BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	DOCKET NO. 990649-TP
INVESTIGATION INTO PRICING OF UNBUNDLED NETWORK ELEMENTS.	

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PHASE TWO

VOLUME 13

Pages 1836 through 2046

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN J. TERRY DEASON COMMISSIONER E. LEON JACOBS, JR. COMMISSIONER LILA A. JABER
DATE:	Wednesday, September 20, 2000
TIME:	Commenced at 9:15 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR FPSC Division of Records & Reporting Chief, Bureau of Reporting

APPEARANCES:
(As heretofore noted.)

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PROCEEDINGS

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CHAIRMAN DEASON: Call the hearing back to order.

BellSouth, you may call your next witness.

MS. BOONE: Commissioner Deason, could I just -- you asked me right before break if we wanted to enter in the times I had written on the board. And I have changed my mind, I would like to. Could I bring copies of that tomorrow and enter it at that time?

CHAIRMAN DEASON: If there is no objection.

MS. BOONE: Thank you.

MR. BRESSMAN: Mr. Chairman, before we begin, may I ask to be excused later this afternoon?

CHAIRMAN DEASON: Are you going to be leaving us?

MR. BRESSMAN: Yes, a little later this afternoon. I have some family commitments I have to get back to.

CHAIRMAN DEASON: Okay. I don't blame you.

MR. BRESSMAN: Thank you.

MR. EDENFIELD: BellSouth calls its next witness, Wiley G. Latham.

Mr. Latham, will you confirm that you were previously sworn?

THE WITNESS: Yes.

WILEY G. LATHAM

was called as a witness on behalf of BellSouth Telecommunications, Inc., and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. EDENFIELD:

Q Please state your name and your position with BellSouth?

A My name is Wiley Gerald Latham, or Jerry Latham as I am called. I am Product Manager for Unbundled Loops within BellSouth Telecommunications.

Q Are you the same Jerry Latham that caused to be filed in this proceeding 13 pages of rebuttal testimony on August 21st, 2000?

A Yes.

Q Do you have any changes or corrections to that testimony?

A No, I do not.

Q If I were to ask you the questions that appear in your rebuttal testimony today would your answers be the same?

A Yes, they would.

MR. EDENFIELD: At this time I would ask that Mr. Latham's rebuttal testimony be admitted into the

record as if read.

CHAIRMAN DEASON: Without objection it shall be so inserted.

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF WILEY G. (JERRY) LATHAM

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990649-TP

(PHASE II)

AUGUST 21, 2000

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Wiley G. (Jerry) Latham. My business address is 3535 Colonnade Parkway, Birmingham, Alabama. I am BellSouth's Product Manager for Unbundled Loops within Interconnection Services – Marketing and have been employed by BellSouth for fifteen years.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to certain statements in the direct testimony of Eric McPeak on behalf of Broadslate Networks, Inc., Cleartel Communications, Inc, Florida Digital Network, and Network Telephone Company; Terry Murray on behalf of BlueStar Networks, Inc., Covad Communications Company, and Rhythms Links, Inc; and Steven McMahon on behalf of Sprint. In the process, I provide additional information about Unbundled Loop Modification (ULM) and additional explanation of the types and use of xDSL and voice grade unbundled loops offered by BellSouth.

Q. MR. MCPEAK, MR. MCMAHON, AND MS. MURRAY COMPLAIN ABOUT THE RATES PROPOSED BY BELLSOUTH FOR UNBUNDLED LOOP MODIFICATION (ULM). PLEASE RESPOND.

A. BellSouth has proposed rates for ULM that are designed to recover the costs that BellSouth will incur when it performs loop conditioning on behalf of a requesting carrier, such as the removal of load coils or bridged tap. BellSouth has proposed three nonrecurring rates for ULM. These include ULM Load Coil/Equipment Removal – Short; ULM Load Coil/Equipment Removal – Long; and ULM -Bridged Tap Removal.

Q. WHY DO BELLSOUTH'S PROPOSED RATES DISTINGUISH BETWEEN ULM LOAD COIL/EQUIPMENT REMOVAL - SHORT AND ULM LOAD COIL/EQUIPMENT REMOVAL - LONG?

A. Load coil removal was divided into two categories to differentiate the anticipated work activity for loops less than 18 kft (designated as Short) and loops over 18 kft (designated as Long). With respect to loops over 18 kft, BellSouth will remove load coils and other equipment from only those specific loops ordered by the requesting carrier. By contrast, for loops under 18 kft, BellSouth assumes on average that load coils will be removed from ten pair at one time. In addition, the average number of load coils is dependent upon the length of the particular loop. BellSouth witness Greer addresses the reasonableness of these assumptions in his rebuttal testimony.

Q. MR. MCPEAK, MR. MCMAHON, AND MS. MURRAY QUESTION BELLSOUTH'S ASSUMPTION THAT IT WILL REMOVE LOAD COILS AND OTHER EQUIPMENT FROM LOOPS LESS THAN 18 KFT FOR TEN PAIR AT ONE TIME ON AVERAGE. HOW DO YOU RESPOND?

A. Mr. Greer will address the technical aspects of this assumption in his rebuttal testimony. However, the point Mr. McPeak, Mr. McMahon, and Ms. Murray overlook is that BellSouth developed the 10-pair assumption based upon BellSouth's own experiences and practices in administering its network. This same assumption is incorporated into the cost studies for BellSouth's own tariffed Business Class ADSL service, which assume that BellSouth will remove load coils and related equipment from loops less than 18 kft for 10 pair at one time on average. Incorporating the same 10-pair load coil removal assumption in both its ADSL and UNE cost studies ensures consistency.

Q. WHY IS IT THAT BELLSOUTH'S PROPOSED RATE FOR ULM – BRIDGED TAP REMOVAL DOES NOT DISTINGUISH BETWEEN THE LENGTH OF THE LOOP FROM WHICH BRIDGED TAP IS BEING REMOVED?

A. Unlike load coil removal, the work involved in removing bridged tap is not dependent on loop length.

Q. MS. MURRAY COMPLAINS ABOUT THE APPROACH USED BY BELLSOUTH IN DEVELOPING ITS ULM – ADDITIVE. ARE HER COMPLAINTS VALID?

A. No. The ULM - Additive rate is used to recover part of the cost of removing load coils on copper loops of less than 18 kft. Since BellSouth removes load coils from such loops for 10 pair at one time on average, and only 1/10 of the cost of load coil removal is reflected in the rate for ULM Load Coil/Equipment Removal - Short, the decision must be made as to how to recover the remaining 90% of the cost for the load coil removal. BellSouth's additive approach is a reasonable method of recovering the remaining 90% of the load coil removal, notwithstanding Ms. Murray's claims to the contrary.

Q. PLEASE EXPLAIN HOW THE RATE FOR ULM – ADDITIVE WAS DEVELOPED.

A. Because load coils are removed on average 10 pair at one time for loops of less than 18 kft, BellSouth developed the additive by allocating the 10 pair as follows: 20% of the cost is assigned to ULMs, 40% of the cost is assigned to BellSouth, and 40% of the cost is assigned to the following xDSL loops: ADSL-compatible loops, HDSL-compatible loops, and Unbundled Copper Loops – Short (since these are the xDSL loop types of less than 18 kft affected by the 10-pair load coil removal assumption). These assumptions are reasonable and are based on BellSouth's best judgment as to the market penetration that will be achieved by competing carriers offering xDSL services.

Mr. McMahon's claim that BellSouth's assumptions are "questionable" because they assume a "total penetration of 60% in BST's territory" is wrong. First, BellSouth does not assume that competing carriers will be using 60% of all xDSL loops. Rather, BellSouth assumes that the 40% of the cost that is not assigned to ULM or to Bellsouth will either be recovered from another requesting carrier or not recovered at all. Second, many carriers competing against BellSouth have developed business plans solely around serving the xDSL market.

In developing the additive for unloading 10 pair at one time, it is assumed that 2 pair will be used by the requesting carrier ordering the ULM Load Coil/Equipment Removal – Short (even though, historically, orders for load coil removal for loops less than 18 kft have been for one loop at a time). Forty percent of the cost for unloading the 10 pair is essentially absorbed by BellSouth. In other words, it is assumed that 4 pair of the 10 unloaded pair will be used by BellSouth, which means that this 40% is ignored in developing the ULM - Additive. The remaining 40% of the total cost of unloading 10 pair is spread across the entire forecast of ADSL-compatible loops, HDSL-compatible loops, and Unbundled Copper Loops – Short. Thus, the remaining 40% of the cost of unloading 10 pair is then said to be an "additive cost" for these types of xDSL loops. This additive cost is included in the nonrecurring rate element for ADSL-compatible loops, HDSL-compatible loops, and Unbundled Copper Loops – Short.

Q. MS. MURRAY CONTENDS THAT BELLSOUTH'S ULM – ADDITIVE CREATES THE POTENTIAL FOR BELLSOUTH OVER-RECOVERING ITS LOOP CONDITIONING COSTS. DO YOU AGREE?

A. No. While I do not disagree with Ms. Murray's mathematical calculations on pages 92 and 93 of her testimony, she is looking at the issue from the wrong perspective. BellSouth developed its ULM - Additive based upon total demand, not on a carrier by carrier basis. If one were to look at total demand, as BellSouth did in developing its ULM – Additive, there is no over-recovery of loop conditioning costs. Indeed, using Ms. Murray's example, if a competitor were to order two of the ten loops conditioned by BellSouth, but no competitor subsequently ordered four of the remaining ten loops, BellSouth would never recover all of the costs of having removed the load coils.

Q. MS. MURRAY ASSERTS THAT "BELLSOUTH SHOULD OFFER A SINGLE TYPE OF TWO-WIRE DSL-CAPABLE LOOP." DO YOU AGREE?

A. No. The rates BellSouth has proposed for the loops intended to support xDSL services correspond to the loops BellSouth actually offers to requesting carriers and that requesting carriers can and do purchase from BellSouth. These include:

(a) ISDN loop – Standard 2-wire Basic Rate ISDN (BRI) circuits that support 2B+D traffic;

(b) Unbundled Digital Channel – This loop is the same as the 2-wire ISDN loop above, except it is provisioned uniquely to support IDSL service;

(c) ADSL-compatible loops – 2-wire loop that is provisioned only on copper facilities and meets industry specifications for Revised Resistance Design (RRD). This means non-loaded copper, less than 18 kft, no more than 6 kft of inclusive bridged tap and has 1300 ohms or less of resistance.

(d) HDSL-compatible loops – 2-wire or 4-wire circuits that are only provisioned on copper and meet industry specifications for Carrier Serving Area (CSA) loops. This means non-loaded copper, less than 12 kft, no more than 2.5 kft of bridged tap and has 850 ohms or less of resistance.

(e) Unbundled Copper Loops (UCL) - Short – 2-wire or 4-wire circuits that are provisioned using industry standard specifications for Resistance Design (RD) loops. This means non-loaded copper, less than 18 kft, no more than 6 kft of exclusive bridged tap and has 1300 ohms or less of resistance.

(f) Unbundled Copper Loops (UCL) - Long – 2-wire or 4-wire circuits that are provisioned using non-loaded copper. They are longer than 18 kft, may have up to 12 kft of exclusive bridged tap and may have up to 2800 ohms of resistance.

Each of these product offerings is different, and Ms. Murray's attempt to have a "one rate fits all" ignores these differences.

Q. WILL EACH OF THE LOOP TYPES OFFERED BY BELLSOUTH SUPPORT EACH CARRIER'S xDSL OFFERINGS?

A. Not necessarily, which is one reason BellSouth offers a number of different loop types so that each carrier can decide for itself which particular loop type will support its particular xDSL service. XDSL services are highly dependent upon the equipment used to provide that service. For example, one vendor's DSLAM may operate fine on an 18 kft loop with minimal bridged tap, while another's may not. Therefore, BellSouth cannot guarantee that an xDSL service will work at any particular bit-rate or function at all on every unbundled loop provided by BellSouth. However, BellSouth does guarantee that the xDSL loop described above will meet a pre-defined set of transmission characteristics, which are usually dictated by industry standards. BellSouth publishes a technical reference document (TR73600) that contains a very detailed listing of the loops' characteristics, which allows the requesting carrier to determine for itself how its equipment will operate on any given loop type. Thus, BellSouth is in no way attempting to "dictate what services a competitor may provide over an unbundled loop," as Ms. Murray claims.

Q. ARE THERE OTHER TYPES OF XDSL LOOPS THAT AN ALEC MAY REQUIRE THAT BELLSOUTH DOES NOT CURRENTLY OFFER?

A. Not to my knowledge. The types of xDSL loops offered by BellSouth are capable of supporting all current xDSL technologies in use. However, as new

xDSL technologies are introduced, BellSouth will work with the industry to determine if additional types of xDSL loops are required.

Q. MS. MURRAY CLAIMS THAT BELLSOUTH'S DISTINCTION BETWEEN ITS UCL-SHORT LOOP OFFERING AND ITS UCL-LONG LOOP OFFERING IS NOT APPROPRIATE. PLEASE RESPOND.

A. The ironic point here is that BellSouth's UCL-Short and UCL-Long loop offerings are consistent with requests by at least one of Ms. Murray's clients (as well as requirements of the FCC). BellSouth previously advised Ms. Murray's client that UCLs should be limited to loops of a length within which it is technically feasible to provide xDSL services. However, at least one of Ms. Murray's clients insisted on being able to obtain an unbundled copper loop that was unlimited in length, and BellSouth complied with this request by offering the UCL – Long. Now Ms. Murray criticizes BellSouth for giving her client what it requested. Ms. Murray also says loops longer than 21,000 feet should not be considered for xDSL services, even though at least one of her clients expressly requested a loop that was unlimited in length.

Q. MS. MURRAY COMPLAINS ABOUT THE DIFFERENCE IN BELLSOUTH'S PROPOSED RATES FOR UCL – SHORT AND NON-DESIGNED SERVICE LEVEL 1 (OR SL1) LOOPS. WHAT IS MEANT BY THE TERM SL1 LOOP AND HOW DOES IT DIFFER FROM OTHER VOICE GRADE LOOPS OFFERED BY BELLSOUTH?

A. An SL1 loop is a 2-wire voice grade non-designed loop that is intended to support POTS-like voice grade services. It may be provisioned using any technology that will provide voice grade services. This includes copper, Digital Loop Carrier ("DLC"), fiber, etc. In order to reduce the cost for these loops, they are not provisioned with test points and do not come with a Design Layout Record (DLR) or any type of coordinated conversion activity.

By contrast, a Service Level Two (or SL2) loop is a designed loop that is available in 2-wire and 4-wire versions and may be provisioned using any type of loop technology. Unlike an SL1 loop, the SL2 loop comes standard with a test point, DLR and Order Coordination, which is a manual coordinated conversion process that ensures the end user's dial-tone is not interrupted for more than 15 minutes.

Q. WHAT IS THE DIFFERENCE BETWEEN SL1 LOOPS, SL2 LOOPS, AND xDSL LOOPS?

A. SL1 and SL2 loops are designed to support voice grade services. By contrast, xDSL loops such as HDSL-compatible and ADSL-compatible loops and Unbundled Copper Loops are intended to support the transmission of higher frequency signals used in xDSL technologies. In many instances, electronic equipment such as a DLC used to provide SL1 and SL2 service will not pass the higher frequency xDSL signals.

Q. IS IT POSSIBLE FOR A CARRIER TO USE EITHER AN SL1 LOOP OR AN SL2 LOOP TO PROVIDE xDSL SERVICE TO ITS CUSTOMER?

A. Yes. However, the xDSL service may or may not work, depending upon the type of loop facilities used to provide the SL1 or SL2 loop. If the SL1 or SL2 loop is provided using a DLC system, is provided using loaded copper pairs, or if the SL1 or SL2 loop has excessive bridged tap, the xDSL service may not function properly. If, on the other hand, the requesting carrier knows that the SL1 or SL2 loop is provisioned over non-loaded copper plant and the loop is within the distance limitations for the xDSL technology being utilized, or if the carrier utilizes BellSouth's loop makeup process to screen the loop facility at a particular customer address, the carrier may decide to use an SL1 or SL2 loop for its xDSL service. In cases where bridged tap may pose a problem, the requesting carrier may order bridged tap removal as an unbundled network element. In short, SL1 and SL2 loops are available for a requesting carrier as a means to support its xDSL service (although not recommended by BellSouth), but there are very real differences between these offerings – differences that Ms. Murray conveniently ignores.

Q. PLEASE RESPOND TO MS. MURRAY'S CONTENTION THAT "A LOOP IS A LOOP," A POSITION THAT SHE BASED ON THE FACT THAT SPRINT AND GTE DID NOT PROPOSE A DISTINCTION BETWEEN xDSL-CAPABLE LOOPS AND VOICE-GRADE LOOPS.

A. Ms. Murray's contention is wrong. While I am no expert on what loops either Sprint or GTE offers, the only conclusion I can draw is that Sprint and GTE do not offer the same selection of xDSL-capable loops that BellSouth offers. However, all of BellSouth's xDSL loop offerings are optional. If Ms. Murray's clients desire to utilize BellSouth's SL1 or SL2 offerings to provide their xDSL service, that is their choice. BellSouth's xDSL-capable loops represent simply another service offering from which requesting carriers can choose. If Ms. Murray's clients do not want to use BellSouth's xDSL-capable loops for their DSL services, they don't have to. Again, contrary to Ms. Murray's claims, BellSouth does not, nor does it make any attempt to "dictate what services a competitor may provide over an unbundled loop."

Q. PLEASE RESPOND TO MS. MURRAY'S CLAIM THAT ALECS WOULD NOT NEED TO REQUEST "CLEAN COPPER LOOPS" IF ILECS HAD "THE FORWARD-LOOKING NETWORK ARCHITECTURE THEY ASSUMED IN THEIR RECURRING COST ANALYSES".

A. The fact is that xDSL loops (i.e., HDSL-compatible, ADSL-compatible and UCL loops) are copper loops. Given this fact, basing rates for a service upon a fiber technology that cannot even be used to provide that service would be inappropriate. For Ms. Murray to contend that BellSouth should have proposed rates for an xDSL-capable loop as if it were essentially the same as a voice-grade loop is mixing apples and oranges. The xDSL-capable loops that BellSouth offers are loops that meet certain design requirements necessary to

provide xDSL service. The same cannot be said about either an SL1 or SL2 loop.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

PC DOCs #225382

BY MR. EDENFIELD:

Q Mr. Latham, did you prepare a summary of your testimony?

A Yes.

Q Would you give that now, please?

A My rebuttal testimony is intended to describe how BellSouth has developed its UNE loop and loop conditioning products, and to explain why we adopted the assumptions set that is used to develop our cost studies.

Once these descriptions and explanations are delivered, I am confident that the Commission will see that the structure and rates for these offerings are very reasonable and will allow local telephone competition to flourish within the State of Florida while concurrently allowing BellSouth to recover its costs from the cost-causer.

Specifically, my testimony addresses five items. First, the structure of BellSouth's unbundled loop modification offering. This is our loop conditioning. Our name for loop conditioning is unbundled loop modifications, and why it is appropriate. Number two, why our cost studies assume that we unload ten pairs at a time versus 25 pairs. Three, how the unbundled loop modifications additive provides a win/win solution for BellSouth, the ALECs, and the end users. Four, why there

are different types of loops for different types of services. And, finally, number five, why I believe it would not be appropriate for the Commission to use a voice grade loop rate as a surrogate rate for xDSL loops.

Loop conditioning primarily involves the removal of load coils and/or bridged tap from copper loops. The existence of load coils is highly dependent upon the length of the loop that serves an end user and the type of service they desire. Bridged tap is a completely different animal.

Therefore, BellSouth's unbundled loop modifications offering has three primary elements; load coil removal from copper loops less than 18,000 feet, load coil removal from copper -- sorry, load coil removal from copper loops greater than 18,000 feet, and removal of bridged tap from loops of any length. This structure reflects the fundamental differences in providing these distinctive states of conditioning and allows BellSouth to recover the costs appropriately for the functions that we perform.

Since load coils are required to be on copper loops greater than 18,000 feet in order to provide normal POTS service, it makes the most sense to remove these items only from the specific number of pairs requested by the ALEC. To do otherwise could jeopardize the end user's

ability to get phone service in a timely and cost-efficient manner.

For copper loops less than 18,000 feet load coils are not needed to provide normal POTS service but may be needed for other types of services. Therefore, BellSouth's assumes ten pairs will be unloaded during each dispatch for this type of conditioning activity. Unloading more pairs could disrupt the services that are working today on those circuits and this might include ATM circuits or other analog data devices that have been adjusted to compensate for the existence of the load coils, so the circuits may not work properly if the load coils are removed.

The ULM additive was developed to recover those costs that would otherwise go unrecovered if it were not for the additive element. The vast majority of orders for xDSL compatible loops that BellSouth receives are for a single loop at a time. And since BellSouth is assuming that the cost of conditioning short loops is spread evenly across ten pairs, that means that the requesting ALEC is typically only paying 1/10th of the total cost incurred by BellSouth to unload the pairs.

Therefore, the ULM additive was developed as a means to equitably recover or otherwise account for the remaining 9/10ths of that cost. This allows the

requesting ALEC to get the pairs that they need at a fraction of the actual cost and they also -- the ALEC community, in general, gets additional pairs conditioned for future use, the end users get the benefit of having multiple competitors in a competitive marketplace, and BellSouth gets to recover its costs.

The fact that different services need different types of loops is certainly not a new concept. Many of the same factors that dictate that a DS-1 loop will not support DS-3 service also dictate that a voice loop is not likely to support xDSL service. It is understood in the telecom industry that DS-1 loops and DS-3 loops each have their own unique set of qualifying criteria and are priced according to those factors.

Similarly, voice grade loops and xDSL capable loops have different requirements to ensure that they work properly for their intended services. They too should be priced according to those requirements. Just as it would be inappropriate for the rate of a DS-3 loop to be set at the same rate as a DS-1 loop, it also would be inappropriate for an xDSL loop to be set at the same rate as a voice grade loop.

So in conclusion I believe that the Commission -- there are four things that the Commission should validate. One, that BellSouth's unbundled loop

modifications structure is appropriate; that, number two, BellSouth's ten pair assumption is the best approach for dividing the costs of this conditioning; three, that the ULM additive is appropriately developed and applied; and, four, rates for voice grade loops such as SL-1 are not appropriate for xDSL loops.

And that concludes my summary.

MR. EDENFIELD: Mr. Latham is available for cross-examination.

CHAIRMAN DEASON: Whoever wishes to go first.

CROSS EXAMINATION

BY MR. MARCUS:

Q Hello, Mr. Latham. My name is Jeremy Marcus. I'm with Blumenfeld and Cohen, representing Rhythms Links, Inc.

How are you this afternoon?

A Great. And you?

Q Pretty good, thank you. Can you briefly describing your history of working at BellSouth for us?

A I have worked with BellSouth for approximately 15 years, have had various jobs primarily in the sales and marketing department. I have had some interaction with both state and regulatory issues in staff support functions culminating in the last probably five and a half years working on local competition issues. And most

recently, the last approximately four years, specifically to product management for unbundled loops, loop conditioning, and some of the other elements that are being discussed in this hearing.

Q As the product manager for unbundled loops, is it your responsibility to define the products and -- the unbundled loop products and loop conditioning products?

A Yes.

Q Did you provide any of the cost inputs for those products?

A No. I did not provide any of the cost inputs themselves, but worked with the project team to define the characteristics of the product so that the subject matter experts on the project team could refine the cost inputs that they did give to the people who actually performed the cost study.

Q And the subject matter experts, they gave those cost inputs to you or they gave them to the cost team?

A No, they would have given them to the people who actually performed the cost study, they would not give them to me.

Q And what do you understand your role in this proceeding to be?

A My role in this proceeding, as my summary indicated, was to explain the development process that

took place and to describe why we adopted the assumption sets that we did that ultimately led to the products being developed the way that they were, structured the way they were, and costed the way that they were.

Q Have you ever been responsible for directly installing outside plant yourself?

A No, I have not.

Q Have you ever supervised individuals who have had that as their main responsibility?

A No, I have not.

Q Are you here to testify as an expert as to the work activities that go into loop conditioning?

A No.

Q Were you present at Ms. Caldwell's testimony yesterday?

A Most of it, yes.

Q So how is it that you designed the DSL loop products if you have never designed BellSouth's plant itself?

A Is your question how was I able to write the service description for the SL-1 loop if I have never installed plant?

Q It would be for any of the loop products that you have designed the assumptions around, yes.

A Primarily, I review regulatory requirements for

the development of these things, and I negotiate and interact directly with the ALEC community, the customers who ultimately purchase these loops. And by understanding the requirements for the various UNE loops and other elements that we have, I can write a description about what the element is and how it should be provided in concert with the subject matter experts that are on our team gathering input from them to supplement the information that I have gleaned from either regulatory requirements for developing these items or contractual obligations through the negotiations process with the CLECs to better understand what is needed and what is required and then applying that appropriately within the framework of BellSouth's operational systems and support structure.

Q So then most of the information you use to design these products, if not all of it, comes from conversations with others, primarily I believe you said subject matter experts within BellSouth, is that correct?

A Not exactly. Again, it is reading and understanding regulatory requirements, talking directly with CLECs, and, yes, some portion of it, perhaps a large portion of it is due or comes from talking with people who do have actual plant experience and other experience working directly with our operational support systems and

who have actually touched these elements.

And I, myself, have done field visits to go out and see what goes on. Even though I haven't actually done the work, I have gone out and ridden with technicians and looked at these items to better understand how they fit together so that I can do my job better.

Q Have you ever installed or removed a load coil or bridged tap?

A No, I have not.

Q Are you the individual who came up with the distinctions between what is a designed versus nondesigned loop for BellSouth?

A No, not the person who came up with what constitutes a designed loop versus a nondesigned loop. But I am the person who applied those existing principles about what constitutes a designed product and a nondesigned product in the service description for the SL-1, i.e., nondesigned loop, and the SL-2, being our designed loop.

But the actual parameters about what the designed process is versus a nondesign process was already in existence before I came to BellSouth, I'm sure, and certainly before I became product manager for unbundled loops.

Q Are you aware that several ALECs in this

proceeding have stated that an xDSL loop should be a nondesigned loop?

A I have heard that through these proceedings and things that I have read, yes.

Q And were the things you read for this proceeding the first time you have heard that?

A To the best of my recollection, yes.

Q And how early in this proceeding?

A While reviewing the testimony prior to writing my rebuttal testimony, so I would say within the last month.

Q So you were not shown the issues list in this proceeding when it came out, I believe, last winter?

A The issues list. Not to my recollection, no.

Q Then you would not be aware that, I believe, Issue Number 3 in this proceeding is what is the proper definition of an xDSL loop?

A No, I haven't seen that issues list that I can recall.

Q So when you were coming up with the unbundled loop products descriptions and assumptions to provide to Ms. Caldwell for her to cost, you were not aware that there was a potential difference between BellSouth and ALECs in what an xDSL loop was, is that correct?

A Well, I know that there are differences about

what the ALEC community thinks should constitute an xDSL loop, but not relative to the service description that I wrote that ultimately resulted in her cost study.

Q Are you familiar with a docket before the Georgia Public Service Commission on DSL loops? I am referring to Docket 11900 in which two workshops would have been held earlier this year?

A I am familiar with the Georgia xDSL workshops, yes.

Q And did you attend those workshops?

A Two of them anyway. I'm not sure if there were more.

Q And would it be fair to say that one of the points of discussion in those workshops would be the proper definition of an xDSL loop?

A That is true.

Q So then you have been aware at least since those workshops that there is some contention?

A If I remember correctly your original question or premise had to do with whether or not they should be designed or nondesigned, is that correct?

Q That was a question I asked, yes.

A I am aware, as I said, that there is a general difference about -- between the ALEC community and BellSouth in this case about the total definition of what

constitutes an xDSL loop. But relative to the issue of whether it should be designed or nondesigned, I only became aware of that issue within the last month, as I stated earlier.

Q How long have you been aware that there may have been some distinction between ALECs and BellSouth as to what constitutes an xDSL loop?

A Well, there has been some debate on different types of xDSL loops, I would say, for the past year, year and a half.

Q And when you provided the assumptions to Ms. Caldwell so that she could develop the costs for your various loops products, did you inform her that some ALECs had a different view of what an xDSL loop was, and did you inform her what the ALEC assumptions might have been?

A No, there would have been no reason for me to inform her of that.

Q So there would have been no reason for her to attempt to develop the cost for the loop that the ALECs believe should exist?

A Not from my perspective as product manager. As product manager, I develop the unbundled loops that, again, as I said, are either required by regulatory mandate or that we have negotiated with ALECs individually. And so as product manager I would write the

service descriptions for those type things, and I would give that to the project team so that the SMEs can understand what the definition is, such as the definition that the loop would extend from the distribution frame in the serving wire center up to and including the network interface device at the customer prem, whether it was a two-wire or a four-wire facility, those kind of things.

So that once the team discussed what it takes to actually operationalize these products, then that cost -- those cost inputs are gathered by the team and ultimately go to Ms. Caldwell and her group, and they calculate the output of that. So, no, I could not see the need for me to in the responsibilities of my job to volunteer that oh, well, here is the product as we want you to cost it out, but just be aware that there are some debates as to whether the CLECs agree with these or not. I would not have done that.

Q So then it would have been impossible for Ms. Caldwell and the cost team to properly cost out an xDSL loop as ALECs would define an xDSL loop because she was not given the information that would have allowed her to do that, is that correct?

A I do not agree with that because she would have many other ways of determining that information other than getting it from me?

COMMISSIONER JABER: Do you know if she did?

THE WITNESS: No, I do not know for sure. But based on what I have heard in this proceeding it seems that she was aware of that, because I believe yesterday she testified that she ran an all-copper model to accommodate specific needs of these copper loops. But I don't know that that was specifically driven from ALEC input necessarily.

BY MR. MARCUS:

Q Actually, I don't have a transcript to read back to you, but I believe what Ms. Caldwell said, and I will ask you to accept it subject to check, was that what she costed would have been unbundled loops based on technology that would be available between 2000 and 2002, based on ALECs desiring them, and based on the product team willing to provide it.

And so if you, as the head of the product team, were not willing to provide it, there would have been no way under those three standards, particularly that third one, that she would have costed the xDSL loop as desired by the ALECs.

A Is that a question?

Q Is that correct, yes?

A Is what correct?

Q Given those three assumptions that there is no

way that the BellSouth cost team would have costed an xDSL loop as desired by ALECs?

A Again, based on the things that you read out I do not believe that that is correct, because I know that the cost group performs cost studies other than what may be directed by myself or my counterparts, other product managers. They perform cost studies at the direction of the regulatory groups and other people within BellSouth.

Q But if you were to assume that one of the criteria that Ms. Caldwell used or that the product team was willing to provide the element, then unless you have told her that you are providing it, she is not going to be costing it, is that correct, based on that assumption?

A Well, based on that assumption, I guess it is correct. But that is a wrong assumption. Because as I stated, that the cost people prepare cost studies all the time without the specific direction from the product team or the product manager.

Q So then you don't recall Ms. Caldwell stating that that was one of the criteria she used in what she was costing?

A No, I do not recall that.

Q Let's move back to the issue of designed versus nondesigned loop for a minute. Is an SL-1 loop a designed loop?

A No, a SL-1 loop is a nondesigned loop.

Q And an SL-2 loop?

A SL-2 is a nondesigned voice grade -- I'm sorry, SL-1 is a designed voice grade loop.

Q Do you have your testimony in front of you?

A Yes, I do.

Q Could you please turn to Page 10, Lines 10 through 13?

A Okay.

Q Are you with me?

A Yes.

Q In this part of your testimony I believe you identify three characteristics of a nondesigned loop. And those would be that there is a test point, that the ALEC gets a design layout record or DLR, and that the designed loop comes with order coordination, is that correct?

A Yes. The SL-2 voice grade loop does come with those three elements that you mentioned.

Q Are the xDSL loop types that you have created the specifications for defined design loops?

A Yes. All of the xDSL loop types that we offer are considered to be designed loops. And, in fact, all of our unbundled loops that we offer are designed loops with the exception of the SL-1 voice grade loop.

Q So your DSL loops would come with a test point,

a DLR, and order coordination, is that correct?

A Well, not entirely. It's a little bit of a mixed bag. The two original xDSL capable loops that were developed as a result of the FCC's First Report and Order called for ADSL and HDSL capable loops. And at that time we were including all three of those items in all of our designed offerings. The test point, the fact that they were designed, and order coordination was all included as a part of the nonrecurring charge for those two loop types.

Subsequently to that, at the request of various CLECs, some of which who are a party to this hearing, requested the development of the unbundled copper loop short as it is now known, and they are designed loops so the DLR comes with them as a by-product and they are provisioned with test points. But it was determined that in most cases that the unbundled copper loops would be additional lines. They would not be replacing someone's existing service.

And so we did not include order coordination in the nonrecurring cost for that loop type. Instead we made it optional item that if the ALEC needed order coordination for some reason they could still get it and pay extra for it.

Q So if an ALEC was to order an ADSL capable loop

from BellSouth that automatically comes with order coordination. But if the ALEC orders the UCL short it is an optional feature with an additional charge?

A Correct. That is the way that those products are structured today. But any of these loop types or the attributes that go along with them are subject to negotiation with the individual CLECs -- or ALECs, I'm sorry.

Q So then it is your belief that for all of the xDSL loop types that BellSouth offers, the ALEC desires a test point and the DLR?

A I wouldn't state that categorically. No one -- to my recollection no ALEC has ever said that we, you know, want or don't want a test point. During the negotiations of our contract, no one has asked for an xDSL loop that either did or did not have a test point. And what was the other item you mentioned?

Q The design layout record or DLR.

A Relative to xDSL loops that also applies. However, when we were originally developing unbundled loops in general, again, as I mentioned from the outset of the FCC's 96325 order, the vast majority of the ALECs that we negotiated unbundled loop contracts with did desire a design layout record as a part of that provisioning process so that they could understand or know the

characteristics of the loop type that we handed to them. After we had done everything we needed to do to ensure that it was tested and worked properly they wanted to understand what the characteristics of it were. So the DLR was something that was highly demanded by ALECs in general. I can't recall -- I think your question specified data CLECs, is that correct?

Q It didn't, but you can assume that, yes.

A I don't recall any discussions by specifically data ALECs relative to whether they wanted a DLR or not during their negotiation process.

COMMISSIONER JACOBS: Is that tied at all to the idea -- I'm sorry, I can't remember, I think it was Mr. Pate this morning, when he explained how the -- how an ALEC actually is assigned a line. If I am correct they can't reserve a line. They ask -- they do the order and then you give them a selection. I assume it is a selection out of one of the ten. Does this DLR help them identify whether or not they want to accept the offer that you made, the selection that you have made in terms of a pair? Do you follow my question?

THE WITNESS: I believe so. Let me answer it this way, and then if I haven't answered your question I will be happy to try again. But the electronic prequalification or preordering tool that you are

referring to, I believe -- I am not the product manager for that, but I have general understanding of it -- allows the ALEC to come in and based on the type of loop that they are looking for, it gives them, I believe it is up to ten loop makeups. They get the loop makeup for up to ten pair of wires.

And that loop makeup information that they look at, in other words, how long the loop is, does it have load coils or not, how much bridged tap does it have, that type of information allows them to see if there is a particular loop there that they like and want. And if they do like it, they can reserve that pair and then subsequently issue an order for an xDSL capable loop for the pair that they have reserved.

Now, once they place that order, since the xDSL capable loops are designed, BellSouth will go through the design process of making sure that that pair of wires has all of the physical and electrical characteristics that it is supposed to have. So that designing process, the output of that or a by-product of that is this DLR, the design layout record.

So the DLR is done as the loop is being deployed or provisioned. And so it somewhat syncs up with the loop makeup information that they see on the front end, but then the DLR information is, again, I guess affirming that

what they asked for is actually what they got.

COMMISSIONER JACOBS: Thank you.

BY MR. MARCUS:

Q Now, that DLR, that is provided after BellSouth has provided the loop to the ALEC, correct?

A Correct.

Q Whereas loop makeup information is provided prior to the ALEC placing the order?

A Correct.

Q Was BellSouth providing access to loop makeup information back two, three, or four years ago when you were initially negotiating your agreements with ALECs or was it only offering to provide DLRs?

A We did not have the -- neither the electronic loop makeup database that is in place today, nor did we have the manual loop makeup process that is also available today. But what we did have was the service inquiry process that would allow the ALEC to come to us and say, "I want this type of loop, an ADSL capable loop, or an unbundled copper loop short, or whatever."

They could tell us the type of loop that they were looking for and then we would go through a manual internal process to determine if a loop like that was available. If it was not available, we would go back to the ALEC and say, "It is not available at that address.

The type of loop that you want is not available at that address because," and it would either list, you know, loaded facilities, or that there were no copper facilities, or that it was out of range, it was too long to meet the parameters that they looked for.

Q But an ALEC had to specify one of the products that BellSouth had designed as opposed to saying the xDSL loop that the ALEC wanted under the ALEC's specifications?

A Yes. The service inquiry process asked the ALEC to specify the type of loop that they wanted, and the types of loops that were listed on that service inquiry process would have been the loops that either we had some reason to believe that we were required to provide it through some regulatory mandate or that we had agreed to provide to the CLECs through our contract negotiations.

Q Thank you. Do you have any information on whether ALECs, in particular data ALECs, desire test points or do you not know?

A I don't know specifically. I don't recall any specific discussions about that. I would say that the data CLECs, since you specified them -- no, again, I don't recall whether they are desired or not by the data CLEC community.

Q Would it surprise you to learn that at least some of the data ALECs do not desire designed loops?

A No, that wouldn't surprise me.

Q And yet you are not willing to offer an xDSL loop as a nondesigned product, is that correct?

A No, that is not correct. We have said all along that we are willing to negotiate. To the extent that it is technically feasible, are willing to negotiate any loop type that a CLEC would come to us and request through the negotiation phase of their interconnection agreement.

Q So then it is your position that no ALEC has approached you to negotiate that?

A I can't recall any ALEC approaching us about developing a nondesigned xDSL loop, no.

Q If you were to design a nondesigned xDSL loop, do you expect that you would then have a need to provide different assumptions for costing purposes to the BellSouth cost team?

A Yes.

COMMISSIONER JABER: Is there less cost associated with a nondesigned xDSL loop?

THE WITNESS: Yes, ma'am, there would be -- really not pertinent to whether it was xDSL, but the fact that you are not doing the design work would make any loop less expensive from a nonrecurring perspective, that is correct. That is one of the primary differences -- if I could add a little to that, again, between the SL-1 and

SL-2 that we were talking about earlier. The loop that is now known as the SL-2 loop was the original voice grade loop that was developed by BellSouth.

And as I said before, all of the CLECs or ALECs that I was aware of at that time did want the DLR. So we designed the voice grade loop so that they could get the DLR as a result of that. Then subsequently in an attempt to provide a less expensive voice grade loop from a nonrecurring perspective, one of the main cost reduction factors would have been to not design it and to not do the order coordination activity that we talked about earlier. Those were the primary factors that made the nonrecurring cost higher. So we took those out as we developed the SL-1 loop.

COMMISSIONER JABER: In terms of frequency and quality in the loop, whether it is designed or not designed doesn't matter?

THE WITNESS: I wouldn't go that far. Designed loops, because they are designed to certain parameters of decibal loss and resistance and those types of things, in my opinion, and I would think in the opinion of the subject matter experts on the project team, would say that an SL-2 voice grade loop is somewhat of a higher quality loop because as we hand it to the customer, the ALEC in this case, it has a known set of qualities and

transmission parameters that they can be assured that their transmissions will be within a certain range.

But with an SL-1 loop, since it is not designed, whatever the transmission characteristics happen to be for that particular pair of wires or circuit is what is it. We don't do anything to adjust it or try to improve it. It is just whatever it is is what it is. So I would say that an SL-2, I would categorize that as a higher quality loop than an SL-1 loop in some ways.

COMMISSIONER JABER: In a competitive arena, if the ALEC chose an SL-1 loop and that provided a lower quality frequency and was less efficient, isn't that the ALEC's problem? And then, in fact, doesn't that work to BellSouth's favor, because if the customer isn't happy they will turn to BellSouth instead of the ALEC?

THE WITNESS: Well, I was with you on the first part of that. I believe where you said -- I do agree that it is the CLEC's prerogative to choose the SL-1 loop even if they recognize it to be a lower quality loop, that is correct that that is their choice. And the second part was?

COMMISSIONER JABER: That is their choice. If they have any problems and they come to BellSouth and ask for a better quality loop, then there is an added cost.

THE WITNESS: Correct.

COMMISSIONER JABER: So I come back to the original question. Isn't that a risk a CLEC takes and, therefore, it is their problem which quality loop they ask for?

THE WITNESS: Yes, in most cases it is. But BellSouth also sometimes can get caught up into the negative aspects of the lower quality loops in that the -- and I hesitate to say lower quality, but just less definition around the transmission specifications. Because once those are handed to the customer, they still have high expectations for how they operate. So sometimes they will have problems with these loops. Even though they are less expensive, and they have not asked us to do the design work, and we don't have the test point on there, and the other things, they still will submit trouble tickets when their services don't work properly on these. And so BellSouth does get caught up in it sometimes. We have to track down troubles or verify whose trouble it really is, is it our trouble or is it their trouble, so --

COMMISSIONER JABER: Help me understand that. Is the customer, is the end use customer calling the ALEC or are they calling BellSouth?

THE WITNESS: Well, they should be calling the ALEC. But sometimes end users may not actually know, but

they should be, and I would think most of the time are calling the ALEC because they are the ALEC's customer in that case.

COMMISSIONER JABER: So you would only get caught up in this when the ALEC calls BellSouth and says I need a better frequency loop?

THE WITNESS: Correct.

COMMISSIONER JACOBS: How does the UCL -- is it a part of this whole discussion, and what I understand the discussion to be is if an ALEC seeks to get a DSL compatible line, what is the most cost-effective process for them to do that? And as I understand, the unbundled copper loop is basically a two-wire or four-wire loop that is within the parameters. And if I understood your earlier testimony there is a -- they can't order that through the normal process. There is an additional process that they would have to go through to order UCL, am I correct? Walk me through how one would acquire a UCL for purposes of xDSL?

THE WITNESS: For the ADSL capable loop, the HDSL capable loop, and the unbundled copper loops, short and long, those four loop types need certain types of prequalification. They are not like a voice grade loop that is pretty much ubiquitous throughout our network. So for all the other loop types we offer except the four that

I just mentioned, you can just issue an order for that loop and we will provision it, because they are pretty much ubiquitous. But because of the unique requirements for those four loop types, the ADSL, HDSL, and both UCL offerings, we have to go in -- either we have to go in manually or through some process to determine that it is there, or the CLEC has to do that through the preordering thing. Somebody has to determine that a loop that meets those specifications actually exists at that customer address, i.e., that it is nonloaded copper, less than 18,000 feet, whatever the parameters are.

COMMISSIONER JACOBS: And that won't happen in that loop makeup inquiry? Will that take --

THE WITNESS: Yes. That's why I said either BellSouth has to do it or the ALEC would have to do it through the loop makeup process that we discussed earlier.

COMMISSIONER JACOBS: Okay. Thank you.

THE WITNESS: And if I could just add that if the ALEC does it themself through the loop makeup process, then the nonrecurring cost for that loop is reduced because the ALEC has done that work themself and BellSouth is not going it.

BY MR. MARCUS:

Q Let's turn to Page 11 of your testimony where you talk somewhat about the loop makeup information.

A Page 11. Okay.

Q Lines 8 through 13.

A Okay.

Q I believe in this statement you state that if an ALEC utilizes BellSouth's loop makeup information, the carrier is then free to order a loop, an SL-1, an SL-2, any kind of loop, and then if the carrier so desires they can attempt to put their own DSL services over it. BellSouth simply won't guarantee the specific parameters that it associates with its specific DSL products, is that correct?

A Yes, that is correct. An ALEC could come in, look at the loop makeup information, and if they see that there is nonloaded copper at this customer address, they could issue an order for an SL-1 and they can attempt to put whatever service they choose across the SL-1. We don't restrict the type of services that they can use the UNE loops for.

But if there is a problem associated with that and a trouble ticket is turned in, the only thing that we can ensure, if you will, through the repair process is that the loop meets the specifications for the loop type that was ordered. And in this example they would go in and say, "Here is a voice grade SL-1 loop; there is a repair problem on it, and it meets the specifications for

a voice grade loop, so we don't see a problem."

Q But the ALEC would have looked at the loop makeup information, learned the parameters of that loop, and then made its own determination that based on those parameters it could provide whatever flavor of DSL service that it thought. And there is no reason that the ALEC couldn't then go reserve that loop and obtain that particular loop and use that to provide its particular DSL service, is there?

A Again, there is no reason why they can't use an SL-1 voice grade loop to attempt to provide DSL service. If it works, that's great. If it doesn't, the only thing that we can answer to is that whether it is or is not a properly functioning voice grade loop.

Q So then the distinction is that if there were to be some sort of problem with the line, BellSouth will only maintain that loop consistent with the SL-1 parameters as opposed to if it was an ADSL loop, the ADSL capable loop parameters?

A Correct. We will only maintain and repair the loop to the standards to which it was ordered. And if it was ordered as an SL-1 loop, we will maintain it and repair it as an SL-1 loop. If it was ordered as an ADSL capable loop, we will maintain and repair it to those standards.

Q And the difference between the standards and the difference between the design and the nondesign, those are the items that make up the distinction between the rates that BellSouth is proposing between the SL-1 loop and the DSL capable loops?

A Correct.

Q And so those items are what gets BellSouth from an $83.20 nonrecurring charge for an SL-1 loop -- and I'm look at the revised exhibit attached to the end of Al Varner's revised testimony -- the difference between essentially an $83 charge and a $391 charge?

A Those parameters that we just talked about would represent part of that price differential. But not looking at exactly what you are looking at, or know what inputs were put into there, but the second rate that you gave sounds like a rate that would also include the manual loop makeup or service inquiry process that BellSouth would go through to qualify the loop for the ALEC.

Q The 391 does include the loop makeup. It is Item A.6.1 with loop makeup information.

A So that would be --

Q But even if you didn't include that, on A.6.1 without LMU, you are still looking at $258.86, which is still significantly higher than the $83 charge, and yet this is for items that ALECs may not want.

A I'm sorry, was that a question?

Q I'm trying to understand why the difference should be as great as it is, and why the ALEC should be forced to pay that higher charge.

A First of all, I would take exception that the ALECs are forced necessarily to pay that higher charge. If they want that loop with those attributes then they should pay the appropriate cost to provision that loop. If they don't want those attributes, they can negotiate for something different to the extent that it is technically feasible for us to provide it.

The second -- or actually the first part of your question was why are the cost differences that much, is because through the cost inputs that were gathered from the project team it was determined that a nondesigned loop, as I mentioned earlier to the Commissioners, that the design process is very expensive and time consuming. And the fact that you are not doing it on an SL-1 loop would represent the much lower charge. And part of the reason why the other loop is higher is because we are doing that time consuming design process.

MR. MARCUS: Thank you. I have nothing further.

CROSS EXAMINATION

BY MR. BRESSMAN:

Q Good afternoon, Mr. Latham. Michael Bressman

with BlueStar. Just a few questions.

Just so I am absolutely clear, if an ALEC does an electronic loop makeup inquiry, there is no need for a DLR, correct?

A It is correct that there is no need for a DLR. But, again, the DLR is a by-product of the loop being designed. And in some ways some CLECs may actually have -- I'm sorry, ALECs. You use different names in different states, but I will try to do better about ALEC in Florida. Some ALECs may still want that because they want to confirm that after the design process has been completed that the loop still meets the parameters that they expected to get when they reserved the loop through the loop makeup process.

Q And if I order a stand-alone loop, is there any reason why I would need to coordinate conversion?

A None that I am aware of. And that's why on our more recent loops that we have developed, such as the unbundled copper loop where it is expected that they are not replacing an existing service that the customer already has, but it is going to be used as an additional line, we have tried to make that an optional element and not include it in the cost of the loop itself.

Q And just for a moment to go back to ISDN loops. Are ISDN loops designed?

A Yes, unbundled ISDN loops are designed. As I mentioned earlier, all of our unbundled loop offerings are designed except the SL-1 voice grade loop.

Q Are they designed in all BellSouth states?

A Yes. There is no state-specific distinction between whether they are designed or not.

Q What about in the State of Georgia?

A Unbundled ISDN loops in the State of Georgia are designed loops.

Q Do you have a copy of Mr. McCracken's deposition?

A No, I do not.

Q Let me see if I can give you a copy here. It is Exhibit 100.

A Thank you. Exhibit 100.

Q Would you please turn to Page 30, Line 20.

A Page 30, Line 20.

Q I asked Mr. McCracken whether -- and who is Mr. McCracken?

A Mr. McCracken was at one time the I&M, or installation and maintenance SME on the project team, but is no longer that SME.

Q Do you see that I asked him a question is an ISDN loop a designed loop, and his answer was it depends on which state you are in in BellSouth --

CHAIRMAN DEASON: You need to slow down.

MR. BRESSMAN: I'm sorry.

BY MR. BRESSMAN:

Q Did you see that I asked him the question is an ISDN loop a designed loop. And his answer was it depends upon what state you are in in BellSouth?

A Yes, I see that is in his deposition.

Q And then if you go a little further he states that they are not -- ISDN loops are not designed in Georgia?

A Yes, I see that.

Q Do you know if that is true?

A I know that it is not true. As I stated earlier, all unbundled ISDN loops in all of BellSouth's states are designed loops.

Q Isn't he the SME for the team that does the field installations?

A Well, he was at one time, yes.

Q Wouldn't he know how they are designing and installing their loops?

A I wouldn't think so. I'm not an expert necessarily in this area. But it is my understanding that the design process is something that takes place other than the field people who actually install them. It is more of a central office or more of a headquarters type --

CPG, I think, circuit provisioning group and others. The installation people, to the best of my knowledge, have no clue about or have any involvement in the designing or lack thereof of a circuit.

COMMISSIONER JABER: Mr. Latham, is a SME a subject matter expert? What is a SME?

THE WITNESS: A SME, yes, that stands for subject matter expert in their field, in other words. So in this case Mr. McCracken would have been a subject matter expert about the installation and maintenance of loops, but may not know anything about the design process of a loop because he may or may not be a SME in that area.

CROSS EXAMINATION

BY MS. BOONE:

Q I just have a few questions, Mr. Latham.

You are the person that designs and defines how the loops are characterized, right?

A Well, that is true. I would use the word develop, I guess, more than design because there seems to be a lot of confusion around the word design.

Q It's turning out to be an ugly word, huh?

A I wouldn't say that.

Q Would you agree with me that an ADSL loop as BellSouth defines it will always meet the specifications for an SL-1 loop?

A It will meet a subset of the specifications for an SL-1 loop, yes.

Q So, in fact, an ADSL loop is a subset of the larger group of SL-1 loops?

A Yes, I think that's fair.

Q Okay. And if I were to pull up a loop inquiry and I saw ten loops going from my house to the central office, and those loops all had the identical same components, they were 15,000 feet long, they had no bridged tap, no load coils, and they were all copper, could that loop are labeled either an SL-1 or an ADSL?

A Yes. I think it is fair to say that voice service will always work on an ADSL capable loop, but ADSL service will not always work on a voice grade loop.

Q I understand that. And you understand that ALECs are here today to say that we want to decide what works on which; would you say that is a fair summary of our position?

A I wouldn't characterize your position. I thought that these proceedings primarily were to determine the cost for the elements that we provide, not necessarily for you to state what you desired.

Q Fair enough. BellSouth inventories its loops, doesn't it?

A Yes.

Q And inventories some as SL-1 loops?

A They are certainly inventoried as voice grade loops. I can't say specifically that they are inventoried as SL-1 versus SL-2 loops.

Q Okay. And DSL loops are separately inventoried and marked as such?

A They have different codes that we use to identify them, yes.

Q Okay. And in your testimony you say we are free to use an SL-1 loop, is that correct?

A Yes, that is correct.

Q And we are free to place DSL on it, is that correct?

A Yes, that is correct.

Q And the only problem you highlighted -- well, one of the problems you highlighted in your testimony was that we could be rolled from copper to fiber at any time, correct?

A Correct.

Q Now, that could happen with a BellSouth voice customer, isn't that correct?

A That is correct.

Q And that could happen to a BellSouth customer, a voice customer who also had BellSouth DSL, correct?

A I don't know -- I think you're getting into the

line sharing area. And I'm not the product manager for line sharing.

Q Okay. But I am actually asking about the BellSouth offering, not what you are calling line sharing for ALECs. You are not familiar with either, is that what you are saying?

A Yes. I probably misstated. I'm not familiar with line sharing or that familiar with how BellSouth's tariffed ADSL service is inventoried or flagged in our network.

Q Okay. Well, I would like you to use your experience with me here for a second, because you have been working at BellSouth for quite awhile. Do you think BellSouth would offer a DSL product over a voice service one day, and then roll that customer onto fiber thereby destroying the DSL service the next? Does that sound like something that BellSouth would do?

A No, I don't think it sounds like something BellSouth would do. But I don't have experience as a product manager on the retail side of the house.

Q So it seems like BellSouth has found some way to mark those voice lines that have DSL on them so that won't happen, wouldn't you agree?

A I couldn't speculate one way or the other.

MS. BOONE: Thank you.

MR. FONS: No questions.

CHAIRMAN DEASON: Staff.

MS. KEATING: Staff has no questions.

CHAIRMAN DEASON: Commissioners. Redirect.

REDIRECT EXAMINATION

BY MR. EDENFIELD:

Q Just one question. This is kind of following up on what Commissioner Jaber was asking, and you may have already answered it. Are the ALECs free to purchase an SL-1 loop to try to put whatever service they want over it?

A Absolutely. I mean, I thought that we had discussed that a couple of different times. But, yes, and I wouldn't just limit that to an SL-1 loop. Any of our unbundled loop offerings the ALECs are free to attempt to put whatever service they choose over there, over those facilities. The only real restriction that we have is that we ask that those services not be disruptive to our network and existing other customers, other ALECs or retail customers, or whomever, that they can put whatever service they want to, but if that service is somehow disruptive then we would ask them to no longer do that.

But as far as, you know, recognized telecommunications services, they are free to put -- to attempt to put any service over any loop that we offer.

But we don't guarantee or ensure that those services will work. We will only ensure that the loops work for the services that they were originally intended to provide.

Q So as part of the freedom to purchase whatever loop they want and try to put whatever service they want over it, have they agreed not to come complain to us in the event that a copper loop is turned into a digital loop carrier, or if the loop just doesn't have the technical parameters to carry the service they want to provide over it? Have they agreed not to come complain to us in those situations?

A Well, not that I am aware of that they have agreed not to complain to us. We have in our interconnection agreements tried to spell out this problem. We have made them aware through the interconnection agreements that this risk exists, and have tried to spell out on the front end this situation that we have been trying to describe, that they are free to put these services on the loops, but we will only maintain and repair them for what the loop was originally ordered as. Did that answer your question?

MR. EDENFIELD: Yes, sir. Thank you very much. I have nothing further.

CHAIRMAN DEASON: Thank you, Mr. Latham. You may be excused. I believe the next scheduled witness is

Mr. Reid whose testimony has been stipulated. Maybe we can go ahead and address that.

MR. EDENFIELD: That is correct, Chairman Deason. At this time via stipulation we would move into the record as if read the direct testimony of Mr. Walter Reid dated May 1st, 2000, and ask that the two exhibits attached to that testimony be identified.

CHAIRMAN DEASON: Exhibit 119.

(Composite Exhibit Number 119 marked for identification.)

MR. EDENFIELD: Would it be your preference for us to do all of this as one big composite exhibit or would you like to keep them separate?

CHAIRMAN DEASON: No, we will just do it as one composite.

MR. EDENFIELD: Okay. At this time we would also move into the record as if read the revised direct testimony of Walter Reid dated August 18th, 2000, and ask that the two exhibits attached to that testimony be identified.

CHAIRMAN DEASON: This is the rebuttal at this point?

MR. EDENFIELD: No, sir, this is the revised direct.

CHAIRMAN DEASON: Revised direct.

MR. EDENFIELD: And the date of that is August 18th of this year.

CHAIRMAN DEASON: Okay. That is still going to be part of Composite 119.

MR. EDENFIELD: And the final piece of testimony from Walter Reid that we would ask be admitted into the record as if read is what is labelled his Phase 2 rebuttal testimony, which is dated August 21st, 2000. And there are two exhibits attached to that testimony which we would ask be made part of the composite exhibit.

CHAIRMAN DEASON: And it will be part of Composite Exhibit 119. And all testimony for Witness Reid, which you just identified, will be inserted into the record without objection.

BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF WALTER S. REID
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 990649-TP
MAY 1, 2000

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

A. My name is Walter S. Reid and my business address is 675 West Peachtree Street N. E., Atlanta, Georgia. My position is Senior Director for the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth", or "the Company").

Q. BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I received bachelor and master of science degrees in industrial engineering in 1969 and 1971, respectively, from the Georgia Institute of Technology. I am a Certified Public Accountant (CPA) licensed in the state of Georgia, and am a member of the American Institute of CPAs. I was employed by BellSouth in November,

1971, as a management trainee in the Comptrollers Department in Jacksonville, Florida. Since that time, I have held various positions of increasing responsibility in the areas of budget and forecast preparation, cost accounting, separations, and regulatory matters. I was transferred to my current position at Company Headquarters in October, 1987. Overall, I have over 28 years experience dealing with the financial issues of the Company.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

A. I am responsible for the preparation and analysis of the Company's financial results, the provision of accounting and cost information requested in proceedings before state and federal regulatory commissions and the coordination of other regulatory activities related to accounting and finance.

Q. HAVE YOU TESTIFIED PREVIOUSLY REGARDING FINANCIAL ISSUES IN STATE REGULATORY PROCEEDINGS?

A. Yes. I have testified in Florida proceedings for many years. Included among the dockets in which I have testified, are Dockets Nos. 960757-TP, 960833-TP, and 960846-TP which dealt with the appropriate unbundled network element (UNE) rates for BellSouth in Florida. My testimony in these dockets related to the proper amount of shared and common cost to include in UNE rates. I have

also testified in numerous regulatory proceedings in Alabama, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this proceeding is to address the appropriate methodology for including a reasonable amount of forward-looking shared and common costs in BellSouth's Total Element Long Run Incremental Cost ("TELRIC") studies. The inclusion of a reasonable amount of shared and common cost in the economic cost of UNEs is consistent with past orders of the FCC and the Florida Commission. The FCC's First Report and Order in CC Docket Nos. 96-98 and 95-185, released on August 8, 1996, outlined the FCC's TELRIC methodology and acknowledged that prices for UNEs should include a reasonable allocation of forward-looking joint and common cost (See paragraph 672 of the FCC's Order). In Order No. PSC-96-1579-FOF-TP ("Order") issued December 31, 1996, the Florida Public Service Commission stated, "Upon consideration of the evidence in the record and based on the Act, we find it appropriate to set permanent rates based on BellSouth's TSLRIC cost studies. The rates are for the unbundled network elements we consider to be technically feasible. The rates cover BellSouth's TSLRIC cost and provide some contribution

toward joint and common costs." (Order at page 33). These guidelines were also referred to in Order No. PSC-98-0604-FOF-TP issued April 29, 1998.

BellSouth's approach for treating shared and common costs consists of a study which develops appropriate shared and common cost factors for use in UNE rate calculations. BellSouth's methodology which is being filed in this Docket has been modified from the methodology which was filed in Dockets Nos. 960757-TP, 960833-TP, and 960846-TP, to incorporate certain conclusions reached by the Commission in Order No. PSC-98-0604-FOF-TP.

Q. PLEASE EXPLAIN THE MODIFICATIONS YOU HAVE MADE TO BELLSOUTH'S METHODOLOGY SINCE IT WAS FILED IN DOCKETS NOS. 960757-TP, 960833-TP AND 960846-TP.

A. The major modification which has been applied to BellSouth's methodology for treating shared and common costs is the recognition of the Commission's conclusion that shared costs should be reflected by means of the shared cost factors and should not be associated with labor rates. As noted in Order No. PSC-98-0604-FOF-TP, page 63, this change in methodology merely shifts the recovery of some of these costs from non-recurring rates to recurring rates. This change in methodology eliminates a category of factors included in BellSouth's previous study that was called the

"shared labor factors". The costs which previously would have been assigned to non-recurring rates through these shared labor factors are now included in the shared cost factors applied to recurring UNEs.

In addition, other changes were made to refine the wholesale/retail split of costs, to recognize certain right to use fees in the shared and common cost process and, to recognize any changes in the CAM or supporting information detail.

BellSouth did not change its methodology for treating costs associated with its Local Carrier Service Center ("LCSC"). The Company included the actual costs of its LCSC in serving CLECs in the base year data included in the study and converted these into forward-looking costs through its study methodology. These costs are definitely wholesale in nature and should be included in a TELRIC based study.

Q. HAS THE COMPANY PROVIDED ITS STUDY THAT DEVELOPS THE SHARED AND COMMON COST FACTORS TO THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes. The Company provided the study that calculates the shared and common cost factors as part of the data filed with its cost studies on April 17, 2000. In addition, the Company filed its

supporting documentation on the shared and common cost study as part of its cost support documentation.

Q. FROM A HIGH LEVEL PERSPECTIVE, CAN YOU BRIEFLY DESCRIBE BELLSOUTH'S APPROACH FOR TREATING SHARED AND COMMON COSTS AS A COMPONENT OF UNE RATES?

A. Yes. The ultimate objective of BellSouth's methodology, which I have depicted on Exhibit WSR-1, pages 1 through 2, is to split the Company's total forward-looking cost of business between its wholesale and retail functions and to specifically identify three major categories of wholesale costs: 1) wholesale direct costs; 2) the portion of shared costs attributed to wholesale; and 3) a reasonable portion of common costs applicable to wholesale operations. It is further necessary to split category (1) above between those wholesale costs that are related to recurring investment related transactions (UNE related) and those that are related to "other wholesale" transactions, such as non-recurring (e.g., service order activities) or special purpose transactions (e.g., operator services).

Because the Uniform System of Accounts ("USOA") does not uniquely identify these desired cost categories, a study was required to determine the appropriate amounts to include in each category. Fortunately, the BellSouth Cost Allocation Manual ("CAM") and the reporting procedures which the Company follows to separate its

costs on a cost causative basis between regulated and non-regulated costs provided a good model on which to base this study. Therefore, the Company utilized the basic attribution principles of its CAM, (with certain modifications to implement the Commission's prior order), and the underlying cost pools and sub-pools which it maintains for cost attribution purposes as the underlying methodology for determining the desired breakdown of wholesale costs into categories. The wholesale costs identified through this process are the appropriate costs to apply to a cost methodology that defines the cost for UNEs.

Once all of these costs are properly categorized, cost factors for use in the BellSouth cost study can be developed. For instance, the relationship between wholesale common costs and the total of wholesale direct and wholesale shared costs yields the common cost factor. In this study, the common cost factor equals 6.24% versus 5.30% in the previous study. Page 1 of WSR-1 outlines the steps in the methodology used to calculate this factor. A summary of the mathematical calculation is shown on WSR-4.

A second set of factors is derived by determining the relationship, by investment type, between wholesale shared costs related to investment accounts and the associated network investment. These are the shared cost factors. Page 2 of WSR-1 outlines the

methodology and WSR-3 summarizes the calculation of the individual shared cost factors for each investment category.

These two types of factors are used as inputs to the BellSouth cost study development methodology described in BellSouth Witness Daonne Caldwell's testimony. Application of these factors in the cost development process allows BellSouth to associate a reasonable amount of forward-looking shared and common costs with each UNE.

Q. PLEASE DESCRIBE IN MORE DETAIL THE MECHANICS OF BELLSOUTH'S PROCEDURE TO DETERMINE A REASONABLE PORTION OF ITS FORWARD-LOOKING SHARED AND COMMON COSTS FOR INCLUSION IN ITS COST STUDIES.

A. The starting point in the procedure is BellSouth's 1998 regional regulated expenses and regulated average investment. This data is obtained at a very detailed (cost pool and cost sub-pool) level from BellSouth's financial system which applies the methods and procedures described in the CAM. The primary goal of the CAM is a reasonable, supportable apportionment of total costs between regulated services and nonregulated activities. As a general rule, this methodology for shared and common costs which I am addressing in this proceeding follows the same attribution procedures for the various accounts and cost pools as are identified

in the CAM for comparable accounts and cost pools. However, the treatment of shared costs has been modified in order to incorporate the Commission's decision that shared costs should not be associated with labor rates.

Q. WHAT IS THE NEXT STEP IN BELLSOUTH'S METHODOLOGY?

A. The next step in the methodology is to develop a projection of expenses and investments for the years 1999-2002. This is accomplished by normalizing the actual cost data for unusual events and converting the normalized costs into forward-looking costs by applying forecasted expense growth factors. In the case of investment amounts, factors are applied to projected investment which reflect the relationship of current cost to original book cost. The application of these factors converts the historical cost data into cost levels that are representative of the forward-looking average costs for the future projected period.

In order to reflect the proper capital carrying costs for investment accounts, annual cost factors are applied to the forward-looking investment amounts. These annual cost factors include the cost of money at 11.25%, income taxes, depreciation expense, and ad valorem taxes.

Q. HOW IS THE FORWARD-LOOKING FINANCIAL DATA ANALYZED?

A. BellSouth's study recognizes that total costs can be placed into four clearly identifiable categories. First, there are the "direct wholesale costs." These are the costs which are clearly and directly assignable to the "wholesale" function. Costs of switches, for example, would fit into this category. The wholesale direct costs are further divided between those that are related to recurring investment costs and those that are related to other wholesale transactions such as non-recurring or special transactions. The direct costs of providing telecommunications services, such as the carrying cost on investment and plant specific expenses related to the investment, are segregated by each specific investment account.

Second, there are the "direct retail costs." These are the costs which are clearly and directly assignable to the "retail" function. Retail costs include marketing, billing, collection and other costs that will be avoided by the Company when it provides services at wholesale. All retail costs are excluded from the calculation of UNE costs.

Third, there are "shared costs." Shared costs are costs that are incurred in the production of two or more products or services by the same production process that do not span all activities of the business. Typical shared costs include costs for items of general

support equipment, procurement, engineering expenses, etc. Exhibit WSR-2 to my testimony provides a more detailed list of typical shared costs.

Fourth, there are "common costs." Common costs are those costs that generally span the activities of the business, and the products and services it produces. These costs are not directly assignable to one product or service, but are necessary for the operation of the business as a whole. Typical common costs are items such as accounting and finance costs, executive costs, etc. A more detailed list of common costs is also shown on my Exhibit WSR-2.

Clearly, all of those costs which are applicable to the wholesale function (direct costs, shared costs, and common costs) must be recovered by UNE rates, while all of those costs applicable to the retail function should be excluded. The difficulties are: (1) separating the "shared costs" and the "common costs" between the "wholesale" and "retail" functions; and (2) attributing the wholesale shared costs to each network investment category.

Q. HOW HAS BELLSOUTH ACCOMPLISHED THIS SEPARATION OF "SHARED COSTS" AND "COMMON COSTS"?

A. The process BellSouth has followed to reach this goal has two fundamental steps. First, the "shared costs" are segregated into

cost pools similar to those utilized in the CAM. The costs accumulated in these cost pools are attributed to "wholesale" and "retail" functions as I will describe below.

In the second step, the "common costs" are apportioned between "wholesale" and "retail" functions based on the relative proportion of the direct and shared costs that have been assigned to these functions.

Q. CAN YOU PROVIDE A MORE DETAILED EXPLANATION OF THE FIRST FUNDAMENTAL STEP YOU MENTIONED ABOVE?

A. Yes. The costs which are treated as shared costs can be segregated into cost pools because the historical data which was obtained at the beginning of the process was collected at the cost pool or cost sub-pool level. This detail was maintained as the historical data was projected to forward-looking data. Therefore, the forward-looking shared costs can be identified by cost pool.

Next, attribution factors, such as central office equipment ("COE") investment percentages are developed. These factors are similar to the attribution bases described in the CAM. BellSouth has made modifications in its attribution process in order to implement the Commission's conclusion that shared costs should not be associated with labor rates. When the factors are applied to the

respective shared costs accumulated in the various cost pools, the result, which takes more than one iteration, is the assignment of the shared costs to either: 1) a related "wholesale" network investment category (pair gain equipment, buried cable, etc.); 2) the "other wholesale" category; or 3) the "retail" category. Shared costs which are not assignable to one of these categories after two iterations of the attribution process are treated as common costs. Wholesale shared costs assigned to an investment category are used to calculate the shared cost factor for that investment item. A shared cost factor is the ratio of the shared cost assigned to a particular type of investment divided by the projected average investment.

Q. HOW ARE FORWARD-LOOKING COMMON COSTS TREATED IN BELLSOUTH'S METHODOLOGY?

A. Forward-looking common costs are proportionally split between wholesale common costs and retail common costs. The wholesale common cost factor is then calculated as the ratio of total wholesale common costs divided by the total of wholesale direct costs and wholesale shared costs. This wholesale common cost factor is an input in the development of the UNE costs as described in Ms. Caldwell's testimony.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My testimony provides a reasonable and supportable method for determining forward-looking shared and common costs attributable to the provision of unbundled network elements. The outputs of this methodology are a set of wholesale shared cost factors by investment category, as reported on my Exhibit WSR-3, and a wholesale common cost factor of 6.24%, as shown on Exhibit WSR-4. These factors represent the appropriate level of forward-looking shared and common costs for inclusion in BellSouth's cost studies.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BELLSOUTH TELECOMMUNICATIONS, INC.

REVISED DIRECT TESTIMONY OF WALTER S. REID

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990649-TP

(PHASE II)

AUGUST 18, 2000

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

A. My name is Walter S. Reid and my business address is 675 West Peachtree Street N. E., Atlanta, Georgia. My position is Senior Director for the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth", or "the Company").

Q. ARE YOU THE SAME WALTER S. REID WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed direct testimony in this proceeding on behalf of BellSouth on May 1, 2000.

Q. WHAT IS THE PURPOSE OF YOUR REVISED DIRECT TESTIMONY?

A. The purpose of my revised direct testimony is to introduce revised shared and common cost factors included as part of the data that the Company filed with its updated cost studies on August 16, 2000.

Q. WHAT WAS THE REASON FOR THE REVISION?

A. As explained in my direct testimony filed in this proceeding on May 1, 2000, costs related to "other wholesale" transactions, such as non-recurring (e.g., service order activities) are identified and excluded from the shared and common cost factors. Subsequent to the filing of the original cost studies on April 17, 2000, it was discovered that several of the service order ratios used in the determination of these non-recurring costs were incorrect and did not recognize the capitalization of right to use fees.

Q. WHAT IMPACT DID THE CORRECTIONS HAVE ON THE SHARED COST FACTORS?

A. Please see Revised Exhibit WSR-3 for the revised shared costs factors. The impacts of the revisions are minor with the shared cost factors for Accounts

2211 and 2212 decreasing while the majority of the other factors increased slightly. The total impact of the change is to decrease total shared costs by $376,000 or .03%.

Q. IS THE COMMON COST FACTOR IMPACTED BY THESE REVISIONS?

A. No. The common cost factor did not change from the 6.24% filed in my direct testimony. While the underlying numbers changed slightly, the cost factor remained unchanged. Please see Revised Exhibit WSR-4 for the mathematical calculation of the common cost factor.

Q. DOES THIS COMPLETE YOUR REVISED DIRECT TESTIMONY?

A. Yes, it does.

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF WALTER S. REID

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990649-TP

(PHASE II)

AUGUST 21, 2000

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

A. My name is Walter S. Reid and my business address is 675 West Peachtree Street N. E., Atlanta, Georgia. My position is Senior Director for the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth", or "the Company").

Q. ARE YOU THE SAME WALTER S. REID WHO FILED DIRECT AND REVISED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed direct testimony in this proceeding on behalf of BellSouth on May 1, 2000 and revised direct testimony on August 18, 2000.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to the comments of other parties in this proceeding regarding the appropriate amount of shared and common costs to include in the total cost of unbundled network elements ("UNEs") for BellSouth.

Q. PLEASE IDENTIFY THE WITNESSES IN THIS PROCEEDING TO WHOM YOUR REBUTTAL TESTIMONY WILL RESPOND.

A. My rebuttal testimony will respond to positions regarding the appropriate level of shared and common cost that are presented in the testimonies of AT&T and MCI WORLDCOM Witness Mr. Greg Darnell and Florida Cable Telecommunications Association Witness Mr. William J. Barta.

Q. WHAT WILL YOUR REBUTTAL TESTIMONY SHOW RELATIVE TO THESE WITNESSES' POSITIONS?

A. My rebuttal testimony will show that, except for one unique issue that has a small impact, the concerns that have been expressed by Mr. Darnell and Mr. Barta relative to BellSouth's shared and common costs are

based on misunderstandings or superficial and improper analyses of BellSouth's data. BellSouth has included only a reasonable amount of shared and common cost in its UNE cost studies and a proper analysis of the data demonstrates this fact. However, my rebuttal testimony will identify one situation related to shared cost for central office equipment ("COE") that when corrected would change the shared cost factors for COE.

REBUTTAL TO MR. DARNELL'S POSITIONS

Q. WHAT OPINIONS HAS MR. DARNELL EXPRESSED RELATIVE TO BELLSOUTH'S SHARED AND COMMON COST?

A. On page 3, lines 5 through 11 of his testimony, Mr. Darnell states five opinions, four of which relate to shared and common cost. He apparently believes that BellSouth has not eliminated all retail expense from its UNE rates; that it uses too low a productivity factor in its forecast of expenses; that it may be double recovering Land, Building and Power expense; and that its common cost factor is too high.

Q. ARE HIS ASSESSMENTS OF BELLSOUTH'S COST STUDY REASONABLE?

A. No. A review of Mr. Darnell's testimony reveals that in most instances he has misunderstood and misapplied amounts and relationships in BellSouth's cost study.

Q. HOW HAS MR. DARNELL MISUNDERSTOOD THE AMOUNT OF RETAIL EXPENSE BELLSOUTH HAS ELIMINATED FROM ITS COST OF UNEs IN THIS DOCKET?

A. Mr. Darnell claims that in a previous study I determined that $1,926,591,887 of retail cost should be eliminated from UNE rates (Darnell testimony, page 4, lines 5-6). He further claims that in this proceeding BellSouth calculates that $1,426,416,105 of retail expense exists and BellSouth eliminates this lower amount from its current filing (Darnell testimony, page 3, lines 20-22). Mr. Darnell apparently believes that the difference in these amounts of avoided retail expense is in his words "contrived through differences in cost modeling assumptions" (Darnell testimony, page 4, lines 15-17). He further opines that the retail expense to be eliminated from BellSouth's UNE rates in this proceeding should be $1,649,793,034 (Darnell testimony, page 6, lines 10-12).

Mr. Darnell has obviously misunderstood BellSouth's study and has made a huge miscalculation. He is correct in his statement that I determined that the amount of retail cost to be excluded in a previous study was $1,926,591,887 and that this amount included indirectly avoided retail cost. However, Mr. Darnell has incorrectly identified the amount of retail cost that is eliminated from UNE cost in the current study. My Revised Exhibit WSR-4 filed August 18, 2000, in this proceeding clearly shows in the retail column that BellSouth has eliminated $2,188,554,658 in direct and indirect retail cost from the current study. This is $261,962,771 more than the previous study, not $500 million less as calculated by Mr. Darnell. His recommendation that $1,649,793,034 be used in the study as the retail cost to be eliminated would actually increase the cost of BellSouth UNEs in the current proceeding by over $500 million.

Q. DO YOU AGREE WITH MR. DARNELL'S VIEW THAT BELLSOUTH HAS USED TOO LOW A PRODUCTIVITY FACTOR IN ITS PROJECTION OF EXPENSES?

A. No. Mr. Darnell has not performed any studies or provided any reasonable evidence that would indicate that the 3.1% productivity factor used by BellSouth for projecting certain expenses in its study is understated. He has merely referenced a factor previously used by the FCC for adjusting prices in its interstate price cap formula and opined that the Florida Commission should require BellSouth to use a productivity factor in its expense forecasts that is no less than the FCC's 6.5% productivity factor.

He fails to mention the fact that in BellSouth's previous UNE cost study filed in Docket No. 960833-TP, BellSouth used a 2.9% productivity offset for projecting expenses and the Commission found that: "It appears to us that BellSouth has incorporated reasonable productivity offsets in developing its inflation/growth factors" (Commission Order No. PSC-98-0604-FOF-TP, at page 55). BellSouth's use of a 3.1% productivity offset in the current study is actually more ambitious on the Company's part than the previous study and results in somewhat lower projected expenses.

Mr. Darnell also fails to recognize that expense changes are only one part of overall productivity. The Commission recognized this fact and stated on the same page as the order page referenced above that: "Furthermore, because BellSouth's shared and common factors are based on the relationship between projected expenses to projected investments, and applied against forward looking investments, we find that BellSouth's factors have some inherent productivity gains".

Finally, Mr. Darnell has failed to mention that the FCC's decision that authorized the use of the 6.5% factor for interstate price cap purposes was reversed and remanded to the FCC by the United States Court of Appeals for the District of Columbia Circuit. The Court found problems with the FCC's support of its methodology for computing this factor and also questioned the fact that it included a customer dividend. The Court stayed issuance of its mandate until April 1, 2000, to allow the FCC time to conduct a proceeding regarding this factor. The FCC's decision in its CALLS proceeding subsequently established a new interstate price plan for the future and made a review of this factor moot.

Q. WHAT IS YOUR RESPONSE TO MR. DARNELL'S OPINION THAT BELLSOUTH'S STUDY MAY HAVE A PROBLEM RELATED TO DOUBLE RECOVERY OF LAND, BUILDING AND POWER EXPENSE?

A. Again, I believe Mr. Darnell's opinion is based on a misunderstanding of BellSouth's study. My testimony will clarify how land, building and power expenses are treated in the shared and common cost application and will demonstrate that, except in one unique instance that I will explain later in my testimony, there is no double recovery.

Q. HOW IS POWER EXPENSE TREATED FOR THE SHARED AND COMMON COST APPLICATION?

A. Expenses associated with network power and the cost of electrical power used to operate the telecommunications network are recorded in Account 6531, Power Expense, of the Uniform System of Accounts. The total amount in this account is assigned by the shared and common cost application to an expense bucket called "power" and is excluded from all of the shared and common cost used to determine the shared and common cost factors. The only impact

these amounts would have on shared and common cost factors would come from the fact that the expense would be included in the denominator of the common cost factor, thus lowering this factor.

The cost of power produced for house services purposes is charged to Account 6121, Land and Building Expense. This account is subdivided in the shared and common cost study into cost pools for allocation of the expense. Specifically relevant to Mr. Darnell's stated concerns, it is important to note that there is a cost pool for this account that includes expenses related to space leased to others and another cost pool related to BellSouth owned central office buildings. The expense assigned to these two cost pools is excluded from recovery in the shared and common cost factors.

Because neither network power nor power related to house services for BellSouth owned central offices or for space leased to others is recovered through shared and common cost factors, it is clear that Mr. Darnell's concerns are unfounded in these instances. Mr. Darnell's opinion that revenues from leases of building space should be offset against building cost

is inappropriate because costs related to leased space are not included in shared and common cost in the first place.

Q. PLEASE EXPLAIN HOW LAND AND BUILDING COSTS ARE TREATED IN THE BELLSOUTH SHARED AND COMMON COST APPLICATION.

A. The capital carrying cost associated with land investment is initially calculated and recorded in the shared and common cost application under Account 2111, Land. This amount is reclassified in the application to Account 2121, Buildings, and is allocated to the various cost pools under the building account. The application accumulates the cost of Company owned land and building investments and the associated land and building expense (Account 6121) into the cost pools specified for Account 2121.

Similar to the treatment discussed previously for power expense, the accumulated capital cost and expenses associated with Company owned land and buildings are assigned to cost pools under Account 2121 which, among other cost pools, includes "leased to others Land and Buildings" and "central office"

cost pools. The amounts accumulated for these two cost pools are excluded from shared and common cost in BellSouth's application.

Because land and building costs associated with Company owned central offices and properties leased to others are excluded from the shared and common cost factors, there should be no concern about double recovery. Mr. Darnell's contention that BellSouth should be identifying projected revenues for leased properties to use as an adjustment to offset against common cost is unfounded, because the cost associated with leased space have already been excluded from shared and common cost.

Q. YOU HAVE EXPLAINED THAT MR. DARNELL'S CONCERNS HAVE NO MERIT FOR COMPANY OWNED LAND AND BUILDINGS. IS THERE A PROBLEM WITH LAND AND BUILDING COST ASSOCIATED WITH LOCATIONS WHERE THE COMPANY DOES NOT OWN THE LAND OR BUILDING, BUT RENTS EITHER FROM A THIRD PARTY?

A. Yes. In researching this area of the cost study, BellSouth has discovered that one cost pool under Account 6121 that relates to central office land and

buildings rented from others has been inappropriately included in central office shared cost. The appropriate treatment for this cost pool is to exclude the cost from shared cost recovery in the same manner that similar costs are excluded for Company owned central office land and buildings.

Q. HAVE YOU DETERMINED WHAT CHANGES IN SHARED AND COMMON COST FACTORS WOULD RESULT FROM THE EXCLUSION OF THESE COST ASSOCIATED WITH RENTED FACILITIES?

A. Yes. The only factors that would be impacted are the shared cost factors for central office investment. My Rebuttal Exhibit WSR-1 provides a recalculation of these factors for the exclusion of these costs. There would be no change in the common cost factor or any other shared cost factors.

Q. IS MR. DARNELL WRONG IN HIS CONCERN ABOUT DOUBLE RECOVERY OF COSTS FOR BELLSOUTH'S CORPORATE COMMUNICATIONS NETWORK?

A. Yes. None of the direct network related costs of the BellSouth Corporate Communications Network are included in shared and common cost. To the extent

there are any indirect costs associated with corporate communications included in shared and common cost, there is also an allocation of these costs to functions such as operator services.

Direct expenses associated with operator services are charged to Account 6621, Call Completion Services, and Account 6622, Number Services. The amount in these accounts is excluded from shared and common cost along with an allocation of indirect cost from other expense or investment accounts. Mr. Darnell's concerns have no substance.

Q. WHAT IS YOUR RESPONSE TO MR. DARNELL'S POSITION THAT BELLSOUTH HAS NOT DEMONSTRATED A NEED OR PROVIDED A REASON TO INCREASE THE COMMON COST FACTOR FROM 5.30% AS DETERMINED IN A PREVIOUS STUDY TO 6.24% AS DETERMINED IN THE CURRENT STUDY?

A. BellSouth explained the major reasons why its common cost factor has increased from 5.30% to 6.24% in response to Staff's 5th Set of Interrogatories, Item No. 61. Whereas, the explanation is rather technical in nature, the most significant impacts causing the increase can be boiled down to changes in cost

assignment procedures for computer and software related expenses that result in more of these costs being included in common cost and less in shared cost. Another change that caused an increase in the common factor was the allocation of a portion of billing and collection costs to wholesale. The previous study had assigned 100% of billing and collection cost to retail. The current study assigns some of these costs to wholesale for activities such as carrier access billing and CLEC billing.

The change in assignment for computer and software costs results in a higher common cost factor but it has an offsetting effect due to lower shared cost factors. A review of the shared cost factors shows that the majority of these factors are lower in the current study than in the previous study.

Q. HAVE YOU MADE ANY COMPARISONS WHICH WOULD DEMONSTRATE THE OFFSETTING IMPACTS BETWEEN THE SHARED AND COMMON COSTS AND SHOW THE REASONABLENESS OF YOUR CURRENT STUDY?

A. Yes. My Rebuttal Exhibit WSR-2 shows a comparison of the overall costs by major category between the

current BellSouth cost study and the previous study. I obtained the breakdown of cost by category in the previous study from Reid Deposition Late Filed Exhibit No. 7, filed January 20, 1998, in FPSC Docket No. 960833-TP. The current study breakdown comes from the revised study that BellSouth filed in this proceeding on August 16, 2000. The comparison shows that wholesale common cost did increase between the two studies by $177 million but, it also shows that wholesale shared costs decreased by $181 million. Wholesale shared and common cost in total actually decreased by $4 million between the two studies. This certainly demonstrates the reasonableness of the shared and common cost amounts in the study and shows the offsetting nature of some of the cost allocation changes.

REBUTTAL TO MR. BARTA'S POSITIONS

Q. WHAT POSITIONS DOES MR. BARTA TAKE REGARDING BELLSOUTH'S SHARED AND COMMON COST?

A. The most significant adjustment that Mr. Barta proposes to BellSouth's shared and common cost appears on pages 32 and 33 of his rebuttal testimony.

He proposes that the Commission substitute the Commission ordered wholesale percentage discount for BellSouth's calculated amount of retail cost. His calculations for this adjustment are shown on his Exhibit __WJB-2.

In addition, on page 31 of his rebuttal testimony, Mr. Barta opines that he would expect to see lower levels of operating expenses projected on a forward-looking basis assuming the network configurations of the cost proxy models embrace the most efficient, least cost technology and the engineering and operating practices of the carrier reflect productivity enhancements. He does not propose a specific adjustment regarding this issue, but he does provide an exhibit, Exhibit__WJB-1, that shows BellSouth's total operating expenses less depreciation per access line over the period 1991-1999.

Q. IS MR. BARTA'S PROPOSED ADJUSTMENT TO BELLSOUTH'S RETAIL COST REASONABLE?

A. Absolutely not. His adjustment is based on an extremely superficial approach that yields an absurd

result. BellSouth conducted a detailed study of 1998 expenses in order to determine the appropriate portion of various accounts to exclude as retail related expense in its cost study. In the Company's shared and common cost application, BellSouth used relationships from its study of 1998 expenses to assign a portion of its projected expenses to direct retail cost. Indirect costs were also allocated to the retail category and excluded from the wholesale cost of UNEs. However, Mr. Barta did not address the components of BellSouth's study. He merely took the Florida residence resale discount factor and applied it to BellSouth's total company projected cost and opined that this represents the amount of retail cost to exclude as retail in BellSouth's study.

Mr. Barta's approach is not a reasonable methodology. The Florida resale discount rates, one for residence and one for business, were determined based on the individual relationships between avoided retail cost and intrastate retail revenues for Florida residence and business operations. The multiplication of Florida's residence resale discount rate times BellSouth's nine-state total forward-looking costs can only result in a meaningless number.

If Mr. Barta had just looked at the underlying data in BellSouth's study, he would have seen that his proposed adjustment was absurd. For example, in BellSouth's revised study, the total projected expenses in the accounts which the FCC has indicated most likely contain retail related costs (Accounts 6611, 6612, 6613, 6621, 6622, and 6623) totals $2,143,822,370. Of this amount, $212,620,641 is for operator services expenses that BellSouth has excluded from its shared and common costs. This leaves $1,931,201,729 of expense in these accounts to separate between wholesale and retail. BellSouth's revised study assigned $1,599,222,134 of this amount to retail. After allocating indirect costs to retail, BellSouth's total retail costs to be avoided per the revised cost study is $2,188,554,658. Mr. Barta's adjustment, which is calculated on his Exhibit__WJB-2, would have the Commission exclude $4,264,360,523 of BellSouth's cost as retail. This amount of retail cost is approximately twice the total in the expense accounts that normally include a portion related to retail. There is no justification for such a proposal.

Q. WHAT ARE YOUR COMMENTS REGARDING MR. BARTA'S STATEMENT ABOUT THE LEVEL OF PROJECTED OPERATING EXPENSES?

A. BellSouth has used a reasonable methodology to project its expenses and investments forward for purposes of its cost study. It is important to note that the purpose for projecting expense and investment is so that forward-looking factor relationships can be developed which are then applied against forward-looking investments (i.e., UNE investments which reflect efficient, least cost technology, etc.). As the Commission noted in Docket No. 960833-TP, Order No. PSC-98-0604-FOF-TP, page 55, the application of the Company's shared and common cost factors to forward-looking investments generates some inherent productivity gains. Mr. Barta apparently has not recognized this fact.

Q. WHAT INFORMATION DOES MR. BARTA'S REBUTTAL EXHIBIT__WJB-1 CONVEY?

A. His exhibit depicts a chart of BellSouth's total operating expense less depreciation per access line for each year from 1991 through 1999. The data

indicates that the expenses per access line were relatively flat from 1991 until 1995 and then declined each year from 1995 through 1999. Because BellSouth was in a major reengineering effort from 1995 until approximately 1998 and because there was a major software accounting change that shifted expenses to capital in 1999, the declining trend is understandable. However, merely looking at trends such as this and making forecasts of the future is very risky. For this reason, BellSouth's projection methodology normalizes a current year for unusual events and then utilizes major expense drivers such as inflation, productivity and demand growth to project forward. This is a reasonable approach not withstanding any comment by Mr. Barta to the contrary.

Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

CHAIRMAN DEASON: And you likewise move Exhibit 119?

MR. EDENFIELD: Yes, we do.

CHAIRMAN DEASON: Without objection show that Composite Exhibit 119 is admitted.

(Exhibit Number 119 received in evidence.)

MS. KEATING: Mr. Chairman --

CHAIRMAN DEASON: Yes.

MS. KEATING: -- could we just get some clarification? Staff was under the impression that 118 had not been entered. And so we were thinking --

CHAIRMAN DEASON: 118 may -- there is an attempt to enter 118, and there is --

MS. BOONE: A failed attempt, which hopefully will be a full-fledged attempt tomorrow.

MS. KEATING: Okay. So you are going to keep that number for tomorrow?

CHAIRMAN DEASON: Oh, yes, the number is there. It has already been assigned. I can't recall it. It's like telephone numbers, right?

MR. EDENFIELD: Once they are there, they are there.

CHAIRMAN DEASON: Okay. We will take a ten-minute recess and then we will call Mr. Milner to the stand.

(Recess.)

CHAIRMAN DEASON: Call the hearing back to order.

MS. WHITE: BellSouth calls Mr. Milner to the stand. Mr. Milner, would you please state your name, address and -- before you do that, Mr. Milner was not here yesterday, so he does need to be sworn in.

CHAIRMAN DEASON: Please stand and raise your right hand.

(Witness sworn.)

W. KEITH MILNER

was called as a witness on behalf of BellSouth Telecommunications, Inc., and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. WHITE:

Q Now, would you please state your name, address, and by whom you are employed for the record?

A Yes. My name is W. Keith Milner, my business address is 675 West Peachtree Street, Atlanta, Georgia. I am employed by BellSouth Telecommunications, Incorporated as Senior Director, Interconnection Services.

Q And have you caused to be prefiled in this docket rebuttal testimony consisting of 42 pages filed on August 21st, 2000?

A Yes, I did.

Q Do you have any changes or corrections to that testimony at this time?

A No.

Q If I were to ask you the questions contained in your prefiled testimony at this time would your answers be the same?

A Yes, they would.

MS. WHITE: I would ask that Mr. Milner's rebuttal testimony be inserted into the record as if read.

CHAIRMAN DEASON: Without objection it shall be so inserted.

BY MS. WHITE:

Q And did you have one exhibit attached to your rebuttal testimony --

A Yes, I did.

Q -- labeled WKM-2?

A That is correct.

Q Was that exhibit prepared at your direction?

A Yes, it was.

Q Do you have any changes to that exhibit?

A No.

MS. WHITE: I would ask that Mr. Milner's exhibit to his prefiled rebuttal testimony be marked as the next exhibit.

CHAIRMAN DEASON: That will be Exhibit 120.

MS. WHITE: Thank you.

(Exhibit Number 120 marked for identification.).

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF W. KEITH MILNER

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990649-TP

(PHASE II)

AUGUST 21, 2000

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

A. My name is W. Keith Milner. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375. I am Senior Director - Interconnection Services for BellSouth. I have served in my present role since February 1996, and have been involved with the management of certain issues related to local interconnection, resale, and unbundling.

Q. ARE YOU THE SAME W. KEITH MILNER WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will respond to portions of the testimony of witnesses Terry Murray,

David A. Nilson, John C. Donovan, Brian F. Pitkin, Mark Stacy, Brenda Kahn, and William Barta in regard to certain network technical issues.

Mark Stacy – "The Coalition"

Q. DOES BELLSOUTH 'S PROPOSED METHOD OF SUB-LOOP ACCESS INVOLVE "ENHANCED SECURITY" AS SUGGESTED BY MR. STACY ON PAGE 13 OF HIS TESTIMONY?

A. No. BellSouth seeks reasonable security measures meant to protect the reliability and security of the service to BellSouth's end users as well as end users of Alternative Local Exchange Carriers ("ALECs") using unbundled loops or unbundled sub-loop elements acquired from BellSouth.

Q. DO YOU BELIEVE THAT THE ALEC IS THE COST CAUSER IN THE PLACEMENT OF ACCESS TERMINALS AS DISCUSSED BY MR. STACY ON PAGE 14 OF HIS TESTIMONY?

A. Yes, because BellSouth does not benefit from the placement of an access terminal. An access terminal is necessary to prevent intentional or unintentional service disruption caused by ALECs' technicians and to ensure accurate record keeping and billing. Thus, it is appropriate that requesting ALECs bear those costs.

Q. ON PAGE 15 OF HIS TESTIMONY, IN DISCUSSING INTRABUILDING

NETWORK CABLE ("INC"), MR. STACY STATES " IF ONE WEEK LATER ANOTHER CUSTOMER WANTS TO SWITCH ITS SERVICE TO AN ALEC, BELLSOUTH WOULD CHARGE THAT ALEC AS IF BELLSOUTH NEED TO PROVISION A NEW 25-PAIR PANEL ($402.70 AND $158.23) AND AS IF THE ALEC WAS ORDERING ITS FIRST PAIR ($135.45)." DO YOU AGREE?

A. No. BellSouth assesses the charges associated with the installation of an access terminal only once and only at the first request for access. Such charges would not be assessed again until the ALEC requests an additional 25-pair panel, presumably when the first 25-pair panel is fully utilized.

Q. ON PAGE 15 OF HIS TESTIMONY, MR. STACY STATES THAT FOR EACH NEW ALEC CUSTOMER, "BELLSOUTH WILL NEED TO DISPATCH A TECHNICIAN TO MAKE A CROSS CONNECTION". IS HE CORRECT?

A. No. BellSouth will pre-wire all Network Terminating Wire (NTW) pairs to the access terminal. By terminating such pairs on separate connecting blocks serving as an access terminal for the ALEC, the need for dispatches of a BellSouth technician on all such pre-wired pairs is eliminated. For example, BellSouth currently has its own terminal in each garden apartment arrangement. For each garden terminal, BellSouth will create a separate access terminal and will pre-wire to the access terminal

all the pairs necessary to serve each facility. Therefore, for garden apartments, this means that each cable pair available to serve customers in that garden apartment building will appear both on BellSouth's terminal and on the access terminal. An ALEC wanting to serve a customer in the garden apartment situation would build its terminal at that location and then wire its cable pair to the appropriate pre-wired location on the access terminal.

The treatment for Intrabuilding Network Cable ("INC") in high-rise buildings will be different. BellSouth will still build an access terminal to complement BellSouth's own terminal located in the high-rise building. The ALEC wanting to access those facilities will still have to build its own terminal for its cable pairs. However, rather than pre-wiring the access terminal, when BellSouth receives an order for INC from the ALEC, BellSouth will then wire the particular INC pairs requested from BellSouth's terminal to the ALEC's access terminal.

Q. PLEASE FURTHER DISCUSS WHY BELLSOUTH DOES NOT PROPOSE TO PRE-WIRE EACH INC PAIR TO THE ACCESS TERMINAL.

A. BellSouth does not propose to pre-wire each INC pair to the access terminal in high-rise buildings because it is simply impractical to do so. The garden apartment terminal I discussed above might have 20 to 25 loops terminated on it, thus making pre-wiring each NTW pair to the

access terminal something that can be done with a reasonable effort. On the other hand, high-rise buildings may have hundreds or even thousand of pairs, which would make pre-wiring the access terminal impractical.

Further, maintenance of INC cable records is more problematic than maintenance of NTW records because, unlike NTW records, INC cable records are mechanized records not available at the access terminal. Keeping accurate records of what pairs are spare, working, or defective is critical to ensuring high quality service, both in provisioning new or additional customer lines and in repairing existing customers' service. NTW records consist generally as paper tags on each pair of wires that are present at the NTW garden terminal. A technician can usually determine the use to which a particular pair is being put while on-site either via the tag or by electrically testing the NTW. However, such "intrusive testing" by electrically testing the NTW is not recommended because such testing cannot be done without interrupting existing line transmissions. Of course, such disturbances could quickly lead to end user dissatisfaction.

Regarding INC cable records, because such records are mechanically inventoried records, individual assignments of INC pairs are made as orders for service are processed. Should specific INC pairs become unusable, a notation is made in the records system so that the pairs are not assigned as the need arises for additional pairs. Thus, a field technician has no way of knowing whether a specific INC pair is usable

and available without risking disruption of service to existing end users. Using a test set to determine whether the cable pair is in use would disrupt an in-progress transmission. Utilizing INC pairs at random could result in taking an existing end user out of service, or in having the new end user's service be inoperable because of a faulty INC pair. Should a technician by chance choose a spare INC pair and successfully install the end user's service, there is no means of protecting that service from potential disruptions resulting from the next technician entering that work area, no matter whether that technician is employed by BellSouth or an ALEC. As subsequent technicians enter the work scene, the existing cable pair INC records would progressively deteriorate, creating an immediate and significant service problem that would be extremely costly and difficult to correct. The bottom line is that allowing an ALEC's technician to try to locate spare facilities to provide service would inevitably result in service degradation and chaotic service provisioning by all carriers.

Indeed, utilizing INC pairs at random could result in taking an existing end user out of service, or in having the new end user's service be inoperable because of a faulty INC pair. Should a technician by chance choose a spare INC pair and successfully install the end user's service, there is no means of protecting that service from potential disruptions resulting from the next technician entering that work area, no matter whether that technician is employed by BellSouth or an ALEC. As subsequent technicians enter the work scene, the existing cable pair INC records would progressively deteriorate, creating an immediate and significant

service problem that would be extremely costly and difficult to correct.

Q. IN DISCUSSING NTW ON PAGE 16 OF HIS TESTIMONY, MR. STACY STATES "THAT BUILDING AN ACCESS TERMINAL IS UNNECESSARY..." . DO YOU AGREE?

A. No, and apparently this Commission doesn't agree either, based on its Order No. PSC-99-2009-FOF-TP dated October 14, 1999 in Docket No. 990149-TP ("MediaOne Order"). In that Order, this Commission determined that MediaOne and others could gain access to unbundled NTW (UNTW) without reducing network security and reliability by adopting BellSouth's proposed form of access. Clearly, the access terminal provides a useful function. In the MediaOne Order, at page 17, the Commission stated:

> The record does not contain evidence of any case which would support a proposal where one party is seeking to use its own personnel to, in effect, modify the configuration of another party's network without the owning party being present. We find that MediaOne's proposal to physically separate BellSouth's NTW cross-connect facility from BellSouth's outside distribution cross-connect facilities is an unrealistic approach for meeting its objectives. Therefore, BellSouth is perfectly within its rights to not allow MediaOne technicians to modify BellSouth's network.

Further, the Commission stated:

> ...Based on the evidence presented at the hearing, we believe that it is in the best interests of the parties that the physical interconnection of MediaOne's network be achieved as proposed by BellSouth.

Q. HAVE OTHER COMMISSIONS IN BELLSOUTH'S REGION REACHED THE SAME CONCLUSION THAT USE OF ACCESS TERMINALS IS APPROPRIATE FOR ACCESS TO NTW?

A. Yes. In its Order in Docket Number 10418-U, the Georgia Commission found that MediaOne should have access to BellSouth's facilities through the use of an access terminal but that at the time of providing service to a particular end user, no BellSouth technician need be involved in the process. At page 10 of its Order, the Georgia Commission stated:

> As stated in the prior section, to the extent there is not currently a single point of interconnection that can be feasibly accessed by MediaOne, consistent with the FCC's Third Report and Order, BellSouth must construct a single point of interconnection that will be fully accessible and suitable for use by multiple carriers. Such single points of interconnection shall be constructed consistent with

MediaOne's proposal such that MediaOne shall provide its own cross connect (CSX) facility in the wiring closet to connect from the building back to its network. MediaOne would then be able to connect its customers within the MDU by means of an "access CSX".

Q. ON PAGE 16 OF HIS TESTIMONY, MR. STACY STATES THAT "THE COALITION WOULD PREFER TO HAVE ITS OWN TECHNICIAN PROVISION THE CROSS-CONNECT IN THE FIRST PLACE." DIDN'T THE FLORIDA COMMISSION REJECT THIS APPROACH IN THE MEDIAONE CASE?

A. Yes. The quotation from this Commission's Order in my earlier response clearly rejects such an approach.

Q. ON PAGE 16 OF HIS TESTIMONY, MR. STACY STATES "IT IS BELLSOUTH'S OWN SECURITY CONCERNS, HOWEVER, THAT NECESSITATE THESE COSTS [THAT IS, THE ACCESS TERMINAL AND ASSOCIATED COSTS]" FOR UNTW. DO YOU AGREE?

A. No. Mr. Stacy's position is untenable. The Telecommunications Act of 1996 and related FCC and state commission proceedings have established that BellSouth must cooperate with competitors to foster competition. However, nothing in those proceedings requires

BellSouth to finance competitive entry into the telecommunications market or to sacrifice network reliability or security. BellSouth would have no reason to construct access terminals if not for the ALECs' desire to gain access to BellSouth's sub-loop facilities. Regulatory authorities, as I will discuss below, have clearly established that BellSouth has a responsibility to safeguard its network and facilities as various means of interconnection are identified. The access terminal at issue here has been determined to be a reasonable method of interconnection which addresses ALEC needs while providing adequate security for BellSouth's network. Therefore, if an ALEC desires to interconnect, that ALEC should bear the cost of doing so.

As to the regulatory basis of BellSouth's position, in its First Report and Order (CC Docket No. 96-98, released August 8, 1996) at paragraph 198, the FCC included the following statement:

> Specific, significant, and demonstrable network reliability concerns associated with providing interconnection or access at a particular point, however, will be regarded as relevant evidence that interconnection or access at that point is technically infeasible.

The FCC elaborated further on this point at paragraph 203 of that same Order, by stating:

> We also conclude, however, that legitimate threats to network reliability and security must be considered in evaluating the technical feasibility of interconnection or access to incumbent LEC networks. Negative network reliability effects are necessarily contrary to a finding of technical feasibility. Each carrier must be able to retain responsibility for the management, control, and performance of its own network. (Emphasis added.)

Thus, the FCC's First Report and Order clearly supports a finding that the form of direct access to unbundled sub-loop elements sought by the Coalition is not technically feasible. As discussed earlier, the Florida Commission has adopted this same view in the MediaOne arbitration docket.

Q. ON PAGE 17 OF HIS TESTIMONY, MR. STACY STATES "THE COALITION URGES THE FPSC TO REQUIRE BELLSOUTH TO AT LEAST ASSIST IN RECOVERING THE COSTS ASSOCIATED WITH THE ADDED SECURITY." [EMPHASIS ADDED]. SHOULD BELLSOUTH SHARE IN COSTS TO PROTECT BELLSOUTH'S NETWORK THAT ARE NECESSITATED SOLELY BY ALECS' USE OF BELLSOUTH'S NETWORK?

A. No. BellSouth does not need to protect its network from its own technicians. BellSouth is entitled to recover its costs for reasonable security measures as determined by the FCC and as discussed in

the preceding answer. This Commission has already found BellSouth's proposed methods of access to be reasonable and therefore subject to appropriate cost recovery.

Q. FURTHER ON PAGE 17, MR. STACY STATES "SHOCKINGLY, BELLSOUTH PROPOSES NOT ONLY CHARGING THE FIRST CLEC THAT REQUIRES ACCESS TO INC, BUT ALSO CHARGING EACH SUBSEQUENT ALEC REQUEST FOR A LOOP THE FULL COSTS ASSOCIATED WITH THE INSTALLATION OF AN ACCESS TERMINAL." IS BELLSOUTH'S POSITION "SHOCKING"?

A. No. Again, in its MediaOne Order, this Commission found appropriate BellSouth's position that MediaOne and others could gain access to unbundled NTW via BellSouth's proposed form of access without reducing network security and reliability, stating on page 17 that:

> We also conclude that the BellSouth-installed access terminal should be reserved for exclusive use by MediaOne. If other ALECs are permitted access to the terminal installed for MediaOne, MediaOne would be subject to the same network security and control problems that BellSouth uses in its arguments. In addition, because MediaOne is required to pay BellSouth for the access terminal and the labor to install it, we believe it would be inappropriate for BellSouth to offer

other ALECs a sharing arrangement on this terminal, without MediaOne's approval.

The Commission's Order addressed access to NTW; however, this same reasoning applies to ALECs' access to INC and supports BellSouth's position. Finally, let me reiterate that BellSouth assesses the charges associated with the installation of an access terminal only once and only as the first request for access. Such charges would not be assessed again to the same ALEC until that ALEC requests an additional 25-pair panel, presumably when the first 25-pair panel is fully utilized.

Q. IN CONNECTION WITH MR. STACY'S CONCERNS AS STATED ON PAGE 17 OF HIS TESTIMONY ABOUT THE UP-FRONT COSTS OF ACCESS TERMINAL CONSTRUCTION, IS BELLSOUTH WILLING TO ALLOW SHARING OF AN ACCESS TERMINAL BY MULTIPLE CARRIERS?

A. Yes, if that is determined to be acceptable by this Commission. However, based on my understanding of BellSouth's cost study, if the Commission were to find ALEC sharing of the access terminal to be acceptable, there may need to be adjustments made to BellSouth's study for the affected rate elements.

Q. ON PAGE 18 OF HIS TESTIMONY, MR. STACY INDICATES

THAT BELLSOUTH SHOULD PLACE A SEPARATE ACCESS TERMINAL INTO A MDU TO WHICH IT WOULD CROSS-CONNECT ALL AVAILABLE PAIRS WITHIN THE MDU." IS BELLSOUTH WILLING TO DO SO?

A. Yes, as I stated earlier, this is what BellSouth proposes for access to NTW. However, for reasons I discussed earlier, this is not possible in the case of the hundreds or even thousands of INC pairs present in many multi-story buildings.

Q. AT THE TOP OF PAGE 19, MR. STACY DISCUSSES THE DIRECT CONNECTION OF ALEC EQUIPMENT TO ILEC INC. DOES BELLSOUTH AGREE THAT ALECS SHOULD BE ABLE TO DIRECTLY CONNECT ITS EQUIPMENT TO BELLSOUTH'S INC?

A. No, and if some of the instances Mr. Stacy cites occurred in Florida, then that ALEC has violated this Commission's rules. I am startled that the Coalition apparently has ignored this Commission's applicable rules as well as the tariffs of other telephone companies with whom they must interconnect. The ownership of NTW and INC is well established in Chapter 25 of the Commission's rules for telephone companies, which read as follows:

> 25-4.0345 Customer Premises Equipment and Inside Wire.
> (1) Definitions: For purposes of this chapter, the definition to

the following terms apply:

(a)....

(b) "Demarcation Point." The point of physical interconnection (connecting block, terminal strip, jack, protector, optical network interface, or remote isolation device) between the telephone network and the customer's premises wiring. Unless otherwise ordered by the Commission for good cause shown, the location of this point is:

1. Single Line/Single Customer Building – Either at the point of physical entry to the building or a junction point as close as practicable to the point of entry.
2. Single Line/Multi Customer Building – within the customer's premises at a point easily accessed by the customer.
3. Multi Line Systems/Single or Multi Customer Building - - At a point within the same room and within 25 feet of the FCC registered terminal equipment or cross connect field.

   ....
4. Network facilities up to and including the demarcation point are part of the telephone network, provided and maintained by the telecommunications company under tariff.

In addition, BellSouth's tariffs are very clear about the ownership of its equipment and facilities. For example, BellSouth's General Subscriber Service Tariff contains the following statements in A2. General Regulations:

> A2.3.10 Provision and Ownership of Equipment and Facilities
>
> A. Equipment and facilities furnished by the Company on the premises of a subscriber or authorized user of the Company are the property of the Company and are provided upon the condition that such equipment and facilities, except as expressly provided in this tariff, must be installed, relocated and maintained by the Company....
>
> B. Subscribers may not disconnect or remove or permit others to disconnect or remove any apparatus installed by the Company, except as expressly provided in this tariff or upon the written consent of the Company.

Further, in that same section of the General Subscriber Services Tariff, the following language appears at A2.3.13 Maintenance and Repairs:

> In case of damage, loss, theft, or destruction of any of the Company's property due to the negligence or willful act of the subscriber or other persons authorized to use the service ...the subscriber shall be required to pay the expense incurred by the

Company in connection with the replacement of the property damaged, lost, stolen, or destroyed, or the expense incurred in restoring it to its original condition.

Finally, if the practice of members of the Coalition is as Mr. Stacy describes, this Commission should consider a show cause proceeding to identify those ALECs that have appropriated BellSouth's property without BellSouth's knowledge or consent.

Q. ON PAGE 19 OF HIS TESTIMONY, MR. STACY CITES THE ADVANTAGE OF HAVING A BELLSOUTH TECHNICIAN PRE-WIRE THE ACCESS TERMINAL TO AVOID COSTS AND DELAYS. DO YOU AGREE?

A. Yes, as the concept applies to NTW; however, I do not agree in the case of INC for reasons discussed earlier in my testimony.

Q. ON PAGE 21 OF HIS TESTIMONY, MR. STACY STATES "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." WHAT IS YOUR RESPONSE?

A. Mr. Stacy is mistaken. First, he relies upon the FCC's collocation rulings,

which apply to interconnection, and not to unbundled network elements. Second, there is no cost to be distributed. Consistent with this Commission's order in the MediaOne arbitration, BellSouth will provide each ALEC its own access terminal and will recover the cost of that access terminal from the requesting ALEC.

Q. ON PAGE 22 OF HIS TESTIMONY, MR. STACY STATES "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. PLEASE COMMENT.

A. Consistent with access to NTW and INC, BellSouth proposes the same form of access to unbundled loop distribution facilities and unbundled loop feeder facilities accessed at the Feeder Distribution Interface ("FDI"). That is, BellSouth will install an access terminal for the requesting ALEC. Direct, unencumbered access by ALECs to BellSouth's FDI should be rejected for the same reasons this Commission rejected direct, unencumbered access to BellSouth's garden terminals and the NTW inside them. Direct, unencumbered access is unnecessarily invasive and significantly reduces network reliability and security. Given the large quantity of network facilities housed inside the FDI, direct access would cause a serious risk of service interruption to a very large geographic

area. Such a potential risk should not be condoned.

Q. MR. STACY GOES ON TO STATE "IN REQUIRING THE FIRST AND EACH ADDITIONAL ALEC THAT REQUESTS COLLOCATION IN A MDU TO BEAR ALL OF THE EXPENSES WITH THAT COLLOCATION, AND NOT JUST THE PRO-RATA EXPENSES OF THE FACILITIES IT WILL USE, BELLSOUTH'S PROPOSAL EXPRESSLY CONFLICTS WITH FEDERAL LAW." DO YOU AGREE?

A. No. First, the issue at hand is about access to unbundled network elements rather than collocation. Second, this Commission decided in the MediaOne arbitration case that each ALEC should have its own access terminal for access to NTW. Third, this Commission has latitude to decide questions of technical feasibility and has found BellSouth's proposed form of access to be technically feasible. BellSouth complies with this Commission's order, and thus is simultaneously compliant with the FCC's order.

Q. FURTHER ON PAGE 23, MR. STACY STATES "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." WHAT KIND OF "WIRING CONTAINED IN THE MDU" DOES HE REFER TO?

I cannot tell. If he is referring to inside wire on the customer's side of the

demarcation point, Mr. Stacy's statement is irrelevant since BellSouth is not seeking to recover the cost of "inside wiring". If the wiring is on the network side of the demarcation point, the "wiring" belongs to BellSouth, so BellSouth, not the MDU owner, should be paid for its use.

Q. ON PAGE 24 OF HIS TESTIMONY, MR. STACY STATES "IN FLORIDA, CLEARTEL ALREADY PAYS BELLSOUTH SIGNIFICANT AMOUNTS OF MONEY FOR T1 ACCESS." IS THIS RELEVANT TO THE ISSUE AT HAND?

A. No. BellSouth appreciates Cleartel's business for BellSouth's DS1 services. However, those rates are not at issue here. What is at issue is ALECs' access to unbundled sub-loop elements. The rates Cleartel pays BellSouth for DS1 services are appropriate, as are BellSouth's proposed rates for access to unbundled sub-loop elements.

Q. ON PAGE 24, MR. STACY STATES "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." DO YOU AGREE?

A. No. The access terminal provided by BellSouth for which BellSouth is entitled to recover its costs is dedicated to the requesting ALEC. Thus, there is no other ALEC from which BellSouth would be able to recover its costs. Further, this Commission ordered BellSouth to provide a separate

access terminal for ALEC access to unbundled sub-loop elements. Thus, contrary to Mr. Stacy's suggestion, pro-rating the cost of the access terminal based on the capacity of the terminal (expressed in quantity of pairs) is not appropriate. Indeed, if Mr. Stacy's proposal were adopted, BellSouth would be denied the recovery of its costs.

Brenda Kahn – AT&T & MCI Worldcom

Q. DO YOU AGREE WITH MS. KAHN'S DEFINITION OF NETWORK TERMINATING WIRE (NTW) AS DISCUSSED ON PAGE 7 OF HER TESTIMONY?

A. What Ms. Kahn describes is typical of the use of NTW in garden apartment settings. However, NTW may be used alone or in conjunction with INC. In garden apartments, there is no INC and, thus, the NTW connects directly to BellSouth's loop distribution facilities. In this sense, NTW is the "last" component of BellSouth's loop on the network side of the demarcation point. Conversely, in multi-story buildings, NTW is connected to the INC at cross-connect terminals usually on each floor of the building and "fans out" the cable pairs to individual customer suites or rooms on each floor. Depending on the ALEC's network needs, NTW can be purchased from BellSouth as a separate unbundled sub-loop offering, or as a component of unbundled INC.

Q. WHAT IS MS. KAHN'S BASIS FOR HER STATEMENT ON PAGE 9 OF HER TESTIMONY THAT "AN ADDITIONAL PANEL FLATLY CONFLICTS

WITH THE FCC'S UNE REMAND ORDER..."?

A. I am not sure. She seems to suggest that the basis of her belief is that BellSouth has direct access to its own facilities while ALECs gain access through the access terminal. However, her assumption is incorrect. The FCC did not require an incumbent LEC such as BellSouth to share a single point of interconnection, constructed for use by ALECs.

Q. WHY DOES BELLSOUTH BELIEVE THE ACCESS TERMINAL IS AN APPROPRIATE MEANS OF PROVIDING ALECS ACCESS TO SUB-LOOP ELEMENTS?

A. As I previously explained, BellSouth's method provides the ALEC with the requested access while retaining network reliability, integrity, and security for both BellSouth's network and the ALEC's network.

Q. DO YOU AGREE THAT BELLSOUTH'S PROPOSED FORM OF ACCESS "IS NOT COMPETITIVELY NEUTRAL" AS STATED BY MS. KAHN ON PAGE 10 OF HER TESTIMONY?

A. No, I do not. The use of the access terminal strikes a reasonable balance between giving ALECs the access they want while preserving the reliability and security of BellSouth's network. Ms. Kahn's views were thoroughly presented on behalf of MediaOne by its witness, Mr. Greg Beveridge, in the case I mentioned earlier. I note that MediaOne has

recently been acquired by AT&T. The Commission should reject Ms. Kahn's proposals for the same reasons it rejected those of Mr. Beveridge in its MediaOne Order.

Q. MS. KAHN SUGGESTS THAT ACCESS TO INC BE AS SET OUT IN HER EXHIBIT BK-2. WHAT IS WRONG WITH SUCH AN APPROACH?

A. Her approach is unnecessarily invasive and introduces substantial risk to BellSouth's network. For example, even in a simple residential garden apartment situation, bridging the working BellSouth pairs over to the access terminal could, in fact, disturb working customers' services. In a commercial high-rise building involving business customers with high-speed digital data services operating 24 hours per day, the problem is even more acute. Any disturbance of a working circuit would cause irreparable harm to existing services and subject BellSouth and this Commission to numerous customer complaints. Furthermore, such interruptions could and would be considered by some customers as a serious breach of security.

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Further, and while I am in no way disparaging any ALEC's technicians, with direct access it is very possible for an ALEC's technician to unintentionally disrupt end user service (provided by either BellSouth or the ALEC). Such activity simply presents an unnecessary risk for all involved parties - end users, BellSouth, and other ALECs (i.e., because such actions by one ALEC could have the same disrupting effect on

existing sub-loop elements that another party is utilizing.)

Direct access also would place BellSouth at the ALECs' mercy to tell BellSouth how, when, where, and the amount of BellSouth's facilities that were being used. I previously addressed the record-keeping issues inherently involved with access to INC. The bottom line is that such uncontrolled access to these sub-loop elements would have a totally debilitating effect on BellSouth's ability to maintain accurate cable inventory records.

Obviously, it would be impossible for BellSouth to ever have an accurate record of its facilities if every ALEC in the state had direct access to these facilities. Of course, the lack of accurate inventory information would result in imminent failure of BellSouth's (and ALECs using sub-loop elements acquired from BellSouth) service provisioning, maintenance and repair processes. I want to be perfectly clear about this. What we are talking about here is allowing technicians from any and every ALEC in Florida to walk into an equipment room in a high-rise building and start appropriating pairs and facilities for its own use, without consulting with anyone and without any obligation to keep appropriate records so that the next person in the room knows what belongs to whom. It doesn't take much imagination to know what a disaster this would end up being for BellSouth and for the customers in the building in question. It should be noted that *any* mechanized cable management system (CMS) available in the telecommunications market today has at its core the fundamental

requirement that the manager of the CMS maintain absolute and full control over cable pair assignment. To do otherwise would result in chaotic failure of the telecommunications systems for service delivery and maintenance.

Q. WHAT DO YOU BELIEVE MS. KAHN REFERS TO ON PAGE 11 OF HER TESTIMONY REGARDING "APPROPRIATE PROCEDURES THAT COULD BE IMPLEMENTED"?

A. I believe Ms. Kahn refers to the fact that BellSouth's technicians need not be present at the time an ALEC makes use of NTW through an access terminal. BellSouth agrees, which is why BellSouth is pre-wiring all NTW pairs to eliminate the need for the presence of a BellSouth technician.

Q. CAN AT&T AND MCI WORLDCOM ADEQUATELY INDEMNIFY BELLSOUTH FOR "ADVERSE CONSEQUENCES" AS SUGGESTED BY MS. KAHN ON PAGE 11 OF HER TESTIMONY?

A. No, not given the severe service risks created by Ms. Kahn's proposal. Under her proposal, it would be difficult, if not impossible, for AT&T and MCI to indemnify BellSouth for the risk to BellSouth's end users and end users of any ALECs using loops or sub-loops acquired from BellSouth. Further, it causes me great concern that her entire testimony on the issue of indemnification to BellSouth for adverse consequences resulting from an ALEC's actions consists of the statement "in principle, we could

support such a notion".

Q. IS IT APPROPRIATE TO "CORRECT BELLSOUTH'S COST STUDY BY REMOVING THE INVESTMENT ASSOCIATED WITH ADDITIONAL EQUIPMENT AND CROSS CONNECTIONS THAT BELLSOUTH DOES NOT INCUR WHEN IT PROVIDED ACCESS TO RISER CABLE FOR ITSELF" AS PROPOSED BY MS. KAHN ON PAGE 14 OF HER TESTIMONY?

A. Absolutely not. BellSouth is not required by the FCC's rules to provide identical access to that it uses for itself. Rather, BellSouth must provide nondiscriminatory access, which is consistent with BellSouth's proposed architecture and related costs.

Q. DO YOU AGREE THAT BELLSOUTH'S METHOD CREATES A SITUATION WHERE "ALECS PAY FOR FULLY DUPLICATIVE, EXTREMELY UNDERUTILIZED EQUIPMENT ..." AS ALLEGED BY MS. KAHN ON PAGE 15 OF HER TESTIMONY?

A. No. Further, I note that MediaOne's witness Beveridge advocated use of access terminals in both the Florida and Georgia arbitration proceedings, which is what both Commissions ordered. Now MediaOne's new owner, AT&T, is advocating an entirely different approach, for reasons that are not readily apparent.

Q. ON PAGE 18 OF MS. KAHN'S TESTIMONY, SHE STATES THAT "A BELLSOUTH TECHNICIAN MUST CONNECT AND PERFORM A TURN-UP TEST FOR ALL CROSS CONNECTIONS AT A BUILDING EQUIPMENT TERMINAL INCLUDING THOSE CROSS CONNECTIONS ASSOCIATED WITH ALEC CUSTOMERS. THIS IS UNNECESSARY AND DUPLICATIVE." IS THIS STATEMENT ACCURATE?

A. No, for the reasons I have already stated.

Q. MS. KAHN CONTINUES BY SAYING THAT "THE ALEC TECHNICIAN CAN MAKE THE CONNECTIONS AND PERFORM A TURN-UP TEST JUST AS READILY AS A BELLSOUTH TECHNICIAN. " DO YOU AGREE?

A. No. Again, this is the sort of invasive practice explicitly rejected by this Commission in its MediaOne Order when it found that MediaOne had no right to alter BellSouth's network without BellSouth's technicians being present.

Terry Murray –BlueStar, Covad, Rhythm Links

John C. Donovan and Brian F. Pitkin – AT&T and MCI WorldCom

Q. PAGE 29 OF HER TESTIMONY, MS. MURRAY CONTENDS THAT BELLSOUTH INFLATES COSTS BY USE OF UNIVERSAL DIGITAL LOOP CARRIER (UDLC) RATHER THAN USING INTEGRATED DIGITAL LOOP CARRIER (IDLC). SIMILARLY, ON PAGES 13-15, MR. DONOVAN

AND MR. PITKIN CONTEND THAT USE OF A MODEL USING UDLC IS INCORRECT. IS THE USE OF UDLC A REASONABLE METHOD OF PROVIDING UNBUNDLED LOOPS ON A STAND-ALONE BASIS (THAT IS, A LOOP NOT IN COMBINATION WITH AN UNBUNDLED SWITCH PORT)?

A. Yes. One issue in this proceeding is the cost to BellSouth of providing a stand-alone unbundled loop. It is not technically feasible for BellSouth to provide that loop using IDLC at less than a DS-1 level (that is, 24 unbundled loops at a time). Consequently, in order to reflect the cost of providing an unbundled at the DS-0 level (that is, a single unbundled loop) it is necessary to reflect the cost of the UDLC system.

Q. MR. PITKIN AND MR. DONOVAN DISCUSS IDLC SYSTEMS WITH A GR-303 INTERFACE. DOES THIS DISCUSSION CHANGE YOUR CONCLUSION?

A. No. A GR-303 compliant IDLC system would allow BellSouth to provide IDLC functionality, but at the DS-1 level. The ALEC could choose to acquire a single unbundled loop from a given IDLC remote terminal and that single unbundled loop would require BellSouth to establish an entire DS-1 for its transport. Thus, when we are talking about a single unbundled loop at the DS-0 level, Mr. Pitkin's and Mr. Donovan's solution to use GR-303 compliant IDLC is no solution at all. Furthermore, they conveniently ignore the inefficiencies and limitations inherent in their

proposal. As Mr. Pitkin and Mr. Donovan acknowledge, existing GR-303 compliant IDLC systems can only be integrated with a very limited number of different switches. Since these IDLC systems must be used in conjunction with BellSouth's systems, only one or two ALECs could even stand to benefit from the arrangement they propose. Under their proposal, for example, as few as one or two individual unbundled loops, provided to one or two different ALECs, would exhaust the capability of the IDLC system to be integrated with different switches.

Q. ON PAGE 46 OF HER TESTIMONY, MS. MURRAY DISCUSSES SBC'S "PROJECT PRONTO" AND STATES HER BELIEF THAT "...THE NEW NETWORK ARCHITECTURE WILL ELIMINATE ANY NEED (AND COST) TO 'QUALIFY' LOOPS AS SUITABLE FOR DSL-BASED SERVICES BECAUSE ALL LOOPS WILL BE 'PRE-CONDITIONED' TO BE DSL-CAPABLE." DO YOU AGREE?

A. No. First of all, it is obvious that Ms. Murray has ignored the fact that neither SBC's network nor BellSouth's network has the attributes that SBC has claimed it may have at some point in the future. It is also obvious that some transition period (such as the three years announced by SBC) is required to get from the current network to that future state.

Second, it is not clear to me from reading SBC's press release when SBC will complete its Project Pronto such that every one of its loops will be xDSL capable as Ms. Murray implies. For example, SBC's press release

only discusses high speed services for those customers within 12,000 feet of its central offices but is silent for what services it will make available to customers located farther than 12,000 feet from its central offices.

Third, her contention that loop makeup activities will never be required once SBC completes its Project Pronto is based on a theoretical assumption that no loop served by digital loop carrier would ever exceed Carrier Service Area (CSA) guidelines. This is not realistic because the placement of outside plant facilities is not an exact science. For example, consider that SBC has planned and constructed its network consistent with CSA guidelines. Further assume that a real estate developer extends a subdivision beyond the originally contemplated geographic scope. SBC's serving arrangement would meet CSA guidelines for most customers but may not meet CSA guidelines for the added section. If that is the case, which is very likely since SBC does not have perfect knowledge of the future (nor does any telecommunications service provider), some customers will likely be served over loops that are not DSL capable notwithstanding the intent of Project Pronto.

Q. ON PAGES 50-52 OF HER TESTIMONY, MS. MURRAY ARGUES THAT BELLSOUTH'S LACK OF OPERATION SUPPORT SYSTEMS ("OSS") TO FULLY SUPPORT NEXT GENERATION DIGIAL LOOP CARRIER ("NGDLC") SYSTEMS SHOULD NEGATE THE RECOVERY OF ANY COSTS ASSOCIATED WITH THE MANUAL SUPPORT OF NGDLC SINCE THESE ARE NOT "FORWARD-LOOKING". WHAT ARE THE

MAJOR TYPES OF OSS THAT YOU BELIEVE ARE AT ISSUE HERE?

A. In general, I believe the ALECs are discussing BellSouth's provisioning and maintenance systems in the context of NGDLC systems. While NGDLC offers some advantages in the provisioning and maintenance processes, as I will describe below, NGDLC will never eliminate the need to dispatch technicians in any number of scenarios. Any attempt to portray NGDLC as a mechanism by which BellSouth can provision and maintain its network with the single push of a button and without a technician ever visiting the field is pure fantasy.

Q. PLEASE DISCUSS BELLSOUTH'S PROVISIONING SYSTEMS AS THEY RELATE TO NGDLC.

A. On the issue of service provisioning via BellSouth's NGDLC systems, there are mechanized interfaces for making the cross connect between the Time Slot Interchanger (TSI) and individual metallic drops at the NGDLC remote terminal. BellSouth presently uses two vendor-specific NGDLC systems, Alcatel Light Span 2000 and Marconni DISC*S. In some areas of BellSouth, software has been loaded in the Alcatel LightSpan 2000 that allows an interface to BellSouth's Operations Systems for Intelligent Network Elements ("OPSINE") support system. Over the interface, OPSINE uses information from the service order to map the cross-connect between the TSI and the subscriber metallic loop distribution pair for Plain Old Telephone Service ("POTS"). In other

locations where Alcatel LightSpan 2000 and Marconni DISC*S systems are deployed, the BellSouth service technician uses a technician interface and a laptop computer to provision the cross-connect on either NGDLC system using information from the service order residing on the laptop computer.

A third procedure that BellSouth uses to reduce dispatches for POTS service (for both BellSouth's end users and ALECs' end users) is the Connect -Through (CT) process. In the CT process for NGDLC systems, once a TSI and metallic loop are assigned to a specific physical address, the assignment records are designated as CT. The CT process allows the loop assignment records to dedicate NGDLC TSI and metallic loop distribution pairs to physical addresses. The CT procedure reduces the need for a dispatch to the NGDLC remote terminal when there are both disconnect and reconnect service orders for the same physical address (for example, when one customer vacates the premises and disconnects service and another customer moves in and requests a service that is compatible with the existing loop makeup).

However, none of the above procedures will reduce the need for dispatching a technician when a customer's POTS line is changed to a special service or data service. The reason a technician is needed in these situations is to change the line interface card at the NGDLC remote terminal to an integrated or broadband card that is necessary to provide the special/data service to the customer.

Q. PLEASE DISCUSS BELLSOUTH'S MAINTENANCE SYSTEMS AS THEY RELATE TO NGDLC.

A. BellSouth has deployed two remote testing architectures. One remote testing architecture is for maintenance of POTS. The second remote testing architecture is for installation and maintenance of designed special services and data services.

Loop Maintenance Operation System (LMOS) is BellSouth's OSS for the POTS remote testing architecture. The LMOS database uses the customer's telephone number to originate a test of the metallic loop serving the end user associated with the telephone number. The actual access to the metallic loop is made through the central office switch. The central office switch is capable of connecting the remote test head directly to the copper loop leaving the central office. If the end user's serving loop is served on a Digital Loop Carrier ("DLC") or NGDLC, the central office switch can access a remote test head in the DLC/NGDLC remote terminal. The remote test head at the remote terminal location will be able to test the metallic end user's loop for possible faults. The results of the test are then fed back up stream to be recorded in the LMOS database.

Integrated Test System ("ITS") is BellSouth's OSS for special services and data services remote testing. ITS is used to test installation and maintenance requirements on special services and data services circuits

using various remote test units, and ITS is able to test for analog rates (voice and data) and digital rates (DDS, DS-0, DS-1). The various test centers in BellSouth use ITS to remotely access the test points placed at various points along the special/data circuit. For this remote testing architecture, BellSouth's Trunks Information Record Keeping System ("TIRKS") is the database record keeper. Services inventoried within TIRKS can have both a telephone number format and a circuit number format. However, the telephone number format in TIRKS is different from the standard 10-digit format used for POTS service. TIRKS is used to help design and strategically place test access points on the special service or data service circuits.

In 1995, BellSouth went through an RFI (Request For Information) process to determine the cost of placing a special services test head at each NGDLC remote terminal location. The projected penetration rate of special/data services at NGDLC remote terminal locations failed to produce unit per line costs at an economically acceptable level. Therefore, the result of the RFI process was that BellSouth could not support, from a business case perspective, the deployment of special services test heads at remote terminal locations. Without the special services test head at the NGDLC remote terminal locations, certain installation and maintenance processes for special services and data services still require manual intervention. ITS is not capable of using the POTS remote testing architecture at DLC/NGDLC remote terminal locations because there is no interface between the two testing

architectures.

Q. WHAT FUTURE ENHANCEMENTS DOES BELLSOUTH PLAN FOR ITS NGDLC OSS?

A. BellSouth continually explores ways to enhance its OSS through such means as reviewing technical literature and meeting with equipment vendors. At present, BellSouth has not identified any system enhancements beyond those already discussed. At such time as any enhancements are determined to be cost effective, they will be incorporated into BellSouth's existing testing architecture for the benefit of both BellSouth and ALECs. However, in order for BellSouth to deploy NGDLC and enjoy the benefits in the manner contemplated by the ALECs, it would be necessary for BellSouth to build loop distribution and loop feeder facilities such that each and every customer loop was "connected through" to BellSouth's central offices at the time of the original construction. Such a scenario would be cost prohibitive and, therefore, is unlikely to exist any time soon.

Miscellaneous Issues

Q. SEVERAL OF THE ALEC WITNESSES COMPLAIN ABOUT WHAT THEY VIEW AS UNDUE AMOUNTS OF COORDINATION TIME IN VARIOUS NON-RECURRING COSTS. IN PARTICULAR, THE WORK GROUPS "UNEC" AND "WMC" WERE MENTIONED. HOW DO YOU RESPOND?

A. As substantiated by the sheer number of issues in this docket and the volume of documentation submitted about those issues, modern day telecommunications is a complicated process. Extremely close coordination is necessary to ensure that the multitude of activities required are completed. This is essential to ensure the proper ordering, provisioning, billing, and maintenance of the various systems involved, particularly when dealing with integrating the systems of multiple companies. The two BellSouth work centers cited by the ALECs are good examples of the nature of such coordination work.

The Unbundled Network Element Center ("UNEC") is the center responsible for coordinating the conversion of an end user's service from BellSouth to an ALEC. Obviously, such coordination involves various groups internal to BellSouth as well as the ALEC. Coordination includes:

- Ensuring that the service as ordered by the ALEC is correct.
- Verifying the conversion time with the ALEC.
- Ensuring that BellSouth's central office and field forces are able to perform the conversion at the time ordered by the ALEC.
- Performing pre-service testing to ensure that dialtone is received from the ALEC.
- Ensuring that wiring is completed by BellSouth's central office personnel.
- Coordinating the start of the conversion with the central office and field personnel.

- Testing with central office or field personnel to ensure that the conversion is complete.
- Performing any cooperative acceptance testing with the ALEC.
- Providing the completion notification to the ALEC that the conversion is complete for any number porting activities, which are required of the ALEC.

The Work Management Center ("WMC") pre-assigns work to a technician in order to ensure that the technician is at the conversion site at a time that ensures the conversion will be completed as ordered. On the cutover date, the WMC monitors the progress of the technician to ensure that the technician arrives at the designated time.

Q. SEVERAL ALECS HAVE SUGGESTED THAT BELLSOUTH SHOULD HAVE A SYSTEM WHICH COULD ELECTRONICALLY SWITCH END USERS FROM A BELLSOUTH SWITCH TO AN ALEC'S SWITCH WITHOUT ANY PHYSICAL WORK, THUS ELIMINATING A COST FACTOR. IS SUCH A VIEW REALISTIC?

A. Absolutely not. I am not aware of any such system anywhere in the telecommunications industry that could perform such a task, either at present or on a "forward-looking" basis. To the contrary, the cutover process for facility-based ALECs is complex and work intensive.

Q. WHAT IS INVOLVED IN PERFORMING A LOOP CUTOVER?

A. I have provided Exhibit WKM-2 that shows, pictorially and with a brief narrative, the various work steps involved in a typical loop cutover. These photographs were taken in BellSouth's Norcross, Georgia, central office; however, the work steps are identical in all nine states in BellSouth's region. Briefly, the work steps involved are as follows:

- The BellSouth central office technician receives a call to begin cutover and asks for the cable pair number of the loop to be cutover. This is shown on page 1 of Exhibit WKM-2.
- The technician types the cable pair number into a database to find the loop cutover work order number. This is shown on page 2 of Exhibit WKM-2.
- The technician retrieves a copy of the work order for the unbundled loop. This is shown on page 3 of Exhibit WKM-2.
- The technician in the BellSouth central office responds to the BellSouth UNE Center's request to initiate coordination of the overall cutover of service from BellSouth to the ALEC. This is shown on page 4 of Exhibit WKM-2.
- The technician then verifies that the correct loop has been identified for cutover. This is done using a capability referred to as Automatic Number Announcement Circuit ("ANAC"). The technician plugs a test set onto the loop and dials a special code. The telephone number associated with that loop is played audibly. This is shown on page 5 of Exhibit WKM-2.
- Next, the technician locates the existing jumper on the BellSouth Main

Distributing Frame ("MDF") running between the loop and the BellSouth switch port. This is shown on pages 6-7 of Exhibit WKM-2.

- The technician locates and removes the end of the jumper connected to the BellSouth cable pair. This is shown on page 8 of Exhibit WKM-2.
- The technician then locates and removes the end of the jumper connected to the BellSouth switching equipment. This is shown on page 9 of Exhibit WKM-2.
- The technician then connects the one end of a new jumper between the loop and a connector block on a cable rack with tie cables to the ALEC's collocation arrangement. This is shown on page 10 of Exhibit WKM-2.
- The technician then weaves the new jumper wire through the cable rack to reach the tie cables to the ALEC's collocation arrangement. This is shown on page 11 of Exhibit WKM-2.
- The technician connects the second end of the new jumper to the connector block and thus the tie cable to the ALEC's collocation equipment. This is shown on page 12 of Exhibit WKM-2.
- The technician next verifies that the loop is connected to the expected switch port and telephone number in the ALEC's switch, again using ANAC capabilities. This is shown on page 13 of Exhibit WKM-2
- Upon successful completion of the loop cutover, the technician verifies with the ALEC that the order was correctly worked, closes the work order, and notifies the UNE Center. This is shown on page 14 of Exhibit WKM-2.

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Naturally, any errors (both BellSouth's errors and the ALEC's errors) slow the process while corrections are identified and made.

Q. IS BELLSOUTH IN TOTAL CONTROL OF THE LOOP CUTOVER PROCESS?

A. No. As discussed above, loop cutovers require high levels of coordination between BellSouth and the ALEC to which the unbundled loop is being provided. If an ALEC fails to perform a function in a timely fashion, the delay directly impacts the overall cutover time. For example, one step in the process occurs after the loop is removed from BellSouth's switch and is connected to the ALEC's switch. At this point in the cutover, tests are performed to verify that the loop is connected to the expected switch port and telephone number in the ALEC's switch. However, if the ALEC has a defective switch port, or has provided an invalid switch port number, or any of a number of other possible errors occurs, BellSouth is powerless to move forward until the ALEC takes appropriate corrective steps. While the ALEC is doing so, the total cutover time clock is still running. Clearly, BellSouth's cost involved in performing such cutovers are legitimate, should be appropriately recovered in BellSouth's UNE rates, and should not be summarily dismissed because of dreams of non-existent future systems.

William J. Barta – Florida Cable Telecommunications Association

Q. ON PAGES 24-25 OF HIS TESTIMONY, MR. BARTA STATES THAT THE COPPER/FIBER CROSSOVER POINT SHOULD BE ADJUSTED FROM 12,000 FEET AS USED IN BELLSOUTH'S COST STUDIES TO 18,000 FEET. HOW DO YOU RESPOND?

A. Mr. Barta fails to support his recommendation. My understanding of the forward-looking cost study methodology is that it requires the use of the most economic architecture for the service for which costs are being developed. In the development of loop costs, the consideration was for narrowband services. Costs were developed for loops of increasing length using both copper cable and fiber-fed digital loop carrier. Depending on the type of construction (aerial versus buried cable) and the volume of demand (cable size or NGDLC size), the economics of provisioning begin to dictate the use of fiber fed NGDLC rather than copper cable at approximately 10,000 feet of total loop length. Fiber fed NGDLC is almost always the most economic alternative for loops longer that 12,500 feet. Therefore, the economic crossover distance for loop studies for voice grade services is approximately 12,000 feet.

David A. Nilson - Supra

Q. ON PAGE 6 OF HIS TESTIMONY, MR. DAVID NILSON OF SUPRA PROPOSES THAT ALECS ONLY PAY A PRO-RATA RECURRING COST FOR LINES INVOLVING LINE-SHARING, SOMETHING HE REFERS TO AS DIGITALLY ADDED MAIN LINES ("DAML"). PLEASE

RESPOND.

A. First, line-sharing is not provisioned using DAMLs, as Mr. Nilson statement implies. Second, DAMLs are normally used in BellSouth's network only as a temporary device to secure additional pairs in highly congested areas. Third, the cost study models that Ms. Caldwell used in BellSouth's cost filing are based upon a forward-looking network which assumes that sufficient pairs will be provisioned to meet forecasted demand without the use of DAMLs or other temporary measures. Therefore, DAMLs have no place in a forward-looking cost study.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

PC DOCS #225386

BY MS. WHITE:

Q Mr. Milner, could you please give your summary.

A Yes, thank you. Good afternoon, Commissioners.

CHAIRMAN DEASON: Excuse me, before you do that, I thought Mr. Milner had direct, also.

MS. WHITE: I'm sorry, I don't have that on my list.

Mr. Milner, did you have direct, as well?

THE WITNESS: Not in this phase.

MS. WHITE: I thought it was in Phase 1.

CHAIRMAN DEASON: Okay. Maybe that was it.

MS. WHITE: Phase 1, which had already been --

CHAIRMAN DEASON: It's just in my book and it is dated May the 1st, 2000. Maybe that was a page --

MS. WHITE: Let me just as a matter of just security --

BY MS. WHITE:

Q Mr. Milner, did you also file direct testimony on May 1st, 2000 consisting of 28 pages?

A Yes, I did.

Q And do you have any changes to that testimony?

A No.

MS. WHITE: I would ask that that testimony be inserted into the record as if read unless somebody knows whether it has already been done.

CHAIRMAN DEASON: Does staff know, has that testimony already been inserted?

MR. KNIGHT: No, it hasn't.

CHAIRMAN DEASON: It has not been inserted.

MS. WHITE: I'm sorry, I thought it had in Phase 1. I apologize. So I would ask that that be inserted into the record, as well.

CHAIRMAN DEASON: Okay. Without objection show the direct testimony also being inserted in the record. That is a new one. We insert rebuttal before we do --

MS. WHITE: I know. I do apologize for that. There was also one exhibit labeled WKM-1 attached to the direct testimony Mr. Milner. Did you have any changes to that exhibit?

THE WITNESS: No.

MS. WHITE: I would ask that that exhibit just be put in with Exhibit 120 if that is acceptable.

CHAIRMAN DEASON: Yes, that is. And thank you for everyone.

Mr. Lamoureux, thank you very much. Sometimes the child does need the help of the parent, ex-parent.

MR. KNIGHT: Commissioners, his exhibit and his testimony were inserted in the July hearing. That was my mistake.

CHAIRMAN DEASON: It was inserted in the

previous --

MS. WHITE: The Phase 1?

MR. KNIGHT: In Phase 1.

CHAIRMAN DEASON: Okay. Well, just so that it doesn't have to be duplicated, we will uninsert it in this record.

MS. WHITE: Thank you very much.

CHAIRMAN DEASON: And Exhibit 120 will only be the rebuttal exhibits.

MS. WHITE: Thank you.

BY MS. WHITE:

Q Mr. Milner, now would you like to give your summary, please?

A Yes, thank you.

CHAIRMAN DEASON: And only summarize your rebuttal, not your direct.

THE WITNESS: Very good, sir. I filed rebuttal addressing three main areas; access to subloop elements, the maintenance and provisioning capabilities of newer versions of digital loop carrier equipment, and loop cutover coordination procedures.

Turning to the first area, BellSouth offers a variety of subloop elements, such as unbundled network terminating wire and unbundled intrabuilding network cable. The primary dispute between the parties centers

around the form of access that is appropriate. New entrants favor direct unfettered access, while BellSouth proposes that access be through a device referred to as the access terminal.

BellSouth favors this approach because it gives ALECs the subloop elements they desire, but does so without reducing network reliability and security. Contrary to Witness Stacy's assertion, BellSouth does not seek to, by the use of the access terminal, enhance the security of BellSouth's network, but rather only preserve the existing level of security.

BellSouth does not itself benefit from the placement of an access terminal. An access terminal is necessary to prevent intentional or unintentional service disruption caused by ALEC technicians and to ensure proper recordkeeping and billing. Thus, it is appropriate that requesting ALECs bear these costs.

Mr. Stacy suggested that the use of the access terminal requires that BellSouth dispatch one of its technicians each time the ALEC wants an additional unbundled subloop element. However, this is also incorrect. BellSouth will prewire all network terminating wire pairs to the access terminal, and by terminating such pairs on connector blocks inside the access terminal, the need for dispatch of a BellSouth technician for those

prewired pairs is eliminated.

In the case of highrise buildings where you would find a different subloop element referred to as intrabuilding network cable, BellSouth will still build the access terminal, but will not prewire all of the pairs over to that access terminal for two reasons. First of all, just the sheer quantity of pairs that are present at that site, plus the likelihood of service disruption for existing customers. BellSouth will still prewire requested pairs over to the access terminal, again, eliminating any need to dispatch a BellSouth technician at the time that the ALEC provides service to its customer.

Next, Mr. Stacy suggested that the access terminal for access to network termination wire is simply unnecessary. I disagree. This Commission issued its order in the recent arbitration case between BellSouth and Media One in Docket 990149-TP. In its order this Commission determined that unbundled network terminating wire -- that the ALEC, rather, could gain access to network terminating wire without reducing network reliability and security by allowing Media One access to the NTW via this access terminal. So clearly the access terminal provides a useful function.

Mr. Stacy suggests that BellSouth rather than the requesting ALEC should bear the cost of the access

terminal. The Telecommunications Act of 1996 and related FCC and state commission proceedings have established that BellSouth must cooperate with competitors to foster competition. However, nothing in those proceedings requires BellSouth to finance the competitive entry into the telecommunications market or to sacrifice the network reliability or security.

BellSouth would have no reason to construct access terminals if not for the ALECs' desire to gain access to BellSouth's subloop elements. Regulatory authorities have clearly established that BellSouth has a responsibility to safeguard its network and facilities as various means of interconnection are identified.

The access terminal at issue here has been determined to be a reasonable method of interconnection which addresses ALEC needs while providing adequate security. Therefore, if an ALEC desires to interconnect, that ALEC should bear the cost of doing so. BellSouth does not need to protect its network from its own technicians. And BellSouth is entitled to recover its costs for reasonable security measures as determined by the FCC and by this Commission. This Commission, as I noted, has already found BellSouth's proposed methods of access to be reasonable and therefore subject to appropriate cost recovery.

There is another part of this issue that deals with access to subloop elements referred to as loop feeder and loop distribution. And Mr. Stacy suggests that the feeder distribution interface, which some refer to as the cross box, provides adequate network security and that BellSouth should simply give ALECs direct access. BellSouth opposes direct access to this feeder distribution interface for the same reasons I expressed earlier. With direct access network reliability and security will suffer and BellSouth would be unable to maintain accurate inventory records of its own property or even know when and how much to bill ALECs for their use of BellSouth's assets.

So BellSouth proposes the same form of access to unbundled loop distribution and loop feeder facilities accessed at the feeder distribution interface, and that is BellSouth will install its access terminal for the requesting ALEC, then the ALEC will provide its own terminal in proximity to that, and BellSouth will wire what facilities the ALEC requests either at the time that the ALEC wants to provide service to its customer or on a prewired basis.

Ms. Kahn suggests that the use of the access terminal is not competitively neutral. I do not agree. The use of the access terminal strikes a reasonable

balance between giving ALECs the access they need while still preserving the network reliability and security of BellSouth's network. Next, Ms. Kahn suggests that ALECs could indemnify BellSouth if bad things happened as a result of ALECs having direct access.

However, it would be difficult, if not impossible, for ALECs to indemnify BellSouth for the risk to BellSouth's end users and any users -- or any end users of ALECs who happen to be using unbundled loops or unbundled subloops acquired from BellSouth. Further, it causes me concern that her entire testimony on the issue of indemnification to BellSouth for any adverse consequences resulting from ALECs having direct access consists of a simple statement, "In principle we could support such a notion," end of quote.

Let me turn to the second area addressed by my testimony, and that is the use of digital loop carrier or DLC equipment. Ms. Murray suggests that BellSouth's lack of operation system -- support systems to fully support next generation digital loop carrier systems should negate the recovery of any costs associated with any manual processes.

My understanding is that her statement refers to BellSouth's provisioning and maintenance systems in the context of next generation DLC, and while NGDLC offers

some advantages in the provisioning and maintenance processes, NGDLC by itself will never eliminate the need to dispatch technicians in any number of different scenarios.

Any attempt to portray NGDLC as a mechanism by which BellSouth can provision and maintain its network simply by the touch of a button is completely unrealistic. BellSouth continually explore ways to enhance its systems. It meets with vendors, it reads technical literature, but at present BellSouth has not identified any system enhancements beyond those it already has in place.

At any time in the future as any enhancements are determined to be cost-effective they will be incorporated into BellSouth's testing architecture for testing and provisioning of the services we provide. And that will benefit both BellSouth and ALECs. However, in order for BellSouth to deploy next generation digital loop carrier and enjoy the benefits in the manner contemplated by some ALECs, it would be necessary for BellSouth to build loop distribution and loop feeder plant to each and every single customer and keep that plant dedicated full-time. Such a scenario will be cost prohibitive and, therefore, is unlikely to exist any time soon.

The last area addressed by my testimony responds to complaints that various nonrecurring costs contain

undue amounts of coordination time for work operations in BellSouth's unbundled network element center and work management center. I believe the sheer number of issues in this docket and the volumes of documentation that have been submitted around these issues clearly indicates that provisioning service in modern day telecommunications is clearly a complicated process.

Extremely close coordination is necessary to ensure that the multitude of the various work steps that are required are completed in a timely fashion, and proper coordination is essential. The two work centers that have been named by CLECs as examples of -- are good examples of the nature of that coordination work.

The unbundled network element center, for example, is that center responsible for coordinating the conversion of an end user service from BellSouth to an ALEC. Obviously such coordination involves various work groups internal to BellSouth as well as within the ALEC.

The work management center, or WMC, you may hear the phrase, preassigns work to BellSouth technicians in order to ensure that technicians are there at the right time and place such that conversions will be completed as ordered.

Several ALECs suggested that BellSouth should have a system which could electronically switch end users

from a BellSouth switch to an ALEC switch without any physical work thus eliminating a cost factor. However, such a proposal is not realistic. I am not aware of any such system anywhere in the telecommunications industry that could perform such a task either at present or on a forward-looking basis. To the contrary, the loop cutover process for facilities-based ALECs is complex and is work intensive.

In my testimony I provided an exhibit containing 14 photographs of that part of the loop cutover process done within the BellSouth central office. Loop cutovers require high levels of coordination between BellSouth and the ALEC to which the unbundled loop is being provided.

Clearly, BellSouth's costs involved in performing such cutovers are legitimate, should appropriately be recovered in BellSouth's UNE rates, and should not be summarily dismissed because of the possibility of some nonexistent future system.

Thank you, that concludes my summary.

MS. WHITE: Mr. Milner is available for cross-examination.

CHAIRMAN DEASON: Mr. Melson.

CROSS EXAMINATION

BY MR. MELSON:

Q Mr. Milner, Rick Melson representing WorldCom

and Rhythms. I've got actually just a few questions for you this afternoon. Just so we are all clear on terminology, NGDLC is next generation digital loop carrier?

A Yes, sir.

Q And Alcatel and Marconi are two suppliers of NGDLC systems, is that correct?

A That's right. There are two manufacturers.

Q And a channel unit, is that also referred to as a plug-in card?

A Well, the term channel unit is a rather generic sort of phrase. It may mean a number of different things. It may mean a plug-in card to various types of systems. It may accommodate a single line, in other cases it's may provide as many as 24 different lines in one thing that we call a channel unit. So it really depends.

Q A channel unit basically is a unit that goes into a channel bank assembly and is used in a DLC system, or a next generation DLC system as the basis to do an analog-to-digital conversion and then transmit the digital signal back over fiber to the central office, is that correct?

A I understand. The function you are describing, in my vocabulary I would call that a line card rather than a channel unit, but I understand what you mean.

Q Okay. And would you agree with me that in some cases different types of line cards are required to provide -- to support different types of services?

A Yes, sir.

Q I'm going to hand out what I believe is a proprietary document, and I am going to ask you to focus on just a few pages, a few passages in this document that I've got highlighted. And as we go through, I am going to make the assumption that what is highlighted is proprietary unless you tell me to the contrary. I assume it is not proprietary to identify the document by subject and date?

A No, I wouldn't call it --

Q Okay. This is a document, subject ADSL planning directives, dated February 14th, 2000?

A That is correct.

MR. MELSON: Mr. Chairman, could I have that identified as the next numbered exhibit.

CHAIRMAN DEASON: 121.

MR. MELSON: And that would be confidential.

(Exhibit Number 121 marked for identification.)

BY MR. MELSON:

Q Mr. Milner, could you read to yourself the couple of sentences that are highlighted on the cover sheet and tell me if the content of that highlighted

passage is confidential?

A I would consider the first sentence to be proprietary because it names the magnitude of the scope of the work that is going to be done here. The rest of the parts that are highlighted I would not consider to be.

Q Okay. So essentially this portion says that rapid ADSL deployment will be required over the next few years and then indicates a general order of magnitude?

A Yes, sir.

Q All right. Could you turn to numbered Page 1, which is physical Page 3 of the document and read the sentence that is highlighted in the executive summary to yourself, please.

A Okay. I have read that.

Q Do you regard that as confidential?

A No, sir.

Q And essentially, if I understand it correctly, then that sentence says that by mid-2001 next generation digital loop carrier systems with ADSL channel units are expected to be available for deployment. Can you tell me what an ADSL channel unit is just in generic terms?

A Well, I believe he is referring to that thing that I would refer to as a line card again. But a line card that can accommodate ADSL service being provided at least in part by a next generation digital loop carrier

system.

Q And would that be what we referred -- well, you weren't here yesterday when I was talking with Ms. Caldwell. Would it be fair to characterize that as DSL over DLC, DSL carried over a DLC system?

A Yes.

Q On the bottom of Page 2 there is a bullet highlighted. Do you regard that as confidential?

A It is not proprietary to BellSouth. It may be to those two companies, but not to BellSouth.

Q All right. Well, let me ask you then, that simply indicates the source of the vendors who would provide or expected to have the ADSL compatible cards?

A Yes, sir.

Q And, finally, would you turn to page numbered 13, and there is a paragraph highlighted there. Could you read that and tell me if there is anything proprietary in that paragraph?

A Yes, sir, I believe this would be proprietary for two reasons.

Q Okay. Let me ask you if you can characterize that paragraph in a nonproprietary way?

A Okay. First of all, again, the two manufacturers that are named there, this document by the way was produced by BellSouth's Science and Technologies

Group. So I'm not sure exactly of how -- what the proprietary nature of the exchange of information between these manufacturers about their products and our Science and Technologies Group was. The part that is proprietary to BellSouth is that it indicates the nature and timing of BellSouth's own deployment plans for ADSL services.

Q All right. Is it fair to say then in a nonproprietary manner that this sets out the timetable in which DSL over DLC will be available to be deployed, and that given that deployment date it describes a transition mechanism?

A Yes.

MR. MELSON: That was all I had. Thank you. Mr. Milner.

CHAIRMAN DEASON: Mr. Lamoureux.

CROSS EXAMINATION

BY MR. LAMOUREUX:

Q Good evening, Mr. Milner. I think it should come as no surprise that I want to talk to you a little about network terminating wire and intrabuilding network cable.

A I would be disappointed otherwise.

Q Would you agree with me that NTW and INC are required subloop elements that BellSouth must provide under the FCC's UNE remand order?

A Yes, sir.

Q And in its UNE remand order in the section on subloop unbundling, would you agree that the FCC specifically said that it was trying to provide ALECs maximum flexibility to interconnect with ILECs at technically feasible points in order to allow competitors to serve customers efficiently?

A I don't recall the exact quote. You use the word maximum. I don't recall if that word was in there or not. But that was the general intent, I will agree with you there.

Q Okay. This is the order.

A Thank you.

Q I just handed you a copy of the UNE remand order. In particular if you would look at both Paragraph 207 and 223 of that order, would you agree that both of those paragraphs are in the section dealing with subloop unbundling and they both talk about providing ALECs maximum flexibility to interconnect with the ILEC?

A Yes, they both say that.

Q Would you also agree with me that in that same order in the provisions dealing with subloop unbundling, the FCC required the establishment of a single point of interconnection that is fully accessible and suitable for use by multiple carriers to gain access to these things we

call multiple dwelling units?

A Yes, sir.

Q Now, you mentioned the Florida order in the Media One/BellSouth arbitration. Do you agree with me that that order came out before the FCC's UNE remand order?

A Yes, it did.

Q You discussed in your summary that the issue, a good chunk of the issue on NTW and INC turns really on the manner in which ALECs want to gain access to NTW and INC and the manner in which BellSouth desires to provide that access, is that correct?

A Yes. And to expand that just a little bit further, to determine what means are technically feasible to accomplish that access.

Q Okay. What I would like to do if I could is draw out in very simplistic terms because of my limited artistic ability exactly the type of access that we are talking about in the couple of different situations that we are talking about.

A Okay.

Q And I know you have exhibits behind your direct testimony that do this, and essentially I am going to try and draw just a little more simply what you have behind your exhibit in your direct testimony.

A That's fine.

Q And what I would like to talk about first is in your garden apartment type situation. And what we are talking about there is a situation where you may have a complex of various different apartments on a big property that you want to try and gain access to the individual tenant units in those apartment buildings. Generally about right?

A Yes. And usually they are no more than -- in most cases two stories, sometimes three, but most often either one or two stories.

Q And I think what you mentioned is that typically in that situation, and what I have drawn here is three apartment units in an apartment complex. Typically what you will have is somewhere outside of that complex there is a garden terminal where the BellSouth network which is, I guess, the access point where the BellSouth network then connects via network terminating wire to the individual apartment units?

A That's close. You said somewhere outside the complex. I presume you mean Apartments A, B, and C are in the same building. So that device that you have drawn in the box in the bottom left would be outside that one building, not outside the complex.

Q If I drive up to the parking lot of the building

at these three apartments, then I will usually pull up to the curb and there will be a green pedestal there that is the garden terminal that connects to these three --

A That's right. You will either see that on a pedestal behind some shrubbery or you will see it on the end of the building on an outside wall.

Q And I think we all agree that it is that garden terminal that is the access point at which in one way or another ALECs will gain access to the network terminating wire that goes to these three apartments, is that right?

A No, that is the manner in which BellSouth will gain access to the wire running from that garden terminal to each of those apartments.

Q Okay. I'm sorry.

A And I was about to suggest that you draw another line that you just did that leaves that bottom box, and that is the BellSouth outside plant facilities that would run back to its central office.

Q Okay. Well, BellSouth's network -- and I guess I should draw down here, when you talked about the cross box, that will be somewhere further out on the property, typically back here?

A That's right. It may be at the edge of the property or it may be off the complex.

Q Okay. And all I want to get at is the manner in

which BellSouth will require ALECs to gain access to this network terminating wire at this garden terminal is BellSouth proposes to construct this access terminal which will then be in between the ALEC's terminal and the BellSouth garden terminal, is that right?

A That's correct.

Q And what BellSouth is proposing is that it is going to prewire all the connections between its garden terminal and the access terminal and then when the ALEC want to buy a network terminating wire to serve one of the tenants, it just hooks up to the access terminal to gain access to the pair necessary to serve the particular tenant?

A That is exactly right. I might point out between that box that we call the garden terminal and each of those apartments may be some number of pairs, two, three, as many as six perhaps. And our proposal is that -- well, let's say that there is four pairs to each apartment and that there are 25 apartments in each building, so there is 100 pairs there. Those 100 pairs could be accessed either by BellSouth, those same 100 pairs would be wired over to that access terminals for use by the ALEC.

Q Well, that was my next question. Will BellSouth prewire all available pairs to this access terminal so

that the ALEC will have access to all available pairs in the apartment building to serve any of the tenants in that building?

A Yes, sir.

Q Okay. Now, when we talked about this arrangement in one of our depositions, you described the connection between the garden terminal and the access terminal, you called it bridging at some point. When you use that phrase to describe the connection between these two boxes, did you mean bridging as in when BellSouth designs bridged tap or is there some other type of connection that you were describing?

A No. In fact, maybe that was unfortunate choice of phrases on my behalf. But I just meant simply the extension of those network terminating pairs such that they had two different appearances. By bridging I meant to imply that some of those circuits will already be in use, that is some of those 100 pairs in my hypothetical would be providing service to BellSouth's end users and that extending them or bridging them had to be done very carefully so as not to disrupt that service.

Q Now, let's assume that more than one ALEC wants to try and serve the tenants in that building. What would happen is that presumably those other ALECs would build their own terminals and each one of those ALECs would then

connect up to this access terminal in order to gain access to the NTW to the apartment building, is that right?

A Well, that's close. In this Commission's order in the Media One case it indicated that each ALEC should have its own access terminal, so you might have to replicate that box, as well. However, if it is acceptable to the Commission, we don't mind -- BellSouth does not mind the sharing of the access terminal among various ALECs. So in that case if the Commission agrees, then it could be as you have drawn here, and that is subsequent ALECs providing their own terminal, they would bring their own facilities into that complex, would have their own cables or whatever mode of transport they have, would install their own terminal and then would gain access to the wire inside that access terminal as Mr. Lamoureux has shown.

Q Well, for the purposes of the cost study in this proceeding what BellSouth has assumed is that there is a single access terminal that all ALECs connect up to to gain access to the NTW, is that right?

A Yes, that is right.

Q And in that situation there would be multiple ALECs connecting and perhaps at some later time disconnecting into and out of that access terminal, is that right?

A Yes, unless an ALEC wanted its own access terminal, which we would then provide. In other words, if AT&T said I don't want my facilities being terminated into an access terminal that is shared by other ALECs, BellSouth, would you provide me my own, well, we are happy to do that.

Q But for cost purposes, the way the cost study was developed is it assumes the -- I forget the numbers. The 46 cents and the $65 recurring and nonrecurring charges for a network terminating wire assume this single access terminal set up?

A You are correct.

Q Okay. And, in any event, in no case will BellSouth ever have to go through the access terminal to gain access to any of the tenants in that building, right?

A That's correct.

Q And instead BellSouth is still going to continue to access the tenants through that garden terminal that it has on the property somewhere?

A Yes.

Q So the access terminal that we are talking about here is a point of access for the ALECs only, correct?

A That is right, yes. In my view it is those multiple carriers that the FCC was referring to.

Q And the access terminal is not a single point of

interconnection for all carriers, it is a single point of interconnection only for the ALECs, but not for BellSouth, correct?

A Well, let me answer two ways. First of all, you are right, BellSouth does not provide its own service to its end users through the access terminal, it provides that device instead to give access to ALECs to BellSouth's assets. Whether or not this is the so-called single point of interconnection or not envisioned by the FCC really depends on one's view of what SPOE means, specifically the word single. In the case we have been talking about here is one garden terminal that serves one apartment building. There may be, let's say, 30 buildings in that apartment complex.

If would you like to call this the single point of interconnection for access to that building, I'm fine with the use of that phrase. However, interconnecting an ALEC's facilities at that point does not give it access to the facilities to the other 29 buildings. If that was what was meant by single point of interconnection, then if you drop down to that next lower box in the bottom left corner of your drawing, then we would be happy to provide a single point of interconnection there which would give you access to all of that network terminating wire in any of the 30 buildings. So just trying to keep us free of

semantic difficulties here.

Q Excuse me, I'm sorry. For my question I want to limit it only to access to these three buildings, okay, which connect up to this garden terminal?

A Well, I think you mean apartments not buildings.

Q I'm sorry.

A But, yes.

Q It's late, I'm tired. I want to talk about these three apartment units in this building, okay?

A Okay.

Q And gaining access to those three apartments via the network terminating wire that goes to those apartments, okay?

A Right.

Q Would you agree with me that no matter what, the definition of single cannot be two?

A Well, I'm not a math major, but it certainly sounds plausible, yes.

Q Okay. In my situation here there is not a single point of interconnection for the network terminating wire to those three apartments, there are two. There is one for BellSouth and then there is one for all other ALECs?

A That is true, but I'm not -- I don't agree with your notion that the FCC meant that the single point of

interconnection had to be used by all local exchange carriers. I believe it said by multiple local exchange carriers, and this arrangement allows that. It allows as many ALECs as are willing to share that access terminal access to BellSouth's unbundled elements.

Q Would you turn to Paragraph 226 of the UNE remand order there? Didn't the FCC say that a single point of interconnection would have to be established that is fully accessible and suitable for use by multiple carriers to gain access to multi-dwelling units?

A I'm sorry, did you say Paragraph 226?

Q I did. I hope that is the right paragraph.

A Okay, sure. Yes, you quoted it well. Let me just read it. "We require the incumbent to construct a single point of interconnection that will be fully accessible and suitable for use by multiple carriers." And, you know, that is what our proposal does. It is footnoted with Footnote 442, and that footnote reads, "The incumbent is obligated to construct the single point of interconnection whether or not it controls the wiring on the customer premises."

So I think in the footnote the FCC has drawn a distinction between the incumbent and those multiple carriers that it references in Paragraph 226.

Q Actually isn't the footnote drawing a

distinction between the wire that the incumbent controls and the wire that the incumbent does not control?

A No. Well, yes, that is the subject of Footnote 442, but it uses the word incumbent, I think, to show what our obligation is to provide these things, not necessarily to use them.

Q But in Paragraph 226 the sentence that we are talking about there, it doesn't say multiple competing carriers, or multiple CLECs, it just says multiple carriers, correct?

A That is the words, and you and I disagree perhaps about the intent of that, but I think if the FCC had intended that that be an identical form of access they could very easily have said that it was suitable for use by the incumbent LEC and any competing companies. It did not say that.

Q Do you believe that making the ALECs gain access to the garden terminal by virtue of an access terminal in between their terminal and the garden terminal is the manner of interconnection that provides maximum flexibility?

A Yes, I do. The FCC's First Report and Order in August of 1996 talked at length about what was technically feasible and how you could tell if something was not, and it specifically said those things that reduced network

reliability and security were of their nature not technically feasible. We think and think this Commission has found that this very arrangement is technically feasible and it allows maximal use of the network terminating wire because we provide each and everyone of those pairs over to that device. We prewire such that all 100 in my example are available to every CLEC that wants to bring its facilities onto the property. I view that as maximal use of those facilities.

Q I didn't ask you anything about technical feasibility, and we will talk about that in a little bit. What I talked about was flexibility. Wouldn't you agree with me that it would provide much greater flexibility to allow the ALECs to connect directly to the garden terminal than requiring them to go through this intermediary access terminal?

A No, sir, I would not agree with that. Because any form of interconnection must or is subject to a finding that it is technically feasible. And that is what I was trying to explain with what the FCC had said about that. Any form of interconnection, not just this form, but any form of interconnection or access to unbundled network elements the FCC says should be done or is required once there is a finding that it is technically feasible. The manner that you are describing of direct

access was, in fact, proposed by Media One and found to be not technically feasible.

Q I'm not asking you any questions about technical feasibility. What I am going ask you to assume, assume with me, hypothetically, that direct connection to the garden terminal is just as technically feasible as connecting via this intermediary terminal, okay? Given that, wouldn't you agree with me that it would be much more flexible to allow the ALECs to direct connect rather than to make them go through the access terminal?

A I can't answer that question because I don't agree with your predicate that that is technically feasible.

COMMISSIONER JABER: Mr. Milner, what flexibility or what access does the ALEC get using the garden terminal that they can't get using the access terminal?

THE WITNESS: Okay. They get a couple of things. They get a very clear demarcation point, that is the access terminal, of where the ALEC's network ends and where BellSouth network begins. And that same delineation shows who is responsible for fixing things if they break on either side of that. To the extent that an ALEC wants its own --

CHAIRMAN DEASON: I'm sorry, stop just one

second. If something goes wrong in the access terminal who fixes that?

THE WITNESS: Well, let me give you a couple of different examples, because it depends. The ALEC will be making its on cross-connections within that. So if something goes wrong in that access terminal then the ALEC would be responsible for fixing that.

If there is vandalism, or lightning strikes it, or whatever, then it is BellSouth's responsibility to replace or repair the access terminal. But the cross-connections within that would generally be placed by the ALEC rather than BellSouth.

COMMISSIONER JABER: So if BellSouth allowed direct access to the garden terminal, why is it difficult to know where the responsibility would be for breakage if the breakage or the vandalism -- well, breakage occurs during a certain time?

THE WITNESS: Okay. The reason that this makes it more clear is that it becomes very clear whose technicians were working in a given terminal. For example, under BellSouth's proposal only BellSouth technicians would work in the garden terminal. We would not be doing work in the ALEC's terminal, and likewise they would be working in theirs, but not ours. If bad things happened it would be, you know, clear whose

technicians had been in there. Second --

COMMISSIONER JABER: Could that concern be fixed through reporting mechanisms, requirements to report who was on duty and who was doing what?

THE WITNESS: Well, that is possible, but probably not practical because these are -- these are not very sophisticated devices. These are little metal boxes with cross -- you know, where physical cross-connections are placed within them. So there is not a -- you know, you might imagine much more sophisticated situations where you would have a card swiper or something like that so you would know who was there and who was not. There are literally thousands, probably hundreds of thousands of these across BellSouth's nine state region. It would be an incredible job of trying to keep track of who was doing work in those. And for reason that is why they are secured.

CHAIRMAN DEASON: Well, Mr. Milner, if they are fairly simple in the sense of their technology, just a box where wires are connected --

THE WITNESS: Yes, sir.

CHAIRMAN DEASON: -- why is it such a security risk to have ALECs access to your terminal, your garden terminal?

THE WITNESS: For two reasons. One, you have to

keep track of what is working, what is fair, what is defective perhaps, so everybody has to ascribe to the same practices. These devices are small physically, and it is possible to, you know, unintentionally disrupt service to a customer that is not even involved.

In other words, the ALEC's technician could inadvertently disrupt the service to a BellSouth customer or someone else's customer. To the point of recordkeeping, with direct access --

CHAIRMAN DEASON: I'm sorry, I hate to interrupt, but I better ask the questions while I'm thinking of them or I will forget them.

THE WITNESS: Certainly.

CHAIRMAN DEASON: If that is the case, is it possible then that a BellSouth technician doing work within the garden terminal, legitimate work for one of their customers, can inadvertently do something in the garden terminal that disrupts service through the connection with the access terminal that affects a CLEC customer?

THE WITNESS: That is possible. But a much more remote possibility in that the BellSouth technician is only going to be working in that one box, and not working directly with the ALEC's property and the ALEC's facilities. So, yes, there is always a risk as long as

humans are involved in the process of inadvertent things happening. But we think this mitigates that risk to a greater degree by making it very clear who was doing work in what device.

COMMISSIONER JABER: And in that regard then the only advantage of having the access terminal is an advantage that BellSouth enjoys because of security reasons?

THE WITNESS: No, ma'am. Recall that other ALECs take the entire unbundled loop from BellSouth, so some of these 100 pairs are unbundled loops for other ALECs. So it is not only securing BellSouth's use of its own facilities for its own end users, it is securing BellSouth's loops that may be provided on an unbundled basis to other ALECs. So it is an advantage to them, as well.

Third, it is an advantage even to those ALECs who have decided to be facility-based competitors here in that it minimizes the number of technicians that are working on the same device.

COMMISSIONER JABER: And that is correct if they choose to have separate -- or if they choose to have the same access terminal?

THE WITNESS: Yes, ma'am.

COMMISSIONER JABER: So come back to my original

question, then. What advantage is there or flexibility is there for the ALEC to have direct access to the garden terminal?

THE WITNESS: Well, in terms of flexibility, not so such advantage except as we have talked about here. But there are advantages that I have mentioned in terms of reliability that would accrue to them. The other point that I was going to make was --

COMMISSIONER JABER: There is an advantage with respect to reliability? The system is more reliable if the ALEC has direct access to the garden terminal?

THE WITNESS: No, ma'am. If I said that I didn't mean to. I mean that with the use of the access terminal there is greater reliability in the overall network; not only BellSouth's, but the ALEC's, as well.

The second point I was going to make is that the access terminal provides a pretty straightforward way to determine who is making use of BellSouth's facilities on an unbundled basis. If all ALECs can simply bring their own facilities into the garden terminal when they want to and where they want to, there is no mechanism by which the ALEC is required to tell BellSouth, oh, by the way, I used two of your network terminating wire pairs yesterday. And, further, there is no way for an ALEC to know before they get their technician out there whether there is even

spare facilities or not.

COMMISSIONER JABER: So if the ALEC is sharing the access terminal then how can you tell which ALEC is using what?

THE WITNESS: Because they would buy -- they would report to us how many pairs they wanted. In other words, they would order a certain number of network terminating wire pairs which we would then reserve for their exclusive use and another ALEC could not use those.

CHAIRMAN DEASON: I'm sorry, how do you know -- if they have got access to the access terminal and they can come and go and they can go within that box and reconfigure however they see fit, how do you know when they make a connection or when they make a disconnection?

THE WITNESS: Well, we rely on them to tell us that. However, if we were out there we could tell visually how many pairs were in use. If we understood that no ALEC was using our facilities and yet we saw all these cross-connections there, we would know that at least one was and we would try to find out who.

CHAIRMAN DEASON: I mean, do you realistically expect to send technicians out to routinely go into the access terminal and count the numbers that have been connected and then somehow verify with the central office or somewhere else, central recordkeeping, the number of

access points that have been purchased by ALECs?

THE WITNESS: No, we wouldn't do that just for that purpose. But our technicians are often at these properties anyway installing our own service. In the State of Georgia the Commission required that Media One and BellSouth work out a procedure by which Media One in this arrangement could or would inform BellSouth of what pairs it was using such that BellSouth could bill it appropriately.

COMMISSIONER JABER: And if you are just relying on them in the access terminal to tell you what they are using, why couldn't you rely on them in a garden terminal to tell you what they need?

THE WITNESS: Well, then you are back to the first issue. It solves the recordkeeping part, but does not solve the network reliability problem.

COMMISSIONER JABER: The network reliability problem that there would be by using the garden terminal?

THE WITNESS: Yes, ma'am. Of having multiple ALECs all working in that one device.

BY MR. LAMOUREUX:

Q Mr. Varner, it's not your testimony that ALEC technicians are in some -- what did I say?

MS. WHITE: Varner.

Q Force of habit. I'm sorry.

A You owe one of us $10.00.

Q I'll let you decide who.

It is not your testimony that ALEC technicians are in any way less competent or more prone to making mistakes and causing service disruptions, is it?

A No, I am not suggesting that. I am very aware of the training that BellSouth puts its own technicians through. I am unaware of what, if any, training ALECs put their own technicians through.

Q Now, if you believe it is such an advantage to ALECs to go through this situation of having to connect through an intermediary access terminal, why do you suppose the ALECs are requesting direct connection to the garden terminal?

A I'm sorry, I didn't --

Q Well, your answer to one of the Commissioners, and frankly I forget which one, you mentioned that you believe it is an advantage to ALECs to have to go through this access terminal. If that is the case, why you do you suppose the ALECs are requesting direct access to the garden terminal itself?

A Well, I was suggesting that some ALECs may prefer to have their own access terminal so they would know the connections between their own networks and BellSouth's, and that they would want that to be a device

other than the one access potentially by many different ALECs with varying work skills.

Q Are you aware of any ALECs -- I'm sorry.

COMMISSIONER JACOBS: Did I understand you to say that you plan the available capacity in the access terminal?

THE WITNESS: Yes, sir.

COMMISSIONER JACOBS: So does an ALEC have to come to you before it can determine whether or not capacity is available there?

THE WITNESS: Yes, they would. In other words, recall that we take all the capacity from BellSouth's garden terminal and extend that over to the access terminal. So when we plan for our own needs, we are making all of that capacity available to the ALEC at the same time.

COMMISSIONER JACOBS: My point being if an ALEC were considering extending or deploying service in this complex, before they can actually go and even market they have to come to you and make a technical planning decision as to whether or not your capacity is available for them in that building?

THE WITNESS: Yes. And not only just the capacity in terms of numbers, their business plans would also contemplate, I would think, what facilities we have

there, what kind of facilities. If they needed a certain type of facility we may or may not have it in our own network.

COMMISSIONER JACOBS: Now, will there be similar capacity in the access terminal as in the garden terminal?

THE WITNESS: Yes, sir. It is exactly the same capacity.

COMMISSIONER JACOBS: Exactly the same. You are just extending it. Everything that is available in the garden terminal you just extended it out to the access?

THE WITNESS: You are exactly right.

COMMISSIONER JACOBS: Okay.

BY MR. LAMOUREUX:

Q Now, BellSouth obviously owns the garden terminal, right?

A Yes, sir.

Q BellSouth is also going to install, deploy, and own the access terminal, correct?

A That's right.

Q So whether the ALEC interconnects at the access terminal or at the garden terminal, its demarcation between its network and the BellSouth network is always going to be on the other side of a BellSouth terminal, correct?

A No, sir, it is going to be in the middle of that

access terminal.

Q Well, and that situation would also be the same if it direct connects into the garden terminal, correct?

A No, because what I would imagine is that what you are suggesting by direct access into the garden terminal would be to install some other cross-connection block inside that which would then be the demarcation point.

Q Well, whether the ALEC is going to an access terminal or skipping the access terminal and going from its terminal to the garden terminal, it is connecting up to a BellSouth terminal, is it not?

A Yes, that part is true. But, again, what we think is a more appropriate means is to keep that as separate as we can for reasons of reliability.

Q But with respect to knowing where the ALEC's network ends and the BellSouth network begins, it is always going to know that because it is always going to be on the other side of a terminal?

A Well, if you were to -- let me -- not very easily, or not as easily. The garden terminal itself is probably about eight inches wide and maybe a foot and a half long. So physically it is a pretty small device. If you look inside there you are just going to see a lot of wires being punched down on these little connector blocks,

so it is not going to be obvious as to whose facilities are punched down where if every ALEC is working inside that one terminal as it would be with BellSouth's facilities, as you have drawn it, to the left side of the access terminal and the ALEC's facilities coming to the right side of that same box.

Q Of course, if all the ALECs are connecting up to the access terminal one ALEC is going to have just that same difficulty trying to figure out which other ALECs have connected up to the pairs in that terminal as well, is it not?

A Not really. Because the left side of that little box is the facility -- would be the connector block that goes over to the BellSouth garden terminal. So the ALEC would be able to tell which pairs were free in that tie cable as we call it between the access terminal and the garden terminal and which ones were available.

Q And that situation would also exist at the garden terminal, would it not, because the ALEC would be able to look in the garden terminal and be able to see which pairs were free, which pairs were spare, and which pairs were in use, correct?

A Not as readily, no.

Q Whether you interconnect at the access terminal or the garden terminal, an ALEC is still going to have to

submit an order for the network terminating wire that it wants to purchase, right?

A That's right, yes.

Q So, the means of connection is not going to change the need for the ALEC to submit an order to BellSouth to be able to purchase the pairs going to the apartment complex?

A No. The issue is not one of ordering. It is one of network reliability, it is one of maintaining accurate inventories.

Q But in terms of maintaining an accurate inventory, you will know by the submission of an order that an ALEC has submitted a request to purchase pairs to serve an apartment building regardless of the means of connection down here?

A To the extent that the -- to the extent that the ALEC passes orders to us and does not just appropriate network terminating wire pairs without our knowledge.

Q Are you aware of any ALEC, Mr. Milner, in this or any other proceeding that has requested from BellSouth that it can appropriate network terminating wire from BellSouth without having to submit an order for it?

A Yes, sir, I am. Not in Florida, but I am in several other states.

Q Has AT&T or Media One made that request of

BellSouth?

A No.

Q I want to talk a little bit about how this technical arrangement feeds up to the cost. There is a $65 nonrecurring charge associated with network terminating wire, which as I understand it for the instance of network terminating wire includes the cost of the access terminal, is that correct?

A First of all, I'm sure you know that I'm not the cost expert on how the prices were arrived at, and I have not seen that price list lately. But that sounds about right.

Q Well, let me ask you to assume the $65. Ms. Caldwell deferred to you the question of how the costs are developed based on the technology that is involved.

A Okay.

Q And what I'm trying to find out is the $65, whether it includes the particular technical arrangement that we are talking about here in terms of the access terminal. A very inarticulate question, I'm sorry.

Assume the $65 is correct. That amount includes on a per pair basis the ALEC gaining access to the access terminal in the network terminating wire situation?

A That is my understanding, yes.

Q Okay. So as I understand it, that nonrecurring

cost includes not only the nonrecurring cost, whatever it may be associated with the network terminating wire itself, but also the cost of the access terminal?

A That's right.

Q Are you familiar with the order that resulted from the Media One arbitration in Georgia with BellSouth?

A Yes, sir.

Q Can you tell me why the nonrecurring cost that was a result of that proceeding of $2.48 is so much lower than the $65 nonrecurring cost BellSouth is proposing here?

A I don't know. I didn't develop either one of those costs.

Q Now, you mentioned in your summary this further back cross box, and typically what that can be is if there are multiple buildings in an apartment complex with multiple garden terminals, those gardens terminals will all feed to a bigger box, which is this cross box, is that generally about right?

A That's right, yes.

Q And if the ALEC wants to gain access to that cross box, you are going to require generally the same arrangement, that is, an intermediary access terminal through which the ALEC connects up to that cross box?

A That's correct.

Q If on a particular apartment complex there is no cross box, will BellSouth install one if the ALEC wants one to be able to interconnect to that entire property?

A Yes. To the extent that there is a way to do that. I recall the FCC's order where it talked about single points of interconnection suggested that an incumbent be required to do that if it could do so without creating a splice case or something like that. So, in other words, if there is a technically feasible way to do that on the property, that we are willing to do that.

That little box that you have drawn in the bottom left, that cross box may be in a couple of different places. Depending on the size of this apartment complex, there may be a sufficient number of pairs required at that complex that that cross box is on the property itself, you know, somewhere close to the property line.

If this is a smaller apartment complex with, let's say, four or five buildings, this cross box may be down the street a ways and would serve not only this apartment complex, but two or three others on the same street. So if the ALEC wanted to access all of those cable pairs into this apartment complex, but didn't want to take its own facilities to the end of each building, then we would be happy to construct an access terminal at

that cross box to allow that kind of access.

Q Okay. And how about let's say there is a big apartment complex, it is one with many buildings, there is a lake in the middle, some tennis courts, that sort of thing. There is no cross box on the edge of that property, but an ALEC would like to serve all the buildings on that property. Assuming it can do so without causing any harm to the network or anything like that, would BellSouth install a cross box in this situation?

A Yes. If there is already a splice point, let's say, where our cable crosses the property then we could put a cross box there for this purpose. If there is not some sort of splice point as our cable crosses the property, we don't think we are obligated to cut that cable in half to create one. And we think that is consistent with what the FCC required of us.

Q Okay. We are done with the garden apartment situation.

COMMISSIONER JABER: Before you leave that picture, may I ask a couple of questions. You made a distinction in your testimony between collocation and access to the unbundled network element.

THE WITNESS: Yes, ma'am.

COMMISSIONER JABER: Is there more physical and manpower interference or activity with collocation than

there is with access to the unbundled network element?

THE WITNESS: No. Physical collocation inside one of our central offices is a much more controlled sort of situation. Although we have arrangements by which ALECs may share collocation space, that doesn't happen too often. So generally an ALEC would have its own collocation arrangement. It is pretty clear where that is, who is going to come and go. Often we have security measures such as these card readers such that we can tell who has been inside our central offices and when.

So it is quite a bit different where we do have control of the access. We know who has been there, we know what space they ought to be in. Rather than literally tens, thousands of different locations, you know, that are not so remote, or not so visible, not so frequently visited by us.

COMMISSIONER JABER: So knowing who comes and goes and that stringent limit on the activity is all done in a collocation agreement, isn't it? You agree upon those terms in an agreement?

THE WITNESS: Yes, that's right.

COMMISSIONER JABER: Within the access terminal itself, if there are multiple ALECs, is there anything those multiple ALECs can do in an access terminal that will affect reliability to BellSouth's systems?

THE WITNESS: It is still possible, you know, they could -- I don't suggest that they would ever do this, but they could loop all the pairs together, that is short them all out. I don't think they would do that. That would take their own service out, you know, disrupt their own service and other peoples, as well. I would call that an act of vandalism rather than an inadvertent error.

COMMISSIONER JABER: But it can happen?

THE WITNESS: It could happen, sure.

COMMISSIONER JABER: So you would have reliability concerns either way?

THE WITNESS: Yes. But, again, I think they are mitigated to some degree by our proposal.

COMMISSIONER JABER: All right. Going back to collocation, the concerns you would have about security are also addressed in those collocation agreements, right?

THE WITNESS: Yes, they are.

COMMISSIONER JABER: Do you know how they are addressed?

THE WITNESS: Well, yes. I mean, we, for example, require background security checks of those ALEC employees who come inside our central offices, we issue them either metallic keys or card -- you know, these electronic keys. We have card readers so we know who was

there and when. We know when they got there, we know when they left. So there is just a lot more you can do in a central office situation than you can in these thousands of remote locations.

BY MR. LAMOUREUX:

Q Let me follow-up on that a little bit. First of all, Mr. Varner -- Mr. Milner.

A We're up to twenty dollars now.

Q Would you agree with me that those security requirements and some other requirements for collocation, actually some ALECs disagree with BellSouth on some of those requirements that BellSouth is trying to impose on them?

A There are some areas of disagreement. Largely, though, I think there is mostly agreement.

Q Would you agree with me also that in the UNE remand order the FCC clarified that BellSouth is obligated to offer collocation not only in its central offices, but anywhere in its network where it is possible to have collocation, including positions out in the field, such as terminals, cross boxes, and things like that?

A Yes. But I don't think what we are talking about here is collocation. What we are talking about is access to an unbundled network element.

Q And are you aware that the FCC has ordered that

BellSouth must allow ALECs 24 by 7 access to BellSouth's remote terminals for purposes of placing DSLAMs?

A Yes, sir. But this is not a remote terminal.

Q But CLECs or ALECs will have that sort of access, at in the DSLAMs, to BellSouth's remote terminals to perform that function?

A Yes. But there are orders of magnitude fewer remote terminals than there are of this sort of cross-connect device.

Q I want to move away from the garden apartment and move to the highrise. Moving on up, I suppose.

A You may not be able to afford to if you call me Mr. Varner a few more times.

Q Now, typically the arrangement in BellSouth's network, how it gets to a tenant on a particular floor in a highrise is there will be some cabling coming in typically in the basement in an equipment closet, and then that rises vertically up through some structure, and then there is a connection device at each floor, and then it rises or traverses horizontally to each tenant space?

A Yes, that's right. The first line that you drew, that is, that rises from the basement to the first floor or to the fourth floor traditionally has been referred to as riser cable. More appropriately it is preferred to as intrabuilding network cable is the way it

appears on our books of account. The other piece, the lateral piece is what we call network terminating wire. It is a little confusing in that we use that phrase network terminating wire in two different instances.

In the garden apartment complex we just looked at it runs from the end of the building to each individual apartment, let's say. In the highrise scenario it runs from that equipment closet, let's say on the 14th floor, to each apartment or suite on that floor.

Q And the unbundled element that we call INC, that is the entirety of this cable from the equipment closet in the basement to the demarcation point at the tenant space?

A That is right. What we refer to as unbundled INC, or unbundled intrabuilding network cable includes both of those parts.

Q And generally in terms of arrangement, BellSouth is proposing a similar arrangement to the garden situation in a sense that BellSouth will require an intermediary panel through which the ALEC will go from its panel to the BellSouth panel in that equipment closet?

A Yes, that's right. In terms of topology they are very similar. Obviously in the basement of the building you don't need protection from the weather, so there is not a metal cover around it or anything of that nature.

Q And also, unlike the garden apartment situation, in the highrise building BellSouth will require that this access panel be dedicated to a particular ALEC?

A Yes. And the reason for that is that unlike network terminating wire where we wire across or extend each and everyone of those, in a highrise building, as you can imagine, there would be hundreds, even thousands of these pairs of wires. So to wire all of those at the outset would be prohibitively expensive. So, instead, upon request we wire just those that the ALEC requests us to. And so since we do that, we terminate those into that little cross-connect panel which is dedicated for the ALEC's use.

Q Okay. And, again, and I don't want to go through the lengthy line of cross, but without engaging in our debate about whether it is a single or multiple point of interconnection, again, in the highrise situation BellSouth will never have to gain access to any tenant by having to go through the access panel, BellSouth will continue to go through its own panel in the equipment closet?

A That's correct.

Q Okay. And I think you just said in your answer the other distinction between this situation and the garden situation is that for this access panel BellSouth

will not prewire the connections between the access panel and BellSouth's panel for the ALEC, is that correct?

A Well, we are -- no, that is not correct. We are still willing to prewire, but we will prewire those pairs that the ALEC asks us to. In other words, we don't prewire 100 percent of those thousands of pairs at the outset.

Q So the only way BellSouth would prewire all 25 pairs on this access panel would be if the ALEC purchased 25 pairs of INC regardless of the number of pairs it actually needs to serve the tenant on that floor?

A I'm not quite sure I followed your question. Let me try to answer it nonetheless. If the ALEC requested that we prewire 25 pairs and terminate that to one of these connector blocks, that is what we would do. It is the ALEC's decision whether they do that without having any customers at that given moment or not. Does that get at your question?

Q Well, let's say that this tenant only needs ten pairs to be able to serve it, and this is the first time that ALEC has gone into that building. But the ALEC is hopeful that it might get some other customers in that building. The ALEC has a choice. It either asks BellSouth to wire the ten pairs, and then when it gets the next customer BellSouth is going to have to come out and

wire the remaining pairs; or it is going to have to pay up front to have all 25 pairs wired even though it only needs ten for that first customer?

A That is right. That is a business decision that the ALEC would make. You know, it would determine what it thinks its probability of sale to those customers in that building or on that floor are and it would order accordingly. If it thinks there is high risk, it probably would order a few, see how it goes and then order more. If they are very confident that they will win the business, then they may want to order more at the outset.

Q And let's assume in my situation that the ALEC when it captured this first customer it only asked to have ten wires or ten pairs prewired. The next time it obtains a customer, let's say it needs the remaining 15 pairs in that panel. A BellSouth technician is going have to come out, it is going to have to coordinate with the ALEC to get the other 15 wires paired up between the panels, correct?

A Well, part of what you said is right and part not. Yes, if the ALEC requests an additional 15 pairs, let's say, then BellSouth is going to have to send its technicians out there to wire those pairs across. The part of your statement that I disagreed with was your suggestion that there was a lot of coordination that was

required. There need not be any coordination. The ALEC could simply say I need 15 more pairs to the 14th floor, BellSouth, and I would like them there by next Friday.

We could do that. Anytime after next Friday the ALEC is free to go out there, and if we have done our work on time, as we should, then the ALEC can use those pairs. So there is not coordination required at the time that the ALEC decides to actually serve customers or additional customers on a given floor.

Q All right. Let me take that a piece at a time. Assume the ALEC does not buy or does not pay to have all 25 pairs wired up the first time it goes in the building, okay?

A Uh-huh.

Q And let's say it just so happens -- just to do the math right -- it manages to get five customers over a series of time, each of whom need five pairs, okay? What is going to have to happen is for each of those five times a BellSouth technician is going to have to come out to wire up those two panels, correct?

A No, it is not correct. That is true only if the ALEC decides that that is the way it wants to do business. On the other hand, it could have said from the outset, BellSouth, I need 50 pairs on the 14th floor. We would have prewired those at once and there would have not been

a need for us to return there until you need the 51st.

Q Okay. In the hypothetical I asked to assume that the ALEC chooses not to have BellSouth prewire up all the pairs the first time it obtains a customer.

A Okay. I'm sorry, I missed that.

Q In that case, if you get five customers over a series of time each of whom needs five pairs, a BellSouth technician is going to have to come out each time and wire up the two panels, correct?

A That's right. Based on the ALEC's business decision as to how it would choose to request pairs from BellSouth.

Q And assuming that the ALEC is very concerned about the customer cutting over service to the ALEC as quickly as possible after being disconnected from BellSouth, wouldn't that require substantial coordination between the ALEC technician and the BellSouth technician in wiring up the three sets of panels?

A No, sir. The situation is completely different here. Because on the other side of this access terminal you recall is the ALEC's own facilities, it's own cable pairs back to a central office or whatever other medium it uses. So there need not be any coordination at the time of service delivery, because once BellSouth wires those pairs, those unbundled intrabuilding network cable pairs

over to that access terminal, they are available to that ALEC. And then the ALEC at whatever time it wants to connects the -- makes the connection between its facilities and those pairs.

This is quite a bit different from the so-called hot cut procedure of doing loop cut-overs where the ALEC takes the entire BellSouth loop, that is, that loop is being used to serve the customer as a BellSouth, you know, in the morning, and sometime during the day that same loop will be hot cut from BellSouth's switch to the ALEC's. That is not what we are talking about here.

What we are talking about is where the ALEC has its own loop facilities and probably its own switching facilities, and then at the time it wants to deliver service to that customer makes that final connection on its own.

Q When an ALEC orders INC from BellSouth and BellSouth comes up and wires its panel to the access panel to be able to give the ALEC access to the INC, BellSouth also disconnects the customer at some point, does it not, because it knows that the ALEC is going to be purchasing INC?

A Not necessarily. If there are spare INC pairs, and there often are, then those spare pairs could be made available. If the only pairs that are there are the pairs

that are serving the customer as a BellSouth customer, then those would have to be cut dead at that time, yes, and transferred across. But in the event that there are spare pairs that is not necessary. And very often just because of the size of these buildings and the nature of the buildings, there is very often spare facilities in there.

Q If an ALEC does not want to risk its potential new customer going down on service because there may not be spare pairs available in that building, wouldn't you agree with me that that is going to require a substantial amount of coordination between the ALEC and the BellSouth technician when they come up to wire these panels in the basement?

A Well, breaking your question down into its predicates, you said if there are no spare facilities, then the answer is yes. Does it require coordination? Yes, in the same order of magnitude that it requires coordination for hot cuts, which we do pretty routinely. So we already have pretty significant procedures that seem to work pretty well for doing exactly this kind of transaction of moving live service from BellSouth's network to an ALEC's.

Q Do ALECs know what spare facilities BellSouth has in all the office buildings in its network?

A I certainly doubt it.

Q The rate, the nonrecurring rate for the INC, if you will accept this, is $113.

A Okay.

Q Would you agree with me that it is probably the case that the reason that rate is so much higher than the nonrecurring rate for network terminating wire, which also includes the access panel, is the fact that connections for this INC are going to require greater dispatches of BellSouth technicians?

A Yes. And the reason for that is the reason I gave you earlier. Unlike network terminating wire where we prewire 100 percent of those, in the case of the garden terminal where there may be only 50 or 100 pairs in a given building, that is simply not practical here where there are literally thousands of pairs sometimes. So it is this nature of how much you can practically prewire at the outset, which is ultimately going to result in the number of dispatches.

Q Just to put the numbers in context, I used this earlier with Ms. Caldwell, we are talking $65 for the network terminating wire in the garden situation, and that $65 includes the cost of the access panel. In the highrise situation, the nonrecurring cost for the INC is $113, and that doesn't even include the access panel, is

that correct?

A I thought it did. But the cost of the access panel we are talking about is not very great, so I just don't know whether it is there or not.

Q Well, let me give you an exhibit that is behind Mr. Varner's testimony -- I got the name right -- and ask you to take a look at Rate Elements A.2.19 and A.2.20. Roughly about $333 and $109?

A That's right, yes.

Q Would you agree with me that those are the rate elements or those are the costs that are going to be associated in the highrise situation with the ALEC having to purchase and having to get installed the access panel in the highrise building?

A Yes, you are right. And I see here a separate charge for that 25 pair panel, you are correct.

Q So whereas in the network terminating wire garden situation, the nonrecurring charge of $65 includes the access panel, the $113 nonrecurring charge in the highrise situation doesn't even include the access panel, which is an additional $442, roughly?

A The sum of those, yes.

Q And all I was trying to get at is this -- would you agree that this $113 nonrecurring charge in the highrise situation, which doesn't even include the access

panel, is most likely so much higher than the garden apartment complex largely because of the dispatch of the BellSouth's technicians to have to wire up the access panel in the highrise situation?

A Well, that is one of the attributes, yes. And I have agreed with you that dispatching is going to happen more times in the highrise building because of the fact that you can't prewire 100 percent of those thousands and thousands of pairs at the outset. So that is why the recurring charge -- I mean, the nonrecurring charge, rather, is higher in that instance.

By comparison, the garden terminal is pretty straightforward, relatively small number of pairs, usually between 50 and 100, and it is pretty easy to do that at one time. It is not easy to do that where you have got thousands and thousands.

Q Can you tell me are there any technical reasons why it is that in the garden apartment situation BellSouth has gone ahead and allocated the cost of the access terminal in the nonrecurring cost element, whereas in the highrise situation there are two separate cost elements that an ALEC has to purchase to get that access panel?

A I believe I can. Let me try. In the garden terminal arrangement, that is the garden apartment complex, you will recall that we prewire 100 percent of

all of these facilities over. However, we know that ALECs are not going to use all 100 percent of those, and so there is a cost allocation, and I don't remember exactly the proration that went on, but the cost of wiring the 100 pairs or 100 percent of the pairs is prorated over to the expected number of pairs that will actually be taken by the ALEC.

That is different in the highrise situation because in that case we don't prewire so we do know with certainty exactly how many ALECs are going to take how many pairs because they order it. So there is no prorating in the highrise situation where there is in the garden apartment situation.

Q Would you agree with me that if direct access were ordered by the Commission, this charge would be eliminated? This charge would be eliminated, the $113 would be reduced substantially, and the $65 would be reduced substantially?

A Well, yes. But that same logic would apply to lots of other things. You know, that says if you went to a car dealer and they handed you the keys, wouldn't that cost less than buying the car? Yes.

Q All I'm trying to get at is the requirement of an intermediary access terminal access panel drives up the costs of interconnecting to get network terminating wire

and INC?

A I don't agree that it drives up anything. There is a cost associated with access and that is what we are talking about here. BellSouth has proposed what it believes to be a technically feasible means for that access. There is a cost that goes along with that.

COMMISSIONER JABER: Mr. Milner, is there an increase in the cost study because of the construction of an access terminal by BellSouth?

THE WITNESS: Well, yes, ma'am. The cost study considers that the access terminal will be constructed, so part of the price includes that.

COMMISSIONER JABER: And you would agree that that cost wouldn't be there if you didn't construct the access terminal, right?

THE WITNESS: I'm sorry, say again?

COMMISSIONER JABER: You would agree that that cost wouldn't be in the cost study if you didn't have an access terminal and ALECs had direct access to the garden terminal?

THE WITNESS: I agree with that, but I also believe that that would reduce network reliability and security.

COMMISSIONER JACOBS: Are you aware enough of trends in the industry to know whether or not this is a

practice followed by most other companies?

THE WITNESS: No, I can't say, Commissioner, whether this is a trend or not. I will tell you that BellSouth was offering subloop unbundling well before the FCC required us to do so. We started doing this back in early 1996 with shared tenant service providers and basically this same model of access. But, no, I can't tell you which companies use this form of access versus another.

COMMISSIONER JACOBS: Thank you.

CHAIRMAN DEASON: Mr. Lamoureux, how much more do you have for this?

MR. LAMOUREUX: Half an hour, 45 minutes.

CHAIRMAN DEASON: We will go ahead and we are going to recess for the evening shortly.

But before I do, let me ask a question. Once we finish with Mr. Milner tomorrow morning, that will conclude BellSouth's witnesses and then the cross-examination will be being done by BellSouth.

Do you have any indication as to whether -- are we going to need two full days? Two full days, that is sufficient?

MR. EDENFIELD: Chairman Deason, it is my estimation that two days will be more than sufficient. I haven't really talked to my compatriots here about the

amount of cross-examination, but --

CHAIRMAN DEASON: The reason I asked the question is that we are prepared and fully capable and willing to start tomorrow morning at 8:00 o'clock. And I am just -- I'm getting nods yes from the parties that that is probably a good idea.

MR. MELSON: That is because they want to leave early Friday.

CHAIRMAN DEASON: Oh, okay.

MR. EDENFIELD: I have no problem starting at 8:00 o'clock. And, you know, maybe if we get lucky that will let us finish tomorrow. I mean, if we go into Friday at this point I don't think we are going to be long into Friday. So maybe there is a chance if we start at 8:00 we could finish.

CHAIRMAN DEASON: So is not a necessity we begin at 8:00, but there is no objection -- in fact, there is probably a preference that we begin at 8:00. Staff is not saying anything.

MR. EDENFIELD: Sorry.

CHAIRMAN DEASON: Okay. We are going to adjourn for the evening and we will begin tomorrow at 8:00 o'clock, okay. See you all tomorrow at 8:00 o'clock.

(The hearing adjourned at 6:15 p.m.).

(Transcript continues in sequence in Volume 14.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, FPSC Bureau of Reporting Official Commission Reporter, do hereby certify that the Hearing in Docket No. 990649-TP was heard by the Florida Public Service Commission at the time and place herein stated.

It is further certified that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 211 pages, Volume 13 constitutes a true transcription of my notes of said proceedings and the insertion of the prescribed prefiled testimony of the witness(s).

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 22nd DAY OF SEPTEMBER, 2000.

JANE FAUROT, RPR
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