

ORIGINAL

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February 20, 1998

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 971140-TP (Recombination Docket)

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Prehearing Statement, which we ask that you file in the captioned matter.

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 to the parties shown on the attached Certificate of Service.

Sincerely,

Nancy B. White (cc)

Nancy B. White

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

Enclosures

cc: All parties of record
A. M. Lombardo
R. G. Beatty
William J. Ellenberg II

RECEIVED & FILED
[Signature]
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**CERTIFICATE OF SERVICE
DOCKET NO. 971140-TP (Recombination Issues)**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Federal Express 20th day of February, 1998 to the following:

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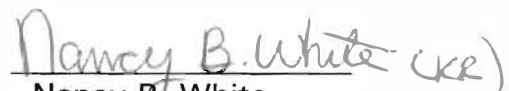
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Nancy B. White

In Re: Motions of AT&T Communications)	Docket No. 971140-TP
of the Southern States, Inc. and MCI)	
Telecommunications Corporation and)	
MCI Metro Access Transmission Services,)	
Inc. to Compel BellSouth)	
Telecommunications, Inc. to comply with)	
Order PSC-96-1579-FOF-TP and to set)	
non-recurring charges for combinations of)	
network elements with BellSouth)	
Telecommunications, Inc. pursuant to their)	
agreement)	
<hr/>		Filed: February 20, 1998

PREHEARING STATEMENT OF BELLSOUTH TELECOMMUNICATIONS, INC.

BellSouth Telecommunications, Inc. ("BellSouth"), in compliance with the Order Severing Docket No. 971140-TP, Establishing Procedure and Establishing Tentative List of Issues (Order No. PSC-98-0090-PCO-TP), issued January 14, 1998, hereby submits its Prehearing Statement for Docket No. 971140-TP.

A. Witnesses

BellSouth proposes to call the following witnesses to offer direct and rebuttal testimony on the issues in this docket:

<u>Witness</u>	<u>Issue</u>
A. J. Varner (Direct and Rebuttal)	Issues 1 - 10
Jerry Hendrix (Direct and Rebuttal)	Issues 1 - 10
Eno Landry (Direct and Rebuttal)	Issue 8
D. Daonne Caldwell (Direct and Rebuttal)	Issue 8

BellSouth reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony

and witnesses to address issues not presently designated that may be designated by the Prehearing Officer at the prehearing conference to be held on February 27, 1998.

B. Exhibits

A. J. Varner	AJV-1	Florida Retail, Resale and Rebundling Comparisons
	AJV-2	Florida Rate and Cost Analysis
Jerry Hendrix	None	
Eno Landry	EL-1	Views of End User of BellSouth and ALEC Service
D. Daonne Caldwell	DDC-1	TSLRIC Plus Shared and Common

BellSouth reserves the right to file exhibits to any additional testimony that may be filed under the circumstances identified in Section "A" above. BellSouth also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and Rules of this Commission.

C. Statement of Basic Position

Following the passage of the Telecommunications Act of 1996 ("the Act"), BellSouth negotiated in good faith with a number of potential local service providers. Many of those negotiations were successfully concluded with the signing of interconnection agreements between the parties. As of October 30,

1997, BellSouth had signed approximately 240 interconnection and/or resale agreements with a variety of companies in BellSouth, with approximately 130 applicable to Florida. For AT&T and MCI, the negotiations resulted in petitions for arbitration. Specifically, the Commission arbitrated issues between BellSouth and these companies and issued orders.

In the arbitration proceedings, the Commission ordered prices for UNEs and interconnection to be based on BellSouth's Total Service Long Run Incremental Cost ("TSLRIC") studies. The Commission set permanent rates, with the exception of those functions for which BellSouth did not provide a TSLRIC study. In those instances, the Commission set interim rates based on either the Hatfield study results with modifications or BellSouth's tariff. The Commission found that TSLRIC is the "appropriate costing methodology". (December 31, 1996 Final Order on Arbitration for consolidated Docket Nos. 960833-TP (AT&T), 960846-TP (MCI) 960916-TP (ACSI), at page 33.

On June 9, 1997 and October 27, 1997, AT&T and MCI filed Motions to Compel Compliance with the Arbitration orders. In addition, MCI filed a Petition to Set Non-Recurring charges for Combinations of Network Elements. By Order No. PSC-98-0090-PCO-TP, the Commission severed these proceedings from the original arbitration dockets.

At the time this Commission approved the MCI and AT&T interconnection agreements with BellSouth (June of 1997), the pricing provisions of the FCC's Interconnection Rules established in CC Docket No. 96-98 (FCC's Rules) were

stayed by the United States Court of Appeals for the Eighth Circuit (“Eighth Circuit”). However, the FCC’s Rules that required BellSouth to provide combinations of UNEs to alternative local exchange companies (“ALECs”) remained in effect. Due to the Eighth Circuit’s October 15, 1996 stay, the Commission could set prices for UNEs and any UNE combinations without guidance from the FCC. The Commission, however, specifically did not rule on the price of UNE combinations within the proceedings that ultimately produced the arbitrated agreements between BellSouth and MCI and BellSouth and AT&T.

On July 18, 1997, the Eighth Circuit vacated the FCC’s pricing rules affirming that state commissions held jurisdiction over intrastate pricing. In addition, the Eighth Circuit ruled that incumbent local exchange companies (“ILECs”), such as BellSouth, did not have to combine UNEs for ALECs, ruling that it is the ALEC’s responsibility to perform the combination function. The Eighth Circuit stated in its Order under Section II.G.1.f, “while the Act requires incumbent LECs to provide elements in a manner that enables the competing carriers to combine them, unlike the Commission, we do not believe that this language can be read to levy a duty on the incumbent LECs to do the actual combining.” On October 14, 1997, the Eighth Circuit reiterated its July 18, 1997 decision with regard to the combination of UNEs stating that the Telecommunications Act of 1996 (the “Act”), “does not permit a new entrant to purchase the incumbent LEC’s assembled platform(s) of combined network elements (or any lesser existing combination of two or more elements) in order to

offer competitive telecommunications services.” The Eighth Circuit was very specific that requesting carriers will combine the unbundled elements themselves.

On January 16, 1998 the United States Supreme Court (“Supreme Court”) granted certiorari to review the Eighth Circuit’s decision regarding pricing including recombination of network elements. Nevertheless, with respect to the interconnection agreements BellSouth signed with MCI and AT&T, language requiring BellSouth to combine UNEs will remain in those agreements only until such time as the Supreme Court has completed its review, assuming the Supreme Court upholds the Eighth Circuit’s decision. The interconnection agreements today contain language requiring that, should “... any final and nonappealable legislative, regulatory, judicial or other legal action materially affects any material terms of the Agreements, the parties will renegotiate mutually acceptable terms as may be required.” (emphasis added) Therefore, assuming the issues now before the Supreme Court become final, BellSouth will, at that time, renegotiate with MCI and AT&T the portion of the agreements relating to combinations of UNEs.

Currently, language in the interconnection agreements obligates BellSouth to provide combined UNEs. However, the interconnection agreements do not contain the price that BellSouth will charge for combining UNEs during the period before the Eighth Circuit’s decision is final.

Throughout the numerous arbitration proceedings in the BellSouth region, including BellSouth's Petition for Reconsideration in the MCI and AT&T arbitration proceedings in Florida, BellSouth's policy has been that when BellSouth combines UNEs for an ALEC that recreate existing BellSouth services, those combinations should be priced at the retail service rate minus the applicable wholesale discount.

D. BellSouth's Position on the Issues

Issue No. 1: Does the BellSouth-MCIm interconnection agreement specify how prices will be determined for combinations of unbundled network elements

- a) **that do not recreate an existing BellSouth retail telecommunications service?**
- b) **that do create an existing BellSouth retail telecommunications service?**

Position: No. The BellSouth-MCIm Interconnection Agreement specifies prices for individual network elements. The Agreement does not specify how combinations of unbundled network elements should be priced.

Issue 2: If the answer to either part or both parts of Issue 1 is yes, how is the price(s) determined?

Position: The prices for combinations of unbundled network elements are not contained in the BellSouth-MCIm Interconnection Agreement.

Issue 3: If the answer to either part or both parts of Issue 1 is no, how is the price(s) determined?

Position: Prices for unbundled network element combinations that do not recreate an existing BellSouth retail service should be negotiated between the parties. Unbundled network element combinations that recreate an existing BellSouth retail service should be priced at the retail price of that service minus the applicable wholesale discount.

Issue 4: Does the BellSouth-AT&T interconnection agreement specify how prices will be determined for combinations of unbundled network elements

- a) **that do not recreate an existing BellSouth retail telecommunications service?**
- b) **that do create an existing BellSouth retail telecommunications service?**

Position: No. The BellSouth-AT&T Interconnection Agreement does not specify how combinations of unbundled network elements should be priced. The Agreement only specifies prices for individual network elements.

Issue 5: If the answer to either part or both parts of Issue 4 is yes, how is the price(s) determined?

Position: The prices for combinations of unbundled network elements are not contained in the BellSouth-AT&T Interconnection Agreement.

Issue 6: If the answer to either part or both parts of Issue 4 is no, how should the price(s) be determined?

Position: Prices for unbundled network element combinations that do not recreate an existing BellSouth retail service should be negotiated between the parties. Unbundled network element combinations that recreate an existing BellSouth retail service should be priced at the retail price of that service minus the applicable wholesale discount.

Issue 7: What standard should be used to identify what combinations of unbundled network elements recreate existing BellSouth retail telecommunications services?

Position: The Commission must analyze the core functions, features, and attributes of the requested combination to determine if those functions, features and attributes mirror the functions of an existing retail offering.

Issue 8: What is the appropriate non-recurring charge for each of the following combinations of network elements for migration of an existing BellSouth customer:

- (a) 2-wire analog loop and port;**
- (b) 2-wire ISDN loop and port;**
- (c) 4-wire analog loop and port;**
- (d) 4-wire ISDN DS1 and port?**

Position: BellSouth proposes that prices that cover total cost be set for these combinations. BellSouth's proposed Non-recurring Charges, as set forth in AJV-2, do not include duplicate charges or charges for functions or activities that are not required when two or more network elements are combined in a single order.

Issue 9: Does the BellSouth-MCIIm interconnection agreement require BellSouth to record and provide MCIIm with the switched access usage data necessary to bill interexchange carriers when MCIIm provides service using unbundled local switching purchased from BellSouth either on a stand-alone basis or in combination with other unbundled network elements?

Position: The BellSouth-MCIIm Interconnection Agreement requires BellSouth to record all billable usage events and send the appropriate recording data to MCI. This does not include intrastate interLATA data.

Issue 10: Does the AT&T-BellSouth interconnection agreement require BellSouth to record and provide AT&T with detail usage data for switched access service, local exchange service and long distance service necessary for AT&T to bill customers when AT&T provides service using unbundled network elements either alone or in combination?

Position: The BellSouth-AT&T Interconnection Agreement requires that BellSouth record all billable usage events and send the appropriate recording data to AT&T. This does not include intrastate interLATA data.

E. Stipulations

There are no stipulations of which BellSouth is aware.

F. Pending Motions

There are no pending motions at this time.

G. Other Requirements

BellSouth knows of no requirement set forth in any prehearing order with which it cannot comply.

Respectfully submitted this 20th day of February, 1998.

BELLSOUTH TELECOMMUNICATIONS, INC.

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