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December 18, 2003

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Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket Nos. 981834-TP and 990321-TP (Generic Collocation)

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Response to the Motions for Reconsideration and/or Clarification of Covad and FDN, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

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Jh
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Sincerely,

J. Phillip Carver

J. Phillip Carver (KA)

cc: All Parties of Record
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CERTIFICATE OF SERVICE
Docket No. 981834-TP and 990321-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Hand Delivery (*), First Class U.S. Mail and Electronic Mail this 18th day of December, 2003 to the following:

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(+) Signed Protective Agreement

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Competitive Carriers for Commission Action To Support Local Competition In BellSouth's Service Territory)	Docket No. 981834-TP
In re: Petition of ACI Corp. d/b/a Accelerated Connections, Inc. for Generic Investigation into Terms and Conditions of Physical Collocation)	Docket No. 990321-TP
_____)	Filed: December 11, 2003

**BELLSOUTH TELECOMMUNICATIONS, INC.'S
RESPONSE TO THE MOTIONS FOR RECONSIDERATION
AND/OR CLARIFICATION OF COVAD AND FDN**

BellSouth Telecommunications, Inc. ("BellSouth"), hereby files its Response to the Motion for Reconsideration of DIECA Communications, Inc. d/b/a Covad Communications ("Covad") and the Motion for Reconsideration and/or Clarification of Florida Digital Network ("FDN"), and states the following:

Response to Covad

1. Covad challenges the decision of the Commission that the cost of the infrastructure used to supply power should be recovered through a monthly recurring charge, and contends that CLECs should have the option of paying a single non-recurring charge. Covad claims that the use of a monthly recurring charge necessarily results in over-recovery of the cost of investment in infrastructure. Covad's Motion should be denied because 1) Covad bases its Motion on a mischaracterization of the evidence presented at the hearing; 2) Covad's contention also entails a fundamental mischaracterization of the equipment, maintenance, and other charges that are

included in the infrastructure cost; and 3) Covad's position is contrary to the cost accounting rules promulgated by the FCC.

2. Covad asserts that, in essence, BellSouth admitted during the hearing that it was over-recovering for infrastructure costs. In support of this contention, Covad presents only two snippets from the lengthy cross examination of BellSouth witness, Keith Milner. However, the testimony of Mr. Milner quoted by Covad states exactly the opposite of what Covad contends. First, Covad cites to a portion of the transcript in which Mr. Milner is asked to respond to a hypothetical situation in which a CLEC is using approximately 24 amps of power, even though the fused capacity is 40 amps. In response to this hypothetical, Mr. Milner clearly testifies that there might be, in this situation, an overcharge for the actual energy, but not for the infrastructure (Covad Motion, p. 4, citing Tr. 186-187). Next, Covad cites to a portion of the transcript in which its counsel posed a lengthy hypothetical, apparently for the purpose of supporting Covad's contention that the use of a recurring charge causes double recovery. However, in response to this hypothetical, and the question of whether there is double recovery, Mr. Milner responded, "well, not necessarily." (Covad Motion, p. 5, citing Tr. 200-01). Mr. Milner then followed with a statement to the effect that it is unlikely that Covad has paid for its share of the power plant by paying recurring charges for four years. (Id.).

3. The fact that Covad attempts to base its entire argument for reconsideration on two isolated bits of testimony that occurred during a two-day hearing reveals the inherent weakness of Covad's position. Moreover, Covad's effort fails because even these two scant pieces of testimony (which are presumably the best that

Covad could find as ostensible support for its position) still do not support the conclusion that there is over recovery for investment.

4. Moreover, Covad's premise, that the investment for power plant is a non-recurring cost, is fundamentally flawed. Covad contends that to charge for power plant investment on a recurring basis violates 47 C.F.R Section 51.507(e). Covad is wrong, however, because this section explicitly applies only to non-recurring costs. Since power plant investment is not a non-recurring cost, it is, instead, covered by 51.507(d), which states that recurring costs should be recovered through recurring charges. Thus, Covad's contention that billing for power plant investment violates 57.105(e) is totally dependent on Covad's unsupported (and incorrect) assertion that this investment represents a non-recurring cost. Covad contends that this investment is a one-time cost, for which ILECs would recover "in perpetuity," through the continuing application of a monthly recurring charge. (Covad Motion, p. 5). The problem with this analysis is that it assumes that the investment for infrastructure is a one-time, non-recurring cost. This would only be correct if the equipment lasted "in perpetuity," an obviously false assumption. Instead, equipment wears out and must be replaced, and even during the life of equipment, it has to be maintained.

5. A true non-recurring cost is a one-time expense, for example, the labor required to provision a collocation cross-connect, service order processing costs and service inquiry costs. In contrast, the costs associated with infrastructure are of two types, both of which are ongoing. One, there are capital related costs, such as depreciation, the cost of money and income tax. The term "depreciation" in this context refers to the capitalized expense of equipment. In other words, equipment has a finite

useful life. BellSouth treats the cost of the equipment as a capitalized expense, which is depreciated over the life of the equipment. Annual cost factors are used to determine the annual cost (i.e, the carrying cost) associated with acquiring and using the equipment, and the monthly recurring charge is developed from these costs.

6. The cost of this equipment is obviously not a one-time cost, because the equipment does not last forever. Instead, equipment is purchased, it has a particular useful life, and the monthly recurring charges are used to recover the cost of the equipment spread out over its useful life. At some point in the future, the equipment will have to be replaced, and then monthly recurring charges will be used to recover the costs associated with that piece of equipment. Thus, Covad's notion that investment in equipment is a one-time cost is not only unsupported, it is inconsistent with the simple, common sense conclusion that equipment wears out and must be replaced.

7. Two, the monthly recurring charge should also include operating costs, which include expenses for items such as maintenance and repair of the equipment. Even if the equipment were paid for in the form of an "up front" non-recurring charge, ongoing repairs and maintenance would still be required. This maintenance and repair would occur on a continuing basis, and could appropriately be recovered only on a recurring basis. Thus, Covad's contention that the cost of power equipment with a finite life (and the cost to repair and maintain that equipment) is a one-time expense is simply incorrect.

8. Finally, Covad's position is inconsistent with the applicable accounting rules. BellSouth is correct in recovering the cost of this equipment through a recurring charge in accordance with Part 32 of the Code of Federal Regulations, which provides

for the capitalization of a variety of types of equipment, including the equipment at issue.¹

9. Thus, Covad's Motion should be denied because 1) it is based upon a fundamental mischaracterization of the nature of the subject investment, 2) it is contrary to the accounting rules that apply to these investments, and 3) it is not supported even by the isolated bits of testimony from the hearing that Covad cites to attempt to support its position.

Response to FDN

10. Regarding the portion of FDN's Motion for Clarification and/or Reconsideration that addresses DC power billing, BellSouth is not necessarily opposed to the request of FDN, but does not believe that the Order is unclear or that it requires clarification. The gist of FDN's Motion on this point is a request that the Commission clarify that ILECs are not to assess duplicate charges for power based on redundant power feeds. Apparently, FDN's position is that if, for example, a CLEC states an intent to use 60 amps of power, then it should be charged for 60 amps, as opposed to the ILEC charging 60 amps for each of the two redundant power feeds. As FDN states in its Motion, however, BellSouth does not charge for power based on these redundant power feeds (FDN Motion, p. 6). Further, BellSouth does not see anything in the Commission's Order that would suggest that there should be duplicate charges for redundant power feeds.

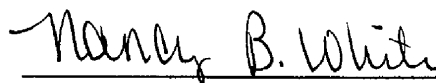
11. It may well be that there are power charges associated with each feed, but the total charge would still reflect the amount of power the CLEC uses. For

¹ Power equipment is properly categorized under Account 32.2212 (Digital Electronic Switching) as associated equipment. Section 32.2001 expressly includes the "investment" included in 32.2212 and other identified accounts.

example, again assume a CLECs' power usage is 60 amps. Telecommunication equipment manufacturers frequently design equipment so that, if there are 60 amps of power being drawn, 30 amps would be drawn over the A feed and 30 amps would be drawn over the B feed. Thus, both of the redundant feeds would be used at any given time. If one feed fails, then the entire 60 amps would be drawn over the other feed. In either scenario, however, the CLEC would be billed based on the amount of power that it uses (i.e., 60 amps), regardless of whether the power used comes from one feed or from two feeds. Thus, again, BellSouth does not necessarily oppose FDN's request for clarification, but believes that FDN has perhaps perceived an ambiguity in the Commission's Order that is not there.

Respectfully submitted this 18th day of December, 2003.

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