

MCWHIRTER REEVES

ATTORNEYS AT LAW

TAMPA OFFICE:
400 NORTH TAMPA STREET, SUITE 2450
TAMPA, FLORIDA 33602
P. O. BOX 3350 TAMPA, FL 33601-3350
(813) 224-0866 (813) 221-1854 FAX

PLEASE REPLY TO:

TALLAHASSEE

TALLAHASSEE OFFICE:
117 SOUTH GADSDEN
TALLAHASSEE, FLORIDA 32301
(850) 222-2525
(850) 222-5606 FAX

February 14, 2000

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: 991838-TP

Dear Ms. Bayo:

On behalf of BlueStar Networks, Inc., enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Rebuttal Testimony of Michael Starkey o/b/o BlueStar Networks, Inc's Notice of Deposition; and **01922-00**
- ▶ Rebuttal Testimony of Carty Hassett o/b/o BlueStar Networks, Inc's Notice of Deposition. **01923-00**

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me in the envelope provided. Thank you for your assistance.

Yours truly,



Vicki Gordon Kaufman

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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEEN, P.A.

ORIGINAL

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REPORTING

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01922-00

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: :
: :
Petition for Arbitration of BlueStar Networks, :
Inc. with BellSouth Telecommunications, :
Inc. Pursuant to the Telecommunications :
Act of 1996. :
_____ :

Docket No. 991838-TP

Filed: February 14, 2000

REBUTTAL TESTIMONY
OF
MICHAEL STARKEY
ON BEHALF OF
BLUESTAR NETWORKS, INC.

DOCUMENT NUMBER-DATE
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REBUTTAL TESTIMONY

OF

MICHAEL STARKEY

ON BEHALF OF

BLUESTAR NETWORKS, INC.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **MICHAEL STARKEY**

5 **ON BEHALF OF BLUESTAR NETWORKS, INC.**

6 **DOCKET NO. 991838-TP**

7 **I. INTRODUCTION**

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Michael Starkey. My business address is QSI Consulting, Inc. (QSI),
10 6401 Tracton Court, Austin, Texas 78739. I am President of QSI, which is a
11 consulting firm specializing in the areas of telecommunications policy, econometric
12 analysis and computer aided modeling.

13 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

14 A. I am testifying on behalf of BlueStar Networks, Inc. (BlueStar).

15 **Q. HAVE YOU SUBMITTED TESTIMONY EARLIER IN THIS PROCEEDING?**

16 A: Yes. I submitted direct testimony.

17 **II. OVERVIEW**

18 **Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

19 A: The purpose of my rebuttal testimony is to respond to the direct testimony of
20 BellSouth on the following issues: Issue 10 (TELRIC-based rates for 2-wire ADSL
21 compatible loops, 2-wire HDSL loops, and unbundled copper loops (UCLs)) and Issue
22 16 (terms, conditions and rates for access to riser cables).

1 **Q: PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

2 A: My rebuttal testimony focuses on the positions and statements in BellSouth's direct
3 testimony, specifically, Issue 10 (recurring and non-recurring prices for xDSL and
4 unbundled copper loops) and Issue 16 (riser cable). Based on BellSouth's testimony,
5 and specifically Mr. Varner's Exhibit AJV-1, it appears that BellSouth's proposed
6 rates, to the extent rates have been provided, are acceptable to BlueStar. These are
7 generally the same rates I included in my direct testimony. It appears the issue of
8 appropriate recurring and non-recurring rates for the 2-wire ADSL, HDSL and UCLs
9 below 18,000 feet is largely resolved. The only exception is the rates for UCLs that
10 are greater than 18,000 feet. For these loops, BellSouth has indicated a rate other than
11 that proposed for shorter UCLs should apply, but has proposed no rate. Also,
12 BellSouth has indicated that it intends to charge BlueStar for activities associated with
13 conditioning a copper loop (i.e., removing equipment that will disturb a digital
14 subscriber line 'DSL' signal) but again, BellSouth has proposed no rates. In these
15 situations, I recommend that the Commission adopt the rates in my direct testimony.
16 These are the only rates on the record and serve as the only reasonable option for the
17 Commission.

18 **Q. HAVE YOU HAD AN OPPORTUNITY TO REVIEW BELLSOUTH'S COST**
19 **STUDIES FOR PURPOSES OF ENSURING THE RATES YOU PROPOSED**
20 **IN YOUR DIRECT TESTIMONY ARE REASONABLE?**

21 A. I have had very little opportunity to review BellSouth's cost studies that BlueStar
22 requested through discovery. BellSouth finally delivered a complete copy of its cost

1 studies to BlueStar's counsel on Friday February 11, 2000. I received a copy of those
2 studies one day later by Federal Express, on Saturday, February 12th. Thus, I had less
3 than one full day to review the studies and draft my rebuttal testimony. As such, I
4 have had an opportunity to review BellSouth's cost studies in only the most cursory
5 manner. Despite this, it appears that my original recommendations for UCL loop rates
6 and line conditioning are reasonable and consistent with BellSouth's underlying costs.

7 **Q. PLEASE DESCRIBE BLUESTAR'S POSITION REGARDING PRICES TO BE**
8 **PAID FOR UCLS.**

9 **A. 1. ADSL and HDSL Compatible Loops and UCLs Up To 18,000 Feet:** BellSouth
10 has proposed using the recurring and non-recurring rates set by the Florida Public
11 Service Commission in various dockets and that were re-adopted in the ITC^DeltaCom
12 arbitration (Docket No. 990750-TP) (DeltaCom Arbitration) for 2-wire ADSL and
13 HDSL compatible loops. BellSouth has proposed that these rates should apply as
14 interim rates, subject to true-up consistent with rates ultimately adopted in the generic
15 UNE docket for 2-wire ADSL compatible, 2-wire HDSL compatible and UCLs up to
16 18,000 feet. This proposal is acceptable to BlueStar on an interim basis, subject to
17 true-up, until final rates can be established in the generic Florida UNE Cost Docket
18 (Docket No. 990649-TP).

19 **2. UCLs Greater Than 18,000 Feet:** In my direct testimony, I testified that the
20 rates for UCLs, regardless of length, should be set on an interim rate, subject to true-
21 up, at the same rates as a 2-wire ADSL compatible loop. BellSouth, in its direct
22 testimony, did not propose any interim rates. Likewise, BellSouth, in its testimony

1 and cost studies, provided no evidence to prove that its proposed rates for the UCL
2 included anything other than an average cost for all dry copper loops, including loops
3 greater than 18,000 feet in length. As such, the Commission should adopt BlueStar's
4 proposal for a single rate for all UCLs (including UCLs both shorter than and longer
5 than 18,000 ft.) as an interim measure.

6 **3. Line Conditioning:** BellSouth in its testimony provided no evidence that there
7 are any forward-looking costs associated with line conditioning, therefore, I
8 recommend that the forward-looking costs for removal of load coils, bridged taps and
9 other disturbers be set at \$0. Alternatively, however, if the Commission prefers a non-
10 zero rate for line conditioning, it should rely upon the only rates that have been
11 proposed in this proceeding--the rates adopted by the Texas Commission as detailed
12 in my direct testimony.

13 **4. Riser Cable:** BellSouth's testimony appears to permit BlueStar to run a cross-
14 connect from BlueStar's equipment to a network interface device (NID) between that
15 equipment and BellSouth's facilities. BlueStar finds this proposal acceptable so long
16 as it is not charged a non-recurring charge for this connection. In this situation, it is
17 BlueStar that will undertake any activities associated with such a cross-connect and
18 as such, BellSouth will not incur costs on BlueStar's behalf in these situations.

19 **III. PRICING ISSUES**

20 **Q. DESCRIBE BLUESTAR'S PROPOSAL CONCERNING RECURRING AND**
21 **NON-RECURRING RATES FOR 2-WIRE ADSL AND HDSL COMPATIBLE**
22 **LOOPS AND FOR UCLS IN MORE DETAIL.**

1 A. In my direct testimony, I recommended that the Commission adopt for each of these
2 loop types, as interim rates, subject to true-up, the recurring rates established in the
3 *Joint Stipulation Regarding Interim Deaveraging* in Docket No. 990649-TP (Joint
4 Stipulation) and the non-recurring rates established in the DeltaCom Arbitration. I
5 also noted that loop length has no documented effect on non-recurring charges,
6 especially when a company charges separately for loop conditioning. I also
7 recommended that loop conditioning costs be set at zero because the costs for
8 removing "disturbers," such as load coils and bridged taps, are not forward-looking
9 (i.e., TELRIC) costs. BlueStar also recommended that the final rates should be
10 established in generic Docket No. 990649-TP and that the interim rates established in
11 this proceeding be subject to a true-up.

12 **Q. WHAT IS BELLSOUTH'S POSITION ON THESE RATES IN ITS**
13 **TESTIMONY?**

14 A. BellSouth's witness, Alphonso J. Varner, Senior Director for State Regulatory,
15 apparently agrees that this arbitration should set interim rates, subject to true-up, until
16 final rates are established in Docket No. 990649-TP. Mr. Varner, at Schedule AJV-1,
17 has offered interim recurring and non-recurring rates for 2-wire ADSL and HDSL
18 compatible loops and for UCLs up to 18,000 feet equal to those established in various
19 proceedings before the Commission. These appear to be the same rates as those
20 adopted in the DeltaCom Arbitration. Although the recurring rates are slightly
21 different than those I recommended in my direct testimony (because my original
22 recommendation included geographically deaveraged rates), BlueStar has decided that

1 it will accept the BellSouth proposal for these interim rates and BellSouth's suggestion
2 that these rates be subject to true-up. The Commission should adopt the rates included
3 in Mr. Varner's Schedule AJV-1.

4 **Q. WHAT IS BLUESTAR'S POSITION CONCERNING APPROPRIATE**
5 **INTERIM RATES FOR THE UCLS GREATER THAN 18,000 FEET?**

6 A. There is no evidence that loop length has any effect on the non-recurring charges of
7 a loop. In addition, BellSouth appears to intend to charge separately for loop
8 conditioning for UCLs greater than 18,000 feet. Moreover, the non-recurring rates for
9 UCLs should be lower than the rates for ADSL compatible loops because less testing
10 is performed by BellSouth on UCLs. As a result, I recommend that the non-recurring
11 rates for a UCL, regardless of loop length, be set at a level not to exceed those
12 established for an ADSL and HDSL loop.

13 **Q. WHAT IS BELL SOUTH'S POSITION CONCERNING UCLS GREATER**
14 **THAN 18,000 FEET?**

15 A. BellSouth has not provided a position. Mr. Varner did not suggest in his testimony
16 any interim rate for UCLs over 18,000 feet and offered no evidence to support any rate
17 other than the rates set in the DeltaCom Arbitration. The only information Mr. Varner
18 provided was that BellSouth is conducting a study in Georgia, the results of which it
19 intends to offer, at some point in the future, as interim rates in Florida. He also
20 indicated that BellSouth, in Georgia, was conducting a study on rates for loop
21 conditioning for long UCLs. Neither of these studies, however, has been provided to
22 BlueStar.

1 **Q. BASED ON BELLSOUTH’S TESTIMONY, SHOULD THE COMMISSION**
2 **ADOPT THE SAME INTERIM RATES, SUBJECT TO TRUE-UP, FOR UCLS**
3 **GREATER THAN 18,000 FEET AS FOR UCLS UP TO 18,000 FEET?**

4 A. Yes. BlueStar believes that a single rate for UCLs should be set that would apply to
5 all UCLs, regardless of loop length. BellSouth has not offered any evidence that the
6 recurring or non-recurring rates for UCLs greater than 18,000 feet should be any
7 different than the rates established for shorter UCLs. While BellSouth has hinted that
8 longer length may translate into higher cost, my necessarily limited review of
9 BellSouth’s cost studies indicates that BellSouth’s loop studies already incorporate
10 average loop costs for both longer and shorter loops to arrive at the current recurring
11 rates. Thus, the current rate proposed for UCLs already includes an averaged cost for
12 loops longer than, as well as shorter than, 18,000 feet. In addition, none of the
13 deaveraging proposals used to arrive at interim deaveraged rates in Docket No.
14 990649-TP use loop length as a factor, further indicating that BellSouth’s cost studies
15 average costs across all relevant loop lengths. There appears to be no evidence
16 supporting a claim that BellSouth’s agreed upon UCL rate is insufficient to recover
17 costs associated both with loops less than 18,000 feet in length as well as loops longer
18 than 18,000 feet.

19 BellSouth’s own testimony that UCLs up to 18,000 feet should be at the same
20 non-recurring rates as 2-wire ADSL also undercuts any argument that loop length
21 matters for non-recurring costs. As BellSouth knows, ADSL and UCL loops are of
22 varying lengths below 18,000 feet, yet BellSouth is proposing to charge the same non-

1 recurring rate for all of these loops, regardless of whether they are 12,000 feet or
2 18,000 feet.

3 BellSouth also has hinted that long UCLs cost more because of loop
4 conditioning, but BellSouth has not proposed any rates for these charges. Moreover,
5 as BellSouth has indicated, it intends to address loop conditioning costs as separate
6 charges, and thus, any costs associated with loop conditioning should not be included
7 in the standard non-recurring charge assessed on the simple provisioning of a loop.

8 **Q. WHAT IS BLUESTAR'S POSITION CONCERNING THE APPROPRIATE**
9 **COSTS FOR REMOVING DISTURBERS, SUCH AS LOAD COILS, BRIDGED**
10 **TAPS AND REPEATERS FROM LOOPS?**

11 A. The forward-looking costs associated with removing disturbers from unbundled loops
12 should be zero (\$0). Forward-looking economic cost studies, consistent with the
13 FCC's TELRIC principles, would study a network that doesn't include the use of load
14 coils or bridged tap (BellSouth in response to BlueStar's Interrogatory No. 7
15 acknowledges that its TELRIC studies do not include costs associated with placing
16 load coils, as "loaded" loops are not considered to be a forward-looking network
17 design). As such, the costs of removing these devices from an unbundled loop that
18 does not include them would necessarily be \$0. Consequently, costs associated with
19 modifying the embedded network for purposes of making it a forward-looking network
20 (i.e., removing load coils, bridged tap and repeaters) are not consistent with a long run
21 incremental cost methodology such as TELRIC (i.e., if you allow a carrier to set a
22 TELRIC-based price, and then allow the carrier to assess additional charges associated

1 with modifying its existing network to meet the TELRIC network standard, you might
2 as well have simply used embedded costs in the first place).

3 **Q. DID BELLSOUTH OFFER ANY EVIDENCE OF THE FORWARD-LOOKING**
4 **COST OF REMOVING LOAD COILS AND OTHER LOOP CONDITIONING?**

5 A. No. BellSouth did not provide any evidence on loop conditioning costs (either in
6 testimony or in response to BlueStar's interrogatories), nor did it detail the extent to
7 which any costs associated with removing load coils and other disturbers would be
8 appropriate to recover on a TELRIC basis. Mr. Varner's testimony did, however,
9 confirm that loops shorter than 18,000 feet are "unencumbered by any intervening
10 equipment." (Varner Direct, page 5). Consequently, despite any debate regarding the
11 proper recovery of conditioning costs, it seems clear that on loops less than 18,000
12 feet, the TELRIC network contains no such disturbers to remove and no conditioning
13 charges should apply. In addition, BellSouth, in response to Bluestar Interrogatory
14 No. 6, admitted that it generally removes load coils from more than one loop at a time
15 when its field technicians are dispatched to remove load coils. This same multi-loop
16 conditioning practice served as the basis for the Texas Commission's rates that I
17 proposed in my direct testimony (see, Texas Arbitration Award in Docket Nos. 20226
18 and 20272 at page 98 of 121). As such, if the Commission is to establish a rate greater
19 than \$0, BellSouth's admission in this respect further substantiates using the interim
20 rates proposed by BlueStar.

21 **Q. WHAT IS THE APPROPRIATE INTERIM PRICE FOR LOOP**
22 **CONDITIONING?**

1 A. BellSouth stated in its testimony that it does not yet have a TELRIC cost study for
2 estimating its loop conditioning costs. This inability on BellSouth's part to support
3 any costs for line conditioning, in combination with the fact that forward-looking loops
4 have no disturbers that need to be removed, supports a rate of \$0 for line conditioning.
5 BlueStar believes \$0 is therefore the appropriate rate to set until BellSouth proves that
6 it will incur TELRIC-based loop conditioning charges, if any. However, if the
7 Commission does not agree that \$0 is an appropriate interim rate, BlueStar is willing
8 to accept the Texas rates discussed in my direct testimony as interim rates subject to
9 true-up. This approach will allow BellSouth to file a loop conditioning study in the
10 generic cost docket. In either circumstance, the rates adopted should be subject to
11 true-up whenever final rates are adopted in the Commission's generic cost proceeding.

12 **IV. RISER CABLE ISSUES**

13 **Q. WHAT IS BLUESTAR'S POSITION CONCERNING RISER CABLE?**

14 A. BlueStar has requested that it be allowed to cross-connect its equipment to BellSouth's
15 riser cable in buildings. This would prevent delays in providing service to customers
16 and would avoid the unreasonable \$300 non-recurring charge that BellSouth has
17 proposed for performing this function.

18 **Q. WHAT IS BELL SOUTH'S CURRENT POSITION ON THIS ISSUE?**

19 A. BellSouth in the testimony of Mr. W. Keith Milner and in its response to Interrogatory
20 No. 13 (provided by Mr. Latham) appears to take the position that it will provide a
21 NID, which will be pre-wired to the riser cable, between BlueStar's equipment and the
22 riser cable and then it will allow BlueStar to run its own cross-connect to the NID. It

1 will then allow BlueStar to connect to that NID. As the response to Interrogatory No.
2 13 states:

3 BellSouth will allow BlueStar to provide its own cross-connect from
4 BlueStar's facilities to an appropriate point of interconnection for any
5 inside wire facilities that BellSouth may own or control. This point of
6 interconnection will be established by BellSouth's technicians and will
7 provide the ALEC with access to the wire as a UNE.

8 Similarly, Mr. Milner quoted a Commission order concerning access to garden
9 apartments:

10 [The] ALEC installs its own terminal in proximity to the BellSouth
11 garden terminal. BellSouth installs an access terminal that contains a
12 cross-connect panel on which BellSouth will extend the ALEC
13 requested NTW [network terminating wire] pairs from the garden
14 terminal. The ALEC will then extend a tie cable from their terminal
15 and connect to the pairs they have requested.

16 Both BellSouth and BlueStar will attach to the same NID. BellSouth has not provided
17 a cost in its testimony related to this intermediary NID or the running of any cross-
18 connects.

19 **Q. WHAT IS BLUESTAR'S RESPONSE TO BELLSOUTH'S PROPOSAL?**

20 **A.** As long as BlueStar can run its own cross-connect between its DSLAM and the NID
21 and there is no other charge for the connection, BlueStar accepts BellSouth's proposal.

22 **Q. DOES BELLSOUTH'S COST STUDY PROVIDE ANY INFORMATION**

1 **CONCERNING NON-RECURRING CROSS-CONNECT COSTS TO SUCH A**
2 **NID?**

3 A. First, because BlueStar will apparently be allowed to install its own cross-connect,
4 there should be no charge from BellSouth for performing this activity. However, if
5 BlueStar were forced to rely on BellSouth to perform the cross-connect function, the
6 non-recurring rate should be nowhere near the \$300 charge BellSouth has proposed to
7 BlueStar in the past. This charge is obviously not TELRIC-based. Indeed,
8 BellSouth's own cost study for providing such a cross-connect appears to show, in the
9 limited time I've had available to review it, that BellSouth's costs are substantially
10 below this amount. As such, even if the Commission adopts a non-recurring rate to
11 be charged when BlueStar cross-connects to BellSouth's NTW, that rate should be
12 TRILIC-based and should be substantially less than the \$300 rate proposed by
13 BellSouth to this point.

14 **Q. DID BELLSOUTH PROPOSE A RATE FOR BLUESTAR'S ACCESS TO NTW**
15 **IN ITS TESTIMONY?**

16 A. No. The \$300 rate I referenced above is a rate BellSouth has proposed to BlueStar in
17 the past in the form of a proposed amendment to BlueStar's interconnection
18 agreement. To this point, BellSouth has provided no rate in its testimony that would
19 apply to BlueStar when it accesses BellSouth's NTW in a mutli-tenant environment.
20 Given BellSouth's lack of a rate proposal, and the fact that BlueStar will apparently
21 be allowed to perform the cross-connect function itself, I would continue to
22 recommend that no non-recurring rate apply to BlueStar when performs the function

1 of cross-connecting its network to the BellSouth NTW.

2 **Q. SHOULD BLUESTAR BE REQUIRED TO PAY A MONTHLY RECURRING**
3 **RATE FOR USING BELLSOUTH'S NTW?**

4 A. Though BellSouth has not proposed such a rate in its testimony, it does appear that
5 BellSouth should be compensated for recurring costs associated with BlueStar's use
6 of the BellSouth NTW. After reviewing BellSouth's NTW cost study, in the limited
7 time available to me, it appears a reasonable rate would be \$0.61 per month per NTW.

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

9 A. Yes.

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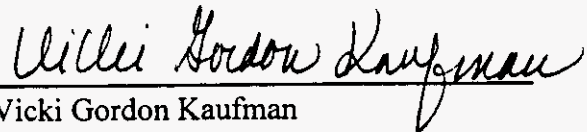
22

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Michael Starkey on behalf of BlueStar Networks, Inc. has been furnished by (*) hand delivery this 14th day of February, 2000, to the following:

(*) Donna Clemons
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Gunter Building, room 370
Tallahassee, Florida 32399-0850

(*) Phil Carver
(*) Michael Goggin
c/o Nancy Sims
BellSouth Telecommunications, Inc.
150 South Monroe Street, #400
Tallahassee, Florida 32301-1556



Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin, Davidson, Decker,
Kaufman, Arnold & Steen, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301
850-222-2525 (telephone)
850-222-5606 (facsimile)

Henry C. Campen
John A. Doyle
Parker, Poe, Adams & Bernstein, LP
First Union Capitol Center
150 Fayetteville Street Mall, Suite 1400
Raleigh, North Carolina 27602
919-828-0564 (telephone)
919-834-4564 (facsimile)

Attorneys for BlueStar Networks, Inc.