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July 28, 2000

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Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
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Tallahassee, FL 32399

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Re: Docket No. 990649-TP

Dear Ms. Bayo:

Enclosed please find and original and fifteen (15) copies of the Direct Testimony of Mark Stacy and Eric McPeak on behalf of Broadslate Networks, Inc, Cleartel Communications, Inc, Florida Digital Network and Network Telephone Corporation ("The Coalition") for filing in the above referenced proceeding, Docket No. 990649-TP. Also enclosed are two diskettes containing the testimonies and exhibits in Word Perfect 8.1 and MS Excel formats. Please date stamp and return the extra copy to us in the enclosed self addressed, postage paid envelope.

Please feel free to contact us if you have any questions or require further information.

Sincerely,

Eric J. Branfman
Marc B. Rothschild

Counsel for The Coalition

Enclosures

cc: Service List

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing was furnished via federal express or first class mail, as denoted with an asterisk, on the following parties on this 28th day of July, 2000.

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M. Renee Britt

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Investigation into Pricing of Unbundled Network Elements	)	Docket No 990649-TP

DIRECT TESTIMONY OF

MARK STACY

ON BEHALF OF

Broadslate Networks, Inc., Cleartel Communications, Inc.,
Florida Digital Network and
Network Telephone Corporation

("The Coalition")

JULY 31, 2000

I. Witness Introduction and Purpose of Testimony

Q. Please state your name and business address for the record.

A. My name is Mark Stacy. My business address is as follows: QSI Consulting, Inc., 5300 Meadowbrook Drive, Cheyenne, Wyoming 82009.

Q. By whom are you employed?

A. I am employed by QSI Consulting, Inc. ("QSI").

Q. Please describe QSI and identify your position with the firm.

A. QSI is a consulting firm specializing in the areas of telecommunications policy, econometric analysis and computer aided modeling. I am a Senior Consultant with QSI.

Q. Please describe your experience with telecommunications policy issues and your relevant work history.

A. Prior to joining QSI, I was President of Stacy & Stacy Consulting, LLC. Like QSI, Stacy & Stacy is a consulting firm providing consulting services to domestic and international telecommunications carriers. During my tenure at Stacy & Stacy, I testified on behalf of a number of clients in regulatory proceedings in the Western United States on a wide range of subjects.

Prior to joining Stacy & Stacy, I was most recently employed by Kenetech Windpower, Inc., where I was the regional manager of business and project development for the Rocky Mountain Region. Prior to my tenure at Kenetech, I

was the Chief Economist for the Wyoming Public Service Commission. While at the Wyoming PSC, I was responsible for providing the Commission with a wide range of policy, economic, and technical expertise regarding telecommunications and other public utility issues.

In addition to my occupational experience, I hold a Bachelor of Science degree in Geology and a Master of Science degree in Public Utility and Regulatory Economics from the University of Wyoming.

Q. Have you provided testimony and other advocacy before State Utility Commissions in the past?

A. Yes. I have over the past ten (10) years provided testimony and other advocacy before the state utility commissions in the following states: Arizona, Colorado, Connecticut, Idaho, Montana, Nebraska, New Mexico, New York, North Dakota, South Dakota, Oklahoma, Oregon, Utah, Washington and Wyoming.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to address the concerns of Cleartel Communications, Inc., Florida Digital Network, Network Telephone Corporation and Broadslate Networks, Inc. ("the Coalition") with regard to BellSouth's proposed rates for its Unbundled Copper Loop ("UCL") and Unbundled Subloop Intrabuilding Wire and Cable("INC") elements. As this testimony will demonstrate, these rates have been overstated by BellSouth.

Q. Can you summarize your testimony?

A. Yes. Based on my analysis, I have concluded that BellSouth has proposed significantly over-inflated rates associated with Unbundled Copper Loops (A.13, A.14)[1] and Intrabuilding Wire and Cable (A.2.14, A.2.15, A.2.19 and A.2.20). These elements are critical for the members of the Coalition and other ALECs to enable them to provide Florida customers access to "advanced services". The FCC has defined advanced services as "high-speed, switched, broadband, wireline telecommunications capability that enables users to originate and receive high-quality voice, data, graphics of video telecommunications using any technology".[2] Over the past few years, the FCC has aggressively sought to promote competition in the provision of advanced services as required by Section 706 of the Telecommunications Act of 1996. State commissions such as the Florida Public Service Commission ("FPSC"), however, continue to play an important role in requiring incumbent local exchange carriers to make their networks available to competitive providers on a non-discriminatory basis and at reasonable rates to ensure that competition flourishes and Florida customers can avail themselves of the most advanced telecommunications products. The recommendations I make in this testimony are consistent with the FPSC achieving that goal.

1 These elements are referred to in BellSouth witness Caldwell's testimony as UCL-SHORT AND UCL-LONG. Presumably, this description corresponds to the 2 and 4 wire copper loop - short and 2 and 4 wire copper loop - long elements contained in the BellSouth Cost Calculator 2.3 - Element Summary Report.

2 Advanced Services, First Report and Order, CC Docket no. 98-147, footnote 2.

II. Unbundled Copper Loop Nonrecurring Costs

Q. Have you had an opportunity to review the testimony filed by BellSouth regarding its proposed nonrecurring rates for an unbundled copper loop?

A. Yes. I have reviewed the testimony, exhibits and cost models filed in support of the UCL rates that BellSouth has proposed in this proceeding.

Q. Are BellSouth's UCL rates reasonable?

A. No. BellSouth's rates are significantly overstated. I have made several adjustments to BellSouth's study in order to produce rates that are consistent with TSLRIC principles.

Q. Can you describe and support your adjustments?

A. Yes. The adjustments I have made are described and supported below:

Service Inquiry Costs

Despite the fact that both federal law and this Commission have found that BellSouth must provide access to its electronic ordering and provisioning system, BellSouth's proposed nonrecurring charges for UCL include a significant amount of manual service order/inquiry time.) According to the *First Report and Order*, incumbent LECs must provide nondiscriminatory access to operations support systems functions for pre-ordering, ordering, provisioning and other elements, and were required to provide such access not later than January 1, 1997.[3] Allowing CLECs access to these databases and service order processing systems in a nondiscriminatory manner will drastically reduce or largely eliminate

the amount of time and thus cost BellSouth claims is being devoted to both the service order and service inquiry process.

Given the existence of these operational support systems, it is reasonable to assume that the systems function properly and are effective. It may be reasonable, however, to assume that orders will not flow through the system 100% of the time. In other words, at certain times, orders will not flow through the system, but rather will fall out and require manual processing. Only in those instances where fallout occurs will it be necessary to include the costs associated with manually processing the order in computing the overall NRCs competitive providers should be charged for UCLs. Therefore, the costs proposed by BellSouth associated with service order/inquiry should properly be reduced by multiplying the times associated with completing these tasks manually by the fraction of time that orders fall out of the system. The resulting costs represent the costs that BellSouth actually will incur by employing a properly functioning electronic ordering and processing system, which BellSouth should have had operational by 1997 and would be consistent with costs derived in a proper TSLRIC analysis.

In revising BellSouth's cost model, I have assumed that orders will fall out of the system 2% of the time. A 2% fallout factor is appropriate to use in this instance, and assumes nothing more than an electronic system that is functioning properly and efficiently. In fact, the state Commissions in Connecticut (Docket Nos. 97-04-10 and 98-09-01), Michigan (Case No. U-11280 -- November, 1999) and

[3] See FCC's *First Report and Order* in CC Docket No. 96-98 ¶¶ 516-528.

Massachusetts (Docket No. D.P.U./D.T.E. 96-73/74, 96-75, 96-83, 96-94-Phase 4-L Consolidated Arbitration Ruling, October 19, 1999) have ordered 2% fallout factors to be applied to the entire non-recurring cost estimation process. I therefore have adjusted each of the times associated with the service inquiry process to reflect an operational method of processing orders by multiplying BellSouth's proposed times by 2%.

Q. Is your 2% fall out rate conservative?

A. The fact that I have allowed for a fall out rate at all is conservative in light of the fact that this Commission had previously required BellSouth to completely remove its assumptions regarding manual intervention in the service order inquiry and service order processing stages of its nonrecurring cost study.[4] According to the Commission, it would be assumed that manual intervention was never necessary, which clearly would reduce BellSouth's costs even further.

Q. Please continue your description and support of the adjustments you have made to the BellSouth cost studies.

A.

100% Dispatch Costs

BellSouth's cost study for Unbundled Copper Loop contains a 100% dispatch to connect assumption. In other words, BellSouth assumes that every time a UCL is ordered by and provisioned to a CLEC, a technician will need to be dispatched to the feeder/distribution interface ("FDI") for purposes of cross -connecting the proper feeder wire (or "pair") to the proper distribution wire ("pair") so as to

[4] See Florida Order PSC-99-2009-FOF-TP.

connect a completed circuit from the central office to the customers premises. Travel and work times associated with this dispatch comprise a significant component of the nonrecurring costs of provisioning UCLs. The assumption contained in BellSouth's cost study that a technician will have to be dispatched every time a UCL is ordered is unreasonable, serves only to inflate BellSouth's costs and should be rejected by this Commission.

Moreover, while BellSouth's "100% dispatch" assumption would be highly questionable even for a standard, voice grade loop (indeed, it would be unreasonable in that circumstance as well), it is even less reasonable for xDSL-capable loops. DSL services are attractive to customers and competitors not only because they provide a higher bandwidth (faster access) connection, but also because in many instances a subscriber will continue to enjoy voice service *and* a high-bandwidth connection over the *same* access line (the same copper pair) he/she is already using for voice service. Hence, DSL related services often times will be provided to customers who will use those services as an enhancement to, and not a substitute for, their *existing* voice, and both the voice and data applications are provided over the *same existing* pair. For this reason, it is reasonable to assume that the vast majority of customers who will purchase competitive xDSL services that are provisioned over an UCL will be customers that already have a fully operational loop running into their premises . In such instances, since the pair going from the central office to the customers' premises is already in place with full connectivity, it will not be necessary to dispatch a technician to make a connection.

Q. Given this backdrop, how unreasonable is BellSouth's assumption that a technician will need to be dispatched 100% of the time to create a full circuit?

A. According to my colleague, Mr. McPeak, whom I understand actually served as a technician for an ILEC, the need to dispatch a technician to create a UCL circuit is actually the exception, not the rule. According to Mr. McPeak, it is reasonable to estimate that 80% of all UCLs ordered already will be in service, and therefore would not necessitate the dispatch of a technician. I therefore have adjusted BellSouth's cost study to reflect the fact that the travel and other expenses associated with dispatching a technician should only be collected 20% of the time. To make this adjustment, I multiplied connection and travel activities in the cost study by 20%.

Q. Have you made any additional adjustments to the cost studies in order to derive more appropriate rates?

A. Yes. In addition to the adjustments described above, I have made adjustments to some of the times BellSouth has relied upon to generate nonrecurring costs for Unbundled Copper Loops. As I stated previously, in making these adjustments, I relied on the expertise and personal experience of my colleague, Mr. McPeak. The specific adjustments that I have made were to decrease the times associated with dispatch activities and jumper wire cross connect activities. Based upon Mr. McPeak's experience, these times were grossly overstated in the cost studies.

Q. Please provide a table comparing the BellSouth activity times in their cost study with the appropriate times you used to recalculate the unbundled copper loop rates.

A. BellSouth's assumed activity times compared to the appropriate activity times are summarized in Table 1, below.

TABLE 1

FUNCTION	JFC/PAYBAND	BellSouth Activity Time	Proper Activity Time
Connect & Turn-Up Test	4WXX	15 minutes	5 minutes
Connect & Turn-Up Test	411X	3.5 hours	20 minutes

Q. Have you made adjustments to the nonrecurring costs for disconnecting Unbundled Copper Loops?

A. Yes I have. I have adjusted the nonrecurring costs for disconnect of UCLs using largely the same rationale as described above. However, the times associated with field visits and engineering have been completely elimninated, as these tasks would not be necessary to disconnect a UCL. The only tasks relevant to disconnect are service inquiry related activities, and therefore, the majority of costs BellSouth attributes to the disconnection process are not appropriate. Based on my assumptions that field and engineering tasks are not required for disconnection, the costs associated with the disconnection of longer lines should be identical to those associated with the disconnection of shorter lines. The study was modified to reflect these adjustments.

III. Recommended Unbundled Copper Loop Nonrecurring Rates

Q. Based on the adjustments you have described above, what are the appropriate nonrecurring rates for Unbundled Copper Loops in Florida?

A. The recommended rates for Unbundled Copper Loops are compared to the rates proposed by BellSouth and summarized in Tables 2 - 5 below. These rates are developed in more detail in Exhibit_MS1 - Exhibit_MS6, attached to this testimony.

TABLE 2

ELEMENT	BellSouth Proposed Rate		Recommended Rate	
2-Wire Copper Loop	First	Additi-onal	First	Additi-onal
Installation				
2-Wire Copper Loop - Short	**$300.38**	**$192.38**	**$22.07**	**$13.72**
2-Wire Copper Loop - Long	**$192.33**	**$109.17**	**$35.38**	**$10.26**

Table 3

ELEMENT	BellSouth Proposed Rate		Recommended Rate	
4-Wire Copper Loop	First	Additi-onal	First	Additi-onal
Installation				
4-Wire Copper Loop - Short	**$355.69**	**$239.97**	**$48.60**	**$33.02**
4-Wire Copper Loop - Long	**$247.63**	**$156.76**	**$20.81**	**$12.95**

Table 4

ELEMENT	BellSouth Proposed Rate		Recommended Rate	
2-Wire Copper Loop	First	Additi-onal	First	Additi-onal
Disconnect				
2-Wire Copper Loop - Short	**$155.44**	**$35.51**	**$0.93**	**$0.40**
2-Wire Copper Loop - Long	**$155.44**	**$35.51**	**$0.93**	**$0.40**

Table 5

ELEMENT	BellSouth Proposed Rate		Recommended Rate	
4-Wire Copper Loop	First	Additi-onal	First	Additi-onal
Disconnect				
4-Wire Copper Loop - Short	**$171.55**	**$40.07**	**$0.94**	**$0.41**
4-Wire Copper Loop - Long	**$171.55**	**$40.07**	**$0.94**	**$0.41**

Q. Recently, the United States Court of Appeals for the Eighth Circuit vacated and remanded FCC Rule 51.505(b)(1) regarding efficient network configuration. Does the decision of the Eighth Circuit affect your analysis and the rates you have proposed?

A. No it does not. While I am not a lawyer, my understanding is that the Eighth Circuit found that forward looking, incremental costs are still proper, but should be based upon the costs incurred by an ILEC in providing access to and interconnection with its existing network, not a hypothetical, technologically superior network that is not yet being developed. In vacating the FCC Rule 51.505(b)(1), however, I see no basis to conclude that the Eighth Circuit intended to eliminate any efficiency requirement placed on the forward-looking activities of ILECs. Rather, while arguably ILECs may, under the Eighth Circuit's decision,

recover those costs associated with providing access to their existing networks, they still are required to provide competitive providers with access to those networks in an efficient manner.

Q. In the context of the non-recurring charge for UCLs, what results could occur if BellSouth was no longer required to provide UCLs in an efficient manner?

A. Simply, BellSouth would have the ability to stifle competition in Florida. As I have described above, BellSouth already is overstating much of its time estimates, leading to over-inflated rates that I understand are cost prohibitive for ALECs, including those companies for whom I am testifying. Without an efficiency requirement, in those instances where the dispatch of a technician is necessary to provide connectivity to an UCL, BellSouth could, in effect, opt to fly its technicians to China prior to making the connection and pass through those extravagant expenses to competitive providers. Clearly, this is not what the Eighth Circuit intended.

IV. Network Terminating Wire/Intrabuilding Cable

Q. Have you had an opportunity to review the testimony and exhibits filed by BellSouth in this proceeding in support of how prices should be set for the Unbundled Subloop Intrabuilding Network Cable (INC) element?

A. Yes, I have.

Q. Initially, is it your understanding that the INC product includes Network Terminating Wire?

A. Yes it is. In Attachment two of BellSouth's standard interconnection agreement, it describes its Unbundled Subloop INC product as including "the facility from the cross-connect device in the building equipment room up to and including the point of demarcation."

Q. Please provide your general understanding of BellSouth's position regarding ALEC access to INC.

A. It is my understanding that BellSouth would restrict access to INC facilities by requiring the installation of a 25 pair capacity access terminal to be placed between BellSouth's network and the ALEC's network and force the first ALEC to bear all costs of such installation. Even more egregious, BellSouth proposes to charge each subsequent ALEC that requests access to INC the full costs charged to the original requesting ALEC.

Q. Is BellSouth's proposed requirement to install an access terminal intended to address issues of network security?

A. BellSouth in its testimony stresses that its policy is critical to ensuring that competitors don't "either intentionally or unintentionally" disrupt its customers' service. BellSouth's policy apparently accomplishes this enhanced security by establishing a separate/distinct point of interconnection between ALECs and its network (e.g., the ALEC access terminal) and by requiring BellSouth personnel to provide the cross-connect between the BellSouth network and the ALEC terminal. Even though it is BellSouth who believes that the added security is

necessary, BellSouth also believes that the CLECs are the appropriate "cost causers" associated both with the placement of an access terminal as well as with the need to dispatch a BellSouth technician not only for the purposes of accomplishing a cross connection to the terminal, but also for each time a loop is requested by an ALEC. BellSouth's proposal results in highly overinflated rates for access to INC.

Q. To your knowledge, what prices has BellSouth proposed charging ALECs in Florida for access to its INC?

A. Through my discussions with Hope Colantonio of Cleartel Communications, I understand that BellSouth plans to charge $402.70 for non-recurring administrative expenses, $158.23 for each 25-pair panel installed by BellSouth, an additional non-recurring cost of $135.45 for the first pair ordered, $38.08 for each additional pair ordered, and a $3.90 recurring charge for each pair. These charges coincide with elements A.2.14, A.2.15, A.2.19, and A.2.20.

Q. According to BellSouth's proposed rates, are all of these charges assessed to an ALEC even when it orders just one pair to serve one tenant in a multi-dwelling unit (MDU)?

A. Yes they are. In other words, if an ALEC wants to serve one tenant in a MDU, it must pay all the costs associated with the installation of an access terminal that, according to BellSouth, has the capacity to serve 25 customers.

Q. According to BellSouth's proposed rates, what charges will an ALEC have to pay if, one week later, another customer in a MDU wants to switch its service to an ALEC?

A. If one week later another customer wants to switch its service to an ALEC, BellSouth would charge that ALEC as if BellSouth needed to provision a new 25-pair panel ($402.70 and $158.23) and as if the ALEC was ordering its first pair ($135.45).

Q. In other words, every time an ALEC signs up a new customer and may require an additional pair to serve that customer, that ALEC would be required to pay all charges associated with providing access to INC?

A. That is correct. BellSouth not only seeks to charge the first ALEC the full cost of installing an access terminal, but then actually seeks to each subsequent ALEC that orders a pair the full costs of associated with the installation of an access terminal. Needless to say, this allows for duplicate recovery for BellSouth.

Q. *Does the Coalition have concerns regarding BellSouth's position?*

A. Yes, it does.

(1) The Coalition does not want to be forced to rely upon BellSouth's field forces for purposes of placing each individual customer into service. BellSouth's cost model assumes that for each new ALEC customer, BellSouth will need to dispatch a technician to make a cross connection. The Coalition members are concerned that they will experience significant delays when they must rely on BellSouth technicians to establish a cross-connect within a MDU.

These delays could significantly impact their ability to place customers in service in a timely and reliable manner.

(2) Moreover, federal law makes clear that ALECs should not be required to bear the entire financial burden associated with provisioning a 25-pair panel each time it orders one pair. This is particularly true in light of the belief of the Coalition that building an access terminal is unnecessary and that an ALEC should not pay the entire cost of dispatching a BellSouth technician to make a cross-connect when the Coalition would prefer to have its own technician provision the cross-connect in the first place.

(3) By charging every ALEC that orders a pair the full costs of installing an access terminal, BellSouth may double and triple recover its costs, particularly in MDUs where customers may switch their service one at a time.

Q. Please describe in greater detail, the flaws contained in BellSouth's proposed cost model.

A. BellSouth's proposed cost model should be rejected by this Commission for numerous reasons. First, BellSouth assumes that it is the ALECs that are the cost causers of the access terminal and the associated costs necessary to allow ALECs to access the MDU. As such, according to BellSouth, the ALEC must pay for all actions and equipment necessary to access INC. BellSouth further believes that ALECs requesting access to INC should bear the entire costs associated with the facilities, not just the facilities used by the ALEC. It is BellSouth's security concerns, however, that necessitate these costs. As it is

BellSouth that believes it must have a separate access terminal for purposes of ensuring network security, the Coalition urges the FPSC to require BellSouth to at least assist in recovering the costs associated with the added security.

Moreover, each time an ALEC orders a single pair in a MDU, BellSouth seeks to recover the entire costs associated with the full capacity of the installation of a 25-pair panel, including cross-connects, administrative expenses and non-recurring charges. Shockingly, BellSouth proposes not only charging the first CLEC that requires access to the INC the full costs of installation of an access terminal, but also charging each subsequent ALEC request for a loop the full costs associated with the installation of an access terminal. BellSouth seeks to require all of the up-front costs from each ALEC despite the testimony of Mr. Keith Milner that the access terminal also can serve as the single point of interconnection for use by multiple carriers. *See* Milner testimony at 21:11-12, 18-20. Mr. Milner even cites to the order of the Georgia Commission, which states that "BellSouth must construct a single point of interconnection that will be fully accessible and suitable for use by multiple carriers." *See* Milner at 19:22-23. Obviously, forcing each ALEC to incur the entire costs for an access terminal designed to serve multiple ALECs, and to charge those costs each time an ALEC seeks to order a pair to serve a new customer, would present a significant barrier to entry into the Florida market for ALECs that must access INC.

Q. Given that multiple ALECs can gain access to the MDU at this single point of interconnection, has BellSouth appropriately calculated the rates associated with INC?

A. No, a more appropriate rate would assess charges to ALECs based on the capacity actually used by the ALEC. Further, rates should be based on the assumption that BellSouth, in response to an ALEC request for any number of pairs, would pre-wire the entire MDU. In other words, at the time an ALEC places an order for a pair, BellSouth would place a separate access terminal into a MDU to which it would cross-connect all available pairs within the MDU. Then, all ALECs would use this access terminal as the single point of interconnection as Mr. Milner describes.

Q. Does your proposal comport with the safety concerns expressed by BellSouth in its testimony.

A. Yes, it does. Although the Coalition does not share BellSouth's concern regarding network security and believes it should be entitled to cross connect its equipment directly with BellSouth's, the scenario I've described provides BellSouth with absolute network security. Indeed, just as BellSouth has proposed, INC would be accessed via a separate terminal to which all carriers would connect their network. Moreover, BellSouth's technicians would be responsible for cross-connecting INC to the access terminal such that no ALEC would ever be required to directly access the BellSouth network.

Q. You stated that the Coalition does not share BellSouth's concern regarding network security. What is the basis for that statement?

A. In preparing my testimony, I had the opportunity to speak with Sandy Fitchet, Jr. who is the Vice President of Carrier Relations for CAIS Internet, a company that is related to Cleartel. Mr. Fitchet informed me that he spent over 17 years in the

telecommunications industry, including 3 years as a policy witness for GTE. Mr. Fitchet also informed me that Cleartel, CAIS and its related entities (hereinafter referred to as "Cleartel") have directly connected its equipment to ILEC INC in over 100 MDUs across the country with absolutely no security or network problems. Moreover, when a MDU customer switches service, it is a Cleartel technician that provides the connection, not a technician of an incumbent LEC that would need to be dispatched every time a new customer in a MDU requires service.

Q. Are there other benefits may be realized by pre-wiring a MDU when a BellSouth technician is dispatched for the first time?

A, Yes there are. Because BellSouth will pre-wire the access terminal, ALECs would not be required to await the dispatch of a BellSouth technician to connect the ALEC's network to its customer each time a new customer switches services. This pre-wiring would result in cost savings to all parties, not just the requesting ALEC.

Q. Are there other factors that support your opinion that it reasonable to assume that BellSouth will "Pre-Wire" the access terminal so as to negate the need to dispatch a BellSouth Technician every time an ALEC requests access to a customer?

A. Yes. In fact, BellSouth has committed to such terms in other jurisdictions. In Georgia, for example, BellSouth committed to pre-wire cross-connections to an access terminal for access by a CLEC. As stated previously, such a commitment would negate the need for ALECs to await BellSouth to dispatch a technician to

perform a cross-connect or any other provisioning activity before the ALECs can gain access to its customer. Refusing to pre-wire the access terminal would result in a significant competitive disadvantage to ALECs seeking access to INC in that they will suffer added costs and time delays.

Q. Based on the above arguments, how should BellSouth's cost study be adjusted?

A. BellSouth unjustifiably seeks to saddle the first and each subsequent CLEC that orders a pair in a MDU with the entire cost of building an access terminal. BellSouth further assumes in its cost model that each ALEC must order a minimum of 25 pairs. If an ALEC orders just one pair, it is responsible for the costs of 25 pairs. If an ALEC orders 26 pairs, it is responsible for the payment of 50 pairs. As will be discussed below, this recovery mechanism is anti-competitive and conflicts with federal law. I have proposed rates that would require each carrier to share in the costs of constructing an access terminal based upon the number of access lines or pairs each will utilize to access their customers. In other words, if an ALEC orders one pair, it should be charged 1/25 of the costs currently proposed by BellSouth and should not be responsible for the cost of the entire facility (if an ALEC orders three pairs, it would be charged 3/25 of the costs currently proposed by BellSouth).

Q. Is your proposal that BellSouth recover costs on a per line basis consistent with recent FCC rulings?

A. Yes it is. In its *UNE Remand Order*, the FCC specifically held that its collocation rules, as clarified in its *Advanced Services First Report and Order* ("Collocation

Order"), are applicable to any technically feasible point of interconnection, including any point necessary to access subloops.[5] In its Collocation Order, the FCC found that an incumbent LEC such as BellSouth was precluded from holding the first requesting ALEC responsible for the entire cost of preparing a site, as BellSouth proposes here. Specifically, the FCC stated that an incumbent LEC must "allocate space preparation. . . and other collocation charges on a pro-rated basis so the first collocator in a particular incumbent premises will not be responsible for the entire cost of site preparation."[6] In order to ensure that the first entrant into an incumbent's premises does not bear the entire cost of site preparation, the FCC stated that an incumbent LEC must develop a system of distributing the cost by comparing the amount of facilities actually used by a new entrant with the overall expenses incurred in providing that facility. Importantly, the FCC recognized that, although a state Commission could adopt more stringent standards to ensure competition, at a bare minimum state Commissions must determine a proper pricing methodology to ensure that incumbent LECs allocate site preparation costs among new entrants. The pricing methodology I have proposed in this proceeding is fair, equitable, nondiscriminatory, and directly comports with the mandates of the FCC.

Q. Are there analogs to this approach elsewhere in the TELRIC/TSLRIC studies for other UNEs?

A. Yes, there are. ILECs generally deploy a network terminal between the feeder and distribution portions of their outside plant network (generally referred to as an

5 See *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, Third Report & Order & Fourth Notice of Proposed Rulemaking FCC 99-238 at ¶¶ 210, 221..

"FDI" or Feeder/Distribution Interface). FDI terminals provide enhanced network flexibility and maintenance opportunities that are similar (if not identical) to the enhanced security and network reliability advantages espoused by BellSouth with respect to the construction of a separate terminal to be used for access to INC. For example, when an ALEC purchases an unbundled loop, the ALEC pays only for the portion of the FDI used by the loop it is purchasing. The ALEC is not, when it purchases an unbundled loop, required to pay for the entire terminal or to pay BellSouth for cross-connecting all feeder and distribution cables. Each ALEC pays only for the capacity of the FDI used by the single unbundled loop it is purchasing. Similarly, each ALEC pays only for the labor expenses associated with cross-connecting the particular feeder pair and distribution pair that comprise the unbundled loop it has purchased. This is fully consistent with the manner by which I am recommending that BellSouth recover expenses associated with placing a similar terminal within a MDU for purposes of connecting loop distribution and INC.

Q. The FPSC, however, seemed to endorse a similar BellSouth proposal with regard to Network Terminating Wire in the arbitration proceedings between BellSouth and MediaOne in Docket No. 990149-TP ("MediaOne Decision"). Are there circumstances that require the FPSC to reevaluate its previous decision?

A. Yes. The UNE Remand Order discussed above requires the FPSC to reconsider its past decision. In the MediaOne Decision, the FPSC required MediaOne to absorb the full expense of building an access terminal to access NTW, including

6 See First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 98-147, FCC 99-48 at ¶¶ 51.

all labor costs. The MediaOne Decision, however, was rendered prior to the issuance of the UNE Remand Order, which made crystal clear that state Commissions such as the FPSC were required to pro-rate among all ALECs the costs of collocation necessary to gain access to subloops. In requiring the first and each additional ALEC that requests collocation in a MDU to bear all of the expenses associated with that collocation, and not just the pro-rata expenses of the facilities it will use, BellSouth's proposal expressly conflicts with federal law.

Q. Does the UNE Remand Order call into question other decisions of the FPSC that relate to this issue?

A. Yes, it calls into question FPSC Rule 25-4.0345-1B, which states that the point of demarcation for MDUs is the customer premises. Paragraph 169 of the UNE Remand Order states quite clearly that the demarcation point "*is often*, but not always, located at the minimum point of entry ("MPOE"), which is the closest practicable point to where the wire *crosses a property line or enters a building.*" The FCC recognized that in MDUs, there may be a single demarcation point for the entire building or separate demarcation points for each tenant, depending on factors such as the date the inside wire was installed, the local carrier's reasonable and nondiscriminatory practices, and the property owner's preferences. For certain data ALECs in Florida, policy dictates that the demarcation point should be the MPOE or, more specifically, where the wire enters a MDU. By way of example, data ALECs such as Cleartel already have entered into agreements with and pay MDU owners to gain access to the wiring contained in the MDU. In addition, Cleartel already purchases T1's from BellSouth to deliver its high speed data to a MDU. Cleartel must pay the landlord

of the MDU for access to the wiring, pay BellSouth for its T1, and, then, pursuant to FPSC Rule 25.4.0345-1B, duplicate its costs by paying BellSouth for access to INC. The policy factors espoused by the FCC in the UNE Remand Order dictate that, in Florida, the demarcation point should be where BellSouth's wire enters a MDU.

Q. Based on your conversation with members of the Coalition, what effect will BellSouth's mechanism of cost recovery for access to INC have on competition in Florida?

A. Mr. Fitchet of Cleartel informs me that BellSouth's proposed rates for access to INC in Florida are cost prohibitive. Cleartel is one of the leading providers of high speed data services to MDUs in the country. In Florida, Cleartel already pays BellSouth significant amounts of money for T1 access. If this Commission allows BellSouth to charge competitors its proposed rates for mere access to INC, Mr. Fitchet informs me that it simply would not make economic sense for Cleartel to conduct business in the state of Florida.

V. Recommended Intrabuilding Cable Rates

Q. Based on your arguments presented in the previous section, what rates do you recommend the FPSC adopt for NTW and INC?

A. As required by federal law, the proper rates associated with INC should be based upon the actual facilities used by an ALEC which, in this case, would be on a per-line basis. Because BellSouth has generated rates by improperly assuming that an ALEC will utilize 25 pairs, the proper rate for INC, therefore, is 1/25 of what has been proposed by BellSouth. Adjustments have been made to the cost

study to reflect the appropriate costs to be recovered for access to INC. The recommended rates for INC and INC-related subloop elements are compared to the rates proposed by BellSouth, and summarized in Tables 6 and 7 below. These rates are developed in more detail in my exhibits attached to this testimony.

Table 6

ELEMENT	BellSouth Proposed Rate		Recommended Rate
Intrabuilding Network Cable	First	Additi-onal	Per Line
INC			
A.2.14 - 2-Wire INC	**$13545**	**$38.08**	**$5.42**
A.2.14 - 2-Wire INC – Disconnect	**$118.59**	**$19.63**	**$0.10**
A.2.15 - 4-Wire INC	**$175.67**	**$51.88**	**$2.48**
A.2.15 - 4-Wire INC – Disconnect	**$125.06**	**$20.03**	**$1.43**

Table 7

ELEMENT	BellSouth Proposed Rate	Recommended Rate
Unbundled Subloop Elements	NRC	NRC
A.2.19 - Per Building Equipment Room - CLEC Facility Set-Up	**$402.70**	**$8.09**
A.2.20 - Per Building Equipment Room - Per 25 Pair Panel Set-Up	**$158.23**	**$4.05**

Q. Does this conclude your testimony?

A. Yes, it does.

Florida
A.13.1 2-Wire Copper Loop - short

Nonrecurring Cost

Description	Installation - First Direct Cost	Installation - First Shared Cost		Installation - First TELRIC	Installation - Additional Direct Cost	Installation - Additional Shared Cost		Installation - Additional TELRIC
Nonrecurring Cost Development Reports	$20.5803	$0.0000		$20.5803	$12.7964	$0.0000		$12.7964
OTHER EXPENSES:								
Total Cost	$20.5803	$0.0000		$20.5803	$12.7964	$0.0000		$12.7964
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$20.7772				$12.9188
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$22.0737				$13.7249

Florida
A.13.1 2-Wire Copper Loop - short

Nonrecurring Cost

Description	Disconnect - First Direct Cost	Disconnect - First Shared Cost		Disconnect - First TELRIC	Disconnect - Additional Direct Cost	Disconnect - Additional Shared Cost		Disconnect - Additional TELRIC
Nonrecurring Cost Development Reports	$0.8634	$0.0000		$0.8634	$0.3716	$0.0000		$0.3716
OTHER EXPENSES:								
Total Cost	$0.8634	$0.0000		$0.8634	$0.3716	$0.0000		$0.3716
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$0.8717				$0.3752
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$0.9261				$0.3986

Florida
A.13.7 2-Wire Copper Loop - long

Nonrecurring Cost

Description	Installation - First: Direct Cost	Installation - First: Shared Cost		Installation - First: TELRIC	Installation - Additional: Direct Cost	Installation - Additional: Shared Cost		Installation - Additional: TELRIC
Nonrecurring Cost Development Reports	$32.9846	$0.0000		$32.9846	$9.5697	$0.0000		$9.5697
OTHER EXPENSES:								
Total Cost	$32.9846	$0.0000		$32.9846	$9.5697	$0.0000		$9.5697
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$33.3001				$9.6613
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$35.3781				$10.2641

Florida
A.14.1 4-Wire Copper Loop - short

Nonrecurring Cost

Description	Installation - First: Direct Cost	Installation - First: Shared Cost		Installation - First: TELRIC	Installation - Additional: Direct Cost	Installation - Additional: Shared Cost		Installation - Additional: TELRIC
Nonrecurring Cost Development Reports	$45.3118	$0.0000		$45.3118	$30.7822	$0.0000		$30.7822
OTHER EXPENSES:								
Total Cost	$45.3118	$0.0000		$45.3118	$30.7822	$0.0000		$30.7822
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$45.7453				$31.0766
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$48.5998				$33.0158

Florida
A.14.1 4-Wire Copper Loop - short

Nonrecurring Cost

Description	Disconnect - First Direct Cost	Disconnect - First Shared Cost		Disconnect - First TELRIC	Disconnect - Additional Direct Cost	Disconnect - Additional Shared Cost		Disconnect - Additional TELRIC
Nonrecurring Cost Development Reports	$0.8810	$0.0000		$0.8810	$0.3792	$0.0000		$0.3792
OTHER EXPENSES:								
Total Cost	$0.8810	$0.0000		$0.8810	$0.3792	$0.0000		$0.3792
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$0.8894				$0.3828
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$0.9449				$0.4067

Florida
A.14.7 4-Wire Copper Loop - long

Nonrecurring Cost

Description	Installation - First: Direct Cost	Installation - First: Shared Cost		Installation - First: TELRIC	Installation - Additional: Direct Cost	Installation - Additional: Shared Cost		Installation - Additional: TELRIC
Nonrecurring Cost Development Reports	$19.3977	$0.0000		$19.3977	$12.0769	$0.0000		$12.0769
OTHER EXPENSES:								
Total Cost	$19.3977	$0.0000		$19.3977	$12.0769	$0.0000		$12.0769
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$19.5832				$12.1924
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$20.8052				$12.9532

Florida
A.2.14 2-Wire Intrabuilding Network Cable (INC)

Nonrecurring Cost

Description	Installation - First: Direct Cost	Installation - First: Shared Cost		Installation - First: TELRIC	Installation - Additional: Direct Cost	Installation - Additional: Shared Cost		Installation - Additional: TELRIC
Nonrecurring Cost Development Reports	$5.0491	$0.0000		$5.0491	$1.4215	$0.0000		$1.4215
OTHER EXPENSES:								
Total Cost	$5.0491	$0.0000		$5.0491	$1.4215	$0.0000		$1.4215
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$5.0974				$1.4351
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$5.4155				$1.5246

Florida
A.2.15 4-Wire Intrabuilding Network Cable (INC)

Nonrecurring Cost

Description	Installation - First: Direct Cost	Installation - First: Shared Cost		Installation - First: TELRIC	Installation - Additional: Direct Cost	Installation - Additional: Shared Cost		Installation - Additional: TELRIC
Nonrecurring Cost Development Reports	$6.5472	$0.0000		$6.5472	$1.9346	$0.0000		$1.9346
OTHER EXPENSES:								
Total Cost	$6.5472	$0.0000		$6.5472	$1.9346	$0.0000		$1.9346
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$6.6098				$1.9531
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$7.0223				$2.0750

Florida
A.2.14 2-Wire Intrabuilding Network Cable (INC)

Nonrecurring Cost

Description	Disconnect - First: Direct Cost	Disconnect - First: Shared Cost		Disconnect - First: TELRIC	Disconnect - Additional: Direct Cost	Disconnect - Additional: Shared Cost		Disconnect - Additional: TELRIC
Nonrecurring Cost Development Reports	$0.9311	$0.0000		$0.9311	$0.4518	$0.0000		$0.4518
OTHER EXPENSES:								
Total Cost	$0.9311	$0.0000		$0.9311	$0.4518	$0.0000		$0.4518
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$0.9400				$0.4561
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$0.9987				$0.4846

Florida
A.2.15 4-Wire Intrabuilding Network Cable (INC)

Nonrecurring Cost

Description	Disconnect - First Direct Cost	Disconnect - First Shared Cost		Disconnect - First TELRIC	Disconnect - Additional Direct Cost	Disconnect - Additional Shared Cost		Disconnect - Additional TELRIC
Nonrecurring Cost Development Reports	$1.3368	$0.0000		$1.3368	$0.4610	$0.0000		$0.4610
OTHER EXPENSES:								
Total Cost	$1.3368	$0.0000		$1.3368	$0.4610	$0.0000		$0.4610
Gross Receipts Tax Factor			X	1.009566			X	1.009566
Cost (Including Gross Recepts Tax)				$1.3496				$0.4654
Common Cost Factor			X	1.0624			X	1.0624
Economic Cost				$1.4338				$0.4944

Florida

A.2.19 Sub-Loop - Per Building Equipment Room - CLEC Feeder Facility Set-Up

Nonrecurring Cost - Installation

Description	Direct Cost	Shared Cost		TELRIC
Nonrecurring Cost Development Reports	$7.5415	$0.0000		$7.5415
OTHER EXPENSES:				
Total Cost	$7.5415	$0.0000		$7.5415
Gross Receipts Tax Factor			X	1.009566
Cost (Including Gross Recepts Tax)				$7.6136
Common Cost Factor			X	1.0624
Economic Cost				$8.0887

Florida

A.2.20 Sub-Loop - Per Building Equipment Room - Per 25 Pair Panel Set-Up

Nonrecurring Cost - Installation

Description	Direct Cost	Shared Cost		TELRIC
Nonrecurring Cost Development Reports	$1.2765	$0.0000		$1.2765
OTHER EXPENSES:				
PANEL MATERIAL COSTS	$2.4971	$0.0000		$2.4971
Total Cost	$3.7736	$0.0000		$3.7736
Gross Receipts Tax Factor			X	1.009566
Cost (Including Gross Recepts Tax)				$3.8097
Common Cost Factor			X	1.0624
Economic Cost				$4.0474