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BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF ROBERT C. SCHEYE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 961150-TP
November 1, 1996

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

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

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes. I filed direct testimony on behalf of BellSouth on October 15, 1996.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is discuss the impact of the Eight Circuit Court of Appeals' Stay of the FCC Order in CC Docket No. 96-98 and to address the positions taken by the Sprint witnesses in their direct testimony on the issues in this arbitration proceeding. In addition, I will

ACK _____
AFA _____
APP _____
CAF _____
CMI _____
CTR _____
EAG _____
LEG 3 _____
LIN 3 + orig _____
OPC _____
RCH _____
SEC 1 _____
WAS _____
OTH _____

1 respond to some issues included in the Commission's proposed issue
2 list that I did not address in my direct testimony.

3

4 Q. HOW IS YOUR TESTIMONY ORGANIZED?

5

6 A. My testimony is divided into the following sections:

7

8 **Section I: Impact of the Stay issued by the Eighth Circuit Court of**
9 **Appeals**

10 **Section II: BellSouth's Discussion of Issues**

11

12 I. **IMPACT OF THE STAY ISSUED BY THE EIGHTH CIRCUIT COURT**
13 **OF APPEALS**

14

15 Q. WILL THE STAY OF THE FEDERAL COMMUNICATIONS
16 COMMISSION'S ("FCC") FIRST REPORT AND ORDER IN DOCKET
17 NO. 96-98 ORDERED BY THE UNITED STATES COURT OF
18 APPEALS FOR THE EIGHTH CIRCUIT (THE "COURT") HAVE AN
19 IMPACT THESE ARBITRATION PROCEEDINGS? IF SO, PLEASE
20 EXPLAIN.

21

22 A. Yes. The order issued on October 15, 1996, stays the effectiveness of
23 certain portions of the FCC's Order and allows those portions not
24 stayed to become effective on October 15, 1996. Specifically, the stay
25 applies to the pricing provisions, including rules requiring states to

1 conduct TELRIC pricing studies and use default proxy prices, and the
2 FCC's expanded interpretation of the "most favored nation" or "pick and
3 choose" rules. These sections of the FCC Order are now effectively
4 null, until the Court issues a decision early next year on the merits of
5 the various appeals that have been filed.

6

7 To the extent that this Commission is arbitrating these issues, the terms
8 of the Act still apply. Because of the stay, this Commission is no longer
9 required to use the FCC's Order or Rules in deciding certain issues in
10 this arbitration. The specific issues impacted in this proceeding by the
11 stay are:

12

13 **Issue 6. What are the costs involved (electronic interfaces) and how should**
14 **they be recovered?**

15

16 **Issue 18. What are the appropriate rates, terms and conditions for Sprint's**
17 **interconnection with BellSouth's network?**

18

19 **Issue 20. What are the appropriate wholesale rates for BellSouth to charge**
20 **when Sprint purchases BellSouth's retail services for resale?**

21

22 **Issue 21. What should be the price of each of the items considered to be**
23 **network elements, capabilities, or functions?**

24

25

1 Issue 22. What should be the compensation mechanism for the exchange of
2 local traffic between Sprint and BellSouth?

3

4 Issue 23. What are the appropriate rates, terms and conditions for Carrier
5 Identification Parameter?

6

7 Issue 26. What should be the appropriate cost recovery mechanism, if any,
8 for field surveys related to right-of-way use?

9

10 A more detailed explanation of the impact of the stay will be included in
11 our discussion on each of the issues.

12

13 Q. WHAT PRICING STANDARDS SHOULD THE COMMISSION USE
14 NOW THAT THE FCC'S RULES HAVE BEEN STAYED?

15

16 A. If available, market rates or the existing tariffed rates, which are clearly
17 cost based and in compliance with the pricing standards set forth in
18 Section 252(d) of the Act, should be used to set the appropriate rates
19 for unbundled elements. The use of existing tariffed rates should be
20 followed by the Commission in resolving the majority of open pricing
21 issues in this arbitration. There are, however, some unbundled network
22 elements for which there are no existing tariff rates or market rates.

23

24

25

1 Q. ON WHAT BASIS DO YOU SUGGEST THE COMMISSION PRICE
2 THESE UNBUNDLED NETWORK ELEMENTS FOR WHICH THERE
3 ARE NO TARIFFED OR MARKET RATES?
4

5 A. BellSouth would have no opposition to the Commission using the
6 principles set out in the recently negotiated settlement between
7 BellSouth and ACSI. In that settlement, ACSI and BellSouth agreed on
8 rates for the unbundled network elements needed by ACSI to get into
9 business and made the rates subject to a true-up process. The
10 Commission could resolve any further differences the parties might
11 have in determining the final prices for the elements involved.
12

13 As long as the prices are set on a reasonable basis, (which does not
14 mean the proxy rates established by the FCC in those portions of its
15 order which is now stayed) and as long as there is a true-up provision
16 that requires resolution of final prices for these elements within a
17 reasonable period, BellSouth would be amenable to such a process for
18 other rates for which there are no tariffed rates. The TELRIC results
19 previously filed, may assist the Commission in confirming the
20 reasonableness of the rates proposed by BellSouth.
21

22 BellSouth's proposed rates are set forth in Exhibit RCS-3, which
23 supersedes Exhibit RCS-2 attached to my direct testimony filed in this
24 proceeding. Where tariffed rates are available, they have been
25 proposed. Where there are no tariff rates available, BellSouth

1 recommends that the Commission use an approach that establishes
2 rates subject to a true-up process. This approach to setting the initial
3 rates in this arbitration proceeding meets the requirements of the Act
4 and is fair, reasonable and does not discriminate against any party that
5 is currently purchasing these unbundled elements via BellSouth's
6 tariffs.

7

8 Q. WHAT IS BELLSOUTH PROPOSING TO MEET THE COST
9 STANDARD REQUIRED IN THE ACT FOR SETTING FINAL PRICES?

10

11 A. BellSouth will initiate new or revised studies that will reflect all
12 appropriate costs, including embedded costs and actual network
13 architecture, i.e. studies that do not have the same infirmities as the
14 FCC's defined TELRIC methodology. The results of these studies
15 would be used to true-up rates for the interim period during which
16 agreed upon rates are in effect. Once these studies are completed,
17 they would be made available to this Commission in a generic
18 proceeding designed to finalize the rates in question. Of course the
19 parties could continue to negotiate and if final rates were arrived at to
20 the satisfaction of all the parties, there might be no need for this
21 proceeding.

22

23 Q. WHAT IF THE MATTERS YOU DISCUSS ARE NOT RESOLVED IN
24 THE NEXT SIX MONTHS?

25

1 A. The ACSI agreement addresses this possibility by providing that the
2 parties can extend the six month period by mutual agreement. This
3 should be sufficient to address any problems, such as unanticipated
4 delays in either the court decisions or additional requirements placed
5 on the FCC based on the Court's actions. Of course, it may be
6 appropriate to provide additional time if the parties are close to
7 resolution.

8

9 Q. WOULD THESE BE INTERIM RATES?

10

11 A. No. They would be the rates that the parties would agree to pay until
12 they were changed. The unique feature of the ACSI agreement is that
13 it allows a "true-up" from the date the elements are ordered, which
14 provides assurance that no party will be disadvantaged now and those
15 parties that are interested in getting into the local business will have the
16 ability to do so.

17

18 Q. / COULD JUST ANY RATES BE SELECTED BECAUSE OF THE TRUE-
19 UP PROCESS?

20

21 A. No. If the Commission wishes to deviate, even for a temporary period,
22 from established rates, e.g. special access rates for the loop, there
23 must still be strong assurance that the selected rates are not below
24 costs. Further, the rates must be fair and equitable to all sides. Too
25 low a rate will substantially disadvantage BellSouth, while too high a

1 rate might disadvantage new entrants. The rates must not distort
2 competitive entry. Here again, too low a rate might provide the wrong
3 market signals to both competitors and end user customers.
4

5 **II. BELLSOUTH'S DISCUSSION OF ISSUES**

6
7 **ISSUE 6. WHAT ARE THE COSTS INVOLVED (ELECTRONIC**
8 **INTERFACES) AND HOW SHOULD THEY BE RECOVERED?**

9
10 **Q. HAS BELLSOUTH PROPOSED A COST RECOVERY MECHANISM**
11 **FOR ELECTRONIC INTERFACES IN THIS PROCEEDING?**

12
13 **A. No. As indicated in Ms. Calhoun's testimony, BellSouth is incurring**
14 **significant costs to meet Sprint's requests. Once the costs are**
15 **finalized, BellSouth will propose a cost recovery mechanism designed**
16 **to recover all costs related to the provisioning of electronic interfaces to**
17 **ALECs.**

18
19 **ISSUE 13. SHOULD BELLSOUTH PROVIDE SPRINT ACCESS TO**
20 **BELLSOUTH'S DIRECTORY ASSISTANCE AND 911/E911**
21 **DATABASES?**

22
23 **Q. WHAT IS BELLSOUTH'S POSITION REGARDING THIS ISSUE?**
24
25

1 A. BellSouth will provide interconnection to appropriate 911/E911 facilities
2 to correctly route calls from Sprint's network. See Item VI.A.1. on
3 Sprint's Term Sheet (Exhibit 3 to Sprint's Petition) which reflects that
4 both parties have reached agreement on the 911/E911 portion of this
5 issue.

6
7 Q. SPRINT'S CONCERN REGARDING DIRECTORY ASSISTANCE
8 SEEMS TO BE TWOFOLD. FIRST, SPRINT IS ASKING FOR FREE
9 LISTINGS FOR ITS CUSTOMERS IN BELLSOUTH'S DIRECTORY
10 ASSISTANCE DATABASE, AND SECOND, IS ASKING FOR ACCESS
11 TO BELLSOUTH'S DIRECTORY ASSISTANCE DATABASE. WHAT
12 IS BELLSOUTH'S POSITION ON THESE TWO POINTS?

13
14 A. As stated in my direct testimony, BellSouth will include Sprint's
15 subscriber listings in BellSouth's directory assistance databases and
16 BellSouth will not charge Sprint to maintain the directory assistance
17 database. However, Sprint must agree to cooperate with BellSouth in
18 formulating appropriate procedures regarding lead time, timeliness,
19 format and content of listing information. BellSouth believes that
20 ALECs should add, delete or modify customer listings for the DA
21 database through the most efficient process available presently, the
22 service order process.

23
24 Q. DOES BELLSOUTH OFFER ANY ALTERNATIVES THAT WOULD
25 MEET THE SECOND PORTION OF SPRINT'S REQUEST?

1

2 A. Sprint currently has its own directory assistance capabilities and could
3 use these on an expanded basis. To this end, BellSouth currently
4 offers three services that are consistent with, and would appear to
5 meet, Sprint's needs. These include:

6 1) Directory Assistance Access Service, with which BellSouth currently
7 provides directory assistance to IXCs;

8 2) Direct Access Directory Assistance Service (DADAS), which
9 provides direct on-line access to BellSouth's directory assistance
10 database; and

11 3) Directory Assistance Database Service (DADS), which provides a
12 copy of the BellSouth DA database.

13

14 These services will be offered to all ALECs under the same terms as
15 any other resold service.

16

17 Paragraph 538 of the FCC's Order requires that access to the directory
18 assistance database "must include both entry of the requesting carrier's
19 customer information into the database, and the ability to read such a
20 database, so as to enable requesting carriers to provide operator
21 services and directory assistance concerning incumbent LEC customer
22 information. We clarify, however, that the entry of a competitor's
23 customer information into an incumbent LEC's directory assistance
24 database can be mediated by the incumbent LEC to prevent
25 unauthorized use of the database." BellSouth's proposal meets the

1 requirements set forth in the Order and should, therefore, be permitted
2 by the Commission.

ials

3
4 **ISSUE 14. SHOULD BELLSOUTH BE REQUIRED TO PROVIDE NOTICE**
5 **TO ITS WHOLESALE CUSTOMERS OF CHANGES TO**
6 **BELLSOUTH'S SERVICES? IF SO, IN WHAT MANNER AND IN**
7 **WHAT TIME FRAME?**

8
9 Q. WHAT IS BELLSOUTH'S POSITION REGARDING THE PROVISION
10 OF ADVANCED NOTICE OF CHANGES TO ITS WHOLESALE
11 CUSTOMERS?

12
13 A. BellSouth will provide notice on new services, price changes, etc.,
14 when the tariffs are filed at the Commission. Earlier advance notice
15 than the tariff filing could lead to liability or further notice responsibilities
16 as changes are made to systems, prices or terms and conditions prior
17 to actual filing date. BellSouth will provide scheduled notices to all
18 carriers concerning network changes that can impact interconnection or
19 network unbundling arrangements. Further, regularly scheduled joint
20 engineering meetings between BellSouth and local providers will
21 provide notice on other technical changes. In this rapidly fluctuating
22 competitive environment, it will be difficult to coordinate notices to a
23 variety of carriers that may have very differing requirements.
24 Therefore, BellSouth currently plans to notify all resellers of these
25 changes at the same time BellSouth notifies its end users which is

1 through filed tariffs or other public notices. These notification proposals
2 are consistent with the Order in that resellers and BellSouth's end
3 users will receive the same prior notice of price changes and new
4 services. However, BellSouth has made progress on this issue and
5 has developed an alternative that would allow for a longer notice
6 period. Basically, the alternative plan limits BellSouth's liability in the
7 event changes occur after notice is provided and limits the ALECs use
8 of this information to operational and billing changes. Thus alternative
9 has been deemed as acceptable by at least one other potential
10 reseller.

11

12 **ISSUE 18. WHAT ARE THE APPROPRIATE RATES, TERMS AND**
13 **CONDITIONS FOR SPRINT'S INTERCONNECTION WITH**
14 **BELLSOUTH'S NETWORK?**

15

16 **ISSUE 22. WHAT SHOULD BE THE COMPENSATION MECHANISM FOR**
17 **THE EXCHANGE OF LOCAL TRAFFIC BETWEEN SPRINT AND**
18 **BELLSOUTH?**

19

20 **Q. WHAT IS BELLSOUTH'S PROPOSED MECHANISM OF**
21 **COMPENSATION FOR THE EXCHANGE OF LOCAL TRAFFIC**
22 **BETWEEN SPRINT AND BELLSOUTH?**

23

24 **A. The rate for the transport and termination of traffic should be set with**
25 **recognition of the intrastate switched access rate. BellSouth has**

1 negotiated interconnection rates based on similar charges, exclusive of
2 the residual interconnection charge (RIC) and carrier common line
3 (CCL) charge.

4
5 Q. IS BELLSOUTH'S PROPOSED RECIPROCAL TRANSPORT AND
6 TERMINATION RATE FOR LOCAL CALLS REASONABLE?

7
8 A. Yes. BellSouth believes the local interconnection rate should be based
9 on the intrastate switched access rate to the extent possible. The
10 components of local interconnection and toll access are functionally
11 equivalent, and therefore, the rate structure should be similar. Basing
12 the rates for local interconnection on the rates for similar functionalities
13 used in switched access will facilitate the transition of all
14 interconnection types into a single interconnection rate. As technology
15 changes, competition increases, and interconnection types (e.g., local,
16 toll, independent, cellular/wireless) become more integrated, such a
17 transition is imperative.

18
19 Q. HOW DOES THE STAY AFFECT RECIPROCAL COMPENSATION
20 ARRANGEMENTS?

21
22 A. In its Rules, the FCC provided that reciprocal compensation be
23 symmetrical based on the costs of the larger of the two interconnecting
24 companies unless the smaller of the two companies, or a carrier other
25 than an incumbent LEC proved that its costs were higher. Obviously, it

1 would be sheer coincidence if this rate actually reflected the cost
2 incurred by the smaller company. Since this rule is a part of the pricing
3 rules which have been stayed, this Commission is now free to, and
4 should, determine each company's actual costs in setting rates for the
5 exchange of local traffic in arbitration proceedings.

6
7 Along this same line, the FCC Rules created a presumption that all
8 calls handed to a competing carrier are switched through a tandem
9 even if they are not and require that the ALEC be compensated
10 accordingly. In other words, the FCC's view of symmetry means that
11 an ALEC would be entitled to receive the incumbent's transport and
12 termination charge, including tandem switching, interoffice transport
13 and end office termination, even if the ALEC performed no tandem
14 switching. This Commission should ensure that ALECs recover only
15 their actual costs of terminating calls, i.e., that they be permitted to
16 recover for tandem switching only when traffic is actually routed
17 through their tandem.

18
19 Q. IS "BILL AND KEEP" AN APPROPRIATE ALTERNATIVE TO THE
20 TERMINATING CARRIER CHARGING TELRIC AS REQUESTED BY
21 SPRINT?

22
23 A. No. As stated in my direct testimony, it is my understanding that
24 mandatory bill and keep violates Section 252 of the Act. The Act
25 clearly allows negotiating parties to relinquish the mutual recovery of

1 costs voluntarily should they so desire and enter voluntarily into bill and
2 keep arrangements. The Act does not authorize a state commission to
3 mandate that a party accept bill and keep as the method of cost
4 recovery.

5
6 Second, as mentioned above, with this arrangement there is no
7 mechanism for the recovery of costs associated with the termination of
8 local calls. For example, if it costs BellSouth three cents a minute to
9 terminate a local call and it costs a new entrant five cents a minute to
10 terminate a local call, this arrangement will not allow either party to
11 recover its costs. At best, in the situation illustrated, if the traffic were
12 perfectly balanced, the carrier with the lower cost might be able to
13 conclude that it was somehow okay because the payments it avoided
14 making to the other carrier exceeded its own costs. Using the numbers
15 above, however, the new entrant would be unable to recover the net
16 difference of two cents per minute under any theory. This problem
17 could be accentuated if there is a traffic imbalance.

18
19 Third, a compensation arrangement of this type prevents BellSouth
20 from being compensated for access to, and use of, its valuable,
21 ubiquitous network. Also, it does not recognize different types of
22 technical interconnection arrangements that may exist. Because there
23 will be varying interconnection arrangements, there must be a way to
24 differentiate the charges based upon these differences. Under bill and
25 keep, there would be no way to differentiate the charges and this would

1 discourage the development of efficient networks by the new entrants.
2 New entrants would simply take advantage of the functionalities in
3 BellSouth's network, having no incentive to build their own capabilities
4 because they could obtain them for free from BellSouth.

5
6 Fourth, the distinction between local and toll calls can no longer be
7 assured. The industry must move to a common interconnection
8 structure. Bill and keep cannot serve that function. Adoption of bill and
9 keep will undermine long distance competition as well as local
10 competition.

11
12 Fifth, it should be noted that bill and keep does not eliminate the need
13 for billing and administrative systems. There will continue to be a need
14 to hand off toll and 800 traffic to interexchange carriers, to LECs and to
15 new entrants, which will require the billing of switched access rates.
16 Because new entrants will bill switched access to many different
17 carriers, BellSouth's proposal to apply switched access elements for
18 local interconnection places no significant additional billing
19 requirements on new entrants.

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

25

1 Q. DOES THE COURT STAY AFFECT THE QUESTION OF BILL AND
2 KEEP?

3

4 A. Yes. The FCC had interpreted the statute to allow state commissions
5 to impose bill and keep arrangements on the parties to an arbitration
6 where the traffic was anticipated to be roughly in balance between two
7 networks. FCC rules, Section 51.713(b). Moreover, the FCC's rules
8 authorize state commissions to presume that the traffic exchanged
9 between two networks is roughly balanced. FCC Rules, Section
10 51.713(c). These provisions are a part of the pricing rules stayed by
11 the Court. This Commission may now reject the FCC's erroneous
12 construction of the Act and set mutual and reciprocal rates for the
13 transport and termination of local traffic based on all relevant costs.

14

15 **ISSUE 20. WHAT ARE THE APPROPRIATE WHOLESALE RATES FOR**
16 **BELLSOUTH TO CHARGE WHEN SPRINT PURCHASES**
17 **BELLSOUTH'S RETAIL SERVICES FOR RESALE?**

18

19 Q. IN LIGHT OF THE COURT'S RECENT STAY OF THE FCC'S
20 PRICING RULES, WHAT IS BELLSOUTH'S RECOMMENDATION
21 FOR SETTING WHOLESALE RATES?

22

23 A. The Commission should adopt the wholesale discount rates presented
24 by Mr. Reid in his direct testimony. Mr. Reid's testimony in this
25 proceeding clearly establishes the necessary record for the

1 Commission to find that BellSouth's recommended wholesale discounts
2 of 19.0% for residence service and 12.2% for business service are just,
3 reasonable and in full compliance of the Act, which requires that the
4 discounts reflect avoided cost.

5

6 **ISSUE 21. WHAT SHOULD BE THE PRICE OF EACH OF THE ITEMS**
7 **CONSIDERED TO BE NETWORK ELEMENTS, CAPABILITIES, OR**
8 **FUNCTIONS?**

9

10 Q. WHAT IS BELL SOUTH'S RECOMMENDATION FOR SETTING THE
11 PRICES FOR NETWORK ELEMENTS, CAPABILITIES, OR
12 FUNCTIONS?

13

14 A. The price of unbundled network elements according to the Act must be
15 based on cost and may include a reasonable profit. Tariffed prices for
16 existing, unbundled tariffed services meet this requirement and are the
17 appropriate prices for these unbundled elements. The Court's partial
18 stay applies to the pricing rules, including the requirements related to
19 Total Element Long Run Incremental Cost ("TELRIC") studies and
20 default proxy prices established by the FCC.

21

22 In an effort to keep the local competition process moving forward,
23 BellSouth recommends the Commission adopt tariffed rates where they
24 exist or rates subject to a true-up process. These rates would be in
25 effect until the Court has made its determination regarding pricing

1 guidelines and the Commission sets long term rates based upon
2 appropriate cost studies. BellSouth agrees to this arrangement with
3 the provision that, once long term rates are set, there will be a true-up
4 adjustment for the interim period during which agreed upon rates are in
5 effect.

6

7 That portion of the FCC's Order addressing rate deaveraging is also
8 stayed. Rate deaveraging should not be implemented until such time
9 as rebalancing of local rates is also addressed.

10

11 Q. YOU STATE THAT BELLSOUTH RECOMMENDS ADOPTION OF
12 EXISTING TARIFF RATES WHERE THEY EXIST. CAN YOU
13 PROVIDE AN EXAMPLE OF AN UNBUNDLED ELEMENT FOR
14 WHICH NO COMPARABLE TARIFF RATE IS AVAILABLE?

15

16 A. Yes. The FCC's Order defines unbundled switching to be separate
17 from any transport elements. Further, while the pricing rules are
18 stayed, the structure proposed by the FCC is not stayed and included a
19 flat rate port charge plus a usage sensitive charge. The closest rate
20 that BellSouth has to the FCC's defined unbundled switching is the
21 switched access local switching rate. Included in this rate, however,
22 are both the port and the switching components which the FCC's
23 definition keeps separate.

24

25

1 Q. IN LIGHT OF THIS SITUATION, HOW WOULD BELLSOUTH
2 PROPOSE TO CHARGE FOR UNBUNDLED SWITCHING UNTIL
3 SUCH TIME AS ADDITIONAL COST STUDIES CAN BE SUBMITTED
4 AND THE RATES TRUED-UP?

5
6 A. BellSouth's proposal is simple and straightforward. The unbundled
7 local switching elements would be derived from the existing intrastate
8 switched access local switching (Feature Group D or LS-2) and would
9 be calculated as 75% of this local switching rate. The 25% reduction is
10 included to recognize that a flat rate port charge would also apply. By
11 comparison, tariff rates already exist for the common transport,
12 dedicated transport and tandem switching elements which would apply
13 in addition to the local switching charge when an ALEC wished to
14 purchase these components for placing a local call. These transport
15 and tandem functions are included as separate switched access
16 components.

17
18 Q. COULD YOU PROVIDE AN EXAMPLE OF HOW THESE RATES
19 WOULD APPLY IN THE CASE OF A SIMPLE LOCAL CALL?

20
21 A. Yes. If an ALEC purchased unbundled switching (in association with
22 an ALEC's provided loop) and completed a local call, the ALEC would
23 pay for a port, local switching at the originating end, transport and
24 tandem switching and local switching at the terminating end. These
25 elements would cover all the portions of BellSouth's network that are

1 used by the ALEC in completing its call. (Please see Attachments A &
2 B for a further explanation.)

3

4 Q. DOES BELLSOUTH AGREE WITH THE FCC'S ORDER REGARDING
5 PRICING OF UNBUNDLED NETWORK ELEMENTS?

6

7 A. No. BellSouth disagrees with several aspects of the FCC's Order.
8 Specifically, BellSouth does not agree that incremental cost should be
9 used to price wholesale or retail services. The Court appears to agree
10 with BellSouth. BellSouth has provided a series of TELRIC studies, for
11 informational purposes, with the Commission. The studies were
12 developed prior to the stay and are in accordance with the FCC's
13 methodology for TELRIC studies. It should be noted that the Court
14 indicated that TELRIC studies would presumably understate the rates
15 an appropriate cost standard would reflect.

16

17 Q. WHAT ARE THE PRICES BELLSOUTH RECOMMENDS THE
18 COMMISSION ADOPT IN THIS ARBITRATION PROCEEDING?

19

20 A. Attached to this testimony, as Exhibit RCS-3, which supersedes Exhibit
21 RCS-2 of my direct testimony, is a revised list of prices reflecting
22 tariffed rates where they exist and rates that can be subject to true-up.
23 BellSouth recommends the Commission adopt these rates until
24 appropriate cost studies can be completed and the Court reaches a
25 final decision on pricing rules.

1

2 Q. HOW DOES THE COURT'S STAY EFFECT THE FCC'S PROXY
3 PRICES?

4

5 A. The Court found both the TELRIC methodology and the FCC's proxy
6 rates to be improper. Since the Court stayed TELRIC and the FCC's
7 proxy rates, it is reasonable to expect a similar result upon review of
8 other proxies, particularly those that are lower than the FCC's proxy
9 rate.

10

11 Q. MR. STAHLY DISCUSSED THE APPROPRIATENESS OF
12 GEOGRAPHIC DEAVERAGING OF PRICES. WHAT IS
13 BELL SOUTH'S POSITION?

14

15 A. As an initial point, that portion of the FCC's pricing rules requiring
16 geographic deaveraging has been stayed by the Court. Consequently,
17 BellSouth believes that the Commission should not require any such
18 geographical deaveraging at this time.

19

20 **ISSUE 23. WHAT ARE THE APPROPRIATE RATES, TERMS AND**
21 **CONDITIONS FOR CARRIER IDENTIFICATION PARAMETER?**

22

23 Q. HAS THE EIGHTH CIRCUIT COURT'S STAY HAD AN EFFECT ON
24 BELL SOUTH'S PROPOSED RATES FOR CARRIER
25 IDENTIFICATION PARAMETER?

1

2 A. No. As stated in my direct testimony, CIP is a feature of the SS7
3 network which uses an identification code to identify each carrier for
4 call routing purposes. BellSouth is willing to provide the "CIP" feature
5 to Sprint. CIP is not an element to be unbundled from BellSouth's
6 signaling network, it is rather, a feature that is presently available
7 through BellSouth's tariffs. It is BellSouth's proposal that Sprint
8 purchase this feature at its tariffed rate. Mr. Stahly, in his testimony,
9 suggested that rates for CIP be based on TELRIC studies. Since the
10 FCC's pricing rules have been stayed, Mr. Stahly's suggestion should
11 not be adopted.

12

13 **ISSUE 26. WHAT SHOULD BE THE APPROPRIATE COST RECOVERY**
14 **MECHANISM, IF ANY FOR FIELD SURVEYS RELATED TO RIGHT-**
15 **OF-WAY USE?**

16

17 Q. WHAT AFFECT HAS THE COURT'S STAY HAD ON BELLSOUTH'S
18 POSITION ON THIS ISSUE?

19

20 A. The Stay has not affected BellSouth's position on this issue. BellSouth
21 maintains that charges associated with engineering surveys to potential
22 right-of-way use should be determined on an individual case basis as
23 outlined in my direct testimony.

24

25 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

- 1
- 2 A. Yes.
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FLORIDA - BELL SOUTH TELRIC AND PROPOSED PRICES					
UNBUNDLED ELEMENT	BST TELRIC Filed	Proposed Price - Existing Tariff	Tariff Rate Source	Proposed Price - True-Up	True-up Rate Source
Unbundled Loops					
2-Wire Analog Voice Grade Loop, Per Month	\$24.15	21.15/17.00*	E7.5.3	\$17.00	ACSI neg.rates
Nonrecurring - First/additional		\$140.00/45.00**		\$44.80	*
4-Wire Analog Voice Grade Loop, Per Month	\$44.04	\$31.90	E7.5.3	\$27.20	*
Nonrecurring - First/additional		\$140.00/45.00**		\$44.80	*
2-Wire ISDN Digital Grade Loop, Per Month	\$38.55			\$27.20	*
Nonrecurring - First/additional				\$44.80	*
2-Wire ADSL/HDSL Loop, Per Month				\$17.00	*
Nonrecurring - First/additional				\$44.80	*
4-wire HDSL Loop, Per Month				\$27.20	*
Nonrecurring - First/additional				\$44.80	*
4-Wire DS1 Digital Grade Loop, Per Month	\$92.67	\$140.90	E7.5.6		
Nonrecurring - First/additional		\$740.00/45.00	*		
Unbundled Exchange Access IOC - Voice Grade					
0 - 8 Miles, Fixed Per Month	\$18.84	\$28.50	E7.5.3		
Per Mile, Per Month	\$0.0125	\$1.85	*		
9 - 25 Miles, Fixed Per Month	\$17.02	\$28.50	*		
Per Mile, Per Month	\$0.0138	\$1.80	*		
Over 25 Miles, Fixed Per Month	\$17.02	\$28.50	*		
Per Mile, Per Month	\$0.0138	\$1.55	*		
Nonrecurring		\$87.00	*		
Unbundled Local Switching***					
Unbundled Exchange Ports					
2-wire Analog, Per Month	\$2.38			\$2.50	TELRIC
Nonrecurring - First/additional				\$50.00/ \$18.00	Cost estimates
4-wire Analog (Coin), Per Month	\$2.71			\$4.00	TELRIC
Nonrecurring - First/additional				\$50.00/ \$18.00	Cost estimates
4-wire ISDN DS1, Per Month	\$285.15			\$340.00	TELRIC
Nonrecurring - First/additional				\$150.00/ \$120.00	Cost estimates
2-Wire ISDN Digital, Per Month	\$12.40			\$15.00	TELRIC
Nonrecurring - First/additional				\$230.00/ \$200.00	Cost estimates
2-Wire Analog Hunting - per line - Per Month	\$0.24			\$0.25	TELRIC
Nonrecurring				\$3.00	Cost estimates
Unbundled Local Usage (Restructured Switching)					
End Office Switching, per mou	\$0.002466			0.00650	75% E.O. 800 Rate
Tandem Switching, per mou	\$0.001433			\$0.00650	E6.8.1.D
Common Transport, Per Mile, per mou	\$0.000321			\$0.00004	E6.8.1.C
Common Transport, Facility Termination, per month				\$0.00038	E6.8.1.C
* The \$17.00 rate for 2-wire analog loop has been approved by the Commission.					
** Non-recurring rates for these services have been adjusted downward during negotiations and are not currently tariffed.					
*** The unbundled local switching consists of a port charge and an associated usage charge plus applicable vertical service charges.					

DOCUMENT NUMBER-DATE
 11712 NOV-1 1988
 FPSC-RECORDS/REPORTING

FLORIDA - BELL SOUTH TELRIC AND PROPOSED PRICES					
UNBUNDLED ELEMENT	BST TELRIC Filed	Proposed Price - Existing Tariff	Tariff Rate Source	Proposed Price - True-Up	True-up Rate Source
Local Interconnection*					
End Office Switching Per MOU		\$0.00867	ES.8.2		
Tandem Switching Per MOU		\$0.00860	ES.8.1.D.		
Common Transport Per Mile/MOU		\$0.00004	ES.8.1.C.		
Common Transport - Facility Termination Per MOU		\$0.00036	ES.8.1.C.		
Intermediary Tandem Per MOU**				\$.002	Agreements
Dedicated Transport - DS1 only					
Per Mile, Per Month		\$16.75	ES.8.1.B.		
Facility Termination, Per Month		\$99.75	*		
Facility Termination, NRC		\$100.49	*		
Other dedicated transport levels			ES.8.1.B.		
Channelization System - For Unbundled Loops					
Unbundled Loop System (DS1 to VG) per sys/per mo.	\$420.30			\$400.00	ACSI neg. rates
Nonrecurring				\$525.00	*
Central Office Interface Per Circuit, Per Month	\$1.30			\$1.15	*
Nonrecurring				\$8.00	*
CCS7 Signaling Transport Service					
Signaling Connection Link, Per Month	\$4.780	\$155.00	FCC 1, Sec.6		
Nonrecurring		\$510.00	FCC 1, Sec.6		
Signaling Termination (Port), Per Month	\$120.25	\$385.00	FCC 1, Sec.6		
Signaling Usage, Per 56 Kbps Facility, Per Month	\$443.52			\$395.00	TELRIC
800 Access Ten Digit Screening Service					
Per 800 Call Utilizing 800 Acc.Ten Digit Screening Svc. w/800 Number Delivery, per query	\$0.0010	\$.004	ES.8.4		
Per 800 Call Utilizing 800 Acc.Ten Digit Screening Svc. w/800 Number Delivery, w/Optional Complex Features, per query	\$0.0011	\$.0045	ES.8.4		
Per 800 Call Utilizing 800 Acc.Ten Digit Screening Svc. w/POTS Number Delivery, per query	\$0.0010	\$.004	ES.8.4		
Per 800 Call Utilizing 800 Acc.Ten Digit Screening Svc. w/POTS Number Delivery, w/Optional Complex Features, per query	\$0.0011	\$.0045	ES.8.4		
Nonrecurring					
Reservation Charge per 800 Number reserved		\$28.50 1st / \$.50 add'l	E13.3		
Est. Charge per 800 number est. w/800 Number Delivery		\$59.50 1st / \$1.50 add'l	E13.3		
Est. Charge per 800 number est. w/POTS Number Delivery		\$59.50 1st / \$1.50 add'l	E13.3		
Customized Area of Service Per 800 Number		\$3.00 1st / \$1.50 add'l	E13.3		
Multiple InterLATA Carrier Routing per carrier requested, per 800 number		\$3.50 1st / \$2.00 add'l	E13.3		
Change Charge per request		\$43.50 1st / \$.50 add'l	E13.3		
Call handling and Destination Features per 800 number		\$3.00	E13.3		
Line Information Database Access Service					
Common Transport, Per Query, per month	\$0.00008	\$.00030	FCC 1, Sec.19		
Validation, Per Query, per month	\$0.00849	\$.03800	*		
Nonrecurring - Establishment or Change		\$91.00	*		

* See Attachment B.

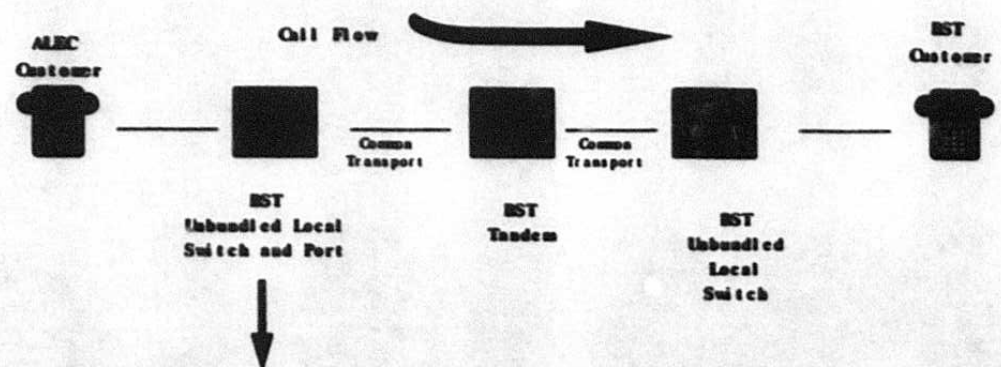
** The tandem intermediary charge applies only to intermediary traffic and is applied in addition to applicable local interconnection charges.

FLORIDA - Bellsouth TELRIC AND PROPOSED PRICES					
UNBUNDLED ELEMENT	BST TELRIC Filed	Proposed Price - Existing Tariff	Tariff Rate Source	Proposed Price - True-Up	True-up Rate Source
Operator Services					
Operator Call Processing Access Service					
Operator Provided, Per Minute					
Using BST LIDB	\$1.3281			\$1.35	TELRIC
Using Foreign LIDB	\$1.3451			\$1.35	TELRIC
Fully Automated, Per Attempt					
Using BST LIDB	\$0.0691			\$0.06	TELRIC
Using Foreign LIDB	\$0.0608			\$0.06	TELRIC
Inward Operator Services Access Service					
Verification, Per Call	\$0.9277	\$.95	E18.1.6		
Emergency Interrupt, Per Call	\$1.0065	\$1.40	E18.1.6		TELRIC
Directory Assistance Access Service Calls					
Per Call	\$0.3043	\$.25	E9.5.3		
Directory Assistance Database Service					
Use Fee, Per DADS Cust's EU Request/Listing	\$0.0198	\$.035	A38.1.3		
Monthly Recurring	\$122.13	\$150.00	A38.1.3		
Direct Access to Directory Assistance Service (DADAS)					
Database Service Charge, Per Month	\$7,317.18	\$5,000.00	FCC 1, Sec.9		
Database Query Charge, Per Query	\$0.0052	\$0.023	FCC 1, Sec.9		
Nonrecurring - DADAS Service Establishment		\$1,000.00	FCC 1, Sec.9		
DACC Access Service					
Per Call Attempt	\$0.0170			\$.25	Mirrors E9.5.3
Number Services Intercept Access Service					
Per Intercept Query	\$0.0209			\$.25	Mirrors E9.5.3
Directory Transport					
Switched Common Transport					
Per DA Service Call	\$0.00152	\$0.0030	E9.5.3		
Switched Common Transport					
Per DA Service Call Mile	\$0.00009	\$0.0004	*		
Access Tandem Switched					
Per DA Service Call	\$0.00955	\$0.0055	*		
Sw. Local Channel - DS 1 Level, Per Month					
Nonrecurring - First/additional		\$133.51	*		
		\$866.97/ \$486.83	*		
Sw. Dedicated Transport - DS 1 level, Per MI/Per Mo.					
Facilities Termination, Per Month		\$16.75	*		
Nonrecurring		\$59.75	*		
		\$100.49	*		
DA Interconnection per DA Access Service Call					
Installation		\$0.0269	E9.5.3		
NRC - Per Trunk or Signaling Connection					
First/additional		\$915.00/ \$263.00			

FLORIDA - Bellsouth TELRIC AND PROPOSED PRICES					
UNBUNDLED ELEMENT	BST TELRIC Filed	Proposed Price - Existing Tariff	Tariff Rate Source	Proposed Price - True-Up	True-up Rate Source
Collocation					
Application					
Per Arrangement / Per Location - Nonrecurring				\$3850.00	VEIS/ICI Agree
Space Preparation Fee - Nonrecurring				ICB	ICI Agreement**
Space Construction Fee - Nonrecurring				\$4500.00	Cost Ext.
Cable Installation - Per Entrance Cable				\$2750.00	VEIS rate**
Floor Space Zone A, Per Square Foot, Per Month				\$7.50	ICI Agreement
Floor Space Zone B, Per Square Foot, Per Month				\$6.75	ICI Agreement
Power Per AMP, Per Month				\$5.00	ICI Agreement
Cable Support Structure, Per Entrance Cable				\$13.35	ICI Agreement
POT Bay (Optional Point of Termination Bay)					
Per 2-Wire Cross - Connect, Per Month				\$4.00	TELRIC
Per 4-Wire Cross - Connect, Per Month				\$1.20	ICI Agreement
Per DS1 Cross - Connect, Per Month				\$1.20	ICI Agreement
Per DS3 Cross - Connect, Per Month				\$8.00	ICI Agreement
Cross-Connects					
2-Wire Analog, Per Month				\$3.00	ACSI neg. rate
4-Wire Analog, Per Month				\$5.00	ACSI neg. rate
Nonrecurring 2-wire and 4-wire				\$15.20	ACSI neg. rate
DS1, Per Month				\$8.00	ICI Agreement
Nonrecurring				\$155.00 1st / \$27.00 a	VEIS rate/cost est.
DS3, Per Month				\$72.00	ICI Agreement
Nonrecurring				\$155.00 1st / \$27.00 a	VEIS rate/cost est.!
Security Escort					
Basic - 1st half hour				\$41.00	ICI Agreement
Overtime - 1st half hour				\$48.00	ICI Agreement
Premium - 1st half hour				\$55.00	ICI Agreement
Basic - additional				\$25.00	ICI Agreement
Overtime - additional				\$30.00	ICI Agreement
Premium - additional				\$35.00	ICI Agreement
*ICI Agreement - Intermedia Communications, Inc. Agreement is referenced as an example of agreement which includes similar negotiated collocation rates.					
** VEIS - Virtual Expanded Interconnection Service - Rates similar to VEIS rates					

FLORIDA

Unbundled Switching and Interconnection
 Unbundled Switching - Including Local Network Infrastructure



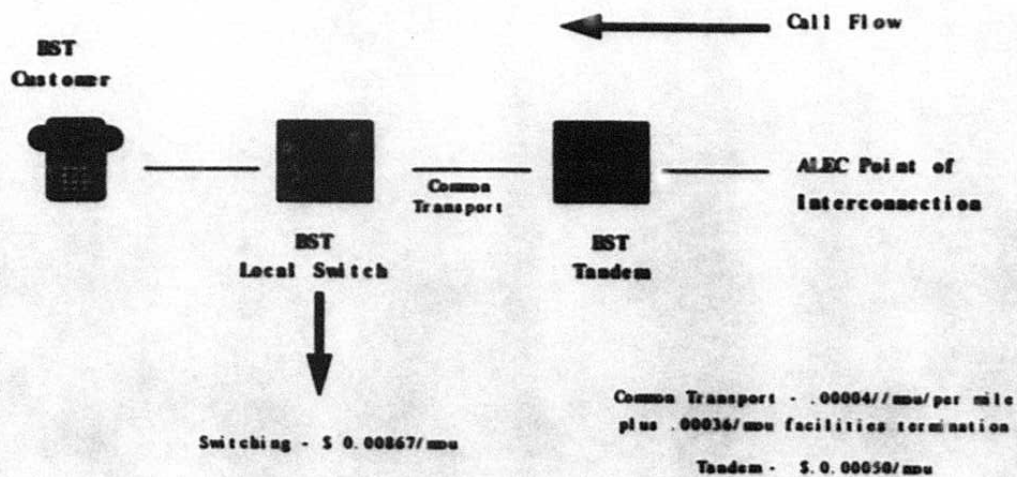
Common Transport - \$0.00004/mu/per mile
 plus \$0.00036/mu facilities termination.

Line Port - \$ 2.50 per Month
 Switching - \$0.00650/mu Tandem - \$0.00050/mu Switching - \$0.00650/mu

Note 1: Charges apply on originating usage only; rates for vertical features apply in addition to unbundled local switching rates.

Note 2: No Charge to ALEC for usage originating from BST end user to ALEC end user.

FLORIDA
Illustrative Cost Recovery
Interconnection at BST Tandem



Note 1: Charges apply on terminating usage only.

Note 2: Charges are assumed to be reciprocal