

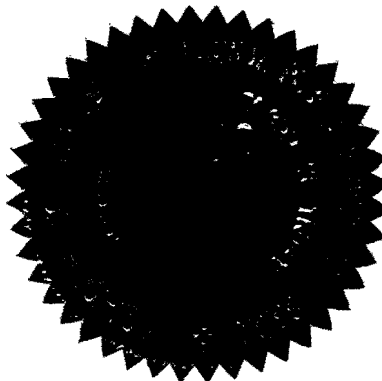
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of

Motions of AT&T Communications of
the Southern States, Inc. and MCI
Telecommunications Corporation and
MCI Metro Access Transmission
Services, Inc. to compel
BellSouth Telecommunications,
Inc. to comply with Order PSC-
96-1579-FOF-TP and to set non-
recurring charges for combinations:
of network elements with BellSouth:
Telecommunications, Inc.
pursuant to their agreement

DOCKET NO. 971140-TP



VOLUME 2

Pages 134 through 233

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER SUSAN F. CLARK
 COMMISSIONER JOE GARCIA
 COMMISSIONER E. LEON JACOBS, JR.

DATE: Monday, March 9, 1998

TIME: Commenced at 12:10 p.m.

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: JOY KELLY, CSR, RPR
 Chief, Bureau of Reporting
 (904) 413-6732

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER - DATE
03137 MAR 12 88
FPSC - RECORDS/REPORTING

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P R O C E E D I N G S

(Transcript follows in sequence from
Volume 1.)

- - - - -

DAVID EPPSTEINER

was called as a witness on behalf of AT&T
Communications of the Southern States, Inc. and,
having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Could you state your name and address for
the record?

A My name is David Eppsteiner.

Q By whom are you employed and in what
capacity?

A I'm employed by AT&T as an attorney.

Q Did you prepare and cause to be filed in
this proceeding direct testimony consisting of 13
pages and rebuttal testimony consisting of eight
pages?

A Yes, I did.

Q Do you have any changes or corrections to
your prefiled direct testimony?

A I do.

Q Could you please give those?

1 **A** On Page 2 of my direct testimony, on
2 Line 23, the word "date" should be "data." On Page 4
3 of my direct testimony on Line 25, the word
4 "provision" should be changed to "provisions." On
5 Page 5 of my direct testimony, Line 8, the word
6 "element" should be inserted before the word
7 "network."

8 **CHAIRMAN JOHNSON:** What was that one? Could
9 you go over that one again?

10 **WITNESS EPPSTEINER:** I'm sorry. On Page 5,
11 Line 8, insert "element" following the word "network."

12 **COMMISSIONER GARCIA:** First "network" or
13 second -- oh, okay the first one.

14 **WITNESS EPPSTEINER:** I'm sorry.

15 **CHAIRMAN JOHNSON:** Go ahead.

16 **WITNESS EPPSTEINER:** On Page 9 of my direct
17 testimony, Lines 21 through 23, delete the two
18 sentences starting with "the agreement," and ending
19 with "pricing provisions." On Page 10 --

20 **COMMISSIONER CLARK:** I'm sorry, did you say
21 delete those?

22 **MS. WHITE:** Could you repeat what to delete
23 on Page 9?

24 **WITNESS EPPSTEINER:** I couldn't hear you.

25 **MS. WHITE:** Could you please repeat what you

1 need to delete on Page 9?

2 **WITNESS EPPSTEINER:** Lines 21 and 23, the
3 two sentences starting with "the agreement" and ending
4 with "pricing provisions."

5 On Page 10, Line 7, change "BellSouth" to
6 "BellSouth's." On Page 11, Line 14 delete "and
7 Attachment 4." And on Page 12, Line 23, delete the
8 sentence beginning with "the types of usage."

9 **Q** **(By Mr. Hatch)** Do you have any changes or
10 corrections to your rebuttal testimony?

11 **A** Just a few.

12 On Page 3, Line 14, the word "combination"
13 should be "combinations."

14 **COMMISSIONER GARCIA:** What page?

15 **WITNESS EPPSTEINER:** In my rebuttal
16 testimony, Page 3, Line 14, the word "combination"
17 should be plural, "combinations." Page 5, Line 5, the
18 word "T-H-T" should be that, "T-H-A-T." Page 5,
19 Line 16 "BellSouth" should be "BellSouth's." And on
20 Page 6, Line 23 (sic), "do" should be "does", D-O-E-S.

21 **Q** Subject to the corrections just noted, if I
22 asked you the same questions as are in your direct and
23 rebuttal testimony, would your answers be the same?

24 **A** Yes, they would.

25 **MR. HATCH:** Madam Chairman, I'd request

1 Mr. Eppsteiner's direct and rebuttal testimony be
2 inserted into the record as though read.

3 **CHAIRMAN JOHNSON:** It will be so inserted.

4 **Q** (By Mr. Hatch) Attached to your direct
5 testimony did you have one exhibit labeled DE-1
6 consisting of 14 pages.

7 **A** Yes.

8 **Q** And attached to your rebuttal testimony did
9 you have a rebuttal exhibit DE-1 consisting of 28
10 pages?

11 **A** Yes.

12 **Q** Were these exhibits prepared by you or under
13 your supervision?

14 **A** Yes.

15 **Q** Do you have any changes or corrections to
16 your exhibits?

17 **A** No, I do not.

18 **MR. HATCH:** Madam Chairman, could we have
19 those exhibits marked for identification, please?

20 **CHAIRMAN JOHNSON:** You want them as one
21 composite exhibit?

22 **MR. HATCH:** Yes, ma'am, that will be fine.

23 **CHAIRMAN JOHNSON:** Mark them as Composite
24 Exhibit 7, DE-1.

25 (Exhibit 7 marked for identification.)

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DIRECT TESTIMONY OF
DAVID EPPSTEINER
ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.
DOCKET NO. 971140-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David Eppsteiner. My business address is 1200 Peachtree Street, NE, Atlanta, Georgia 30309.

Q. WHAT IS YOUR OCCUPATION?

A. I am a Senior Attorney in AT&T Corp.'s Law and Government Affairs organization. From June 1996 through August 1997, I served as one of two commercial attorneys who focused on negotiations with BellSouth under the Telecommunications Act of 1996. In September, 1997, I became the regulatory attorney responsible for AT&T's Regulatory activities in Alabama and Mississippi.

Q. PLEASE BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND RELATED EXPERIENCE.

A. I received the degree of Bachelor of Science in Journalism from Northwestern University. I received my Juris Doctor degree from the Washington College of Law of The American University. From 1982 until 1986, I was an associate at the law firm of Anderson, Hibey, Nauheim & Blair in Washington, DC. In 1986, I joined the law firm of McKenna & Cuneo where I specialized in federal

1 procurement and contract litigation and law. In 1995, I joined AT&T's then-
2 computer subsidiary, AT&T Global Information Systems as an Attorney in the
3 commercial law group supporting the Federal and State Team's contracting
4 efforts. In 1996, I joined the Commercial Law team of AT&T Corp.'s Law and
5 Government Affairs organization in the Southern Region. In that position, I
6 provided commercial law support to AT&T's Local Services Organization and
7 assisted in region-wide negotiations with BellSouth Telecommunications, Inc.
8 under the Telecommunications Act of 1996.

9
10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

11 A. I am testifying on behalf of AT&T Communications of the Southern States, Inc.
12 (AT&T).

13
14 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

15 A. The purpose of my direct testimony is to outline the requirements of the
16 AT&T/BellSouth Interconnection Agreement for BellSouth to provide AT&T
17 with combinations of unbundled network elements. Under the clear and
18 unambiguous provisions of the AT&T/BellSouth Agreement, those combinations,
19 whether or not they recreate an existing BellSouth service, must be priced at the
20 cost-based rates set forth in Part IV of the General Terms and Conditions of the
21 Agreement, until such time as the parties negotiate or the Commission establishes
22 different prices. In addition, I discuss BellSouth's obligation to record and
23 provide to AT&T detailed usage ^{data} ~~date~~ for switched access service, local exchange
24 service and long distance service necessary for AT&T to bill customers when
25 AT&T provides service using unbundled network elements either alone or in

1 combination.

2

3 **Q. WHAT IS THE BASIS FOR YOUR TESTIMONY?**

4 A. I personally participated in the negotiations that resulted in the A&T/BellSouth
5 Interconnection Agreement that is the subject of this proceeding. The relevant
6 portions of the Agreement are attached as Exhibit DE-1.

7

8 **Q. COULD YOU EXPLAIN HOW THE LANGUAGE IN THE AGREEMENT
9 CAME ABOUT?**

10 A. The AT&T/BellSouth Interconnection Agreement contains language that resulted
11 from (1) voluntary negotiations between the parties; and (2) negotiations that
12 followed a commission order on disputed issues. With respect to the voluntary
13 negotiations, the vast majority of the contract language was arrived at by mutual
14 agreement without Commission intervention, even though each party expressed
15 concerns with language related to issues that were the subject of arbitration, such
16 as the availability of UNEs. For example, AT&T and BellSouth agreed on all of
17 the language in Part II of the General Terms and Conditions of the Agreement,
18 with one exception, Section 30.6. In addition, AT&T and BellSouth also had
19 reached agreement on contract language covering a significant number of issues
20 that were not the subject of arbitration. In both cases, the parties attempted to
21 incorporate the agreements on language that resulted from region-wide
22 negotiations in all of the interconnection agreements executed by AT&T and
23 BellSouth. With respect to negotiations that followed a commission order on
24 disputed issues, AT&T and BellSouth endeavored to use previously negotiated
25 language where possible, and incorporated new language as necessary to

1 encompass the commission ruling. Because the parties could not reach agreement
2 on all issues following the issuance of Order No. PSC-96-1579-FOF-TP
3 (Arbitration Order), issued December 31, 1996, the parties requested assistance
4 from the Commission to resolve the issues for which agreement on contract
5 language could not be reached. In that request, each party provided its proposed
6 contract language and its rationale for the language.

7
8 The Florida Commission ruled on these proposals by Order No. PSC-97-0300-
9 FOF-TP (First Contract Order), issued March 19, 1997. Following that order,
10 AT&T and BellSouth again attempted to reach agreement on contract language to
11 cover the outstanding issues. AT&T believed that agreement had been reached,
12 but when it came time to execute the contract, BellSouth refused. BellSouth
13 insisted that the final contract contain certain language regarding the provision of
14 unbundled network elements. As a result, AT&T again sought the assistance of
15 the Commission to resolve the matter and by Order No. PSC-97-0600-FOF-TP
16 (Second Contract Order) issued May 27, 1997, the Commission ordered
17 BellSouth to execute the agreement containing the language proposed by AT&T.
18 On June 10, 1997, AT&T and BellSouth filed an executed interconnection
19 agreement with the Commission. That Agreement was approved on June 19,
20 1997 by this Commission. (See Order No. PSC-97-0724-FOF-TP, Approval
21 Order.)

22
23 **Q. DOES THE CONTRACT REQUIRE BELLSOUTH TO PROVIDE TO**
24 **AT&T COMBINATIONS OF UNBUNDLED NETWORK ELEMENTS?**

25 **A. Yes. There are a number of contractual provisions which unambiguously require**

1 BellSouth to provide AT&T with combinations of unbundled network elements.
2 Indeed, Section 1 of the General Terms and Conditions specifically provides that
3 the "Agreement sets forth the terms, conditions and prices under which BellSouth
4 agrees to provide. . . certain unbundled Network Elements, or combinations of
5 such Network elements ('Combinations'). . . ." BellSouth's obligation to provide
6 Combinations is reiterated in Section 30.5 of Part II of the General Terms and
7 Conditions of the Agreement. That provision provides that "BellSouth shall offer
8 each Network individually and in combination with any other ^{Element} ~~Network Element~~
9 or Network Elements in order to permit AT&T to provide Telecommunications
10 Services to its Customers subject to the provisions of Section 1A of the General
11 Terms and Conditions of this Agreement."
12

13 **Q. WHAT DOES SECTION 1A PROVIDE AND WHY WAS IT**
14 **SPECIFICALLY REFERENCED IN SECTION 30.5?**

15 A. Section 1A provides that "AT&T may purchase unbundled network elements for
16 the purpose of combining Network Elements in any manner that is technically
17 feasible, including recreating existing BellSouth services." This provision is
18 specifically referenced in Section 30.5, because although there was no dispute
19 following negotiations with BellSouth's obligation to provide combinations of
20 unbundled network elements, BellSouth continued to refuse to provide such
21 combinations at cost based rates where such combinations replicated existing
22 BellSouth retail services. This issue, thus, was subject to the arbitration
23 proceedings and rather than renegotiate every provision regarding the provision of
24 unbundled network elements for every contract in the nine-state BellSouth region,
25 AT&T and BellSouth agreed to reflect the results of the arbitration proceedings in

1 Section 1A. In the Florida Arbitration decision, the Commission made clear that
2 AT&T could combine unbundled networks in any manner they choose, including
3 recreating existing BellSouth services. This is why section 1A is drafted as it is.
4 In other agreements, the language in Section 1.A is different and reflects the
5 specific commission's arbitration decision on recombination of unbundled
6 network elements. In all the agreements, however, the language contained in
7 Sections 1 and 30.5 is the same, since this language was negotiated voluntarily, on
8 a region-wide basis.

9
10 **Q. ARE THERE OTHER PROVISIONS IN THE INTERCONNECTION**
11 **AGREEMENT THAT OBLIGATE BELL SOUTH TO PROVIDE**
12 **UNBUNDLED NETWORK ELEMENT COMBINATIONS?**

13 A. Yes. Attachment 4 to the Agreement includes several provisions that require
14 BellSouth to provide to AT&T combinations of unbundled network elements.
15 First, Section 2.2 provides that "Combinations, consistent with Section 1.A of the
16 General Terms and Conditions of this Agreement, shall be identified and
17 described by AT&T so that they can be ordered and provisioned together and
18 shall not require the enumeration of each Element within the Combination. . . ."
19 Second, Section 3.9 obligates BellSouth to "perform testing with AT&T to test
20 Elements and Combinations purchased by AT&T." Third, Section 4.5 makes
21 clear that "[w]hen AT&T orders Elements or Combinations that are currently
22 interconnected and functional, such Elements and Combinations will remain
23 interconnected and functional without any disconnection or disruption of service."
24 This means that the agreement obligates BellSouth to provide combinations that
25 are already combined and that BellSouth cannot disconnect them to provide them

1 to AT&T. These provisions were not subject to the arbitration process and were
2 negotiated voluntarily by BellSouth and AT&T on a nine-state basis.

3 **Q. HAS BELLSOUTH ACKNOWLEDGED ITS OBLIGATION TO PROVIDE**
4 **UNBUNDLED NETWORK COMBINATIONS UNDER ITS AGREEMENT**
5 **WITH AT&T?**

6 **A.** Yes. By letter dated September 12, 1997, BellSouth President -Interconnection
7 Services Mark L. Feidler wrote to AT&T Vice President Jim Carroll "BellSouth
8 nonetheless recognizes that the interconnection agreements that have been
9 executed thus far obligate BellSouth to accept and provision UNE combination
10 orders."

11
12 **Q. WHAT DOES THE AGREEMENT PROVIDE REGARDING PRICING OF**
13 **UNE COMBINATIONS.**

14 **A.** Part IV of the General Terms and Conditions of the Agreement covers pricing of
15 unbundled network elements. Section 36 in Part IV sets forth the appropriate
16 prices for unbundled network elements and combinations. Under Section 36, the
17 agreement states that "The prices that AT&T shall pay to BellSouth for
18 Unbundled Network Elements are set forth in Table 1." Table 1 includes
19 recurring and non-recurring charges for various individual unbundled network
20 elements. In addition, Section 36.1 contains a special provision relating to
21 charges for multiple network elements. Section 36.1 specifically provides:

22

23 **Any BellSouth non-recurring and recurring charges shall not**
24 **include duplicate charges or charges for functions or**
25 **activities AT&T does not need when two or more Network**

1 Elements are combined in a single order. BellSouth and
2 AT&T shall work together to mutually agree upon the total
3 non-recurring and recurring charge(s) to be paid by AT&T
4 when ordering multiple Network Elements. If the parties
5 cannot agree to the total non-recurring and recurring charges
6 to be paid by AT&T when ordering multiple Network
7 Elements within sixty (60) days of the Effective Date, either
8 party may petition the Florida Public Service Commission to
9 settle the disputed charge or charges.

10

11 **Q. WHY IS THIS PROVISION INCLUDED IN THE FLORIDA**
12 **BELLSOUTH/AT&T INTERCONNECTION AGREEMENT?**

13 A. BellSouth and AT&T included this provision to reflect the Commission's ruling
14 on AT&T's Cross Motion for Reconsideration of the Commission's arbitration
15 decision. See Order No. PSC-97-0298-FOF-TP (Reconsideration Order). AT&T
16 argued in its motion that the prices for individual elements may not include
17 duplicate charges or charges for functions that are not needed when two or more
18 elements are combined. The Commission agreed. In ruling on AT&T's Cross
19 Motion for Reconsideration, the Commission ordered BellSouth to provide non-
20 recurring costs that do not include duplicate charges or charges for functions or
21 activities that AT&T does not need when two or more network elements are
22 already combined. Similarly, for recurring charges, the Commission ordered
23 BellSouth to remove all duplicate charges when combinations of network
24 elements are ordered. Under the ruling, BellSouth and AT&T are to work
25 together to establish prices that do not include such charges.

1

2

3 **Q. WHAT DOES THIS LANGUAGE DO FOR THE PRICES FOR**
4 **UNBUNDLED NETWORK ELEMENT COMBINATIONS?**

5 A. The prices for such combinations remain those that are set forth in Part IV, Table
6 1 until such time as BellSouth and AT&T agree to prices that remove the
7 duplicate or unnecessary charges or the Commission establishes otherwise. Thus,
8 if multiple network elements are ordered, under the contract AT&T should pay
9 the sum of the individual element prices. To the extent those prices may contain
10 duplicate charges, AT&T believes that future negotiations or Commission action
11 will bring the prices down.

12

13 **Q. WHAT DOES THE CONTRACT PROVIDE FOR PRICING OF**
14 **UNBUNDLED NETWORK ELEMENT COMBINATIONS WHERE**
15 **BELLSOUTH DOES THE COMBINING?**

16 A. As discussed above, under the provisions of the Agreement, BellSouth is
17 required to provide to AT&T combinations of unbundled network elements.
18 If those elements are already combined, under Attachment 4, Section 4.5,
19 BellSouth may not disconnect the combined elements. Pricing will be as set
20 forth in Part IV, Table 1 of the General Terms and Conditions. ~~The~~
21 ~~Agreement does not require BellSouth to do the combining for AT&T where~~
22 ~~elements are not currently combined. Therefore, it does not contain such~~
23 ~~pricing provisions.~~

24

25 **Q. WHAT ABOUT PRICING OF COMBINATIONS WHICH RECREATE**

1 **EXISTING BELLSOUTH RETAIL SERVICES?**

2 A. The fact that a combination of network elements recreates an existing BellSouth
3 service is irrelevant for pricing purposes. Under the existing contract, pricing of
4 such combinations is the same as any other combination of network elements.
5 The prices set forth in Part IV, Table 1 govern such pricing.

6
7 **Q. ¹⁵WHAT ABOUT BELLSOUTH POSITION THAT SUCH COMBINATIONS**
8 **SHOULD BE PRICED AT THE WHOLESALE DISCOUNT?**

9 A. Under the contract, the wholesale discount only applies to resold services, not to
10 services provided through unbundled network element combinations. Indeed,
11 although BellSouth attempted to include language in the pricing section of the
12 contract on this issue, the Commission agreed with AT&T that any such language
13 was not appropriate. Specifically, BellSouth refused to execute the
14 interconnection agreement with AT&T unless the agreement included the
15 following language:

16
17 Further negotiations between the parties should address the
18 price of a retail service that is recreated by combining
19 UNEs. Recombining UNEs shall not be used to under cut
20 the resale price of the service recreated.

21
22 The Commission squarely rejected BellSouth's attempt to include such language
23 in the agreement, holding that although the Commission had expressed some
24 concerns over the pricing of such services in dicta, BellSouth's proposal to include
25 the language was "completely unacceptable." The pricing of all combinations is

1 governed by Part IV and Table 1 of the Interconnection Agreement, not the
2 wholesale discount.

3 **Q. DURING CONTRACT NEGOTIATIONS, DID BELL SOUTH INDICATE**
4 **ITS BELIEF THE PRICING OF ALL COMBINATIONS SHOULD BE**
5 **GOVERNED BY PART IV AND TABLE 1?**

6 A. Yes. As discussed above, following the Commission's December 31, 1996,
7 Arbitration Order, the parties attempted to negotiate final language to include in
8 the interconnection agreement. One provision upon which agreement could not
9 be reached involved rates that BellSouth could charge as an "interconnection fee
10 or other consideration for directly interconnecting any Network Element or
11 Combination to any other Network Element or Combination. AT&T had
12 proposed language to clarify explicitly that no additional charge was appropriate.
13 BellSouth would not agree to AT&T's proposal but instead proposed contract
14 language that referred to Part IV ~~and Attachment 4~~. The specific language
15 BellSouth proposed was:

16

17 BellSouth shall charge AT&T the rates set forth in Part IV
18 when directly interconnecting any Network Element or
19 Combination to any other Network Element or Combination.
20 If BellSouth provides such service to an affiliate of BellSouth,
21 that affiliate shall pay the same charges.

22

23 **Q. IS THIS LANGUGAGE INCLUDED IN THE EXECUTED**
24 **INTERCONNECTION AGREEMENT?**

25 A. No. The Commission refused to order the inclusion of either AT&T or

1 BellSouth's proposal in the contract. As a result, the contract does not contain
2 AT&T's proposed language or BellSouth's proposed language. However, it is
3 clear from BellSouth's proposed language that BellSouth viewed the pricing of
4 Unbundled Network Elements, combined or uncombined, to be as set forth in Part
5 IV and Table 1.

6
7 **Q. DOES THE CONTRACT REQUIRE BELLSOUTH TO PROVIDE TO**
8 **AT&T DETAILED USAGE DATA FOR SWITCHED ACCESS SERVICE,**
9 **LOCAL EXCHANGE SERVICE AND LONG DISTANCE SERVICE**
10 **NECESSARY FOR AT&T TO BILL CUSTOMERS?**

11 A. Yes. BellSouth's obligation to provide this data is clear. Attachment 7 of the
12 Interconnection Agreement sets forth BellSouth's obligations to provide customer
13 usage data. Section 2.1 of Attachment 7 specifically provides that BellSouth
14 "shall provide AT&T with Recorded Usage Data in accordance with" Attachment
15 7. Section 3.1 of Attachment 7 further provides that "BellSouth will provide all
16 usage originating from AT&T Customers using BellSouth provided Elements or
17 Local Services." Section 3.2 of Attachment 7, further provides that "BellSouth
18 shall provide to AT&T Recorded Usage Data for AT&T Customers only.
19 BellSouth will not submit other carrier local usage data as part of AT&T
20 Recorded usage data." Although not spelled out specifically, the contract
21 language is written broadly to encompass all usage data including switched access
22 service, local exchange service and long distance services. ~~The types of usage~~
23 ~~data requires are shown in Exhibit DE-2.~~

24
25 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

- 1 A. Yes.
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REBUTTAL TESTIMONY OF

DAVID EPPSTEINER

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

DOCKET NO. 971140-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David Eppsteiner. My business address is 1200 Peachtree Street, NE, Atlanta, Georgia 30309.

Q. ARE YOU THE SAME DAVID EPPSTEINER WHO FILED DIRECT TESTIMONY ON BEHALF OF AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC. (AT&T) IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to:

1. Respond to the direct testimony of Messrs. Varner and Hendrix regarding BellSouth's obligation to provide unbundled network elements under the AT&T/BellSouth interconnection agreement;
 2. Respond to the direct testimony of Messrs. Hendrix and Varner regarding the contractually appropriate pricing for unbundled network element combinations pending resolution of the United States Supreme Court appeal of the Eighth Circuit's decisions on the Telecommunication Act;
- and

1 3. Respond to Messrs. Hendrix and Varner's testimony regarding BellSouth's
2 requirement to provide AT&T all usage data.

3

4 **Q. ARE MESSRS. VARNER AND HENDRIX CORRECT IN STATING THAT**
5 **THE BELLSOUTH/AT&T INTERCONNECTION AGREEMENT**
6 **OBLIGATES BELLSOUTH TO PROVIDE UNBUNDLED NETWORK**
7 **ELEMENT COMBINATIONS TO AT&T?**

8 A. Yes. As outlined in my direct testimony, several provisions of the
9 AT&T/BellSouth interconnection agreement obligate BellSouth to provide AT&T
10 unbundled network element combinations. This includes network elements that
11 are already combined, and network elements that are capable of being combined,
12 but have not been. Messrs. Varner and Hendrix do not dispute this contractual
13 obligation.

14

15 **Q. WHAT DO THEY DISPUTE?**

16 A. BellSouth continues to take the position that when AT&T orders unbundled
17 network element combinations that replicate existing BellSouth services, that such
18 combinations will be treated for all purposes as resale, including being priced at
19 the resale discount rather than at cost-based rates as the Act requires for
20 unbundled network elements.

21

22 **Q. DOES THE CONTRACT SUPPORT BELLSOUTH'S POSITION?**

23 A. No. There is no contractual basis for BellSouth's claim that unbundled network
24 combinations be treated as resold services rather than combinations of unbundled
25 network elements. Indeed, BellSouth made this argument three times before the

1 Commission prior to the execution of the final interconnection agreement and in
2 all three instances, the Commission rejected BellSouth's argument. In the
3 December 31, 1997 arbitration order (Order No. PSC-96-1579-FOF-TP), in the
4 final order on the motions for reconsideration (Order No. PSC-97-0298-FOF-TP,
5 and in the May 27, 1997 order on the BellSouth/AT&T interconnection agreement
6 (Order No. PSC-97-0600-FOF-TP), the Commission rejected BellSouth's
7 argument. As a result, the contract does not contain any language that allows
8 BellSouth to treat unbundled network element combinations as resold services in
9 any circumstances. Indeed, the contract requires precisely the opposite. The
10 contract requires that combinations of unbundled network elements be treated as
11 what they are – combinations of unbundled network elements.

12
13 **Q. DOES THE CONTRACT REQUIRE BELLSOUTH TO PROVIDE**
14 **COMBINATIONS OF UNBUNDLED NETWORK ELEMENTS, INCLUDING**
15 **THOSE ALREADY COMBINED?**

16 **A.** Yes. As outlined in my direct testimony, the contract contains several provisions
17 that obligate BellSouth to provide AT&T unbundled network element
18 combinations. These provisions include Sections 1 and 1A of the General Terms
19 and Conditions, Sections 30.5 and 30.6 of Part II of the Agreement and Sections
20 2.2 and 4.5 of Attachment 4 to the Agreement. Section 4.5, for example, makes
21 clear that "[w]hen AT&T orders Elements or Combinations that are currently
22 interconnected and functional, such Elements and Combinations will remain
23 interconnected and functional without any disconnection or disruption of service."
24 This means that the agreement obligates BellSouth to provide unbundled network
25 elements that are already combined and that BellSouth cannot disconnect them to

1 provide them to AT&T. BellSouth's direct testimony ignores this contractual
2 commitment. Similarly, Section 30.6 of Part II requires BellSouth to provide
3 "contiguous Network Elements to AT&T" as defined in Section 4.5 of
4 Attachment 4 with existing interconnections and no demarcation points.
5 BellSouth voluntarily agreed to both of these provisions and thus they were not
6 subject to arbitration and have not been raised in any BellSouth filed appeal.

7
8 **Q. WHAT ABOUT BELLSOUTH CONTENTION THAT THE AGREEMENT**
9 **DOES NOT CONTAIN PRICES BELLSOUTH WILL CHARGE FOR**
10 **UNBUNDLED NETWORK ELEMENT COMBINATIONS?**

11 A. Although BellSouth may wish to ignore them, the agreement contains provisions
12 to price unbundled network elements which are combined. As outlined in my
13 direct testimony, Part IV of the Agreement covers pricing of unbundled network
14 elements including combinations of unbundled network elements. Section 36 in
15 Part IV sets forth the appropriate prices for unbundled network elements and
16 combinations. In addition, Section 36.1 contains a special provision relating to
17 charges for multiple network elements. BellSouth and AT&T included this
18 provision to reflect the Commission's ruling on AT&T's Cross Motion for
19 Reconsideration of the Commission's arbitration decision. See Order No. PSC-
20 97-0298-FOF-TP (Reconsideration Order). The prices for such combinations
21 remain those that are set forth in Part IV, Table 1 (which are UNE prices, not
22 resale prices) until such time as BellSouth and AT&T agree to lower prices for
23 combined elements to remove duplicate or unnecessary charges in existing rates,
24 or alternatively, until the Commission establishes lower prices. Thus, whatever
25 network elements are ordered, including already combined network elements,

1 under the contract AT&T will pay the sum of the individual element prices. To
 2 the extent those prices may contain duplicate charges, AT&T believes that future
 3 negotiations or Commission action will bring the prices down.

4
 5 **Q. WHAT ABOUT PRICING WHERE BELLSOUTH CLAIMS ^{That} ~~THE~~ AT&T**
 6 **IS USING COMBINATIONS TO RECREATE EXISTING BELLSOUTH**
 7 **RETAIL SERVICES?**

8 A. Despite BellSouth's continued attempts to raise the argument, the fact that
 9 BellSouth may believe AT&T is somehow using a combination of network
 10 elements to recreate an existing BellSouth service is irrelevant for pricing
 11 purposes under the existing contract, or, as the Eighth Circuit has determined, the
 12 Act. The offering basis for pricing such combinations is the same for any
 13 network element. The price schedules set forth in Part IV, Table 1 govern such
 14 pricing.

15
 16 **Q. WHAT ABOUT ^{BellSouth's} ~~BELLSOUTH~~ POSITION THAT SUCH COMBINATIONS**
 17 **SHOULD BE PRICED AT THE WHOLESALE DISCOUNT?**

18 A. Under the contract, the wholesale discount only applies to resold services, not to
 19 services provided through network elements. The pricing of all network element,
 20 including network element combinations is governed by Part IV and Table 1 of
 21 the Interconnection Agreement, not the wholesale discount.

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1 **Q. DOES THE CONTRACT REQUIRE BELLSOUTH TO PROVIDE TO**
2 **AT&T DETAILED USAGE DATA FOR SWITCHED ACCESS SERVICE,**
3 **LOCAL EXCHANGE SERVICE AND LONG DISTANCE SERVICE**
4 **NECESSARY FOR AT&T TO BILL CUSTOMERS?**

5 A. Yes. BellSouth's obligation to provide this data is clear. Attachment 7 of the
6 Interconnection Agreement sets forth BellSouth's obligations to provide customer
7 usage data. Section 2.1 of Attachment 7 specifically provides that BellSouth
8 "shall provide AT&T with Recorded Usage Data in accordance with" Attachment
9 7. Section 3.1 of Attachment 7 further provides that "BellSouth will provide all
10 usage originating from AT&T Customers using BellSouth provided Elements or
11 Local Services." Section 3.2 of Attachment 7, further provides that "BellSouth
12 shall provide to AT&T Recorded Usage Data for AT&T Customers only.
13 BellSouth will not submit other carrier local usage data as part of AT&T
14 Recorded usage data." The contract language is written broadly to encompass all
15 usage data including both interstate and intrastate switched access service, local
16 exchange service and long distance services. An illustration of the particular
17 types of usage data the contract requires BellSouth to provide are shown in
18 Rebuttal Exhibit DE-1.

19
20 **Q. WHAT ABOUT BELLSOUTH'S CONTENTION THAT IT ONLY**
21 **PROVIDE "APPROPRIATE" USAGE DATA?**

22 A. The direct testimony of Messrs. Varner and Hendrix ^{does} ~~do~~ not dispute BellSouth's
23 contractual obligation to provide usage data, but claim that the only data that
24 BellSouth must provide AT&T is "appropriate" usage data. Under this position,
25 BellSouth claims that it need not provide intrastate, interLATA data. The

1 contract, however, does not support such an exclusion. Under the contract,
2 BellSouth is required to provide AT&T all usage data, including interstate
3 switched access, all intrastate switched access, including both intraLATA and
4 interLATA data and all local usage data.

5

6 **Q. HAS BELLSOUTH PROVIDED AT&T WITH CORRECT USAGE DATA?**

7 A. No. Even for the usage data that BellSouth agrees it must provide AT&T,
8 BellSouth has not been able to provide correct usage data. This includes both
9 usage data for the calls that AT&T customers have made under the current testing
10 of the use of unbundled network elements, as well as usage data related to the bills
11 BellSouth has rendered to AT&T for the use of unbundled network elements.
12 Although Mr. Hendrix claims that "Interstate access records are available to
13 AT&T," such records have not been provided to AT&T. Additionally, the access
14 records are but one form of usage data BellSouth must provide AT&T under the
15 contract. Additional usage data regarding use of unbundled network elements
16 must be provided. AT&T began purchasing unbundled network elements from
17 BellSouth in Florida on April 30, 1997. To date, BellSouth has not provided the
18 appropriate data or has not been able to provide this data correctly to AT&T.

19

20 **Q. WHAT IS IT THAT AT&T WANTS THE COMMISSION TO ORDER AS**
21 **A RESULT OF THIS PROCEEDING?**

22 A. AT&T wants the Commission to order BellSouth to:
23 1. Provide unbundled network elements, either individually or combined, to
24 AT&T;

- 1 2. Provision and bill all unbundled network element combinations ordered by
2 AT&T as network elements, not as resold services;
- 3 3. Bill AT&T recurring prices for combinations of network elements
4 utilizing the prices for each element of the combination contained in Part
5 IV, Table 1 of the Agreement, until the parties negotiate a final, lower
6 combination price (eliminating any duplicative charges) or this
7 Commission establishes lower price at the request of one of the parties;
- 8 4. Bill AT&T nonrecurring facilities migration charges in lieu of the current
9 nonrecurring charges contained in Part IV, Table 1 of the Agreement, as
10 recommended by AT&T witness Dick Walsh when a BellSouth customer
11 migrates to AT&T service that is provided using network elements; and,
- 12 5. Provide all usage data to AT&T, including all data for interstate and
13 intrastate switched access service, local exchange service and long
14 distance service, in accordance with the interconnection agreement.
- 15

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 **A. Yes.**

18

19

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1 **Q** **(By Mr. Hatch)** Mr. Eppsteiner, do you have
2 a summary of your direct and rebuttal testimony?

3 **A** I do.

4 **Q** Could you give that at this time.

5 **MR. PELLEGRINI:** Excuse me, Mr. Eppsteiner.
6 Once again, Chairman Johnson, before Mr. Eppsteiner
7 begins his summary, Staff would offer two exhibits for
8 identification. First is identified as DE-2 and it
9 consists of Mr. Eppsteiner's February 26th, 1998,
10 deposition transcript.

11 **CHAIRMAN JOHNSON:** Okay. That will be
12 identified as Exhibit 8. And it's DE-2.

13 (Exhibit 8 marked for identification.)

14 **MR. PELLEGRINI:** And second is the exhibit
15 identified as DE-3, which contains -- or consists of
16 the Florida Interconnection Agreement between
17 BellSouth and AT&T dated April 2nd, 1997, in its
18 entirety.

19 **CHAIRMAN JOHNSON:** Okay. That will be
20 identified as Exhibit 9.

21 (Exhibit 9 marked for identification.)

22 **MR. PELLEGRINI:** Thank you.

23 **MR. HATCH:** Can I make an inquiry at this
24 point? The cover sheet to the Staff's DE-1 indicates
25 that the BellSouth/AT&T Interconnection Agreement is

1 April the 2nd. The final Interconnection Agreement
2 between AT&T and BellSouth has a date of June the
3 10th, I believe.

4 MR. PELLEGRINI: With that correction,
5 accepted.

6 MR. HATCH: I just wanted to make sure we
7 had the right one. The April 2nd was an interim --
8 subject to some controversy, as I recall.

9 Q (By Mr. Hatch) Could you please give your
10 summary now, Mr. Eppsteiner?

11 A Certainly. Good afternoon, Commissioners.
12 My name is David Eppsteiner, and I'm appearing today
13 on behalf of AT&T Communications of the Southern
14 States.

15 At the time of the AT&T/BellSouth
16 Interconnection Agreement that is at issue in this
17 proceeding was negotiated, I was a senior attorney
18 participating in those negotiations. And the purpose
19 of my testimony is to explain what BellSouth is
20 contractually required to provide under the
21 Commission-approved agreement in two specific areas.

22 First, BellSouth's obligation to provide
23 unbundled network element combinations at cost based
24 rates. And second, BellSouth's obligation to provide
25 usage data to AT&T.

1 Your decision on these issues is crucial for
2 competition in Florida, as the testimony of Joe Gillan
3 will explain. AT&T's ability to obtain unbundled
4 network element combinations at cost based rates from
5 BellSouth in accordance with the terms of its
6 Interconnection Agreement is consistent with the Act
7 implementing regulation in the Commission's prior
8 decision.

9 Turning to the first obligation, BellSouth
10 is required to provide unbundled network element
11 combinations. BellSouth cannot dispute clear and
12 unambiguous language in the contract. Indeed,
13 BellSouth doesn't dispute it.

14 Under the AT&T/BellSouth Interconnection
15 Agreement BellSouth has agreed, first, to provide
16 network elements individually, and in combination with
17 any other network element, in order to permit AT&T to
18 provide telecommunications services to its customers.
19 That's in Section 30.5 of Part 2 of the AT&T/BellSouth
20 Interconnection Agreement.

21 Second, BellSouth has agreed to allow AT&T
22 to purchase unbundled network elements for the purpose
23 of combining network elements in any manner that is
24 technically feasible, including recreating existing
25 BellSouth services. That's in Section 1-A of the AT&T

1 agreement.

2 Third, BellSouth has agreed to an entire
3 attachment that governs the ordering and provisioning
4 of unbundled network elements and combinations of
5 unbundled network elements. I'm not going to go
6 through each and every one of those provisions today
7 but there's one provision I'd like to draw your
8 attention to, and that's Section 4.5.

9 As agreed to by BellSouth, that provision
10 provides when AT&T orders elements or combinations
11 that are currently interconnected and functional, such
12 elements and combinations will remain interconnected
13 and functional without any disconnection or disruption
14 of service.

15 This means when AT&T orders unbundled
16 network elements from BellSouth and those elements are
17 already combined, BellSouth has agreed in our contract
18 not to disconnect them prior to providing them to
19 AT&T.

20 As I said earlier, BellSouth doesn't dispute
21 the contractual obligation. What BellSouth disputes
22 is its obligation to provide unbundled network element
23 combinations at cost based rates. BellSouth claims
24 that it can price and provision such combinations as
25 resold services.

1 Again, BellSouth's position is contrary to
2 the terms of the agreement. BellSouth and AT&T agree
3 to a price schedule set forth in Part 4 of the
4 agreement. That schedule contains the prices for the
5 individual network elements. AT&T and BellSouth also
6 agree that additional negotiations would be necessary
7 to eliminate duplicate charges and charges for
8 unnecessary work which may result when multiple
9 individual elements are combined. That language is in
10 Section 36.1 of Part 4. Until those negotiations are
11 complete, or the Commission renders a decision on
12 prices that eliminate duplicate charges, the
13 individual prices for the elements should govern the
14 pricing of the combinations of unbundled network
15 elements to AT&T.

16 Turning to my second issue, BellSouth's
17 obligation to provide usage data. The issue that I'm
18 here to talk about is BellSouth's obligation to
19 provide usage data for switched access services.

20 Under the Interconnection Agreement
21 BellSouth has agreed to provide all usage data
22 originating from AT&T customers using BellSouth
23 provided network elements or resold services.
24 Attachment 7, Section 3.1. This includes all data for
25 interstate and intrastate switched access service,

1 local exchange service and long distance service.

2 BellSouth does not dispute its contractual
3 obligation. BellSouth, however, refuses to provide
4 AT&T with usage data for intrastate switched access
5 service and claims it is making other usage data
6 available to AT&T.

7 Regarding its obligation to provide AT&T
8 usage for switched access services, AT&T believes the
9 contract is clear. BellSouth, however, has said they
10 will not provide such usage unless this Commission
11 orders them to do so.

12 Again, under the contract BellSouth is
13 required to provide all usage data originating from
14 AT&T's customers using BellSouth provided elements or
15 local services, not just what BellSouth chooses to
16 make available.

17 In closing, I want the Commission to
18 understand why AT&T is here today. AT&T executed an
19 Interconnection Agreement with BellSouth.
20 Negotiations and arbitrations lasted more than a year.
21 AT&T intended that agreement to govern the
22 relationship between AT&T and BellSouth as we move
23 forward in providing choice to Florida consumers. Now
24 BellSouth has chosen to ignore the clear language of
25 the agreement. As a result, competition in Florida is

1 suffering.

2 AT&T thus asks this Commission to order
3 BellSouth to provide unbundled network elements, both
4 individually and in combination, to AT&T; provision
5 and bill all unbundled network element combinations
6 ordered by AT&T as network elements, not as resold
7 services; bill AT&T recurring prices for combinations
8 of network elements utilizing the prices for each
9 element of the combination contained in Part 4 Table 1
10 of the agreement, until those parties negotiate a
11 final lower combination price eliminating the
12 duplicative charges which are of concern at the
13 Commission, or this Commission establish a lower price
14 at the request of one of the parties. And finally,
15 provide all usage data to AT&T, including data for
16 interstate and intrastate switched access service,
17 local exchange service, long distance service in
18 accordance with their agreement.

19 Thank you. That concludes my summary.

20 **MR. HATCH:** Tender the witness for cross.

21 **MS. WHITE:** Thank you.

22 **CROSS EXAMINATION**

23 **BY MS. WHITE:**

24 **Q** Mr. Eppsteiner, I'm Nancy White,
25 representing BellSouth.

1 You were part of the negotiations between
2 BellSouth and AT&T in Florida, weren't you?

3 **A** Yes, I was.

4 **Q** Now, is it true that during those
5 negotiations there was a significant dispute
6 concerning the pricing of unbundled network elements
7 that were combined to replicate BellSouth existing
8 retail services?

9 **A** My recollection of those negotiations were
10 that we had reached agreement on the pricing of tables
11 set forth in Table 1, and we had agreed to include
12 language that dealt with the Commission's language in
13 the Motion for Reconsideration dealing with
14 duplicative charges when multiple elements are ordered
15 together. We had reached agreement on those, and then
16 BellSouth attempted to include language, which we
17 ended up bringing before the Commission, relating to
18 the pricing of unbundled network elements that
19 duplicate an existing resold service.

20 **Q** And I can point you --

21 **COMMISSIONER CLARK:** Is the answer yes or
22 no?

23 **WITNESS EPPSTEINER:** I'm sorry. It has to
24 do with her characterization, "significant
25 controversy" it's a time --

1 Q **(By Ms. White)** I can make this very easy.
2 Why don't you looking at Page 12 of your
3 deposition, Lines 1 through 5, and I believe
4 Mr. Pellegrini used the word "significant dispute."
5 There was significant dispute concerning the price of
6 UNES combined to replicate existing BellSouth retail
7 services, was there not?" And you responded "yes."
8 Is that the answer to the question?

9 A Yes.

10 Q Now, would you agree that there was never an
11 agreement reached between BellSouth and AT&T regarding
12 what unbundled network elements in combination
13 replicated existing services?

14 A There was never an agreement? Is that your
15 question?

16 Q Yes.

17 A Yes.

18 Q And it's true that AT&T's view was that the
19 appropriate standard, costing standard for unbundled
20 network element combinations was cost based rates or
21 the sum of the individual unbundled network element
22 rates; is that correct?

23 A That is correct.

24 Q And BellSouth's view during the negotiations
25 was that the appropriate standard for UNE combinations

1 was resale; is that correct?

2 A During the --

3 Q During the negotiations?

4 A I guess I'm confused about the timing of
5 your question.

6 Q The timing?

7 A At what point during the negotiations are
8 you referring to?

9 Q At any time during the negotiations.

10 A Well, I think that -- prior to the
11 arbitration decision BellSouth maintained its position
12 that unbundled network elements, when combined to
13 recreate an existing resold service, would constitute
14 resale.

15 Q That was BellSouth's position, correct?

16 A Right. When we sat down to hammer out the
17 final agreement we were going to submit to the
18 Commission, BellSouth's -- until the time when they
19 tried to insert the language that we brought forward
20 to the Commission, my understanding was there was no
21 dispute as to their requirement to provide unbundled
22 network element combinations.

23 Q I'm just asking about the price. Would you
24 agree that BellSouth's position throughout the
25 negotiations on the price for unbundled network

1 element combinations was resale?

2 A Again, I'm trying to get to the timing of
3 it, but it is the position that they are maintaining
4 today.

5 Q Well, let's try it this way again. Why
6 don't you look again on Page 12 of your deposition,
7 Lines 19 through 21 -- excuse me. Let me try Lines 14
8 through 21. In your deposition you agreed that
9 BellSouth's position during the negotiations was that
10 the price of unbundled network element combinations
11 was reset?

12 A But it says "throughout the negotiations",
13 that's what I was responding to.

14 MS. WHITE: I'll move on.

15 Q (By Ms. White) Now, you're familiar with
16 this Commission's arbitration orders, are you not?

17 A I am.

18 Q Do you agree this Commission expressed
19 concerns about combinations of unbundled network
20 elements being used to undercut the resale of service?

21 A I believe that's what they said.

22 Q And do you agree that this Commission was
23 concerned with the FCC's interpretation of Section
24 251(c)(3) of the Act?

25 A I believe that's what the Commission stated

1 in its decision.

2 Q And do you agree that the Commission applied
3 that section because the FCC's interpretation had not
4 been stayed by the 8th Circuit?

5 A I believe that's what the arbitration
6 decision stated.

7 Q Are you familiar with the 8th Circuit's
8 rulings?

9 A Yes.

10 Q Has the 8th Circuit since vacated the FCC's
11 interpretation of Section 251(c)(3)?

12 A I'm sorry. I need to look at the Act.

13 Q Okay. I'd point you to the October 14th,
14 1997, 8th Circuit order.

15 A Do you have a copy there? Sure.

16 (Hands document to witness.)

17 Q In the October 14th, 1997, 8th Circuit order
18 did they vacate the FCC's interpretation of Section
19 251(c)(3) of the Act?

20 A Yes, they did.

21 Q And did the 8th Circuit state that it had to
22 do that because otherwise it would obliterate the
23 distinctions between entering the market using
24 unbundled network elements and entering the market
25 using resale? (Pause)

1 **A** Yes, that's what the decision states.

2 **Q** Now, did this Commission set a price for
3 combinations of UNEs in the AT&T/BellSouth arbitration
4 order?

5 **A** They set prices for individual unbundled
6 network elements.

7 **Q** So is your answer that, no, they did not set
8 a price for combinations of unbundled network
9 elements?

10 **A** What they said was we set prices in part
11 for -- they established individual unbundled network
12 element prices, and they said with respect to multiple
13 unbundled network elements they had concerns about
14 duplicative charges and charges for work that was not
15 necessary when elements were combined.

16 **Q** Well, let me ask it this way: Would you
17 agree that this Commission specifically stated that
18 they were not presented with the issue of what the
19 prices for unbundled network element combination
20 should be?

21 **A** I believe that's what they said in the
22 Motion for Reconsideration.

23 **Q** Can you tell me where in the AT&T and
24 BellSouth contract it says that the price for
25 unbundled network element combinations is the sum of

1 the individual element prices?

2 **A** What the AT&T/BellSouth Interconnection
3 Agreement --

4 **COMMISSIONER CLARK:** Is that a no or yes?

5 **WITNESS EPPSTEINER:** I was trying to explain
6 what's in the agreement.

7 **COMMISSIONER CLARK:** You can do that after
8 you say no or yes.

9 **WITNESS EPPSTEINER:** Could I hear the
10 question again, please?

11 **Q** **(By Ms. White)** Yes. Where in the AT&T/
12 BellSouth agreement does it say that the price for
13 unbundled network element combinations is the sum of
14 the individual element prices?

15 **A** Can I point to a specific section?

16 **COMMISSIONER CLARK:** Mr. Eppsteiner, the
17 only reason I ask that is sometimes after I hear the
18 answer I'm not sure if it's a no or a yes. You know,
19 the explanation is not clear to me that's why I like
20 that sort of direction first.

21 **WITNESS EPPSTEINER:** Okay. It's a "where"
22 question, so yes.

23 In Part 4 of the agreement itself there are
24 pricing provisions -- and let me walk you through
25 them.

1 Section 36 states that the prices AT&T will
2 pay to BellSouth for unbundled network elements are
3 set forth in Table 1. And Table 1 follows that. And
4 then there's a specific provision, which I had spoken
5 about earlier, Section 36.1, which talks about charges
6 for multiple network elements. And that provision
7 states that "The recurring and nonrecurring charges
8 will not include duplicative charges for functions or
9 activities that AT&T does not need when two or more
10 network elements are combined." So it is those two
11 provisions.

12 Q Now, where in those words does it say the
13 price for unbundled network element combinations is
14 the sum of the individual unbundled element prices?

15 A It doesn't say.

16 Q It doesn't say that. The contract does not
17 say that, does it?

18 A No. But it says the price for unbundled
19 network elements will be as set forth in Table 1.

20 Q That's -- Table 1 is a list of the prices
21 for individual unbundled network elements; isn't that
22 correct?

23 A That's correct.

24 MS. WHITE: Thank you. I have nothing
25 further.

CROSS EXAMINATION

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BY MR. PELLEGRINI:

Q Mr. Eppsteiner, first, would you take a look at the exhibit which has been marked 9 for identification.

A Excuse me. Is that my deposition transcript?

Q No, that is the Florida Interconnection Agreement between BellSouth and AT&T.

A I've got it.

Q Do you recognize that to be a true and correct copy of the Florida Interconnection Agreement between BellSouth and AT&T in its entirety dated June 10, 1997?

A I have the cover sheet. I'm assuming that's the agreement that we filed.

(Hands document to witness.)

Yes.

Q Thank you. Mr. Eppsteiner, Mr. Martinez identified in his Late-filed Deposition Exhibit 3 those provisions of the MCI/BellSouth Interconnection Agreement that established due dates for operational support systems.

I'd like to ask you if you could do the same thing by means of a late-filed exhibit for the

1 AT&T/BellSouth Interconnection Agreement/BellSouth
2 Interconnection Agreement.

3 A We will be happy to. Are there specific --

4 Q Do you understand the question? I want to
5 know if there are provisions in the agreement that
6 establish OSS due dates?

7 A Yes, there are.

8 MR. PELLEGRINI: Chairman Johnson, that
9 would be identified as Late-filed Exhibit 10.

10 CHAIRMAN JOHNSON: And a short title?

11 MR. PELLEGRINI: "OSS Deadlines in the
12 AT&T/BellSouth Interconnection Agreement."

13 CHAIRMAN JOHNSON: Okay. Thank you.

14 (Late-Filed Exhibit 10 identified.)

15 Q (By Mr. Pellegrini) Mr. Eppsteiner, does
16 the AT&T/BellSouth Interconnection Agreement identify
17 functions that are unnecessary when network elements
18 are ordered in combination?

19 A No, it does not.

20 Q And just to be certain, your response to
21 Ms. White relative to which provisions in the
22 Interconnection Agreement identify the pricing
23 standard to be applied when network elements are
24 ordered in combination, that pricing standard, it was
25 your testimony, is defined by Sections 36 and 36.1; is

1 that correct?

2 A That is correct.

3 Q Any others that are critical to that
4 understanding?

5 A Well, there are other provisions that relate
6 to the provisioning of unbundled network elements, but
7 in terms of a pure pricing provision, that's the
8 provisions that I provided are the key provisions.

9 Q In Issue 10 the Commission is asked to
10 determine whether BellSouth is required under its
11 Interconnection Agreement with AT&T to provide AT&T
12 with usage data for billing purposes; is that correct?

13 A That's correct.

14 Q And BellSouth holds the position that since
15 AT&T provides local service only through service
16 resale, it is, therefore, appropriate for BellSouth to
17 bill and collect intrastate interLATA access charges
18 and withhold usage data from AT&T; is that correct?

19 A That is correct.

20 COMMISSIONER CLARK: I'm sorry.

21 Mr. Pellegrini please repeat that question.

22 MR. PELLEGRINI: All right. BellSouth's
23 position is that since AT&T provides local service
24 only through service resale, it is, therefore,
25 appropriate for BellSouth to bill and collect

1 intrastate interLATA access charges and withhold usage
2 data from AT&T. And my question is whether
3 Mr. Eppsteiner understands that to be BellSouth's
4 position.

5 **WITNESS EPPSTEINER:** Yes, that is correct.

6 **COMMISSIONER CLARK:** Let me follow up on
7 that, if I could just a minute.

8 Is there any Commission order or other
9 document you could point to where it says when you
10 order resold service, you don't get the access
11 charges. Have we issued an order on that, do you
12 know?

13 **WITNESS EPPSTEINER:** I'm not aware of any
14 but I'm not the Florida regulatory lawyer.

15 **COMMISSIONER CLARK:** I'm sorry?

16 **WITNESS EPPSTEINER:** I've not seen an order
17 that you've put out.

18 **Q** (By Mr. Pellegrini) What I'd like you to
19 do, Mr. Eppsteiner, is to identify for this Commission
20 those provisions, those specific provisions in the
21 agreement, of the AT&T/BellSouth Interconnection
22 Agreement, which you did identify in Staff's
23 deposition that you believe invalidate BellSouth's
24 position, and explain briefly why they do.

25 **A** They validate BellSouth's position?

1 Q Those provisions in the agreement which you
2 believe invalidate BellSouth's position and explain to
3 the Commission why you think they do?

4 A Okay. Attachment 7 to our Interconnection
5 Agreement contains the provisions relating to the
6 provision of usage data. And the key provision is
7 Section 3.1 of Attachment 7, which provides that
8 BellSouth will record all usage originating from
9 AT&T's customers using BellSouth provided elements or
10 local services. Then it goes on to say recorded usage
11 data includes, but is not limited to, the following
12 categories of information, and it includes completed
13 calls and a number of different items.

14 And then 3.2 provides that BellSouth provide
15 to AT&T recorded usage data for AT&T customers only.
16 Those are the key provisions.

17 Q Can you point to which -- to what in that
18 language would relate specifically to the types of
19 calls that my question addressed? That is, intrastate
20 interLATA calls?

21 A There is no specific provision that deals
22 specifically with intraLATA -- what that language says
23 is that they will give us all usage originating from
24 AT&T's customers. So AT&T's position, that's broad
25 enough to include the usage data at issue here.

1 **Q** I think it was your testimony at the
2 deposition that the phrase "completed calls" reached
3 intrastate interLATA calls. Was that the case? Was
4 sufficient to reach --

5 **A** Yes.

6 **MR. PELLEGRINI:** Thank you, Mr. Eppsteiner.

7 **COMMISSIONER CLARK:** Mr. Eppsteiner, do you
8 have an opinion as to what unbundled network elements
9 you need to replicate local retail service, let's say
10 residential service? Do you know?

11 **WITNESS EPPSTEINER:** No, I don't know.

12 **COMMISSIONER CLARK:** Assuming that the cost
13 of the UNEs -- that you could purchase those UNEs and
14 recombine them to produce residential service, it's
15 your view that you're still entitled to pay the price
16 of the unbundled network elements.

17 **WITNESS EPPSTEINER:** Yes.

18 **COMMISSIONER CLARK:** And as I understand
19 your testimony, the way it stands now between you and
20 BellSouth is that you simply add up the numbers. You
21 have not come to agreement on where there might be
22 duplicate charges in there?

23 **WITNESS EPPSTEINER:** That's correct.

24 BellSouth has taken the position that that would be
25 resale.

1 **COMMISSIONER CLARK:** And you indicate that
2 the prices may contain -- I'm on Page 9, Line 9 -- "To
3 the extent those prices may contain duplicate charges
4 AT&T believes future negotiations or Commission action
5 will bring those prices down." Have you engaged in
6 negotiations with them on this point?

7 **WITNESS EPPSTEINER:** We attempted to start
8 those negotiations. The response back was, as I
9 recall, that the price for those combinations would be
10 the resale price.

11 **COMMISSIONER CLARK:** And is this the
12 Commission action that you foresee bringing those
13 prices down? I mean, is that part of what you want
14 out of this docket?

15 **WITNESS EPPSTEINER:** I think that the
16 nonrecurring cost model that Richard Walsh sponsors
17 deals with the issues of what duplicative charges are
18 included. So yes, that's what we would be looking
19 for.

20 **COMMISSIONER CLARK:** So there's an issue in
21 the prehearing that deals with what those costs should
22 be; is that right? And if there is, can you tell me
23 where it is? Is it 8?

24 **WITNESS EPPSTEINER:** I'm sorry. I don't
25 have the Prehearing Order.

1 **MR. HATCH:** Commissioner Clark, the
2 migration issue is Issue 8.

3 **COMMISSIONER CLARK:** You agree it's Issue 8?

4 **WITNESS EPPSTEINER:** Yes, I'm sorry.

5 **COMMISSIONER CLARK:** Why would anyone order,
6 say, local residential service as a resold service as
7 opposed to a UNE given the price is lower and given
8 the fact that there's no joint marketing restriction
9 under the UNE? Why is it ever in AT&T's interest to
10 order resold services as opposed to unbundled UNES?

11 **WITNESS EPPSTEINER:** I'm not a businessman.
12 I'm a lawyer. I think the agreement gives us the
13 flexibility to make that choice depending on what our
14 market entry strategy would be.

15 **COMMISSIONER CLARK:** I'm trying to
16 understand the ability, and why the distinction was
17 made there, you know. It just strikes me there's a
18 disconnect in the Act, perhaps, or in how we're being
19 asked for interpret it. Because it seems to me if
20 you -- if you can purchase the same service that you
21 would purchase as resale, and at a lower cost, and it
22 doesn't come with those restrictions, for the life of
23 me I can't figure out why you would do resold service.

24 I appreciate Mr. Gillan talks about the fact
25 there are different risks and different services that

1 make up residential service. But in terms of the
2 pricing, it seems to me you would just always ask the
3 unbundled UNE because it doesn't come with the
4 restrictions and it's cheaper.

5 **WITNESS EPPSTEINER:** I think, as I said, the
6 decision of this Commission on making those UNES
7 available is crucial for competition in Florida.

8 As you said the courts have spoken in terms
9 of risks; what risks a person takes in a resale
10 environment, a company takes by providing service via
11 resale.

12 **COMMISSIONER CLARK:** That's Mr. Gillan's
13 testimony.

14 **WITNESS EPPSTEINER:** No. But the 8th
15 Circuit also spoke in terms of risk as well.

16 **COMMISSIONER CLARK:** Can you think of a
17 reason you'd do that as a business person?

18 **WITNESS EPPSTEINER:** You know, I became a
19 lawyer because I'm not a good business person.

20 (Laughter)

21 **COMMISSIONER CLARK:** Thank you.

22 **COMMISSIONER JACOBS:** I have a question.

23 I believe it was AT&T's position -- and I'm
24 sorry, I don't have -- I guess this is the prior Staff
25 recommendation, where AT&T took a position -- let me

1 just tell you where it is. It's the November 20th
2 recommendation on this docket.

3 And in there it's stated -- or AT&T's
4 position is recounted, that in Order No. PSC-97-0600,
5 issued May 27th, '97, we rejected language where
6 BellSouth had proposed that UNE combinations that
7 replicate existing BellSouth services be priced at
8 resale. Are you familiar with that, that
9 deliberation?

10 **WITNESS EPPSTEINER:** May 27th Order?

11 **COMMISSIONER JACOBS:** Yes.

12 **WITNESS EPPSTEINER:** Yes.

13 **COMMISSIONER JACOBS:** Do you agree with that
14 interpretation?

15 **WITNESS EPPSTEINER:** Yes.

16 **COMMISSIONER JACOBS:** And previously it was
17 testified that the Commission would be concerned if
18 UNEs were replicated and sold where it would undermine
19 those same elements in a resale transaction. Are you
20 familiar with that statement as well?

21 **WITNESS EPPSTEINER:** Yes.

22 **COMMISSIONER JACOBS:** How do you reconcile
23 those two?

24 **WITNESS EPPSTEINER:** The Commission's
25 decision in the May 27th decision was that the

1 Interconnection Agreement did not -- it was not
2 appropriate to include that language in the
3 Interconnection Agreement. That was the
4 Commission's -- decision on that issue.

5 **COMMISSIONER JACOBS:** I'm sorry, I didn't
6 get the last part of that.

7 **WITNESS EPPSTEINER:** I'm sorry. The
8 Commission made the determination that it was not
9 appropriate to include that language in the
10 Interconnection Agreement. That that language was
11 dicta in their decision, and it was not appropriate to
12 include the language regarding -- that BellSouth had
13 suggested, and language which you refer, in the
14 Interconnection Agreement.

15 **COMMISSIONER JACOBS:** I see.

16 **COMMISSIONER CLARK:** Mr. Eppsteiner why was
17 that? Why did we conclude it was not appropriate?
18 Was it because the issue wasn't before us, or to our
19 knowledge we hadn't set prices for the UNEs such they
20 could be recombined into the same service?

21 **WITNESS EPPSTEINER:** My understanding from
22 reading the order was you just felt it was not
23 appropriate to include that in the contract at that
24 point in time.

25 **COMMISSIONER CLARK:** With no explanation.

1 **WITNESS EPPSTEINER:** That's my recollection.

2 **COMMISSIONER CLARK:** Okay.

3 **COMMISSIONER JACOBS:** No further questions.

4 **CHAIRMAN JOHNSON:** Go ahead. Did you

5 have --

6 **MR. HATCH:** I have a couple of redirect if

7 the Commissioners are concluded.

8 **REDIRECT EXAMINATION**

9 **BY MR. HATCH:**

10 **Q** Do you recall the discussion regarding the
11 provisions in the Reconsideration Order regarding the
12 elimination of duplicative charges?

13 **A** Yes.

14 **Q** Does that provision have any meaning if
15 combinations of unbundled network elements are priced
16 at resale rates?

17 **A** I'm sorry, I didn't hear you.

18 **Q** Does that provision have any meaning if
19 combinations of unbundled network elements are priced
20 at resale rates?

21 **A** No, it does not.

22 **Q** Do you recall the discussion regarding
23 access data with respect to Attachment A.7?

24 **A** Attachment 7.

25 **Q** Access data?

1 **A** Yes.

2 **Q** When AT&T provides unbundled network service
3 through unbundled network elements, does AT&T consider
4 IXC's its customers?

5 **A** Yes.

6 **MR. HATCH:** I have no further redirect.

7 **COMMISSIONER CLARK:** When AT&T provides it
8 through resold service, whose customers are they? Who
9 is providing the access?

10 **WITNESS EPPSTEINER:** I believe it would be
11 BellSouth would be providing.

12 **COMMISSIONER CLARK:** Okay. Thanks.

13 **CHAIRMAN JOHNSON:** Exhibits.

14 **MR. HATCH:** AT&T would move 7.

15 **CHAIRMAN JOHNSON:** Okay. Show it admitted.

16 **MR. PELLEGRINI:** Staff moves exhibits marked
17 8 and 9.

18 **CHAIRMAN JOHNSON:** 8 and 9 admitted, and 10
19 as a late-filed.

20 (Exhibits 8 and 9 received in evidence.)

21 **CHAIRMAN JOHNSON:** We're going to take a
22 ten-minute break.

23 (Brief recess.)

24 - - - - -

25 **MR. HATCH:** AT&T calls Mr. Richard Walsh.

1 **MR. PELLEGRINI:** Chairman Johnson, while
2 Mr. Walsh is taking the stand, Staff would offer an
3 exhibit marked RJW-2 and ask that it be identified.
4 It consists of Mr. Walsh's February 24th, 1998,
5 deposition transcript, as well as his deposition and
6 late-filed deposition numbers 1, 2, 3 and 4.

7 **CHAIRMAN JOHNSON:** It will be identified as
8 Exhibit 11.

9 (Exhibit 11 marked for identification.)

10 **MR. PELLEGRINI:** Thank you.

11 - - - - -

12 **RICHARD WALSH**

13 was called as a witness on behalf of AT&T
14 Communications of the Southern States, Inc. and,
15 having been duly sworn, testified as follows:

16 **DIRECT EXAMINATION**

17 **BY MR. HATCH:**

18 **Q** Mr. Walsh, could you please state your name
19 and address for the record?

20 **A** Richard J. Walsh. My address is 33 Francis
21 Drive, Belle Mead, New Jersey 08502.

22 **Q** By whom are you employed and in what
23 capacity?

24 **A** I'm a technical analyst and consultant to
25 AT&T.

1 Q On whose behalf are you testifying in this
2 proceeding?

3 A In this proceeding AT&T.

4 Q On January 29th, 1998, AT&T filed in this
5 proceeding the Direct Testimony of John P. Lynott
6 consisting of ten pages. Are you adopting the
7 prefiled direct testimony of Mr. Lynott as your own in
8 this proceeding?

9 A Yes, I am.

10 Q Are there changes or corrections you wish to
11 make to your direct testimony?

12 A Not at this time.

13 Q Did you prepare and cause to be filed in
14 this proceeding testimony, rebuttal testimony,
15 consisting of 12 pages?

16 A Yes, I did.

17 Q Are there any changes or corrections you
18 wish to make to your rebuttal testimony?

19 A None at this time.

20 Q If I ask you the same questions as are in
21 your direct and rebuttal testimony would your answers
22 be the same?

23 A Yes, they would.

24 MR. HATCH: Madam Chairman, I'd request that
25 the direct and rebuttal testimony of Mr. Walsh be

1 inserted into the record as though read.

2 **CHAIRMAN JOHNSON:** I'm sorry.

3 **MR. HATCH:** I'd request that the direct and
4 rebuttal testimony of Mr. Walsh be inserted into the
5 record as though read.

6 **CHAIRMAN JOHNSON:** It will be so inserted.

7 **Q** **(By Mr. Hatch)** Mr. Walsh, attached to your
8 direct testimony there were six exhibits; is that
9 correct?

10 **A** Yes, there was.

11 **Q** Consisting of JPL-1 through JPL-6?

12 **A** That's correct.

13 **Q** Is the information in these exhibits true
14 and correct to the best of your knowledge and belief?

15 **A** To the best of my knowledge.

16 **Q** Attached to your rebuttal testimony did you
17 file one exhibit entitled RJW-1?

18 **A** Yes, I did.

19 **Q** Consisting of four pages?

20 **A** That is correct.

21 **Q** Do you have any changes or corrections to
22 make to these exhibits?

23 **A** None at this time.

24 **Q** Were these exhibits prepared by you or under
25 your supervision?

1 A Yes, they were.

2 MR. HATCH: Madam Chairman, could we have
3 Mr. Walsh's direct and rebuttal exhibits marked for
4 identification.

5 CHAIRMAN JOHNSON: As a composite?

6 MR. HATCH: Yes, that will be fine.

7 CHAIRMAN JOHNSON: That will be marked as
8 composite Exhibit 12.

9 (Composite Exhibit 12 marked for
10 identification.)

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1 DIRECT TESTIMONY OF

2 JOHN P. LYNOTT

3 ON BEHALF OF

4 AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

5 DOCKET NO. 971140-TP

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
8 **EMPLOYMENT.**

9 A. My name is John P. Lynott, and my business address is 1875 Lawrence Street,
10 Suite 875, Denver, Colorado 80202. I am employed by AT&T Communications
11 as a District Manager in the Local Connectivity Costing and Pricing District of the
12 Local Services Division.

13

14 **Q. ARE YOU THE SAME JOHN P. LYNOTT WHO FILED DIRECT AND**
15 **REBUTTAL TESTIMONY ON BEHALF OF AT&T AND MCI IN THE**
16 **PROCEEDING (DOCKET NOS. 960833-TP/960846-TP/960757-TP) ON**
17 **ISSUE 1 ELEMENTS?**

18 A. Yes.

19

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21

22 A. The purpose of my testimony is to help this Commission establish appropriate
23 non-recurring cost (NRCs) rates for local market entry when an existing customer
24 migrates from BellSouth to Competitive Local Exchange Carrier ("CLEC") such
25 as AT&T. The specific focus of my testimony is to expand on the testimony I

1 have previously presented during the hearing held January 26-28, 1998, regarding
2 the NRCs for certain UNEs. and explain the non-recurring costs associated with
3 the elements of Issue 8 in this proceeding. I am attaching as Exhibit JPL-1 my
4 previously filed Direct Testimony and as Exhibit JPL-2 my previously filed
5 Rebuttal Testimony. The technical assumptions identified in these Testimonies
6 are also applicable to the Issue 8 elements discussed below.

7

8 **Q. WHAT IS THE BASIS FOR THE NON-RECURRING PRICES YOU ARE**
9 **PROPOSING IN THIS PROCEEDING?**

10 A. I rely on the AT&T/ MCI Non-Recurring Cost Model (NRCM) Release 2.0 filed
11 previously in Docket 960833-TP and included again with this testimony as
12 Exhibit JPL-5. Also included as Exhibit JPL-6 is the Nonrecurring Cost
13 Technical Assistance Binder (NTAB) containing the technical assumptions for the
14 NRCM. Both JPL-5 and JPL-6 are in diskette form.

15

16 **Q. PLEASE EXPLAIN WHAT IS MEANT BY THE TERMS MIGRATION**
17 **AND INSTALLATION.**

18 A. Migration occurs when a customer with existing service requests a change in its
19 local service provider (i.e., moving an existing BellSouth customer to AT&T).
20 This contrasts with an installation, which is defined as the establishment of any
21 new (or additional) service for a CLEC customer.

22

23 **Q. COULD YOU BRIEFLY DESCRIBE THE STEPS FOR MODELING THE**
24 **NON-RECURRING COSTS ASSOCIATED WITH CUSTOMER**
25 **MIGRATION?**

1 A. For the 2-wire analog "POTS" loop and port and the 2-wire ISDN/BRI loop and
2 port, the NRCM assumes that migration activities can be accomplished
3 electronically through the electronic gateway that exists between a CLEC and
4 BellSouth and BellSouth's OSSs that the CLEC is accessing. Essentially, the
5 process of migrating a BellSouth customer to a CLEC utilizing unbundled
6 network elements is an update of OSS database records to identify the new service
7 provider as the new customer of record. Thus, the cost for a migration order
8 potentially is processing time only, which is recovered in recurring rates.

9
10 When an order does fall out, the NRCM assumes that the Provisioning Analyst
11 Work Station ("PAWS"), or a similar OSS, assists in clearing some of the
12 jeopardy conditions automatically, again resulting only in the cost for processing
13 time. The NRCM, however, assumes that some manual work will be required to
14 resolve fallout problems that PAWS cannot resolve (e.g., communication link
15 failures between different OSSs, software release incompatibility, database errors,
16 hardware failures, system maintenance, etc.).

17
18 Exhibit JPL-3 provides the NRCM's matrix for the migration service order
19 activity.

20

21 **Q. PLEASE EXPLAIN THE GENERAL SERVICE FLOW FOR THE**
22 **DEVELOPMENT OF MIGRATION NON-RECURRING COSTS?**

23 A. Generally, the service order flow is as follows, and is depicted in Figure 1:

24 1. The Service Order Processor ("SOP") sends the order to the Service Order
25 Analysis & Control System ("SOAC"). SOAC analyzes the order and

1 determines if assignments or updates are necessary to outside plant
2 (assignments/updates), interoffice facilities or central office equipment
3 (assignments/updates), and whether local digital switch (recent change
4 translations) functions are needed. It should be noted here, that in the case
5 of a simple request of a customer to change providers with no change in
6 what he or she is currently receiving in service (e.g., "as is" or "migration
7 (means that the existing customer and their services are in place today and
8 will remain identical with the new local service provider.), Unbundled
9 Network Element Platform, and Soft Dial Tone (Soft Dial Tone is where
10 the circuit facilities and the switch port are not reassigned, but are left in
11 place even though the premises is vacated.), there is no need to access any
12 down-stream systems via SOAC because all facilities are already in place.
13 Thus, the only cost associated with this activity is processor time to
14 change some records in BellSouth's databases.

15

16 2. The Provisioning Systems (e.g. Memory Administration/Recent Change)
17 respond with assignments or updates and SOAC formulates the Element
18 Management System ("EMS"), and Provisioning Systems Translation
19 Packets and Messages based upon the component response data.

20

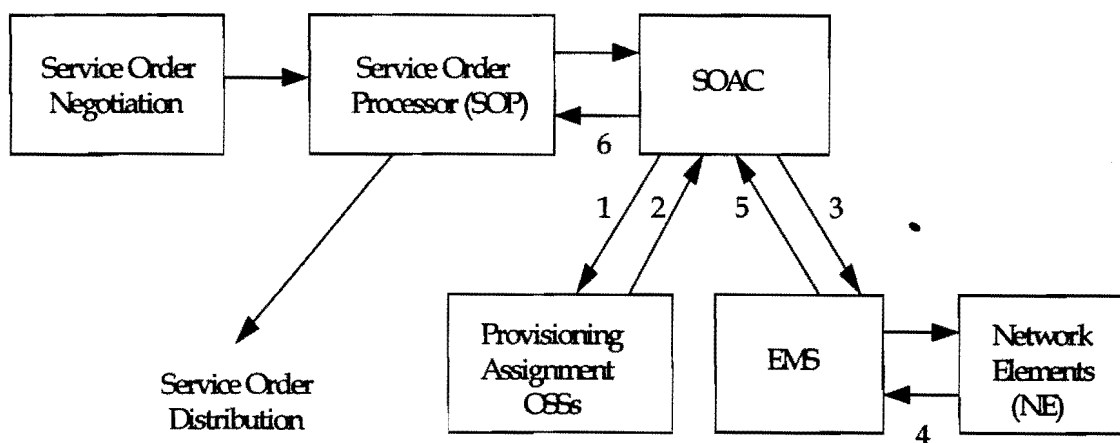
21 3. SOAC electronically sends the Translation Packets and Messages to EMS,
22 and/or Provisioning Systems (e.g., Memory Administration Recent
23 Change [MARCH] and Operations Processor System for Intelligent
24 Network Elements [OPS/INE].

25

- 1 4. The Provisioning Systems and/or EMS electronically sends Translation
2 Packets and Recent Change Messages to the Local Digital Switching
3 Systems ("LDS")², Digital Cross-connect Systems ("DCS")³, and/or other
4 Stored Program or Processor Controlled Network Elements ("PCNE").
5 The EMS⁴ also sends Translation Packets or Recent Change Messages to
6 the Integrated Digital Loop Carrier ("IDLC")⁵, Automated Digital
7 Terminal Systems ("ADTS")⁶, Fiber in The Loop ("FITL")⁷, SONET
8 ADM/LTE⁸ or other Processor Controlled Intelligent Digital Loop Carrier
9 ("DLC")⁹.
- 10
- 11 5. Upon receipt of the Message or Translation Packets, the EMS,
12 Provisioning Systems, and Processor Controlled Network Element
13 ("PCNE") will respond in one of two ways:
- 14
- 15 (a) The first is a positive acknowledgment that the Translation Packets
16 or Messages received have been worked successfully. Assuming a
17 positive acknowledgment response, service is normally
18 provisioned within 2.0 seconds.
- 19 (b) The second is an error acknowledgment (fallout) sent to SOAC to
20 indicate that the EMS, PCNE, and/or Provisioning Systems were
21 unable to translate the Translation Packet or Message successfully.
22 If this occurs, the order falls out of the system, the error(s) are
23 resolved and the order is re-input into the process.
- 24

- 1 6. Assuming successful flow-through (no fallout or RMA), SOAC stores
 2 EMS, PCNE, and/or Provisioning Systems requests/responses in its
 3 databases for use of reports and inquiries. SOAC also sends the
 4 assignment section to the service order processor ("SOP"), and
 5 completions are automatically posted in the affected OSS Systems (e.g.,
 6 Provisioning Systems, Work Management Systems, and Billing Systems,
 7 etc.)
 8

High Level Provisioning Flow



9 Excerpts from Bellcore SR-OPT-001942, Issue 1; Service Order Analysis and Control (SOAC), Interface to Intelligent Loop Administration System

10

11

Figure 1

12

1 **Q. IS THIS SAME PROCESS FLOW ALSO APPLICABLE TO MIGRATION**
2 **ACTIVITIES OF EXISTING BELLSOUTH 4-WIRE AND DS1**
3 **CUSTOMERS?**

4 A. Yes. The general service flow is similar because the CLEC service order request
5 is causing BellSouth's operational support systems to be electronically updated to
6 reflect the assignment of the end-user's existing service or facilities to the CLEC.
7 Certain activities would change only to reflect access to those OSS supporting 4-
8 wire designed and DS1 facilities (e.g., TIRKS and NSDB).

9
10 **Q. IS THERE AN EXISTING CHARGE TODAY FOR WHICH THIS**
11 **COMMISSION CAN RELATE TO UNDERSTAND THE MIGRATION**
12 **PROCESS?**

13 A. Yes. In BellSouth's Interstate Access Tariff BellSouth charges long distance
14 carriers a PIC (Primary Interexchange Carrier) NRC when a customer wishes to
15 migrate from one long distance provider to another. It is an activity that only
16 requires an update of records and which BellSouth currently charges \$1.49 per
17 activity. It should be noted that this NRC is based on a study performed by
18 BellSouth in 1990. Clearly, adjustments to this study to recognize existing
19 automation and removal of CPU costs (a recurring cost in a TELRIC study) will
20 trend this cost to the level produced by the AT&T/MCI Non-Recurring Cost
21 Model.

22
23 **Q. WHAT CRITERION SHOULD THE COMMISSION USE TO EVALUATE**
24 **THE APPROPRIATENESS OF NRCs?**

1 A. As is the case with network elements in general, the Commission should ensure
2 that NRCs are not structured in a manner that forces new entrants to pay for costs
3 that they do not cause. Presently, for example, ILECs commonly "disconnect"
4 unbundled network elements by software recent change only (i.e., without
5 physical disconnection of any sort). This activity is referred to as 'soft dial tone'
6 and requires no manual work. Yet, the non-recurring installation charges
7 BellSouth proposes to charge new entrants invariably reflect the costs of physical
8 reconnection, regardless of whether the facilities in question were ever physically
9 disconnected in the first instance. Similarly, BellSouth proposes to charge
10 CLECs new installation NRCs, which account for dispatch activity, when the
11 CLEC is merely requesting that records be updated to reflect the migration of a
12 BellSouth customer to the CLEC. Structuring NRCs so that new entrants must
13 pay for costs that the incumbent will not actually incur is yet another means by
14 which ILECs can erect competitive barriers to competition. Modeling costs that
15 reflect the elimination of such proposals not only minimizes initial barriers to
16 entry, but also closely links cost recovery with the manner in which the costs are
17 actually incurred.

18
19 **Q. WHAT PRICES DO YOU RECOMMEND BE ESTABLISHED BY THIS**
20 **COMMISSION FOR THE MIGRATION OF A BELL SOUTH CUSTOMER**
21 **TO A CLEC FOR THE FOUR SENARIOS OUTLINED IN ISSUE?**

22 A I recommend the 'migration' service order activity NRC found in Exhibit JPL-4
23 as produced by the AT&T/MCI Non-Recurring Cost Model. The model
24 establishes a price of \$.21. I further recommend that this same 'migration' rate be

1 applied to service orders that migrate an existing BellSouth customer with 4-wire
2 designed or DS1 loop and port service.

3

4 **Q. WILL YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

5 A. Yes. In order for a competitive environment to exist, new entrants must have non-
6 discriminatory access to the incumbent's databases and other resources for
7 entering service orders to eliminate the need for costly, intermediate customer
8 service contacts. Also, new entrants must only incur costs equal to those which
9 the ILEC would incur using a forward looking network architecture and efficient
10 OSS or else the CLEC is burdened with a barrier to entry and the ILEC has no
11 incentive to become efficient. Finally, NRCs must be based upon TELRIC
12 principles. The prices produced by the AT&T/MCI NRCM should be adopted by
13 this Commission.

14

15

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

18

19

20

21

22

23

24

1 ENDNOTES:

- 2 1. Agreement between BellSouth Telecommunications, Inc. and AT&T
3 Communications of the South Central States, Inc.; Part I, Sections 28.1 and
4 28.6.4.
- 5 2. LDS requirements and objectives are found in modules of Bellcore's LSSGR; FR-
6 64.
- 7 3. DCS requirements and objectives can be found in Bellcore's TR-NWT-000170.
- 8 4. EMS requirements, objectives, and interface specifications can be found in
9 Bellcore's GR-2869-CORE & FR-439.
- 10 5. IDLC requirements and objectives can be found in TR-TSY-000303 and GR-303-
11 CORE.
- 12 6. ADTS requirements and objectives can be found in Bellcore's TR-TSY-000174.
- 13 7. FITL requirements and objectives can be found in Bellcore's TA-NWT-000909.
- 14 8. SONET requirements and objectives can be found in Bellcore's GR-253-CORE of
15 FR-440 (TSGR)..
- 16 9. DLC requirements and objectives can be found in Bellcore's TR-NWT-000057.

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

RICHARD J. WALSH

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

Docket No. 971140-TP

February 20, 1998

1 REBUTTAL TESTIMONY OF

2 RICHARD J. WALSH

3 ON BEHALF OF

4 AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

5 DOCKET NO. 971140-TP

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
8 **EMPLOYMENT.**

9 A. My name is Richard J. Walsh and my business address is 33 Francis Drive, Belle
10 Mead, New Jersey, 08502. I am a consultant to AT&T as a Technical Analyst in
11 the Local Connectivity Costing and Pricing District of AT&T's Local Services
12 Division.

13

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

15 A. No. AT&T has requested that I file Rebuttal Testimony concerning Issue 8 and
16 adopt the Direct Testimony filed by John P. Lynott on behalf of AT&T.

17

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my testimony is to rebut the Direct Testimonies of BellSouth
20 witnesses D. Daonne Caldwell and Eno Landry and help this Commission
21 establish appropriate non-recurring cost (NRCs) rates for local market entry when
22 a CLEC requests a 'Migration' of an existing BellSouth customer to service
23 provided by the CLEC via unbundled network elements.

24

25

1 **Q. PLEASE STATE YOUR EDUCATIONAL AND EMPLOYMENT**
2 **BACKGROUND.**

3 A. I have attended classes at Roger William's College with an emphasis in Business
4 Management, and in Economics; however, I have not completed a degree
5 program. I have completed numerous technical and management training
6 seminars and curricula during my employment with New England Telephone,
7 NYNEX & Bellcore.

8
9 I began my telecommunications career in 1970 with New England Telephone in
10 the Central Office Equipment Installation Department. In 1975, I transferred to
11 the Customer Services Outside Plant Department, receiving assignments as
12 Facilities Assigner, Completions Clerk to the Installation Control Centers, and
13 Electronic Switching Systems (ESS) Conversions Facilities Assigner.

14
15 In November 1978, I accepted an assignment as a Technical Support Staff
16 Manager for ESS Conversions. In that position, I supervised and directed non-
17 management craft and semi-craft personnel in ESS conversion activities, and
18 provided technical support to organizations that were responsible for records
19 conversion and mechanization. Additionally, I was responsible for technical
20 matters associated with the dial for dial (electromechanical to electronic & digital)
21 switch conversions. I was also instrumental in helping New England Telephone
22 develop alternative plans for converting manual plant records to mechanized
23 systems by defining system requirements and analyzing vendor software systems.

24
25

1 In 1984, I interned at Bellcore (Bell Communications Research), developing
2 system and training requirements for its Facility Assignment and Control System
3 ("FACS") product line. I returned to New England Telephone as a Staff Manager
4 supporting its FACS conversion activities. I was responsible for systems training,
5 methods and procedures development, and the staffing of a company-wide FACS
6 system hotline.

7
8 In 1986, I accepted a position of Mechanized Loop Assignment Center Manager,
9 Rhode Island. I supervised personnel that managed the day to day operations of a
10 Facility Assignment Center. This included service order provisioning, field
11 assistance, engineering work order preparation and support, as well as FACS
12 database maintenance.

13
14 In 1989, I accepted a position at New England Telephone (which subsequently
15 became NYNEX) as Outside Plant Engineer. My work included the design and
16 preparation of work prints for toll, exchange feeder, and distribution cable jobs.
17 Additionally, I had the responsibility for work order cost analysis, work order
18 quality assurance, and construction activities.

19
20 In 1993, I accepted a rotational assignment with Bellcore in its Software
21 Assurance Division. At Bellcore, I provided systems integration beta testing
22 support for the FACS product line. In 1995, I transferred to the Professional
23 Services Division as Lead/Senior Consultant in the Telecommunications Business
24 Process Consulting group. During this time, I provided consulting to major
25 telecommunications firms in areas concerning Telecommunication Reform, Local

1 Number Portability, Telecommunications Network Management (TMN) Systems
2 Architecture, and Non-Recurring Costs. In 1997, I retired from Bellcore to start
3 my own telecommunications consulting company.
4

5 **Q. PLEASE EXPLAIN YOUR EXPERIENCE WITH NON-RECURRING**
6 **COSTS.**

7 A. During my telecommunications career, I have spent much time in customer
8 services and provisioning departments. Both of these departments provided
9 services properly characterized, in appropriate circumstances, as non-recurring. I
10 have personally been involved with the service ordering and provisioning of
11 residential, business, complex, and special circuits. I interfaced with virtually
12 every department in the provisioning process while at New England Telephone.
13 Some of the activities included providing advice on service order formats, data
14 structure (USOCs and FIDs) and development of system and service order
15 requirements for new products and services. Additionally, I have supervised field
16 assistance personnel in their day-to-day interactions with Central Office (CO)
17 technicians, Installation & Maintenance (I&M) technicians, Special Service
18 Installation & Maintenance (SSIM) technicians, and others, as they connected,
19 disconnected and rearranged equipment and services. Their problems included
20 service orders problems, such as missing or incorrectly formatted customer
21 requests and facility problems, including the rearrangement of existing customer
22 lines. In addition, I have supervised receipt of data pertaining to clearance of
23 customer troubles and service order completion data required for billing.
24
25

1 During my tenure with NYNEX, I also was a part of numerous quality field
2 exercises, evaluating technicians as they performed installation and maintenance
3 tasks. This documentation was used in conducting root cause analysis for
4 problems and provided the foundation for improving methods and procedures and
5 overall service quality. While at Bellcore, I was part of several teams that
6 prepared process flow diagrams, depicting steps that technicians took during
7 provisioning of service, both inside (Central Office) and outside (Outside Plant).
8 Those analyses of process flows helped Bellcore's customers understand where
9 savings could be gained through software enhancements and through the use of
10 existing methods and procedures.

11

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER JURISDICTIONS?**

13 A. Yes. I have previously testified in Massachusetts, Louisiana, Alabama, Georgia,
14 Tennessee, South Carolina and North Carolina.

15

16 **Q. HAS BELLSOUTH FILED A STUDY THAT ADDRESSES THE NON**
17 **RECURRING MIGRATION ACTIVITIES FOR COMBINATIONS OF**
18 **NETWORK ELEMENTS AS DEFINED BY THE COMMISSION ORDER?**

19 A. No. BellSouth ignored the Commission's Issue and instead interpreted that
20 unbundled network elements will be provisioned separately, even if received on
21 the same order, with the elements being combined by the CLEC using collocated
22 facilities. The studies BellSouth has filed reflect gross inefficiencies and do not
23 even represent how BellSouth provisions service for itself. They clearly do not
24 represent the costs BellSouth would incur to migrate a customer to a CLEC. As
25 such, the studies and resulting prices proposed by BellSouth should be rejected.

1 **Q. WHAT ARE THE INEFFICIENCIES INHERENT IN BELL SOUTH'S**
2 **PROPOSAL?**

3 A. If an end-user customer is currently being served by BellSouth, then the facilities
4 and all functionality of that customer's service (e.g., loop and port) have been
5 properly inventoried in BellSouth's operational support systems (OSS). This
6 committed inventory practice is known as Dedicated Inside Plant ("DIP") and
7 Dedicated Outside Plant ("DOP"). BellSouth's modeled non-recurring activities
8 provide a chance for service failure or degraded service to the end-user customer.
9 BellSouth has modeled physical disconnection and re-installation of service. The
10 DIP and DOP processes allow for rapid activation or deactivation of services at an
11 end user location without the need for physical disruption of the facility.

12

13 BellSouth also includes disconnect costs which have already been recovered by
14 BellSouth through its retail service offering. In fact, with DIP and DOP, physical
15 connections remain in place and only a command at a computer from the OSS to
16 the network element is necessary to activate or de-activate the service.
17 BellSouth's current disconnect policy, like all efficient ILECs', adheres to this
18 practice of DIP and DOP in order to provide immediate service activation to the
19 next customer at that premise. If a new entrant chooses to have service de-
20 activated using only software commands, disconnection NRCs become almost
21 non-existent.

22

23 BellSouth's cost studies erroneously assume that the CLEC is required to combine
24 individual unbundled elements using collocated facilities. That's approximately
25 193 central offices where each CLEC would have to utilize collocated facilities in

1 order to utilize BellSouth's existing dedicated plant to serve customers.
2 Collocation costs are substantial and unnecessary for a migration activity. In the
3 case of a simple customer change request (e.g., "as is"¹, Total Service Resale,
4 Unbundled Network Element Platform, Soft Dial Tone²), the CLEC service
5 request does not need to access any down-stream facility assignment OSSs
6 because all facilities are already in place. Thus, the only cost associated with this
7 activity is processor time to reflect the change in who is serving the customer, and
8 to activate different billing systems to reflect the use of unbundled network
9 elements by the CLEC. Migrating or re-routing a customer's existing service via
10 collocated facilities is not only inefficient, but clearly not required. The task, as
11 requested by the CLEC, can be accomplished electronically by OSS, whether
12 accessed by BellSouth or directly by the CLEC.

13
14 BellSouth fails to recognize the efficiencies of its own existing ('Legacy') OSSs.
15 BellSouth failed to consider the automated systems that are currently available to
16 support and replace manual activities/functions performed by their respective
17 work centers. BellSouth's non-recurring cost worksheets provide work center
18 activity but no description of the activities performed by these work centers.
19 Having spent several years dealing with service provisioning in an ILEC, work-
20 times and work groups indicated by BellSouth are overstated or unnecessary due
21 to the many advances in operational support systems. The only non-recurring cost
22 that should be modeled is the potential 'fallout' of an order in the provisioning
23 process that would require manual assistance by BellSouth's RCMAG. An
24 efficient OSS should have less than 2%³ fallout necessitating manual work to
25 deliver recent change translation information to the switch.

1 Q. WHAT WOULD BE THE APPROPRIATE NONRECURRING
2 MIGRATION CHARGE THIS COMMISSION SHOULD ADOPT IF THIS
3 COMMISSION WERE TO REQUIRE CLECS TO COMBINE NETWORK
4 ELEMENTS, USING THE RECENT CHANGE PROCESS DESCRIBED
5 BY AT&T WITNESS FALCONE?

6 A. If this Commission were to determine that a CLEC must do the combining,
7 instead of BellSouth continuing to either combine network elements or not
8 uncombine currently combined network elements, an efficient, non-discriminatory
9 process for migration activity is the "recent change" process as discussed by
10 AT&T witness Robert Falcone. I have attached Rebuttal Exhibit RJW-1 to reflect
11 necessary adjustments to BellSouth's filed NRC study to conform to the technical
12 assumptions of the "recent change" process.

13

14 Under this "recent change" process, when a CLEC sends an electronic order to
15 migrate a BellSouth customer to the CLEC's service , the order triggers a recent
16 change process to de-activate the current service on the switch. The CLEC
17 receives a firm order confirmation from BellSouth. The CLEC then electronically
18 sends an "activate" translation command to restore service on the switch. These 2
19 translation messages (de-activate and activate) are matched and worked
20 concurrently by the switch in an electronic migration activity. This will re-
21 establish service for the end-user without the need to disconnect the physical
22 facilities.

23

24 For BellSouth, therefore, an order could only have fallout once. Clearance of an
25 order's jeopardy condition fixes that error on the entire quantity of loop and port

1 combinations on the order. This is represented in the Initial Install only for
2 pricing purposes. I have also adjusted the BellSouth Labor rates to the fully
3 assigned rates of the NRCM and added a 10.4% overhead factor to the direct cost
4 to calculate a recommended price. The resulting nonrecurring migration charge
5 with these adjustments would be \$.2081 per order. This compares to the
6 recommended nonrecurring migration price if BellSouth performs the combining
7 of \$.21. In other words, the price would be the same, since the work required is
8 essentially the same. The only difference is the process used to make the change
9 occur. In the case where BellSouth performs the combining, only one order is
10 sent by the CLEC to initiate the activity necessary to switch the customer. In the
11 case where the CLEC performs the combining, one order is still sent to initiate
12 the activity necessary to switch the customer. In both cases, the recent change
13 process is used to electronically perform the work, however, in the latter case, the
14 CLEC directly provides the recent change activate command to the switch instead
15 of BellSouth.

16

17 **Q. WHAT IS YOUR RECOMMENDATION TO THIS COMMISSION?**

18 A. BellSouth's cost studies are not modeled to determine the migration activity cost
19 identified by this Commission in this proceeding and should be rejected. In order
20 for a competitive environment to exist, CLECs must have non-discriminatory
21 access to BellSouth's databases and other resources for entering service orders to
22 eliminate the need for costly, intermediate customer service contacts. The price of
23 \$.21 produced by the AT&T/MCI Non-Recurring Cost Model should be adopted
24 by this Commission because it correctly assumes an efficient 'Migration' process
25 consistent with the Interconnection Agreement. The CLECs must only incur costs

1 equal to those which BellSouth would incur using a forward looking network
2 architecture and efficient OSS or else the CLEC is burdened with a barrier to
3 entry and BellSouth has no incentive to become efficient or promote competition.
4

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A. Yes.**
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1 End Notes:

2

3 ¹ "As Is" means that the existing customer and their services are in place today and
4 will remain identical.

5

6 ² Soft Dial Tone is where the circuit facilities and the switch port are not
7 reassigned, but are left in place even though the premises is vacated.

8

9 ³ Low fallout rates currently are achievable. (1) BellSouth Surrebuttal Testimony
10 on 9/8/97 of William N. Stacy before the Georgia PSC in Docket No. 7061-U
11 ("BellSouth has achieved a flow-through rate of approximately 97% in certain
12 exchanges"). (2) Roy Neel, President of USTA, Presentation before the FCC In
13 Re: En Banc on State of Local Competition, 1/29/98, "I mentioned Bell South and
14 I think it's important to point out -- Heather mentioned some of the problems in
15 making OSS systems work for new entrants, but this is a new thing. It takes a lot
16 of work and expense. Not very much of it which is being recovered yet, but you
17 look in BellSouth alone, there's one C-LEC in Bell South and we can get you the
18 details about this, that has achieved a flow through rate of 97 percent over the last
19 few months. That's a real success story and it represents cooperation between the
20 I-LEC and the C-LEC and we expect that will continue." (3) A competitive local
21 environment will *necessitate* a low fallout rate, as indicated in the requirements
22 RBOCs have supplied to Bellcore. According to Bellcore GR-2869, Issue 2, (Oct.
23 1996) pg.4-25, section 4.6.2 on Immediate Service Activation, "Activation will
24 occur at the time of assignment" (i.e., immediately). Such requirements will not
25 allow for high levels of fallout.

1 Q (By Mr. Hatch) Do you have a summary of
2 your testimony, Mr. Walsh?

3 A Yes, I do.

4 Q Could you give that now, please?

5 A Good afternoon, Chairman, Commissioners. My
6 name is Richard J. Walsh.

7 The purpose of my testimony is to recommend
8 that this Commission adopt the nonrecurring cost and
9 charges proposed in my testimony for the migration of
10 an existing BellSouth customer to a new entrant, such
11 as AT&T, when the new entrant purchases an unbundled
12 loop and port ordered in combination on the same
13 service order request.

14 Nonrecurring cost is one of the key
15 decisions that will have to be made in this case. If
16 nonrecurring costs are set too high, they can become a
17 barrier to entry. BellSouth has every incentive to
18 reflect the highest possible cost in order to keep
19 competition out of the marketplace. This is clearly
20 demonstrated with BellSouth's nonrecurring charge of
21 \$169.10 to migrate a customer when a loop and port is
22 ordered in combination.

23 I'm here to inform this Commission that the
24 actual cost to be incurred by BellSouth for this
25 migration activity is less than 21 cents.

1 The AT&T/MCI nonrecurring cost model for
2 which I support reflect efficiencies of currently
3 available methodologies and represents nonrecurring
4 cost developed at parity with BellSouth electronic
5 operations support system capabilities.

6 Loops and ports are essential elements
7 required to produce a communication service. However,
8 they alone do not provide a service.

9 Before a migration order can be placed, a
10 new entrant must first place orders for unbundled
11 network elements to support their business needs. For
12 example, the new entrant will have to place orders for
13 common transport, tandem switching, SS7 signaling.
14 They will also have to establish trunk links in order
15 to use their own operator and directory services.
16 Only after these elements have been provisioned can a
17 new entrant begin the process of migrating an existing
18 customer with unbundled loops and ports.

19 The process for migrating an existing
20 customer starts with the customer contacting the new
21 entrant's business office. The new entrant's business
22 office negotiates the service needs with the customer
23 and exchanges information regarding the customer's
24 existing service and service commitment dates with the
25 ILEC electronically.

1 The new entrant has operational support
2 systems that generate a single electronic request
3 reflecting unbundled network elements ordered in
4 combination. And this is sent through the gateway to
5 BellSouth's operational support systems. The service
6 request can be electronically processed by BellSouth
7 operation support systems in a flow-through manner
8 without any manual intervention.

9 BellSouth's systems can generate the
10 necessary instructions to stop billing the customer,
11 add the unbundled element charges to the new entrant's
12 account. The systems are capable of deactivating
13 existing service with an electronic message that is
14 sent to the switch. This is followed by another
15 message to the switch to activate the new entrant's
16 service and features. All messages can be processed
17 electronically without human intervention. And the
18 costs for this operational support system processing
19 is recovered through the recurring rates. In other
20 words, there are no nonrecurring costs on an
21 electronic flow-through order.

22 This is not pie in the sky. This type of
23 service order processing is why operation support
24 systems having been developed and deployed by
25 BellSouth. They are designed to replace the manual

1 work activities and to reduce costs. These are facts
2 that I can attest to based upon my prior work
3 experience within an RBOC and while at Bellcore.

4 However, BellSouth wants this Commission to
5 believe that the process of migrating an existing
6 customer is a lot more difficult than I've just
7 explained. They have reflected a process that
8 generates the highest possible cost in order to keep
9 competition out of the marketplace. When a loop and
10 port is ordered on a single request, BellSouth's
11 process involves intercepting the electronic order by
12 a work group and manually generating a service order
13 that instructs technicians to completely disconnect
14 the network. This work group then manually generates
15 a second service order to completely build a new
16 unbundled loop.

17 This is also followed by a third service
18 order to build a new unbundled port. Their cost
19 studies even suggest that facilities may not be
20 available for these service orders so engineering may
21 need to get involved to build new facilities even
22 though the customer was served by these network
23 elements moments ago.

24 They've clearly created a process that
25 handcuffs the customer with service outages and costly

1 manual order coordination. This is not migration.
2 It's fundamentally wrong and certainly doesn't address
3 the issues in this case, as pointed out by the Staff's
4 audit by Ruth Young.

5 Can you think of a time when you asked the
6 phone company to change your long distance provider?
7 They didn't have to send any technician out to your
8 house or to your central office, and your service was
9 not interrupted. That's because the service request
10 is processed electronically.

11 The costs that I propose are modeled in a
12 nonrecurring cost model developed by AT&T and MCI.
13 The AT&T/MCI nonrecurring cost model develops cost
14 migration using the means that are efficient,
15 currently available and benefits all parties.

16 We have answered the issues in this case.
17 Our model reflects the appropriate work activities and
18 cost for those work activities. Our model reflects
19 the interaction of operation support systems, which is
20 at parity with the way that BellSouth provisions
21 service for itself. BellSouth did not answer the
22 issues in this case as the Staff audits indicated.

23 I recommend to this Commission that you
24 adopt the nonrecurring charges as produced in the
25 AT&T/MCI nonrecurring cost model.

1 This concludes my summary.

2 MR. HATCH: Tender the witness for cross.

3 CROSS EXAMINATION

4 BY MR. MELSON:

5 Q Mr. Walsh, I'm Rick Melson representing MCI.
6 I've got a question or two about something you said
7 early in your summary.

8 If I heard it correctly, you indicated there
9 were some things that AT&T would have to have in place
10 before it could begin offering service using UNE
11 combinations; is that correct?

12 A That is correct.

13 Q Could you tell me again what those items are
14 that you'd have to have in place and why it's
15 necessary to have them in place?

16 A Sure. Yes, I can.

17 One of the things is common transport. That
18 allows -- that would -- gives them the ability to
19 transport the calls to different offices and that
20 needs to be established. One of the other things I
21 mentioned was trunks to their own operator and
22 directory services that have to establish those types
23 of network elements in order to connect to their
24 operator and directory services. They'd have to make
25 arrangements for SS7 signaling; tandem switching.

1 Those are types of network elements that they'd need
2 to have in place in order to process service orders
3 for unbundled network elements that they wanted to use
4 themselves.

5 Q Assume that AT&T had only a loop and a port
6 and had no common transport. In that situation would
7 it be capable of completing, of allowing its customer
8 to complete calls to other central offices within the
9 local calling area?

10 A No, it would not.

11 MR. MELSON: That's all I've got. Thank
12 you.

13 CHAIRMAN JOHNSON: Ms. White.

14 COMMISSIONER CLARK: Before you get started,
15 Mr. Walsh, can you tell me what unbundled network
16 elements you need to duplicate local residential basic
17 service?

18 WITNESS WALSH: To replicate the services
19 that BellSouth is offering?

20 COMMISSIONER CLARK: Right.

21 WITNESS WALSH: I have a chart, if I --

22 COMMISSIONER CLARK: That would be great.
23 Is it in your testimony anywhere?

24 WITNESS WALSH: I do not believe this is my
25 testimony.

1 **MR. HATCH:** I believe that this is an
2 exhibit to at least every deposition that was taken in
3 this case.

4 **COMMISSIONER CLARK:** I gather, Mr. Walsh,
5 there is an agreement as to what exact UNEs you need
6 to duplicate the service?

7 **WITNESS WALSH:** In my opinion -- in my
8 opinion you'd have to have all of these elements here
9 to duplicate a service.

10 **COMMISSIONER CLARK:** All right. What I
11 asked you, there appears to be no agreement between
12 the parties as to exactly what you have to have to
13 duplicate local service.

14 **WITNESS WALSH:** I would agree with you.

15 **COMMISSIONER CLARK:** Okay.

16 **MR. HATCH:** Madam Chairman, before we go any
17 further, did you want to marked this for
18 identification? It's probably not necessary and would
19 be duplicative of what is probably in some of the
20 exhibits, but I just raise the question.

21 **CHAIRMAN JOHNSON:** We'll mark it. We'll
22 mark it as Exhibit 13.

23 (Exhibit 13 marked for identification.)

24 **COMMISSIONER CLARK:** Just so I'm clear, you
25 disagree with Mr. Hyde who said all you needed was a

1 loop and a port?

2 **WITNESS WALSH:** I don't believe that a loop
3 and a port will get you everything that you need to
4 produce a local service. They are essential parts of
5 the service, but they do not constitute a service.

6 **COMMISSIONER CLARK:** Okay.

7 **CROSS EXAMINATION**

8 **BY MS. WHITE:**

9 **Q** Mr. Walsh, Nancy White for BellSouth.

10 The model you're supporting in this docket
11 uses a ratio of 31% copper and 59% fiber; is that
12 correct?

13 **A** I believe I does.

14 **Q** Do those numbers come from the Hatfield
15 Model?

16 **A** I believe.

17 **Q** Did Hatfield get those numbers from
18 BellSouth in Florida?

19 **A** I believe they did. I can't speak for the
20 Hatfield Model but I believe that the calculations
21 that they derive for the copper/fiber ratio were for
22 Florida specifically.

23 **Q** Would you agree that there's more manual
24 work associated with copper than with fiber?

25 **A** Absolutely.

1 Q Does the model assume a staffed central
2 office percentage and a percentage for nonstaffed
3 central offices?

4 A Those are options that are available in the
5 model itself, yes. But when we're talking about the
6 issues in this case regarding migrations of existing
7 BellSouth customers with loops and ports today, then
8 that really doesn't play into how much work has to be
9 done as far as the migration is concerned.

10 Q I didn't ask that. I just asked if the
11 model assumed a staffed central office and a
12 nonstaffed central office percentage?

13 A Yes, the model has that option.

14 Q Does the model use default numbers for those
15 percentages?

16 A I believe in Florida we did use the default
17 numbers.

18 Q Do you know the actual ratio in Florida for
19 BellSouth for lines served by staffed central offices
20 versus nonstaffed central offices?

21 A No, I do not know that.

22 Q Does the model use a default for travel
23 time?

24 A There is a default for travel time.

25 Q And is that used in Florida?

1 A We use the default input value for travel
2 time in Florida.

3 Q Did you all use the default for the setup
4 time for Florida?

5 A Yes, we did.

6 Q Does the model assume any costs associated
7 with orders placed by a company other than AT&T?

8 A No, it does not.

9 Q Does the model assume two minutes to perform
10 the cross-connect?

11 A I believe it's two minutes.

12 Q And did that time come from subject matter
13 experts of AT&T and MCI?

14 A Yes, it did.

15 Q Does the model assume four work activities
16 per trip?

17 A Yes. When we take a look at the work
18 activities per trip, it relates to the travelling to
19 the central office, the nonstaff central office.

20 Q Did you do any analysis to determine what
21 number of work activities BellSouth technicians
22 perform per trip?

23 A No, we did not.

24 Q Does the model assume that there's enough
25 plant to meet the demand forecasted in your study?

1 A The model assumes that a TELRIC network, and
2 under the TELRIC principle, total demand would have
3 been met and calculated to develop the recurring cost.
4 So, therefore, the NRCM assumes that the network would
5 be out there in place.

6 Q Okay. Does the model assume that BellSouth
7 will never need to dispatch a technician?

8 A Can you repeat the question?

9 Q Does the model assume that BellSouth will
10 never have to dispatch a technician?

11 A No, it does not.

12 Q Have you done any analysis of BellSouth's
13 existing plant in Florida to determine how much
14 dedicated plant there is?

15 A No, we did not. Because of the statement I
16 just made regarding the TELRIC principles behind the
17 model.

18 Q Does the model include the cost associated
19 with carrying out the requirements of the AT&T
20 Interconnection Agreement in Florida?

21 A Not specifically, no, it does not.

22 Q Does the model assume any cost for BellSouth
23 employees to answer questions that AT&T may have with
24 regard to orders?

25 A Which BellSouth employees are we talking

1 about?

2 Q Any BellSouth employees.

3 A I would say the model doesn't include that.

4 Q Does the nonrecurring cost model include the
5 cost of providing a single point of contact to AT&T
6 for all ordering and provisioning questions?

7 A Not specifically, no, it does not.

8 Q Now, does the model assume full
9 implementation of TMN, telecommunications management
10 network?

11 A No, it does not. It assumes the Legacy
12 systems that BellSouth has in place today.

13 Q Okay. Now, you've supported this model in
14 several states, have you not?

15 A Yes, I have.

16 Q What states have you supported this model
17 in? I'll limit it to the BellSouth region.

18 A In BellSouth it is Louisiana, Georgia,
19 Alabama, North Carolina, South Carolina, Tennessee,
20 Florida and Mississippi.

21 Q Okay. Now, in your -- in the nonrecurring
22 cost model exhibits that were attached to Mr. Lynott's
23 direct testimony you have a summary that lists the
24 total cost for several different unbundled network
25 elements; is that correct?

1 A I believe so. What exhibit do you want me
2 to take a look at?

3 Q Unfortunately, it doesn't have a number on
4 it. It's labeled Summary Data of Batch Run," dated
5 11-13-97 and it has a Page 1 on it. I'll be glad to
6 get you a copy.

7 A The reason I'm asking that question is, we
8 also provided the documentation, one also has a sample
9 listing of elements. I want to make sure we're
10 talking about the right one.

11 Q Does that look familiar, Mr. Walsh? It was
12 attached to Mr. Lynott's testimony that he filed in
13 this docket. (Pause)

14 A I think I have a copy of Mr. Lynott's
15 testimony but I don't find this particular summary
16 page.

17 Q In my copy it was right before the service
18 order process/nonrecurring type matrix that consisted
19 of several pages. It was filed right before that.

20 A I do have it. I do have a copy.

21 Q Okay. Now, that document shows that for a
22 POTS/ISDN BRI migration-unbundled network
23 element-platform, the total cost is 21 cents in
24 Florida; is that correct?

25 A That's correct. That reflects the

1 nonrecurring cost to provision that network element,
2 or those network elements.

3 Q Is that platform that you speak of equal to
4 a retail service?

5 A It's equal to loop and port.

6 Q Okay.

7 COMMISSIONER CLARK: So the answer is no.

8 WITNESS WALSH: No. Correct.

9 COMMISSIONER CLARK: Mr. Walsh, on this
10 exhibit you list as an element operator systems. And
11 you say operator services and directory assistance. I
12 thought those were each unbundled network systems --
13 elements, excuse me -- or are they one element?

14 WITNESS WALSH: Operator services and
15 directory assistance to me, I believe, are one
16 element. I associate -- to me, my opinion is they are
17 one element. But they definitely could be, as
18 Mr. Hyde explained, separate elements.

19 COMMISSIONER CLARK: What are they in your
20 agreement? Are they separate elements in your
21 agreement, do you know?

22 WITNESS WALSH: I do not know the
23 agreement -- I'm familiar with nonrecurring costs but
24 I'm not familiar with the Interconnection Agreement
25 between AT&T and BellSouth.

1 **COMMISSIONER CLARK:** Mr. Hatch, who knows
2 that?

3 **MR. HATCH:** Probably Mr. Eppsteiner or my
4 colleague to the left.

5 **COMMISSIONER CLARK:** Mr. Hatch, maybe you
6 can tell me where in the agreement it is that would be
7 listed.

8 **MR. HATCH:** Attachment 2.

9 **COMMISSIONER GARCIA:** Tracy, half your
10 witnesses back there are waving.

11 **MR. HATCH:** I don't doubt it. (Laughter)

12 The way our contract is laid out, if you
13 look at Attachment 2, Page 29, we have a provision in
14 there, Section 8, it's Operator Systems. Operator
15 service is one of the sub-things under that.
16 Directory assistance is also a sub-piece under that in
17 terms of just a --

18 **COMMISSIONER CLARK:** Are they separately
19 priced?

20 **MR. HATCH:** Look at Table 4. I'm informed
21 if you purchase them from BellSouth they are
22 separately priced.

23 **COMMISSIONER CLARK:** Okay. Thanks.

24 **MR. PELLEGRINI:** Commissioner Clark, the FCC
25 identifies operator services and directory assistance

1 as an unbundled element.

2 COMMISSIONER CLARK: Are they two separate
3 elements?

4 MR. PELLEGRINI: No. They are described as
5 operator services and directory assistance.

6 MR. HATCH: If you look at the pricing
7 provisions in the contract they are separately priced.
8 They have separate rates for each of them.

9 COMMISSIONER CLARK: Okay. Thank you.

10 MS. WHITE: Thank you.

11 Q (By Ms. White) Mr. Walsh, are the
12 activities involved in providing services, or
13 providing elements for an unbundled network element
14 platform involved and total service resale the same?

15 A The provisioning systems that you need to
16 provision or assign that service order are the same
17 and some of the activities parallel each other, and so
18 it produces a very similar cost.

19 Q Do you recall having your deposition taken
20 in this docket?

21 A Yes, I did.

22 Q And do you recall that I asked you the
23 question of whether the platform itself would be equal
24 to a retail service, and this is on Page 114 of your
25 deposition. And on Page 115 of your deposition you

1 stated that the "concept of platform would be equal to
2 some kind of a retail service"?

3 A Can you give me the line number?

4 Q Yes. It's Line 24 and 25 of Page 114, and
5 Lines 1 and 2 of Page 115.

6 * * *

7 (This transcript continues in sequence in
8 Volume 3.)

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