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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**REBUTTAL TESTIMONY OF**  
**GREG DARNELL**  
**ON BEHALF OF WORLDCOM and AT&T**  
**DOCKET NO. 960649A-TP**  
**December 10, 2001**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Greg Darnell, and my business address is 6 Concourse Parkway, Suite 3200, Atlanta, Georgia, 30328.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by WorldCom, Inc. (formerly known as MCI WorldCom, Inc.) as Regional Senior Manager -- Public Policy.

**Q. HAVE YOU PREVIOUSLY TESTIFIED?**

A. Yes, I have testified in proceedings before regulatory commissions in Alabama, California, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee, as well as before the Florida Public Service Commission ("Commission"), and on numerous occasions have filed comments with the Federal Communications Commission ("FCC"). Attached as Exhibit \_\_\_\_ (GJD-2) to this testimony is a summary of my academic and professional qualifications.

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

1 A. The purpose of my testimony is to evaluate the overall UNE pricing proposal  
2 filed by BellSouth in this proceeding and to rebut some of the statements made  
3 by Ms. D. Daonne Caldwell and Mr. Jerry Kephart on behalf of BellSouth.  
4

5 **Issue 1(a): Are the loop cost studies submitted in BellSouth's 120-day**  
6 **filing complaint with Order No. PSC-01-1181-FOF-TP?**  
7

8 **Q. ARE THE LOOP COST STUDIES SUBMITTED IN BELLSOUTH'S 120-**  
9 **DAY FILING COMPLIANT WITH ORDER NO. PSC-01-1181-FOF-TP?**

10 A. No. This matter is explained further by WorldCom and AT&T witnesses Brian  
11 Pitkin and John Donovan.  
12

13 **Issue 1(b): Should BellSouth's loop rates or rate structure previously**  
14 **approved in Order No. PSC-01-1181-FOF-TP be modified? If so, to what**  
15 **extent, if any, should the rates or rate structure be modified?**  
16

17 **Q. SHOULD BELLSOUTH'S LOOP RATES APPROVED IN ORDER NO.**  
18 **PSC-01-1181-FOF-TP BE MODIFIED?**

19 A. Yes. As the Commission recognized in Order No. PSC-01-1181-FOF-TP ("FL  
20 UNE Order"), BellSouth's method of developing UNE loop rates was not  
21 acceptable. Specifically, regarding BellSouth's method of using three different  
22 network designs to determine loop rates, the Commission stated at page 154 of  
23 the order "In principle, it appears to us that a single unified network design is  
24 most appropriate. However, we believe this goal is not attainable based on this  
25 record." The Commission has therefore recognized it has not used the most

1 appropriate costing method to produce the current UNE loop rates. The method  
2 used by BellSouth to develop UNE loop rates violates a number of the FCC's  
3 minimum UNE pricing rules. In doing so, BellSouth has created UNE rate  
4 levels that economically foreclose competitors from using UNEs as a market  
5 entry strategy in areas where UNEs should provide an alternative.

6

7 **Q. WHAT CHANGES MUST BE MADE TO THE UNE RATES APPROVED**  
8 **BY THE COMMISSION PREVIOUSLY IN THIS DOCKET?**

9 A. Forward looking inputs must be used in BSTLM for determination of loop rates  
10 and the model must be run using the single most efficient network design to  
11 serve all demand. The Commission in its FL UNE Order failed to do this on  
12 both accounts. First, forward-looking inputs were not used in the determination  
13 of loop rates, and second, the BellSouth's loop model did not use the single  
14 most efficient network design to service all demand. In this proceeding,  
15 however, the scope dose not include the single, most efficient network design.  
16 Rather, we will review one of the input errors that currently exists in the UNE  
17 rate development.

18 This error is BellSouth use of linear loading factors to determine Engineered,  
19 Furnished and Installed (EF&I) Cost. BellSouth's material loading factors  
20 make up approximately ½ of the total loop cost. This can be determined by  
21 running BellSouth's cost models two times. The first model run has already  
22 been done. This run is that which produced the currently effective loop rates.  
23 The second model run should be done by simply resetting all of the loading  
24 factors contained in the cost calculator to 1 and reviewing that output. This will  
25 show the Commission how much of the current rate is caused by the current

1 loading factors and the potential magnitude of changes to BellSouth loop rates in  
2 this proceeding. By not adjusting BellSouth's loading factors at all in the  
3 previous phase of this proceeding, the Commission has permitted approximately  
4 ½ of BellSouth's initial rate proposal to become effective without critical review  
5 or adjustment. This is the primary reason why the approved loop rates in  
6 Florida are not in line with either historical cost or a national standardized  
7 TELRIC study.

8

9 **Q. HOW SHOULD BELLSOUTH'S UNE RATES IN FLORIDA COMPARE**  
10 **TO BELLSOUTH UNE RATES IN OTHER STATES?**

11 A. As shown in exhibit GJD-1, using BellSouth's embedded cost information  
12 contained in the FCC's automated reporting management information system  
13 (ARMIS) as a guide, Florida has been BellSouth's lowest cost state for every  
14 year for the past 5 years. While TELRIC certainly differs from embedded cost,  
15 this is a good indication that BellSouth's Florida territory also should have the  
16 lowest TELRIC of all BellSouth's states.

17

18 **Q. ARE BELLSOUTH'S UNE RATES IN FLORIDA THE LOWEST OF**  
19 **ANY STATE?**

20 A. No, not when the average cost of UNE-P is used as a surrogate for BellSouth  
21 total network cost. In Georgia and Tennessee UNE-P is less expensive than in  
22 Florida.

23

1 **Q. ARE THERE OTHER REASONS WHY ONE SHOULD EXPECT THE**  
2 **AVERAGE BELLSOUTH UNE-P LOOP COST IN FLORIDA TO BE**  
3 **LESS THAN THE AVERAGE UNE-P LOOP COST IN GEORGIA?**

4 A. Yes. Population density is a primary driver of loop cost. BellSouth Florida  
5 territory is significantly more densely populated than BellSouth Georgia  
6 territory. In BellSouth Florida territory there is a population density of 176  
7 households per square mile. In BellSouth Georgia territory there is a population  
8 density of 85 households per square mile.

9  
10 **Q. ARE THERE ANY STUDIES THAT SHOW HOW TELRIC COSTS**  
11 **SHOULD COMPARE AMONG STATES?**

12 A. Yes. In November 2001, Z-Tel produced a policy paper titled, The TELRIC  
13 Test: Determining the “Zone of Reasonableness” for UNE rates. One of the  
14 conclusions that can be reached from this policy paper is that based on a  
15 standardized application of the FCC Hybrid Cost Proxy Model, loop rates in  
16 Florida should be significantly lower than loop rates in any other BellSouth  
17 state.

18  
19 **Q. ONCE THIS PROCEEING IS COMPLETED SHOULD THE**  
20 **COMMISSION DO ANYTHING ELSE IN ITS EVALUATION OF**  
21 **BELLSOUTH LOOP COST?**

22 A. Yes. The Commission should require BellSouth to refile its cost study using the  
23 one least cost most efficient network configuration to serve all demand so that

1 the cost studies can be compliant with 47 C.F.R. 51.505(b) and 51.511(a) and so  
2 that economies of scale and scope can be recognized in UNE rates.

3

4 **Q. PLEASE EXPLAIN WHY BELL SOUTH'S RATES MUST BE**  
5 **RECALCULATED USING A SINGLE NETWORK DESIGN FOR ALL**  
6 **ELEMENTS IN ORDER TO COMPLY WITH THE ACT'S COST**  
7 **STANDARD.**

8 A. In its cost study filing in the UNE cost docket, BellSouth submitted three  
9 distinct loop cost scenarios: (1) the BST 2000 Scenario used to determine the  
10 cost of stand-alone loops; (2) the Combo Scenario used to determine the cost of  
11 voice grade loops combined with a switch port; and (3) the Copper Only  
12 Scenario used to derive the cost of copper-based xDSL loops. Although the  
13 Commission found that the use of a single unified network design, in principle,  
14 is the most appropriate for setting UNE rates (Order, page 154), it nevertheless  
15 set UNE loop rates based on BellSouth's three-scenario approach. (Order, page  
16 155) Under FCC Rule 51.505(b), however, the use of a single, unified  
17 network design is not only the most appropriate in principle, but it is in fact  
18 required. This requirement is in place so that the UNE rates can reflect the  
19 economies of scope and scale enjoyed by the incumbent and as such provide  
20 ALECs with a realistic opportunity to compete against the incumbent's services  
21 using UNEs. The rates set using BellSouth's three-scenario approach are  
22 therefore not "cost based" as required by the FCC's pricing rules.

23

24 **Q. WHY DO YOU SAY THAT A SINGLE UNIFIED NETWORK DESIGN IS**  
25 **REQUIRED BY THE FCC'S RULES?**

1 A. FCC Rule 51.505(b) states:

2 (b) Total element long-run incremental cost. The total  
3 element long-run incremental cost of an element is  
4 the forward-looking cost over the long run of the  
5 total quantity of the facilities and functions that  
6 are directly attributable to, or reasonably  
7 identifiable as incremental to, such element,  
8 ***calculated taking as a given the incumbent***  
9 ***LEC's provision of other elements.***

10 (1) Efficient network configuration.  
11 The total element long-run incremental cost of an  
12 element should be measured based on the use of  
13 the ***most efficient telecommunications technology***  
14 ***currently available*** and ***the lowest cost network***  
15 ***configuration***, given the existing location of the  
16 incumbent LEC's wire centers.

17 (Emphasis added.)

18  
19 Under this rule, UNE rates must be set based on "the lowest cost network  
20 configuration," not on several different network configurations. That single  
21 network configuration must take into account "the incumbent LEC's provision of  
22 other elements." That is, the single network must be designed taking into  
23 account the demand for all elements, not just the element for which costs are  
24 determined. This is necessary in order to capture the economies of scale and  
25 scope that the LEC achieves as the result of offering its whole panoply of  
26 elements and services.

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**Q. HOW DOES BELLSOUTH'S USE OF THE THREE-SCENARIO APPROACH VIOLATE THIS RULE?**

A. BellSouth's use of the three-scenario approach violates Rule 51.505(b) in three ways. First, BellSouth used different engineering assumptions for the entire network based on the type of UNE being costed. For loop/port combinations, BellSouth assumed an engineering design in the Combo Scenario based on the use of integrated digital loop carrier (IDLC) technology. For stand-alone loops, BellSouth assumed an engineering design in the BST 2000 Scenario based on the use of older, universal digital loop carrier (UDLC) technology. And for xDSL loops, BellSouth assumed an engineering design in the Copper Only Scenario based on the use of all copper loops. This violates the requirement in Rule 51.505(b) to use "the" lowest cost network configuration. The lowest cost network configuration for serving demand that includes stand-alone loops, loop/port combinations, and xDSL loops would be a single network that includes the appropriate mix of IDLC, UDLC and all copper loops. Yet despite the fact that the FCC's rules require the use of a single, most efficient network, BellSouth failed to provide cost studies that comply with those rules.

Second, by modeling an "all copper" network and an "all UDLC network" for pricing some loops, BellSouth did not model the use of the "most efficient technology currently available."

Third, BellSouth's use of three different scenarios violates the requirement in Rule 51.505(b) to calculate costs for UNEs taking into account as a given the



1 "incumbent LEC's provision of other elements." The purpose of this  
2 requirement is to ensure that UNE cost studies take into account the efficiencies  
3 that the incumbent LEC achieves from deploying a network to meet all demand  
4 for all elements, thereby achieving economies of scale and scope. In order to  
5 properly reflect the requirements of this rule, BellSouth must model a single  
6 network that takes into account the expected demand for loop/port  
7 combinations, stand-alone loops, and xDSL loops. That forecast must include  
8 demand both for UNE loops and for loops to meet BellSouth's own retail  
9 demand. The mix of IDLC, UDLC and copper loops in the resulting single  
10 network thus would be optimized to meet the demand for the various types of  
11 facilities, and that network would include the efficiencies resulting from  
12 economies of scale and scope. Instead, BellSouth modeled three separate  
13 networks, assuming alternatively that every customer location would require  
14 service via IDLC loops (Combo), that every customer location would require  
15 service via UDLC loops (BST 2000), and that every customer location would  
16 require service via copper loops (Copper Only). That assumption is clearly  
17 flawed. Some percentage of customer locations will require IDLC, some  
18 percentage will require UDLC, and some percentage will require copper. Only  
19 by projecting actual demand for each type of facility will the resulting network  
20 include the appropriate economies of scale and scope.

21

22 **Q. IS THE REQUIREMENT THAT THE TOTAL ANTICIPATED**  
23 **DEMAND FOR A NETWORK ELEMENT MUST BE USED IN THE**  
24 **DEVELOPMENT OF THE UNE RATES COVERED BY FCC RULES?**

1 A. Yes. 47 C.F.R. 51.511(a) requires that total anticipated demand for a network  
2 element to be used in the development of UNE rates. Specifically, Rule  
3 51.511(a) requires:

4 The forward-looking economic cost per unit of an element.  
5 . . . , as defined in § 51.505 of this part, divided by a  
6 reasonable projection of the sum of the total number of  
7 units of the element that the incumbent LEC is likely to  
8 provide to requesting telecommunications carriers and the  
9 total number of units of the element that the incumbent  
10 LEC is likely to use in offering its own services, during a  
11 reasonable measuring period.

12

13 **Q. DOES THE PROCESS UTILIZED BY BELL SOUTH AND ADOPTED BY**  
14 **THIS COMMISSION IN THE DEVELOPMENT OF UNE RATES**  
15 **COMPLY WITH THIS FCC RULE?**

16 A. No. BellSouth never forecasts the demand for UNEs in the development of its  
17 UNE rates. BellSouth develops its prices for UNE rates based on what it calls  
18 an “Rservice” technique. BellSouth’s Rservice method of costing, costs UNEs  
19 to all customers that could ever *potentially* want the UNE. This means for a  
20 typical residential POTS customer, BellSouth’s costing methodology assumes  
21 that this customer will want BellSouth’s retail voice service, an ALEC’s UNE-P  
22 voice service, service provided by an ALEC using a stand alone voice loop,  
23 DSL service provided by the BellSouth data affiliate, and DSL service provided  
24 by a data-ALEC using a DSL loop. As such, the rates established for

1 BellSouth's UNEs ignore certain economies of scale and scope enjoyed by  
2 BellSouth.

3

4 **Issue 2(a): Are the ADUF and ODUF cost studies submitted in BellSouth's**  
5 **120-day compliant filing appropriate?**

6 **Issue 2(b): Should BellSouth's ADUF and ODUF rates or rate structure**  
7 **previously approved in Order No. PSC-01-1181-FOF-TP be modified? If**  
8 **so, to what extent, if any, should the rates or rate structure be modified.**

9

10 **Q. WHAT IS YOUR OPINION ON ISSUE 2?**

11 A. The Commission should consider how DUF costs provided by BellSouth in this  
12 proceeding relate to the overall rate development used for all UNE rates.

13

14 **Q. HOW DO THE DUF COSTS PROVIDED BY BELLSOUTH IN THIS**  
15 **PROCEEDING RELATE TO THE OVERALL RATE DEVELOPMENT**  
16 **USED FOR ALL UNE RATES?**

17 A. The cost used by BellSouth in the development of its DUF charges are the same  
18 costs that BellSouth used in its development of the common cost factor.

19 BellSouth claims this is not true and the costs used in the development of its  
20 DUF rates are incremental to the costs included in the common cost factor.

21 However, this can only be true if the currently approved common cost factor  
22 does not include certain forward-looking common costs.

23

24 BellSouth's rate development for DUF is based on the following formula:

25 *forward looking cost = adjusted historical cost + incremental cost – nothing.*

1 Under the currently approved costing methodology for the development of  
2 common cost, the foundation of the common cost factor is the relationship of its  
3 adjusted historical common costs to BellSouth's embedded total cost. One must  
4 keep in mind the dollar amount of common cost to be included in UNE rates is  
5 not calculated. The amount of common cost that is included in UNE rates is  
6 dependent upon how much direct and shared costs are produced by the costing  
7 methodology. This is because common cost is a percentage added on to all costs  
8 at the end of the process.

9  
10 Included in the development of the common cost factor are costs associated with  
11 the systems used to produce daily usage information. BellSouth should not be  
12 permitted to charge ALECs for the cost of providing daily usage file information  
13 both in the common cost factor and through separate DUF charges. This is  
14 double recovery. Therefore, if the Commission permits BellSouth to charge  
15 ALECs separate charges for daily usage information, the Commission should  
16 lower the common cost factor to account for the system cost being directly  
17 assigned to specific rate elements. If the amount of cost directly assigned to  
18 DUF charges is so insignificant that it does not effect the common cost  
19 percentage when this cost is removed from that percentage, the Commission  
20 should reject DUF charges because the potential for costing mischief that they  
21 create.

22 **Q. SHOULD BELLSOUTH CHARGE ALECS SEPARATELY FOR DUF**  
23 **INFORMATION?**

24 A. No. BellSouth is adequately compensated for its cost to maintain daily usage  
25 file systems by the common cost factor. The creation of a separate DUF charge

1 simply provides BellSouth an opportunity to create an additional barrier to entry  
2 and double recover costs. By proposing an additional rate element for DUF,  
3 BellSouth is making the argument that the historical cost used to develop the  
4 common cost factor is not enough to cover its forward looking cost. In doing  
5 so, BellSouth is contending that its forward-looking cost will be greater than its  
6 historical cost. BellSouth's historical common cost percentage should more  
7 than adequately compensate BellSouth for the forward looking cost of  
8 information systems used to provide daily usage information. There is no  
9 reason to have additional rate elements for DUF information.

10

11 **Q. DOES BELLSOUTH ALWAYS CHARGE INDEPENDENT**  
12 **TELEPHONE COMPANIES FOR DAILY USAGE FILE**  
13 **INFORMATION?**

14 A. No. According to BellSouth data request responses received in other  
15 proceedings it has bill and keep arrangements with some ITCs.

16

17 **Issue 5(a): What is a "hybrid copper/fiber xDSL-capable loop" offering**  
18 **and is it technically feasible for BellSouth to provide it?**

19 **Issue 5(b): Is BellSouth's cost study contained in the 120-day compliance**  
20 **filing for the "hybrid copper/fiber xDSL-capable loop"**  
21 **offering appropriate?**

22 **Issue 5(c): What should the rate structure and rates be?**

23

24 **Q. BELLSOUTH'S WITNESS JERRY KEPHART STATES THAT THE**  
25 **HYBRID COPPER/FIBER xDSL CAPABLE LOOP OFFERING IS A**

1           **UNE (KEPHART DIRECT TESTIMONY, PAGE 2, LINE 13-14). DO**  
2           **YOU AGREE?**

3    A.    Yes.

4    **Q.    BELLSOUTH’S WITNESS JERRY KEPHART STATES THAT THE**  
5           **HYBRID COPPER/FIBER xDSL CAPABLE LOOP OFFERING IS**  
6           **TECHNICALLY FEASIBLE (KEPHART DIRECT TESTIMONY, PAGE**  
7           **3, LINE 13). DO YOU AGREE?**

8    A.    Yes.

9  
10   **Q.    BELLSOUTH’S WITNESS JERRY KEPHART STATES THAT THE**  
11           **FCC HAS EXEMPTED THE DSLAM FROM BEING A UNE**  
12           **(KEPHART DIRECT TESTIMONY, PAGE 3, LINE 13). DO YOU**  
13           **AGREE?**

14   A.    No.  Initially, it should be noted that there is a minor error in the testimony.  
15           Mr. Kephart incorrectly cites the FCC rule that pertains to this matter.  The cite  
16           used by Mr. Kephart 51.319(c)(3)(B) was corrected by the FCC in an Errata.  
17           The correct cite is 51.319(c)(5).  (See, FCC ERRATA Third Report and Order  
18           and Fourth Notice of Proposed Rulemaking, released January 14, 2000, page 3).  
19           FCC rule 51.319(c)(5) does not exempt BellSouth or any ILEC from having to  
20           provide DSLAMs to ALECs as UNEs.  FCC rule 51.319(c)(5) simply does not  
21           require BellSouth to provide DSLAMs as UNEs provided certain conditions are  
22           met.  Simply because the FCC does not **require** BellSouth to provide DSLAMs  
23           as UNEs in all cases does not mean that BellSouth is **exempt** from ever having  
24           to do so.  This Commission certainly can require BellSouth to provide  
25           DSLAMs as UNEs.

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**Q. SHOULD THE FLORIDA COMMISSION REQUIRE BELLSOUTH TO PROVIDE ALECS WITH DSLAMs AS A UNE?**

A. Yes and BellSouth should be commended for offering DSLAMs as a UNE. A DSLAM is nothing more than a type of multiplexer. BellSouth already provides ALECs with certain types of multiplexers as UNEs and there is no reason why DSLAMs should be any different.

**Q. WOULD BELLSOUTH'S REFUSAL TO PROVIDE DSLAMs AS A UNE IMPAIR AN ALEC'S ABILITY TO COMPETE WITH BELLSOUTH?**

A. Yes. As noted on Appendix A of BellSouth's filing in this proceeding, DSLAMs are often deployed in the remote cabinet. The fact that DSLAMs are deployed at the remote cabinet creates access and space constraint issues for both BellSouth and ALECs. Further, telecommunications providers are moving towards packet transport for all types of services and this is the future of wireline telecommunications. DSLAMs provide the ability to turn a single POTS loop carrying 64 kbps of information into a DSL loop carrying 128 times that bandwidth using Carrierless Amplitude Phase modulation (CAP).

**Q. WHY IS THIS IMPORTANT?**

A. The added bandwidth opens the door for new applications (e.g. streaming video, complex HTML websites, entertainment, VoIP) and will help facilitate economic development. An effectively competitive broadband market is a worthwhile objective of any public service commission.

1 **Q. WILL BELLSOUTH'S HYBRID FIBER/COPPER XDSL CAPABLE**  
2 **LOOP OFFERING HELP THE DEVELOPMENT OF COMPETITION?**

3 A. Unfortunately no. The rigid way BellSouth has designed this UNE and the rates  
4 BellSouth has proposed for this UNE eliminate any usefulness it could have.

5

6 **Q. HOW IS THIS BELLSOUTH'S PROPOSAL OVERLY RIGID?**

7 A. First, BellSouth only offers a 16-port DSLAM. There are many different size  
8 DSLAMs, 8-Port, 16-Port, 24-Port and 96-Port. There is no reason why these  
9 other size DSLAMs could not be used depending on the total demand. Second,  
10 BellSouth arbitrarily decided that each ALEC must have a dedicated DSLAM.  
11 There is no reason why LECs cannot share the DSLAM. Third, BellSouth  
12 arbitrarily decided that this offering is only provided with between 1 and 4 DS1s  
13 between the DSLAM and the Central office and those facilities are dedicated to  
14 the ALEC that purchased the DSLAM. There is no reason why the packet  
15 transport from the DSLAM to the CO could not be on DS3s and the transport  
16 facilities shared by all local carriers. .

17

18 **Q. WHAT IS NEEDED BY ALECs?**

19 A. ALECs must be able to purchase packet transport at a rate that reflects the  
20 economies of scale enjoyed by BellSouth. This packet transport should be  
21 provided at specified Quality of Service (QoS) standards, such as unspecified  
22 bit rate (UBR), available bit rate (ABR), variable bit rate (VBR) and committed  
23 bit rate (CBR).

24



1   **Q.    WHY DO YOU SAY BELLSOUTH’S CURRENT OFFERING WILL BE**  
2       **OF NO USE TO ALECs?**

3    A.    When added up, this offering would cost ALECs approximately \$150 per month  
4       per ADSL line. ALECs cannot pay \$150 for an ADSL line and then attempt to  
5       use it to compete in a market where the retail rate is about \$50. BellSouth sells  
6       its Fast Access DSL service for \$49.95 in Florida and this includes access to the  
7       internet service provider. Just like this Hybrid Copper /Fiber loop proposal,  
8       BellSouth often provisions its Fast Access DSL service using subloop copper  
9       distribution facilities, DSLAMs and remote terminal to central office packet  
10      transport. As such, either BellSouth’s cost support for this proposal is seriously  
11      wrong or BellSouth is using funds from other services to cross subsidize its Fast  
12      Access DSL offering.

13

14   **Q.    WHAT ELSE IS WRONG WITH THIS BELLSOUTH OFFERING?**

15    A.    BellSouth contends that when a 2-wire subloop distribution UNE is used by an  
16      ALEC to connect to a DSLAM at the remote instead of a SLC 96 or some other  
17      multiplexing device, it should for some reason cost more. Note that  
18      BellSouth’s diagram found on Appendix A of its filing shows the monthly and  
19      nonrecurring charges for element A.2.2, 2-wire analog subloop distribution plus  
20      a new nonrecurring charge, A.20.4, are deemed to apply for this segment of this  
21      UNE combination. BellSouth claims this charge (A.20.4) is for each end user  
22      channel activated. However, the nonrecurring charges for element A.2.2  
23      subloop already recover those costs. Element A.2.2 recovers the cost of  
24      engineering, connect and test (See, FL-USL.xls). There should be no additional  
25      nonrecurring charge above the NRCs already determined for 2-wire subloop

1 distribution. Next, note the DS1 subloop feeder between the remote and the  
2 central office. Again, this Commission has already determined that monthly  
3 recurring and nonrecurring cost of subloop DS1 feeder. Elements A.9.2  
4 already covers the cost of connect and turn-up testing, including Central office  
5 installation and maintenance and Special Service installation and maintenance  
6 (See, BellSouth cost support filed in Phase II of this docket). Therefore, the  
7 only rates that should apply for this piece of this UNE combination are those  
8 already established for DS1 subloop feeder. The only thing new in this UNE  
9 Combination offering is the DSLAM.

10 **Q. IS BELL SOUTH'S COST SUPPORT FOR THE DSLAM COMPLIANT**  
11 **WITH TELRIC?**

12 A. No. BellSouth seeks to recover a portion of the cost of replacing the remote  
13 terminal from the DSLAM rate element. Under TELRIC principles, the remote  
14 terminal is scorched and does not need replacing. Under TELRIC principles the  
15 remote terminal is sized correctly to meet anticipated demand. Therefore, the  
16 Remote Terminal Housing cost should be removed from the DSLAM rate  
17 development.

18

19 **Q. IS THERE ANYTHING ELSE WRONG WITH THE COST SUPPORT**  
20 **FOR THE DSLAM?**

21 A. Yes. It appears that the material prices (i.e. DSLAM, Hub Bay and DS1 Card)  
22 and installation times (i.e. service inquiry) that BellSouth has used for the  
23 development of proposed DSLAM recurring and non-recurring rates do not  
24 reflect those of a forward looking, least cost telecommunications service  
25 provider.

1

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

3 **A. Yes.**

Florida Docket 990649A-TP  
Witness: Darnell  
Exhibit \_\_\_\_\_ (GJD-1)  
Page 1 of 2

**GREGORY J. DARNELL**  
**PROFESSIONAL EXPERIENCE**

6/21/96 – Date REGIONAL SENIOR MANAGER, MCI, LAW & PUBLIC POLICY.

*Responsibilities: Define MCI's public policy and ensure effective advocacy throughout BellSouth Region.*

9/1/95 - 6/21/96 SENIOR STAFF SPECIALIST III, MCI, NATIONAL ACCESS POLICY.

*Responsibilities: Define MCI's national access policies and educate field personnel. Present MCI's access policy positions to Executive Management and obtain concordance.*

9/1/94 - 9/1/95 SENIOR STAFF SPECIALIST III, MCI, CARRIER RELATIONS.

*Responsibilities: Manage MCI's business relationship with ALLTEL.*

1/1/93 - 9/1/94 SENIOR STAFF SPECIALIST II, MCI, SOUTHERN CARRIER MANAGEMENT.

*Responsibilities: Chief of Staff.*

9/1/91 - 1/1/93 MANAGER, MCI, ECONOMIC ANALYSIS.

*Responsibilities: Testify before state utility commissions on access issues. Write tariff and rulemaking pleadings before the FCC. Serve as MCI's expert on Local Exchange Carrier revenue requirements, demand forecasts and access rate structures.*

1/1/90 - 9/1/91 SENIOR STAFF SPECIALIST I, MCI, FEDERAL REGULATORY.

*Responsibilities: Direct analysis to support MCI's positions in FCC tariff and rulemaking proceedings. Provide access cost input to MCI's Business Plan. Write and file petitions against annual tariff filings and requests for rulemaking. Train State Utility Commissions on the use and design of financial databases.*

1/1/89 - 1/1/90 STAFF SPECIALIST III, MCI, FEDERAL REGULATORY.

*Responsibilities: Track and monitor tariff transmittals for Ameritech, BellSouth, SWBT and U S West. Author petitions opposing RBOC tariff filings. Represent MCI at National Ordering and Billing Forum.*

10/9/87 - 1/1/89 SUPERVISOR, MCI, TELCO COST ANALYSIS.

*Responsibilities: Supervise team of analysts in their review of interstate access tariff changes. Coordinate updates to Special Access billing system.*

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Witness: Darnell  
Exhibit \_\_\_\_\_ (GJD-1)  
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1/1/86 - 10/9/87      *FINANCIAL ANALYST III, MCI, TELCO COST.*

*Responsibilities: Analyze MCI's access costs and produce forecasts.*

6/1/85 - 1/1/86 *STAFF ADMINISTRATOR II, MCI, LITIGATION SUPPORT.*

*Responsibilities: Support MCI's antitrust counsel in taking depositions, preparing interrogatories and document requests.*

1/1/84 - 6/1/85 *PRODUCTION ANALYST, MCI, LITIGATION SUPPORT.*

*Responsibilities: Review and abstract MCI and AT&T documents obtained in MCI's antitrust litigation.*

8/1/82 - 1/1/84 *LEGAL ASSISTANT, GARDNER, CARTON AND DOUGLAS.*

*Responsibilities: Research and obtain information from the FCC, FERC and SEC.*

**EDUCATIONAL EXPERIENCE**

9/1/00 – *DATE UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE, GRADUATE SCHOOL.*

*Studies: Advanced courses in Management Accounting, Network Engineering and Organizational Performance.*

9/1/91 - 1/1/93 *GEORGE WASHINGTON UNIVERSITY, GRADUATE SCHOOL OF TELECOMMUNICATIONS.*

*Studies: Advanced courses in Public Policy, Electrical Engineering and Economics.*

9/1/78 - 6/1/82      *UNIVERSITY OF MARYLAND, B.A., ECONOMICS.*

*Studies: Macro and Micro Economics, Statistics, Calculus, Astronomy and Music.*

## BELLSOUTH EMBEDDED COST

State	Subject to Separations 1996 COST PER LINE	Subject to Separations 1997 COST PER LINE	Subject to Separations 1998 COST PER LINE	Subject to Separations 1999 COST PER LINE	Subject to Separations 2000 COST PER LINE	Subject to Separations Five Year Average COST PER LINE	Rank Lowest to Highest Cost
Alabama	\$ 50.75	\$ 49.69	\$ 49.67	\$ 49.63	\$ 49.03	\$ 49.75	5
Florida	\$ 48.33	\$ 44.79	\$ 43.76	\$ 44.68	\$ 45.24	\$ 45.36	1
Georgia	\$ 54.24	\$ 51.88	\$ 51.10	\$ 52.60	\$ 54.59	\$ 52.88	8
Kentucky	\$ 52.17	\$ 49.48	\$ 49.01	\$ 48.54	\$ 48.99	\$ 49.64	4
Louisiana	\$ 50.82	\$ 47.86	\$ 47.36	\$ 48.13	\$ 48.79	\$ 48.59	3
Mississippi	\$ 59.07	\$ 55.80	\$ 55.15	\$ 53.68	\$ 54.69	\$ 55.68	9
North Carolina	\$ 53.29	\$ 49.97	\$ 50.28	\$ 49.88	\$ 50.49	\$ 50.78	6
South Carolina	\$ 54.32	\$ 50.33	\$ 50.79	\$ 50.00	\$ 51.21	\$ 51.33	7
Tennessee	\$ 49.68	\$ 48.43	\$ 46.75	\$ 48.00	\$ 48.05	\$ 48.18	2
BellSouth AVG	\$ 51.57	\$ 48.81	\$ 48.15	\$ 48.68	\$ 49.40	\$ 49.32	

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Greg Darnell in Docket 990649A-TP has been served on the following parties by Hand Delivery (\*) and/or U. S. Mail this 10th day of December, 2001.

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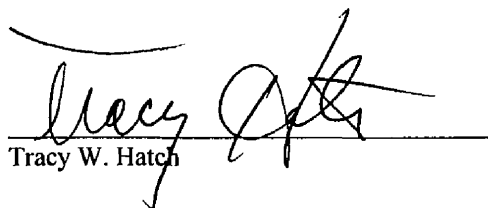
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