

Legal Department

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October 15, 1996

Mrs. Blanca S. Bayo  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

RE: Docket No. 961150-TP

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Direct Testimony of Vic Atherton, Daonne Caldwell, Gloria Calhoun, Keith Milner, Tony Pecoraro, Walter Reid, Robert Scheye, and Al Varner. Please file these documents in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

Sincerely,

*Nancy B. White*  
Nancy B. White (AW)

Enclosures

cc: All Parties of Record  
A. M. Lombardo  
R. G. Beatty  
W. J. Ellenberg

Atherton	11030-96	✓
Caldwell	11031-94	✓
Calhoun	11034-96	✓
Milner	11035-96	✓
Pecoraro	11036-96	✓
Reid	11037-94	✓
Scheye	11038-96	✓
Varner	11039-96	✓

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 2
- LIN 5
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

**CERTIFICATE OF SERVICE**

Docket No. 961150-TP

I HEREBY CERTIFY that a copy of the foregoing has been furnished by Federal Express this 15th day of October, 1996 to:

Benjamin W. Fincher  
Sprint  
3100 Cumberland Circle  
#802  
Atlanta, GA 30339

Monica Barone  
Florida Public Service  
Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Nancy B. White (M)

October 15, 1996

5

6

7 Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH  
8 BELLSOUTH TELECOMMUNICATIONS, INC. ( HEREINAFTER  
9 REFERRED TO AS "BELLSOUTH" OR "THE COMPANY").

10

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

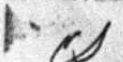
14

15 Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND  
16 AND EXPERIENCE.

17

18 A. I began my telecommunications company career in 1967 with the Chesapeake  
19 and Potomac Telephone Company (C&P) after graduating from Loyola  
20 College with a Bachelor of Science in Economics. After several regulatory  
21 positions in C&P, I went to AT&T in 1979, where I was responsible for the  
22 Federal Communications Commission ("FCC") Docket dealing with  
23 competition in the long distance market. In 1982, with the announcement of  
24 divestiture, our organization became responsible for implementing the  
25 Modification of Final Judgment (MFJ) requirements related to

- ACK  \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
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1 nondiscriminatory access charges. In 1984, our organization became part of  
2 the divested regional companies' staff organization which became known as  
3 Bell Communications Research, Inc. (Bellcore). I joined BellSouth in 1987 as  
4 a Division Manager responsible for jurisdictional separations and other FCC  
5 related matters. In 1993, I moved to the BellSouth Strategic Management  
6 organization where I have been responsible for various issues including local  
7 exchange interconnection, unbundling and resale.

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10

11 A. The purpose of my testimony is to respond to issues related to Resale,  
12 Operational Parity, Unbundling and Pricing identified by Sprint in this  
13 proceeding. My testimony is divided into the following sections:

14

15 **Section I: BellSouth's Discussion of Issues in this Arbitration Proceeding**  
16 **Section II: Summary and Recommendations for the Florida Public Service**  
17 **Commission ("Commission").**

18

19 Additionally, I am attaching Exhibit No. RCS-1 which is a matrix outlining the  
20 issues to be resolved in this proceeding, BellSouth's understanding of Sprint's  
21 position on the issues, BellSouth's position on the issues and applicable  
22 references from the Telecommunications Act of 1996 ("the Act") and the  
23 Federal Communications Commission's First Report and Order in Docket No.  
24 96-98 (FCC's Order).

25



1 **I. BELLSOUTH'S DISCUSSION OF ISSUES IN THIS ARBITRATION**

2

3 The issues in this section are organized under the major headings of A) Local  
4 Service Resale; B) Operational Parity; C) Unbundled Network Elements; and,  
5 D) Pricing.

6

7 **A. LOCAL SERVICE REALE**

8

9 Q. WHAT REGULATED TELECOMMUNICATIONS SERVICES OFFERED  
10 TO END-USERS OF BELLSOUTH SHOULD BE EXCLUDED FROM  
11 REALE BY SPRINT?

12

13 A. BellSouth submits that in accordance with Section 251(c)(4)(A) of the Act,  
14 BellSouth must "offer for resale at wholesale rates any telecommunications  
15 service that the carrier provides at retail to subscribers who are not  
16 telecommunications carriers; and (B) not to prohibit, and not to impose  
17 unreasonable or discriminatory conditions or limitations on, the resale of such  
18 telecommunications service, except that a State commission may, consistent  
19 with the regulations prescribed by the Commission under this section, prohibit  
20 a reseller that obtains at wholesale rates a telecommunications service that is  
21 available at retail only to a category of subscribers from offering such service  
22 to a different category of subscribers." (emphasis added)

23

24 The plain wording of the Act is clear. BellSouth is to make available its retail  
25 services for resale. BellSouth is permitted, however, to impose reasonable and

1 nondiscriminatory conditions and limitations on the resale of its services, in  
2 addition to the explicit use and user restrictions and the joint marketing  
3 restriction specified in the Act. Certain pricing options or service offerings  
4 which are not retail services or have other special characteristics should be  
5 excluded from resale.

6  
7 For example, Contract Service Arrangements (CSAs) and promotions are not  
8 unique services, rather they are unique pricing plans for tariffed services which  
9 Sprint can create for itself by using the underlying retail service. The  
10 911/E911 and N11 offerings are not generally available tariffed offerings for  
11 end users but offerings limited to governments/municipalities and Information  
12 Service Providers (ISPs), respectively. These services are offered to a single  
13 entity within an area under unique, abbreviated dialing arrangements and  
14 billing arrangements. LifeLine Assistance Programs are not retail services, but  
15 instead are subsidized programs which provide a credit or waiver of certain  
16 charges to assist low income families. These services are appropriately  
17 excluded from resale.

18  
19 BellSouth believes that all of its proposed service restrictions are permissible  
20 under paragraph 51.613(b) of the FCC's Rules, because the restrictions that it  
21 proposes are narrowly tailored, reasonable, and nondiscriminatory and,  
22 therefore, permitted by the Order.

23  
24 Q. PLEASE LIST EACH OF THE SERVICES OR OPTIONS IN DISPUTE  
25 AND PROVIDE BELLSOUTH'S RATIONALE FOR ITS EXCLUSION

1 FROM RESALE.

2

3 A. **Obsoleted/Grandfathered Services** are no longer available for sale to, or  
4 transfer between, end users, nor should they be transferable between providers.  
5 In most cases, the Company has made available new services to replace the  
6 existing services. To the extent that Sprint or any other competitor wishes to  
7 entice the customer of a grandfathered service to change providers, it may do  
8 so by either reselling the replacement service at a discount or by providing its  
9 own new service to the customer through the purchase of unbundled network  
10 elements combined with its own facilities. BellSouth does not agree with the  
11 FCC's conclusion on this issue and believes this restriction is reasonable and  
12 nondiscriminatory and should be approved by the Commission.

13

14 **Contract Service Arrangements ("CSAs")** are utilized to respond to specific  
15 competitive threats on a customer-by-customer basis including the design of  
16 unique arrangements to meet customer needs and contain rates established  
17 specifically for each competitive situation. It is completely illogical for  
18 BellSouth to develop a customer-specific proposal containing non-tariffed  
19 rates, only to have Sprint purchase the proposal from BellSouth at a discount  
20 and offer the same proposal to the customer at a slightly lower price than  
21 BellSouth had developed. Elimination of this restriction as proposed by Sprint  
22 effectively takes BellSouth out of the competitive process and ensures that  
23 Sprint can win every customer-specific competitive encounter with BellSouth.  
24 As with obsoleted/grandfathered services, if Sprint wishes to entice the  
25 customer to select Sprint instead of BellSouth, Sprint can purchase the

1 necessary service(s) to meet the customer's needs from BellSouth at the  
2 wholesale rate and resell the service(s) alone or add additional value by  
3 including other options or offerings. BellSouth does not agree with the FCC's  
4 conclusion on this issue and believes this restriction is reasonable and  
5 nondiscriminatory and should be approved by the Commission.

6  
7 **Promotions** are not retail services. In most instances, they are simply waivers  
8 of nonrecurring charges for limited times. In 1995, there were a total of  
9 nineteen promotional offerings filed in Florida by BellSouth of which thirteen  
10 were simply waivers of nonrecurring charges that only extended for a two  
11 month period. It would be completely illogical for BellSouth to run  
12 promotions to attract customers, only to be required to give Sprint the same  
13 waiver for nonrecurring charges, in addition to the already discounted  
14 wholesale monthly recurring rate, so that Sprint can attract customers. In  
15 effect, BellSouth would be subsidizing Sprint's marketing program. If Sprint  
16 wishes to conduct promotions, its stockholders should have to bear the  
17 consequences just as BellSouth's do. Competitive advantage should be earned  
18 in the marketplace, not imposed through an inappropriate resale requirement or  
19 discount. The FCC Order agrees with BellSouth's position and allows  
20 promotions used for 90 days or less and not in a continuous manner to be  
21 restricted from resale.

22  
23 **LinkUp and LifeLine** are subsidy programs designed to assist low income  
24 residential customers by providing a monthly credit on recurring charges and a  
25 discount on nonrecurring charges for basic telephone service. If Sprint or any



1 other competitor wishes to provide similar programs through resale, they  
2 should be required to purchase BellSouth's standard basic residence service,  
3 resell it at an appropriate rate, and apply for and receive certification from the  
4 appropriate agency to receive whatever funds may be available to assist in  
5 funding its subsidy program. The FCC Order recognizes this issue and allows  
6 resale restrictions to be placed upon services for which other subscribers would  
7 be ineligible.

8  
9 N11 services, including 911 and E911, are not retail services provided to end  
10 users. BellSouth provides N11 services to other companies or government  
11 entities who in turn provide the actual service to end user customers. Thus,  
12 BellSouth should not be required to offer these services for resale.

13  
14 Q. WHAT TERMS AND CONDITIONS, INCLUDING USE AND USER  
15 RESTRICTIONS, IF ANY, SHOULD BE APPLIED TO THE RESALE OF  
16 BELLSOUTH SERVICES?

17  
18 A. All use or user restrictions and terms and conditions found in the relevant tariff  
19 of the service being resold should apply. Use and user restrictions, as well as  
20 terms and conditions, are integral components of the retail service that is being  
21 resold. These terms and conditions do not impose unreasonable or  
22 discriminatory conditions on the resale of these services and may be reflected  
23 in the rates being charged. Elimination of the terms and conditions may affect  
24 the pricing or even the general availability of the service.

25

1 Q. PLEASE EXPLAIN YOUR RATIONALE FOR RETAINING USE AND  
2 USER RESTRICTIONS AND TERMS AND CONDITIONS ON SERVICES  
3 AVAILABLE FOR RESALE.

4  
5 A. First, the Act requires BellSouth to offer for resale any telecommunications  
6 service that it provides at retail to its subscribers. A retail service is comprised  
7 of the stated rates, terms and conditions in the tariff. The rate for a particular  
8 offering varies based on the terms and conditions of the service. If the terms  
9 and conditions were different, the price would likely be different or the  
10 particular retail service might not even be offered. An example is Saver  
11 Service, which is a discounted toll service that is priced, based on the usage of  
12 a retail end user. If it can be used by multiple end users and the usage  
13 aggregated, then the change in demand could certainly impact BellSouth's  
14 pricing of this service. In general, the terms and conditions contained in  
15 BellSouth's tariffs, along with the tariffed rates, are an integral part of the  
16 tariffed services. The Act does not require that BellSouth offer its retail  
17 services "minus their associated terms and conditions" or that BellSouth create  
18 new retail services.

19  
20 Second, use and user restrictions are basically class of service restrictions. The  
21 Act specifically permits the Commission to apply such class of service or use  
22 and user restrictions. Section 251(c)(4)(B) of the Act states that the LEC is  
23 "not to prohibit, and not to impose unreasonable or discriminatory conditions  
24 or limitations on, the resale of such telecommunications service, except that a  
25 State commission may, consistent with the regulations prescribed by the



1 Commission under this section, prohibit a reseller that obtains at wholesale  
2 rates a telecommunications service that is available at retail only to a category  
3 of subscribers from offering such service to a different category of  
4 subscribers." The most predominant use and user restriction in place today is  
5 that residence service cannot be purchased at the lower residence rate and used  
6 for business purposes. This, however, is certainly not the only restriction of  
7 this type.

8  
9 Q. SHOULD THERE BE ANY ADDITIONAL LIMITATIONS ON RESALE  
10 OF SERVICES?

11  
12 A. Yes. As stated in the Act, new entrants serving more than 5% of the nation's  
13 presubscribed access lines, which includes MCI, AT&T and Sprint, are not  
14 permitted to jointly market local exchange services obtained through resale  
15 with interLATA services until such time as the Bell Operating Company is  
16 authorized to provide interLATA services in-region, or until thirty-six months  
17 have passed since the date of enactment of the Act, whichever is earlier  
18 (Section 271(e)(1) of the Federal Act). Sprint seems to have omitted this  
19 requirement of the Act in its discussions.

20  
21 Q. WHAT IS A CARRIER IDENTIFICATION PARAMETER (CIP) AND IS  
22 BELL SOUTH OBLIGATED TO PROVIDE IT AS AN UNBUNDLED  
23 SERVICE?

24  
25

1 A. CIP is a feature of the SS7 network which uses an identification code to  
2 identify each carrier for call routing purposes. BellSouth is willing to provide  
3 the "CIP" feature to Sprint. CIP is not an element to be unbundled from  
4 BellSouth's signaling network, it is rather, a service that is presently available  
5 through BellSouth's tariffs. It is BellSouth's proposal that Sprint purchase this  
6 feature at its tariffed rate. It is not an unbundled network element and therefore  
7 is not subject to the total element long run incremental cost (TELRIC) pricing  
8 methodology.

9

10 **B. OPERATIONAL PARITY**

11

12 Q. WILL BELLSOUTH NOTIFY SPRINT OF BETTER PRICES, TERMS AND  
13 CONDITIONS AS THEY BECOME AVAILABLE?

14

15 A. Yes. Agreements will be filed with the Commission, and therefore made  
16 public. BellSouth has acknowledged in discussions with carriers that it has  
17 reached agreements with other ALECs, but necessarily holds the details of  
18 these agreements as confidential until they are filed with a Commission.

19

20 Q. WHAT IS SPRINT REQUESTING RELATED TO DIALING PARITY FOR  
21 CUSTOMERS CALLING REPAIR CENTERS AND BUSINESS OFFICES?

22

23 A. Sprint is asking that their customers be able to utilize the exact same dialing  
24 sequences to access repair centers and business offices as those utilized by  
25 BellSouth customers. If that cannot be accomplished, BellSouth customers

1 should be required to use the same dialing sequences that Sprint customers use,  
2 i.e., seven digits. For example, if BellSouth's customers use a N11 dialing  
3 sequence to access repair centers or business offices, Sprint wants its  
4 customers to be able to use the exact same digits to access its repair centers or  
5 business offices.

6

7 Q. WHAT IS BELL SOUTH'S RESPONSE TO SPRINT'S REQUEST?

8

9 A. To the extent Sprint's request deals with calls from its own switch, i.e., Sprint  
10 is facilities based, there is no issue and Sprint can establish whatever dialing  
11 arrangements it wishes. The issue arises when Sprint chooses to resell a  
12 BellSouth service which inherently has certain dialing arrangements included  
13 in the service.

14

15 As it applies to its own services, BellSouth does not use N11 dialing to access  
16 its business offices; 7-digit access numbers are employed for this purpose. So,  
17 it would certainly not be discriminatory for Sprint's customers to likewise dial  
18 a 7-digit number to reach a business office. Interestingly, all BellSouth  
19 customers at one time used seven-digit numbers to reach repair and moved to a  
20 three digit code without causing any particular problems. Today, large  
21 business customers in Florida, again, dial a unique seven digit number and not  
22 611.

23

24 BellSouth's residential customers dial 611 to reach repair centers; however,  
25 routing of calls to various ALEC centers using 611 is not technically feasible.

1           BellSouth proposes that it is reasonable for Sprint to provide its customers with  
2           7-digit numbers to reach its repair centers as well as its business offices.

3  
4           Also BellSouth will place the telephone numbers for the ALEC's business  
5           offices and repair centers in the information section of the directory at no  
6           charge to the ALEC if the ALEC desires.

7  
8   Q.    ON PAGE 31 OF ITS PETITION SPRINT DISCUSSES THE HANDLING  
9           OF MISDIRECTED CALLS. HOW HAS BELLSOUTH RESPONDED TO  
10          THIS ISSUE?

11  
12   A.    BellSouth will assume that all incoming calls to its business offices or repair  
13          centers are from BellSouth customers. If it becomes evident that the calling  
14          party is not a BellSouth retail customer, the BellSouth representative will  
15          attempt to determine the customer's local service provider and give proper  
16          dialing instructions. BellSouth is, however, opposed to any automatic transfer  
17          mechanism as it does not appear necessary to get the call directed to the correct  
18          carrier. An automated system would cause additional costs to be incurred and  
19          a recovery mechanism of these costs from the appropriate resellers would be  
20          required. Further, Sprint's solution, which calls for BellSouth to discontinue  
21          N11 dialing for access to its repair centers or to give Sprint's customers the  
22          same N11 dialing access for Sprint's repair centers, does not address the  
23          problems and may actually worsen the situation. For example, if it was  
24          technically feasible, which it is not, to direct the same N11 repair call to  
25          different repair centers, greater confusion may arise. An end user purchasing



1 service from a reseller may call repair service from a neighbor's house, which  
2 would then route to BellSouth or the ALEC chosen by the neighbor. If the  
3 reseller had a unique number, even if it is seven digits, it would appear to be  
4 simpler or less confusing. For example, it would not be surprising for a carrier  
5 to want to use 273-7247 (or 2REPAIR). Finally, there would be no reason to  
6 modify the means by which a BellSouth customer reaches repair. This would  
7 appear to be a change without a purpose.

8

9 Q. WHEN SPRINT RESELLS BELLSOUTH'S SERVICES, IS IT  
10 TECHNICALLY FEASIBLE FOR BELLSOUTH TO PROVIDE THE TYPE  
11 OF DIALING PARITY REQUESTED BY SPRINT FOR OPERATOR  
12 ASSISTANCE, DIRECTORY ASSISTANCE AND REPAIR CALLS?

13

14 A. No, routing calls to multiple providers using the same dialing arrangements is  
15 not technically feasible as explained by Mr. Milner in his testimony. BellSouth  
16 will route calls to Sprint's requested service if Sprint provides its own unique  
17 dialing arrangements. BellSouth's retail service includes access via specified  
18 0, 411, and 611 dialing arrangements to BellSouth's operator, directory  
19 assistance, and repair service. Therefore, the resold services include the same  
20 functionalities.

21

22 Dialing parity does not mean that a Sprint customer must be able to dial the  
23 same string of digits to reach Sprint's Directory Services and Operator Services  
24 platforms as the customer dials to reach BellSouth's platforms. It is Sprint's  
25 responsibility whether reselling BellSouth's services or providing services

1 using its own facilities to set up its own telephone numbers to support its  
2 offering of these services, if it chooses to do so, as well as unique telephone  
3 numbers for other customer support operations such as repair bureaus.

4  
5 In requesting the same routing and dialing arrangements as BellSouth, Sprint is  
6 actually, and inappropriately, requesting a newly created hybrid service that  
7 adds some type of unique routing capabilities, yet also continues to employ all  
8 of BellSouth's capabilities via resale. Neither the FCC Order, nor the Act,  
9 requires BellSouth to create a new bundled retail service for resale or to create  
10 capabilities when there are reasonable options readily available. The best  
11 solution is for Sprint to provide different dialing arrangements or lease  
12 unbundled elements to combine with its own switch capabilities to provide  
13 access to its operator or repair functions.

14  
15 Sprint also ignores a significant problem, i.e., how the end user would reach a  
16 BellSouth operator should it desire to do so. For example, the customer should  
17 still be entitled to obtain BellSouth's intraLATA toll service if it so desires.  
18 Under Sprint's plan to route all calls to the Sprint operator, it would be  
19 impossible for the end user to reach the BellSouth operator. BellSouth's  
20 proposal gives the customer the option to reach both BellSouth's and Sprint's  
21 operators through explicit dialing plans. Sprint's plan would seem to offer the  
22 customer only one choice -- and this from the pro-competition advocate?

23  
24 Sprint also fails to point out that with intraLATA toll presubscription, as it is  
25 being implemented in Florida, an end user presubscribed to Sprint for



1           intraLATA services, whether Sprint is reselling that customer service or not,  
2           will reach an Sprint operator when dialing 0+ intraLATA toll call.

3

4 Q.       DO YOU EXPECT THAT NEW DIALING ARRANGEMENTS FOR  
5           OPERATOR SERVICES, DIRECTORY ASSISTANCE, OR REPAIR  
6           CALLS WILL CAUSE CONFUSION?

7

8 A.       No. BellSouth believes that customers are more adept than Sprint implies. The  
9           customer confusion or competitive disadvantage issues are non-existent.  
10          Currently, customers have available to them an array of dialing arrangements  
11          to place operator type calls. Given the number of carriers and calling  
12          arrangements provided, it is doubtful that customers would be particularly  
13          confused by dialing "00" to reach an operator or a different seven digit number  
14          to reach a repair center. The issue is even further simplified by the propensity  
15          of inexpensive telephone sets with speed dialing capabilities which can be  
16          programmed with "1" for operator, "2" for telephone repair, and "3" for  
17          directory assistance.

18

19          By further example of dialing differences. Sprint provides Sprint calling cards,  
20          in addition to access to its operators. With this card the customer is instructed  
21          to:

22

23                       dial an 11 digit access number and listen for the chime;

24

25                       then dial a Sprint card number (also 11 digits), then a PIN code (4

1                   digits) while listening for the double tone; and finally,

2

3                   dial the number they are trying to reach (Area code first - 10 digits).

4

5                   In essence, Sprint customers who use their calling cards are trained in dialing  
6                   26 extra digits to place a long distance call! End users are becoming  
7                   increasingly more adept at selecting carriers, cards and dialing arrangements  
8                   when placing calls from home, business and public pay telephones.

9

10 Q.       WHEN SPRINT RESELLS BELLSOUTH'S SERVICES, IS IT  
11            TECHNICALLY FEASIBLE OR OTHERWISE APPROPRIATE FOR  
12            BELLSOUTH TO BRAND OPERATOR SERVICES AND DIRECTORY  
13            ASSISTANCE SERVICES CALLS THAT ARE INITIATED BY SPRINT'S  
14            CUSTOMERS?

15

16 A.       Branding is not required by the Act and is not required to promote competition.  
17            BellSouth cannot offer branding for Sprint or other resellers when providing  
18            resold local exchange service because BellSouth will not be able to distinguish  
19            calls of Sprint resold customers from calls of customers of other local resellers,  
20            or from BellSouth. As discussed in Mr. Milner's and Mr. Pecoraro's  
21            testimonies, BellSouth lacks the capability to comply with the request even if it  
22            were otherwise appropriate.

23

24            Beyond the technical problems, BellSouth's retail local exchange service  
25            includes access to BellSouth's operator, repair and directory assistance services

1 through these specific dialing arrangements, e.g., 0, 411, and 611. Resale of  
2 this service by the very meaning of resale includes these same functionalities.  
3 Sprint could easily provide access and branding for its own operator or repair  
4 services to create the discrete recognition of the Sprint brand by providing its  
5 customers with another designated number to call.

6

7 Q. ON PAGE 38 OF ITS PETITION, IN ADDITION TO ASKING  
8 BELLSOUTH TO BRAND ITS RESOLD OPERATOR SERVICE, SPRINT  
9 ALSO REQUESTS BELLSOUTH TO QUOTE SPRINT'S RATES FOR  
10 BOTH CARD AND OPERATOR SERVICES FUNCTIONS. WHAT IS  
11 BELLSOUTH'S POSITION ON THIS ISSUE?

12

13 A. It would be necessary for BellSouth to install additional infrastructure to  
14 enable operators to quote time and charges in association with Sprint Card and  
15 Operator Services functions. Neither the Act nor the FCC's Order requires that  
16 BellSouth install the infrastructure necessary to provide this type of billing  
17 service. Additionally, it falls outside the scope of Section 251 and is therefore  
18 not an issue to be arbitrated. There are several additional problems with  
19 Sprint's request. First, BellSouth would not necessarily have the Sprint rates  
20 to quote, unless of course Sprint has the same toll rates as BellSouth. Given  
21 the rapid pace at which rates change in the current market, BellSouth would  
22 need to be assured that it had the correct rates to quote. Currently, BellSouth  
23 does not believe there is adequate demand for this type of sophisticated  
24 interface because most carriers appear to want to use operators other than  
25 BellSouth's. Additionally, Sprint has its own operator service capability today

1 for both its own local and toll businesses. BellSouth would envision Sprint  
2 providing its own operator capabilities to fulfill this type of need.

3  
4 Q. ON PAGE 33 OF ITS PETITION, SPRINT REQUESTS NOTIFICATION OF  
5 ENGINEERING CHANGES AND NEW TECHNOLOGIES DEPLOYMENT.  
6 SHOULD BELLSOUTH BE REQUIRED TO PROVIDE SUCH NOTICE?

7  
8 A. Yes. First, as it applies to engineering, BellSouth will provide scheduled  
9 notices to Sprint and all other carriers concerning network changes that can  
10 impact interconnection or network unbundling arrangements. Further,  
11 regularly scheduled joint engineering meetings will provide information  
12 pertaining to technology modifications. BellSouth will provide notice of price  
13 changes to resellers through the normal tariff notification process at the same  
14 time it provides notice to its own end users. This process will provide  
15 adequate time for Sprint to make any necessary changes that are based on  
16 BellSouth's services.

17  
18 The FCC's Rules state in Paragraph 51.603(b), that "[a] LEC must provide  
19 services to requesting telecommunications carriers for resale that are equal in  
20 quality, subject to the same conditions, and provided within the same  
21 provisioning time intervals (emphasis added) that the LEC provides these  
22 services to others, including end users." Given these rules, it would appear that  
23 BellSouth's proposal for notification of changes for retail and resold services is  
24 appropriate.

25



1 Q. WHAT IS BELLSOUTH'S POSITION ON QUALITY OF SERVICE  
2 STANDARDS?

3

4 Q. BellSouth will provide the same quality of services to Sprint and other ALECs  
5 that it provides to its own customers for comparable services. BellSouth  
6 agrees that it is appropriate to jointly develop quality measurements over time  
7 as experience is gained. Because of these processes BellSouth does not  
8 envision differing quality standards.

9

10 BellSouth's position on performance standards is consistent with the FCC's  
11 Order and Rules. Provisioning of unbundled network elements is covered in  
12 Paragraph 51.311 of the Rules. It states that the quality of unbundled network  
13 elements, as well as the quality of the access, that an incumbent LEC provides  
14 to a requesting carrier shall be the same for all telecommunications carriers  
15 requesting access to that network element. It goes on to say that, to the extent  
16 technically feasible, the quality of the access to unbundled network elements  
17 must be at least equal in quality to that which the incumbent LEC provides to  
18 itself.

19

20 Q. WHAT IS BELLSOUTH'S RESPONSE TO SPRINT'S PROPOSAL  
21 REGARDING FINANCIAL PENALTIES FOR FAILURE TO MEET  
22 SERVICE OBJECTIVES?

23

24 A. BellSouth believes that the issues of financial penalties and other liquidated  
25 damages or credits are not subject to arbitration under Section 251 of the Act.

1 To the extent that Sprint attempts to include penalties in its request for  
2 arbitration of service standards, the Commission should dismiss that portion of  
3 the issue. Further, there is inadequate experience in the local interconnection  
4 area to determine the need for such penalties. Experience with the provision of  
5 access services would indicate that no such need exists. Additionally, the  
6 carriers have adequate regulatory recourse if a problem arises that cannot be  
7 adequately addressed by the ALEC and the LEC.  
8

9 Q. ON PAGE 32 OF ITS PETITION, SPRINT REQUESTS THAT  
10 BELLSOUTH BE REQUIRED TO PROVIDE EMR RECORDS FOR  
11 INWARD TERMINATING AND OUTWARD ORIGINATING CALLS AND  
12 SEND THEM TO SPRINT IN DAILY FILES AT NO CHARGE. WHAT IS  
13 BELLSOUTH'S RESPONSE TO THIS REQUEST?  
14

15 A. It is BellSouth's understanding that Sprint is requesting record call detail on all  
16 calls, including call attempts as well as completed calls. BellSouth has agreed  
17 and can provide the requested usage data on completed calls, but is unable to  
18 do so for call attempts. If requested in connection with resold services,  
19 BellSouth's existing tariffed optional service offering for daily usage detail  
20 would be used to fulfill this request. The associated billing would be the  
21 normal tariffed rate less any applicable avoided cost. If requested as an  
22 unbundled network element, it could only be provided in conjunction with  
23 BellSouth's unbundled local switching element.  
24

25 Q. SPRINT INDICATED THAT BELLSOUTH DOES RECORD SOME CALL



1           **ATTEMPTS FOR ACCESS BILLING PURPOSES. WHY CAN'T**  
2           **BELLSOUTH DO THE SAME FOR SPRINT?**

3  
4   **A.    In the access billing systems, BellSouth is able to identify access call attempts**  
5           **for Feature Groups B, C, and D as a result of the unique access code that the**  
6           **customer dials. However, for all Feature Group A calls, because the customer**  
7           **dials a normal 7-digit telephone number, BellSouth is unable to identify these**  
8           **calls as access attempts at the originating end office and is therefore unable to**  
9           **record the call. For example, at that point the call simply looks like any other**  
10          **local exchange call, for which no recording is required. What Sprint is asking**  
11          **for is no different. This is an extremely burdensome request as it would**  
12          **require BellSouth to record each and every local exchange call that originates**  
13          **in its network just to provide the usage data associated with the Sprint resold**  
14          **services.**

15  
16   **Q.    SPRINT INDICATES THAT THERE ARE DISAGREEMENTS RELATED**  
17          **TO MEETPOINT ARRANGEMENTS. DOES BELLSOUTH AGREE?**

18   **A.    BellSouth agrees that meetpoint billing arrangements are needed when Sprint**  
19          **and BellSouth provide access to an interexchange carrier. The appropriate**  
20          **arrangement, and the one that has been included in the agreements that**  
21          **BellSouth has entered into with other carriers, would have both Sprint and**  
22          **BellSouth bill their individual rate elements to the interexchange carrier. This**  
23          **concept has generally been referred to as "two bill" meetpoint because it**  
24          **allows both providers of access to recoup the costs of the access elements that**  
25          **each provides directly from the interexchange carrier. BellSouth believes that**

1 Sprint would find this to be acceptable in the same way that the other new  
2 entrants have.

3

4 In its discussion of meetpoint arrangements, however, Sprint includes mid-  
5 span/mid-air physical arrangements and meetpoint billing arrangements. Mr.  
6 Atherton discusses the technical implications of mid-span/mid-air meets.  
7 These issues are separable from meetpoint billing.

8

9 Q. ITEM VII.B. ON SPRINT'S TERM SHEET STATES IN PART THAT,  
10 "BELLSOUTH MUST PLACE SPRINT CUSTOMER LISTINGS IN ITS DA  
11 DATABASE..." MUST BELLSOUTH PROVIDE ALECS ACCESS TO  
12 BELLSOUTH'S DA DATABASE?

13

14 A. BellSouth will include Sprint's subscriber listings in BellSouth's directory  
15 assistance databases and BellSouth will not charge Sprint to maintain the  
16 directory assistance database. However, Sprint must agree to cooperate with  
17 BellSouth in formulating appropriate procedures regarding lead time,  
18 timeliness, format and content of listing information.

19

20 Q. HOW SHOULD BELLSOUTH TREAT PIC CHANGE REQUESTS  
21 RECEIVED FROM AN IXC (OTHER THAN THE ALEC) FOR AN ALEC'S  
22 LOCAL CUSTOMER?

23

24 A. BellSouth plans to handle PIC requests for resellers under the same guidelines  
25 used to handle PIC change requests today.

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Q. WHY HAS BELL SOUTH REFUSED TO COMPLY WITH SPRINT'S REQUEST TO REJECT ALL PIC CHANGES INITIATED BY OTHER IXCs FOR SPRINT'S RESALE CUSTOMERS?

A. Sprint is asking for other than normal treatment which would raise the issue of parity among the IXCs. Further, implementation of Sprint's proposal would appear to hinder a customers' ability to choose their preferred interexchange carrier. Resale has always had the intended purpose of helping competition, not hindering it.

In addition, BellSouth believes that the local service offered by BellSouth for resale includes the capability for IXCs with proper end user authorization to change the PIC on the resold line via the industry's mechanized interface, known as "CARE".

Throughout the industry, PIC changes are made by the IXCs via an electronic CARE system. For example, if a customer chooses an IXC other than Sprint for its long distance service, that IXC today would electronically notify BellSouth of the PIC change through CARE, and BellSouth would update the line records accordingly. In a resale environment, however, if another IXC succeeded in being selected as the pre-subscribed IXC for a Sprint local customer, Sprint would prefer that BellSouth reject the mechanized CARE transaction from the other IXC, notify Sprint, and await a local service request from Sprint before processing the PIC change.

1

2       **There are problems, however, with Sprint's approach. First, complying with**  
3       **Sprint's request would place BellSouth in the position of refusing properly**  
4       **processed PIC change requests from its other IXC customers. Further, Sprint's**  
5       **request also would needlessly increase the volume of local service requests**  
6       **submitted by Sprint to BellSouth. BellSouth believes this Commission should**  
7       **recognize the continued use of the mechanized CARE process as the**  
8       **appropriate vehicle for processing PIC changes in a local resale environment.**

9

10       **Nonetheless, to accommodate Sprint's concerns about maintaining current**  
11       **information about its end users' accounts, including PIC information,**  
12       **BellSouth is analyzing the feasibility of a separate electronic process that**  
13       **would notify an ALEC that a PIC change has occurred on a resold line. Of**  
14       **course, cost recovery for that interface must be addressed.**

15

16   **Q.     PLEASE DESCRIBE HOW BELLSOUTH PLANS TO PROCESS PIC**  
17       **CHANGES FOR CUSTOMERS OF LOCAL RESOLD SERVICES.**

18

19   **A.     Existing tariffed processes, procedures, and charges provide the framework for**  
20       **changes of intraLATA or interLATA presubscription for customers of record**  
21       **of ALECs operating as resellers.**

22

23       **When Sprint is a reseller of BellSouth local service for the provision of local**  
24       **service to its end user customers, Sprint becomes BellSouth's customer of**  
25       **record for that line. For these situations, BellSouth will accept PIC changes**



1 from Sprint as the customer of record or from other IXCs. All applicable  
2 charges associated with intraLATA and/or interLATA PIC changes would  
3 apply.

4

5 To process PIC changes differently for Sprint than other resellers could create  
6 parity issues among the IXCs because requests would be processed differently  
7 and possibly under varying time frames.

8

9 **C. UNBUNDLED NETWORK ELEMENTS**

10

11 Q. WHAT UNBUNDLED NETWORK ELEMENTS HAS SPRINT  
12 REQUESTED FROM BELLSOUTH?

13

14 A. In its petition, Sprint references the FCC's Order which identifies a minimum  
15 set of network elements that BellSouth must provide, which includes, (1) local  
16 loops; (2) network interface device; (3) local switching and tandem switching  
17 capability; (4) interoffice transmission facilities; (5) signaling and call-related  
18 databases; (6) operations support systems functions; and (7) operator services  
19 and directory assistance facilities.

20

21 Q. HAS BELLSOUTH AGREED TO PROVIDE THESE UNBUNDLED  
22 NETWORK ELEMENTS TO SPRINT?

23

24 A. Yes. Based on our understanding of the Act and the FCC's Order, BellSouth  
25 will provide all the unbundled network elements required for Sprint and the

1 other ALECs to compete. However, the selective routing functionality  
2 requested by Sprint as part of the local switching element is not technically  
3 feasible.

4  
5 Q. SPRINT HAS ASKED BELLSOUTH TO MIX DIFFERENT TRAFFIC  
6 TYPES OVER COMMON TRUNKS. WHAT IS BELLSOUTH'S  
7 RESPONSE?

8  
9 A. The issue that is described by Mr. Key goes well beyond the question of  
10 trunking arrangements. The broader issue involves the ability to measure and  
11 bill correctly and the technical configuration beyond the trunking.

12  
13 For example, wherever possible BellSouth is willing, and indeed proposes, the  
14 use of factors such as percent interstate usage (PIU) and percent local usage  
15 (PLU) to distinguish the charges for one type of traffic from another. To the  
16 extent that Sprint is requesting this type of arrangement the parties are in  
17 agreement.  
18

19  
20 There are, however, some aspects of Sprint's request that are not quite as clear.  
21 Sprint seems to believe that Sprint's cellular traffic should be included along  
22 with its wireline traffic. This is likely to be problematic. Typically, cellular  
23 switches are connected with BellSouth's switches in a different manner than  
24 the arrangements that Sprint has requested in this proceeding. Additionally,  
25



1 the question of local calling area definitions is quite different for cellular as  
2 compared to wireline services. Another factor is that cellular interconnection  
3 is currently covered by an existing contract or tariff. By contrast, the wireline  
4 to wireline interconnection plan that underlies this arbitration case is a new  
5 plan, not a replacement for an existing agreement.  
6

7  
8 At this juncture it would not be appropriate to commingle traffic that is priced  
9 differently and cannot be adequately differentiated. Because the cellular  
10 arrangements already exist and the interconnection trunks will, in all  
11 likelihood, be new trunks to meet new demand, there should be no problems  
12 for either Sprint or BellSouth to establish unique trunk groups for unique  
13 traffic types. These procedures will also better assure that the billing for local  
14 interconnection, intrastate switched access, interLATA switched access and  
15 cellular interconnection will be accurate. This will benefit not only Sprint and  
16 BellSouth.  
17

18  
19 **D. PRICING**  
20

21 Q. WHAT ARE THE APPROPRIATE WHOLESALE RATES FOR  
22 BELLSOUTH TO CHARGE WHEN SPRINT PURCHASES BELLSOUTH'S  
23 RETAIL SERVICES FOR RESALE?  
24

25 A. The Act requires that rates for resold services shall be based on retail rates

1 minus the costs that will be avoided due to resale. BellSouth proposes a  
2 discount to be applied to both residential and business services based on  
3 avoided cost studies.

4  
5 The Company believes that its avoided cost study filed with the testimony of  
6 Mr. Walter Reid is in compliance with the Act. Even though BellSouth  
7 disagrees with the FCC Rules, Mr. Reid's testimony also includes an avoided  
8 cost study developed under the FCC rules.

9  
10 Q. WHAT IS THE RATIONALE FOR BELL SOUTH'S POSITION?

11  
12 A. Section 252(d)(3) of the Act prescribes the following:

13  
14 "...a State commission shall determine wholesale rates on the basis of retail  
15 rates charged to subscribers for the telecommunications service requested,  
16 excluding the portion thereof attributable to any marketing, billing, collection,  
17 and other costs that will be avoided by the local exchange carrier." (emphasis  
18 added).

19  
20 For every dollar of revenue foregone through the wholesale discount, the  
21 Company loses a corresponding dollar of cost. If the avoided cost discount is  
22 calculated correctly, the company offering services for resale should be no  
23 worse off by selling on a wholesale basis than it would have been if it offered  
24 the service to its own end users. This methodology, or "tops-down" approach,  
25 also takes into account the fact that an incumbent's rates are not necessarily

1 cost-based and may reflect social pricing considerations, such as support for  
2 universal service.

3

4 The language of the Act is very clear. It limits the adjustment to retail rates to  
5 only those costs that will in fact be avoided. The adjustment does not include  
6 costs that may be avoidable or costs that a competitor wishes were avoidable or  
7 adjustments for any reason other than costs that will be avoided.

8

9 Q. WHAT ARE THE RESULTS OF BELL SOUTH'S AVOIDED COST  
10 STUDIES?

11

12 A. Based on BellSouth's avoided cost studies the discount factor for residence  
13 service is 19.0% and the business discount factor is 12.2%. Based on the  
14 FCC's methodology, the wholesale discount applicable to all retail services  
15 (business and residence) would be 19.7%.

16

17 Q. WHAT IS BELL SOUTH'S POSITION REGARDING THE FCC'S PROXY  
18 DISCOUNT PERCENTAGE RATE THAT SPRINT PROPOSES?

19

20 A. The FCC developed its proxies with the idea that they would be used if the  
21 ILEC had not completed the necessary avoided cost studies. BellSouth has  
22 completed the appropriate avoided costs studies and, therefore, these studies  
23 should be used rather than the FCC's proxy prices.

24

25 Q. WHAT SHOULD BE THE COMPENSATION MECHANISM FOR THE

1 EXCHANGE OF LOCAL TRAFFIC BETWEEN SPRINT AND  
2 BELLSOUTH?

3  
4 A. The rate for the transport and termination of traffic should be set with  
5 recognition of the intrastate switched access rate. BellSouth has negotiated  
6 interconnection rates based on these charges exclusive of the residual  
7 interconnection charge (RIC) and carrier common line (CCL) charge.

8  
9 Q. IS THE RECIPROCAL TRANSPORT AND TERMINATION RATE FOR  
10 LOCAL CALLS PROPOSED BY BELLSOUTH REASONABLE?

11  
12 A. Yes. BellSouth believes the local interconnection rate should be based on the  
13 intrastate switched access rate to the extent possible. The components of local  
14 interconnection and toll access are functionally equivalent, and therefore, the  
15 rate structure should be similar. Basing the local interconnection rate on the  
16 switched access rate will facilitate the transition of all interconnection types  
17 into a single interconnection rate. As technology changes, competition  
18 increases, and interconnection types (e.g., local, toll, independent,  
19 cellular/wireless) become more integrated, such a transition is imperative.

20  
21 BellSouth has reached agreements with other carriers that include a local  
22 interconnection rate based on the current switched access rate minus any non-  
23 traffic sensitive rate elements. In Florida, the resulting negotiated reciprocal  
24 compensation rate averages approximately \$0.01 per minute.

25



1 Q. DOES THE RATE PROPOSED BY BELL SOUTH MEET THE PRICING  
2 STANDARDS IN SECTION 252(d) OF THE ACT?

3

4 A. Yes. The Act outlines pricing standards for the transport and termination of  
5 traffic such that the terms and conditions for reciprocal compensation are  
6 considered just and reasonable when:

7

8 "(i) such terms and conditions provide for the mutual and reciprocal  
9 recovery by each carrier of costs associated with the transport and  
10 termination on each carrier's network facilities of calls that originate on  
11 the network facilities of the other carrier; and, (ii) such terms and  
12 conditions determine such costs on the basis of a reasonable  
13 approximation of the additional costs of terminating such calls."

14 Section 252(d)(2)(A).

15

16 BellSouth's proposed average local interconnection rate of \$0.01 per minute  
17 meets that standard because it allows for the recovery of BellSouth's costs and  
18 is reasonable. The reasonableness of BellSouth's rate is further demonstrated  
19 by the agreements that BellSouth has reached with other facilities-based  
20 carriers. Companies such as Time Warner, Intermedia Communications Inc.,  
21 and others have found BellSouth's rates to be reasonable, allowing them a fair  
22 opportunity to compete for local exchange customers. If the rates these  
23 companies agreed to were not reasonable, they would not have signed an  
24 agreement, but would have filed for arbitration of the local interconnection  
25 rate.

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Q. DOES BELLSOUTH AGREE WITH SPRINT'S POSITION THAT BILL AND KEEP SHOULD BE IMPLEMENTED AS AN INTERIM COMPENSATION MECHANISM FOR LOCAL INTERCONNECTION?

A. No. BellSouth recognizes that the Florida Commission ordered bill and keep for local interconnection in Docket No. 950985-TP. BellSouth disagrees with that decision and with the Commission's denial of BellSouth's request for reconsideration on the bill and keep provision. BellSouth is evaluating its options at this time.

First and fundamentally, it is my understanding that mandatory bill and keep violates Section 252 of the Act. The Act clearly allows negotiating parties to relinquish the mutual recovery of costs voluntarily should they so desire and enter voluntarily into bill and keep arrangements. The Act does not authorize a state commission to mandate that a party accept bill and keep as the method of cost recovery.

Second, as mentioned above, with this arrangement there is no mechanism for the recovery of costs associated with the termination of local calls. For example, if it costs BellSouth three cents a minute to terminate a local call and it costs a new entrant five cents a minute to terminate a local call, this arrangement will not allow either party to recover its costs. At best, in the situation illustrated, if the traffic were perfectly balanced, the carrier with the lower cost might be able to conclude that it was somehow okay because the

1           payments it avoided making to the other carrier exceeded its own costs. Using  
2           the numbers above, however, the new entrant would be unable to recover the  
3           net difference of two cents per minute under any theory. This problem could  
4           be accentuated if there is a traffic imbalance.

5

6           Third, a compensation arrangement of this type prevents BellSouth from being  
7           compensated for access to, and use of, its valuable, ubiquitous network. Also,  
8           it does not recognize different types of technical interconnection arrangements  
9           that may exist. Because there will be varying interconnection arrangements,  
10          there must be a way to differentiate the charges based upon these differences.  
11          Under bill and keep, there would be no way to differentiate the charges and this  
12          would discourage the development of efficient networks by the new entrants.  
13          New entrants would simply take advantage of the functionalities in BellSouth's  
14          network, having no incentive to build their own capabilities because they could  
15          obtain them for free from BellSouth.

16

17          Fourth, the distinction between local and toll calls can no longer be assured.  
18          The industry must move to a common interconnection structure. Bill and keep  
19          cannot serve that function. Adoption of bill and keep will undermine long  
20          distance competition as well as local competition.

21

22          Fifth, it should be noted that bill and keep does not eliminate the need for  
23          billing and administrative systems. There will continue to be a need to hand  
24          off toll and 800 traffic to interexchange carriers, to LECs and to new entrants,  
25          which will require the billing of switched access rates. Because new entrants

1 will bill switched access to many different carriers, BellSouth's proposal to  
2 apply switched access elements for local interconnection places no significant  
3 additional billing requirements on new entrants.

4  
5 Finally, bill and keep establishes an inappropriate arrangement between  
6 competing carriers. Bill and keep is similar to a barter arrangement, which is  
7 not a typical method used for compensating businesses for services provided.

8  
9 Q. HOW DOES THE FCC'S ORDER ADDRESS THE PRICING OF  
10 UNBUNDLED NETWORK ELEMENTS?

11  
12 A. The FCC's Order establishes TELRIC as the basis for developing the rates for  
13 unbundled network elements, including loops. The basis for a TELRIC study  
14 is a forward looking long run economic cost methodology. While the FCC's  
15 Order is under appeal by BellSouth and other parties, BellSouth is providing  
16 TELRIC data. BellSouth does not agree with the philosophy of using  
17 incremental cost for setting prices for either wholesale or retail services.  
18 However, assuming TELRIC based pricing prevails, BellSouth has provided  
19 the appropriate data for establishing TELRIC based rates for approval by the  
20 Commission. This data is described by Ms. Caldwell in her testimony.

21  
22 Q. ON PAGE 27 OF MR. STAHL'S TESTIMONY HE STATES THAT,  
23 "SPRINT RECOMMENDS THAT THE DEFAULT PRICES ESTABLISHED  
24 IN THE FCC ORDER BE APPLIED UNTIL PERMANENT RATES ARE  
25 DEVELOPED UNDER THE TELRIC-BASED PRICING



1           **METHODOLOGY.” IS IT APPROPRIATE TO CONSIDER THE FCC’S**  
2           **PROXY RATES FOR BELL SOUTH’S LOOPS IN FLORIDA?**

3  
4   **A.**    **No. The FCC’s Order discusses the use of proxy rates only until such time as a**  
5           **state commission completes a review of a cost study that complies with the**  
6           **forward looking economic cost based pricing methodology. As described in**  
7           **Ms. Caldwell’s testimony, BellSouth’s TELRIC study results meet that**  
8           **requirement. Therefore, it is not necessary for the Commission to consider the**  
9           **FCC’s proxy rates.**

10  
11 **Q.**    **DOES THE FCC PROXY RATE APPLY TO VARIOUS TYPES OF**  
12           **UNBUNDLED LOOPS?**

13  
14 **A.**    **No. The proxy, as provided by the FCC, deals only with a 2-wire analog loop,**  
15           **not 4-wire or any other type of facilities. This is a significant factor in**  
16           **assessing the BellSouth TELRIC results. The underlying cost varies by loop**  
17           **type; therefore, BellSouth has developed TELRIC studies for different types of**  
18           **loops.**

19  
20 **Q.**    **CAN YOU EXPLAIN WHY THE PROXY ONLY APPLIES TO THE 2-**  
21           **WIRE ANALOG LOOP?**

22  
23 **A.**    **Yes. The FCC has always recognized that there are different costs for different**  
24           **types of loops. For example, for purposes of jurisdictional cost allocations, the**  
25           **FCC has traditionally treated 4-wire as 2-wire loops. From a pricing**

1 perspective, when the FCC became concerned over the disparity between 2-  
2 wire and 4-wire rates around the country, a prescription based on cost  
3 estimates, (that 4-wire rates would be 160% of 2-wire rates) was ordered on  
4 January 24, 1986 in CC Docket No. 85-166. Further, in explaining the  
5 development of the proxy, the FCC used BellSouth Florida data of \$17.00 to  
6 include in its calculation. The \$17.00 is a 2-wire analog rate.

7

8 Q. PLEASE DISCUSS BELLSOUTH'S POSITION ON THE PRICING OF  
9 UNBUNDLED ELEMENTS.

10

11 A. In this proceeding BellSouth's pricing policy involved a two-pronged  
12 approach. First, the proposed prices for all unbundled network  
13 elements/services, for which BellSouth has an existing tariff, equal the rates as  
14 set forth in the applicable tariff. This is especially true for elements that are  
15 already used by IXCs and CAPs and will be used in an identical manner by  
16 ALECs. A good example would be the current interstate virtual collocation  
17 rates. Second, for any unbundled network element/service for which BellSouth  
18 does not have an existing tariff, BellSouth has proposed prices that are cost  
19 based plus a reasonable profit. To the extent that the Commission plans to  
20 adopt the FCC's TELRIC methodology for unbundled network elements,  
21 BellSouth is also providing TELRIC study results for that purpose. Scheye  
22 Exhibit RCS-2 presents the pricing data as discussed above.

23

24 Q. HOW IS BELLSOUTH'S POSITION CONSISTENT WITH THE  
25 REQUIREMENTS OF THE ACT?

1

2 A. BellSouth's position is entirely consistent with the requirements and the intent  
3 of the Act. Clearly, the intent of the Act is to promote both facilities-based and  
4 resale competition. Two pricing standards were established by the Act: one  
5 for resale and one for unbundled network elements. Allowing the same service  
6 to be purchased through unbundled elements at one price and allowing the  
7 same service to be resold at a different and presumably higher price, greatly  
8 diminishes resale as a viable form of competition. Had this been Congress'  
9 intent, there would have been no reason to establish two pricing standards and  
10 no reason to establish the joint marketing restriction. Facilities-based  
11 competition, as envisioned by Congress, involves the purchase of unbundled  
12 network elements from BellSouth by Sprint, and the combination of those  
13 elements with Sprint's own network and capabilities to offer services to  
14 customers. Any other interpretation of Congress' intent would mean that  
15 Congress wanted to create an arbitrage situation - a totally illogical and  
16 nonsensical interpretation.

17

18 To illustrate this point simply, consider the joint marketing restriction. Would  
19 Congress, which labored over the enactment of telecommunications legislation  
20 for several years, have included a joint marketing restriction associated with  
21 resale while also including an unbundling "loophole" that would eviscerate the  
22 joint marketing restriction?

23

24 Q DO THESE PRICES MEET THE PRICING STANDARDS IN THE ACT?

25

13 wire analog loops, and 2 wire ISDN loops that meet the requirements of the  
14 Act. These same rates are available to other providers who request these  
15 unbundled elements.

16

17 Q. WHAT OTHER ISSUES HAVE AN IMPACT ON THE PRICES FOR  
18 UNBUNDLED NETWORK ELEMENTS?

19

20 A. The ability for ALECs to combine BellSouth's unbundled network elements to  
21 recreate existing BellSouth services is a major pricing issue. ALECs should  
22 only be able to combine BellSouth-provided elements with their own  
23 capabilities to create a service. They should not, however, be able to use only  
24 BellSouth's unbundled elements to create the same functionality as  
25 BellSouth's existing services which are available under the resale provisions.



1

2 Q. EXPLAIN THE RATIONALE FOR BELLSOUTH'S POSITION.

3

4 A. In many instances, combining unbundled elements provided by BellSouth in  
5 conjunction with a new entrant's capabilities is practical and appropriate. It is  
6 not appropriate, however, for the recombination to consist of only unbundled  
7 elements provided only by BellSouth and, for the recombination to create the  
8 identical functionality as an existing BellSouth service. The Act does not  
9 anticipate the recreation of an existing service by the simple reassembling of  
10 the LEC's unbundled elements. If that is what Congress had in mind, it would  
11 have eliminated the resale provision.

12

13 Unbundling is the purchase of underlying network elements that can be  
14 combined with a carrier's own elements to offer services, while resale involves  
15 the purchase of underlying network elements that are already combined and  
16 offered as a complete service. Based on this understanding, when the  
17 combination of unbundled elements produces the complete service, the  
18 recombination, if allowed at all, should be purchased as a resold service. For  
19 example, avoided cost discounts would apply to all services the terms and  
20 conditions that apply in a resale mode would apply here and the treatment of  
21 access charges, vertical features, etc., would be the same as under resale. To  
22 do otherwise is to condone tariff arbitrage without any justification, cause  
23 serious unintended financial impacts, seriously hinder the development of  
24 facilities based competition and create serious loopholes. The most obvious  
25 recombination of elements that would produce a finished service is the loop

1 and port (local switching) which is the functional equivalent of a basic local  
2 exchange service.

3

4 Q. ON PAGES 25 & 26 OF HIS TESTIMONY, MR. STAHLY DISCUSSES  
5 THE APPROPRIATENESS OF GEOGRAPHIC DEAVERAGING OF  
6 PRICES. WHAT IS BELLSOUTH'S POSITION?

7

8 A. Historically, it has been the intent and practice of regulators to maintain a  
9 statewide average for basic service rates. Such pricing practices served both  
10 regulatory and political purposes and incorporated subsidies to ensure  
11 affordable local service for all urban and rural customers. The intent of the  
12 FCC in its recent Order, as we understand it, is to change the current subsidy  
13 model to a cost model. BellSouth believes such pricing will have very serious  
14 implications for basic local exchange service.

15

16 Assuming the FCC's Order is neither stayed nor modified on appeal, Section  
17 51.507 of the Order requires that state commissions establish different rates for  
18 elements in at least three defined geographic areas to reflect geographic cost  
19 differences. Further, rates for unbundled elements are not to vary based on the  
20 class of customers served. These concepts are inconsistent with the existing  
21 pricing practices for retail rates for local exchange service established by this  
22 Commission. The present rate structure in Florida incorporates long standing  
23 policies of purposefully pricing some services markedly above costs in order to  
24 price other services at or below cost such that all Florida customers would have  
25 access to reasonable and affordable local exchange service. Further, basic

1 local exchange rates have been established according to the number of lines in  
2 a particular exchange's local calling area -- the greater the number of lines in  
3 an exchange's local calling area, the higher the price. Deaveraging loop prices  
4 based solely on costs, without concomitant action on rebalancing rates, will  
5 produce a completely different result than the way such rates have been set in  
6 the past. In addition, unbundled loop pricing establishes a single rate to be  
7 used for business or residence customers, By contrast, BellSouth's basic local  
8 exchange business service is priced will above residential service as an  
9 intended subsidy to keep residential rates affordable.

10

11 It is very important to recognize that unbundled loops will be used to compete  
12 with residence and business local exchange services. As such, the pricing  
13 implications of deaveraging the loop cannot be completely divorced from the  
14 price of local exchange services. While BellSouth believes that rate  
15 rebalancing and economic pricing must be considered in another proceeding,  
16 the Commission must consider the implications on the current pricing of retail  
17 local exchange services of deaveraging unbundled loops.

18

19 Q. IS BELLSOUTH FILING A DEAVERAGED LOOP IN THIS  
20 PROCEEDING?

21

22 A. No. BellSouth is in the process of completing a geographically deaveraged  
23 loop study. The results, however, are not available at this time. BellSouth has  
24 completed a deaveraged 2-wire analog loop study in Georgia. The TELRIC  
25 result for a 2-wire analog loop in Florida would be used to develop deaveraged

1 loop results for each of three zones. Once the average rate is disaggregated  
2 into wire centers, there are innumerable ways in which to combine wire centers  
3 into three zones to accomplish deaveraging. BellSouth suggests that a clear,  
4 logical and cost based method, consistent with the FCC's Order, would be one  
5 that is based upon the existing rate groups for basic local exchange service. By  
6 using this method, three pricing zones would be established. Rate groups  
7 represent distinct geographic areas that can be commonly described as urban,  
8 suburban and rural. This classification satisfies the FCC's requirement for  
9 geographic deaveraging. The rate group classification also underlies an  
10 approximate wire center cost structure that can be described as ranging from  
11 low in the major urban areas to high in rural areas, thus satisfying the second  
12 requirement in the FCC's Order for a cost-oriented classification.

13

14 Since the higher basic local exchange rates in urban areas make these regions  
15 more attractive for competitive entry, lower than statewide average costs per  
16 loop for these urban areas will create additional incentives and opportunities  
17 for competitors to target this area. It is important to recognize, therefore, that  
18 this approach to loop pricing requires the Commission's cooperation to  
19 rebalance retail rates and to align them closer to cost.

20

21 Q. ITEM XIV.A.2. ON SPRINT'S TERM SHEET STATES THAT, "NON-  
22 RECURRING CHARGES ASSOCIATED WITH RESOLD ACCOUNTS  
23 SHALL ALSO HAVE AN APPROPRIATE WHOLESALE DISCOUNT".  
24 DOES BELLSOUTH AGREE WITH SPRINT'S PROPOSAL?

25



- 1 A. No. As discussed earlier, BellSouth does not agree with the FCC's pricing  
2 methodology for resold services. The full nonrecurring charges should be  
3 applicable for all resold services. If, in the event the FCC's pricing  
4 methodology is upheld, any applicable discount applied to nonrecurring  
5 charges should only represent any associated avoided nonrecurring cost and  
6 should be determined on the basis of any recurring avoided cost.  
7
- 8 Q. WHAT SHOULD BE THE COST RECOVERY MECHANISM BETWEEN  
9 BELL SOUTH AND SPRINT FOR REMOTE CALL FORWARDING (RCF)  
10 USED TO PROVIDE INTERIM LOCAL NUMBER PORTABILITY IN  
11 LIGHT OF THE FCC'S RECENT ORDER?  
12
- 13 A. Cost recovery associated with interim number portability is not an issue that  
14 should be addressed in the context of this arbitration proceeding. This issue  
15 would be correctly addressed in Docket 950737-TP.  
16
- 17 Q. ITEM V.B.1. ON SPRINT'S TERM SHEET STATES THAT, "FEES  
18 RELATED TO ENGINEERING SURVEYS FOR POTENTIAL RIGHT-OF -  
19 WAY USE SHALL BE BASED ON TELRIC PLUS A REASONABLE  
20 ALLOCATION OF JOINT AND COMMON COSTS AND BE  
21 CONSISTENT WITH THE PROVISIONS OF THE ACT". DOES  
22 BELL SOUTH AGREE WITH THIS PRICING METHODOLOGY?  
23
- 24 A. No. The charges associated with engineering surveys related to potential right-  
25 of-way use should be determined on an individual case basis to reflect the

1 actual cost for each survey. There is no reason to believe the field surveys will  
2 be that commonplace and there is currently no data on which to base any kind  
3 of cost study. If it turns out that field surveys are more commonplace than  
4 BellSouth expects, BellSouth is not opposed to developing appropriate rate  
5 schedules after its has gathered sufficient data on which to conduct a study.  
6

7 **II. SUMMARY AND RECOMMENDATIONS**

8  
9 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND PROVIDE**  
10 **BELLSOUTH'S RECOMMENDATIONS FOR THE COMMISSION.**

11  
12 **A. BellSouth appreciates the opportunity to respond to Sprint's petition for**  
13 **arbitration. BellSouth has developed a track record in recent months of**  
14 **negotiating in good faith with numerous ALECs with very diverse interests.**  
15 **The results of these negotiations have been fruitful, producing 22 agreements,**  
16 **of which 14 have been filed in Florida.**

17  
18 **BellSouth requests that the Commission find that BellSouth has been**  
19 **reasonable in its approach to negotiations and requests that the Commission**  
20 **adopt its positions on the issues in this proceeding. BellSouth looks forward to**  
21 **a speedy resolution of the issues in this proceeding and further hopes that the**  
22 **progress made in this arbitration will allow BellSouth and Sprint to complete**  
23 **an agreement covering all remaining issues for filing with the Commission.**

24  
25 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

1

2 A. Yes.

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## **BellSouth**

### **Issues Matrix**

#### **Arbitration of BellSouth/Sprint Interconnection Agreement**

**Note:** To prepare this matrix, BellSouth developed an issues list based upon the "Term Sheet" references provided by Sprint and then listed the "Terms Sheet" reference(s) as constituting Sprint's position on those issues.



**BELLSOUTH'S LIST OF ISSUES TO BE DECIDED BY THE FLORIDA PUBLIC SERVICE COMMISSION  
 IN THE ARBITRATION OF THE INTERCONNECTION AGREEMENT BETWEEN SPRINT AND BELL SOUTH**

ISSUES	SPRINT Position*	BellSouth Position	TA93/FCC Rules
<b>LOCAL SERVICE REALE</b>			
1. What services provided by BellSouth, if any, should be excluded from resale?	XIV.A.1., XIV.A.2., XIV.A.5. All regulated telecommunications services offered to end-users of BellSouth must be available for resale. Including volume discounted products, grandfathered products, individual case basis products, operator services, directory assistance, vertical services and promotions.	BellSouth will offer all of its telecommunications services available at retail to subscribers who are not telecommunications carriers. There are limited reasonable and nondiscriminatory limitations on such resale and as such the following services are not available for resale: grandfathered or obsolete services; lifeline or link-up services; contract service arrangements; promotions; N11, 911 and E911 services.	In accordance with Section 251(c)(4)(A) of the Act, BellSouth must "offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers..."  Section 51.613(b) allows an incumbent LEC to impose restrictions if it proves to the state commission that they are reasonable and nondiscriminatory.
2. What is the appropriate method by which BellSouth should provide Carrier Identification Parameter (CIP)?	II.F.3. It should be provided as an unbundled network element and the associated rates should be based on TELRIC	CIP is not an element of BellSouth's network, but rather, it is an existing tariffed service. BellSouth will provide this service to Sprint as a resold service at the applicable wholesale rate.	Section 251(d)(2)(B) does not require an IELC to unbundle elements if other elements in the network could provide the same service without diminution of quality (FCC Order Paragraph 482).
<b>PARITY</b>			
3. What are the appropriate standards, if any, for performance metrics, service restoration, and quality assurance related to services provided by BellSouth for resale and for network elements provided to Sprint by BellSouth?	III.E.9. BellSouth and Sprint must agree upon a mechanism whereby BellSouth will improve performance when it is in breach of commission imposed or agreed upon quality-of-service standards.	BellSouth will provide the same quality of service to Sprint and other local competitors that it provides to its own customers for comparable services. The current Commission rules for service quality and monitoring procedures should be used to address any concerns.	Provisioning of unbundled network elements is covered in Paragraph 51.311 of the Rules. It states that the quality of unbundled network elements, as well as the quality of the access, that an incumbent LEC provides to a requesting carrier shall be the same for all telecommunications carriers requesting access to that network element.

\*The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<b>PARITY(Cont'd)</b>			
<p>4. Must BellSouth take financial responsibility for its own action in causing, or its lack of action in preventing, unbilled or uncollectible Sprint revenues?</p>	<p>III.E.9.            BellSouth shall indemnify Sprint for any forfeitures or civil penalties or other regulator-imposed fines caused by BellSouth's failure to meet commission imposed or agreed service standards.</p>	<p>BellSouth will agree to reasonable provisions regarding liability for errors. Such provisions are applicable for existing access customers and should be applicable here.</p>	<p>BellSouth believes that the issues of financial penalties, and other liquidated damages or credits are not subject to arbitration under Section 251 of the Act.</p>
<p>5. Are meet point billing arrangements appropriate between BellSouth and Sprint?</p>	<p>III.D.2.            Meet point billing arrangements should be made available to Sprint on the same terms and conditions as made available to independent LECs.</p>	<p>BellSouth agrees that meetpoint billing arrangements are needed when Sprint and BellSouth provide access to an interexchange carrier. The appropriate arrangement and the one that has been included in the agreements that BellSouth has entered into with other carriers would have both Sprint and BellSouth bill their individual rate elements to the interexchange carrier.</p>	<p>FCC Order Paragraph 553 does not require BellSouth to bear the costs of a meet point access arrangement pursuant to 251(c)(3). Nothing in the Order requires BellSouth to establish "joint offer billing" with a competitor.</p>
<p>6. Should BellSouth be required to provide daily usage files as requested by Sprint?</p>	<p>III.D.8.            Sprint and BellSouth should agree to capture EMR records for inward and outward calls and send them to one another in daily files.</p>	<p>BellSouth will provide usage data for completed/billable calls, but not for call attempts as this data will not be available.</p>	<p>The FCC Order does not address this issue.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<p><b>PARITY (Cont'd)</b></p> <p>7. Should BellSouth be required to provide real-time and interactive access via electronic interfaces as requested by Sprint to perform the following:</p> <ul style="list-style-type: none"> <li>-Pre-Service Ordering</li> <li>-Service Trouble Reporting</li> <li>-Service Order Processing and Provisioning</li> <li>-Customer Usage Data Transfer</li> <li>-Local Account Maintenance</li> </ul> <p>If this process requires the development of additional capabilities, in what time frame should they be deployed?</p> <p>What are the costs incurred, and how should those costs be recovered?</p>	<p>III.A.10., III.A.11., III.B.2., III.C.3.a., III.C.3.b., III.C.3.d., III.F.3., III.F.4.</p> <p>Real-time access to:</p> <ul style="list-style-type: none"> <li>-schedule appointments</li> <li>-confirm orders</li> <li>-determine due date/scheduling</li> <li>-dispatch required or not,</li> <li>-identify line option availability</li> <li>-identify order status</li> <li>-identify of service as installed</li> <li>-receive disconnect notice</li> <li>-receive maintenance and trouble report</li> <li>-receive repair status/confirmations</li> <li>-mechanized line testing</li> </ul>	<p>BellSouth has prepared for the entry of competitors into the local exchange marketplace by making available a number of electronic interfaces. It is continuing to enhance those interfaces currently available as well as create new ones. Further, Sprint has been intimately involved, as a partner, with some of this development. The development of additional electronic interfaces is complex, costly and time consuming and should be developed based on a clear understanding of the need, specifications and cost recovery mechanisms to be used.</p>	<p>Paragraph 51.313(c) of the Rules states that as a just, reasonable and nondiscriminatory term and condition for the provision of unbundled network elements, "[a]n incumbent LEC must provide a carrier purchasing access to unbundled network elements with the pre-ordering, ordering, provisioning, maintenance and repair, and billing functions of the incumbent LEC's operations support systems." The order concludes that nondiscriminatory access to operations support systems functions is technically feasible and must be provided no later than 1/1/97.</p>
<p>8. Should BellSouth be required to provide confirmation of the installation/change activity via an initial Firm Order Confirmation?</p>	<p>XIV.D.3.          BellSouth should be required to provide confirmation of the installation/change activity via an initial Firm Order Confirmation.</p>	<p>This request needs to be specifically defined as to what Sprint is requesting.</p>	<p>The FCC Order does not address this issue.</p>
<p>9. What information should BellSouth be required to provide in the pre-ordering and the ordering phases of processing a Sprint order?</p>	<p>XIV.D.4.          BellSouth shall provide regulated local features, products, services, elements, and combinations that were previously provisioned for Sprint local customers.</p>	<p>BellSouth will not provide CSR information in the pre-ordering phase. CSR information should not be provided until after an order has been placed.</p>	<p>The FCC Order does not address this issue.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.



ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<p><b>PARITY (Cont'd)</b></p> <p>10. When Sprint resells BellSouth's local exchange service, or purchases unbundled local switching, is it technically feasible or otherwise appropriate to route 0+ and 0- calls to an operator other than BellSouth's, to route 411 and 555-1212 directory assistance calls to an operator other than BellSouth's, or to route 611 repair calls to a repair center other than BellSouth's?</p>	<p>III.A.12., III.C.2., VII.A.5., VIII.A.3., XII.A.2.          Sprint's customers should be able to access Sprint's local, toll, operator, DA, business office and repair center services by dialing the same numbers that BellSouth's customers would dial.</p>	<p>Customized routing is not required under the Act for the provision of BellSouth retail services to Sprint for resale purposes. The Act requires BellSouth to make its retail services available to Sprint for resale as those services are offered to BellSouth's end users. As to customized routing through unbundling, BellSouth has thoroughly investigated the technical issues and found such routing to not be technically feasible. Further, Sprint has the ability to route calls by simply using a different set of access codes, e.g., Sprint already uses 00 to reach its operator.</p>	<p>Paragraph 877 of the Order states, "section 251(c)(4) does not impose on incumbent LECs the obligation to disaggregate a retail service into more discrete retail services".</p>
<p>11. When Sprint resells BellSouth's services, is it technically feasible or otherwise appropriate for BellSouth to brand operator services and directory services calls that are initiated from those resold services?</p>	<p>VII.A.8., VIII.A.2.          BellSouth shall brand its resold operator and directory assistance services and where feasible quote Sprint's rates for both card and operator service functions.</p>	<p>Using identical dialing digits as those used to access BellSouth's services is not feasible nor is it appropriate for a resale offering.</p>	<p>Paragraph 51.613 (c) of the Rules states that an incumbent LEC may impose such a routing restriction if it proves to the state commission that the restriction is reasonable and nondiscriminatory, such as by proving to a state commission that the incumbent LEC lacks the capability to comply with unbranding or rebranding requests.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.



ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<p><b>PARITY (Cont'd)</b></p> <p>12. What prices, terms and conditions of a negotiated or arbitrated interconnection agreement should be made available to Sprint on a "most favored nation" basis?</p>	<p>I.B.            BellSouth shall make available to Sprint any price, term and/or condition offered to any carrier on a most favored nation basis.</p>	<p>BellSouth will make available to Sprint or any other local competitor any individual interconnection, service or network element arrangement on the same terms and conditions as those contained in any agreement approved under section 252. However, BellSouth does not agree with Sprint's expanded interpretation of the Act and the FCC's order to allow Sprint to sever the relationship between individual rates, terms and conditions for a given service or arrangement.</p>	<p>Section 252(l) of the Act provides that a "local exchange carrier shall make available any interconnection, service, or network element provided under an agreement...to any requesting telecommunications carrier upon the same terms and conditions as those provided in the agreement". Paragraph 1314 of the FCC's Order states that, "We find that this level of disaggregation is mandated by section 252, which requires that agreements shall include "charges for interconnection and each service or network element...". In practical terms, this means that a carrier may obtain access to individual elements such as unbundled loops at the same rates, terms, and conditions as contained in any approved agreement.</p>
<p>13. Must BellSouth provide Sprint access to BellSouth's directory assistance database?</p>	<p>VII.B.            BellSouth must place Sprint customer listings in its DA database and make the database available to Sprint. Prices should be based on the TELRIC methodology.</p>	<p>BellSouth has proposed that local competitors add, delete or modify directory listings in the DA database through the most efficient process available presently, the service order process. There would be no additional charge.</p>	<p>Section 51.319(g) discusses directory assistance database access.</p>
<p>14. Should BellSouth be required to provide notice to its wholesale customers of changes to BellSouth's services? If so, in what manner and in what time frame?</p>	<p>III.F.7.            Sprint should have parity with BellSouth regarding knowledge of engineering changes, deployment of new technologies, and availability of new features.</p>	<p>BellSouth will have periodic meetings with Sprint to discuss technical issues that would affect Sprint's network and the local interconnection between BellSouth and Sprint.</p> <p>BellSouth will provide notice of new services, price changes, etc. when the tariffs are filed at the appropriate public service commission. This is consistent with the overall parity requirements.</p>	<p>The Resale section of the Rules does not address this issue specifically and no reference is found in the Order. The Rules do state in Paragraph 51.603(b), "[a] LEC must provide services to requesting telecommunications carriers for resale that are equal in quality, <b>subject to the same conditions, and provided within the same provisioning time intervals</b> (emphasis added) that the LEC provides these services to others, including end users."</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<b>PARITY (Cont'd)</b>			
<p>15. How should BellSouth treat a PIC change request received from an IXC (other than the local competitor) for a local competitor's end user customer?</p>	<p>XIV.F.          BellSouth should not make PIC changes requested by other IXCs, but should refer the request to Sprint.</p>	<p>The local service to be resold includes the capability for IXCs to change the carrier PIC via BellSouth mechanized CARE interface.</p>	<p>The FCC Rules do not specifically address the PIC.</p>
<b>Unbundled Network Elements</b>			
<p>16. Are the following items considered to be network elements, capabilities or functions? If so, is it technically feasible for BellSouth to provide Sprint with these elements?</p> <ul style="list-style-type: none"> <li>-local loop</li> <li>-Network Interface Device</li> <li>- Local Switching</li> <li>-Operator Systems</li> <li>-Dedicated Transport</li> <li>-Common Transport</li> <li>-Tandem Switching</li> <li>-Signaling Link Transport</li> <li>-Signal Transfer Points</li> <li>-Service Control Points/Databases</li> </ul>	<p>IV.A.1., IV.A.2., IV.A.3., IV.A.4., IV.A.5., IV.A.6., IV.A.7., IV.A.8., IV.A.9.          Sprint initially expects the following unbundled elements:</p> <ul style="list-style-type: none"> <li>-local loop</li> <li>-network interface device</li> <li>-local switching</li> <li>-tandem switching</li> <li>-interoffice transmission facilities</li> <li>-signaling and call related databases</li> <li>-operator services</li> <li>-directory assistance</li> <li>-operation support systems</li> </ul>	<p>BellSouth agrees generally that unbundled network elements must be provided unless not technically feasible or if it is already provided pursuant to tariff.</p>	<p>Paragraph 51.319 of the FCC Rules provides a list of specific network elements that are to be offered on an unbundled basis. Those items are: 1) local loop; 2) network interface device; 3) switching capability; 4) interoffice transmission facilities; 5) signaling networks (access to service control points through the unbundled STP) and call-related databases; 6) operation support systems functions; and 7) operator services and directory assistance.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
Unbundled Network Elements (Con't)			
<p>17. Must BellSouth make rights-of-way available to Sprint on terms and conditions equal to that it provides itself /</p>	<p>V.A.1., V.A.3.            BellSouth must provide non-discriminatory competitively neutral access to any pole, duct, conduit and ROW on terms and conditions equal to that obtained by BellSouth.</p>	<p>BellSouth shall make access to its poles, ducts, conduits, and rights of way available to Sprint on nondiscriminatory rates, terms and conditions as BellSouth has been doing for cable television providers pursuant to 47 U.S.C. 224.</p>	<p>The FCC Order addresses reserving capacity in Paragraph 1170. It states that section 224(f)(1) requires nondiscriminatory treatment of all providers of telecommunications or video services and does not contain an exception for the benefit of such a provider on account of its ownership or control of the facility or right - of - way. Paragraph 1170 goes on to say that permitting an incumbent LEC to, for example, reserve space for local exchange service, to the detriment of a would-be entrant into the local exchange business, would favor the future needs of the incumbent over the current needs of the new entrant.</p>
<p>18. What restrictions if any may BellSouth place on passing different types of traffic over a single trunk group?</p>	<p>II.B.5., II.D.2.            BellSouth may not impose any restrictions on traffic types delivered to/from the points of interconnection, but may develop usage factors.</p>	<p>Due to the differing requirements for recording and usage data for the many different traffic types, it is essential that there be some level of disaggregation of traffic types allowed to be commingled on a single trunk group.</p>	<p>The FCC Order does not address this issue.</p>
<p>19. What are the appropriate points for Sprint to interconnection with BellSouth's network?</p>	<p>II.B.1.a., II.B.2.            Sprint may designate point of interconnection to BellSouth's network within a local calling area. Point of interconnection can be established via meetpoint, collocation or any other mutually agreed to method, subject only to the limitation of technical feasibility.</p>	<p>BellSouth will not utilize mid-span or mid-air meets as points of interconnection. Point of interconnection must comport with minimum standards of network reliability and security. If there are multiple tandems in a local calling area, competing local providers must establish points of interconnection at each tandem to obtain complete coverage of the calling area. This identical to the configuration used by IXCs, many of whom will also need local interconnection.</p>	<p>The FCC Order does not address this issue.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.



ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<b>Unbundled Network Elements (Con't)</b>			
<p>20. What are the appropriate trunking arrangements between Sprint and BellSouth for local interconnection?</p>	<p>II.D.1.            Trunking should be available to any switching center designated by either carrier including end offices, local tandems, access tandems, 911 routing switches, directory assistance/operator services switches, or any other feasible point in the network. Two-trunking should be used where technically feasible.</p>	<p>BellSouth has agreed to initially configure all trunk groups as one-way in that such configuration is the most efficient at the present time. BellSouth has further agreed to work cooperatively to evaluate the appropriateness of two-way trunk groups and upon mutual agreement to transition to two-way groups.</p>	<p>Paragraph 203 of the FCC Order states, "[e]ach carrier must be able to retain responsibility for the management, control, and performance of its own network." Paragraph 51.305(f) of the FCC Rules requires that two-way trunking be provided upon request, if technically feasible.</p>
<b>Price</b>			
<p>21. Must BellSouth provide copies of records regarding rights-of-way?</p>	<p>V.C.3.            BellSouth must provide information on the location of, and the availability to access conduit, poles, etc., to any telecommunications carrier requesting such information, within 10 working days after the request.</p>	<p>The information contained in engineering records is proprietary information and must be strictly controlled. BellSouth will provide Sprint with structure occupancy information upon request on a timely basis and will allow Sprint personnel access to records or drawings pertaining to the request.</p>	<p>The FCC Rules do not address the provision of engineering records.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.



ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
<p>Price (Con't)</p> <p>22. What are the appropriate wholesale rates for BellSouth to charge when Sprint purchases BellSouth's retail services for resale?</p>	<p>XIV.B.3.          BellSouth must either adopt interim wholesale rates within the 96-98 Order's proxy range or produce cost studies within the specified time frame contemplated for negotiations as part of good faith negotiations.</p>	<p>BellSouth's proposed wholesale discounts accurately reflect the costs avoided by BellSouth when selling a telecommunications service at wholesale, the cost standard requirement by the Act.</p>	<p>Wholesale pricing is addressed in Paragraphs 51.605 through 51.611 of the FCC's Rules. The Rules allow wholesale rates that are, at the election of the state commission, either consistent with the avoided cost methodology described in the Rules, or are interim wholesale rates, pursuant to the Rules.</p> <p>The avoided cost methodology set forth in the Rules is not supported by BellSouth. The Act requires that rates for resold services shall be based on retail rates minus the costs that will be avoided due to resale. This clearly dictates the use of a "top down" approach to developing wholesale rates, and thus, the calculation begins with the retail rate and works down to the wholesale rate by deducting avoided costs. This is the only fair and logical approach, in light of the fact that BellSouth's rates are not necessarily cost-based and reflect social pricing considerations and a different competitive environment.</p>
<p>23. What should be the price of each of the items considered to be network elements, capabilities, or functions?</p>	<p>IV.B.          All unbundled network elements including their functionality shall be priced at TELRIC plus reasonable allocation of forward-looking joint and common costs as outlined in FCC Rule 51.505.</p>	<p>The price of each unbundled network element should be, as set forth in 47 U.S.C. § 252(d), based on cost plus a reasonable profit to the incumbent local exchange carrier. BellSouth's proposals regarding price reflect the legal standard.</p>	<p>The general pricing standards for elements are discussed in Paragraph 51.503 of the Rules. Elements must be offered at rates, terms, and conditions that are just, reasonable, and nondiscriminatory. Rates are to be established pursuant to the forward-looking economic cost pricing methodology set forth in the Rules. The Rules provide that until such time as cost studies are submitted and approved, the Commission may set rates based on default proxies that are provided in Paragraph 51.513.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
Price (Cont'd)			
<p>24. What should be the compensation mechanism for the exchange of local traffic between Sprint and BellSouth?</p>	<p>XIII.B.1., XIII.B.2.            Rates for the exchange of traffic should be:            -based on forward-looking economic costs (51.505 &amp; 51.511)            or            -use default proxies (51.707)            or            -bill and keep (51.713)            or            set between the proxy ranges for switching and transport [51.707(b)(2)]</p>	<p>BellSouth has offered interconnection at the switched access rate less the carrier common line charge and the interconnection rate. Regionally, the average rate is approximately 1.0¢/minute. The interconnection rate proposed satisfies the Act's requirements and has been agreed to by many CLPs.</p>	<p>Paragraph 51.503 of the Rules provides the general pricing standard for interconnection. It states that rates are to be established, at the election of the state commission, pursuant to the forward looking economic cost-based methodology set forth in the Rules, or consistent with the proxy ceilings and ranges set forth in the Rules. Paragraph 51.705 states that rates for transport and termination of local telecommunications traffic are to be established, at the election of the state commission, on the basis of 1) the forward-looking economic costs of such offerings, using a cost study pursuant to the Rules; 2) default proxies as provide in the Rules; or 3) a bill-and-keep arrangement.</p>
<p>25. Is "bill and keep" an appropriate alternative to the terminating carrier charging TELRIC?0</p>	<p>XIII.A.1.            Mutual Traffic Exchange (bill and keep) may be utilized where traffic is presumed to be in balance, otherwise, the FCC's default proxies shall be used until TELRIC studies have been completed.</p>	<p>Bill and keep may be negotiated between the parties. However, compensation at a particular rate more adequately reflects the intent of the Act to allow the interconnecting companies to recover the costs associated with the transport and termination of calls.</p>	<p>Paragraph 51.713 of the Rules gives the state commission the option to impose a bill-and-keep arrangement for reciprocal compensation if the commission determines that the amount of local telecommunications traffic from one network to the other is roughly balanced with the traffic flowing in the opposite direction, and is expected to remain so, and there has been no showing that rates should be asymmetrical. BellSouth does not believe that the Act permits bill-and-keep to be mandated.</p>

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.

ISSUES	SPRINT Position*	BellSouth Position	TA96/FCC Rules
Price (Cont'd)			
26. Should BellSouth be required to develop rates for engineering surveys on the basis of TELRIC studies?	V.B.1 Fees related to engineering surveys for potential right-of-way use shall be based on TELRIC, plus reasonable allocation of joint and common costs to be consistent with the Act.	BellSouth proposes to bill Sprint the actual cost incurred for conducting engineering surveys.	Nothing in the Act or the Order requires fees for engineering surveys to be based on TELRIC.
27. What pricing methodology should be used to determine the rates for interim number portability?	XI.B.1. The interim rate for number portability should set at TELRIC less a 55% discount.	Interim rates should be set at levels agreed to in other interconnection agreements or as determined by the Commission in earlier proceedings.	To the extent this issue involves the FCC order, arbitration is not the forum for resolution. Decisions on this issue can affect many parties beyond Sprint.

\* The citations reflect Sprint's "Term Sheet" provisions addressing the specific issue.



SERVICE / RATE ELEMENT	TELRIC BASED RESULTS	BELLSOUTH PROPOSED		
		RATES	NON-RECURRING	
			FIRST	ADD'L
<b>Unbundled Loops</b>				
2 Wire Analog Voice Grade, Per Month	\$24.15	\$17.00 <sup>1</sup>	\$140.00	\$45.00
4-Wire Analog Voice Grade, Per Month	\$44.04	\$31.90 <sup>1</sup>	\$140.00	\$45.00
2 Wire ISDN Digital Grade, Per Month	\$38.55	\$43.00	\$360.00	\$325.00
<b>4-Wire DS1 Digital Grade</b>				
Per Month	\$92.67	\$140.90 <sup>1</sup>	\$740.00 <sup>1</sup>	\$645.00
<b>Unbundled Ports</b>				
<b>2-Wire Analog Residence</b>				
Total Unit (Recurring)	\$2.38	\$2.00 <sup>1</sup>	\$60.00 <sup>2</sup>	\$40.00 <sup>2</sup>
<b>2-Wire Analog Business</b>				
Total Unit (Recurring)	\$2.38	\$2.00 <sup>1</sup>	\$60.00 <sup>2</sup>	\$40.00 <sup>2</sup>
<b>2-Wire Analog PBX</b>				
Total Unit (Recurring)	\$2.38	\$4.50	\$60.00 <sup>2</sup>	\$40.00 <sup>2</sup>
<b>2-Wire Analog Hunting</b>				
Total Unit (Recurring)	\$0.24	\$2.00		
<b>2-Wire DID Analog Trunk Port</b>				
Total Unit (Recurring)	\$13.25	\$20.00 <sup>1</sup>	\$120.00	\$100.00
<b>2-Wire ISDN Digital Port</b>				
Total Unit (Recurring)	\$12.40	\$12.00	\$95.00	\$75.00
<b>4-Wire DID DS1 Trunk Port</b>				
Total Unit (Recurring)	\$137.06	\$150.00	\$190.00	\$170.00
<b>4W ISDN DS1 Port</b>				
Total Unit (Recurring)	\$285.15	\$361.00 <sup>1</sup>	\$325.00 <sup>1</sup>	
<b>Coin Ports (Replaces 4-Wire Analog Port)</b>				
Total Unit (Recurring)	\$2.71	\$10.00	\$60.00	\$40.00
<b>Unbundled Local Usage</b>				
		\$0.0275/First		
		\$0.0125/Addl		
<b>End Office Switching (LS2/FGD)</b>				
Per Conversation Minute Per Switch	\$0.002456			
<b>Tandem Switching</b>				
Per Conversation Minute Per Switch	\$0.001433			
<b>Common Transport</b>				
Per Conversation Minute Per Link	\$0.000321			
Note 1: Commission ordered \$17.00 2-wire voice grade analog loop and \$2.00 2-wire analog port in Docket 950984.				
Note 2: Present A4 non-recurring charges.				
* Existing tariffed rate for equivalent unbundled element or service to other interexchange carriers.				



SERVICE / RATE ELEMENT	TELRIC BASED RESULTS	BELLSOUTH PROPOSED		
		RATES	NON-RECURRING	
			FIRST	ADD'L
<b>Channelization System - Central Office</b>				
Per Month	\$420.30	\$555.00	\$490.00	
<b>Central Office Interoffice Channel</b>				
Per Month	\$1.30	\$1.70	\$7.00	\$7.00
<b>Interoffice Channel</b>				
0 - 8 Miles, Fixed	\$16.84	\$28.50	\$87.00	
Per Mile Per Month	\$0.0125	\$1.65*		
9 - 25 Miles, Fixed	\$17.02	\$28.50	\$87.00	
Per Mile Per Month	\$0.0135	\$1.60*		
Over 25 Miles, Fixed	\$17.02	\$28.50	\$87.00	
Per Mile Per Month	\$0.0135	\$1.55*		
<b>Operator Call Processing Access Service</b>				
Operator Provided, Per Minute				
Using BST LIDB	\$1.3281	\$1.17		
Using Foreign LIDB	\$1.3451	\$1.17		
Fully Automated, Per Attempt				
Using BST LIDB	\$0.0591	\$0.15		
Using Foreign LIDB	\$0.0808	\$0.15		
<b>Inward Operator Services Access Service</b>				
Verification, Per Call	\$0.9277	\$0.95		
Emergency Interrupt, Per Call	\$1.0065	\$1.40*		
<b>Emergency Call Trace</b>				
Per Minute	\$3.15			
<b>Directory Assistance Access Service</b>				
Per Attempt	\$0.3042	\$0.25		
<b>Directory Assistance Database Service</b>				
Per Listing	\$0.0196	\$0.035		
Monthly Recurring Cost	\$122.13	\$150.00		
<b>Direct Access to Directory Assistance Service</b>				
Service Charge, Per Month	\$7,317.16	\$5000.00	\$1000.00	
Query Charge, Per Query	\$0.0052	\$0.023		

\* Existing tariffed rate for equivalent unbundled element or service offered to interexchange carriers.

SERVICE / RATE ELEMENT	TELRIC BASED RESULTS	BELLSOUTH PROPOSED		
		RATES	NON-RECURRING	
			FIRST	ADD'L
<b>DACC Access Service</b>				
Per Call Attempt	\$0.0170	\$0.25		
Recording Cost Per Announcement	\$1,658.41			
Loading Cost Per Audio Unit	\$243.09			
<b>Directory Transport</b>				
Switched Common Transport				
Per DA Service Call	\$0.000152	\$0.0003		
Switched Common Transport				
Per DA Service Call Mile	\$0.000009	\$0.00004		
Access Tandem Switched				
Per DA Service Call	\$0.000955	\$0.00055		
<b>Number Services Intercept Access Service</b>				
Per Intercept Query	\$0.0209	\$0.25		
<b>CCS7 Signaling Transport Service</b>				
Signaling Connection, Per Month	\$4.78	\$155.00	\$510.00	
Signaling Termination, Per Month	\$120.25	\$355.00		
Signaling Usage				
Per Call Setup Message	\$0.000028	\$0.000023		
Per TCAP Message	\$0.000099	\$0.00005		
Signaling Usage Surrogate				
Per 56 Kbps Facility Per Month	\$443.52	\$395.00		
<b>800 Access Ten Digit Screening Service</b>				
800/POTS Number Delivery, Per Query	\$0.0010	\$0.004		
800/POTS Number Delivery with				
Optional Complex Features, Per Query	\$0.0011	\$0.0045		
<b>Line Information Database Access Service</b>				
Common Transport, Per Query	\$0.00009	\$0.0003		
Validation, Per Query	\$0.00949	\$0.038		

\* Existing tariffed rate for equivalent unbundled element or service offered to interexchange carriers.