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December 22, 1998

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

Re: Docket No. 981745-TP

Dear Ms. Bayo:

Enclosed for filing in the above captioned docket on behalf of e.spire Communications, Inc. are an original and fifteen copies of the following documents:

1. The Direct Testimony of James C. Falvey; 14478-98
2. The Direct Testimony of Marvin H. Kahn; 14479-98
3. The Direct Testimony of William Stipe, III; and 14480-98
4. The Direct Testimony of Tony Mazraani. 14481-98

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

Thank you for your assistance with this filing.

Sincerely,

Norman H. Horton, Jr.

NHH/amb
Enclosures
cc: James C. Falvey, Esq.
Parties of Record

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e•spire Exhibit ____
Testimony of C. William Stipe, III

ORIGINAL

BEFORE THE
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

In the Matter of	)	
	)	
Petition by E.SPIRE COMMUNICATIONS, INC.,	)	Docket No. 981745-TP
and ACSI LOCAL SWITCHED SERVICES, INC.,	)	
AMERICAN COMMUNICATION SERVICES,	)	
OF TAMPA, INC., and AMERICAN COMMUNICATION	)	
SERVICES OF JACKSONVILLE, INC.	)	
for Arbitration of an Interconnection Agreement	)	
with BELLSOUTH TELECOMMUNICATIONS,	)	
INC. Pursuant to Section 252(b) of the	)	
Telecommunications Act of 1996	)	

DIRECT TESTIMONY
OF C. WILLIAM STIPE, III
ON BEHALF OF
E.SPIRE COMMUNICATIONS, INC.

DECEMBER 22, 1998

DC01/HEITJ/67122.1

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is C. William Stipe III and I am Director - Switch Engineering. My business address is 131 National Business Parkway, Suite 100, Annapolis Junction, Maryland 20701.

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND BACKGROUND.

A. Prior to joining e.spire in 1996, I had twenty-four years of experience in the telecommunications industry working for Bell Atlantic Corporation. I held a number of positions with Bell Atlantic, and most recently, since 1994, was Director - Financial Systems. From 1991 to 1994, I served as Director - Product Profitability and Transfer Pricing and operated and enhanced a Product Profitability reporting system. I also developed and implemented a Transfer Pricing process for Line of Business financial reporting. From 1987 to 1991, I was the Director - Customer Business Services, responsible for pricing and costing multi-year service contracts in competitive proposals to Bell Atlantic's largest commercial and government customers. From 1972 to 1987, I held a variety of engineering and management positions of increased responsibility. I received my Bachelor of Science in Electrical Engineering from Virginia Tech in 1972, and my M.B.A. from Virginia Commonwealth University in 1984.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I testified last year in Docket No. 26029 regarding TELRIC pricing for interconnection and unbundled network elements ("UNEs"). I also provided prefiled direct testimony in a previous e.spire arbitration against BellSouth (Docket No. 6854-U) which concluded in settlement.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE OTHER STATE PUBLIC UTILITY COMMISSIONS?

A. Yes. I have testified before numerous Commissions, including Commissions in the BellSouth, Bell Atlantic, and U S West regions.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain the types and functionality of unbundled loops and other UNEs e.spire is interested in obtaining from BellSouth. During the course of negotiations that led to this arbitration proceeding, BellSouth already has agreed to provide some of the UNEs requested. However, even where BellSouth agreed to provide UNEs, in some cases, it often failed to propose rates, relied on interim rates, proposed rates that could not have a reasonable relation to cost, or proposed to limit the offering in a way that would deny e.spire the ability to use the UNE as intended.

Q. PLEASE SET FORTH THE NETWORK ELEMENTS FOR WHICH E.SPIRE HAS REQUESTED BELLSOUTH TO PROVIDE UNBUNDLED ACCESS.

A. e.spire has requested access from BellSouth to various Unbundled Local Loops ("ULLs"), including 2-Wire Analog Voice Grade ULLs, 4-Wire Analog Voice Grade ULLs, 2-Wire ISDN Digital Grade ULLs, 4-Wire DS-1-Compatible ULLs, 2-Wire HDSL-Compatible ULLs, 2-Wire ADSL-Compatible ULLs, 2-Wire ADSL-Equipped ULLs, 4-Wire HDSL-Equipped ULLs, 56/64 kbps digital grade ULLs, DS-3 ULLs, OC-3 ULLs, OC-12 ULLs, and OC-48 ULLs.

e.spire also has requested unbundled access to Extended Loops, with no limits on the types of loops and transport that can be incorporated into an Extended Loop UNE. Dark Fiber loop plant, and a Bit-Stream Loop UNE.

So that e.spire can begin its roll-out of xDSL-based advanced services, e.spire also has requested unbundled access to xDSL-Compatible (or "clean copper") Loops, "loop conditioning", loop conditioning OSS, and "loop spectrum unbundling".

Where technically feasible, e.spire also has requested unbundled access to Sub-Loop elements. These Sub-Loop elements include the Network Interface Device ("NID"), Loop Concentration equipment inside and outside the Central Office (including Sub-Loop Concentration equipment and Digital Loop Carriers of all kinds), Feeder plant, Distribution plant, Dark Fiber in the loop plant, and Network Terminating Wires. To ensure access to these Sub-Loop elements, e.spire also has requested BellSouth to provide access to Remote Terminals for collocation with and interconnection to equipment located in such Remote Terminals.

To complement its own switching capabilities, e.spire also has requested unbundled access to Local Switching, Tandem switching and Frame Relay packet switching, including UNI and NNI switch ports.

e.spire also has requested unbundled access to a variety of unbundled Transport options. These include Shared Transport and Dedicated Transport in various capacity levels, including DS-0, DS-1, DS-3, OC-3, OC-12, OC-48, OC-96 and SONET. e.spire also has requested unbundled access to Dark Fiber transport facilities on which it will supply its own electronics.

e.spire also has requested unbundled access to a host of other network elements including, Digital Cross-Connect System ("DCS"), Operator Services and Directory Assistance, Signaling, OSS and Databases.

Finally, e.spire has requested unbundled access to a number of UNE combinations. These combinations include an unbundled loop combination consisting of a loop, Dedicated Transport, STPs, signaling link transport, and service control points/databases; an unbundled loop/network combination consisting of a loop, shared transport, dedicated transport, STPs, signaling link transport, and service control points/databases; a switching combination referred to as "Switching Combination #1" which includes a NID, local switching, operator systems, dedicated transport, SS7 message transfer and connection control, signaling link transport, service control points/databases, and tandem switching; a switching combination referred to as "Switching Combination #2" which includes a NID, local switching, shared transport, dedicated transport, SS7 message transfer and connection control, signaling link transport, service control points/databases, and tandem switching; a switching combination referred to as "Switching Combination #3" which includes a NID, local switching, operator systems, shared transport, dedicated transport, SS7 message transfer and connection control, signaling link transport, service control points/databases, and tandem switching; a switched data services combination which includes a NID, local switching, shared transport, dedicated transport and tandem switching; an unbundled loop with interoffice transport combination composed of a loop, cross-connect, and dedicated transport or an entrance facility; an unbundled element platform without operator services and directory assistance composed of a loop, local switching, shared transport, dedicated transport, STPs, signaling link transport, service control points/databases, and tandem switching; and a frame relay combination consisting of a loop, dedicated transport, and frame relay switching.

Q. HAS E.SPIRE PROPOSED DESCRIPTIONS OF THE UNEs THAT IT WISHES TO ACCEPT?

A. Yes. The technical descriptions are introduced in Attachment 2 of the draft agreement. We ask that the Commission require BellSouth to make available to e.spire now each such UNE – at pre-designated TELRIC-based rates.

Q. DOES E.SPIRE HAVE A PARTICULAR OBJECTION TO BELLSOUTH'S PROPOSALS RELATING TO LOOP PROVISIONING?

A. Yes. e.spire believes that BellSouth's proposed intervals are unreasonably lengthy, and its NRCs are unreasonably high.

Q. IS PROVISIONING A LOOP A COMPLICATED AND TIME CONSUMING UNDERTAKING?

A. No, actually, it is a rather simple task that can be completed in a few minutes or less. To provision a loop, all that is required is that a technician must attach "jumper cables" from BellSouth's Point of Termination ("POT") bay to e.spire's terminating equipment in e.spire's collocation space. **[e.spire will provide a demonstration of this task at the hearing in this proceeding.]** The loop cutover is analogous to the activity in turning up a BellSouth end user – it is the same function that BellSouth technicians have been performing every day, many times a day, for years. Indeed, BellSouth's own data submitted in support of its second FCC Section 271 application for Louisiana suggests that BellSouth can complete coordinated loop cutovers in less than four and a half (4½) minutes. Despite this, BellSouth apparently bases its cost studies on the presumption that 15 minutes of frame work is involved. This assumption, however, cannot be supported

by time and motion studies. Ordinarily, running jumper cables to cutover a loop should take roughly two minutes.

Q. IS IT IMPORTANT FOR COORDINATED CUTOVERS TO BE PERFORMED WITHIN A CERTAIN PERIOD OF TIME?

A. Yes. It is important that coordinated cutovers be performed as quickly as possible because the interval during which they are performed represents the time the customer is without phone service. Thus, if, as BellSouth claims, it is able to perform coordinated cutovers, on average, in under four and a half (4½) minutes, that means e.spire's new customers typically experience a period of service outage of that duration while their line(s) are switched from BellSouth to e.spire.

Q. HAVE E.SPIRE AND BELLSOUTH AGREED ON A LOOP CUTOVER INTERVAL?

A. No. e.spire proposes, and BellSouth refuses, to incorporate terms from its original interconnection agreement with BellSouth regarding loop cutover intervals. Thus, e.spire proposes to renew provisions which call for a five minute cutover interval, penalties in the event that BellSouth misses the target interval, and a 30 minute window during which the five minute cutover must take place. BellSouth has responded with a complicated SL1/SL2 loop proposal which, as best I can tell, is designed to inflate competitors' costs rather than meet their unbundling requests and needs.

Q. PLEASE EXPLAIN WHY E SPIRE REJECTS BELLSOUTH'S SL1/SL2 PROPOSAL.

A. e.spire rejects BellSouth's SL1/SL2 proposal simply because it is nothing more than an elaborate means by which BellSouth attempts to drive up the prices for obtaining access

to a minimum level of loop functionality. There should be one basic voice grade loop type with one MRC and one NRC to recover the associated costs. Nevertheless, BellSouth offers an SL1/S2 loop proposal by which it offers less functionality than e.spire was getting pursuant to its original interconnection agreement at prices that grossly exceed BellSouth's retail rates for turning up new service (which is the technical equivalent of provisioning a ULL).

SL1 is virtually useless because customers could be out of service for up to an hour during a loop cutover. Moreover, on a standard SL1 loop, a cutover is not scheduled to take place at a particular time, but may take place during two four-hour intervals. Obviously, e.spire cannot ask customers willing to switch to e.spire from BellSouth to endure a conversion during which their service will be out for up to an hour commencing at an unspecified four-hour window during the business day. BellSouth realizes this and proposes to provide functionalities previously included in the basic electronic order NRC at separate non-cost-based rates.

Thus, in addition to proposing an inflated basic NRC, BellSouth now seeks to impose an additional non-cost-based NRC for performing cutovers within a 15 minute interval. It will not agree to a five minute interval at any price – despite that this is (1) what BellSouth voluntarily agreed to two years ago in its first interconnection agreement with e.spire; (2) the interval which BellSouth claims to the FCC that it meets; and (3) the minimum level of service Florida consumers will accept. BellSouth also seeks to tack on an additional non-cost-based NRC for allowing e.spire to schedule the 30 minute conversion window with its customers, again standard in the initial e.spire contract.

Taken together with inflated cross-connect, OSS, and interim number portability NRCs, BellSouth proposes to inflate the total installation cost of basic POTS loops to a level three times higher than the retail rate paid for the same services, excluding number portability and OSS, by its own End Users. While Dr. Kahn and Mr. Falvey will have more to say on this point in each of their testimonies, my point here is that BellSouth proposes to back-out necessary functionalities from its basic loop offering in an effort to extract monopoly rents. As I understand it, the Telecommunications Act requires that all necessary functionalities be provided at TELRIC-based rates – BellSouth should not be able to extract premiums for provisioning loops in a way that allows e.spire to offer a service that is technically comparable to that offered by BellSouth to its own end users and affords e.spire a meaningful opportunity to compete.

Moving to BellSouth's SL2 loop, it is clear that the same strategy of trying to extract monopoly rents for provisioning a level of service that is necessary to allow e.spire to compete is behind BellSouth's proposal. Whereas an SL1 loop is the equivalent of a basic POTS loop – without the conveniences typically provided to and expected by Florida consumers, the SL2 loop is a designed loop which includes a design layout record ("DLR"), test access points (referred to as SMAS points), ground start facilities, repair of loops provisioned with test points, and a fifteen minute provisioning interval. Because of BellSouth's poor loop provisioning record, e.spire has had to use this type of functionality to determine why unbundled loops randomly were disconnected or had low volume, static or noise. If BellSouth established that it could deliver high quality unbundled loops without such chronic deficiencies, then e.spire could do without the additional functionality offered by DLRs and SMAS points. Thus, the point here is

that BellSouth ought not be able to charge non-cost-based premiums for meeting its statutory and contractual unbundling obligations of delivering loops at a level of quality of parity with those it delivers to itself. It should unbundle the same loops over which a customer was served prior to switching from BellSouth and those loops should be technically capable of functioning without random disconnections, static, noise, low volume or other quality problems. BellSouth should not be permitted to turn its poor provisioning performance into an opportunity for it to extract additional monopoly rents from its competitors.

Q. ARE THERE OTHER BELLSOUTH RATES WHICH RAISE AN ISSUE – AT LEAST FROM A TECHNICAL STANDPOINT?

A. Yes. For example, BellSouth proposes to charge considerably more for DS-3 and DS-1 cross-connects than for a DS-0 cross connect. Although the circuit equipment itself might vary slightly, there is no actual difference in the work that is performed. As is the case in provisioning loops, it is simply a matter of connecting jumper cables from the point of termination bay to e.spire's collocated facilities. Thus, a substantial difference in cross-connect rates could not be justified – at least from a technical standpoint. In fact, it appears that BellSouth's cross-connect rates appear to be reverse engineered so that the resulting UNE transport rates begin to approximate BellSouth's subsidy-laden special access tariff rates. Such an approach has no technical basis nor, as I understand it, does it have any foundation in the 1996 Act.

Q. ARE THERE OTHER RATES THAT CAN BE QUESTIONED, AT LEAST FROM A TECHNICAL PERSPECTIVE?

A. Yes. As Mr. Falvey describes in his testimony, the difference between original and first NRCs proposed by BellSouth does not appear to consistently reflect the efficiencies realized by BellSouth when a CLEC, such as e.spire, orders multiple UNEs. Indeed, there can be dramatic savings in time realized in back office "paper pushing" or computer entry functions. There also can be time savings in provisioning multiple UNEs pursuant to the same service order.

Q. ARE ANY OF E.SPIRE'S COLLOCATION PROPOSALS TECHNICALLY INFEASIBLE?

A. No. e.spire has requested solutions like shared space, small space/small increment, and adjacent collocation to reduce the cost and delay associated with physical collocation with BellSouth. None of these proposals – including adjacent collocation – raise any significant technical obstacles.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, although I do not waive an opportunity, if afforded one by the Commission, to file supplemental direct testimony.