.61				
Total Retail Revenue	\$68.99	\$82.23	\$39.63				
				Unbundled Intra Revenue	(\$33.24)	(\$34.49)	
				Access Lines	1,273,399	96,796	
						3,875,689	

Contribution Impact with 10% access line 1	\$	(80,481,848)
Contribution Impact with 20% access line 1	\$	(180,823,879)
Contribution Impact with 30% access line 1	\$	(271,388,619)
Contribution Impact with 40% access line 1	\$	(357,847,389)

- Notes:
1. Average rev. for vertical svc & interLATA toll computed from Dec. 95 actuals
 2. SLC rate for business is weighted average of single line and multi-line SLCs.
 3. SLC collected from retail lines, but not from unbundled network elements.
 4. Retail revenues from vertical svc. and interLATA toll will be significantly higher for the competitor's target market.
 5. The unbundled business & residence average loop rate shown is from the FCC cost proxy.
 6. Retail discount rate reflects BellSouth's recommended discount levels.
 7. Local minutes of use equals 482 orig. min. for bus. lines, 1164 orig. min. for res. from F. SLUS
 8. InterLATA toll (MTS) min. of use equals 26 min. for bus. & 16 min. for res. estimated from Dec. 1995 actuals.
 9. Local Calling Plus min. of use equals 37 orig. min. for bus. lines and trunks and 26 min. for residence lines estimated from Dec. 1995
 10. Local Switching @ \$0.0040