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BELLSOUTH TELECOMMUNICATIONS, INC.  
DIRECT TESTIMONY OF ALPHONSO J. VARNER  
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 991947-TP  
MARCH 9, 2000

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Florida State University in 1972 with a Bachelor of Engineering Science degree in systems design engineering. I immediately joined Southern Bell in the division of revenues organization with the responsibility for preparation of all Florida investment separations studies for division of revenues and for reviewing interstate settlements.

Subsequently, I accepted an assignment in the rates and tariffs organization with responsibilities for administering selected rates and tariffs including preparation of

1 tariff filings. In January 1994, I was appointed Senior Director of Pricing for the  
2 nine-state region. I was named Senior Director for Regulatory Policy and Planning  
3 in August 1994, and I accepted my current position as Senior Director of  
4 Regulatory in April 1997.

5

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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8 A. The purpose of my testimony is to address the only unresolved issue between  
9 Florida Telephone Services, LCC ("FTS") and BellSouth resulting from the  
10 negotiation of a Resale Agreement. I will explain to the Florida Public Service  
11 Commission ("Commission") why BellSouth should be allowed to recover from  
12 FTS the costs incurred by BellSouth to provide access to BellSouth's Operations  
13 Support Systems ("OSS") to competitive local exchange carriers ("CLECs").

14

15 *Issue: What are the appropriate rates to be charged by BellSouth for CLEC's access to*  
16 *and use of the electronic and manual interfaces to BellSouth's Operations Support*  
17 *Systems ("OSS") and functions?*

18

19 Q. WHAT ARE OPERATIONS SUPPORT SYSTEMS AND FOR WHAT ARE  
20 THEY USED?

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22 A. BellSouth's OSS are the systems and databases used for pre-ordering, ordering,  
23 provisioning, maintenance and repair, and billing to provision telecommunications  
24 services required by CLECs. Under the Federal Communications Commission's  
25 ("FCC") rules based on the FCC's interpretation of Section 251 (c)(3) of the

1           Telecommunications Act of 1996 (the "Act"), BellSouth is required to develop non-  
2           discriminatory electronic interfaces for access to these OSS by CLECs.

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4 Q.       HAS BELLSOUTH PROVIDED CLECs WITH ACCESS TO OSS?

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6 A.       Yes. BellSouth has developed and implemented the required non-discriminatory  
7           electronic interfaces pursuant to the Act and consistent with the FCC's rules, and  
8           should be allowed to recover its costs for developing, implementing and  
9           maintaining such systems, as well as, to recover its on-going order processing costs.  
10          BellSouth is entitled, under the Act and the FCC's orders and rules, to recover its  
11          costs associated with developing, providing, and maintaining the interfaces that  
12          make BellSouth's OSS accessible to CLECs, such as FTS.

13

14 Q.       WHAT IS THE BASIS FOR BELLSOUTH'S CHARGING CLECs FOR ACCESS  
15          TO BELLSOUTH'S OSS?

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17 A.       As discussed above, BellSouth is entitled under the Act and the FCC's orders and  
18          rules to recover its costs in providing CLECs electronic access to BellSouth's OSS.  
19          This issue has been addressed in numerous forums. For example, in AT&T's  
20          appeal of the Kentucky Commission's decisions on UNE cost rates (C.A. No. 97-  
21          79, 9/9/98) from AT&T's arbitration proceeding, the United States District Court  
22          for the Eastern District of Kentucky expressly confirmed that BellSouth is entitled  
23          to recover its costs for developing access to BellSouth's Operations Support  
24          Systems for CLECs. The U.S. District Court's Order at page 16 states: "Because  
25          the electronic interfaces will only benefit the CLECs, the ILECs, like BellSouth,

1 should not have to subsidize them. BellSouth has satisfied the nondiscrimination  
2 prong by providing access to network elements that is substantially equivalent to  
3 the access provided for itself. AT&T is the cost-causer, and it should be the one  
4 bearing all the costs; there is absolutely nothing discriminatory about this concept.”

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6 Q. HAS THE FLORIDA PUBLIC SERVICE COMMISSION PREVIOUSLY  
7 ADDRESSED THE ISSUE OF OSS COST RECOVERY?

8

9 A. Yes. In Order No. PSC-98-0604-FOF-TP, issued April 29, 1998 in Docket Nos.  
10 960757-TP, 960833-TP, and 960846-TP, at page 165, the Commission recognized  
11 that “OSS costs, manual and electronic, may be recoverable costs incurred by  
12 BellSouth.” However, the Commission specifically ordered BellSouth to remove  
13 all ordering costs, manual and electronic, from the non-recurring UNE rates it  
14 established in those Dockets. Acknowledging that a CLEC may be stymied in  
15 placing UNE orders, the Commission encouraged the parties to negotiate in good  
16 faith to establish rates for OSS functions.

17

18 Q. WHAT HAVE BEEN THE RESULTS OF NEGOTIATING OSS RATES WITH  
19 CLECs IN FLORIDA?

20

21 A. In several cases, BellSouth has been able to reach agreement with CLECs regarding  
22 rates to be charged for processing CLEC orders. However, in those cases where the  
23 parties were unable to negotiate rates for OSS, the parties presented the issue to the  
24 Commission for arbitration.

25

1 Q. HAS THE COMMISSION ESTABLISHED OSS RATES IN AN  
2 ARBITRATION?

3  
4 A. No. The Commission has said on several occasions that OSS cost recovery more  
5 properly should be addressed in a generic proceeding, not in an arbitration  
6 proceeding. As such, to date the Commission has declined to approve or set  
7 charges to recover BellSouth's OSS costs. However, unless a CLEC has  
8 voluntarily agreed through negotiations to include rates for OSS functions,  
9 BellSouth is not recovering its costs for processing CLEC orders. Thus, CLECs  
10 have been allowed to continue to utilize the electronic and manual interfaces  
11 BellSouth has established for access to its OSS; yet BellSouth is not being allowed  
12 to recover its costs. Establishing interim OSS rates in this arbitration proceeding is  
13 necessary to enable BellSouth to recover its OSS costs until such time as the  
14 Commission establishes permanent rates in a generic OSS proceeding.

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16 Q. HAS THE COMMISSION ESTABLISHED A GENERIC PROCEEDING TO  
17 ADDRESS OSS COSTS?

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19 A. No. Although the Commission recognized that BellSouth incurs OSS costs, a  
20 proceeding has not been established that would afford BellSouth the opportunity to  
21 recover such costs. In essence, BellSouth is now caught between a "rock and a hard  
22 place". Absent reaching agreement on OSS rates through negotiations with CLECs,  
23 BellSouth has no viable means to recover the costs associated with the development  
24 of the interfaces to provide CLECs access to and use of BellSouth's OSS.

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1 Q. SINCE THE COMMISSION HAS NOT ESTABLISHED RATES FOR  
2 PROCESSING CLEC ORDERS, WHAT HAS BELLSOUTH OFFERED TO  
3 CHARGE CLECs LIKE FTS?

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5 A. During negotiations, BellSouth offered a regional OSS pricing plan to FTS.  
6 However, FTS has declined BellSouth's offer. This regional OSS rate is available  
7 to all CLECs and represents a voluntarily negotiated regional rate applicable only if  
8 the CLEC agrees to this same rate for all states in BellSouth's region. BellSouth is  
9 not asking this Commission to approve the voluntary, negotiation-based, regional  
10 OSS rate in this arbitration.

11

12 Q. WHAT INTERIM RATES DOES BELLSOUTH PROPOSE TO CHARGE FTS  
13 FOR ELECTRONICALLY AND MANUALLY SUBMITTED ORDERS?

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15 A. Because the Commission has not established a generic OSS proceeding, BellSouth  
16 proposes that the Commission establish interim rates for electronic and manual  
17 order processing. BellSouth witness, Ms. Daonne Caldwell, presents in her  
18 testimony the cost study that supports BellSouth's proposed rate for processing  
19 orders via BellSouth's electronic OSS interfaces. In addition, BellSouth is  
20 proposing an interim rate for the recovery of BellSouth's costs associated with  
21 processing orders manually. Ms. Caldwell also presents and supports this cost  
22 study in her testimony.

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24 The interim rates BellSouth proposes to charge FTS for processing CLEC orders,  
25 manual and electronic, are shown below.

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Rate Element	Non-recurring Charge
OSS Manual Processing, per local service request	\$13.89
OSS Electronic Interface, per local service request	\$2.71

Q. WHAT ACTION IS BELLSOUTH REQUESTING FROM THIS COMMISSION?

A. BellSouth is requesting that this Commission reconfirm, consistent with the Commission's previous decisions, that BellSouth is entitled to recover its costs associated with the development of the OSS electronic interfaces and ongoing electronic and manual order processing. Upon such confirmation, the Commission should approve the interim rates proposed in my testimony and order the inclusion of these rates in the arbitrated agreement between FTS and BellSouth. Since the Commission intends to establish a generic OSS cost proceeding, any rates approved in this arbitration may be impacted by the outcome of the generic OSS proceeding.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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