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May 24, 2001

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 990649-TP
Investigation into Pricing of Unbundled Network Elements

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of Verizon Florida Inc.'s Opposition to Motion to Require BellSouth to Authorize Use of Its BSTLM, to Require Verizon to Provide Data and Inputs for the BSTLM, and to Continue the Hearing in the above matter.

Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (813) 483-2617.

Sincerely,


Kimberly Caswell

KC:tas
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into Pricing)	Docket No. 990649-TP
Of Unbundled Network Elements)	Filed: May 24, 2001
_____)	

VERIZON FLORIDA INC.'S OPPOSITION TO MOTION TO REQUIRE BELL SOUTH TO AUTHORIZE USE OF ITS BSTLM, TO REQUIRE VERIZON TO PROVIDE DATA AND INPUTS FOR THE BSTLM, AND TO CONTINUE THE HEARING

Verizon Florida Inc. (Verizon) opposes the Motion to Require BellSouth to Authorize Use of Its BSTLM, to Require Verizon to Provide Data and Inputs for the BSTLM, and to Continue the Hearing (Motion), filed by MCI WorldCom, Inc. (WorldCom) and AT&T Communications of the Southern States, Inc. (AT&T) on May 17, 2001. The Motion seeks to impose requirements that would be extraordinarily unfair and prejudicial to Verizon and extremely burdensome for both Verizon and Commission Staff.

As the Motion's title indicates, AT&T and MCI ask the Commission to do three things. First, they want the Commission to order BellSouth to allow AT&T and MCI to use BellSouth's Telecommunications Loop Model[®] (BSTLM) in Verizon's unbundled network element (UNE) ratesetting proceeding. Second, AT&T and MCI ask the Commission to order Verizon to "provide its data and inputs to WorldCom and AT&T in the appropriate format for use in the BSTLM." (Motion at 3) Third, the Motion seeks a continuance of Verizon's UNE hearing "until after the conclusion of Phase II," the BellSouth UNE proceeding. (*Id.*)

While Verizon asks the Commission to deny the entire Motion, Verizon will necessarily focus on the second and third requests, which relate specifically to Verizon. Verizon understands that BellSouth will also oppose the Motion, on the basis that the

Commission cannot force it to allow AT&T and MCI to use its proprietary cost model in a proceeding that has nothing to do with BellSouth. Verizon supports BellSouth's rationale.

I. Forcing Verizon to Derive Information and Inputs for AT&T's and MCI's Use in BSTLM Would Be Enormously Burdensome and Prejudicial.

BSTLM is a new, BellSouth-specific cost model that BellSouth considers to be a highly proprietary and valuable asset. To Verizon's knowledge, no company but BellSouth has ever presented the model. Verizon has never tried to load the model, let alone ever attempted to produce Verizon network data and costing inputs in a format suitable for BSTLM.

Verizon did not participate in BellSouth's UNE hearing. In fact, the Florida Competitive Carriers Association (which Verizon believes includes AT&T and/or MCI) advised the Commission that it "should not permit Verizon to participate in the portion of the hearing that deals solely with BellSouth's cost study." (Response of the FCCA to Verizon Florida Inc.'s Motion to Bifurcate and Suspend Proceedings and Sprint-Florida's Motion to Bifurcate Proceeding, Aug. 7, 2000, at 2 n. 1)

Now, despite having urged the Commission to keep Verizon out of the BellSouth hearing, MCI and AT&T expect Verizon to become expert at understanding the model that was the subject of that hearing. While Verizon has no direct experience with BSTLM, a review of the testimony about the model, Staff's Recommendation in the BellSouth UNE proceeding, and Verizon's experience in formatting information to be input in its own model leave no doubt that it will be exceedingly difficult, time-

consuming, and expensive for Verizon to furnish MCI and AT&T the Verizon-specific data they want to run BSTLM.

Before even trying to populate BSTLM, Verizon will need to thoroughly review it to understand how BSTLM uses inputs—which, as discussed below, appears to be a formidable task. As to developing Verizon-specific information for BSTLM, what AT&T and MCI ask Verizon to undertake is not just a matter of reformatting the inputs Verizon used in its own cost model. BSTLM is fundamentally different from Verizon's Florida-specific version of its Integrated Cost Model (ICM). For instance, because BSTLM geocodes customer locations, Verizon will need to develop whole new databases for the ALECs' use in the BellSouth model.

Verizon understands that the source data for the geocoding process is extracted from BellSouth's billing and customer records systems. Verizon does not use these systems, and it is not clear whether the same information could be extracted from Verizon's comparable systems.

Assuming the source information was available, Verizon would then have to develop the software and hardware necessary to perform geocoding pre-processing or hire an outside vendor to perform these services. Verizon cannot simply adopt BellSouth's systems because they are incompatible with Verizon's.

Once the geocoding pre-processing was completed, Verizon would have to undertake a second pre-processing routine to assign and reconcile customer service information with the customer record. Again, Verizon would either have to devote its own resources to developing the necessary software necessary to do this pre-processing, or it would have to pay an outside vendor to do so.

Verizon understands that these pre-processing steps generate a customer record profile table that is an input to BSTLM. The algorithms and program logic in the model would then perform clustering and minimum spanning road tree calculations to develop the network configurations and investment to be used in the cost calculations. BSTLM does not itself do the cost calculation; it only develops loop investments. Thus, Verizon would need to develop an interface between the investment calculations and the ultimate cost calculations.

Verizon understands that BellSouth required 3 months to geocode all their customers, even though it had already developed the geocoding and service reconciliation systems. After the geocoding process was complete, BellSouth reportedly took another 9 months to complete the service reconciliation process for just its service areas in Florida and Georgia.

Verizon could not even approach these timeframes, as it has not developed any of the hardware or software it needs to generate the data BSTLM requires, nor does it have any existing resources earmarked for such projects. It is difficult to even hazard a guess as to how much time Verizon would need to develop the data AT&T and MCI seek, but it would likely be at least a year. As to expense, Verizon estimates that it would need to spend at least \$500,000 for the internal and external resources necessary to complete this effort.

Despite all the time and effort Verizon would need to expend in formatting data for BSTLM, MCI and AT&T claim that Verizon "is not prejudiced by the ALECs' use of the BSTLM" because Verizon will file its own study and will have an opportunity to respond to the ALECs' testimony. (Motion at 2.) Obviously, there is prejudice inherent

in forcing Verizon to expend any resources at all—let alone half a million dollars—to helping its opponents make their own case. MCI and AT&T chose not to present any cost studies of their own in these UNE proceedings. Apparently, they now doubt the wisdom of that approach. But instead of presenting their own study in the Verizon phase, MCI and AT&T want the ILECs to do all the work. They ask the Commission to force BellSouth to provide the model and Verizon to supply the information they need to run it. The result is that Verizon will be compelled to do at least as much work as if it were supporting two studies--its own, familiar, ICM-FL, which it has submitted twice in this case and used for years around the country, and the unfamiliar BSTLM, which Verizon has never used for any purpose anywhere. Indeed, Verizon will have to expend far more resources in developing data for MCI's and AT&T's use than it did to prepare and present its own ICM in this case.

This burden is especially onerous given the fact that the same Verizon team responsible for preparing and presenting Verizon's cost studies and testimony here is also engaged in several other UNE proceedings in other states. Verizon's resources have been stretched to the limit preparing simultaneous ICM filings around the country. If the Commission were to grant the Motion, Verizon would need to divert its personnel and other resources away from the ICM filings elsewhere to focus on developing the BSTLM information AT&T and MCI seek.

Moreover, Verizon would have to develop and defend its BSTLM data at the same time it is trying to present its case for ICM. After BSTLM was submitted, the ALECs, led by AT&T, complained about the inordinate amount of time they had to spend to understand and operate the model and the diversion of their resources from

other significant issues. (See, e.g., Sprint's Response in Support of AT&T's Motion for Continuance of Hearing, May 26, 2000, at 1; FCTA, Inc.'s Response in Support of AT&T's Motion for Continuance of Hearing, May 31, 2000, at 1.) Having been through the process themselves, AT&T and MCI, no doubt, recognize the advantage to them of imposing the same burden upon Verizon when Verizon is trying to prepare its own case.

The ALECs will inevitably disagree with Verizon—as they did with BellSouth—about the appropriate inputs and assumptions to be used in developing the BSTLM data. Verizon will thus be obliged to address ALEC questions and criticisms during the entire hearing process. Verizon will be placed in the untenable position of having to defend not only its ICM, but to justify the information it develops for BSTLM—at the same time it is arguing against use of BSTLM to set UNE rates for Verizon. What's more, after Verizon develops all the data AT&T and MCI demand, there's no guarantee the ALECs will even use the BSTLM results.

In fact, there is no conceivable way BSTLM results could be shoehorned into Verizon's case. BSTLM is a company-specific model, as is Verizon's ICM. Each company designed its model with its own operating, engineering, and other network characteristics in mind. (See BellSouth Staff Rec. at 146; Tucek Direct Testimony, filed May 18, 2001, at 5-6.) Foisting one company's model upon another cannot be expected to yield useful or meaningful results. This is particularly true in this case, where AT&T and MCI seek only to use BellSouth's loop model to develop recurring rates for loop elements. Verizon's Integrated Cost model, as its name indicates, uses an integrated approach to developing costs (including both investment and expense)

across the entire network. It makes no sense to try to use BSTLM to develop some costs and the ICM to develop others.

The “opportunity to respond to the ALECs’ testimony” does not mitigate the prejudice to Verizon, as AT&T and MCI claim. (Motion at 3.) This is not the usual situation where the ILEC presents its filing and testimony, the ALECs file rebuttal, and then the ILECs respond to the ALECs. Rather, if AT&T and MCI have their way, Verizon will be forced to create the very basis for the ALECs’ testimony. This unprecedented scenario—where Verizon plays a critical role in developing its opponents’ case—goes beyond inequity to a substantive due process violation.

Verizon will be further prejudiced if the Motion is granted because the ALECs would receive an indefinite extension for filing their rebuttal case. Verizon filed its cost studies and supporting testimony on May 18, 2001. The ALECs’ rebuttal testimony is due on June 18, 2001. Verizon had sought to extend the filing dates for all the testimony in the case (see Verizon Florida Inc.’s Response to Sprint-Florida’s Petition to Amend Order Granting Motions to Bifurcate and Suspend Proceedings, Jan. 15, 2001), but the ALECs opposed Verizon’s request (see WorldCom’s Response in Opposition to Verizon’s Request to Extend and Amend Schedule for Cost Study Filings, Jan. 29, 2001, at 2). Apparently, their opposition was limited only to an extension for Verizon’s filing, since their Motion would push off the ALECs’ rebuttal to an unspecified future date “after the conclusion of Phase II”—assertedly “to give the parties adequate time to evaluate the inputs and process the results of the BSTLM.” (Motion at 3.)

As noted, it would likely take Verizon over a year to develop the BSTLM data AT&T and MCI seek. While Verizon is working on developing this information for the

ALECs' use, they can use this extended period to analyze and develop their response to Verizon's May 18 ICM filing. Instead of having a month to prepare their rebuttal, as they would under the current schedule, the ALECs will have many months to do so—and will be able to neatly divide their efforts into preparing their response to ICM, then preparing their direct case using BSTLM. And the ALECs would likely expect Verizon to file its surrebuttal within the usual one-month period. The ALECs thus seek to assure themselves the ideal filing schedule, while imposing as much prejudice as possible upon Verizon.

Even worse, AT&T and MCI have singled out only Verizon for such unfavorable treatment. They do not seek to use BellSouth's model in the Sprint portion of this case, or to have Sprint develop any new data for their use. Indeed, Sprint will, if anything, benefit from the continuance AT&T and MCI seek, as it would necessarily extend the filing dates for Sprint's case and its hearing. (See Motion at 3.)

All the parties in these UNE proceedings had equal opportunity to develop and present their own cost models. AT&T and MCI have fielded their own cost models and studies in past cases here and around the country, and were well able to do so in this case. There is no legitimate reason to now allow them to hijack BellSouth's model, then force Verizon to develop the information they need to run that model, especially when that process will severely disadvantage Verizon.

II. Use of BellSouth's Model in Verizon's Proceeding Would Benefit Only AT&T and MCI.

AT&T and MCI argue that use of BellSouth's model "would be beneficial in Phase III for several reasons." The only reasons they specify are (1) "it would be

expeditious for the Commission and Staff to use it, because they are already familiar with how the model runs from Phase II"; and (2) "the Commission has already approved use of the BSTLM as a tool for determining forward-looking UNE prices." (Motion at 2.)

These claims are astonishing, given the experience with BSTLM in Phase I.

Verizon originally submitted its ICM filing in this case over a year ago, at the same time BellSouth first filed BSTLM. Unlike BSTLM, which was new to this Commission, Verizon had introduced ICM here in 1998, where it was used in the proceeding to evaluate a fair and reasonable basic rate (Special Project 980000A). Verizon held educational workshops for Staff and all parties both in 1998 and in June of 2000, after it submitted ICM in this proceeding. Neither the ALECs nor the Staff has reported any difficulties in using ICM.

In contrast, the ALECs complained repeatedly about the complexity and inaccessibility of BSTLM. On May 17, 2000, AT&T, MCI, and other ALECs asked for an extension of time to file their rebuttal testimony in the UNE case, claiming "complications relating to evaluating BellSouth's completely new cost model." They argued that their witnesses had had "difficulties in accessing, much less manipulating, the model." (Motion for Extension of Time for Filing Testimony, May 17, 2000, at 1.)

On May 25, 2000, AT&T filed a motion asking the Commission to continue the UNE hearings. AT&T alleged that "BellSouth's cost model continues to crash repeatedly," and that "there are errors in the model, parts of the model appear closed and unreviewable, and...even BellSouth has been unable to replicate the results included in its testimony." (Motion for Continuance of Hearing, May 25, 2000, at 1-2.)

Sprint, Rhythms Links, the Florida Competitive Carriers Association (FCCA), MCI WorldCom, and the Florida Cable Telecommunications Association, Inc. (FCTA) all supported AT&T's continuance request, complaining that errors in the model, the inordinate time needed to understand and run the model, and other purported problems limited their ability to prepare for hearings. (See Staff Recommendation in BellSouth's Phase, April 6, 2001 (Staff BellSouth Rec.), at 20; Sprint's Response in Support of AT&T's Motion for Continuance of Hearing, May 26, 2000; FCTA, Inc.'s Response in Support of AT&T's Motion for Continuance of Hearing, May 31, 2000; Rhythms Response in Support of AT&T's Motion for Continuance of Hearing, May 31, 2000; Response of FCCA and MCI WorldCom to AT&T's Motion for Continuance, May 31, 2000.)

Staff convened a workshop on June 2, 2000, to discuss the asserted problems with the BellSouth model. Ultimately, these problems caused the originally scheduled hearing (for all ILECs) to be divided into two hearings, with the first hearing to address issues that did not significantly hinge upon BellSouth's loop model. (See Staff BellSouth Rec. at 22.)

As a result of the Eighth Circuit's July 18, 2000 decision vacating many of the FCC's pricing rules, Verizon and Sprint sought and obtained bifurcation of their hearings from BellSouth's. (Order No. PSC-00-1486-PCO-TP, Aug. 18, 2000.) Verizon did not actively participate in the BellSouth phase of the docket, but understands that BSTLM continued to be source of concern. BellSouth sought leave to file revised cost studies and direct testimony, and the procedural schedule was once again revised to accommodate the additional filings. (Order Nos. PSC-00-1335-PCO-TP, July 24, 2000;

and PSC-00-1485-PCO-TP, Aug. 18, 2000.) The last testimony was filed just 6 days before the September 19 hearing. (See Staff BellSouth Rec. at 26.)

Throughout the hearing process, the AT&T/MCI witnesses continued to argue that BSTLM's extreme complexity impeded their review and analysis of the model. (See Staff BellSouth Rec. at 154, *citing* Tr. 2122.) In this regard, BSTLM initially took three to four days to run; with subsequent enhancements, a Florida scenario could be run in "under 24 hours" (See Staff BellSouth Rec. at 167, *citing* Tr. 2124, 1495.) In addition, AT&T and MCI complained that BellSouth did not provide them BSTLM's source code.

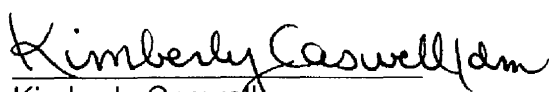
While Staff concluded that BellSouth did not design its model BSTLM to impede review, it did observe that "BSTLM is a very large, complex cost proxy model" that is "somewhat cumbersome to operate." (Staff BellSouth Rec. at 167.)

It is beyond comprehension as to how introduction of this same model into Verizon's proceeding could be considered in any way "expeditious" for Staff and the Commission or that it could benefit anyone but MCI and AT&T. By using BellSouth's model and forcing Verizon to populate it, AT&T and MCI will save the expense and effort of developing their own model or learning to manipulate ICM. But if BSTLM was cumbersome and complex in the context of the BellSouth case—as the ALECs claimed it was—then these features will be even more problematic in the Verizon case. As noted, the model was developed for BellSouth and incorporates BellSouth's engineering approaches. (Staff BellSouth Rec. at 146, *citing* Tr. 1427-28.) Trying to impose it upon Verizon, which isn't even familiar with the model, will inevitably produce complications far beyond those that arose in the BellSouth phase.

Sorting out these complications means more work for the Staff, as well as Verizon. If MCI and AT&T use BSTLM, then Staff will need to work with it, as well as ICM, throughout the case. Staff is at least as familiar with ICM as it is with BSTLM and, by all accounts, ICM is much easier to understand and operate than BSTLM. As Verizon witness Tucek has testified, ICM is completely open to inspection (including the model code and pre-processing) and easily manipulable. (Tucek Direct Testimony at 6-11.) ICM runs in 45 minutes, while BSTLM takes "under 24 hours" and remains complex under any scenario. Even assuming away the inevitable problems in trying to apply BSTLM to Verizon, two models in the case, rather than one, will at least double Staff's workload. In short, AT&T and MCI can't plausibly claim any benefits for using BSTLM in Verizon's case, other than those they themselves will enjoy.

For all these reasons, Verizon asks the Commission to deny AT&T's and MCI's Motion. Attempting to apply BellSouth's model to derive Verizon's loop costs would be a futile endeavor that would enormously tax the resources of both Verizon and this Commission.

Respectfully submitted on May 24, 2001.

By: 
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Opposition to Motion to Require BellSouth to Authorize Use of Its BSTLM, to Require Verizon to Provide Data and Inputs for the BSTLM, and to Continue the Hearing in Docket No. 990649-TP were sent via U.S. mail on May 24, 2001 to the parties on the attached list.



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