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AT&T

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March 3, 1998

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

Dear Mrs. Bayo:

Re: **DOCKET NO. 960833-TP**

You will find enclosed the original and fifteen (15) copies of AT&T Communications of the Southern States, Inc.'s Post-Hearing Brief.

Copies of the foregoing are being served on all parties of record as indicated on the attached certificate of service.

Yours truly,

Tracy Hatch

TH/mr
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Metropolitan Fiber Systems of Florida, Inc. for arbitration with BellSouth Telecommunications, Inc. concerning interconnection rates, terms, and conditions, pursuant to the Federal Telecommunications Act of 1996.	DOCKET NO. 960757-TP
In re: Petition by AT&T Communications of the Southern States, Inc. for arbitration of certain terms and conditions of a proposed agreement with BellSouth Telecommunications, Inc. concerning interconnection and resale under the Telecommunications Act of 1996.	DOCKET NO. 960833-TP
In re: Petition by MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. for arbitration of certain terms and conditions of a proposed agreement with BellSouth Telecommunications, Inc. concerning interconnection and resale under the Telecommunications Act of 1996.	DOCKET NO. 960846-TP

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.'S POST HEARING BRIEF

AT&T Communications of the Southern States, Inc. ("AT&T") submits this post hearing brief to the Florida Public Service Commission ("the Commission") in the above-captioned proceeding.

INTRODUCTION

This proceeding is about competition. The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (the "Act") requires competition. The FCC Order implementing the Act requires competition. The decisions of this Commission support competition. The purpose of such competition is not abstract -- it is intended to provide Florida's consumers with lower prices, new telecommunications technology, and better quality service. To promote efficient competition, the Act requires that incumbent local exchange carriers ("ILECs"), such as BellSouth, provide non-discriminatory access to unbundled network elements ("UNEs") at rates, "based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element (whichever is applicable),"which may include a reasonable profit. 47 U.S.C.A. § 252(d)(1)(A)(i) (West 1997). This Commission must determine those rates.

There are several fundamental issues about which AT&T and BellSouth disagree. First, AT&T and BellSouth offer fundamentally different pricing philosophies. BellSouth proposes a backward-looking pricing philosophy that seeks to recover the full historical cost of BellSouth's largely outmoded existing network.[1/] (Varner, Tr. 127.) In contrast, AT&T proposes prices, based on current technologies, that are forward-looking and economically efficient. AT&T's prices will encourage competitors to enter Florida's local exchange market and foster competition in that market, to the benefit of Florida's consumers. BellSouth's excessive prices would, on the other hand, discourage market entry and stifle competition. BellSouth's pricing methodology is an affront to the Act, to fair competition, and to the economic interests of Floridians.[2/]

1/ Curiously, BellSouth previously has argued before the Georgia Public Service Commission and elsewhere that embedded and historical costs should *not* be considered in measuring economic costs. (Ellison, Tr. 1310-1311)

2/ The issue before this Commission is not what prices will provide a competitive or financial advantage or disadvantage to BellSouth or any possible entrant, but what prices will encourage competition to develop rapidly and pervasively, providing the consumer benefits that this Commission desires.

Second, BellSouth and AT&T disagree whether new entrants should pay BellSouth for its embedded inefficiencies. AT&T proposes to pay only for the economic cost associated with BellSouth's unbundled network elements. Under BellSouth's proposal, however, competing local exchange carriers ("CLECs") are to pay BellSouth what it considers to be the "total service long run incremental cost" ("TSLRIC") for each element, plus excessive shared and common costs, *plus* the difference between that sum and BellSouth's historical embedded costs. BellSouth euphemistically calls the last additive the Residual Recovery Requirement ("RRR"). Simply put, BellSouth wants to recover its historical costs even though they are *not* based on forward-looking, efficient technology. Under BellSouth's proposal, the monopolist wins, because it discourages competition by pushing prices charged to its competitors above economic cost *and* then adds profit. BellSouth's proposal would leave it financially whole at the expense of its competitors, thus rendering BellSouth indifferent to competition. The prices proposed by AT&T, on the other hand, allow CLECs to purchase network elements at the cost an efficient competitor would incur.

Confronted with the Act's and the Commission's mandate for forward-looking and efficient prices, BellSouth claims "unfair" treatment. By requiring prices to be set at current economic values, including reasonable profit, the Act does not treat BellSouth unfairly. Indeed, the battle over fairness was waged in Congress during passage of the Act, *and BellSouth won.* In return for agreeing to set prices for network elements at cost-based, pro-competition prices, BellSouth obtained the statutory authority to enter the lucrative long distance market -- no small reward. Moreover, BellSouth shareholders have fared well from profits generated through alternative rate regulation, and in spite of asset write-offs that have positioned BellSouth to succeed in its new competitive environment. (Wood, Tr. 1707-08.)

There are many ways to achieve fairness. In this proceeding, fairness will be achieved by pricing network elements to bring competition rapidly to the Florida local exchange market in order to benefit Florida consumers. BellSouth's rewards already are won and are waiting to be reaped once BellSouth's local markets are opened to competition, in part through the

establishment of cost-based prices for network elements. The adoption of prices that would inhibit, if not prevent, the development of competition is unfair to the intended beneficiaries of the Act -- Florida's consumers.

SUMMARY OF ARGUMENT

The purpose of this proceeding is to establish permanent prices, recurring and nonrecurring, for certain specific unbundled network elements as well as for physical and virtual collocation. The Commission should establish those prices based upon the forward-looking incremental costs of the local exchange network in Florida, as required by Section 252(d)(1) of the Telecommunications Act of 1996. Only through this method will Florida consumers benefit from local telephone competition. The cost studies submitted by BellSouth overstate the forward-looking costs of the network elements in this proceeding, include backward-looking (embedded) costs that should not be recovered through UNE rates, and fail to geographically deaverage the rates for loop elements. In contrast, AT&T proposes prices for these specific network elements that are based on the AT&T/MCI Collocation Model and Non-Recurring Cost Model, and adjustments to BellSouth's cost studies. The resulting prices are as close as possible to forward-looking incremental costs, given the availability of appropriate BellSouth cost data. All of AT&T's proposed costs are set forth in the exhibits sponsored by AT&T witness Wayne Ellison.[3/]

3/ For the Commission's convenience, a schedule of AT&T's proposed prices is attached to this brief as Appendix A.

ARGUMENT

ISSUE 1: **What are the appropriate permanent recurring and non-recurring rates for the following unbundled network elements: (a) Network interface device (NID); (b) 2-wire/4wire Loop Distribution; (c) Virtual Collocation; (d) Physical Collocation; (e) Directory Assistance; (f) Dedicated Transport (Non-recurring only); (g) 4-wire analog port; (h) 2-wire ADSL-compatible loop; and (i) 2-wire/4-wire HDSL-compatible loop?**

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AT&T's Position: The appropriate recurring and nonrecurring prices are those found in Attachment A to this brief. These prices are based on the AT&T/MCI Collocation Model and Non-Recurring Cost Model, and adjustments to BellSouth's cost studies

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I. THE COMMISSION SHOULD ADOPT AT&T'S RECOMMENDED RATES FOR UNBUNDLED NETWORK ELEMENTS

The issue for the Commission is a fundamental one: Should the Commission establish prices based on forward-looking costs as the Act requires, or should it use historical costs derived from BellSouth's embedded network? AT&T and MCI jointly sponsor models that generate forward-looking costs for collocation and the nonrecurring charges (NRCs) for unbundled network elements. AT&T and MCI further provide appropriately adjusted recurring rates for the UNEs at issue as well as the appropriate deaveraged rates for certain elements. If the forward-looking AT&T/MCI-sponsored models are replaced with BellSouth's model, which is based on the historical costs of the embedded network, the resulting costs will neither be forward-looking nor economically efficient. Instead, the result will be higher costs to CLECs, less competition, and higher prices for Florida's consumers. Competition will be realized, however, if prices are based on forward-looking costs and technology. Competition would even better served if the Commission adopts unbundled loop prices that are deaveraged to more accurately reflect the actual costs of providing service to a given customer. Thus, the Commission should set prices for the NRCs for unbundled elements and collocation using the AT&T/MCI-sponsored models,

which were developed specifically to produce forward-looking costs. For the recurring rates for the UNEs at issue, the Commission should adopt the adjustments to BellSouth's cost studies proposed by MCI and AT&T. Further, the Commission should begin the process of establishing network element rates that more accurately reflect the cost of providing those elements by requiring that such rates be based on the forward looking cost in the geographic area where the element is being provided. The Commission should endorse AT&T's and MCI's forward-looking methodology and adopt their recommended rates.

A. The Commission Should Adopt the AT&T/MCI Collocation Cost Model Rates for Virtual and Physical Collocation

This Commission should adopt AT&T's recommended collocation rates, which are set forth in Appendix A. The Collocation Model is designed to produce the forward-looking costs that would be incurred by an efficient competitor operating in Florida -- in this case to collocate a CLEC in BellSouth's central office space. (Klick, Tr. 1000-1001.) Collocation in the context of this proceeding simply refers to any forward-looking arrangement that allows a CLEC to locate telecommunications relay rack equipment in segregated portions of BellSouth's central office space. (Bissell, Tr. 1018.)[4/]

The developers of the Collocation Model constructed a forward-looking model central office and a forward-looking model collocation area layout, based on efficient central office space planning practices and assuming both efficient suppliers and competitive processes. (Bissell, Tr. 1015.) The developers then identified all necessary components of collocation investment, including engineering, preparation, and installation costs. (Klick, Tr. 1004.) Using these investment inputs, the collocation model calculates recurring costs.

4/ Collocation can be either "physical" or "virtual. "Physical" collocation is an arrangement whereby the CLEC locates its telecommunications relay rack equipment in a segregated portion of the incumbent local exchange carrier's ("ILEC') central office facility. (Bissell, Tr. 1118.) "Virtual" collocation is essentially the same principle except that there is no segregation of equipment. Instead, the CLEC sells the necessary equipment to the ILEC for a nominal charge and the ILEC manages the day-to-day operation of the equipment on a reimbursable basis. (*Id.* at 1035.)

BellSouth does not challenge the collocation model *per se*. Instead, BellSouth resorts to its familiar refrain that the collocation model does not reflect conditions in BellSouth's actual network. Of course, that is precisely the point. No forward-looking model, including the Non-Recurring Cost Model ("NRCM") or the Collocation Model, should be based on BellSouth's embedded network, because it is neither efficient nor forward-looking.

B. The Commission Should Adopt the NRCM Rates as the Proper Non-Recurring Rates for the Remaining Network Elements

This Commission should adopt AT&T's recommended non-recurring rates generated by the NRCM and set out in Appendix A. The NRCM is designed to produce the forward-looking non-recurring costs that would be incurred by an efficient competitor, operating in Florida. (Lynott, Tr. 1207.) The NRCM develops a "bottoms-up" estimate of costs by defining required non-recurring services and identifying, within these services, discrete work activities. (*Id.*) The NRCM's logic then maps the appropriate set of work activities to each non-recurring cost service type. For each of these work activities, the NRCM solicits inputs as to the probability of occurrence of the activity, time to complete the activity, and labor rates associated with the activity. It then calculates costs per activity. (*Id.*) The result is the sum of the costs of the work activities for each non-recurring service type. (*Id.*)

BellSouth offers no challenge to the logic or structure of the NRCM. Indeed, BellSouth witness Caldwell agrees that its structure and approach are reasonable. (Caldwell/Zarakas, Tr. 354.) Rather, BellSouth's criticisms are dictated solely by its distorted application of the Act. BellSouth believes it need produce costs and prices only for what it historically provided in an noncompetitive market, while the Act requires prices for what *can and should* be provided in a forward-looking, efficient, competitive market.

For example, BellSouth insists that extensive (and expensive) manual intervention would be required in the provisioning process. Ms. Caldwell asserts that the NRCM's assumption of a mechanized service order and provisioning process is just "a pipe dream." (*Id.* at 355-56.) Thus, BellSouth assumes that all ordering will require some manual intervention, which is

necessarily more expensive than automated processing. (Lynott, Tr. 1241.) Added to that necessarily higher cost, BellSouth assumes (implausibly) that twenty percent of orders will "fall out," requiring additional manual intervention. (Selwyn, Tr. 1350; Caldwell, Tr. 405.) BellSouth cannot explain, however, why it assumes that CLEC orders will result in a 20% fall-out rate on a system that is currently used by BellSouth and that has an average fall-out rate of less than 5%. (Caldwell, Tr. 404.)

Ms. Caldwell conveniently forgets that the process BellSouth employs *for itself* already is mechanized, and that BellSouth has committed to provide a mechanized process under its Interconnection Agreement with AT&T. In fact, BellSouth admits that it has virtually eliminated fallout for certain exchanges. (*Id.* at 405-06.) Finally, BellSouth is *currently* in the process of implementing electronic systems upgrades that are capable of eliminating fall-out due to CLEC error. These upgrades will permit BellSouth systems to edit CLEC service requests and electronically return problem orders to CLEC personnel to correct before any fall-outs occur. (*Id.* at 405.)

The mechanized service order and provisioning process envisioned by the AT&T/MCI-sponsored NCRM is a "pipe dream" only because BellSouth refuses to provide CLECs with the same technologies that it can and does employ currently. Equally unrealistic are Ms. Caldwell's remaining comments concerning the NRCM. Because her analysis is based on the false assumption that BellSouth must recover the historical costs of its embedded technology, Ms. Caldwell's criticisms of a *forward-looking* cost model that assumes currently available, least-cost, most-efficient technology simply miss the point. The AT&T/MCI-sponsored NRCM is the appropriate vehicle for establishing the non-recurring costs for forward-looking, least-cost, most-efficient technology. Its use is required by the Act and will enhance competition -- to the ultimate benefit of Florida's consumers.

C. The Commission Should Adopt the Adjusted Recurring Rates for Other Elements Supported By AT&T and MCI Witnesses and Summarized in Attachment A.

As with BellSouth's nonrecurring costs, all of BellSouth's recurring costs incorporate incorrect shared and common cost factors, and in addition, incorporate incorrect return on investment and depreciation, as explained below. Accordingly, based on input provided by AT&T witnesses Lerma, Majoros and Cornell, AT&T recommended changes to BellSouth's recurring costs as set forth in the exhibits sponsored by Mr. Ellison (Exh. 47) and attached as Attachment A. These recommendations are based on forward-looking economic costs (sometimes based on corrected BellSouth TELRIC cost studies), plus a *reasonable* allocation of forward-looking common costs directly attributable to the provision of an unbundled element. In addition, the Commission should adopt the deaveraged loop prices proposed by Mr. Ellison.

There is little dispute that the cost of providing loop facilities varies, potentially significantly, based on the geographic area being studied. (Wood, Tr. 1734) In order for rates for unbundled network elements to be cost-based, it necessary for those rates to reflect any significant geographic cost differences that may exist. (Wood, Tr. 1734). It is critical that the Commission begin to establishing rates for unbundled loops that more closely reflect the actual cost of providing such loops. Statewide average loop rates advantage BellSouth in the competitive market place by providing BellSouth with an artificial cost advantage in those areas where the unbundled loop price is substantially above the forward looking cost to provide the loop. (Ellison, Tr. 1301). As the FCC noted in its Order 97-298, released August 19, 1997:

> [R]ates 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. (Ellison, Tr. 1301-1302).

If the Commission determines that it is not appropriate to establish deaveraged loop rates, then the averaged rates proposed by MCI and AT&T should be adopted as shown in Attachment A. These rates are forward looking and take into account the appropriate adjustments to BellSouth's cost studies discussed below.

II. THE COMMISSION SHOULD REJECT BELLSOUTH'S COST STUDIES AND ITS PROPOSED RATES

In contrast to AT&T's and MCI's forward-looking models, BellSouth offers what it terms the so-called "TELRIC Calculator©." Despite its name, BellSouth's cost model does not properly calculate the TELRIC of unbundled network elements. The "TELRIC" component of BellSouth's model rests entirely upon BellSouth's historic, embedded costs, which BellSouth then purportedly "adjusts" to be forward-looking. But BellSouth's calculation of this adjusted TELRIC is ultimately irrelevant because BellSouth adds its embedded costs back in through the so-called "Residual Recovery Requirement" or "RRR." The RRR is equal to the difference between BellSouth's adjusted TELRIC and its historical, embedded costs.[5/] Thus, "TELRIC plus RRR" always equals BellSouth's *embedded, historical* costs. Despite all of its armwaving about TELRIC and its supposed forward-looking adjustments, the RRR reveals BellSouth's true intent in this proceeding: to stifle competition by ensuring that BellSouth recoups its embedded, historical costs from new entrants to Florida's local exchange market and from Florida's consumers. (Caldwell, Tr. 380-382.)

BellSouth's entire approach is fundamentally inconsistent with the forward-looking nature of a proper TELRIC model. Forward-looking TELRIC prices cannot rest upon a foundation of embedded costs or historical technology, much less reflect the historical costs represented by the

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5/ As BellSouth witness Caldwell admitted on cross examination, if the TELRIC goes up, the RRR goes down and if the TELRIC goes down, the RRR goes up. (Caldwell, Tr. 379-83; Varner, Tr. 172)

RRR that BellSouth proposes. To be truly forward-looking, a model must *begin* with forward-looking assumptions and inputs, and must not be corrupted by any RRR.

In truth , BellSouth cares little whether it recovers its embedded costs through its flawed "TELRIC" studies or through the cynical application of the RRR. BellSouth admits that AT&T's model methodology is reasonable (Caldwell, Tr. 354), but BellSouth takes issue with it only to the extent that is does not guarantee BellSouth's recovery of historical costs. In other words, BellSouth is content to use the so-called TSLRIC or TELRIC costs generated by its model, unless its historical costs are higher. In that event, BellSouth adds RRR to make up the difference and thereby recoup its historical costs. (Varner, Tr. 178, 184-185).

The net effect is that BellSouth's proposed incremental costs are a sham. What BellSouth is really proposing is receipt of a subsidy from its competitors. Payment of that subsidy will reward BellSouth for its historical inefficiency and will raise prices above economically efficient levels, in contravention of the Act. Those higher prices would discourage competition in Florida and ultimately would be borne by Florida's consumers.

This Commission should reject BellSouth's cost studies as fundamentally flawed. BellSouth's studies -- including its falsely-labeled TSLRIC studies -- compute historical costs that are an inappropriate basis for establishing prices premised on an efficiently competitive environment. Historical costs would not enter into pricing decisions in a competitive environment. Regardless of the historical costs of a product, no rational consumer would purchase it for a price higher than the price that would be charged by a competitor entering the market with efficient, forward-looking systems and operations.

BellSouth's studies also clearly violate the Act for another reason. The Act explicitly rejects any rate of return-based analysis of cost in favor of cost and prices that will bring new entrants rapidly into a developing, competitive local exchange market. Because they are based on BellSouth's embedded network and BellSouth's books of account, BellSouth's cost studies not only "refer" to rate-based proceedings, they are completely dependent upon costs established as a result of rate-based proceedings. The Act clearly and unequivocally bars prices for unbundled

network elements based on embedded cost studies such as those submitted by BellSouth. 47 U.S.C.A. § 252(d)(1)(A)(i). AT&T's proposed prices are precisely what the Act intended, and will bring competitive prices for local telephone service to Florida consumers.

Additionally, this Commission should reject BellSouth's cost study results because BellSouth used an invalid loop sample to develop loop costs, failed to utilize least-cost, forward-looking technologies and assumptions, and utilized inappropriately high, embedded cost inputs for fill factors, switch prices, shared and common costs, depreciation and cost of money. (Ellison, Tr. 1293-94.) The Act expressly prohibits reference to such historic costs. 47 U.S.C.A. § 252. BellSouth's proposed rates do not reflect TELRIC, plus a reasonable portion of joint and common costs.

A. BellSouth's Loop Study Is Fundamentally Flawed

BellSouth's loop study is flawed both in the underlying methodology of the study and in its philosophy. As to methodology, the study is flawed because it rests upon a flawed statistical model. As to philosophy, the loop study is flawed because it relies on the embedded costs of BellSouth's network rather than forward-looking costs.

1. BellSouth's Loop Sample Fails to Include All Loops Which AT&T Is Entitled to Purchase from BellSouth

The price proposed by BellSouth for its loop rests entirely on a supposedly statistical sample of Florida loops. As BellSouth witness Caldwell candidly admits, BellSouth's loop price would be invalid if its statistical sample were invalid. (*See, e.g.*, Caldwell/Zarakas, Tr. 388.) This concession is crucial because BellSouth's sample is in fact fundamentally flawed.

BellSouth's loop sample was deliberately skewed in a way that increases the average cost of a Florida loop. BellSouth excluded ESSX loops from its sample. These loops are among the shortest and least expensive in the BellSouth network; thus, the average cost of a Florida business loop would have declined had the excluded loops been included in BellSouth's sample. (*Id.* at 389-91) Because BellSouth's sample was not drawn randomly from the entire population

of Florida loops -- indeed was systematically skewed towards the longest, most expensive loops -- it cannot be an appropriate basis for calculating the average cost of BellSouth's loops. (Ellison, Tr. 1334.)

This is not the only problem with BellSouth's statistical method. BellSouth relies on a small sample of loops to identify the characteristics of a hypothetical loop. (Ellison, Tr. 1296-97.) Each of these characteristics are subject to a wide range of values. (*Id.*) That range cannot be accurately captured in BellSouth's small sample. (*Id.*) Compounding those problems, the loops at issue in these proceedings were then based on a sample of that nonrepresentative, hypothetical sample. (*Id.*) As a result, no one can determine, from BellSouth's sample, the average cost for loops in Florida!

Nevertheless, BellSouth claims that its calculated average loop cost is statistically precise, *i.e.*, likely to be very close to the actual average cost of its loops. However, BellSouth's measurement of precision is incorrect. This is because Mr. Smith calculated precision as though the length of each loop could be different from all the others (variable), but the utilization rate within specific cable segments was the same for all loops in the sample (he used an average), when this was not the case. As any statistician knows, use of the *average* of a variable quantity distorts any attempt to measure statistical precision because, by definition, the calculation requires the *individual* sample values for each variable quantity. From the current record, no one can determine the true precision of BellSouth's proposed Florida average loop cost.

The importance of this paucity of proof cannot be overstated. BellSouth has the burden of proof in this proceeding. The entirety of BellSouth's loop study rests upon its statistical sample, and if BellSouth cannot demonstrate a reasonable basis for its proposed costs, BellSouth cannot prevail. Specifically, if BellSouth's statistical model is in any way flawed, BellSouth has *no alternative evidence* upon which to assert that the loop costs generated by its sample are relevant to any cost category in BellSouth's proposal. Because BellSouth cannot show that its

calculated sample loop cost is in any way predictive of the costs of the average loop in Florida, the Commission should reject BellSouth's loop studies.[6/]

2. BellSouth Fails to Use Forward-Looking Loop Inputs

BellSouth's so-called TSLRIC loop studies are also infected with numerous overstated inputs. These inputs are overstated because they reflect the historical costs of BellSouth's embedded network. Under the Act's statutory scheme, BellSouth cannot recover these embedded costs through unbundled network elements. BellSouth's use of inappropriate loop inputs is indicative of the flaws generally found throughout its cost studies. Some specific flaws are discussed below.

a) Fill Factors

Fill factors are multipliers which increase the investment in transmission facilities that are in use in order to take into account the fact that some spare capacity is needed in those facilities for administrative and maintenance purposes.[7/] (Wood, Tr. 1725.) The greater the spare capacity, the higher the cost. The lower the fill factor used in the studies, the greater the spare capacity calculated. The low fill factors that BellSouth applies to its sample loops are not forward-looking, are not consistent with the principle of cost causation, and permit BellSouth to over-recover in significant amounts.

BellSouth provides no evidence to suggest that its fill factors are the same factors that an efficient competitor would experience, going forward. In fact, those factors lead to significant over-capacity, the cost of which would be borne by the CLECs. For example, the average drop capacity utilized in Florida is 1.4 pairs per customer, but BellSouth's cost study assumes an average of 5 pairs per customer. (Caldwell/Zarakas, Tr. 393) If BellSouth's study is adopted,

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6/ As discussed below, other flaws in BellSouth's loops studies render the studies irrelevant to the forward-looking, TELRIC costs of BellSouth's sample population.

7/ Spare capacity also results from unavoidable mismatches between demand and available equipment sizes. (Wood, Tr. 1726.)

CLECs would be required to bear the cost of that extra fill, which is over three times the capacity being used. (*See id.*) Similarly, BellSouth witness Baeza admits that BellSouth uses at least 25 pair distribution cable, even where its customers require significantly fewer pairs. (Baeza, Tr. 648.)

In a efficient and competitive marketplace, those costs would be recovered if and when the market dictates that the excess capacity be utilized and then only from the LEC utilizing the capacity. BellSouth, however, proposes to have the CLEC absorb that cost today without regard to whether an efficient competitor would have added that extra fill. Placement of excess cable, without regard for anticipated demand, clearly inflates the fill factor, producing excessive costs no efficient competitor should bear.

BellSouth makes no attempt to quantify rationally the amount of future capacity for which it is more efficient to pay now (*i.e.*, overbuild now and carry costs) rather than pay later (*e.g.*, retrench later to add capacity). This distinction, however, is irrelevant to BellSouth, which wants to have its cake and eat it too. Having placed excess cable now for its future customers, BellSouth attempts improperly to recover the costs of this cable from *current* Florida customers and then again from *future* customers. For example, under BellSouth's method, if BellSouth installs a cable costing $100/month that is intended to serve a current demand of 10 people and a projected future demand of 40 people (50 pairs total), the cost of the cable per intended customer is $2.00. However, BellSouth allocates the entire costs of the cable only to the current customers, resulting in charges of $10 per month. Although the $10.00 per month charge allows for the recovery of the cost of the entire cable, it also erects significant barriers to entry by requiring CLECs to purchase unbundled network elements at prices five times higher than the true economic costs of these elements.

Worse, every additional cable pair BellSouth sells to a CLEC or to a retail customer would permit BellSouth to over-recover an additional $10 per month per pair in excess of the already fully recovered cable costs. Whether sold to CLECs or utilized in BellSouth's retail business, these pairs cost BellSouth nothing since under its approach BellSouth already has

recovered the full cost of this cable. Importantly, both the over-recovery revenue from CLECs and the absence of cost for the BellSouth's remaining pairs permit the ILEC to gouge the CLECs to the detriment of competition and Florida consumers.

b) Drop Wire Costs

BellSouth computes average drop wire costs using an estimated length of 200 feet for aerial cable and 250 feet for buried cable. (Baeza, Tr. 651-52.) BellSouth's sole support for its estimated drop lengths is a survey about which BellSouth's witness had no first-hand knowledge. (*Id.*) BellSouth cannot explain how it calculated these lengths nor why it considers them forward-looking. Moreover, BellSouth's outside plant expert, Wayne Gray, admitted in his Georgia deposition (Docket No. 7061-4, Aug. 29, 1997) that increases in the number and proximity of residences, as well as increases in the ratio of businesses to residences, would tend to decrease drop lengths in the future. (Wells, Tr. 1148.) Further, Bell Communications Research Corp. ("BellCore") suggests a national average drop length of 73 feet. (*Id.*) Even when BellCore's figure is adjusted to reflect Florida-specific access lines per square mile, the resulting average would be far smaller than the 200 or 250 foot figure which BellSouth uses.

c) Loading Factors

BellSouth's loading factors also tremendously overstate its material prices. Specifically, these factors are based on embedded cost data and thus are unadjusted for even the limited, forward-looking adjustments contained in BellSouth's own cost studies. As one example, BellSouth's embedded labor loadings do not reflect BellSouth's stated intent to cut costs by outsourcing labor. Similarly, BellSouth utilizes historical conduit cost ratios per pair even though placement of forward-looking fiber technologies will increase the "per pair" capacity of a conduit by several orders of magnitude. (Wells, Tr. 1162-64.) Finally, BellSouth's "forward-looking" loop designs purport to eliminate the need for load coils. Yet, BellSouth demonstrates no adjustments to its embedded exempt material loadings reflecting this fact. (*Id.* at 1159.)

B. BellSouth Fails to Use Forward-Looking Switch Inputs

This Commission should reject BellSouth's proposed switching costs because their calculation violates several critical TSLRIC principles, to the detriment of competition and Florida consumers. First, BellSouth's switch prices do not reflect the actual discounts BellSouth now experiences, and can anticipate in the future, in its contracts with switch vendors. (Petzinger, Tr. 1592-93.) BellSouth's model inexplicably uses switch discount inputs which produce prices many times higher than those BellSouth now has available under existing, long-term contracts with Lucent. (*Id.* at Tr. 1596.) Given even the current level of competition among switch manufacturers, BellSouth's forward-looking switch costs, assuming efficient contracting practices, will approach the competitive prices now offered by Lucent, whether the ultimate supplier is Lucent, Nortel, or some other vendor.[8/] (*Id.* at 1597.)

Second, BellSouth also proposes to charge CLECs a separate cost each time a vertical feature is activated, even if the activation of a feature does not result in an additional cost to BellSouth. (*Id.* at 1602-03.) Ms. Caldwell even admits that a given cost per switch includes the cost of the vertical features. (Caldwell, Tr. 434.) This results in a charge as much as two and one-half times the actual cost. (Petzinger, Tr. 1614.) Simply put, BellSouth seeks to overcharge CLECs for the use of these vertical features.

Finally, BellSouth's method for calculating vertical services costs violates the cost causative principle of TSLRIC, forcing CLECs to pay higher prices than does BellSouth itself, which result would inhibit competition, relieve BellSouth from the price pressure induced by competition, and cause unnecessarily high prices for Florida consumers. To the extent competition does occur and CLECs sell more traffic sensitive switch time than BellSouth

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8/ BellSouth already has an existing contract and subsequent Letter of Authorization with Siemens Stromberg-Carlson for switches at prices even lower than those Lucent offers. (Petzinger, Tr. 1596.) Comparison to switch prices obtained by U.S. West, Southwestern Bell, Pacific Bell and Sprint provide further evidence that BellSouth's model significantly overstates switch prices -- prices these companies have achieved are 40% to 70% lower that those generated by BellSouth's model. (*Id.* at Tr. 1597-00.)

currently projects, the allocation of processor-driven vertical features costs to traffic-sensitive switch components ensures that BellSouth will over-recover its costs through excessive charges to CLECs.

C. BellSouth's Physical Collocation Costs Are Neither Reasonable Nor Justifiable.

BellSouth's method for calculating collocation costs is simply a barrier to entry. Under BellSouth's plan, CLECs must pay an exorbitant fee just to find out how much BellSouth will charge CLECs to collocate in BellSouth's facilities. Then, the CLEC would be presented with a take-it-or-leave-it proposal that would necessarily include BellSouth's unreasonable costs. The result will be to inhibit competitors from willingly seeking collocation. That impact is contrary to the purposes of the Act and these proceedings: to foster competition and thereby achieve lower prices for Florida consumers.

At a minimum, BellSouth is looking to make a lot of money from its collocation proposal, not just recover reasonable economic costs. BellSouth's first step toward that goal is charging a CLEC $7,000 simply to learn what BellSouth will charge for collocation. (Caldwell, Tr. 419-20.) At that rate, to figure out essentially where and how to place some equipment, one might expect there to be some learning curve. BellSouth does not. A second CLEC who approaches BellSouth the day after it has conducted its $7,000 study and who offers the exact same collocation proposal will have to provide another $7,000 so that (presumably) BellSouth can repeat the exact same exercise. BellSouth readily admits that its study anticipates no learning curve, no savings, and no economies of scale. (Caldwell, Tr. 419-20.)

Only a monopolist could make such a proposal. Facilitating collocation is clearly not BellSouth's objective. Whatever the motive, BellSouth's collocation proposal is a barrier to entry, which BellSouth can manipulate and which gives it virtual *carte blanche* to decide how and where a competitor will make use of BellSouth's facilities. (Bissell, Tr. 1044-45.) An incumbent carrier, who only has business to lose, would certainly take every opportunity to

inflate prices to disadvantage competitors. BellSouth's economic self-interest may be understandable, but its effect on Florida's consumers is contrary to the purposes of the Act.

BellSouth's collocation proposal also inhibits competition by requiring CLECs to incur excessive costs for the collocated space itself. For example, under BellSouth's proposal, it will have exclusive control over the space design. (Bissell, Tr. 1045.) Rather than use a *competitive* process for fitting the space, BellSouth will turn the project over to one of its preselected contractors. No competitive bidding is permitted here, and the CLEC cannot assume the responsibility of preparing the space in order to reduce its costs. (*Id.*) Finally, BellSouth will insist that the CLEC collocate behind drywall, rather than more cost-effective chain link, which only ensures that ancillary costs (*e.g.*, air conditioning, lighting, etc.) will increase. (*Id.* at 1053-54.) BellSouth's gypsum wall proposal needlessly inflates the material and construction costs for physical collocation. Further, this proposal creates an additional problem for CLECs who already have collocated facilities, due to the gypsum dust contamination resulting from the space preparation. (*Id.* at 1056). BellSouth's safety concern surrounding wire mesh cages is a red herring. Wire mesh is cleaner, easier to install, safe and is the most cost efficient method of providing collocation. If grounded correctly, wire mesh poses no more risk than the overhead ironwork that is within a few inches of the top of equipment racks and in contact with technicians each time they run cables. (*Id.* at 1057). Moreover, Bell Atlantic and Nynex have been using wire mesh collocation enclosures in their central offices without any reported safety or transmission problems. (*Id.* at 1057).

BellSouth offers no justification for its collocation proposals, and there is no sound economic reason for it. The economic effect of BellSouth's proposal cannot be mistaken: Costs would be forced above economically efficient levels, inhibiting competition and causing higher prices for Florida's consumers.

D. BellSouth's Shared and Common Costs Are Flawed and Unsupported by Sufficient Data

This Commission also should reject BellSouth's shared and common cost factors because these factors reflect costs incurred in BellSouth's embedded network and do not comport with TELRIC principles.

BellSouth's cost factors are based on embedded 1996 data. (Lerma, Tr. 1535-36.) BellSouth's supposed forward-looking adjustments reflect neither the full extent of the cost reductions that the competitive market will demand nor the increased allocation of corporate resources and costs to non-regulated business, such as the long distance market, that BellSouth surely will experience. (Lerma, Tr. 1537-38) BellSouth did not adjust its proposed cost factors to account for even known efficiencies BellSouth intends to incorporate in its operations going forward. These efficiencies include savings due to projected "re-engineering initiatives," "organizational alignment initiatives," and "productivity changes." (Lerma, Tr. 1537.) As admitted by BellSouth witness Reid, for example, BellSouth did not adjust its cost factors to account for cost reductions resulting from improvements in technology or improvements in productivity. (Reid, Tr. 581-82.)

Moreover, BellSouth's cost factors would result in a double recovery of certain costs. For example, BellSouth's shared labor factor improperly allocates recurring costs, such as capitalized motor vehicle costs, to the non-recurring costs which BellSouth seeks to recover as one-time charges. (Lerma, Tr. 1556-58.) BellSouth should apply no such factor. (*Id.*) If this Commission adopts BellSouth's proposal, CLECs will be inhibited from entering the Florida market and competition will suffer. And, if they choose to enter the market, CLECs will have to charge higher prices up front, inhibiting Florida consumers from changing service providers.

Finally, BellSouth cost factors do not incorporate adjustments in shared labor and maintenance costs directly resulting from BellSouth's supposed forward-looking adjustments to its loop sample. (*See* Lerma, Tr. 1538-1539.) Because BellSouth has not provided evidence

upon which to sustain its shared and common cost factors as forward-looking, this Commission should reject them.

E. BellSouth's Depreciation Rates Do Not Reflect the Revenue-Producing Lives of Capital Investments in a Competitive Market

This Commission should also reject BellSouth's proposed depreciation rates. They do not result in costs an efficient competitor would incur, and they raise discriminatory barriers to entry. Thus, they are prohibited by the Act.

Forward-looking depreciation rates are those that would permit an efficient competitor to recover the capital invested in plant during the period of that investment's revenue-producing life. (Majoros, Tr. 1507.) When anticipated changes in technology suggest that the revenue-producing life of a particular investment may be shortened, an increased rate of capital recovery may be proper to ensure recovery of forward-looking investments within the shortened lives. (*See id.* at 1508.) AT&T proposes Florida-specific FCC depreciation lives that properly reflect this necessity.

First, as noted by AT&T witness Majoros, FCC depreciation lives have reflected, since the early 1980's, consideration of the impact of changes in technology on depreciation lives, *i.e.*, the need to shorten lives from what has been accepted historically. Comparison of the FCC-prescribed Florida lives to the historic lives that BellSouth references in its depreciation studies confirms this fact. The FCC lives assume, for example, that efficient firms will replace digital switches 7.0 years earlier than historic lives; digital circuits, .5 years earlier; aerial cable, 7.0 years; underground-metallic, 10.0 years; and buried metallic, 9.0 years. (*Id.* at 1513.)

Second, BellSouth witness Cunningham resurrects the specter of "inevitable asset retirements" due to digital/fiber technology change. (Cunningham, Tr. 855-856.) Historically, BellSouth has projected the displacement of copper facilities with fiber facilities in the distribution portion of the network. Contrary to these forecasts, the utilization of copper circuits is increasing and the displacement in not occurring. (Majoros, Exh. 53, p. 21-22.) With the anticipated demand for ADSL and HDSL loops, which require copper facilities, it is unlikely that

these copper facilities will ever be displaced. In addition, a comparison of the rate at which the FCC has permitted the Regional Bell Operating Companies ("RBOCs") to recover their investment to the rate at which the RBOCs have been retiring this investment indicates that the RBOCs are still recovering capital far faster than they have been retiring plant facilities. (Majoros, Exh. 53, Dir. Test., Att. 4, at 4.) This recovery rate is *in spite of these technology changes.* (*Id.*) Contrary to Witness Cunningham's assertion that BellSouth has a depreciation reserve deficit in its interstate depreciation reserve, BellSouth, in fact, has a surplus in its interstate depreciation reserve. (Cunningham, Tr. 868-869; Exh. 25) In view of the foregoing, the FCC rates are certainly appropriate for BellSouth.

BellSouth, however, proposes depreciation lives significantly shorter than the FCC lives, which increases depreciation charges beyond even what forward-looking depreciation lives permit. Moreover, unlike the FCC lives, the BellSouth lives are not Florida-specific. (Cunningham, Tr. 848.) Finally, BellSouth's lives are based on the "book lives" BellSouth utilizes for public reporting purposes. (*Id.* at Tr. 846-847, 853.) Such lives are governed by the Generally Accepted Accounting Principle ("GAAP") of "conservatism" that *requires* BellSouth to err on the side of shorter lives to eliminate any possibility that BellSouth could overstate the value of its assets to stockholders. BellSouth depreciation lives, therefore, are too short.

By using shorter lives for unbundled network elements, BellSouth will recover capital investment costs more quickly than is justified by the elements' remaining revenue producing lives. This accelerated recovery would provide BellSouth the discriminatory advantage of early capital recovery at the expense of the CLECs. Costs to CLECs thereby increase, placing them in a decidedly non-competitive position. By stifling competition, BellSouth will reap the reward, and Florida's consumers will bear the loss.

In a competitive market no purchaser would pay prices burdened with greater than economic depreciation rates. Accordingly, this Commission should reject the depreciation rates BellSouth proposes.

F. BellSouth's Cost of Capital Would Recover Monopoly Profits to the Detriment of Florida Consumers

BellSouth's unsupported cost of capital is neither state-specific nor forward-looking and must therefore be rejected. Its cost studies assume a 11.25% "forward-looking" cost of capital. Those studies, however, do not explain why 11.25% is a forward-looking figure, nor provide any analysis as to the derivation of that number. Dr. Billingsley's Cluster Analysis is fundamentally flawed and cannot be relied on to establish a forward-looking cost of capital. Unlike AT&T's and MCI's analysis, which relies upon an analysis of the other large telephone holding companies as the most reasonable proxy for BellSouth's cost of capital, Dr. Billingsley utilizes a "cluster of companies" – none of whom individually are representative of the risks facing BellSouth—and then performs a statistical analysis that somehow transmutes these uncomparable companies into a surrogate measure of BellSouth's level of risk. However, BellSouth's risk in the network element leasing business has virtually nothing in common with the risks of the companies in the cluster, such as a McDonald's or a Wal-Mart. (Cornell Tr. 1471.) BellSouth's cluster analysis fails any notion of plain common sense.

Dr. Billingsley's analysis suffers from other flaws as well. In his search for companies comparable to BellSouth, Dr. Billingsley ignores the most appropriate companies for comparison – other telephone companies. Even other RBOCs, such as Ameritech, use a set of telephone holding companies as a basis of comparison for judging risk. (Cornell, Tr. 1471) Further, even major brokerage firms and investment banks which issue analyst reports for BellSouth and other telephone companies do not use this cluster analysis. (Cornell Tr. 1471; Exh. 52,p.65) Dr. Billingsley offers no plausible reason for abandoning other telephone companies as the most reasonable basis for comparison. (Cornell Tr. 1472)

Dr. Billingsley's analysis inappropriately assumes a perpetual growth rate in his Discounted Cash Flow Model, which would systematically guarantee an inaccurately high cost of equity estimate inconsistent with investor expectations. (Cornell TR. 1472-1477). Moreover,

the perpetual growth rate based on five-year forecasts is both subjective and incorrect. (Cornell TR. 1481).

A further flaw in Dr. Billingsley's analysis is his assessment of the risks in the telecommunications business. He blurs the risks of various portions of the telecommunications business with the low risk of leasing network elements. Contrary to his assertion that BellSouth is facing dramatic new risks resulting from the passage of the 1996 Act, both the FCC and BellAtlantic view the relevant risk in this case – leasing of network elements – as low. (Cornell Tr. 1489; Exh. 52, pp. 96-117).

Dr. Billingsley is inconsistent in his use of the Capital Asset Pricing Model. Notwithstanding his use of the CAPM, he attacks it as being impractical because it inconveniently negates his argument that competitive risks are highly significant to BellSouth. (Cornell Tr. 1489)

Dr. Billingsley's Risk Premium Analysis is flawed because he assumes growth for an infinite period at a rate exceeding the growth rate of the aggregate economy. He fails to account for the fact that perpetual growth is not practical and that growth must eventually slow. (Cornell TR. 1494). As a result, his risk premium is far too large.

Finally, the most telling fact belying Dr. Billingsley's analysis is that from the time the 11.25% rate was established by the FCC in 1990, until October 1997, the cost of debt declined 270 basis points. (Cornell, TR. 1469) More importantly, since Dr. Cornell's testimony was filed in November of 1997, the cost of debt and equity for BellSouth have declined even further. From yearend 1996 until yearend 1997, 30-year treasury bond rates have declined 72 basis points. (Exh. 52, p. 130).

As seen from above, BellSouth's proposed cost of capital, based on its flawed analysis, is far in excess of the forward-looking cost of capital for the provision of network elements and is inconsistent with investor expectations. It should accordingly be rejected.

Instead, a combined cost of capital of 9.43% should be utilized, as proposed by AT&T and MCI. (Cornell, Tr. 1417.) Their estimates rely on costs of debt derived from BellSouth's

own forward-looking estimates, or composites of BellSouth's actual debt obligations payable now and in the future. (*See, e.g.*, *id.* at 1425.) In addition, they have estimated cost of equity using widely-accepted methodologies (including the Discounted Cash Flow analysis and the Capital Asset Pricing Model), in conjunction with market data obtained from readily available, neutral sources of such information. (*Id.* at 1425-26, 1434-43.)

Should this Commission permit BellSouth to recover higher than economic costs of capital, BellSouth, on a going forward basis, would carry *no capital costs* as to some portion of its network elements while continuing to receive substantial revenues. The result will be an unfair advantage for BellSouth, which would inhibit competition and lead to higher prices for consumers.

G. BellSouth's Proposed Non-Recurring Charges Do Not Reflect Use of Forward-Looking Technologies in Existence Today

BellSouth's purported non-recurring costs for service ordering, installation, disconnection, and testing raise insurmountable barriers to competition. BellSouth contrives to provision unbundled network elements that have no non-recurring cost to BellSouth or its current customers, in a manner that will cause CLECs and their potential customers to incur unnecessary costs, which necessarily impedes competition. For example, assuming such costs totaled $150 and assuming consumers in the competitive local exchange market will remain with a particular provider for a period of 15 months, BellSouth's proposed charges mean that, all things being equal, a CLEC customer will pay $10 per month more than a BellSouth customer! This Commission must subject any rate with such devastating competitive implications to strictest scrutiny. Indeed, BellSouth's proposed non-recurring rates make no use of forward-looking, least-cost technologies and must be rejected.

For example, as BellSouth well knows, significant non-recurring charges occur only where a CLEC requires human intervention by BellSouth in BellSouth's otherwise mechanized systems. (Selwyn, Tr. 1390-1391.) BellSouth's existing technologies, in conjunction with

BellSouth's existing Operational Support Systems ("OSS"), eliminate nearly all *non-recurring* costs associated with provisioning network elements to CLECs.[9/]

BellSouth admits that it has virtually eliminated fallout, for certain exchanges, using existing electronic systems. (Landry, Tr. 491-92). BellSouth, however, assumes that 20% of the orders that CLECs place will be inaccurate and will require manual intervention. This is an unrealistic figure. No competitor can survive if 20% of the time it does manually what an efficient competitor can do electronically and virtually at no charge. (Selwyn, Tr. 1350.) Additionally, BellSouth has indicated that system upgrades (capable of eliminating fall-out due to CLEC error) are scheduled for completion by the end of this year. These upgrades will permit BellSouth systems to edit CLEC service requests and *electronically* return problem orders to CLEC personnel for correction before any BellSouth manual intervention is required. (Hyde, Tr. 1764-65.) Thus, this Commission should reject BellSouth's 20% fall-out estimate as inconsistent with TELRIC. A 20% fall-out rate is neither forward-looking nor reflective of the level of systems administration that an efficient competitor would practice.

BellSouth's manual labor assumptions for non-recurring field and central office connection and testing also are not reflective of the efficient practices achievable with the forward-looking technologies that BellSouth deploys today. An efficient competitor performs connection and conformance testing upon installation of a loop. The connections remain

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9/ BellSouth has incurred costs associated with the development of "gateways" permitting CLECs non-discriminatory access to BellSouth's OSS. Some of these costs BellSouth will incur under its interconnection agreements with various CLECs. Others will result from BellSouth's obligation to implement the Act. Regardless of origin, any legitimate OSS costs properly are characterized as recurring costs, not non-recurring costs, because they are related to capital investments having long-term value to BellSouth -- i.e., allow BellSouth to remain compliant with the requirements of the Act. BellSouth seeks to recover *all* such costs from CLECs in the form of non-recurring charges. This proposal is, itself, a form of discrimination (because all costs are borne improperly by CLECs without contribution by BellSouth) and thus is prohibited by the Act and this Commission's decision requiring that the costs associated with implementing interfaces be shared equitably among all parties who benefit from the interfaces. Furthermore, BellSouth's proposal would increase costs Florida consumers would be forced to pay to switch carriers and thus would stifle competition. Accordingly, BellSouth's proposal should be rejected.

physically intact thereafter (referred to as dedicated in plant (DIP) and dedicated out plant (DOP)), and conformance testing need not be repeated. (Hyde, Tr. 1766-67.) BellSouth already includes the costs of connection and testing in its *recurring* rates. Yet, BellSouth also intends to assess CLECs nonrecurring charges *for these same activities.*

As a result of DIP and DOP, used in conjunction with the forward-looking technologies BellSouth deploys today, BellSouth's non-recurring costs for connecting, disconnecting and testing network elements migrated to CLECs should be virtually zero. However, BellSouth's cost studies assume BellSouth will serve CLECs using obsolete, inefficient technologies which BellSouth itself has no intention of using. For example, the currently deployed and forward-looking GR-303 integrated digital loop carrier ("IDLC") technology permits electronic connect and disconnect, migration of network elements to CLECs, and end-to-end testing. By reserving the state-of-the-art technology for itself, BellSouth seeks to ensure that no CLEC can match the prices or the service characteristics that BellSouth provides its customers.

III. ADJUSTMENTS TO BELLSOUTH'S STUDY PROVIDE ALTERNATE PRICES FOR UNBUNDLED NETWORK ELEMENTS

The AT&T/MCI NRCM and the AT&T/MCI Collocation Model provide the Commission with forward-looking prices for non-recurring and collocation activities. Where these models do not generate proposed recurring or nonrecurring prices, Attachment A offers prices from BellSouth's studies that AT&T has adjusted to correct for flaws, where possible. Should this Commission decide to start its analysis with BellSouth's historic, embedded costs (although AT&T believes that such an approach violates the Act and that AT&T's and MCI's models produce the most appropriate prices), AT&T has provided the Commission with adjustments to the prices BellSouth proposes. AT&T's proposed adjustments *must* be made if BellSouth's historic, embedded costs are to approximate forward-looking prices. Attachment A reflects these adjustments to BellSouth's studies and includes all prices which AT&T believes this Commission should adopt in this proceeding including those for deaveraged loop prices.

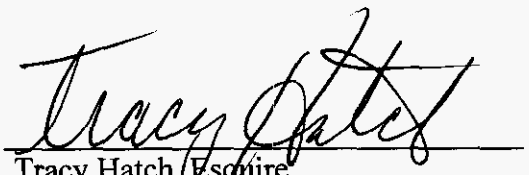
IV. CONCLUSION

All of the credible evidence before this Commission establishes that AT&T's proposed prices represent the appropriate, forward-looking, efficient rates contemplated by the Act. BellSouth's studies, on the other hand, offer only embedded, historic costs from the world of rate-based regulation, which violate the Act and will prevent effective competition in Florida. AT&T's proposed rates, whether from its models or adjusted from BellSouth's studies, are fully supported by the record in this proceeding. AT&T fully supports the prices offered in Attachment A.

Dated: March 3, 1997

Respectfully submitted,

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

By: 

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	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	$65.20	$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)

	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
49			***Loop, including NID***	$15.33	$8.24	$18.62	$10.24	$9.16	$22.79	$9.16	
50	A.6.1		2- Wire Asymmetrical Digital Subscriber Line (ADSL), statewide average	no study provided		no study provided		$32.42	no proposal	$32.42	
51			Wire Center Group 1, < 2000 loops	no study provided		no study provided		$23.23	no proposal	$23.23	
52			Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$15.74	no proposal	$15.74	
53			Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$13.81	no proposal	$13.81	
54			Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$9.43	no proposal	$9.43	
55			Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$8.42	no proposal	$8.42	
56			Wire Center Group 6, > 40,000 loops	no study provided		no study provided			$621.78	$13.00	(1)
57	A.6.1		NRC - First Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
58	None		NRC - First Electronic Order - Disconnect	no study provided		no study provided			$522.77	$8.83	(1)
59	A.6.1		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
60	None		NRC - Additional Electronic Order - Disconnect	$466.31	$12.42	$663.17	$13.00		$663.17	See Note 2	(1) (2)
61	A.6.1		NRC - First Manual Order - Installation	$375.14	$8.43	$534.42	$8.83		$534.42	See Note 2	(1) (2)
62	A.6.1		NRC - Additional Manual Order - Installation	$11.52	$6.49	$14.20	$8.18	$6.90	$17.38	$6.90	
63	A.7.1		2-Wire High Bit Rate Digital Subscriber Line (HDSL), statewide average	no study provided		no study provided		$24.42	no proposal	$24.42	
64			Wire Center Group 1, < 2000 loops	no study provided		no study provided		$17.50	no proposal	$17.50	
65			Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$11.86	no proposal	$11.86	
66			Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$10.41	no proposal	$10.41	
67			Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$7.11	no proposal	$7.11	
68			Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$6.34	no proposal	$6.34	
69			Wire Center Group 6, > 40,000 loops	no study provided		no study provided			$621.78	$13.00	(1)
70	A.7.1		NRC - First Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
71	None		NRC - First Electronic Order - Disconnect	no study provided		no study provided			$522.77	$8.83	(1)
72	A.7.1		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
73	None		NRC - Additional Electronic Order - Disconnect	$466.31	$12.42	$663.17	$13.00		$663.17	See Note 2	(1) (2)
74	A.7.1		NRC - First Manual Order - Installation	$375.14	$8.43	$534.42	$8.83		$534.42	See Note 2	(1) (2)
75	A.7.1		NRC - Additional Manual Order - Installation	$17.86	$9.77	$21.66	$12.05	$13.45	$26.51	$13.45	
76	A.8.1		4-Wire High Bit Rate Digital Subscriber Line (HDSL), statewide average	no study provided		no study provided		$47.57	no proposal	$47.57	
77			Wire Center Group 1, < 2000 loops	no study provided		no study provided		$34.09	no proposal	$34.09	
78			Wire Center Group 2, 2000 < 4000 loops	no study provided		no study provided		$23.10	no proposal	$23.10	
79			Wire Center Group 3, 4000 < 8,000 loops	no study provided		no study provided		$20.27	no proposal	$20.27	
80			Wire Center Group 4, 8,000 < 20,000 loops	no study provided		no study provided		$13.84	no proposal	$13.84	
81			Wire Center Group 5, 20,000 < 40,000 loops	no study provided		no study provided		$12.35	no proposal	$12.35	
82			Wire Center Group 6, > 40,000 loops	no study provided		no study provided			$647.99	$27.21	(1)
83	A.8.1		NRC - First Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
84	None		NRC - First Electronic Order - Disconnect	no study provided		no study provided			$549.46	$19.25	(1)
85	A.8.1		NRC - Additional Electronic Order - Installation	no study provided		no study provided			$0.00	$0.00	(1)
86	None		NRC - Additional Electronic Order - Disconnect	$484.93	$25.98	$689.23	$27.21		$689.23	See Note 2	(1) (2)
87	A.8.1		NRC - First Manual Order - Installation	$394.20	$18.38	$561.11	$19.25		$561.11	See Note 2	(1) (2)
88	A.8.1		NRC - Additional Manual Order - Installation								
89			**Local Switching, Monthly**	$8.68	$7.15	$10.11	$8.46		$11.16	$8.46	(1) (3)
90	B.1.2		4-Wire Voice Grade	no study provided		no study provided			$29.24	$1.09	(1)
91	B.1.2		NRC - First Electronic Order - Installation	no study provided		no study provided			$28.48	$0.64	(1)
92	B.1.2		NRC - Additional Electronic Order - Installation	$51.02	$1.04	$69.24	$1.09		$69.24	See Note 2	(1) (2)
93	B.1.2		NRC - First Manual Order - Installation	$29.63	$0.61	$40.08	$0.64		$40.08	See Note 2	(1) (2)
94	B.1.2		NRC - Additional Manual Order - Installation								
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	$0.8987	$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)
135	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	$26.82	$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					$17.36	$8.46	(3)
170	None	NRC First- Electronic Order	$50.96					$66.44	$1.09	(3)
171	None	NRC Additional- Electronic Order	$50.36					$65.63	$0.64	(3)
172	None	NRC First- Manual Order	$80.30					$106.44	See Note 2	(3)
173	None	NRC Additional- Manual Order	$58.91					$77.28	See Note 2	(3)
174		**Operator Services and Directory Assistance**								
175		DA Transport	$40.47	$34.60	$46.63	$40.44		$46.63	$40.44	
176	G.6.1	DS1 Local Channel, per Month	no study provided		no study provided			$552.61	$48.82	(1)
177	G.6.1	NRC - First Electronic Order - Installation	no study provided		no study provided			$477.88	$41.28	(1)
178	G.6.1	NRC - Additional Electronic Order - Installation	$455.02	$46.63	$638.37	$48.82		$638.37	See Note 2	(1) (2)
179	G.6.1	NRC - First Manual Order - Installation	$338.57	$39.43	$477.88	$41.28		$477.88	See Note 2	(1) (2)
180	G.6.1	NRC - Additional Manual Order - Installation								
181		DS1 Interoffice Transport	$93.51	$81.06	$107.04	$94.20		$107.04	$94.20	
182	G.6.3	Fixed	$0.5456	$0.3882	$0.6322	$0.4577		$0.6322	$0.4577	
183	G.6.2	Per Mile	no study provided		no study provided		$11.20	$225.46	$11.20	(1)
184	G.6.3	NRC - First Electronic Order - Installation	no study provided		no study provided		$11.20	$170.53	$11.20	(1)
185	G.6.3	NRC - Additional Electronic Order - Installation	$194.48	$17.45	$261.84	$18.27		$261.84	See Note 2	(1) (2)
186	G.6.3	NRC - First Manual Order - Installation	$155.24	$0.21	$206.91	$0.22		$206.91	See Note 2	(1) (2)
187	G.6.3	NRC - Additional Manual Order - Installation								
188		DA Trpt., NRC per trunk or signaling connection	no study provided		no study provided			no proposal	$150.62	
189	G.6.8	NRC - First Electronic Order - Installation	no study provided		no study provided			no proposal	$16.41	
190	G.6.8	NRC - Additional Electronic Order - Installation	$327.56	$143.86	$416.43	$150.62		$416.43	See Note 2	(1) (2)
191	G.6.8	NRC - First Manual Order - Installation	$8.39	$15.68	$11.26	$16.41		$11.26	See Note 2	(1) (2)
192	G.6.8	NRC - Additional Manual Order - Installation								

	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	$21.82		$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	

	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
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	

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
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	$50.69		$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					$4,220.74		$4,220.74	
304		per initial request, or subsequent request for cabling plus equipment					$1,279.01		$1,279.01	
305		per subsequent request for cabling only					$8.62		$8.62	
306		Land and Buildings, space to support each quarter rack used, per month					$2.03		$2.03	
307		Relay rack space, per quarter rack used								
308		Entrance Fiber					$987.39		$987.39	
309		Cable installation, nonrecurring charge					$12.10		$12.10	
310		per cable, per month					$0.06		$0.06	
311		Power Delivery, per month								
312		Power Consumption					$3.92		$3.92	
313		DC plant, per amp, per month					$2.03		$2.03	
314		AC usage, per DC amp, per month								
315		Voice Grade Circuits					$879.58		$879.58	
316		Cable and Horizontal Terminal Strips, per 100 circuits, nonrecurring charge					$4.98		$4.98	
317		Connection to MDF, per 100 circuits, per month								
318		DS-1 Circuits					$1,335.66		$1,335.66	
319		Connection to DCS, per 28 circuits, nonrecurring charge					$226.51		$226.51	
320		Connection to DCS, per 28 circuits, per month					$1,335.66		$1,335.66	
321		Connection to DSX, per 28 circuits, nonrecurring charge					$11.17		$11.17	
322		Connection to DSX, per 28 circuits, per month								
323		DS-3 Circuits					$341.31		$341.31	
324		Connection to DCS, per circuit, nonrecurring charge					$56.80		$56.80	
325		Connection to DCS, per circuit, per month					$341.31		$341.31	
326		Connection to DSX, per circuit, nonrecurring charge					$9.80		$9.80	
327		Connection to DSX, per circuit, per month								
328		Optical Circuits					$2,139.85		$2,139.85	
329		Connection to FDF, per 12-fiber breakout cable, nonrecurring charge					$6.43		$6.43	
330		Connection to FDF, per cable, per month								
331		Virtual-to-Virtual Connection								

	A	B C D E	F	G	H	I	J	K	L	M	N
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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.								

CERTIFICATE OF SERVICE

Docket Nos: 960833-TP, 960757-TP and 960846-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties of record this 3rd day of March, 1998:

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