

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Motions of AT&T) Docket No. 971140-TP
 Communications of the Southern)
 States, Inc. and MCI)
 Telecommunications Corporation)
 and MCI Metro Access)
 Transmission Services, Inc. to)
 compel BellSouth)
 Telecommunications, Inc. to)
 comply with Order PSC-96-1579-)
 FOF-TP and to set non-recurring)
 charges for combinations of)
 network elements with BellSouth)
 Telecommunications, Inc.)
 Pursuant to their agreement.)
)



VOLUME 3

PAGES 234 through 371

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON
 COMMISSIONER SUSAN F. CLARK
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER JOE GARCIA
 COMMISSIONER E. LEON JACOBS, JR.

DATE: Monday, March 9, 1998

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: LISA GIROD JONES, RPR, RMR

APPEARANCES:

(As heretofore noted.)

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I N D E X - VOLUME 3

WITNESSES

3	NAME	PAGE NO.
4	RICHARD WALSH	
5	Cross Examination (Continuing) by Ms. White	237
	Cross Examination by Mr. Pellegrini	238
6	Redirect Examination by Mr. Hatch	241
7	JOSEPH GILLAN	
	Direct Examination by Ms. Rule	246
8	Prefiled Direct Testimony inserted	249
	Prefiled Rebuttal Testimony inserted	254
9	Cross Examination by Mr. Ross	293
	Redirect Examination by Ms. Rule	302
10	ROBERT V. FALCONE	
11	Direct Examination by Mr. Hatch	305
	Prefiled Rebuttal Testimony inserted	307
12	Cross Examination by Mr. Ross	353
	Cross Examination by Mr. Pellegrini	360
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

	EXHIBITS		
	NUMBER	IDENTIFIED	ADMITTED
1			
2			
3	11 - (Walsh)		244
4	12 - (Walsh)		244
5	13 - (Walsh)		244
6	14 - (Gillan) JPG-2	246	304
7	15 - (Gillan) JPG-1	247	304
8	16 - (Gillan) Amended JPG-1	248	304
9	17 - (Falcone) RVF-5	304	371
10	18 - (Falcone) RVF-1 - RVF-4	306	371
11	19 - (Falcone) Staff's Modified Unbundled Network Elements Diagram	368	371
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

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PROCEEDINGS

(Transcript continues in sequence from
Volume 2.)

RICHARD WALSH

Continues his testimony under oath from Volume 2:

A Yes, I did say that the concept of platform
would be equal to some kind of retail service.

Q (Continuing by Ms. White) Is that still your
testimony?

A Yes, to the customer, they believe they're
getting a service when they order this from AT&T or any
new entrant. They believe that service is very similar
or alike in nature to the service that they're getting
from BellSouth. However, they choose to go between one
or the other for some -- something that sets them
apart. Maybe it's price. Maybe it's in the features
that are offered.

So what I was answering in the deposition was,
yes, when you have a platform, and would it be equal to
some kind of retail service, I was giving the customer's
point of view.

Q So from the cost, total cost, for a migration
of an unbundled network element platform and the total
cost for migration, nonrecurring costs for migration for
total service resale you said would be the same?

1 A Yes, I did.

2 Q And was that the same case in Alabama?

3 A Yes, it was. And the reason it was the same
4 price is because it's considered that operations support
5 systems would be able to provide that electronically;
6 that they would be able to provision those requests with
7 a minimum amount of fallout and so therefore it
8 generates the same price.

9 Q And was that the same -- was that the case in
10 every state in the BellSouth region in which you
11 testified?

12 A Subject to check, I believe it was.

13 Q Now, when combinations of unbundled network
14 elements are migrated, the way you used the term
15 migrated, do you believe that only an update of records
16 by BellSouth is what is required?

17 A Absolutely.

18 Q And is all that is required by BellSouth to
19 process a resale order an update of records?

20 A Yes, it is.

21 MS. WHITE: Thank you. I have nothing
22 further.

23 CROSS-EXAMINATION

24 BY MR. PELLEGRINI:

25 Q Mr. Walsh, just one question concerning

1 fallout, the level of fallout.

2 In responding to Ms. White's questioning,
3 Mr. Hyde seemed to agree that the high levels, or rather
4 the low levels of fallout, two, three percent, were
5 associated with -- with either being experienced with
6 the resale environment, or even in the long distance
7 environment, but not necessarily in the UNE
8 environment. Would you agree with that?

9 A I don't know what the actual experience is for
10 fallout percentages within Florida. I can tell you that
11 in -- the way that our nonrecurring cost model looked at
12 fallout had to deal with who is -- who should pay for
13 the fallout. If the fallout is attributed to
14 inefficiencies to keep BellSouth databases synchronized,
15 such as the cable pair on one database doesn't mirror
16 that cable pair information in another database, then I
17 don't think that the customer, the end customer, in this
18 case AT&T, should have to pay for that database
19 synchronization problem that may exist.

20 So the two percent that we quote are probably
21 more along the lines of an efficient company and not
22 that of an inefficient company. When they quote
23 percentages of 20 percent fallout, I really don't know
24 what that 20 percent represents, whether that 20 percent
25 represents all kinds of errors that might be their

1 fault, or whether it represents just 20 percent error
2 directly attributed to AT&T.

3 I can tell you, though, I have run the model
4 for migration scenarios, using percentages up to 20
5 percent. And the cost difference is not that much.
6 We're talking about between 21 cents and about \$2.50 for
7 a nonrecurring cost for a loop and port.

8 Q Well let me ask you this. Are you aware
9 specifically of systems and total calls that would
10 operate in a -- that would operate in a UNE environment
11 and enable efficient, forward looking flow through, and
12 can you identify them?

13 A I would say the systems that they have in
14 place today enable them to obtain certain levels of flow
15 through that would be that high. They have to do things
16 in their databases to keep their databases
17 synchronized. They have to -- which is a big problem.

18 Another problem is they might have a set of
19 software that might have a certain version of software
20 running, and the one catalog says these features are
21 available, but yet they haven't put that software in
22 that switch yet. So that's another problem that really
23 causes fallout, but the fallout is really not attributed
24 to the customer itself. The fallout is clearly the
25 responsibility of BellSouth. So I excluded that type of

1 fallout in our calculations.

2 Q Is there a protocol that's necessary for
3 integrating the existing systems, such as OSMINE for
4 example?

5 A I don't know if I can answer that in the
6 context of this particular proceeding. There is -- I
7 don't know if I can answer your question.

8 MR. PELLEGRINI: Thank you, Mr. Walsh.

9 CHAIRMAN JOHNSON: Commissioners? Redirect?

10 MR. HATCH: I have one redirect.

11 REDIRECT EXAMINATION

12 BY MR. HATCH:

13 Q Mr. Walsh, do you recall Ms. White asking you
14 about a migration of a resale object and a migration of
15 a UNE platform order?

16 A Yes, I do.

17 Q Are the records that are updated for a resale
18 order the same databases, the same records, that are
19 updated for a UNE platform order?

20 A I'm going to answer that in two parts: The
21 certain -- certainly the network records that reside in
22 the BellSouth databases that represent all the different
23 network elements, they are exactly the same. There's no
24 difference in the inventory that is assigned for those
25 types of services. With regards to billing on a resale,

1 BellSouth modifies their billing system and continues to
2 bill for that service. In terms of a UNE order, what
3 they do is they issue a final bill to the customer and
4 turn around and bill AT&T for the unbundled network
5 elements. So it's a different process.

6 COMMISSIONER CLARK: I beg your pardon. Can I
7 ask one question, getting back to this exhibit? On
8 here, would you tell me what is -- what would be
9 considered a loop and what would be considered a port?

10 WITNESS WALSH: The loop really connects
11 the -- it's actually that the information between the
12 customer's house and the switch itself, okay, that
13 constitutes the loop.

14 COMMISSIONER CLARK: So it would be Elements 1
15 through 4 are the loop?

16 WITNESS WALSH: Well, maybe -- excluding 1,
17 because 1 is what we're talking about there is the NID,
18 and that attaches to the side of the house that allows
19 you to move your jack wires and test your phone to find
20 out if your line is working. So I would exclude 1.

21 I would say the loop distribution,
22 concentrated multiplexer, if there is one available.
23 The loop feeder is considered to be the loop. And in
24 some cases, if they concentrate a multiplexer, what
25 happens is there is a fiber that connects between 3 and

1 5, and a fiber takes on different characteristics than
2 the copper cable pair.

3 COMMISSIONER CLARK: What's the port?

4 WITNESS WALSH: The port is actually at the
5 local switch. It's the equipment at the switch itself
6 that the loop connects to.

7 COMMISSIONER CLARK: Is it No. 5?

8 WITNESS WALSH: Yes, it is.

9 COMMISSIONER CLARK: Is there anything else?

10 WITNESS WALSH: No.

11 COMMISSIONER CLARK: Thank you.

12 Q (By Mr. Hatch) Mr. Walsh, with respect to --
13 do you recall Ms. White asking you about the various
14 assumptions of the nonrecurring cost model?

15 A Yes, I did.

16 Q I believe she asked you about the fiber copper
17 ratio, staffed versus unstaffed COs, travel time, the
18 amount of time to do a cross-connect, four work
19 activities per trip, the amount of Florida dedicated
20 plant, the number of employees that are required to
21 answer questions, whether TMN was present. Of all the
22 items on that list, were you required to consider any of
23 those items, or all of those items, with respect to
24 determining your nonrecurring cost that you're proposing
25 in this proceeding?

1 A In terms of migrating a customer, an existing
2 BellSouth customer, using a loop and port ordered on the
3 same service order, I would say no. Those inputs really
4 do not affect the cost of the migration.

5 MR. HATCH: No further redirect.

6 CHAIRMAN JOHNSON: Exhibits?

7 MR. HATCH: AT&T would move 12 and 13.

8 MR. PELLEGRINI: Staff moves Exhibit No. 11.

9 CHAIRMAN JOHNSON: Show 11, 12 and 13 admitted
10 without objection.

11 MS. WHITE: BellSouth has copies of Exhibit 4
12 now that they'll pass out.

13 CHAIRMAN JOHNSON: Thank you.

14 (Exhibit Nos. 11, 12 and 13 received into
15 evidence.)

16 CHAIRMAN JOHNSON: Thank you, sir, you're
17 excused.

18 WITNESS WALSH: Thank you.

19 (Witness Walsh excused.)

20 * * *

21 MR. HATCH: Madam Chairman, there's a question
22 I probably ought to raise at this point with respect to
23 how long we're going to go today and at what point we're
24 going to continue this proceeding. It's unclear to me
25 as to who is going to be doing what, when and where. I

1 think everybody is in that boat.

2 Mr. Gillan is on the stand next as our
3 witness. However, Mr. Falcone is unavailable for the
4 rest of the week. I don't know how you want to proceed
5 with this. It may be necessary, if you're going to
6 continue this week, to take him out of order at some
7 point.

8 CHAIRMAN JOHNSON: I thought those issues had
9 been worked through. We're going to go to about five
10 today and we're going to continue on Wednesday and
11 Thursday of this week.

12 MR. HATCH: Mr. Falcone is unavailable
13 Wednesday and Thursday of this week.

14 CHAIRMAN JOHNSON: So then should -- have
15 y'all discussed taking him out of place?

16 MR. HATCH: One moment, let me confer.

17 MS. WHITE: Madam Chairman, depending on the
18 length summary, I believe we can be through Mr. Gillan
19 and Mr. Falcone before 5:00.

20 CHAIRMAN JOHNSON: Okay, thank you.

21 COMMISSIONER GARCIA: Either you've got very
22 few questions, or Mr. Gillan has changed his style of
23 responding to your questions.

24 CHAIRMAN JOHNSON: Mr. Hatch?

25 MR. HATCH: We'll proceed with Mr. Gillan. I

1 think we can get them all in.

2 MS. RULE: Before we proceed with Mr. Gillan,
3 we would like to hand out an exhibit. And with your
4 permission, while that's being handed out, I'll start
5 with Mr. Gillan.

6 MR. PELLEGRINI: Marsha, before you do,
7 Chairman Johnson, Staff would proffer exhibit identified
8 as JPG-2 consisting of Mr. Gillan's January 16, 1998
9 deposition transcript and Deposition Exhibit No. 1, and
10 ask that it be marked for identification purposes.

11 CHAIRMAN JOHNSON: Mark that Exhibit 14.

12 (Exhibit No. 14 marked for identification.)

13 JOSEPH GILLAN

14 was called as a witness on behalf of AT&T Communications,
15 and having been duly sworn, testified as follows:

16 DIRECT EXAMINATION

17 BY MS. RULE:

18 Q Would you please state your name and address?

19 A Name is Joseph Gillan. My business address is
20 P. O. Box 541038, Orlando, Florida 32854.

21 Q How are you employed?

22 A I'm self-employed as an economist.

23 Q And on whose behalf are you testifying today?

24 A I have filed direct testimony on behalf of
25 AT&T and rebuttal testimony on behalf of AT&T and MCI.

1 Q With regard to your direct testimony, did you
2 cause five pages of testimony to be filed and 32 pages
3 of rebuttal testimony?

4 A Yes.

5 Q Do you have any changes or corrections to make
6 to your prefiled direct or rebuttal testimony?

7 A No, I do not.

8 Q If I asked you the same questions today as are
9 in your direct and rebuttal testimony, would your
10 answers be the same?

11 A Yes.

12 MS. RULE: Commissioners, I would ask that
13 Mr. Gillan's direct and rebuttal testimony be inserted
14 into the record as though read.

15 CHAIRMAN JOHNSON: It will be so inserted.

16 Q (By Ms. Rule) Do you also have attached to
17 your rebuttal testimony one exhibit labeled JPG-1?

18 A Yes.

19 MS. RULE: Chairman, I would like the exhibit
20 identified as Exhibit No. 15, please.

21 CHAIRMAN JOHNSON: Be identified as 15.

22 (Exhibit No. 15 marked for identification.)

23 BY MS. RULE:

24 Q And have you prepared a summary of your
25 testimony?

1 A Yes, I have.

2 Q Now before you go into your summary, we've
3 asked that the commissioners and parties receive a copy
4 of a document. Could you briefly explain what that
5 document is?

6 A It is a cleaned up version of Exhibit JPG-1.
7 To make it simple, I'm going to use it to illustrate
8 some points in my summary.

9 MS. RULE: And Commissioners, if you would
10 like, we can have that marked as another exhibit if that
11 would be convenient for you.

12 CHAIRMAN JOHNSON: What did we mark as 15?

13 MS. RULE: What we marked as 15 was Exhibit
14 JPG-1 attached to rebuttal. So this would be Exhibit
15 16, if you wish.

16 (Exhibit No. 16 marked for identification.)

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DIRECT TESTIMONY OF
JOSEPH GILLAN
ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

DOCKET NO.: 971140-TP

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Joseph Gillan. My business address is P.O. Box 541038, Orlando, Florida 32854. I am self employed as an economist with a consulting practice specializing in telecommunications. I have previously testified before this Commission on numerous occasions over the past decade.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of AT&T Communications of the Southern States, Inc. (AT&T).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to address the following issue:

ISSUE 7: What standard should be used to identify what combinations of unbundled network elements recreate existing BellSouth retail telecommunications services?

1 The principle conclusion of my testimony is that it is simply not *possible* for an
2 entrant to recreate a BellSouth service, no matter what combination of network
3 elements are used to accomplish the technical switching and transmission involved.
4 Services are defined by more than the simple interplay of network components.
5 What defines a service is largely determined by how the service is presented to the
6 customer -- how is it priced, how is it supported, and what need does it satisfy. As a
7 result, even *if* it were relevant whether an entrant "recreated" a BellSouth service,
8 one could not answer the question by looking only at the narrow issue of the
9 service's network components.

10

11 **Q. FROM WHAT PERSPECTIVE SHOULD THE QUESTION OF "SERVICE-**
12 **RECREATION" BE CONSIDERED (IF RELEVANT AT ALL)?**

13 A. It is important to appreciate that services are not technical standards, designed by
14 engineers for engineers. Rather, services are products offered to customers to
15 satisfy customer needs. The important perspective is that of the customer -- indeed,
16 in a sense, services only exists from the perspective of the customer. Importantly,
17 customers don't care *how* a service is provided; they care about whether the quality
18 is adequate, the price is acceptable, and the customer support reasonable. The
19 technical components of a service figure little (if at all) in this calculus.

20

21 **Q. WHAT ARE THE PRINCIPLE FACTORS WHICH DISTINGUISH**
22 **SERVICES TODAY?**

23 A. One of the consequences of the digital revolution is the technical homogeneity in
24 service design. Digital transmission is digital transmission. Switching is basically
25 switching -- and will become even more generic as AIN technology removes

1 network intelligence to remote databases. Standards are established precisely to
2 assure the interoperability (thus substitution) of equipment and facilities. Providing
3 basic voice telecommunication services is, by design, a standardized activity with
4 little room for network improvisation.

5

6 What this means is that services (and carriers) are increasingly defined by the non-
7 technical dimensions of the product: prices (including billing), packaging, and
8 customer support. It is along these "soft" dimensions of service that product
9 differentiation is greatest.

10

11 **Q. GIVEN THE IMPORTANCE OF THESE "SOFT" DIMENSIONS ON THE**
12 **DEFINITION OF A SERVICE, IS IT POSSIBLE TO "RECREATE" A**
13 **SERVICE OF BELLSOUTH?**

14 A. No. BellSouth's services are defined, in large part, by BellSouth's market image, its
15 unique prices and its own customer support. No entrant can recreate a BellSouth
16 service without becoming, in effect, BellSouth itself -- with identical prices,
17 marketing and customer support.

18

19 **Q. IS A RETAIL SERVICE RECREATED SIMPLY BECAUSE THE**
20 **NETWORK IS USED IN THE SAME WAY?**

21 A. No. The telecommunications industry has a long (and continuing) history of
22 differing services that use the network in comparable ways. In fact, one of the
23 principal roles for BellSouth's tariffs is to define (and thus price) distinct services
24 even when no significant network difference exists. Examples include the
25 "difference" between business and residential local exchange service, switched

1 access and local interconnection service, and BellSouth's expanded calling services.
2 BellSouth has in the past completely redefined entire markets from toll service to
3 local service. Although the "services" were dramatically different, the basic
4 network components (the loop remained connected to the same switch port) were
5 unchanged. Just as the services themselves are not originally *defined* solely by their
6 network components, it is not possible to *recreate* a service along this single
7 dimension.

8
9 **Q. DO YOU EXPECT THAT BELLSOUTH WILL OFFER LONG DISTANCE**
10 **SERVICES WHICH RECREATE, IN A TECHNICAL SENSE, THE**
11 **RETAIL SERVICES OF ITS UNDERLYING CARRIER?**

12 A. Yes. Although BellSouth has not yet satisfied the statutory requirements to provide
13 interLATA services, it was reported more than a year ago that BellSouth had chosen
14 AT&T as its underlying network provider. Assuming that its arrangement with
15 AT&T will conform to industry practice, the long distance calls of BellSouth's
16 customers will use the AT&T network in the same way as the long distance calls of
17 AT&T's own subscribers. I would also expect that other aspects of BellSouth's
18 service, including its pricing and billing, will be comparable to AT&T's products.
19 These similarities, however, would not mean that BellSouth is "recreating" AT&T's
20 services for the same reasons that no entrant can recreate those of BellSouth -- the
21 mere fact they are marketed and supported by BellSouth personnel define
22 BellSouth's services as products distinct from AT&T's.

23
24 **Q. HOW DO YOU RECOMMEND THAT COMMISSION ANSWER ISSUE 7?**

25 A. I recommend that the Commission conclude that no entrant "recreates" a BellSouth

1 retail service, irrespective of the network components involved. Although the
2 relevancy of "recreation" is addressed by the testimony of other witnesses, the
3 conclusion of my testimony is that there is no meaningful way for an entrant to
4 recreate a retail service without offering pricing, marketing and customer support
5 identical to BellSouth. Since replicating BellSouth along each of these dimensions
6 is impractical (not to mention a potential trade-mark violation), entrants cannot be
7 said to recreate a BellSouth service no matter which network elements are used.

8

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 **A. Yes.**

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1 REBUTTAL TESTIMONY OF
2 JOSEPH GILLAN
3 ON BEHALF OF
4 AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.
5 AND
6 MCI TELECOMMUNICATIONS CORPORATION
7 DOCKET NO.: 971140-TP
8

9 INTRODUCTION
10

11 **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

12 A. My name is Joseph Gillan. My business address is P.O. Box 541038, Orlando,
13 Florida 32854.
14

15 **Q. ON WHOSE BEHALF ARE YOU FILING REBUTTAL TESTIMONY?**

16 A. I am testifying on behalf of AT&T Communications of the Southern States, Inc.
17 (AT&T) and MCI Telecommunications Corporation (MCI).
18

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

20 A. The purpose of my rebuttal testimony is to respond to the testimony of BellSouth
21 witnesses Varner and Hendrix concerning the pricing and provisioning of network
22 element combinations. At one level, there appears to be agreement on the basic
23 questions needed to address the issues in this proceeding:
24

1 * BellSouth admits that it must offer network element combinations without
2 disruption (Varner, page 4: "Currently, language in the interconnection
3 agreements obligates BellSouth to provide combined UNEs.").

4
5 * BellSouth agrees that its interconnection agreements apply until the
6 Supreme Court rules on the Eighth Circuit's decision (Varner, page
7 4: "... with respect to the interconnection agreements BellSouth
8 signed with MCI and AT&T, language requiring BellSouth to
9 combine UNEs will remain in those agreements only until such time
10 as the Supreme Court has completed its review...").

11
12 * BellSouth acknowledges that network element prices are required by
13 statute to be cost-based, not a wholesale discount off a retail price
14 (Varner, page 14: "In Section 252(d) of the Act, Congress
15 established two pricing standards, one for interconnection and UNEs
16 and one for the resale of existing services.").

17

18 The straight-forward application of simple logic to these uncontested facts *should*
19 answer the listed issues in this proceeding: network element combinations must be
20 priced at cost-based rates, including cost-based non-recurring charges for the non-
21 discriminatory migration of network element combinations to other entrants.
22 BellSouth's testimony, however, seeks to avoid this logical result, requesting instead
23 that the Commission apply a "third" pricing standard that would apply the wholesale
24 discount whenever an entrant uses network elements to "recreate" a BellSouth
25 service.

1 Q. WHICH SPECIFIC AREAS OF BELL SOUTH'S TESTIMONY DOES
2 YOUR REBUTTAL TESTIMONY ADDRESS?

3 A. In the rebuttal testimony which follows, I make the following points:

4

5 * The Eighth Circuit decision fundamentally affirmed the entrant's right
6 to compete using network element combinations, paying cost-based
7 rates. The Eighth Circuit considered and rejected BellSouth's
8 argument that network element combinations are equivalent to
9 service-resale -- a claim which lies at the heart of its testimony in
10 this docket.

11

12 * Although the Eighth Circuit concluded that BellSouth is not
13 obligated by the federal Act to combine network elements, its
14 decision also emphasized that BellSouth must provide entrants non-
15 discriminatory access to combine the elements themselves.
16 Consequently, even if the Eighth Circuit decision is upheld by the
17 Supreme Court, BellSouth must still accommodate network element-
18 based competition.

19

20 * There are critical and important differences between network
21 element combinations and service-resale in terms of potential
22 innovation, risk and competitive opportunity. The fact is that
23 network element-based competition has the potential to bring
24 substantial benefits to Florida consumers -- benefits that are not
25 possible with service-resale. By insisting that network element

1 combinations *are* service-resale, BellSouth seeks to effect a self-
2 fulfilling prophesy that would deny consumers the potential benefits
3 of this important competitive form.

4
5 * An important characteristic of network element-based competition is
6 that entrants lease the *complete* functionality of the loop and switch
7 elements, replacing BellSouth as the provider of *both* local exchange
8 and exchange access services with respect to their own customers.
9 BellSouth, however, is requesting that it retain a monopoly on
10 intrastate access -- a position completely at odds with the
11 fundamental notion of network elements and network element-based
12 competition.

13

14 **THE EIGHTH CIRCUIT DECISION**

15

16 **Q. PLEASE SUMMARIZE THE EIGHTH CIRCUIT'S DECISION AS IT**
17 **RELATES TO NETWORK ELEMENT COMBINATIONS.**

18 **A.** To begin, it is important to understand that the Eighth Circuit fundamentally
19 affirmed the entrant's right to provide service using network element combinations
20 obtained from BellSouth at cost-based rates:

21

22 The petitioners [such as BellSouth] assert that a competing
23 carrier should own or control some of its own local exchange
24 facilities before it can purchase and use unbundled elements
25 from an incumbent LEC to provide a telecommunications

1 service. The petitioners argue that subsection 251(c)(4)
2 makes resale the exclusive means to offer finished
3 telecommunications services for competing carriers that do
4 not own or control any portion of a telecommunications
5 network. Furthermore, the petitioners point out that under
6 subsection 251(c)(4) a competing carrier may purchase the
7 right to resell a telecommunications service from an
8 incumbent LEC only at wholesale rates.

9
10 ***

11
12 Initially, we [the Court] believe that the plain language of
13 subsection 251(c)(3) indicates that a requesting carrier may
14 achieve the capability to provide telecommunications
15 services completely through access to the unbundled
16 elements of an incumbent LEC's network. Nothing in this
17 subsection requires a competing carrier to own or control
18 some portion of a telecommunications network before being
19 able to purchase unbundled elements.

20
21 ***

22
23 We conclude that the [Federal Communications]
24 Commission's belief that competing carriers may obtain the
25 ability to provide finished telecommunications services

1 entirely through the unbundled access provisions in
2 subsection 251(c)(3) is consistent with the plain meaning and
3 structure of the Act.

4

5 **Q. IF THE COURT FUNDAMENTALLY AFFIRMED THE ENTRANT'S**
6 **RIGHT TO USE NETWORK ELEMENT COMBINATIONS TO OFFER**
7 **SERVICE, WHY IS THERE SUCH CONTROVERSY CONCERNING ITS**
8 **OPINION?**

9 A. Although the Court sustained the entrant's right to use network element
10 combinations to provide services, the Court also decided that the entrant should
11 combine the elements themselves. BellSouth has interpreted this provision to
12 permit it to sabotage its network, ripping elements apart so that it can increase its
13 competitor's costs, and forcing these entrants to install collocated facilities to restore
14 the elements to their original configuration.

15

16 Fortunately, however, BellSouth acknowledges that the MCI/AT&T interconnection
17 agreements prohibit this disruptive practice and BellSouth agrees that it must
18 "provide" access to network elements that are currently combined until the Supreme
19 Court issues a final decision on the Eighth Circuit's opinion. (I explain in the
20 following section of my rebuttal that BellSouth's view of "providing" network
21 element combinations does not include actually acknowledging combinations as
22 network elements in any material respect, thereby rendering this agreement
23 meaningless).

24

25

1 Q. ASSUMING THE SUPREME COURT UPHOLDS THE EIGHTH CIRCUIT,
2 WHAT WOULD BE THE EFFECT ON BELL SOUTH'S OBLIGATIONS
3 TO SUPPORT NETWORK ELEMENT COMBINATIONS?

4 A. The Eighth Circuit's decision (even if it is upheld on appeal) does not *absolve*
5 BellSouth from an obligation to support network element combinations, it only
6 changes the *form* of that obligation. Today, BellSouth is prohibited from disrupting
7 network combinations under the terms of the AT&T/MCI interconnection
8 agreements. But, even if those contracts must ultimately be modified to conform to
9 the Eighth Circuit's decision, BellSouth must implement a separation/recombination
10 process that complies with a full reading of the Court's Order.

11

12 Two provisions of the Eighth Circuit's decision are particularly relevant to this
13 issue:

14

15 ... the fact that the incumbent LECs object to this rule
16 [requiring that the LEC combine elements] indicates to us
17 that they would rather allow entrants access to their networks
18 than have to rebundle the unbundled elements for them.

19

20 ... 251(c)(3) indicates that a requesting carrier may achieve
21 the capability to provide telecommunications services
22 completely through access to the unbundled elements of an
23 incumbent LEC's network. Nothing in this subsection
24 requires a competing carrier to own or control some portion
25 of a telecommunications network before being able to

1 purchase unbundled elements.

2

3 **Q. WHAT IS THE PRACTICAL SIGNIFICANCE OF THESE PROVISIONS?**

4 A. What these provisions mean is that even if the Eighth Circuit's decision is upheld,
5 BellSouth must still support network element combinations in a manner which
6 satisfies a two-prong test:

7

8 (1) the entrant must have non-discriminatory access to combine the
9 facilities themselves, and

10 (2) the entrant cannot be required to own or control facilities before it is
11 able to use network elements.

12

13 BellSouth's demand that entrants install collocated facilities in order to use network
14 element combinations violates both prongs of this test. Mr. Falcone's rebuttal
15 testimony addresses in more detail the deficiencies of BellSouth's collocated-
16 facilities proposal. The point of my rebuttal here, however, is to emphasize that
17 under *either* legal scenario -- the Eighth Circuit is reversed or upheld -- BellSouth
18 must still support network element combinations. The only question is *how*?

19

20 **Q. WHAT WOULD BE THE MOST EFFICIENT METHOD TO**
21 **SEPARATE/RECOMBINE NETWORK ELEMENTS, ASSUMING THAT**
22 **THE EIGHTH CIRCUIT DECISION STANDS?**

23 A. The most efficient method currently available to separate and recombine loop and
24 switching elements would be an electronic separation and recombination using
25 BellSouth's "recent change" process. ("Recent change" is the process that BellSouth

1 uses today to separate, recombine, and modify elements such as the loop, switching,
2 and transport, to serve their customers.)

3
4 Under this approach, the loop and switch separation would occur by BellSouth
5 sending a message -- known as a "recent change" -- that instructs the switch
6 software to block the connection between a specified switch port and its associated
7 loop. To recombine these facilities, the entrant would send a comparable electronic
8 message to the switch instructing it to restore the connection.

9
10 This electronic process would disconnect the loop from the switch every bit as
11 effectively as if BellSouth had assigned a technician in the central office to
12 disconnect manually a specific loop and switch-port arrangement. The difference,
13 however, is that this "electronic" process would satisfy the Court's requirement that
14 the entrant be able to recombine facilities in a non-discriminatory manner without
15 the need for its own facilities. Mr. Falcone's testimony describes this alternative in
16 detail.

17

18 **Q. HOW DOES THIS APPROACH RELATE TO THE NON-RECURRING**
19 **CHARGE ISSUE ADDRESSED IN THIS PROCEEDING?**

20 A. AT&T and MCI have sponsored witnesses in this proceeding which describe the
21 appropriate non-recurring charge when network element combinations are
22 provisioned efficiently (which is to say electronically) to an entrant. Included
23 within this estimated cost is the cost of a "recent-change" similar to that described
24 above. These studies are also useful to understand the potential impact if the Eighth
25 Circuit's decision is upheld -- in simple terms, the provisioning process could then

1 be described as involving *two* recent-change instructions to achieve the same result,
2 and a cost-based non-recurring charge could be *no greater* than twice the level
3 recommended by these witnesses.

4
5 This back-of-the-envelop calculation suggests that the *maximum* effect of an adverse
6 (to competition) Supreme Court decision would be an increased non-recurring
7 charge of roughly \$1.67 (Hyde, page 11). I want to emphasize that I am not
8 recommending a charge of this magnitude -- a charge at this level would still be too
9 large and, in any event, the NRC that would apply at the conclusion of this contract
10 is not an issue in this proceeding -- but I did want to show that the effect of the
11 Eighth Circuit's decision (even if upheld) is not as dramatic as BellSouth claims.

12
13 **Q. SHOULD THE COMMISSION BE PARTICULARLY CONCERNED WITH**
14 **INFLATED NON-RECURRING CHARGES?**

15 A. Yes, it is particularly important that the Commission carefully guard against inflated
16 non-recurring charges. The fundamental intent of the Act is to *eliminate* barriers to
17 entry in the local market. The basic effect of a non-recurring charge, however, is to
18 *create* a barrier to entry. Because NRCs are imposed whenever change occurs, they
19 fundamentally protect the status quo. The starting point for a competitive local
20 environment, however, is decidedly one-sided. Today, *all* the local customers are
21 served by the incumbent. Therefore, any charge that is tied to a customer's decision
22 to change carriers constitutes a barrier to the exercise of that choice and provides the
23 incumbent a shield from competitive pressures.

24
25 The central pricing issue of this proceeding is the non-recurring charge appropriate

1 to the facilities-migration of network elements to an entrant. This event must
2 become an efficient, routine and inexpensive process if the benefits of local
3 competition are ever to extend broadly to Florida consumers. The Commission
4 should establish a cost-based non-recurring charge which reflects the
5 implementation of the automated systems necessary to support this competition.

6
7 **BELLSOUTH'S REQUEST FOR A "THIRD" PRICING STANDARD**

8
9 **Q. DOES BELLSOUTH ACKNOWLEDGE ITS OBLIGATION TO OFFER**
10 **NETWORK ELEMENT COMBINATIONS AT COST-BASED RATES?**

11 A. No. BellSouth's position in this proceeding is that a third pricing standard should
12 apply whenever network elements are used to "recreate" a BellSouth service
13 (Varner, page 9). According to BellSouth, under this circumstance, network
14 elements cease existing as network elements and are priced using a wholesale
15 discount.

16
17 **Q. IS THERE ANY PART OF THE EIGHTH CIRCUIT'S DECISION, OR THE**
18 **ACT, THAT SUPPORTS THE APPLICATION OF A THIRD PRICING**
19 **STANDARD?**

20 A. No. BellSouth's third standard is contrived from whole cloth. One the one hand,
21 BellSouth acknowledges that it must *provide* network elements in undisturbed
22 combination (as required by its contracts), yet it simultaneously concludes that it
23 need not *respect* them as network elements in any material way (Mr. Hendrix , page
24 3):

25

1 BellSouth has consistently taken the position that ALECs are
2 free to use unbundled network elements recombined by
3 BellSouth in any manner it chooses. However, in Florida,
4 when an ALEC orders a combination of network elements or
5 orders individual network elements that, when combined,
6 duplicate a retail service provided by BellSouth, for purposes
7 of billing and provisioning, such orders should be treated as
8 resale.

9
10 In other words, entrants are *entitled* to network element combinations, so long as
11 they are not treated *as* network elements. With this single statement, BellSouth
12 renders meaningless the entire premise of non-discriminatory access: entrants are
13 entitled to use network elements in the same way as BellSouth -- but if they do,
14 BellSouth will no longer consider them network elements in how they are priced or
15 provisioned. There is simply nothing in the Act (or the Eighth Circuit's decision)
16 which suggests that the definition, pricing and provisioning of a network element
17 depends upon the entrant's use or the services that it offers.

18
19 **Q. HOW DOES BELLSOUTH DEFINE "RECREATING" A BELLSOUTH**
20 **SERVICE USING NETWORK ELEMENTS?**

21 A. BellSouth's definition of "re-create" is the swamp at the end of this road (Hendrix,
22 page 10):

23
24
25

1 The real test for this Commission will be to look at the core
2 functions of the requested combination to see if those
3 functions mirror the functions of an existing retail service
4 offering.

5

6

7 **Q. IS THIS A MEANINGFUL STANDARD?**

8 A. No. Assuming for the moment that it is even reasonable to discuss this issue -- it is
9 not -- network elements will *always* be used to recreate a BellSouth service under
10 this definition. Telecommunications services, including local services, are provided
11 with a very predicable and standardized set of generic ingredients. These generic
12 ingredients are called network elements. The *reason* an entrant purchases the loop
13 and switch network elements is to obtain the "core functions" necessary to provide
14 local exchange and exchange access services. There is no other reason to purchase
15 them.

16

17 **Q. SHOULD THE COMMISSION EXPECT ENTRANTS WILL USE**
18 **NETWORK ELEMENT COMBINATIONS TO OFFER SERVICES**
19 **SIMILAR TO BELLSOUTH?**

20 A. Yes. The Commission should expect that entrants will offer services similar to
21 BellSouth, whether they use network elements or their own facilities. Among other
22 reasons, the more similar the service, the easier it will be for consumers to compare
23 prices. Price competition is one of the hoped-for benefits of the Act and the
24 potential for meaningful price competition is one of the key reasons that Congress
25 mandated that BellSouth allow others to provide service entirely over the BellSouth

1 network at cost-based rates.

2

3 **Q. DOES BELLSOUTH RECOMMEND SPECIFIC LANGUAGE TO THE**
4 **COMMISSION TO IMPLEMENT ITS "RECREATION-BASED" PRICING**
5 **STANDARD?**

6

7 A. Yes. Notably, however, the language that BellSouth recommends (Hendrix, page
8 10) directly conflicts with the Eighth Circuit's decision. BellSouth recommends that
9 the Commission adopt a provision similar to that adopted by the Georgia
10 Commission (Docket No. 6801-U) prior to the Eighth Circuit order:

11

12 ... "identical" means that AT&T is not using its own
13 switching or other functionality or capability together with
14 unbundled elements in order to provide service"

15

16 Contrast this provision to the clear statement of the Eighth Circuit:

17

18 ... the plain language of subsection 251(c)(3) indicates that a
19 requesting carrier may achieve the capability to provide
20 telecommunications services completely through access to
21 the unbundled elements of an incumbent LEC's network.
22 Nothing in this subsection requires a competing carrier to
23 own or control some portion of a telecommunications
24 network before being able to purchase unbundled elements.

25

1 No matter how much BellSouth protests, entrants have the right to provide service
2 entirely using network elements obtained from BellSouth. Further, network element
3 prices are based on cost, whether used alone or in combination. No matter how
4 much BellSouth would like to *redefine* network element combinations as service-
5 resale, these are distinct entry options that must be respected as such.

6
7 **UNE COMBINATIONS ARE NOT SERVICE RESALE**

8
9 **Q. PLEASE DESCRIBE THE MOST COMMON COMBINATION THAT**
10 **ENTRANTS WILL USE TO COMPETE IN THE LOCAL MARKET.**

11 A. The Commission should expect that entrants will use network elements in the
12 combinations they are designed for -- that is, combining a loop with switch capacity,
13 interconnected with the signaling and transport facilities necessary to complete calls.
14 There is little room in this industry for network-improvisation and it should be no
15 surprise that entrants will use network elements in the same combinations as
16 BellSouth -- this is, after all, how the network is designed to work.

17
18 **Q. IF THE NETWORK FACILITIES REMAIN IN THE SAME**
19 **CONFIGURATION (AT LEAST INITIALLY), THEN WHAT IS THE**
20 **DIFFERENCE BETWEEN A UNE-COMBINATION AND SERVICE-**
21 **RESALE.**

22 A. There are a number of important differences between the lease of network *facilities* -
23 - particularly facilities which provide multiple services, including local exchange
24 services, intraLATA toll services, vertical features and access services -- and the
25 resale of a single *service* as defined by the incumbent LEC.

1 Network elements are an entry strategy that enables the entrant to fully step into the
2 role of a local telephone company, with the same economic constraints and
3 freedoms as any other local carrier. The entrant purchases a set of facilities (or, more
4 precisely, access to facilities), compensates the incumbent for the indivisible cost of
5 those facilities (such as the fixed cost of the local loop), and then bears the economic
6 responsibility to price the full range of services which use those facilities (local
7 exchange, intraLATA toll, and exchange access to name a few) to recover its costs
8 and make a profit.

9
10 Service-resale, in contrast, establishes the entrant as the incumbent's marketing
11 agent. The incumbent determines what services will be offered and what prices will
12 be charged in its retail tariff; the entrant's role is to market and bill for these services
13 under (presumably) its own label. Service resale is fundamentally different in
14 virtually every respect from network element combinations: it has a different
15 risk/reward profile, it requires a different level of technological proficiency, and it
16 provides a different opportunity to innovate.

17
18 **Q. HOW DO THE RISK/REWARD PROFILES COMPARE?**

19 A. There is much less risk in a service-resale environment. With service-resale, the
20 entrant essentially reoffers, under its own label, a retail product designed, priced and
21 even administratively organized according to the incumbent's USOC codes. The
22 cost-structure of the entrant *exactly parallels* the prices of the incumbent and, for all
23 practical purposes, its own revenues as well. Because the entrant's costs and
24 revenues move in lock-step, there is very little risk -- the potential margin is defined
25 by the wholesale discount and it remains fixed as customers purchase more, or less,

1 service.

2

3 **Q. WHAT FACTORS AFFECT THE RISK ASSOCIATED WITH THE USE**
4 **OF NETWORK ELEMENTS?**

5 A. A network element-based competitor leases the underlying facilities necessary to
6 become a local provider, paying a cost-based rate to obtain the complete
7 functionality of the key facilities involved (the loop and switch capacity). There are
8 two consequences of this relationship.

9

10 First, the network element-based competitor becomes the provider of both the retail
11 service to its customers and the exchange-access/interconnection service to other
12 carriers. This form of competition places the entrant squarely in the shoes of the
13 incumbent, compensating the incumbent for the cost of the facilities, yet enabling
14 the entrant to offer same range of services from which to generate offsetting
15 revenues.

16

17 Second, unlike service-resale, there is no predefined relationship between the
18 entrant's cost structure and its potential revenues. Much of the entrant's cost (for
19 example, the loop and switch port) is incurred as a flat-rate per month -- even
20 though many of its potential *revenues* (from access, ECS and toll usage, for
21 instance) are a function of usage. Conversely, some network elements impose a
22 usage-cost (such as common transport to terminate local calls), even though the
23 corresponding revenues are fixed (as part of the local bill).

24

25 The result is that the network element option presents a far different risk/reward

1 profile than service-resale -- a fact recognized by the Eighth Circuit when it rejected
2 BellSouth's view that these entry mechanisms were the same:

3
4 Carriers entering the local telecommunications markets by
5 purchasing unbundled network elements face greater risks
6 than those carriers that resell an incumbent LEC's services.

7
8 A carrier purchasing network elements (like the incumbent itself) incurs the
9 substantial fixed cost of local service, with the hope that additional services/features
10 will provide additional revenues. This uncertainty creates the risk -- and its
11 complement, opportunity -- that does not exist under the service-resale.

12
13 **Q. MR. VARNER'S TESTIMONY (PAGES 10-12) ATTEMPTS TO**
14 **CHARACTERIZE THE NETWORK-ELEMENT OPTION AS PROVIDING**
15 **RESALE AT A GREATER DISCOUNT. IS THIS VALID?**

16 A. No. The network element option is a distinct business opportunity, with a different
17 level of potential revenues, costs and risks than service resale. Certainly, it is
18 mathematically possible to compare the financial performance of each option as a
19 "discount" -- I have even seen AT&T use this approach as analytical short-hand
20 with stock analysts. But, the fact that network elements can be *compared* to a
21 wholesale discount does not mean that they are *equivalent* to receiving a discount.

22
23 **Q. CAN YOU PROVIDE AN EXAMPLE OF THE POTENTIAL BENEFIT**
24 **FROM NETWORK ELEMENT-BASED COMPETITION?**

25

1 A. Yes. Attached to Mr. Varner's testimony is an exhibit which compares the relative
2 costs/revenues for the typical residential customer under service-resale and the
3 network elements (Exhibit AJV-1, Chart C). Accepting for the moment that this
4 analysis is correct (more on that below), Mr. Varner estimates that an entrant's
5 "cost" to serve the typical residential customer is \$30.69 using service-resale and
6 \$28.47 using network elements. Mr. Varner characterizes this difference (\$2.22) as
7 a "windfall" to MCI and AT&T (Varner, page 16).

8

9 **Q. IS IT REASONABLE TO CHARACTERIZE THIS \$2.22 AS A WINDFALL**
10 **TO AT&T AND MCI?**

11 A. No. Mr. Varner's characterization is colored from his perspective as a monopolist.
12 Because BellSouth is a monopolist, this additional \$2.22 does provide a windfall to
13 BellSouth, but only because BellSouth has no competitor seeking to win this
14 customer by offering lower prices. In the absence of competition, BellSouth can
15 charge residential customers the prices which create this windfall and, unless
16 network element-based competition can become a reality, this \$2.22 windfall will
17 continue for many years to come.

18

19 The benefit of network element-based entry, however, is that the \$2.22 is
20 transformed from BellSouth-windfall to potential ratepayer-benefit. Neither AT&T,
21 nor MCI (nor BellSouth) will be able to retain the \$2.22 margin because each
22 company will be engaged in a battle to win the customer from the others. Mr.
23 Varner's exhibit illustrates *why* network element-based competition is so important -
24 - it enables market forces to drive the gap between retail revenues and network cost
25 to its lowest possible level.

1 **Q. DOES THIS POTENTIAL BENEFIT DEPEND UPON THE COMMISSION**
2 **CORRECTLY ESTABLISHING A COST-BASED NON-RECURRING**
3 **CHARGE IN THIS PROCEEDING?**

4 A. Yes. Competitors can only offer lower prices to those customers which they can
5 efficiently serve. The non-recurring charge proposed by BellSouth (\$169.10 per
6 network element combination) would effectively prevent competition from bringing
7 lower prices to average consumers. A non-recurring charge at this level would
8 assure that the Mr. Varner's \$2.22 residential windfall -- a windfall which translates
9 to more than \$94 million in revenue annually -- would remain embedded in
10 residential rates for the foreseeable future.

11
12 **Q. YOU INDICATED EARLIER THAT MR. VARNER'S ANALYSIS IS**
13 **INACCURATE. IN WHAT WAY IS IT INACCURATE?**

14 A. Mr. Varner's comparison incorrectly considers the revenues and costs associated
15 with access service. First, his analysis is premised on BellSouth maintaining an
16 *intrastate* access monopoly, thereby denying an additional \$3.56 of potential benefit
17 from residential customers. I explain why BellSouth's position on intrastate access
18 is flawed in the final section of this testimony. Second, Mr. Varner did not appear
19 to include the additional network-element cost incurred by the entrant to provide
20 *interstate* access service.

21
22 **Q. HAVE YOU REVISED MR. VARNER'S ANALYSIS TO CORRECTLY**
23 **INCORPORATE ACCESS?**

24 A. Yes. Exhibit JPG-1 (attached) compares the service-resale and network-element
25 options to more clearly illustrate the fundamental differences between these entry

1 options and to correctly include the network-element costs incurred by the entrant to
2 provide access services. This corrected analysis estimates that the potential benefit
3 of network element-based competition to the average residential consumer is
4 approximately \$4.36 per month, nearly double Mr. Varner's estimate of \$2.22. (To
5 be precise, the \$4.36 in potential benefit should be reduced by the additional costs
6 incurred by a network element-based entrant to offer switched access and
7 interconnection services, as well as the internal costs to manage a network element-
8 based business).

9
10 **Q. WHAT ARE OTHER DIFFERENCES BETWEEN SERVICE-RESALE AND**
11 **NETWORK ELEMENT-BASED COMPETITION?**

12 A. As noted, one of the key differences is that the network element-based entrant offers
13 both local exchange and exchange access services. This characteristic is important
14 because it provides the entrant with the same economic stature as the incumbent,
15 bringing competitive pressure to both retail local exchange and (through the prism
16 of the exchange access market) long distance prices as well.

17
18 **Q. ARE NETWORK ELEMENTS SUBJECT TO SERVICE-DEFINING**
19 **RESTRICTIONS OF THE INCUMBENT LEC'S DESIGN?**

20 A. No. Network elements are offered as basic generic functionalities, free of
21 restriction. Services can be designed for new customer classes, basic services can
22 include features and functions that BellSouth only makes available as expensive
23 options, or network elements can be used by the entrant to craft its own promotions
24 and special packages.

25

1 In addition, by purchasing network elements, entrants can better prepare for a day
2 when alternative networks offer the opportunity to obtain network capacity (i.e.,
3 elements) from other vendors.
4

5 **Q. WILL THE ABILITY TO INNOVATE USING NETWORK ELEMENTS**
6 **INCREASE IN THE FUTURE?**

7 A. Yes. The introduction of Advanced Intelligent Network (AIN) capability will
8 transform the local switch from a service-definition node to a more generic role. In
9 the future, service-defining capabilities will be housed in remote software databases
10 which provide call processing instructions to the switch. The innovation possible in
11 this environment -- an environment roughly analogous to the innovation unleashed
12 when the personal computer freed the software industry from IBM -- is limitless, but
13 only if the network facilities which interact with these databases can be efficiently
14 obtained and combined to provide service.
15

16 **Q. DOESN'T SERVICE-RESALE PROVIDE THE ENTRANT THE SAME**
17 **FLEXIBILITY?**

18 A. No. Service-resale, by definition, limits the entrant to reoffering finished services
19 created by the incumbent LEC. Even where the entrant *superficially* appears to
20 have an ability to modify an incumbent LEC service -- for instance, by including an
21 optional feature as a standard element -- there is little *practical* flexibility because
22 the entrant's cost structure is defined by the incumbent LEC's retail price. With no
23 economic flexibility, there is little the entrant can do to introduce new pricing
24 arrangements or feature mixes.
25

1 This limitation on the entrant is most apparent when considered in the context of the
2 local switching network element. By purchasing the switch as a network element,
3 the entrant incurs the same economic cost as the incumbent LEC; paying in advance
4 the cost of the switch's features as *potential* services to end users. Having incurred
5 the cost of *all* potential features, the entrant must then price its services to balance
6 the dual objectives of market penetration and profitability.

7
8 **Q. PLEASE SUMMARIZE THE KEY DIFFERENCES BETWEEN SERVICE-
9 RESALE AND NETWORK ELEMENT-BASED COMPETITION.**

10 A. Service-resale establishes the entrant as the incumbent LEC's marketing agent,
11 essentially offering identical services, with little to no ability to offer lower prices.
12 If a carrier has no interest in designing unique services, has no reason to offer both
13 local exchange and exchange access service, has no desire to compete aggressively
14 with BellSouth's prices, and has no intention to replace individual network
15 components with the facilities of other carriers (or its own) as they become
16 available, then service-resale is the ideal solution.

17
18 While service-resale will provide carriers a *simple* entry option -- and, for that
19 reason, the Commission can expect that many carriers will use this approach,
20 particularly at first -- robust local competition depends upon the more challenging
21 opportunities made possible by network element combinations. Network elements
22 permit the entrant to design its own services, they establish the entrant as both local
23 exchange and exchange access provider, they position the entrant for facilities
24 replacement and they present the entrant with the same economic pricing choices as
25 BellSouth.

1 **THE NETWORK ELEMENT PURCHASER IS THE ACCESS PROVIDER**

2

3 **Q. PLEASE SUMMARIZE BELLSOUTH'S POSITION REGARDING THE**
4 **RELATIONSHIP BETWEEN ACCESS SERVICE AND NETWORK**
5 **ELEMENT-BASED COMPETITION.**

6 **A.** BellSouth's position (Varner, page 21-22) is that it is entitled to an access
7 monopoly, even to end-users that have changed local carriers. To retain this
8 monopoly -- or, at the least, all the benefits of being a monopoly -- BellSouth asks
9 the Commission to take two actions.

10

11 First, BellSouth recommends that the Commission consider taking an action "... to
12 offset any loss of contribution previously provided by *interstate* access charges."

13 Mr. Varner's testimony never explains exactly what he means by this request, nor
14 does he offer a policy justification or legal basis to permanently guarantee BellSouth
15 these revenues. Because it is not clear that Mr. Varner is serious about this request,
16 I do not address it further in my rebuttal.

17

18 Second, and with more discussion, Mr. Varner asks that the Commission use its
19 "pricing authority" to perpetuate BellSouth's intrastate access monopoly by allowing
20 BellSouth to continue to collect access charges on the use of the facilities that it has
21 already leased to a competitor. As the testimony below explains, BellSouth's
22 request is not a "pricing issue", but is instead a direct challenge to the basic role of a
23 "network element" contained in the Act and applicable FCC rules.

24

25

1 **Q. PLEASE EXPLAIN THE BASIC ROLE OF THE "NETWORK ELEMENT"**
2 **UNDER THE FRAMEWORK IN THE FEDERAL ACT.**

3 A. A central premise of the federal Act is that an entrant (i.e., a requesting carrier) may
4 obtain network elements to provide whatever array of services it desires. Section
5 251(c)(3) describes BellSouth's obligation to provide network elements as:

6

7 The duty to provide, to any requesting telecommunications
8 carrier for the provision of a telecommunications service,
9 nondiscriminatory access to network elements ...

10

11 The FCC rules which implement Section 251 reaffirm this central principle. For
12 instance, CFR §51.307(c) states (emphasis added):

13

14 (c) An incumbent LEC shall provide a requesting
15 telecommunications carrier access to any unbundled network
16 element, along with all of the unbundled network element's
17 features, functions, and capabilities, in a manner that allows
18 the requesting telecommunications carrier to provide *any*
19 telecommunications service that can be offered by means of
20 that network element.

21

22 **Q. ARE THERE OTHER RULE PROVISIONS WHICH MAKE CLEAR THAT**
23 **THE ENTRANT HAS THE RIGHT TO USE THE NETWORK ELEMENTS**
24 **TO PROVIDE ANY SERVICE, INCLUDING ACCESS SERVICE?**

25 A. Yes. The following FCC rules, undisturbed by the Eighth Circuit's decision, clearly

1 establish that the entrant may use network elements for this (or any) purpose:

2

3

47 C. F. R. § 51.309. - Use of Unbundled Network Elements

4

(a) An incumbent LEC shall not impose limitations, restrictions, or requirements on requests for, or the use of, unbundled network elements that would impair the ability of a requesting telecommunications carrier to offer a telecommunications service in the manner the requesting telecommunications carrier intends.

5

6

7

8

9

10

11

12

(b) A telecommunications carrier purchasing access to an unbundled network element may use such network element to provide exchange access services to itself in order to provide interexchange services to subscribers.

13

14

15

16

17

18 **Q. DO THESE FCC RULES APPLY ONLY TO THE *INTERSTATE* SERVICES**
19 **THAT WILL BE OFFERED USING NETWORK ELEMENTS?**

20 A. No. The Act's provisions defining network elements -- as well as the FCC rules
21 implementing that authority -- are non-jurisdictional. That is, the entrant's right to
22 use network elements to provide *any* service includes intrastate services (such as
23 local service and intrastate access). After all, the Act adopted a national blueprint
24 for *local* competition -- a framework that would have been meaningless if its
25 provisions applied only to the use of network elements to provide interstate services.

1 FCC orders and effective federal rules clearly establish the entrant as the provider of
2 access services with respect to its end-users -- and this conclusion would apply
3 equally to both interstate and intrastate access.
4

5 **Q. HAS THE FCC ADDRESSED THE ENTRANT'S ABILITY TO BECOME**
6 **THE ACCESS-PROVIDER TO ITS OWN CUSTOMERS?**

7 A. Yes. The FCC has reiterated through a series of orders that the roles of local
8 provider (to the end-user) and access-provider (to other carriers) go hand-in-hand.
9 In its initial decision defining network elements issued August 8, 1996 in Docket
10 96-98 (paragraph 356), the FCC concluded:

11
12 We confirm our tentative conclusion in the NPRM that
13 section 251(c)(3) permits interexchange carriers and all other
14 requesting carriers, to purchase unbundled elements for the
15 purpose of offering exchange access services, or for the
16 purpose of providing exchange access services to themselves
17 in order to provide interexchange services to consumers.
18

19 Furthermore, in this same order, the FCC explicitly defined the loop network
20 element to establish the entrant as the exclusive provider of all services using the
21 loop (paragraph 385):
22

23 Giving competing carriers *exclusive* control over network
24 facilities dedicated to particular end users provides such
25 carriers the maximum flexibility to offer new service to such

1 end-users. In contrast, a definition of a loop element that
2 allows simultaneous access to the loop facility would
3 preclude the provision of certain services in favor of others.

4
5 Finally, on September 27, 1996, the FCC issued a Order on Reconsideration in
6 Docket 96-98 (paragraph 11), that extended this principle to the local switching
7 network element in recognition of its indivisible nature:

8
9 ... when a requesting carrier purchases the unbundled local
10 switching element, it obtains all switching features in a
11 single [network] element on a per-line basis ... Thus, a carrier
12 that purchases the unbundled local switching element to
13 serve an end user effectively obtains *the exclusive right* to
14 provide all features, functions, and capabilities of the switch,
15 including switching for exchange access and local exchange
16 service, for that end user.

17
18 Consequently, the FCC rules defining the loop and switch network elements
19 establish the purchasing carrier as a complete provider of local exchange and access
20 services.

21
22 **Q. HOW DOES BELLSOUTH'S REQUEST FOR AN INTRASTATE ACCESS**
23 **MONOPOLY SQUARE WITH THESE DEFINITIONS?**

24 A. BellSouth proposal to retain intrastate access cannot be squared with its obligations
25 under the Act, its compliance with FCC rules, or even the cost methodology

1 underlying the prices charged for these network elements. BellSouth's position
2 effectively redefines the loop/switch network elements to only provide the entrant
3 with the functionality to provide *some* services (presumably local services and
4 interstate access), but that BellSouth somehow retains the functionality to offer
5 others (intrastate access). This perspective, however, violates that basic definition
6 of these elements as the lease of *all* functionality to the entrant.

7
8 Furthermore, at the urging of the ILECs, the FCC specifically rejected defining
9 these elements in a manner which *would have* allowed the functionality to provide
10 exchange access to exist independently of local service:

11
12 We decline to define a loop element in functional terms,
13 rather than in terms of the facility itself ... this definition
14 would enable an IXC to purchase a loop element solely for
15 purposes of providing interexchange service. While such a
16 definition, based on the types of traffic provided over a
17 facility, may allow for the separation of the costs for a
18 facility dedicated to one end user, we conclude that such
19 treatment is inappropriate. (Order, Docket 96-98, paragraph
20 385.)

21
22 ***

23
24 We thus make clear, as a practical matter, a carrier that
25 purchases an unbundled switching element will not be able

1 to provide solely interexchange service or solely access
2 service to an interexchange carrier. (Order on
3 Reconsideration, paragraph 13.)
4

5 BellSouth cannot have it both ways -- if BellSouth could *retain* the functionality to
6 provide only exchange access, then it should also *offer* this same functionality as a
7 network element to others. The fact is that the loop/switch network elements
8 embrace *all* the functionality of these facilities and BellSouth's request to retain an
9 intrastate access monopoly must be rejected.
10

11 **Q. ARE BELLSOUTH'S COST STUDIES CONSISTENT WITH ITS**
12 **POSITION IN THIS DOCKET?**

13 A. No, not to my knowledge. BellSouth's network element cost studies typically (and
14 appropriately) consider the cost of the loop in its entirety. They are not (and should
15 not be) structured to allocate this cost to different services, particularly with the
16 intention that BellSouth could then demand an exclusive right to offer a service of
17 its choosing (such as intrastate access).
18

19 **Q. WHAT IS THE RELATIONSHIP BETWEEN THESE RULES AND THE**
20 **FLORIDA COMMISSION'S PRICING AUTHORITY?**

21 A. As explained above, the FCC is responsible for defining the minimum set of
22 network elements that BellSouth must offer. The Florida Commission is
23 responsible for determining the prices that BellSouth will charge for these elements,
24 subject to the requirement that the prices must be cost-based. The FCC has defined
25 network elements in a manner which establishes the entrant as access provider. The

1 Florida Commission has established cost-based prices that fully compensate
2 BellSouth for the cost of these facilities. There is no room to entertain, much less
3 accommodate, BellSouth's request to retain an intrastate access monopoly.

4

5 **Q. DOES THE FLORIDA STATE STATUTE AFFECT THIS ANALYSIS IN**
6 **ANY WAY?**

7 A. No. The Florida statute does include a provision (364.16(3)(b)) which requires that
8 a carrier which terminates interexchange traffic to another carrier through an
9 interconnection agreement must pay the applicable access charge (if different than
10 the rate to terminate local traffic). This effect of this provision does not alter which
11 carrier is entitled to the compensation (it is the ALEC), it only requires that the
12 appropriate charge apply. In the context of a network element-based entrant, the
13 entrant is the ALEC with respect to its end-users and BellSouth is required to
14 compensate the ALEC at the appropriate access/local termination rate for the traffic
15 that BellSouth terminates to its end-users.

16

17 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 A. Yes.

19

20

21

22

23

24

25

1 Q (By Ms. Rule) Could you please give your
2 summary?

3 A Yes. Good afternoon. I'm going to begin my
4 summary with a statement that is likely to sound a
5 little bit remarkable, but hopefully by the end of my
6 summary it will be clear why I made it and hopefully
7 you'll also agree with it. And that is, the same
8 statement is, that the issues in this case really do not
9 present a hard choice. This is not a hard decision. It
10 is not a hard logical decision. It is not a hard legal
11 decision. It is not a hard economic decision, and it's
12 not a hard policy decision.

13 Why do I say it's not a hard choice? Well,
14 first off, most of the important facts aren't
15 contested. BellSouth agrees that they must provide
16 network element combinations. BellSouth also agrees
17 that under the terms of the contract, they're not
18 permitted to disrupt those combinations until at least
19 the Supreme Court issues a decision.

20 And finally, BellSouth acknowledges that
21 network elements are to be cost-based. Well, if the
22 three key critical facts are uncontested, how can there
23 be such a confusing issue in this proceeding?

24 And I think the answer comes from BellSouth's
25 position, which basically is: Yes, I will give you

1 network elements; yes, I will allow you to have them as
2 combinations, but -- and it's always the but -- once I
3 give them to you, I will pretend that they're not
4 network elements.

5 Well, in my mind, and when you review the
6 circuit decision, and when you look at the differences
7 between network elements and service resale, it becomes
8 clear that these are -- these are distinct entry
9 strategies; and entrants, including AT&T and MCI, are
10 permitted to provide service using entirely networked
11 elements they've obtained from BellSouth.

12 Now why did I say it's not a hard legal
13 decision? Because BellSouth has already gone to the
14 Eighth Circuit and argued, if somebody buys my network
15 from me and uses it the same way that I use it, then
16 it's service resale. And the court has already told
17 them that they're wrong.

18 The Eighth Circuit decision states: We
19 believe that the plain language of subsection 251(c)(3)
20 indicates that a requesting carrier may achieve the
21 capability to provide telecommunications services
22 completely through access to the unbundled elements of
23 an incumbent LEC's network.

24 Nothing in this subsection requires a
25 competing carrier to own or control some portion of a

1 telecommunications network before being able to purchase
2 unbundled elements.

3 There is no issue about what an entrant does
4 with network elements. If they use the network elements
5 exactly the same way as BellSouth, they are permitted to
6 do so. In fact, Commissioner Clark, I think I can
7 assure you that they will use the network elements
8 exactly the way BellSouth uses them, because that's the
9 way they're supposed to go together. This is not an art
10 form. This is engineering. A loop and a switch are
11 intended to connect in a certain way. A switch is
12 intended to interconnect with other elements using
13 common transport in a certain way.

14 The very fact that entrants are entitled to
15 buy all of these things from BellSouth as network
16 elements answers the key issue in this docket: Can you
17 do that at cost-based rates? The issue creeps up when
18 we look at how does the entrant acquire them? Because
19 the Eighth Circuit did establish a complexity. They
20 said that BellSouth is permitted to separate the
21 elements before the entrant connects them again, but
22 that uncertainty, that issue as to how that should be
23 accomplished, is an issue on appeal at the Supreme
24 Court, and BellSouth has already agreed that it's not
25 permitted under the contract to break apart the elements

1 and require the entrant to put them back together again
2 until after the Supreme Court rules.

3 Now, are these -- do network elements, are
4 they a different thing than service resale? Yes. And
5 this is what I mean by this is not a hard economic
6 choice. And I'm assuming, commissioners, that whatever
7 I see up there, you see on the screen in front of you so
8 that I can go through this and that it's readable.

9 On the top -- this exhibit looks at the
10 difference -- illustrates the differences between
11 network elements and service resale for the typical
12 residential customer, and it's developed using data
13 sponsored by BellSouth in this proceeding by
14 Mr. Varner.

15 On the top it illustrates: What does the
16 business case look like for an entrant considering
17 purchasing network elements? And the points I want to
18 make are that when you buy network elements, you buy
19 something that is different than service resale, you use
20 it to offer services that are different than service
21 resale, and you pay prices that are different than
22 service resale.

23 When you buy network elements, you buy the
24 actual physical facility that is there in the network.
25 You buy the loop, you buy the capacity in that switch

1 necessary to become the phone company. That capacity is
2 sold through two rate elements. You pay a fixed charge
3 per month in what is called the port charge, but then as
4 you use that switch you also will pay for minutes that
5 go through it. It's an undifferentiated use of the
6 network to simply move calls around.

7 And if you have calls that are leaving that
8 switch and going other places, then you need to buy
9 transport and termination from BellSouth, in addition,
10 to make sure that those calls go out on to the network
11 to where you want them to go. None of these network
12 elements have a single service defining characteristic
13 at all. The loop is a thing. It is a wire that is used
14 to do and provide a number of services.

15 Once I have bought these basic ingredients,
16 then in the unbundled network element model I have the
17 ability to sell them as services to a variety of
18 customers.

19 First, because I am buying them to become the
20 local telephone company, I am going to sell services to
21 the end user. In this case, these are the average
22 revenues that I could -- that I might expect from a
23 customer. I might expect \$10 in basic local service. I
24 might be able to expect two vertical features, but it
25 really doesn't matter, because if you look over here on

1 the right, you see that there is no charge for a
2 vertical feature, because like the local telephone
3 company, the cost of individual features is not
4 significant. And in the price that I pay for the
5 element local switching, I gain the capability to offer
6 those features and any other features I can successfully
7 market to this customer.

8 In addition, I will use these generic
9 ingredients to offer toll services, and I have a revenue
10 stream in the subscriber line charge that BellSouth
11 imposes on its customers.

12 In addition, the FCC has defined the loop and
13 the local switch network elements as elements of
14 exclusive domain, if you will. It recognizes that for
15 any phone line, only one person can be, or only one
16 entity can be the local telephone company at a time.
17 And when an entrant purchases the loop and local switch,
18 the FCC rules define those network elements to establish
19 the entrant for those facilities as the local telephone
20 company, replacing BellSouth in every material respect.
21 So that now I am providing services to my end users, but
22 like any other local telephone company, I -- the entrant
23 also now has the right to provide access service. In
24 fact, I have a legal obligation to provide access
25 service to other interexchange carriers.

1 In effect, in the network element arrangement,
2 the entrant steps squarely into the shoes of the local
3 telephone company, paying cost-based rates for
4 facilities that are used to offer a wide variety of
5 services and then goes into the marketplace and sells
6 those services to both end users and interexchange
7 carriers, hopefully creating the revenues necessary to
8 cover this total cost.

9 This is considerably different than service
10 resale. Service resale is not structured to respect the
11 entrant as a full local telephone company. The entrant
12 is not purchasing any facilities, no matter how many
13 services they can offer. The entrant is purchasing one
14 of the services offered by BellSouth. The local
15 exchange service is offered to -- and toll service is
16 offered to the subscriber. They are essentially acting
17 as BellSouth's marketing agent, and as a result, with
18 that much smaller degree of risk and smaller degree of
19 competitive activity, they can expect to receive a much
20 smaller potential margin.

21 But what I want to encourage you to understand
22 is this is not about price. If this was about price,
23 then we would take them up on this in a minute. What
24 this is about is the ability to buy all these network
25 elements. And in fact, you pay a cost-based rate, which

1 in this example is almost \$10 more than what you would
2 pay for service resale.

3 If BellSouth was actually willing to sell us
4 these network elements for the service resale price,
5 we'd take it. But what they're not willing to do is
6 recognize that a network element purchaser steps into
7 the market as a complete local telephone company, fully
8 competing against BellSouth like any other local
9 telephone company, with the ability to offer any set of
10 services on these network elements, including exchange
11 access services, and bring the full brunt of competition
12 to this entire range of activities.

13 In short, Commissioners, there should be no
14 issue that the entrant will use network elements to
15 provide services and use those network elements in the
16 same way that BellSouth or any other local telephone
17 company would use them. They only go together one way.
18 What makes these plans different is that one establishes
19 the entrant as the complete and legitimate phone company
20 in every dimension, and the other establishes the
21 entrant simply as a marketer for BellSouth services.

22 While it's not addressed in my testimony,
23 Commissioner Clark, I would be glad to explain at the
24 appropriate time why a carrier might still prefer one
25 business plan over the other, because they are

1 significantly different.

2 Over all, the testimony explains that
3 BellSouth acknowledges their obligation to provide these
4 elements, they acknowledge their obligation to not
5 disrupt them. They acknowledge the network elements are
6 priced at cost-based rates, but what they refuse to do
7 is to link those facts together and actually provide
8 these network elements in a way that an entrant can use
9 them at the prices required under the act. And that
10 completes my summary.

11 MS. RULE: Mr. Gillan is available for
12 questions.

13 MR. ROSS: Thank you, Chairman.

14 CROSS-EXAMINATION

15 BY MR. ROSS:

16 Q Mr. Gillan, a few questions. You mentioned
17 the Eighth Circuit decision in your summary. Would you
18 agree that according to the Eighth Circuit, the
19 Telecommunications Act indicates that CLECs requesting
20 unbundled elements will recombine the elements
21 themselves?

22 A Yes, that's the decision that's on appeal at
23 the Supreme Court.

24 Q And wouldn't you agree that according to the
25 Eighth Circuit, the Act does not permit CLECs to

1 purchase assembled platforms of combined network
2 elements, or any lesser existing combination of two or
3 more elements in order to offer competitive
4 telecommunications services?

5 A Yes. Many states have found that authority in
6 their state law and required it. And my understanding
7 is that BellSouth acknowledges that that portion of the
8 Eighth Circuit order does not apply between now and the
9 time the Supreme Court resolves the issue, but yes, that
10 is how they concluded that.

11 Q And my only question is limited to the Eighth
12 Circuit's analysis. So if you could confine your answer
13 to that, I'd appreciate it.

14 Would you agree that according to the Eighth
15 Circuit, to permit the acquisition of, quote, "already
16 combined elements at cost-based rates for unbundled
17 access would obliterate the careful distinctions
18 Congress has drawn in subsections 251(c)(3) and (4)
19 between access to unbundled network elements on the one
20 hand and the purchase at wholesale rates of an
21 incumbent's telecommunications retail services for
22 resale on the other," close quote?

23 A Yes, that's an accurate citation. But the
24 court also concluded that the entrant has an absolute
25 right to get to that end point. It is only a question

1 of how did they acquire them. And I think it's --
2 again, my understanding is this is not an issue for this
3 phase of the proceeding, but assuming that the Eighth
4 Circuit were to actually be upheld, then the question
5 becomes, how does the entrant combine them, and there
6 the court also provided direction.

7 The court said that they were issuing a
8 decision based on the local telephone company's
9 representation that they would allow the entrant the
10 access they need to combine them; and secondly, that the
11 incumbent LEC cannot require that the entrant have any
12 facilities in order to do it.

13 Now, Mr. Falcone will go on to explain, I
14 think in more detail later, what that means. But for
15 the purpose of my testimony what it means is that even
16 if the Eighth Circuit decision stands, I think its only
17 practical effect is to have a somewhat higher
18 nonrecurring charge associated with the additional
19 activities that are necessary for the entrant to get to
20 the end point of providing service entirely over network
21 elements.

22 Q Well, Mr. Gillan, if it's not relevant, I
23 would like to ask you about your statement on Page 3 of
24 your rebuttal testimony, Line 19, where you state,
25 "Network element combinations must be priced at

1 cost-based rates." Do you see that?

2 A Yes. I didn't say that wasn't relevant. I
3 believe that to be the law.

4 Q And you understand, though, that the Eighth
5 Circuit, in the language I just read you, that to permit
6 the acquisition of already combined elements at
7 cost-based rates, would be inconsistent with the act as
8 interpreted by the Eighth Circuit; isn't that correct?

9 A Yes, and that only goes to, again, how do you
10 acquire the network element combination? You're allowed
11 to buy everything and combine it, and under the Eighth
12 Circuit decision, they've established the principle that
13 the LEC is permitted to separate it before the entrant
14 combines it, but BellSouth has also acknowledged in this
15 proceeding that the terms of its contract prohibit you
16 from exercising that authority until after the Supreme
17 Court issues a decision.

18 Q Now, you've participated in all of BellSouth's
19 arbitrations, and I believe most, if not all, of
20 BellSouth's Section 271 case; is that correct?

21 A Yes.

22 Q And you have presented, in one form or
23 another, the basic testimony that you're giving this
24 Commission here about the platform and about
25 combinations; is that correct?

1 A Where it was relevant, yes.

2 Q And you have also reviewed BellSouth's
3 testimony in the various 271 proceedings and in the
4 arbitrations; isn't that correct?

5 A Yes.

6 Q And you've been subjected to
7 cross-examination, some effective, some not, by
8 BellSouth's lawyers, correct?

9 A All effective, yes.

10 Q And the issue of combination of elements has
11 been an issue in all of these proceedings to one extent
12 or another; has it not?

13 A Yes, and it's been an issue all around the
14 country. And by and large, with the exception of a few
15 southern states, every state commission and the FCC has
16 ruled, and now the Eighth Circuit, has ruled that
17 network element combinations are a legitimate entry
18 strategy, and in fact, there's a growing body of
19 evidence that they're the only entry strategy that has
20 any hope of bringing any kind of meaningful competition
21 into the broad market. There are, of course, a few
22 exceptions to this in the southern region.

23 Q Well, in all of the 271 proceedings and all
24 the arbitration proceedings you were involved in
25 BellSouth, to your knowledge has BellSouth ever agreed

1 that AT&T or MCI should be able to purchase combined
2 network elements at cost-based rates?

3 A No, not to my knowledge.

4 Q Now, you mentioned some -- I think you said a
5 few state commissions. You are familiar with decisions
6 that have been rendered by state commissions in Alabama,
7 Georgia, Louisiana, Mississippi, North Carolina and
8 South Carolina in BellSouth's region; is that correct?

9 A Yes.

10 Q And I'm speaking in the arbitrations.

11 A Yes.

12 Q And you participated in those various state
13 arbitration proceedings, correct?

14 A Yes.

15 Q And the commissions held in those arbitrations
16 that network elements used to recreate an existing
17 BellSouth service will be priced as resale; isn't that
18 right?

19 A Yes and no. The Alabama Commission ruled both
20 ways. They ruled on the --

21 Q As far as BellSouth?

22 A Yes, with respect to BellSouth, they ruled
23 that they would. With respect to GTE, they ruled that
24 network element combinations would be permitted to be
25 cost-based. Each one of those decisions, I believe,

1 occurred before the Eighth Circuit rejected your
2 argument that network element combinations were the same
3 as service resale. So it seems -- so each of them were
4 founded on an interpretation that the Eighth Circuit
5 took up and rejected in its initial decision.

6 Q Okay. Are you sure that that's the case, or
7 are you just -- is that your best estimate?

8 A That's my best estimate.

9 Q Are you aware that the Georgia Commission
10 affirmed its decision after the Eighth Circuit's
11 decision and found it to be perfectly consistent with
12 the Eighth Circuit's interpretation?

13 A I am now.

14 Q You weren't before?

15 A I can't recall specifically. They may have.
16 But I don't believe that any of the others did. And
17 quite frankly, it doesn't change my position -- my
18 reading of the Eighth Circuit decision.

19 Q And the various state commissions have adopted
20 standards for determining when network combinations
21 recreate an existing BellSouth service; isn't that
22 correct?

23 A I believe so, yes.

24 Q And if I'm looking again at your direct
25 testimony at Page 3, and I'm looking at Line 15 through

1 16, where you make the statement, "No entrant can
2 recreate a BellSouth service without becoming, in
3 effect, BellSouth itself."

4 A That's my position, yes.

5 Q Well, would you agree that the other state
6 commissions that have addressed this issue have
7 determined circumstances under which it is possible that
8 MCI or AT&T can recreate a BellSouth service?

9 A Yes, those commissions ruled that the entrant
10 had to provide one of the network elements themselves,
11 which, again, is a clear contradiction with what the
12 Eighth Circuit held. The entrant does not have to
13 provide a network element itself in order to buy the
14 remaining ones at cost-based rates. You are entitled to
15 provide service at cost-based rates with network
16 elements obtained exclusively from BellSouth.

17 And quite frankly -- I mean this is pretty
18 simple and straightforward. If I buy all the network
19 elements from BellSouth and they only fit together one
20 way, BellSouth's theory is if I put them together the
21 way they put them together, I'm recreating a service.
22 Well, there isn't any other way to put them together.
23 So there's no way to reconcile that position with the
24 Eighth Circuit's finding that I have a legal right --
25 the entrant has a legal right to purchase all the

1 network elements from BellSouth and use them.

2 Q Mr. Gillan, when you say that this case does
3 not present a hard choice for this commission, the
4 choice made by almost every other state commission in
5 BellSouth's region has been to apply the resale rate
6 when AT&T or MCI purchases UNEs or combines UNEs to
7 replicate a retail service; isn't that correct?

8 A Yes. And as we discussed, however, each one
9 of those decisions, with the possible exception to
10 Georgia, was a decision that applied to a different set
11 of facts, and prior to the Eighth Circuit answering the
12 fundamental question: Are you permitted to provide
13 service exclusively using network elements obtained from
14 BellSouth?

15 And quite frankly, again, outside of these few
16 southern states, throughout the entire country, you
17 don't see that answer anywhere else. When southwestern
18 raised it in Texas, rejected. When Illinois Bell raised
19 it in Illinois, rejected. Wisconsin, Michigan, Iowa,
20 Oregon, California.

21 I mean the list of the states that have
22 rejected this, outside of the southern region, is a very
23 long list. Inside the southern region you get a
24 slightly different perception, but again, most of those,
25 with the exception, evidently, of Georgia, were issued

1 before the court ruled against you.

2 Q I would like to be able to attribute it to
3 BellSouth's lawyers, but I don't think that would work.

4 I have no further questions, Madam Chairman.

5 MR. PELLEGRINI: Staff has no questions for
6 Mr. Gillan.

7 CHAIRMAN JOHNSON: Redirect?

8 REDIRECT EXAMINATION

9 BY MS. RULE:

10 Q Mr. Gillan, can you explain why a competitor
11 might prefer resale over UNES as a market strategy, or
12 vice versa?

13 A Yes. I can think of at least three reasons,
14 and you see it in the market today. Resale does not
15 require that you gain any significant local operating
16 skills.

17 And with all due respect to BellSouth, or all
18 earned respect to BellSouth, one of the things that has
19 occurred with the passage of the Telecommunications Act
20 is people are gaining a greater appreciation for how
21 difficult it is to be a local telephone company.

22 If I'm in the service resale business, what
23 I'm probably doing is offering long distance service or
24 cellular service or something else that is my core
25 business and my core competency. And what I'm trying to

1 do here is simply be able to give the customer full,
2 one-stop shopping without having to learn how to do
3 network arrangement, how to do product management, how
4 to do these other things. As a result, because I am
5 taking on less responsibility, I will be happier with a
6 lower expected margin.

7 You see this throughout the entire country. A
8 number of carriers using service resale. Even some
9 RBOCs are beginning to play with it a little bit outside
10 of their region. But if what you're trying to do is
11 enter the market place with the anticipation of some day
12 start replacing your facilities, if I go down the path
13 of network elements, then at some point I can look out
14 at any individual network element -- and here I'll
15 circle the transport arrangement -- and if an entrant
16 has begun -- another entrant perhaps has begun
17 developing a network in a particular city, then I will
18 have the flexibility to start substituting network
19 elements purchased from one vendor, maybe an Intermedia,
20 for network elements obtained from BellSouth.

21 That kind of economic flexibility comes at a
22 cost. I have to develop a completely different set of
23 skills to use this entry arrangement than I need in
24 order to use service resale.

25 MS. RULE: Thank you.

1 CHAIRMAN JOHNSON: Exhibits?

2 MS. RULE: AT&T moves 15 and 16.

3 MR. PELLEGRINI: Staff moves 14, Exhibit No.

4 14.

5 CHAIRMAN JOHNSON: Show those admitted without
6 objection. Thank you, Mr. Gillan.

7 (Exhibit Nos. 14, 15 and 16 received into
8 evidence.)

9 (Witness Gillan excused.)

10 * * *

11 MR. HATCH: Madam Chairman, due to
12 Mr. Falcone's unavailability later, we're going to call
13 him out of order at this time.

14 AT&T calls Robert Falcone to the stand.

15 MR. PELLEGRINI: Chairman Johnson, Staff at
16 this time would proffer exhibit identified as RVF-5, and
17 ask that it be identified. It consists of Mr. Falcone's
18 February 25th, 1998 deposition transcript and
19 deposition, and late-filed deposition Exhibit Nos. 1
20 through 4.

21 CHAIRMAN JOHNSON: Be marked as 17.

22 MR. PELLEGRINI: 17? Thank you.

23 (Exhibit No. 17 marked for identification.)

24 ROBERT V. FALCONE

25 was called as a witness on behalf of AT&T Communications,

1 and having been duly sworn, testified as follows:

2 DIRECT EXAMINATION

3 BY MR. HATCH:

4 Q Mr. Falcone, could you please state your name
5 and address for the record?

6 A My name is Robert Vincent Falcone. My address
7 is 295 North Maple Avenue, Basking Ridge, New Jersey.

8 Q By whom are you employed and in what capacity?

9 A I'm employed by AT&T as a division manager in
10 its local services division.

11 Q Did you prepare and cause to be filed in this
12 proceeding rebuttal testimony consisting of 42 pages?

13 A Yes, I did.

14 Q Do you have any changes or corrections to your
15 prefiled rebuttal testimony?

16 A One change, top of Page 9, the question
17 starting on Line 1 should read: What steps would AT&T
18 normally have to take to establish collocated facilities
19 in BellSouth's central offices?

20 Q Subject to the correction just noted, if I
21 asked you the same questions as are in your rebuttal
22 testimony, would your answers be the same?

23 A Yes, they would.

24 MR. HATCH: Madam Chairman, I would request
25 that Mr. Falcone's rebuttal testimony be inserted into

1 the record as though read.

2 CHAIRMAN JOHNSON: It will be so inserted.

3 Q (By Mr. Hatch) Attached to your rebuttal
4 testimony, Mr. Falcone, did you have four exhibits,
5 RVF-1 through RVF-4?

6 A Yes, I did.

7 Q Were those exhibits prepared by you or under
8 your supervision?

9 A Yes, they were.

10 Q Do you have any changes or corrections to
11 those exhibits?

12 A No, I do not.

13 MR. HATCH: Madam Chairman, could we get
14 Mr. Falcone's rebuttal exhibits marked for
15 identification as a composite exhibit?

16 CHAIRMAN JOHNSON: Composite Exhibit 18, and
17 that was RVF-1 through 4?

18 MR. HATCH: Yes, ma'am.

19 CHAIRMAN JOHNSON: Okay.

20 (Exhibit No. 18 marked for identification.)
21
22
23
24
25

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION
REBUTTAL TESTIMONY OF
ROBERT V. FALCONE
ON BEHALF OF
AT&T COMMUNICATIONS OF
THE SOUTHERN STATES, INC.**

DOCKET NO. 971140-TP

February 20, 1998

1 consultant for Unitel of Canada. In 1995, I assumed my current position in the
2 Local Services Division.

3
4 **Q. PLEASE DESCRIBE YOUR CURRENT EMPLOYMENT AND THE**
5 **SCOPE OF YOUR RESPONSIBILITIES.**

6 A. I am employed by AT&T as a Division Manager in the Local Services Division.
7 My current duties include providing network technical support for new service
8 applications and participating in various federal and state proceedings.

9
10 **Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.**

11 A. The purpose of my testimony is to recommend that this Commission reject
12 BellSouth's proposal that CLEC's must utilize collocated facilities to combine
13 network elements, and to recommend a more efficient, non-discriminatory
14 alternative if this Commission finds that the Interconnection Agreement between
15 AT&T and BellSouth requires AT&T to combine network elements or that
16 BellSouth is not required to provide elements as they are already combined in
17 BellSouth's network. The purpose of this docket is to determine the prices AT&T
18 will pay when it purchases combined network elements, often referred to as the
19 "platform" of unbundled network elements. BellSouth has taken the position that
20 any CLEC who purchases a loop and switch combination must pay for those
21 elements as if the CLEC had purchased retail services for resale. BellSouth will
22 agree to the payment of rates set for the purchase of unbundled network elements
23 ("UNE's") only if the loop and switch are physically separated and provided to the
24 CLEC using facilities installed in its collocated space. The testimony of Messrs.
25 Gillan and Eppsteiner address BellSouth's obligation to provide combinations of

1 unbundled network elements. If the Commission determines that BellSouth is not
2 obligated to provide elements as they are currently combined or to combine
3 elements for AT&T, the purpose of my testimony is to demonstrate that physical
4 separation of the loop and switch is not necessary; and tremendously increases the
5 non-recurring and recurring costs associated with the purchase of unbundled
6 network elements.

7
8 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

9 A. First, I will explain the physical plant involved in combining UNE's. Second, I
10 will explain how BellSouth's policy of separating UNE's only to have AT&T
11 combine them using its own collocated facilities serves no valid commercial
12 purpose and does nothing more than create an insurmountable barrier to local
13 competition. Third, I will discuss alternatives to the use of collocated facilities
14 for combining elements and show that current capabilities of the switch allow
15 logical (i.e., electronic) separation and recombination of the loop and switch.
16 This is the only process that comes close to providing CLECs with a viable
17 commercial substitute for the activities that BellSouth performs for itself -- and
18 allows Centrex customers to perform for themselves -- today. Fourth, I will
19 discuss how the Commission could assure that CLECs will be able to provide
20 viable competition using combined loops and ports by prohibiting BellSouth
21 from disturbing existing combinations of elements.

22

1 **I. THE PHYSICAL PLANT INVOLVED IN COMBINING UNE'S USING**
2 **COLLOCATED FACILITIES**

3
4 **Q. WHAT IS BELLSOUTH'S POSITION REGARDING ITS ABILITY TO**
5 **PROVIDE ACCESS TO THE LOOP AND THE SWITCH?**

6 A. BellSouth maintains that, if AT&T wants to combine UNE's to provide competing
7 service, BellSouth will unbundle currently combined UNE's and provide them
8 separately to AT&T to combine with AT&T network equipment in collocated
9 space. BellSouth stated in a February 10, 1998 letter to AT&T: "BellSouth's
10 policy is to deliver UNE's to a CLEC's collocation space for the purpose of
11 combining unbundled network elements." See RVF-1 at 4.

12
13 To assess the reasonableness of BellSouth's position, it is useful first to describe
14 how loops and switch ports are typically connected in a central office, and then to
15 describe the steps that would be involved if CLECs seeking to combine the loop
16 and switching elements were required to use a collocation approach.

17
18 **Q. WHAT ARE THE METHODS USED BY INCUMBENT LECS TO**
19 **CONNECT LOOPS AND PORTS MANUALLY?**

20 A. There are two basic architectures in broad use among ILECs for manually
21 connecting loops to switch ports. The first, and most common, involves use of a
22 Main Distribution Frame ("MDF"), at which each copper wire loop is individually
23 cross-connected with a pair of wires that connect to a switch port connector block.
24 The second involves use of Integrated Digital Loop Carrier ("IDLC"), in which a

1 digital circuit carrying numerous multiplexed loops bypasses the MDF and
2 connects directly into the switch.

3
4 **Q. PLEASE DESCRIBE THE MAIN DISTRIBUTION FRAME METHOD OF**
5 **CONNECTION.**

6 A. Exhibit RVF-2, Figure 1 to my testimony depicts a typical configuration for
7 manually connecting copper loops to switch ports in an ILEC's central office. See
8 RVF-2, Figure 1. As noted, the connection is made at the Main Distribution
9 Frame (or "MDF"). The MDF consists of a series of connector blocks each
10 connected to ironwork uprights anchored to the floor and ceiling. The MDF is
11 depicted in Figure 1 as having two sides: a line-side and a switch-side. Bolted to
12 each side of the MDF is a series of connector blocks, each of which typically
13 contains approximately 200 terminals at which individual wires can be connected.
14 To aid frame technicians in distinguishing the two sides of the MDF, the
15 connector blocks on the line side are arrayed vertically, and the connector blocks
16 on the switch side are arrayed horizontally.

17
18 The typical connection between a copper loop and switch port is made as follows.
19 As shown in RVF-2, Figure 1, cables carrying multiple loops enter the central
20 office and run to the MDF. At the frame, each loop (typically a pair of copper
21 wires) is segregated from these cables and connected (by being installed at the
22 appropriate position on the block and then either wire wrapped or soldered) to the
23 specific terminal on a connector block to which it is assigned. This is a "hard-
24 wired" connection which is installed at the time the cables are brought into the
25 central office. Barring cable replacement these connections are never again

1 touched by the ILEC technicians. A second wire, known as a "cross-connect" (or
2 alternatively, "cross wire" or "jumper"), is then connected to those same line side
3 terminals. The cross-connect runs to the other (switch) side of the MDF, where it
4 is connected to a specific terminal on another connector block. From those
5 terminals, a pair of wires connects to the switch port (also known as the "line
6 card" or "line termination unit"). This final connection from the terminal to the
7 line card is also a "hard-wired" connection. It is established by the switch vendor
8 when the switch is installed, and -- barring equipment failure or replacement -- is
9 never moved or altered again.

10
11 Each ILEC maintains a software data base inventory of the numbers assigned to
12 each piece of equipment making up the loop-switch port connection. ILECs
13 typically keep track of each copper loop by its cable number and pair number, and
14 record its place on the connector block ("block assignment") by assigning a
15 number to each terminal on each block. Similarly, the line termination units (or
16 line ports) on the switch are assigned identifying numbers.

17
18 **Q. PLEASE DESCRIBE THE INTEGRATED DIGITAL LOOP CARRIER**
19 **("IDLC") METHOD.**

20 A. BellSouth is turning increasingly to a superior technology, IDLC, for serving new
21 residential and commercial developments and, where appropriate, replacing old
22 plant. In Florida, the percentage of IDLC lines today is approximately 20 percent.
23 This number will increase over time as BellSouth continues to deploy this more
24 efficient technology.

25

1 The architecture of the loop/switch connection with IDLC is substantially
2 different than with copper wire. See RVF-2, Figure 3. Instead of aggregating
3 copper in the central office, BellSouth brings the copper loop first to the IDLC
4 remote terminal located in an underground vault or locked cabinet in a
5 neighborhood. The remote terminal converts the analog loops to a digital signal
6 and multiplexes all the digital signals onto IDLC for transmission to the central
7 office. At the central office, the digital loops bypass the MDF altogether and
8 connect directly into the switch through a digital cross-connection frame. No
9 analog signal or physical appearance on an MDF is ever established to identify an
10 individual subscriber's loop.

11

12 **Q. WHAT IS THE RELATIONSHIP OF COLLOCATED SPACE TO THE**
13 **LOOP AND THE SWITCH?**

14 **A.** Collocated space is simply space within a central office that is leased by and
15 dedicated to a CLEC. Such space is often located at a significant distance from
16 the MDF -- possibly hundreds of feet and/or several floors away. Typically such
17 space is enclosed with a wire mesh cage, with entry through a locked door
18 controlled (except in emergencies) by the CLEC. Within the cage, a CLEC
19 seeking to connect loops to a switch would need to install its own "mini-MDF,"
20 tie-cables to the ILEC's frame, and cross-connects. (A CLEC seeking access to
21 loops for purposes of transmission to its own switch would need additional
22 equipment.)

23

1 Q. **WHAT STEPS WOULD AT&T NORMALLY HAVE TO TAKE TO**
2 ~~CONNECT A LOOP AND A SWITCH IN A COLLOCATED SPACE?~~ *Establish Collocated facilities in BellSouth's Central Offices?*

3 A. The process for establishing facilities in collocated space is a two phase process --
4 an inquiry phase and an engineering/installation phase. The first phase, the
5 Application Inquiry phase, requires the following steps:

6 1) To begin phase I, AT&T would submit a collocation application
7 and a check for the processing fee to BellSouth for each office
8 where AT&T wants to combine unbundled elements.

9 2) AT&T must then wait to receive a response based on feedback
10 from BellSouth's engineers, space planners and facility planners
11 that space in the collocation area of the central office is available
12 and ready for engineering.

13 3) Upon receiving the response, AT&T must then submit a bonafide
14 Firm Order request to BellSouth including a detailed equipment
15 drawing and payment of applicable fees.

16 If that firm order is accepted, BellSouth and AT&T would move to the
17 engineering/installation phase which requires the following steps:

18 1) AT&T and BellSouth would schedule a joint planning meeting to
19 engineer the space to meet AT&T's needs and appropriate
20 BellSouth requirements.

21 2) Following the completion of the planning, AT&T would then await
22 BellSouth's notification that BellSouth (or a BellSouth approved
23 vendor) had completed building the collocation cage.

24 3) AT&T would then retain a BellSouth-authorized equipment vendor
25 to install, test, and turn-up AT&T's equipment. For prospective

1 connection of the loop and switch elements, this would consist of
2 installing a mini-MDF pre-wired with cross-connects and tie-
3 cables to the ILEC's POT frame, IDF, or MDF.

4 See BellSouth Collocation Handbook (Ex. RVF-3).

5

6 **Q. HOW LONG DO THESE PHASES TAKE TO COMPLETE?**

7 A. The length of time to complete each phase of establishing space is uncertain. It
8 will depend upon factors such as space availability, construction requirements,
9 and vendor availability. BellSouth has not provided standard intervals for
10 collocation. In the draft Collocation Business Process Agreement between
11 BellSouth and AT&T, the parties currently estimate that the inquiry phase will
12 last two to three months, and BellSouth in Florida has agreed to complete the
13 engineering/installation phase in another three months^{1/} for a total of five to six
14 months to install a cage.

15

16 **Q. DO THE STEPS DESCRIBED ABOVE CONSTITUTE ALL NECESSARY**
17 **STEPS FOR AT&T TO OBTAIN A COMBINED LOOP AND SWITCH IN**
18 **COLLOCATED SPACE?**

19 A. No. To provision service for an actual customer using those elements combined
20 by AT&T facilities in collocated space requires yet another sequence of steps.
21 This example sets out the steps needed to provide UNE-based service to a single-
22 line BellSouth residential POTS customer that wishes to switch over to AT&T,
23 using assumptions designed to maximize efficiency given the inherent constraints
24 of this approach:

- 1 1) In the most efficient approach, BellSouth would pre-wire all of the
2 cross-connections on the connector blocks at the IDF (if the IDF
3 was used), effectively establishing a connection from new
4 connector blocks on the MDF through the tie-cables to the IDF
5 through the pre-wired cross-connection to the tie cables to the
6 collocated frame. From the collocated frame, the connection
7 would go back to the IDF and finally back to the MDF. As
8 illustrated in RVF-2, Figure 4, this pre-wiring effectively creates a
9 giant "U" shaped circuit, with the new connector blocks on the
10 BellSouth MDF waiting to have loops and switch ports connected
11 to them.
- 12 2) AT&T would submit a service order to BellSouth requesting a loop
13 and switch. The request would specify the tie down information --
14 e.g., the tie-cable and pair number, and the block assignments to
15 connect that particular customer to the pre-wired "U" circuit
16 through the BellSouth's collocated frame and back to the MDF.
- 17 3) With the pre-wiring described in Step 1 in place, BellSouth can
18 then perform the actual cutover of service. The most efficient way
19 to accomplish the cutover is by performing a "hot-cut" (i.e., a
20 coordinated cutover in which the customer's service has not been
21 previously disconnected) to minimize customer downtime. Frame
22 technicians would lay-in the new cross-connection wires from the
23 customer's loop location on the MDF to the AT&T's line side
24 connector block and from the AT&T assigned connector block on
25 the switch side of the MDF to the switch port. The frame

1 technician would then disconnect the existing cross-connection
2 from the loop to the switch port, causing the customer to lose
3 service. The technician would then connect the new cross
4 connections that were just laid in, and remove the old, previously
5 disconnected, wires from the frame.

- 6 4) BellSouth must test continuity from the original switch port
7 termination at the MDF to the original loop termination at the
8 MDF.
- 9 5) If continuity is not established then BellSouth and AT&T must
10 troubleshoot the daisy chain of tie-pair cables and cross-connect
11 wires until proper continuity is restored.
- 12 6) Upon confirmation of (or restoration of) continuity, changes on the
13 customer's line need to be made in the switch software to establish
14 the customer as an AT&T UNE-customer for usage and billing
15 purposes and for making any needed changes to the features or
16 functions (e.g., customized routing for OS/DA) that are now to be
17 associated with that line.

1 II. THE SIGNIFICANT ANTI-COMPETITIVE EFFECTS OF
2 BELLSOUTH'S COLLOCATION PROPOSAL

3 Q. WHAT ARE THE OBSTACLES ASSOCIATED WITH MANUAL
4 RECOMBINATION OF THE LOOP AND THE SWITCH USING
5 COLLOCATED FACILITIES?

6 A. Even under the best of circumstances, the manual reconnection of the loop and
7 switch via collocated facilities is so cumbersome and inefficient that it prevents
8 AT&T from gaining access to the unbundled loop and switch in a manner that
9 would permit effective competition. In particular, that approach imposes four
10 serious obstacles to effective competition:

- 11 (1) it requires that the customer's line be taken completely out of
12 service and creates a substantial risk of an extended outage;
- 13 (2) it will prevent AT&T from using the loop/switch combination (a)
14 to service any customers soon; (b) to ever serve competitively
15 significant numbers of customers; and (c) potentially to serve some
16 customers (e.g., those on IDLC) at all;
- 17 (3) it will impose service on AT&T customers that is inferior to what
18 BellSouth customers receive; and
- 19 (4) it will impose excessive and entirely unnecessary costs that would
20 alone effectively foreclose competition via loop/switch
21 combinations with BellSouth (who will not incur such costs) for all
22 of AT&T's customers.
- 23

1 Q. PLEASE DESCRIBE THE PROBLEMS ASSOCIATED WITH THE LOSS
2 OF SERVICE DURING CUTOVER AND THE FACTORS AFFECTING
3 THE TIME OF LOST SERVICE.

4 A. In the collocation approach, there is no escaping the problem of placing the
5 customer out-of-service for some period of time in order to disconnect and then
6 reconnect the element. In the best-case scenario described above, pre-wiring by
7 AT&T and BellSouth reduces the time that the customer is without service to the
8 time it takes to perform a "hot cut" -- that is, disconnect both ends of a cross-
9 connect and cut on the two new cross-connections, without having previously
10 removed the dial tone at the switch. In addition, in the best case scenario,
11 BellSouth would establish methods and procedures to ensure that each hot cut is
12 performed correctly by an experienced crew, so that the amount of time the
13 customer would be kept out of service would be minimized.

14
15 There is significant room for discretion, even within the parameters of a "hot cut,"
16 to perform the procedure with greater or lesser impact on the customer. For
17 example, the technicians should check in advance of the cutover to make sure that
18 there was no active call on the line. Similarly, the sequence for disconnecting and
19 reconnecting each terminal that the technicians follow will affect the amount of
20 time that the customer's service is interrupted. And, because two cross-
21 connections must be made to provision any one customer with an unbundled loop
22 and switch, the number of technicians that BellSouth uses to provision each order
23 will also affect the amount of customer downtime. It would therefore be essential
24 to establish appropriate methods and procedures governing these and related

1 aspects of loop/switch provisioning, in order to minimize the disruptiveness of the
2 cutover process to the customer and to AT&T's ability to compete.

3
4 If the assumptions underlying the best-case scenario do not hold, however, the
5 chances for a prolonged outage increase. For example, the best case scenario
6 assumes that BellSouth is willing and able to adhere to procedures that require
7 complete pre-wiring to the point that the new cross-connections are tied down on
8 the blocks ready to be cut-over (as is typically done with collocation hot-cut
9 arrangements). If any of the pre-wiring is not completed, the time the customer
10 will be out of service will significantly increase. If no pre-wiring is done, the time
11 out-of-service will be quite substantial, for at least two individual
12 disconnect/reconnect procedures (two each at the MDF) would need to be
13 completed; an additional two at the IDF, if that is used, would only further
14 increase customer outage time. An even longer outage could occur if the pre-
15 wiring is not done correctly. Examples of predictable errors would include
16 misidentified block assignments or cable and pair numbers, or defective
17 connections. The technicians also might encounter an assignment not spare. An
18 "assignment not spare" occurs when a technician is given a correct block
19 assignment but nevertheless discovers on the job that the terminal is occupied by
20 another wire that was mistakenly not removed during a previous job.

21
22 The best-case scenario also assumes that BellSouth will devote the substantial
23 resources, e.g. overnight shifts of experienced frame technicians, needed to
24 minimize customer service interruption. It is doubtful, however, that BellSouth
25 will be able consistently to make such resources available to meet the demands of

1 CLECs in a competitive market. Finally, the best case scenario makes a number
2 of critical assumptions about methods and procedures that have yet to be
3 established.

4

5 **Q. HAS BELLSOUTH EXPERIENCED PROBLEMS WITH MANUAL**
6 **CUTOVERS?**

7 A. Yes. Even in the relatively simpler world of "pure" loop unbundled loop
8 provisioning (where only one disconnect/new connect need occur in a hot cut), it
9 is clear that CLEC customers have been subjected to substantial service outages.
10 Far from quickly cutting over service in the dead of night, BellSouth has left new
11 CLEC customers without service for hours at a time in mid-day.

12

13 ACSI, for example, has reported cutover outages routinely exceeding four hours.
14 The competitive impacts of such outages are immense: "BellSouth's inability to
15 avoid lengthy disconnections during the customer cutover process jeopardized
16 ACSI's ability to retain existing customers and to attract new customers to its
17 service. ACSI cannot compete with BellSouth if its customers must endure
18 service outages routinely exceeding 4 hours -- or if ACSI is made to appear
19 unable to switch a customer to its service.^{2/}

20

21 According to WorldCom, which has experienced three-to-four hour delays during
22 cutovers of large business customers, "BellSouth coordinated cutovers are
23 anything but."^{3/} WorldCom customers have been out of service "an unacceptably
24 long time" during cutovers, with delays caused by "limits on the number of
25 cutovers that [BellSouth] will perform and the hours in which it will perform

1 them."^{4/} Moreover, Sprint has reported "problems in virtually all phases of the
2 customer activation (or 'cutover') process for unbundled loops," leading it to file a
3 formal complaint with the Florida PSC.^{5/} Indeed, on one occasion, when
4 BellSouth repeatedly issued internal orders for an unbundled loop incorrectly, a
5 customer experienced an eighteen day installation interval.^{6/} In other instances,
6 "BellSouth has spent months sorting out problems with its cutover process before
7 Sprint's local customer received service from Sprint."^{7/}

8
9 The potential impact of mandatory, unpredictable, and potentially extended
10 service outages on the prospects for local competition cannot be overstated.
11 Customers will be alarmed at the prospect of any service outage, and will not
12 tolerate any prospect of an outage for more than a negligible period of time.

13
14 **Q. PLEASE DESCRIBE THE LIMITATIONS ON AT&T'S ABILITY TO**
15 **SERVE CUSTOMERS ASSOCIATED WITH COMBINING A LOOP AND**
16 **A SWITCH THROUGH COLLOCATED FACILITIES.**

17 **A.** Quite apart from the customer impact of losing service, there are three inherent
18 limitations associated with combining network elements through collocated
19 facilities. First, the time needed to construct collocation cages will delay any
20 market entry. Second, the architecture of the MDF imposes limits on the number
21 of customers that can be provisioned in a given day. Third, IDLC loops simply
22 cannot be separated without transitioning the customer's line to copper or
23 universal digital loop carrier ("UDLC"), which may not be available or may
24 degrade quality. As a result, the number of customers AT&T actually could serve
25 using unbundled loop and switch combinations would be only a fraction of the

1 customers AT&T otherwise could win. In contrast, when BellSouth enters the
2 long distance market, it will be unbounded in its ability to absorb new long
3 distance customers through the time-tested electronic PIC process.

4
5 **Q. HAVE CLECS EXPERIENCED PROBLEMS IN CONTRACTING FOR**
6 **COLLOCATED SPACE WITH BELLSOUTH?**

7 A. Yes. For example, BellSouth already has insisted on building collocated space
8 with gypsum-board walls rather than wire mesh, an unnecessary requirement that
9 serves only to prolong construction time and increase cost.^{8/} Indeed, ITC
10 DeltaCom has estimated that construction costs of the fully-walled collocation
11 cages required by BellSouth will run \$300.00 per square foot and that the cost to
12 construct such space in three central offices in Georgia is over \$300,000.^{9/}
13 Moreover, the BellSouth negotiation process has itself been a source of significant
14 delay. It took ITC DeltaCom several months to negotiate a collocation contract
15 with BellSouth, because the BellSouth representative "assigned the task a low
16 priority," "provided little or no response to DeltaCom's requested changes," and
17 "slow[ed] down the negotiation process completely."^{10/}

18
19 Indeed, BellSouth has already compiled a record of delay in completing
20 collocation orders. Under the MCI/BellSouth Interconnection Agreement in
21 Florida, BellSouth must provide MCI collocation within 90 days of a firm order.
22 In April 1997, MCI placed four firm orders for collocation, but as of October 22,
23 1997, all four orders remained pending.^{11/} Furthermore, in attempting to
24 implement its collocation agreements in Miami, WorldCom has experienced
25 "delays, missed dates, surprise changes, and more delays."^{12/} Thus, as this

1 Commission found in declining to approve BellSouth's petition for interLATA
2 authority, "BellSouth's inability to establish physical collocations in a timely
3 manner is still a problem which has a direct affect on the [CLECs'] ability to
4 compete meaningfully in the marketplace."^{13/}

5
6 By requiring collocation as a condition precedent to AT&T obtaining combination
7 of the loop and switching elements, BellSouth imposes on AT&T another layer of
8 negotiation, expense and unpredictable delay.

9
10 **Q. ARE THERE OTHER FACTORS THAT AFFECT THE NUMBER OF**
11 **CUSTOMERS AT&T COULD SERVE IF COLLOCATION IS**
12 **REQUIRED?**

13 A. There are varying problems associated with the manual work needed to establish
14 the cross-connections on the MDF. This would involve two basic steps that
15 would typically be performed by a team of three technicians: one person
16 working on the line side of the frame, one of the switch side, and a third who
17 coordinates their activity, e.g., by calling out assignments and block
18 appearances on the frame. First, the team would connect the connector block
19 containing the loop appearance to the connector block containing the tie-cable to
20 AT&T's collocated frame. Second, the team would connect the connector block
21 containing the tie-cable coming from the collocated frame to the connector block
22 containing the switch port. This wiring must be done on a customer-by-
23 customer basis, which limits the number of customers that could be provisioned
24 with UNE service in any one day.

25

1 Moreover, the MDF is a finite space so it is not possible to address the problem
2 by simply assigning more technicians. The number of technicians who can
3 work on the MDF at any one time is limited by the work space.
4

5 **Q. PLEASE DESCRIBE MORE SPECIFICALLY WHY AT&T WOULD NOT**
6 **BE ABLE TO COMPETE FOR CUSTOMERS SERVED BY IDLC.**

7 A. A local loop provisioned using IDLC terminates directly into the switch without
8 any physical appearance on the MDF. They cannot be physically disconnected
9 from the switch on a customer-by-customer basis in the way copper loops can be.
10 BellSouth has stated that it will "roll" the loop onto a universal DLC or other
11 alternate facility (copper) at no extra charge. If alternate facilities do not exist,
12 BellSouth will utilize its existing Special Construction Process to determine what
13 additional costs to charge for providing an unbundled loop to the end-user's
14 location.
15

16 "Rolling" the loop onto a spare analog loop pair would be possible only where a
17 spare analog loop that meets loop technical requirements can be found in the
18 vicinity of the customer. While no spare loop would be likely in a new
19 development that was provisioned with IDLC from the outset, there may be spare
20 loops in older areas where BellSouth has replaced copper loops with IDLC. If,
21 however, such loops were abandoned for an upgrade to IDLC technology, chances
22 are they are of poor quality, and the BellSouth customer who is moved off of
23 state-of-the-art IDLC onto the old analog loop plant may immediately experience
24 a degradation of service quality. To a CLEC struggling to establish consumer
25 confidence, the consequences of imposing such degraded service (or even the risk

1 of such degradation) on its new customers are very serious. Furthermore, this
2 method could impose additional costs and delay if the associated BellSouth
3 switch does not have sufficient analog line cards to support conversion of these
4 formerly digital loops to analog loops.

5
6 Moving the customer's line to a parallel UDLC also creates problems. This older
7 version of digital loop carrier equipment converts the loops back to an analog
8 signal in the central office, thereby allowing an individual customer's line to be
9 accessed at the MDF. This digital-to-analog conversion, however, may degrade
10 the quality of service for the customers involved.

11
12 Use of these methods (and acceptance of the associated degradation in service
13 quality) may be necessary in order to roll a loop to a competitor's switch. But
14 they are not necessary when the competitor seeks to combine the IDLC loop with
15 the incumbent's local switching element.

16
17 BellSouth's current position that it will utilize its existing Special Construction
18 Process to determine what additional costs to charge for providing an unbundled
19 loop to the end user's location conflicts with the obligations in the
20 AT&T/BellSouth Interconnection Agreement. BellSouth has agreed to provide
21 AT&T access to 100% of its loops in Florida, no matter what technology is
22 deployed. The Commission has established the price for purchasing an unbundled
23 loop. BellSouth should not be allowed to increase those charges by adding
24 additional costs.

25

1 **Q. WILL THE RECOMBINATION OF A SWITCH AND A LOOP USING**
2 **COLLOCATED FACILITIES AFFECT THE QUALITY OF AT&T'S**
3 **SERVICE FOR ITS CUSTOMERS?**

4 **A.** BellSouth's collocation requirement will lead to inherently inferior service quality
5 for CLECs who recombine the unbundled loop and switch port. The wire used on
6 the MDF typically is only 22 gauge, which means that the wires themselves are
7 approximately the diameter of pencil lead. Such thin wires are inherently frail.
8 Moreover, many of the wires connecting loops and switch ports have been in
9 place for many years. A collocation requirement entails unnecessary handling and
10 removing of these wires as customers change local service providers. As
11 significant competition develops and customers begin to churn, the continual
12 activity and increased congestion on the frame caused by installing new cross-
13 connects and removing the old cross-connects will put an unnecessary stress on
14 the frames' jumpers, potentially causing a connection to inadvertently break.

15
16 The impact of the increased strain on the frame and resultant service failures will
17 be borne disproportionately by AT&T and other CLECs, because recombination
18 by collocation will double the number of cross-connections on the MDF frame for
19 CLEC loops compared to BellSouth loops. Jumpers in a frame (especially the
20 MDF) are already subject to significant pulling and tugging as technicians move
21 other jumpers across or around the frame, or "mine" out old wires that are no
22 longer being used. As this pulling and tugging increases with competitive
23 activity, so too will CLECs' service failures.

24

1 Q. WILL REQUIRING COMBINATION OF THE LOOP AND SWITCH
2 USING COLLOCATED FACILITIES INTRODUCE ADDITIONAL
3 POINTS OF FAILURE IN THE NETWORK?

4 Yes. A typical BellSouth loop connection that is not provisioned with IDLC has
5 only two points of connection to a frame -- one on the terminal connecting to the
6 loop, and the other on the terminal making the connection to the switch port.
7 These points of connection are "points of failure," because they are places where
8 the loop connection is most likely to come apart. Under BellSouth's collocation
9 requirement, BellSouth loops that are recombined with BellSouth switching will
10 require an absolute minimum of four points of failure, and could require up to
11 eight or more such points depending on whether an intermediate frame is used to
12 reach AT&T's collocation space. Thus, the collocation requirement at least
13 doubles the possibility AT&T loops will fail.

14
15 Q. WILL REQUIRING COMBINATION OF THE LOOP AND SWITCH
16 AFFECT MAINTENANCE?

17 Yes. The additional loop length that would result from BellSouth's collocation
18 requirement may degrade the quality of service and will require changes in
19 BellSouth's records to reflect the changed characteristics of the loop. If BellSouth
20 does not make these changes, maintenance and repair functions cannot be
21 properly performed. For example, changing the length of loops could have an
22 impact on mechanized loop test (MLT) results, because when the make-up of a
23 loop is changed (e.g., a change in loop length), the test could give improper
24 results. Thus, BellSouth must reflect the change in its records to ensure that MLT
25 results will be accurate.

1

2 **Q. ARE YOU SUGGESTING THAT COLLOCATION ARRANGEMENTS**
3 **ARE NEVER APPROPRIATE?**

4 A No. If a CLEC simply wishes to purchase unbundled loops and use those loops
5 to serve its customers with its own switch, then establishing a collocation
6 arrangement is appropriate.

7

8 **Q. WHY IS IT APPROPRIATE TO ESTABLISH A COLLOCATION**
9 **ARRANGEMENT FOR THE PURCHASE OF UNBUNDLED LOOPS BUT**
10 **NOT FOR THE PURCHASE OF UNBUNDLED LOOPS WHICH ARE TO**
11 **BE COMBINED WITH UNBUNDLED LOCAL SWITCHING?**

12 A. When a CLEC has its own switch, this switch resides in the CLEC's central
13 office, which is located some distance from the BellSouth central office. The
14 customer loops the CLEC wishes to purchase and serve with its switch
15 terminate in the BellSouth central office. In order to obtain access to these
16 loops and extend them to the CLEC's switch, it may be necessary for the CLEC
17 to collocate equipment in the BellSouth's location. The collocated CLEC
18 equipment may be either transport equipment or remote switching modules,
19 depending on the CLEC's requirements and the types of equipment allowed to
20 be collocated under the terms of the carriers' interconnection agreement.

21

22 In contrast, when a CLEC chooses to serve customers with a combination of the
23 BellSouth's unbundled loops and unbundled local switching, both of these
24 elements are housed within the same BellSouth central office. There is no need
25 to extend the BellSouth's loops to another location, because the switch ports for

1 the unbundled switching element are located on the same cross-connection
2 frame (the MDF) within the central office where the loops appear. The most
3 efficient means of connecting these two elements that are located in the same
4 central office is with a single cross-connection on the MDF-- just as BellSouth
5 does for itself.

6
7 **Q. DOES BELLSOUTH'S COLLOCATION PROPOSAL FOR COMBINING**
8 **UNBUNDLED LOOPS AND SWITCH PORTS OFFER ANY BENEFITS**
9 **AT ALL FOR CLECS OR CONSUMERS?**

10 **A.** No. Allowing BellSouth to tear apart elements that are already connected only
11 adds cost, delay and inefficiency for all parties, including CLECs, consumers
12 and BellSouth itself. It puts unnecessary strain on often already congested
13 frames and on delicate cross connection wiring, substantially increases the risk
14 of human error and complicates central office maintenance and repair
15 procedures. Indeed the only "benefit" of this proposal to BellSouth is that the
16 unnecessary work of ripping up its network elements will make it harder for
17 new entrants to win and serve customers.

18

1 **II. ALTERNATIVES TO COLLOCATION**

2 **Q. YOU HAVE EXPLAINED HOW THE ILEC'S POLICY OF REQUIRING**
3 **CLECS TO UTILIZE COLLOCATED FACILITIES IN ITS CENTRAL**
4 **OFFICES PREVENTS CLECS FROM USING THE LOOP-PORT**
5 **COMBINATION TO COMPETE. ARE THERE ALTERNATIVES TO**
6 **COLLOCATION WHICH ARE LESS INEFFICIENT AND COSTLY**
7 **THAN COLLOCATION?**

8 **A. Yes.**

9
10 **Q. ARE THESE ALTERNATIVES AS EFFICIENT OR PRO-COMPETITIVE**
11 **AS PERMITTING CLECS TO PURCHASE IN COMBINATION**
12 **ELEMENTS THAT ARE ALREADY COMBINED IN THE ILEC'S**
13 **NETWORK?**

14 **A. No.**

15

16 **Q. WHY NOT?**

17 **A. No solution is more efficient than leaving together elements that are already**
18 **combined when a CLEC wishes to purchase them for use in providing a**
19 **competitive service to a customer. And only one alternative comes even close**
20 **to enabling CLECs to combine network elements in roughly the same manner as**
21 **BellSouth does for itself in similar circumstances. The others, although less**
22 **costly and inefficient than collocation, do not permit CLECs to combine**
23 **BellSouth's network elements in a commercially reasonable manner that could**
24 **support a fully competitive local services market.**

25

1 **Q. PLEASE DESCRIBE THESE ALTERNATIVES.**

2 A. AT&T has considered three possible alternatives to collocation. These are:
3 (1) logical or electronic combination of elements using the recent change
4 process; (2) direct access to the central office by a third party vendor to separate
5 and recombine elements; and (3) logical combinations using an electronic cross-
6 connection frame. Only the recent change process is similar to the way in
7 which BellSouth combines elements in its own networks in similar
8 circumstances and would enable AT&T to serve commercially significant
9 volumes of customers. The others, although superior to collocation, rely on
10 needless make-work activities that would constrict AT&T's ability to acquire
11 existing BellSouth customers using combinations of unbundled network
12 elements. Moreover, the third alternative considered is not currently available.
13 Because only logical separation and combination is similar to the way in which
14 BellSouth combines elements in its own network, it is the only alternative I
15 discuss in detail in my testimony. The other alternatives and their problems are
16 described in exhibit RVF-4.

17

18 **Q. WHAT DOES THE LOGICAL COMBINATION ALTERNATIVE**
19 **ENTAIL?**

20 A. This alternative involves the logical (i.e., electronic) separation and
21 reconnection of the BellSouth's unbundled loop and switch port.

22

1 Q. IS THE LOGICAL SEPARATION AND COMBINATION OF ELEMENTS
2 CONSISTENT WITH THE EIGHTH CIRCUIT'S DECISION THAT THE
3 FEDERAL TELECOMMUNICATIONS ACT DOES NOT REQUIRE
4 ILECS TO PROVIDE COMBINATIONS OF NETWORK ELEMENTS?

5 A. Yes. Nothing in the Eighth Circuit's ruling required that unbundled elements
6 have to be physically separated, as BellSouth's collocation proposal requires.
7 The separation of the customer's loop and switch port can be accomplished
8 logically just as BellSouth does for itself. Then, AT&T, using the features,
9 functions and capabilities of the unbundled switch it purchased would logically
10 combine the loop and switch electronically separated by BellSouth.

11

12 Q. PLEASE EXPLAIN WHAT YOU MEAN WHEN YOU SAY THE ILEC
13 SEPARATES LOOPS FROM THE PORTS ELECTRONICALLY.

14 A. When existing BellSouth customers wish to have their service discontinued
15 because, for example, they are changing their residences, BellSouth
16 accomplishes this by disconnecting the loop from the port through the use of a
17 process known as a "recent change" on the local switch software.

18

19 Q. WHAT EXACTLY DOES THE RECENT CHANGE PROCESS DO?

20 A. BellSouth uses the recent change process to update the switch software and,
21 among other things, disconnect the loop from the port by removing the dial tone
22 from the customer's line. This effectively accomplishes the same result as if
23 BellSouth physically removed the wires on the MDF connecting the customer's
24 loop to the switch port. Thus, rather than physically removing the connections
25 of the loop to the switch to disconnect the customer's service, as is required by

1 BellSouth's mandatory collocation proposal, BellSouth logically discontinues the
2 customer's service in the switch software.

3

4 **Q. WHY DOES BELLSOUTH PERFORM THE SEPARATION IN THIS**
5 **MANNER?**

6 A. It is done this way as a matter of efficiency. BellSouth knows that, shortly after
7 the disconnect of this customer's service, another customer will likely move into
8 the same location and request service. Rather than physically removing the
9 cross-connection wires on the frame to terminate service and then reinstalling
10 wires to establish service for the new customer, BellSouth avoids these wasteful
11 tasks by using the logical separation process. In such cases, the physical
12 connection of the loop and the port remains intact, and the disconnection and
13 reconnection of elements (and service) is done exclusively through the use of
14 software.

15

16 Typically, this change is instituted by a service representative entering a few
17 keystrokes at the time the customer who is leaving issues the request to
18 discontinue service, i.e., in a matter of seconds. BellSouth's downstream
19 systems then implement the software change, discontinuing the customer's
20 service at the time requested. When a new customer moves into the existing
21 location, service is restored using a similar process that is also automatically
22 executed in BellSouth's network after a customer service representative enters a
23 few keystrokes.

24

1 Q. AS A MATTER OF COMPARISON, HOW DOES BELLSOUTH
2 ACCOMPLISH A "PIC CHANGE" TODAY WHEN A CUSTOMER
3 WISHES TO CHANGE THEIR LONG DISTANCE PROVIDER?

4 A. PIC changes are also accomplished using the software capabilities of the local
5 switch. When customers choose to change their long distance carrier, BellSouth
6 personnel use existing switch software to update the pre-subscribed carrier
7 identification code (PIC code) from one long distance carrier to another.

8
9 Q. DOES THAT MEAN THAT IF BELLSOUTH WAS GRANTED IN-
10 REGION LONG DISTANCE RELIEF UNDER SECTION 271, ALL
11 BELLSOUTH WOULD HAVE TO DO TO MOVE CUSTOMERS FROM
12 AN EXISTING IXC CARRIER TO ITS OWN LONG DISTANCE
13 SERVICE IS A SOFTWARE CHANGE ON THE CUSTOMER'S LINE?

14 A. Yes. There is never any physical work required when customers change their
15 long distance provider.

16
17 Q. PLEASE EXPLAIN HOW THIS ELECTRONIC OR LOGICAL
18 SEPARATION COULD BE USED TO ALLOW CLECS THE ACCESS
19 NEEDED TO COMBINE UNBUNDLED NETWORK ELEMENTS.

20 A. There are two methods that can be used to accomplish this task. The first
21 utilizes existing technology that BellSouth uses to permit its Centrex customers
22 to have controlled access to the switch software. Today, every ILEC employs
23 an operational support system ("OSS") that allows Centrex customers to
24 perform changes in the ILEC switch for the Centrex user's lines. These

1 systems, with some modifications, can be used by the CLECs to have the access
2 they need to combine the loops and switch ports.

3

4 **Q. WHY IS THIS OSS USED?**

5 A. The OSS is used to provide BellSouth's Centrex customers access to the
6 software in the switch, so that Centrex customers can perform changes on their
7 lines, including, for example, adding or dropping features [or changing the
8 telephone numbers for different lines]. The OSS also serves as a "firewall" that
9 prevents Centrex customers from making any changes on the switch to lines that
10 they are not authorized to modify.

11

12 **Q. HOW MANY OSSs ARE USED BY THE ILECS TO PROVIDE CENTREX
13 CUSTOMERS ACCESS TO THE SOFTWARE CAPABILITIES OF THE
14 SWITCH?**

15 A. I am aware of three vendors of these OSS: CommTech, BellCore and American
16 Telecorp. The CommTech OSS, known as MACSTAR, is used by Bell
17 Atlantic, Southwest Bell, SNET, BellSouth and Rochester Telephone.
18 BellCore's product, know as CCRS, is used by BellSouth, Bell Atlantic, U.S.
19 West and Southwest Bell. The American Telecorp product (CENPAC) is used
20 by Pacific Bell. Each of these ILECs makes the recent change capability
21 available to its Centrex customers through at least one of these OSSs.

22

1 **Q. HAS AT&T DISCUSSED ITS PROPOSAL TO USE THIS TECHNOLOGY**
2 **WITH ANY OF THESE VENDORS?**

3 A. Yes, AT&T has discussed this with the CommTech Corporation and with
4 BellCore. CommTech indicated that what AT&T is proposing can be
5 accomplished by either modifying the existing MACSTAR system or through
6 another OSS they have available known as FastFlow.

7

8 **Q. CAN YOU BRIEFLY DESCRIBE HOW THE PROCESS WOULD WORK**
9 **USING MACSTAR AND FASTFLOW.**

10 A. Yes. The basic high-level steps on how such a process would work are as
11 follows:

- 12 (1) AT&T receives a service request from a customer.
- 13 (2) AT&T issues an electronic service order to BellSouth for the
14 network elements needed (e.g., loop and switch port) to provide
15 service to this customer.
- 16 (3) After AT&T receives an electronic firm order confirmation from
17 BellSouth, AT&T initiates a restore order to be held in the
18 system's buffer that will, at the appropriate time, electronically
19 reconnect the loop and port.
- 20 (4) BellSouth, on the due date of the order, issues an electronic
21 suspension of service order on the customer's line to
22 electronically disconnect the loop from the port through the
23 system. The BellSouth switch would notify the system that the
24 suspend order had been performed, and the system would initiate
25 the associated AT&T restore order from the buffer. Such

1 activities could be completed within a matter of seconds and be
2 performed automatically during off-peak hours, to minimize
3 customer outage and impact on the customer.

4

5 **Q. WHY WOULD THESE OSS BE USED AS AN INTERFACE IN LIEU OF**
6 **PROVIDING AT&T DIRECT ACCESS TO THE SOFTWARE IN**
7 **BELLSOUTH'S SWITCH?**

8 A. Some ILECs have expressed network security concerns about providing CLECs
9 direct access to their networks -- even though they did not express these
10 concerns to the Eighth Circuit before the court issued its decision on the FCC's
11 combinations rule (Section 51.315(b)). Accessing the necessary software
12 capabilities using one of these OSS as an intermediary between AT&T and the
13 BellSouth switch establishes a "firewall" that will allow AT&T to perform
14 changes only on its own customers' lines. Such a firewall would eliminate any
15 BellSouth excuse for not allowing CLECs to have the access they need to
16 logically combine the unbundled elements using software in the switch through
17 the recent change process.

18

19 **Q. ARE THESE SYSTEMS READY TODAY TO PERFORM THIS**
20 **FUNCTION OR WILL SOME DEVELOPMENT BE REQUIRED?**

21 A. These systems are not yet available to perform as described; however, based on
22 recent discussions with CommTech representatives, I believe that the necessary
23 development could be completed and tested within six months, and that the costs
24 of implementation would be very modest compared to the costs of collocation.
25 This is because the OSS firewall is similar to the one that is available today to

1 Centrex customers. The only change involved is to limit CLECs' access to the
2 specific line numbers of their customers, rather than the blocks of numbers
3 assigned to Centrex customers. Otherwise, the OSS would function similarly.

4
5 **Q. DO YOU HAVE ANY REASON TO BELIEVE THAT THE OTHER**
6 **SYSTEM VENDORS COULD NOT MODIFY THEM IN A SIMILAR**
7 **FASHION?**

8 A. No.

9

10 **Q. WHAT IS THE SECOND METHOD THAT CAN BE USED TO PERFORM**
11 **THE LOGICAL COMBINATION OF ELEMENTS?**

12 A. The second method is similar to the first and also uses the recent change
13 capabilities of the switch. The difference is that BellSouth and AT&T could use
14 a neutral third party as their agent to perform the logical separation and
15 combination of elements. This vendor would be identified by the industry
16 participants and funded jointly by the ILECs and the CLECs.

17

18 **Q. HOW WOULD THIS PROCESS WORK?**

19 A. A brief description of this process is as follows:

- 20 (1) AT&T receives a service request from a customer.
21 (2) AT&T issues an electronic service request to BellSouth.
22 (3) BellSouth returns an electronic firm order confirmation to
23 AT&T.
24 (4) AT&T issues an electronic restore order to electronically
25 reconnect the loop and port to the 3rd party vendor.

- 1 (5) BellSouth issues an electronic suspend service order to
2 electronically disconnect the loop from the port to the 3rd party
3 vendor.
4 (6) The 3rd party vendor's database matches the suspend order with
5 the restore order before any changes are performed to minimize
6 customer service downtime.
7 (7) Once the vendor matches both orders the vendor performs the
8 changes on behalf of BellSouth and AT&T.
9

10 **Q. IS THERE A PRECEDENT FOR THIS TYPE OF ACTIVITY BY A**
11 **THIRD PARTY VENDOR?**

12 A. Yes, a third party vendor is used today by the industry to administer the toll
13 free database. A third party vendor will also be used by the industry to
14 administer the local number portability (LRN) database. This would simply be
15 another application in which an independent vendor could be useful.
16

17 **Q. WHAT ADVANTAGES DO THE LOGICAL SEPARATION AND**
18 **COMBINATION HAVE OVER BELLSOUTH'S MANDATORY**
19 **COLLOCATION REQUIREMENT?**

20 A. Use of the software in the switch to combine elements effectively fixes all of the
21 problems identified with BellSouth's collocation proposal, including the
22 problems that result from the use of IDLC loops. It also effectively eliminates
23 capacity constraints that would prevent AT&T from serving a significant
24 number of customers through the use of the BellSouth's loop and port. An
25 additional benefit of using the software in the switch is that once a customer is

1 identified as an AT&T customer, AT&T will have the physical capability to add
2 or delete features, install originating screening on the line, suspend service and
3 otherwise update the customer's account without the need to send a separate
4 service order to BellSouth (and incur BellSouth order processing charges).

5
6 **Q. HOW DOES THE USE OF LOGICAL COMBINATION RESOLVE THE**
7 **PROBLEMS OF PROVIDING CLECS ACCESS TO IDLC LOOPS?**

8 A. The switch software can be used to suspend and restore service on any
9 customer's line, regardless of the type of loop technology used to serve the local
10 customer. An IDLC loop has no individual physical appearance anywhere in
11 the central office until after it connects to the switch. This lack of an individual
12 physical appearance is what makes all of the other alternatives unworkable for
13 IDLC loops. However, because the IDLC loops are physically connected to the
14 switch, the switch software allows logical access to each customer's individual
15 line.

16
17 **III. PROPOSED COMMISSION ACTION**

18 **Q. NOW THAT YOU HAVE DESCRIBED THE PROBLEMS WITH**
19 **COLLOCATION AND THE ALTERNATIVES THAT ARE, OR MAY BE,**
20 **AVAILABLE TO ALLOW AT&T TO COMBINE LOOPS AND PORTS,**
21 **WHAT DO YOU PROPOSE THIS COMMISSION SHOULD DO?**

22 A. First and foremost, let me emphatically restate that there is no technical benefit
23 -- and indeed significant potential harm -- flowing from BellSouth's mandatory
24 collocation proposal. Thus, although the alternative I have discussed in my
25 testimony is superior to collocation for the purpose of combining loops and

1 ports, nothing makes more sense and is more cost effective and pro-competitive
2 than leaving together elements that are already combined in BellSouth's
3 network. Thus, to facilitate competition in the residential and small business
4 markets, this Commission should prohibit BellSouth from ripping apart network
5 elements that are already combined. BellSouth committed in the interconnection
6 agreement to provide elements that are already combined and should honor that
7 contractual commitment. BellSouth's intention to separate network elements
8 serves no competitive or network security purpose. If implemented, it would be
9 anticompetitive, commercially unreasonable, and would potentially cripple the
10 chances for local competition in this state.

11
12 **Q. WHAT ALTERNATIVE ACTION COULD THIS COMMISSION TAKE?**

13 **A.** If the Commission determines that the Interconnection Agreement does not
14 require BellSouth to combine network elements, or to leave in place already
15 combined elements, it should reject BellSouth's collocation proposal and order
16 the logical combination process I described. As I described in my testimony,
17 the closest analog to how BellSouth combines the elements for itself -- and the
18 way it will compete with the IXCs for long distance customers -- is the
19 alternative which provides AT&T with access to the software capabilities of the
20 switch to combine elements. These capabilities are "features, functions and
21 capabilities" of a UNE being purchased by AT&T and AT&T should be free to
22 use them to combine the loop and switch.

23

1 Q. **CONSIDERING THE LOGICAL COMBINATION PROCESS MAY TAKE**
2 **SOME TIME TO IMPLEMENT, IS THERE SOMETHING THIS**
3 **COMMISSION COULD ORDER AS AN INTERIM?**

4 A While the process of developing the systems and procedures for using switch
5 software to combine elements is occurring, this Commission could allow
6 competition to move forward by ordering BellSouth to use the third party
7 vendor direct access option. See RVF-4 for description. This option is
8 extremely "low-tech" and is relatively cost-effective as an interim measure.
9 The only development required would be for BellSouth to develop a means of
10 providing the vendor a timely order listing all of the central office frame
11 locations for the loops which need to be "re-combined" each day.

12
13 Q. **THOUGH THE USE OF THE THIRD PARTY IS MORE EFFICIENT**
14 **THAN HAVING BELLSOUTH AND AT&T TECHNICIANS STANDING**
15 **SHOULDER-TO-SHOULDER, IT SEEMS LUDICROUS TO REQUIRE**
16 **THAT A TECHNICIAN BE DISPATCHED SIMPLY TO REMOVE A**
17 **WIRE AND IMMEDIATELY REPLACE IT. IS THERE SOMETHING**
18 **THAT CAN BE ORDERED WHICH IS MORE EFFICIENT?**

19 A. First, the Commission should recognize that this solution is no less ludicrous
20 than the problem it is intended to solve: how to respond to BellSouth's decision
21 to rip apart its own network for the sole purpose of handicapping its
22 competitors' ability to serve consumers. Nevertheless, there are two things
23 which BellSouth could do. If BellSouth demands that a separation and
24 recombination must take place, then BellSouth could, during the interim,
25 perform this function on behalf of AT&T using its existing switch software

1 capabilities. Alternatively, BellSouth could have its own technicians lift and
2 replace the wires (or leave them alone, as this lifting and replacing accomplishes
3 nothing). In either case, BellSouth should charge AT&T the proposed prices
4 contained in AT&T witness Richard Walsh's testimony, since these are
5 reflective of the process that will be in place once the logical combination
6 process is implemented.

7
8 **Q. WHAT IF BELLSOUTH REFUSES TO PERFORM THIS FUNCTION**
9 **AND INSISTS THAT AT&T DO IT?**

10 A. If BellSouth both refuses to allow a third party vendor to perform the work and
11 also refuses to combine the elements on behalf of AT&T, either in fact or
12 through a phantom "glue" charge that is equal to or less than the cost of the
13 CLECs doing the work for themselves through a third party, it cannot comply
14 with its obligations under Sections 251 and 252 until it makes the software
15 capabilities of the switch available to AT&T, either with or without a firewall.

16
17 **IV. SUMMARY**

18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

19 A. Based on the testimony of AT&T witnesses Eppsteiner and Gillan, this
20 Commission should find that BellSouth is required to combine network elements
21 pursuant to its Interconnection Agreement with AT&T. Only if this
22 Commission determines that BellSouth is not required to perform the combining
23 should it consider other alternatives. If such alternatives are to be considered,
24 the Commission should reject BellSouth's collocation proposal and order the
25 logical combination described in my testimony. BellSouth's collocation

1 proposal is the most anti-competitive alternative to requiring the ILEC to
2 provide combinations of unbundled elements without first separating them. It
3 generates unnecessary costs for both CLECs and BellSouth, imposes
4 unnecessary market entry delays for CLECs and will create unnecessary
5 customer service disruption and dissatisfaction. Although there are other
6 options, some of which are much superior to collocation, none provides CLECs
7 with equivalent access to the unbundled network elements that BellSouth enjoys,
8 and only the use of switch software to separate and combine elements comes
9 close to allowing the CLECs competitively neutral access to the elements
10 BellSouth itself uses to provide service to its customers. Physically removing
11 the loop from the switch deprives CLEC's of use of some of the features of the
12 switch, the ability to electronically combine elements.

13
14 To the extent that the Commission is seeking an alternative to collocation that
15 does not require BellSouth to combine network elements or to leave existing
16 combinations in place, use of switch software to do the combination is the only
17 viable long-term alternative. Thus, if the Commission finds that BellSouth is
18 not required to combine network elements, it must order BellSouth to make the
19 switch software available to CLECs in a manner similar to the process it uses
20 for itself and/or provides to Centrex customers. If it is determined that
21 development work is necessary prior to making this capability available, it must
22 permit a third-party vendor to perform the physical disconnections and
23 reconnections described above. In the alternative, BellSouth should be required
24 to perform the work for CLECs or allow connected elements to remain together
25 until the long-term solution is implemented. The cost to perform this interim

1 work should be set at the prices recommended in the testimony of AT&T
2 witness Richard Walsh.

3

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY.**

5 **A. Yes it does.**

6

7

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1

^{1/} Memorandum of Florida Pub. Serv. Comm'n Staff, Docket No. 960786-TL, Consideration of BellSouth Telecommunications, Inc.'s Entry into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996, at 70 (Oct. 22, 1997), aff'd in relevant part, Florida PSC, Order No. PSC-97-1459-FOF-TL (Nov. 19, 1997). BellSouth has yet to meet this commitment.

^{2/} ACSI Comments, In the Matter of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, Affidavit of James C. Falvey ¶ 34 (Oct. 20, 1997).

^{3/} WorldCom Comments, In the Matter of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, Ball Affidavit ¶ 18 (Oct. 20, 1997).

^{4/} Id.

^{5/} Sprint Comments, In the Matter of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, at 16-17; Closz Affidavit ¶¶ 65-84 (Oct. 20, 1997).

^{6/} Sprint Comments, Closz Aff. ¶ 79.

^{7/} Sprint Comments at 17.

^{8/} See, e.g., BellSouth Barrier and Enclosure Wall Specifications, Louisiana PSC Docket Nos. U222022/U22093, appended to BellSouth Application at App. C-3, Vol. 33b, Tab 272(9); ALTS Comments, In the Matter of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, Affidavit of Steven D. Moses on behalf of ITC DeltaCom, Attachment C, ¶ 19 (Oct. 20, 1997) ("ITC DeltaCom Aff."). Wire mesh is preferable to drywall because it is far cheaper and quicker to install, improves visibility and thus enhances security, and eliminates the need for additional or new air conditioning capacity, dust protection measures during construction. See Direct Testimony of Gerald B. Crockett on behalf of MCI/AT&T, Louisiana PSC Docket Nos. U222022/U22093, appended to BellSouth Application at App. C-3, Vol. 33b, Tab 272(8), at 7-12.

^{9/} ITC DeltaCom Aff. ¶ 19.

^{10/} ITC DeltaCom Aff. ¶ 19.

^{11/} Memorandum of Florida Pub. Serv. Comm'n Staff, Docket No. 960786-TL, Consideration of BellSouth Telecommunications, Inc.'s Entry into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996, at 70 (Oct. 22, 1997), aff'd in relevant part, Florida PSC, Order No. PSC-97-1459-FOF-TL (Nov. 19, 1997).

^{12/} In re: Consideration of BellSouth Telecommunications Inc.'s Entry into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996, Florida Pub. Serv. Comm'n Order No. PSC-97-1459-FOF-TL, p. 48 (Nov. 19, 1997) (quoting WorldCom testimony).

^{13/} Id. at 58.

1 Q (By Mr. Hatch) Mr. Falcone, do you have a
2 summary of your testimony?

3 A Yes, I do.

4 Q Could you give it, please?

5 A Sure. Good afternoon. I'll try to keep my
6 summary brief. It's been a long afternoon.

7 I'm a little bit of a divergence in this
8 hearing in that what we've been hearing from the MCI and
9 AT&T witnesses is BellSouth's obligation to meet their
10 contract and keep elements that are already combined
11 together for the competitors, or to combine those
12 elements for the competitors.

13 The purpose of my testimony is, should this
14 Commission decide not to go down that road and order
15 BellSouth to honor their obligations under the
16 interconnection agreements, my testimony points out how
17 BellSouth, in the only option they're offering to
18 competitors to combine elements, is just
19 anti-competitive, and the nature of the
20 anti-competitive -- nature of their collocation option,
21 and to offer up a better alternative that this
22 Commission should consider and order BellSouth to make
23 available to competitors for the purpose of combining
24 elements.

25 The reason I say BellSouth's collocation

1 policy is anti-competitive is, first off, for two
2 reasons the policy does not meet the requirements of the
3 Act. One, their policy of collocation for the purpose
4 of recombining elements requires competitors to install
5 their own network facilities in collocated space, which
6 is clearly a violation of the Act; and where, as
7 Mr. Gillan stated earlier, competitors can purchase and
8 combine elements to offer competitive services without
9 having to own or control any facilities of their own,
10 yet BellSouth is putting us in a position of having to
11 own and control facilities to combine the elements.
12 Secondly, BellSouth's policy clearly does not allow for
13 nondiscriminatory access to these elements.

14 The reason I say that is BellSouth's policy to
15 allow competitors to combine elements only through
16 collocated facilities adds unnecessary delay to
17 competition in Florida. Competitors, before they were
18 able to compete in a state, would have to collocate
19 facilities in each and every one of the 195 BellSouth
20 central offices in the state. It would take a very long
21 time to even accomplish that before we could even begin
22 to start offering competitive services. BellSouth's
23 policy adds unnecessary customer outage. The time that
24 it takes for the manual work that needs to be done to
25 move these loops down to the collocated facilities and

1 take them out of the collocated facilities to bring them
2 back up to the connection to switch port requires
3 customer outage.

4 BellSouth's policy adds unnecessary points of
5 failure for CLEC customers only, whereas BellSouth's
6 customers will only have, generally, one
7 cross-connection to connect their loop to the port and
8 the frame, BellSouth's policy requires CLECs to have as
9 many as four cross-connections, each one being a point
10 of failure for the CLEC customers.

11 BellSouth's policy prevents unnecessary
12 restrictions on the number of customers that can convert
13 their local service carrier in a given day because of
14 the manual work that's involved in cutting over
15 customers; and the physical nature of doing this, just
16 by its nature, restricts the number of customers who
17 will be able to exchange their local service provider.

18 BellSouth's policy prevents unnecessary
19 restrictions on some customers from even being able to
20 cut over to a new service provider based on the
21 technology that they may have on their loops today. If
22 customers are on a loop technology known as integrated
23 digital loop carrier systems, which represent 20 percent
24 of the loops in Florida today, and a growing percent it
25 is, the forward looking technology, those customers are

1 going to be hard pressed to be able to change their
2 local service provider considering BellSouth's
3 collocation proposals.

4 And finally, BellSouth's collocation policy
5 adds unnecessary costs to the CLECs to establish these
6 collocation arrangements, to install unnecessary
7 equipment, and the recurring costs that BellSouth will
8 collect from all the CLECs in having these collocation
9 arrangements in place and charging the CLECs for that
10 space.

11 The underlying theme of what I've been talking
12 about with respect to BellSouth's collocation policy is
13 unnecessary. And the reason I say that that's the
14 underlying theme and the reason I say it's unnecessary
15 is because if BellSouth truly felt that under the guise
16 of what the Eighth Circuit did in vacating Rule 315(b)
17 that they wanted to spitefully rip apart their network
18 components before they allowed a CLEC to use those
19 network components, to have to figure out how to
20 recombine them, nowhere did the Eighth Circuit say they
21 had to physically rip apart these components.

22 There is a method of separating the elements,
23 known as recent change. It's a capability of the
24 switch. And recent change would allow for a logical
25 separation of the elements, and if BellSouth would give

1 the CLECs recent change capabilities, they would allow
2 for the logical recombination of the elements.

3 Recent change certainly meets the requirements
4 of the Eighth Circuit in that, again, it allows for the
5 separation of recombination elements as effectively as
6 physically ripping these things apart. Yet it doesn't
7 present all the harm -- the customer outage, the delay,
8 the cost, the restriction of numbers of customers, and
9 even some customers being able to convert their service
10 at all -- that physical collocation does.

11 The anticompetitive nature of BellSouth's
12 collocation policy is evident just by the mere fact that
13 BellSouth refuses to even discuss recent change, or any
14 alternative for that matter, with AT&T.

15 We've approached them in a letter that we
16 wrote, which is one of the attachments. Their response
17 said they were going to consider other alternatives.
18 We've recently got a message back from BellSouth saying
19 that they are no longer considering any alternatives and
20 that the only method they're making available to us to
21 combine the elements is collocation.

22 In short, my recommendation to this Commission
23 is certainly, first and foremost, to require BellSouth
24 to meet their obligations of the contract and not
25 spitefully allow them to rip apart network components

1 testimony, which is to, as I understand it, demonstrate
2 that physical separation of the loop and switch is not
3 necessary, quote, "if the Commission determines that
4 BellSouth is not obligated to provide elements as they
5 are currently combined, or to combine elements for
6 AT&T." Do you see that?

7 A Could you give me what line specifically?

8 Q Yes, I'm sorry. Page 4, Lines 1 through 4.

9 A Yes, I see that.

10 Q Can you point to me a reference in the
11 prehearing order where the -- an issue before this
12 Commission is whether -- a determination as to whether
13 or not BellSouth is obligated to provide elements as
14 they are currently combined or to combine elements for
15 AT&T under the terms of its interconnection agreement?

16 A I can't -- I don't have the prehearing order
17 in front of me. If you would bring that over. But what
18 I can do is tell you that in the current interconnection
19 agreement, as I understand it, between AT&T/BellSouth,
20 that there is a stipulation that BellSouth will combine
21 the elements on behalf of AT&T.

22 Q I guess my question, Mr. Falcone, is: Is
23 there any issue that's being presented to this
24 Commission in this proceeding where BellSouth is -- or a
25 party is contesting AT&T's right to purchase combined

1 elements under the interconnection agreement as it
2 exists today in Florida?

3 A I'm sorry, one more time.

4 Q To your knowledge, is there any issue before
5 this Commission in this docket where a party is
6 contesting AT&T's right to purchase combined network
7 elements from BellSouth pursuant to its interconnection
8 agreement in Florida as it exists today?

9 A I believe I understand -- as I understand the
10 issue in this docket, BellSouth's position is that if we
11 buy elements in combination, as they are today, then
12 BellSouth is going to treat that as services resale, and
13 that is the issue.

14 Q Well, if BellSouth treats the price of the
15 combinations as resale, that's got nothing to do with
16 collocation; it's got nothing to do with provisioning of
17 the unbundled network elements, does it?

18 A It certainly does. If BellSouth is currently
19 saying, or if -- let me answer that question
20 differently. We have two issues at stake here:
21 BellSouth, first off, has the position that if we buy
22 the elements in combination as they are today, that its
23 service is resale. That's the issue. We're arguing
24 here saying we don't believe its service is resale. We
25 believe we should pay for those elements individually

1 and get the benefits of buying unbundled elements to
2 combine them ourselves to provide service.

3 Secondly, we have the specter of the Eighth
4 Circuit decision and the Supreme Court rule hanging over
5 us, and should the Supreme Court rule and reinforce the
6 vacation of 315(b), vacating rule 315(b), then I'm
7 trying to position with this Commission that if AT&T has
8 to combine the elements for itself, a more elegant
9 procompetitive way of doing it, other than what
10 BellSouth is offering.

11 Q So your testimony is anticipatory testimony,
12 depending on what happens at the Supreme Court and what
13 ultimately happens in our interconnection agreement?

14 A Based on the current state, yes, I believe
15 so.

16 Q Well, let me see if I can short circuit this
17 process a little bit. You -- in the prehearing order,
18 and I have handed you a copy. You were designated --
19 your testimony was designated to address Issues 5
20 and 6. You see that? And I'm on Page 6 of the
21 prehearing order.

22 A I see that.

23 Q Issues 5 and 6 relate to the price that AT&T
24 will pay when it purchased certain combinations of
25 unbundled network elements, correct?

1 A Subject to check, I'll say yes. I have to
2 read that.

3 Q I didn't see anything in your testimony that
4 had anything to do with prices.

5 A No, the only thing that would affect price in
6 my testimony would be the additional costs that are
7 being imposed upon CLECs to have to combine the elements
8 based on BellSouth's policy.

9 Q Let me refer you to an exhibit that's attached
10 to your testimony, which I believe is RF -- RVF-1, Page
11 1.

12 A Yes, that's the letter that we received from
13 BellSouth, yes, sir.

14 Q Letter dated February 10, 1998 from Quinton
15 Sanders with the AT&T account team, to William J.
16 Carroll with AT&T, correct?

17 A Yes.

18 Q And in the second paragraph of this letter,
19 Mr. Sanders writes, quote: "BellSouth continues to
20 honor its contractual obligations with respect to the
21 provisioning of combinations of UNEs identified by AT&T
22 until such time as the Eighth Circuit's order becomes
23 final and nonappealable." Do you see that?

24 A I see that.

25 Q You mentioned in your summary about

1 alternatives to collocation. Also attached to this
2 letter is a series of questions that AT&T has put to
3 BellSouth, as well as BellSouth's responses. Do you see
4 that?

5 A I see that.

6 Q On in Item 15, which appears on Page 6, the
7 question is: "Will BellSouth allow CLECs to combine
8 UNES without collocation?" Do you see that?

9 A Yes, I do.

10 Q And the response states that "BellSouth's
11 policy is to deliver UNES to a CLEC's collocation space
12 for the purpose of combining unbundled network
13 elements. AT&T has proposed several delivery methods in
14 its January 6th, 1998 letter. BellSouth is reviewing
15 these methods." Do you see that?

16 A I see that.

17 Q Is it your testimony that Mr. Sanders has
18 written back and responded to AT&T about the various
19 alternatives to collocation that BellSouth is
20 considering?

21 A Well, we could take each of these questions
22 individually. Let's address question 15 first. This
23 letter was dated February 10th, almost a month ago.
24 Subsequent to this letter, about a week ago, Raymond
25 Crafton, who works for AT&T in the business division of

1 the Southern Region, received a phone message, which I
2 heard a transcript of from Mr. Sanders, basically
3 saying, we've considered other alternatives, and forget
4 about them. The only option you have available to you
5 is collocation.

6 So back in February you might have been
7 considering them. I find it interesting that you would
8 be considering something; you never really entered any
9 kind of discussions with AT&T about the merits of our
10 alternatives. You unilaterally wrote them off as of
11 that phone message that Ray got from Quinton.

12 Q So the answer to the question is you've not
13 received anything in writing one way or the other about
14 the alternatives that AT&T has proposed about
15 collocation; is that correct?

16 A Other than this letter, not that I'm aware of.

17 Q And of course if AT&T was dissatisfied with
18 any of BellSouth's alternatives to collocation, you
19 would have recourse either under the Interconnection
20 Agreement or under the Act, to the extent it implicated
21 issues under the Telecommunications Act; isn't that
22 correct?

23 A Well, you say we may have recourse, but all
24 the time while we're trying to work this recourse, the
25 fact of the matter is there's no competition here in the

1 State of Florida. And what AT&T is trying to do is get
2 into business and not spend its time in a courtroom.

3 Q Is the answer to the question yes, or is the
4 answer to the question no?

5 A The answer to the question is yes, there's
6 recourse, but BellSouth's grinding their heels in is not
7 opening up the market any faster, and the consumers of
8 Florida have not had the benefit of competition as a
9 result of BellSouth's actions.

10 MR. ROSS: I have no further questions, Madam
11 Chairman.

12 CROSS-EXAMINATION

13 BY MR. PELLEGRINI:

14 Q Mr. Falcone, while Staff is passing out a
15 handout, let me ask you this. Would you please explain
16 what an end user receives in terms of capabilities with
17 basic local service?

18 A Well, that's -- to me, basic local service is
19 kind of a misnomer because a customer, when they receive
20 local service, also needs to pick an LD carrier. They
21 also need to determine what features, if any, they
22 want. They also need to determine what screening on
23 their line that they may want. For example, maybe they
24 have a teenage son at home, and they don't want that
25 person to be able to originate 900 traffic, so they want

1 that line screened. So basic local service is a very
2 big umbrella that encompasses, in my mind, a whole broad
3 range of telecommunications services.

4 Q Would it include, for example, dial tone?

5 A Certainly.

6 Q Access to operator service?

7 A Certainly.

8 Q Access to directory assistance?

9 A Certainly.

10 Q Access to 911?

11 A Yes.

12 Q Access to an IXC?

13 A That's right.

14 Q And would you go beyond that list,
15 specifically?

16 A I would go beyond that to say access to
17 features and capabilities of the switch, and access to
18 screening capabilities.

19 Q Do you have at hand a two-page diagram which
20 Staff has just handed out?

21 A Yes.

22 Q The first page of which is identified as the
23 unbundled network elements, and the second page is not
24 specifically identified?

25 A I see that.

1 Q I would refer to the first page as Page 1 and
2 the second page as Page 2, for ease of discussion.

3 A Okay.

4 Q Let me turn your attention first to Page 1.
5 In your view, enumerate for the Commission what network
6 elements are used -- with the aid of Page 1 -- what
7 network elements are used in total to provide basic
8 local service? For example an R1 service?

9 A That would be easy. I've kind of glanced at
10 this, but all of them. We've had this discussion, and I
11 know Commissioner Clark has asked the question many
12 times. Let me emphatically say, you can't have service
13 unless you have all of these elements. You can't have a
14 loop and a switch port because you may have dial tone,
15 but your calls aren't going to go anywhere, or you're
16 not going to be able to receive any calls unless you
17 have signaling, unless you have transport, unless you
18 have operator services, if you need to get an operator.
19 So the long winded answer to your question is you need
20 them all.

21 Q Is there anything not shown here that would be
22 essential to -- or necessary to basic local service?

23 A Other than the operation support systems that
24 are needed to provision customers, maintain service, all
25 the things that are done in the day-to-day operation,

1 no. But the operation support systems are not depicted
2 here and they certainly are network elements that are
3 needed.

4 Q Well, where on this diagram would the point of
5 interconnection be between an interexchange carrier's
6 network and BellSouth's local network?

7 A It's not depicted on the diagram.

8 Q No, it's not, but where might it be?

9 A Generally, there's two versions, and let me
10 just take one, and if you like I can go into the
11 second. An IXC carrier will order access to -- from an
12 incumbent LEC, Bell Atlantic -- BellSouth, I'm sorry,
13 based on their traffic volumes. They may order that
14 access directly into the local switch. So the points of
15 interconnection would be from the IXC's POP, point of
16 presence, into the local switch, if they had enough
17 traffic volume from that switch to warrant a direct
18 trunk group. If the IXC did not have enough volume,
19 then the IXC might order their access into the tandem
20 switch, and then the tandem switch would transport its
21 traffic to the appropriate end office switches that it
22 needed to get to.

23 Q So as a minimum, would you agree that basic
24 local service includes the elements from the NID to the
25 point of interconnection of an IXC, with the local

1 network?

2 A Yes. And I would say that to the extent that
3 a competitive local exchange company is using the
4 network elements to provide service to their end users,
5 that would include also the use of that trunk group to
6 the IXC because that competitor is now the exchange
7 access provider.

8 Q And do you understand BellSouth's position to
9 be that the loop and local switching elements
10 representing numbers 1 through 5 on this diagram
11 constitute a replication of basic local service?

12 A That's what I understand BellSouth's position,
13 and as -- let me echo what Mr. Gillan said earlier.
14 There's no magic here. The loop has to connect to a
15 switch. You can't connect the loop to anything else.
16 And you can't do anything magical. It's going to
17 replicate the service. There will be innovation down
18 the road.

19 One of the advantages of buying unbundled
20 elements as opposed to resale is there's room for
21 innovation. For example, if I'm buying each of the
22 components, I could use BellSouth's databases to create
23 new service capabilities, Advanced Intelligent Network
24 for example. That's something that's available to me as
25 the purchaser of the unbundled elements, to provide some

1 innovation for my customers that's not available to me
2 as a reseller of whatever BellSouth has in place
3 already.

4 Q Turn to Page 2 now, Mr. Falcone, for another
5 minute or two. Take a moment to understand what's
6 depicted here. What is being depicted here is a call
7 from Customer A, serviced by one BellSouth local switch,
8 to a Customer B, serviced by another BellSouth local
9 switch.

10 A Okay.

11 Q Do you see?

12 A Yes, I do.

13 Q Now, it's true, is it not, that when
14 Customer A makes a local call to Customer B, that
15 multiple local switches in this scenario are used?

16 A In this scenario as its depicted, yes. I
17 would say for a local call this may be outside the norm
18 because oftentimes a local switch -- for example, local
19 switch on top, No. 5, and local switch on the bottom,
20 No. 5, would be directly connected, and they would not
21 use the tandem switch. In this scenario there's three
22 switches being used. Often times there's only two being
23 used.

24 Q What are the circumstances in which the local
25 switches would be directly connected and the

1 circumstances in which a tandem switch would be utilized
2 to provide that connection?

3 A It's simply a matter of engineering economics,
4 and you always want to use as few switches as possible.
5 So it's a matter of call volumes, and busy hour, busy
6 season volumes. So if I had enough volume between the
7 local switch serving Customer A and the local switch
8 serving Customer B, I would put a direct trunk group in
9 there not to have to send that traffic to my tandem. If
10 the economics were such that I did not have enough
11 volume, then I would route that traffic through a
12 tandem, the tandem being sort of a middleman, if you
13 will.

14 Q So then in the case where the tandem switch
15 would be utilized, it would be used to route the local
16 call, again the local call, from Customer A to Customer
17 B, correct?

18 A That's correct.

19 Q So, it's true, that it takes more -- isn't
20 it? -- it takes more than the loop and the switch
21 serving Customer A and the loop and the switch serving
22 Customer B to complete a local call?

23 A Sure. And what's -- it's -- on this picture,
24 if I may, what we're talking about here, just to route
25 that call, we're talking about the loop, the local

1 switch for Customer A, the tandem, the local switch for
2 Customer B, the loop for Customer B, and the signaling,
3 the SS7 signaling network, to route that call between
4 the three local switches, the tandem switch -- I'm
5 sorry, between the two local switches and the tandem
6 switch.

7 It's hard to see how that's depicted here, but
8 that signaling network, which is kind of off in the
9 lower right-hand corner, are also network elements that
10 are being used. And depending on the nature of the
11 call, there may be databases that were used to route
12 that call to -- from Caller A to Caller B.

13 Q Of the two scenarios that we've talked about
14 in relationship to Page 2, that is the local switches
15 being directly connected or being indirectly connected
16 via a tandem switch, are both of those -- are both of
17 those scenarios common?

18 A It's an either/or. And the local switch is
19 either going to be connected directly to the other local
20 switch, or it's going to route the call through the
21 tandem for the tandem to get it to the local switch.

22 So I don't know if I'm answering your
23 question.

24 Q Well, are either one or both of these
25 scenarios commonly found in BellSouth's local network?

1 A Absolutely.

2 MR. PELLEGRINI: Thank you, Mr. Falcone.

3 CHAIRMAN JOHNSON: Commissioners?

4 MR. PELLEGRINI: Oh, Chairman Johnson, I would
5 like to have this two-page diagram identified as an
6 exhibit.

7 CHAIRMAN JOHNSON: It will be identified as
8 Exhibit 19. And short title?

9 MR. PELLEGRINI: Staff's Modified Unbundled
10 Network Elements Diagram, to distinguish it from the
11 exhibit previously entered.

12 CHAIRMAN JOHNSON: Staff's Modified Unbundled
13 Network Elements Diagram? Okay.

14 (Exhibit No. 19 marked for identification.)

15 MR. PELLEGRINI: That's it.

16 COMMISSIONER JACOBS: I do have one question,
17 very quickly.

18 Mr. Falcone, you described the process whereby
19 there would be a manual changeover. And you highlighted
20 the prospect of sustained outages for ALECs or CLECs
21 that would go through this process. Could you expound
22 on that briefly?

23 WITNESS FALCONE: Sure. May I do that with
24 the diagram? It might help.

25 The first diagram I'm putting up here, it

1 depicts how a BellSouth customer is connected from the
2 loop to the switch today, and it's a simple -- the loop
3 comes in from the street on a cable. It's connected on
4 the main distribution frame, and all the loops are
5 connected on one side of the distribution frame known as
6 the line side. On the other side of that distribution
7 frame are all the switch ports. And what BellSouth does
8 is runs a cross-connection to connect the customer's
9 loop to the switch port, and that's how these two
10 components are connected in the network today.

11 What BellSouth is proposing with their
12 collocation arrangement, is to disconnect, if you
13 will -- if you remember the other diagram, that railroad
14 kind of track cross-connection that was in there, and
15 sort of run this daisy chain of connections to connect
16 the loop to a block on the MDF that runs on a tie cable
17 going to another frame known as an intermediate
18 distribution frame, that is then cross-connected to a
19 tie cable going to my collocated space, that is then on
20 a tie cable coming out of the collocated space and
21 cross-connected again on the IDF to a tie cable going
22 back to the MDF where it originally came from, and then
23 cross-connected once again up to the switch port where
24 it came from.

25 So you're eliminating -- it's like my old

1 geometry teacher is rolling around in his grave right
2 now. The shortest distance between two points is a
3 straight line? You eliminated this straight line and
4 you ran this whole daisy chain of connections all the
5 way through the central office to get back to where you
6 started from, where you wanted to be. And what's going
7 to happen is, on the day of the cutover, BellSouth is
8 going to rip out the old connection, and all this new
9 stuff has to be put in. And depending on how
10 efficiently BellSouth puts it in, while it's going on
11 the customer is out of service.

12 Now some of this can be prewired, but no
13 matter how much they prewire, some of it -- two things
14 can't occupy the same space at the same time, another
15 law of physics. So they can't connect this loop to the
16 switch port with this daisy chain while this other
17 connection is made, so they have to rip this one off to
18 put this one on. And while that's going on, this
19 customer is out of service.

20 And you may say for one or two or three
21 customers they could keep this minimal, but if we're
22 looking at competition as there is competition in the
23 long distance world, where last year there was 40
24 million PIC changes nationwide, if we're talking about
25 that kind of volume doing this kind of manual work, you

1 can clearly see how not only will you not be able to do
2 that many, but while you're doing them, customer outages
3 could be severe.

4 COMMISSIONER JACOBS: Thank you.

5 CHAIRMAN JOHNSON: Redirect?

6 MR. HATCH: No redirect.

7 CHAIRMAN JOHNSON: Exhibits? Staff?

8 MR. PELLEGRINI: Staff moves 17 and 19.

9 MR. HATCH: AT&T moves 18.

10 CHAIRMAN JOHNSON: Show those all admitted
11 without objection.

12 (Exhibit Nos. 17, 18 and 19 received into
13 evidence.)

14 CHAIRMAN JOHNSON: The hearing is adjourned
15 until Wednesday, 9:00. 9:30, Wednesday at 9:30.

16 (Thereupon, the hearing adjourned at 5:15
17 p.m., to reconvene at 9:30, Wednesday, March 11, 1998 at
18 the same location.)

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