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1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 DIRECT TESTIMONY OF ROBERT C. SCHEYE
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NOS. 950984A-TP (MFS PETITION),
5 AND 950984B-TP (MCIMETRO PETITION)
6 NOVEMBER 27, 1995
7
8

9 Q. Please state your name, address and position with
10 BellSouth Telecommunications, Inc. ("BellSouth" or
11 "The Company").
12

13 A. My name is Robert C. Scheye and I am employed by
14 BellSouth Telecommunications, Inc., as a Senior
15 Director in Strategic Management. My address is
16 675 West Peachtree Street, Atlanta, Georgia
17 30375.
18

19 Q. Please give a brief description of your background
20 and experience.
21

22 A. I began my telecommunications company career in
23 1967 with the Chesapeake & Potomac Telephone
24 Company (C&P) after graduating from Loyola College
25 with a Bachelor of Science in Economics. After

1 several regulatory positions in C&P, I moved to
2 AT&T in 1979, where I was responsible for the FCC
3 Docket dealing with competition in the long
4 distance market. In 1982, with divestiture, this
5 organization became responsible for implementing
6 the MFJ requirements related to nondiscriminatory
7 access charges. In 1984, this organization became
8 part of the divested regional companies' staff
9 organization known as Bell Communications
10 Research. I joined BellSouth in 1988 as a
11 Division Manager responsible for jurisdictional
12 separations and other FCC related matters. In
13 1993, I moved to the BellSouth Strategic
14 Management organization, where I have been
15 responsible for various issues, including local
16 exchange interconnection, unbundling and resale.

17
18 Q. What is the purpose of your testimony?

19
20 A. The purpose of my testimony is to address the
21 issues listed in the issues list attached to my
22 testimony as exhibit RCS-1. My testimony will
23 also respond to the issues raised by Mr. Timothy
24 T. Devine on behalf of Metropolitan Fiber Systems
25 of Florida, Inc. (MFS-FL) in Docket No.

1 950984A-TP; and by MS. Nina Cornell and Mr. Don
2 Price on behalf of MCImetro Access Transmission
3 Services, Inc. (MCImetro) in Docket No.
4 950984B-TP.

5

6 Q. Have BellSouth and MFS-FL or BellSouth and
7 MCImetro reached any agreement on unbundling
8 issues?

9

10 A. No. While the parties to this proceeding
11 agree on most of the specific unbundling issues,
12 no general agreement has been reached because
13 BellSouth believes that issues concerning local
14 interconnection, unbundling and universal service
15 should be negotiated together as part of one
16 comprehensive package. My Exhibit RCS-2 lists the
17 unbundling items that have been mentioned during
18 the course of negotiations.

19

20 Q. What elements should be made available by
21 BellSouth to MFS-FL and MCImetro on an unbundled
22 basis (e.g., loop elements, port elements, loop
23 concentration, and loop transport)? [Issue # 1]

24

25 A. BellSouth plans to offer unbundled loops and

1 associated transport, unbundled ports, channel
2 multiplexing and associated transport, and virtual
3 collocation. BellSouth does not plan to offer
4 sub-loop unbundling, loop concentration or
5 connection of unbundled loops to unbundled ports.

6

7 Q. What are the appropriate technical arrangements
8 for the provision of such unbundled elements?
9 [Issue # 2] Please explain how BellSouth intends
10 to provide unbundled local loops and ports?

11

12 A. Voice grade local loops are already available
13 today to Alternative Access Vendors (AAVs) from
14 BellSouth's Access Services Special Access tariff.
15 These local channels provide the facilities from
16 an end user's premises to that end user's serving
17 wire center. The same channels may also be
18 utilized by an Alternative Local Exchange Company
19 (ALEC). Additionally, any interoffice transport
20 facilities necessary to connect a local channel
21 from the end user's serving wire center to the
22 ALEC's point of interface are also available in
23 the Access Services tariff.

24

25 BellSouth intends to file a new tariff offering

1 that will provide an unbundled two-wire voice
2 grade exchange port for connection of an ALEC's
3 end user loop to BellSouth's public switched
4 network. The unbundled port will have the same
5 local calling scope, features and functionality as
6 a BellSouth provided bundled residence or business
7 telephone line. Three types of exchange ports
8 will be offered: a residence port, a business port
9 and a PBX trunk port. Rotary or hunting
10 capability will be provided in association with
11 each type of port on an optional basis at an
12 additional charge.

13

14 Q. How does BellSouth plan to offer channel
15 multiplexing and associated transport?

16

17 A. Channel multiplexing and associated transport are
18 currently offered as High Capacity Service in our
19 Special Access Service tariff. An ALEC, just like
20 any other carrier, can purchase these services at
21 tariff rates.

22

23 Q. Could you explain what BellSouth's plans are for
24 collocation with ALECs in Florida?

25

1 A. On November 20, 1995, BellSouth filed a tariff
2 with the Commission that will offer Virtual
3 Expanded Interconnection Service (VEIS) for basic
4 transmission facilities. This tariff has an
5 expected effective date of January 19, 1996. When
6 the tariff is approved, VEIS will also be
7 available to ALECs.

8
9 VEIS is subject to the availability of space and
10 facilities in each BellSouth location and provides
11 for location interconnection of
12 collocator-provided/BellSouth-leased fiber optic
13 facilities to BellSouth's services. Under VEIS, a
14 collocator provides fiber optic cable up to a
15 BellSouth designated interconnection point outside
16 of the BellSouth location, such as a manhole. The
17 collocator will provide the entrance fiber
18 extending between the interconnection point and
19 the location. BellSouth will lease the entrance
20 fiber and install the fiber into the location.

21
22 Q. What is the appropriate rate level for unbundled
23 loops? [Issue # 3]

24
25 A. The appropriate rate level for unbundled loops is

1 the current Special Access tariff rate for a voice
2 grade local channel for several reasons.

3

4 First, these unbundled facilities do not terminate
5 at the BellSouth switch. Rather, they are
6 provisioned and maintained in a manner that is
7 more analogous to a Special Access dedicated line
8 than to a regular switched exchange line. As far
9 as BellSouth's network is concerned, these are
10 non-switched facilities. Contrary to MS.

11 Cornell's assertion on page 8, lines 1 - 3, of her
12 testimony, BellSouth must still provision, test
13 and maintain the unbundled loop facilities offered
14 to ALECs. These facilities are owned by BellSouth
15 and final responsibility for their appropriate
16 operation remains with BellSouth.

17

18 Second, there are situations when it is more
19 economical to directly integrate local loops into
20 the central office switch via Subscriber Loop
21 Carrier (SLC) technology. When an ALEC requests
22 an unbundled loop in situations such as this,
23 these loops have to be "unintegrated" from the
24 switch. This requires additional engineering
25 effort, as well as the purchasing and installation

1 of additional equipment in the central office.
2 Therefore, it is incorrect to equate local loops
3 terminated at a Company switch with unbundled
4 local loops which terminate at the ALEC's point of
5 interface.

6
7 Finally, pricing of dedicated non-switched
8 facilities at rates other than the current Special
9 Access tariff rates will create opportunities for
10 tariff shopping and arbitrage. For instance,
11 existing customers of two-wire dedicated
12 facilities may request a change to the new
13 tariffed service if unbundled local loops were to
14 be priced at rates lower than the current Special
15 Access rates, thus putting at risk the Company's
16 current Special Access revenues.

17
18 Q. How does BellSouth plan to price its unbundled
19 ports? [Issue # 3]

20
21 A. BellSouth plans to price or rate unbundled ports
22 on a measured basis consisting of a monthly rate
23 and a usage rate. The usage rate will be the same
24 as that of Shared Tenant Service contained in
25 Section A23 of BellSouth's General Subscriber

1 Service Tariff (GSST). The Shared Tenant Service
2 tariff is the vehicle currently in place that
3 allows for the resale of BellSouth's local
4 exchange service. Unbundled ports are another
5 form of resold local exchange service and should
6 be priced consistent with the current Shared
7 Tenant Service tariff.

8

9 Q. What arrangements, if any, are necessary to
10 address other operational issues? [Issue # 4]

11

12 A. I believe it is premature for the Commission to
13 address operational issues at this time. Chapter
14 364, Section 161 of the Florida Statutes clearly
15 contemplates that there will be negotiation of
16 these issues between the parties. The Company
17 believes that these issues can be negotiated to
18 the mutual satisfaction of all parties. If
19 negotiations fail, MFS-FL and MCImetro have the
20 right to file a complaint with the Commission in
21 order to resolve any issues they feel necessary.

22

23 Q. What mechanism should be put in place to enable
24 ALECs to request further unbundling of BellSouth's
25 network?

1

2 A. In dealing with further or new requests to
3 unbundle other network capabilities, BellSouth
4 recommends that the existing Open Network
5 Architecture (ONA) model and criteria be used to
6 the extent possible to determine the feasibility
7 of unbundling new network capabilities. The ONA
8 criteria adopted by the FCC includes the following
9 requirements that must be met for unbundling:

10

11 Technical Feasibility: The capability can be
12 separately provided as a network component and it
13 is not dependent on other network components to
14 have functionality.

15

16 Costing Feasibility: The capability must have a
17 discrete, identifiable cost available under
18 existing cost methodology.

19

20 Market Demand: There must be a level of need
21 expressed by a customer or customers sufficient to
22 recover the costs of the capability.

23

24 Utility: There must be a demonstration that, if
25 unbundled, the capability has the ability to be

1 used in the provision of a service offering.

2

3 Under the ONA model, a requested unbundled element
4 must meet these requirements to be technically and
5 economically feasible.

6

7 The ONA request process provides for a 120 day
8 review cycle which begins once a new request for a
9 new network capability is received. BellSouth
10 recommends a similar time frame for dealing with
11 such requests in Florida. During this cycle, the
12 request can be negotiated between the parties and
13 can be evaluated with respect to the criteria
14 discussed previously. The network capability
15 should only be offered after a determination is
16 made that these criteria have been met.

17

18 Q. On page 13 of MFS-FL witness Timothy T. Devine's
19 testimony, he states that, in addition to voice
20 grade unbundled loops and ports, BellSouth should
21 also offer two-wire ISDN digital grade and
22 four-wire DS-1 (1.544 Megabits per second) digital
23 grade loops; and the following ports: two-wire
24 ISDN digital line, two-wire analog DID trunk,
25 four-wire DS-1 digital DID trunk; and four-wire

1 ISDN DS-1 digital trunk. Could you comment on
2 this?

3
4 A. These particular loops and ports requested by
5 MFS-FL are not part of basic local exchange
6 service. The ISDN loops and ports are part of
7 either basic rate or primary rate ISDN. The
8 two-wire analog DID trunk port is part of DID
9 trunk service. To my knowledge, the four-wire
10 DS-1 digital DID trunk port is not part of any
11 service currently offered by BellSouth under
12 tariff. BellSouth's initial focus has been to
13 develop unbundled capabilities essential to offer
14 basic exchange services.

15
16 As for the two-wire analog DID trunk port
17 requested by MFS-FL, it will be made available
18 initially by combining the unbundled PBX trunk
19 port mentioned earlier with an already existing
20 DID trunk termination. The DID trunk termination
21 is currently available in Section A12. of
22 BellSouth's General Subscriber Services Tariff
23 (GSST).

24
25 While BellSouth believes it may be technically

1 possible to offer the remaining ISDN and DS-1
2 loops and interfaces, it has concentrated its
3 resources on handling the basic elements first.
4 Consistent with the mechanism proposed earlier for
5 handling new requests for unbundling, BellSouth
6 also would require a demand forecast from MFS-FL
7 and other ALECs in order to evaluate the
8 appropriateness of this request and then allocate
9 resources accordingly.

10

11 Q. Will BellSouth offer the connection of unbundled
12 loops to unbundled ports as requested by MFS-FL?

13

14 A. No. BellSouth will not offer such a connection
15 because when an unbundled loop is connected to an
16 unbundled port, the resulting service would be
17 functionally equivalent to switched local exchange
18 service. To allow such a connection would create
19 another opportunity for price arbitrage since two
20 functionally equivalent services would be
21 available at different prices.

22

23 If an ALEC wants to purchase and resell basic
24 exchange service, it would be far more efficient
25 to provision and sell such a service as one.

1 Consistent with revised Chapter 364, ALECs will be
2 able to resell the Company's currently available
3 local exchange message and measured rate services.

4

5

6 Furthermore, it makes no sense to unbundle local
7 exchange service and then to turn around and
8 develop new ordering and installation procedures
9 that would allow for the connection of the piece
10 parts. It would be more costly to provision, sell
11 and maintain these services as separate items.
12 For example, it would take longer to negotiate and
13 write an order for an unbundled loop and an
14 unbundled port and to somehow indicate their
15 cross-connection in the service order document,
16 than it would take to write an order for a regular
17 bundled exchange line.

18

19 The likely result of allowing the reconnection of
20 unbundled loops to unbundled ports would be a
21 higher price for the sum of the corresponding rate
22 elements compared to the equivalent bundled
23 counterpart.

24

25 Q. Will BellSouth offer loop concentration to

1 MCImetro and MFS-FL?

2

3 A. No. BellSouth does not intend to offer loop
4 concentration because loop concentration is not
5 true unbundling, rather it is a new network
6 capability. The provision of loop concentration
7 would require the development of an entirely new
8 service, i.e., it is not a capability that can be
9 disaggregated from another functionality within
10 the network. Purchase of new hardware and the
11 placement thereof in BellSouth's central offices
12 would be required in order to provide the service.
13 If MFS-FL or MCI ever decided to stop purchasing
14 this capability, it is unlikely that BellSouth
15 could use this equipment within the same office.

16

17 Clearly, loop concentration does not meet the
18 criteria for network unbundling contemplated under
19 Chapter 364 of the Florida Statutes. Unbundling,
20 by definition, requires that an existing
21 capability in a LEC's network be broken out into
22 individual piece parts. Loop concentration, on
23 the other hand, requires the creation of a new
24 capability.

25

1 Q. On pages 14 and 15 of Mr. Devine's testimony, he
2 describes Digital Loop Carrier (DLC) technology
3 and states that MFS-FL is seeking to lease as one
4 element, the DS-1 rate digital distribution
5 facility and DLC terminal; and to lease as
6 discrete incremental elements individual channels
7 on voice grade feeder/drop facilities. Could you
8 comment on this?

9
10 A. What MFS-FL is requesting as far as leasing
11 individual channels on feeder/drop facilities is
12 simply further unbundling of the local loop into
13 "sub-loop" elements. BellSouth has no plans to
14 offer this "sub-loop" unbundling.

15
16 First, the operations and support systems required
17 to order and administer such sub-loop unbundling
18 would be extremely difficult to develop and
19 maintain. Essentially, what MFS-FL is requesting
20 is for BellSouth to allow MFS-FL to terminate an
21 MFS-FL provided customer drop in a BellSouth
22 provided Remote Terminal (RT) in the field. This
23 is simply not practical when many ALECs are
24 involved because each drop would need to be
25 tracked separately per ALEC at each RT.

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Additionally, MFS-FL proposes that it and other ALECs be allowed access to BellSouth's plant in the field. Accountability and control of the network would be completely lost at that point.

Second, the local loop network is engineered as an end to end integral unit generally consisting of copper loops, cross-connect boxes, the SLC RT and terminations in the central office. Fragmentation of this integral unit introduces additional points of potential network failure.

Mr. Devine claims that "this further unbundling of the links into digital distribution and voice-grade feeder/drop sub-elements is necessary in order to ensure that the quality of links MFS-FL leases from the (sic) BellSouth is equal to the quality of links that BellSouth provide (sic) to end users." Further unbundling into these sub-elements is not necessary to ensure equal quality. On the contrary, considering the tracking and administration problems this would create, combined with the loss of accountability and the fragmentation problem I discussed

1 previously, Mr. Devine's proposal is fraught with
2 potential quality problems.

3

4 Q. On page 24, lines 9 through 15, of Mr. Devine's
5 testimony, he proposes pricing guidelines for
6 unbundled rate elements. What is your assessment
7 of his proposal?

8

9 A. Mr. Devine proposes that the sum of the prices for
10 the unbundled rate elements not exceed the price
11 of the bundled dial tone line. He further
12 proposes that ALECs be allowed to recombine
13 (connect) unbundled loops and ports.

14

15 This should not be allowed because the two
16 proposals, taken together, would have the effect
17 of allowing ALECs to purchase the equivalent of
18 flat rated residence and business lines at
19 currently tariffed flat rates. His proposals are
20 just an attempt to lead the Commission into
21 circumventing the intent of Section 364.161(2),
22 Florida Statutes 1995, which states: "The local
23 exchange telecommunications company's currently
24 tariffed, flat rated, switched residential and
25 business services shall not be required to be

1 resold until the local exchange telecommunications
2 company is permitted to provide inter-LATA
3 services and video programming, but in no event
4 before July 1, 1997."

5
6 Further, Section 364.161(1) prohibits the sale of
7 "unbundled local loops at prices that are below
8 cost." Section 364.161(2) also states: "In no
9 event shall the price of any service provided for
10 resale be below cost." To the extent that
11 residential local exchange service is currently
12 priced below its Long Run Incremental Cost, Mr.
13 Devine's proposals would be inconsistent with the
14 requirements of Florida law.

15
16 Q. Does BellSouth plan to offer to collocate ALEC
17 owned remote switching modules in BellSouth's
18 central offices as suggested by Mr. Devine on page
19 19, lines 1 - 3, of his testimony?

20
21 A. No. The objective of collocation is to facilitate
22 the interconnection of transmission facilities
23 between a LEC and an interconnector. It has
24 nothing to do with the placement of switching
25 equipment in LEC central offices. Collocation has

1 been limited to the placement of transmission
2 equipment in LEC central offices. For instance,
3 in its Second Report and Order, and Third Motion
4 of Proposed Rulemaking released September 2, 1993
5 in Docket No. 91-141, the FCC concluded:
6 "Collocation of non-transmission equipment is not
7 related to the competitive provision of basic
8 transmission services. In addition, we agree with
9 PacTel that interconnectors need not place their
10 own switches on LEC premises to gain the benefits
11 of expanded interconnection. Thus, LECs will not
12 be required to allow interconnectors to collocate
13 switches in LEC locations."

14
15 Mr. Devine disguises his proposal for placement of
16 their switching equipment in the Company's central
17 offices as a natural extension of loop unbundling
18 when in fact it has nothing to do with it.

19
20 Additionally, the issue of collocation of
21 switching equipment in company central offices is
22 well beyond the scope of this proceeding. Such
23 an issue should be considered in a separate docket
24 where all parties can be heard.

25

1 Q. Does this conclude your testimony?

2

3 A. Yes.

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ISSUES LIST FOR DOCKET NO. 950984-TP

1. What elements should be made available by BellSouth to MFS and MCImetro on an unbundled basis (e.g. loop elements, port elements, loop concentration, and loop transport)?
2. What are the appropriate technical arrangements for the provision of such unbundled elements?
3. What are the appropriate financial arrangements for each such unbundled element?
4. What arrangements, if any, are necessary to address other operational issues?

NEGOTIATION ITEMS

UNBUNDLING

- PRICE
- DIRECTORY ASSISTANCE
- LISTINGS
- COLLOCATION
- LOOPS AND PORTS
- NUMBER PORTABILITY
- 911
- LINE INFORMATION DATA BASE (LIDB)
- 800 DATA BASE
- SIGNALING
- OPERATOR SERVICES
- POLES, DUCTS AND CONDUITS
- FORECASTS/TIMING