

ORIGINAL
FILE COPY

1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 DIRECT TESTIMONY OF ROBERT C. SCHEYE
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NO. 950985-TP
5 SEPTEMBER 15, 1995
6
7

8 Q. Please state your name, address and position with
9 BellSouth Telecommunications, Inc. ("BellSouth" or
10 "The Company").

11

12 A. My name is Robert C. Scheye and I am employed by
13 BellSouth Telecommunications, Inc., as a Senior
14 Director in Strategic Management. My address is
15 675 West Peachtree Street, Atlanta, Georgia 30375.

16

17 Q. Please give a brief description of your background
18 and experience.

19

20 A. I began my telecommunications company career in
21 1967 with the C&P Telephone Company after
22 graduating from Loyola College with a Bachelor of
23 Science in Economics. After several regulatory
24 positions in C&P, I went to AT&T in 1979, where I
25 was responsible for the FCC Docket dealing with

1 competition in the long distance market. In 1982,
2 with the announcement of divestiture, our
3 organization became responsible for implementing
4 the MFJ requirements related to nondiscriminatory
5 access charges. In 1984, our organization became
6 part of the divested regional companies' staff
7 organization which became known as Bell
8 Communications Research. I joined BellSouth as a
9 Division Manager responsible for jurisdictional
10 separations and other FCC related matters. In
11 1993, I moved into the BellSouth Strategic
12 Management organization, where I have been
13 responsible for various issues, including local
14 exchange interconnection, unbundling and resale.

15

16 Q. Please state the purpose of your testimony.

17

18 A. The purpose of my testimony is to describe in
19 detail BellSouth's local interconnection plan as
20 well as BellSouth's plans for unbundling the local
21 exchange network.

22

23 Q. What are the technical details of BellSouth's local
24 interconnection plan?

25

1 A. The appropriate technical arrangement for local
2 interconnection between BellSouth's network and an
3 Alternative Local Exchange Company's (ALEC) network
4 is either at the tandem or end office.

5 Interconnection at these points is easier and
6 technically more efficient than other forms. Mr.
7 Kouroupas appears to support this position in his
8 testimony.

9

10 Q. Are other technical arrangements being considered?

11

12 A. Specifically, BellSouth is considering the
13 feasibility of providing the connectivity between
14 ALECs and other carriers (e.g. IXCs, other ALECs,
15 Independent Telephone Companies and wireless
16 service providers). This arrangement would be
17 similar to, but more expansive than, the
18 functionality that BellSouth currently provides
19 today. The primary purpose for this arrangement
20 would be to facilitate the origination or
21 termination of local or toll calls between
22 customers of different carriers in cases where a
23 BellSouth end user is not involved. BellSouth's
24 initiative to examine the feasibility of such an
25 offering, even before it initiated discussions with

1 potential ALECs, indicates BellSouth's commitment
2 to assuring that the objectives for local
3 competition are met in the most efficient manner
4 possible.

5

6 Q. What are the compensation arrangements associated
7 with BellSouth's local interconnection plan?

8

9 A. BellSouth supports reciprocal compensation
10 arrangements between itself and ALECs. Under these
11 arrangements, ALECs would compensate BellSouth for
12 traffic terminated on its network and vice versa.
13 Reciprocal arrangements such as these are generally
14 applicable in situations where the traffic patterns
15 are nearly balanced and each carrier has a billing
16 arrangement with its respective users. BellSouth
17 believes that these will be the predominate
18 situation.

19

20 Q. Are there any issues associated with the
21 application of these arrangements to terminating
22 traffic?

23

24 A. Yes. These arrangements must recognize that, with
25 the introduction of local exchange competition and

1 the impact of number portability, BellSouth will be
2 able to determine the type of call (local or toll)
3 that is being terminated on its network. This
4 problem will hopefully be minimized when all
5 carriers pass the originating number information
6 to the terminating network. If the type of call
7 terminating on BellSouth's network cannot be
8 determined, BellSouth proposes a percent local
9 usage (PLU) factor must apply, similar to the
10 application today of the percent interstate usage
11 (PIU) factor. Further, when all access and
12 interconnection rates are the same, the severity of
13 this problem is substantially reduced. BellSouth's
14 approach to local interconnection will make
15 intrastate switched access and local
16 interconnection rates identical and only the
17 interstate rates would differ.

18

19 Q. Are there any issues associated with this
20 compensation arrangement when BellSouth originates
21 traffic to an ALEC?

22

23 A. Yes. Nothing requires or prohibits ALECs from
24 using NXX codes differently than LECs do today.
25 ALECs will be permitted to design their local

1 calling areas as they wish. To the extent the ALEC
2 deploys telephone numbers in a manner consistent
3 with BellSouth's local calling areas, then
4 BellSouth has the ability to determine if the
5 traffic it originates and hands to the ALEC is
6 local or toll and the reciprocal local
7 interconnection arrangements previously described
8 would apply to the local usage. To the extent an
9 ALEC does not use numbers in the same manner as
10 BellSouth, then BellSouth will be unable in all
11 cases, to determine whether a call is local or
12 toll. This is important because BellSouth charges
13 originating access charges to any carrier for a
14 long distance call that it hands to another
15 carrier. By comparison, on a local call BellSouth
16 proposes to compensate the ALEC for terminating a
17 call on the ALEC's network, but charge the ALEC the
18 switched access charge when the hand off involves a
19 long distance call. The Modified Final Judgment
20 (MFJ) legally requires that BellSouth charge
21 switched access charges for all toll calls.

22

23 In view of all these concerns, BellSouth proposes
24 to apply originating access charges to any calls on
25 which it is unable to determine whether the call is

1 a local or a toll call. BellSouth refers to this
2 as the "toll default" aspect of its local
3 interconnection plan.

4

5 Q. On what basis should local interconnection charges
6 be determined?

7

8 A. The charges for local interconnection should be
9 based on the BellSouth switched access rate
10 structure and level. This is appropriate since
11 these rates cover costs and provide support for
12 universal service.

13

14 In addition, these rate elements cover the
15 functional elements, e.g. local switching, tandem
16 switching and transport, which are part of the
17 local interconnection technical arrangements.
18 Furthermore, to the extent that the components of
19 local interconnection and toll access are
20 functionally equivalent, the creation of new rate
21 elements would appear to be inefficient and result
22 in additional administrative and billing problems.

23

24 Q. Where there is a significant imbalance in
25 originating and terminating traffic patterns

1 between LECs and ALECs, what is the appropriate
2 rate structure and rate level?

3

4 A. If an imbalance in originating and terminating
5 local exchange traffic between an ALEC and
6 BellSouth occurs, it is likely to be associated
7 with the fact that a disproportionate share of
8 customers being served by the ALEC have a heavy
9 volume of inward calling. An example of such a
10 customer would be airline reservations centers.

11

12 This issue is more significant to BellSouth than to
13 ALECs for two reasons. First, even if BellSouth
14 served the high terminating end users the broad
15 base of customers served by BellSouth would
16 maintain a balance in the overall traffic flow.
17 Further, to the extent agreement cannot be reached
18 on these adjustments, BellSouth will not have the
19 ability to recover the costs associated with these
20 calls unless it is allowed pass through these
21 costs.

22

23 When such an imbalance occurs, adjustments to the
24 above discussed financial arrangements may have to
25 be made. The LECs may need to have the ability to

1 charge for calls to specific types of numbers.
2 Conversely, where BellSouth terminates
3 substantially more calls from the ALEC than it
4 originates, the ALEC has the ability to anticipate
5 this result and include those costs in their cost
6 of service or possibly charge their end user for
7 specific types of calls to specific numbers.

8

9 Q. Will the establishment of a local interconnection
10 plan have an impact on existing interconnection
11 arrangements?

12

13 A. Yes. The advent of local competition and local
14 interconnection will ultimately have a significant
15 impact on existing interconnection arrangements.
16 Such interconnection arrangements currently exist
17 with Interexchange Carriers, Cellular Providers,
18 and Independent Companies. Exhibit No. RCS-1 in my
19 testimony illustrates and Exhibit No. RCS-2
20 describes the various existing interconnection
21 arrangements.

22

23

24 Q. What will happen to these existing interconnection
25 arrangements as competition and technology evolve?

1

2 A. As competition and technology evolve, carriers will
3 become both local and toll providers. Independent
4 Companies can compete in BST's our territory as
5 ALECs and wireless providers will eventually begin
6 providing local exchange service. Similarly, many
7 new wireless licenses are held by major
8 interexchange carriers. Broader use of
9 non-geographic numbers will blur local and toll
10 distinctions, eventually making them
11 indistinguishable. Whether they be complementary
12 or substitutes, wireless services and local
13 exchange services will appear identical. These
14 examples are simply indicative of how basing
15 financial interconnection arrangements on the "call
16 type" or "carrier type" will be fraught with
17 problems of administration, arbitrage and
18 discrimination.

19

20 Q. Should tariffs be filed for interconnection?

21

22 A. Yes. Following the completion of negotiations or
23 upon receiving an order from the Commission,
24 BellSouth intends to file its rates for local
25 exchange interconnection in a tariff. This will

1 ensure that the rates for local interconnection
2 will be available to all ALECs on a
3 non-discriminatory basis.

4

5 Q. What are BellSouth's plans with regard to
6 unbundling?

7

8 A. BellSouth already offers many features on an
9 unbundled basis, such as loops, interoffice
10 transport, and various forms of exchange access.
11 BellSouth plans to offer, on an unbundled basis,
12 the following features, functions and capabilities
13 to ALECs:

14

- 15 - Number Portability
- 16 - Centralized Message Distribution Service (CMDS)
- 17 - Collocation
- 18 - Directory Assistance (DA)
- 19 - Access to Emergency Services (911)
- 20 - Access to 800 Database
- 21 - Access to Operator Services
- 22 - White Page Listings and Directories
- 23 - Signaling
- 24 - Access to Numbers
- 25 - Line Identification Database Service (LIDB)

- 1 - Loops and Ports
- 2 - Access to Poles, Ducts and Conduits

3

4 Q. Can you describe in more detail the unbundled
5 features, functions and capabilities listed above?

6

7 A. Yes. BellSouth intends to make available the
8 following network features, functions and
9 capabilities on an unbundled basis:

10

11 Number Portability

12 BellSouth acknowledges that number portability
13 should be available in a competitive environment.
14 BellSouth is planning to make number portability
15 available by use of remote call forwarding or
16 Direct-Inward-Dial Trunks (DID) service. BellSouth
17 will also participate in industry wide national
18 forums established to analyze longer term solutions
19 and will work with all industry players to
20 implement the agreed upon solutions. As stated in
21 the statute the costs of both short and long term
22 solutions should be recovered from the carriers who
23 make use of these arrangements.

24

25 Centralized Message Distribution Service (CMDS)

1 BellSouth plans to provide Centralized Message
2 Distribution Service to ALECs so that the ALEC may
3 accurately bill its end user for calls where the
4 recording company is different from the billing
5 company.

6

7 Collocation

8 BellSouth intends to provide collocation
9 arrangements to ALECs similar to those provided to
10 Interexchange Carriers.

11

12 Directory Assistance (DA)

13 BellSouth supports the inclusion of multiple
14 carriers' customer listings in its Directory
15 Assistance service arrangements in a competitive
16 local exchange environment. BellSouth will work
17 with any local exchange carrier desiring to have
18 such listings included to establish the processes
19 and procedures for including their listings and to
20 provide for access by the carrier's customers to
21 the DA service itself. The costs for having the
22 carrier's customer listings included in the DA
23 service will be recovered via a contract with each
24 carrier.

25

1 Access to Emergency Services (911)

2 BellSouth believes that it is both logical and
3 appropriate for a single carrier to provide 911
4 services within each defined geographical area in a
5 competitive local exchange environment. Where
6 BellSouth currently provides such services, and in
7 locations where it becomes such a provider,
8 BellSouth will work with all other local exchange
9 carriers to incorporate their customers into the
10 911 service agreement. Where BellSouth is not the
11 911 provider, it will work cooperatively with the
12 911 provider to accomplish the same ends.

13 BellSouth believes that the additional costs
14 associated with incorporating such customers into
15 the 911 service and for providing access to the
16 service by those customers should be borne by the
17 new carriers until such time as new negotiations
18 with each affected municipality can take place. In
19 the long run the costs of the 911 service should be
20 borne by the municipality as they are today.

21

22 Access To 800 Data Base

23 BellSouth believes that it is appropriate for all
24 local exchange carriers to have access to databases
25 associated with 800 service call completion in a

1 competitive local exchange environment equivalent
2 to that provided to Interexchange Carriers today.

3

4 The costs for implementing and ongoing
5 administration of such access arrangements will be
6 recovered via contract or tariff from each carrier.

7

8 Access to Operator Services

9 BellSouth is willing to provide operator call
10 completion arrangements where technically and
11 economically feasible to ALECs.

12 BellSouth will work with any carrier desiring such
13 arrangements to establish the processes, procedures
14 and technical interconnection specifications
15 necessary to implement them. Included in the
16 developmental activities will be the design of
17 appropriate dialing arrangements for use by the
18 customers of ALECs.

19

20 White Page Listings

21 BellSouth supports the inclusion of multiple
22 carriers' customers listings in its White Page
23 Directories in a competitive local exchange
24 environment. BellSouth will work with any local
25 exchange carrier desiring to have such listings

1 included to establish the processes and procedures
2 for including the listings and to accommodate the
3 needs of the carriers regarding distribution of the
4 resulting directories to their customers.

5

6 There would initially be no charge to the ALEC for
7 such arrangements as long as they agree to provide
8 the listing information in accordance with
9 BellSouth's specifications.

10

11 Signaling

12 Signaling System 7 (SS7) is an out of band
13 signaling network and is provisioned separately
14 from the voice/data network. BellSouth will
15 provide SS7 to ALECs in a similar manner as it is
16 provided to Independent Companies today.

17

18 Access to Numbers

19 BellSouth acknowledges that numbers should be
20 available to all carriers on an equivalent basis in
21 a competitive local exchange environment. In the
22 future, number assignment and control should be
23 handled by an independent administrator.

24

25 Line Identification DataBase (LIDB) Access and

1 Storage Service

2 BellSouth will provide LIDB Access Service to all
3 ALECs under the same terms and conditions as is in
4 Section 19 of BellSouth's FCC #1 Access Tariff.
5 Under this arrangement, BellSouth will store in its
6 database the billing number information provided by
7 ALECs in a manner similar to that which is outlined
8 in the LIDB Storage Agreement with Independent
9 Companies.

10

11 Lines and Ports

12 Unbundled loops can be purchased out of the Private
13 Line or Special Access Tariffs today. As
14 previously discussed, BellSouth also intends to
15 provide local exchange access ports.

16

17 Poles, Ducts and Conduits on Public Right of Way

18 It is BellSouth's position that all local exchange
19 carriers should have reasonable access to and use
20 of any poles, ducts or conduits which either a LEC
21 or an ALEC owns or controls located in the public
22 right-of-way. Requests for such access and use
23 should be accommodated subject to availability on a
24 case by case basis where permitted.

25

1 Q. Would you please summarize your testimony?

2

3 A. The advent of local competition will require a
4 comprehensive local interconnection plan.

5 BellSouth has proposed both technical and financial
6 arrangements which promote competition while
7 recognizing the need to preserve universal service.
8 BellSouth also recognizes the realities of local
9 competitive entry in the sense that not all new
10 entrants may choose to use telephone numbers in a
11 manner that will allow BellSouth to determine
12 whether a call that it hands to an ALEC is local or
13 toll. While BellSouth will work with the carriers
14 to make it simple for them to match the calling
15 area concept, their failure to do so is
16 accommodated in BellSouth plan. Similarly, the
17 plan recognizes that in some instances BellSouth
18 will not be able to determine whether a local or
19 toll call is being terminated on its network.
20 Where the terminating rates differ, the application
21 of a percent local usage (PLU) will assure the
22 proper rating of all usage.

23

24 Furthermore, BellSouth recognizes the need to
25 transition all access and interconnection charges

1 to a common structure. The dynamics of the
2 marketplace coupled with technological development
3 (e.g., wireless) will simply not accommodate
4 "carrier or call type" specific charges. To help
5 in that transition, BellSouth has proposed to apply
6 existing switched access rates for local
7 interconnection rather than to invent yet another
8 set of rate elements or structures that will
9 necessarily be transitioned. Of course, the other
10 practical advantages of the application of switched
11 access rates are that they minimize arbitrage and
12 can be applied to all local interconnection
13 technical configurations (an attribute that is not
14 available in other less comprehensive approaches to
15 local interconnection).

16
17 Another market reality is that reciprocal
18 compensation could, if not adjusted, result in new
19 entrants' targeting only niche markets, financed
20 solely by the payments it might receive from
21 another carrier. Special accommodations must be
22 considered for such traffic imbalance conditions.

23
24 Unbundling capabilities is an integral part of the
25 local competitive entry objective. BellSouth has

1 proposed to meet the unbundling needs of ALECs
2 through the offering of a wide array of features
3 and functions. From listings to loops to 911
4 functionality, BellSouth is making its network
5 functionality available when economically and
6 technically feasible.

7

8 Q. Does this conclude your testimony?

9

10 A. Yes.

11

12

13

14

15

16

17

18

19

20

21

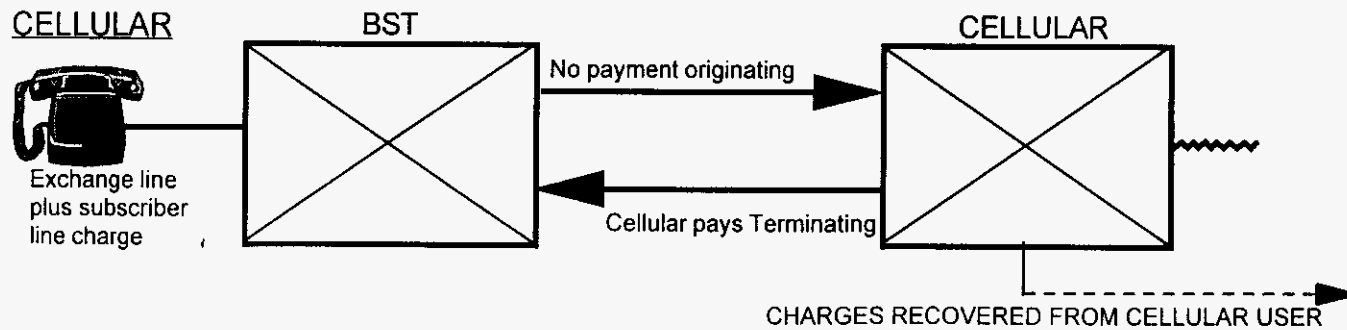
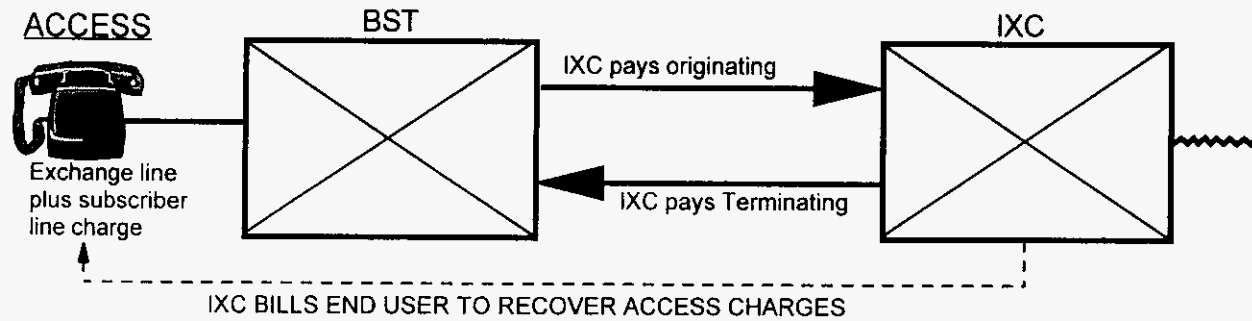
22

23

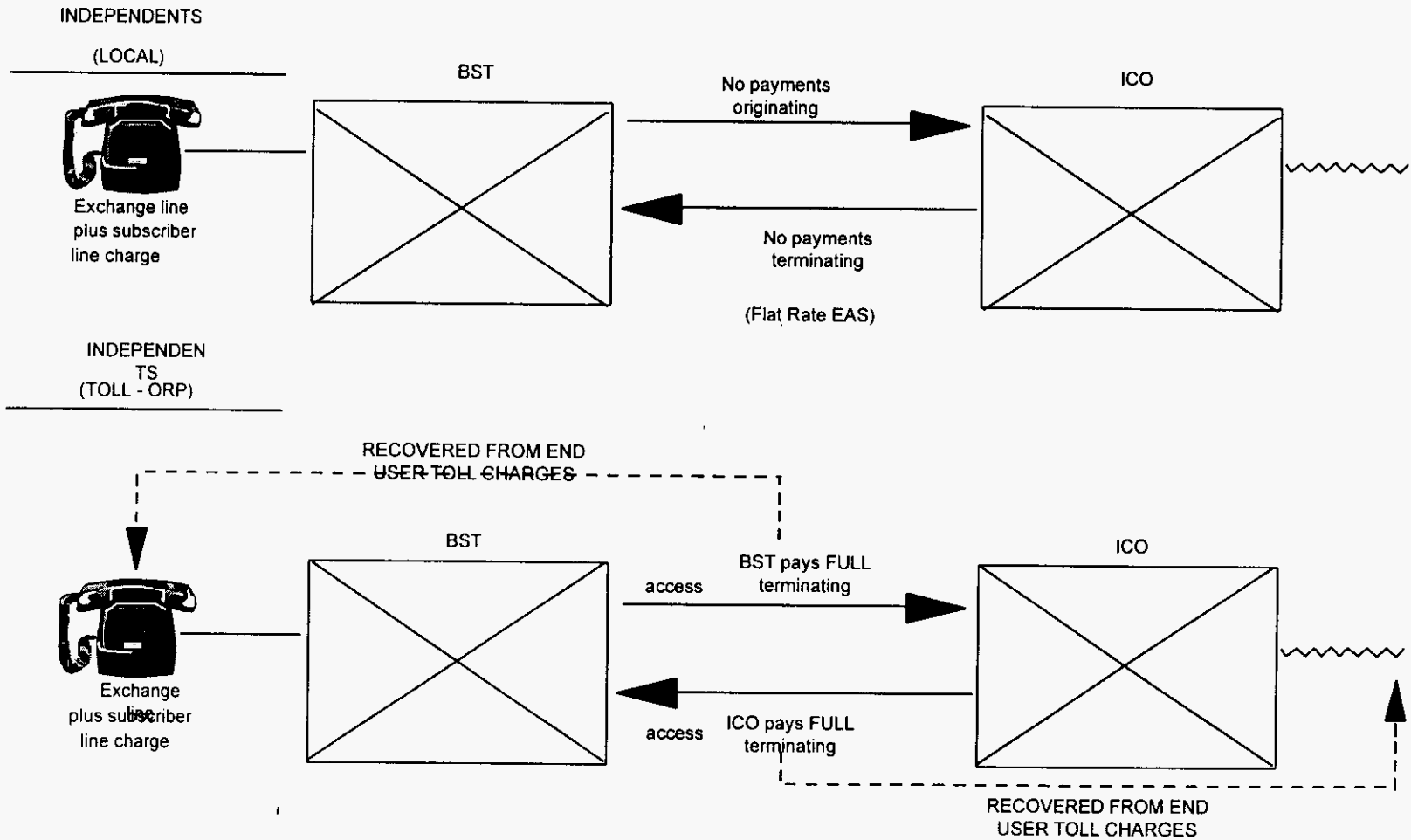
24

25

Existing Interconnection Arrangements (Page 1 of 2)



Interconnection Arrangements (Page 2 of 2)



DESCRIPTION OF EXISTING INTERCONNECTION ARRANGEMENTS

Intrastate Switched Access

When a customer makes a long distance call using an Interexchange Carrier (IXC), the call originates on the BellSouth network and then goes to an IXC's Point of Presence (POP). When terminated, the call comes from the IXC's POP back to the BellSouth network and is terminated. In this scenario the IXC pays BellSouth for the originating and terminating use of its network. The IXC then bills the end user to recover those costs in its long distance charges to the end user.

Cellular Providers

In this environment, when a BellSouth landline customer makes a local call to a cellular customer, there is no payment for the origination of the call, however, the cellular subscriber does pay for receiving the call. If a cellular subscriber calls a landline customer, the cellular company pays terminating.

Independent Companies (ICO)

There are two basic types of interconnection arrangements that exist between BellSouth and Independent Companies. In this local scenario, BellSouth and an ICO would exchange traffic and no compensation is received by either party.

If a toll call is placed between a BellSouth customer and one in an ICO's territory, BellSouth will pay the Independent Company the full terminating switched access charge and then bill its customer the toll charge. If the call originates from an Independent Company customer and terminates in BellSouth territory, the Independent pays the full terminating switched access charge to BellSouth and bills its customer for the toll call.