ORIGINAL

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF ALPHONSO J. VARNER

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 991854-TP

March 6, 2000

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. ARE YOU THE SAME ALPHONSO VARNER THAT FILED DIRECT TESTIMONY IN THIS PROCEEDING ON FEBRUARY 14, 2000?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to Intermedia Communications, Inc.'s ("Intermedia's") testimony on numerous unresolved issues. The Parties have continued to negotiate, and it is BellSouth's understanding that the following issues are resolved: 1, 2(b), 4, 5, 11, 14, 15, 16, 17, 18(a), 18(b), 19,

20, 21, 23, 24, 27, 28, 34, 35, 36, 40, 41, 42, 43, 44, 46 and 47. Issues 6, 8 and 9 have been deferred to the Generic Collocation Docket No. 981834-TP/990321-TP. Further, the Commission's February 11, 2000 Order in this proceeding stated that Issues 33 and 48 are inappropriate for arbitration by the Commission and should not be included in the proceeding. Therefore, it is BellSouth's understanding that the following issues remain to be addressed by the Commission in this arbitration proceeding: 2(a), 3, 7, 10, 12, 13, 18(c), 22, 25, 26, 29, 30, 31, 32, 37, 38, 39, and 45.

Issue 2: What should be the appropriate definition of "local traffic" for purposes of the parties' reciprocal compensation obligations under Section 251(b)(5) of the 1996 Act?

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 6 OF HIS TESTIMONY THAT "THE DEFINITION OF LOCAL TRAFFIC SHOULD INCLUDE TRAFFIC THAT ORIGINATES FROM OR IS CARRIED TO AN ENHANCED SERVICE PROVIDER (ESP) OR INFORMATION SERVICE PROVIDER (ISP)"?

A. Mr. Jackson is confusing two issues. The first issue is the appropriate definition of local traffic for purposes of the parties' reciprocal compensation obligations under Section 251(b)(5) of the 1996 Act. The second issue is the appropriate interim inter-carrier compensation mechanism for non-local ISP-bound traffic. Intermedia's desire to be compensated for delivery of traffic to

the ISPs it serves should be addressed separately from the issue of defining local traffic.

It is difficult for me to understand how Mr. Jackson can claim any justification for defining local traffic as including ISP-bound traffic. As I stated in my direct testimony, the FCC was very clear in its February 26, 1999 Declaratory Ruling when it once again confirmed that ISP-bound traffic is access service subject to interstate jurisdiction and is not local traffic. I also quoted from the FCC's August 1996 Local Interconnection Order (CC Docket No. 96-98), paragraph 1034, wherein the FCC made it perfectly clear that the reciprocal compensation provisions of Section 251(b)(5) of the 1996 Act apply only to traffic that originates and terminates within a local area.

Q. IS RECIPROCAL COMPENSATION AN APPROPRIATE INTER-CARRIER COMPENSATION MECHANISM FOR ISP-BOUND TRAFFIC?

A. No. Application of reciprocal compensation to ISP traffic would have serious public policy implications. Below are numerous undesirable outcomes that could be expected:

- Reduced incentive to serve residence and business end user customers;
- Further subsidization of ISPs;
- Continued encouragement of uneconomic preferences for ALECs to serve ISPs due to the fact that ALECs can choose the customers

they want to serve and ALECs could offer lower prices to ISPs without reducing the ALEC's net margin;

- Increased burden on end user customers;
- Establishment of unreasonable discrimination among providers (IXCs versus ISPs);
- ILEC is not compensated for any costs incurred in transporting ISP-bound traffic; and
- Incentives created to arbitrage the system, such as schemes designed solely to generate reciprocal compensation.

Q. WHAT DOES BELLSOUTH PROPOSE AS AN APPROPRIATE INTER-CARRIER COMPENSATION MECHANISM FOR ISP-BOUND TRAFFIC?

A. Although action by the Commission pending the FCC's ruling is not necessary, if the Commission wishes to establish an interim inter-carrier compensation mechanism for ISP traffic, BellSouth suggests three possible options, any of which would be interim until such time as the FCC completes its rulemaking proceeding on inter-carrier compensation:

1) The Commission could direct the parties to create a mechanism to track ISP-bound calls originating on each parties' respective networks on a going-forward basis. The parties would apply the inter-carrier compensation mechanism established by a final, nonappealable order of the FCC retroactively from the date of the Interconnection Agreement approved by the Commission, and the

parties would "true-up" any compensation that may be due for ISP-bound calls.

2) A second option proposed by BellSouth is an inter-carrier revenue sharing compensation arrangement for ISP-bound access traffic that is consistent with the proposal BellSouth filed with the FCC. This proposal is also consistent with the inter-carrier compensation mechanisms that apply for other access traffic. This option is based on apportionment of revenues collected for the access service among the carriers incurring costs to provide the service. The revenue to be apportioned among carriers is the charge for the business exchange service that the ISP pays.

3) The Commission could direct the parties to implement a bill-and-keep arrangement as the inter-carrier compensation mechanism for ISP-bound traffic until such time as the FCC's rulemaking on inter-carrier compensation is completed. By definition, a bill-and-keep arrangement is a mechanism in which neither of the two interconnecting carriers would charge the other for ISP-bound traffic that originates on the other carrier's network.

Under all three options, the ALEC is being compensated by the ISP. Under Option (2), in the interim, BellSouth would likely be the net recipient of revenue from Intermedia. While Option (2) has the most sound theoretical basis, BellSouth is willing to forego that compensation for the interim period

in exchange for the administrative simplicity of bill-and-keep. Furthermore, Option (3), a bill-and-keep arrangement, removes any uncertainty surrounding application of the FCC's mechanism inherent in Option (1).

Q. IS IT REASONABLE FOR RECIPROCAL COMPENSATION TO BE PAID FROM LOCAL SERVICE REVENUES?

A. No. The FCC has clearly established that ISP-bound traffic is access traffic, not local traffic. The local exchange rates paid by end user customers were never intended to recover costs associated with providing access service and were established long before the Internet became popular. Basic local exchange service customers buy access to the Internet directly from their ISP, typically for a recurring monthly charge. The ISP, therefore receives its revenue directly from its end user customers. Further, ISPs pay their serving LEC only for the access service they receive. In addition to the compensation Intermedia receives directly from its ISP customers, Intermedia wants additional compensation from BellSouth even though BellSouth doesn't collect revenues for this service.

To demonstrate the absurdity of Intermedia's claim, consider the following example. Assume a BellSouth residential customer in Florida subscribes to an ISP that is served by an ALEC. Based on available statistics, a typical customer uses the Internet an average of 6.5 hours per week, i.e., a little under 56 minutes per day. Using rates for reciprocal compensation that are applicable to local traffic, this ISP-bound traffic would generate a reciprocal

compensation payment by BellSouth to the ALEC of $3.34 per month [$.002 * 55.7 minutes/day * 30 days]. BellSouth serves residence customers in Florida at an average of $9.91 per month (flat-rate local rate). Therefore, in this example, BellSouth would be forced to turn over to the ALEC one third of the local service revenue it receives from its end users who also subscribe to an ISP served by an ALEC. This situation makes no economic sense and would place an unfair burden on BellSouth and its customers.

Q. IF RECIPROCAL COMPENSATION IS NOT AUTHORIZED, WILL ALECs BE UNCOMPENSATED FOR THE COSTS THEY INCUR TO PROVIDE SERVICES TO ISPs?

A. No. The ALECs' ISP customers compensate the ALECs for services that are provided just like an ILEC's ISP customer compensates the ILEC. The ALECs' request for reciprocal compensation on ISP-bound traffic simply provides ALECs with unearned windfall revenues and further increases the unreimbursed cost of the ILEC.

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 8 THAT, IF BELLSOUTH DOES NOT PAY RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC, THE END RESULT WILL BE FEWER CARRIERS PROVIDING INTERNET SERVICE AND A DRAMATIC INCREASE IN THE COST OF INTERNET SERVICE TO CUSTOMERS.

A. The carrier serving the ISP is compensated for ISP-bound traffic in the rate it charges its ISPs. In fact, BellSouth serves many ISPs and does so without receiving reciprocal compensation for this traffic. Contrary to Mr. Jackson's claim, inappropriately requiring that reciprocal compensation be paid for ISP-bound traffic would have a detrimental effect on competition because it would decrease incentives for ALECs such as Intermedia to serve customers other than ISPs.

Q. CAN YOU ILLUSTRATE THE IMPACT OF PAYING RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC IN FLORIDA?

A. The following charts demonstrate the minutes of use and billings from December 1998 through November 1999 for ISP and non-ISP traffic:

ISP-BOUND TRAFFIC (12/98 – 11/99)			
Billed Minutes of Use		Billed Revenue	
ISP-bound traffic originated by BST's end users to ISPs served by ALECs	ISP-bound traffic originated by ALECs' end users to ISPs served by BST	ALECs bill BST	BST bills ALECs
10,190,731,663	691,136,448	$63,481,333	$0

NON-ISP LOCAL TRAFFIC (12/98 – 11/99)			
Billed Minutes of Use		Billed Revenue	
Local traffic originated by BST's end users to ALECs' end users	Local traffic originated by ALECs' end users to BST's end users	ALECs bill BST	BST bills ALECs
1,885,931,508	156,446,323	$16,340,845	$3,293,053

Q. WHAT DO THESE CHARTS SHOW RELATIVE TO THE COMPETITIVE MARKETPLACE IN FLORIDA?

A. These charts clearly demonstrate that the payment of reciprocal compensation for ISP-bound traffic would create a huge distortion in the marketplace. First, it would reduce the incentive for ALECs to serve residential and business customers, particularly those that are Internet subscribers. Why would an ALEC choose to serve a customer that would cost them, on average, over a third of the local revenue they obtained from that customer? The answer is that they wouldn't – unless, of course, the end user customer also subscribes to an ISP served by the ALEC. Second, payment of reciprocal compensation for ISP-bound traffic would result in a substantial subsidy to the ALEC. A considerable portion of the revenues paid by the end user to its local service provider would go directly into the pocket of the ALEC or the ISP. Third, it would distort the pricing of services to ISPs. Using reciprocal compensation payments, the ALEC could pass along price breaks to the ISP that would not normally occur in a non-distorted, competitive market.

Q. PLEASE DESCRIBE HOW THE DATA IN YOUR CHARTS SHOW THAT THE MARKET IN FLORIDA IS DISTORTED?

A. The charts demonstrate that, during the previous 12-month period in Florida, ALECs delivered approximastely 15 times more traffic to their ISPs as their end user customers originated to ISPs served by BellSouth. Such a disparity might be reasonable if ALECs were providing service to the majority of ISPs.

However, such is not the case; BellSouth is providing service to the majority of ISPs.

These charts make two points very clear: (1) the size of the subsidy to ALECs serving ISPs is very large; and (2) ALECs are targeting ISP customers in lieu of end user customers who originate local traffic. The charts indicate that the size of the subsidy in Florida was more than $63 million for the past year. Rebuttal Exhibit AJV-1 attached to my testimony shows the steady increase in that subsidy, as well as the disparity between traffic originated by BellSouth's end users to the ALEC's ISPs versus to the ALEC's end users.

Q. DO YOU HAVE ANY DATA THAT SHOWS THE DISPARITY BETWEEN ISP VERSUS NON-ISP TRAFFIC SPECIFIC TO INTERMEDIA IN FLORIDA?

A. Yes. Rebuttal Exhibit AJV-2 attached to my testimony is a proprietary exhibit which illustrates that Intermedia has obviously targeted ISPs.

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 8 THAT THE ACT CONTEMPLATES THAT CARRIERS WILL RECEIVE COMPENSATION FOR THE USE OF THEIR RESPECTIVE NETWORKS THROUGH EITHER ACCESS CHARGES OR RECIPROCAL COMPENSATION.

A. Mr. Jackson's contention is partially correct. Carriers are to be compensated either through billing to their customers or through reciprocal compensation. In the case of ISP-bound traffic, Intermedia receives compensation from its ISP customer. Of course, as previously discussed, reciprocal compensation is only due on local traffic.

Q. PLEASE ADDRESS MR. JACKSON'S CLAIM AT PAGE 8 THAT NOT REQUIRING BELLSOUTH TO PAY RECIPROCAL COMPENSATION ON ISP-BOUND TRAFFIC RESULTS IN INTERMEDIA PROVIDING SERVICE TO BELLSOUTH FREE OF CHARGE.

A. The obvious fallacy in Mr. Jackson's argument is that, for ISP-bound traffic, Intermedia is not providing service to BellSouth. Intermedia is providing service to its ISP customer, and the ISP pays Intermedia for that service.

Issue 3: Should Intermedia be compensated for end office, tandem, and transport elements, for purposes of reciprocal compensation?

Q. PLEASE RESPOND TO MR. JACKSON'S CLAIM AT PAGE 9 THAT INTERMEDIA IS ENTITLED TO COMPENSATION AT BELLSOUTH'S TANDEM INTERCONNECTION RATE IF INTERMEDIA'S SWITCH SERVES A GEOGRAPHIC AREA COMPARABLE TO THE AREA SERVED BY BELLSOUTH'S TANDEM SWITCH.

A. Under Section 251(b)(5) of the 1996 Act, all local exchange carriers are required to establish reciprocal compensation arrangements for the transport and termination of telecommunications. 47 U.S.C. § 251(b)(5). The FCC's rules limited this obligation to local traffic. The terms and conditions for reciprocal compensation must be "just and reasonable," which requires the recovery of a reasonable approximation of the "additional cost" of terminating calls that originate on the network of another carrier. 47 U.S.C. § 252(d)(2)(A). In its August 8, 1996 First Report and Order, the FCC stated that the "additional costs" of transporting terminating traffic vary depending on whether or not a tandem switch is involved. (¶ 1090) As a result, the FCC determined that state commissions can establish transport and termination rates that vary depending on whether the traffic is routed through a tandem switch or directly to a carrier's end-office switch. *Id.*

The FCC directed state commissions to do two things in determining whether an ALEC should receive the same reciprocal compensation rate as would be the case if traffic were transported and terminated via the incumbent's tandem switch. First, the FCC directed state commissions to "consider whether new technologies (e.g., fiber ring or wireless network) performed functions similar to those performed by an incumbent LEC's tandem switch and thus whether some or all calls terminating on the new entrance's network should be priced the same as the sum of transport and termination via the incumbent LEC's tandem switch." *First Report and Order* ¶ 1090 (emphasis added). Second, the FCC instructed that where the new carrier's switch serves a geographic area comparable to that served by the incumbent local exchange carrier's

tandem switch, the appropriate proxy for the new carrier's costs is the incumbent's tandem interconnection rate. *Id.*; *see also* 47 CFR § 51.711(a)(3).

Q. PLEASE RESPOND TO INTERMEDIA'S CLAIM THAT ITS SWITCHES COVER GEOGRAPHIC AREAS COMPARABLE IN SCOPE TO BELLSOUTH'S TANDEMS.

A. First, it is interesting to note that Mr. Jackson claims it is not necessary to even look at the areas served by Intermedia's switches in order to determine the geographic area covered by those switches. Nonetheless, Mr. Jackson has provided numerous maps indicating the geographic area Intermedia's switches "cover." It is a very simple matter to color in areas on a map and claim that these areas are "covered" by switches. However, in order to establish that Intermedia's switches serve a geographic area comparable to that served by the incumbent local exchange carrier's tandem switches, Intermedia must show the particular geographic area it serves, not the geographic area that its switches may be capable of serving. (*See* 47 C.F.R. § 51.711(a)(3)). In order to make a showing that Intermedia's switches serve a geographic area equal to or greater than that served by BellSouth's tandem switches, Intermedia must provide information as to the location of its customers or, at the very least, give some indication as to how its customers are actually being served by Intermedia's switches. (*MCI Telecommunications Corp. v. Illinois Bell Telephone,* 1999 U.S. Dist. LEXIS 11418 (N.D. Ill. June 22, 1999)).

Intermedia has offered no information to the Commission to demonstrate that Intermedia's switches are indeed performing the local tandem function, nor has Intermedia offered any proof that its switches in Jacksonville, Orlando and Miami currently serve areas comparable to BellSouth's tandem switches. Intermedia did not provide the Commission with the location of its customers in Florida, information which would be essential for the Commission to determine whether Intermedia's switches actually serve areas comparable to BellSouth's tandem switches. Absent such evidence, Intermedia has clearly failed to satisfy its burden of proof on this issue.

For example, even though Intermedia may claim that its switches serve a large geographic area in Florida, it is impossible for the Commission to verify such a claim without evidence that Intermedia has built or is leasing the loop facilities necessary to actually serve customers scattered throughout that area. Further, to support a claim that a given geographic area is "covered," Intermedia must show that its loop facilities are capable of supporting any and all end user customers in that geographic area that might choose service from Intermedia. BellSouth urges the Commission to keep this important point in mind when reviewing the maps furnished by Intermedia with its direct testimony.

Q. PLEASE RESPOND TO MR. JACKSON'S CLAIM AT PAGE 12 THAT INTERMEDIA'S "SINGLE SWITCHES HAVE TO PERFORM ALL OF THE RELEVANT FUNCTIONS, INCLUDING THE FUNCTION BELLSOUTH ASSIGNS TO ITS TANDEM SWITCHES."

A. A tandem switch connects one trunk to another trunk and is an intermediate switch or connection between an originating telephone call location and the final destination of the call. To qualify for payment of tandem switching under reciprocal compensation, a switch must be performing this function for local calls. BellSouth contends that Intermedia's three switches in Bellsouth's franchise area – one in Jacksonville, one in Orlando and one in Miami - are end office switches for local traffic. These switches handle calls that originate from or terminate to customers served by those end office switches; therefore, Intermedia's switches are not performing a local tandem function. Since Intermedia has only one local switch in each local calling area, these end office switches cannot be performing a local tandem function.

Tandem switching systems perform trunk-to-trunk switching and generally provide two basic network functions -- traffic concentration and centralization of services. As traffic concentrators, tandems allow the traffic of groups of end offices to be economically gathered for delivery between the end offices or to distant points. BellSouth contends that Intermedia's switches do not perform such a function for local traffic. Proper deployment of local tandem switches is based on the blending of the functional needs and the economics of local traffic concentration according to the technical capabilities of the tandem switches being deployed.

Mr. Jackson states at page 11 that Intermedia's switches "are very capable and they have a very large capacity." I would be surprised to learn otherwise. Any modern switch is capable of performing a variety of functions. Further,

modern switches are capable of handling large quantities of lines, trunks and customer traffic. However, a tandem switch is, by definition, an intermediate switch, and Intermedia has no intermediate switches for local traffic.

Intermedia is seeking to be compensated for the cost of equipment it does not own and for functionality it does not provide. This Commission should deny Intermedia's request for tandem switching compensation when its switches do not perform those functions.

Q. WHAT EVIDENCE DOES BELLSOUTH PRESENT TO DEMONSTRATE ITS TANDEM SWITCH COVERAGE?

A. Attached to this testimony as Rebuttal Exhibit AJV-3 are BellSouth's maps indicating the areas served by BellSouth's Access Tandems and Local Tandems in the Jacksonville, Miami and Orlando areas.

BellSouth's Access tandems serve wire centers as shown on the maps in purple. These tandems provide both local and long distance functions. Any independent exchanges that are homed to BellSouth's Access tandems are also included. Note that the independent wire centers have an X in the 7th character position. BellSouth's local tandems serve wire centers as shown on the maps in green.

Before the advent of local competition, Access tandems provided for interchange of exchange access traffic (that is, interLATA traffic) between

local exchange companies and interexchange carriers and for the switching of intraLATA toll traffic on behalf of local exchange carriers. Local tandems, by comparison, were and still are used to handle local traffic only.

With local competition, Access tandems also began to handle local traffic on behalf of ALECs who chose to interconnect at the Access tandem. BellSouth provides interconnection at its Access tandem switches for an ALEC's intraLATA toll traffic, interLATA toll traffic and local traffic. Alternatively, the ALEC may elect to interconnect at BellSouth's local tandem switches instead of BellSouth's Access tandem switches for the ALEC's local traffic only. However, if an ALEC elects to interconnect at a BellSouth local tandem switch for handling its local traffic, that ALEC must still interconnect at an Access tandem for its toll traffic (whether intraLATA or interLATA).

Because both local tandems and Access tandems handle local traffic, BellSouth has provided maps showing the areas served by its seven Access tandems and its five local tandems in Jacksonville, Miami and Orlando.

Issue 7: What charges should Intermedia pay to BellSouth for space preparation for physical collocation?

Q. PLEASE RESPOND TO MR. JACKSON'S COMMENTS CONCERNING BELLSOUTH'S CHARGES FOR SPACE PREPARATION FOR PHYSICAL COLLOCATION.

A. As I stated in my direct testimony, this Commission determined in its October 24, 1997 Order that it was appropriate to determine space preparation charges on an Individual Case Basis ("ICB"). There are numerous components of space preparation such as Mechanical/HVAC, Project Management, cable racking, fiber duct, framework, aisle lighting and framework ground conductors.

BellSouth's Mechanical/HVAC charge recovers the start-up costs associated with the required mechanical engineering, obtaining of permits and other mechanical construction work to ensure that adequate cooling is provided to the collocator's equipment based on the heat load information provided in the application. BellSouth's Project Management charge recovers the costs of tracking the project, administering the contract, maintaining status reports, paying contractors, tracking permits and meeting with the collocator.

The charge for space preparation is still ICB. However, based on experience we have gained, we have been able to standardize certain components of space preparation such as Mechanical/HVAC and Project Management. We have established interim standard costs for these components subject to true-up. For Mechanical/HVAC, the interim charge is $2,400 per ton, and for Project Management, the interim charge is $1.675. However, many components of space preparation remain ICB. In no way does BellSouth's proposal represent "double-dipping."

The costs for cable racking, fiber duct, framework, aisle lighting and framework ground conductors can vary significantly from location to location. Also, to take advantage of economies of scale, BellSouth installs these items for large areas that will typically be used by several collocators. When an ALEC requests a certain number of square feet of collocation space, BellSouth prorates the total cost using the ALEC's requested quantity of square feet.

BellSouth plans to file cost studies to convert space preparation from ICB to standard prices. When approved by the Commission, the standardized components of the current ICB charges will be trued-up to the Commission-approved rates. On February 4, 2000, BellSouth petitioned the Commission to permit inclusion of these cost studies in its April 17, 2000 filing in Docket No. 990649-TP. A decision on that petition is pending.

Q. PLEASE RESPOND TO MR. JACKSON'S STATEMENT AT PAGE 18 THAT THE FCC HAS FORBIDDEN THE USE OF "ICB" PRICING FOR ITEMS THAT HAVE COSTS THAT ARE REASONABLY DETERMINABLE.

A. I must take exception to Mr. Jackson's claim that the FCC has "forbidden" ICB pricing. While the FCC has determined the pricing methodology for local interconnection and access to UNEs, the application of that methodology and the determination of appropriate rates is within the state Commission's jurisdiction. When the space preparation charge was originally established as ICB, the costs were not reasonably determinable. BellSouth believes its space

preparation charges to be appropriate at this time; however, as previously discussed, BellSouth plans to establish fixed prices for space preparation.

Issue 12: What is the appropriate definition of "currently combines" pursuant to Rule 51.315(b)?

Q. PLEASE RESPOND TO MR. JACKSON'S SUGGESTION AT PAGE 21 THAT THE COMMISSION DETERMINE CERTAIN COMBINATIONS ARE "SO CRUCIAL TO THE DEVELOPMENT OF COMPETITION IN FLORIDA THAT THEY SHOULD BE OFFERED AS UNES WITHOUT RESTRICTIONS."

A. Intermedia has not offered one shred of evidence to support such a determination by this Commission. Ordering BellSouth to provide combinations of elements to ALECs when such combinations do not already exist is unsupported by the Act or by the FCC's rules. As I stated in my direct testimony, the FCC confirmed that BellSouth presently has no obligation to combine network elements for ALECs, when those elements are not currently combined in BellSouth's network. The FCC made clear in its UNE Remand Order that Rule 315(b) applies to elements that are "in fact" combined. The FCC declined to adopt a definition of "currently combined" that would include all elements "ordinarily combined" in the incumbent's network, which is the definition advocated by Intermedia. This Commission should not ignore the FCC's findings as Intermedia proposes.

Issue 13: Should BellSouth be required to:

a) provide access to enhanced extended links ("EELs") at UNE rates and

b) allow Intermedia to convert existing special access service to EELs at UNE rates?

Q. HOW DO YOU RESPOND TO INTERMEDIA'S POSITION ON THIS ISSUE?

A. Intermedia uses the same argument it made in the previous issue to support its contention that BellSouth must provide Intermedia with combinations of loop and transport at UNE rates anywhere in BellSouth's network. The fact that BellSouth offers tariffed special access service does not entitle Intermedia to order new installations of such services as combinations at UNE rates. In any event, as I explained in my direct testimony, the FCC specifically constrained the ALECs' ability to even convert special access facilities to unbundled elements. At a minimum, it would be nonsensical to think that this constraint does not extend to new installations of special access service. Of course, BellSouth is not obligated to combine UNEs for ALECs.

Issue 18: Should BellSouth be required to provide access on an unbundled basis in accordance with, and as defined in, the FCC's UNE Remad Order, to packet switching capabilities?

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGES 27-28 THAT THE FCC REQUIRES ILECs TO PROVIDE REQUESTING

CARRIERS WITH ACCESS TO UNBUNDLED PACKET SWITCHING WHEN THE INCUMBENT HAS PLACED ITS DIGITAL SUBSCRIBER LINE ACCESS MULTIIPLEXER ("DSLAM") IN A REMOTE TERMINAL.

A. Mr. Jackson has incorrectly stated the FCC's conclusion in the UNE Remand Order. He neglected to include the FCC's determination that the "incumbent will be relieved of this unbundling obligation only if it permits a requesting carrier to collocate its DSLAM in the incumbent's remote terminal, on the same terms and conditions that apply to its own DSLAM." (Para. 313) As I explained in my direct testimony, BellSouth will comply with the requirements of Rule 319(c)(3)(B) so that BellSouth will not be required to unbundle packet switching.

Q. HAS MR. JACKSON PROVIDED ANY INFORMATION IN HIS DIRECT TESTIMONY THAT ADDRESSES WHY INTERMEDIA WOULD BE IMPAIRED WITHOUT ACCESS TO PACKET SWITCHING CAPABILITY ON AN UNBUNDLED BASIS?

A. Mr. Jackson has offered no such information. As I explained in my direct testimony, Intermedia has the burden of proof concerning whether it is impaired by not having access to BellSouth's packet switching functionality on an unbundled basis.

Issue 26: Should parties be allowed to establish their own local calling areas and assign numbers for local use anywhere within such areas, consistent with applicable law?

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 34 THAT INTERMEDIA SHOULD NOT HAVE TO PHYSICALLY LOCATE ITS NPA/NXXs IN THE RATE CENTER WITH WHICH THOSE NUMBERS ARE ASSOCIATED.

A. As I explained in my direct testimony, if Intermedia were to assign numbers having the same NPA/NXX to its customers both inside and outside the BellSouth local calling area where the NPA/NXX is homed, it would be extremely difficult, if not impossible, for BellSouth to determine whether BellSouth's end users are making a local or a long distance call when BellSouth's end user calls Intermedia's end user. Consequently, BellSouth cannot tell whether access or reciprocal compensation should apply to the resulting traffic. For example, if Intermedia assigns 904-495-1111 to an end user within BellSouth's local calling area and 904-495-2222 to an end user outside BellSouth's local calling area, it is not possible for BellSouth to determine, solely based on the NPA-NXX (e.g., 904-495), whether access charges or reciprocal compensation should apply. Switches route calls based on the NPA/NXX and are not arranged to route based on the entire telephone number.

Q. WHY IS IT IMPORTANT FOR NPA/NXXs TO BE ASSIGNED TO COMMISSION APPROVED AND ESTABLISHED EXCHANGE RATE CENTERS?

A. Incumbent Local Exchange Carriers (ILECs) and state Commissions have historically defined and placed in tariffs specific exchange rate centers throughout each LATA and state. Exchange rate centers are essential because, among other things, they: 1) assist end users in knowing whether a call will be local or toll; 2) are used by the industry as the basis for determining originating end user billing and thus cost recovery by the originating company; and 3) are used by state Commissions to determine expanded local calling areas and associated rates. Exchange rate centers are at the heart of the telecommunications industry's billing systems and all calling plans are priced and implemented around these established rate centers. Such rate centers are also central to the implementation of Local Number Portability.

The general consensus of the telecommunications industry is that if a local exchange carrier assigns an NPA/NXX to an established exchange rate center, numbers assigned out of that NPA/NXX will be assigned to end users physically located in that rate center. As clearly established by the FCC, the jurisdiction of a call is not based upon the dialed digits, but the end-to-end points of the call (i.e., Feature Group A, Internet traffic). Therefore, the industry assumes that the call is delivered to an end user in the rate center to which the end user's telephone number is assigned.

BellSouth's concern is that Intermedia and other ALECs are associating their NPA/NXXs to established BellSouth exchange rate centers, but then are assigning numbers out of a particular NPA/NXX on a wholesale basis to end users outside the rate center to which that NPA/NXX is homed, and in some cases, even in different LATAs. When this occurs, BellSouth routes its originating traffic to the ALEC assuming it is a local call (due to the originating and terminating NPA/NXXs being assigned to the same exchange rate center). However, the ALEC delivers the traffic to an end user located outside the local calling area, and possibly in a different LATA. This causes BellSouth and other local exchange carriers to lose valid toll and/or switched access revenue, to incur costs that are not recovered and to inappropriately pay reciprocal compensation as if the traffic were indeed local. Further, as I discussed in my direct testimony, Florida Statute 364.16(3)(a) specifically prohibits such a situation.

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 34 THAT THE EXCHANGE OF CALLING PARTY NUMBER IDENTIFICATION ("CPNI") DATA AND PROVISION OF A PERCENT LOCAL USE ("PLU") REPORT SHOULD ALLEVIATE BELLSOUTH'S CONCERNS ON THIS ISSUE.

A. I fail to see how exchanging CPNI information, as Intermedia offers, would alleviate this problem. Knowing the CPNI is not the issue. The issue is knowing whether the call is local or not. Again, using the earlier example, both 904-495-1111 and 904-495-2222 would appear to be within the same rate

center. However, if Intermedia prevails on this issue, the appropriate rating of the call will be a concern.

PLU reporting enables the two carriers – BellSouth and Intermedia – to bill each other appropriately for interconnection, but it has no effect on determining what type of call BellSouth's end user has just initiated to Intermedia's end user. Therefore, rating of the call is still a concern.

Q. HAS THIS ISSUE BEEN RESOLVED BETWEEN THE PARTIES IN ANY OTHER STATE?

A. Yes. Recently Intermedia advised BellSouth that, for North Carolina, it would agree to BellSouth's proposed language on this issue.

Q. DOES BELLSOUTH KNOW WHY INTERMEDIA WAS WILLING TO CLOSE THIS ISSUE IN NORTH CAROLINA, BUT IS KEEPING THE ISSUE OPEN IN FLORIDA?

A. No. Appropriate routing of calls and the ability to determine whether a local call or a long distance call is being made are concerns that are certainly not limited to specific states. BellSouth's concerns about this issue in Florida are the same concerns it expressed in North Carolina. BellSouth expected that resolution of this issue in North Carolina would result in the issue being closed in Florida, but Intermedia has indicated to BellSouth that the issue remains open in Florida.

Issue 31: For purposes of compensation, how should IntraLATA Toll Traffic be defined?

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 38 THAT BELLSOUTH'S DEFINITION OF INTRALATA TOLL TRAFFIC WOULD LIMIT THE TYPE OF TOLL TRAFFIC THAT MAY BE CARRIED OVER AN INTERCONNECTION AGREEMENT.

A. BellSouth believes its proposed definition of IntraLATA toll traffic is very straightforward. To the extent that BellSouth's definition places any limitations on traffic, such limitations would be related to compensation, and intraLATA toll traffic is not subject to the reciprocal compensation obligations of Section 251(b)(5) of the Act.

Issue 32: How should "Switched Access Traffic" be defined?

Q. PLEASE RESPOND TO MR. JACKSON'S CONCERN ON PAGE 39 THAT DEFINING "SWITCHED ACCESS TRAFFIC" BY REFERRING TO BELLSOUTH'S ACCESS TARIFF WILL ALLOW BELLSOUTH TO DEFINE THIS CRUCIAL TERM ANY WAY IT WISHES, SIMPLY BY CHANGING THE TARIFF LANGUAGE.

A. As this Commission knows, "switched access traffic" is defined by the FCC. BellSouth could not unilaterally modify the definition of "switched access traffic" in its tariffs. Such a modification would only result from action by the

FCC. As I stated in my direct testimony, BellSouth sees no reason to include a definition of "switched access traffic" in a local interconnection agreement.

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 39 THAT THE REGULATORY STATUS OF IP TELEPHONY IS EXCLUSIVELY WITHIN THE JURISDICTION OF THE FCC.

A. I agree with Mr. Jackson. As I explained in my direct testimony, the FCC has determined that 'phone-to-phone IP telephony' bears the characteristics of 'telecommunication services'.

Issue 38: If there are no VCs on a frame relay interconnection facility when it is billed, should the parties deem the Percent Local Circuit Use to be zero?

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION THAT THE PLCU SHOULD BE 100% IN CASES WHERE THERE ARE NO VCs WHEN THE FRAME RELAY INTERCONNECTION FACILITY IS BILLED.

A. As I explained in my direct testimony, BellSouth believes Intermedia's position is inappropriate for two reasons. One, Intermedia requested the trunk, and Intermedia controls when traffic begins to flow over the trunk. Therefore, BellSouth should not incur any charges until Intermedia begins to flow traffic over the trunk. Second, based on experience, frame relay interconnection trunks primarily carry traffic outside the LATA. Therefore, once traffic is

flowing over the trunks and an accurate PLCU can be established, the PLCU is likely to be much closer to zero than to 100%. BellSouth has agreements with numerous ALECs that provide for BellSouth reimbursing the ALEC for a portion of the interconnection trunk charges based on the PLCU. However, to-date, no ALEC has requested reimbursement of any frame relay interconnection charges. BellSouth believes this is because the vast majority of frame relay traffic is interLATA, which further supports BellSouth's contention that the PLCU be zero until traffic is traversing the trunks and the PLCU can be accurately determined. As I said in my direct testimony, BellSouth has recently offered compromise language to Intermedia that BellSouth believes should resolve this issue.

Issue 39: What are the appropriate charges for the following:

a) interconnection trunks between the parties' frame relay switches,

b) frame relay network-to-network interface (" NNI") ports,

c) permanent virtual circuit ("PVC") segment (i.e., Data Link Connection Identifier ("DLCI") and Committed Information Rates ("CIR")), and

d) requests to change a PVC segment or PVC service order record.

Q. PLEASE RESPOND TO MR. JACKSON'S CONTENTION AT PAGE 43 THAT RATES FOR THE ITEMS LISTED ABOVE MUST BE BASED ON TELRIC METHODOLOGY.

A. The items listed above are components of Frame Relay, which is a form of packet switching. As I explained in my direct testimony, BellSouth is not

required to unbundle packet switching under Section 251; therefore, rates for Frame Relay are not subject to TELRIC pricing methodology. The appropriate charges for the Frame Relay interconnection trunks and for the other items listed above are found in BellSouth's Access Tariff.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

DOCs # 198782

Florida Usage Data - December, 1998 through November, 1999

INVOICE DATE	ISP-bound traffic originated by BST's end users to ISPs served by ALECs	Local traffic originated by BST's end users to ALECs' end users	ALECs bill BST for ISP-bound traffic	ALECs bill BST for local traffic
Dec-98	566,810,888	104,631,043	$3,251,515.49	$624,204.47
Jan-99	552,341,201	104,199,750	$2,481,804.88	$938,313.92
Feb-99	649,192,734	135,015,375	$4,666,817.70	$312,877.84
Mar-99	512,634,303	233,200,515	$3,039,359.07	$2,884,441.38
Apr-99	752,235,477	161,328,689	$4,922,250.23	$1,246,651.77
May-99	773,873,512	163,958,676	$4,610,735.82	$1,008,680.35
Jun-99	805,708,431	169,049,039	$4,708,880.24	$1,400,439.76
Jul-99	924,242,583	131,386,417	$5,414,244.76	$1,568,622.43
Aug-99	1,080,077,371	163,124,342	$5,913,953.88	$1,375,711.04
Sep-99	1,199,597,225	184,109,317	$7,695,987.89	$1,639,186.05
Oct-99	1,125,593,574	165,767,562	$8,324,852.21	$1,696,723.45
Nov-99	1,248,424,364	170,160,783	$8,450,931.16	$1,644,992.99
Totals	**10,190,731,663**	**1,885,931,508**	**$63,481,333.33**	**$16,340,845.45**

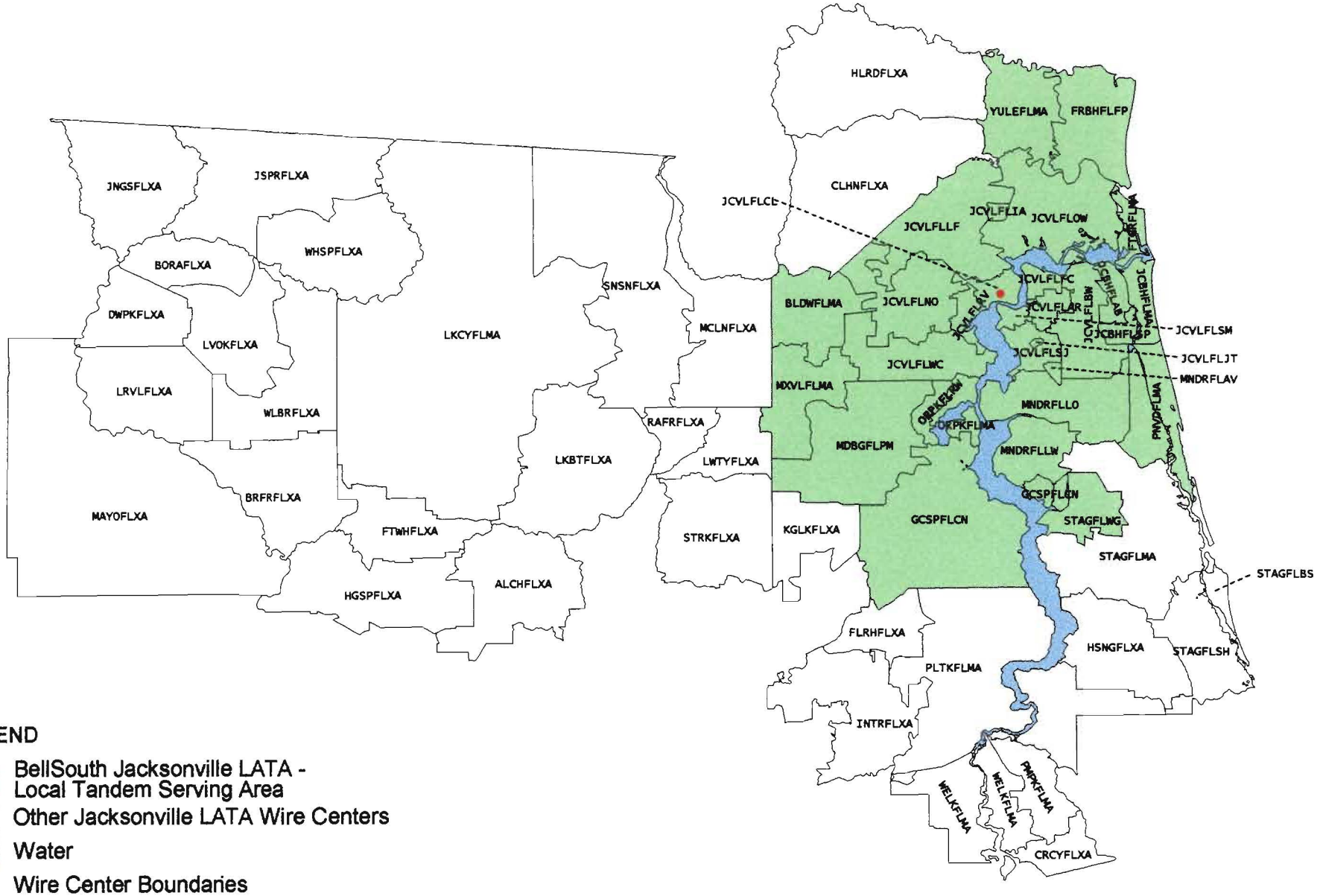
Confidential - Filed Under Seal

Florida Usage Data - Specific to Intermedia
December, 1998 through November, 1999

Invoice Date	ISP-bound traffic originated by BST's end users to ISPs served by Intermedia	Local traffic originated by BST's end users to Intermedia's end users
Dec-98		
Jan-99		
Feb-99		
Mar-99		
Apr-99		
May-99		
Jun-99		
Jul-99		
Aug-99		
Sep-99		
Oct-99		
Nov-99		
Totals		

BELLSOUTH'S LATA MAPS INDICATING GEOGRAPHIC SERVING AREA OF BELLSOUTH'S LOCAL AND ACCESS TANDEMS FOR JACKSONVILLE, MIAMI AND ORLANDO LATAS

BellSouth Jacksonville LATA - Local Tandem Serving Area

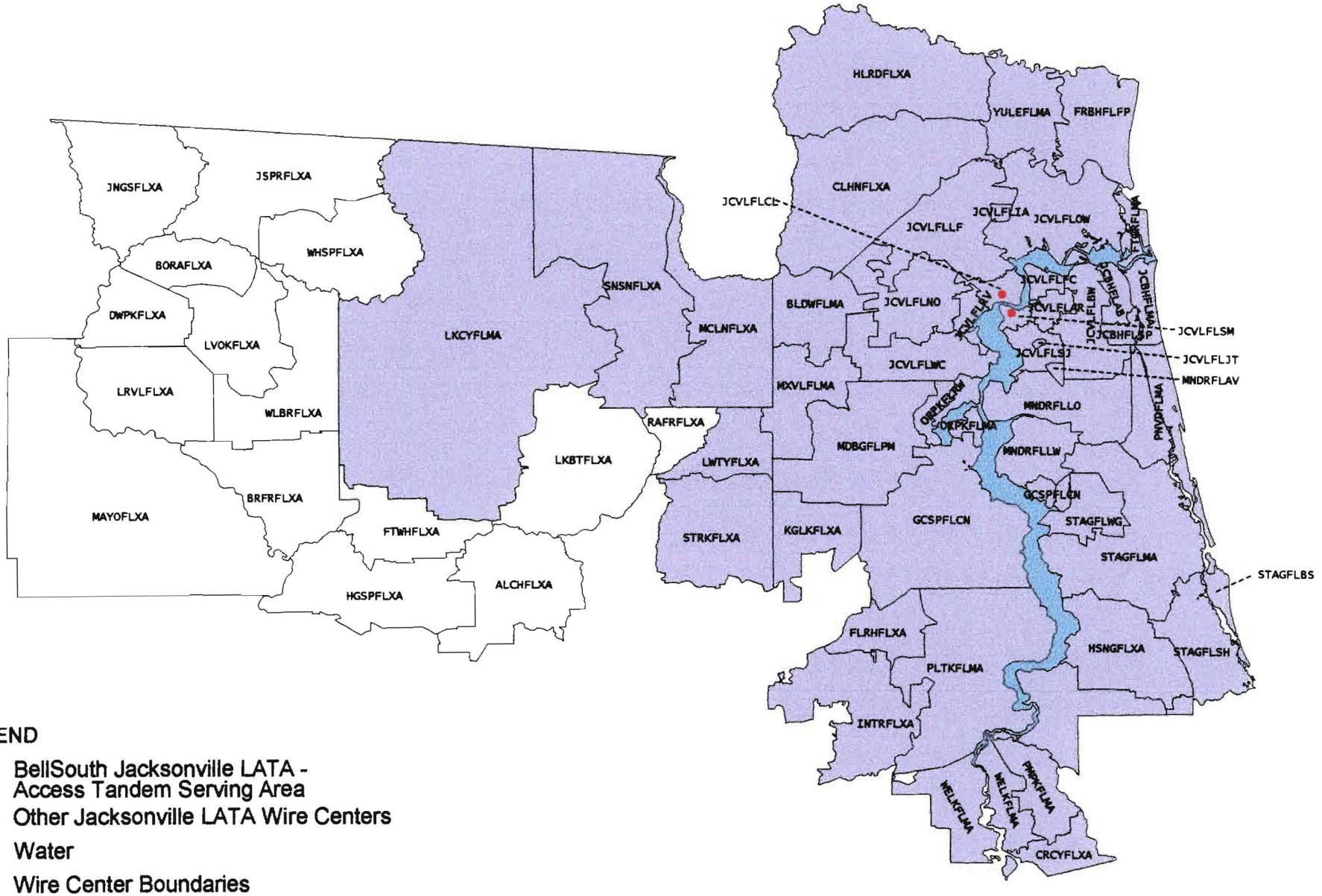


LEGEND

- BellSouth Jacksonville LATA - Local Tandem Serving Area
- Other Jacksonville LATA Wire Centers
- Water
- Wire Center Boundaries
- BellSouth Tandem Location

Date: 3-3-00

BellSouth Jacksonville LATA - Access Tandem Serving Area

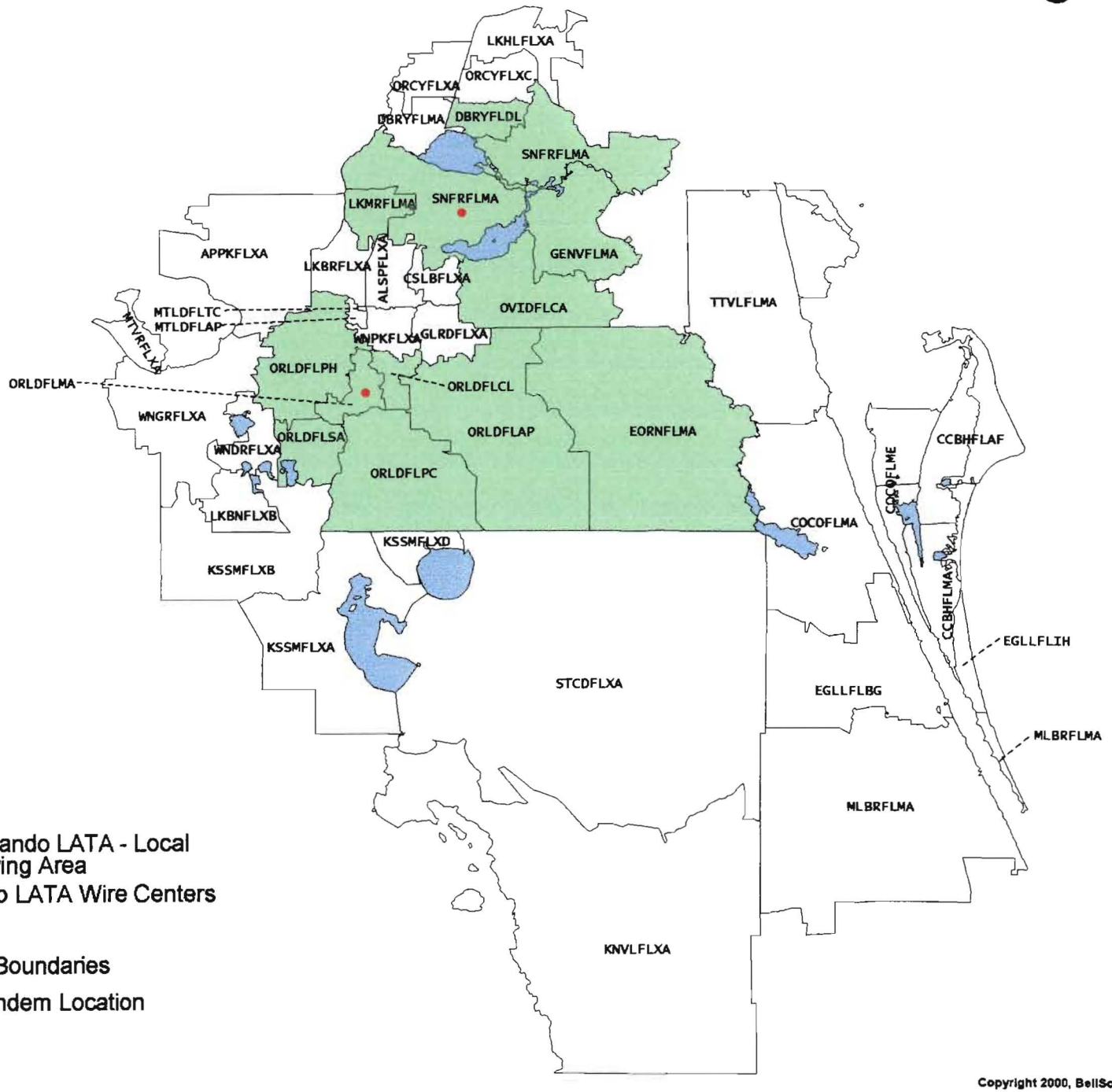


LEGEND

- BellSouth Jacksonville LATA - Access Tandem Serving Area
- Other Jacksonville LATA Wire Centers
- Water
- Wire Center Boundaries
- BellSouth Tandem Location

Date: 3-3-00

BellSouth Orlando LATA - Local Tandem Serving Area

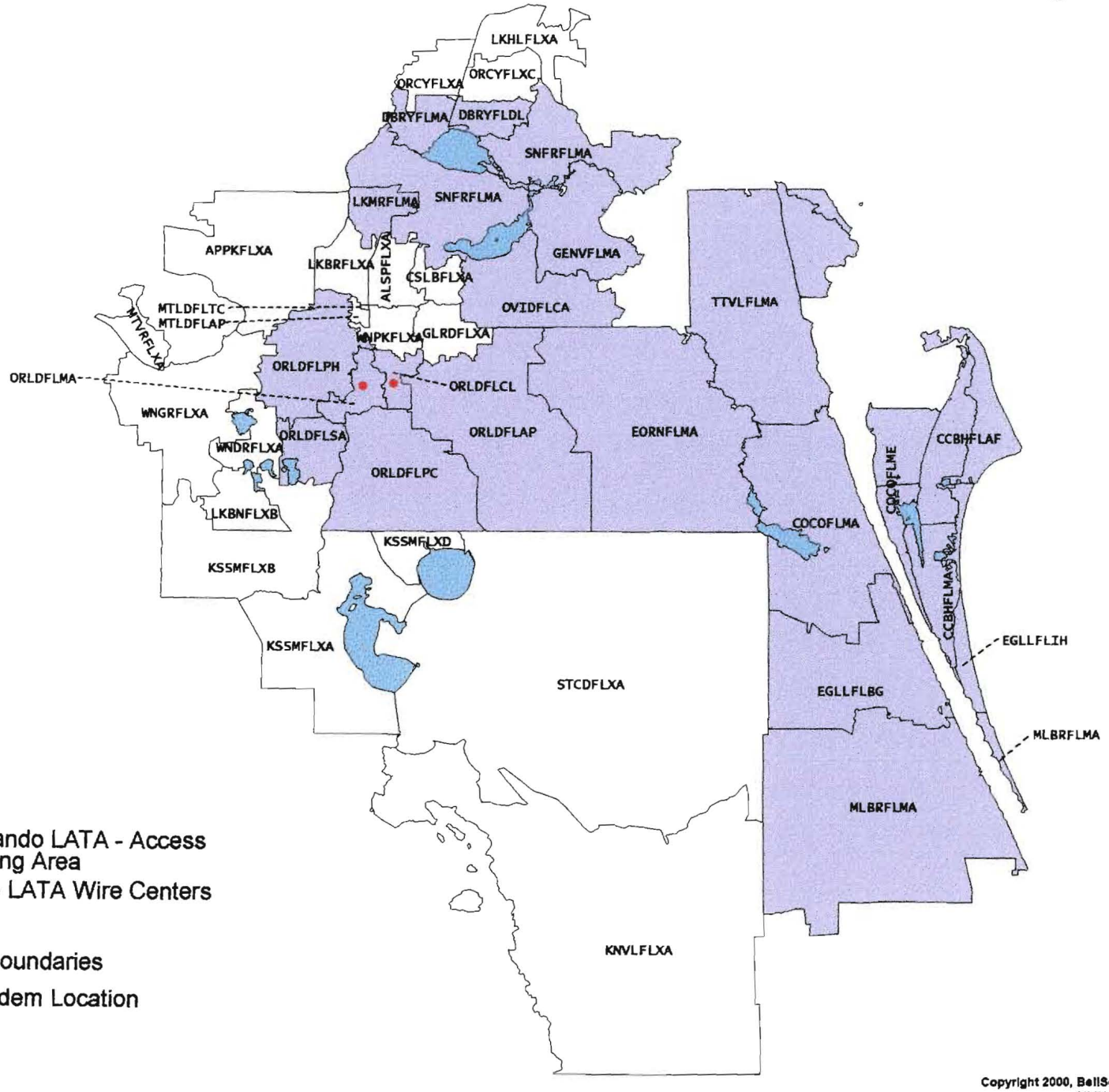


LEGEND

- BellSouth Orlando LATA - Local Tandem Serving Area
- Other Orlando LATA Wire Centers
- Water
- Wire Center Boundaries
- BellSouth Tandem Location

Date: 3-3-00

BellSouth Orlando LATA - Access Tandem Serving Area

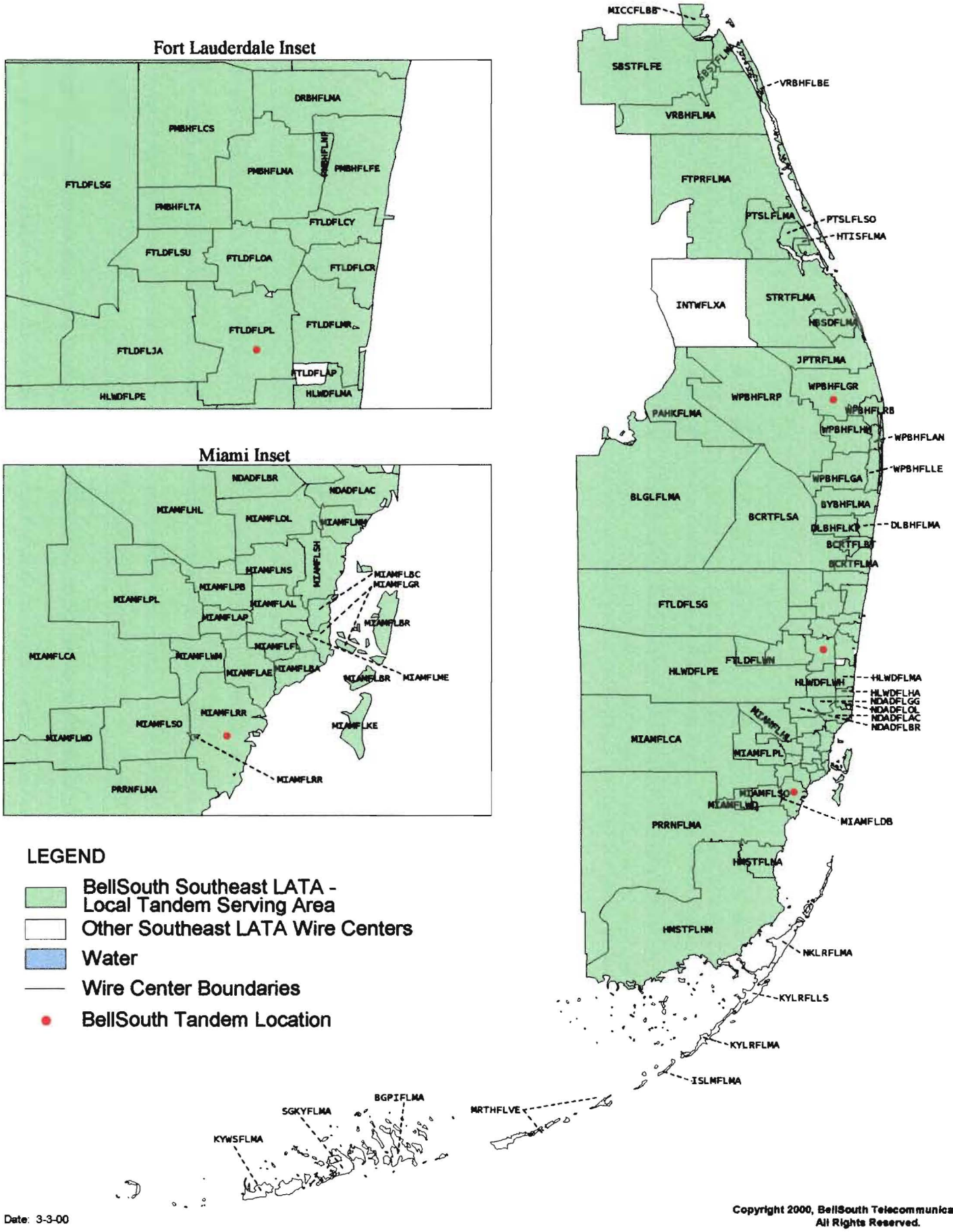


LEGEND

- BellSouth Orlando LATA - Access Tandem Serving Area
- Other Orlando LATA Wire Centers
- Water
- Wire Center Boundaries
- BellSouth Tandem Location

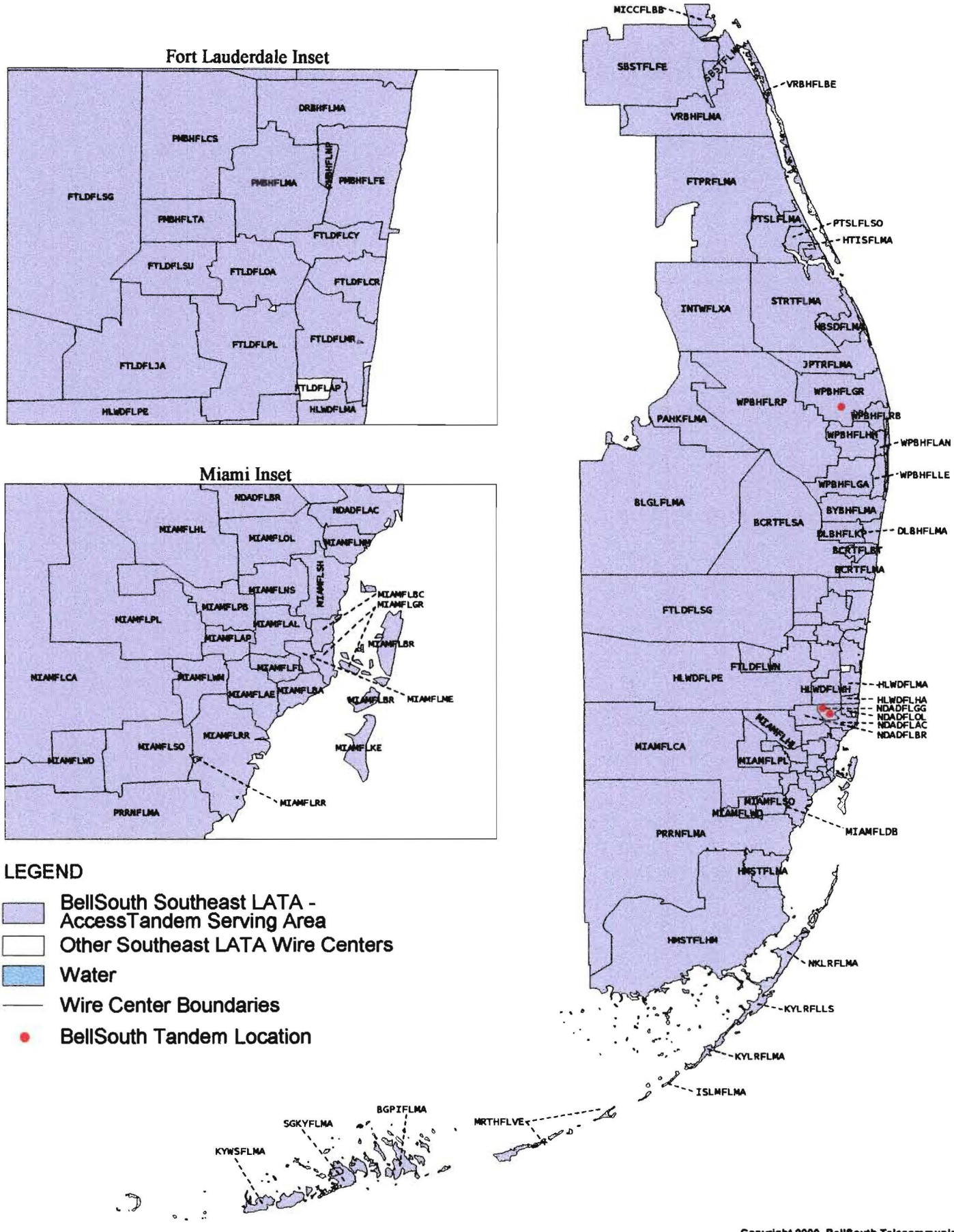
Date: 3-3-00

BellSouth Southeast LATA - Local Tandem Serving Area



Date: 3-3-00

BellSouth Southeast LATA - Access Tandem Serving Area



LEGEND

- BellSouth Southeast LATA - AccessTandem Serving Area
- Other Southeast LATA Wire Centers
- Water
- Wire Center Boundaries
- BellSouth Tandem Location

Date: 3-3-00