BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	DOCKET NO. 990649-TP
INVESTIGATION INTO PRICING OF UNBUNDLED NETWORK ELEMENTS.	

****
* *
* ELECTRONIC VERSIONS OF THIS TRANSCRIPT *
* ARE A CONVENIENCE COPY ONLY AND ARE NOT *
* THE OFFICIAL TRANSCRIPT OF THE HEARING *
* AND DO NOT INCLUDE PREFILED TESTIMONY. *
* *
****

PHASE TWO

VOLUME 9

Pages 1293 through 1354

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN J. TERRY DEASON COMMISSIONER E. LEON JACOBS, JR. COMMISSIONER LILA A. JABER
DATE:	Tuesday, September 19, 2000
TIME:	Commenced at 2:05 p.m. Concluded at 3:35 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	TRICIA DeMARTE Official FPSC Reporter (850) 413-6736
APPEARANCES:	(As heretofore noted.)

I N D E X

E X H I B I T S

PROCEEDINGS

(Transcript continues in sequence from Volume 8.)

CHAIRMAN DEASON: Call the hearing back to order. I have in front of me a list of exhibits from BlueStar Networks, Incorporated. I assume this list has been shared with all the parties?

MR. BRESSMAN: Yes, we believe it has been.

CHAIRMAN DEASON: Okay. Very well. We will go ahead and identify the exhibits on the list, and I'll just number them beginning with the first and proceeding consecutively. They will be numbered: 97, 98, 99, 100, 101, 102, and 103.

Any objection to the exhibits which have been identified 97 through 103?

MR. ROSS: Mr. Chairman, I don't have an objection, but I believe our agreement with counsel was that we had no objection to the depositions provided the errata sheets were included as part of the deposition. I have not checked to verify that each of the errata sheets is in fact included to the extent one was provided, but if counsel will represent that fact, I have no objection.

MR. BRESSMAN: That's has, in fact, happened. The errata sheets are attached.

CHAIRMAN DEASON: Very well.

MR. ROSS: Thank you, Mr. Chairman.

CHAIRMAN DEASON: With that clarification then, show that Exhibits 97 through 103 are admitted.

(Exhibits 97, 98, 99, 100, 101, 102, and 103 are admitted into evidence.)

MR. BRESSMAN: Mr. Chairman?

CHAIRMAN DEASON: Yes.

MR. BRESSMAN: I just wanted to point out, there is one more deposition, the deposition of Mr. Greer. And we're just trying to work out the final confidentiality provisions on that, and we'll file that as a separate exhibit.

CHAIRMAN DEASON: Very well. Staff, do you have some language for a proposed issue?

MS. KEATING: I believe we do. Actually, we were going to suggest having two legal issues. The first one would be Issue A, and that would be, "What is the current state of the law with regard to the use of a forward-looking cost methodology for computing rates for unbundled network elements?"

Then Issue B would be, "Based on the current state of the law set forth in Issue A, what is the Commission's authority to establish rates for unbundled network elements at this time?"

CHAIRMAN DEASON: Okay. Any objection to the

wording of those issues? Hearing no objection, that will be satisfactory. And the parties will be allowed to brief those; is that correct?

MS. KEATING: That's correct. You may want to specify, though, an extended page limit from that that was set forth in the prehearing order.

CHAIRMAN DEASON: What is the limit within the prehearing order?

MS. KEATING: It's 80 pages.

CHAIRMAN DEASON: Eighty? Well, we can extend it then to 100. How about that? Is that sufficient?

No one is objecting; it must be fine then. Who's going to read all of those?

Any other preliminary matters before we resume cross-examination? Okay. You may proceed.

D. DAONNE CALDWELL

continues her testimony under oath from Volume 7:

CONTINUED CROSS EXAMINATION

BY MR. LAMOUREUX:

Q Hello, again, Ms. Caldwell.

A Hello.

Q When we broke, we were talking about network terminating wire and intrabuilding network cable. And all I'm trying to get at is a bottom-line comparison of the recurring and the nonrecurring costs for NTW versus INC.

What I've written up on the board at the break are just the rates out of the rate sheet. And you can confirm that I have written the numbers up there correctly, but just to short circuit this process, when I want to gain access to the network terminating wire, I pay about 46 cents on a recurring monthly basis, and I pay a $65 one-time nonrecurring fee, and that gets me everything I need to gain access to that network terminating wire.

Whereas on the INC side, the recurring rate is about $3.87, and I have to actually pay three separate nonrecurring charge elements of $113, $333, and $109 for a total of about $555 to gain access to that INC. Is that comparison correct?

A I don't think the NRC for INC is on a per pair. I think that may be a difference.

Q Okay. Well, let me see if I can ask some questions about that. On the NTW situation when I pay my 46 cents and my $65, what that gets me access to is the pair of NTW that I want to serve a tenant in the garden apartment; correct?

A That is correct because BellSouth prewires all of the pairs to the access terminal.

Q Okay. And on the INC situation, the first ALEC that gains access in that equipment closet in the basement will have to pay the whole $555 for the entirety of that

25-pair access terminal that BellSouth will install in the equipment closet for the ALEC to gain access to the INC; is that right?

A The bottom two numbers are associated with the 25-pair panel.

Q Okay. All right. Let me see if I understand it then. For the INC situation, the high-rise building, if you will, the ILEC will pay $442 to have the 25-pair panel installed, and then for the pair of INC, it will pay a recurring rate of 387 and $113; is that right?

A I believe that is correct.

Q Okay. And the first ALEC that gains access to a high-rise building basically will pay for the entirety of that panel to be installed in the equipment closet, the whole $442; is that right?

A They pay for the panel to be installed, but I may need to defer this one to Mr. Milner, but my understanding from what I've included in the cost is that that is -- that panel is dedicated to an individual ALEC. It's not shared, as in the NTW, which could be a different scenario. So when you talk with the first one in there, they are paying for the setup of the panel that they will use. But we do need to verify that through Mr. Milner on the technical specifications.

Q Well, and just as an example, let's say an ALEC

is able to obtain as a customer one tenant in a high-rise building and that tenant only has ten lines, for example. To gain access to that building, the ALEC will have to pay for the entirety of the 25-pair panel to be installed in the basement of that building, even though that ALEC may only need ten lines' worth of INC?

A Yes. And that's because we assign or dedicate that panel to the individual ALEC, and it comes in -- 25 is the smallest pair of panel that I know of that you can get.

Q Can you tell me why BellSouth assigned or allocated the cost of the access terminal on a per pair basis for NTW but assigned the entire cost of the access panel to the first -- to an individual ALEC for INC?

A Okay. The underlying cost assumptions, I'll have to differ to Mr. Milner for the technical reasons to why they are handled differently. I can tell you how I costed them, but he'll have to explain the why.

Q Okay. From a cost perspective, can you tell me why, or is it all technical reasons?

A It's really technical reasons. From a cost standpoint, I had just costed those two structures.

Q And the bottom line is, they are costed differently. You pay for the terminal on a per pair basis for a network terminating wire, but you pay for the whole

panel for an INC?

A Yes, from a cost standpoint, but I believe Mr. Milner can discuss the reasons why.

Q Okay. At Page 54 of your rebuttal testimony -- it must be your direct, I'm sorry. That's not right either. Oh, it's Page 54 of your rebuttal, I'm sorry. And I think you just said this in your testimony as well. You say that access terminals for INC are dedicated to a particular ILEC -- or ALEC; correct?

A Correct.

Q Now, that's only because that's the manner in which BellSouth requires ALECs to connect up to INC, is it not?

A That's the manner in which BellSouth provides it, but Mr. Milner has to discuss the technical reasons we provide it that way.

Q So you wouldn't know whether there are any technical reasons that access terminals have to be dedicated to a single ALEC in the INC situation?

A No, that's not my question.

Q Okay. Let's change subjects. One of the issues in this proceeding is the mix of DLC vendor equipment at a given DLC site in the model. Would you agree with me on that?

A Correct.

Q Okay. And in order to arrive at an aggregate mix of DLC vendors, the BellSouth cost model uses a mix of vendors at each DLC site; is that correct?

A Not really. What we do is, we develop the total cost of Vendor A for a system and the total cost for Vendor B. And then what we do is, at each location, we put the probability that it will be a Vendor A ring or a Vendor B ring. So you never actually mix the equipment at the remote site because it's just a method of calculating those probabilities.

Q Do you have a copy of your deposition transcript, by any chance, there?

A No, I don't.

Q Okay. What I've handed you is a copy of the transcript from your deposition, Page 196, and there's some highlighted passages at the beginning of that page.

Do you recall that I asked you in your deposition whether the BellSouth cost model mixes DLC vendors at each site?

A We talked about it, I do remember that.

Q Do you recall what you -- can you read what your answer was to that question at the deposition? In particular, Line 4 of Page 196, didn't I ask you, "Does BellSouth's cost studies mix vendors at each site"?

A Okay. The question was BellSouth -- "Well,

BellSouth means -- actually mixes vendors at each site, does it not?"

And I said, "To reach the aggregate, yes."

Q Is it your testimony that that's not correct?

A No. I mean, my testimony is that the way I worded this answer in the deposition is not correct. If in actuality you meant that we put Vendor A and Vendor B on the same ring, what we did was, we -- internal to the model, we calculated -- I think the weighing is something like a 60/40 weighing. So we have a System A that could be 60 percent, a System B that could be 40 percent, so what we did is at each individual site, we took a 60/40 weighing, but that doesn't mean that we actually put Vendor A at site one and Vendor B at site two.

Q Well, from a cost perspective, doesn't it reflect the fact that at a given site, you've got 60 percent of cost associated with Vendor A and 40 percent cost associated with Vendor B?

A The numbers reflect that, but I don't look at that as mixing vendors at different sites on a location. I think of that more as a probability that that's Vendor A at that site or Vendor B.

Q So there's a 60 percent probability that Vendor A is at that site and a 40 percent probability that Vendor B is at that site?

A Correct. And that is assumed at every location around the ring, so you don't mix vendors on the ring. That's the only point I'm trying to make.

Q Now, in reality at any given DLC site, there's only going to be one set of vendor equipment; right?

A That's correct.

Q Okay. So there's never going to be a situation where a vendor site is 60 percent chance of Vendor A and a 40 percent chance of Vendor B. It will either be Vendor A or Vendor B at that site?

A It will be Vendor A or Vendor B, but it's a 60 percent probability it will be Vendor A and 40 percent will be B. It's just a modeling assumption.

Q I meant in the real world, you're never going to have a situation where a technician walks out to a DLC site and there's a 60 percent chance that it's Vendor A or a 40 percent chance of Vendor B. He'll be able to look at that site and say, it's Vendor A or it's Vendor B.

A Yes, I agree with that. But the 60/40 split in the model is just a modeling convention. It doesn't mean that I'm really going to put 60 percent of one vendor and 40 percent of another. It's just a modeling convention.

Q Okay. But what AT&T and MCI have done in rerunning the BellSouth model is assume that every site is either Vendor A or Vendor B depending on whether it's less

expensive for Vendor A or Vendor B's equipment to be at that site. Would you agree with me on that?

A That is my understanding. The problem with that is, you mix vendors on a ring.

Q We'll talk about that in a second.

A Okay.

Q If you could, turn to Page 29 of your rebuttal testimony for me. Towards the bottom around Line 20, you say that using BellSouth's methodology, if one were to examine the cost of each IDLC site individually, some would potentially be high but others would be lower than if one were to use the methodology purposed by Mr. Pitkin and Mr. Donovan; correct?

A Yes.

MR. LAMOUREUX: Okay. I'd like to hand out an exhibit. This is already an exhibit behind Mr. Pitkin's and Donovan's testimony, so I'm not going to need to have it marked or anything. But for the record, it's Exhibit 9 to their testimony.

Q Ms. Caldwell, have you seen this exhibit to Mr. Pitkin's and Mr. Donovan's testimony before?

A I think I have seen it. I don't remember a lot of detail about it, but yes.

Q All right. If you would, assume with me that the numbers on here are accurate. Okay. That for given

sites with certain number of lines, the amount of investment represented on the left-hand side is the right number to go with each site. Okay?

A Okay.

Q And let's take as an example -- let's look at a site that has 960 lines. Okay. Would you agree with me that it's always going to be less expensive to use Vendor B at that site because Vendor B equipment is always less expensive?

A I'm trying to think how this works with the other systems in the ring. If all you were doing is just looking at the cost associated with that individual site, then Vendor B would be less. I would agree with that.

Q It would always be less; correct?

A I believe so at that site.

Q Okay. And at that site, since Vendor B would always be the less costly alternative, any mix that included some amount of Vendor A and some amount of Vendor B would always be more expensive than just using Vendor B; correct?

A At that individual site, but what you have to remember is, you have to look at the ring as a whole, and you have the CO, and then you have at a minimum three nodes on that CO. So you want to look at the cost of the entire ring with all the sites, not each individual site.

Q And I understand that, and I'll get to that in a minute, but I just want to focus on that specific site. Let's say there are no constraints on the equipment that can be deployed on that site because of the ring. Okay. If I just looked at that site, would you agree with me that it's always going to be less expensive to use Vendor B and that trying to put some sort of mix of Vendor A and Vendor B at that site is always going to be more expensive than just looking at Vendor B?

A From just the pure numbers, I would agree with you.

Q Okay. Conversely, let's -- if you look at a site with, say, 448 lines, would you agree with me that it's always going to be less expensive, again, without the constraints of what equipment you can deploy because of the ring, just looking at that site, it's always going to be less expensive to use Vendor A and that trying to mix somehow Vendor A and B together is always going to be more expensive than just deploying Vendor A?

A Right.

Q And generally, there's a crossover point, and in this case it happens to be seven sites with 768 lines, that above that breakpoint, it's always going to be cheaper to use Vendor B, and below that breakpoint, it's always going to be cheaper to use Vendor A. Would you

agree with me on that?

A Yes.

Q Okay. So just mathematically, would you agree with me that it's not true that using BellSouth's methodology looking at each IDL site individually, some would be high but others would be lower than if one was to use the methodology proposed by Mr. Pitkin and Mr. Donovan?

A I believe in terms of -- if you just look at each individual site, I was not thinking about it that way. I was thinking about the entire ring when I wrote that.

Q Okay. But you would agree with me that looking at each individual site, it's always going to be correct that it's less expensive to deploy one vendor or another rather than trying to mix the two vendors together?

A If that is all you're doing is just looking at the exact numbers, I would agree.

Q Okay. And I want to talk about this concept of the SONET ring for a second. Okay. As I understand what you are saying, if you've got a ring, you have to have the same equipment vendor at each DLC site on that ring; right?

So if I've got a ring from this central office, I have to have, just for example, Vendor A equipment only

on that ring. I can't mix together Vendor A and some other site with Vendor B on that ring; is that right?

A On that ring, correct.

Q Okay. Isn't it -- from a cost modeling perspective, though, as long as you've got enough fiber assumed to loop up all of the DLC sites, couldn't you mix A and B by having one ring that connects A and a second ring that connects all the B sites?

A Yeah. I mean, you could connect all the A's and all the B's, but I don't see why you would do that at the same location.

Q Well, if you're trying to model the cost to linkup a given number of DLC sites and it's always going to be cheaper at each individual site to use either A or B from a cost modeling perspective as long as you've got enough fiber, isn't it always a cost minimization assumption that you could linkup all the A sites with one set of fiber and all the B sites with the other set of fiber and that way maintain the cost minimization idea of only deploying A or B at a given site depending on whether it's cheaper for the number of lines at the site?

A No, I don't agree with that.

Q Why not?

A I mean, because what are you actually going to be placing in the network? We're trying to determine the

cost that BellSouth will incur to actually provide these unbundled network elements. And at locations, we're not going to be placing A and B and running different fiber rings to serve them. We're going to be placing either Vendor A and Vendor B, and we have a meld that we use of what BellSouth is actually deploying in their network and will going forward. In fact, it is a going-forward vendor meld; not exactly what we have today because what we have today is different. So we're looking at what we will be deploying going forward in the future, and that's what you model when you're determining the cost of what BellSouth will incur to provide these UNEs.

Q Is it your testimony that the model that BellSouth has filed in this proceeding models the actual network that's in place today in Florida that BellSouth uses to provide service to its retail customers?

A No. It's going to model a forward-looking network, but we applied BellSouth's engineering principles and engineering guidelines to the best of our ability to make it a forward-looking -- a model that reflects a forward-looking cost BellSouth will incur.

Q Is it your testimony that forward looking means whatever BellSouth deployment directives say should be deployed in the network?

A I'd hate to tie the term "forward looking" to

that. I believe the cost that I am required to provide to this Commission are the forward-looking costs that BellSouth is willing incur going forward, because that's what we're trying to do is determine the cost BellSouth will incur going forward to provide UNEs, and that's what we're going to base our rates on.

Q The model that BellSouth has filed in this proceeding, the network that that model designs, that does not look like the actual network that BellSouth is going to be using to provide UNEs to ALECs, does it?

A No, it doesn't. It's more of a view of how you would model and actually build the network to the customer locations. There are assumptions in there that, I think, are extremely forward looking as to the cutover for DLC and how much DLC we'll place, but it is, to the best of our ability, something we feel that is achievable.

COMMISSIONER JABER: May I ask a question so that I understand in my own mind what you just said? What adjustments have you made to what BellSouth does today, what the BellSouth network is today, to comply with the forward-looking principles? And -- well, answer that for me first.

THE WITNESS: All right. First of all, if we'll just take the loop because that seems to be where most of the questions are. What we have in our new loop model is,

we have each individual customer location, and then we decide, going forward, if you were going to serve this customer, how could you serve this customer? And there are certain assumptions.

For instance, if that customer is beyond 12,000 feet of the CO, we're going to serve them on digital loop carrier. There are probably many cases on copper today, but we'll say in the future I'm going to serve that customer on digital loop carrier, and so, therefore, I have made that adjustment. So I have put a lot more of my network on digital loop carrier.

One of the other things is, we have eliminated the existing cable routes. In other words, where you come out of the CO and you may go down a street and turn right and go down five or six blocks and turn left, we did not use the existing cable routes. What we did is, we modeled new cable routes based on assumptions within the model, and I will have to defer those detailed assumptions to Mr. Stegeman to explain what he calls the minimum spanning road tree is how he placed all those cables. But that's a difference. We didn't use existing routes. We used a forward-looking approach as if you were building it from scratch today.

COMMISSIONER JABER: When you don't use existing routes and you place a customer using digital loop

carriers, does that result in an increased cost?

THE WITNESS: It should result in a decreasing cost, especially with a digital loop carrier.

COMMISSIONER JABER: Thank you.

THE WITNESS: Okay. Oh, may I add one more thing to that too? Since we were just talking about the forward-looking, I only talked about the model structure, but in a lot of my assumptions for my material prices, they are going forward and the vendor melded. All of those type costs that I have in the model are reflective of a forward-looking standpoint also.

BY MR. LAMOUREUX:

Q If I may, I was a little inarticulate when I did the last drawing. Isn't it possible that you could have one ring, one set of sheath connecting all those DLC sites, but within that sheath some of the fiber just connects the A sites and the rest of the fiber in that sheath just connects the B sites? Doesn't that happen actually in the network today?

A That could happen, but I do not consider those sites on the same ring. I have two rings, your blue ring and your black ring.

Q Is it your testimony then that each set of fiber constitutes a separate ring?

A No. Each set of electronics put together

constitute a ring.

Q Let me ask it this way. How many sets of fiber are assumed in the BellSouth model for each ring that connects a set of DLC sites from a given central office?

A To the best of my recollection, it is six fibers all the way around the ring.

Q Is that a set of 12 total?

A No.

Q Six?

A Just six.

Q Okay. Is that the default input in the BSTLM? Did BellSouth use six, or did it use 12 as an input?

A I thought we used six. Whether or not it's a default, Mr. Stegeman can answer that one. I don't remember.

Q Okay. Let me change subjects. At Page 24 of your rebuttal, you discussed the issue of extended range cards, loop length, and copper gauge. In that discussion, you first say that Mr. Pitkin's and Mr. Donovan's proposal ignores BellSouth's design principles as addressed by Mr. Milner; correct?

A Yes.

Q Specifically, what design principles in Mr. Milner's testimony are you referring to there?

A I believe I was still at this point -- and it's

been a while since I looked at this -- was talking about the cutover for the 26/24 gauge copper, to the best of my recollection.

Q Okay. Ms. Caldwell, what I've handed you is Mr. Milner's direct testimony in this proceeding, particularly Pages 22 and 23 of his direct testimony, and take as much time as you need to look that over.

But my question would be, given what he says in his direct testimony, wouldn't you agree that Mr. Milner sets forth the appropriate design criteria as the economics of the various network designs?

A Yes, he supports the 12,000 cutover based on economic principles.

Q In other words, the question of whether you crossover from copper to fiber at 12,000 or some other point, whether you use extended range cards or whatever, simply depends on the economics of the best way to design network to carry voice services?

A Yeah, as long as you stay within the design criteria of the service that you're offering.

Q Okay. And isn't that exactly what Mr. Pitkin and Mr. Milner have done in their running of the model to determine whether it's more efficient to use extended range cards or other solutions in the network design is look at whichever of those runs produces the best

economics?

A Yes, they looked at the best economics, but there were some underlying problems with our extended range line cards in that we had them all set at the same price. So, therefore, you didn't get any cost difference when you went beyond the limits of a range card.

And what that is, if you go beyond a certain loop length on copper, you have to place a different card into some systems to get the necessary transmission that you require, and there's a cost difference for those cards.

Q If I were to tell that you Mr. Pitkin and Mr. Donovan reran the model with the correct inputs for those range cards and came up with the exact same conclusion as to which was the more economical way to design the network, would that change your testimony?

A Well, it would change the part about them using the right range cards. I don't know about the run.

Q Would you agree with me that on principle, what you need to do is run the model and do a sensitivity run to see which produces the best economics, using extended range cards or using, you know, different gauges and different lengths of copper, whichever of those runs produces the best economics, that's the run that you should go with?

A I still think -- no, not exactly, because I still think what you need to do is to look at BellSouth deployment guidelines. I mean, we have guidelines for all of our states, including Florida, where we have certain requirements that we design our plant will carry a serving area with certain amount of distribution copper; we will not place copper within so many thousand feet. Those type guidelines need to also be recognized because it's what BellSouth is actually doing in the network.

Q If we are constrained by following the BellSouth deployment guidelines and what BellSouth is doing in its network, why shouldn't we be just looking at a model that goes out and looks exactly at what the network -- what is in the ground in the network today in Florida in BellSouth territory?

A Well, I think you still have to look at the forward-looking approach as to what BellSouth would be doing going forward, but you still need to recognize the costs BellSouth will incur.

Q Would you agree with me that in order to determine whether the cost model really is forward looking or not, you shouldn't simply assume that BellSouth's deployment guidelines are forward looking, that they should receive some amount of scrutiny?

A I mean, yes, you can scrutinize those

guidelines, but they are internally scrutinized with extensive studies, economic studies to determine a lot of this criteria.

Q But would you agree with me that the mere fact that the model follows BellSouth's deployment guidelines does not in and of itself make the model forward looking?

A If I followed your question, the answer is that just because it followed our guidelines, it doesn't make it forward looking. It makes it forward looking, I think, for all the reasons I discussed earlier about the design changes and things of that type.

Q Okay. Let's change subjects for a minute and talk a little bit about structure loadings. Okay. In this proceeding, BellSouth used factors in the cost calculator part of the model to determine structure investment rather than use the actual structure calculations that are directly in the loop model; is that right?

A Yes, we use loading factors.

Q Why do you believe it's appropriate to use those structure factors rather than use the structure calculations that are directly in the loop model?

A The loading factors that we have are based upon -- our data that we have available is forward looking where we can analyze it; we feel it is representative. It

is not saying that you should never use any of those inputs into the model. It's just that we feel that they do give an appropriate view of the amount of poles and conduit that we will be required to place to support these services going forward.

Q Is it fair to say then that you believe that the structure approach that's directly in the BellSouth loop model as BellSouth filed it here in Florida is not representative of structure costs?

A I'm sorry, Mr. Lamoureux, I didn't follow that.

Q Okay. The BellSouth loop model can directly calculate those structure costs; correct?

A Yes, it can.

Q Okay. But rather than use that direct calculation, BellSouth applied some factors to come up with those installed structure costs?

A Yes, we use leading factors. Correct.

Q So my question is, do you believe that the structure approach that's directly in the BellSouth loop model that BellSouth filed here in Florida is not representative of the calculation of structure costs?

A I can't say yes or no, but let me answer to see -- because there were two negatives in there and I got lost. The ability that the model gives you to build poles and conduit within the model if you input the correct

numbers will accurately calculate poles and conduit. So from that standpoint, the model is sound in what it will allow you to do.

BellSouth chose to use our pole and conduit loading factors because the information was really more readily available to us, we've used it before, we understand that. Getting the cost of placing all of the structures can be very difficult in just gathering all of the data, but if that was the question, does the model accurately do it, yes, it will accurately do it.

Q Okay. Now, are you a witness in the USF proceeding in Georgia that's going on right now?

A Yes, I am.

Q In Georgia and filing the BCPM, BellSouth has criticized the use of structure factors, has it not, and instead has chosen to use direct calculation of structure for the synthesis model?

A I don't remember us criticizing the factors, but we did use the input structure for the BCPM.

Q Okay. So rather than using the factors in that proceeding, you used the direct calculation and structure in the synthesis model?

A Yes, we did. And we used a significant number of the FCC default values.

Q Last subject. Nonrecurring costs, just a few

questions. In its nonrecurring cost study, BellSouth has included work times associated with the LCSC; is that correct?

A Correct, we have.

Q And essentially the LCSC -- local carrier service center; is that right?

A Correct.

Q Okay. Essentially what the LCSC is, is a collection of BellSouth service representatives who input service orders for processing -- who input ALEC service orders for processing by BellSouth and then provisioning by BellSouth; is that generally right?

A Yes, and talking to the ALEC about questions and things of that type. Correct.

Q So the LCSC is an intermediary group between the ALEC, who submits the orders, and then the downstream provisioning groups within the BellSouth system?

A I wouldn't call it necessarily intermediary, but it is the first system or first center in BellSouth that an ALEC would contact.

Q Now, assuming an ALEC uses electronic interfaces to submit its orders to BellSouth, if the ALEC order contains an error, the interface should electronically return that error to the ALEC to correct. Would you agree with me on that?

A My understanding is, if it's like an input error on the form, you have a wrong field populated, something of that type, it will return it.

Q For example, if there's a field in the form for the zip code and that always has to have five digits in it, if an ALEC puts four digits in that field, the electronic interfaces are supposed to catch that, send that back to the ALEC so that the ALEC can correct that order?

A For that particular one, yes.

Q Okay. And so the only way the LCSC would ever get involved, assuming an ALEC uses electronic interfaces, would be to reinput for some reason an order that the ALEC has already sent across the interfaces; isn't that right?

A Let me answer that from terms of the cost study.

Q Yes.

A Okay. What I looked at in my cost was, when a service -- when a local service request is to be processed by an ALEC and it's sent to BellSouth electronically, the only cost I have recognized is a fallout rate. And that would be a fallout rate that is based upon that particular order falling out because of an error on it that the system is not able to detect and then whether or not it's a design fallout. Now, Mr. Pate can answer more about what is each one of those categories, but that is the type

cost that I have in my study.

Q Okay. Let me follow up on that. You said that the fallout rate reflects errors that the systems might not be able to detect; correct?

A Yes.

Q Well, the only way the system wouldn't detect an error for some reason would be if, for some reason, the interfaces hadn't been designed to be able to catch an error; correct?

A I'm going to have to defer that one to Mr. Pate. There are reasons for it to fall out, but I can't get into those. I just obtained the rate and used it.

Q Would you agree with me that for those systems that are in the ordering part of the process, and I'm not talking about the ones downstream in provisioning, but in the ordering part of it, the only reason that an order would ever fall out would be if for some reason BellSouth specifically designs it to fall out or for some reason the interfaces have not been designed to be able to catch the error. Are there any other situations that would cause a fallout other than those two?

A I need to defer you to Mr. Pate. I just don't know.

Q Okay. To your knowledge, does BellSouth have any separate group in its retail operations that reinputs

orders that contain errors on them from the initial service representatives?

A We don't have a separate group that reinputs orders because they are input by the service rep to begin with.

Q And if there's an error on that order, the system chucks it back out, for lack of a better word, and the service rep corrects the order and puts it back in; correct?

A Because it's a manual process right now whereby the service rep puts the order into the system.

Q So there's no separate group after the service representative group that for some reason an order would fall out and they would then reinput the order. The order always goes back to the service reps who then put the order back in themselves?

A Correct, because it's all manual now. It's how it's done.

Q When you say, "it's all manual now," do you mean in the BellSouth retail operations?

A No, from the service representatives inputting the order into the system. They are keying the order in.

Q All right. Similarly, there's no separate work group in BellSouth's retail operations that coordinates with the provisioning group and the service

representatives as the UNE center and the ACA center does with CLECs, is there?

A Well, I know you have the ACA -- A-C-A-C, which is the ACAC, I'm sorry of the acronyms, but that particular group deals with our interexchange carriers, and so there is an ACAC in the interexchange carrier world.

In the retail world, we have business and residence customers. The service representatives usually do it all. You don't have a separate center, but that activity is done by the service rep usually in the business center or the residence service centers that we have.

Q Let me ask you this way. What the UNE center does essentially is coordinates or intermediates between the BellSouth provisioning people and the ALEC service representatives. Is that a fair assessment?

A Yes, and it handles problems, those type questions that they would get. Yes.

Q Okay. And the retail side of BellSouth's operations, there's no intermediary work group that coordinates between the service reps and the provisioning center. If there's a problem, the BellSouth service reps talk directly to the provisioning people, don't they?

A They talk directly to the provisioning center,

but they are the UNE center in a way because they talk to the customer.

Q Well, when an ALEC submits an order over to BellSouth, that ALEC has its own service representatives, doesn't it?

A Yes.

Q Is there any reason that those service representatives can't interface directly to BellSouth's provisioning people the same way that BellSouth's service representatives interface directly to the provisioning people?

A I can't answer how those centers are established and why they are necessary.

MR. LAMOUREUX: I have no further questions.

CHAIRMAN DEASON: Mr. Melson.

CROSS EXAMINATION

BY MR. MELSON:

Q Ms. Caldwell, Rick Melson representing WorldCom and Rhythms Links. How are you this morning -- afternoon?

A I'm fine.

Q I'm going to try not to replow any ground, although just to make it flow better, I may ask a couple of questions that are similar to what you've answered before.

I believe you've agreed that the Commission

ought to be setting rates based on forward-looking costs; is that correct?

A Correct.

Q And they ought to be based on a long-run cost study; is that also correct?

A Correct.

Q And it's your position that this study that BellSouth has presented in this proceeding meets those forward-looking long-run criteria?

A Yes.

Q And if I understood your answer to Mr. Lamoureux earlier, by that you mean that BellSouth's cost study is based on a network architecture that BellSouth actually expects to put in place in the future?

A Yes. The only thing is, just to clarify a little bit, because we talked a little bit about the loop model. BellSouth may not necessarily follow the exact routes that the loop model does because it's more of a proxy-type approach as to how you would place it. But in terms of using the type switches and equipment, yes, it's what BellSouth could achieve in the future.

Q Okay. In terms of technology, in particular, it's the forward-looking technology?

A Yes.

Q And I think one example you gave of that earlier

is that in at least one or two of your scenarios, you model the deployment of more integrated digital loop carrier than what actually exists in your network today; was that correct?

A Yes, I did.

Q And if I understood, that's because the integrated digital loop carrier, which I think -- is that the GR303?

A We talked about GR303 being a version of integrated digital loop carrier, yes.

Q All right. And that's because that's really the forward-looking technology?

A For switch services, yes.

Q Now, in a forward-looking network, would you agree with me that there are no copper loops longer than 18,000 feet?

A Yes.

Q And in a forward-looking network, there are no load coils; is that correct?

A Yes.

Q And in a forward-looking network, there's no bridge tap in excess of 2,500 feet; is that correct?

A I believe 2,500 is the limit. That's what we modeled in the loop model. When I talk the -- we talked about our scenarios. We had the BST2000 that we used to

study the two-wire analog loop that can be served on both copper and digital loop carrier. So in that environment, I studied a network that deployed digital loop carrier, and it did not include load coils nor bridge tap beyond a certain limit.

In the scenario run when you had a combo, which is where BellSouth is providing the port and the loop put together, I filed 100 percent integrated digital loop carrier because it can ride on integrated, and then it again had no load coils and no bridge tap.

In the third scenario that we filed, which was copper only, that was just simply a convention we used to get a copper loop that could exceed 12,000 feet because in my other two scenarios there were none. So those are the three scenarios and how I used them.

Q All right. So in two of the scenarios, you -- well, even in the all copper scenario -- well, let me back up half a step.

You would agree with me that a 100 percent copper network is not a forward-looking network?

A It would not be something that we would deploy going forward. It was just a convention to get a copper loop that did not have an artificial limitation of 12,000 feet on it.

Q And, in fact, BellSouth has got no plans to

deploy a 100 percent copper network; is that correct?

A That's correct.

Q And, as you said, you did an all copper scenario that you used for the purpose of pricing DSL-capable loops essentially; is that right?

A I used it for the ADSL, the HDSL, and the unbundled copper loops. I want to be real clear. We have a new element called the universal data channel, and I know some people refer to that as IDSL. So that one does ride digital loop carrier.

Q All right. But for the four other varieties of DSL, you modeled a 100 percent copper network; is that right?

A Yes, because by definition those loops are copper. We are providing a copper-compatible loop.

Q And that was based then on your assumption that those DSL technologies require 100 percent copper; is that correct?

A Yes. In order to put the electronics, you are buying -- or we are providing to the ALEC an unbundled copper loop that they can then place all their electronics on. There is no electronics on that loop at all.

Q All right. Now, assume hypothetically that a plug-in card was available for a digital loop carrier system that would permit DSL to be provided over a

DLC-base system. And just for convince, I'm going to call that DSL over DLC, digital subscriber line over digital loop carrier. Are you with me on the assumption?

A Yes.

Q If that DSL over DLC technology were available today, would you agree that it would be appropriate to include that technology in a forward-looking cost study?

A If that was something the ALECs were going to require, yes, we could provide that. I think the one thing where I have a little confusion on is, we provide a copper loop that is like ADSL or xDSL capable, so the ALEC can put all of their equipment on it. If you're talking about a loop in which BellSouth would be provisioning the loop with a digital loop plug, that type thing, then, yes, we could study that.

Q You did not study a network in which you provided a DSL-capable loop that used the DSL over DLC technology. That's not something you studied; is that correct?

A Well, the only loop I know that we have studied is the universal data channel in which we place into the digital loop carrier a particular plug that allows the ALEC to transmit IDSL.

Q All right. Let's put aside the universal digital channel and the IDSL service. For other types of

DSL service such as ADSL or HDSL or -- you are aware there are other varieties of DSL service beyond just those two?

A Yes, that's what the unbundled copper loop is for, I believe.

COMMISSIONER JABER: Ms. Caldwell and Mr. Melson, excuse me. Can you talk to me in layman's terms about xDSL and ADSL and tell me what -- one is high-speed Internet access, and the other is what?

MR. MELSON: Let --

THE WITNESS: Whatever.

MR. MELSON: Let me find out if this witness knows.

THE WITNESS: I can give some level of the technical -- let me start from maybe my level, and then you can add, or we can have one of our other witnesses to add a little bit. My understanding is that when you're looking at your ADSL, which I think that stands asynchronous digital subscriber line, basically we think of that as being offered with Internet service where you can get both the voice and the data channel on the loop. And what we are -- to tie it down to cost studies what I've looked at is, I have looked at just the cooper loop; nothing else. There is no electronics of any kind.

And what happens then is, the ALEC can purchase that copper loop from us, and it meets certain

specifications and requirements that other people can talk in detail about, but basically then the ALEC can place their equipment on each end of it so that they can have a physical facility that will transmit both the data and the voice and provide it to their customer.

Now, when you go to the HDSL, my understanding is that's just a higher speed level. I think it used to be high bit rate digital subscriber line which I think runs -- it used to -- it looks more like a 1.544 or what we call a DS1, which is like 24 voice --

COMMISSIONER JABER: That's so helpful to me.

THE WITNESS: I'm trying. I like to think of it as -- when we think about DS1, I always think of that in terms of 24 voice grade circuits. That's kind of like an easy way for me to remember it. And I know I go back to terms that I've used in the past because I kind of try to relate those to the new technologies.

And so what we provided there is, again, a copper that allows them to put their equipment on it, and that would be for a customer where they needed the higher bit speed.

COMMISSIONER JABER: All right. Now, going back to your testimony, though. The cost studies that you looked at do take into account voice data transmission over Internet which you called ADSL?

THE WITNESS: Yes. But all I studied was the loop, the copper loop. I have no electronics in my study at all. That is assumed that the ALEC will purchase their own equipment, and they can put whatever they want on it, in other words.

COMMISSIONER JABER: I'm sorry for the interruption.

MR. MELSON: No problem. And, Commissioner, I think when we get to Rhythms witness Mr. Riolo, he can answer if you've got some more questions about the various varieties of DSL loops. And I know to somebody that -- I'm still learning this ADSL, DSL over DLC stuff myself.

The point is -- that I'm trying to get to is whether you have to assume all copper for a DSL-capable loop or whether there are other technologies in place today or that will be in place that would support DSL service, and if so, whether this witness has modeled those newer technologies in her cost study.

BY MR. MELSON:

Q And with sort of that preview, Ms. Caldwell, my understanding, is it for the purpose of costing DSL-capable loops, you looked only at a copper loop, as you said, with no electronics?

A I keep coming back to this other channel, but just very clear, for ADSL, HDSL, and then we have

something called unbundled cooper loop that can be used for any of these xDSL, I studied copper only in the cost study.

Q All right. And let's talk just for a minute about IDSL so that we can put it aside because that's really not the focus of what I want to talk about to you today. There is a service available that has been available for years called IDSN, integrated -- ISDN, I'm sorry. Can you tell me what that stands for?

A Until you said the acronym backwards, I could. Integrated digital subscriber network, I think. Integrated -- yes, ISDN, integrated subscriber -- ISDN.

Q Well, that's a service that's available today?

A Integrated something digital -- integrated subscriber digital network, I think that's it.

Q All right. And that essentially is an offering that allows ordinarily two streams of data and a third -- it allows three streams of data to ride over a single channel; is that correct?

A Yeah. Basically on a loop, it allows you to put two equivalent voice grade circuits and then a smaller amount of -- for just your -- for additional information.

Q And there is a technology available that allows a particular type of DSL service known as IDSL to be provided over that IDSN facility -- ISDN?

A ISDN, correct.

Q And for that particular type of IDSL loop, you studied a loop with electronics on it, which is what the ISDN has?

A Basically, it's the exact same cost as the ISDN loop.

Q All right. And, in general, the transmission speed that you can get for IDSL is going to be lower than the transmission speed you can get with other flavors of DSL?

A I believe that's a true statement, yes.

Q All right. So I think now we've talked about IDSL. Let's put that aside. And the rest of my questions are going to focus exclusively on loops that are capable of carrying other types of DSL service, including ADSL, HDSL, and some others.

A Okay.

Q For purposes of those DSL-capable loops, you modeled an all copper network?

A Correct.

Q And you did not consider any technology that might be available to provide those varieties of DSL service over a system that included digital loop carrier; is that correct?

A That is correct. I studied the UNEs that we

have defined that the ALECs will be purchasing, and I did not have one defined other than the copper offerings we have.

Q Do you know whether the technology is available today to essentially put a plug-in card in a digital loop carrier system and create a combination fiber/copper loop that is capable of carrying these DSL services?

A I do not know myself.

Q Okay. If that technology were available today and were being deployed by BellSouth, is that something that -- is that a technology that you would want to model in your cost study?

A I think -- I have to tell a little bit about what I modeled in my cost study. What I'm looking at is UNEs we would be providing to the various ALECs based on their request. So normally there's a process by which the negotiation individuals' product managers talked with the ALECs about what they need, what they require, what's available, and then once that is determined, then I do the cost study based upon how it will be physically offered to them, whether it be copper, if we had something new coming on. So I think there's a process by which we would look at that and then provide that. Going into this study, I did not have anything to study. I do not know of that technology.

Q Okay. Let me fast-forward a minute to some questions I was going to get to later, and then we'll come back to where I was. You have -- I believe you said -- and again keeping the IDSL aside, you've defined basically four types of DSL-capable loops in your study: ADSL, HDSL, what you call an unbundled copper loop-short, an unbundled copper loop-long; is that correct?

A Correct.

Q And is it your understanding that in this proceeding, the data ALECs are advocating that the Commission should simply establish a single category of DSL-capable loop that has no particular length limitation and use that single category as the product we would like to buy and we would like BellSouth to cost and price?

A I can't answer that in terms of what you were advocating that you would desire. I need to defer that to Mr. Latham because he's the product manager for our xDSL unbundled loops. From a cost standpoint, what I have looked at is, is basically what I understand is available and being offered today.

Q All right. And which witness was it you referred that question to?

A Mr. Latham.

Q Mr. Latham. If Mr. Latham had told you that what the data ALECs wanted to buy was a DSL-capable loop

without any loop -- without any length limitation, and they didn't care whether that facility that they were provided for that service was all copper or whether it was -- made use of a plug-in card that would permit that technology over a DLC system, then I take it, you would have studied something different than what you actually studied in this proceeding; is that right?

A I might have still studied the ones I have. If you're talking about a new offering, my understanding is, there are physical and technical limitations on the equipment. And this comes from reading some of the testimony and some of my own knowledge that -- so from that standpoint, what we are offering is something that's technically feasible in the network, something that the ALECs can use, and something that we can provision to them to meet their requirements. That's what I've studied so far.

If you're looking at a new offering, then what we normally do is, we work with the ALECs and get a description through Mr. Latham in this case who is the product manager, and then they would work with the cost departments, and I would help determine what pieces of equipment to put in the study.

Q Are you aware -- let me ask this. Your cost study covers what time frame, 2000 to 2003?

A Yes. Wait a minute. 2000, 2002. Wait a minute. 2000, 2001, three years, 2002.

Q All right. 2000 to 2002. If technology to provide DSL over digital loop carrier was going to be available and deployed by BellSouth in that cost study time frame, would you agree with me that would be an appropriate technology for BellSouth to consider in its cost study?

A There are a lot of if's in that.

Q Okay. Assume hypothetically that BellSouth is going to deploy DLC cards that are capable of supporting DSL service and that they are going to deploy them during this cost study period, in that situation would it be appropriate to consider that technology in a forward-looking cost study?

A If in fact it was something the ALECs wanted and the product team had looked at it and was willing to offer it.

Q I'm going to change subjects on you a little. You were asked some questions by Mr. Lamoureux regarding the in-plant factor and the application of that to copper loops. Do you recall that series of questions?

A Yes, I do.

Q And I believe that you indicated that the BellSouth loop cost model primarily places small 25 or 50

pair of cables predominately rather than large cables; was that correct?

A That's correct.

Q Would that same thing be true in your all copper scenario?

A I have not seen that run made that shows a different size cables on the all copper run. I would anticipate there would be some differences.

Q And would the difference be that in the all copper run, you would be deploying exclusively copper in the feeder plant where typically larger cable sizes would be located?

A That's true. I'm just trying to think of -- the way the -- I'm sorry, it takes me a minute to remember all these runs. When you look at the copper run, when you look at the run that is 18,000 feet, predominately what we have studied in the BST2000, which is the first study we ran through the loop model, and it's what we actually analyzed for the pair sizes that actually come out of the cable, there is a mixture of copper and fiber close into the CO, but I'm talking through this to try to get it straight in my mind.

I think in that particular case that still would have the predominate placement of those cables close in to be distribution cables. So based on that, I would have to

say there would be some larger-sized cables placed in that scenario.

Q Okay. Just to be sure I understood your answer, in the all copper scenario, you would expect a higher proportion of the larger-sized cables to be placed?

A I would expect a difference, yes. Correct.

Q Did you make any adjustment -- well, let me ask it this way. Was the same in-plant factor used in both the BST2000 scenario and in the all copper scenario?

A Yes, it was. But in terms of looking at any type distortion that factor is actually based upon predominately 25- and 50-pair cables, so I think there's a good relationship there. I do not feel that it will cause a great big difference there.

Q Well, let me ask this. I believe you agreed earlier with Mr. Lamoureux that there would be some distortion with respect to the larger cable sizes because essentially you're assuming that if a cable has ten times as many pairs, it costs ten times as much to dig the trench and bury the cable or whatever; is that correct?

A Yes. And that's all from the averaging effect.

Q Right.

A Basically what we've done is, we've looked at the average cost to place a dollar of investment. So you do get some differences in the spread when you do an

averaging.

Q To the extent there is a distortion in the BST2000 scenario and to the extent that the all copper scenario places a higher proportion of the larger cable sizes, would you agree with me that there would be more distortion in the all copper scenario?

A I think the all copper would show some -- a greater difference. In terms of the underlying -- the BST2000 run, the basic run, the in-plants are predominately based on the same size cable the model is placing in that run. So I don't see in that particular run there's a big difference, in that and the combo run, but it would be different in the all copper.

Q And it is the all copper run where there is a possibility of a greater distortion that was used to calculate the costs for the various varieties of DSL-capable loops?

A I think you would see a larger difference.

Q Okay. I'd like to talk for a minute about nonrecurring charges. Do you agree in principle that the same network design assumptions that underlie your recurring cost study should be used when you develop nonrecurring costs?

A Yes, in principle. Correct.

Q And is it fair to say that none of the three

recurring cost scenarios that you performed designed a network that deployed load coils?

A Yes, there are no cost in there for deploying them. There is also no cost in there for removing them.

Q And is it fair to say that none of your three scenarios designed a network with more than 2,500 feet of bridge tap?

A Yes.

Q All right. And you would also agree that your cost study contains a cost for loop conditioning that would apply when an ALEC requests BellSouth to remove load coils or bridge taps from a particular loop that exists in BellSouth's network today; is that correct?

A Yes. That's a separate UNE, or unbundled network elements, for the removal of the load coils, and then we have one for the removal of bridge tap.

Q Okay. But those are elements that would not exist in any of your -- well, in any of the networks that you modeled for recurring cost purposes?

A Yes. The load coils are not in the recurring cost studies, but what we're talking about here is the cost to go out there and remove them from existing plant. It's a reality. They are there today, and they are going to have to be removed, and BellSouth incurs a cost for that physical work, and we are allowed to recover that

cost.

Basically, the FCC said they recognized that load coils may not exist in a forward-looking environment, but they are there today, and we are allowed to recover the cost of removing those load coils.

Q Would you also agree that the FCC rules don't permit the sum of your recurring charges and your nonrecurring charges to exceed your total forward-looking cost?

A I guess not because I didn't understand that.

Q Okay. When you do a cost study based on forward-looking cost principles, isn't it true that the sum of the recurring cost plus the nonrecurring cost cannot exceed the total cost that BellSouth incurs on a forward-looking basis, if you know?

A I don't know exactly what principle you're talking about. I mean, from a forward-looking standpoint, I looked at the investment necessary to deploy the loop, and that's my recurring in similar simple terms, and then I looked at the cost to provision to place it into service, and that was my nonrecurring. And those are the cost. They are separate and different cost. So if you're talking about for that facility to put it to work, if it's the sum of those two, then that would be the total cost.

Q But your nonrecurring costs aren't developed in

the same model that develops your recurring costs?

A No. Most of the nonrecurring costs are in spreadsheets where we look at the time to perform each activity and multiply that times the labor rate of the individual doing that activity.

Q I want to talk to you for a minute about the charge you've proposed for electronic access to loop makeup information. Can you tell us in just a few words what loop makeup information is?

A Loop makeup information is, if you look at a facility that starts at the central office and goes to a customer's location, the customer's premises, it's going to be composed of different pieces of cable, different gauges of cable, it may have some electronics on it, things of that type.

So when you're looking at a loop makeup, it's the physical -- how much copper cable you have, what gauge of cable it would be, like 26 or 24, and whether or not there's electronics on it, whether or not there are load coils, whether or not there's bridge tap.

So you're looking at the physical makeup. That's why we use that term of that particular loop, and that's what you're actually getting from your loop makeup information.

Q And would you agree with me that a DSL provider

is interested in loop makeup because the makeup of the loop can affect, first, whether or not a DSL service can be offered at all and, second, what type of DSL service or speed the carrier may be able to attain over that facility?

A Yes, they are interested.

Q Now, at Page 52 of your direct testimony at Lines 15 through 16, you say that BellSouth did not include in this filing the cost of the OSS, or operation support services, interfaces that have been developed to allow competitors to access BellSouth's provisioning systems; is that correct?

COMMISSIONER JABER: Where is that, Mr. Melson?

MR. MELSON: Well, I hope it's at Page 52 of the direct, Lines 15 and 16. This is not the revised direct; it's the original, original direct.

BY MR. MELSON:

Q Did I represent that accurately, Ms. Caldwell?

A Yes. We're talking about the OSS electronic interfaces for ordering your services; correct.

Q All right. And you didn't include any costs for the electronic interfaces for preordering either, did you?

A Correct.

Q All right. Isn't loop makeup -- a loop makeup inquiry essentially a preordering function?

A I never really looked at that that way because you may actually get the loop makeup information and never place an order.

Q Well, that's true of any preordering situation, isn't it? You may make a preorder inquiry, and then never place an order?

A That's possible.

Q All right. And is the reason that your cost study did not include costs for your preordering OSS or your ordering OSS is because this Commission has decided that those matters are going -- the developmental costs are going to be deferred and considered in a future proceeding after this OSS testing is finished?

A Yes. In particular, as a result of some of the arbitrations for the -- what I've called the OSS electronic interfaces, which are our systems that we built specifically for processing the service orders and access to our preordering systems. So, yes, those are the items.

Q Okay. But you, nevertheless, include in this cost study a proposed -- a cost of essentially 69 cents per transaction for electronic access to loop makeup information; is that correct?

A Yes, I did. This system actually was developed well after the Commission had looked at the OSS EIs, or I'm sorry, the operational support systems electronic

interfaces, so it was a new one. So I filed it in this cost study.

Q And essentially it's a new function that's going to be added to one of the existing OSS interfaces. This information will be available through -- is that correct?

A Yeah, access to this will be through, I believe, either TAG or LENS. Mr. Pate knows that in detail. But this is not the cost for any changes to the OSS, the electronic interfaces. This is the cost to allow our systems new hardware, new software that we would have had to place for purely allowing the mechanized access to our loop facility assignment system.

Q But when you developed your original OSS, part of that development cost is for access from LENS or TAG to other legacy BellSouth systems to obtain information from those legacy systems; is that correct?

A Yes. Your more -- what I vision is your more pure ordering systems, yes.

Q All right. Would you agree that to be consistent with this Commission's prior rulings that OSS development and interface costs are going to be considered in future proceedings that the electronic access to loop makeup information would fall into that same general category?

A No, I really didn't look at it that way because

this is actually providing access to a system that's used by our engineering department to get physical information about our facilities. And I looked at the other OSS electronic interfaces as access to the operational systems that are for really ordering and provisioning up front. So I saw it as a difference was why I included it in the cost study.

Q But it's still a method of providing to an ALEC access to information that BellSouth has access to internally?

A Yes.

Q All right. I'd like to spend just a few minutes talking about the development of the nonrecurring costs. Is it fair to say that the major inputs into the nonrecurring cost study for each unbundled network element or the steps you had to identify the tasks that needed to be performed, you had to determine the time required to complete each task, you had to determine the appropriate labor rate for the person or group that would be performing that task, and then if it was a task that didn't need to be performed on 100 percent of the orders, you needed to determine what percentage of the time that task needed to be performed? Is that a fair summary?

A Yes.

Q Let me hand out to you a copy of one of the

spreadsheets that comes out of your cost study. It's FL-ULM.xls, and it's essentially, if I understand it correctly, the input sheets for the unbundled loop modification element; is that correct?

A Yes, it's the input sheets. And I believe you also have the worksheets in here where they would multiply different numbers together.

MR. MELSON: All right. And, Commissioners, I guess first I'd like to have this identified, if I could, as the next numbered exhibit. I believe it would be 104.

CHAIRMAN DEASON: That's correct, 104.

(Exhibit 104 marked for identification.)

BY MR. MELSON:

Q And, Ms. Caldwell, I will tell you there are only 15 of 16 pages attached here because at the time I was copying this I wasn't sure whether or not some of the information on Page 16 was proprietary, so I elected to leave it off. That was -- included some demand information. I understand now that is not proprietary. Is that your understanding?

A I don't believe that that 16th sheet is proprietary.

Q You believe it is not?

A I believe it is not.

Q Okay.

A I can double-check the cost study to see how it was stamped, but --

Q All right. Would you -- and essentially, unbundled loop modification is one of the elements that you provided a cost for, and if I understand correctly, that unbundled loop modification would be the charge that would be applied if an ALEC asked to have load coils or bridge tap removed from a particular loop; is that correct?

A Correct.

Q Could you turn with me to Page 11 of this exhibit, and look at Lines 14 and 15? Can you tell me what the items on those two lines represent?

A Let me just be sure I'm with you. Page 11, Lines 14 and 15?

Q Yes, ma'am.

A This was incorrectly labeled on this worksheet. We have filed -- the Staff, I believe, asked about this at my deposition, and we filed a late-filed to explain what these items were. I can't remember exactly what the labeling was, but it was late-filed to the Staff's request.

Q All right. Bear with me just a minute. This was not intended to be a trick question. I didn't know you had a late-filed exhibit on that. There is a stack of

your late-filed deposition exhibits. Could you tell me which one I should be looking at?

A Yes. Give me just one minute, please.

CHAIRMAN DEASON: Perhaps now is a good time to take a break. We'll take a ten-minute recess.

(Brief recess.)

(Transcript continues in sequence in Volume 10.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

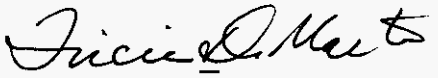
COUNTY OF LEON)

I, TRICIA DeMARTE, Official FPSC Commission Reporter, do hereby certify that the Hearing in Docket No. 990649-TP was heard by the Florida Public Service Commission at the time and place herein stated.

It is further certified that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 62 pages, Volume 9 constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 20th DAY OF SEPTEMBER, 2000.



TRICIA DeMARTE
FPSC Official Commission Reporter
(850) 413-6736