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September 12, 2000

BY HAND DELIVERY

Ms. Blanca Bayó, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: FPSC Docket No. 990649-TP, Revised Testimony

Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, Inc. and MCI WorldCom, Inc. are an original and fifteen copies of the following documents in the above-referenced docket:

1. An original and fifteen copies of the revised Rebuttal Testimony of Greg Darnell 11370-00

2. An original and fifteen copies of revised page 24 of the Rebuttal Testimony of Brenda J. Kahn to replace page 24 of both the public version and the confidential version; 11371-00

3. An original and fifteen copies of the revised Rebuttal Testimony of Jeff King.

This testimony has been revised solely to remove any references to GTE's information; there have been no other changes to the content of these witnesses testimony. 11372-00

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

Floyd R. Self

FRS/amb
Enclosure
cc: Parties of Record

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Revised Rebuttal Testimony of Greg Darnell, Revised page 24 of Rebuttal Testimony of Brenda Kahn and Revised Rebuttal Testimony of Jeffrey King has been furnished to the following parties by Hand Delivery (*) and/or Overnight Delivery on the 12th day of September, 2000:

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Floyd R. Self

ORIGINAL

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

GREG DARNELL

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI WORLDCOM, INC.

Docket No. 990649-TP

Revised September 12, 2000

005753

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Greg Darnell, and my business address is 6 Concourse Parkway, Suite 3200, Atlanta, Georgia, 30328.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by MCI WorldCom, Inc. as Regional Senior Manager -- Public Policy.

Q. HAVE YOU PREVIOUSLY TESTIFIED?

A. Yes, I have testified in proceedings before regulatory commissions in Alabama, California, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee and on numerous occasions have filed comments before the FCC. Provided as Exhibit GJD-11 to this testimony is a summary of my academic and professional qualifications.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING AND FOR WHAT PURPOSE?

A. I am testifying on behalf of MCI WorldCom, Inc. and AT&T Communications of the Southern States, Inc. The purpose of this testimony is to address BellSouth's proposed Expenses and Common Cost (issue 7 (t) and 7(u)) that are used in the development of its UNE rates and the appropriate method for determining deaveraged UNE rates (issue 2(a)).

I. EXPENSE AND COMMON COST

Q. ARE BELLSOUTH'S EXPENSE AND COMMON COST FACTORS IMPORTANT?

A. Yes. As proposed in this proceeding, BellSouth's Expense and Common Cost Factors account for approximately 32.75% of the 2-wire analog UNE loop rate.

Q. IF THE FLORIDA PSC PERMITS BELLSOUTH TO USE EXCESSIVE EXPENSE AND COMMON COST FACTORS, WHAT WILL BE THE IMPACT OF SUCH ACTION?

A. Residential local competition, like what has occurred in New York and Texas, will not develop in Florida. If residential local competition is desired in Florida, the Commission does not have the luxury of making compromises on the inputs used to develop UNE rates. Florida is a very large market and as such should be very attractive to many ALECs. Thus, it is reasonable to ask why residential local competition has not flourished in Florida. The primary reason is simple: current BellSouth UNE rates are too high.

The current local retail rates in Florida do not afford this Commission the luxury of compromising when deciding UNE rates. This means, if Florida wants UNE-based local competition, similar to what is occurring in New York and Texas, it has to set all inputs at forward-looking economic cost and not "split the baby" on the input issues.

Q. WHAT EVIDENCE IS THERE THAT SUGGESTS THAT THE EXPENSE AND COMMON COST FACTORS PROPOSED DO NOT REFLECT BELLSOUTH'S FORWARD-LOOKING COST?

A. The evidence currently available that suggests that BellSouth's expense and common cost factors are excessive is as follows: 1) BellSouth fails to eliminate all retail expense from its UNE rates; 2) The Productivity Factor BellSouth used to forecast its expenses is too low; 3) BellSouth's proposal would double recover Land, Building and Power expense; 4) Prior Factors filed by BellSouth indicate that lower plant specific expenses should exist; and 5) Trends in Corporate Operations Expense indicate that Common Costs should be declining.

Q. DOES BELLSOUTH'S COST MODEL REMOVE ALL RETAIL COST FROM WHOLESALE RATES?

A. No. BellSouth claims to have removed all retail expense from its calculations. Walter Reid states in his testimony, "[R]etail cost including marketing, billing, collection and other costs that will be avoided" by BellSouth have been directly assigned to the retail function and as such "are excluded from the calculation of UNE Cost." [1] BellSouth conducts an avoided cost study to eliminate retail cost from its UNE rates. In this proceeding, BellSouth calculates that $1,426,416,105 of retail expense exists in Uniform System of Accounts (USOA) 6611, 6612, 6613 and 6623 and eliminates this expense from its forward--looking cost

[1] Testimony of Walter Reid, Before the Florida Public Service Commission, Docket No. 990649-TP, filed May 1, 2000, p. 4 ("Reid Testimony").

projections.[2]

Q. HOW MUCH AVOIDED RETAIL EXPENSE DID WALTER REID CALCULATE IN THIS COMMISSION'S PREVIOUS UNE PROCEEDING?

A. Walter Reid previously determined that $1,926,591,887 of retail cost should be eliminated from UNE rates.[3]

Q. HAS BELLSOUTH TRULY REDUCED ITS RETAIL EXPENSE BY ONE HALF BILLION DOLLARS ($500 MILLION) IN THE LAST THREE YEARS, OR IS THE REDUCTION IN AVOIDED RETAIL EXPENSE CONTRIVED THROUGH DIFFERENCES IN COST MODELING ASSUMPTIONS?

A. Contrary to the results of BellSouth's updated avoided retail cost calculations, BellSouth's amount of retail expense has grown significantly as a percent of revenue and in absolute terms over the time period for which these cost studies are based. Thus, it is clear that BellSouth's $500 million reduction in the amount of avoided retail expense is contrived through differences in cost modeling assumptions.

Q. IS THE METHODOLOGY USED BY BELLSOUTH IN THIS PROCEEDING TO DETERMINE THE AMOUNT OF AVOIDED RETAIL EXPENSE CORRECT?

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[2] See BellSouth Cost Calculator, Appendix F, 6611SC00.xls, 6612SC00.xls, 6613SC00.xls and 6623SC00.xls.

[3] See, Rebuttal Testimony of Walter S. Reid, on Behalf of BellSouth Telecommunications, Inc., Rebuttal Exhibit WSR-6, page 1, line 6, filed December 9, 1997. For ease of reference, Exhibit GJD-1 contains a copy of this Walter Reid rebuttal testimony exhibit.

A. No. BellSouth's methodology calculates an amount of directly avoidable retail expense that is contained in Uniform System of Accounts (USOA) 6611, 6612, 6613 and 6623 and eliminates this expense from its forward-looking cost projections. However, BellSouth fails to recognize that retail expense also exists in other USOAs. This Commission determined in Docket No. 960833-TP that retail expense also exists in USOA 6120, 6710 and 6720. This Commission determined that the retail cost contained in Accounts 6120, 6710 and 6720 should be determined "based on the ratio of the costs we identified as directly avoided to total expenses".[4] Retail costs contained in these accounts have been referred to as indirectly avoided retail cost.

Q. WHAT IS INDIRECTLY AVOIDED RETAIL COST AND WHY IS IT APPROPRIATE TO INCLUDE THESE COSTS AS WELL IN THE CALCULATION OF TOTAL RETAIL COST?

A. It has been determined that if direct cost accounts are reduced, costs contained in overhead and support accounts will also be reduced. For example, if a company has a smaller product line (i.e. wholesale only) it will need a smaller executive staff, smaller planning staff, smaller legal staff, smaller accounting group and fewer support facilities. Therefore, when retail costs are eliminated from Product Management (6611), Sales (6612), Product Advertising (6613) and Customer Services (6623), it is appropriate to reduce the expense in Executive and Planning (6710), General and Administrative (6720) and General Support (6120).

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[4] Florida Public Service Commission, Final Order on Arbitration, Order No. PSC-96-1579-FOF-TP, December 31, 1996, page 56.

Q. USING THIS COMMISSION'S METHODOLOGY TO DETERMINE RETAIL EXPENSE, HOW MUCH ADDITIONAL RETAIL EXPENSE SHOULD BE ELIMINATED FROM BELLSOUTH'S PROPOSED UNE RATES TO ACCOUNT FOR INDIRECTLY AVOIDED RETAIL COSTS?

A. Assuming the new direct retail avoided cost study that BellSouth has provided in this proceeding is correct, which I believe is an erroneous and overly generous assumption, $223,376,929 of additional retail expense contained in Accounts 6120, 6710 and 6720 should be eliminated from BellSouth's proposed UNE rates.[5] This will bring the total retail expense to be eliminated from the expense projections that are used to develop BellSouth's UNE rates to $1,649,793,034. This amount of retail expense is still $276,798,853 below the amount of retail expense that BellSouth witness Walter Reid determined in Docket No. 960833-TP.

Q. HOW DID BELLSOUTH USE ITS HISTORICAL EXPENSES TO FORECAST FORWARD-LOOKING EXPENSES?

A. BellSouth took its booked total company regulatory 1998 expenses, and adjusted them for out of period occurrences, increased them for expected inflation, increased them for anticipated additional expense caused by increased demand, and then decreased them for projected productivity gains to project year 2000 through year 2002 test period expense levels. BellSouth then took the projected year 2000 through 2002 expense levels, averaged them, and compared them to adjusted 1998 data to determine

[5] See, Attached Exhibit GJD-2 for the calculations that went in to determining this indirectly avoided retail cost amount.

expense development factors.

Q. WHAT PRODUCTIVITY FACTOR DID BELLSOUTH USE TO FORECAST ITS EXPENSE?

A. BellSouth used a 3.1% total productivity factor taken from a United States Telephone Association (USTA) study that was filed with the FCC. This USTA study has not been adopted by the FCC. MCI WorldCom submitted reply Comments on January 24, 2000 with the FCC in CC Docket No. 94-1 and addressed the deficiencies of the USTA study.[6] In these Reply Comments MCI WorldCom noted that the reasonable range of LEC productivity is between 9.1 and 9.5%. However, due to the FCC's decision in the CALLS proceeding, a new FCC productivity factor has not been established. The FCC's current approved total productivity factor for BellSouth is 6.5%. (47 C.F.R. §61.45) Given that the FCC's currently effective 6.5% productivity factor has been subject to in depth analysis and debate from both BellSouth and ALECs, there is no reason for this Commission to undertake an effort to set a Florida state specific productivity factor. The Florida Commission should require BellSouth to use the a productivity factor in its expense forecasts that is no less the FCC's 6.5% productivity factor.

Q. WHAT IMPACT WOULD A 6.5% PRODUCTIVITY FACTOR HAVE ON BELLSOUTH'S EXPENSE FORECASTS?

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[6] See, Reply Comments of MCI WorldCom, Inc., Before the Federal Communications Commission, In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket 94-1, Access Charge Reform, CC Docket No. 96-262, filed January 24, 2000.

A. The use of a 6.5% productivity factor will change the projected expense for the 2000-2002 test period contained in BellSouth's Appendix F, Excel Spreadsheet EXPDVF00.xls, and this would result in a change to the expense development factors used in the Shared and Common Cost Application of BellSouth's Cost Calculator. When these new inputs are run through BellSouth's Cost Calculator, new Shared and Common Cost Factors result. Exhibit GJD-3 contains the revised expense development factors and the revised Shared and Common Cost factors that would be created by the use of the FCC's 6.5% productivity factor.

Q. WOULD THE USE OF AN INAPPROPRIATELY LOW PRODUCTIVITY FACTOR TO FORECAST EXPENSE RESULT IN UNE RATES THAT ARE NOT FORWARD LOOKING?

A. Given how BellSouth's cost model works, yes. Further, the FCC's and USTA's productivity factors are derived for expense and investment trend analysis. Forward-looking UNE pricing should only concern itself with the result of the trend. As such, the use of a productivity factor based on a trend analysis, such as the FCC's, may tend to overstate forward-looking cost.

Q. IS THERE EVIDENCE THAT BELLSOUTH HAS PROPOSED UNE RATES THAT DOUBLE RECOVER LAND, BUILDING AND POWER EXPENSE?

A. Yes. However, exactly how much double recovery is being proposed has not yet been reconciled. Reconciliation of the accounts and the methodology for applying common and shared costs, is paramount to our verification of the inputs of BellSouth's model. To date, BellSouth has not provided the necessary information for this to be accomplished. However, BellSouth has provided enough information, in its responses to AT&T Interrogatory numbers 28, 29, 30, 32 & 35 to demonstrate that there may be a problem, attached as Exhibit GJD-10. For example, BellSouth was asked what adjustments were made to several common cost components, and its rationale for said adjustments, prior to its application to the study. BellSouth responded that there were no adjustments. In addition, BellSouth has not quantified the projected revenues over the study period that will have a positive effect on the common costs. So, at this time, the level of adjustments necessary to reconcile the common cost amounts to be used in the study cannot be determined. Simply put, BellSouth has the opportunity to double recover some of its costs unless the appropriate adjustments have been made.

For example, BellSouth is currently receiving revenues from its Collocation rate elements for power consumption and building floor space. Unless the Land & Building accounts and the Central Office Power amounts are adjusted to reflect the positive effect of this revenue, the expense amount applied to the other rate elements will be overstated. This is very similar to pole rental revenue. If BellSouth is renting or leasing out part of its building space, the costs that are offset by the lease should be deducted from the account before apportioning the Land & Building costs to other rate elements.

Similarly, BellSouth has competitive services utilizing its Corporate Communications network. These competitive services are providing a revenue contribution to the accounts that capture the expenses of its Corporate Communications network. Part of the cost of providing operator services includes the Corporate Communications facilities to transport the calls between various locations. Additionally, the rate elements for (SS7) signaling specifically include cost for transport that utilizes Corporate Communications facilities. These are other opportunities for over recovery if adjustments are not made to the accounts prior to the expense being applied to the UNEs.

Q. ARE THERE ANY OTHER REASONS YOU SUSPECT BELLSOUTH HAS OVERSTATED EXPENSE AND NOT MADE ALL OF THE APPROPRIATE ADJUSTMENTS?

A. Yes. Exhibit GJD-4 contains an analysis of the BellSouth plant specific expense factors proposed in this cases as compared to plant specific expense factors BellSouth has proposed at the FCC in 1997 and 1998. As is clearly seen, BellSouth has proposed higher plant specific expense factors in this proceeding than it proposed to the FCC in 1997 and 1998. Given the overall trend that expense as a percent of investment is declining, expense factors today should be lower, not higher than they were a couple years ago.

Q. WHAT IMPACT WOULD BELLSOUTH'S FCC PLANT SPECIFIC EXPENSE FACTORS HAVE ON UNE RATES?

A. BellSouth's FCC plant specific expense factors would cause the total monthly cost, before taxes and common cost application, for a 2-wire loop to decrease by $0.29. Exhibit GJD-5 demonstrates the calculations used to make this determination.

Q. CAN BELLSOUTH'S BOOKS OF ACCOUNT BE USED AS A STARTING POINT FOR DETERMINING FORWARD-LOOKING

EXPENSE?

A. Yes, BellSouth's books of account can be used as a starting point for determining forward-looking expense. However, the task of adjusting booked expenses to approximate forward-looking expense is not an exact science. Trend analysis can provide some useful information. While trend analysis can provide information on whether expenses are increasing or decreasing as a percent of investment or revenue, trend analysis cannot tell you how much longer a trend will continue or if a new trend is just beginning. Further, different companies may be at different points of a trend. What makes this problematic is that forward-looking cost development should not be concerned with the trend but the final result of the trend. Exhibit GJD-6 is a trend analysis done on all USOAs using the FCC's ARMIS 43-03 report for BellSouth for the Commission's review.

Much has been made about the automation trend of both network operations and administration. Generally speaking, automation substitutes investment for expense. The cost of maintaining historical equipment and out-of-date practices must be fully eliminated from the expense and shared and common cost ratios being applied to investment that creates the UNE rates in order for the resulting rates to be based on forward-looking cost.

Q. HAS THE COMMISSION PREVIOUSLY DECIDED WHAT BELLSOUTH'S COMMON COST FACTOR SHOULD BE?

A. Yes. The Commission decided in Docket Nos. 960757-TP, 960833-TP and 960646-TP that BellSouth's Common Cost factor should be 5.30%. BellSouth now claims as a result of this Commission's decision issued April 29, 1998 it needs to revise its previous calculations to shift recovery of some of its shared costs from non-recurring rates to recurring rates.[7] If this is true, it begs the question of why this was not done two years ago. This aside, BellSouth has not demonstrated a need or provided any compelling reason for this Commission to increase the 5.30% BellSouth Common Cost factor it previously determined.

Q. DO YOU HAVE ANY OTHER EVIDENCE THAT SUGGESTS BELLSOUTH'S PREVIOUSLY APPROVED 5.30% COMMON COST FACTOR SHOULD BE REDUCED?

A. Yes. As can be seen on Exhibit GJD-7, BellSouth Corporate Operations Expense as a percent of revenue has been declining. Most notably, since BellSouth has been given a real competitive reason to closely manage its Corporate Overhead expense (i.e. since the Telecommunications Act of 1996 and the establishment of FCC Local Competition rules in August of 1996), Corporate Operations Expense has declined at a faster rate. Corporate Operations Expense is a primary contributor to the Common Cost factor. As such, the fact that Corporate Operations expense has declined significantly even since 1998 (i.e. the vintage of the data BellSouth used as the root of its analysis), is evidence that BellSouth's Common Cost factor should be reduced, not increased.

II. DEAVERAGED UNE RATES

Q. WHAT RULES ARE THERE CONCERNING HOW UNE RATES SHOULD BE DEAVERAGED?

A. All UNE rates, averaged and deaveraged, must adhere to the general

[7] Reid Testimony, p. 4.

pricing standards covered in 47 C.F.R. Section 51.503 and the forward-looking economic cost standards covered in 47 C.F.R. Section 51.505. Further, in accordance with 47 C.F.R. Section 51.507(f), UNE rates must be deaveraged "in at least three defined geographic areas within the state to reflect geographic cost differences."

Q. AS A RESULT OF THESE RULES, WHAT CAN BE USED TO DETERMINE DEAVERAGED UNE RATES?

A. The only item that can be considered in determining deaveraged UNE rates is the forward-looking economic cost (FLEC) differences caused by different geographic areas. This is because, assuming the average UNE rate is cost based, if something other than FLEC is used to deaverage the existing rate, the resulting deaveraged rates will no longer be cost based.

For example, if we used the percentage of tourists by city to deaverage existing UNE rates, the resulting deaveraged UNE rates in Orlando would be higher than the rates in Tallahassee. Given that the percentage of tourists has no direct influence over the cost of telecommunications, the resulting deaveraged rates would not be cost based.

I use the noticeably peculiar example of tourists to illustrate a point. However, the same result would hold true (i.e. non-cost based deaveraged UNE rates), if something telecommunication related but not telecommunication cost related is used to deaverage existing UNE rates. For example, if BellSouth's retail rates - which even BellSouth admits are not cost based- were used to deaverage existing UNE rates, the resulting deaveraged UNE rates would likewise not be cost based.

Q. HOW DOES BELLSOUTH PROPOSE TO DEAVERAGE EXISTING UNE RATES?

A. By grouping together wire centers by rate group and then determining the average cost of wire centers that have the same retail rates.

Q. WHY DO MCI WORLDCOM AND AT&T OPPOSE BELLSOUTH'S PROPOSAL TO DEAVERAGE UNE RATES BY RATE GROUP?

A. MCI WorldCom and AT&T believe that deaveraged UNE rates must reflect the relative forward-looking cost differences of the UNEs between geographic areas. BellSouth's proposal to deaverage UNE rates through the use of the average cost of wire centers that have the same retail cost is a violation of FCC rules and the Act. BellSouth's proposal to create non-cost based deaveraged UNE rates will send incorrect economic signals to the marketplace. Further, BellSouth's proposal to create the geographic zones by rate group is a thinly veiled attempt to insulate its retail rates from cost based competition.

Q. HOW DOES BELLSOUTH'S PROPOSAL TO USE ITS RATE GROUPS TO ESTABLISH DEAVERAGED UNE RATES INSULATE ITS RETAIL RATES FROM COST BASED COMPETITION?

A. By first grouping wire centers together by rate group, BellSouth's deaveraging methodology inappropriately raises the UNE rates where its retail rates are high. This means that where BellSouth's retail rates are high, its deaveraging methodology would ensure that the wholesale rates (i.e. UNE rates) available to ALECs are inappropriately increased.

BellSouth takes all the wire centers that serve areas in certain rate groups and lumps all of them together in one basket or zone. For example, BellSouth's methodology would take all of the wire centers that serve areas that correspond to its rate groups 7 & 6 (i.e. its highest retail rates) and group all of these wire centers into zone 1. BellSouth then develops an average loop cost for all of the wire centers that serve those rate groups. However, wire centers in rate groups 7 & 6 often are made up by both low cost wire centers and high cost wire centers. By placing low cost wire centers and high cost wire centers in the same zone, the weighted average cost of each zone is inappropriately skewed. Although Al Varner states that BellSouth's rate group to zone mapping "provides consistency between the structure of BellSouth's retail, resale and UNE rates," [8] the goal of this Commission should not be to make UNE rates consistent with non-cost based pricing or to protect BellSouth's non-cost based retail rate structure. Rather, the goal of this Commission should be to let competition drive retail rates toward their underlying cost and allow competition to eliminate the inefficiencies caused by non-cost based pricing.

BellSouth's deaveraging proposal results in higher than cost based deaveraged UNE rates that insulate BellSouth's non-cost based high retail rates in low cost areas from cost based UNE based local competition. This Commission should not protect BellSouth from cost based competition and should reject BellSouth's deaveraging proposal.

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[8] Al Varner Direct Testimony, p. 22, line 13-14.

Q. DOES BELLSOUTH'S PROPOSAL COMPLY WITH 47 C.F.R. 51.503?

A. No. 47 C.F.R. 51-503 requires that BellSouth's Unbundled Network Element prices be based on forward-looking economic cost. This rule applies to averaged and deaveraged rates of both individual UNEs and combination of UNEs. BellSouth's retail rate groups are not currently based on forward- looking economic cost. Therefore, BellSouth's proposal to deaverage UNE rates using its current rate groups as the basis for categorization would violate 51.503 because it does not result in forward-looking economic cost-based, deaveraged UNE rates.

Q. DOES BELLSOUTH'S PROPOSAL COMPLY WITH 47 C.F.R.51.505(d)?

A. No. 47 C.F.R. 51.505(d) states that the revenues of other services cannot be considered in the development of a UNE rate. BellSouth's proposal violates 51.505(d) by considering the revenues of its retail services in the development of its deaveraged UNE rates.

Q. HAVE YOU REVIEWED SPRINT'S UNE DEAVERAGING PROPOSAL?

A. Yes.

Q. WHAT IS SPRINT'S UNE DEAVERAGING PROPOSAL?

A. SPRINT's deaveraged UNE proposal is as follows:

> rates should be deaveraged to the degree necessary to achieve a result wherein the averaged rate does not deviate significantly from the actual forward-looking cost of providing that element anywhere within the defined zone.

> While it is impossible to quantify with absolute precision what "significant" deviations of rates from costs are, SPRINT believes that differences between rates and costs in excess of 20% would be of sufficient magnitude to potentially distort competitors' investment decisions. Using that criteria, each incumbent LEC should be required to construct a deaveraged rate schedule such that the average rate in each zone is no more than 20% higher or 20% less than the forward-looking cost of providing that element.[9]

Q. HOW IS SPRINT'S DEAVERAGING METHODOLOGY BETTER THAN BELLSOUTH'S OR, FOR THAT MATTER, THE METHODOLOGY THAT YOU PREVIOUSLY ADVOCATED?

A. SPRINT's proposal can be objectively and equally imposed on all ILECs. Further, SPRINT's proposal achieves the proper deaveraging goal, which is to group areas with similar cost characteristics into the same UNE rate zones. As such, SPRINT's deaveraging methodology would be easy for the Commission to administer and also achieves the proper deaveraging goal.

I have been involved in deaveraged UNE proceedings and/or negotiations in all of the states in the BellSouth region, and SPRINT's UNE deaveraging methodology is superior to anything that I have reviewed thus far. SPRINT's methodology sets a sure and concrete

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[9] Direct Testimony of James W. Sichter, p. 15, lines 9-23.

standard (+ or – 20%) that can be objectively and equally applied to all ILECs. This would provide the Commission with a means to quickly make rate determinations and administer rules in the future. Further, the establishment of a fixed cost deviation criteria places wire centers with similar cost characteristics in the same zone.

Q. DOES SPRINT'S DEAVERAGING PROPOSAL COMPLY WITH FCC RULES?

A. Yes.

Q. WHAT ARE MCI WORLDCOM'S AND AT&T'S RECOMMENDATIONS?

A. MCI WorldCom and AT&T recommend that SPRINT's deaveraged UNE cost methodology be applied to average UNE loop cost by wire center determined in this proceeding for BellSouth.

Q. HAVE YOU DONE THIS ANALYSIS?

A. Yes, Exhibit GJD-8 provides the zone weighting percentages for BellSouth using SPRINT's deaveraging methodology. These zone weighting percentages can be applied to the average UNE rate to determine the deaveraged rate for each zone. Also, the list of wire centers in each zone is included in Exhibit GJD-8.

Q. DOES THIS CONCLUDE YOU PREFILED REBUTTAL TESTIMONY?

A. Yes.