ORIGINAL

BEFORE THE

FLORIDA PUBLIC SERVIC COMMISSION

REBUTTAL TESTIMONY OF

WAYNE ELLISON

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

Docket No. 960833-TP/960846-TP//960757-TP/971140-TP/960916-TP

Filed: December 9, 1997

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Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.

A. My name is Wayne Ellison. My business address is 1200 Peachtree Street N.E., Atlanta, Georgia 30309. I am employed by AT&T as a District Manager in the Law and Government Affairs organization.

Q. ARE YOU THE SAME WAYNE ELLISON THAT FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to:

1. Critique BellSouth's cost studies. I will demonstrate that the cost studies submitted by BellSouth in this proceeding contain methodological and data flaws. These flaws often lead to greatly overstated BellSouth costs, rendering BellSouth's studies unfit for use in establishing rates. These flaws include (1) overstated return on investment, depreciation, shared, and common costs, (2) excess spare facility requirements, (3) failure to reflect most efficient provisioning practices, and (4) overstated vendor costs. As a result, most

BellSouth cost studies do not reflect BellSouth's forward-looking economic costs.

2. Critique BellSouth's proposed rates. I will demonstrate that BellSouth's proposed rates are sometimes based on inappropriate embedded cost methodologies, in other cases based on inflated cost results, and in other cases structured in a discriminatory manner, rendering each such rate proposal unacceptable.

3. Present and describe AT&T's complete rate proposal, based on our review of BellSouth's studies and studies sponsored by AT&T/MCI witnesses. The rates proposed by AT&T are designed to fully compensate BellSouth for use of BellSouth's various capabilities, while concurrently promoting the greatest possible development of price and service competition to the maximum number of Florida consumers.

Q. HAVE YOU REVIEWED THE BELLSOUTH COST STUDIES SUBMITTED IN THIS PROCEEDING?

A. Yes.

Q. BASED ON YOUR REVIEW, DID YOU IDENTIFY PROBLEMS COMMON TO ALL OF BELLSOUTH'S STUDIES?

A. Yes. All of BellSouth's *recurring* cost studies incorporate incorrect return on investment, depreciation, shared, and common cost factors. All of the company's *non-recurring* cost studies incorporate incorrect shared and common cost factors. For these reasons alone every study provided by BellSouth requires modification. Recommended changes to BellSouth's depreciation and return factors are included in the testimonies of AT&T

witnesses Majoros and Cornell, respectively. AT&T witness Lerma provides recommended changes to BellSouth's shared and common factors.

Q. DID YOU ALSO IDENTIFY PROBLEMS SPECIFIC TO INDIVIDUAL BELLSOUTH STUDIES?

A. Yes. In addition to the common problems noted above, there are additional problems specific to BellSouth's loop studies (ADSL loops, HDSL loops, 2-wire distribution, 4-wire distribution), BellSouth's local switching study (4-wire port and features), BellSouth's NID studies, each BellSouth non-recurring study, BellSouth's physical collocation study, and BellSouth's virtual collocation study.

Q. WHAT ADDITIONAL PROBLEMS DID YOU IDENTIFY WITH BELLSOUTH'S LOOP SUBMISSIONS?

A. BellSouth's loop cost submissions, including the cost studies for two and four wire loop distribution, ADSL loops, and HDSL loops, have a number of additional problems. First, the study procedure used by BellSouth to determine the costs of each element is simply incapable of producing accurate results. Second, each study is based on a "hypothetical" loop derived from a loop sample that excludes the characteristics of BellSouth's lowest cost loops. Third, each study reflects excessive spare facility costs because BellSouth used incorrect utilization factors. Fourth, each study incorporates overstated unit cost factors and drop wire costs. Each of these shortcomings increase BellSouth's cost estimates.

Q. WHY IS THE BELLSOUTH LOOP STUDY PROCEDURE INCAPABLE OF PRODUCING ACCURATE RESULTS?

A. BellSouth's loop study procedure is fatally flawed—for all voice grade loop cost calculations—because the design of the loop cost model is defective. BellSouth's loop cost model estimates average loop cost by, (1) applying various estimated unit cost and utilization ratios to, (2) a "hypothetical" loop derived from sampled characteristics of a small number of loops, (3) modified to reflect BellSouth's view of forward-looking design. Opportunity for significant error occurs at each step of the process.

Q. PLEASE EXPLAIN.

The BellSouth loop cost model first relies on a small sample of loops to characterize the "hypothetical" physical characteristics of a typical Florida loop. The various loop characteristics sampled by BellSouth include loop length, cable sheath mix, structure mix, amount of bridged tap, and feeder/distribution interface location. Each of the characteristics sampled by BellSouth have a wide range of values from loop to loop that cannot be accurately captured in the small sample analyzed by BellSouth. Moreover, ASDL and HDSL loop costs are not even calculated from BellSouth's small sample, but from a "sample-of-the-sample".

Next, BellSouth attempts to reflect the forward-looking plant characteristics of Florida loops by altering the characteristics of its small sample. However, as explained by Mr. Wells, the process used by BellSouth's analysts reflect neither good engineering practice nor attributes of a forward-looking design.

Finally, BellSouth computes costs for the "redesigned" sample loops by applying *estimated* unit cost and utilization factors developed outside the sampling process. The BellSouth loop study methodology at this point forces the Company to rely on

unsubstantiated "expert" opinions and inappropriate historical data to estimate forward-looking cable material costs, conduit costs, pole line costs, engineering costs, installation costs, and cable utilization. BellSouth and the parties in this proceeding do not have a means of evaluating the reasonableness of these estimates using BellSouth's current methodology.

In summary, at each step of the BellSouth loop costing process BellSouth introduces insupportable estimates of loop characteristics and costs that produce wholly unreliable results.

Q. YOU STATE THAT BELLSOUTH'S LOOP STUDY ALSO RELIES ON A SAMPLE EXCLUDING BELLSOUTH'S LOWEST COST LOOPS. PLEASE EXPLAIN.

A. The loop sample used to by BellSouth to calculate loop costs is drawn from a universe that incorrectly excludes ESSX loops, business trunks, and other business offerings. Excluding these loops inappropriately increases BellSouth's estimate of loop costs because the excluded loops have lower costs than the mix of loops reflected in BellSouth's cost study results.

Q. DID BELLSOUTH USE OTHER INCORRECT INPUTS IN ITS LOOP COST STUDIES?

A. Yes. Mr. Wells describes various other incorrect inputs, including incorrect unit costs, overstated drop wire investments, and incorrect feeder and distribution fill factors.

Q. HOW ARE FEEDER AND DISTRIBUTION FILL FACTORS USED IN BELLSOUTH'S LOOP STUDIES?

A. The feeder and distribution cable fill factors are designed to recover BellSouth's investments in spare feeder and distribution plant facilities. BellSouth accounts for such costs in its studies by first calculating the direct investment required to provide the loop, and then dividing the calculated direct investment by a "fill" factor. For distribution cable BellSouth uses a factor of 38.8%. The Company divides each dollar of direct investment by this factor to obtain an investment "including spare" of $2.57. The resulting investment used to compute costs, therefore, includes a spare equipment requirement equal to 157% of the actual investment required to provide service, which is unreasonable.

Q. IS USE OF A FILL FACTOR INHERENTLY UNREASONABLE?

A. No. Reasonable fill factors are appropriate in order to recover BellSouth's administrative spare and lumpy investment requirements. However, the fill factor BellSouth uses is not derived from a reasonable calculation of these requirements, but from inappropriate historical data reflecting not only spare requirements for current capacity but spare placed by BellSouth to meet future service demands. This type factor is inappropriate.

Q. WHY IS IT INAPPROPRIATE FOR THE COMPANY TO USE FACTORS REFLECTING EXISTING PLANT FILL IN ITS COST STUDIES?

A. BellSouth's fill factors supposedly measure existing total spare, regardless of whether such spare is required to serve existing customers. In some cases it may be reasonable for BellSouth to have excessive spare levels because it may be more efficient to build excess capacity now (for example, to avoid the costs of future retrenching when new

demand for that capacity materializes). Whether or not that is true in any given case will depend on whether the cost savings associated with a single installation are greater than the carrying costs for the excess capacity. But, in any event, much of BellSouth's spare capacity would not exist if it were not for anticipated future demand. The costs associated with that spare should therefore be the responsibility of the future demand that it services.

Said another way, this is not a question about whether such spare exists, but a question of matching spare facility costs with the offerings that cause such costs to be incurred. AT&T's proposal allows BellSouth to collect growth spare costs once--from the new customers that spare plant is placed to serve. BellSouth's methodology allows the Company to collect its costs twice-- from both new and existing customers.

Q. HOW DO THE COST STUDY DEFICIENCIES YOU DESCRIBE SPECIFICALLY IMPACT BELLSOUTH'S COST ESTIMATES FOR LOOP DISTRIBUTION AND ADSL/HDSL LOOPS?

A. Each of the deficiencies I have described directly impact BellSouth's cost estimates for ADSL/HDSL loops and loop distribution. BellSouth's estimated costs for each of these elements includes cost components for depreciation, cost of money, shared costs, and common costs. BellSouth's cost estimate for each includes costs of a customer drop. And BellSouth's cost estimate for each includes the Company's estimate of spare facility requirements. Finally, the cost of each element is based on the composition of a "hypothetical" loop that excludes the characteristics of BellSouth's lowest cost loops.

Q. HAVE YOU QUANTIFIED THE IMPACT OF EACH INCORRECT INPUT ON BELLSOUTH'S SUB-LOOP AND ADSL/HDSL COST RESULTS?

A. Partially. Rebuttal Exhibit WE-1 includes corrected BellSouth cost results incorporating most of the adjustments I have described. However, Rebuttal Exhibit WE-1 does not adjust for the incorrect loop sample used by BellSouth, because the data to make this correction is not available. The specific adjustments included on Rebuttal Exhibit WE-1, for loops as well as all other elements, are identified on Rebuttal Exhibit WE-2.

Q. SHOULD THE COMMISSION REJECT THE BELLSOUTH LOOP MODEL FOR USE IN DETERMINING NETWORK ELEMENT PRICES?

A. Yes. The Commission should reject the BellSouth loop model because it is simply incapable of producing reliable cost results, either on a statewide average basis or at the geographically deaveraged cost level required for network element pricing.

Q. HOW SHOULD THE COMMISSION ESTABLISH LOOP AND SUB-LOOP RECURRING RATES IN THIS PROCEEDING?

A. The Commission should adopt the rate proposals for distribution facilities, ADSL loops, and HDSL loops contained in my Rebuttal Exhibit WE-1, which reflects AT&T's complete price proposal in this proceeding. My recommendations for loops and loop distribution are obtained from Hatfield Model results presented by Mr. Wood and, for 4-wire HDSL loops, cost ratios presented by BellSouth. The rates I propose have been developed by aggregating Hatfield wire center results by identified rate group. The ADSL/HDSL results are based only on copper loops. I also recommend in Rebuttal Exhibit WE-1 that loop prices be deaveraged to reflect weighted average loop costs for each of six wire center groups. Although wire center deaveraging does not capture all

variables associated with loop costs, it does generally capture differences due to the greatest variable, population density. BellSouth should also have the capability to bill deaveraged prices at the wire center group level.

Q. HAVE YOU BASED YOUR PRICE RECOMMENDATIONS ON TELRIC RESULTS OR TSLRIC RESULTS?

A. I have based my recommendations on forward-looking costs economic costs, which include all directly attributable costs of the element (sometimes based on corrected BellSouth "TELRIC" studies) plus a reasonable allocation of forward-looking common costs. I believe this standard most closely meets the prior direction for network element pricing established by the Commission. BellSouth's so-called TSLRIC studies do not meet the Commission's requirements because they do not fully reflect directly attributable costs. BellSouth's "TSLRIC" studies therefore provide the Commission little direction regarding appropriate rates.

Q. WHY SHOULD THE COMMISSION GEOGRAPHICALLY DEAVERAGE LOOP AND LOOP DISTRIBUTION PRICES?

A. State average loop prices advantage BellSouth in the competitive marketplace by providing the Company an artificial cost advantage in the more densely populated areas of the state. Averaged rates will thereby prevent the type of widespread competition envisioned by the Commission and the Act, which is antithetical to the Commission's goal of encouraging the type of widespread competition that benefits all consumers.

The importance of geographically de-averaged prices for establishing competitive local markets has been specifically recognized by the FCC. In its Ameritech order (FCC 97-298, released August 19, 1997, paragraph 292) the FCC noted:

> Establishing prices based on TELRIC is a necessary, but not sufficient, condition for checklist compliance. In order for us to conclude that sections 271(c)(2)(B)(i) and (ii) are met, rates based on TELRIC principles for interconnection and unbundled network elements must also be geographically deaveraged to account for the different costs of building and maintaining networks in different geographic areas of varying population density. Deaveraged rates more closely reflect the actual costs of providing interconnection and unbundled elements. Deaveraging should, therefore, lead to increased competition and ensure that competitors make efficient entry decisions about whether they will use unbundled network elements or build facilities.

Q. HAVE YOU PROVIDED AN ALTERNATIVE RATE PROPOSAL FOR STATEWIDE AVERAGED RATES IN THE EVENT THE COMMISSION DOES NOT ADOPT GEOGRAPHICALLY DEAVERAGED RATES?

A. Yes. Rebuttal Exhibit WE-1 also includes rates suitable for uniform statewide application in the event deaveraged rates are rejected. However, I strongly urge the Commission to implement geographically deaveraged loop rates.

LOCAL SWITCHING

Q. WHAT ADDITIONAL PROBLEMS DID YOU IDENTIFY WITH RESPECT TO BELLSOUTH'S LOCAL SWITCHING SUBMISSION?

A. AT&T determined that BellSouth's local switching cost estimate for the 4-wire port and features is inflated by overstated and improperly assigned investments. Investment related problems are addressed in the testimony of AT&T witness Catherine Petzinger.

Q. ARE THERE OTHER PROBLEMS WITH BELLSOUTH'S LOCAL SWITCH PORT PROPOSAL?

A. Yes. Because BellSouth bases its recommendation on flawed cost studies, the Company proposes port charges that are too high and feature charges that are inappropriate. In addition, BellSouth sums its calculated costs for 24 features to derive a price for the 4-wire port, including features, of $17.36 per month. Extending BellSouth's logic, a port with all features--which BellSouth is required to provide--would cost approximately $275.00 per month, given that the typical digital switch has approximately 1000 features. Of course, $275.00 for a port is unreasonable, and BellSouth's proposal is simply unsound. First, even BellSouth acknowledges that the average consumer uses only a very small proportion of the actual features available in a switch. A cost-based rate would therefore reflect customer use of only a small number of features -- not the total cost of all features available -- and even BellSouth's flawed methodology would produce total feature costs less than 45 cents per month.

This lower estimate of costs is supported by a September 29, 1995 BellSouth filing with the Kentucky Public Service Commission, where BellSouth claimed its average monthly

costs for vertical features provided with an additional residential line were $0.69. BellSouth's estimated vertical feature costs of $6.20 in this proceeding are therefore unreasonable by any measure, and approximately 800% higher than cost estimates presented by the Company in Kentucky.

Q. WHAT ACTION SHOULD THE COMMISSION TAKE WITH RESPECT TO PRICES FOR LOCAL SWITCHING?

A. The Commission should adopt the AT&T proposal contained in Rebuttal Exhibit WE-1, which is based on corrected BellSouth cost results and the analysis of witness Catherine Petzinger.

Q. DOES AT&T RECOMMEND SEPARATE OR ADDITIONAL CHARGES FOR FEATURES, FUNCTIONS, AND OTHER CAPABILITIES OF THE LOCAL SWITCH?

A. No. As explained by AT&T witness Catherine Petzinger, separate and additional charges for features and functions are not appropriate. In addition, Ms. Petzinger describes the significant barriers to competition that would occur if BellSouth were allowed to implement even minimal separate feature charges, which would require new entrants to follow a request process each time a new feature were desired. The Commission simply cannot allow BellSouth to erect such barriers to competition by establishing separate charges for each feature, function, or capability, which would remain regardless of the actual level of BellSouth charges. The FCC recognized as much in formulating its network element rules, stating at Paragraph 423 of the FCC's First Report and Order, CC Docket No. 96-98, released August 8, 1996:

> We also disagree with the proposal to define local switching as a point of access plus basic switching functionality, but that would exclude vertical switching features. As a legal matter, this definition is inconsistent with the 1996 Act's definition of "network element," which includes all the "features, functionality's, and capabilities provided by means of such facility or equipment. In addition, this definition would not fulfill the pro-competitive objectives of the 1996 Act as effectively as the per-line definition we adopt. A competitor that obtains basic and vertical switching features at cost-based rates will have maximum flexibility to distinguish its offerings from those of the incumbent LEC by developing a variety of service packages and pricing plans. Moreover, an up front purchase of all local switching features may speed entry by simplifying practical issues such as the pricing of individual switching features.

The FCC's position was recently upheld by the decision of the 8th Circuit Court.

Q. ARE THERE ADDITIONAL REASONS FOR NOT ADOPTING SEPARATE CHARGES FOR 4-WIRE PORT FEATURES AND FUNCTIONS?

A. Yes. Adopting separate charges for features and functions would also conflict with the policy of this Commission. In its arbitration order the Commission determined that local

switching included all features and functions. The Commission thereupon established monthly and usage rates to recover such costs. Specifically, the Commission adopted a monthly rate of $2.00 and a per minute rate of $0.0175 for the first minute and $0.005 for each additional minute for the 2-wire port. The 4-wire port being priced in this proceeding is identical to the 2-wire port already priced; i.e., the 4-wire port is simply a 2-wire port bundled with signaling and terminating equipment. It follows then that adding transmission equipment to the 2-wire port should not cause the entire pricing structure for the underlying switch function to change. Instead, the price increment for the bundled offering should reflect only the cost of the added transmission equipment.

NON-RECURRING COSTS

Q. WHAT ADDITIONAL PROBLEMS DID AT&T IDENTIFY WITH BELLSOUTH'S NONRECURRING COST SUBMISSIONS?

A. Additional problems with BellSouth's non-recurring cost studies are addressed by witnesses Lynott and Hyde. These witnesses point out BellSouth's failure to reflect forward-looking economic costs in the Company's non-recurring cost studies. The Commission should reject BellSouth's studies, and require that rates reflect efficient provisioning methods, as described and quantified in the testimony of Mr. Lynott, and reflected in AT&T's rate recommendations contained in Rebuttal Exhibit WE-1. Non-recurring charges, if not properly structured and priced, will present insurmountable barriers to competition. The Commission must not allow BellSouth to foreclose viable competition through excessive non-recurring rates that could otherwise result through efficient recurring rates for network elements.

Q. SHOULD THE COMMISSION ADOPT BELLSOUTH'S PROPOSAL FOR OSS INTERFACE CHARGES?

A. No, absolutely not. The Commission correctly determined in the arbitration proceedings that "each party shall bear its own cost of developing and implementing electronic interface systems, because those systems benefit all carriers". There is no reason to revisit the Commission's decision in the current proceeding. BellSouth should be required to develop its transactional non-recurring costs assuming the existence of efficient electronic interface arrangements, and the Company should be required to provide efficient access as the Commission has directed. To the extent BellSouth desires to tariff "manual" order charges, it should be allowed to do so only for customers who request a manual order process. Customers who are required to place manual orders because they have no other choice (i.e., because electronic capability is not available or fully functional) should not be required to pay "manual" order charges.

Q. SHOULD BELLSOUTH'S PROPOSED OSS INTERFACE CHARGES BE REJECTED FOR ANY OTHER REASON?

A. Yes. In addition to being inappropriate, BellSouth's claimed costs are undocumented. No proposal for billing to new entrants should be considered simply because BellSouth claims costs of a certain level, or asserts that such costs are necessary and prudent. The burden of proof for any claimed cost should be on BellSouth, and BellSouth has not even attempted in this proceeding to meet that burden.

The Commission should also reject BellSouth's proposed method of recovering costs. As the Commission has previously determined, investments in electronic gateway systems will benefit all carriers. Yet, BellSouth has taken the position in this proceeding

that BellSouth's electronic interface costs (which may or may not be prudent) should be recovered directly and solely from competing carriers in the form of special non-recurring charges. This constitutes another attempt by BellSouth to use its monopoly power to favor itself over potential entrants. In this regard, even if BellSouth accurately identified its prudent costs, the Company would establish one more barrier to entry that will suppress competition by making its competitors pay more of those costs per unit of demand.

Q. DID AT&T IDENTIFY ADDITIONAL PROBLEMS WITH BELLSOUTH'S COST SUBMISSIONS FOR THE NID?

A. Yes. Mr. Wells describes the additional problems we identified with the BellSouth NID studies. Corrected BellSouth cost results incorporating Mr. Well's suggestions are reflected on Rebuttal Exhibit WE-1.

Q. WHAT ADDITIONAL PROBLEMS WERE IDENTIFIED WITH RESPECT TO BELLSOUTH'S PHYSICAL AND VIRTUAL COLLOCATION COST SUBMISSIONS?

A. Problems with BellSouth's collocation studies are outlined in the testimonies of Mr. Bissell and Mr. Hyde.

EMBEDDED COST RECOVERY

Q. SHOULD THE COMMISSION SERIOUSLY CONSIDER BELLSOUTH'S REQUEST TO RECOVER EMBEDDED COSTS IN THE COMPANY'SLOOP AND LOCAL SWITCHING RATES?

A. No. The recovery of embedded costs in rates charged new entrants would greatly harm competition and the Florida consumer. Competitors would be harmed because they would be placed at a disadvantage to BellSouth in offering cost-based prices. Consumer's would be harmed because they would pay higher than necessary rates to both BellSouth and its competitors. Only BellSouth shareholders and managers would benefit from including embedded costs, because BellSouth would be permitted under its proposal to recover non-existent or inefficient costs. These are not the outcomes contemplated by the Act.

Q. THEN YOU DO NOT AGREE WITH MR. VARNER THAT THE ACT CONTEMPLATES THAT PRICES RECOVER EMBEDDED COSTS?

A. No. The Act contemplates that network element rates will be established at levels to promote efficient competition that benefits consumers, i.e., at forward-looking economic costs. Contrary to Mr. Varner's claims, the Act actually forbids consideration of BellSouth's embedded costs by requiring that interconnection and network element prices be "based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element". Considering BellSouth's "embedded" costs would require a rate-based proceeding.

Q. HAS BELLSOUTH PROVIDED ANY DOCUMENTATION OF ITS SO-CALLED EMBEDDED COSTS IN THIS PROCEEDING?

A. No. BellSouth has produced volumes of documentation for its TSLRIC/TELRIC cost models, but has not provided documentation for its claimed "embedded" costs. Evidently, even BellSouth does not take its "embedded" cost recommendation seriously. Importantly, this Commission should not take the "embedded" cost recommendation

seriously, or allow the proposal to divert this Commission from critically examining BellSouth's forward-looking costs.

Q. HAS IT BEEN BELLSOUTH'S POLICY TO ADVOCATE PRICES BASED ON EMBEDDED COSTS IN THE PAST?

A. No. BellSouth has, in the past, advocated the use of long-run incremental costs ("LRIC") to define both the price at which BellSouth is fully compensated and the cost that BellSouth believes should be the basis for interconnection prices. BellSouth has also argued vigorously before state regulators for the ability to establish various service prices, particularly prices for competitive services, at or below incremental cost. BellSouth witness Frank Kolb outlined the Company's position regarding incremental cost-based pricing in testimony before the Georgia Public Service Commission in Docket No. 5258-U, stating that "[L]ong run incremental cost is the proper standard in computing a price floor and is a basis for testing for a subsidy". Mr. Kolb went on to state "as long as revenue is above total long run incremental cost (volume and non-volume sensitive components), a service is compensatory and is not subsidized. Consequently, there is a need for only one standard to test prices for subsidy, and that standard is long run incremental cost."

BellSouth specifically addressed the use of LRIC for interconnection pricing in a March, 1995 filing with the European Commission. There, BellSouth Europe summarized the Company's position as follows:

- Interconnection charges will have a major impact on the potential success of infrastructure liberalization.

- Interconnection charges should reflect cost causation and, as such, should be based on long run incremental costs (LRIC).
- Interconnection charges should motivate incumbent efficiency.
- Rather than handicapping incumbents, past monopoly-bred inefficiencies often greatly advantage these incumbents when competition with new entrants requiring interconnection begins.
- Incumbents bring enormous structural advantages to competitive situations.
- To develop effective competition, interconnection charges must be adjusted to motivate incumbent efficiency and counterbalance the incumbent's considerable structural advantages.
- Effective competition is largely dependent upon equal access to infrastructure by competing parties. This is most easily accomplished by organizationally separating the incumbent's infrastructure and service provision units. Where equal access does not exist, interconnection charges should be adjusted to achieve the same competitive effect (e.g., the AT&T ENFIA discount to MCI).

(emphasis added)

Q. HAS IT ALSO BEEN BELLSOUTH'S POSITION THAT EMBEDDED COSTS ARE ACTUALLY INAPPROPRIATE FOR PRICING?

A. Yes. BellSouth witness Frank Kolb further stated, at page 7 of his testimony in Georgia Docket No. 5258-U:

> FDC methodology is inappropriate for making business decisions in a competitive market for two major reasons.

First, FDC does not reflect the true economic costs associated with the decision to provide a service for the following reasons:

1. FDC does not reflect the current or prospective value of the capital investment used to provide the service.
2. FDC is misleading because ongoing costs (maintenance, administration and other operating expenses) are not fixed at their past levels, nor are the methods of production unchanging, as FDC methodology implies.

Second, the assignment of common and shared costs to a product is completely arbitrary. For example, there is no way to logically assign the cost of corporate headquarters to any particular product or service. If this assignment is arbitrarily made, and the resulting price is forced to exceed what would otherwise be a market price, then sales of the product decline. As a result total revenues decline, and the cost of corporate headquarters must be recovered from all other products and services. It is clear that such a result is unacceptable. In effect, the pricing philosophy which tests the market price against the direct incremental cost of a service will produce contributions consistent with market conditions, arbitrarily assigning costs to products and services will not. Said another way, the incremental cost/pricing

concept lets the market determine the extent to which common and shared costs are covered by individual services. Indeed, this strategy will result in the most efficient prices and will provide the maximum contribution to universal service. It is imperative that we recognize that allocation of common costs to all services does not guarantee recovery of those common costs.

(emphasis added)

Although Mr. Varner has attempted to disassociate BellSouth from this statement in other proceedings by claiming that FDC and embedded costs are not necessarily the same, it is apparent from Mr. Kolb's statements (see underlined items) that he was talking about embedded FDC.

Q. WHAT IS THE SIGNIFICANCE OF BELLSOUTH'S PRIOR STATEMENTS REGARDING EMBEDDED COSTS TO THIS PROCEEDING?

A. Importantly, BellSouth has acknowledged in these prior statements that neither costs nor the methods of production that produce those costs are fixed at past levels. AT&T agrees. For example, an article in the June 17, 1997 *Atlanta Journal/Constitution* describes the significant year over year reductions that are occurring in BellSouth's work force, stating that "[j]ust this year, the company work force has been trimmed by about 5,200 jobs." Thus, whatever BellSouth calculates its prior "actual" expenses to be, that expense no longer exists, and "actual" expenses today will not exist in the future.

To therefore allow BellSouth to charge rates to reflect these prior "embedded" amounts would simply allow BellSouth to establish an artificially high price floor for competitor

prices, which the Company could use to engage in inefficient and/or anti-competitive pricing. For example, BellSouth could use this cost advantage as an offset to inefficient future operations costs, which would result in higher rates for all consumers. BellSouth could also drive additional costs from its business, in which case BellSouth could flow the extra profits to shareholders or use them to engage in anti-competitive pricing. In either case allowing BellSouth to create artificially high price floors through overcharges to its competitors results in higher rates for all Florida consumers.

Q. CONTRARY TO PAST BELLSOUTH POLICY MR. VARNER NOW CITES VARIOUS REASONS WHY PRICES SHOULD NOT BE SET EQUAL TO ECONOMIC COSTS. CAN YOU COMMENT?

A. Yes. Mr. Varner, at one point in his direct testimony, attempts to justify BellSouth's "new" position by stating that pricing cannot be narrowed to an exact numerical exercise. However, Mr. Varner then contradicts his own testimony by recommending that the Commission adopt BellSouth's embedded rate proposals, indeed obtained through an "exact numerical exercise."

Mr. Varner also states that pricing based on economic costs is not appropriate because prices must be "functional" in the marketplace, sighting the existence of tariffs at rates that are "based on costs" but apparently different than the results of BellSouth's cost studies. Mr. Varner fails to explain how rates that are different than BellSouth's cost studies can be based on costs. Mr. Varner also fails to explain why it is necessary to resolve such conflicts by adopting the tariff rate instead of changing the tariff rate to reflect BellSouth's current estimate of costs.

Q. MR. VARNER ALSO SUGGESTS THAT PRICING AT ECONOMIC COST WOULD DISCOURAGE BELLSOUTH FROM MAKING PRUDENT INVESTMENTS. DO YOU AGREE?

A. No. I find it implausible that BellSouth would purposely choose to make imprudent investments in a competitive marketplace, for whatever reason. Mr. Varner attempts to support this implausible conclusion by misrepresenting the outcome of suitable forward-looking cost procedures, stating that BellSouth cannot recover its shared costs using TELRIC-based prices. In fact, shared costs are included in TELRIC cost calculations.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

AT&T REVISED INPUTS TO TELRIC CALCULATIONS - FLORIDA

COST OF CAPITAL	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED MODEL	CELL	AT&T WITNESS
ASSUMPTIONS:					
Cost of Money	0.1125	0.0943	BellSouth Capital Cost Calculator, Required Inputs, Cost of Money	F14	CORNELL
Debt Interest Rate	0.0800	0.0706	BellSouth Capital Cost Calculator, Required Inputs, Debt Interest Rate	F8	CORNELL
DEPRECIATION--Account Lives					
BUILDINGS	45.0	48.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I24	MAJOROS
LAND	98.0	98.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I25	MAJOROS
OPERATOR SYSTEMS	10.0	14.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I27	MAJOROS
ANALOG ELEC. SWITCH	4.2	4.2	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I29	MAJOROS
DIGITAL ELEC. SWITCH	10.0	17.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I30	MAJOROS
DIGTL CIRC-DDS	7.1	10.5	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I32	MAJOROS
DIGTL CIRC-PAIR GAIN	9.3	10.5	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I33	MAJOROS
DIGTL CIRC-OTHER	9.3	10.5	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I34	MAJOROS
GEN PURPOSE COMP, OTHER	5.0	7.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I36	MAJOROS
G P COMP, DATA CONT & WRKSTA	5.0	7.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I37	MAJOROS
POLES	34.0	35.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I39	MAJOROS
AERIAL CA - METAL - BLDG ENTER	14.0	18.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I40	MAJOROS
AERIAL CA - METAL	14.0	18.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I41	MAJOROS
AERIAL CA - FIBER - BLDG ENTER	20.0	25.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I42	MAJOROS
AERIAL CA - FIBER	20.0	25.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I43	MAJOROS
BURIED CA - METAL	14.0	18.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I44	MAJOROS
BURIED CA - FIBER	20.0	25.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I45	MAJOROS
UNDERGROUND CA - METAL	12.0	25.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I46	MAJOROS
UNDERGROUND CA - FIBER	20.0	25.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I47	MAJOROS
SUBMARINE CA - METAL	14.0	18.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I48	MAJOROS
SUBMARINE CA - FIBER	14.0	18.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I49	MAJOROS
INTA BLDG NTWK CA - METAL	21.0	20.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I50	MAJOROS
INTA BLDG NTWK CA - FIBER	21.0	20.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I51	MAJOROS
CONDUIT SYSTEMS	59.0	55.0	BellSouth Capital Cost Calculator, Required Inputs, Life (Years)	I53	MAJOROS

DEPRECIATION--Net Salvage	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED MODEL	CELL	
BUILDINGS	0.0300	0.04	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K24	MAJOROS
LAND	1.0000	1.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K25	MAJOROS
OPERATOR SYSTEMS	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K27	MAJOROS
ANALOG ELEC. SWITCH	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K29	MAJOROS
DIGITAL ELEC. SWITCH	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K30	MAJOROS
DIGTL CIRC-DDS	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K32	MAJOROS
DIGTL CIRC-PAIR GAIN	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K33	MAJOROS
DIGTL CIRC-OTHER	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K34	MAJOROS
GEN PURPOSE COMP, OTHER	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K36	MAJOROS
G P COMP, DATA CONT & WRKSTA	0.0000	0.00	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K37	MAJOROS
POLES	-0.6100	-0.75	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K39	MAJOROS
AERIAL CA - METAL - BLDG ENTER	-0.1400	-0.11	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K40	MAJOROS
AERIAL CA - METAL	-0.1400	-0.11	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K41	MAJOROS
AERIAL CA - FIBER - BLDG ENTER	-0.1500	-0.11	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K42	MAJOROS
AERIAL CA - FIBER	-0.1500	-0.11	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K43	MAJOROS
BURIED CA - METAL	-0.0900	-0.06	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K44	MAJOROS
BURIED CA - FIBER	-0.0600	-0.08	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K45	MAJOROS
UNDERGROUND CA - METAL	-0.1700	-0.07	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K46	MAJOROS
UNDERGROUND CA - FIBER	-0.1500	-0.06	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K47	MAJOROS
SUBMARINE CA - METAL	-0.0500	-0.05	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K48	MAJOROS
SUBMARINE CA - FIBER	-0.0500	-0.05	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K49	MAJOROS
INTA BLDG NTWK CA - METAL	-0.1300	-0.12	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K50	MAJOROS
INTA BLDG NTWK CA - FIBER	-0.1300	-0.12	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K51	MAJOROS
CONDUIT SYSTEMS	-0.0800	-0.07	BellSouth Capital Cost Calculator, Required Inputs, Net Salvage	K53	MAJOROS
					MAJOROS

CAPITAL COST FACTORS WHICH CANNOT BE CHANGED INSIDE CAPITAL COST CALCULATOR	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED PATH	FILE	CELL	
MOTOR VEHICLES	23.33	22.38	Bistric.fl\Shrdcomn\	S&cmod.xlw	L279	CORNELL & MAJOROS
SPC PURPOSE VEH	24.61	22.75	Bistric.fl\Shrdcomn\	S&cmod.xlw	L281	CORNELL & MAJOROS
GARAGE WORK EQ	16.86	16.90	Bistric.fl\Shrdcomn\	S&cmod.xlw	L282	CORNELL & MAJOROS
OTHER WORK EQUI	17.07	15.43	Bistric.fl\Shrdcomn\	S&cmod.xlw	L283	CORNELL & MAJOROS
FURNITURE	18.08	18.17	Bistric.fl\Shrdcomn\	S&cmod.xlw	L285	CORNELL & MAJOROS
OFC SUPPORT EQU	19.59	18.44	Bistric.fl\Shrdcomn\	S&cmod.xlw	L286	CORNELL & MAJOROS
CORP COMM EQUIP	25.26	23.39	Bistric.fl\Shrdcomn\	S&cmod.xlw	L287	CORNELL & MAJOROS
COMPUTERS	30.50	26.76	Bistric.fl\Shrdcomn\	S&cmod.xlw	L288	CORNELL & MAJOROS

AT&T REVISED INPUTS TO TELRIC CALCULATIONS - FLORIDA
PLANT SPECIFIC ANNUAL COST FACTORS

PLANT ACCOUNT	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED
10C	0.0053	0.005	Telric Calculator, Factors, Annual Cost Factors tab
377C	0.0400	0.0356	Telric Calculator, Factors, Annual Cost Factors tab
377CP	0.0376	0.0335	Telric Calculator, Factors, Annual Cost Factors tab
157C	0.0281	0.0257	Telric Calculator, Factors, Annual Cost Factors tab
257C	0.0169	0.0154	Telric Calculator, Factors, Annual Cost Factors tab
357C	0.0227	0.0207	Telric Calculator, Factors, Annual Cost Factors tab
1C	0.0179	0.0160	Telric Calculator, Factors, Annual Cost Factors tab
1CP	0.0053	0.0160	Telric Calculator, Factors, Annual Cost Factors tab
12C	0.0558	0.0508	Telric Calculator, Factors, Annual Cost Factors tab
22C	0.0558	0.0508	Telric Calculator, Factors, Annual Cost Factors tab
812C	0.0029	0.0026	Telric Calculator, Factors, Annual Cost Factors tab
822C	0.0029	0.0026	Telric Calculator, Factors, Annual Cost Factors tab
5C	0.0196	0.0179	Telric Calculator, Factors, Annual Cost Factors tab
85C	0.0032	0.0029	Telric Calculator, Factors, Annual Cost Factors tab
45C	0.0061	0.0315	Telric Calculator, Factors, Annual Cost Factors tab
845C	0.0039	0.0035	Telric Calculator, Factors, Annual Cost Factors tab
6C	0.0061	0.0056	Telric Calculator, Factors, Annual Cost Factors tab
86C	0.0012	0.0056	Telric Calculator, Factors, Annual Cost Factors tab
52C	0.0023	0.0020	Telric Calculator, Factors, Annual Cost Factors tab
852C	0.0023	0.0069	Telric Calculator, Factors, Annual Cost Factors tab
4C	0.0033	0.0030	Telric Calculator, Factors, Annual Cost Factors tab
4CP	0.0034	0.0030	Telric Calculator, Factors, Annual Cost Factors tab
530C	0.0614	0.0732	Telric Calculator, Factors, Annual Cost Factors tab
630C	0.0614	0.0732	Telric Calculator, Factors, Annual Cost Factors tab

AT&T REVISED INPUTS TO TELRIC CALCULATIONS - FLORIDA

SHARED COST FACTORS

ACCOUNT	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED PATH	FILE	WORKSHEET	CELL
2121	0.15496	0.1290	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H192
2211	0.344941	0.3263	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H211
2212	0.203937	0.1505	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H212
2220	0.203937	0.1848	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H214
2231	0.197756	0.2244	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H215
2232	0.244021	0.1802	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H216
2232	0.211104	0.1802	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H217
2232	0.211104	0.1802	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H218
2232	0.245529	0.2271	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H219
2232	0.2455	0.2271	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H220
2342	0.2810	0.2665	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H221
2362	0.268097	0.2339	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H222
2411	0.146416	0.1422	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H224
2421	0.173911	0.1422	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H225
2421	0.159331	0.1324	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H226
2422	0.182244	0.1331	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H227
2422	0.159331	0.1332	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H228
2423	0.175525	0.1429	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H229
2423	0.161364	0.1343	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H230
2424	0.176816	0.1437	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H231
2424	0.176816	0.1437	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H232
2426	0.158511	0.1381	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H233
2426	0.158511	0.1381	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H234
2441	0.155374	0.1284	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Summary-Shared Factor	H235

SHARED LABOR FACTORS

BST	AT&T	LOCATION WHERE VALUE WAS CHANGED PATH	FILE	WORKSHEET	CELLS
various	0	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Shared Labor Factors	E3 through E43

COMMON COST FACTOR

BST	AT&T	LOCATION WHERE VALUE WAS CHANGED PATH	FILE	WORKSHEET	CELL
5.39%	4.70%	Bistric.fl\Telric\Shrdcomn\FL\	S&cmod.xlw	Common Cost Factor	D14

AT&T REVISED INPUTS TO TELRIC CALCULATIONS - FLORIDA

Changes to Recurring Additives

Switch Feature Right to Use Fee

Cost Element #	BST Recurring Volume Insensitive $ Amount	AT&T Recurring Volume Insensitive $ Amount	LOCATION WHERE VALUE WAS CHANGED MODEL	VIEW	TAB
B.2.1-B2.37	VARIES	$0.0000	Telric Calculator	Investments	Recurring Additives
B2.37					

Changes to Vertical Feature Investments

Cost Element #	Investment $	Investment $	MODEL	VIEW	TAB
B.2.1 - B.2.40	various	0	Telric Calculator	Investments	Investments

SWITCHING INVESTMENT

	BST	AT&T	PATH	FILE	TABLE	CELL
MDF and NTS	$57.37	$47.03	Bistuc,fl\Telric	4wa.xls	nvestments	E15

AT&T REVISED INPUTS TO TELRIC CALCULATIONS - FLORIDA

DROP WIRE/NID INPUTS	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED PATH	FILE	WORKSHEET	CELL
DROP MAT. (BURIED, 2-PR., RES)		$ 9.08 100 FT@$0.0908	Bistric.FL\Loop	Drop.xls		
DROP MAT. (AERIAL, 2-PR., RES&BUS)	$ 16.45	$ 6.58 100 FT@$0.0658	Bistric.FL\Loop	Drop.xls	Inputs	J14
DROP MAT. (BURIED, 5-PR., BUS)	$ 27.08	$ 13.54 100 FT@$0.1354	Bistric.FL\Loop	Drop.xls	Inputs	J15
CONTRACTOR LABOR (0-500FT) BURIED	$ 73.57	$ 73.57	Bistric.FL\Loop	Drop.xls	Inputs	J21
TELCO LABOR-TRAVEL	0.3667 hours	0.2500 hours	Bistric.FL\Loop	Drop.xls	Inputs	J22
TELCO LABOR -INSTALL NID	0.75 hours	0.4167 hours	Bistric.FL\Loop	Drop.xls	Inputs	J23
TELCO LABOR-AERIAL INSTALL&TERM D	0.9167 hours	0.6667 hours	Bistric.FL\Loop	Drop.xls	Inputs	J24
TELCO LABOR-BURIED INSTALL&TERM D	0.6667 hours	0.3333 hours	Bistric.FL\Loop	Drop.xls	Inputs	J25
%INVESTMENT AERIAL	32%	35%	Bistric.FL\Loop	Drop.xls	Inputs	J29
%INVESTMENT BURIED	68%	65%	Bistric.FL\Loop	Drop.xls	Inputs	J30

ASSUMPTIONS/NOTES:

BST: MATERIAL PRICES FOR DROP,NID, AND EXEMPT ARE FROM BST APPARATUS EQUIPMENT AND TOOLS PRODUCT CATALOG, DECEMBER 1996

AT&T: MATERIAL PRICES FOR NID, AND EXEMPT ARE FROM BST APPARATUS EQUIPMENT AND TOOLS PRODUCT CATALOG, DROP FROM COPPER CABLE TABLE.

BST: TRAVEL TIME REPRESENTS AN AVERAGE SITUATION CONSIDERING DISPATCH POINT TO FIRST CUSTOMER, CUSTOMER TO CUSTOMER, AND BACK TO DISPATCH

AT&T: TRAVEL TIME REPRESENTS A CREW INSTALLING DROPS THROUGHOUT A NEIGHBORHOOD.

BST: DROP WIRE MATERIAL IS BASED ON A ESTIMATE OF AVERAGE DISTANCE OF 300FT BURIED AND 250 FT AERIAL

AT&T: DROP WIRE MATERIAL IS BASED ON A ESTIMATE OF AVERAGE DISTANCE OF 100FT BURIED AND 100 FT AERIAL

BST: RESIDENCE AND BUSINESS INSTALLATION INFORMATION IS THE SAME

AT&T: PERCENTAGES OF AERIAL AND BURIED DROPS BASED ON THE FRC OF THE LAST CABLE SEGMENT BEFORE THE TERMINAL IN THE LOOP SAMPLE, THEN MODIFIED.

AT&T REVISED INPUT TO TELRIC CALCULATIONS - FLORIDA
OTHER CHANGES:

	BST	AT&T	LOCATION WHERE VALUE WAS CHANGED			AT&T
			PATH	FILE(s)	TABLE/WORKSHEET	WITNESS
UTILIZATION--COPPER FEEDER	65.7%	80.0%	Bistric.FL\Loop	loop.mdb	Util	Wells
UTILIZATION--DISTRIBUTION	38.8%	62.5%	Bistric.FL\Loop	loop.mdb	Util	Wells
CONDUIT LOADING FACTOR	0.911	0.25				Wells

NON-RECURRING WORK TIMES:

See Rubuttal Testimony of John Lynott

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
2			**Network Interface Device (NID)**								
3	A.2.6		Per 2-Wire, ISDN, ADSL, HDSL loop, monthly	$1.18	$0.53	$1.42	$0.62		$1.42	$0.62	
4	A.2.6		NRC - First Electronic Order - Installation	no study provided		no study provided			$5.60	$5.72	(4)
5	A.2.6		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$2.92	$2.64	(4)
6	A.2.6		NRC - First Manual Order - Installation	$34.46	$34.46	$46.99	$36.08		$46.99	$36.08	
7	A.2.6		NRC - Additional Manual Order - Installation	$10.68	$10.68	$14.57	$11.19		$14.57	$11.19	
8			2-Wire/4-Wire ALEC NID								
9	A.2.12		NRC - First Electronic Order - Installation	no study provided		no study provided			$116.98	$50.42	(1)
10	A.2.12		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$72.78	$28.29	(1)
11	A.2.12		NRC - First Manual Order - Installation	$118.61	$48.16	$158.37	$50.42		$158.37	See Note 2	(1) (2)
12	A.2.12		NRC - Additional Manual Order - Installation	$65.84	$27.02	$84.43	$28.29		$84.43	See Note 2	(1) (2)
13			Cross Connect Between NIDs, 2-Wire or 4-Wire								
14	A.2.13		NRC - First Electronic Order - Installation	no study provided		no study provided			$10.23	$1.78	(1)
15	A.2.13		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$10.23	$1.78	(1)
16	A.2.13		NRC - First Manual Order - Installation	$7.23	$1.70	$10.23	$1.78		$10.23	$1.78	(1)
17	A.2.13		NRC - Additional Manual Order - Installation	$7.23	$1.70	$10.23	$1.78		$10.23	$1.78	(1)
18			***Sub-Loop Unbundled Elements***								
19	A.2.2		Distribution, per 2-wire VG loop, including NID, statewide average	$7.96	$4.45	$10.10	$5.78	$6.98	$12.36	$6.98	
20			Wire Center Group 1, < 2000 loops	no study provided		no study provided		$19.13	no proposal	$19.13	
21			Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$14.85	no proposal	$14.85	
22			Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$11.11	no proposal	$11.11	
23			Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$10.99	no proposal	$10.99	
24			Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$7.42	no proposal	$7.42	
25			Wire Center Group 6, > 40,000 loops	no study provided		no study provided		$6.65	no proposal	$6.65	
26	A.2.2		NRC - First Electronic Order - Installation	no study provided		no study provided		$16.04	$397.93	$16.04	
27	None		NRC - First Electronic Order - Migration	no study provided		no study provided		$16.22	no proposal	$16.22	
28	None		NRC - First Electronic Order - Disconnect	no study provided		no study provided		$15.29	$0.00	$15.29	
29	A.2.2		NRC - Additional Electronic Order - Installation	no study provided		no study provided		$16.04	$296.11	$16.04	
30	None		NRC - Additional Electronic Order - Migration	no study provided		no study provided		$16.22	no proposal	$16.22	
31	None		NRC - Additional Electronic Order - Disconnect	no study provided		no study provided		$15.29	$0.00	$15.29	
32	A.2.2		NRC - First Manual Order - Installation	$309.96	$48.44	$439.32	$50.72		$439.32	See Note 2	(1) (2)
33	A.2.2		NRC - Additional Manual Order - Installation	$216.64	$8.26	$307.75	$8.65		$307.75	See Note 2	(1) (2)
34	A.2.11		Distribution, per 4-Wire VG analog loop, including NID	$10.81	$5.96	$13.55	$7.55	$13.60	$16.58	$13.60	
35			Wire Center Group 1, < 2000 loops	no study provided		no study provided		$37.89	no proposal	$37.89	
36			Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$29.35	no proposal	$29.35	
37			Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$21.88	no proposal	$21.88	
38			Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$21.61	no proposal	$21.61	
39			Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$14.48	no proposal	$14.48	
40			Wire Center Group 6, > 40,000 loops	no study provided		no study provided		$12.95	no proposal	$12.95	
41	A.2.11		NRC - First Electronic Order - Installation	no study provided		no study provided		$43.87	$456.51	$43.87	
42	None		NRC - First Electronic Order - Migration	no study provided		no study provided		$53.51	no proposal	$53.51	
43	None		NRC - First Electronic Order - Disconnect	no study provided		no study provided		$31.60	$0.00	$31.60	
44	A.2.11		NRC - Additional Electronic Order - Installation	no study provided		no study provided		$43.87	$355.18	$43.87	
45	None		NRC - Additional Electronic Order - Migration	no study provided		no study provided		$53.51	no proposal	$53.51	
46	None		NRC - Additional Electronic Order - Disconnect	no study provided		no study provided		$31.60	$0.00	$31.60	
47	A.2.11		NRC - First Manual Order - Installation	$350.75	$85.20	$497.75	$68.26		$497.75	See Note 2	(1) (2)
48	A.2.11		NRC - Additional Manual Order - Installation	$257.89	$14.85	$366.83	$15.54		$366.83	See Note 2	(1) (2)

1	A BST Rate Element	B C D E F Element or Capability	G BST TSLRIC uncorrected	H BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	I BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	J BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	K Hatfield, NRC or Collocation Model result	L BST proposed rate	M AT&T proposed rate	N Notes
49		***Loop, including NID***								
50	A.6.1	2- Wire Asymmetrical Digital Subscriber Line (ADSL), statewide average	$15.33	$8.24	$18.62	$10.24	$9.16	$22.79	$9.16	
51		Wire Center Group 1, < 2000 loops	no study provided		no study provided		$32.42	no proposal	$32.42	
52		Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$23.23	no proposal	$23.23	
53		Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$15.74	no proposal	$15.74	
54		Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$13.61	no proposal	$13.61	
55		Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$9.43	no proposal	$9.43	
56		Wire Center Group 6, > 40,000 loops	no study provided		no study provided		$8.42	no proposal	$8.42	
57	A.6.1	NRC - First Electronic Order - Installation	no study provided		no study provided			$621.78	$13.00	(1)
58	None	NRC - First Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
59	A.6.1	NRC - Additional Electronic Order - Installation	no study provided		no study provided			$522.77	$8.83	(1)
60	None	NRC - Additional Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
61	A.6.1	NRC - First Manual Order - Installation	$466.31	$12.42	$663.17	$13.00		$663.17	See Note 2	(1) (2)
62	A.6.1	NRC - Additional Manual Order - Installation	$375.14	$8.43	$534.42	$8.83		$534.42	See Note 2	(1) (2)
63	A.7.1	2-Wire High Bit Rate Digital Subscriber Line (HDSL), statewide average	$11.52	$6.49	$14.20	$8.18	$6.90	$17.38	$6.90	
64		Wire Center Group 1, < 2000 loops	no study provided		no study provided		$24.42	no proposal	$24.42	
65		Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$17.50	no proposal	$17.50	
66		Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$11.86	no proposal	$11.86	
67		Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$10.41	no proposal	$10.41	
68		Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$7.11	no proposal	$7.11	
69		Wire Center Group 6, > 40,000 loops	no study provided		no study provided		$6.34	no proposal	$6.34	
70	A.7.1	NRC - First Electronic Order - Installation	no study provided		no study provided			$621.78	$13.00	(1)
71	None	NRC - First Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
72	A.7.1	NRC - Additional Electronic Order - Installation	no study provided		no study provided			$522.77	$8.83	(1)
73	None	NRC - Additional Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
74	A.7.1	NRC - First Manual Order - Installation	$466.31	$12.42	$663.17	$13.00		$663.17	See Note 2	(1) (2)
75	A.7.1	NRC - Additional Manual Order - Installation	$375.14	$8.43	$534.42	$8.83		$534.42	See Note 2	(1) (2)
76	A.8.1	4-Wire High Bit Rate Digital Subscriber Line (HDSL), statewide average	$17.86	$9.77	$21.66	$12.05	$13.45	$26.51	$13.45	
77		Wire Center Group 1, < 2000 loops	no study provided		no study provided		$47.57	no proposal	$47.57	
78		Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$34.09	no proposal	$34.09	
79		Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$23.10	no proposal	$23.10	
80		Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$20.27	no proposal	$20.27	
81		Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$13.84	no proposal	$13.84	
82		Wire Center Group 6, > 40,000 loops	no study provided		no study provided		$12.35	no proposal	$12.35	
83	A.8.1	NRC - First Electronic Order - Installation	no study provided		no study provided			$647.99	$27.21	(1)
84	None	NRC - First Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
85	A.8.1	NRC - Additional Electronic Order - Installation	no study provided		no study provided			$549.46	$19.25	(1)
86	None	NRC - Additional Electronic Order - Disconnect	no study provided		no study provided			$0.00	$0.00	(1)
87	A.8.1	NRC - First Manual Order - Installation	$484.93	$25.98	$689.23	$27.21		$689.23	See Note 2	(1) (2)
88	A.8.1	NRC - Additional Manual Order - Installation	$394.20	$18.38	$561.11	$19.25		$561.11	See Note 2	(1) (2)
89		**Local Switching, Monthly**								
90	B.1.2	4-Wire Voice Grade	$8.68	$7.15	$10.11	$8.46		$11.16	$8.46	(1) (3)
91	B.1.2	NRC - First Electronic Order - Installation	no study provided		no study provided			$29.24	$1.09	(1)
92	B.1.2	NRC - Additional Electronic Order - Installation	no study provided		no study provided			$28.48	$0.64	(1)
93	B.1.2	NRC - First Manual Order - Installation	$51.02	$1.04	$69.24	$1.09		$69.24	See Note 2	(1) (2)
94	B.1.2	NRC - Additional Manual Order - Installation	$29.63	$0.61	$40.08	$0.64		$40.08	See Note 2	(1) (2)
95		**Local Switching, Features**								

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
96	B.2.1		Three- way calling	$1.16	$0.00	$1.37	$0.00		$1.37	$0.00	(3)
97	B.2.1		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
98	B.2.2		Customer Changeable Speed Calling	$0.0934	$0.00	$0.1072	$0.00		$0.1072	$0.00	(3)
99	B.2.2		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
100	B.2.3		Call Waiting	$0.0349	$0.00	$0.0382	$0.00		$0.0382	$0.00	(3)
101	B.2.3		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
102	B.2.4		Remote Activation of Call Forwarding	$0.0611	$0.00	$0.0680	$0.00		$0.0680	$0.00	(3)
103	B.2.4		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
104	B.2.5		Cancel Call Waiting	$0.0088	$0.00	$0.0102	$0.00		$0.0102	$0.00	(3)
105	B.2.5		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
106	B.2.6		Automatic Callback	$0.8967	$0.00	$1.06	$0.00		$1.06	$0.00	(3)
107	B.2.6		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
108	B.2.7		Automatic Recall	$0.3060	$0.00	$0.3570	$0.00		$0.3570	$0.00	(3)
109	B.2.7		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
110	B.2.8		Calling Number Delivery	$0.2037	$0.00	$0.2362	$0.00		$0.2362	$0.00	(3)
111	B.2.8		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
112	B.2.9		Calling Number Delivery Blocking	$0.2444	$0.00	$0.2593	$0.00		$0.2593	$0.00	(3)
113	B.2.9		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
114	B.2.10		Customer Originated Trace	$0.1320	$0.00	$0.1541	$0.00		$0.1541	$0.00	(3)
115	B.2.10		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
116	B.2.11		Selective Call Rejection	$0.1502	$0.00	$0.1768	$0.00		$0.1768	$0.00	(3)
117	B.2.11		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
118	B.2.12		Selective Call Forwarding	$0.0552	$0.00	$0.0623	$0.00		$0.0623	$0.00	(3)
119	B.2.12		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
120	B.2.13		Selective Call Acceptance	$0.3185	$0.00	$0.3742	$0.00		$0.3742	$0.00	(3)
121	B.2.13		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
122	B.2.15		Multiline Hunt Service (Rotary)	$0.1208	$0.00	$0.1396	$0.00		$0.1396	$0.00	(3)
123	B.2.15		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
124	B.2.16		Call Forwarding Variable	$0.0492	$0.00	$0.0551	$0.00		$0.0551	$0.00	(3)
125	B.2.16		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
126	B.2.17		Call Forwarding Busy Line	$0.0290	$0.00	$0.0312	$0.00		$0.0312	$0.00	(3)
127	B.2.17		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
128	B.2.18		Call Forwarding Don't Answer All Calls	$0.0343	$0.00	$0.0375	$0.00		$0.0375	$0.00	(3)
129	B.2.18		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
130	B.2.19		Remote Call Forwarding	$1.34	$0.00	$1.53	$0.00		$1.53	$0.00	(3)
131	B.2.19		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
132	B.2.20		Call Transfer	$0.1244	$0.00	$0.1438	$0.00		$0.1438	$0.00	(3)
133	B.2.20		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
134	B.2.21		Call Hold	$0.0272	$0.00	$0.0303	$0.00		$0.0303	$0.00	(3)
136	B.2.21		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
136	B.2.22		Toll Restricted Service	$0.0406	$0.00	$0.0449	$0.00		$0.0449	$0.00	(3)
137	B.2.22		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
138	B.2.23		Message Waiting Indicator-Stutter Dial Tone	$0.0296	$0.00	$0.0346	$0.00		$0.0346	$0.00	(3)
139	B.2.23		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
140	B.2.24		Anonymous Call Rejection	$1.03	$0.00	$1.21	$0.00		$1.21	$0.00	(3)
141	B.2.24		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
142	B.2.25		Shared Call Appearances of a DN	$0.4512	$0.00	$0.5320	$0.00		$0.5320	$0.00	(3)
143	B.2.25		NRC- Electronic Order	$1.19	$0.00	$1.50	$0.00		$1.50	$0.00	(3)
144	B.2.26		Multiple Call Appearances	$0.0848	$0.00	$0.1001	$0.00		$0.1001	$0.00	(3)

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
145	B.2.26		NRC- Electronic Order	$1.19	$0.00	$1.50	$0.00		$1.50	$0.00	(3)
146	B.2.27		ISDN Bridged Call Exclusion	$0.0012	$0.00	$0.0014	$0.00		$0.0014	$0.00	(3)
147	B.2.27		NRC- Electronic Order	$1.19	$0.00	$1.50	$0.00		$1.50	$0.00	(3)
148	B.2.28		Call by Call Access	$37.19	$0.00	$43.86	$0.00		$43.86	$0.00	(3)
149	B.2.28		NRC- Electronic Order	$26.62	$0.00	$34.06	$0.00		$34.06	$0.00	(3)
150	B.2.29		Privacy Release	$0.0054	$0.00	$0.0060	$0.00		$0.0060	$0.00	(3)
151	B.2.29		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
152	B.2.30		Multi Appearance Directory Number Calls	$0.1505	$0.00	$0.1771	$0.00		$0.1771	$0.00	(3)
153	B.2.30		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
154	B.2.31		Make Set Busy	$0.0030	$0.00	$0.0031	$0.00		$0.0031	$0.00	(3)
155	B.2.31		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
156	B.2.32		Teen Service (Res. Dist. Alerting Service)	$0.1421	$0.00	$0.1543	$0.00		$0.1543	$0.00	(3)
157	B.2.32		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
158	B.2.33		Code Restriction and Diversion	$0.0416	$0.00	$0.0461	$0.00		$0.0461	$0.00	(3)
159	B.2.33		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
160	B.2.34		Call Park	$0.0421	$0.00	$0.0467	$0.00		$0.0467	$0.00	(3)
161	B.2.34		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
162	B.2.35		Automatic Line	$0.0937	$0.00	$0.1010	$0.00		$0.1010	$0.00	(3)
163	B.2.35		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
164	B.2.36		ISDN Message Waiting Indication-Lamp	$0.0114	$0.00	$0.0134	$0.00		$0.0134	$0.00	(3)
165	B.2.36		NRC- Electronic Order	$1.19	$0.00	$1.50	$0.00		$1.50	$0.00	(3)
166	B.2.37		ISDN Feature Function Buttons	$0.00	$0.00	$0.00	$0.00		$0.00	$0.00	(3)
167	B.2.37		NRC- Electronic Order	$1.22	$0.00	$1.55	$0.00		$1.55	$0.00	(3)
168			Exchange Port with All Available Features Included								
169	None		4-Wire Analog	$14.0157							
170	None		NRC First- Electronic Order	$50.96					$17.36	$8.46	(3)
171	None		NRC Additional- Electronic Order	$50.36					$66.44	$1.09	(3)
172	None		NRC First- Manual Order	$80.30					$65.63	$0.64	(3)
173	None		NRC Additional- Manual Order	$58.91					$106.44	See Note 2	(3)
174			**Operator Services and Directory Assistance**						$77.28	See Note 2	(3)
175			DA Transport								
176	G.6.1		DS1 Local Channel, per Month	$40.47	$34.60	$46.63	$40.44				
177	G.6.1		NRC - First Electronic Order - Installation	no study provided		no study provided			$46.63	$40.44	
178	G.6.1		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$552.61	$48.82	(1)
179	G.6.1		NRC - First Manual Order - Installation	$455.02	$46.63	$638.37	$48.82		$477.86	$41.28	(1)
180	G.6.1		NRC - Additional Manual Order - Installation	$338.57	$39.43	$477.88	$41.28		$638.37	See Note 2	(1) (2)
181			DS1 Interoffice Transport						$477.88	See Note 2	(1) (2)
182	G.6.3		Fixed	$93.51	$81.06	$107.04	$94.20				
183	G.6.2		Per Mile	$0.5456	$0.3882	$0.6322	$0.4577		$107.04	$94.20	
184	G.6.3		NRC - First Electronic Order - Installation	no study provided		no study provided		$11.20	$0.6322	$0.4577	
185	G.6.3		NRC - Additional Electronic Order - Installation	no study provided		no study provided		$11.20	$225.46	$11.20	(1)
186	G.6.3		NRC - First Manual Order - Installation	$194.48	$17.45	$261.84	$18.27		$170.53	$11.20	(1)
187	G.6.3		NRC - Additional Manual Order - Installation	$155.24	$0.21	$206.91	$0.22		$261.84	See Note 2	(1) (2)
188			DA Trpt., NRC per trunk or signaling connection						$206.91	See Note 2	(1) (2)
189	G.6.8		NRC - First Electronic Order - Installation	no study provided		no study provided					
190	G.6.8		NRC - Additional Electronic Order - Installation	no study provided		no study provided			no proposal	$150.62	
191	G.6.8		NRC - First Manual Order - Installation	$327.56	$143.86	$416.43	$150.62		no proposal	$16.41	
192	G.6.8		NRC - Additional Manual Order - Installation	$9.39	$15.68	$11.26	$16.41		$416.43	See Note 2	(1) (2)
									$11.26	See Note 2	(1) (2)

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
193			**Unbundled Transport and Local Interoffice Transport**								
194			Interoffice transport - dedicated - DS1 facility termination								
195	D.4.2		NRC - First Electronic Order - Installation	no study provided		no study provided		$11.20	$225.46	$11.20	
196	D.4.2		NRC - Additional Electronic Order - Installation	no study provided		no study provided		$11.20	$170.53	$11.20	
197	D.4.2		NRC - First Manual Order - Installation	$194.48	$17.45	$261.84	$18.27		$261.84	See Note 2	(1) (2)
198	D.4.2		NRC - Additional Manual Order - Installation	$155.24	$0.21	$206.91	$0.22		$206.91	See Note 2	(1) (2)
199			**Physical Collocation (BellSouth Proposal)**								
200	H.1.1		Application Fee	$5,187.00	$5,101.00	$7,203	$5,340.00		$7,203	See AT&T proposal	
201	H.1.2		Space Preparation Fee	ICB	ICB	ICB	ICB		ICB	See AT&T proposal	
202	H.1.3		Space Construction Fee- first 100 square ft.	$141.24	$119.68	$149.34	$125.30		$149.34	See AT&T proposal	
203	H.1.4		Per additional 50 square feet	$16.38	$13.88	$17.32	$14.53		$17.32	See AT&T proposal	
204	H.1.5		Cable Installation Fee, per cable	$1,825.00	$1,825.00	$2,431	$1,911.00		$2,431	See AT&T proposal	
205	H.1.6		Floor Space - Per square foot, Zone A	$4.25	$3.60	$4.49	$3.77		$4.49	See AT&T proposal	
206	H.1.6		Floor Space - Per square foot, Zone B	$4.25	$3.60	$4.49	$3.77		$4.49	See AT&T proposal	
207	H.1.8		Power, per ampere	$6.79	$5.93	$7.64	$6.67		$7.64	See AT&T proposal	
208	H.1.7		Cable Support Structure, per entrance cable	$21.66	$18.78	$24.79	$21.62		$24.79	See AT&T proposal	
209			POT bay, Recurring								
210	H.1.13		2 wire	$0.0996	$0.0864	$0.1141	$0.1004		$0.1141	See AT&T proposal	
211	H.1.14		4 wire	$0.1993	$0.1727	$0.2281	$0.2008		$0.2281	See AT&T proposal	
212	H.1.15		DS1	$0.8226	$0.7131	$0.9416	$0.8287		$0.9416	See AT&T proposal	
213	H.1.16		DS3	$5.08	$4.41	$5.82	$5.12		$5.82	See AT&T proposal	
214			Cross-Connects- Recurring								
215	H.I.9		2 wire	$0.3333	$0.2890	$0.3815	$0.3358		$0.3815	See AT&T proposal	
216	H.1.10		4 wire	$0.6666	$0.5779	$0.7631	$0.6716		$0.7631	See AT&T proposal	
217	H.1.11		DS1	$2.45	$2.13	$2.81	$2.47		$2.81	See AT&T proposal	
218	H.1.12		DS3	$44.87	$38.90	$51.37	$45.21		$51.37	See AT&T proposal	
219			Cross-Connects - Non-Recurring - First Order								
220	H.1.9		2 wire	$36.97	$7.17	$48.17	$7.51		$44.02	See AT&T proposal	
221	H.1.10		4 wire	$36.87	$9.89	$48.04	$10.35		$43.90	See AT&T proposal	
222	H.1.11		DS1	$53.17	$9.78	$70.54	$10.24		$66.46	See AT&T proposal	
223	H.1.12		DS3	$57.34	$9.78	$76.41	$10.24		$72.33	See AT&T proposal	
224			Cross-Connects - Non-Recurring - Additional Order								
225	H.1.9		2 wire	$34.96	$7.16	$45.40	$7.50		$41.25	See AT&T proposal	
226	H.1.10		4 wire	$34.87	$9.88	$45.28	$10.34		$41.14	See AT&T proposal	
227	H.1.11		DS1	$38.41	$9.77	$50.03	$10.23		$45.95	See AT&T proposal	
228	H.1.12		DS3	$42.20	$9.77	$55.44	$10.23		$51.36	See AT&T proposal	
229			Security escort								
230	H.1.17		Basic- First Half Hour	$33.60	$31.54	$43.95	$33.02		$43.95	See AT&T proposal	
231	H.1.18		Overtime- First Half Hour	$42.06	$40.30	$55.86	$42.19		$55.86	See AT&T proposal	
232	H.1.19		Premium- First Half Hour	$50.53	$48.41	$67.77	$50.69		$67.77	See AT&T proposal	
233	H.1.17		Basic- Additional	$20.71	$19.31	$26.10	$20.21		$26.10	See AT&T proposal	
234	H.1.18		Overtime-Additional	$25.96	$24.19	$33.15	$25.33		$33.15	See AT&T proposal	
235	H.1.19		Premium-Additional	$31.21	$29.09	$40.21	$30.46		$40.21	See AT&T proposal	
236			**Physical Collocation (AT&T Proposal)**								
237			Cage Construction								
238			Planning- NRC per request					$3,325.43		$3,325.43	

1	A	B C D E F	G	H	I	J	K	L	M	N
	BST Rate Element	Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
239		Planning- Monthly charge per request					$15.13		$15.13	
240		Grounding- per month					$4.05		$4.05	
241		Cage Preparation- per month per 100 Sq. Ft. Cage					$103.52		$103.52	
242		Land & Bldgs.-per month - per 100 sq. ft. Cage					$526.51		$526.51	
243		Cable Racking- per month					$20.66		$20.66	
244		Entrance Fiber								
245		Non-recurring cable installation					$1,081.43		$1,081.43	
246		Monthly-per cable					$2.46		$2.46	
247		Power Delivery								
248		Per 40 amp feed, with 2 battery returns, non-recurring					$160.37		$160.37	
249		Per 100 amp feed, with 2 battery returns, non-recurring					$209.18		$209.18	
250		Per 200 amp feed, with 2 battery returns, non-recurring					$272.63		$272.63	
251		Power Consumption								
252		DC Plant, per amp					$3.97		$3.97	
253		AC usage, per DC amp					$2.03		$2.03	
254		Voice Grade Circuits								
255		Connection to MDF, per 100 ckts., nonrecurring					$879.58		$879.58	
256		Connection to MDF, per 100 ckts., per month					$4.98		$4.98	
257		DS-1 Circuits								
258		Connection to DCS, per 28 circuits, nonrecurring					$1,335.66		$1,335.66	
259		Connection to DCS, per 28 circuits, per month					$226.51		$226.51	
260		Connection to DSX, per 28 circuits, nonrecurring					$1,335.66		$1,335.66	
261		Connection to DSX, per 28 circuits, per month					$11.17		$11.17	
262		DS-3 Circuits								
263		Connection to DCS, per circuit, nonrecurring					$341.31		$341.31	
264		Connection to DCS, per circuit, per month					$56.80		$56.80	
265		Connection to DSX, per circuit, nonrecurring					$341.31		$341.31	
266		Connection to DSX, per circuit, per month					$9.80		$9.80	
267		Optical Circuits								
268		Connection to FDF, per cable, nonrecurring					$2,464.06		$2,464.06	
269		Connection to FDF, per cable, per month					$6.43		$6.43	
270		Security Access								
271		Access Cards, per request					$87.16		$87.16	
272		Entrance Fiber								
273		Structure Charge (per foot of innerduct per month)					$0.0156		$0.0156	
274		**Virtual Collocation (BellSouth Proposal)**								
275	H.2.1	Application Fee	$2,669.00	$2,636.00	$3,724	$2,760.00		$2,848.30	See AT&T proposal	
276	H.2.2	Cable Installation Fee, per cable	$1,825.00	$1,825.00	$2,431	$1,911.00		$2,750.00	See AT&T proposal	
277	H.2.3	Floor Space - Per square foot	$4.25	$3.60	$4.49	$3.77		$3.20	See AT&T proposal	
278	H.2.4	Power, per ampere	$6.79	$5.93	$7.64	$6.67		$3.48	See AT&T proposal	
279	H.2.5	Cable Support Structure	$18.95	$16.43	$21.70	$19.09		$13.35	See AT&T proposal	
280		Cross-Connects - Recurring								
281	H.2.6	2 wire	$0.0935	$0.0811	$0.1070	$0.0942		$0.1070	See AT&T proposal	
282	H.2.7	4 wire	$0.1870	$0.1621	$0.2141	$0.1884		$0.2141	See AT&T proposal	
283	H.2.8	DS1	$1.01	$0.88	$1.16	$1.02		$7.50	See AT&T proposal	

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
284	H.2.9		DS3	$12.92	$11.20	$14.78	$13.01		$56.25	See AT&T proposal	
285			Cross-Connects - Non-Recurring - First Order								
286	H.2.6		2 wire	$36.97	$7.17	$48.17	$7.51		$48.17	See AT&T proposal	
287	H.2.7		4 wire	$36.87	$9.89	$48.04	$10.35		$48.04	See AT&T proposal	
288	H.2.8		DS1	$53.17	$9.78	$70.54	$10.24		$155.00	See AT&T proposal	
289	H.2.9		DS3	$36.97	$7.17	$48.17	$7.51		$151.90	See AT&T proposal	
290			Cross-Connects - Non-Recurring - Additional Order								
291	H.2.6		2 wire	$34.96	$7.16	$45.40	$7.50		$45.40	See AT&T proposal	
292	H.2.7		4 wire	$34.87	$9.88	$45.28	$10.34		$45.28	See AT&T proposal	
293	H.2.8		DS1	$38.41	$9.77	$50.03	$10.23		$14.00	See AT&T proposal	
294	H.2.9		DS3	$42.20	$9.77	$55.44	$10.23		$11.83	See AT&T proposal	
295			Security escort								
296	H.2.10		Basic- First Half Hour	$33.60	$31.54	$43.95	$33.02		$41.00	See AT&T proposal	
297	H.2.11		Overtime- First Half Hour	$42.06	$40.30	$55.86	$42.19		$48.00	See AT&T proposal	
298	H.2.12		Premium- First Half Hour	$50.53	$48.41	$67.77	$50.89		$55.00	See AT&T proposal	
299	H.2.10		Basic- Additional	$20.71	$19.31	$26.10	$20.21		$25.00	See AT&T proposal	
300	H.2.11		Overtime-Additional	$25.96	$24.19	$33.15	$25.33		$30.00	See AT&T proposal	
301	H.2.12		Premium-Additional	$31.21	$29.09	$40.21	$30.46		$35.00	See AT&T proposal	
302			**Virtual Collocation (AT&T Proposal)**								
303			Planning								
304			per initial request, or subsequent request for cabling plus equipment					$4,220.74		$4,220.74	
305			per subsequent request for cabling only					$1,279.01		$1,279.01	
306			Land and Buildings, space to support each quarter rack used, per month					$8.62		$8.62	
307			Relay rack space, per quarter rack used					$2.03		$2.03	
308			Entrance Fiber								
309			Cable Installation, nonrecurring charge					$987.39		$987.39	
310			per cable, per month					$12.10		$12.10	
311			Power Delivery, per month					$0.06		$0.06	
312			Power Consumption								
313			DC plant, per amp, per month					$3.92		$3.92	
314			AC usage, per DC amp, per month					$2.03		$2.03	
315			Voice Grade Circuits								
316			Cable and Horizontal Terminal Strips, per 100 circuits, nonrecurring charge					$879.58		$879.58	
317			Connection to MDF, per 100 circuits, per month					$4.98		$4.98	
318			DS-1 Circuits								
319			Connection to DCS, per 28 circuits, nonrecurring charge					$1,335.66		$1,335.66	
320			Connection to DCS, per 28 circuits, per month					$226.51		$226.51	
321			Connection to DSX, per 28 circuits, nonrecurring charge					$1,335.66		$1,335.66	
322			Connection to DSX, per 28 circuits, per month					$11.17		$11.17	
323			DS-3 Circuits								
324			Connection to DCS, per circuit, nonrecurring charge					$341.31		$341.31	
325			Connection to DCS, per circuit, per month					$56.80		$56.80	
326			Connection to DSX, per circuit, nonrecurring charge					$341.31		$341.31	
327			Connection to DSX, per circuit, per month					$9.80		$9.80	
328			Optical Circuits								
329			Connection to FDF, per 12-fiber breakout cable, nonrecurring charge					$2,139.85		$2,139.85	
330			Connection to FDF, per cable, per month					$6.43		$6.43	
331			Virtual-to-Virtual Connection								

	A	B C D E	F	G	H	I	J	K	L	M	N
1	BST Rate Element		Element or Capability	BST TSLRIC uncorrected	BST TSLRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	BST TELRIC (TSLRIC plus shared & common and other methodology changes) uncorrected	BST TELRIC w/ revised depr., cost of money, shared & common factors, invest. & hours	Hatfield, NRC or Collocation Model result	BST proposed rate	AT&T proposed rate	Notes
332			Cable Racking for Fiber, per cable, per month					$0.19		$0.19	
333			Cable Racking for DS1 or DS3, per cable, per month					$0.15		$0.15	
334			Connection for DS1, per 28 circuits, nonrecurring charge					$526.17		$526.17	
335			Connection for DS3, per circuit, nonrecurring charge					$134.46		$134.46	
336			Equipment Maintenance and Security Escort								
337			Staffed Central Office, during attended hours, per quarter hour					$10.49		$10.49	
338			Staffed Central Office, during unattended hours								
339			Initial Charge (for four hours)					$167.88		$167.88	
340			Subsequent Charge, per quarter hour					$10.49		$10.49	
341			Unstaffed Central Office								
342			Normal Business Day, per quarter hour					$10.49		$10.49	
343			Non-normal Business Day								
344			Initial Charge (for four hours)					$167.88		$167.88	
345			Subsequent Charge, per quarter hour					$10.49		$10.49	
346			*Entrance Fiber Structure Tariff*								
347			Structure Charge, per foot of innerduct, per month					$0.0156		$0.0156	
348											
349		NOTES:									
350		(1)	Adjusted BST NRC reflects costs of an electronic order and includes connect plus disconnect.								
351		(2)	For manual orders requested by new entrants, apply manual order increment from BST Exhibit P-4. Use TSLRIC or corrected TELRIC increment. For example, for a 2-wire loop,								
352			the increment would be $30.36 first and $8.55 additional. Not applicable if manual order is not requested.								
353		(3)	Switch port includes all features and functions.								
354		(4)	Represents the difference between the adjusted BST manual cost and the BST manual increment taken from Exhibit P-4.								