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February 4, 1997

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

RE: Docket Nos. [REDACTED] TP/960846-TP/960916-TP

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Response to Cross Motion for Reconsideration of AT&T Communications of the Southern States, Inc. Please file these documents in the captioned dockets.

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
(NW)

Nancy B. White

- ACK _____
- AFA _____
- APP _____
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- CMU _____
- CTR _____
- EAG _____
- LEG 1 _____
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- CPC _____
- ACH _____
- SEC 1 _____
- WAS _____
- OTH _____

Enclosures

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Matter of the)
Interconnection Agreement)
Negotiations Between AT&T)
Communications of The)
Southern States, Inc. and) Docket No. 960833-TP
BellSouth Telecommunications,)
Inc. Pursuant to 47 U.S.C.)
§ 252)

In re: Petition by MCI for)
arbitration of certain terms and)
conditions of a proposed)
agreement with BellSouth) Docket No. 960846-TP
Telecommunications, Inc.)
concerning interconnection and)
resale under the)
Telecommunications Act of 1996)

In the Matter of)
Petition by American)
Communications Services, Inc.)
and American Communications)
Services of Jacksonville, Inc.) Docket No. 960916-TP
for Arbitration with BellSouth)
Telecommunications, Inc.)
pursuant to the)
Telecommunications Act of 1996)

BELLSOUTH TELECOMMUNICATIONS, INC.'S
RESPONSE TO CROSS MOTION FOR RECONSIDERATION OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

BellSouth Telecommunications, Inc. ("BellSouth") hereby
files, pursuant to Rule 25-22.060(1)(b), Florida Administrative
Code, its Response to the Cross Motion for Reconsideration of
AT&T Communications of the Southern States, Inc. ("AT&T"), and
states the following:

AT&T's Cross Motion for Reconsideration should be rejected because it fails entirely to raise a legally or factually cognizable basis for the relief requested. The purpose of a motion for reconsideration is to bring to the Florida Public Service Commission's ("Commission") attention some material and relevant point of fact or law that was overlooked or that the Commission failed to consider. Diamond Cab Co. v. King, 146 So.2d 889 (Fla. 1962). AT&T's motion, however, raises absolutely nothing that the Commission has overlooked. AT&T's motion simply raises again the inclusion of operator services in the calculation of the avoided discount and the establishment of prices for unbundled elements based on BellSouth's cost studies.

Order No. PSC-96-1509-FOF-TP ("Order") established a wholesale business discount of 16.81% and a wholesale residential discount of 21.83%. In its Cross Motion, AT&T seeks to have the Commission establish a separate wholesale discount to apply when a carrier provides its own operator services. (AT&T Cross Motion, p. 3). AT&T claims that when it provides its own operator services, BellSouth will avoid expenses for operator services, which should then be reflected in the wholesale discount. AT&T's rationale is defeated by its own argument.

AT&T describes operator services as:

"...a discrete service separate and apart from local or other services. This service has its own discrete tariffed terms and rates and recovers its costs from those rates."

(AT&T Cross Motion, p. 3). Clearly then, by AT&T's own admission, the retail tariff rates for local services other than operator services do not recover the costs of operator services. If this is the case, there can be no rationale on which to base any contention that AT&T should receive an increased discount on these other retail local services when AT&T provides its own operator services. When AT&T provides its own operators, it is essentially taking over a competitive line of business. AT&T will be receiving revenues for the provision of operator services that will offset its operator services expenses. There would be no other "avoided" costs to be removed from the rates for retail services that remain.

The Commission's treatment is fully supported by the Act. Section 252 (d) (3) states that a state commission shall determine wholesale rates on the basis of retail rates charged to subscribers excluding costs that will be avoided by the local exchange carrier. The FCC noted that the treatment of operator services expense may be rebutted if an incumbent local exchange commission that these costs are not included in the retail prices of resold services. (Paragraph 917). The Commission specifically found that BellSouth had adequately met the test and that operator services expenses would not be avoided. For these reasons, AT&T's Cross Motion should be rejected.

AT&T also contends that certain prices established for unbundled elements by the Commission are faulty. In general, AT&T complains that none of its suggested adjustments to BellSouth's cost study results were adopted by the Commission in the Order (AT&T Cross Motion, p. 4). Interestingly enough, at the hearing of these dockets, AT&T abandoned rates based on its originally proposed adjustments in favor of rates based solely on the Hatfield Model. Now that the Commission has rejected the Hatfield Model, AT&T wishes to go back to its original proposal. However, it is a little late in the process for AT&T to change its mind. In any event, the Commission merely stated that it would "consider" AT&T's proposed adjustments in setting rates; the Commission did not state that it would adopt those adjustments. (Order, p. 30). Moreover, the Commission described several of AT&T's proposed adjustments and apparently decided that the adjustments were not warranted.

AT&T raised several specific claims that can be grouped into four areas: nonrecurring costs, duplication of costs, the local usage rate and the loop rate. First, AT&T claims that BellSouth's "nonrecurring cost study assumed heavy manual intervention in the service order process for such activities as engineering circuits and field work." (AT&T Cross Motion, p. 4). AT&T claims that such manual intervention will not be required due to the electronic interfaces ordered by the Commission and

thus, costs for service ordering must be reduced. This complaint is wholly without merit. The existence vel non of electronic interfaces has nothing to do with the need for the manual labor engineering circuits and field work. These are distinct and separate. Manual intervention is required to coordinate cutovers, as well as for the coordination of the loop and port connection. Therefore, the service ordering costs are not overstated.

AT&T attempts to use BellSouth's statement in BellSouth's Motion for Reconsideration that "no physical work is done to the customer's service" as evidence that the nonrecurring charge is overstated. (BellSouth's Motion, p. 7). Typically, AT&T has lifted this sentence out of context. BellSouth's statement explicitly and clearly referred to the situation where the loop and port are not unbundled (i.e., remain a retail service) and the billing records are simply transferred. BellSouth's nonrecurring cost studies specifically establish the cost of providing unbundled network elements, not existing retail services.

Second, AT&T claims that BellSouth's cost studies contain duplicate costs. Specifically, AT&T claims that the main distribution frame cost and the central voice terminal cost are duplicated. This claim is unfounded. BellSouth calculated the costs of providing unbundled network elements. Costs for the

main distribution frame appear in both the loop and port studies. The unbundled loop must terminate on the main frame so that it can be cross connected to the ALEC's switch. The port must also be on the main frame so that it can be cross connected to the ALEC's loop. When a BellSouth loop and a BellSouth port are both provided to the ALEC in order to serve a particular customer, it must be priced as the resale of an existing retail service, not as unbundled network elements. BellSouth argued this in its Motion for Reconsideration.

Even if this Commission holds on reconsideration that an ALEC can purchase the unbundled loops and port at unbundled network element prices, there will still be situations where a facilities-based carrier will order the loop or the port, but not both. In that situation, the cost of the main distribution frame must be included in both network elements.

AT&T also claims that it is inappropriate to include the cost of a central office terminal when the loop is served by integrated digital loop carrier. This claim is also unfounded. The unbundled local loop must terminate on the main distribution frame at the voice grade level in order to connect the loops to the ALEC's switch. A central office terminal is required for loops that are provisioned over integrated digital loop carrier in order to convert the loops to voice grade level. In addition, as discussed above, any ALEC who purchases a loop from BellSouth

that is served over digital loop carrier will require the central office terminal.

Third, AT&T claims that the Commission did not set the rate for local switching equal to BellSouth's costs for local switching. Under the Act, the Commission has the freedom to set prices based on costs; the Commission is not required to set prices at costs. Indeed, prices should be set to cover not only incremental costs, but also to provide contribution to joint and common costs. Thus, AT&T's point that the Commission did not set the price for local switching at cost is irrelevant and does not provide the basis for a reconsideration.

Fourth, AT&T claims that BellSouth's loop cost study is overstated. The basis for this claim is Exhibit 72. Exhibit 72 is a Commission Staff Audit Report that stated that BellSouth's recurring cost to provide an ESSX loop to certain correctional institutions in Florida is \$5.68. AT&T claims that either BellSouth's loop cost study overstated costs or that BellSouth entered into a contract service arrangement at terms below costs. Neither of these claims are valid as shown in Exhibit 72 itself. The Audit Report specifically shows that BellSouth's recurring and nonrecurring costs were covered by recurring and nonrecurring revenues.

Neither are BellSouth's loops costs overstated. While it is true that there is no technical difference between a single-line

residential loop and an ESSX loop, there are other substantial differences between the two. The major difference lies in the average length of each loop. ESSX service is a distance sensitive offering; ESSX customers tend to be located closer to the central office than the average residential customer. This lessens the cost of each ESSX loop. In addition, ESSX lines are often purchased in bulk to a single location, thereby providing for significant economies of scale not present with a residential line. As the Staff Audit Report noted, the costs used by BellSouth to price the contract service arrangement were developed specifically for the correctional institutions involved. The average loop length in BellSouth's unbundled loop cost study was over 20,000 feet; ESSX loops have much shorter average length. Moreover, ESSX lines terminate on a building terminal and therefore do not require drop wire. Therefore, there is no foundation to AT&T's claim that BellSouth's loop costs are overstated.

AT&T has presented nothing that would support reconsideration this decision. For the reasons set forth above, BellSouth respectfully requests the entry of an Order denying AT&T's Cross Motion for Reconsideration.

Respectfully submitted this 4th day of February, 1997.

BELLSOUTH TELECOMMUNICATIONS, INC.

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CERTIFICATE OF SERVICE
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I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Federal Express this 4th day of February, 1997 to the following:

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