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December 29, 2003

**By Hand Delivery**

Ms. Blanca Bayo  
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**Re: Docket No. 030852-TP**

Dear Ms. Bayo:

Enclosed for filing on behalf of NewSouth Communications Corp. ("NewSouth") in the above-styled matter are an original and fifteen copies of the Amended Direct Testimony of Jake Jennings.

For your convenience the changes are as follows:

- a) Page 2, line 19; "Carrier Association of the South" change to "Carriers Association;"
- b) Page 3, line 13; "provision of telecommunications services in the Southeast" to "provision of telecommunications services in Florida;"
- c) Page 3, lines 16 through 20; deleted "Business Telecom Inc," "Birch Telecom," "Talk America," "Cinergy Communications Company," "Momentum Business Solutions," "Covad," and "Xspedius Corp." "Supra Telecommunications and Information Systems, Inc" was added.
- d) Page 4, line 5; "residential customers throughout the Southeast," change to "residential customers throughout Florida."
- e) Page 4, line 14; "can expand their foot print reach" change to "can expand their foot print to;"
- f) Page 5, line 6; "Approximately ten" change to "Approximately four;" and

AUS	_____
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COM	541
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Blanca Bayo  
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Page 2

g) Page 5, line 7; "members have constructed one more" change to "members have constructed one or more."

Please acknowledge receipt of these filings by stamping the extra copy of each document as "filed" and return a copy to our runner.

If you have any questions or need additional information, please let me know.

Sincerely,



Vickie A. Gomez

VAG/

Enclosure

cc: Parties of Record (with enclosure)

**BEFORE THE  
FLORIDA PUBLIC SERVICES COMMISSION**

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In re: )  
 )  
 )  
 Implementation of Requirements Arising )  
 From Federal Communications Commission's )  
 Triennial Review UNE Review: Location- )  
 Specific Review for DS1, DS3 and Dark Fiber )  
 Loops and Route-Specific Review for DS1, DS3, )  
 And Dark Fiber Transport )  
 )

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Docket No. 030852-TP

**AMENDED DIRECT TESTIMONY OF JAKE E. JENNINGS  
ON BEHALF OF NEWSOUTH COMMUNICATIONS CORP.**

1 **I. Introduction and Overview**

2 Q. Please state your name, title, and business address for the record.

3 A. My name is Jake E. Jennings. I am currently Senior Vice President of Regulatory Affairs  
4 and Carrier Relations of NewSouth Communications Corp. (“NewSouth”) and have been  
5 employed by the company since October of 2000. In my capacity as Senior Vice President I  
6 have had an integral role in preparing, developing, and implementing NewSouth’s business plan,  
7 negotiating and implementing interconnection agreements with incumbents, and managing  
8 intercarrier relations. NewSouth is a Delaware corporation with its principal place of business at  
9 Two North Main Street, Greenville, South Carolina, 29601, (864) 672-5877.

10

11 Q. Please describe your professional experience and background.

12 A.

13 Prior to joining NewSouth, I was employed by the Federal Communications Commission  
14 from March, 1997 to September, 2000, as Deputy Chief, Policy Division, Common Carrier  
15 Bureau. In that capacity I actively managed over 25 attorneys and economists in drafting orders,  
16 recommendations and legal briefs on telecommunications policy matters. I also provided  
17 briefings to the Chairman and other Commissioners on issues and recommendations affecting the  
18 telecommunications industry, including mergers and local competition issues. Moreover, I  
19 managed several 271 applications by Bell Operating Companies to provide in-region long  
20 distance service; managed UNE Remand – FCC Order determining which network elements  
21 incumbent local exchange carriers must provide on an unbundled basis; and reviewed and

1 analyzed various mergers, including negotiating conditions for Bell Atlantic/Nynex, Bell  
2 Atlantic/GTE, and SBC/Ameritech merger.

3 From November, 1994 until February, 1997 I was employed by Illinois Commerce  
4 Commission, as Senior Policy Analyst in the Policy and Planning Division, Telecommunications  
5 Department. While at the Illinois Commission I testified in over 25 proceedings as Staff witness  
6 addressing pricing, competitive classification, interconnection agreements, unbundling and  
7 interconnection issues. I also provided assistance to Department of Justice in reviewing  
8 Ameritech Illinois waiver request of the Modified Final Judgment.

9 Prior to joining the Illinois Commerce Commission, I was employed by Oklahoma  
10 Corporation Commission from June, 1992 until October, 1994 as Senior Tariff and Cost Analyst  
11 in the Public Utility Division. In that capacity I provided analysis and testimony on competitive  
12 telecommunications issues, including 10XXX dial around competition and energy policy issues.

13 I have graduate degree in Economics from the University of Central Oklahoma and  
14 bachelor degree in Economics, Mathematics, and Statistics from the University of Central  
15 Oklahoma.

16  
17 Q. On whose behalf are you testifying in this proceeding?

18 A. I am testifying on behalf of NewSouth Communications Corp. NewSouth is a member of  
19 Florida Competitive Carriers Association, Inc., commonly known as FCCA.

20  
21 Q. What is the purpose of your testimony?

22 A. The purpose of my testimony is to provide: (1) an overview of FCCA and its member  
23 companies; (2) an overview of NewSouth and its entry into the local market as a facilities-based

1 CLEC and the benefits of competition that NewSouth, like other facilities-based CLECs,  
2 provides to Florida customers; (3) a brief overview of the FCC's Triennial Review Order (TRO)  
3 and to highlight the importance of continued access to unbundled loops and transport to these  
4 companies; and finally, (4) an explanation, from a business perspective, as to why the  
5 Commission must provide for a systematic transition program that will allow carriers to  
6 transition effectively from the ILECs' unbundled network elements to alternative arrangements  
7 if, and when a network element is delisted as a UNE under Section 251(c)(3) of the  
8 Telecommunications Act.

9

10 **II. Overview of FCCA**

11 Q. Please describe FCCA.

12 A. FCCA is a non-profit association committed to promoting customer choice in the  
13 provision of telecommunications services in Florida. FCCA's members include regional and  
14 national competitive local exchange carriers ("CLECs"), all of whom operate in Florida, as well  
15 as national industry associations. FCCA's members include: ITC^DeltaCom; MCI; NewSouth  
16 Communications Corp.; AT&T; Access Integrated Networks, Inc.; Z-Tel Communications;  
17 Network Telephone Corp.; KMC Telecom; IDS Telecom, LLC; and Supra Telecommunicaions  
18 and Information Systems, Inc. The majority of FCCA's member companies are small  
19 carriers. They are generally either privately held or have a market capitalization of less than one  
20 billion dollars. For purposes of comparison, BellSouth's operating revenue during the third  
21 quarter was \$6.9 billion and EBITDA was \$3 billion.

22

23 Q. What services do FCCA's members offer?

1 A. FCCA's members provide a wide variety of telecommunications services, including  
2 local, long distance, and high speed data services. Collectively, FCCA's members provide  
3 services to both business and residential customers throughout Florida, including areas served by  
4 three ILECs, BellSouth, Sprint, and Verizon.

5 FCCA's members have different business plans and customer bases. Some FCCA  
6 members focus on Tier II and Tier III markets, providing service to the enterprise customers by  
7 purchasing high capacity loops from the ILEC as unbundled network elements (UNEs). In the  
8 vast majority of instances, these FCCA members rely on UNE loops and dedicated transport at  
9 DS1 capacity and above to serve end users. Certain FCCA members employ these two UNEs in  
10 a combination commonly referred to as an "enhanced extended link" or "EEL." FCCA members  
11 typically use EELs to access customers in central offices where they are not collocated. Using  
12 EELs, FCCA member carriers can offer a variety of services and can expand their foot print to  
13 reach to a broader group of end user customers.

14

15 Q. What services do FCCA's members provide to the enterprise market in particular?

16 A. For the most part FCCA members provide an integrated T1 service to enterprise  
17 customers. An integrated T1 uses a DS1 level technology to deliver a bundle of services that  
18 typically includes local voice, Internet, and long distance services. Through an integrated T1  
19 product, carriers can deliver broadband down market to customers with as few as eight line  
20 equivalents. Other services include traditional voice as well as data services, including  
21 broadband internet access and virtual private networks.

22

23

1

2 Q. How do FCCA members typically provide services to their customers today?

3 A. FCCA's members generally use a variety of entry strategies to provide services to their  
4 customers throughout the Southeast. Approximately four of the FCCA members provide  
5 facilities-based local services. Generally, these FCCA members have constructed one or more  
6 fiber rings of varying scope and will serve customers using those rings when possible. These  
7 fiber rings typically link customer sites to a carrier's switching or hub site. Collocation at the  
8 ILEC wire center is used in this network architecture to access unbundled loop facilities. CLECs  
9 typically do not configure the ring to provide transport between wire centers. As such, there  
10 should be few CLEC transport networks that run between ILEC central offices.

11

12 Q. How do FCCA's members use loops and dedicated transport provided as UNEs?

13 A. Loops are the transmission facilities between a central office and the customer's  
14 premises. Loops are considered to be the "last mile" of a carrier's network that enables the end-  
15 user customer to receive, for example, a telephone call or a facsimile, as well as to originate  
16 similar communications." Triennial Review Order ¶ 203. FCCA members typically purchase  
17 unbundled DS1, DS3, and dark fiber loops from the ILECs, connect those elements to their own  
18 facilities to provide telecommunications services to the customer. FCCA members use dedicated  
19 transport to perform a critical call aggregation function to maximize economies of scale. These  
20 carriers use DS1, DS3, and dark fiber dedicated transport to carry traffic from their end users'  
21 loops generally to ILEC central offices through other central offices to a point of aggregation.

22



1 Q. With regard to loops and transport, which entry methods would be affected by the  
2 outcome of this proceeding?

3 A. Facilities-based carriers would be the most affected by this proceeding. In this  
4 proceeding, the Commission is evaluating whether the triggers have been satisfied on a particular  
5 loop or route at a certain capacity level, such that impairment might not exist and ILECs would  
6 not be required to offer unbundled loops and transport on that route or at that customer location.  
7 Even if the trigger has been satisfied, the Commission has the authority to conclude that  
8 impairment still exists at that particular route or location such that ILECs must continue to  
9 provide unbundled loops and transport on that route or at a specific location. Mr. Gary Ball will  
10 discuss this issue in greater detail in his testimony. Facilities-based carriers use loops, transport,  
11 and EELs to reach their customers. Indeed, the availability of UNE loops and transport is critical  
12 to the ability of FCCA's facilities-based members to use their own network facilities efficiently  
13 and to reach those areas where it is not feasible for them to deploy their own facilities in  
14 competition with the ILECs.

15

16 **III. NewSouth's Investment in Facilities Demonstrates that Unbundling Furthers the**  
17 **Goals of the Act.**

18 Q. Please provide a brief overview of NewSouth.

19 A. NewSouth is an Integrated Voice and Data Service provider headquartered in Greenville,  
20 South Carolina. NewSouth has deployed 13 voice switches; 14 data switches and 80  
21 collocations throughout the Southeast. In particular, NewSouth has 3 voice switches, 3 data  
22 switches and 27 collocation arrangements in the state of Florida. NewSouth has over 4,700

1 customers in Florida with over 39,000 access lines. NewSouth has invested over \$36 million of  
2 capital within the state of Florida.

3 Although NewSouth offers service in markets such as Orlando, NewSouth primarily  
4 targets small and mid-sized towns and cities. NewSouth offers competitive alternatives in cities  
5 such as Pensacola, Fort Myers, Daytona Beach, Gainesville, Jacksonville, Panama City, and  
6 Winter Haven.

7 NewSouth is a privately held company that has been in existence for less than six years.  
8 The vast majority of NewSouth's financing thus far has come from private equity sources.  
9 NewSouth has incurred very little debt. To date, NewSouth has invested more than half a billion  
10 dollars to enter the local telecommunications market. As noted above, approximately \$176  
11 million of that total investment has been in the capital expenditures – switches, collocation,  
12 routers, CPE, back office systems. The remaining investment has been used to fund operations,  
13 such as salaries, marketing expenses, and leasing of facilities such as DS1 loops and interoffice  
14 transport.

15 As with any new entrant in an industry characterized by high initial fixed costs,  
16 NewSouth is not yet cash flow positive – that is, NewSouth is still spending more money to run  
17 its business than it is earning from selling its services. The burden of high fixed entry costs in  
18 this industry – and the need to obtain access to UNEs to defray such costs– cannot be overstated.  
19 NewSouth's initial capital expenditure to deploy its network, as noted above, has been  
20 approximately \$176 million to date. Having made this investment, NewSouth anticipates that its  
21 future capital expenditures will be greatly reduced, totaling less over the next nine years than the  
22 total spent in the NewSouth's initial three years. NewSouth anticipates that future capital

1 expenditures will be incurred only as necessary to accommodate incremental customer growth –  
2 adding switching modules for example.

3

4 Q. Please briefly explain NewSouth's entry into the local exchange market in Florida.

5 A. NewSouth's facilities strategy is to invest in the equipment that provides the intelligence  
6 in the network, e.g., circuit and packet switches. NewSouth strategy does not involve trenching  
7 in order to lay fiber. Instead, NewSouth relies on the transmission facilities of other carriers,  
8 incumbent LECs in the "last mile," incumbent LECs (or alternative carriers, if available) for  
9 backhaul to NewSouth's switches, and alternative carriers for intercity transport that links  
10 NewSouth's switches. By leasing, rather constructing its own transmission facilities, NewSouth  
11 avoids certain sunk costs. The cost of constructing fiber dedicated to a particular customer is  
12 irretrievably lost if NewSouth loses that customer. This Commission has long recognized that  
13 such sunk costs constitute a barrier to entry. *See, e.g.,* Implementation of the Local Competition  
14 Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, *First Report and*  
15 *Order*, FCC 96-325, ¶¶ 10-15 (rel. Aug. 8, 1996) ("*Local Competition Order*"). Currently, this  
16 intelligence resides in the core of the NewSouth's network. At the edges of the network,  
17 NewSouth has invested in equipment that it collocates in incumbent LEC central offices and on  
18 the customer premises. This equipment essentially performs translation functions that enable  
19 NewSouth to transport the customer's traffic over the leased DS1 loops and transport facilities to  
20 NewSouth's switch platform. The investment that NewSouth has made to purchase circuit and  
21 packet switches, network control and customer care systems, and customer premises equipment  
22 and collocated equipment is substantial. To date, NewSouth's capital investment in its network  
23 exceeds \$176 million. NewSouth thus far has deployed eleven Lucent 5ESS® AnyMedia™

1 circuit switches and two Siemens EWSD circuit switches at a total cost of nearly \$75 million.  
2 NewSouth has also deployed fourteen Cisco BPXTM8680 multi-service wide-area packet  
3 switches in its network backbone at a cost of over \$4 million. These packet switches are  
4 NewSouth's on-ramps to the Internet backbone, through which it provides Internet services and  
5 other packet-based data services to its customers. Additionally, NewSouth has invested nearly  
6 \$27 million to collocate equipment in (currently) 80 incumbent LEC central offices. NewSouth  
7 has collocated primarily in BellSouth central offices but also has collocated in Verizon (former  
8 GTE) central offices and Sprint (ILEC) central offices as well. It has invested more than \$70  
9 million in customer premises equipment, back office customer care systems and a network  
10 control center.

11

12 Q. Please discuss the benefits that NewSouth and other FCCA members have provided in  
13 Florida.

14 A. Facilities investment that has brought substantial benefits to consumers. NewSouth is  
15 able to attract customers because, through the facilities it has deployed, it can offer customers a  
16 value proposition that exceeds what they currently receive from the incumbent. This value  
17 proposition involves not only better prices, but also more and varied services, including  
18 advanced services. NewSouth offers basic local and long distance services at prices fifteen to  
19 twenty percent below the incumbent's prices. NewSouth offers businesses, even smaller  
20 businesses, the ability to obtain sophisticated advanced services, such as high-speed Internet  
21 access, web hosting, and private networking services ranging from point-to-point dedicated  
22 transmission to high-speed, secure, virtual private networks for data transmission such as LAN-  
23 to-LAN and WAN-to-WAN connections and teleconferencing capabilities.

1 In fact, approximately ninety percent (90%) of NewSouth's retail customers served over  
2 DS1 circuits did not have access to high-speed data services from the incumbent LEC. Instead,  
3 these customers were previously served by the incumbent LEC via analog service. Thus,  
4 NewSouth's ability to compete with the incumbent LEC using unbundled DS1 loops has had the  
5 added benefit of increasing the availability of advanced services – one of the key goals of the  
6 1996 Act. These benefits are not limited to Tier One markets, but also include Tier III – IV  
7 markets.

8

9 Q. Please explain how NewSouth provides facilities based service.

10 A. NewSouth's network consists of four main parts: (i) digital circuit switches and packet  
11 switches; (ii) lit intercity fiber leased from third parties to connect these switches with each  
12 other; NewSouth purchases intercity transport from third party suppliers, not an incumbent LEC,  
13 to connect its thirteen voice and fourteen data switches. (iii) equipment collocated in incumbent  
14 LEC central offices and on customer premises; and (iv) a network control center and back office  
15 customer care and billing platforms.

16 To connect NewSouth's switch platform to its customers, NewSouth must rely on incumbent  
17 LEC high capacity (DS1) local loops and EELs. NewSouth uses unbundled DS1 loops to  
18 provide services primarily to small- and medium-sized businesses that utilize a PBX or key  
19 system on their premises. Typically the customer will already have PBX or key system on the  
20 premises. NewSouth will also obtain such systems for a customer as needed. To deliver its  
21 services to the customer, NewSouth installs equipment on the customer premises that acts as  
22 interface between the customer's PBX or key system, or router, and the DS1 loop facility that  
23 NewSouth leases from the incumbent LEC. This equipment typically consists of Adtran Channel

1 Bank Unit (CBU) or Channel Service Unit (CSU). A CBU is a multiplexing device that sits  
2 between a DS1 loop and PBX or Key System if the PBX will not take a digital signal. The CBU  
3 places many analog voice conversations or analog data applications (e.g., fax or modem) onto  
4 one high-speed link like a DS1 and controls those conversations or applications.  
5 NewSouth utilizes EELs to provide service to its customers in the same manner as with stand-  
6 alone DS1 loops. NewSouth places equipment at the customer premises to interface with the  
7 customer's PBX or key system and a leased DS1 loop. However, instead of terminating directly  
8 at a NewSouth collocation arrangement, the DS1 loop "terminates" at an intermediate incumbent  
9 LEC central office where it is cross-connected to incumbent interoffice transport, which in turn  
10 terminates at a NewSouth collocation arrangement. In fact, NewSouth views an EEL as an  
11 unbundled loop with a distance sensitive pricing component – with the same functionality as an  
12 unbundled loop. NewSouth typically utilizes a DS1 level signal for both the loop and transport  
13 component of the EEL.

14

15 **IV. FCC Triennial Review Order - National Finding of Impairment for High Capacity**  
16 **Loops and Transport**

17 Q. What did the FCC conclude in the Triennial Review Order with regard to a CLEC's  
18 ability to obtain loops and transport?

19 A. The Triennial Review Order affirms, and as noted even the ILECs agreed  
20 that the loop network element must be unbundled pursuant to sections 251(c)(3)  
21 and 251(d)(2) of the Act. Triennial Review Order ¶ 203. Consistent with this view, in  
22  
23 the Triennial Review Order, the FCC made a national finding of impairment with regard to loops  
24  
25 and transport. In other words, the FCC concluded that carriers were impaired without access to  
26

1 unbundled DS1, DS3, and dark fiber loops at a customer-location-specific basis, and without  
2 access to unbundled DS1, DS3, and dark fiber transport facilities on a route-by-route basis. See  
3 Triennial Review Order ¶ 360. The FCC, however, did delegate to the state Commissions the  
4 responsibility to determine whether certain “triggers” have been met. The purpose of the triggers  
5 is to determine those limited situations in which deployment might have occurred at certain  
6 customer locations or on certain routes, such that there is no impairment at those particular  
7 locations or on those routes. If the triggers are applied properly, a finding of no impairment  
8 likely will be made only on a small number of customer locations and routes.

9

10 Q. What are the triggers?

11 A. There are two triggers: a self-provisioning trigger and a wholesale facilities trigger. The  
12 FCC, however, determined not to apply the self-provisioning trigger to DS1 loops or transport,  
13 because carriers cannot economically self-provision such loops or transport. See Triennial  
14 Review Order ¶¶ 327, 409. For loops, the triggers apply to each customer location. For  
15 transport, the triggers apply for each “A to Z” route between ILEC central offices. Mr. Gary Ball  
16 will discuss the triggers in detail.

17

18 Q. How are the triggers applied?

19 A. Application of the triggers is not a counting exercise. An ILEC simply cannot claim that  
20 there is no impairment on a particular loop or route because it can identify, for example, two  
21 carriers at a particular location (for DS1 and DS3 loops) or for a certain route that might offer  
22 wholesale service. The triggers require a more rigorous analysis to determine if actual wholesale  
23 alternatives exist on the route.

1           The FCC repeatedly has stated that “actual competitive deployment is the best indicator  
2 that requesting carriers are not impaired.” Triennial Review Order ¶ 335. Therefore, the FCC  
3 designed the triggers to be co-extensive with the impairment analysis. In other words, if the  
4 triggers are applied properly, they will not be satisfied unless a competitive marketplace actually  
5 exists on a particular route or at a specific customer location, in which case CLECs would not  
6 face any economic or operational impediments with respect to the particular customer location or  
7 transport route. The triggers are designed to ensure that loops and transport will continue to be  
8 unbundled unless there is clear, factual evidence that the myriad operational and economic  
9 barriers facing competitors have been overcome and that true competition exists.

10  
11 Q.       What is the appropriate role of state commissions in applying the triggers?

12 A.       The FCC has delegated to state commissions “the authority to make findings of fact  
13 within the scope of these triggers to identify on a more granular scale where” CLECs are not  
14 impaired without access to ILEC loops and transport. See Triennial Review Order ¶ 360. In  
15 making these factual findings, states are “to gather and assess the necessary information.” Id. ¶  
16 188. The states’ roll is not merely to perform a counting exercise but to “assess” whether  
17 competition exists in the marketplace such that the FCC’s national finding of impairment has  
18 been overcome. In order to conduct the trigger analysis properly, states must define certain key  
19 terms within the triggers. States then must apply those triggers in an appropriate and consistent  
20 manner.

21           In determining whether impairment no longer exists on a particular loop or route, a state  
22 commission does not need to go beyond the triggers or to rely on state laws as a basis for UNE  
23 availability. The state commission must insist that “relevant evidence [demonstrates] that the



1 customer location [or route] satisfies one of the triggers." (emphasis added). If it does so, very  
2 few customer locations or transport routes will meet the impairment trigger and in those  
3 instances CLECs will be able, as a practical, economic, and operational matter, to use  
4 alternatives to the ILEC facilities without impairment. The Commission's granular review will  
5 ensure that CLECs continue to have access to loops and transport unless they truly are not  
6 impaired at a particular location or on a certain route.

7

8 Q. What would be the impact of reduced availability to unbundled loops and transport to  
9 FCCA's members?

10 A. As I stated above, the enterprise market is composed predominantly of business  
11 customers, which demand unique and sophisticated services tailored to their needs. In many  
12 instances, competitive carriers, including FCCA's members, have been at the forefront of  
13 providing sophisticated services to these customers. In some instances, it was not until a  
14 competing carrier offered a service to customers (such as the integrated T1 service) that  
15 BellSouth even began to offer a similar service.

16 If FCCA members continue to have access to unbundled loops and transport, then they  
17 can continue to roll out their services and expand their customer bases. These benefits to  
18 consumers, however, may continue only to the extent that UNEs to customer locations and on  
19 routes are not eliminated absent a finding that CLECs truly are not impaired at that location or  
20 along a particular route. If the triggers are applied in a manner that customer locations or  
21 transport routes are eliminated in the absence of viable self-provisioning or working wholesale  
22 alternatives, then consumers will see a decrease in available services and providers competing  
23 for their business.

1 Carriers would not be able to reach the breadth of customers that they currently serve,  
2 and the carriers' customer bases likely would be concentrated in fewer locations. For example,  
3 as the FCC acknowledged in addressing impairment for DS1 loops, a CLEC that "plans to self-  
4 deploy its own facilities must target customer locations where there is sufficient demand from a  
5 potential customer base, usually a multi-tenant premises location, to generate a revenue stream  
6 that could recover the sunk construction costs of the underlying transmission facility, including  
7 laying the fiber and attaching the requisite optronics to light the fiber." Triennial Review Order  
8 ¶ 303. This would result in a retreat of the facilities-based competition present today.

9  
10 **V. Transition Issues**

11 Q. What would happen if the Commission delists unbundled loops and transport?

12 A. NewSouth's, along with FCCA member's, business plan and budget projections are  
13 based on the current cost of providing services. NewSouth prices its retail services in  
14 accordance with its planned cost of providing services. These business plans typically include a  
15 two year projection and assumed that NewSouth would be paying for these circuits at the UNE  
16 rates to which it was entitled for the specified period, not the inflated special access rates.  
17 Therefore, if unbundled loops and transport are delisted, then NewSouth's direct costs are  
18 increased. Because NewSouth provides service under term contracts with its customers, then it  
19 would not be able to flow-through the cost increase to its customers. Therefore, it is critical that  
20 the Commission grandfather any UNEs delisted that are currently being used to serve customers.  
21 This approach is consistent with the FCC's transition for switching and line-sharing.

22  
23 Q. Are there other transition issues that the Commission should address?

1 A. Yes, there are other transition issues that the Commission should address, but not in this  
2 proceeding. Rather, I recommend that the Commission initiate a follow-up proceeding to  
3 address transition issues, including, but not limited to: ability to physically migrate from UNEs  
4 to other wholesale facilities where available, ability to order and maintain UNE high capacity  
5 loops to a third party's wholesale transport facilities, ability to order co-carrier cross connects to  
6 access alternative transport providers, among other operational matters.

7

8 Q. Does this conclude your testimony?

9 A. Yes.

10

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 29th day of December, 2003, a true and correct copy of the foregoing has been furnished by hand delivery\* or U.S. Mail to the following:

*\*Jason Rojas/Jeremy Susac/Adam Teitzman  
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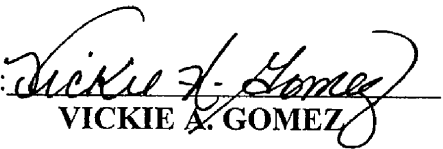
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