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RECORDS AND
REPORTING

September 13, 1999

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 990750-TP (ITC^DeltaCom)

Dear Ms. Bayó:

Enclosed please find the original and fifteen copies of BellSouth Telecommunications, Inc.'s Rebuttal Testimony of D. Daonne Caldwell, David A. Coon, W. Keith Milner, Ronald M. Pate, William E. Taylor, Ph.D., David L. Thierry and Alphonso J. Varner, which we ask that you file in the above-referenced matter.

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

Sincerely,

Michael P. Goggin (kr)
Michael P. Goggin

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cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

Caldwell 10992-99
Coon 10993-99
Milner 10994-99
Pate 10995-99
Taylor 10996-99
Thierry 10997-99
Varner 10998-99

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[Signature]
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**CERTIFICATE OF SERVICE
Docket No. 990750-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via

U.S. Mail this 13th day of September, 1999 to the following:

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1 **BELLSOUTH TELECOMMUNICATIONS, INC.**
2 **REBUTTAL TESTIMONY OF D. DAONNE CALDWELL**
3 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
4 **DOCKET NO. 990750-TP**
5 **SEPTEMBER 13, 1999**

6
7 **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

8
9 A. My name is D. Daonne Caldwell. My business address is 675 W. Peachtree St.,
10 N.E., Atlanta, Georgia. I am a Director in the Finance Department of BellSouth
11 Telecommunications, Inc. (hereinafter referred to as "BellSouth" or "the
12 Company"). My area of responsibility relates to economic costs.

13
14 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

15
16 A. Yes. I filed direct testimony on August 16, 1999.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19
20 A. The purpose of my testimony is to respond to the assertions made by
21 ITC^DeltaCom witnesses, Mr. Thomas Hyde and Mr. Don Wood.

22
23 **COLLOCATION**

24 **Q. ON PAGE 20 OF HIS TESTIMONY, ITC^DELTACOM WITNESS, MR.**
25 **WOOD, OFFERS A METHOD FOR DEVELOPING A "SURROGATE"**

1 **RATE FOR CAGELESS COLLOCATION. FROM A COST**
2 **METHODOLOGY PERSPECTIVE, IS HIS METHODOLOGY SOUND?**

3

4 A. No. Mr. Wood advocates utilizing the “existing rates for virtual collocation as a
5 reasonable proxy for physical cageless collocation rates.” (Page 20 of Wood
6 Testimony) Mr. Wood claims that in a virtual collocation arrangement “BellSouth
7 owns the equipment and incurs the expense of maintaining it.” (Page 21 of Wood
8 Testimony) He further explains his “cageless cost methodology” by suggesting that
9 BellSouth apply annual cost factors (minus maintenance) to some unspecified
10 investment to determine the “relevant costs.”

11

12 First, Mr. Wood’s underlying assumption is wrong; BellSouth does not own the
13 equipment in a virtual collocation arrangement nor does it incur the expense of
14 maintaining such equipment. In Virtual Collocation, BellSouth leases the
15 equipment from the collocator and pays a nominal fee of \$1.00 as outlined in
16 BellSouth’s FCC Tariff No. 1, Section 20. BellSouth maintains the equipment at
17 the collocator’s expense, pursuant to the rates and charges in Section 13 of FCC
18 Tariff No. 1. The relevant pages of BellSouth’s FCC Tariff No. 1 are attached as
19 Rebuttal Exhibit DDC-6. Second, Mr. Wood’s purported methodology fails
20 because the collocator purchases the equipment; therefore, there is no investment
21 by BellSouth against which annual cost factors could reasonably be applied to
22 develop a cost for BellSouth. BellSouth witness, Mr. Varner, discussed the
23 appropriate rates and their application on page 68 of his direct testimony filed in
24 this docket.

25

1 **OPERATIONAL SUPPORT SYSTEMS**

2 **Q. MR. WOOD ALSO DISCUSSES OPERATIONAL SUPPORT SYSTEM**
3 **(“OSS”) COSTS. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE**
4 **OSS ELECTRONIC INTERFACES COST ELEMENTS BELLSOUTH**
5 **FILED IN THIS DOCKET. FURTHER, PLEASE DISCUSS MR. WOOD’S**
6 **COMMENTS.**

7

8 A. As I describe in my direct testimony, the OSS Electronic Interfaces are the systems
9 that BellSouth developed specifically to provide Alternative Local Exchange
10 Carriers (“ALECs”) with the ability to transmit a local service request (“LSR”)
11 electronically. These interfaces allow the ALEC to mechanically access BellSouth’s
12 existing order processing systems. Both resale and unbundled network element
13 (“UNE”) LSRs can be transmitted via the interfaces.

14

15 The costs BellSouth submitted in this docket reflect only those costs associated
16 with these new interfaces. I agree with Mr. Wood’s observation that the OSS costs
17 can be segmented into two classes; (1) costs incurred to develop the interfaces and
18 (2) costs resulting from the use of these interfaces. In fact, BellSouth’s cost
19 summary reflects these classifications:

20

21 (1) OSS Electronic Interfaces – Development and Implementation cost element,
22 includes the labor costs for the systems development and software costs.

23

24 (2) OSS Electronic Interfaces – Ongoing Processing cost element, reflects the
25 ongoing costs of the hardware and the Local Carrier Service Center (“LCSC”)

1 labor required to handle a LSR which falls out.

2

3 However, I disagree with his assertion that the development and implementation
4 costs are inappropriate. If these costs were perceived to be born solely by
5 BellSouth, what would deter an ALEC from requesting a "gold-plated" interface,
6 one that may or may not be utilized by the ALEC? This is a waste of valuable
7 resources. Furthermore, the ALECs caused these costs to be incurred and thus, the
8 ALECs should bear the costs. Finally, Mr. Wood's statement on page 15 of his
9 testimony is blatantly wrong, "the new OSS implemented by BellSouth will benefit
10 its own retail customers." BellSouth does not and will not use these interfaces to
11 serve its retail customers. They are provided solely for the use of ALECs. Thus,
12 there is no benefit to BellSouth's retail customer. BellSouth witness, Dr. Taylor,
13 expands on the appropriateness of BellSouth's OSS charges in his rebuttal
14 testimony.

15

16 **NONRECURRING COST DEVELOPMENT**

17 **Q. BELLSOUTH DEVELOPED NONRECURRING COSTS FOR**
18 **UNBUNDLED NETWORK ELEMENTS, BOTH IN THIS DOCKET AND**
19 **IN DOCKET NOS. 960757-TP, 960833-TP, AND 960846-TP. HOWEVER,**
20 **MR. HYDE (PAGE 13) AND MR. WOOD (PAGE 25) QUESTION THE**
21 **VALIDITY OF BELLSOUTH'S NONRECURRING COST**
22 **METHODOLOGY. PLEASE COMMENT.**

23

24 **A.** This Commission has previously reviewed BellSouth's nonrecurring costs for
25 unbundled network elements and the underlying methodology used to develop

1 those costs in Docket Nos. 960757-TP, 960833-TP, and 960846-TP. On page 96
2 of Order No. PSC-98-0604 in those dockets, the Commission rejected cost models
3 proposed by other parties stating: "We characterize AT&T/MCI's view as
4 representing the 'best case' scenario, the most automated, least cost provisioning.
5 We do not believe that AT&T/MCI's view, which is optimistic, captures all of the
6 manual intervention that is actually required to provision UNEs." Thus, the main
7 flaw the Commission found with the intervenors' nonrecurring models was that
8 they developed costs virtually based on costs that a hypothetical local exchange
9 company would incur to provide service if it were to build an ideal network today
10 from scratch.

11

12 Mr. Wood advocates this same philosophy in this proceeding. On page 11 of his
13 testimony, Mr. Wood states that nonrecurring costs should reflect systems that "are
14 consistent with the Total Network Management ("TNM") guidelines". BellSouth's
15 network is "consistent" with the TNM guidelines. However, the network is not
16 100% TNM compliant and never will be 100% compliant. Network management
17 refers to the equipment, procedures, and operations designed to keep a traffic
18 network operational. Total Network Management implies an integrated network
19 where each vendor's equipment communicates with other vendor supplied
20 equipment, operations are seamless, and procedures require no (or little) human
21 intervention. BellSouth's goal is to evolve toward this standard, but due to the
22 enormous investment BellSouth has in copper plant, total end-to-end compliance
23 will never materialize. The substantial capital outlay and labor required to make
24 Mr. Wood's world a reality are cost prohibitive requiring replacement of existing,
25 functional plant. Additionally, Mr. Wood ignores other attributes of nonrecurring

1 cost, in addition to network design, that impact the cost BellSouth will incur.
2 BellSouth has contractual obligations that mandate work activities such as testing.
3 Also, some orders require manual intervention due to their complex nature or input
4 error. Mr. Wood inappropriately relegates nonrecurring cost development to this
5 hypothetical world based on "the most efficient technology" regardless of its
6 deployment (or lack thereof) in BellSouth's network.

7
8 There is no reason to re-examine the nonrecurring costs previously filed with this
9 Commission. Additionally, the new nonrecurring costs presented by BellSouth in
10 this docket also adhere to the same methodology approved by the Commission in
11 Docket Nos. 960757-TP, 960833-TP, and 960846-TP.

12
13 **Q. ON PAGES 26-27 OF HIS TESTIMONY, MR. WOOD DISCUSSES**
14 **DISCONNECT CHARGES. PLEASE COMMENT ON HIS STATEMENTS.**

15
16 A. Mr. Wood raises two issues with respect to disconnect costs. The first has to do
17 with timing. Mr. Wood believes, "disconnect charges should not be assessed to
18 CLECs until the customer actually leaves the system." (Wood Testimony at Page
19 26) This Commission has already made a decision on this aspect of disconnect
20 costs in Docket Nos. 960757-TP, 960833-TP, and 960846-TP where it stated; "it
21 is appropriate to assess those [disconnect] charges at the time the costs are in fact
22 incurred." (Order PSC-98-0604-FOF-TP at Page 69) Thus, BellSouth presented
23 these costs as separate items in this docket.

24
25 Mr. Wood's second issue pertains to an imaginary "double counting of costs". He

1 asserts that BellSouth does not physically disconnect the circuit and thus, no
2 disconnect costs are incurred. This may be partially true when BellSouth is the
3 end-to-end provider of service, but not when an ALEC utilizes unbundled network
4 elements to provide service. (Record changes would still need to be processed
5 even if physical disconnect does not take place.) When an ALEC no longer wants
6 to purchase a UNE from BellSouth, i.e. at the time of disconnect, then BellSouth
7 must physically perform certain tasks, e.g., disconnecting the unbundled loop from
8 the cross-connects. These work activities are reflected in the costs that are
9 appropriately presented by BellSouth in this docket for Service Level 1 and Service
10 Level 2 loops.

11
12 Mr. Wood states that if an end user decides to change service providers, the
13 connect and disconnect activities are “a single activity.” (Wood testimony Page 27)
14 This is wrong. Yes, the activities may take place at the same time; but different
15 transactions, potentially involving different work groups, occur and can be
16 separately identified into connect and disconnect categories. To illustrate my point,
17 assume the end user is an ITC^DeltaCom customer served via UNEs purchased
18 from BellSouth, loop and cross-connects. If this customer decides to return to
19 BellSouth and ITC^DeltaCom relinquishes the facilities, then record changes would
20 need to be made and cross-connects to ITC^DeltaCom’s collocation space would
21 be removed. These activities are reflected in the disconnect cost ITC^DeltaCom
22 would pay. Additional activities would then need to be done to re-establish service,
23 e.g., connecting the customer to BellSouth’s switch, testing and translations. These
24 charges associated with re-establishing service are assessed against the end user,
25 not ITC^DeltaCom. If ITC^DeltaCom wants, for some unknown reason, to retain

1 the original loop then no disconnect charges would be assessed. However,
2 ITC^DeltaCom would still be responsible for the recurring charges associated with
3 that retained loop.

4
5 In summary, disconnect charges only apply when the ALEC requests that a UNE
6 no longer be provided by BellSouth. This request causes BellSouth to incur costs
7 due to the physical activities required to implement the discontinuance of
8 "service". BellSouth presents disconnect costs separately from the installation
9 costs as required by this Commission.

10

11 **Q. ON PAGE 25 OF HIS TESTIMONY, MR. WOOD ALLEGES**
12 **BELLSOUTH'S COST MODEL CANNOT BE USED TO COMPLY WITH**
13 **THE FCC'S TELRIC STANDARD. DO YOU AGREE?**

14

15 A. No. BellSouth's cost methodology is compliant with the FCC's TELRIC standard.
16 As I explained in my direct testimony, this Commission has devoted extensive time
17 and resources to evaluating cost methodology. In Order No. PSC-96-1579-FOF-
18 TP, the Commission recognized that the underlying Total Service Long Run
19 Incremental Cost ("TSLRIC") cost methodology and the FCC's Total Element
20 Long Run Incremental Cost ("TELRIC") cost methodology are virtually the same,
21 only the cost object has changed from a service to an element. On page 24 of the
22 Order, the Commission states: "Upon consideration, we do not believe there is a
23 substantial difference between the TSLRIC cost of a network element and the
24 TELRIC cost of a network element." Further, on page 32 of Order No. PSC-96-
25 1579-FOF-TP, this Commission found that "BellSouth's cost studies are

1 appropriate because they approximate TSLRIC cost studies and reflect BellSouth's
2 efficient forward-looking costs." Mr. Wood presents nothing new that should
3 cause this Commission to revisit this finding. Since this Commission equates
4 TSLRIC to TELRIC, and TELRIC is the current FCC cost methodology standard;
5 BellSouth's studies necessarily comply with the FCC TELRIC rules as interpreted
6 by this Commission.

7

8 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

9

10 A. The cost studies filed in this proceeding determine the total service long run
11 incremental costs plus shared and common costs specific to Florida. The costs
12 were developed using the basic study methodology and approved input values
13 previously authorized by this Commission.

14

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16

17 A. Yes.

18

19

20

21

22

23

24

25

EFFECTIVE: DECEMBER 16, 1996

BellSouth Telecommunications, Inc.
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Exhibit DDC-6
Page 1 of 3

ACCESS SERVICE

13 - Additional Engineering, Additional Labor and Miscellaneous Services
(Cont'd)

13.3 Miscellaneous Services

13.3.1 Maintenance of Service

- (A) When a customer reports a trouble to the Telephone Company for clearance and no trouble is found in the Telephone Company's facilities, the customer shall be responsible for payment of a Maintenance of Service charge.

Failure of Telephone Company personnel to find trouble in Telephone Company facilities will result in no charge if the trouble is actually in those facilities, but not discovered at the time.

- (B) The customer shall be responsible for payment of Maintenance of Service charge for all maintenance/repair work performed by the Telephone Company in connection with its BellSouth Virtual Expanded Interconnection offering. (T)

- (C) The customer shall be responsible for payment of a Maintenance of Service charge when the Telephone Company dispatches personnel and the trouble is in equipment or communications systems provided by other than the Telephone Company or in detariffed CPE provided by the Telephone Company.

- (D) The Maintenance of Service charge applies for the period of time from when Telephone Company personnel are dispatched to when the work is completed. When more than one employee is dispatched the sum of the times is used to determine the number of 30-minute increments to be billed. Only one initial increment is to be billed per request. A request resulting in the dispatch of a Telephone Company employee at a time not consecutive with the employee's scheduled work period is subject to a minimum charge of three hours.

In either (A) or (B) preceding, no credit allowance will be applicable for the interruption involved if the Maintenance of Service charge applies.

EFFECTIVE: AUGUST 1, 1995

BellSouth Telecommunications, Inc.
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ACCESS SERVICE

13 - Additional Engineering, Additional Labor and Miscellaneous Services
 (Cont'd)

13.3 Miscellaneous Services (Cont'd)

13.3.1 Maintenance of Service (Cont'd)

(E) The charges for Maintenance of Service are as follows:

<u>Maintenance of Service</u> <u>Periods</u>	<u>USOC</u>	<u>First Half</u> <u>Hour or</u> <u>Fraction</u> <u>Thereof</u>	<u>Each Additional</u> <u>Half Hour or</u> <u>Fraction</u> <u>Thereof</u>	
<u>ALL STATES</u>				
Basic Time, normally scheduled working hours	MW	\$60.00	\$40.00	(1)
Overtime, outside of normally scheduled working hours on a scheduled work day	MW	\$67.00	\$48.00	(1)
Premium Time, outside of scheduled work day	MW	\$74.00	\$55.00	(1)

EFFECTIVE: DECEMBER 16, 1996

BellSouth Telecommunications, Inc
FPSC Docket No. 990750-TP
Exhibit DDC-6
Page 3 of 3

ACCESS SERVICE

20 - BellSouth Virtual Expanded Interconnection (Cont'd) (T)

20.17 Service Description

BellSouth Virtual Expanded Interconnection service provides for location (T)
interconnection of collocator-provided/Telephone Company leased fiber optic (T)
facilities to Telephone Company Interstate BellSouth SWA and Special Access (T)
(a.k.a. BellSouth SPA) services. BellSouth Virtual Expanded Interconnection (T)
service for switched access is provided at designated central offices, (T)
tandems, and remote nodes/switches (e.g., locations). BellSouth Special (T)
Access Virtual Expanded Interconnection is available only at designated (T)
central offices. Under BellSouth Virtual Expanded Interconnection, a (T)
collocator provides fiber optic cable up to a Telephone Company-designated (T)
interconnection point outside of the location, such as a manhole. The (T)
collocator will provide the entrance fiber extending between the (T)
interconnection point and the location. The Telephone Company will lease the (T)
entrance fiber under the provisions of 20.18(A) following, and will install (T)
the fiber into the location for connection to the BellSouth Virtual Expanded (T)
Interconnection collocator-provided/Telephone Company leased transmission (T)
equipment. In addition, if multiple entry points are available, and the (T)
collocator so desires, multiple entry points will be provided to the (T)
collocator. A BellSouth Virtual Expanded Interconnection arrangement may (T)
interconnect with Telephone Company Interstate BellSouth SWA and Special (T)
Access (a.k.a. BellSouth SPA) DS1/DS3 level high capacity services within the (T)
location.

Microwave facilities, in lieu of fiber facilities, may be used for (T)
interconnection where they may reasonably be provided. Upon receipt of a (T)
request for microwave interconnection, BellSouth will negotiate the (T)
arrangements and file the appropriate rates and regulations for the service.

BellSouth Virtual Expanded Interconnection will be made available subject to (T)
the availability of space and facilities in each Telephone Company location. (T)
BellSouth's central office, tandem and remote node switch site designations (T)
are listed in the National Exchange Carriers Association (NECA) Tariff F. C. C. (T)
No. 4.

General regulations, rates and charges applicable to all BellSouth Virtual (T)
Expanded Interconnection arrangements are contained in this tariff. (T)

20.18 Regulations

- (A) In order to ensure the compatibility of the transmission capabilities of (T)
the facilities and equipment used in the provision of BellSouth Virtual (T)
Expanded Interconnection, such equipment and facilities, including the (T)
entrance fiber, associated riser cable/fiber, terminal transmission (T)
equipment, plug-ins, software, unique tools and test equipment will be (T)
provided by the collocator. The collocator agrees to lease to BellSouth (T)
all the equipment and support structure components required to provision (T)
and maintain/repair BellSouth Virtual Expanded Interconnection on an (T)
ongoing basis, for the nominal sum of one dollar.