ATTACHMENT B

BellSouth Telecommunications, Inc.
FPSC Docket No. 030851-TP
Request for Confidential Classification

2/17/04

REQUEST FOR CONFIDENTIAL CLASSIFICATION OF BELLSOUTH'S SURREBUTTAL TESTIMONY OF ALPHONSO J. VARNER, W. KEITH MILNER AND EXHIBIT WKM-5, KENNETH L. AINSWORTH, PAMELA A. TIPTON AND DR. DEBRA J. ARON FILED JANUARY 28, 2004, IN FLORIDA DOCKET NO. 030851-TP

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BELLSOUTH TELECOMMUNICATIONS, INC.
SURREBUTTAL TESTIMONY OF W. KEITH MILNER
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 030851-TP
JANUARY 28, 2004

Q. PLEASE STATE YOUR NAME, YOUR BUSINESS ADDRESS, AND YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH").

A. My name is W. Keith Milner. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375. I am Assistant Vice President - Interconnection Operations for BellSouth.

Q. ARE YOU THE SAME W. KEITH MILNER THAT FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY FILED TODAY?

A. The first part of my surrebuttal testimony responds to criticisms regarding the inputs to BellSouth's BACE model that I provided. In that part of my testimony, I discuss several areas in which the default inputs to the BACE

model cause the model to yield financially conservative results. The second part of my testimony provides surrebuttal to the rebuttal testimonies of Mr. David A. Nilson on behalf of Supra Telecommunications and Information Systems, Inc. ("Supra") and Mr. Mark David Van de Water on behalf of AT&T Communications of the Southern States, LLC ("AT&T").

BACE Model Assumptions

Q. PLEASE EXPLAIN HOW BELLSOUTH'S BACE MODEL USES CONSERVATIVE INPUTS AND THUS YIELDS CONSERVATIVE OUTPUTS.

A. In my opinion, BellSouth's BACE model yields conservative results based on inputs made for the following elements:

1. The quantity of switches a CLEC will operate in a Local Access and Transport Area ("LATA")
2. The quantity of trunk groups between a CLEC's switch and the E911 tandems in a LATA
3. The use of Special Access transport instead of CLEC-provided transport between the CLEC's central office and the BellSouth access tandem
4. The use of Special Access transport instead of CLEC-provided transport between the CLEC's switch and the CLEC's choice of Directory Assistance and Operator Services platforms
5. The deployment of a voicemail platform per LATA
6. The portion of unbundled loops provisioned as Service Level 2

("SL2") loops rather than lower priced Service Level 1 ("SL1") loops

7. The use of current "full price" Non-Recurring Charge ("NRC") levels rather than discounted levels for all cutover of unbundled loops

I discuss each of these issues in greater detail below.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE QUANTITY OF SWITCHES A CLEC WILL OPERATE IN A LOCAL ACCESS AND TRANSPORT AREA ("LATA") WILL YIELD A CONSERVATIVE RESULT.

A. The default BACE inputs assume a CLEC will deploy at least one switch per LATA. As was discussed in my direct and rebuttal testimony in this proceeding, CLECs can deploy a single switch and provide service to end users over a very large geographic area, perhaps even over an entire state or more. Thus, the default assumption that a CLEC will place at least one switch per LATA results in a higher quantity of switches deployed

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE QUANTITY OF TRUNK GROUPS BETWEEN A CLEC'S SWITCH AND THE E911 TANDEMS IN A LATA WILL YIELD A CONSERVATIVE RESULT.

A. In developing the default input for the quantity of E911 trunks a CLEC would deploy, I found that the maximum quantity of E911 tandems in a

single LATA in BellSouth's region is six (6). Thus, the BACE default assumption is that a CLEC will equip its switch for six (6) DS-1 transport facilities (one each to the E911 tandem switches) which, if fully equipped, would provide for 144 simultaneous calls to E911 operators from the CLEC's switch. Since most end office switches have only one or two trunk groups to E911 tandem switches, this assumption results in a higher quantity of E911 trunk groups being equipped.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE USE OF SPECIAL ACCESS INSTEAD OF CLEC-PROVIDED FACILITIES BETWEEN THE CLEC'S CENTRAL OFFICE AND THE BELLSOUTH ACCESS TANDEM WILL YIELD A CONSERVATIVE RESULT.

A. The default assumption in the BACE model is that a CLEC will use Special Access facilities rather than CLEC-provided facilities to connect the CLEC's switch to BellSouth's access tandem. In cases where the CLEC self-provides these facilities and where the resulting costs are less, BACE derives a higher cost that would actually be incurred. Further, BACE determines the quantity of DS-1 or DS-3 equivalents required based on traffic loads. Since BACE does not assume the use of higher transport facilities than DS-3, BACE will, depending on traffic demand, deploy multiple DS-3 circuits rather than OCn circuits which in some situations would be more efficient and thus less costly.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE USE OF SPECIAL ACCESS TRANSPORT INSTEAD OF CLEC-PROVIDED TRANSPORT BETWEEN THE CLEC'S SWITCH AND THE CLEC's CHOICE OF DIRECTORY ASSISTANCE AND OPERATOR SERVICES PLATFORMS WILL YIELD A CONSERVATIVE RESULT.

A. The default assumption is that a CLEC will elect the use of Special Access facilities rather than self-provided facilities between the CLEC's switch and the CLEC's choice of director assistance platform. Likewise, BACE assumes the use of Special Access rather than CLEC-provided facilities to transport traffic between the CLEC's switch and the CLEC's choice of operator services platform. In any case where the CLEC self-provides this transport and the resulting cost is less than Special Access charges, BACE will have assumed a higher cost to the CLEC than would actually be incurred.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE DEPLOYMENT OF A VOICEMAIL PLATFORM PER LATA WILL YIELD A CONSERVATIVE RESULT.

A. As with switches, voicemail platforms can be equipped to handle demand over a very large geographic area, often over an entire state or even larger. Thus, the default assumption within the BACE model yields a conservative result because the quantity of voicemail platforms assumed to be deployed would be larger than a CLEC would actually probably

deploy.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION REGARDING THE PORTION OF UNBUNDLED LOOPS PROVISIONED AS SERVICE LEVEL 2 ("SL2") LOOPS RATHER THAN LOWER PRICED SERVICE LEVEL 1 ("SL1") LOOPS WILL YIELD A CONSERVATIVE RESULT.

A. The model assumes a high proportion (45% of non-DSL customers) of mass market unbundled loops will be purchased as SL-2 loops. This level was chosen assuming that CLECs would continue to order the higher-priced SL2 loops as they have in the recent past. SL2 loops are designed loops that are provisioned with test points that allow automated testing. The CLEC also receives a Detailed Layout Record ("DLR") depicting the loop makeup. Providing the test points and DLRs adds cost over those incurred in the provisioning of SL1 loops that are not equipped with test points and do not come with a DLR. In my opinion, CLECs will not choose SL2 loops for residential end users. For small business customers, the CLECs may sometimes choose SL2 loops over SL1 loops. Since the existing UNE-P base is predominantly residential customers, the default assumption in the BACE model that 45% of all unbundled loops will be provided as SL2 loops is probably overstated and thus results in the model deriving higher CLEC costs.

Q. PLEASE EXPLAIN HOW BELLSOUTH'S ASSUMPTION THAT ALL CUTOVER OF UNBUNDLED LOOPS WILL BE PRICED AT THE

CURRENT NON-RECURRING CHARGE ("NRC") LEVELS RATHER THAN DISCOUNTED LEVELS WILL YIELD A CONSERVATIVE RESULT.

A. The BACE model assumes that all NRCs for unbundled loop provisioning are the current NRCs. BellSouth has announced discounts off the NRC for CLECs using the Batch Hot Cut method of 10%. For CLECs using the Mass Migration method described in the surrebuttal testimony of BellSouth witness Milton McElroy, the discounts are even steeper. Thus, the BACE model calculates NRCs higher than will be experienced by CLECs using the Batch Hot Cut method or the Mass Migration method.

Rebuttal to Mr. Nilson

Q. ON PAGE 5 OF HIS TESTIMONY, MR. NILSON DESCRIBES SUPRA'S NETWORK ARCHITECTURE AS BEING COMPOSED OF A HOST SWITCH, A REMOTE SWITCH AND SIXTEEN OUTLYING LOCATIONS WHERE SUPRA HAS INSTALLED DIGITAL LOOP CARRIER ("DLC") EQUIPMENT IN ORDER TO SERVE ITS CUSTOMERS. WHAT IS YOUR UNDERSTANDING OF SUPRA'S NETWORK ARCHITECTURE?

A. My understanding of Supra's network architecture generally agrees with Mr. Nilson's description. Instead of a total of 18 collocation arrangements in place (that is, the two (2) switch locations plus the 16 DLC equipment locations), BellSouth's records indicate that BellSouth has provided a total of ***-----*** collocation arrangements in Florida which are geographically

dispersed. ***----------

----------.*** The two (2) switches to which Mr. Nilson refers and that Supra operates are collocated in two (2) different BellSouth central offices in Florida. The host switch is collocated in BellSouth's North Dade Golden Glades central office and the remote switch is collocated in BellSouth's Miami Red Road central office. The 16 locations wherein Mr. Nilson states Supra has collocated DLC equipment for aggregating unbundled loops for delivery to either the Golden Glades or Red Road switch are likewise collocated within BellSouth central offices. Thus, Supra has at present access to the loops in at least 18 (by Supra's count) and as many as ***---*** (by BellSouth's count) of BellSouth's central offices, all of which are in Florida.

Q. WHAT IS THE GEOGRAPHIC DISPERSION OF SUPRA'S COLLOCATION ARRANGEMENTS?

A. While most of the collocation arrangements are ***---------- -----
----------,*** Supra also has collocation in ***----------
----------.*** Thus, even with its existing collocation arrangements, Supra has a large geographic "footprint" that reaches many consumers in the state.

Q. HOW COULD SUPRA EXTEND THE REACH OF ITS NETWORK EVEN FURTHER?

A. Supra (as well as all other facilities based Competitive Local Exchange Carriers ("CLECs") have different options as I described in my direct testimony in this proceeding. Supra has chosen one of the options I described, namely establishing collocation arrangements in each central office in which it acquires customers. Supra then uses its DLC equipment to aggregate the loops in a given central office for transport to one of its switches. Supra (and other CLECs) could also make use of so-called Enhanced Extended Links ("EELs") wherein Supra would establish collocation in a single central office and BellSouth would deliver the loops from outlying central offices to that single office.

Q. ON PAGE 5 OF HIS TESTIMONY, MR. NILSON STATES THAT SUPRA IS ACTUALLY SERVING 6,000 LINES OVER ITS OWN SWITCHES AT PRESENT. PLEASE COMMENT.

A. BellSouth's records indicate that it had performed ***-------*** "hot cuts" at Supra's request. This number is not reduced for any unbundled loop disconnects that Supra may have requested so Supra's number and BellSouth's number are probably both reasonably accurate. More importantly than the actual quantity of unbundled loops in service at present, is the fact that Supra has only recently begun ordering unbundled loops in significant quantities. Supra ordered its first unbundled loops about ***----------,*** so I am not surprised that, compared to Supra's entire customer base of about 300,000 lines (that is, the volume of customers Mr. Nilson claims Supra serves), the portion actually connected

to Supra's switches is relatively small. However, even in the short period that Supra has begun using unbundled loops connected to its switches, Supra and BellSouth have provisioned over ***--------*** unbundled loops in a single BellSouth central office ***----------*** Proprietary Exhibit WKM-5, attached to this testimony, shows each of Supra's ***---*** collocation arrangements in place and the quantity of unbundled loops which BellSouth has provisioned via the "hot cut" process. Thus, BellSouth has already provided unbundled loops in ***----*** different central offices in Florida and stands ready to provide unbundled loops in the remaining ***--*** central offices where Supra has established collocation. Finally, Supra is free to acquire collocation in other BellSouth central offices in Florida. BellSouth's witness Wayne Gray discusses the topic of collocation availability.

Q. ON PAGE 10 OF HIS TESTIMONY, MR. NILSON SUGGESTS THAT IN EXCESS OF 20,000 "HOT CUTS" PER MONTH ARE REQUIRED IN THE MASS MARKET. CAN BELLSOUTH HANDLE THAT MANY "HOT CUTS" PER MONTH?

A. Yes. Let's look at the daily volumes that would be required at the central office level. Given 23 business days per month, a total volume of 20,000 would equate to 870 "hot cuts" per day (that is, 20,000 / 23). Assuming that all of that daily "hot cut" volume is focused in the ***----*** central offices within which Supra already has collocation, the daily volume on average per central office is only slightly more than ***----------

------.*** As BellSouth's witnesses Ainsworth, Heartley and McElroy demonstrate in their respective testimony, BellSouth's "hot cut" capability per central office per day is at least several times greater than Mr. Nilson speculates may be the extreme volume.

Q. ON PAGE 15 OF HIS TESTIMONY, MR. NILSON STATES THAT SUPRA SERVES 20,000 CUSTOMERS IN THE PEMBROKE PINES CENTRAL OFFICE BUT SERVES "LESS THAN ONE SIXTH" THAT NUMBER IN THE WESTON CENTRAL OFFICE. WHAT ARE THE RELATIVE SIZES OF BELLSOUTH'S PEMBROKE PINES AND WESTON CENTRAL OFFICES IN TERMS OF THE TOTAL QUANTITY OF LINES SERVED?

A. BellSouth's Pembroke Pines central office serves a total of about 144,000 lines. Thus, Supra serves about 14% of the total lines in that central office. While I cannot determine with precision from Mr. Nilson's testimony the quantity of customer lines Supra claims to serve from the Weston central office, assume Supra has one seventh the quantity of customer lines in Weston than it has in Pembroke Pines. I used one seventh inasmuch as Mr. Nilson stated that Supra had less than one sixth as many customers in Weston as in Pembroke Pines. Thus, Supra would have about 2,857 customer lines in the Weston central office (20,000 / 7). Since the Weston central office serves a total of about 40,000 customer lines, even in the Weston central office, Supra has won about 7% of the market and thus has a significant customer base to work with.

Q. ON PAGE 17 OF HIS TESTIMONY, MR. NILSON DISCUSSES THE ISSUE OF UNBUNDLED LOOPS AND INTEGRATED DIGITAL LOOP CARRIER ("IDLC") EQUIPMENT. HE SUGGESTS THAT PROVISIONING UNBUNDLED LOOPS SERVED BY IDLC IS PROBLEMATIC IN THAT "THE FACILITIES [THAT IS, UNIVERSAL DIGITAL LOOP CARRIER ("UDLC") AND COPPER LOOPS] "DOE NOT EXIST IN ANY LARGE NUMBER AND THOSE THAT DOE ARE ALREADY PARTIALLY OR FULLY USED BY BELLSOUTH ITSELF." [sic] DO YOU AGREE THAT BELLSOUTH DOES NOT HAVE SUFFICIENT UDLC OR COPPER FACILITIES CAPACITY?

A. No. The direct testimony of BellSouth witness Ainsworth discussed the various alternatives that BellSouth can exercise to provide loops served by IDLC on an unbundled basis. Further, instances where a given carrier serving area is composed of IDLC-derived loops is fairly uncommon given that IDLC technology was introduced relatively recently compared to copper loops and older forms of Digital Loop Carrier ("DLC"). This means that in most cases UDLC facilities and copper loop facilities are available and can be used. In addition to moving a particular loop from IDLC to UDLC or to copper loop facilities, additional alternatives such as the use of "side door" or "hairpin" solutions can also be called upon. While each of the eight alternatives Mr. Ainsworth discusses in his direct testimony is not always available at every DLC remote terminal, BellSouth successfully handles unbundled loops served by IDLC on a daily basis.

Q. BEGINNING ON PAGE 18 OF HIS TESTIMONY, MR. NILSON DISCUSSES THE AVAILABILITY OF ENHANCED EXTENDED LINKS ("EELs") AS AN ALTERNATIVE TO COLLOCATION IN EVERY BELLSOUTH WIRE CENTER. ON PAGE 19 HE STATES "BELLSOUTH SIMPLY CANNOT PROVIDE 290,000 POTS EELs TO REPLACE THE UNE-P SERVICE BEING PROVIDED TO SUPRA CUSTOMERS TODAY." WHAT IS YOUR UNDERSTANDING OF THE BASIS FOR MR. NILSON'S STATEMENT?

A. I do not know and he does not explain why he believes EELs are unavailable. While I would agree with Mr. Nilson that CLECs in general have not availed themselves of large quantities of DS0 EELs, I believe that is because in many instances CLECs have simply served their customers via UNE-P arrangements rather than over their own switches. In Supra's case, it elected collocation of its DLC equipment to aggregate loops in a given central office for transport to its switches and, in my opinion, has done so successfully. I am not aware of any intention expressed by Supra to change its strategy of using collocation to serve its customers.

Q. ON PAGE 23 OF HIS TESTIMONY, MR. NILSON DISCUSSES CLECs' COSTS FOR UNBUNDLED LOOPS AND COLLOCATION AND STATES "ON TOP OF THESE COSTS, THE CLEC MUST PAY ENORMOUS NONRECURRING CHARGES TO THE ILEC TO CONVERT A CUSTOMER'S SERVICE FROM UNE-P TO UNE-L CUSTOMER'S

SERVICE." [Footnote omitted] DO YOU AGREE WITH MR. NILSON REGARDING NONRECURRING CHARGES FOR UNBUNDLED LOOPS?

A. No. The nonrecurring rates BellSouth is allowed to charge CLECs in Florida was set by this Commission in its Docket 990649-TP. The Commission set those rates after hearing extensive testimony from BellSouth and from interested CLECs. Mr. Nilson claims that it would take Supra months to recover the nonrecurring cost for the unbundled loop compared to the nonrecurring cost were that same customer served by UNE-P. Mr. Nilson misses the point. If Mr. Nilson is concerned about the nonrecurring cost, Supra could elect to use BellSouth's bulk migration process (BellSouth's witnesses Ken Ainsworth and Milton McElroy discuss this process in their respective testimony in this proceeding) and thus gain a 10% discount. More importantly, however, there is physical work required to move the loop serving an end user from BellSouth's switch to the CLEC's switch. For an end user transferring its service from BellSouth's retail operation to a CLEC using UNE-P, there is no corresponding physical work in the central office. BellSouth should be compensated for the work it performs on behalf of a CLEC who uses its own switches (or a third party's switches) rather than BellSouth's switches. Instead, Mr. Nilson appears to "wish away" that physical work and the costs accompanying that work.

Q. ON PAGE 27 OF HIS TESTIMONY, MR. NILSON SUGGESTS THAT

THE COMMISSION GIVE NO CONSIDERATION TO ELIMINATING UNE-P WHEN THE CLEC's SWITCH IS PHYSICALLY LOCATED OUTSIDE THE RATE CENTER. DO YOU AGREE?

A. In my direct testimony in this proceeding I quoted testimony filed in other dockets by witnesses representing AT&T and MCI who claimed their respective switches could serve very large geographic areas. Most or all modern switching systems are capable of serving end users in more than a single rate center. Indeed it is not at all uncommon to find switches that serve end users in more than one state. Even in BellSouth's network, it is common to find single switches located physically close to the state boundary serving end users in the state in which the switch is located as well as end users in the neighboring state. Thus, the Commission should not infer from Mr. Nilson's suggestion that modern switches (including Supra's switches) are incapable of providing service to end users in multiple rates centers or even in multiple states. Indeed, Mr. Nilson's own testimony on pages 46-47 shows that Supra's two switches provide service to end users in eight different rate centers in LATA 460 and six other rate centers from Orlando to Pensacola.

Q. ON PAGE 48 OF HIS TESTIMONY, MR. NILSON STATES "SUPRA IS COMMITTED TO THE PROCESS OF CONVERTING ITS 300,000 PLUS UNE-P CUSTOMERS TO UNE-L, AND WILL GROW ITS NETWORK DEPLOYMENT BEYOND THE 28,000 LINE CURRENT CAPACITY IF GIVEN THE CHANCE TO DO SO." IN YOUR OPINION, ARE SUPRA'S

TWO (2) SWITCHES CAPABLE OF HANDLING 300,000 CUSTOMER LINES?

A. Possibly. The actual line capacity of a switch is a function of several factors including physical line capacity as well as call-handling capability of the call processors. Further, the various equipment components comprising a given switch are modular in nature and manufacturers design their switching equipment to capacity break points. In my experience it is rare that a service provider equips its switches at the outset for the ultimate capacity of the switch. Instead, rational firms determine forecasts of switching capacity required and then, using common economic techniques, determine the amount of capacity that is sufficient to handle expected growth while still yielding the best economic rate of return. As a result, telephone service providers periodically augment existing switching capacity in response to anticipated demands. I will note, however, that on its website (http://www.lucent.com/livelink/090094038004f536_Brochure_datasheet.pdf), Lucent Technologies claims that its 5E-XC switch (which is an expansion to Lucent's 5ESS product line which Supra purchased and installed) will handle up to one (1) million customer lines and four (4) million busy hour calls. Thus, in my opinion, Supra can augment the capacity of its two switches significantly were it to choose to do so.

Rebuttal to Mr. Van de Water

Q. ON PAGE 31 OF HIS TESTIMONY, MR. VAN DE WATER CONTENDS THAT THE SPECIFIC ISSUES HE IS CONCERNED ABOUT ARE COLLOCATION SPACE AND TRUNK BLOCKING. MR. VAN DE WATER CONTENDS THAT IF UNBUNDLED LOCAL SWITCHING IS NO LONGER AVAILABLE AT COST-BASED RATES TO CLECS, CUSTOMER SERVICE WILL BE NEGATIVELY IMPACTED. DO YOU AGREE?

A. No. I will address Mr. Van de Water's concerns regarding the adequacy of BellSouth's trunking facilities and BellSouth's witness Mr. Wayne Gray will address Mr. Van de Water's concerns regarding collocation space.

Q. PLEASE BRIEFLY DESCRIBE THE CONSIDERATIONS TAKEN INTO ACCOUNT WHEN DESIGNING AND DEPLOYING TRUNKING FACILITIES.

A. Traffic volumes (that is, levels of simultaneous customer calling) reach peaks during certain hours of the day or week. Trunks connecting the various switches in a local calling area are usually engineered to accommodate average time-consistent busy-hour loads in the busy season of the year, typically the three highest months in a year for traffic volumes. Switching systems in a LATA are interconnected by a network of trunks. These interconnections provide for both intraLATA and interLATA services. For interLATA services, trunks connect most LEC

networks to the networks of the Interexchange Carriers ("IXCs"). For intraLATA services, trunks connect the various end office switches (both incumbents' switches and CLECs' switches) and, if used, the tandem switches. Trunks between switching systems are most commonly carried on channels of digital carrier systems (Digital Signal level 1 or "DS-1"and higher-order systems). The successful completion of traffic dialed by customers and operators depends upon a trunking network in which blocked call conditions are rarely encountered under expected conditions.

Q. PLEASE BRIEFLY DESCRIBE MR. VAN DE WATER'S CONCERN REGARDING TRUNKING FACILTIES.

A. Mr. Van de Water suggests that once CLECs serve their customers from the CLECs' switches rather than from the incumbent's switches, traffic congestion and call blockage will occur due to traffic displacement. Let me give an example of how traffic displacement might occur. Let us assume that in a given local calling area there are at present only three (3) switches (Switches A, B, and C) handling all the customers. Assume that each switch handles 10,000 customers and that all customers have similar calling habits. A CLEC has won 25% of the customers and serves those customers via UNE-P arrangements acquired from the switch owner. Further assume that within a given switch the 10,000 customers each make three calls and that 50% of those calls are to customers to other customers served by that same switch and that the remaining 50% of the calls area split evenly to the customers served by the other two (2)

switches. Lastly, to simplify, assume the use of one-way rather than two-way trunking.

Thus, in my hypothetical example, Switch A handles 30,000 calls in the busy hour. Half (50%) of those calls are intra-switch calls so no external trunking is needed for those calls to be completed. Trunking facilities to the other two (2) switches (Switches B and C) must be sized to handle 15,000 simultaneous calls in the busy hour. In this simple example, each of the three (3) switches would have two (2) outgoing trunk groups (one trunk to each of the other two switches) and two (2) incoming trunk groups (one trunk from each of the other two switches).

If a fourth switch (let us assume that the new switch is the CLEC's switch referred to as Switch D) is introduced into the local calling area and if the CLEC moves all of its 7,500 customers to that switch (30,000 * 0.25) then traffic is displaced from the existing trunk groups connecting Switches A, B, and C onto new trunk groups connecting Switches A and D, Switches B and D, and Switches C and D. Even though the total traffic load is precisely the same before and after the CLEC moved its own customers to its own switches, the "old trunk groups" are over-sized in that they were sized for larger loads than they will now be required to carry. The traffic volume that was displaced from these trunk groups is displaced to new trunk groups from Switches A, B, and C respectively to new Switch D.

Q. HOW DO TRUNKING ENGINEERS HANDLE TRAFFIC DISPLACEMENT

ISSUES?

A. In my simple example above, the situation calls for building new trunk groups between Switches A, B, and C respectively to the new Switch D. Once those trunk groups are operational and the traffic displacement has occurred (that is, the CLEC has moved its customers to its own switches), the "old trunk groups" may be re-sized (decremented) in response to the smaller loads on them or they can be left alone if the excess capacity is expected to be consumed (due to overall customer growth) in a reasonable period.

Q. IS TRAFFIC DISPLACEMENT AN ARTIFACT OF CLECs DEPLOYING THEIR OWN SWITCHES?

A. Certainly not. For many years, telecommunications engineers have confronted and successfully handled traffic displacement. Just a few examples include the following:

The introduction of new wire centers (central offices) and thus additional switching systems

The replacement of older switching system technology with newer switching system technology

The introduction or expansion of so-called Extended Area Service ("EAS") toll-free calling areas

Q. DO YOU BELIEVE IT IS A REASONABLE EXPECTATION THAT CALL BLOCKING WILL OCCUR ONCE CUSTOMERS ARE MOVED FROM INCUMBENTS' SWITCHES TO CLECs' SWITCHES?

A. No. Just as trunking engineers have successfully planned for large-scale traffic displacement in the past, they will do so in the situation where CLECs begin using their own switches. I expect the trunking engineers will create new trunk groups in response to CLEC requests and that those trunk groups will be of sufficient size so as to not cause traffic congestion or call blockage. Once the customers are moved, trunking engineers will use the extensive traffic reporting capabilities already available to them to ensure that trunking facilities are adequately sized.

Q. MR. VAN DE WATER, ON PAGE 33 OF HIS TESTIMONY, EXPRESSES CONCERN ABOUT THE MOVEMENT OF TRAFFIC FROM BELLSOUTH'S EXISTING LOCAL SWITCH NETWORK ONTO ITS TANDEM TRANSPORT NETWORK NECESSITATED BY THE CONVERSION OF THE EMBEDDED BASE OF UNE-P CUSTOMERS TO CLECs' SWITCHES. DO YOU CONCUR?

A. No. This is essentially the same concern as Mr. Van de Water expresses for individual trunk groups. Here, he opines that the tandem switches and the trunk groups connecting end office switches and tandem switches are insufficiently sized and that call blockage will occur. I disagree with his conclusions regarding tandem switching capacities for the same reasons

as I set out in response to his concerns regarding trunk group adequacy. Essentially, the same call volumes will be present whether the calls are handled over the incumbents' switches (that is, their own customers' calling plus the CLECs' customers' calling) or in the case where CLECs move their customers to their own switches. While I agree that traffic displacement will occur, that situation has occurred countless times in the past and trunking engineers and switching engineers have successfully handled those transitions. I fully expect that this situation will be no different in that respect.

Q. ON PAGE 35 OF HIS TESTIMONY, MR. VAN DE WATER EXPRESSES CONCERN OVER WHETHER BELLSOUTH'S TANDEM SWITCHES CAN HANDLE THE INCREASED TRAFFIC LOAD RESULTING FROM UNE-P TO UNE-L CONVERSION. PLEASE COMMENT.

A. There is no increased call volume as a result of CLECs moving their customers to their own switches. Instead, the same amount of calling must be handled in a different way. Just as has happened in the past, certain trunk groups will be added (or augmented) to handle traffic that was handled differently before the traffic displacement while after the transition certain trunk groups can de decremented. While there may be a need to augment tandem switching capacity should CLECs initially route their traffic exclusively through the tandem switches to reach all other local switches, over time I expect that CLECs will elect direct trunking between their switches and certain other switches in a given local calling area thus

diminishing the total traffic load handled by the tandem switches.

Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

Supra Loop Migration Volumes

As of January 8, 2004

PUBLIC DISCLOSURE DOCUMENT

BELLSOUTH TELECOMMUNICATIONS, INC.

SURREBUTTAL TESTIMONY OF DR. DEBRA J. ARON

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030851-TP

January 28, 2003

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME.

A. My name is Debra J. Aron.

Q. ARE YOU THE SAME DEBRA J. ARON WHO FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. My surrebuttal testimony rebuts the economic arguments made by Mr. Wood (AT&T), Mr. Nilson (Supra), Dr. Staihr (Sprint), Dr. Bryant (MCI), Mr. Dickerson (Sprint), and Mr. Bradbury (AT&T) on a number of topics.

Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

A. The arguments that I respond to typically are based on one of several themes. The first reflects a desire to re-write the TRO more to the witnesses' liking, or re-argue some of the positions that were considered and rejected by the FCC in its determination of its rules. For example, Dr. Bryant and Mr. Wood counsel this Commission to simply ignore the FCC's requirement to examine a "potential deployment" analysis. Mr. Wood argues that if potential deployment indicates "no impairment" in markets that do not pass the triggers tests, the results must be wrong, because we do not observe facilities deployment sufficient to pass the triggers tests, and because we have observed failure in the past. Besides being contrary to the directions provided by the FCC, and totally irrelevant to the task at hand, such arguments fail to consider the economic fact that CLECs select their method of competitive entry, such as UNE-P or UNE-L, *not* solely on the basis of unimpairment, which is the topic of this proceeding, but also on the basis of what is most profitable to the CLEC given the options available. It is therefore unreasonable from an economic perspective (as well as contrary to the plain language of the TRO) to rely solely on actual deployment as a basis for determining unimpairment.

A second set of criticisms involves the structure of the BACE model. For example, there are subjective declarations by one witness that the model is overly sensitive, and by another witness that it is not sensitive enough. Such subjective criticisms are, of course, without merit. In other instances, I believe that the basis of the criticisms is a result of a misinterpretation by the witness of the model structure or how one goes about implementing an assumption change, or some

combination of these. Later in my testimony, I will clarify instances where parties have misunderstood or misinterpreted the model. With regard to the various re-runs of the BACE model, I have not been entirely successful in replicating all of the results that have been described in the rebuttal testimonies. I have asked for (but have not yet received) witnesses' workpapers so that Mr. Stegeman and I can determine, respond to, and possibly correct, what has been done. However, nothing that I have seen, replicated, or attempted to replicate changes any of my conclusions regarding the markets in which we have found that CLECs are "unimpaired" without unbundled local switching.

The third general area of complaint pertains to the parameter estimates that I provided to the BACE model. In determining these estimates, I recognized that the FCC is very clear that the potential deployment analysis should be based on an efficient CLEC using the "most efficient network architecture available" and executing the "most efficient business model." (TRO 517.) The FCC also notes that it is appropriate to "weigh[ ] advantages and disadvantages" (TRO 517) that may be available to the efficient CLEC.

While these requirements provide substantial discretion, my approach is very conservative. We model a generic, new CLEC that seeks to enter the market without any customers or any real-world advantages such as a brand name. My parameter estimates, such as those regarding customer acquisition costs, General and Administrative ("G&A") expenses, and churn are developed from existing ILEC, CLEC, or industry data, which means that these estimates may be more

conservative than what an efficient CLEC could attain. Moreover, I typically base my estimates on averages and midpoints rather than on best-of-class (or better-than-existing) ILEC, CLEC, or industry figures, even though these best-in-class figures might arguably better represent the prospects of an efficient CLEC executing the most efficient business model.

The criticisms of my parameter value estimates either point to actual CLEC performance, or they seek to perversely handicap the hypothetical CLEC, depending on whichever contributes toward a finding of "impairment." For example, several of the witnesses claim that the assumed market penetration in the first year for residential customers is too high. Notwithstanding the fact that they misinterpret how the BACE model uses this data (it essentially cuts the market penetration in half when computing revenues for the year), even a casual glance at reality would demonstrate that real-world firms already have an existing base of UNE-P customers and that they do not start from a base of zero, as the modeled CLEC does. Consistent with the FCC's directions, we could have modeled a CLEC that begins with some level of UNE-P-based customers (and revenues). Instead, we adopted the conservative approach that the CLEC starts with no customers at all. Witnesses such as Mr. Wood and Dr. Staihr essentially argue that this is not conservative enough for them. As another example, there are criticisms of my recommended residential customer acquisition costs. These costs were developed from *actual CLEC expenses* as reported to investment analysts. Dr. Bryant recommends that customer acquisition costs be developed on the basis of what *wireless* companies incur, even though these costs may include

the cost of the handset. This is unreasonable. In addition, as I describe later in my testimony, the use of actual CLEC data to determine customer acquisition costs is conservative because UNE-P-based CLECs can have the incentive to spend inefficiently high amounts to acquire customers.

There are also criticisms of the prices that I recommend for use in the BACE model. The FCC foresaw that price would be a contentious issue, and instructed us to base the modeled prices on existing prices. I therefore developed prices on the basis of existing CLEC bundle prices and discounts from BellSouth's prices for *a la carte* services. Consistent with the FCC's directions, we kept prices constant over the entire time horizon of the model. Although not required by the TRO, to be consistent, we kept costs constant as well, and did not adjust them downward for any gains in productivity that an efficient CLEC might arguably attain. In another example of trying to re-write the TRO, several of the witnesses recommend that we put prices on a downward trend based on speculation about the future (though none noted or complained about our declining to impose a productivity factor on costs over time).

In sum, the model that we present takes a cautious, conservative approach to switch-based CLEC entry. The services that the CLEC is assumed to offer are services that CLECs offer today, and the prices are based on prevailing prices. The costs associated with customer acquisition, G&A, and the like also are based on industry data. Our approach implements the FCC's requirement to consider an efficient CLEC, but it does not come close to testing the limits of that

requirement. Our results therefore should provide the Commission with a reasonable indication of the prospects for successful economic entry by a switch-based CLEC in the BellSouth territory in Florida.

Q. HOW IS YOUR SURREBUTTAL TESTIMONY ORGANIZED?

A. In section II, I respond to interpretations that other witnesses seek to ascribe to the FCC's Triennial Review Order ("TRO"). In section III, I respond to issues related to competition. In section IV, I respond to criticisms and misrepresentations of the operations of the BACE model. In section V, I respond to testimony regarding the implementation of the "efficient CLEC" requirement of the TRO. Finally, in section VI, I respond to criticisms of the various parameter values that I provided in the BACE model.

II. REBUTTAL OF ISSUES RELATED TO THE INTERPRETATION OF THE TRIENNIAL REVIEW ORDER

Q. DR. ARON, PLEASE GENERALLY DESCRIBE THE CONTENTS OF THIS SECTION OF YOUR TESTIMONY.

A. Several of the witnesses offer recommendations that amount to re-writing the requirements of the TRO. I will discuss why these recommendations are in error and should be rejected.

Q. MR. WOOD ARGUES THAT THE "POTENTIAL DEPLOYMENT" ANALYSIS CAN IDENTIFY CAUSES OF IMPAIRMENT, BUT THAT IT MAY NOT BE VALID TO DETERMINE WHETHER THERE IS ANY IMPAIRMENT. (WOOD REBUTTAL 15-16) PLEASE COMMENT.

A. Mr. Wood's argument is directly contrary to the express language of the FCC's rules and the intent of its TRO. Mr. Wood repeats a similar erroneous argument that Mr. Gillan made in his direct testimony. (Gillan Direct 17-18.) The erroneous argument is that if there is insufficient actual deployment to satisfy the triggers test, any potential deployment analysis that indicates "no impairment" must, in some way, be flawed. As a result, the business case approach can only be used to identify possible reasons for impairment, and not impairment itself. (Wood Rebuttal 6-7, 15-16.) This is nonsense.

A plain reading of the FCC's rule (51.319(d)(2)(iii)(B)) and paragraphs 515 to 520 of the TRO (which describe the factors that the state commission should consider in its potential deployment analysis) shows that there is no support for Mr. Wood's argument. It is clear from those paragraphs and from the rules themselves that the purpose of the potential deployment test is to help the Commission identify markets where CLECs are not impaired without access to the switching UNE precisely in situations where the triggers are not met.

There is a valid economic reason that the FCC provided for such a test. A CLEC's decision about switching deployment depends not only on what is

feasible, but also on what is most profitable under the relevant market conditions. The rational CLEC selects the most profitable method of entry from the set of feasible methods. Thus, while the existence of actual CLEC self-deployment (or wholesaling) of switching clearly demonstrates that there is no impairment in that geographic market, *an observed lack of deployment sufficient to satisfy the triggers test cannot by itself indicate that there is impairment* for two reasons. First, as I explained in my rebuttal testimony, failure to satisfy the triggers test does not mean that there is no facilities-based competition. For example, a market may have two, robust switch-based CLECs serving the mass market and others serving the enterprise market. Such a situation would fail the triggers test. The FCC noted that the existence of such competition is nevertheless relevant to the analysis of impairment. Second, a rational CLEC may select UNE-P, and the use of the ILEC's network, *even if there is no impairment associated with self-provisioning.*

For example, suppose a CLEC could generate a net present value (discounted profits) of $100 using its own infrastructure to enter a market, but that it can generate $200 of value using the incumbent's infrastructure. The positive NPV from self-provisioning means, by definition, that the CLEC is unimpaired without access to unbundled switching. Nevertheless, a rational firm would select the second alternative because it is more profitable.

Q. MR. WOOD CLAIMS THAT ACTUAL DEPLOYMENT (OR LACK THEREOF) SHOULD BE A REALITY CHECK TO A POTENTIAL

DEPLOYMENT ANALYSIS BECAUSE CLECS WILL DEPLOY THEIR OWN SWITCHES WHENEVER IT IS FEASIBLE. (WOOD REBUTTAL 8) PLEASE COMMENT.

A. Mr. Wood's argument is profoundly mistaken. As I discussed, economics demonstrate that a CLEC rationally will select its entry method based not only on feasibility but also on relative profitability.

Q. DOES THE POTENTIAL DEPLOYMENT ANALYSIS ASK THE COMMISSION TO IDENTIFY AN "AS-YET HIDDEN FORMULA FOR *POTENTIAL* SUCCESS" AS CLAIMED BY MR. WOOD? (WOOD REBUTTAL 16)

A. No. The purpose of the analysis is to identify situations where it is economic for an efficient CLEC to serve mass-market customers without access to the switching UNE. As I explained, in situations where actual deployment is feasible, CLECs may nevertheless use UNE-P if UNE-P is more profitable. That is why a simple review of actual deployment is insufficient for determining impairment.

Moreover, the existence of UNE-P in markets where there is no genuine impairment can harm switch-based firms, and reduce their survival prospects. One reason (among others) is described in a paper by Hazlett and Havenner, which I described in my direct testimony. UNE-P-based firms that operate in areas where there is no genuine impairment have the incentive to spend

inefficiently high amounts of money on customer acquisition. In areas where there is no genuine impairment, UNE-P provides CLECs with the ability to maintain flexibility and lack of commitment to a market because the CLEC need not invest in its own switching. UNE-P-based CLECs have the incentive to dissipate this value by competing against the ILEC and against one another on the only dimension that they fully control, which is marketing and customer acquisition. This inefficiently high spending harms switch-based CLECs that seek to operate in the same market but who do not have the windfall that is available to UNE-P-based CLECs. Accordingly, the market is distorted away from UNE-L-based firms. As a result, the Commission cannot rely on whether switch-based CLECs have exited the market or have become UNE-P firms. It is not a matter of finding any hidden formulas, but rather of accounting for the distortions that exist in markets where UNE-P is offered but where there is no genuine impairment.

Q. DR. BRYANT ARGUES THAT BECAUSE OF UNCERTAINTY REGARDING THE PARAMETER ESTIMATES, THE COMMISSION SHOULD NOT DRAW ANY CONCLUSIONS ABOUT IMPAIRMENT IN ANY MARKET IN FLORIDA ON THE BASIS OF THE POTENTIAL DEPLOYMENT ANALYSIS. (BRYANT REBUTTAL 42) PLEASE COMMENT.

A. This is another example of an attempt to re-write the TRO. The potential deployment analysis necessarily requires judgment in making the estimates of the

parameters required for a business case analysis. However, any experienced observer should recognize that this is no different from many other decisions in the real world, including actual investment decisions, which are always based on projections and estimates of an uncertain future. Investors and businesses routinely must make substantial commitments under uncertainty, given the information available. Dr. Bryant's contention that the Commission should ignore the FCC's rules because the business case approach can produce different results if different inputs and assumptions are used is to presume that the FCC failed to understand that business cases are sensitive to their input assumptions. There is ample evidence in the TRO, however, that the FCC fully recognized this fact (TRO 483-485, fn 1600), but it ordered state commissions to consider such analyses nevertheless.

Q. MR. WOOD ARGUES THAT THE COST OF A SWITCH AND THE NEED TO BACKHAUL TRAFFIC CREATE AN ENTRY BARRIER. (WOOD REBUTTAL 13-14) PLEASE COMMENT.

A. Mr. Wood improperly presumes the outcome of this case. Moreover, Mr. Wood's argument is actually nothing more than a reprise of the invalid impairment framework sponsored by Mr. Turner, to which I responded in my rebuttal testimony. (Turner Direct 5-7.) Mr. Wood essentially seeks to define an entry barrier as being a cost disadvantage relative to the ILEC. (Wood Rebuttal 13-14.) As I explained in my rebuttal testimony, the FCC examined and rejected this interpretation of impairment. (Aron Rebuttal 31-33, TRO 84 and 112.) The

economic rationale for the FCC's rejection of this argument is that, despite any cost disadvantage, an efficient CLEC may nevertheless find entry to be profitable without access to the unbundled element. The FCC correctly recognized that the entire issue of whether CLECs suffer cost disadvantages relative to the ILEC is a sideshow that does not address the central economic issue of impairment.

Q. MR. WOOD ARGUES THAT ANOTHER RISK FACING THE EFFICIENT CLEC IS THAT IT STARTS WITH NO CUSTOMERS AT ALL, WHEREAS THE ILEC ALREADY HAS CUSTOMERS. (WOOD REBUTTAL 13) PLEASE COMMENT.

A. This is not precisely correct. Out of an abundance of conservatism, we have *elected* to model the competitive entry of a CLEC that starts without any customers. We took this approach to demonstrate that *even if* an efficient CLEC were to start without customers, it nevertheless could profitably enter particular markets. The obvious reality is that CLECs such as AT&T, MCI, and others already have mass-market customers that they are serving using UNE-P. According to the TRO, one legitimately could have modeled the efficient CLEC as starting with some level of penetration via UNE-P and then migrating those customers while gaining new ones. The Commission should keep this additional source of conservatism in mind as we discuss the other parameter estimates later in my testimony.

Q. IS IT CONSISTENT WITH THE TRO TO DETERMINE IMPAIRMENT ON THE BASIS OF WHETHER "ALL" CUSTOMERS THAT CAN BE SERVED BY UNE-P ALSO CAN BE SERVED BY UNE-L OR SOME OTHER FORM OF COMPETITIVE ENTRY, AS CLAIMED BY DR. BRYANT? (BRYANT REBUTTAL 14)

A. The CLEC that we model in BACE offers service to *every* customer in each market (and in each wire center in that market) in which it operates. The model takes customers from every spend category and from every wire center. In this way, the BACE model would seem to address Mr. Bryant's concern. However, I will add that Mr. Bryant's proposal to make such an investigation is interjecting an additional layer of analysis that is not required by the TRO. The TRO specifically requires consideration of the *most efficient business model*, and not of a particular model, such as UNE-P. Moreover, the TRO does not suggest that switch-based CLECs must serve precisely the same set of customers as are served under UNE-P. Indeed, this would seem to be an impossible standard to implement because it would require a separate, granular analysis of which customers could be economically served via UNE-P. Such an additional layer of analysis is neither appropriate, nor called for in the TRO, and would further burden an already challenging proceeding.

Q. DR. ARON, PLEASE COMMENT ON DR. STAIHR'S TESTIMONY REGARDING THE IMPLICATIONS OF NEW TECHNOLOGIES SUCH AS VOICE OVER INTERNET PROTOCOL ("VOIP") AND WIRELESS

SERVICES FOR THE POTENTIAL DEPLOYMENT ANALYSIS UNDER THE TRO. (STAIHR REBUTTAL 35)

A. Dr. Staihr briefly discusses the possible growth of, and competition from, VOIP and wireless providers over the 10-year horizon of the BACE model. He concludes that as these technologies become more successful they may put additional downward pressure on local exchange service prices over the forecast horizon, and that, as a result, our price projections should be trended downward. As I will discuss later, Dr. Staihr, in his rebuttal, takes great pains to lecture us on the need to use a "structured process" to estimate variables, but in this case he ignores his own advice and presents an analysis that is woefully incomplete.

Dr. Staihr advocates that the Commission speculate about the possible effects that new technologies and increased wireless competition might have on prices. However, if one were to fully adopt Dr. Staihr's speculative exercise, one would also have to consider the effect that these new entry technologies might have on *costs*, and, possibly, on CLEC market shares—indeed, on the entire concept of impairment.

The greater the extent to which other technologies impinge on and even begin to render the traditional circuit switched wireline network obsolete, the less relevant unbundled circuit switching becomes to the market and the less relevant is unbundled circuit switching, and the less policy justification there is for any unbundling of switching because competition would have passed it by using other

technologies. Therefore, to be conservative, and in compliance with the TRO, we steer clear of Dr. Staihr's speculative path, and our potential deployment model considers *existing* marketplace prices and costs that are based on *existing*, standard landline technologies, and on competitive entry by a circuit-switch-based CLEC that uses the ILEC's loops. Not only is this approach consistent with the requirements of the TRO regarding prevailing prices, (TRO 520 fn 1588), but it is also more coherent than the scattershot and self-serving considerations that Dr. Staihr suggests.

III. RESPONSES TO ISSUES REGARDING COMPETITION THEORY

Q. MR. WOOD SAYS THAT BELLSOUTH'S ABILITY TO REDUCE PRICES TO WIN BACK CUSTOMERS WOULD DISCOURAGE A PRUDENT CLEC FROM MAKING INVESTMENTS IN THE FIRST PLACE AND WOULD THEREFORE DISCOURAGE ENTRY. (WOOD REBUTTAL 15) PLEASE RESPOND.

A. While competition may cause some prices to decrease in the market, such price decreases should be applauded by the Commission, and not treated as a reason to discourage competition. I believe it would be perverse public policy indeed if the Commission were to decline to relieve the incumbent of a UNE obligation on the grounds that doing so might unleash additional price competition. While I understand that Mr. Wood is attempting to paint a scenario in which CLEC entry

would not occur despite a lack of impairment, I am aware of no evidence, and Mr. Wood provides none, that this is a realistic concern. Certainly, if the FCC believed this to be a realistic concern it would not have established the impairment rules it did. Under the FCC's rules established in the TRO, the incumbent's ability and desire to win back customers is not identified as a barrier to entry, except perhaps insofar as it is a component of a CLEC's churn. The BACE model reflects reasonable churn assumptions, and therefore explicitly accounts for this concern.

Q. PLEASE COMMENT ON MR. NILSON'S DISCUSSION OF "MEANINGFUL COMPETITION." (NILSON REBUTTAL 10)

A. Mr. Nilson argues that a finding of non-impairment must be predicated upon a finding of "meaningful competition," which he defines as "ubiquitous" service. He claims that anything else is "token" competition. (Nilson Rebuttal 10.) Let me first say that meaningful competition does not require ubiquitous retail service by all of the providers—Mr. Nilson is simply wrong about that. But, second, and more important, this proceeding is not about retail competition, it is about CLEC impairment. In its TRO, the FCC specifically rejected an impairment standard based on the level of retail competition. (TRO 114) As the FCC notes, "the [Act] requires [the FCC] to ask whether requesting carriers are 'impaired,' not whether certain thresholds of retail competition have been met." (TRO 114.) Mr. Nilson's arguments on this matter therefore are irrelevant for this proceeding.

IV. RESPONSE TO ISSUES REGARDING THE BACE MODEL

Q. PLEASE DESCRIBE THE CONTENTS OF THIS SECTION.

A. In this section, I respond to comments and criticisms regarding the way the BACE model implements the business case analysis that is required under the TRO.

A. RESPONSE TO ISSUES REGARDING THE STRUCTURE OF THE BACE MODEL

Q. DR. STAIHR CLAIMS THAT THE OPTIMIZATION ROUTINES OF THE BACE MODEL ARE CONTRARY TO THE TRO BECAUSE THEY PERMIT THE MARKET ENTRANT TO IGNORE UNPROFITABLE WIRE CENTERS WITHIN A UNE RATE ZONE/CEA MARKET. (STAIHR REBUTTAL 17-18) IS THIS TRUE?

A. No, it is not true. The optimization routine of the BACE model treats all of the wire centers within each UNE Rate Zone/CEA market area as a unit. That is, the BACE model determines whether the efficient CLEC would be NPV positive in that geographic market by serving *all* of the wire centers in the market. It does not apply the wire center-by-wire center approach described by Dr. Staihr.

Q. SO, IN PERFORMING THE OPTIMIZATION ROUTINE, DOES THE BACE MODEL "OFFSET" THE MASS MARKET WITH THE ENTERPRISE MARKET? (BRYANT REBUTTAL 33-34)

A. Absolutely not. The NPV for the mass market is determined only from the revenues derived from, and costs attributed to, the mass market customers. A market passes the unimpairment test only if the NPV *for the mass market* is positive. The markets that are listed in Exhibit DJA-02, in my direct testimony, were all found to have positive mass market NPV. The NPV derived from the overall combination of customers (i.e., mass market + enterprise) was not the criterion for impairment. Hence, there is no possible subsidy from the enterprise market to the mass market. Moreover, in determining which markets are NPV positive, the BACE model computes mass market NPV in a very conservative manner by including a portion of joint and common costs in the cost structure for serving the mass market. For example, a CLEC rationally would elect to serve both enterprise and mass-market customers even if the mass market covered only its incremental costs (including a normal return to the incremental investments), and no shared or common costs if the enterprise market generated positive NPV on a stand-alone basis. The BACE model nevertheless assigns a portion of shared and common costs to the mass market in the NPV computation. While this is an unnecessarily conservative assumption, this was done to help ensure that there is an additional measure of confidence in our results and recommendations.

Q. PLEASE COMMENT ON MR. WOOD'S CLAIM THAT THE MODEL STRUCTURE "LOCKS" THE TIME HORIZON ASSUMPTION AT 10 YEARS. (WOOD REBUTTAL 5)

A. Mr. Wood's comments on this topic represent a total lack of comprehension of what a business case is and how the BACE model implements the business case. The BACE model is a discounted cash flow model that *explicitly* accounts for a 10-year horizon, but it also accounts for the value of the firm that is generated *beyond* 10 years. It is important to understand that the NPV of a properly constructed business case is completely unaffected by the number of years that are explicitly modeled. That is, the NPV results of a particular business case that uses a 5-year explicit forecast and a terminal value (for the years 6, 7, 8, 9, . . .) will be (or should be) identical to the results of a 10-year explicit forecast and a terminal value (for the years 11, 12, 13, ...). This is because the terminal value represents the NPV of the remaining (unmodeled) years out to, potentially, an infinite horizon. This can be summarized as:

NPV = NPV of Explicitly Modeled Years + Terminal Value

A business case has this structure because the firm's value (i.e., NPV) is (or should be) determined on the basis of economic fundamentals of demand, revenues, and costs over the entire potential horizon of the project, not on the basis of the number of years one explicitly models. In any business case analysis, one cannot appropriately create or destroy value simply by changing the number

of years that are explicitly modeled. The number of years that are explicitly displayed should be sufficient to demonstrate that the firm is beyond its start-up phase. Mr. Wood is welcome to use a shorter explicit time horizon if he wishes, but he must adjust the terminal value appropriately. Further, as Mr. Stegeman discusses, even AT&T's own cost model in this proceeding has a fixed 10-year life.

Q. MR. DICKERSON ALSO DISCUSSES THE ISSUE OF "TERMINAL VALUE." WOULD YOU PLEASE CORRECT MR. DICKERSON'S DISCUSSION? (DICKERSON REBUTTAL 22-24)

A. I don't know that I can fully untangle Mr. Dickerson's discussion, but I will point out where it is fatally flawed. Mr. Dickerson argues (erroneously) that the BACE model assumes that the terminal value represents the liquidation of the firm. He argues (incorrectly) that because this portion of value is not from the firm's continuing operations, it should not be included in the impairment analysis. (Dickerson Rebuttal 23.)

As I explained, terminal value in a business case represents the value of the firm for the period of time that is not explicitly modeled. The base-case assumption that we make in the BACE model is that if, at the end of year 10, investors have $100 of undepreciated investment in the business, they will get, on a discounted basis for all of the years after year 10, $100 of net revenue out of the business. In other words, investors will earn exactly their risk-adjusted cost of capital, or

(same thing) they will earn a return commensurate with risk or (same thing) the economic profits in the years after year 10 will be zero. This is a conservative assumption. We could reasonably have modeled the terminal value as some continuing amount of economic profit, or perhaps an amount of economic profit that tapers down over time, but we did not. Instead, we modeled the terminal value as zero economic profit. In sum, our analysis presumes a going concern, and that the firm will generate income (cash inflows) commensurate with cost (cash outflows) on a present value basis so that the enterprise has *accounting* profits, but its *economic* profits are zero. However, this is not the same thing as liquidation value (i.e., the value associated with "go[ing] out of business"). (Dickerson Rebuttal 23.)

While our assumption is reasonable, Mr. Dickerson's proposed adjustment is not. Not only does Mr. Dickerson improperly characterize the terminal value as a bankruptcy sale, he proposes zeroing it out because, he argues, this value is determined by the sale of assets and not by ongoing operations. He has it completely backward. The terminal value of the firm in the model reflects the value of its assets at that point as an ongoing concern, not in liquidation. It is the explicit modeling of cash flows that terminates, not the firm itself. As a result, it is Mr. Dickerson's ill-conceived "fix" that implies that the firm operates for 10 years and that, at the close of business on December 31 of the 10^{th} year, everyone puts down his or her tools and walks away from the business. If the terminal value were zero, this would imply that the business is abandoned and is neither sold for scrap nor anything else. In other words, under Mr. Dickerson's proposal,

all of the accumulated goodwill and all of the tangible assets invested (some of which are invested in year 9, for example) are abandoned and no economic value is derived at all from them. This is an unreasonable and untenable method of estimating terminal value. Standard texts on business case valuation note that an estimate of terminal value is essential to a business case valuation for a going concern. (See, e.g., Tom Copeland, Tim Koller, Jack Murrin, *Valuation: Measuring and Managing the Value of Companies* (2nd ed.), (1994) (New York: John Wiley & Sons), Chapter 9.) Accordingly, the Commission should reject Mr. Dickerson's proposal.

Q. DOES YOUR TERMINAL VALUE ASSUMPTION MEAN THAT THE CLEC NEVER INVESTS IN ANY MORE EQUIPMENT?

A. No. It simply means that any investment after year 10, of, say $50, will provide (on a discounted basis) exactly $50 in expected return. In this way, expected economic profit after year 10 will be zero (on any incremental investment).

B. RESPONSE TO ISSUES REGARDING MODEL SENSITIVITY

Q. WHAT ARE THE ISSUES REGARDING MODEL SENSITIVITY?

A. Several of the witnesses claim to have re-run the BACE model using their own input assumptions. (Dickerson Exhibit KWD-6; Bryant Exhibits MTB-10, 11, 12; Wood at 29.) Based on the description of their runs, I have attempted to replicate

each of the modifications that they have discussed. In several instances I simply could not replicate the results of their runs, while in others I have been able to approximate the total NPV results that they claim but they did not provide any information relevant to the list of unimpaired markets against which to compare my results. I have requested the input files from these witnesses so that Mr. Stegeman and I can review them and determine what was done, but have yet to receive a response. In any event, based on the runs that I have made to date, it seems that the differences in the parties' positions are primarily the result of different input assumptions, rather than a quarrel over the validity of the model itself. However, I have not seen anything that would change my recommendations on "unimpaired" markets that I described in my direct testimony and updated in this testimony.

Q. PLEASE DISCUSS THE INCONSISTENCY OF THE VARIOUS WITNESSES' ASSESSMENTS OF THE SENSITIVITY OF THE BACE MODEL RESULTS TO CHANGES IN THE PARAMETER VALUES. (BRYANT REBUTTAL 29, WOOD REBUTTAL 18)

A. Dr. Bryant expressed "surprise" that varying parameter values did "little" to change the NPV. (Bryant Rebuttal 29.) In contrast, Mr. Wood claimed that "even slight changes" to parameter assumptions cause the analysis to indicate that there is impairment. (Wood Rebuttal 18.) These are, of course, mere subjective conclusions. No one has provided a standard or index of the "appropriate" degree

of sensitivity. Accordingly, these remarks provide no probative criticism of the model.

V. RESPONSE TO ISSUES REGARDING THE "EFFICIENT CLEC" REQUIREMENT

Q. PLEASE DESCRIBE THE ISSUES THAT YOU ADDRESS IN THIS SECTION.

A. The TRO requires that the potential deployment analysis investigate the business model of an efficient CLEC. (TRO 517, fn. 1579.) "No impairment" is determined on the economic success of the most efficient business model for entry, not on the basis of a particular CLEC or a particular business plan. (TRO 517.) This section addresses issues related to interpreting these directions.

Q. MR. WOOD CLAIMS THAT THE BACE MODEL'S TREATMENT OF CLEC PRODUCT OFFERINGS IS OVERLY BROAD, AND THE RELEVANT ISSUE IS WHETHER A CLEC WILL SELF-PROVISION LOCAL SWITCHING ON A STAND-ALONE BASIS IN ORDER TO PROVIDE SERVICES TO MASS-MARKET CUSTOMERS IN A MARKET. (WOOD REBUTTAL 46-47) PLEASE COMMENT.

A. Consistent with the FCC's requirements, we did not design the business case analysis to determine whether a particular CLEC or a particular business plan is

profitable. (TRO 517.) Instead, consistent with the TRO, we designed the business case to determine whether the CLEC with an efficient business model economically could serve mass-market customers in a market without access to the local switching UNE. (TRO 517.) The BACE model assumes that the CLEC will offer a variety of communications services, including vertical features, long distance, voice mail, and broadband internet access, in addition to basic local service (inside wire maintenance is excluded, although an efficient CLEC might offer this as well). Mr. Wood may believe that some CLECs might want to offer a narrower range of services or specialize in some way, but that is irrelevant to the directions provided by the FCC. If such a CLEC can do better by specializing than the BACE CLEC, the model is conservative. If such a CLEC would do worse, it has not adopted the most efficient business plan and need not be considered. Moreover, it is specifically contrary to the FCC's direction to consider *all* revenues reasonably available to an efficient CLEC. (TRO 519.)

Q. DOES THE FACT THAT MANY CLECS HAVE GONE OUT OF BUSINESS MEAN THAT THE REMAINING CLECS ARE EFFICIENT (WOOD REBUTTAL 48) OR, IF ANYTHING, THAT THESE CLECS HAVE REDUCED THEIR COSTS BELOW WHAT MIGHT BE OPTIMAL FROM A LONG-RUN PERSPECTIVE? (BRYANT REBUTTAL 35-36)

A. Not at all. A CLEC that has wiped debt off its books via the bankruptcy process may indeed have a lower overall cost structure (in the sense of having less fixed financing costs to recover) than a competitor that did not do so. To the extent this

is a countervailing advantage of some existing CLECs, we did not incorporate it into the BACE model. Certainly, having undergone bankruptcy (and its affect on the company's balance sheet) does not imply that the CLEC has emerged with efficient customer acquisition practices, churn rates, overhead costs, or business practices, nor that carriers who have avoided bankruptcy are efficient in any of these respects. Moreover, as I described in my direct testimony, UNE-P-based CLECs that offer service in markets that are not truly impaired have the incentive to inefficiently increase their customer acquisition costs, for the reasons I discussed earlier. This is an incentive for inefficient behavior that applies to all UNE-P-based CLECs that operate in "unimpaired" markets, and it has not been resolved by the spate of bankruptcies of other CLECs.

Q. MR. WOOD CLAIMS THAT DR. BILLINGSLEY'S DISCUSSION ABOUT BANKRUPTCIES CONFLICTS WITH YOUR OWN. (WOOD REBUTTAL 48, 52-53) PLEASE COMMENT.

A. There is no conflict. Mr. Wood points to a quotation in Dr. Billingsley's direct testimony from a study by New Paradigm, a research group. The study contends that many CLECs took on too much debt and invested in too much infrastructure relative to demand, and succumbed to their debt loads when the expected demand did not materialize. Mr. Wood then cites to a passage in my direct testimony that says that CLECs have gone bankrupt, and my conclusion that , on average, existing CLECs do not have optimally efficient operations.

My comments are in complete concert with the passage from the New Paradigm report cited by Mr. Wood. Overinvestment in anticipation of demand that does not materialize can itself be a form of inefficiency. However, excessive investment is not the only inefficiency exhibited by CLECs. Other inefficiencies that have been noted by researchers include having unstable business processes, incomplete databases, incomplete inventories of circuits, overly informal business practices, and inadequate accounting systems. (See, Larry F. Darby, Jeffrey A. Eisenach, and Joseph S. Kraemer, "The CLEC Experiment: Anatomy of a Meltdown," Progress on Point (The Progress & Freedom Foundation), Release 9.23 September 2002, pp. 16-17.) These are the very reasons that would render it untenable to rely on such CLECs for inputs such as customer acquisition costs or overhead costs as being representative of an efficient CLEC. There also was, of course, substantial fraud by some CLECs that led to bankruptcy. I understand that Dr. Billingsley also responds to Mr. Wood's argument, from the perspective of finance considerations.

Q. MR. WOOD ARGUES THAT "THERE IS NO SUPPORT FOR DR. ARON'S ASSUMPTION THAT CURRENT [ACTUAL] CLEC COSTS NEED TO BE ADJUSTED IN ORDER TO REFLECT EFFICIENT CLEC OPERATIONS." (WOOD REBUTTAL 48) PLEASE COMMENT.

A. This is a disingenuous response. In requests to AT&T, BellSouth sought AT&T's business cases that analyze UNE-P and self-provisioned switching. (BellSouth First Set of Interrogatories No. 15.) AT&T objected to providing that

information, arguing that the TRO required an examination of the most efficient business model, and not, specifically, AT&T's business models. Yet, here Mr. Wood essentially claims that actual CLEC costs should be taken as representative of an efficient CLEC. Moreover, in addition to taking an opportunistic position, I am not sure that there is any real meaning to Mr. Wood's claim that I made "adjustments." For example, if I base my estimate on the midpoint of several actual CLEC figures, that is not an "adjustment." My customer acquisition cost estimate of $95 for residential customers is higher than the estimated actual expense for Talk America, and it is substantially higher than the $50 goal that Z-Tel management seeks. This is not an "adjustment" in the sense implied by Mr. Wood—if anything, it would be an *upward* adjustment. I would characterize my estimate as a conservative selection of a point estimate within the range of observed values after reviewing the evidence. Mr. Wood's accusations to the contrary are unsupported.

VI. RESPONSE TO ALLEGATIONS MADE ABOUT SPECIFIC PARAMETER ESTIMATES

Q. PLEASE DESCRIBE THE CONTENTS OF THIS SECTION.

A. In this section, I respond to various arguments made about the parameter estimates that I supplied to the BACE model.

A. MARKET SHARE (OR MARKET PENETRATION)

Q. DR. STAIHR CLAMS THAT HIS "STRUCTURED PROCESS" IS NEEDED TO PRODUCE A MARKET SHARE ESTIMATE. (STAIHR 20-21) PLEASE COMMENT ON THIS PROPOSED PROCESS.

A. I concur that any analysis should be structured and rational, and that the research should assemble relevant information and analyze it in a clear logical framework that takes account of theory and past experience. My approach satisfies this criterion. However, Dr. Staihr's approach is unnecessarily complex and does not appear to be designed in a way that reliably would produce a reasonable result.

Dr. Staihr's proposed research agenda posits that CLEC market share is a function of at least (by rough count) 13 variables. Moreover, these 13 variables may themselves be complex functions, or related to other variables. (For example, Dr. Staihr says that one factor is product bundling differentiation, and this can be a function of multiple product characteristics.) Other variables are notoriously difficult to estimate (for example, the existence, and amount, of pent-up demand). Dr. Staihr's argument is that formal estimates of all of these variables are needed to produce an estimate of market share. I therefore do not believe that one can reasonably or reliably apply this process.

Q. DR. STAIHR CLAIMS THAT YOU DO NOT RELY ON A STRUCTURED PROCESS TO ESTIMATE MARKET SHARE. (STAIHR REBUTTAL 22) IS THIS TRUE?

A. No, it is not. The process that I used is structured and, moreover, is appropriate given the state of knowledge about market penetration and the data that are actually available.

Q. PLEASE DESCRIBE THE PROCESS THAT YOU USED TO DETERMINE THE MARKET PENETRATION RATE. (STAIHR REBUTTAL 22)

A. The approach that I used had four main parts. The first was a review of the academic literature that I undertook to determine whether there were any relevant general principles that I should account for in an estimate of an efficient CLEC. I concluded that research generally demonstrated that successful firms increased rapidly toward their "maximum" market share in early years, and that growth tapered off as the firm approached its maximum share. I incorporated this general finding into my analysis.

My second step was to review the success that firms have had in the BellSouth region. As I explained in my earlier testimony, I reviewed hundreds of examples of CLEC entry into BellSouth wire centers and determined that it was not unreasonable to use the general "shape" suggested by the academic literature. I

also examined the total number of lines (and share of lines) of CLECs in Florida and elsewhere in the BellSouth region to determine CLEC successes to date. This analysis provided me with an indication of customer willingness to change providers, "take rates" (i.e., the ability to gain share) of CLECs individually and collectively.

Also, I examined the successes that CLECs have had in other parts of the country, including where competition has been attempted by cable telephony providers. I believe that the experience elsewhere in the country generally is an indicator of customers' willingness to change their service provider. Moreover, such analysis provides an indication of the potential opportunities for an efficient CLEC because it demonstrates what has happened in different market environments, not just what has occurred specifically in Florida. It also demonstrates the potential for penetration in light of different competitive responses by other CLECs and ILECs. In other words, examining performances in other parts of the country helps ensure that there is robustness to my own estimate. In contrast, I believe that Dr. Staihr's proposed methodology is overly narrow on this point. What Dr. Staihr claims is a "market-specific process" (Staihr Rebuttal 29) and is, in my view, a misguided and insular approach that would ignore potentially important information that can be gleaned from other local telephone markets. For example, as I mentioned, cable telephony providers have had success in different areas around the country. This indicates to me that customers generally are willing to change their provider and that this willingness is not unique to any particular market or region. I examined the pricing packages offered on the web sites of

some of these firms and confirmed that the telephony services and features were reasonably available to an efficient CLEC.

I did not limit myself to primary research, as Dr. Staihr's "structured process" seems to recommend. Instead, I also consulted secondary research such as investment analyst reports and other analytical and forecasting reports on the industry's prospects. In formulating my proposal, I also consulted with knowledgeable industry and former CLEC experts on the general factors and issues relevant to CLEC market share, and to the market share proposal itself. I presented my findings and responded to their insights, criticisms, and recommendations.

Thus, while my approach to market share estimation differs from Dr. Staihr's, I believe that my approach (in contrast to his) is designed to actually produce a reasonable, robust, conservative estimate. My approach (conservatively) assumes that the market does not grow. In other words, I presume that any share that the efficient CLEC obtains is a result of success with respect to the ILEC's existing base of customers or from other CLECs, or from acquisitions or mergers with other CLECs, and not from additions to the market size itself. Nor does my market analysis incorporate wireless or other services that Dr. Staihr recognizes have influenced, or could influence, the landline telephone market in the future. (See, e.g., Staihr Rebuttal 35.) I do not presume that the CLEC wins any converts from, e.g., wireless customers.

Second, my analysis is conservative in that it does not incorporate any revenue-enhancing effects that could result from "changes to product characteristics," (Staihr Rebuttal 21) and innovations that a switch-based CLEC might implement.

I will agree with Dr. Staihr on several other points, however. My research process was complex, it was time-consuming, and it was research intensive. It entailed reviewing a substantial amount of existing research and primary data in the BellSouth region and throughout the country. However, unlike Dr. Staihr's ivory tower approach, my own was designed to produce a reasonable estimate of an efficient CLEC's market share, not to set up an impossible set of tasks that might not produce a reasonable result. I believe that the breadth of my research agenda, and its depth, in the sense of including both primary and secondary research, and both qualitative and quantitative research, provides a sound, robust basis for my recommendation.

Q. DR. BRYANT CLAIMS THAT "THE ULTIMATE MARKET SHARE THAT AN INDIVIDUAL CLEC MAY ACHIEVE IS UNKNOWN AND UNKNOWABLE." (BRYANT REBUTTAL 37) PLEASE COMMENT.

A. I agree that the future is unknowable with certainty. However, I disagree with the inferences that Dr. Bryant draws from this unexceptional fact. As I noted earlier, Dr. Bryant recommends that, due to this uncertainty, the Commission draw no conclusion about impairment from the potential deployment analysis. (Bryant Rebuttal 42.) The FCC directed the commissions to assess potential deployment

despite the inherent uncertainty of the future, and I believe it is the Commission's responsibility to do so. Dr. Bryant's advice amounts to an attempt to re-write the rules and it should be ignored.

Dr. Bryant also recommends that because of uncertainty with respect to parameter estimates such as churn, the Commission should perform sensitivities using different parameter values. I have no general objection to the prudent use of sensitivity analyses. However, such an analysis is no substitute for a reasonable initial point estimate. Many of Dr. Bryant's estimates, such as his 5 percent market share estimate, are simply unreasonable for the reasons that I discussed in my rebuttal testimony. It is pointless to perform a sensitivity analysis on unreasonable point estimates to determine whether there is impairment.

Q. DR. STAIHR AND DR. BRYANT CLAIM THAT AN EXAMINATION OF AGGREGATE CLEC MARKET SHARE IN FLORIDA DOES NOT IMPLY THAT EACH CLEC, OR THAT ONE CLEC, COULD ATTAIN THE SAME MARKET PENETRATION. (STAIHR REBUTTAL 22-23, BRYANT REBUTTAL 36-37) PLEASE COMMENT.

A. Drs. Staihr and Bryant are confounding two separate (though related) issues. One is the willingness of customers to leave the ILEC and obtain telephone service from an alternative provider; and the second is the structure of the market (e.g., the number and relative size of competitors). Both factors contribute to the market share of any particular firm. My analysis of aggregate CLEC successes in

Florida (and elsewhere in the BellSouth region) provides information regarding the willingness of customers to change their service provider. We observe today a number of wire centers in Florida (and throughout the BellSouth region) where CLECs in the aggregate already serve 15 percent or more of the lines. This is tangible information about the *willingness of customers* to switch to alternative providers and, in the alternative, the degree of customer loyalty to or lock-in to the incumbent carrier. Whether one, two, or three switch-based CLECs will each obtain 15 percent of the market is the topic of market structure.

Q. DR. ARON, WHAT IS YOUR VIEW OF THE LIKELY MARKET STRUCTURE THAT WOULD PREVAIL IN MARKETS IN WHICH UNBUNDLED LOCAL SWITCHING IS NOT OFFERED AND WHICH YOU HAVE REFLECTED IN YOUR RECOMMENDED MARKET SHARE ASSUMPTIONS?

A. The current market structure, which is highly fragmented with many very small participants, is not likely to prevail in a market with only facilities-based providers. Availability of UNE-P promotes a highly fragmented market, because UNE-P-based carriers need make very little investment in (or commitment to) the market. Because a much greater share of UNE-P CLECs' costs are incremental to the customer, they have much less economies of scale than do facilities-based carriers. While a given local area might support a large number of UNE-P players, I believe a typical urban market would support a much smaller number.

My framework for viewing market structure implies that the market will undergo significant consolidation in the coming years. I believe that in fact this is inevitable if public policy advances the viability of efficient facilities-based competition. Indeed, we are now seeing consolidation in the wireless industry, also a capital-intensive, facilities-based industry. One should not mechanically extrapolate from today's UNE-P market structure to project the market structure – or market shares – that would obtain in a facilities-based market. Doing so would ignore the fundamental efficiencies in cost structures that drive market structure. Facilities-based firms with significant scale economies would, in equilibrium, have non-trivial market shares. My approach begins with the understanding that I have articulated regarding market structure, and applies to it the evidence we have about consumers' willingness to switch carriers.

Q. PLEASE GIVE US AN EXAMPLE OF HOW MARKET STRUCTURE CAN AFFECT THE SHARE ESTIMATES OF DRS. BRYANT AND STAIHR.

A. Dr. Staihr recommends an assumed CLEC market share of 10 percent, based on two analyses. The first considers the long-distance experience. Based on this experience, Dr. Staihr concludes that CLECs will take 65 percent of the total market, but that this will be divided among 7 firms (producing about 9 percent each). Dr. Staihr also considers a situation where competitors take 65 percent of the total market, but that a cable telephony firm takes 23 percent, and the remaining 6 CLECs get 7 percent each. (Staihr Rebuttal 26-29). Dr. Bryant

argues that the aggregate share of the CLECs will be 15 percent, but that it will be shared equally by three CLECs. (Bryant Rebuttal 36-37.) Thus, these witnesses argue that aggregate CLEC share may be on the order of 15 to 65 percent and that it may be divided among 3 to 7 firms. I do not believe that a market structure with numerous firms, especially with small penetration rates, is likely as a long-run equilibrium in light of the scale economy issues I just discussed. I also do not think it likely that a given geographic market typically will support 6 or 7 small CLECs. As I explained, within a given geographic market, I expect market structure to be more consolidated, reflecting the scale economies available to CLECs. Hence I believe my penetration estimate is most consistent with a realistic view of ultimate market structure, but note that Dr. Staihr's expectations of total CLEC share are far more aggressive than my own.

Q. DR. STAIHR CLAIMS THAT IT IS UNCLEAR WHETHER YOUR ANALYSIS OF BELLSOUTH WIRE CENTERS IS LIMITED TO MASS-MARKET CUSTOMERS, AND THAT THIS IMPLIES THAT MASS-MARKET PENETRATION IS "WELL BELOW 15%." (STAIHR REBUTTAL 23-24) PLEASE EXPLAIN.

A. To clarify, I examined mass-market customers. The computations of market penetration include only basic lines (no high-capacity lines, or channelized hi-cap lines), so I believe that the lines largely (if not solely) represent residential and small business lines. I did not have the information to differentiate between business and residential lines (as this is not required for an analysis of the mass

market). I compared the number of these "mass market" lines served by CLECs to the total (CLEC+ILEC) mass-market lines. Dr. Staihr argues that the majority of CLEC lines in Florida serve large business customers. This may be so, but it is irrelevant to the data that I present in my analysis, because I exclude high-capacity lines. Thus, Dr. Staihr claim that my data "suggest a mass-market penetration well below 15%" is incorrect. (Staihr Rebuttal 24.)

Q. PLEASE RESPOND TO THE CLAIM THAT CABLE TELEPHONY IS NOT AN APPROPRIATE INDICATOR OF THE MARKET SHARE THAT CLECS MIGHT ATTAIN. (WOOD REBUTTAL 40, STAIHR REBUTTAL 24-25)

A. Mr. Wood argues that information about cable telephony penetration is not representative of the market share a CLEC might reasonably attain because cable providers do not rely on BellSouth's loops. (Wood Rebuttal 40.) Dr. Staihr argues that the cable telephony penetration is not representative of the share that a CLEC could obtain because, according to the FCC, cable television providers have a "first mover" advantage and economies of scope in offering telephony along with television services.

Both Dr. Staihr and Mr. Wood err in their conclusion because they confuse supply with demand. Mr. Wood rejects the use of cable television because cable telephony providers do not routinely use ILEC loops to provide service. What Mr. Wood really is talking about is the hot cut issue, which is a supply-side

concern having nothing to do with an investigation into customers' willingness to change service providers (except through the supply-side issue of customer dissatisfaction with the changeover process).

Mr. Wood cites to paragraph 446 of the TRO where the FCC is discussing the fact that cable telephony offers competition from a provider that uses both its own switching and its own loop. The FCC does not say (and is wise not to say) that cable telephony is an inappropriate indicator of the *willingness of customers to switch providers,* or that cable telephony is an inappropriate inapt indicator of the market share that a traditional UNE-L-based CLEC might attain in the future.

Dr. Staihr's testimony is similarly confused. In a complete about-face, after his lecture about what a demand-side market share analysis should entail, Dr. Staihr relies only on an FCC discussion about economies of scope (which pertain to the costs of provisioning, and hence the supply of the service) as a reason to view the cable telephony successes with caution. The fact that cable companies may enjoy economies of scope with regard to the provisioning of telephone service does not obviate the inference one can draw regarding the willingness of customers to change their telephone provider (the demand side).

Dr. Staihr also notes that according to the TRO, cable television companies have "unique economic circumstances of first-mover advantages and scope economies, [and therefore] have access to the customer that other competitive carriers lack." (TRO 310.) The FCC says that this "first-mover" advantage stems from

exclusive franchises and a captive market. Both exclusive franchise and captive market, however, pertain to cable *television*, not *telephony*, and so do not apply here. Moreover, the fact that cable company has an ongoing relationship with its existing base of customers is not unique, either. Long-distance service providers such as Sprint have relationships with their customers, too. Long-distance carriers also may be able to use their existing relationships to sell local voice and data (DSL) services to their customers. Thus, neither Dr. Staihr nor Mr. Wood advance any supported argument that would exclude the cable telephony experience as a relevant indicator of the customer willingness to switch service providers.

Q. DOES THE FACT THAT YOU GIVE WEIGHT TO INFORMATION ABOUT CUSTOMER WILLINGNESS-TO-SWITCH GLEANED FROM CABLE TELEPHONY PROVIDERS IMPLY THAT THE BACE MODEL SHOULD HAVE MODELED A CABLE TELEVISION PROVIDER? (STAIHR REBUTTAL 24)

A. No, it does not. The purpose of the BACE model is to investigate whether a particular entry method (e.g., a landline CLEC using its own switching and the ILEC's loops) is economic in a market without access to unbundled local switching. To be conservative, the BACE approach models a CLEC that is entering the market using its own circuit switching and the ILEC's loops. However, this does not invalidate using the relevant knowledge that we gain from the cable industry regarding customers' willingness to switch service providers.

Our approach is a perfectly consistent and reliable way of applying a business case analysis.

Q. DO YOU HAVE ANY OTHER OBSERVATIONS ABOUT THE TESTIMONY PROVIDED BY DR. STAIHR OR MR. WOOD ON CABLE TELEPHONY?

A. Yes. Neither Dr. Staihr nor Mr. Wood dispute that cable telephony is equivalent to traditional local exchange service in overall quality. Neither disputes the fact that cable companies have gained substantial numbers of customers and substantial share where they have offered telephone service. Neither Dr. Staihr nor Mr. Wood disputes the fact that cable companies such as Cox have gained 20 to 30 percent share in those areas where they have offered service, and that Cox itself has gained 19 percent share overall where it offers service and 53 percent of its existing cable TV subscribers. These figures indicate that *customers are willing to shift* in large numbers from the ILEC (or other CLECs) to alternative service providers, in this case a cable telephony provider. Such data indicate that it is possible for CLECs to overcome any brand name or other potential goodwill advantage that the ILEC might have and change their providers in substantial numbers. The cable example is especially apt because the traditional structure of cable TV networks is designed to serve homes (rather than large, enterprise businesses) and so cable telephony's successes are good evidence that customers' willingness to change service providers exists in the mass market.

Q. BUT, IF CABLE COMPANIES HAVE HAD GREAT SUCCESS ATTRACTING CUSTOMERS, DOES THIS NOT "WORK AGAINST" YOU, AS DR. STAIHR ALLEGES, BY LEAVING FEWER CUSTOMERS "LEFT OVER" FOR NON-CABLE BASED PROVIDERS? (STAIHR REBUTTAL 24)

A. No. Dr. Staihr's argument implies that the cable company is guaranteed a 26.2 percent of the market. This is not true. An efficient CLEC may be able to *win customers from the cable company as well as from the ILEC* in markets where cable telephony is being offered. In a market with an efficient, UNE-L-based CLEC, the cable company might obtain substantially less than the current national average of 26.2 percent of the market. In any event, the more successful are the alternative bypass technologies (such as cable and wireless, or alternative switch technologies such as VOIP), the less justified is any unbundled switching policy, as I discussed earlier.

Q. GIVEN YOUR DISCUSSION OF CABLE TELEPHONY, WOULD YOU ALSO SAY THAT THE SUCCESS OF UNE-P-BASED CLECS IN OBTAINING CUSTOMERS LIKEWISE INDICATES CUSTOMER WILLINGNESS TO SWITCH? (WOOD REBUTTAL 39-40)

A. Yes. Again, one should not confuse demand fundamentals (which relate to the customers' willingness to switch providers) with supply fundamentals (which, among other things, relate to the hot cut issue and economies of scope), as Mr.

Wood and Dr. Stahr do. There is no reason, given the evidence on customer willingness to change providers, that switch-based CLECs would not be able to make the kinds of gains that we have seen in UNE-P. For this reason, the ability of CLECs to attain market share in the BellSouth region and elsewhere is useful information, regardless of the (supply-side) provisioning method used by the CLECs.

Q. MR. WOOD ARGUES THAT CLEC SUCCESSES ACROSS THE BELLSOUTH REGION ARE NOT REPRESENTATIVE OF HOW WELL CLECS MIGHT PERFORM IN SPECIFIC MARKETS AND WITH SPECIFIC PRODUCTS. (WOOD REBUTTAL 39-40) PLEASE EXPLAIN WHY YOU BELIEVE THE BELLSOUTH REGION-SPECIFIC DATA ARE SUFFICIENTLY GRANULAR TO INDICATE HOW WELL AN EFFICIENT CLEC MIGHT DO WITH RESPECT TO MARKET PENETRATION.

A. It is reasonable to conclude that an efficient CLEC could learn from what is observed in the marketplace, whether that market is in Florida or elsewhere in the United States.

With regard to Mr. Wood's "specific products" argument, the range of services that we model in BACE is well representative of the range of services that an efficient CLEC would offer. This might not perfectly match the specific business models of particular CLECs, but doing that would be attempting to model specific

CLECs' business plans, contrary to the direction provided by the TRO, as I explained earlier. (TRO 519.)

Q. DOES THIS MEAN THAT AT&T'S 15 PERCENT MARKET SHARE IN NEW YORK IS RELEVANT? (STAIHR REBUTTAL 25)

A. It certainly does.

Q. BUT, DOESN'T AT&T HAVE A "UNIQUE" POSITION IN TELECOMMUNICATIONS AS A RESULT OF ITS BRAND NAME? (STAIHR REBUTTAL 25)

A. AT&T is certainly a well-known firm, but it seems unlikely to me that its brand name is so "unique" that its successes do not provide meaningful evidence of what an efficient CLEC reasonably might accomplish. First, Dr. Staihr's data are out of date. He notes that a decade after the 1984 divestiture, many customers (erroneously) identified AT&T as their local service provider. (Staihr Rebuttal 25.) Of course, it is now *two decades* after divestiture, so it is not clear that Dr. Staihr's data mean anything. A generation of consumers has grown up without ever experiencing Ma Bell or without being able to select their long-distance provider.

Moreover, AT&T's brand name does not appear to have provided substantial advantages in other endeavors. For example, a recent New York Times article

noted that AT&T Wireless's rate of customer additions was below the industry average in the fourth quarter of 2003 and AT&T is seeking to sell that business (Matt Richtel, "AT&T Wireless Says it Wants a Suitor," New York Times January 23, 2004, C1+), so AT&T's brand name has not provided an obvious advantage in the wireless industry. In light of AT&T's struggles in other areas, I think it reasonable to accept that its success in New York is not attributable uniquely to an all-powerful brand name, and that other carriers with attractive offerings could replicate its success. In any event, the FCC specifically instructed us to consider "countervailing advantages" (TRO 84) and the most efficient business model. (TRO 517.) A strong brand name would seem to be one of these advantages (although we did not specifically model AT&T, nor did we seek to model a firm with special name recognition). As a result, Dr. Staihr's attempt to rule out AT&T as a legitimate example of CLEC success of 15 percent market share should be dismissed as simply self-serving.

Q. DR. STAIHR POINTS OUT THAT EVEN THOUGH AT&T ACCOUNTS FOR 15 PERCENT MARKET SHARE IN NEW YORK, 25 OTHER CLECS ACCOUNT FOR ANOTHER 13 PERCENT. HE ARGUES THAT THIS DEMONSTRATES THAT OTHER CLECS WILL BE UNABLE TO ATTAIN 15 PERCENT MARKET SHARE. (STAIHR REBUTTAL 25) PLEASE COMMENT.

A. Dr. Staihr once again confuses the issue of market structure with the issue of market penetration. Dr. Staihr's figures demonstrate only that a substantial

portion—at least 28 percent—of customers have already shown a willingness to change their service provider. It does not demonstrate that there cannot be two switch-based CLECs, each with approximately 15 percent market share, and an ILEC, that compete with one another on a facilities basis.

Q. WHY IS THE ACADEMIC LITERATURE ON MARKET ENTRY RELEVANT TO THE ISSUE OF MARKET PENETRATION, CONTRARY TO THE CLAIMS OF MR. WOOD? (WOOD REBUTTAL 39)

A. The purpose of scientific research is to identify and test generalized principles (which mean principles that may apply beyond the specific data set investigated). Principles that have withstood empirical challenge can provide guidance to researchers and policy makers. Sometimes, as in this instance, the guidance is of a qualitative nature in that it helps establish a general pattern of competitive entry, as I will discuss.

As I explained in my direct testimony, the academic literature provided me with guidance as to a reasonable "shape" of the market penetration path. For example, one might suppose that a firm gained market share in an "S-shaped" curve. That certainly was one of the ideas that I considered early in the process. However, my research indicates that successful firms tended to grow more quickly upon entry than unsuccessful firms when they are young and small, and that the growth rates of these firms tend to decrease as they become older and larger. The growth of

successful firms was more of like the top half of a "C," with fast immediate growth slowing toward an asymptotic level of market share. There is nothing in the telecommunications industry or local exchange industry that suggests to me that an efficient CLEC would not also follow this pattern.

As I noted in my direct testimony (though Mr. Wood failed to note this in his discussion on pages 39 and 40 of his rebuttal testimony), I analyzed data on every wire center in the BellSouth territory and I examined several hundred examples of entry by different CLECs over time. I found that the pattern of entry into wire centers varied, but that generally, entry followed the pattern found by academic researchers in their more formal studies; that is, entry starts with a bang, and then grows at a decreasing rate as the firm matures toward its ultimate market share. This provided me with some assurance that the (qualitative) generalized principle of market entry applied to the local telecommunications industry as well.

I believe that this type of thorough research, which considers the established, researched wisdom of market entry, reviews literally hundreds of pages of actual evidence on this entry in the BellSouth region, considers the implications of entry by telecommunications services providers that is observed in other parts of the country, and derives a conclusion based on this analysis, illustrates that my proposal is reasoned and reasonable.

Q. WILL BELLSOUTH'S "WINBACK" EFFORTS REDUCE THE ESTIMATE OF THE EFFICIENT CLEC'S ULTIMATE MARKET SHARE? (BRYANT REBUTTAL 37)

A. No, it will not reduce it from the 15 percent estimate that I recommend, because this is already accounted for in my estimate. My proposal is based on what we can observe in the marketplace today, such as AT&T in New York and cable television companies where they choose to offer telephone service. It is rational for the ILEC in those areas to offer winback programs and these CLECs still have been successful in gaining substantial share. In other words, absent ILEC winback programs in these areas, I would expect these CLECs would have higher market penetration rates than they already do. Thus, making a downward adjustment to my proposed market share because BellSouth offers winback programs would effectively twice-consider the effect of these programs.

Q. DR. ARON, IS YOUR 15 PERCENT MARKET SHARE RECOMMENDATION CONSERVATIVE IN ANY OTHER WAY? (WOOD REBUTTAL 39)

A. Yes, it is. I assume that the overall market for the services offered by the CLEC does not grow (or shrink) over time. This has an important implication for my 15 percent market share recommendation. A market share of 15 percent 10-years out in a market that does not grow represents approximately the same level of demand (all else the same) as a 12 percent share in a market that grows by just 2 percent

per year. (Indeed, a market that grows at 4 percent per year would produce approximately the same level of CLEC-served demand at a 10 percent share as does the 15 percent share with no overall market growth.)

It is reasonable to believe that the overall demand for voice telecommunications services will increase in the future. (Viktor Shvets, RBOCs: Initiating Coverage, Deutsche Bank Securities Equity Research, November 22, 2002.) Accordingly, my assumption of zero market growth is conservative.

In sum, to be conservative, I have presented a consistent set of assumptions based on a conservative product definition (i.e., I exclude wireless services, and consider only ILEC and CLEC lines and revenues), prices, and penetration rates that assume no growth in the either the number of total customer locations, or in the definition of the market (as CLEC + ILEC lines).

Q. MR. WOOD CLAIMS THAT THE BACE MODEL ASSUMES THAT THE TOTAL MARKET FOR WIRELINE TELECOMMUNICATIONS SERVICES WILL GROW OVER THE TIME HORIZON OF ITS ANALYSIS. (WOOD REBUTTAL 38) IS THIS TRUE?

A. No, as I just described.

B. P-VALUE

Q. DR. ARON, WOULD YOU PLEASE SUMMARIZE THE ISSUE WITH RESPECT TO THE "P-VALUE"?

A. Yes. One of the inputs in the BACE model is the trajectory that is assumed for the CLEC's market share. We assume that the CLEC begins with no customers, and adds them over time and ultimately approaches a "maximum" market share. The "p-value" relates to the speed with which the efficient CLEC is able to gain market share and move toward its "maximum." For residential customers, I recommend a p-value of 0.50, which means that the CLEC gains half of its ultimate share (or 7.5 percent, because we assume a maximum share of 15 percent) by the end of the first year, three-quarters by the end of the second year, and so on. Various parties submit that the p-value of 0.50 for residential customers is overly aggressive. I believe that it is conservative, as it is used in the BACE model.

Q. WHY IS A P-VALUE OF 0.50 FOR RESIDENTIAL CUSTOMERS CONSERVATIVE? (WOOD REBUTTAL 39, STAIHR REBUTTAL 32)

A. First, the BACE approach models a *de novo* CLEC—that is, a CLEC that enters the market without any customers. However, the FCC's requirement that the Commission consider all the CLECs' various advantages would permit us to model a CLEC (such as AT&T or MCI) that already has a substantial number of revenue-generating UNE-P lines and that, over time, these will be migrated to UNE-L lines in those areas where an efficient CLEC is not impaired without

access to the local switching UNE. We opted not to model an efficient CLEC with a base of existing customers, but certainly this illustrates the conservatism of the p-value assumption.

Second, as implemented in BACE, a p-value of 0.50 means that the CLEC obtains half of its ultimate market share at the *end* of the first year. The *average* penetration during the year is 3.75 percent. (Mr. Wood and Dr. Staihr completely misunderstand how the BACE model uses the p-value, and as a result, their arguments are wrong.) The revenue assumption for the first year reflects a 3.75 percent penetration rate, not 7.5 percent. We provided a description of this to AT&T and Sprint in response to discovery. (AT&T's 3rd Set of Requests for Production of Documents No. 47, Sprint's 1st Request for Production of Documents No. 2.)

Finally, it is worth noting that Dr. Bryant's approach uses a p-value of 1.00. In other words, he models a CLEC that obtains its full measure of market share (five percent, in Dr. Bryant's case) on the first day of operations. His average penetration for the first year is 5 percent, which exceeds our assumed average penetration of 3.75 percent.

Q. YOU EARLIER REFERRED TO YOUR REVIEW OF THE ACADEMIC LITERATURE ON MARKET PENETRATION. DR. STAIHR CLAIMS THAT BY ADHERING TO THE APPROACH DESCRIBED IN THE LITERATURE, YOU "STACKED THE DECK" SO THAT CLEC

PENETRATION, AS EXPRESSED BY THE P-VALUE, INCREASES THE LIKELIHOOD OF SUCCESS. (STAIHR REBUTTAL 31) HAVE YOU STACKED THE DECK?

A. No, I have not. Dr. Staihr does not dispute the findings that I described from my review of the academic literature. Dr. Staihr's complaint seems to be that such a pattern contributes to the chances of success for the efficient CLEC that is modeled in the BACE model. This may be so, but simply because the research is instructive does not mean that we should ignore it. The FCC instructed us to consider an efficient firm. I take that to mean (and Dr. Staihr does not seem to dispute my conclusion) that we should model the penetration patterns of successful, rather than unsuccessful firms. It would be foolish to use an entry pattern of unsuccessful firms to model the entry patterns of an efficient CLEC.

Dr. Staihr also argues that market penetration is something "over which the company has little control." (Staihr Rebuttal 31-32.) This is another incorrect statement. If penetration were outside the control of the firm, there would be no reason for the firm to spend money on marketing and customer acquisition. I wonder if Sprint's sales personnel share Dr. Staihr's view of the exogeneity of demand for CLEC services. I believe that the p-value that I have selected is consistent with the customer acquisition cost estimate that I have selected, and that a reduction in one would require a reduction in the other.

Q. PLEASE COMMENT ON DR. STAIHR'S USE OF FCC DATA TO DEMONSTRATE THE PATTERN OF CLEC MASS MARKET PENETRATION OVER TIME. (STAIHR REBUTTAL 32)

A. Dr. Staihr misuses FCC data to suggest that the rate of share gain of an efficient CLEC will be lower than the p-value of 0.50. His analysis is incorrect because it implicitly and erroneously assumes that there is a single national market in local exchange service. Instead, there are multiple local exchange markets and initial entry by CLECs can occur at different times in each market. This will influence the aggregate statistic and can lead to erroneous conclusions about CLEC successes.

An example may clarify how the FCC's data can be subject to the kind of misinterpretation seen in Dr. Staihr's analysis. Suppose there are four markets of equal size and that competitors enter them in succession. In the first year the CLEC obtains 8 percent share in market *A*. In the following year, the CLEC obtains 12 percent in market *A* and 8 percent in market *B*. In the third year, the CLEC obtains 16 percent in market *A*, 12 percent in market *B* and 8 percent in market *C*. Penetration in market *D* remains zero throughout.

Calculating aggregate penetration by treating all four markets as one (analogous to the FCC's methodology) the CLEC's first year share would seem to be 2 percent (8/4), its second year share would seem to be 5 percent ((8+12)/4), and its third year share would seem to be 9 percent ((8+12+16)/4). These aggregated

penetrations do not illuminate what is happening in local markets and demonstrate why the FCC asked the states to conduct a more granular impairment investigation. Thus, an undisciplined interpretation of the FCC's national data presents an incorrect and biased rendering of what is happening in individual local exchange markets.

C. PRICE LEVELS

Q. DR. ARON, PLEASE SUMMARIZE THE ISSUES THAT YOU ADDRESS IN THIS SECTION.

A. In this and the following section, I address criticisms leveled by various CLEC witnesses regarding the prices that I recommended for use in the BACE model. This section discusses criticisms of the prices themselves. The following section discuses issues related to trends in the prices over time. (Consistent with the TRO, my estimates for prices, and costs, are not trended.) The BACE model incorporates prices for service bundles (e.g., aggregations of services consisting of local voice service, vertical features, and long-distance and/or DSL services) and for what I call "*a la carte*" services.

In both cases, the main complaint seems to be that I relied on the use of existing CLEC service prices for bundles and on actual BellSouth billing data for the *a la carte* services. Various theories are advanced for the use of other data and for adjusting these data over time. My main response is that the FCC clearly foresaw

that prices would be a contentious issue. It reasonably determined that rather than bogging down the impairment analysis process in controversy, it would require that the potential deployment analysis use existing prices. Many of these criticisms simply seek to rewrite or ignore the TRO's direction and use prices that are not reflective of prices that are effective in the market today.

Q. MR. WOOD CLAIMS THAT YOU DID NOT SUFFICIENTLY DISAGGREGATE BELLSOUTH'S CURRENT *A LA CARTE* PRICES AND, AS A RESULT, CLEC REVENUES CANNOT BE ESTIMATED WITH ANY DEGREE OF ACCURACY. (WOOD REBUTTAL 25) PLEASE COMMENT.

A. By any objective standard, the BACE model is a highly granular model. It is, in fact, the most granular business case analysis I have ever seen. I believe that Mr. Wood resorts to the (unfounded) criticism that the BACE data lack granularity whenever his imagination flags. In any event, Mr. Wood has absolutely no basis for this claim. In determining the revenues reasonably available to the CLEC for its *a la carte* services sold to mass-market customers, we processed millions of individual BellSouth customer billing records. For residential customers, we consolidated those billing records into five "spend" groups at the wire center level (for businesses, we grouped the records into four business segments that varied by the number of lines served and three spending groups for each business segment). In so doing, we provided abundant granularity on the numbers of lines, the services, and the spending levels that reasonably would be available to an

efficient CLEC. Our methodology produces different, granular average revenue estimates for each product, customer segment, and spend group by state. These estimates are based on the specific mix of customers in each wire center. Each wire center has a different profile of customers delineated by spend categories. Therefore each wire center has a different effective average revenue per residence and each of the four business customers segments. This process addresses the point that Mr. Wood makes without the additional (and pointless) complexity that Mr. Wood seeks.

Q. MR. WOOD CLAIMS THAT YOUR PROCESS OF AGGREGATING CUSTOMERS FAILS TO SEPARATE HIGHER SPENDING THAT RESULTS FROM BEING IN A HIGHER-PRICED RATE GROUP FROM HIGHER SPENDING THAT RESULTS FROM BUYING MORE SERVICES. (WOOD REBUTTAL 30-32) PLEASE COMMENT.

A. Mr. Wood expresses a concern that because Florida has several retail price groups, the BACE model's treatment of customer segmentation is "incorrect" and "biases" the results toward a showing on no impairment. (Wood Rebuttal, p. 32.) Mr. Wood's testimony is unclear and somewhat confused on this point, but his conclusion appears to be without merit.

Mr. Wood's concern seems to pertain to his observation that some customers spend a lot on telecommunications because they buy a lot of services at relatively low prices, while others spend a lot despite buying fewer services because they

pay higher prices. While in principle this is a true statement, it does not lead to any realistic concern with the results of the BACE model. First, as a practical matter, regardless of whether there were any merit to his concern in theory, the fact is that the only BellSouth prices that vary by rate group in Florida are the basic local access line rates. Based on the design of the rate groups, only a relatively few residential customers will pay prices that differ by as much as $3.50 from the highest to the lowest rate group. Instead, most residential customers will face local access line rates that are within $1 of one another. In the context of total spend levels, this difference would have minimal effect on the model and so Mr. Wood's convoluted discussion is actually much ado about nothing.

Further, while Mr. Wood asserts that his observation about the different reasons that customers might be in a high spend category would lead to some bias or systematic inaccuracy in the model, he does not explain what the mechanism leading to such inaccuracy would be, and he certainly does not demonstrate any bias. *Any* model will aggregate and summarize different individual observations into averages or groups in some way, and this will always obscure some individual differences and characteristics. Short of modeling competition for each individual customer, an unreasonable and unrealistic standard, some individual-specific factors will not be accounted for.

Nevertheless, the fact is that in the BACE model, the costs of serving a given customer profile in a wire center are specific to the characteristics of that wire center, and the numbers of customers in each spend quintile are specific to each

wire center. I believe that the level of granularity of the model is extremely high, and any attempt to discredit it or level unsupported claims of purported bias for failure to model still greater granularity should be rejected.

Q. MR. WOOD CLAIMS THAT THE PRICES FOR SERVICE BUNDLES WERE NOT DESCRIBED IN YOUR TESTIMONY. (WOOD REBUTTAL 26-27) PLEASE COMMENT.

A. These prices were provided in response to Sprint's First Request for Production of Documents No. 1, and Staff's 5th Request for Production of documents No. 31 and Interrogatory 82.

Q. DR. STAIHR CLAIMS THAT CLECS MUST COMPETE WITH THE BELLSOUTH WINBACK BUNDLE PRICES, AND THAT THE WINBACK PRICES THEREFORE SHOULD FORM THE BASIS OF THE CLEC'S BUNDLE PRICES. (STAIHR REBUTTAL 33-34) PLEASE COMMENT.

A. This is incorrect. While it is true that BellSouth's winback bundle prices are available in the market today, they are not the relevant price for an efficient CLEC. Rather, *bundle prices offered by the CLECs themselves* in the face of those winback prices are more relevant, because they are offered to customers at large.

Q. PLEASE RESPOND TO DR. STAIHR'S DISCUSSION ABOUT HOW THE 10 PERCENT DISCOUNT FOR *A LA CARTE* SERVICE PRICES IS APPLIED IN THE BACE MODEL. (STAIHR REBUTTAL 34)

A. Dr. Staihr's description on this point is muddled (and incorrect). Let me first describe how the BACE model computes revenues, and it will become clearer how the 10 percent discount applies. The model assigns certain customers to bundles and these customers pay the bundled prices that I developed from actual CLEC service offerings. The rest of the customers buy services *a la carte*, and they pay the BellSouth prevailing prices minus a 10 percent discount on local service, including local usage and vertical features. (The installation charge is also waived.) Therefore, the bundle prices reflect the prevailing observed CLEC prices and the *a la carte* prices are discounted from the prevailing ILEC prices, providing a pricing incentive for a customer to switch.

Q. DOES DR. BRYANT CRITICIZE YOUR REVENUE ESTIMATE FOR RESIDENTIAL CUSTOMERS? (BRYANT REBUTTAL 40-41)

A. No, not directly. Instead he re-runs the BACE model using a monthly revenue estimate of $47.25 for residential customers. He does not comment directly on my revenue estimates.

Q. PLEASE COMMENT ON DR. BRYANT'S USE OF THE $47.25 FOR RESIDENTIAL CUSTOMERS.

A. Although he claims in his testimony that he assumes average revenues of $47.25, Dr. Bryant actually uses $46.50 in his model. In any event, Dr. Bryant's figure is unreasonably low because it does not appear to include the possible revenue that the CLEC, executing the most efficient business plan, can attract from serving customers who will purchase DSL services as well as local and long-distance services. For example, in discovery, MCI claimed that its end-user average (qualifying) revenues were between *** [redacted] *** (MCI Response to BellSouth Interrogatory No. 26, p. MCI-000074). Because any results from the BACE model that use the $47.25 do not reflect the most efficient business plan, they cannot be relied upon for making a determination about impairment.

D. PRICE TRENDS

Q. MR. WOOD CLAIMS THAT PRICES WILL CHANGE IN THE FUTURE BECAUSE AREAS WHERE PRICES ARE HIGH AND COSTS ARE LOW ARE LIKELY TO ATTRACT COMPETITIVE ENTRY. (WOOD REBUTTAL 24, STAIHR 35-36) PLEASE COMMENT.

A. As I mentioned, the FCC directs us to use prices that are based on those currently in the market because there would be no end to the disputes about future price trends. Our approach, which keeps both prices *and costs* constant over the forecast period, is more reasonable, and more consistent with the TRO, than is engaging in insoluble debates about price and cost trends.

Q. BUT, ISN'T IT TRUE THAT PRICES THAT ARE ABOVE COST (AS COMPUTED BY THE FCC'S HCPM MODEL) WILL ATTRACT COMPETITION AND SERVE TO REDUCE PRICES IN THE FUTURE? (STAIHR REBUTTAL 35-36)

A. This is another instance where Dr. Staihr attempts to use the conservatism of the BACE modeling approach against itself. Mr. Nilson makes a somewhat similar claim, arguing that a "basic tenet of economics" is that prices decrease. (Nilson Rebuttal 11.) In so doing, both witnesses inadequately describe the nature of the competitive process. I concur that one outcome of competition can be lower prices when prices are substantially above cost. However, if prices already are below the competitive level, competition will not cause them to decrease further. In fact, competition will undermine any existing cross-subsidies and cause below-cost prices to rise to an economically rational level. Moreover, there is a countervailing factor that these arguments completely overlook, and that is the effect, in a competitive market, of product innovation that entices customers to spend more on existing and new products than had been the case before.

One possible effect of product innovation on the part of the efficient CLEC and general technological progress, were we to incorporate it in the model, would be to contribute toward increased revenue per customer over time. This, in turn, would contribute to an increased net present value of the business case, and possibly more "unimpaired" areas. Out of conservatism, the BACE model does not assume that the efficient CLEC will create innovative new products or that it

will derive increased revenues per customer from newly developed products (except through the upward penetration of DSL in the initial years). Instead, we draw from a fixed portfolio of existing products that are available today to customers.

Dr. Staihr's proposal to trend prices downward over time is unreasonable because it addresses only one effect that can occur as competition increases, and it ignores the countervailing effect that innovation can have in increasing customer spending. However, because there is no way, in my mind, to resolve the issue of whether customers of the efficient CLEC will in the future spend more or less on telecommunications services as a result of product innovation and price competition, I conclude that there is no reason to diverge from the FCC's requirement that we base prices on existing prices and not adjust them (or adjust spending per customer) upward or downward in an attempt to reflect the various factors that influence customer spending. It is more principled to determine spending based on existing prices rather than try to project which factors will dominate among the countervailing influences on spending per customer.

In any event, I will also note that no firm conclusions can be drawn from Dr. Staihr's use of the FCC's High Cost Proxy Model ("HCPM"). The HCPM is a forward-looking incremental cost model developed by the FCC to identify high cost areas for purposes of universal service fundings. The model is designed to identify areas that are *relatively* high cost, not to identify all of the costs themselves. Accordingly, the FCC has stated that the HCPM should not be used

for determining or evaluating prices. (See, e.g. Memorandum and Order CC Docket No. 00-217, January 19, 2001, p. 41.)

Q. PLEASE COMMENT ON DR. STAIHR'S RECOMMENDATION THAT PRICES SHOULD BE REDUCED BY 1.5 PERCENT PER YEAR TO REFLECT GAINS IN PRODUCTIVITY. (STAIHR REBUTTAL 37)

A. This is yet another example where Dr. Staihr fails to follow his own advice of using a "structured" analysis. Dr. Staihr claims that such a reduction is consistent with productivity that "normally [would] be passed through to end-users in a competitive market." (Staihr Rebuttal 37.) However, these same productivity gains will also reduce costs. (Indeed, productivity enhancements would only lead to price decreases *if* they reduce costs.) Dr. Staihr's recommendation therefore is biased: he would have us reduce prices to reflect productivity; he says nothing about reducing costs to reflect that same productivity. Rather than engage in fruitless debates about future productivity rates for the efficient CLEC, our approach is to follow the TRO and use prices that are based on currently prevailing prices. Our cost analysis likewise is based on existing, standard technologies and is not trended.

Q. MR. WOOD CLAIMS THAT IT IS "NONSENSICAL" TO COMBINE CONSTANT PRICES WITH A 10-YEAR MODEL. HE CLAIMS THAT CONSTANT PRICES IMPLIES A SHORT-TERM TIME HORIZON FOR THE ANALYSIS. (WOOD REBUTTAL 27) PLEASE COMMENT.

A. This is nonsense. First, as I indicated, there really is no "short term" modeling approach for a going-concern business. Mr. Wood fails to understand what a business case entails. A going concern generates a residual, or terminal value, which represents the discounted net value of the firm for the years beyond the explicitly modeled period. The firm's total value is the sum of the explicitly-modeled part and this terminal value. A shorter explicitly-modeled time horizon does not increase the certainty of the estimates; it simply pushes the uncertainty into the terminal value estimate. Any reduction in the number of years that are explicitly modeled requires an offsetting adjustment on the terminal value for the simple reason that value is neither created nor destroyed simply by the number of years that one chooses to explicitly model.

Second, there is no economic reason (and Mr. Wood has provided no such reason) that a constant price assumption implies that a shorter-term explicit model should be used. As I indicated, the total value of the firm should not change simply because the number of explicitly-modeled years is reduced.

The fact that Mr. Wood failed to express his views on the interaction of explicitly-modeled years and the terminal value leads me to conclude that, possibly, he is uninformed of the role that the terminal value plays in a business case analysis. There is no credible economic theory or process that would change the NPV of a project or going concern simply by lopping off some of the years where value is created.

Q. MR. WOOD CLAIMS THAT INTERSTATE TOLL PRICES HAVE DECREASED BY 5.1 PERCENT PER YEAR DURING THE 10-YEAR PERIOD FOLLOWING DIVESTITURE. (WOOD REBUTTAL 27) IS THIS USEFUL INFORMATION FOR THE POSSIBLE PATH OF LOCAL SERVICE PRICES?

A. Absolutely not. Dr. Staihr makes this same, incorrect argument as well. (Staihr Rebuttal 37-38.) Many will recall that over the past decades, access charge reform changed the way common line costs were recovered, and that this reduced toll costs and prices. Access reform entailed the movement from a per-minute-of-use charge levied on long-distance carriers to a monthly recurring end user common line charge ("EUCL") directly paid by local service end users (as well as a flat-rate charge charged to the carriers). Access charge reform was a regulatory exercise that removed cost recovery from long-distance service variable costs. According to the FCC, from 1984 to 1994, interstate switched access charges decreased by nearly 9 percent per year. Access charges account for a substantial portion of long-distance costs (by one estimate about 40 percent of AT&T's consumer long-distance division's costs), so the access charge decreases made a substantial contribution to overall cost and price decreases. Neither Dr. Staihr nor Mr. Wood appear to consider access reform, and so their claims about long-distance pricing are inapplicable indicators of what might occur for local exchange services.

In sum, there is no probative value to the quantitative historical trend of long-distance prices, as presented by Mr. Wood, relative to the future price path of local exchange services at issue in this proceeding. The fact that Mr. Wood finds that NPVs are "significantly reduced" if a 5.1 percent price decrease is applied over the 10-year horizon of the BACE model should come as no surprise. (Wood Rebuttal 29.) However, Mr. Wood's number is based on an inapplicable comparison and has not been shown to apply to local exchange service. Moreover, while Mr. Wood seeks to reduce prices, he does not make any corresponding adjustment for costs that reasonably might decrease over the 10-year time horizon.

Q. DO THE DECREASES IN WIRELESS PRICES PROVIDE A USEFUL BENCHMARK AS TO WHAT MIGHT OCCUR WITH LANDLINE TELEPHONE PRICES IN THE FUTURE? (STAIHR REBUTTAL 37-38)

A. No. Unlike landline residential service prices, wireless prices were not regulated during the 1994 to 2002 period that Dr. Staihr investigates. There is no reason why the price trends of services that started at an unregulated, potentially supra-competitive level and fall over time should tell us anything meaningful about price trends of services that have been highly regulated for many years, and which, in some instances, may be below the competitive level. Moreover, fundamental changes in wireless technology occurred during that time (particularly, the transition from analog to digital service) that affected the cost of

providing wireless services, and we have not modeled any such changes in wireline technology in the BACE model.

E. SERVICES OFFERED

Q. MR. WOOD ARGUES THAT THE RANGE OF SERVICES CONSIDERED IN THE BACE MODEL SHOULD BE WHAT THE CLEC SEEKS TO OFFER, NOT WHAT BELLSOUTH THINKS CLECS SHOULD OFFER. (WOOD REBUTTAL 10, 46-47) PLEASE COMMENT.

A. At pages 46 and 47 of his rebuttal testimony, Mr. Wood claims that it is inappropriate to consider "non-switched services" (or donuts) that might be used "in order to help pay for the switch." I take it that Mr. Wood is referring to DSL service, which is a non-switched service that can be provided over the same loop that provides switched voice services. The TRO itself provides clear guidance as to what services, including data, should be considered potential revenues in a potential deployment analysis. "The state must also consider the revenues a competitor is likely to obtain from using its facilities for providing *data* and long distance services and from serving business customers." (TRO 519, emphasis added.)

In any event, a simple example will show the error of Mr. Wood's argument. Exhibit DJA-09 illustrates that a CLEC may find it uneconomic to offer either voice service or DSL service alone, but may find that it is economic (i.e., the

CLEC can earn zero economic profits) if it offers both. The reason is that there may be *economies of scope* in offering switched and unswitched services. As shown in my example, these economies are the result of the common use of the local loop.

The example shows that the profitability of both services benefits from the existence of, and the CLEC's recognition of, scope economies. An efficient CLEC will recognize instances where economies of scope exist, and it will take advantage of them. There is no reason to artificially crimp the potential deployment analysis by failing to recognize the scale and scope economies and any other advantage available to an efficient CLEC. Mr. Wood pejoratively scoffs at the notion that the CLEC should engage in a fundraiser by selling donuts on a street corner to help pay its switching costs. Of course, this absurd example illustrates an instance where there are no economies of scope (one presumes) between providing telecommunications services and providing donuts.

Mr. Wood plays lightly with the Commission's time by creating a misleading example and by failing to address the genuine issue of economies of scope that should be considered when evaluating the profit opportunities open to an efficient CLEC. My simple example demonstrates the power that such economies can have. Economies of scope can provide a way of changing the results of a business case from one that appears to have no promise in *either* voice or DSL service, to one that appears to offer an economic return if *both* are offered. This is the issue

that this Commission should consider, and not examples that treat this proceeding as a farce.

F. CHURN

Q. PLEASE COMMENT ON DR. BRYANT'S CLAIM THAT ANY INPUT TO THE CLEC MODEL (REGARDING CHURN) THAT RELIES EXCLUSIVELY ON THE ACTUAL EXPERIENCE OF UNE-P FIRMS WILL BE UNDERSTATED. (BRYANT REBUTTAL 38)

A. Dr. Bryant claims that churn based on the experience of UNE-P-based carriers will be understated for the same reasons that he provided in his discussion of market share. These reasons were (1) BellSouth winback programs; (2) CLEC service prices; (3) CLEC service quality; (4) the availability of hot cuts; (5) the ability of the CLEC to bring new services to market; (6) the costs of those new services; and (7) the ability or inability of the CLEC to offer broadband using the ILEC's new infrastructure capabilities. (Bryant Rebuttal 37.) However, Dr. Bryant actually engages in mere hand waving because he does not discuss these factors at all as they relate to churn, and he certainly does not explain why *all* of these factors would lead to an understatement of churn that is based on the experience of UNE-P providers. A closer examination shows that this claim has no basis.

For example, there is no reason to believe that ILECs' winback offers affect a switch-based CLEC any differently than it affects a UNE-P-based CLEC (and Dr. Bryant fails to explain why it would). Indeed, this would conflict with Dr. Bryant's argument in his direct testimony that a switch-based CLEC would have the incentive to reduce its price below that of a UNE-P-based CLEC in order to retain customers. (Bryant Direct 81-82.) The theory is flatly inconsistent with his discussion on churn.

It also appears that a number of the other factors cited by Dr. Bryant may be associated with *lower*, not *higher*, churn for a switched-based CLEC than might be observed with UNE-P providers. For example, a switch-based CLEC has more control of its own service quality than does UNE-P CLEC simply because it has a reduced reliance on the ILEC network. The switch-based CLEC also has the incentive and ability to manage its switching resources so as to reduce costs, perhaps by investing in a newer generation of technology. (Although the BACE model considers a CLEC that uses traditional circuit switching technology, a real-world CLEC may elect to use more advanced packet switches, if these are less costly.) Finally, a switch-based CLEC can implement new products without working through a third party (i.e., the ILEC) to do so. In sum, a switch-based CLEC has more control of quality, better ability to manage costs, and an enhanced ability to offer new services than does the UNE-P-based CLEC, which reasonably would suggest lower, not higher churn.

Q. MR. WOOD ARGUES THAT YOUR USE OF AN "INDUSTRY-WIDE CHURN RATE" REFLECTS THE EXPERIENCE OF ILECS (AS WELL AS CLECS) AND IS THEREFORE BIASED LOW BECAUSE THE ILEC BASE OF CUSTOMERS IS UNLIKELY TO CHANGE PROVIDERS. (WOOD REBUTTAL 44) PLEASE COMMENT.

A. Mr. Wood's argument is misleading because he fails to tell the whole story. Mr. Wood cites to page 34 of my direct testimony as using an "industry-wide churn rate." A casual reading of that paragraph shows that I am discussing the results of a Morgan Stanley survey of *business customers*. Thus, Mr. Wood's (unsupported) conclusion that my proposed churn rates are understated because of "the presence of a base of [ILEC-served] customers who are unlikely to change providers in response to competitive alternatives," (Wood Rebuttal 44.) fails to note that these are *business customers* that he is talking about.

This is an important omission because business customers are unlikely to have an irrational bias against changing providers. Businesses can be expected to make a rational evaluation of a CLEC's service offering, and it is safe to assume that they generally are among the more savvy telecommunications services end-users. Businesses have the incentive, especially in this economy, to aggressively manage their costs and resource use. Any churn rate related to business customers is not biased either way by including the ILEC experience with its business customers. Moreover, the *efficient* CLEC should be able to reduce its churn rate to that of the

ILEC for business customers through, e.g., term contracts, superior service, and the like.

Q. DO YOU HAVE ANY COMMENTS REGARDING MR. WOOD'S DISCUSSION OF YOUR ESTIMATE FOR "CHURN"?

A. Yes. My recommended churn rate for residential customers is 4 percent, which is the same rate that Z-Tel experienced, according to investment analysts, and it is also the same rate that Z-Tel told the FCC that it experienced. (TRO 471.) Moreover, according to the FCC, Z-Tel claims that "carriers in a competitive market cannot expect to keep any particular customer for more than 18-24 months," (TRO 471) which implies a monthly churn rate of 2.9 to 3.9 percent. As I noted in my direct testimony, an investment analyst estimates that AT&T's own local experience is on the order of 4.6 percent. It is entirely disingenuous to suggest that an efficient CLEC cannot attain a 4 percent churn rate for its residential customers.

Q. MR. WOOD CLAIMS THAT RELIANCE ON WIRELESS CHURN RATES IS "MISPLACED" BECAUSE THE WIRELESS INDUSTRY HAS (TO THIS POINT) HAD NO NUMBER PORTABILITY AND BECAUSE IT USES TERM CONTRACTS. (WOOD REBUTTAL 44) PLEASE COMMENT.

A. I specifically examined the issue of number portability in my direct testimony (although Mr. Wood does not acknowledge this in his rebuttal testimony). On page 31 of my direct testimony, I explained that analysts at Banc of America Securities held the view (with which I agree) that wireless churn was indicative of local churn; though local churn may be higher due to number portability. Wireless churn is on the order of 2.6 percent. I recommend a residential churn rate of 4 percent, or some 54 percent higher than the wireless churn rate. This is in line with the 4.6 churn rate that Banc of America estimates for AT&T's own local services (which may not be an efficient CLEC). It is also in line with the estimate of a Morgan Stanley investment analyst report that I noted on that same page (page 31) of my direct testimony. Finally, I noted in my testimony that at least one analyst estimates that wireless number portability will increase wireless churn rates by about 50 percent, which will put them at about 4 percent, or, in other words, about the same as my estimate for an efficient CLEC serving its residential customers.

The efficient CLEC can reduce churn by introducing attractive, useful new services, pricing plans, billing options, and the like that the ILEC does not offer. Thus, churn is at least in part a management issue—it is a cost that a carrier actively must try to manage. I find it very disingenuous, and smacking of a defeatist self-pitying attitude to argue, as Mr. Wood does, that the ILECs "effectively dictate CLEC churn rates" going forward. (Wood Rebuttal 44.)

G. SALES COSTS

Q. MR. WOOD CLAIMS THAT THERE IS A MISMATCH BETWEEN CUSTOMER ACQUISITION COSTS, WHICH APPLY TO A NARROW RANGE OF SERVICES, AND THE BROAD RANGE OF CUSTOMER SERVICES THAT THE MODELED CLEC IS SAID TO OFFER. (WOOD REBUTTAL 49) PLEASE COMMENT.

A. I disagree. First, this argument cannot apply to business customers, because my recommendation for customer acquisition costs is expressed as a multiple of first-month's revenues. Thus, the broader or more expensive the services, the higher is the implied customer acquisition cost. For residential customers, however, I propose a flat $95 per customer location. My recommendation of residential acquisition costs of $95 is sufficient to accommodate the entire portfolio of services. First, my parameter value is based on the experience of existing UNE-P-based firms such as Z-Tel (which has a target of $50) and Talk America (whose actual costs are estimated to be $80). My parameter value of $95 is substantially higher than either. Moreover, as I explained in my direct testimony, Hazlett and Havenner describe why existing UNE-P-based firms that operate in areas that legitimately are unimpaired have the incentive to inefficiently increase their customer acquisition costs. Therefore it may be the case that Talk America's customer acquisition costs are inefficiently high.

Moreover, I can demonstrate that my proposal is sufficient to accommodate customers who order DSL as well as voice services. Consider the example that I show in Exhibit DJA-10. This exhibit shows that customer acquisition costs, based on the Z-Tel and Talk America figures, are on the order of $50 to $80. I compute an incremental customer acquisition cost associated with DSL from data provided by Dr. Bryant. For those customers who obtain *both* voice and DSL service from the efficient CLEC, customer acquisition costs should be on the order of $150 to $180. In the BACE model, this represents approximately 15 percent of a CLEC's customers. The other 85 percent obtain voice services only. Thus, the weighted average customer acquisition cost for the portfolio of services should be on the order of $64 to $95 for the average customer, yet the BACE model applies $95 to *every* customer.

Q. PLEASE RESPOND TO DR. BRYANT'S ADDITIONAL CRITICISMS OF YOUR CUSTOMER ACQUISITION COSTS. (BRYANT REBUTTAL 38-39)

A. Dr. Bryant makes several claims. He says that my customer acquisition costs are based on the Z-Tel experience. (Bryant Rebuttal 38.) This is only partly true. I considered customer acquisition costs for Z-Tel, Talk America, and AT&T as shown in Exhibit DJA-06, all of which are wireline, local exchange providers. (Moreover, this applies only to residential acquisition costs.)

Dr. Bryant then claims that his sources range from $80 to $400. He says that these are from the "same types of sources" that I used. (Bryant Rebuttal 39.) That is not true. According to Dr. Bryant, the $400 estimate is for a *wireless provider*. I did not consult wireless providers to create my estimate because the differences between the wireline and wireless industries on this particular dimension invalidate any simplistic comparison of customer acquisition costs. As should be well known, wireless providers often underwrite the cost of the handset. Neither Dr. Bryant nor Dr. Gabel appears to make any adjustment for that. This invalidates any simple, direct use of wireless providers as indicators of customer acquisition costs for an efficient wireline CLEC. Moreover, as I indicated, wireless churn is on the order of 2.6 percent per month, which is substantially less than the 4 percent for residential customers that the BACE model uses. Accordingly, wireless providers reasonably can afford to spend more on customer acquisition, since their average customer stays with them half-again as long as does the efficient CLEC's customer (i.e., 27 months versus 17 months).

The one item of Dr. Bryant's that corresponds to some of my data is the claim that Z-Tel's customer acquisition costs are on the order of $80. This is reasonably consistent with the estimate that I obtained for Z-Tel of $60-70, with a management goal of $50. (See Exhibit DJA-06) I will note that this is about the same as the Talk America experience, and it is about 15 percent less than my recommendation. But, Dr. Bryant is recommending $130. *None* of the CLEC data that Dr. Bryant considers (Dr. Gabel's or my own) provides him with any legitimate support for his $130 customer acquisition cost. It is only by

misapplying the wireless experience that he is able to "justify" his recommendation.

Q. DR. BRYANT CLAIMS THAT CUSTOMER ACQUISITION COSTS ARE "UNKNOWABLE" IN A POST UNE-P MARKET. (BRYANT REBUTTAL 39) PLEASE RESPOND.

A. As I noted earlier in this testimony, complete and absolute certainty is not required to make a reasoned and reasonable estimate of customer acquisition cost, or any other variable required for the potential deployment analysis. Dr. Bryant returns to this argument to advocate running "scenarios" where the customer acquisition costs in a post-UNE-P market substantially exceed those for UNE-P-based firms. (Bryant Rebuttal 39.) In making this argument Dr. Bryant does not try to rebut, nor does he even mention, the Hazlett and Havenner discussion. Because he does not address this, he cannot legitimately claim that customer acquisition costs for a switch-based CLEC will "substantially exceed" those of UNE-P-based firms.

Moreover, the CLECs themselves do not appear to support Dr. Bryant's claim. MCI submitted to the FCC an *ex parte* study that purported to compare the incremental cost of the change from serving residences via UNE-P to UNE-L. The study excluded marketing and customer service costs, which indicates that the modelers did not see fit to change them (i.e., increase them for a UNE-L provider).

Q. PLEASE COMMENT ON MR. DICKERSON'S CLAIM THAT THERE SHOULD BE MORE GRANULARITY IN THE SALES EXPENSE THAT YOU UTILIZE. (DICKERSON REBUTTAL 19-22)

A. Certainly Mr. Dickerson cannot be referring to the sales expense that I propose for business customers. Business customer sales expense is computed as a percent of customer location revenues. As a result, our analysis provides sales expenses at the same granularity as revenues.

I disagree that there needs to be any additional granularity for residential customers. Dr. Bryant's approach does not consider any additional granularity in customer acquisition costs, for example. Moreover, my recommendation is at the same level of granularity that is used by investment analysts who seek to make recommendations about potential investments. The BACE model is likewise designed to determine the value of switch-based entry in a market and determine whether investors would be disposed to providing the capital needed for such entry. Because of the similarities in the issues that are being addressed in the BACE model and by investment analysts, it is reasonable to use the same level of granularity in BACE as is used by these analysts in their valuation models.

Moreover, Mr. Dickerson's own analysis illustrates precisely why granularity for its own sake does not guarantee reasonableness. Mr. Dickerson claims to have performed a detailed analysis of Sprint's "customer sales costs." He concludes

that these costs are on the order of ***[redacted]***, or some ***[redacted]*** the *existing* customer acquisition costs of firms such as Z-Tel and Talk America. They are nearly ***[redacted]*** the amount recommended by Dr. Bryant, and nearly ***[redacted]*** that noted by analysts as pertaining to AT&T. Mr. Dickerson does not even attempt to reconcile his results with any of these figures, perhaps erroneously concluding that because they were developed on a "granular" basis that this alone verifies their merit. Nor does Mr. Dickerson indicate how these extreme results can be reconciled with the requirement that we model an efficient CLEC executing the *most efficient* business model. Mr. Dickerson's figures are of no value.

Q. MR. DICKERSON LISTS A NUMBER OF ITEMS SUCH AS ORDER MANAGEMENT, THIRD-PARTY VERIFICATION, AND ORDER PROCESSING THAT HE CLAIMS SHOULD BE INCLUDED AS CUSTOMER ACQUISITION COSTS. (DICKERSON REBUTTAL 21-22) DOES YOUR PROPOSED ESTIMATE INCLUDE THESE?

A. My recommendation is sufficiently conservative that all of the costs associated with customer acquisition (and for G&A expenses) for an efficient CLEC are adequately accounted for in the NPV business case. I have already described the derivation of my customer acquisition cost figure and described why it is conservative. I will address G&A expenses in the following section. The main point is that Mr. Dickerson has demonstrated that the "bottom up" approach is no guarantee for a reasonable estimate of customer acquisition cost, and that my own

is very much a mainstream, if not a conservative estimate. I will demonstrate that the costs that I have included for G&A likewise are generous.

Q. MR. DICKERSON SAYS THAT YOUR CUSTOMER ACQUISITION COST ESTIMATE EXCLUDES TELEVISION ADVERTISING. (DICKERSON REBUTTAL 21) PLEASE RESPOND.

A. Mr. Dickerson is being disingenuous. As I noted in a footnote of my exhibit, one of the figures (related to Z-Tel's management target of customer acquisition costs of $50) may exclude television advertising. However, the other estimates are not qualified in any way. For example, analysts estimated Talk America's customer acquisition costs at $80, and this is made without any qualification. My own estimate is $95, which is 90 percent greater than the Z-Tel management goal and about 20 to 35 percent greater than the Talk America amounts, which, as I mentioned, are not qualified regarding television (or any other) advertising. I would also note that general brand advertising, including brand advertising or television, is included in my G&A category. To the extent the analysts or carriers are including television advertising in their estimates of customer acquisition costs, I may be double-counting them.

H. G&A

Q. DR. ARON, YOU RECOMMEND THAT G&A EXPENSES BE MODELED AS A PERCENTAGE OF REVENUE, AS DETERMINED FROM AN

ANALYSIS OF ILEC DATA. PLEASE DESCRIBE WHY SUCH AN ANALYSIS SHOULD APPLY TO THE G&A COSTS OF AN EFFICIENT CLEC. (WOOD REBUTTAL 49-50)

A. There are two important countervailing advantages that suggest that the G&A expenses associated with an efficient CLEC can reasonably be equal to or even less than those of ILECs. First, as I have noted, the CLEC that we have elected to model is a new entrant into the market. This provides us with a very conservative starting point because, in reality, CLECs are not new entrants, they have an existing base of operations and some, such as AT&T and MCI, are substantial firms in their own right. These firms have the ability to serve multiple markets and to adjust their G&A resources accordingly. It is reasonable that they should be able to at least meet the traditional cost structure of the ILEC. Thus, an evaluation of an estimate of G&A expenses should keep in mind the reality that the efficient CLEC reasonably could be modeled as part of a much larger firm, such as AT&T or MCI, and that these larger firms should be able to efficiently adjust the resources that they devote to G&A in the various markets that they serve. I would also note that my analyses included large and small ILECs, not only the four major ILECs.

From an entirely different perspective, there are countervailing advantages that are open to a smaller CLEC. A smaller, efficient CLEC that does not bear the regulatory burdens of an ILEC may be able to implement a more streamlined organization than the ILECs traditionally have had. Thus, providing the efficient

CLEC with G&A expenses that have the same percent of revenue as the ILEC's is reasonable.

In addition to these countervailing advantages, I will also add that the method of analysis that I used to determine the appropriate ratio for the efficient CLEC was based on the accounts from the ILEC data that CLECs normally include in their own G&A expenses. In this way, I ensured that there was comparability between the type of G&A expenses that were being measured and their applicability for the efficient CLEC.

Mr. Dickerson claims that my estimate is wanting because it does not assume non-scalability (i.e., economies of scale). (Dickerson Rebuttal 15.) However, I noted that the academic literature did not support the notion of scale economies in G&A, so, rather than make an unsupported claim (as Mr. Dickerson does), I tested whether G&A expenses exhibited scale economies using statistical techniques on data from both large and smaller ILECs. My empirical analysis did not indicate a statistically significant, positive intercept on the regression of revenues and G&A expenses (an indicator of scale economies). As a result, in my view, it is unreasonable to model an "efficient" CLEC by assuming, against both theory and hard evidence, that the CLEC will have higher overheads than will the incumbents.

Q. MR. DICKERSON CLAIMS THAT YOU OFFER A "MEAGER DISCUSSION" IN SUPPORT OF YOUR G&A RECOMMENDATION. (DICKERSON REBUTTAL 13-14) PLEASE RESPOND.

A. I provided a lengthy and detailed discussion of my results in response to Sprint's interrogatories. The academic literature was provided to Mr. Dickerson in response to Sprint 1st Request for Production of Documents No. 25. My analysis of empirical research was described and provided to Mr. Dickerson in the response to Sprint 1st Request for Production of Documents Nos. 17, 18, 19, and 25. All in all, I produced scores of pages of supporting and explanatory documents on this issue.

I. CREAM SKIMMING

Q. PLEASE RESPOND TO MR. WOOD'S DISCUSSION ON CREAM SKIMMING. (WOOD REBUTTAL 33-35)

A. Mr. Wood devotes considerable attention to the issue of cream skimming. Remarkably, he claims that CLECs do not engage in cream skimming. He tries to draw a meaningless distinction between what he would call cream skimming (which he says refers to the results of, e.g., marketing programs to draw the most profitable customers) and customer self-selection, which, as I will describe, is simply another way of implementing cream skimming. In any event, in a separate docket in Texas, one of AT&T's witnesses, Phillip L. Gaddy, admitted the

obvious, that cream skimming (or what Mr. Gaddy referred to as "cherry picking") is "simple business common sense." (Gaddy Rebuttal Testimony before the Public Utility Commission of Texas, Docket No. 28600, January 5, 2004, p. 20.)

On page 34 of his rebuttal testimony, Mr. Wood presents a discussion of marketing activity that he claims is not cream skimming. He argues that a disproportionate number of the more profitable long-distance customers "self-selected" themselves and left AT&T, because they could obtain greater savings elsewhere. (Wood Rebuttal 34.) This admission succinctly describes the use of pricing plans to skim the cream. Pricing plans are a very common, powerful, and efficient way to cream skim. Indeed, if Mr. Wood had more carefully read my direct testimony he would have seen that in discussing the issue of "countervailing advantages" that are available to CLECs, I described precisely the situation that Mr. Wood observed in the long-distance businesses:

> The ability to target attractive customers selectively is one such advantage that CLECs have exploited in reality and is highlighted in the TRO (. . .). For example, suppose a CLEC determines that it is only profitable to sell to customers who spend at least $60 on local service, features, and long-distance service. The CLEC would then enter the market with a $60 service bundle so that, by self-selection, most of the customers acquired would be profitable. (Aron Direct 20.)

These price plans skim the cream because they are meant to discourage customers that spend substantially less than $60 on local service, features, and long-distance services from subscribing with the CLEC. In other words, the CLEC in my example did not seek to "identify" customers in the normally-understood sense of that term (e.g., actively calling them or looking for them), nor did it create a "marketing plan" in the sense of hailing high-spending customers. The CLEC simply designed its prices to attract high-profit customers (those that spend at least $60) and discourage low-profit customers (those that spend far less than $60) and let the customers skim themselves. This is cream skimming, and Mr. Wood admits to this strategy. Mr. Wood apparently seeks to draw some type of distinction between marketing to higher-spending customers and customers "self-selecting," based on the design of the offer's price, as if there were some type of meaningful difference between the two. For purposes of the BACE model, there is not.

Q. DO ANY OF THE OTHER WITNESSES CONFIRM THAT AN EFFICIENT CLEC CAN TARGET CUSTOMERS?

A. Yes. Dr. Staihr claims that CLECs "can and do tailor their product offerings," and that they do so in such a way as to "attempt to attract the more profitable customers throughout the entire market." (Staihr Rebuttal 18.) And, as I noted, AT&T has hardly been a model of consistency on this topic, admitting it in one proceeding and denying it in another.

Q. HOW CAN MR. WOOD ARGUE THAT CLECS THAT SELF-PROVISION SWITCHES DO NOT HAVE AN INCENTIVE TO CREAM SKIM? (WOOD REBUTTAL 35-36)

A. The argument is incorrect. Mr. Wood argues that a CLEC has the incentive to "obtain all customers served by [a] wire center." (Wood Rebuttal 35.) Mr. Wood also claims that a CLEC will seek to serve as many customers as it can as quickly as possible. Both of these reasons are nonsense.

Quite plainly, a CLEC has absolutely no incentive to serve customers that do not provide the CLEC with a positive contribution over their expected lifetime of service. Moreover, the prices of packages that I observed marketed on web sites indicates that the CLECs offered bundles on the order of $50 rather than bare-bones local service. The higher-priced bundled packages may be offered to everyone, but the packages are *specifically designed to dissuade* those who only wish to purchase bare-bones local service, and instead they are specifically designed to appeal to those who spend substantially more. (They may also attract those who, on average, currently may spend somewhat less than the offered price, but want the assurance and safety of a flat rate, or value the additional services more than their incremental price.)

Q. BUT, IS IT NOT TRUE, AS MR. WOOD ARGUES, THAT A LOW-SPENDING CUSTOMER IS BETTER THAN NO CUSTOMER AT ALL? (WOOD REBUTTAL 37.)

A. Not necessarily. If it costs $50 to acquire a new customer, but that customer contributes only $40 in margin (i.e., revenues less variable costs) over his or her tenure with the CLEC, then it is more costly to the CLEC to obtain that customer than to have no customer at all. Such a customer does not help the CLEC contribute to the recovery of large fixed costs; instead, that customer becomes a cash drain on the firm and contributes negative value (or NPV).

J. BAD DEBT

Q. PLEASE COMMENT ON MR. DICKERSON'S BAD DEBT ASSUMPTION. (DICKERSON REBUTTAL 24)

A. Mr. Dickerson simply claims that his bad debt assumptions represent the experiences of Sprint's Mass Market CLEC ventures to date. (Dickerson Rebuttal 24) That may be so, but he presents absolutely no evidence that the huge bad debt rates that he recommends are efficient or that this would reasonably represent the rate for an efficient CLEC.

Managing bad debt is important because failure to receive payment for service exerts a double whammy: it is both a loss of revenues that falls to the bottom line,

and it implies that the CLEC incurred costs to provide service that was never paid for. Thus, it is very important for firms to manage bad debt, and it is unreasonable to consider as part of an "impairment" analysis the fact that a CLEC might fail to properly manage this very important cost with reasonable efficiency.

I arrived at my recommendation (of 2.75 percent of revenues) by examining the bad debt experience of the ILECs, including BellSouth, and several of the CLECs. I found that ILEC bad debt is substantially lower than that of the actual CLECs. I believe that actual CLEC performance in the recent economy does not reflect what an *efficient* CLEC would be capable of in a normal economy.

To determine a reasonable bad debt-to-revenue ratio, I examined the performance of ILECs over time and across the industry. ILECs may be representative because they serve a broad category of customers. I obtained revenue and bad debt data for the ILECs from the ARMIS 43-01 database for the periods 1990 through 2002. I computed uncollectible rates (i.e., uncollectibles divided by operating revenue) for total operations and for both the interstate and intrastate segments that comprise the total by company study area. I observed that the RBOC uncollectibles varied during this 13-year period, and, in particular, uncollectibles (relative to revenue) increased in 2001 and 2002 for each RBOC. I reviewed the SEC Form 10-K discussions on bad debt and found that the increase was said to be due to CLEC bankruptcies (and in particular, the WorldCom bankruptcy) and also to the slower economy. One might reasonably expect bad debt to be counter-cyclical (i.e., bad debt increases as a proportion of revenue as the economy

weakens), but it is unreasonable to assume that the slow economy of 2000-2002 will endure throughout the next 10 years. Moreover, it is likewise inappropriate to develop a bad debt parameter estimate on the basis of the effects from the massive WorldCom bankruptcy. The relevant bad debt pertains to the retail market, not the ILECs' wholesale markets.

Additionally, the CLECs that I examined had uncollectible percentages that ranged from 2 to 5 percent over the last 6 years. The CLECs also showed much more volatility than the ILECs did. To account for this volatility, I add a premium to the ILEC uncollectible base rate, and determine that a reasonable long-term rate would be 2.75 percent.

K. DSL CROSS-PENETRATION

Q. MR. BRADBURY CLAIMS THAT YOUR PENETRATION RATES FOR DSL FOR RESIDENCES AND FOR SMALL ("SOHO") BUSINESSES ARE TOO HIGH. (BRADBURY REBUTTAL 27.) PLEASE COMMENT.

A. My assumption of a 15 percent residential penetration rate for DSL and 25 percent penetration for SOHO customers for the efficient CLEC is well within the mainstream expectations for broadband penetration. First, the 15 percent residential penetration (and the 25 percent SOHO penetration) is an "input" to the BACE process. The model computes the 15 percent (or 25 percent) penetration *only on DSL compliant loops*. Thus, actual, effective penetration is less than 15

(or 25) percent. In other words, if only 75 percent of the residential loops in a wire center can support DSL, the actual (or "output") penetration rate for residential DSL would be about 11 percent (i.e., 75 percent x 15 percent).

Moreover, Mr. Bradbury's only evidence supports his claim that my estimates are too high is his observation that BellSouth's "current penetration rate" for its retail FastAcces Service is approximately 6 percent. Even Mr. Bradbury's data appear too low. Mr. Bradbury does not state when that particular penetration rate was computed, but I will note that it is some 25 percent lower than the 8 percent penetration rate for DSL that the Florida Commission's Office of Market Monitoring and Strategic Analysis reports for BellSouth. ("Annual Report on Competition: Telecommunications Markets in Florida as of June 30, 2003," Florida Public Service Commission—Office of Market Monitoring and Strategic Analysis, p. 41.)

The Commission's study also provides data that show a compound average growth rate for DSL of approximately 120 percent per year between December 2000 and December 2002 (Annual Report 39.) and that DSL accounted for only 40 percent, in round numbers, of total broadband connections (cable and other accounted for the balance) (Annual Report 39.) Such growth strongly indicates that the use of current penetration figures is not a reasonable way to estimate future DSL penetration. Indeed, a study by Cahners In-Stat suggests that DSL revenues will increase by 54 percent per year through 2005. (Cahners In-Stat, "U.S. Residential DSL Market Continues to Grow," October 2001, p. 2.) It also

indicates that CLECs have the potential to compete for cable modem customers, where the serviceable properties overlap.

The growth potential applies to small businesses as well. As long ago as 1999, firms with 1-4 telephone lines, 47.8 percent had access to the Internet through dial up or high-speed means. (U.S. Small Business DSL Services Market Assessment and Forecast, 1998-2003, International Data Corporation, October 1, 1999, p. 12) This represents an opportunity for CLECs to market broadband services. BellSouth proprietary data regarding DSL penetration for its smaller business customers, which I reviewed, showed that as of August 2003, there was penetration ***[redacted]***.

Finally, Mr. Bradbury ignores the fact that the efficient CLEC, executing the most efficient business model, can target customers who are more likely to want broadband along with their voice service. This permits the efficient CLEC to increase the proportion of *its* customers who have DSL even beyond the overall market penetration rate. Such targeting appears to be occurring with real-world CLECs. According to computations that I made based on DSL penetration data from Cahners In-Stat and overall line penetration data (for approximately the same period of 2001) from the FCC, CLECs (including IXCs) served about 15 percent of DSL lines, while according to the FCC, CLECs accounted for about 9 percent of total lines. This indicates an above-average propensity for CLEC voice

customers to subscribe to DSL. Thus, the penetration rates that I recommend for residences and SOHO (which do not increase above 15 percent for residences, or above 25 percent for SOHO customers) are conservative and consistent with these observations.

L. CLEC PURCHASING POWER

Q. MR. DICKERSON CLAIMS THAT A CLEC MAY NOT HAVE THE SAME PURCHASING POWER AS BELLSOUTH, AND SO WOULD PAY $1.25 FOR EVERY $1.00 THAT BELLSOUTH WOULD PAY FOR EQUIPMENT. (DICKERSON REBUTTAL 18) PLEASE COMMENT.

A. Mr. Dickerson's adjustment is bogus because Mr. Dickerson does not account for any countervailing advantages that might be available to an efficient CLEC. For example, the efficient CLEC may be part of a much larger organization, such as an AT&T, MCI, or Sprint. Certainly, Mr. Dickerson provides no evidence, other than his personal claims, that a CLEC (including, presumably, CLECs as large as Sprint or AT&T) would pay 25 percent more to its vendors than does BellSouth. In addition, CLECs may be able to use newer, lower cost technologies. The FCC requires that the CLEC use the *most efficient* network architecture available. I will let others discuss the nature of new technologies that are currently available to CLECs, but I will note that to be conservative, we did not model new technologies. Nevertheless, a real-world CLEC may have these technologies and this would argue for a lower cost multiplier. Finally, the fact is that ILECs have

vastly cut back their equipment purchases. Vendors are hurting from this drop in demand for their products and would suggest that they would be particularly eager, in this environment, to compete for new sources of demand. The new sources of demand would be the CLECs. All of these represent countervailing advantages that Mr. Dickerson totally ignores. I believe it most reasonable to simply acknowledge that there are challenges and countervailing advantages to being a CLEC, rather than artificially inflating the efficient CLEC's costs through the purchasing multiplier.

Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

Example of Economies of Scope				
		Voice Only	DSL Only	Both Provided Together
	Loop Cost	$20	$20	$20
+	Switching Cost	$10	$0	$10
+	Other Costs	$0	$10	$10
=	Total Costs	$30	$30	$40
	Revenue	$20	$20	$40
=	Profit	($10)	($10)	$0

Residential Customer Acquisition Costs				
	Notes	Voice & DSL	Voice Only	Total
Voice service	(1)	$50-80	$50-80	
Incremental cost for DSL	(2)	$100	$0	
Total Cust. Acq. Cost		$150-180	$50-80	
Pct. Of CLEC's Customers	(3)	15%	85%	
Weighted Cust. Acq Cost		$22-$27	$42-68	$64-95

(1) Source is Exhibit DJA-06, based on Z-Tel and Talk America.
(2) Source is Bryant (Voice + DSL = $225, voice only is $123.55, so incremental cost of DSL is $101).
(3) Source is Exhibit DJA-05.

BELLSOUTH TELECOMMUNICATIONS, INC.

SURREBUTTAL TESTIMONY OF KENNETH L. AINSWORTH

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030851-TP

JANUARY 28, 2004

Q. PLEASE STATE YOUR NAME, YOUR BUSINESS ADDRESS, AND YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH").

A. My name is Ken L. Ainsworth. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375. My title is Director – Interconnection Operations for BellSouth.

Q. ARE YOU THE SAME KEN L. AINSWORTH WHO EARLIER FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY BEING FILED TODAY?

A. I will respond to certain hot cut issues raised in the rebuttal testimonies of Mr. Mark Neptune on behalf of Supra Telecommunications and Information Systems, Inc. ("Supra"), Mr. James D. Webber and Ms. Sherry Lichtenberg on behalf of

MCI, Mr. Mark David Van de Water on behalf of AT&T, and Mr. Michael Gallagher on behalf of Florida Digital Network ("FDN").

The Hot Cut Process – General

Q. THE CLECS HAVE CRITICIZED BELLSOUTH FOR BEING UNWILLING TO COLLABORATE (*See* Van de Water, at 9; Lichtenberg, at 10) . IS THIS CRITICISM MERITORIOUS?

A. No. BellSouth has always stated that it was willing to consider specific process changes proposed by the CLECs. While the CLECs have chosen to make these suggestions via this docket as opposed to through operational channels, BellSouth has listened. In an effort to be responsive, BellSouth has agreed to make the following enhancements to its effective and seamless batch hot cut process:

- Batch process will be applicable to CLEC-to-CLEC migrations (UNE-P to UNE-L);
- Batch process will be applicable to CLEC-to-CLEC migrations (UNE-L to UNE-L) at such time as necessary systems changes can be made;
- Batch process will guarantee that an end user's account will all be cut on the same day;
- Batch process will include after-hours and Saturday cuts;
- Batch process will guarantee a four-hour time window for coordinated hot cuts;

- Batch process will include a timely restoral process if there is a problem with the cut;
- BellSouth will implement a web-based communication system for non-coordinated hot cuts similar to that implemented by Verizon and SBC;
- BellSouth will reduce the 14-day provisioning interval in the batch process to 8 days;
- BellSouth will implement a scheduling tool similar to Verizon's;
- Batch process will include hot cuts to DS0 EELs.

These enhancements to BellSouth's already-compliant Batch Hot Cut Process should address virtually all of the CLECs' alleged criticisms of the process.

Q. ARE THERE FACILITIES-BASED CLECS THAT SUPPORT BELLSOUTH'S HOT CUT PROCESS?

A. Yes. FDN estimates that it purchases two-thirds (2/3) of the total UNE-Loops in Florida. The Commission, therefore, should give great weight to FDN's testimony that the hot cut process works, and that FDN is not operationally impaired.

Q. MS. LICHTENBERG ALLEGES ON PAGE 10 THAT "MCI WOULD PREFER A PROCESS THAT PROVIDES STANDARD DUE DATES AND ALLOWS THE ISSUANCE OF INDIVIDUAL LSRs, BUT BELLSOUTH CONTINUES TO REFUSE TO COLLABORATE WITH CLECS TO DEVELOP A TRUE BATCH HOT CUT PROCESS." PLEASE COMMENT.

A. This testimony demonstrates that Ms. Lichtenberg does not know what she wants. On the one hand, she criticizes BellSouth for failing to develop a true "batch" process, but on the other hand argues that BellSouth must provide standard due dates with individual LSRs, exactly what the individual hot cut process provides. This type of contradiction, coupled with the fact that CLECs have stated that they would not support *any* manual hot cut process, is the reason BellSouth has declined to collaborate. The CLECs view collaboration as a means by which to delay a switching impairment decision, not as a means by which to improve the process.

However, as my testimony demonstrates, BellSouth is listening and considering all inputs from CLECs and commissions in various workshops to enhance the currently-compliant process. BellSouth is incorporating these suggestions for tools and additional processes into current processes when they are reasonable and enhance the existing process.

Q. MR. VAN DE WATER, ON PAGE 2 OF HIS TESTIMONY, ARGUES THAT BELLSOUTH HAS NOT COMPLIED WITH THE *Triennial Review Order* ("TRO") BECAUSE IT HAS NOT ADOPTED A BATCH HOT CUT PROCESS. PLEASE ADDRESS.

A. As with most of the CLEC testimony, AT&T is quick to call BellSouth's process non-compliant, but slow to provide technically feasible alternatives. BellSouth does not dispute that the provisioning portion of its Batch Hot Cut process is

identical to the individual process – the use of the provisioning process was deliberate. BellSouth took a proven, tested and approved process and overlaid a bulk ordering mechanism and project management to create a seamless, end-to-end process that will allow BellSouth to efficiently migrate thousands of UNE-P customers to UNE-L. These additions create efficiencies in the batch process and thereby it complies with the TRO.

Q. ON PAGE 14 OF HIS TESTIMONY, MR. NEPTUNE REFERS TO INCONSISTENCIES IN THE DATA PROVIDED BY BELLSOUTH WITNESSES RUSCILLI AND AINSWORTH AS TO THE NUMBER OF UNE-L LOOPS THERE ARE IN FLORIDA. PLEASE CLEAR THIS UP.

A. The numbers provided by Mr. Ruscilli were Florida specific and the numbers that I provided in my testimony were for the BellSouth region. Mr. Neptune makes an incorrect assumption that the numbers that I provided were only for Florida.

The Batch Hot Cut Process – Specifics

Hot Cuts for EELs

Q. ON PAGES 2, 6, AND 7 OF HIS TESTIMONY, MR. WEBBER INDICATES THAT "NEITHER BELLSOUTH'S INDIVIDUAL HOT CUT PROCESS NOR ITS BATCH ORDERING PROCESS PERMIT CLECS TO TRANSFER RETAIL OR UNE-P LINES TO EELs" AND THAT "THE COMMISSION SHOULD REQUIRE

BELLSOUTH TO ACCOMMODATE EELs IN ITS INDIVIDUAL HOT CUT PROCESS AND ITS BATCH PROCESS." PLEASE COMMENT.

A. Mr. Webber is partially correct. In direct testimony, I stated that BellSouth currently did not offer UNE-P transfers to EELS. However, BellSouth did support retail/resale transfers to EELS. I should clarify that the current retail/resale transfers were for DS1 service types and new UNE-P/resale DS0 service. As Mr. Weber indicated on pages 2 and 6 of his testimony, BellSouth currently does not provide migrations of existing UNE-P and DS0 retail loops to EELS. However, BellSouth has agreed to include hot cuts to DS0 EELs in its batch and individual hot cut processes. BellSouth's target implementation date is July 2004.

Q. FURTHER ON PAGE 8 OF HIS TESTIMONY, MR. WEBBER OPINES AS TO HOW BELLSOUTH'S PROCESSES AND REQUIREMENTS SHOULD BE CHANGED TO MAKE EELs USEFUL TO CLECS AND SUGGESTS THAT DURING THE PROVISIONING PROCESS, "ALL ANI TESTING SHOULD BE COMPLETED VIA THE DS0 EEL." DO YOU AGREE?

A. As I have indicated, the product team is developing the DSO EEL process. It would be premature for me to speculate on the connectivity process. However, BellSouth does agree that appropriate hot cut pre-due and due date testing would be part of the process. This would include the ANI testing at the conversion location as described by Mr. Webber on page 8 of his testimony.

CLEC-to-CLEC Migrations

Q. MS. LICHTENBERG, ON PAGE 7 OF HER TESTIMONY, IMPLIES THAT BELLSOUTH DOES NOT ADDRESS CLEC-TO-CLEC MIGRATIONS. HAS MS. LICHTENBERG IDENTIFIED ANY ISSUE IN A CLEC-TO-CLEC MIGRATION THAT IS THE RESPONSIBILITY OF BELLSOUTH?

A. Absolutely not. As I stated in my rebuttal testimony, the issues about which Ms. Lichtenberg complains are neither caused by BellSouth nor can they be resolved by BellSouth. Ms. Litchenberg seems to suggest that BellSouth should be penalized for lack of effective processes or execution between CLECs. I would submit the opposite and ask that the Commission not support this argument when Ms. Lichenberg admits that BellSouth is not directly involved in the process issues she describes.

Q. FROM A PROVISIONING PERSPECTIVE, WILL BELLSOUTH PERFORM CLEC-TO-CLEC MIGRATIONS?

A. Absolutely. BellSouth's individual hot cut process has always included CLEC-to-CLEC migrations. In response to CLEC concerns, BellSouth has agreed to CLEC-to-CLEC migrations (UNE-P to UNE-L) to the Batch Hot Cut Process, as well as CLEC-to-CLEC migrations (UNE-L to UNE-L) as soon as necessary systems changes can be made.

Web-based scheduler

Q. MS. LICHTENBERG STATES ON PAGE 8 THAT BELLSOUTH'S BATCH HOT

CUT PROCESS IS NOT ACCEPTABLE BECAUSE IT "REQUIRES ADDITIONAL STEPS (A MANUAL SPREADSHEET, NEGOTIATION FOR DUE DATES AND A NEW BULK LSR) TO THE PROCESS." ON PAGE 10, SHE RECOMMENDS THAT BELLSOUTH SHOULD IMPLEMENT "A SCHEDULING TOOL SUCH AS THE ONE VERIZON IS DISCUSSING AND THAT SBC IS PROPOSING". PLEASE RESPOND.

A. BellSouth's spreadsheet process, particularly when coupled with project management, is an effective means by which to manage large volumes of hot cuts. As demonstrated by BellSouth's third party test, BellSouth follows its process and the process works. Other than disagreeing with a manual process generally, Ms. Lichtenberg has not pointed to any specific or documented flaws in BellSouth's ordering process and, in fact, was involved in the development of the ordering portion of the batch hot cut process as Mr. Pate describes.

In an effort to be responsive to CLEC concerns, however, unfounded as they may be, BellSouth has agreed to implement a mechanized, web-based scheduler for batch ordering to further enhance the mechanized batch ordering process. BellSouth is targeting the release of this functionality for October 2004.

Same-day cuts for end user accounts

Q. ON PAGE 9 OF HER TESTIMONY, MS. LICHTENBERG CRITICIZES THE BATCH PROCESS FOR NOT GUARANTEEING AN END USER'S LINES WILL BE CUT ON THE SAME DAY. PLEASE RESPOND.

A. BellSouth will guarantee that all the lines in an end user's specific account will be cut on the same day. This should alleviate Ms. Lichtenberg's concern.

Interval Reduction

Q. MS. LICHTENBERG, ON PAGE 10 OF HER TESTIMONY, SUGGESTS THAT BELLSOUTH SHOULD REDUCE INITIAL NEGOTIATION FROM SEVEN (7) BUSINESS DAYS TO FIVE (5) BUSINESS DAYS, AS THE SEVEN (7) BUSINESS DAY INTERVAL IS TOO LONG. DO YOU AGREE?

A. If Ms. Lichtenberg is suggesting the entire processing interval for batch migrations should only require five (5) business days for processing transfers of possibly hundreds of lines, then I adamantly disagree. The planning, pre-due preparation (wiring), quality checks (ANAC), and due date work activity are functions directly related with the ability to match force to load. Handling mass volumes requires appropriate planning and appropriate intervals to effectuate a seamless migration. Five days is insufficient time to complete that process.

That being said, if Ms. Lichtenberg is referring specifically to the period of time in which BellSouth reviews the spreadsheet, BellSouth will be reducing that interval from 7 days to 4 days as part of a batch interval reduction effort.

In addition, BellSouth, in conjunction with other planned enhancements, will reduce the 14-business day provisioning interval to 8 days.

Q. ON PAGE 3 OF HIS TESTIMONY, MR. NEPTUNE CRITICIZES BELLSOUTH'S BATCH PROCESS AND SAYS IT ADDS DELAY IN THE INTERVAL AND CREATES ORDERING COMPLICATIONS. PLEASE COMMENT.

A. While there is a 14-day due date requirement, the process does not lead to conversion rejects or increased costs. The 14-day interval was established to aid in controlling appointments and workload management for mass quantities of service requests. With this due date comes the best effort assurance that all service will be completed on that due date and if there are any issues during the provisioning process, the CLEC is informed and adjustment can be made in the process. If there are no facilities to serve the requested loop, the CLEC is informed by the project manager with other possible options. A change in requested loop type could result in increased costs as with an individual loop change. There are no order complications as Mr. Neptune alleges. A tab-delimited file is created for uploading in Local Exchange Navigation System ("LENS") from the Excel formatted data. This is simply a matter of following four (4) steps listed in the LENS User Guide.

That being said, as stated above, BellSouth has agreed to shorten the provisioning interval from 14 days to 8 days.

Mechanized Communication Tool

Q. MS. LICHTENBERG COMPLAINS, ON PAGE 10 OF HER TESTIMONY, THAT BELLSOUTH NEEDS A COMMUNICATION TOOL SIMILAR TO THE VERIZON WPTS. PLEASE RESPOND.

A. BellSouth will provide a web-based notification tool for non-coordinated batch conversions. BellSouth will make this tool available to CLECs by June 2004.

Restoral Process

Q. ON PAGE 6 OF HIS TESTIMONY, MR. NEPTUNE, IN DESCRIBING THE CUTOVER PROCESSES, MENTIONS A "ROLLBACK" PROCESS IF THERE IS A PROBLEM ON EITHER SIDE. DOES SUPRA PROPOSE A "ROLLBACK" PROCESS?

A. BellSouth is updating its UNE-P to UNE-L Bulk Migration Process to document the acceptance process for coordinated orders, and the expedited restoral process for non-coordinated orders. This should address Mr. Neptune's concern.

Port In Error

Q. ON PAGES 2 AND 9 OF MR. NEPTUNE'S TESTIMONY, HE COMPLAINS THAT BELLSOUTH'S CURRENT PROCESSES DO NOT PROVIDE FOR TIMELY RESTORATION OF SERVICE IN THE CASE OF "PORT IN ERROR." PLEASE COMMENT.

A. The term "port in error" means that the CLEC incorrectly ported the number. "Port in error" occurs most frequently when the CLEC ports the end user's number prior to receiving the completion notice from Bellsouth. BellSouth will, for orders that will be missed on the due date due to CLEC or end user reasons, place a service order into Missed Appointment status. BellSouth will also, at the request of a CLEC, place an order in canceled status. These actions will prohibit the sending of the migration completion message to the CLEC. The CLEC receipt of the completion message is the signal to the CLEC that they may then test their end user's connectivity before porting the end user's telephone number. When the completion message is not received by the CLEC, the CLEC should not port the end user's telephone number. If Supra is experiencing "port in error" problems, it is the fault of Supra and not BellSouth.

Volumes in the Batch

Q. MR. NEPTUNE, ON PAGE 4 OF HIS TESTIMONY, CLAIMS THAT BELLSOUTH LIMITS SUPRA'S NUMBER OF CONVERSIONS TO 150 PER CENTRAL OFFICE, PER DAY. IS THIS CORRECT?

A. No. BellSouth has not imposed a limit on the number of conversions per central office, per day. BellSouth has offered to help Supra with the scheduling of their orders. With the exception of four (4) batch requests, to date Supra has converted all of their lines, approximately ** ,** through the individual hot cut process. By refusing to use the batch process, Supra has not allowed BellSouth the opportunity to help schedule and level load their orders. BellSouth

has offered the services of a Customer Care Project Manager ("CCPM") to assist with scheduling and level loading Supra's orders, even though they are not using the batch process. To date, Supra has not accepted this offer from BellSouth. As an example of Supra's inconsistency in scheduling their orders, for the week of January 5, 2004, Supra had ** ** (** ** in one Central Office) orders due on 1/5, ** ** order due on 1/6, ** ** ((** ** in one (1) Central Office and ** ** in another)) orders due on 1/7, ** ** ((** ** in one (1) Central Office)) orders due on 1/8 and ** ** ((** ** in one (1) Central Office)) orders due on 1/9. Supra's conversions for this week took place in a total of 13 Central Offices. In one (1) of the 13 offices, Supra had ** ** orders due for the week, while in three (3) of the 13 offices, Supra had ** ** or less orders due for the week. Supra's conversion ranged from ** ** orders for the week in one (1) office to ** ** orders for the week in another. BellSouth has no problems in performing the number of conversions that Supra has indicated they want to take place. However, some logic on the part of Supra is required in order for the conversions to take place without imposing undue burdens on both BellSouth and Supra.

Coordination Levels

Q. MR. NEPTUNE, ON PAGE 5 OF HIS TESTIMONY, COMMENTS ON AN "INDUSTRY" RECOMMENDATION OR STANDARD OF COORDINATION. DO YOU UNDERSTAND THIS COMMENT?

A. No. I'm not aware of an "industry" recommendation or standard that defines the

term coordination or coordinated as it relates to hot cuts. BellSouth's coordinated hot cut process was developed through negotiations with AT&T. I have previously explained BellSouth's coordinated hot cut process in my direct testimony and the explanation of coordination as it relates to a BellSouth hot cut is posted on BellSouth's website in the CLEC guides http://www.interconnection.bellsouth.com/guides/html/other_guides.html.

Q. MR. NEPTUNE, FURTHER ON PAGE 5 OF HIS TESTIMONY, CLAIMS THAT BELLSOUTH'S "COORDINATED" PROCESS DOES NOT ALLOW FOR COMMUNICATION DURING THE PROCESS. PLEASE COMMENT.

A. As I explained in my direct testimony, there are several opportunities for communication between BellSouth and a CLEC during a coordinated hot cut. The CLEC receives a call from BellSouth 24-48 hours prior to the due date. BellSouth again contacts the CLEC on the due date prior to the conversion. Finally, BellSouth contacts the CLEC immediately after the conversion. At any time during this process if any jeopardy condition occurs, the CLEC is contacted. Mr. Neptune's statement that the process "does not allow for communication" is absolutely incorrect. The only reason that communications would not take place would be due to the CLEC not having the personnel available to receive the calls.

Q. ON PAGES 6-7 OF MR. NEPTUNE'S TESTIMONY, HE ALLEGES THAT BELLSOUTH'S PROCESS DOES NOT ASSURE DIRECT NOTIFICATION OF THE CONVERSION AT CONCLUSION. PLEASE COMMENT.

A. Mr. Neptune continues to criticize BellSouth's coordinated hot cut process, which, to my knowledge, Supra has never attempted to utilize. As I explained above, there are numerous communication opportunities between BellSouth and a CLEC during the coordinated process. Also, as I stated above, the only reason that a CLEC would not receive notification at the conclusion of a conversion would be due to the CLEC not having the personnel available to receive such notification. BellSouth assures that the attempt is made to contact the CLEC. The CLEC has the responsibility to have someone available to receive the notification.

SBC's Process

Q. ON PAGE 10 OF HIS TESTIMONY, MR. VAN DE WATER DISCUSSES SBC'S PROCESS. WHAT IS YOUR ANALYSIS OF SBC'S PROCESS?

A. I have reviewed the SBC **proposed** batch processes and will address each of the bullet items in Mr. Van De Water's testimony below.

- Flexible scheduling—BellSouth has agreed to include after-hours and Saturday cuts in the batch process.
- Eliminates negotiation steps and time involved—BellSouth's current batch hot cut process involves very little negotiation with the CLEC. There is some internal negotiation that occurs to establish due dates. As stated previously, BellSouth also has agreed to implement a scheduling tool to allow CLECs to select batch migration due dates thus reducing negotiation steps and manual interface time.

- Provides defined interval to allow for CLEC resource planning – BellSouth's current batch hot cut process allows for CLEC resource planning. The CLECs have the ability to request a desired due date when they submit their batch request. If the requested due date does not represent an interval shorter than the minimum, BellSouth will honor that date as long as workload and personnel will allow. Regardless of whether the CLEC requests a due date, BellSouth supplies the due date when the project notification sheet is returned to the CLEC. This should allow the CLEC sufficient time for resource planning. As stated previously, BellSouth also is implementing a scheduling tool to allow the CLECs to select batch migration due dates prior to submitting their batch request.
- Provides CLECs an ability to reserve time—As stated above, under the current Batch process the BellSouth Customer Care Project Manger will work with the CLEC if they need a coordinated order worked within a window of time. Moreover, in an effort to be responsive, BellSouth has agreed to (1) commit to a four-hour time window for coordinated hot cuts; and (2) develop a scheduling tool to allow the CLEC to request time frames for coordinated orders.
- Wire center based to provide CLEC the ability to convert multiple central offices on the same day—BellSouth's current process also allows the ability to convert multiple offices on the same day.
- Includes requests involving IDLC cuts—BellSouth's current process includes requests involving IDLC cuts.
- Mechanized order flow—BellSouth's batch hot cut orders will flow through at the same rate as individual orders of the same type. In addition to this,

BellSouth current batch process allows for the submission of a single bulk LSR for up to 99 end user accounts where SBC's proposed process requires single LSR submissions for each account.

- Reservation tool—In BellSouth's current process, the Customer Care Project Manger performs this function for the CLEC. Again, BellSouth's scheduler tool which it has agreed to implement will allow due date reservations.
- Pre-order IDLC tool—BellSouth's current process also provides this function through the use of its Loop Makeup Tool. The CLEC can query to see what type of facility is currently on the end user's line and reserve an alternate facility, if available, if the line is on IDLC.

Window Of Time For Cuts

Q. MR. VAN DE WATER, ON PAGE 13 OF HIS TESTIMONY, SAYS THAT BELLSOUTH WILL NOT COMMIT TO TIME SPECIFIC HOT CUTS, OR EVEN A WINDOW, IN THE BATCH PROCESS. PLEASE COMMENT.

A. BellSouth will enhance the batch process to guarantee a four (4) hour time window for coordinated cuts in the batch process. This should alleviate Mr. Van de Water's concern.

After-Hours/Weekend Cuts

Q. FURTHER ON PAGE 13 OF HIS TESTIMONY, MR. VAN DE WATER STATES

THAT BELLSOUTH WILL NOT DO AFTER-HOURS HOT CUTS OR SCHEDULE HOT CUTS ON WEEKENDS TO AVOID END USER DISRUPTION. IS HE CORRECT?

A. No. BellSouth will include after hours and Saturday cuts in the batch process.

Retail-UNE-L Conversions

Q. ON PAGES 16-17 OF MR. VAN DE WATER'S TESTIMONY, AND PAGES 14-15 OF MR. GALLAGHER'S TESTIMONY, THEY CRITICIZE BELLSOUTH'S BATCH HOT CUT PROCESS BECAUSE IT DOES NOT APPLY TO RETAIL TO UNE-L CONVERSIONS. PLEASE COMMENT.

A. The purpose of the batch migration process is to move large numbers of loops from one carrier's local switch to another carrier's local switch. Thus, the process is particularly suited to the conversion of an embedded base of customers. Customer acquisition, on the other hand, does not lend itself to batch conversions. CLECs do not structure their marketing plans or their sales channels to target a single wire center per day. On the contrary, CLECs are winning customers statewide in whatever order they sign up. It would make no sense for a CLEC to forego the revenue associated with customer acquisition while it accumulated sufficient customers in a wire center to make use of the batch process meaningful. BellSouth has a Commission-approved individual hot cut process that should be utilized for customer acquisition.

Moreover, BellSouth has agreed to include CLEC-to-CLEC UNE-P to UNE-L and UNE-L to UNE-L conversions.

Scalability Of The Batch Hot Cut Process

Q. MS. LICHTENBERG, ON PAGE 3 OF HER TESTIMONY, ALLEGES THAT BELLSOUTH'S SCALABILITY ARGUMENTS ARE NO MORE THAN "FUTURE" PROMISES. DO YOU AGREE?

A. No, I do not agree. BellSouth has a proven track record of staffing its centers and network forces to accommodate changing and increasing loads. Ms. Lichtenberg has pointed to no evidence to support her claim that BellSouth's process is not scalable. The Commission, therefore, should disregard her testimony on this point.

Q. ON PAGE 6 OF HER TESTIMONY, MS. LICHTENBERG ALLEGES THAT BELLSOUTH'S FORCE MODEL "DOES NOT APPEAR TO ADDRESS" ANY INCREASED MANUAL ORDER PROCESSING. PLEASE COMMENT.

A. Ms. Lichtenberg is incorrect. BellSouth's force model does account for different fallout rates. The increased number of BellSouth Service Representatives that I included in my direct testimony included personnel to handle an increased number of manual orders.

Q. ON PAGE 18 OF HIS TESTIMONY, MR. VAN DE WATER CRITICIZES BELLSOUTH FOR "THROWING BODIES" AT THE HOT CUT PROBLEM RATHER THAN PROPOSING ANY MECHANIZATION OF THE PROCESS. PLEASE COMMENT.

A. First, BellSouth does not believe it has a hot cut "problem." Rather, it has an efficient and seamless process by which it can move loops from one carrier's switch to another carrier's switch. Second, BellSouth is not "throwing bodies" at the problem. Rather, it will staff its network forces to handle the hot cuts that arise. Whether AT&T likes it or not, it takes human beings to run a telephone company. Finally, BellSouth agrees that it has not taken steps to institute the eight (8) billion dollar retrofit of its network that AT&T advocates. Such a capital expenditure cannot be justified, particularly when BellSouth has an efficient hot cut process in place

Q. ON PAGE 19 OF HIS TESTIMONY, MR. VAN DE WATER ARGUES THAT BELLSOUTH'S CUTOVER OF OVER 200 LINES IN A SINGLE CENTRAL OFFICE IN ONE DAY DOES NOT DEMONSTRATE BELLSOUTH'S ABILITY TO PERFORM HOT CUTS AT FORESEEABLE VOLUMES. PLEASE COMMENT.

A. To the contrary, this single day shows BellSouth's ability to successfully complete high volumes of orders within a single office, both central office and IDLC, while sustaining significant volumes in several other offices. On the referenced date, BellSouth converted 98% of 440 orders scheduled for conversion. Approximately 50% of the orders on this day were IDLC conversions. On the same day, highest

single office performance was 97.5%, provisioning 201 of the 206 orders due. Through the date of this filing, BellSouth has consistently maintained a successful due date completion rate average of over 98% for UNE-P to UNE-L migrations with total UNE-P to UNE-L migration volumes as high as 1,000 per day total and in single offices of over 250 per day. Month over month, UNE-P to UNE-L volumes have risen significantly with totals of over 1900 in November 2003; over 3100 in December 2003; and over 4200 January 1 through January 23, 2004. During the months of November and December 2003, Missed Installation Appointments for the CLEC aggregate was 1.27% for November and 1.54% for December as compared to the BellSouth retail rates of 1.75% and 1.90%, respectively.

Bellsouth has maintained these high due date performance rates with virtually no advance planning. Given the fact that CLECs have the ability to use the batch migration process, which allows both the CLEC and BellSouth extended intervals for planning, it obviously follows that BellSouth's ability to perform hot cuts in large quantities would only improve, given some idea of 'foreseeable' volumes from the CLECs.

Exhibit KLA-9 sets forth BellSouth's UNE-P to UNE-L hot cut performance for October 9, 2003 – January 23, 2004.

Q. ON PAGE 20 OF HIS TESTIMONY, MR. VAN DE WATER STATES THAT BELLSOUTH'S ASSUMPTION REGARDING NON-COORDINATED HOT CUTS IN ITS FORCE MODEL IS INCORRECT. PLEASE COMMENT.

A. There is no real way to be certain which option, coordinated or non coordinated, CLECs will choose to convert their UNE-Ps. BellSouth assumed that at least half of the migrations will be non-coordinated. To date, the vast majority, if not all, migrations of UNE-P to UNE-L have been non-coordinated. BellSouth does not expect that future migrations will differ very much from this. Moreover, MCI representatives, in a hot cut workshop in Tennessee, advised that they expected to use non-coordinated conversions. Further, based on the fact that a high percentage of UNE-P end users are residential, BellSouth expects the non-coordinated option to be used based simply on economics. If BellSouth's assumptions prove to be incorrect, BellSouth's force model can, and will, be adjusted.

Q. MR. VAN DE WATER, ON PAGE 22 OF HIS TESTIMONY, IMPLIES THAT BELLSOUTH INCORRECTLY ASSUMES A BALANCED LOAD OF MIGRATIONS WHEN THE REALITY IS THAT THE CONVERSIONS MAY BE "BACKLOADED" AT THE END OF THE SCHEDULE. DO YOU AGREE?

A. No I do not agree. The schedule, as outlined by the FCC in the TRO, allows sufficient time for any reasonable CLEC to plan and implement the necessary collocation arrangements and other facilities needed to provide switching. BellSouth should not be held accountable for poor planning on the part of a CLEC who chooses to procrastinate and wait until the end of the 27-month period to convert all of their UNE-Ps.

IDLC

Q. ON PAGE 3, MR. NEPTUNE STATES THAT "IN MANY CASES THE ASSIGNMENT AND CROSS-CONNECTION OF NEW F1 LOOPS OR UDLC FACILITIES TO EXISTING F2 COPPER LOOPS ARE THE MORE COMPLEX AND PROBLEMATIC PROCESSES." PLEASE ADDRESS.

The replacement of the current F1 facility is sometimes utilized to condition the end user for cross connection to the CLEC equipment or to provide a facility that is compatible for the service being ordered. Within the Central Office usually before the due date, the new F1 facility is connected to the CLEC demark point that was provided in the CLEC Local Service Request. On the due date in the field, the F1 is tested and cross-connected to the F2 pair that is already connected to the end user location.

Q. MR. NEPTUNE, ON PAGE 7 OF HIS TESTIMONY, COMPLAINS ABOUT THE NRC FOR UNE-P TO UNE-L CONVERSION NRCs ON THE GROUNDS THAT IT IS A MELDED RATE BETWEEN DISPATCH AND NON-DISPATCH. PLEASE COMMENT.

A. The NRCs for the individual hot cut process are those adopted as TELRIC-compliant by this Commission. The issue of the blended rate was an issue for the cost docket. This is not the place for Supra to attempt to relitigate the cost docket. Moreover, Supra has raised this precise issue in a complaint at the FCC and thus is barred from having it heard here.

Q. ON PAGE 4 OF HIS TESTIMONY, MR. NEPTUNE CLAIMS THAT IN NOVEMBER 2003, SUPRA SUBMITTED FOUR (4) 99 LINE BATCHES AND 30-40 LINES IN EACH WERE RETURNED AS SL-2 CONVERSIONS REQUIRED AND 1-5 WERE CLASSIFIED AS NON-CONVERTIBLE IN ANY WAY. FURTHER, MR. NEPTUNE STATES "AS OF DECEMBER 18, 2003, NO REASON HAS BEEN FORTHCOMING FOR THESE CLASSIFICATIONS." PLEASE COMMENT.

A. As stated and exhibited in my previous testimony, BellSouth's Customer Care Project Manager notified Supra via email advising the individual telephone numbers that were currently served by IDLC that BellSouth could not move to alternate compatible facilities. Even though there were no UDLC or Copper facilities available, records indicated many of those could, however, be served as an SL2 by a side door or hairpin arrangement on the IDLC. There were minimal amounts, less than five (5), of the 99 that had no facilities available for SL1 or SL2 and would need to be removed from the bulk request. The explanations were given in the email and also noted on the project spreadsheets returned to Supra.

Q. MR. NEPTUNE, ON PAGE 8 OF HIS TESTIMONY, CLAIMS THAT SUPRA DOES NOT HAVE NONDISCRIMINATORY ACCESS TO LOOPS BECAUSE FOUR (4) OF ITS 99 ORDERS IN PEMBROKE PINES WERE CLASSIFIED AS NON-CONVERTIBLE. PLEASE ADDRESS.

A. There are no non-convertible loops. As described in my direct testimony, BellSouth will perform special construction to provide unbundled loops. If Supra does not wish to incur the special construction cost, BellSouth will continue to provide UNE-P on that loop at TELRIC prices in those areas in which and at such time as BellSouth receives unbundled switching relief.

Q. MR. NEPTUNE FURTHER STATES, ON PAGE 8 OF HIS TESTIMONY, "SUPRA SUSPECTS THAT THIS LOOP REPLACEMENT PROCESS IS CAUSING A 4-5% RATE OF NDT OCCURRENCES DURING CONVERSIONS. SUPRA TELECOM CANNOT PROVIDE ACTUAL DATA BECAUSE BST DECLINES TO IDENTIFY THESE CUSTOMERS PRIOR TO CONVERSION." PLEASE COMMENT.

A. As Mr. Neptune admits, Supra has supplied no data to support this unsubstantiated allegation. Contrary to Mr. Neptune's testimony, BellSouth provides the CLECs with a means, through its loop make-up process, to verify the type of facility that is serving a line before they place a conversion order. This process is described further in the testimony of BellSouth's witness Pate.

Q. ON PAGE 10 OF HIS TESTIMONY, MR. NEPTUNE ALLEGES THAT SUPRA EXPERIENCES A LARGE NUMBER OF NDT CONDITIONS ON OR BEFORE THE CONVERSION DATE WHICH MEANS THAT LOOPS ARE CONVERTED TO COPPER OR UDLC PRIOR TO CONVERSION AND ARE NOT TESTED FROM CUSTOMER NETWORK INTERFACE DEVICE ("NID") TO THE

CENTRAL OFFICE PRIOR TO THE JUMPER MOVE ON THE MAIN DISTRIBUTING FRAME ("MDF"). PLEASE ADDRESS THIS ALLEGATION.

A. BellSouth as a policy does not perform any conversions before the actual due date on the order. If such a conversion were to occur before the actual due date, the BellSouth migration process requires that the CLEC dial tone be present before the conversion would take place. If CLEC dial tone is not present, the cut will not occur. In addition, the loops are not converted to copper or UDLC, as Mr. Neptune alleges, prior to the due date. As I explained above, the new F1 facility is cross-connected to the existing F2 at the time of the conversion of the line. The conversion is performed on the date specified on the FOC. BellSouth does not dispatch to work a pre-cut prior to the FOC date for two (2) reasons. First, this additional cut would cause a needless service disruption for Supra's customer. Second, the nature of cut would involve extra work for BellSouth Network personnel both in the field, central office, and other downstream departments. As far as testing from the NID, previous Installation work instructions required technicians to tag and test from the NID whenever service order activity required a dispatch. These instructions were revised on September 13, 2003, in response to Supra conversion orders placed in missed appointment ("MA") status. Supra was concerned that this would be an ongoing issue on all other dispatched orders. BellSouth's SSIM/IM staff and CWINS staff determined a revision was necessary since the service order activity was not end-user initiated and Supra's customers would be unaware of any pending work. Work instructions now state that an attempt will be made to gain access to the NID, and if access is denied, the order will be completed rather than MA'd.

Q. ON PAGE 13 OF MR. NEPTUNE'S TESTIMONY, HE DESCRIBES SUPRA'S PROPOSAL FOR IDLC WHICH PROPOSED "THAT IN AREAS OF HIGH SUPRA TELECOM CUSTOMER CONCENTRATION CONJOINED WITH HIGH CONCENTRATIONS OF IDLC BELLSOUTH COULD MOVE OR GROOM ALL THE CUSTOMERS TO 1-N REMOTE TERMINALS WHICH COULD BE DEMUXED AT THE CO AND HANDED OFF TO SUPRA AT THE APPROPRIATE LEVEL." PLEASE COMMENT ON SUPRA'S PROPOSAL.

A. BellSouth's offering titled "Unbundled Sub-loop Concentration (USLC)" dedicates a 96 channel DLC to a CLEC and hands the loops off to the CLEC at the DS1 level. It allows a CLEC to order sub-loops and transport them back to its collocation space. No CLEC has ever ordered USLC. The recent FCC TRO declined to require unbundled feeder and therefore BellSouth is withdrawing USLC. The TRO determined that CLECs are not impaired by not having access to unbundled feeder. The CLEC is free to place its own DLC systems and order unbundled sub-loops to accomplish this type of interconnection. Thus, BellSouth has no obligation to provide what Supra is asking.

Hot Cut Performance

Q. MR. NEPTUNE, ON PAGE 2 OF HIS TESTIMONY, TESTIFIES THAT DURING NOVEMBER 2003, OVER 2400 CUSTOMERS CONVERTED FROM UNE-P TO UNE-L EXPERIENCED NO DIAL TONE ("NDT") ON THE CONVERSION DATE 4-5% OF THE TIME AND COULD NOT RECEIVE CALLS FOR FOUR (4)

HOURS OR MORE 47% OF THE TIME. PLEASE COMMENT.

A. This testimony is identical to Supra's direct. As I stated and demonstrated in my Rebuttal testimony, the reason the customers could not receive calls 47% of the time was directly related to Supra's delay in porting their customers timely and was no fault of BellSouth. Please see my Rebuttal testimony for additional information.

Q. FURTHER ON PAGE 2 OF MR. NEPTUNE'S TESTIMONY, HE STATES THAT "A CUSTOMER EXPERIENCING NDT UPON CUTOVER CAN TYPICALLY EXPECT A TWENTY-FOUR HOUR WINDOW FOR REPAIR." PLEASE COMMENT.

A. First, before the cut, BellSouth tests for dial tone to verify the telephone number prior to the cutover. If a "NDT- no dial tone " condition exists, BellSouth will place the service order in Missed Appointment status and will BellSouth will not cut the loop.

After the cut, in the event the end user experiences problems after the conversion, BellSouth's repair commitment to wholesale customers is listed in our Operational Understanding:

> ... CWINS will provide CLEC certain telephone services pursuant to the Interconnection Agreement; the services and facilities will be at least equal in quality to that provided by BST to itself and its end users....Our

maintenance target is to provide "a business comparison offering" for SL1 – 2 wire analog voice grade loops.

Performance data demonstrates that BellSouth meets its repair commitments. Comparable data for BellSouth Retail and BellSouth wholesale customers for non-designed loops August through December 2003 is listed on Exhibit KLA-10. As the data demonstrates, the average repair time for CLECs is better than for BellSouth Retail each of the five (5) months.

Q. MR. NEPTUNE, ON PAGE 3 OF HIS TESTIMONY, EXPLAINS THAT PORTING IS A COMPLEX PART OF THE PROCESS. PLEASE ADDRESS.

A. Porting is a simple 3-step process:

(1) When the CLEC receives a Firm Order Commitment ("FOC"), they send a "create" message to NPAC.
(2) NPAC provides a mechanized notification to BellSouth that the create message has been sent; BellSouth responds with a mechanized "concur" message.
(3) On the due date, when BellSouth completes the migration activity, the CLEC is notified so they can send an "activate" message to NPAC.

The porting process successfully occurs many times a day for every end user telephone number "porting-in" or porting-out" of a BellSouth switch.

Q. IN ADDITION TO THE ABOVE CONCERN BY MR. NEPTUNE, HE CLAIMS THAT "DELAYS CAUSED BY THIS PROCESS COULD CAUSE UP TO 12 HOURS OF AN OSS CONDITION WHILE AWAITING A RESPONSE FROM THE CLEC." PLEASE COMMENT.

A. Mr. Neptune is absolutely correct. If a CLEC waits 12 hours to advise BellSouth of a problem, there could be 12 hours of out of service time.

Q. AS TO THE CENTRAL OFFICE TECHNICIANS ENTERING COMPLETIONS INTO THEIR SYSTEMS, MR. NEPTUNE STATES, ON PAGE 6 OF HIS TESTIMONY, THAT "THE EXTENT OF THEIR COMMITMENT IS THAT THEY WILL MAKE A BEST EFFORT TO ENTER THE COMPLETIONS IN LESS THAN FOUR (4) HOURS. THIS COMMITMENT IS ENTIRELY DEPENDANT UPON THE MOOD, ATTITUDE OR WORKLOAD OF A TECHNICIAN THAT SEES THE CLEC AS THE ENEMY." PLEASE COMMENT AS TO MR. NEPTUNE'S ASSESSMENT OF FOUR (4) HOUR COMPLETIONS.

A. BellSouth's current process is compliant with the TRO. That being said, in an effort to be responsive, BellSouth is enhancing the batch process to provide that BellSouth technicians will close out their work steps for non-coordinated batch cuts at least every 2 hours. As I have stated previously, BellSouth's automated notification system provides the notification to the CLEC within 2 minutes of the closing of the work steps by the technicians. Thus, the maximum amount of time that could pass between the hot cut and the CLEC notification would be a total of 2 hours and 2 minutes.

Q. ON PAGE 7 OF HIS TESTIMONY, MR. NEPTUNE COMPLAINS ABOUT BELLSOUTH'S PERFORMANCE ON GO-AHEAD NOTICES. HE CONTENDS THAT IT CAN TAKE UP TO FOUR HOURS FOR SUPRA TO RECEIVE THEM. PLEASE COMMENT.

A. In the absence of any willingness on the part of Supra to either use the batch process or work with a project manager to set conversion volumes and dates, BellSouth's Florida Network personnel have put forth their best efforts to handle Supra's large and inconsistent volume of orders with little or no planning. Technicians, both central office and field, have sometimes worked beyond their normally scheduled tours to complete the scheduled due dates. However, it would be a rare occasion that Supra would receive "go-aheads" as late as 9:00pm. Moreover, notably, Supra provides no evidence or specific examples to support its allegation. Previously provided testimony stated that Enhanced Delivery Initiative ("EnDI") mechanically sends an e-mail "go-ahead" notification to the CLEC within two (2) minutes of a completed –central office work step or ---- field technician completion message.

During the month of December 2003, Supra converted over ** ** orders. 98.5% of the "go-aheads" were sent between 7am and 6 pm. Mr. Neptune also references the notification process as being the most troublesome part of the conversion process since "go-ahead" notices are sent to the CLEC on an individual number basis. The individual e-mail notifications, however, were put into place at Supra's request.

As stated above, BellSouth has agreed to implement a web-based tool for posting the CLEC "go-ahead" notification. This application is expected to be deployed June 2004.

Q. FURTHER ON PAGE 9 OF HIS TESTIMONY, MR. NEPTUNE CLAIMS THAT THE CLEC PERFORMS LNP PORTING UPON RECEIPT OF THE BELLSOUTH COMPLETION NOTIFICATION, NOT ONCE THE CONVERSION IS COMPLETE AS BELLSOUTH WITNESS AINSWORTH IMPLIED IN HIS TESTIMONY. MR. NEPTUNE GOES ON TO SAY "THIS NOTIFICATION CAN BE AND OFTEN IS HOURS AFTER THE CONVERSION IS COMPLETED." PLEASE COMMENT.

A. For coordinated conversions, the CLEC is immediately notified by the CWINS that the conversion is complete. For non- coordinated conversions, the CLEC is notified after the technician has closed his work step. For individual orders, the work steps are closed after each order. However, for large volumes conversion such as bulk, it is more efficient for the technician to physically move jumpers for several orders before returning to his workstation to close out the work steps. For this efficiency reason, a central office technician working bulk volumes will close out his work within two (2) hours of the physical cut which would notify the CLEC that the conversion is complete and ready to port.

Q. ON PAGE 11 OF HIS TESTIMONY, MR. NEPTUNE WANTS BELLSOUTH TO IDENTIFY THE CLEC INVOLVED IN THE 600 CONVERSIONS BELLSOUTH CLAIMS TO HAVE PERFORMED SUCH THAT IT CAN BE DETERMINED HOW

MANY CUSTOMERS LOST DIAL TONE, ETC. PLEASE COMMENT.

A. The CLEC involved in the 600 conversions is ** **. The date of the 600 conversions was December 22, 2003. ** ** submitted ** ** orders involving eight (8) different central offices. ** ** of the ** ** were successfully completed. Five (5) of these orders could not be completed due to CLEC reasons (2-No access; one (1) No CLEC DT; one (1) Defective CLEC cable pair; one (1) CLEC other reason). There were two (2) orders that could not be completed due to lack of facilities; however, they could have been resubmitted as SL2.

BellSouth investigated those ** ** completed conversions on December 22, 2003, and found that only ** ** of the ** ** had a BellSouth problem after the conversion. ** ** trouble percentage for BellSouth issues, NDT, etc. for this day was 1.57%. This percentage is significantly lower that BellSouth's own retail rate for troubles following order activity. More orders were missed on this day due to ** ** reasons than for BellSouth reasons.

Mr. Neptune indicates a potential problem in porting and he is correct. However, once again, Supra fails to give valid reason for port problems. On December 22, 2003, ** ** orders were converted and ** ** "go-ahead" notifications were sent to ** ** by BellSouth. However, on this date, ** ** ported less than ** ** of the ** ** conversions. ** ** continued to port these customers on later dates, as evidenced by the fact that over ** ** numbers were ported on December 23, 2003, when ** ** only had one (1) order due

and only received one (1) "go- ahead" notification. The customer's incoming calls would have been negatively impacted, but this is clearly not the fault of BellSouth but is instead, caused by CLEC delay.

Q. FURTHER ON PAGE 11 OF HIS TESTIMONY, MR. NEPTUNE STATES THAT BELLSOUTH'S PROJECT MANAGER THAT WORKS WITH SUPRA DOES NOT KNOW HOW TO USE THE BULK MIGRATION REQUEST SYSTEM AND THAT SUPRA HAS NEVER BEEN MADE AWARE OF HOW IT WORKS OR TRAINED IN ITS USE. IS THIS CORRECT?

A. No. The project manager knows how to use the bulk migration process as explained in Ainsworth's testimony. The project manager's role begins in the pre-order issuance/ notification and follows through to the provisioning phase of this process. During the pre-ordering issuance/ notification process, the CLEC submits a Notification Form to BellSouth's CCPM for UNE-P accounts to be converted to UNE-L within a single wire center. The CCPM reviews the Notification Form for errors and assigns a Bulk Order Project Identifier ("BOPI") and forwards the Notification Form to the Network Single Point of Contact ("SPOC") who assigns due dates to accounts and returns the Notification Form to the CCPM, who then returns the Notification Form to the CLEC. Additionally, the project manager acts in a liaison capacity or single point of contact between the CLEC and network operations. The project manager coordinates with network to assign due dates, advise CLEC of potential delays or problems, and advise of completion of the project. In the batch hot cut provisioning process, the

BellSouth CCPM provides CWINS and the network operations group with notification of planned bulk activity, monitors status of the order(s), interfaces with the CLEC and Bellsouth groups during the process, and tracks orders and the project until it is complete. The project manager is the party responsible in the first instance for ensuring successful completion of the process.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

UNE-P to UNE-L Order Summary
October 9, 2003 - January 23, 2004

	Date	Volume	% DD Complete
October	10/9/2003	61	100.0%
199	10/10/2003	91	100.0%
	10/16/2003	31	100.0%
	10/17/2003	2	100.0%
	10/21/2003	11	100.0%
	10/28/2003	2	100.0%
	10/29/2003	1	100.0%
November	11/4/2003	1	0.0%
1977	11/5/2003	1	100.0%
	11/6/2003	85	98.8%
	11/7/2003	90	98.9%
	11/10/2003	70	100.0%
	11/11/2003	62	100.0%
	11/12/2003	62	100.0%
	11/13/2003	69	98.6%
	11/14/2003	16	100.0%
	11/17/2003	98	99.0%
	11/18/2003	136	98.5%
	11/19/2003	98	100.0%
	11/20/2003	375	99.7%
	11/21/2003	167	98.8%
	11/24/2003	434	99.3%
	11/25/2003	202	100.0%
	11/26/2003	11	100.0%
December	12/1/2003	140	100.0%
3136	12/2/2003	319	99.4%
	12/3/2003	238	99.6%
	12/4/2003	114	98.2%
	12/5/2003	7	85.7%
	12/8/2003	23	95.7%
	12/10/2003	393	98.0%
	12/12/2003	85	100.0%
	12/15/2003	285	99.6%
	12/16/2003	3	66.7%
	12/17/2003	154	96.1%
	12/18/2003	9	100.0%
	12/19/2003	297	98.3%
	12/22/2003	642	98.9%
	12/23/2003	1	100.0%
	12/24/2003	415	98.6%
	12/26/2003	3	100.0%
	12/29/2003	8	100.0%

January	1/2/2004	44	95.5%
5047	1/5/2004	671	98.8%
	1/6/2004	4	100.0%
	1/7/2004	1022	95.6%
	1/8/2004	900	99.9%
	1/9/2004	516	98.3%
	1/12/2004	298	99.7%
	1/13/2004	0	
	1/14/2004	195	99.0%
	1/15/2004	239	97.5%
	1/16/2004	20	95.0%
	1/19/2004	186	98.4%
	1/21/2004	211	100.0%
	1/22/2004	343	98.0%
	1/23/2004	398	99.0%

Mean Time to Repair

	State	FL Maintenance and Repair Products	Metrics	August 2003 Total	September 2003 Total	October 2003 Total	November 2003 Total	December 2003 Total
BST	FL	Retail Residence and Business (POTS)	Avg Dur	21.95	19.58	18.35	21.52	17.49
All CLECs	FL	2W Analog Loop Non-Design	Avg Dur	14.91	15.46	15.67	20.19	15.25

BELLSOUTH TELECOMMUNICATIONS, INC.
SURREBUTTAL TESTIMONY OF ALPHONSO J. VARNER
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FILED JANUARY 28, 2004
DOCKET NO. 030851-TP

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Alphonso J. Varner. I am employed by BellSouth as Assistant Vice President in Interconnection Services. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. ARE YOU THE SAME ALPHONSO J. VARNER WHO FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes I am.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My Surrebuttal Testimony is filed in response to several issues raised by CLEC witnesses Sherri Lichtenberg of MCI, Cheryl Bursh and Mark Van De Water of AT&T, Michael Gallagher of Florida Digital Network, Inc., ("FDN") and Mark Neptune of Supra.

Q. HOW WOULD YOU GENERALLY CHARACTERIZE THE NATURE OF THE ARGUMENTS MADE BY THESE PARTIES?

A. There are four (4) themes repeatedly asserted by the CLECs in an attempt to frustrate a finding by this Commission that they are not operationally impaired without access to local circuit switching offered as a UNE. The first assertion, and the most blatantly erroneous, is that the performance data provided in my Direct Testimony are not relevant to the issues to be addressed in this proceeding. In order to support this faulty conclusion, the CLECs engage in a narrow and clumsy interpretation of the FCC's Triennial Review Order ("TRO") and ignore other parts of the order that directly contradict their conclusion.

Second, while claiming that the performance results are not relevant on the one hand, on the other hand the CLECs use these same data to argue that because UNE-P and UNE-L intervals are different, CLECs are automatically impaired without UNE-P. First, their conclusion does not comport with either the TRO or a practical assessment of whether impairment exists. Further, the CLECs did not fulfill the fundamental need to offer tangible evidence that the differences about which they comment constitute operational impairment.

Next, most of the CLEC witnesses replay the contention that disaster looms in the future. Once again, they argue that unless BellSouth's systems and processes used in ordering, provisioning and maintaining

UNE-Loops are substantially more mechanized, the potential for errors in manual operations and the increased demand for UNE-L would cause BellSouth's performance to plummet. As a result, they claim that CLECs would be unable to compete if UNE-P was not required. In the past, CLECs claimed that this scenario was inevitable if BellSouth was allowed into the long distance business. Now, they imply that the sky will fall once again if UNE-P is eliminated and CLECs must rely on UNE-L.

Finally, the CLECs falsely contend that unless the performance standards for UNE-P and UNE-L are exactly the same, CLECs will face operational barriers that would prohibit CLECs from competing effectively in the local mass market. In this instance, the CLECs rely on an unsound interpretation of the FCC statement in the TRO that it "is necessary to ensure that customer loops can be transferred from the [ILEC]...to a [CLEC] ...as promptly and efficiently as [ILECs] can transfer customers using local circuit switching." [fn. 1574] The CLECs raising this issue use an impractical inference as a basis to assert that any variation between UNE-P and UNE-L performance is enough to establish impairment.

I. BELLSOUTH'S CURRENT PERFORMANCE RESULTS ARE NOT ONLY RELEVANT TO THIS PROCEEDING, BUT WITHOUT SUCH DATA THERE IS NO OBJECTIVE BASIS TO DETERMINE IF THE CLECS FACE OPERATIONAL IMPAIRMENT.

Q. DO YOU HAVE ANY RESPONSE TO THE COMMENTS ON PAGE 3 OF MS. BURSH'S, PAGE 8 OF MR VAN DE WATER'S AND PAGE 2 OF MS. LICHTENBERG'S REBUTTAL TESTIMONY, WHERE EACH CITE PARAGRAPH 469 FROM THE FCC'S TRIENNIAL REVIEW ORDER AS A REASON TO CONCLUDE THAT BELLSOUTH'S CURRENT PERFORMANCE RESULTS ARE NOT RELEVANT IN THIS PROCEEDING?

A. Yes. These witnesses cite the FCC's statement in paragraph 469 of the Triennial Review Order that "the number of hot cuts performed by BOCs in connection with the 271 process is not comparable to the number that incumbent LECs would need to perform if unbundled switching were not available for all customer locations served with voice-grade loops." This fragment is construed as the basis to declare that the current performance data are irrelevant. This conclusion is neither required by the TRO, nor is it a reasonable way for the Commission to proceed.

Paragraph 469 merely indicates that ILECs, like BellSouth, cannot rely only on the findings in the 271 proceedings to conclude that there is no impairment for CLECs if unbundled switching is not available. The point that the FCC was making is that the question the state commissions must answer is how the ILEC will handle increased volumes. They did not dismiss current performance data as relevant evidence to be considered by state commissions. Moreover, in paragraph 512 of its Triennial Review

Order, the FCC encouraged the use of such data in these proceedings with respect to loop provisioning in general when it explains:

> Evidence relevant to this inquiry might include, for example, commercial performance data demonstrating the timeliness and accuracy with which the incumbent LEC performs loop provisioning tasks and the existence of a penalty plan with respect to the applicable metrics. For the incumbent LECs that are BOCs subject to the requirements of section 271 of the Act, states may choose to rely on any performance data reports and penalty plans that might have been developed in the context of the past, pending, or planned application for long-distance authority.

Clearly, the FCC intended for states to use the facts of current performance instead of proceeding solely on the basis of unsupported assumptions as these witnesses propose.

The intent of the FCC's statement in paragraph 469 is to indicate why it could not find on a national basis that CLECs are not impaired without access to unbundled local switching, or hold unequivocally that they are impaired. If the FCC had made such a clear finding, there would be no need for the state proceedings. In footnote 1435 of the same paragraph 469 that these witnesses cite, the FCC states: "our decision does not overlook the possibility that if in some markets the incumbents' ability to perform batch hot cuts does not pose impairment, the states may simply make the findings to this effect." In essence, these witnesses are proposing to unnecessarily restrict this Commission in its deliberations by ignoring factual data.

BellSouth's performance data evidence BellSouth's ability to perform loop provisioning in a timely and reliable manner. Hot cuts are simply a

specific type of loop provisioning activity. Thus, BellSouth's current exemplary performance data are relevant and important.

The performance data should be used in conjunction with the testimony of BellSouth witnesses such as Mr. McElroy and Mr. Ainsworth to determine whether operational impairment exists. The performance data calculated as prescribed by this Commission is an important part of this inquiry because it demonstrates the extent of BellSouth's commitment and action on that commitment to provide nondiscriminatory loop provisioning. BellSouth has shown a commitment to provisioning loops, including hot cuts in a timely and accurate manner for CLECs in Florida. These measurement results clearly show that performance does not pose an operational barrier to market entry for the CLECs. Performance data provided in my Direct Testimony offers a factual basis for the Commission's decisions instead of the unsupported assumptions offered by these witnesses.

Q. MS. BURSH, ON PAGE 2 OF HER REBUTTAL TESTIMONY ALLEGES THAT BELLSOUTH HAS TWISTED CURRENT PERFORMANCE DATA TO SUPPORT THE CLAIM THAT BELLSOUTH'S EXISTING PROCESSES WILL ADEQUATELY SUPPORT ANTICIPATED LOOP MIGRATION. DO YOU AGREE?

A. No, I disagree. As demonstrated in Exhibit AJV-1 to my Direct Testimony, BellSouth has shown a commitment to performing hot cuts in a timely and

accurate manner for CLECs in Florida. If Ms. Bursh considers the hot cut volumes to be low, they simply reflect the CLECs' choices, which according to Ms Bursh is rationale to penalize BellSouth. That aside, hot cuts are not a new process to BellSouth. The fact is BellSouth has been doing what we now call 'hot cuts' for many years. BellSouth has extensive experience in performing large numbers of hot cuts by completing the work steps required to transfer a geographic area from one wire center to another. These transfers are called 'Area Transfers.' Another example of the BellSouth's experience with 'hot cuts' is the T&F process, wherein a customer moves from one location to another within the same wire center. Both of these examples have been subject to Commission oversight for many years, even predating the Telecom Act of 1996. They have also been included in such retail measurements as Customer Trouble Report Rate.

Further, when the Commission set performance standards for CLEC hot cuts, these standards did not have any volume limitations or constraints. BellSouth was required to meet these standards regardless of the volume offered. The data show that BellSouth has met the performance standards established by the Commission, which of course required dedication of the resources necessary to do so. Having met this challenge in the past certainly lends credence to the proposition that BellSouth will do so in the future. These are the facts and these facts cannot be disputed.

Rather than try to refute the facts, Ms. Bursh resorts to the supposition that the facts will change. The allegation that the existing processes will be inadequate to support anticipated loop migration is merely an unsupported conjecture that BellSouth will not continue to meet the standards that it has met in the past. Both current and historical data contradict her claim. Also, in the unlikely event that BellSouth does not meet the standards, there are indicators, such as measurements, and consequences such as SEEM payments, complaints and other remedies that this Commission and the FCC established that can be used to address her concerns.

If Ms. Bursh, like Ms. Lichtenberg, is implying that the processes are not scalable with increased volumes, the FCC has at least partially addressed this issue where the agency has found in 49 decisions under section 271 that incumbents could scale their hot-cut processes as necessary (*e.g.*, *New York Order* ¶ 308). While I agree that this finding was made in an environment where UNE-P was required, nonetheless, it is a recognition that a significant degree of scalability exists. Mr. McElroy (p. 22 of his Rebuttal Testimony) explains how BellSouth's batch migration process of unbundled network element platform (UNE-P) to unbundled loop (UNE-L) service will sufficiently support the batch conversion of a CLEC's embedded UNE-P customer base to UNE-L services. Furthermore, Mr. Ainsworth and Mr. Heartley describe how BellSouth's processes are also scalable and will be able to meet the standards in the future. BellSouth's performance record shows that it has, and is, meeting the challenge of

providing nondiscriminatory loop provisioning including hot cuts. Consequently, the CLEC witnesses can only attempt to trivialize the facts because they can't refute them. These facts coupled with the implementation of proven provisioning plans, as attested to by other BellSouth witnesses, provide a clear path to determine that anticipated performance will be commendable.

Q. ON PAGE 3 OF HER REBUTTAL TESTIMONY, MS. LICHTENBERG CLAIMS THAT YOUR DIRECT TESTIMONY: (1) AT BEST, "ADDRESSES BELLSOUTH'S PERFORMANCE WITH RESPECT TO THE CURRENT LOW LEVEL OF UNE-L ORDERS; AND (2) "DOES NOT GIVE A CLEAR PICTURE OF BELLSOUTH'S ACTUAL PERFORMANCE ON UNE-L ORDERS." PLEASE COMMENT.

A. With respect to her first comment, that my Direct Testimony only addresses performance with respect to the "current low level of UNE-L orders", Ms. Lichtenberg misses the obvious purpose of performance data. The only options for performance reporting are past or present results, based on whatever level of activity the CLECs generate. The only meaningful way to assess BellSouth's ability to effectively process potential increases in future demand is to consider current performance results, the commonality and capacity of systems used in processes that handle significant volumes for similar activities today, the practical options available to BellSouth (or any business for that matter) of shifting resources to meet demand, and planned improvements in processes to

accommodate anticipated requirements. Thus, the intent of my Direct Testimony, which provided BellSouth's performance with respect to Loop Provisioning in general and hot cuts in particular, was not for the data to be considered in isolation. Rather, as previously stated, the performance results provided in my Direct Testimony should be considered in conjunction with the testimony of other BellSouth witnesses addressing other relevant aspects of the impairment issue.

The current volumes reflect what the CLECs are ordering and BellSouth can only report what is being ordered. Ms. Lichtenberg does not adequately address why the Commission should believe that BellSouth would not be able to handle an increase in UNE-L volumes. It should be remembered that when the CLECs opposed BellSouth's long distance, the CLECs erroneously predicted a similar inability regarding BellSouth's capacity to meet future volume demands for UNE-P and ordering in general. This erroneous prediction was contradicted by the data available at the time. Of course, they were proved wrong then, and they are wrong now. Rather than rely upon the facts, she feebly postulates the vaporous notion that if it has not happened in the past, it can't happen in the future while completely ignoring the fact that both current and historical data contradict this forecast.

In addition, Ms Lichtenberg goes on to reiterate the point that some processes are manual. The thrust of her whole argument in this case is the faulty assumption that the presence of a manual procedure anywhere

in the stream of processes equals impairment. Indeed, there is an obvious and significant gap between quoting the percentage of UNE-L orders that were Fully Mechanized during a specific period and concluding that these percentages establish CLEC impairment. The flow-through of LSRs is only one aspect of providing UNE-Loops to CLECs and, as the FCC has clearly explained, a secondary one at that.

As a practical matter, BellSouth will obviously assign its resources to the areas that generate the most volume. Certainly, as CLECs begin to submit more UNE-L orders, and less of other order types, BellSouth would, of course, make adjustments to address the change in CLEC order types. Significantly, BellSouth's current and past performance record, in conjunction with the process and procedure plans provided by other BellSouth witnesses, is a reasonable basis to infer that its future performance will be similar. Surely, the performance results provided in my Direct Testimony provide a more rationale basis for this Commission's determinations than the pure conjecture of CLEC witnesses such as Ms. Lichtenberg. If the Commission ignores the data completely, as Ms. Lichtenberg suggests, the door is open for a wide variety of conjectures about potential problems for which there is no factual basis.

In contending that my Direct Testimony does not "give a clear picture of BellSouth's actual performance", Ms. Lichtenberg focuses on two aspects of performance, flow through and order completion interval. Of course, this approach ignores the substantial amount of data that I provided

demonstrating that BellSouth's UNE loop provisioning performance has been and continues at a high level. I will address her flow through testimony now and her order completion interval testimony later because it has some common elements with other witnesses.

Any discussion of flow-through must first be placed into context with respect to it usefulness, which Ms Lichtenberg did not address. In addition, she ignored the value of the measurement results as prescribed by this Commission. First, the performance results provided in my Direct Testimony are based on the performance measures and standards established for the Flow-Through metric by this Commission and approved by the FCC. Moreover, the FCC has repeatedly stated that Flow-Through is a secondary measure and that other measures are more important indicators of performance. In particular, the FCC stated in its Texas Order:

> We have not considered flow-though rates as the sole indicia of parity, however, and thus have not limited our analysis of a BOC's ordering processes to a review of its flow-through performance data. Instead, we have held that factors such as a BOC's overall ability to return timely order confirmation and rejection notices, accurately process manually handled orders, and scale its systems are relevant and probative for analyzing a BOC's ability to provide access to its ordering functions in a nondiscriminatory manner. *See* Texas Order, ¶ 179.

While the FCC has repeatedly expressed the secondary nature and importance of the flow-through metric, the CLECs have repeatedly raised this same issue. The FCC's statement doesn't mean that flow through is irrelevant; it simply means that its significance is dictated by performance on other measures. In this proceeding, Ms. Lichtenberg attempts to

overstate its importance apparently because it is being reviewed in connection with batch hot cuts. In fact, she apparently recognizes its secondary role, because she refers to service order accuracy as an important consequence of flow-through. Service Order Accuracy is one of the measures that bears upon the significance of flow-through, and is a measure that BellSouth currently reports and will continue to report in its monthly data.

Q. MS. LICHTENBERG, ON PAGE 4 OF HER TESTIMONY, STATES THAT "LOW FLOW THROUGH MEANS THAT MOST UNE-L ORDERS MUST BE PROCESSED MANUALLY...INCREASING STILL MORE THE CHANCES FOR HUMAN ERROR AND CUSTOMER SERVICE OUTAGES AND OTHER PROBLEMS." PLEASE COMMENT.

A. Ms. Lichtenberg, again, makes predictions about BellSouth's ability to process orders accurately by referring to "chances" for human error and customer service outages without indicating any factual or other rationale or basis for her predictions. Rather, than using the performance data to support her analysis, she simply opines that the prospect of excessive human errors by BellSouth or customer service outages, and the "potential" for problems is enough for this Commission to find that CLECs are impaired without access UNE-P at TELRIC rates.

If BellSouth's performance results are reviewed, however, it is reasonable to infer that Ms. Lichtenberg's repeated contention that unless BellSouth's

ordering and provisioning processes are significantly more mechanized, CLECs will become impaired without UNE-P is without merit. For example, with respect to Ms. Lichtenberg's concern about the possibility of human errors in the ordering process, BellSouth reports its monthly performance relative to errors in the ordering process via measure P-11A (P-11 prior to September 2003), Service Order Accuracy. The following chart compares BellSouth's performance for the Service Order Accuracy measure for UNE-P versus UNE-L for the most recent three months: October, November and December 2003 (the results show the percent of orders that are accurate).

MONTH	UNE-P	UNE-L
October 2003	95.84%	97.41%
November 2003	96.41	97.94
December 2003	96.80	98.53

Based on the performance data above, the Service Order Accuracy rate was quite high. Even if the argument is made that the current UNE-L levels are much less than anticipated volumes, for December 2003, the volume for UNE-L orders was approximately 11,000 orders in Florida, which is clearly sufficient to demonstrate the level of BellSouth's performance. Moreover, the anticipated future increase in UNE-L orders would be accompanied by an anticipated significant decrease in UNE-P as well, which must be considered when predicting future performance levels.

Similarly, with respect to Ms. Lichtenberg's issue concerning potential customer service outages with UNE-L, in my Rebuttal Testimony (page 8, line 5 through page 9, line 11), I provided data for two Maintenance and Repair measures, Customer Trouble Report Rate and Maintenance Average Duration, showing UNE-P results and UNE-L results (shown as CLEC SL1). Although I do not agree that comparing UNE-L and UNE-P performance is a reasonable approach for reasons discussed in my rebuttal, as well as later in this testimony, even those comparisons do not support her claim. The data showed that for maintenance and repair, BellSouth performed comparably for UNE-P and UNE-L. In fact, the UNE-L results were better than UNE-P. Again, an argument that these are smaller UNE-L volumes than anticipated in the future, does not establish that performance levels will deteriorate to a point that CLECs are operationally impaired without UNE-P.

Q. DO YOU HAVE OTHER EVIDENCE OF BELLSOUTH'S EFFECTIVENESS IN HOT CUT PERFORMANCE?

A. Yes. The rebuttal testimony of Mr. Gallagher of Florida Digital Network, Inc. (FDN) contains clear and objective evidence that BellSouth's hot cut process is effective. On page 3 of his rebuttal testimony, Mr. Gallagher states "FDN believes that the hot cut process of the ILECs works well for the most part." On page 8, Mr. Gallagher states "As a UNE-L based CLEC that performs over two hundred hot cuts for DS-0 Loops daily and has performed more hot cuts than any other single CLEC in the state,

FDN would be hard pressed to say that the hot cut process does not work well." Then on page 11, Mr. Gallagher notes "On a daily basis FDN and BellSouth work cooperatively together to install loops through IDLC for mass market customers."

Q. WHY ARE THESE COMMENTS PARTICULARLY SIGNIFICANT?

A. Mr. Gallagher represents a facility-based CLEC that has first-hand knowledge and daily experience at a significant volume with hot cuts. This is in stark contrast to the testimony of other CLECs in this docket who primarily use UNE-P. Additionally, FDN has approximately 6 years of experience with UNE-L, as noted in Mr. Gallagher's testimony on page 2, and, FDN is of the opinion that it uses a significant amount of the UNE Loops provided by BellSouth. Referring to page 9 of his rebuttal testimony, Mr. Gallagher states, "there were 156,746 lines in Florida served by a combination of a BellSouth unbundled loop and a CLEC switch. " "FDN believes it constitutes about two-thirds of that total."

This testimony from a CLEC who actually has experience with the hot cut process is consistent with the data. This corroboration from someone with factual experience stands in stark contrast to the predictions of several other witnesses who have offered no basis for their claims that BellSouth will fail to perform in the future.

II. THE CLAIM THAT UNLESS THE PERFORMANCE STANDARDS FOR UNE-L ARE EQUIVALENT TO UNE-P, CLECS ARE IMPAIRED DUE TO OPERATIONAL BARRIERS WITHOUT ACCESS TO LOCAL SWITCHING IS CONTRARY TO BOTH LOGIC AND THE TRO.

Q. ON PAGES 3 AND 4 OF HER REBUTTAL TESTIMONY, MS. BURSH STATES THAT "BELLSOUTH USES THE WRONG STANDARD IN ATTEMPTING TO DEMONSTRATE THAT CLECS DO NOT FACE OPERATIONAL BARRIERS TO MARKET ENTRY ABSENT UNBUNDLED LOCAL SWITCHING." DOES MS. BURSH PROPOSE AN APPROPRIATE STANDARD TO COMPARE DELIVERY METHODS?

A. No, her proposal is inappropriate. First, I would like to note a bit of inconsistency in Ms Bursh's position. After claiming that BellSouth's data is irrelevant and instructing this Commission to discard the evidence, Ms. Bursh then concedes that the FCC suggested a review of performance data could be appropriate as part of the inquiry into the ILEC's "ability to transfer loops in a timely and reliable manner." (TRO at ¶ 512.) Having now agreed that the data are relevant, she disagrees with the manner in which this Commission chose to develop the data. The discussion of performance measurements data for hot cuts and UNE local loops in Exhibit AJV-1 provides the relevant information addressed by the FCC. These performance measurements were approved in this Commission's docket to establish permanent performance metrics (Docket No. 000121-TP) and further refined during the review of metrics standards during the

six-month review of the Performance Assessment Plan (Order No. PSC-01-1819-FOF-TP). This Commission has now completed a six-month review cycle and issued an order on April 22, 2003, which updated the Performance Assessment Plan. Instead of assessing Bellsouth's performance relative to those standards as I did in my direct testimony, Ms. Bursh claims that my "discussion provides little insight into the issue of whether BellSouth's loop provisioning is as prompt and efficient as UNE-P", Instead, Ms Bursh along with Ms. Lichtenberg and Mr. Van de Water create their own standard. None of them, however, explains how they derived their standard. As to Ms Bursh's self-proclaimed "FCC-prescribed standard of UNE-P performance", there is neither a directive that establishes this standard, nor would it be a reasonable standard by which to measure performance.

The key point is that it is not appropriate to compare UNE-P and UNE-L processes in the instances where they are not analogous. They are not the same products and do not offer the same functionality to the CLEC. Consequently, Congress, the FCC, nor this Commission required them to be the same. The question before the Commission is NOT whether UNE-L can be made the same as UNE-P. The question before the Commission, rather, is whether an efficient CLEC can compete in a particular market using UNE-L. Because the answer to this question is unequivocally "yes," the CLECs are attempting to change the question.

Q. ON PAGES 4 – 5 OF HER REBUTTAL TESTIMONY, FOLLOWING THE

SAME GENERAL APPROACH AS MS. BURSH, MS. LICHTENBURG COMPARES UNE-L INSTALLATION INTERVALS TO UNE-P INSTALLATION INTERVALS AND CONCLUDES THAT UNE-L MIGRATIONS TAKE SUBSTANTIALLY LONGER THAN UNE-P MIGRATIONS. IS THIS A FAIR COMPARISON?

A. No, this is a comparison that identifies the obvious fact that the products are different, but fails to identify the relevance or usefulness of that fact for determining operational impairment comparison. As I stated in my Rebuttal Testimony, responding to the same issue raised by AT&T witness Mark David Van De Water, there is an inherent flaw in attempting to equate two different products and processes – expecting the results to be the same. Where UNE-P orders require little more than a billing change of the existing end-user, UNE-L will always require some type of physical work whether at the central office or the customer premise. What Ms. Lichtenberg and other CLEC witnesses raising this issue fail to do is demonstrate how they are impaired because of the difference.

As already mentioned, BellSouth, the CLECs and the Commission have all spent an enormous amount of time establishing performance measurements, disaggregating products and processes, and creating performance standards based on the differences in these products and processes. In most cases, the retail analog standards are reasonable and relevant, and where they are not, the reason is that CLEC products are compared to dissimilar retail products. When this incongruity occurs, the

situation is considered an error, and more analysis of the data is necessary to determine whether a performance problem exists. Later, the erroneous standard can be revised in the next periodic review. However, these witnesses would have the Commission believe the far-fetched idea that a retail analog is only appropriate in this case if the retail process bears no resemblance to the CLEC process. In the absence of something more tangible, the fact that the standards adopted by all nine state commissions in BellSouth's region, and accepted by the FCC, reflect differences based on the different products and processes renders moot this point stressed by Ms. Lichtenberg, and other CLEC witnesses. I should also point out that failure to meet this Commission's prescribed standards for order completion interval, as set forth in the Performance Assessment Plan is met with immediate penalty plan consequences. This occurs in some cases even where the performance standard is clearly improper.

Q. TURNING AGAIN TO MS. BURSH, ON PAGES 3 AND 4 OF HER REBUTTAL TESTIMONY, MS. BURSH, NOTING AS MS. LICHTENBERG DID THAT UNE-P AND UNE-L HAVE DIFFERENT INTERVALS, GOES FURTHER AND MAKES THE ASSERTION THAT IF "UNE-P IS NO LONGER AVAILABLE, THE ILEC MUST FOLLOW THE SAME STANDARD IN PERFORMING ITS REPLACEMENT." DOES THIS CONCLUSION HAVE MERIT?

A. Not entirely. It is a reasonable conclusion when the processes required to provide the two products are analogous. Ms. Bursh, however, is narrowly asserting that the only relevant standard is the Order Completion Interval (OCI) where the processes are not analogous. She then mistakenly asserts that the OCI for UNE-P and its' replacement, presumably UNE-L, must be the same.

The only determination that the Commission need make is: 'Will BellSouth's performance for UNE-L provide the CLECs with a meaningful opportunity to compete?' Which is another way of asking: does UNE-L performance impair the CLEC's ability to compete? In making this determination, the Commission should consider not only the order completion interval but also the other measurements of maintenance, billing, provisioning, and ordering processes. The Commission should also consider the fact that UNE-L provides the CLEC with a number of competitive advantages that they do not have with UNE-P. For instance, once an end-user is served by UNE-L terminated on the CLEC's switching equipment, the CLEC can change switch dependant features and offer promotional packaging without involving BellSouth.

Q. YOU STATED THAT MS. BURSH, MS. LICHTENBERG AND MR. VAN DE WATER ALL CLAIM THAT PERFORMANCE FOR UNE-P AND ITS' REPLACEMENT, PRESUMABLY UNE-L, MUST BE THE SAME. DO YOU AGREE WITH THEIR BASIS FOR THIS CLAIM?

A. No, in coming to the conclusion that the OCI for UNE-P and UNE-L should be the same, these witnesses cite a partial reference to footnote 1574 in the TRO, which states:

> In determining whether granular evidence contradicts our finding that the hot cut process imposes an operational barrier, the state commission should review evidence of consistently reliable performance in three areas: (1) Timeliness: percentage of missed installation appointments and order completion interval; (2) Quality: outages and percent of provisioning troubles; and (3) Maintenance and Repair: customer trouble report rate, percentage of missed repair appointments, and percentage of repeat troubles. This review is necessary to ensure that customer loops can be transferred from the incumbent LEC main distribution frame to a competitive LEC collocation as promptly and efficiently as incumbent LECs can transfer customers using unbundled local circuit switching. This evidence will permit states to evaluate whether competitive carriers are impaired because the quality of their services is below that offered by the incumbent.

While the State Commission is encouraged to review performance, there is nothing in this footnote that requires an identical standard for UNE-P and UNE-L. Ms. Bursh and Mr. Van de Water cite the portion of the footnote that discusses "transferring customer loops from the incumbent LEC main distribution frame to a competitive LEC collocation." This function has a performance standard that the activity must be completed within 15 minutes, 95% of the time. They erroneously conclude that the Order Completion Interval, which is not even a measure of the process that they address, for UNE-L must therefore be the same as UNE-P. These products are different, which means they have inherent advantages and disadvantages. For example, some forms of UNE-P will have a shorter order completion interval than some forms of UNE-L, but UNE-L as previously stated provides the CLEC with more direct control of some

of the services provided to their customer. There are significant parallel processes for ordering and provisioning unbundled network element platform (UNE-P) and unbundled loop (UNE-L) services but they are not analogous with respect to order completion interval. Therefore, it would be illogical to interpret this footnote as meaning that these two performance standards should be equivalent.

Further, they fail to cite the portion of the footnote that directs "states to evaluate whether competitive carriers are impaired because the quality of their services is below that offered by the incumbent." In other words, the FCC directed the states to use the same tests used to establish the retail analogues and benchmarks in the performance plan – substantially the same time and manner and meaningful opportunity to compete. Given that the Commission has already established analogues and benchmarks setting those standards, it should rely on that data to meet the FCC's directive.

Significantly, AT&T made this same argument before the FCC that the standard must be the same for UNE-P and UNE-L, contending that until ILECs offer an electronic loop provisioning (ELP) method of transferring large volumes of local customers unbundled switching for voice grade loops is essential. The FCC, in paragraph 491 of its TRO, rejected this contention stating: "the evidence in the record suggests that an ELP process, to be effective, would require significant and costly upgrades to the existing local network at both the remote terminal and the central

office...we, decline to require ELP at this time, although we may reexamine AT&T's proposal if hot cut processes are not, in fact, sufficient to handle necessary volumes." Clearly, the FCC did not support the idea that UNE-P and UNE-L installation intervals must be the same. Consequently, it is impractical for this Commission to superimpose such a blatantly self-serving standard simply because CLECs want to do so.

A more rational interpretation of the TRO is that BellSouth's performance relative to the applicable standards for UNE-L should be equivalent to BellSouth's performance relative to applicable standards for UNE-P. Said another way, it means that BellSouth must provide nondiscriminatory UNE-L performance just like it must provide nondiscriminatory UNE-P performance. Of course, because the data show that BellSouth meets this rational test, the CLECs witnesses ignore it.

Q. MS. BURSH ON PAGES 4 AND 5 PRESENTS A TABLE THAT SHE CLAIMS DEMONSTRATES THAT BELLSOUTH'S LOOP PERFORMANCE FALLS "WOEFULLY SHORT" WHEN COMPARED AGAINST UNE-P PERFORMANCE. WHAT IS THE RELEVANCE OF THIS COMPARISON IN THIS PROCEEDING?

A. It provides no useful information to this Commission. Ms. Bursh is reiterating the same point raised by Mr. Van De Water on pages 15 and 16 of his direct testimony and that I addressed in my rebuttal of Mr. Van De Water's testimony and just addressed again in this testimony. Table 1

(page 5) simply points out that the Order Completion Interval (OCI) is the average time interval to complete UNE-P orders, which are mostly orders requiring a records change only, and require no physical work, is less than the average time to complete 2W Analog Loop w/LNP Non-Design < 10 / Dispatch In, where some form of physical work is required. In other words, UNE-P orders are primarily "switch as is" and 2W Analog Loop w/LNP Non-Design < 10 / Dispatch In are not. Here Ms. Bursh twists her analysis as she attempts to draw conclusions by equating the installation interval for two different products and processes. As pointed out in my rebuttal testimony on page 15, an order for UNE-P has typically involved little more than changing the billing of an existing end-user from BellSouth retail, or from another CLEC, to the acquiring CLEC. It is important to note that for most UNE-P orders the following three factors apply: 1) no physical work is required, 2) no outside dispatch is needed, and 3) the order is not subject to facility shortages. The other order type listed, 2W Analog Loop w/LNP Non-Design < 10 / Dispatch In, will always require some form of physical work.

To reiterate, the relevant question is not whether UNE-L and UNE-P are the same, but whether an efficient CLEC can compete using UNE-L. BellSouth's UNE-L performance, coupled with the advantages of UNE-L, provides CLECs a meaningful opportunity to compete. For instance, any alleged timeliness advantage that BellSouth has with respect to loops connected to its switch, becomes an advantage to the CLEC after the CLEC has acquired the customer using UNE-L. In that case, because the

loop is already connected to the CLEC's switch and only requires minimal work, BellSouth must perform a hot cut to win-back the customer. Other advantages include the business opportunities to perform their own work, on their own switches, and the marketing opportunities to offer their own features and functionalities that are not offered by BellSouth. I only make these points to illustrate the lack of logic surrounding the CLECs claim that Order Completion Interval results should be viewed in a vacuum and are required to be the same for UNE-P and UNE-L.

Q. ON PAGES 11-12 OF HIS TESTIMONY, MR. VAN DE WATER ARGUES THAT BELLSOUTH'S HOT CUT MEASURE BENCHMARK SHOULD BE 5 MINUTES AS OPPOSED TO 15 MINUTES. DO YOU AGREE?

A. No, I do not agree. Mr. Van De Water's allegation that BellSouth insisted in performance measure proceedings to be able to keep the customer out of service for 15 minutes "should it so choose" is quite untrue. First, BellSouth does not have an average interval benchmark like the one that Mr. Van de Water describes. Instead, the standard is to complete 95% of all hot cuts within 15 minutes.

Second, the benchmark is reasonable, as the Commission already has determined. The benchmark provides for the conversion work described in BellSouth witness Mr. Ainsworth's testimony. By performing the pre-conversion work before the actual transfer from switch to switch, BellSouth

increases its efficiencies and minimizes the actual impact of the physical transfer to the end-user.

Third, although AT&T was one of the primary participants in the FPSC's six-month review of the Florida Performance Assessment Plan (PAP), neither they nor other members of the ALEC Coalition proposed to modify this benchmark. In fact, in the most recent Florida PAP six-month review in Docket No. 000121A-TP, the ALEC Coalition, including AT&T, in its August 30th, 2002 filing included as Exhibit 3, an ALEC Modified Service Quality Measurement (SQM) plan that proposed absolutely no changes to this hot cut measure. The fact is, that during the six-month review workshops, this measure and the interval of 15 minutes was not even one of the topics of discussion. So, Mr. Van de Water's belated portrayal of what occurred in the measurement development process, where he was not a participant, is without merit.

III. BELLSOUTH HAS PROVIDED ALL OF THE UNE LOOP DATA NECESSARY TO ASSESS ITS PERFORMANCE AND, CONTRARY TO IMPLICATIONS BY THE CLECS, DID NOT "HIDE" ANY RELEVANT LOOP OR HOT CUT PERFORMANCE RESULTS.

Q. MS. BURSH, ON PAGES 5 AND 6 CLAIMS THAT CONSOLIDATING RESULTS FOR "ALL LOOPS" HIDES PERFORMANCE RESULTS RELEVANT TO THE ISSUE OF OPERATIONAL BARRIERS TO

MARKET ENTRY ABSENT UNBUNDLED LOCAL SWITCHING. HOW DO YOU RESPOND?

A. BellSouth did not aggregate or offset the performance assessments in a manner that masks the more relevant performance as Ms. Bursh claims on page 6. On the contrary, Exhibit AJV-1 provided overall hot cut performance in detail as well as, in Attachment 1 to the Exhibit AJV-1, the other performance data for UNE Local Loops in Florida. The data show that BellSouth met the Coordinated Customer Conversion 15-minute benchmark for over 99.9% of all cutovers in the past 12 months in Florida. This measurement reflects the average time it takes to disconnect an unbundled loop from the BellSouth switch and cross connect it to the CLEC equipment. For UNE Local Loops, BellSouth processed 95% of all LSRs by the required benchmark interval during the 12-month period (September 2002 – August 2003). For the same period, BellSouth met the performance standard for 90% of the provisioning sub-metrics and 87% of the maintenance & repair sub-metrics.

Further, the detailed data for each individual sub-metric was provided. This was clearly the case, because Ms. Bursh refers to some of that data in her testimony. The problem with analyzing performance at the sub-metric level is that many of the sub-metrics have such small volumes, that they don't provide a useful basis for analysis. To help remedy that problem, I refer to aggregate statistics in the body of the testimony; however, the detail is plainly visible for anyone who wants to see it.

Q. ON PAGE 7, BEGINNING ON LINE 9 MS. BURSH APPEARS TO BELIEVE THAT BELLSOUTH'S AGGREGATED ASSESSMENT MAY MASK PERFORMANCE. HOW DO YOU RESPOND?

A. As I indicated above, BellSouth did not aggregate the performance assessments to mask anything. On pages 8 and 9 of my Direct Testimony, I explain which products are included within the UNE Loop performance data. Also, as previously stated, Exhibit AJV-1 provides a detailed discussion of the data and the detailed performance results at the sub-metric level. That exhibit beginning on page 16 provided overall hot cut performance and the charts in Attachment 1 to the Exhibit AJV-1, provided the data individually. It is this detailed comparative performance data for UNE Local loops that actually facilitates evaluation of the extent to which nondiscriminatory performance is provided. But regardless of the individual or aggregated presentation of the data, the fact remains that BellSouth performance is high.

Q. SHOULD THE COMMISSION GIVE ANY WEIGHT TO MS. BURSH'S STATEMENT ON PAGE 7 THAT "EVEN IF BELLSOUTH'S CLAIM OF COMPLIANCE FOR 90% OF THE PROVISIONING SUB-METRICS WERE TRUE, THIS IS SOMEWHAT MEANINGLESS GIVEN THAT A NUMBER OF THE MISSED SUB-METRICS WERE FOR PROVISIONING OF PRODUCT AREAS THAT WILL BE DOMINANT IF UNBUNDLED LOCAL SWITCHING IS ELIMINATED" AND CRITICISM OF THE HIGH LEVEL DATA REVIEW IN YOUR TESTIMONY?

A. No. Ms. Bursh on page 8, focuses on the 10% of the provisioning sub-metrics that were missed and ignores the fact that BellSouth met an average of 90% of all the UNE Loop provisioning sub-metrics over the last 12 months in Florida. Ms. Bursh then implies that BellSouth may not have met 90% of the sub-metrics, but offers no basis for this derogatory remark. Her criticism of the value of a cursory review of the data is misguided. The reason for using this high level review is to demonstrate that results are good even at that level. More detailed analysis shows that the results are actually better than a cursory review indicates, not worse as Ms. Bursh insinuates. CLECs and this Commission can certainly review the detailed data to confirm this conclusion.

For example, let's look at the details surrounding 2 of the provisioning sub-metrics that concerned Ms. Bursh. One of these sub-metrics was Order Completion Interval (OCI) for 2-W Analog Loop w/LNP Non-Design/ >10 Circuits/Dispatch In. For this sub-metric, the volumes for each of the three months out of twelve that were not in parity (September 2002, December 2002, and January 2003) were 30, 38, and 50 orders respectively for all of Florida, which is not a large enough volume in this case to perform a root cause analysis. Nonetheless, detailed analysis of the results for this and the other missed sub-metrics in the non-dispatch category shows that there is no significant performance problem.

First, BellSouth data reveals that the OCI for Retail Residence and Business Orders that do not require a dispatch is typically about 2 days.

In contrast, the OCI for UNE Loops w/ LNP is a minimum of 3 days. The origin of this 3-day minimum is actually an industry agreement, which allows for the new service provider (either CLEC or BellSouth) to accomplish the work and coordination necessary to perform a number port. In short, in July 2003, the Local Number Portability Administration Working Group (LNPAWG), which includes CLEC and ILEC representatives, approved a set of number porting procedures that place a lower limit on the Order Completion Interval for number ports in an NPA-NXX exchange. These procedures, in part, state: "Any subsequent port in that NPA NXX will have a due date no earlier than three (3) business days after FOC receipt." The LNPAWG is a sanctioned committee of the North American Numbering Council (NANC). AT&T is a member of the LNPAWG who approved these procedures.

With a 3-day industry standard minimum it is unlikely that 2W Analog Loop orders that do not require an outside dispatch will be completed as quickly as retail Residence and Business Orders that do not have that requirement. Perhaps a better comparison for parity determination purposes is the interval on BellSouth retail win-backs where the process is essentially the same for both BellSouth and the CLECs. Of course, little winback activity existed when these standards were established, but that is probably no longer the case, so a more analogous standard can be set.

Also, for all 2-W Analog Loops, including 2-W Analog Loops w/ LNP Non-Design/ <10 Circuits Dispatch In, as I explained in Exhibit 1 of my Direct

Testimony, at the time of scheduling, BellSouth is unable to determine whether or not a "dispatch out" is required and, therefore, must schedule all of these orders with the longer interval. When these orders are then compared with the shorter non-dispatched retail analogue results, an out of parity condition is reported. As a result, there are differences in the OCI comparisons of UNE Loop to Retail Residence and Business because the products are not as analogous as they were once believed to be. These differences between the CLEC orders and the retail analogue indicate that an out of parity condition is, in part, a result of inequality in the measurements instead of actual poor performance, as Ms. Bursh claims. While the Commission and the parties in the 6-month review established these standards of comparing UNE Loops w/LNP to Residence and Business, these standards are, in retrospect, inappropriate, particularly with regard to the Non-Dispatch comparisons raised by Ms. Bursh.

Despite the aforementioned 3-day minimum, BellSouth is investigating ways to shorten the OCI time, particularly for UNE Loop orders not requiring a dispatch. Of course any such change must still adhere to industry standards and may be delayed by CLECs through the change control process.

Finally, while there may be a difference in OCI time, there is limited impact to the customer experience for two obvious reasons: 1) the customer is already in service, either with retail or with UNE-P, and 2) the only difference is in planning time – the time between when the order is

received and when it is completed. And once the slight difference in OCI time is encountered and the CLEC has the customer in its own switch, the Commission should also consider that UNE-L provides the CLEC with a number of competitive advantages. As I mentioned earlier, this arrangement, once an end-user is served by UNE-L terminated on the CLEC's switching equipment, affords the CLEC the opportunity to change switch dependant features and offer promotional packaging and service intervals without involving BellSouth.

All of the information stated above was available to Ms. Bursh, and she was certainly free to analyze the circumstances surrounding the data. Somehow she apparently overlooked these relevant facts, an oversight which resulted in unfair criticism of BellSouth's performance.

Q. MS. BURSH AGAIN PRESENTS PERFORMANCE RESULTS (PAGE 9) FOR SUB-METRICS TO BOLSTER THE CLAIM "THAT THE PERFORMANCE FOR LOOPS COLLECTIVELY DOES NOT NECESSARILY REPRESENT THE PERFORMANCE FOR INDIVIDUAL LOOP CATEGORIES. HOW DO YOU RESPOND?

A. Ms. Bursh continues her course of identifying examples of sub-metrics where BellSouth has not obtained the benchmark and ignoring the overall performance of the measurement. In the case of FOC and Reject Response Completeness, performance actually averaged 96% over the period from September 2002 through August 2003. First, additional

background information is necessary to understand the measurement O-11, FOC and Reject Response Completeness - Mechanized. This measurement calculates the number of Firm Order Confirmations or Auto Clarifications sent to the CLEC from EDI, or TAG in response to electronically submitted LSRs. That is, the numerator is the total number of service requests for which a FOC or Reject is sent, and the denominator is the total number of service requests received in the report period, as the metric is designed to capture the data for the current data month. CLECs do, however, submit LSRs on the last day of the month. Fully mechanized LSRs, which are captured in the 2W Analog Loop w/LNP Design and 2W Analog Loop w/LNP Non-Design sub-metrics referenced by Ms. Bursh, that are submitted on the last day of the month have a FOC benchmark of 95% within 3 hours. This means the FOC may or may not be due in the month submitted, depending upon the actual receipt time of the LSR and as a result may not be included in the numerator, although they would be in the denominator.

Lastly, for this measurement, FOC and Reject Response Completeness – Mechanized, in the case of the remaining 3 out of the 4 sub-metrics Ms. Bursh references, Ms. Bursh fails to account for the fact that for the period in question (September 2002 through August 2003) for many of these months the transaction volume was so low that BellSouth could not miss even a single transaction. That is, in a month where the volume of transactions for the sub-metric was less than 20, even 1 failure results in missing the 95% benchmark for this sub-metric. For example, the sub-

metric for 2W Analog Loop w/LNP Design/TAG did miss the benchmark of 95% for 11 out of 12 months, but only one of the months in this 12-month period had a volume of greater than 11 LSRs. That month was December 2002, which had a volume of 21 LSRs. Again, Ms. Bursh's interpretation of the data does not consider these pertinent facts.

Q. STARTING ON PAGE 9, LINE 16 OF HER REBUTTAL TESTIMONY, MS. BURSH APPEARS TO ALLEGE THAT BELLSOUTH IS MISREPRESENTING THE PERFORMANCE RESULTS BY INCLUDING LOOPS THAT ARE NOT MIGRATABLE FROM UNE-P? HOW DO YOU RESPOND?

A. Actually, it appears that Ms. Bursh seems to be creating confusion with the Commission by making an argument that appears to have little, if any, relevance. BellSouth is presenting performance data for all products that a CLEC might use in significant volume to provide service using UNE-L. This inquiry should not be limited simply to those loops that can be migrated from UNE-P. Also, her testimony and that of other witnesses indicate that they are certainly interested in ensuring that no operational impairment exists on loops regardless of whether they can be migrated from UNE-P. The data represents all loops including those that are newly provisioned, migrated from Retail, switched from other CLECs, as well those that are migrated from UNE-P and is not limited to hot cuts. This is the appropriate scope of the inquiry, and allows the Commission to assess

BellSouth's performance in provisioning UNE Loops for all relevant products.

IV. THE EXISTING FLORIDA PERFORMANCE ASSESSMENT PLAN METRICS TOGETHER WITH THE PROPOSED CHANGES INCLUDED IN MY DIRECT TESTIMONY ARE MORE THAN SUFFICIENT TO ADDRESS CURRENT AND ANTICIPATED HOT CUT PERFORMANCE CONCERNS.

Q. ON PAGE 10, LINES 14 - 20, MS. BURSH ASSERTS THAT BELLSOUTH'S PROPOSED ENHANCEMENTS TO THE PERFORMANCE MEASURES AND SEEM PLAN ARE INADEQUATE. HOW DO YOU RESPOND?

A. I disagree. For example, contrary to Ms. Bursh's assertion, Bellsouth indeed suffers negative consequences if elongated response intervals to the Bulk Migration Notification forms are reflected in the results for PO-3, UNE Bulk Migration – Response Time. As stated in my Direct Testimony, any extensive response intervals to the Bulk Migration Notification forms would penalize BellSouth since BellSouth's incentive is to migrate the customer to UNE-L and not to delay any response and lengthen response time of the Bulk Migration. BellSouth does not believe it should offer to write the CLECs a check for the privilege of providing them today's UNE-P after it is no longer required. Ms. Bursh's statement that "If BellSouth has no incentive to delay the response, as suggested by Mr. Varner then

BellSouth should have no concerns with including PO-3 in SEEM" makes absolutely no sense. The SEEM plan should be designed to penalize poor performance, not simply generate an unwarranted windfall to CLECs. Ms. Bursh's view, that CLECs should receive payments whether they are harmed or not, is consistent with her past positions, so it comes as no surprise.

Q. ON PAGE 10, MS. BURSH CONTENDS THAT BELLSOUTH SHOULD ESTABLISH ADDITIONAL METRICS FOR MONITORING THE BATCH HOT CUT PROCESS. HOW DO YOU RESPOND?

A. The new measurements and modification to existing measurements proposed in my Direct Testimony provide sufficient additional data to monitor BellSouth's performance during hot cuts. Although Ms. Bursh asserts that even more measurements are essential, she does not provide any specifications for the additional measurements that she claims are so desperately needed. Ms. Bursh proposes titles for new measures, such as "Percent of Batches Started on Time", "Percent of Batches Completed On Time", and "Percent Conversion Service Outages" but falls short of providing specific measurements. In any event, it appears that her concerns have already been addressed.

Regarding the requested "Percent Batches Started on Time" measure, this Commission has already established and BellSouth already produces a measurement, P-7A, for Hot-Cut Timeliness that measures whether or not

a coordinated hot cut begins within 15 minutes of the requested start time. For non-coordinated hot cuts, they simply need to start on the due date, so the missed installation appointment metric and the new measure P-7E described in my Direct Testimony and again below capture that performance.

Likewise, it appears that "Percent of Batches Completed on Time" data is already being addressed. For coordinated hot cuts, measure P-7 captures whether the cut was completed on time. To address the "Percent of Batches Completed On Time" for non-coordinated hot cuts, BellSouth has already proposed P-7E, Non-Coordinated Customer Conversions - % Completed and Notified on Due Date as referenced in my direct testimony on pages 42-43. The proposed new measure, complete with a definition, exclusions, business rules, calculation, report structure and benchmark is included in Exhibit AJV-2. To summarize, this report measures the percentage of non-coordinated conversions that BellSouth completed on the due date and provided notification to the CLEC on the same date. This measure is also proposed to be included in both Tier 1 and Tier 2 of SEEM.

Lastly, Ms. Bursh proposes the establishment of a "Percent Conversion Service Outages" measurement. It appears, however, that this performance is already covered by measures P-7B and P-7C, which are the Average Recovery Time, and Percent Provisioning Troubles in 7 Days measures.

As for the SEEM consequence, my disagreement with Ms. Bursh's proposal, *i.e.*, equal to the average net revenue time the average life of the customer, has already been addressed in my rebuttal to Mr. Van De Water's testimony.

Q. MS. LICHTENBERG, ON PAGES 11 AND 12 OF HER REBUTTAL TESTIMONY, ALSO CRITICIZES THE EXISTING HOT CUT PROCESS AND CLAIMS THAT THERE IS A NEED FOR A NUMBER OF CHANGES TO BELLSOUTH'S PERFORMANCE MEASURES. MS. LICHTENBERG ALSO CITES A NEED FOR A METRIC FOR TIMELY UNLOCKING OF THE E911 DATABASE. PLEASE COMMENT.

A. Ms. Lichtenberg begins this discussion by stating: "metrics need to be developed that address the process and its possible flaws." I underline the word "possible" here because Ms. Lichtenberg's approach is to consider any possible problem that might occur and use that contrived possibility to advocate the creation of yet another measure to address a problem that does not exist. Again, she makes general and rhetorical proposals for measurements without providing any evidence that BellSouth's existing or proposed measurements are not sufficient. Notwithstanding Ms. Lichtenberg's generalities, I will attempt to address her suggestions for measures.

Ms. Lichtenberg's first suggestion is for some measure of "errors created by BellSouth in the multiple LSRs generated by the batch LSR." There is

no need for a unique measure to address this issue. The Global LSR (or "batch LSR" using Ms. Lichtenburg's term) creates the individual LSRs and the CLEC must still enter the information for the customers included in the batch to populate the individual LSRs. Because the individual LSRs associated with the batch are entered into the systems in the same way as any other LSR, any errors in processing the multiple LSRs would be captured by the Service Order Accuracy measure, P-11A.

The next issue raised by Ms. Lichtenberg is the alleged need for "a metric for timely unlocking of the E911 database." This issue involves cases where the customer changes from BellSouth to a CLEC, or for that matter from a CLEC to BellSouth, and the order including the request for the change must have reached completion status before an "unlock" message will be sent to Intrado. Intrado is the vendor currently maintaining the databases that are utilized by the Public Safety Answering Points (PSAPs) in handling E911 calls.

Any problems associated with unlocking the E911 database would apply whether it involves a customer changing from BellSouth to a CLEC, or from a CLEC to BellSouth. Therefore, both BellSouth and CLEC customers would be impacted in the same way by this third party. Situations where retail and CLEC customers are affected in the same way means that the process is in parity by design, so no performance measurements in the SQM or penalties under the SEEM plan are needed. If the CLECs believe that there is a problem associated with the unlocking

of the E911 database significant enough to establish a finding that they are operationally impaired due to the problems encountered, they should present this evidence. Simply declaring that there is a need for a metric is no basis for establishing one, particularly when there is no basis to claim discriminatory treatment.

Ms. Lichtenberg further states: "[a] metric also is needed to track the due dates that CLECs are assigned." It is unclear how a new metric would "track" due dates, and it is even less clear how this information is meaningful. As an example, if a new metric were to be created that 'tracked due dates' and the measurement showed there were 3 orders due on February 1 and 4 orders due on February 10, there is little information to be gleaned or conclusions drawn from such a report. All the report conveys is that a combination of the CLEC's requested due date and BellSouth's committed date resulted in 3 orders due on February 1 and 4 orders due February 10. I believe the more relevant information is how well BellSouth meets due date commitments. That information is available in the existing Percent Missed Installation Appointments measurement. As an alternative, each CLEC is capable of tracking due dates that they receive from BellSouth through its own internal systems. If CLECs believe that there is a problem with the due dates that they are receiving from BellSouth, they can very easily collect and provide these data to have BellSouth solve any problem that it caused and ultimately involve this Commission, if appropriate.

Further, in order for performance metrics to be useful, there should be some objective basis for determining whether reported results are consistent with standards for relatively uniform activities. The due dates are negotiated between the CLECs and BellSouth according to many factors. This is because of the case-by-case nature of batch hot cuts. Moreover, the Ordering, Provisioning and Maintenance & Repairs domains each either already has a timeliness measure or will include a timeliness measure, based on changes proposed in my Direct Testimony, that addresses batch hot cuts. Therefore, creating a metric to track due dates that CLECs receive for batch hot cuts, which is recommended by Ms. Lichtenberg without any meaningful detail, is a suggestion that should be rejected by the Commission.

Ms. Lichtenberg also suggests that "the number of 'batch' orders that are rejected needs to be tracked." As discussed in my Direct Testimony, BellSouth has proposed modifying the measures O-7 (Percent Rejected Service Requests) and O-8 (Reject Interval) to include batch hot cuts. Since, as recognized by Ms. Lichtenberg in her Rebuttal Testimony, a batch LSR generates multiple LSRs, measure O-7 will track rejected LSRs, including batch LSRs. Also, measure O-8 will track how long it takes to reject these LSRs.

Finally, Ms. Lichtenberg contends: "[a] separate disaggregation for batch orders is needed to ensure that the batch orders move smoothly from ordering to provisioning." This is unnecessary. As already explained,

when a CLEC issues a request for a batch order, the batch order results in individual LSRs that proceed through the Ordering systems, as would any other LSR. All of the measurements that capture BellSouth's performance related to the processing of LSRs would include batch hot cuts, based on BellSouth's proposal as outlined in my Direct Testimony. Once the orders reach the provisioning process, there are five (5) measures (the existing measures P-7, P-7A, P-7B, P-7C and the proposed measure P-7E) that would monitor BellSouth's performance related to all hot cuts, including batch hot cut provisioning measures that apply. Clearly, there is no need to establish a separate disaggregation for batch hot cuts.

Q. ON PAGE 9 OF HIS TESTIMONY, MR. GALLAGHER SUGGESTS THAT "ILECs WOULD BE INCENTED TO CURE PERCEIVED FLAWS IN THE HOT CUT PROCESS IF THE COMMISSION TILTED KEY PERFORMANCE METRICS AND COMPENSATION PAYMENTS TO FOCUS MORE ON THE REALITIES OF A UNE-L WORLD RATHER THAN A UNE-P WORLD." DO YOU AGREE?

A. It is unclear what action Mr. Gallagher is proposing for the Commission to take. The current Performance Assessment Plan (PAP) approved by this Commission addresses UNE-P as well as UNE Loops. In fact, in the provisioning measurements, there are 25 product categories of UNE Loops including analog loops, ISDN loops and digital loops. Additionally, in my Direct Testimony, I proposed modifications to measurements in both the Ordering and Provisioning domains and the SEEM plan to more

closely focus on the batch hot cut processes. The Ordering measurements include PO-3: UNE Bulk Migration – Response Time, O-7: Percent Rejected Service Requests, O-8: Reject Interval, O-9: Firm Order Confirmation Timeliness, and O-11: Firm Order Confirmation and Reject Response Completeness. The Provisioning measurements include P-7: Coordinated Customer Conversions Interval and P-7E: Non-Coordinated Customer Conversions - % Completed and Notified on Due Date.

The existing PAP, coupled with these modifications is more than sufficient to address real flaws (rather than "perceived flaws") in the hot cut process. Given the comprehensive coverage that UNE-L receives in the PAP, it does not appear that any "tilting" to favor UNE-L is necessary.

Q. IN DESCRIBING SUPRA'S EXPERIENCE WITH RESPECT TO THE ORDER COMPLETION STEP ON PAGE 6 OF HIS TESTIMONY, MR. NEPTUNE STATES "BELLSOUTH HAS NO METRIC NOR HAVE THEY OFFERED ONE SIMILAR TO VERIZON'S TO ASSURE THAT THE CENTRAL OFFICE TECHNICIAN WILL ENTER COMPLETIONS INTO THEIR SYSTEMS IN A TIMELY MANNER." PLEASE COMMENT.

A. As discussed in my Direct Testimony pages 30 and 31, BellSouth reports the time it takes for the coordinated cutover of customer loops to CLECs (with a benchmark of 15-minutes) as part the measure P-7 (Coordinated Customer Conversions Interval), and has an objective to notify the CLEC within 5 minutes of the loop being cutover. Moreover, in my Direct

Testimony (pages 43 – 44) I proposed modifying this measure to include, in addition to the 15-minute requirement for cutover of the loop, a 5-minute requirement to notify the CLEC that the cutover has completed (see also Exhibit AJV-2 of my direct filing). So when, with respect to a measure of timely notice of loop completions, Mr. Neptune remarks: "BellSouth has no metric nor have they offered one", this is inaccurate. BellSouth's measure may differ from similar measures that Verizon may report, however, the activity of which Mr. Neptune voices a concern is captured by the BellSouth metric.

It should also be noted that while Mr. Neptune contends that BellSouth's coordinated conversion process does not work well, based in part on "Supra's experience in the last 60 days with over 3,500 conversions," he fails to point out that none of the conversions during this period (presumably November and December 2003) were ordered as "coordinated." Mr. Neptune does admit (on page 5, lines 4 –5 of his Rebuttal Testimony) that "Supra has not used the level entitled 'Coordinated/Time Specific' option as yet," but what he neglects to clarify is that neither has Supra ordered Coordinated/Non-Time Specific. In fact, for November and December 2003, all of Supra hot cut conversions were ordered as "non-coordinated." Moreover, if we consider BellSouth's performance in performing customer conversions for Supra for the months November and December 2003, out of ***--------*** conversions, only ***---*** due dates were missed for BellSouth reasons. This means that BellSouth performed according to Supra's due date requirements for over

99.8% of these conversions. The Commission should promptly dismiss these baseless and inaccurate claims, and consider instead the more objective and verifiable performance data filed with my testimony (Direct, Rebuttal and Surrebuttal.

V. OTHER ISSUES RAISED

Q. MR. VAN DE WATER, ON PAGE 12 OF HIS TESTIMONY, DESCRIBES A SITUATION IN FLORIDA WHERE CUSTOMERS WERE OUT OF SERVICE FOR 17 AND 18 AND ONE HALF HOURS. PLEASE ADDRESS THIS SITUATION.

A. Although Mr. Van De Water once again presents an incomplete story, the average recovery times he describes are correct for the customers who experienced a service outage during a hot cut during October and November. However, as I noted in my rebuttal testimony to Mr. Van De Water, several key facts need to be pointed out and restated here. First, these 44 outages in the two months of October and November represent only 1.04% of the 4226 coordinated customer conversions for those same two months. Second, this 1.04% of the coordinated conversions is below the Commission's benchmark of 3% for provisioning troubles within seven days of the hot cut. And third, for the 2418 coordinated hot cuts in October 2003 there were 23 service outages, 4 of which, due to an extended outage, caused the average for these 23 to be 17 hours; for the 1808 coordinated hot cuts in November 2003 there were 21 service outages, 6

of which, due to an extended outage, caused the average for these 23 to be 18 and one half hours. Only a very few customers, then, in this case, actually experienced the severe outage situation that Mr. Van De Water claims is not only average but pending for all customers experiencing a conversion.

Mr. Van De Water's conjecture about translating this effect evenly for all customers in the future is contrary to BellSouth's past performance and continuing commitment to service. The normal or "average" experience is the performance BellSouth demonstrated in the preceding months of June 2003 through September 2003 where the average recovery time was 4.25 hours, which is below the Commission's objective of 5 hours. More importantly, as stated on page 17 of my Rebuttal Testimony, less than 1% of hot cuts experienced the condition when this measure would apply.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

PUBLIC DISCLOSURE DOCUMENT

BELLSOUTH TELECOMMUNICATIONS, INC.

SURREBUTTAL TESTIMONY OF PAMELA A. TIPTON

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030851-TP

January 28, 2003

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH"), AND YOUR BUSINESS ADDRESS.

A. My name is Pamela A. Tipton. I am employed by BellSouth Telecommunications, Inc., as a Director in the Interconnection Services Department. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. ARE YOU THE SAME PAMELA A. TIPTON WHO FILED DIRECT TESIMONY IN THIS DOCKET ON DECEMBER 4, 2003?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. I respond to rebuttal testimony filed by AT&T witness Jay Bradbury, FCCA witness Joe Gillan, Sprint witness Brian Staihr, Supra witness David Nilson, MCI witness Dr. Mark Bryant, and OPC's witness Dr. Ben Johnson. All of these

witnesses try to place conditions and limitations on the FCC's self-provisioning trigger rule that simply do not exist.

Section 1: Discussion of Trigger Candidate Criteria

Q. WITNESSES GILLAN, BRADBURY, JOHNSON AND BRYANT SUGGEST THE COMMISSION MUST CONSIDER A PLETHORA OF CRITERIA TO "QUALIFY" CLECS AS TRIGGER CANDIDATES BEFORE THEY CAN BE COUNTED. WHAT DO THE FCC RULES STATE?

A. The criteria for a CLEC to be counted with regard to the self-provisioning switching trigger are clearly set forth in the FCC's Rules. 47 C.F.R. § 51.319(d)(2)(iii)(A)(1), Local switching self-provisioning trigger, states:

> "To satisfy this trigger, a state commission must find that three or more competing providers not affiliated with each other or the incumbent LEC, including intermodal providers of service comparable in quality to that of the incumbent LEC, each are serving mass market customers in the particular market with the use of their own local circuit switches."

The other parties attempt to include as many as seven or eight unique criteria that a trigger "candidate" must meet. They are simply wrong. Had the FCC intended for state commissions to check off a laundry list of criteria before considering a CLEC as a "trigger candidate," the rules would have said so. They do not. The rule contains the only criteria that address the self-provisioning trigger, it is straightforward, and it contains two, and only two, requirements. Competing providers must: 1) not be affiliated with each other or the incumbent

LEC, and may include intermodal providers of service comparable in quality to that of the incumbent LEC, and 2) be serving mass market customers in the particular market with the use of their own circuit switch. Exhibit PAT-8 is a decision flow chart that accurately represents the trigger analysis as reflected in 47 C.F.R. § 51.319(d)(2)(iii)(A)(1). This is the only decision-making analysis that needs to be conducted in this proceeding, despite CLEC claims suggesting otherwise.

Q. HAVE THE CLECS MISSED THE FOCUS OF THE SWITCHING TRIGGER?

A. Yes. As the FCC explained in its appellate brief (filed January 16, 2004 in the appeal of the TRO currently pending in the federal courts), the switching trigger has to do "with determining when market conditions are such that new entrants are not *impaired* in *entering* the market." (Respondent's Brief, p. 46, n. 22). By seeking to impose unnecessary criteria to the trigger analysis, the CLEC witnesses are once again advocating conditions that focus more on protecting their access to unbundled switching than focusing on conditions that relate to market entry.

Q. MCI WITNESS MR. BRYANT ATTACHES A FLOW CHART TO HIS TESTIMONY SHOWING A "TRIGGER ANALYSIS" HE HAS DEVISED. SIMILARLY, MR. GILLAN HAS PROVIDED A TABLE SUMMARIZING HIS IMAGINED TRIGGERS CRITERIA. IS EITHER THE FLOW CHART OR TABLE SUPPORTED BY THE FCC RULE?

A. No, both analyses exceed the straightforward criteria set forth in the FCC's rule.

Q. DOES THE FCC's RULE CONTAIN LANGUAGE THAT PRECLUDES CONSIDERATION OF SO-CALLED "ENTERPRISE" SWITCHES AS SEVERAL WITNESSES, INCLUDING MR. GILLAN (CRITERIA #1), SUGGEST?

A. No.

Q. IS THERE ANY REQUIREMENT IN THE APPLICABLE RULE THAT THE SELF-PROVISIONING TRIGGER CANDIDATE MUST BE PROVIDING VOICE SERVICE TO "RESIDENTIAL CUSTOMERS" AS MR. GILLAN (CRITERIA #2), MR. BRADBURY AND OTHERS SUGGEST?

A. No.

Q. DOES THE RULE REQUIRE THAT THE SELF-PROVISIONING TRIGGER COMPANY RELY ON ILEC ANALOG LOOPS TO CONNECT TO THE CUSTOMER TO ITS SWITCH AS WITNESSE MR. GILLAN (CRITERIA #3), MR. BRADBURY, AND OTHERS CONTEND?

A. No. The rule explicitly says that intermodal providers of service may be included as trigger companies. In footnote 325 of its TRO, the FCC defined intermodal as follows:

> "By 'intermodal' we refer generally to facilities or technologies other than those found in traditional telephone networks. These include, for

example, traditional or new cable plant, wireless technologies (satellite, mobile and fixed), power line (electric grid) technologies, or other technologies not rooted in traditional telephone networks. "

Q. ARE THERE SPECIFIC REQUIREMENTS THAT APPLY FOR AN INTERMODAL PROVIDER OF SERVICE TO QUALIFY FOR THE SWITCHING TRIGGER (MR. GILLAN, CRITERIA #4)?

A. Only one, which is that the service provided by the intermodal provider must be comparable in quality to the service provided by the ILEC. The intermodal provider BellSouth relies upon in its trigger analysis, meets the requirement of the rule and provides service comparable in quality to BellSouth's service. Further, even if the Commission evaluated whether Comcast's service is comparable "in cost, quality and maturity" (which it is not required to do), there is no question that Comcast could satisfy these criteria as well. To illustrate this I have attached as Exhibit PAT-9 information that is publicly available from Comcast's website relating to its service. This information demonstrates unequivocally that Comcast is an appropriate trigger candidate.

Q. DOES THE FCC'S SELF-PROVISIONING TRIGGER RULE REQUIRE THAT "THE EXISTENCE OF THE CANDIDATE SHOULD BE EVIDENCE OF SUSTAINABLE AND BROAD-SCALE MASS MARKET COMPETITIVE ALTERNATIVES IN THE DESIGNATED MARKET" AS MR. GILLAN (CRITERIA #6) AND MR. BRADBURY CLAIM?

A. No. It bears repeating that there is only one rule for implementing the self-provisioning trigger and that rule contains only two criteria, neither of which is that broad-scale mass market alternatives exist. Remarkably, these witnesses appear to have missed that the FCC issued an errata, in which it corrected paragraph 499, and removed the requirement that the self-provisioning switching trigger candidates must be ready and willing to serve *all* retail customers in the market. To the extent these witnesses are advocating for additional requirements, this Commission should reject such arguments.

Q. MR. GILLAN AND MR. BRADBURY ASSERT THAT TRIGGER CANDIDATES MUST SATISFY EVERY ONE OF GILLAN'S SIX CRITERIA BEFORE QUALIFYING AS A TRIGGER CANDIDATE. PLEASE RESPOND.

A. Beyond the fact that these criteria are not contained in the rule itself, two of these items -- criteria three, requiring the use of ILEC analog loops and criteria four, regarding intermodal providers -- are mutually exclusive, which only highlights how inappropriate and overreaching Mr. Gillan's criteria really are. An intermodal carrier, by definition, does not use the traditional telephone company network. Cable companies use their own facilities to reach subscribers. Satellite companies use the airwaves. They do not use the incumbent company's local loops, which means, under Mr. Gillan's and Mr. Bradbury's criteria, these intermodal carriers can never qualify as trigger candidates. This conclusion, of course, is diametrically opposed to what the FCC said, and what the CLECs have acknowledged in their briefs to the appellate courts in the TRO appeals.

Section 2: Discussion of Trigger Analysis

Q. ON PAGES 13 AND 25, RESPECTIVELY, MR. BRADBURY AND MR. GILLAN CLAIM BELLSOUTH'S TRIGGER ANALYSIS IS FLAWED BECAUSE BELLSOUTH DID NOT ASK THE RIGHT DISCOVERY QUESTIONS. HOW DO YOU RESPOND?

A. These claims are wrong. BellSouth asked in its First Interrogatories the following: the list of (BellSouth) wire centers served by the switches owned by the CLEC (Interrogatory 5); the total number of voice grade equivalent lines provided to end users from the identified CLEC switches by wire center (interrogatory 6); and a separation of the lines by end user and end user location by line count (e.g., the number of locations with 1 line, the number of locations with 2 lines, and so on). BellSouth could thus determine how many end user locations were mass market, based upon BellSouth's proposed crossover point. AT&T and other CLECs raised a plethora of objections to these questions, claiming that it did not have the information in the format requested and thus did not initially respond to BellSouth's request. AT&T later revealed that the data BellSouth requested "magically became available the night before rebuttal testimony was due" and that AT&T would "supplement its discovery responses." That AT&T criticizes BellSouth's analysis at the same time its actions were an impediment to the process is particularly galling.

Q. MR. BRADBURY CLAIMS (REBUTTAL P. 12) THAT AT&T PROVIDES SERVICE TO A RELATIVELY FEW NUMBER OF VERY SMALL BUSINESS

CUSTOMERS THAT ARE AN ARTIFACT OF A "FAILED" BUSINESS PLAN. HOW DO YOU RESPOND?

A. According to Mr. Bradbury, the "small embedded base" of very small business customers totals approximately ***----------***. This hardly constitutes a "small" number of customers. Further, AT&T's "failed business plan" is more appropriately classified as a change in business plan upon the implementation of the FCC's UNE Remand Order and the widely available UNE-platform. It is not coincidence that the decline in AT&T's purchase of UNE loops began during 2001; UNE-P became available as a result of the FCC's UNE Remand Order issued in February 2001. AT&T had only to revise its interconnection agreement to avail itself of this artificial means of competition; in March 2001, AT&T adopted a stand alone agreement that provided rates, terms and conditions for UNE combinations, including UNE-P. It follows that despite its sunk capital investment in its local switches, AT&T would be quick to implement a business strategy based on UNE-P given the artificially low, practically all-inclusive cost to serve of UNE-P and abandon the use stand loops served from AT&T switches.

Mr. Bradbury also claims that "active provisioning of service to very small business using DS0 UNE-loops ended in late 2001." (Rebuttal, p. 9). Evidently, in AT&T's view, if it is not "actively" advertising that it is providing service using its own switches, or adding new customers every day, it somehow fails to qualify as a trigger candidate. That is nonsensical. The FCC made it clear that the purpose of the triggers is to demonstrate that CLECs are not impaired without unbundled switching. Failing to advertise or failing to add new customers using

its own switching, particularly when UNE-P is available, proves nothing. The point is, each day, every day, AT&T provides service to thousands of customers in Florida, using its own switches. That is what the FCC requires of a trigger candidate.

Finally, on a statewide basis, Mr. Bradbury's testimony includes a chart that reflects 88% of AT&T's switches serve enterprise customers. Logic dictates that the remaining 12% of customers served by AT&T's switches constitute mass market customers, which means that AT&T is unquestionably a switching trigger company in some markets. No other explanation, notwithstanding AT&T's protests, is plausible.

Q. MR. BRADUBURY AND MS. LICHTENBERG DISPUTE THE NUMBER OF SWITCHES "COUNTED" IN THE TRIGGER ANALYSIS. PLEASE COMMENT.

A. Apparently, neither Mr. Bradbury nor Ms. Lichtenberg understand that the exhibit they take issue with – PAT-1 – was not intended to reflect the switches used in the triggers analysis. PAT-1 demonstrates that a significant number of CLEC switches are providing service in Florida and those same switches serve a number of markets. PAT-1 is entirely consistent with this Commission's 2003 Report on Competition which states that "[a]s of June 30, 2003, 31 switch-based CLECs were operating in Florida with a combined total of 126 switches."

Concerning the alleged "double counting," PAT-1 did in fact contain a formatting error. PAT-1 did not include a column titled "Switch Node CLLI," which provides the actual Point of Interconnection ("POI"), or switching presence, within a

particular LATA associated with a particular switch that may be physically situated in a separate geographic location from the market(s) it serves. Each repetition of a Switch CLLI actually represents a separate POI served from that Switch CLLI, according to the CLEC-reported data contained in the LERG. Although Mr. Bradbury and Ms. Lichtenberg (Supplemental Rebuttal, pp. 3-4) suggest that BellSouth has not accurately portrayed the number of AT&T and MCI switches in Florida, this minor formatting error has no bearing on the markets in BellSouth's serving territory in Florida that satisfy the FCC's triggers analysis.

Q. MR. BRADBURY CLAIMS BELLSOUTH COUNTED IN ITS TRIGGER ANALYSIS ALL OF AT&T'S SWITCHES. IS THIS CORRECT?

A. No. Indeed this is yet another fundamental error on Mr. Bradbury's part. BellSouth did not "count switches" as a part of its trigger analysis, because that is not what the FCC requires, or even allows. BellSouth counted the number of CLECs providing mass market service to customers in each geographic market. What Mr. Bradbury is referring to is the list of CLEC switches derived from the LERG. In no way does my testimony report or allude to Exhibit PAT-1 as a list of mass market switches. Instead, my testimony explicitly describes the list as "deployed in Florida." Further, BellSouth did not consider AT&T's toll switches or AT&T's ADL switches, nor the services provided from these switches in its trigger analysis, as Mr. Bradbury claims on pages 15-18 of his rebuttal testimony. Particularly ironic is that while Mr. Bradbury takes issue with BellSouth's

counting, another AT&T witness, Mr. Wood, can't count at all as his testimony contains the heading "CLECs are not self-providing switching."

Q. MS. LICHTENBERG SUGGESTS THAT BELLSOUTH SHOULD HAVE QUANFITIED "THE UNE-L ACTIVITY ON EACH SWITCH" USED IN THE TRIGGER ANALSIS. (SUPPLEMENTAL REBUTTAL, P. 4) IS THIS AN ACCURATE INTERPRETATION OF THE RULE?

A. No. It is unclear what the purpose of doing this would have been and Ms. Lichtenberg doesn't explain her position. In fact, it wouldn't make any difference if MCI served every one of its mass market customers in Florida from a single switch in Michigan or Maine. The point is that MCI is serving mass market customers with its own switches. Ms. Lichtenberg attempts to disqualify MCI's switches by seeking to impose criteria or considerations that are conspicuously absent from the applicable rules and that make no sense in light of what the FCC has required.

Q. SEVERAL WITNESSES, SUCH AS BRADBURY, GILLAN AND OTHERS, ARGUE THAT "ENTERPRISE SWITCHES" SHOULD BE EXCLUDED FROM THE SELF-PROVISIONING TRIGGER ANALYSIS. PLEASE COMMENT.

A. These witnesses are wrong. First, there is no such qualifier in the FCC's rule. The rule requires no count of switches, other than presumably that each trigger candidate must have its own circuit switch; the rule has no discussion regarding how switches are used to provide mass market service. The only mention of this

issue in the TRO is in the "potential deployment" section of the TRO, and not in the portion of the order addressing the triggers. If the FCC had intended this requirement to be included as part of the trigger "analysis," it would have set forth the requirement in its rule. It did not. The relevant inquiry is whether the competing providers counted towards the trigger are providing mass market service.

Q. SHOULD EVIDENCE OF SELF-DEPLOYED SWITCHES SERVING ENTERPRISE CUSTOMERS BE CONSIDERED IN EVALUATING MASS MARKET SWITCHING IMPAIRMENT?

A. Absolutely -- in the "potential deployment" phase of any case looking at unimpairment. Both the FCC and this Commission recognize the significance of such evidence. In its discussion of the "potential deployment" analysis at paragraph 508 of its TRO, the FCC states:

> "We find the existence of switching servicing customers in the *enterprise* market to be a significant indicator of the possibility of serving the mass market because of the demonstrated scale and scope economies of serving numerous customers in a wire center using a single switch...The evidence in the record shows that the cost of providing mass market service is significantly reduced if the necessary facilities are already in place and used to provide other higher revenue services..."

This Commission agrees, establishing as a separate issue in this proceeding consideration for the markets in which CLECs are self-providing switching to

customers using DS1 or higher loops. That, however, has nothing at all to do with the triggers analysis.

Q. IN HOW MANY MARKETS IN BELLSOUTH'S SERVING AREAS ARE THERE THREE OR MORE SELF-PROVIDERS OF ENTERPRISE SWITCHING USING DS1 LOOPS?

A. Based on the discovery responses of CLECs, there are 13 geographic markets where CLECs are serving the enterprise market with their own switches using DS1 loops, which are shown on the attached Exhibit PAT-10.

Q. MR. BRADBURY ALSO SUGGESTS THAT IT IS "APPROPRIATE TO DIVIDE CUSTOMERS SERVED FROM CLEC SWITCHES INTO MASS MARKET OR ENTERPRISE BY CLASSIFYING ALL CUSTOMERS SERVED BY ANALOG DSO UNE LOOPS AS MASS MARKET CUSTOMERS AND ALL OTHERS AS ENTERPRISE." (REBUTTAL, PP. 2-3). PLEASE COMMENT.

A. Although the trigger analysis set forth in the TRO does not include this criteria, if BellSouth followed Mr. Bradbury's suggestion, more markets would meet the triggers test. I have attached as Exhibit PAT-11 the outcome of the trigger analysis using this criteria.

Section 3: Discussion of Trigger Candidates

Q. SEVERAL WITNESSES, INCLUDING MR. BRYANT, MR. STAIHR AND MR. GILLAN, ATTEMPT TO DISQUALIFY CLECS AS TRIGGER CANDIDATES ON THE BASIS THAT THEY ARE PROVIDING SERVICE TO BUSINESS CUSTOMERS ONLY. WHAT IS YOUR REACTION?

A. The FCC's rule does not require a competitive LEC to provide service to residential customers in order to qualify as a trigger candidate. The Commission must determine if three or more competing providers are serving mass market customers in a particular geographic market. The FCC defines mass market customers as consisting of "residential customers and very small business customers. Mass market customers typically purchase ordinary switched voice service and a few vertical features. Some customers also purchase additional lines and/or high speed data services." (¶127, TRO) (emphasis added). Any suggestion that a particular triggers candidate must serve residential customers is incorrect. Moreover, despite Mr. Staihr's assertion that there is no residential competition in Florida, by their own admission, several CLECs are providing service to residential customers using their own switches. *** ----------*** for example, is providing service to over ***----------*** residential customers.

Q. SEVERAL WITNESSES, INCLUDING BRYANT, GILLAN, STAIHR AND BRADBURY, ATTEMPT TO "DISQUALIFY" PARTICULAR (AND IN SOME CASES ALL) CLECS FROM BELLSOUTH'S TRIGGER ANALYSIS COMPLETELY. HOW DO YOU RESPOND?

A. I disagree with their assertions. All of the CLECs listed on the exhibit to my direct testimony qualify as trigger companies based on BellSouth's analysis. Unlike the claims of the witnesses, BellSouth screened out locations served by DS1 loops so that it did not inadvertently include an enterprise location in its mass market analysis. CLECs self-reported their provision of one to three line service to end users in their discovery responses. For CLECs who refused to respond to discovery, or who otherwise did not provide adequate responses, BellSouth used its own data. BellSouth's internal data was based on DS0 loops and residential ported numbers. I will address specific assertions below.

Q. REGARDING MR. GILLAN'S TESTIMONY ON BEHALF OF FCCA, SHOULD ANY WEIGHT BE GIVEN TO HIS TESTIMONY CONCERING QUALIFYING TRIGGER CANDIDATES?

A. Absolutely not. Beginning on page 26 of his rebuttal testimony, Mr. Gillan makes certain assertions about specific CLEC trigger candidates and their alleged failed attempts at serving the mass market segment. Remarkably, when asked about the basis for his conclusions, Mr. Gillan explained in discovery that he had "not conducted a survey to determine which CLECs tried to serve the mass market in Florida using their own switching. The statement concerning CLEC efforts was a general observation concerning the financial performance of the CLEC industry nationally." (FCCA Amended and Supplemental Response to BellSouth Interrogatory No. 4). This response is simply one example of how Mr. Gillan's testimony has no credible foundation.

Q. AT&T WITNESS BRADBURY AND FCCA WITNESS GILLAN CLAIM COMCAST SHOULD NOT BE COUNTED AS A TRIGGER CANDIDATE BECAUSE COMCAST DOES NOT "SELF-PROVIDE" SWITCHING. IS THIS A VALID CLAIM?

A. No. Due to the nature of AT&T's long term agreement to provide to Comcast circuit switched network capability aggregated with other network services, witnesses Bradbury and Gillan make a misplaced claim that such an arrangement is at best large-scale enterprise arrangement, or alternatively is simply not "self-provisioning" of switching.

Q. WHAT DOES THE TRIENNIAL REVIEW ORDER SAY ABOUT SUCH AN ARRANGEMENT?

A. Contrary to Mr. Bradbury's and Mr. Gillan's claim, the FCC's order specifically addresses such a scenario in footnote 1551, where it states:

> "...if a carrier were to acquire the long term right to use of a non-incumbent LEC switch sufficient to serve a substantial portion of the mass market, that carrier should be counted as a separate, unaffiliated self-provider of switching."

Regardless of how Comcast obtains switching from AT&T, whether as a result of a merger and/or acquisition or via a lease arrangement, Comcast qualifies as a self-provider.

Q. IS THERE ANY INDICATION THAT COMCAST INTENDS TO EXIT THE MASS MARKET?

A. No. Comcast has a valid tariff on file with the Florida Public Service Commission and its website advertises the availability of phone service, touting the superiority of its service as compared to POTS.

Q. MR. GILLAN CLAIMS THAT SBC SHOULD NOT BE COUNTED BECAUSE ITS PRESENCE IN FLORIDA MARKETS IS ONLY A RESULT OF BINDING TERMS IN ITS MERGER WITH AMERITECH. DO THE FACTS SUPPORT HIS CLAIM?

A. No, they do not. Mr. Gillan claims SBC took the minimal steps necessary to comply with the merger agreement to avoid millions in fines. Among the requirements referenced by Mr. Gillan is that SBC provide service in 30 markets outside SBC's 13-state region, including collocation in 10 wire centers. SBC has entered 9 markets in BellSouth's Florida serving area alone and has collocated in ***----------***. Furthermore, Mr. Gillan attempts to substantiate his claims that SBC is not actively serving the mass market based on analyst claims and statements made in the media. The facts tell a different story. In response to discovery, SBC stated that it is serving mass market and enterprise customers using its own switches.

Section 4: Discussion of Market Definition

Q. BEGINNING ON PAGE 1 OF HIS TESTIMONY, SPRINT WITNESS BRIAN STAIHR DISCUSSES THE APPROPRIATENESS OF MARKET SERVING AREA ("MSA") AS A MARKET DEFINITION. WHAT IS THE OUTCOME OF BELLSOUTH'S SELF-PROVISIONING TRIGGER ANALYSIS IF MSA WERE THE MARKET DEFINITION?

A. Using this definition would result in more markets satisfying the triggers test. BellSouth's preliminary results of using MSAs as the market is attached as Exhibit PAT-11.

Q. ON PAGE 15 FCCA WITNESS JOE GILLAN RECOMMENDS USING LOCAL ACCESS TRANSPORT AREA ("LATA") AS THE APPROPRIATE MARKET DEFINITION. WHAT IS THE OUTCOME OF BELLSOUTH'S SELF-PROVISIONING TRIGGER ANALYSIS IF LATA WERE THE MARKET DEFINITION?

A. Using this definition would also result in additional markets satisfying the triggers test. BellSouth's preliminary results of using LATAs as the market is attached as Exhibit PAT-12.

Section 5: Specific Response to Supplemental Rebuttal Testimony

Q. HAVE ANY WITNESSES PROVIDED ADDITIONAL TESTIMONY CONCERNING THE SWITCHING TRIGGERS ANALSIS?

A. On January 22, 2004, both MCI witness Lichtenberg and FCCA's witness Gillan filed supplemental rebuttal testimony addressing certain aspects of the triggers analysis.

Q. DO YOU HAVE ANY OVERALL COMMENTS CONCERNING THIS SUPPLEMENTAL REBUTTAL TESTIMONY?

A. Yes. Both witnesses attempt to complicate the FCC's straightforward triggers analysis.

Q. PLEASE COMMENT ON MS. LICHTENBERG'S SUPPLEMENTAL REBUTTAL TESTIMONY.

A. Ms. Lichtenberg's testimony is little more than an attempt to explain away the simple reality that MCI provides service to mass market customers in Florida using MCI's switches. There is no requirement that a switching triggers candidate serve a certain amount of customers. There is no requirement that a switching triggers company must tie its advertising to its network facilities. MCI actively touts its "Neighborhood" plan to customers in Florida and elsewhere, and

has the means available to serve UNE-P customers using its own switches if provided the proper incentive to do so.

Q: PLEASE COMMENT ON MR. GILLAN'S SUPPLEMENTAL REBUTTAL TESTIMONY.

A. Unlike Mr. Gillan's rebuttal testimony, which had no factual basis (by his own admissions in response to discovery), Mr. Gillan's supplemental rebuttal testimony appears to be a deliberate factual misrepresentation. It is obvious that Mr. Gillan's mission impossible is to attempt to "disqualify" each and every switching trigger without regard to actual facts.

Q. PLEASE DESCRIBE HOW MR. GILLAN'S TESTIMONY IS INCOMPLETE.

A. Mr. Gillan is drawing conclusions based upon a subset of data that relates to a CLEC's presence in the marketplace and does not relate directly to BellSouth's actual trigger analysis. As I explained in my direct testimony, BellSouth's trigger analysis considered CLEC provided data regarding its actual deployment, loop data for business class customers from its loop inventory database, and numbers ported to CLECs (which thus includes lines CLECs serve using their own facilities). This contrasts with the narrow approach Mr. Gillan has apparently taken, which is to disregard completely SL1 loop information, the data relating to ported numbers as well as CLEC reported data.

Q. CAN YOU EXPLAIN WHAT DATA MR. GILLAN HAS APPARENTLY IGNORED?

A. Yes. In its response to AT&T's subpoena, BellSouth provided separate files for different loop types. Mr. Gillan has apparently included only those loop types for which BellSouth was able to provide information by wire center and by CLEC, and has presented that data as reflective of total in-service analog loops of the CLECs that meet the FCC's switch trigger. By doing so, Mr. Gillan has not captured SL1 loop activity, which activity cannot be segregated by wire center and by CLEC within the same report format. BellSouth provided data in response to AT&T's subpoena, which included SL1 loop activity by wire center, but not by wire center and by CLEC, and thus Mr. Gillan's Confidential Supplemental Exhibit JPG-10 is misleading at best. Moreover, Mr. Gillan is once again trying to impose requirements of his own making rather than simply applying the trigger analysis contained in the FCC's rule.

Q. DO YOU HAVE ANY OTHER COMMENTS RELATING TO MR. GILLAN'S SUPPLEMENTAL TESTIMONY AND EXHIBITS?

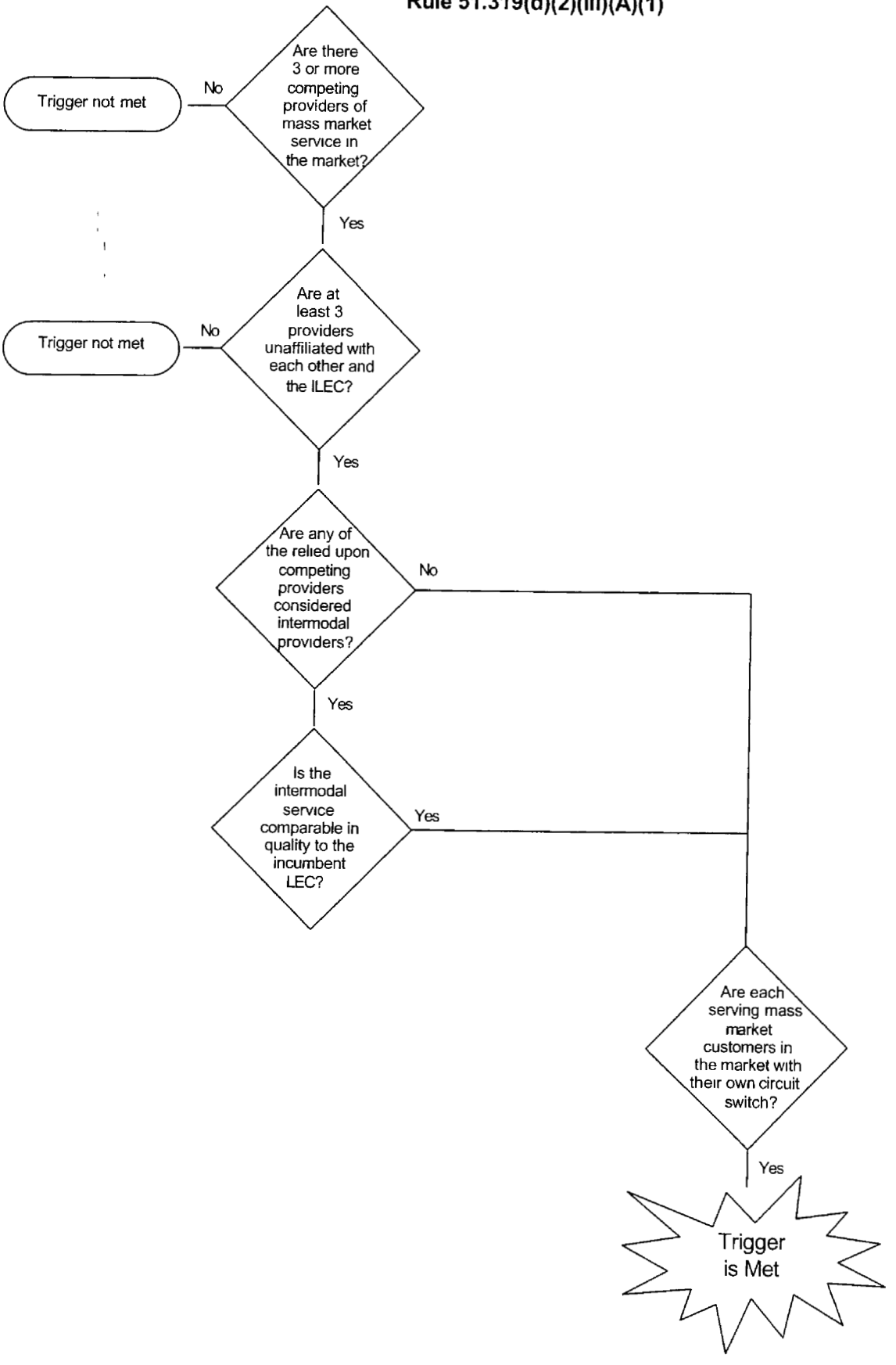
A. Yes. I do not understand why Mr. Gillan has chosen to use a selected portion of data provided by BellSouth to analyze certain CLECs that are FCCA member companies instead of seeking data directly from these companies. I understand that AT&T, ITC^DeltaCom, Network Telephone, and MCI are all members of the FCCA. It appears that Mr. Gillan has elected to obtain data from BellSouth, rather than from these member companies. BellSouth has diligently attempted to obtain data directly from CLECs to present this Commission with the most

accurate information. BellSouth has sought, as much as possible, to rely upon data provided by the CLECs concerning the types of customers served and where such customers are located in analyzing the switching trigger. It appears, however, that Mr. Gillan has not even attempted to obtain data directly from the FCCA member companies included in BellSouth's trigger analysis.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Decision Flow Chart to Determine if FCC Self-Provisioning Trigger is Met
Rule 51.319(d)(2)(iii)(A)(1)



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FAQs > Product Information > Comcast Digital Phone

What is Comcast Digital Phone?

Comcast brings you the future of local phone service with the power of broadband technology. With Comcast Digital Phone Service, you can enjoy digital quality and reliable local phone service with 15 of the most popular calling features all for one low monthly rate or a la carte. Plus, our great single-and multiple-line packages let everyone in the family communicate, all at the same time.

Did this information help to answer your question?

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FAQ Answer

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FAQs > Product Information > Comcast Digital Phone

What Are the Differences Between Digital Phone Service and Analog Service?

All Digital telecommunications networks work in a similar way. Analog voice signals (the old way) are converted to digital signals (the new way) at or near the originating point (your telephone), then translated back to analog at the receiving end. In this process, much of the noise and distortion can be removed.

Digital signals take your voice and translate it into an encoded series of zeros and ones. The digital signal is then translated and routed over our hybrid fiber coaxial (HFC) network (your cable) and then translated back into your voice.

The digital delivery process transmits a "cleaner" signal with less noise and distortion. Noise is screened out of the signal.

Comcast is able to deliver this new form of service using a customer's existing telephone equipment in their home. Because the signal is converted to digital over the network, customers are not required to replace their equipment.

Analog signals are continuously varying and subject to distortion and signal loss (the signal gets weaker as it gets further away from the point of origination.)

An analog signal is a continuous wave so, if there is noise or distortion, it is transmitted along with your voice.

Did this information help to answer your question?

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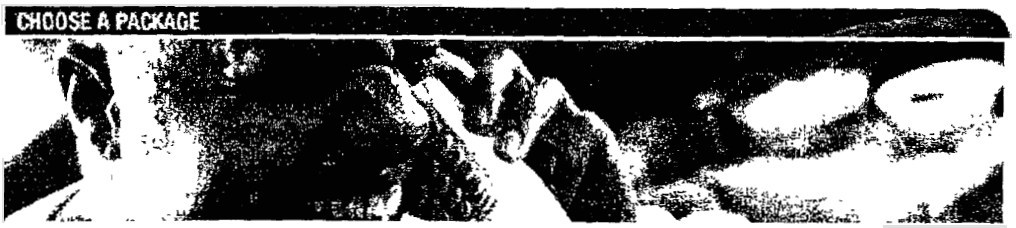

Choose a Package

Local and Long Distance Packages:

Comcast offers two levels of digital phone service to suit your needs -- Comcast Connections[tm] and Comcast Complete[tm] packages which can save you money and are easy to understand.

Comcast Connections[tm] Packages include:
- Unlimited local calling
- Long distance options without the hassle of call minimums
- Popular features such as:

  Caller ID[†] -- lets you know who is calling

  Call Waiting -- never miss an important call

  Call Waiting Caller ID[†] -- know who is calling when you're on the line

  Long Distance Alert -- lets you know when someone is calling long distance through a unique ring tone

  Call Return -- automatically call back your last caller

PLUS PACKAGE

Comcast Connections[tm] Plus Package*

It doesn't matter what time of day you are calling -- this package provides 7 cents per minute in-state, state-to-state long distance and local toll[Δ] direct dialed from home, 24 hours a day, 7 days a week.

180 PACKAGE

Comcast Connections[tm] 180 Package*

Provides 180 minutes of domestic direct dialed in-state, state-to-state long distance and/or local toll[Δ] from home. All calls above 180 minutes per month are 7 cents per minute.

300 PACKAGE

Comcast Connections[tm] 300 Package*

Provides 300 minutes of domestic direct dialed in-state, state-to-state long distance and/or local toll[Δ] from home. All calls above 300 minutes per month are 7 cents per minute.

Additional lines may be added for a monthly fee.
Included features are for first line only.
[†] Requires customer provided Caller ID equipment.

Comcast Complete[tm] Packages include:
- Unlimited local calling
- Long distance options without the hassle of call minimums
- Popular features such as:

  Caller ID[†] -- lets you know who is calling

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Call Waiting -- never miss an important call

Call Waiting Caller ID† -- know who is calling when you're on the line

Call Return -- automatically call back your last caller

Anonymous Call Rejection -- refuse unwanted calls that appear on your Caller ID display as private or anonymous

Call Screening, Distinctive Ring Service, Speed Dial 30, Three Way Calling, Repeat Dial, Selective Call Forwarding, Call Forward Variable

PLUS PACKAGE	180 PACKAGE	300 PACKAGE
Comcast Complete[tm] Plus Package*	**Comcast Complete[tm] 180 Package***	**Comcast Complete[tm] 300 Package***
It doesn't matter what time of day you are calling -- this package provides 7 cents per minute in-state, state-to-state long distance and local toll[Δ] direct dialed from home, 24 hours a day, 7 days a week.	Provides 180 minutes of domestic direct dialed in-state, state-to-state long distance and/or local toll[Δ] from home. All calls above 180 minutes per month are 7 cents per minute.	Provides 300 minutes of domestic direct dialed in-state, state-to-state long distance and/or local toll[Δ] from home. All calls above 300 minutes per month are 7 cents per minute.

Additional lines may be added for a monthly fee.
Included features are for first line only.
† Requires customer provided Caller ID equipment.

International Long Distance Options**

Depending on your international calling patterns, the Comcast International Savings plan can save you money. For a low monthly fee of only $2.95, you will get great low rates for international calls to over 230 countries.

To enroll in an international plan, you must be a Comcast Digital Phone local and long distance customer.

1, 2, 3 or more lines -- Additional Lines

Today, an extra line isn't a luxury, it's a necessity. Especially if there's someone always on the computer or constantly tying up the phone. Get additional lines for all the things you want to do -- which will mean no waiting to phone, go online or send a fax.

To order now or find out more about Comcast Digital Phone, please contact us at: 1-800-288-2085.

* Not available in all areas. You must subscribe to Comcast Digital Phone local service, in-state toll and interstate toll to qualify for the package. A per line Subscriber Line Charge, a Universal Connectivity Fee and federal, state and local taxes and surcharges apply.

** Not available in all areas. You must subscribe to Comcast Digital Phone local service, in-state toll, and interstate toll services to subscribe to one of the international plans. Rates effective as of 02/14/03 and do not include a per line Subscriber Line Charge, a Universal Connectivity Charge and additional federal, state and local taxes or surcharges that may apply. Additional surcharges may apply for international calls terminating to a cellular phone.

ΔLocal toll and in-state long distance rates are 7¢ per minute except in the following areas: California 5¢, and Massachusetts local toll 5¢.

Special Needs – For customers with hearing/speech disabilities, please contact 1-866-803-2403.

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Call Now

Calling Features to give you control of your time

Helping to protect your privacy, saving you time, and keeping connected to those you care about, Comcast Digital Phone service does it all through a broad selection of easy-to-use calling features.

Convenience Features*
Managing your calls has never been easier with features like Call Waiting, Call Return (*69) and Call Forwarding.

Privacy Features*
We help put you in control of your privacy with features such as Caller ID and Call Screening.

Answering Features
Now you have access to your messages from any phone, so you can stay in touch, even when you are away from home.

^Return to top

Convenience Features

Call Forwarding	Forwards incoming calls to a designated number. "Selective" forwards calls only from numbers you specify. "Variable" forwards all calls. To activate press *72
Selective Call Forwarding	This feature lets you forward incoming calls from up to 12 selected phone numbers to the location of your choice. To activate press *63. Follow the recorded instructions.
Call Return	Miss a call? This feature gives you the number of the last caller, plus the option to be connected automatically. To activate press *69
Call Waiting	Notifies you of an incoming call when you're on the phone and lets you click over to take the call if you desire.
Custom Ring	Assigns two telephone numbers to one line, each with a unique ring type, so you know which number the call is coming in on. Great for teens!
Directory Assistance	Dial 411 for local and long distance phone numbers. Charges apply.
Distinctive Ring	Let's you know instantly when a special party is calling. A distinctive ring signals calls from up to 12 numbers you've selected.
Remote Access to Call Forwarding	Activates or deactivates your Call Forwarding even when you are away from home.
Repeat Dialing / Continuous Dialing	Automatically calls back a busy number for up to 30 minutes, if you choose. To activate press *66 To cancel Repeat Dial press *86
Speed Dial 8 Speed Dial 30	Speed Dial 8 lets you dial eight numbers of your choice by dialing one digital (plus # sign). Speed Dial 30 lets you dial 30 numbers of your choice by dialing two

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	digitals (plus # sign).
Long Distance Blocking	Ensures that only local calls can be made from your phone.
Three Way Calling	Adds a third party to an existing phone call.

Features availability may vary by market. Caller ID service requires customer-provided Caller ID equipment. Number and name will appear where available. Comcast Long Distance service available only to customers who have local service with Comcast or an affiliate.

^Return to top

Privacy Features

Anonymous Call Rejection	Easily rejects calls from unfamiliar numbers. The caller will receive a polite message that you are not receiving calls from numbers that have been blocked.
Call Blocking	Rejects specific types of calls: specific area codes, long distance calls or operator assisted calls.
Caller ID	Identifies incoming calls with names and phone numbers. Customer-provided Caller ID equipment required.
Caller ID with Call Waiting	Lets you know who's calling, even when you're on the phone. Requires a specially equipped Caller ID box.
Caller ID Blocking - per call	Permanently blocks the display of your name on Caller ID units.
Call Screening	Selects up to 12 numbers from which you do not want to receive calls and the caller with hear an automated message.
Call Trace	To handle threatening or harassing calls – Have a number traced and, by request, forwarded to the proper authorities. To activate press *57.
900 / 976 Blocking	Your Comcast Digital Phone account comes with 900 and 976 numbers automatically blocked.

*Feature availability may vary by market. Caller ID service requires customer-provided Caller ID equipment. Number and name will appear where available.

^Return to top

Answering Features

Voice Mail	You can also add convenience with pager notification, additional mailboxes, reminder service and more.

Voice Mail Basic

Voice Mail is a fun and exciting digital technology that allows you to create unique greetings to let callers know that you are on the phone or not answering the phone. And with your personal access code, it also enables you to easily and quickly retrieve messages from any touch tone phone. This will ensure that only authorized persons are able to listen to your important messages. Best of all, Voice Mail is digital, so you will get crisp and clear messages without the worry or hassle of tapes.

Additional Benefits of Voice Mail

- Voice Mail, unlike traditional answering machines, will answer calls even while you are on the phone
- With password protection (included), you have the peace of mind that only authorized persons can access your important messages
- Audible and visible ** message waiting indicators to alert you of new messages
- Stores up to 30 messages
- Each message may be up to 4 minutes long
- Greeting length up to 1 minute
- Message retention up to 15 days

Voice Mail Deluxe

Just like Basic Voice Mail, Voice Mail Deluxe uses digital technology to manage your important phone messages. And just like Basic Voice Mail, with your personal access code, you can retrieve messages or update your greeting from any touch tone phone. But Voice Mail Deluxe takes you a step further with more robust message storage capabilities and Pager Notification. With Pager Notification, your pager numbers is automatically called when a message is received in your voice mailbox. The service works with any pager service, so if you use a tone pager, you will hear it usual beep. With a digital pager, your mailbox number

Digital Phone Calling Features

will be displayed. If you use a voice pager, you will hear the first 20 seconds of the message. It's the high-tech way to ensure that you stay in touch while you're on the go.

Additional Benefits of Voice Mail Deluxe

- Provides one main mail box and up to four* sub mail boxes - each with their own personal greeting - for improved message management (great for families too!)
- Voice Mail Deluxe, unlike traditional answering machines, will answer calls even while you are on the phone.
- With password protection (included), you have the peace of mind that only authorized persons can access your important messages
- Audible and visible** message waiting indicators to alert you of new messages
- Stores up to 45 messages
- Each message may be up to 5 minutes long
- Message greeting length up to 1.5 minutes
- Message retention up to 31 days

(* May vary by Market)
(** The visible message waiting indicator feature requires customer provided equipment)

Features availability may vary by market. Caller ID service requires customer-provided Caller ID equipment. Number and name will appear where available. Comcast Long Distance service available only to customers who have local service with Comcast or an affiliate.

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- Section 5 - Promotions

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- Section 1 - Table of Contents
- Section 2 - Rules and Regulations
- Section 3 - Description of Services
- Section 4 - Rates and Charges

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FAQ Answer

SEARCH

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YOUR FAQ ANSWER

FAQs > Product Information > Comcast Digital Phone

If my cable goes out, will my phone go out too?

In order to maintain continuous phone service, our local telephone service will automatically reroute itself if a line in your area is damaged. Although there are extreme situations that would result in a loss of service, we are required to maintain a reliability rate of 99.9 percent for local telephone service.

Did this information help to answer your question?

- Yes
- No

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FAQ Answer

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FAQs > Product Information > Comcast Digital Phone

Will I still be listed in the telephone book if I switch my local service?

Yes. Switching to Comcast Digital Phone Service has no effect on your directory listing. You will continue to be listed in the telephone directory for your area.

Did this information help to answer your question?

- Yes
- No

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FAQ Answer

SEARCH

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FAQs > Product Information > Comcast Digital Phone

On average, how long does it take to install Comcast Digital Phone?

Installation currently takes approximately three to four hours for private homes and slightly less time for apartments. Once Comcast Digital Phone Service is installed, your home will be ready for any future upgrades or additions, unless inside wiring is required.

Did this information help to answer your question?

C Yes
C No
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A step-by-step guide to walk you through the ordering process.

SUPPORT

Customers First
The answers you seek.
Understand Your Bill
FAQs and Answers
What's in My Area

Markets with 3 or more CLECS self-providing DS1 Switching

Markets	Number of Locations Served by DS1
Fort Lauderdale FL Zone1 Total	168
Fort Lauderdale FL Zone2 Total	275
Jacksonville FL-GA Zone1 Total	44
Jacksonville FL-GA Zone2 Total	93
Jacksonville FL-GA Zone3 Total	7
Melbourne-Titusville-Palm Bay FL Zone2 Total	92
Miami FL Zone1 Total	255
Miami FL Zone2 Total	166
Orlando FL Zone1 Total	54
Orlando FL Zone2 Total	170
Pensacola FL Zone2 Total	73
West Palm Beach-Boca Raton FL Zone1 Total	101
West Palm Beach-Boca Raton FL Zone2 Total	148

*Based on currently available data

Three or More CLECs Self-Providing Switching with Any Quantity DS0 Loops

Daytona Beach FL Zone2
Fort Lauderdale FL Zone1
Fort Lauderdale FL Zone2
Fort Pierce-Port St. Lucie FL Zone2
Jacksonville FL-GA Zone1
Jacksonville FL-GA Zone2
Jacksonville FL-GA Zone3
Melbourne-Titusville-Palm Bay FL Zone2
Miami FL Zone1
Miami FL Zone2
Orlando FL Zone1
Orlando FL Zone2
Pensacola FL Zone2
West Palm Beach-Boca Raton FL Zone1
West Palm Beach-Boca Raton FL Zone2

MSAs Where Triggers are Met

Daytona Beach
Jacksonville
Melbourne
Miami-Ft Lauderdale
Orlando
Pensacola
West Palm Beach

Based on currently available data
Locations with 3 or less lines

LATAs Where the Self-Provisiong Trigger is Met

LATA	LATA Description
448	Pensacola, FL
452	Jacksonville
456	Daytona Beach
458	Orlando
460	Southeast

Based on currently available data