

ORIGINAL

McWHIRTER REEVES

ATTORNEYS AT LAW

TAMPA OFFICE
400 NORTH TAMPA STREET, SUITE 2450
TAMPA, FLORIDA 33602-5126
P.O. BOX 3350, TAMPA, FL 33601-3350
(813) 224-0866 (813) 221-1854 FAX

PLEASE REPLY TO:
TALLAHASSEE

TALLAHASSEE OFFICE:
117 SOUTH GADSDEN
TALLAHASSEE, FLORIDA 33201
(850) 222-2525
(850) 222-5606 FAX

February 18, 2004

VIA HAND DELIVERY

Ms. Blanca S. Bayo
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Fl 32399-0850

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Re: Docket No. 030851-TP

Dear Ms. Bayo:

On behalf of Florida Competitive Carriers Association, enclosed for filing and distribution is the original and 1 copy of the following:

- Notice of Service of the Florida Competitive Carriers Association's Response to BellSouth's Second Request for Production of Documents (No. 6) and Second Set of Interrogatories (No. 20)

The original and 15 copies of:

- Corrected pages 13-14 of the Surrebuttal Testimony of Joseph Gillan.

We ask that these corrected pages be substituted for those in Mr. Gillan's Surrebuttal Testimony filed on January 28, 2004. The corrections are indicated in bold and underlined.

Please acknowledge receipt of the above on the extra copy and return the stamped copy to me. Thank you for your assistance.

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Sincerely,
Vicki Gordon Kaufman

Enclosures
Cc: Parties of record (w/ encls.)

DOCUMENT NUMBER-DATE

MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, KAUFMAN & ARNOLD, P.A. 02348 FEB 18 04

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1 Cross-subsidization is measured using forward-looking  
 2 incremental costs, not historical accounting costs.... Even  
 3 reasonable allocations of fixed costs or common overhead costs to  
 4 a service have no role in a subsidy test...<sup>14</sup>  
 5

6 \*\*\*

7 The fact that TELRIC includes an allocation of shared fixed and  
 8 common costs means that the TELRIC-based UNE price would be  
 9 too high for a price floor.<sup>15</sup>  
 10

11 Thus, even BellSouth agrees that TELRIC-based UNE rates for local switching  
 12 are not being subsidized. Moreover, there is ample evidence that BellSouth's  
 13 UNE switching rates are substantially above its embedded costs, as reflected in its  
 14 ARMIS filings:  
 15

**Table 2: BellSouth's Average Embedded Switching Cost**

Cost Category	2002 ARMIS	Per Line
Central Office Switching Expense	\$75,463	\$1.06
Switching Share of Depreciation/Amortization <sup>16</sup>	\$160,708	\$2.25
Average Embedded Cost	\$236,171	\$3.31
Average SGAT Rate (including usage) <sup>17</sup>		<b>\$5.21</b>
Contribution from SGAT Based Price		<b>58%</b>

16  


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<sup>14</sup> Rebuttal Testimony of William Taylor on behalf of BellSouth, Docket Nos. 02-0119-TP and 020578-TP, filed November 25, 2002 ("Taylor Rebuttal"), page 18.

<sup>15</sup> Taylor Rebuttal, Page 6.

<sup>16</sup> ARMIS does not separately assign depreciation cost to switching. However, Telephone Plant in Service (TPIS) is separately reported for central office switching and the ratio of Switching TPIS to Total TPIS was used to estimate that portion of BellSouth's 2002 depreciation that can be allocated to switching.

<sup>17</sup> Average TELRIC rate is calculated based on BellSouth's average usage per line (as reported in ARMIS 43-04, Dial Equipment Minutes of Use) of 3,238 minutes per line.

1 As Table 2 above shows, the TELRIC-based SGAT rates for unbundled local  
2 switching already cover embedded costs and provide a contribution to BellSouth's  
3 joint and common costs (and provide a return) of more than 58%.<sup>18</sup> Moreover,  
4 BellSouth's SGAT rates include a voluntary reduction from its Commission-  
5 approved UNE-rates (which produce an average revenue of \$6.13 per switch port  
6 and a contribution of more than 85%). There is no basis for BellSouth's claim  
7 that it is not being adequately compensated for unbundled local switching in  
8 Florida – if anything, its rates exceed just and reasonable levels when judged by  
9 its embedded cost.

10  
11 **Q. Has BellSouth revealed how much revenue it gets from the switch-related**  
12 **charges that it imposes on CLECs in Florida?**

13  
14 A. Yes. The Commission should appreciate that when a carrier leases UNE-P, in  
15 addition to paying for the loop, the CLEC also pays BellSouth for local switching,  
16 shared transport and the billing records it needs to offer service. According to  
17 Exhibit No. \_\_\_ JPG-11 (attached),<sup>19</sup> BellSouth collects (on average) Begin  
18 Confidential \*\*\* \*\*\* End Confidential per month per UNE-P line.<sup>20</sup>

19  

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<sup>18</sup> Contribution is calculated as (Revenues-Expenses)/Expenses.

<sup>19</sup> BellSouth Response to FCCA 2<sup>nd</sup> Set of Interrogatories, Item No. 24.

<sup>20</sup> Although Exhibit No. \_\_\_\_\_ JPG-11 asked BellSouth to provide only its switch-related revenues, the magnitude of the answer suggests that it also included loop charges.