

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

JEFFREY KING

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI WORLDCOM, INC.

Docket No. 990649-TP

August 28, 2000

DOCUMENT NUMBER-DATE

10620 AUG 28 8

FPSC-RECORDS/REPORTING

1                   **SUPPLEMENTAL REBUTTAL TESTIMONY OF**

2                                   **JEFFREY KING**

3                                   **ON BEHALF OF**

4                   **AT&T COMMUNICATIONS OF THE SOUTHERN**

5                                   **STATES, INC. AND**

6                                   **MCI WORLDCOM, INC.**

7                                   **DOCKET NO: 990649-TP**

8           **Q.   PLEASE STATE YOUR NAME, BUSINESS**  
9                   **ADDRESS AND TITLE.**

10          A.   My name is Jeffrey King and my business address is 1200  
11                   Peachtree Street, N.E., Atlanta, Georgia 30309. I am  
12                   employed by AT&T as a District Manager in the Local  
13                   Services & Access Management organization.

14          **Q.   ARE YOU THE SAME JEFFREY KING THAT**  
15                   **FILED REBUTTAL TESTIMONY IN THIS**  
16                   **DOCKET?**

17          A.   Yes.

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

19          A.   My testimony addresses the proposed revised cost studies  
20                   that BellSouth filed on August 16, 2000. AT&T and MCI  
21                   WorldCom continue to defend its previous Rebuttal  
22                   positions, including the rate proposals filed by AT&T and  
23                   MCI WorldCom on August 8, 2000, and have attempted to

1 apply those same sound assumptions to BellSouth's revised  
2 cost studies.

3 **Q. WHAT COMPLICATIONS HAVE YOU**  
4 **ENCOUNTERED WITH BELL SOUTH'S REVISED**  
5 **COST STUDIES FILED AUGUST 16, 2000?**

6 A. In this proceeding, AT&T and MCI WorldCom have  
7 chosen to use BellSouth's cost studies, with appropriate  
8 revisions, to develop their UNE rate proposal, including  
9 UNE combination rates, in this proceeding. Therefore, in  
10 order to remain consistent, and in order to provide the  
11 Commission an "apples to apples" comparison with the  
12 rates proposed by BellSouth, we have endeavored to use  
13 BellSouth's new Cost Calculator Version 2.4 to develop a  
14 revised proposal for cost-based UNE rates. Unfortunately,  
15 time has not allowed us to thoroughly review all of  
16 BellSouth's revisions and their implications on network  
17 design and forward-looking costing principles.

18 AT&T and MCI WorldCom witnesses spent many  
19 hours modifying BellSouth's Cost Calculator Version 2.3  
20 to properly estimate the appropriate prices for UNEs and  
21 interconnection as proposed in our original testimony.  
22 Unless otherwise noted by these witnesses in their Revised  
23 Rebuttal testimony, we stand by the network design and

1 operational assumptions underlying our revisions to  
2 BellSouth's original cost studies as described in our  
3 Rebuttal Testimony. However, the applications of input  
4 and methodology assumptions change when using Version  
5 2.4 of BellSouth's Cost Calculator. As the Commission is  
6 aware, it takes a good deal of time simply to run  
7 BellSouth's cost studies. AT&T and MCI WorldCom have  
8 not had sufficient time to incorporate all of their revisions  
9 to BellSouth's new cost studies and to re-run the new  
10 studies with those revisions in order to include a revised  
11 rate proposal in this testimony.

12 As witnesses Pitkin and Donovan also point out,  
13 with one minor exception, BellSouth did not address those  
14 issues identified in Mr. Pitkin's meeting with BellSouth on  
15 July 7, 2000, but instead used this re-filing opportunity as  
16 an opportunity to substantially modify its cost studies,  
17 inputs, non-recurring costs, and to file additional cost  
18 studies. Based on statements made by BellSouth in Florida  
19 and elsewhere, AT&T anticipated that BellSouth would  
20 incorporate many of the suggestions made by Mr. Pitkin.  
21 However, the vast majority of the revisions made by  
22 BellSouth have nothing whatsoever to do with the  
23 discussions with Mr. Pitkin concerning improvements to

1 BellSouth's cost studies. Indeed, it is especially troubling  
2 that BellSouth included so many revisions that were not  
3 included in those discussions, while at the same time failing  
4 to include the vast majority of the revisions that were  
5 discussed.

6 **Q. HAS BELLSOUTH INTRODUCED NEW UNE RATE**  
7 **ELEMENTS AS A RESULT OF THEIR REVISED**  
8 **COST STUDIES FILED AUGUST 16, 2000?**

9 A. Yes. BellSouth has introduced two "new" elements -- the  
10 Universal Digital Channel ("UDC") and 2-wire DID Ports  
11 to be used in combinations.

12 **Q. WHAT IS YOUR RATE RECOMMENDATION FOR**  
13 **THE NEW UNE RATE ELEMENTS PROPOSED BY**  
14 **BELLSOUTH DUE TO ITS AUGUST 16, 2000,**  
15 **REVISED FILING?**

16 A. The UDC is essentially an ISDN Loop. Until AT&T and  
17 MCI WorldCom finish its analysis of BellSouth's Version  
18 2.4 Cost Calculator, I recommend this Commission adopt  
19 the recurring and non-recurring rates for the 2-W ISDN  
20 Digital Grade Loop as proposed on August 8, 2000.

21 Witness Pitts addresses the 2-W DID Port. I am  
22 proposing a recurring rate of \$3.46 as a placeholder based  
23 on her recommendation and will file the final

1 recommendation upon completion of the analysis on  
2 BellSouth's Version 2.4 Cost Calculator.

3 **Q. DO YOU ANTICIPATE THAT NON-RECURRING**  
4 **RATES WILL CHANGE AS A RESULT OF**  
5 **BELLSOUTH'S REVISED COST STUDIES?**

6 A. Possibly, but the analysis of BellSouth's revised non-  
7 recurring cost studies also continues. Non-recurring costs  
8 is an area in which BellSouth made a great deal of changes  
9 to its cost studies, particularly the inputs used in those cost  
10 studies, which have absolutely nothing to do with the  
11 changes discussed by Mr. Pitkin with BellSouth. As  
12 BellSouth witness Caldwell pointed out in her revised  
13 Direct Testimony, "BellSouth reviewed all of the  
14 nonrecurring inputs for all types of loops to ensure  
15 consistency of work time estimates and the correctness of  
16 the underlying assumptions." Part of the analysis I  
17 performed on BellSouth's Version 2.3 Cost Calculator and  
18 identified in my Rebuttal Testimony was consistent  
19 application of similar work activities. BellSouth has  
20 modified several inputs that affect this work analysis and  
21 could result in changes to the non-recurring rates to be  
22 proposed. Certain of BellSouth's proposed modifications,  
23 however, will not affect a change in NRC rates as proposed

1 by AT&T and MCI WorldCom if the modification was for  
2 a work group (e.g., the Local Customer Service Center) that  
3 should not be considered under competitively-neutral, non-  
4 discriminatory costing principles.

5 BellSouth also appears to have modified the  
6 structure of its non-recurring cost studies. As I stated in my  
7 rebuttal testimony “the non-recurring cost of a particular  
8 action, then, is simply the sum of the costs of each of the  
9 necessary work activities, calculated as the product of (1)  
10 the required time, (2) the labor rate, and (3) the probability  
11 of occurrence of each work activity.” BellSouth’s revised  
12 studies now attempt to account for these variables. The  
13 non-recurring rates I proposed on August 8, 2000 continue  
14 to apply, however, as the adjustments I provided in Exhibit  
15 JAK-3 also have accounted for these same variables.

16 I am also concerned that BellSouth has used this re-  
17 filing opportunity to actually increase many of their costs,  
18 and thus rates. For UNE elements such as the 2-W Voice  
19 Grade Analog Loop (SL2), BellSouth has actually  
20 introduced new provisioning variables that should not even  
21 be considered in a proper forward-looking cost study.  
22 Specifically, in addition to the routine work that BellSouth  
23 claims a work group (e.g., the UNE Center) performs,

1 BellSouth has now included work times associated with  
2 maintenance routines, such as escalations and jeopardies.  
3 Recovery of any such work activity constitutes double cost  
4 recovery (actually more, since BellSouth's maintenance  
5 loading factor includes cost recovery and BellSouth has  
6 recovered 3 more times within the non-recurring study  
7 itself). BellSouth is openly admitting that each ALEC loop  
8 order should include payment of a premium because that  
9 UNE loop could be the one that BellSouth can not  
10 provision on time and will require BellSouth to spend  
11 additional man-power to resolve issues and satisfy  
12 customer expectations. BellSouth can not be allowed to  
13 create excessive barriers to competition by forcing its  
14 competitors to pay for BellSouth inefficiencies.

15 **Q. HOW DO YOU RECOMMEND THIS COMMISSION**  
16 **ADDRESS THE REVISED COST STUDIES FILED**  
17 **BY BELLSOUTH ON AUGUST 16, 2000?**

18 A. AT&T and MCI WorldCom recommend that this  
19 Commission either reject all evidence submitted by  
20 BellSouth in its revised filing or allow us to make the  
21 corrections identified in our rebuttal and supplemental  
22 rebuttal testimony to address BellSouth's revised filings

1                   and to address those issues we were misled into believing  
2                   would be corrected in this revised filing.

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

4           **A.    Yes.**