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April 1, 2004

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

Re: Docket Nos. 981834-TP and 990321-TP (Generic Collocation)

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Brief of the Evidence, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies are being served via Electronic Mail and U.S. Mail to the parties shown on the attached Certificate of Service.

Sincerely,

J. Phillip Carver

J. Phillip Carver (RM)

cc: All Parties of Record
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CERTIFICATE OF SERVICE
Docket No. 981834-TP and 990321-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Hand Delivery (*), First Class U.S. Mail and Electronic Mail this 1st day of April, 2004 to the following:

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J. Phillip Carver

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(+) Signed Protective Agreement

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Competitive Carriers for Commission Action To Support Local Competition In BellSouth's Service Territory	)	Docket No. 981834-TP
In re: Petition of ACI Corp. d/b/a Accelerated Connections, Inc. for Generic Investigation into Terms and Conditions of Physical Collocation	)	Docket No. 990321-TP
	)	Filed: April 1, 2004

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STATEMENT OF THE CASE

This docket was opened in 1999. By a Proposed Agency Action issued September 7, 1999, (Order No. PSC-99-1744-PAA-TP), the Commission adopted a set of guidelines for collocation. The Proposed Agency Action was subsequently protested, a hearing was held, and the Commission entered its *Final Order On Collocation Guidelines* on May 11, 2000 (Order No. PSC-00-0941-FOF-TP). The docket was left open, in part, to address pricing issues at a later time.

On November 4, 2002, the Commission entered an Order setting a proceeding to address the remaining technical and pricing issues regarding collocation (Order No. PSC-02-1513-TCO-TP). The Commission subsequently entered Order No. PSC-03-0702-FOF-TP (issued June 11, 2003), which approved an agreement between the parties whereby the proceeding was bifurcated, with the issues that had previously been identified as Issues 1-8 to be presented at the hearing scheduled to begin August 11 (Phase I). These issues involved the terms and conditions of collocation, and a number of technical issues. The Phase I hearing took place on August 11 and 12. The Commission entered its Order on the issues addressed in this phase on November 26, 2003 (Order No. PSC-03-1358-FOF-TP). Motions for Clarification and/or Rehearing were subsequently filed, and the Commission ruled on these Motions on March 2, 2004 (Order No. PSC-04-0228-FOF-TP).

The remaining issues identified in this docket, Issues 9 and 10, involve the costs to provide certain collocation elements (Phase II). The hearing on these issues took place on January 28 and 29, 2004. BellSouth presented the testimony of W. Bernard Shell. Testimony was also presented by two witnesses for the Commission Staff, two witnesses for Sprint, three witnesses for Verizon, and two witnesses for AT&T. No CLECs other than AT&T presented testimony. The hearing produced a transcript of 906 pages and 54 exhibits.

This Brief of the Evidence is submitted in accordance with Commission's rules regarding Post-Hearing Procedures. A summary of BellSouth's position on each issue to be resolved in this docket is set forth in the following pages and marked with an asterisk.

STATEMENT OF BASIC POSITION

The Commission should not order a single cost model for use by all ILECs. For BellSouth, the Commission should order the use of BellSouth's model for the rate elements identified in the testimony of BellSouth's witness, W. Bernard Shell. The Commission should also approve the rates, terms and conditions for those elements that are also identified in Mr. Shell's testimony.

STATEMENT OF POSITIONS ON THE ISSUES

Issue 9A: For which collocation elements should rates be set for each ILEC?

**BellSouth's Position: Rates for BellSouth should be set for those elements identified in the testimony of BellSouth witness, W. Bernard Shell. The collocation elements can be grouped into the following four types: 1) Physical Collocation, 2) Virtual Collocation, 3) Adjacent Collocation, and 4) Remote Terminal Collocation.

Issue 9B: For those collocation elements for which rates should be set, what is the proper rate and the appropriate application of those rates?

**BellSouth's Position: Rates should be based upon a forward looking cost study that adheres to the Total Element Long Run Incremental Cost (TELRIC) pricing rules and utilizes the cost study methodology previously approved by this Commission. Each of the rates proposed by BellSouth complies with these standards, and each should be approved.

The resolution of Issue 9 involves three questions: 1) What cost model should be used for each ILEC? 2) For which collocation elements should rates be set? 3) For those elements, what are the proper rates. The first question is the most easily resolved. Each of the three ILECs that participated in this proceeding proposed an ILEC-specific cost model to use to develop the costs of their respective collocation offerings. AT&T's witness, Steven E. Turner, proposed that the BellSouth Cost Model be used by all three ILECs. No other witness in this proceeding supported

that approach. Moreover, the one-model-for-all approach is unworkable and should be rejected for reasons that will be discussed below.

As to the rate elements, there was little dispute regarding the elements for which rates should be set. For each element identified in the testimony of BellSouth's witness, W. Bernard Shell, BellSouth advocated rates based upon cost studies attached to the testimony of Mr. Shell (Exhibits 35 and 36). As Mr. Shell explained, the rate elements for collocation can be grouped into four categories: 1) Physical Collocation, 2) Virtual Collocation, 3) Adjacent Collocation, and 4) Remote Terminal Collocation. Mr. Shell also testified that BellSouth's cost studies adhere to TELRIC pricing rules, and reflect only forward-looking economic costs (Tr. 242). Finally, Mr. Shell testified that these rates "are based on the costs BellSouth will incur [and] are just, reasonable and nondiscriminatory" (Id.).

Most of the rates proposed by BellSouth are uncontested. Three witnesses expressed concerns or objections to certain of BellSouth's proposed rate elements. However, one of the three, AT&T's Mr. Turner, testified that his testimony concerned only 58 of the 135 rate elements in BellSouth's study. (Tr. 542). The two Staff witnesses whose testimony addressed BellSouth's proposed rates, Roland L. Curry and David J. Gabel, raised considerably fewer areas of disagreement than did Mr. Turner. Further, in every area in which any witness expressed concern or opposition to BellSouth's proposed elements and rates, the evidentiary record provides an explanation for BellSouth's approach to the element and the resulting rate. For the reasons that will be explained further below, all of BellSouth's proposed rate elements for collocation should be approved by the Commission.

A. The Commission Should Not Order A Single Cost Model For All ILECS.

As stated above, only one witness that provided testimony (Mr. Turner, on behalf of AT&T) advocated the use of a single cost model by all three ILECs. Mr. Turner contended that the use of a single model would allow for a direct comparison of the various rate elements proposed by the three ILECs (Tr. 535-36). Beyond this, Mr. Turner offered little more than the contention that having a single model would be easier for all. In this regard, he claimed that a single model would make subsequent review easier for the Commission, and that it would be easier for the CLECs to have all rates related to collocation in the framework of a single rate structure. (Id.). Accordingly, Mr. Turner advocated that the BellSouth cost calculator be used by all ILECs as a base cost model (Tr. 536-38).

Obviously, Mr. Turner's proposal to adopt BellSouth's cost model for all three ILECs works more to the detriment of Sprint and Verizon than to BellSouth. Still, BellSouth must oppose Mr. Turner's approach because it is both methodologically unsound and ultimately simplistic. The fundamental flaw in Mr. Turner's one-cost-model theory is his notion that all three companies should be treated the same even though they are demonstrably not the same. As Mr. Shell testified, "the foundation of Mr. Turner's contention is that 'the underlying investment should be similar' among the three companies providing collocation in Florida. ... This assumption is false and, therefore, so is his conclusion." (Tr. 247). Instead, "the [three] companies have unique rate structures that dictate the network components that need to be considered in the development of the investments and thus, what is reflected in the cost based rates." (Id.). Mr. Shell went on to explain that TELRIC principles do not mandate identical rate structures. For this reason, there is no merit to the contention advanced by Mr. Turner that differing rate structures must mean that one of the three companies has failed to adhere to TELRIC guidelines. (Id.).

Further, as Mr. Shell also testified, each company has unique purchasing agreements for the network components, land and buildings required for collocation. (Tr. 247). As a result, each company has costs that are unique to that company. The Commission has specifically recognized that it is appropriate under these circumstances to have investments that reflect the unique circumstances of each company. (Tr. 247-48).[1]

Further, Mr. Turner's contention that having a single cost model would be easier for all is not realistic. BellSouth's cost model is the intellectual property of BellSouth. Accordingly, as Mr. Shell testified, "BellSouth is entitled to compensation on the use of its intellectual property as well as the time required to train others on the use of it." (Tr. 248). The use of one cost model would result in one of two scenarios, both of which are problematic. One, Sprint and Verizon would be required to utilize BellSouth's Model while paying appropriate compensation for this use. Requiring Sprint and Verizon to abandon the models that they have developed and to use BellSouth's model at considerable additional cost would create a burden that belies Mr. Turner's contention that the BellSouth Model is "readily available" to all. The second alternative would be for the Commission to, in effect, appropriate the BellSouth cost model by ordering that it be made available to the other ILECs without compensation to BellSouth. For obvious reasons, BellSouth is strongly opposed to any approach that would deprive it of its intellectual property without compensation, or that would force it to train Sprint and Verizon employees at BellSouth's expense. Thus, Mr. Turner's proposal would necessarily result in an adverse impact on ILECs, either on BellSouth (if deprived of its property) or Sprint and Verizon (if required to incur substantial additional costs).

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[1] Citing, Order No. PSC-01-1181-FOF-TP, p. 188, Docket No. 990649-TP.

Moreover, inputs are tailored to fit each specific model. Thus, contrary to Mr. Turner's conclusion, the Sprint and Verizon data feeds "would likely need to be altered or scrapped entirely to generate the inputs required by . . . [BellSouth's] Model." (Tr. 249). This effort would also require substantial unnecessary labor and expense by Sprint and Verizon, and a substantial labor and expense on BellSouth's part to provide assistance to these companies.

Finally, Mr. Turner is mistaken in his contention that the cost model is a major cost driver, or that it dictates the rate structure. Mr. Shell testified as follows:

> Cost drivers are things that impact cost studies, such as the assumptions used and the input data associated with the cost elements. The cost model is just a tool that accepts inputs, makes the appropriate calculations, and produces the outputs. Such things as the company's network plans, budget and operations procedures drive the assumptions and input data. Additionally, the cost model does not determine the cost elements or the rate structure used.

(Tr. 249).

In summary, Mr. Turner's proposal, far from making things easier for everyone, would result in a substantial expenditure of time and labor for all the ILECs, but would produce little benefit. For this reason, the Commission should reject the position of Mr. Turner that a single cost model should be used by all ILECs.

B. The Commission Should Approve For BellSouth The Rate Elements Proposed By Mr. Shell.

As stated above, no witness provided testimony to oppose 77 of the 135 rate elements that BellSouth proposed. As to each of these 77 elements, the evidence is uncontroverted, and the Commission should simply adopt BellSouth's proposed rate. There were, however, three witnesses that challenged the remaining elements proposed by BellSouth. Each of these challenges, (and the reasons that BellSouth's position should be adopted) is detailed below.

On behalf of Commission Staff, Roland W. Curry raised certain concerns concerning BellSouth's DC Power elements. Staff Witness, David J. Gable, gave testimony concerning certain aspects of the non-recurring elements in BellSouth's cost study, as well as elements relating to floor space and space preparation. Both of these witnesses questioned certain aspects of BellSouth's cost studies. In some instances, they advocated changes; in other instances they simply requested that BellSouth provide additional information. Also, Staff's witnesses supported aspects of BellSouth's cost study, and in some instances, found it to be more reasonable that the cost studies proposed by the other ILECs.[2] For each of the instances in which either of these witnesses questioned some aspect of BellSouth's cost studies, BellSouth will provide an explanation below based on the evidence adduced at the hearing.

In marked contrast to the testimony of Mr. Curry and Mr. Gabel was that of AT&T's witness, Mr. Turner. Mr. Turner was almost uniformly critical of BellSouth's cost studies, despite the fact that, in some instances, he appeared to have little actual knowledge of the studies. In numerous instances, Mr. Turner advocated the rejection of BellSouth's proposed cost elements based on nothing more than the fact that he could come up with some method to produce a lower rate. In other instances, he based his criticism on nothing more than vague references to his "experience", or on ostensible knowledge that other ILECs develop rates differently. Finally, in at least one instance, Mr. Turner failed to disclose to the Commission information that was in his possession—and, in fact, a part of his testimony before the Georgia PSC—because it undercut his position. For these reasons, BellSouth submits that the Commission can assign little credibility to <u>any</u> of Mr. Turner's testimony.

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[2] For example, regarding Security costs, Mr. Gable recommended that "BellSouth's methodology be adopted for all Parties". (Tr. 878).

It is also noteworthy that, although the Staff witnesses and Mr. Turner reviewed the same cost model, their criticisms and concerns were very different. Specifically, Mr. Turner found fault with BellSouth's model in many areas in which the Staff witnesses either offered no comment, or affirmatively supported BellSouth's approach. Further, even in those areas in which both the Staff witnesses and Mr. Turner were critical of BellSouth's model, they were generally critical for different reasons.

For obvious reasons, BellSouth believes that the opinions voiced by the Staff's witnesses must be viewed differently than those expressed by Mr. Turner. Nevertheless, to the extent the various witnesses' testimony can be grouped by topic, addressing the testimony on a topic-by-topic basis provides an accessible organizational structure. Thus, the elements about which there was disagreement will be discussed under the following seven categories:

1. DC Power
2. Nonrecurring Elements
3. Floor Space
4. Space Preparation
5. Cage Construction
6. Cable Rack Capacity
7. Fill Factors

1. DC Power

BellSouth developed its DC Power elements by conducting a survey of the costs of the construction performed to accommodate collocation requests throughout BellSouth's region. Specifically, this survey included 711 projects throughout the region. (Tr. 257). Based on the results of the survey, BellSouth developed both a per-fused and a per-used amp charge.[3]

[3] BellSouth advocated in Phase I that power be charged on a per-fused amp basis, but the Commission rejected this approach in the Order on Phase I. Nevertheless, as Mr. Curry notes in his testimony (Tr. 810), BellSouth has also developed a per-used amp rate. This rate is consistent with the requirements of the Commission's ruling.

Mr. Curry expressed three concerns about BellSouth's proposed DC power elements. First, he questioned whether BellSouth's reliance on power augmentation jobs is compliant with TELRIC. As he stated, "costs for collocation elements should be established on TELRIC principles, not a sample of embedded costs." (Tr. 809). Mr. Curry further noted that the FCC's Interconnection Pricing Order requires that TELRIC cost estimates be obtained " 'by dividing the total cost associated with the element by a reasonable projection of the actual total usage of the element.' " (Id.).[4]

In response to Mr. Curry's comments, Mr. Shell explained that the FCC's statement of the requirements of TELRIC have specifically allowed for the sort of space preparation work that is included in BellSouth's study. Further, BellSouth is, in fact, utilizing the methodology described by Mr. Curry. On the first point, Mr. Shell testified that the FCC has "stated that the ILECs can recover the cost for site preparation". (Tr. 254). Moreover, "the FCC established the TELRIC Principles, and it presumably would not have allowed the ILECs to recover site preparation cost if doing so conflicted with TELRIC principles." (Id.). Further, consistent with the approach referred to by Mr. Curry, the FCC has stated that the site preparation and other actual costs are to be divided among the collocators. In this regard, Mr. Shell quoted the FCC as follows:

> We conclude, based on the record, that incumbent LECs must allocate space preparation, security measures, and other collocation charges on a pro-rated basis so the first collocator in a particular incumbent premises will not be responsible for the entire cost of site preparation. For example, if an incumbent LEC implements cageless collocation arrangements in a particular central office that requires air conditioning and power upgrades, the incumbent may not require the first collocating party to pay the entire cost of site preparation.

(Tr. 252).[5]

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[4] Quoting, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996,* Report and Order, CC Docket No. 96-98, 11 FCC Rcd 15499, 15847, ¶ 682 (1996).

[5] Quoting, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *First Report and Order and Further Notice of Proposed Rulemaking*, 14 FCC Rcd 4761, 4789, ¶ 51 (1999).

Thus, while Mr. Curry is correct in noting that the FCC has ordered that total costs be divided by total usage, the FCC has also applied this concept to rule specifically that the costs incurred to provide collocation should be divided among the collocators that make use of the central office space. Again, this is precisely the approach taken by BellSouth.

Moreover, as Mr. Shell also noted, the FCC has approved BellSouth's applications for in-region interLATA authority in every state in its region, including Florida. In the context of these various Orders, "the FCC concluded that BellSouth provides collocation based on TELRIC principles." (Tr. 254). For example, in FCC Order 02-260[6] (Appendix H, ¶ 21), the FCC noted that its "pricing rules require, among other things, that in order to comply with its collocation obligations, an incumbent LEC [must] provide collocation based on TELRIC." (Quoted at Tr. 235) The FCC specifically found that BellSouth met this standard (Order, ¶ 21). Obviously the ultimate authority on the interpretation of requirements set by the FCC should be the FCC itself. Because the FCC has made the determination that BellSouth's collocation cost development is compliant with TELRIC, this determination must prevail, even though Mr. Curry may hold a different view.

Mr. Curry also expressed concern that BellSouth's costs vary so much from central office to central office. At the same time, Mr. Curry also acknowledged that "power plant investments are often characterized as 'lumpy' investments, as are buildings and central offices in general." (Tr. 808). As Mr. Shell explained, it is the "lumpy" nature of power investment that causes power costs to vary so much from one central office to the next. As he noted, "there are different power components that may be at or near exhaust in various central offices at the time the CLEC requests

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[6] *Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Alabama, Kentucky, Mississippi, North Carolina and South Carolina*, WC Docket No. 02-15, 17 FCC Rcd 17595 (2002).

power." (Tr. 257). In other words, BellSouth may be able to meet a specific collocation request with little or no additional investment, or a great deal of additional investment may be required. The circumstances in each central office dictate what needs to be done, as well as the resulting cost. Thus, the variation noted by Mr. Curry does not reflect negatively upon BellSouth's methodology. To the contrary, it merely reflects the fact that BellSouth's study has captured accurately the variation that occurs in the investment necessary to respond to different collocators' requests in different central offices.

Finally, Mr. Curry expressed concern that BellSouth has used a regional rather than a Florida specific study to develop the investment for DC power (Tr. 809). Mr. Curry is correct that, under ideal circumstances, using only Florida specific information would be preferable. Unfortunately, the development of realistic costs requires a different approach. Collocation is not requested in every central office, and a power augmentation is not necessary in response to every request. Thus, relatively few power augmentations are required to respond to collocation requests. At the same time, as Mr. Curry noted (and Mr. Shell acknowledged) the costs of these power augmentations can vary quite a bit from one central office to the next. In order to take these varying costs and develop a charge to be consistently applied on a per amp basis, it simply makes sense that BellSouth should consider as many jobs as possible. If BellSouth had sampled only projects in central offices in Florida, then the information would have been more purely state specific, but the sample would have included many fewer projects than the 711 that were included as the result of using a regional approach. In the context of the rate elements for floor space, Mr. Gabel was critical of BellSouth because it was not able to sample more projects (Tr. 847). Limiting the data reviewed to develop the DC power charge to state specific information would raise the same concern. Given this, BellSouth submits that the balance between a need for state-specific information and the need for a

valid sampling process can best be struck in this particular case by utilizing the regional approach taken by BellSouth.

Mr. Turner, testifying on behalf of AT&T, also claimed that BellSouth's use of power augments in the cost study was not TELRIC compliant. This criticism is not valid for the reasons described above. Specifically, in the portion of the FCC's Advanced Services Order quoted above (and quoted in Mr. Shell's testimony), ILECs are allowed to recover properly allocated costs for site preparation. Further, paragraph 51 of this Order expressly refers to the cost of power upgrades (i.e., augments) as costs that may be recovered.[7] (*See*, Tr. 252). This language, along with the previously discussed fact that the FCC has already approved BellSouth's cost methodology for collocation, refutes Mr. Turner's contention that BellSouth's approach does not comply with TELRIC principles.

Beyond this, Mr. Turner also raised a variety of rather implausible objections to BellSouth's DC power rates along with a number of equally implausible adjustments, which were uniformly designed to produce lower rates.

First, Mr. Turner argued that the Commission should reject BellSouth's investment numbers and instead utilize numbers proposed by Southwestern Bell in Texas. (Tr. 550). As Mr. Shell noted, "the Southwestern Bell investment numbers for Texas are not relevant for determining BellSouth's costs in Florida." (Tr. 255). In other words, one cannot simply assume that any ILEC operating in any state will have the same power costs as other ILECs operating in another location or state. Thus, as Mr. Shell noted, "it is unreasonable for AT&T to argue, based on cost support presented by another company in another state, that BellSouth's costs <u>in Florida</u> are too high. The

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[7] 14 FCC Rcd 15 4789. The pertinent language is quoted at Tr. 252

two companies may have different operating procedures and different supplier costs." (Tr. 256) (emphasis added).

Further, even if one could make a valid comparison between different companies operating in different states, Mr. Turner's comparison was deficient because it purported to develop the costs of a power plant, but failed to include much of the necessary plant equipment. Mr. Shell noted that the Exhibits to Mr. Turner's testimony (that contain the investments he claims are proper) account for only one BDFB, as opposed to the multiple BDFBs that would exist in an office having a typical power plant. (Tr. 256). Mr. Turner's exhibits also did not indicate the distance of the BDFB cable run, which is very important because the cost of the cable run "increases exponentially with distance." (Id.). Finally, Mr. Turner did not provide any information as to whether the costs to which he cites include monitors that would be required "to control the rectifiers and to report power plant alarms." (*Id.*). Therefore, even if one accepts the unlikely premise that the power costs of a different company in a different state should be used to set power rates in Florida, Mr. Turner's proposed adjustments should still be rejected because they were based on artificially low investment numbers.

Second, Mr. Turner made the incorrect claim that BellSouth made a calculation error in its proposed DC power rate. He based this contention on the result of using the cost of a power augmentation of a single central office location to arrive at a per amp charge. (Tr. 551-52). However, as Mr. Shell testified, "dividing the incremental investment in the Gainesville-Main central office power plant by the total rectifier capacity (amps) added to the office, . . . does not produce a number that represents BellSouth's total forward looking investment per amp. This is because additional equipment investment is required." (Tr. 258).

In his continual search for a lower rate, Mr. Turner also recommended that the Commission use a lower investment figure taken from a BellSouth cost study filed with the Commission in 1997. (Tr. 553). Mr. Turner did not testify that he reviewed the cost study that produced this lower number and concluded that it was TELRIC compliant and otherwise methodologically sound. Instead, Mr. Turner took the approach that the Commission should adopt whatever rate is lowest. As Mr. Shell pointed out, however, the seven year old power study that Mr. Turner endorsed was the first power study performed by BellSouth, it relied upon a "long list of assumptions" and was performed before there was "any significant activity with collocation in BellSouth's central offices" (Tr. 259). BellSouth submits that the Commission should reject Mr. Turner's request to rely on a seven year old study that is based on numerous assumptions merely because it yielded a lower cost number than the current study, which is based on actual, current data.

Finally, Mr. Turner contended that BellSouth's proposed rate for DC power includes too high a charge for the AC power component that is included in the cost study. Mr. Turner claimed that BellSouth's charge to CLECs for AC Power is higher than what BellSouth itself pays, and he advocated adoption of a national average charge paid by industrial users, according to a study by the U.S. Department of Energy (Ex. 43). (Tr. 555-56). Mr. Shell testified that "BellSouth also used the U.S. Department of Energy average when the cost study was developed. BellSouth used $0.7 per kilowatt-hour using the commercial user category." (Tr. 260). Mr. Shell also testified that BellSouth purchases AC power at the rate for commercial users. (*Id.*)

Mr. Turner claimed that the industrial usage rate would apply to BellSouth based on 1) his experience, and 2) his contention that ILECs normally have load-sharing arrangements (Tr. 555-56). In typical fashion, however, Mr. Turner did not cite to any specific ILEC anywhere that actually purchases power at the industrial usage rate. Instead, he asks the Commission to rely on nothing

more than his undefined and unexplained "experience." Moreover, as Mr. Shell testified, the load sharing arrangements that Mr. Turner assumes exist in all instances, are not available to BellSouth in the majority of cases. (Tr. 260).

Moreover, during cross-examination, Mr. Turner reluctantly admitted the obvious: that power charges are set forth in the tariffs of the electrical power companies from whom power is purchased, and that whether a particular user of power qualifies as industrial or commercial is also set forth in those tariffs. (Tr. 595-96). Mr. Turner also admitted that he was generally unaware of what tariff requirements must be met to qualify for industrial usage rates in Florida, and he was specifically unaware of whether BellSouth would qualify for these rates. (Tr. 596). Finally, Mr. Turner stated that he reviewed the power bills BellSouth produced to AT&T in response to discovery requests. (Tr. 597). However, he stated that he could not tell whether BellSouth was being charged the industrial or commercial rate, and that this was not "something [he] was particularly looking for." (Tr. 597).

Mr. Turner also attempted to base his claim that BellSouth charges more than it pays for AC power upon two isolated power bills that he reviewed at some point in the past, not for Florida, but rather for Georgia. (Tr. 555). Mr. Shell responded to this contention by noting that "AC power charges are seasonal and the total charge varies as demand varies. The AC power charges could also vary by central office. One month and a couple of central offices is not enough data to make a reasonable determination." (Tr. 260-61). Finally, Mr. Shell also noted that the Department of Energy average for the commercial user category, which Mr. Turner relied on, was consistent with the rate that BellSouth filed in Georgia in the proceeding to which Mr. Turner referred. (Tr. 261).

2. Nonrecurring Elements

The rubric "non-recurring costs" comprises a number of different rate elements in BellSouth's cost study that are not necessarily linked conceptually. Instead, this category includes a variety of different types of elements that are charged on a non-recurring basis because they correspond to one time costs. The witnesses who address these elements, however, do so in a manner that is consistent from one non-recurring rate discussion to the next. The Staff's witness, Mr. Gable, expressed concern regarding a limited number of the non-recurring rate elements proposed by BellSouth, and requested additional information on at least one element (a request with which BellSouth complied in Mr. Shell's Surrebuttal Testimony).

In sharp contrast, AT&T's witness, Mr. Turner, provided voluminous criticism of BellSouth's non-recurring costs, but frequently did so in a way that reflected either a fundamental misunderstanding of the element, an implausible analysis designed to derive a lower rate for the element, or in one instance, an appalling lack of candor in the information he chose to disclose (or not to disclose) to the Commission. Taken together, Mr. Turner's testimony on non-recurring rates provided little of substance. More to the point, certain aspects of his testimony call his credibility into question in a way that should cause the Commission to view with wariness all aspects of his testimony.

As to the testimony of Mr. Gable, he first stated the general conclusion that, because BellSouth's work times for processing collocation applications, including engineering costs are higher than Verizon's, BellSouth must believe that it is less efficient than Verizon. (Tr. 874). Beyond this, however, Mr. Gable did not identify any specific aspect of this part of the BellSouth Cost Study with which he takes issue. Mr. Shell responded to Mr. Gabel's general concern by noting that there are legitimate reasons for variations in the times required to process collocation applications that have nothing to do with a lack of efficiency. (Tr. 270). For instance, Mr. Shell

identified "1) the amount of collocation and other central office activity, 2) the amount of available space typically seen in central offices, 3) the budget for central office work, and 4) the number of central offices in the state." (Tr. 270). Based on these factors, times can legitimately vary substantially from one carrier to the next. Thus, Mr. Shell concluded that, rather than assuming that BellSouth is less efficient than Verizon, it would be more reasonable to assume "that the work times are different because the actual work that is necessary differs from one company to the next." (Id.).

Mr. Gable's other principal concern about BellSouth's non-recurring rate elements related to collocation cable records. Specifically, he recommended that BellSouth provide in its Surrebuttal Testimony a detailed explanation of the functions associated with these rate elements, the basis of the time estimates, and the degree to which Verizon and Sprint seek recovery for similar activities (Tr. 885). Mr. Shell complied with this request, although BellSouth will not repeat here the extensive discussion on this topic contained in Mr. Shell's Surrebuttal Testimony. To summarize, the "cable records charges apply for work required to build cable records in company systems." (Tr. 279). The cables belong to the collocators, their vendors run the cables, and the specific location on the distribution frame at which these cables terminate is needed for cross connection orders (Id.). Identifying the specific distribution frame terminations of the cable run by the CLECs (or their vendors) requires the work of several groups within BellSouth, and involves such functions as obtaining the equipment inventory utilization of the frame, verifying that the correct terminations were made, and recording the assignments in databases. Other tasks involve investigating existing collocation cables at the respective central office, assigning new cable range and name, and creating terminal name and count, including the unique address to identify the collocation terminal. BellSouth employees must also build the inventory in the appropriate database and place appropriate

restrictions on the collocator's facilities to keep them from being accidentally assigned to other uses. (Id.).

As Mr. Shell testified, BellSouth cannot know with complete confidence the extent to which Verizon and Sprint seek to recover for similar activities (Tr. 281). BellSouth believes, however, that Verizon and Sprint perform comparable activities, and that they recover the costs for these activities in other cost elements (Tr. 281). To give one example, "Verizon may recover this cost in Facility Pull charges (e.g., Elements 12 and 13) and Cable Termination charges (e.g., elements 15 through 18) since they seem to be associated with cross connections and installing the cable from collocation space to frame." (*Id.*). Thus, BellSouth believes that Verizon and Sprint do seek recovery for comparable activities.

In contrast to Mr. Gable's limited concerns about BellSouth's non-recurring elements, Mr. Turner raised a myriad of objections, most of which were totally unfounded.

First, Mr. Turner recommended reducing the work times associated with fiber entrance cable installation because (he claimed) that entrance cable is installed by AT&T. In support of this contention, Mr. Turner cited to a single sentence from a single section of the AT&T/BellSouth Interconnection Agreement. (Tr. 562). At the outset, it should be noted that even if Mr. Turner were correct, he testified only as to what (he claims) AT&T does. Mr. Turner offered no testimony as to how any of the many other CLECs in Florida arrange for entrance cable installation. Further, even Mr. Turner's testimony as to AT&T's practices was suspect.

In Mr. Turner's testimony, there is a question relating to "fiber entrance cable installation elements." (Tr. 562). However, the answer to this question discusses riser cable installation. (Tr. 562). Mr. Turner's apparent confusion of entrance cable with riser cable likely explains much of his testimony on this point. Further, Mr. Shell testified that, contrary to Mr. Turner's representations,

"BellSouth always installs the entrance cable through the manhole into the cable vault up to the splice point. (Tr. 263). Also, Mr. Shell noted that most of the current Interconnection Agreements state that CLECs are responsible for providing riser cable, which is run from the cable vault to the collocation space, not entrance cables. (*Id.*).

Again, Mr. Turner based the contention in his pre-filed testimony that AT&T installs entrance cable upon a single sentence buried within a lengthy paragraph in the AT&T/BellSouth Interconnection Agreement (Attachment 4, § 5.3). That same paragraph, however, begins with the language that "AT&T may elect to place AT&T-owned or AT&T leased entrance facilities into the Collocation Space." The only reasonable interpretation of this sentence is that AT&T may elect to place entrance facilities as an alternative to the typical process whereby BellSouth would place these facilities. Further, another part of this same document provides the rates that apply for cable installation by BellSouth. Specifically, it states the following:

"Cable Installation. Cable Installation Fee(s) are assessed per entrance cable placed." (*Id*, § 7.3). Obviously, if BellSouth never places entrance cable for AT&T, it is very unlikely that there would be a specifically negotiated provision in the Agreement to provide how BellSouth is to be compensated for entrance cable placement. Mr. Turner's unlikely explanation was that the description of the installation fee (which expressly refers to "cable installation" and "entrance cable") does not actually refer to cable installation, but rather to related engineering work (Tr. 603, 04).

On cross-examination, Mr. Turner continued to insist that AT&T installs its own entrance cables. However, he admitted to having no personal knowledge on this point. He instead claimed to have gathered information from speaking to the AT&T personnel responsible for this activity. (Tr. 604-05). At the same time, he did not identify any of these AT&T employees with whom he

ostensibly spoke. Further, he could not identify the time frame in which AT&T personnel installed entrance cable[8], he did not know the number of times that AT&T had installed entrance cable in Florida, and he was unable to identify a single central office in Florida in which such installation has taken place (Tr. 605-06).

Next, Mr. Turner claimed that the work time for the Common System Capacity Manager that relates to the installation of riser cable should be removed because the CLEC installs this cable. (Tr. 562). To the contrary, as Mr. Shell testified, the work time relates to planning the riser cable installation, e.g., determining the route the cable should take. Accordingly, "this work is required whether BellSouth is installing the riser cable or a CLEC's certified vendor is installing riser cable. (Tr. 263).

Mr. Turner also took issue with BellSouth's time for the outside plant engineer to coordinate manhole entry, contending that because the collocator installs the cable, BellSouth would not perform this work (Tr. 564). As discussed previously, however, Mr. Turner is wrong in the contention that the CLEC installs entrance cable, and, therefore, wrong on this point as well. (Tr. 264).

Mr. Turner also advocated reducing the work time for outside plant construction based on his incorrect conclusion that CLECs perform the labor at issue, coupled with the statement that "in his [undefined] experience" the remaining tasks require less time than is included in BellSouth's study. (Tr. 564). Again, Mr. Turner is wrong on the first point. As Mr. Shell testified once more, BellSouth installs the entrance cable (Tr. 264). Beyond this, Mr. Turner offers nothing more than yet another unverified claim that a particular (always lower) work time should be accepted based

[8] Mr. Turner first said the installation took place in 2002 and 2003, then he said 2001 was "probably" the time frame, "and perhaps earlier timeframes." (Tr. 605).

on "his experience." As with every other claim of this sort, Mr. Turner gives no hint as to what his experience is or how it supports his claim.

Mr. Turner's contention that manhole contract labor should be reduced because, the CLEC always places the entrance facility (Tr. 564) is incorrect for the reasons discussed previously.

Mr. Turner also advocated a change to BellSouth's cost structure because, once again, he appears not to understand the cost study. Specifically, Mr. Turner claimed that there should be two rate elements for entrance cable installation, one for when BellSouth performs the splicing and one when it does not. (Tr. 565). However, as Mr. Shell testified, BellSouth already has two elements to reflect whether or not BellSouth performs the splice. Element H.1.65 represents the non-recurring cost of labor to pull the fiber cable. Element H.1.66 is the splicing charge (Tr. 265). Thus, if BellSouth does the splice, both elements apply. If BellSouth does not perform the splice, only the first element, H.1.65 applies. Thus, contrary to Mr. Turner's assertions, there is no overcharge for splicing.

Mr. Turner also made a number of incorrect claims that the labor involved in security access labor time should be reduced. First, he testified that the back up to BellSouth's cost study attributes .2 hours of labor per card. Mr. Turner claimed that BellSouth erred, however, by developing a conflicting value of .8583 hours per card (Tr. 565-66). As Mr. Shell testified, however, Mr. Turner appears not to understand how the cost study calculation works. Mr. Shell testified on this point as follows:

> What Mr. Turner apparently overlooks is that both labor times are used in the study. The 0.2 labor hours are for the customer contact person to verify contractual status for billing and provisioning purposes and to ensure that the order is placed. The 0.8583 labor hours are for contract labor to administer the ordering, programming and distribution of access cards.

(Tr. 266).

Mr. Turner's second recommendation regarding security times is that the Commission should modify BellSouth's rates so that the cost to provide a replacement card is less than the cost to initially provide a card. (Tr. 566). Mr. Shell testified, however, that BellSouth's rates are already structured in this way. The cost element for a new card is H.1.38, and the rate is $38.95. Element H.1.40 is to replace a lost or stolen card, and the rate is $28.78. (Tr. 266). After much evasion (*See*, Tr. 591-93), Mr. Turner admitted this point on cross examination.[9]

Mr. Turner's third contention regarding security costs was that security key costs should be equal to the security card costs because, he claimed, TELRIC requires this result (Tr. 566-67). He also claimed that BellSouth failed to provide support times for the costs associated with the security key, and that security keys will not be used in the future (Id.). Mr. Shell responded that, "again Mr. Turner is mistaken." (Tr. 267). Mr. Shell went on to specifically identify the location of the support in BellSouth's study. (Id.). He also testified that the security key will be required in some future cases, such as to access secure gateways. (Id.).

Mr. Turner also claimed that there are at least three problems with BellSouth's subsequent application costs. First, he contended that BellSouth included more labor for subsequent applications than for initial applications, even though, in his view, subsequent applications should take less time. (Tr. 567). Mr. Turner, in typical fashion, cites no support for the contention that the second application should necessarily require less time. In response, Mr. Shell described at length in his surrebuttal testimony the differences in the initial application and the subsequent application. (Tr. 267-68). Without restating all of Mr. Shell's testimony on this point, it will suffice to say that the subsequent applications are generally the result of new or changed contracts. In order to

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[9] Q . . . [I]n terms of the relationship between the two, just so we're clear, the way BellSouth has it now, the initial rate is more than the replacement rate, correct? A (By Mr. Turner) I'll acknowledge that. (Tr. 593).

implement these changes, it is necessary to not only review the new request, but also to "review prior applications as well to ensure the current application can be processed as requested." (Tr. 268). Thus, more time is needed to process a subsequent application than an initial application. It is also noteworthy that BellSouth has added only one additional hour for this additional effort (*Id.*)

Mr. Turner also claimed that there should be no time for outside plant engineering because it "is virtually never involved in a subsequent collocation activity." (Tr. 567). This statement, however, is incorrect. Instead, the outside plant engineer "must review every application, both initial and subsequent, and determine whether work is required." (Shell Testimony, Tr. 268-69). BellSouth has only included 30 minutes in this element for this additional review, a minimal addition (Tr. 269).

Finally, Mr. Turner contended that the subsequent application cost development assumes that the same amount of engineering work by Parsons Engineering will be required for a subsequent application as for the initial application. (Tr. 568). In response, Mr. Shell clarified that the Parsons Engineering work reflected in this element is based on an average of the work that is done on both the initial and subsequent applications. Thus, if the engineering fee on the subsequent application were reduced, as Mr. Turner proposes, then the time on the initial application would have to be raised in order to capture the total engineering fee that Parsons' charges (Tr. 269).

On the topic of Space Availability Reports, Mr. Turner gave perhaps his most noteworthy testimony of the entire proceeding. This testimony was noteworthy, however, not for what it stated, but rather because it entailed a clear effort by Mr. Turner to mislead the Commission.

Mr. Turner stated in his pre-filed testimony that "BellSouth's proposed non-recurring charge of $572.00 [for a space availability report] is completely outrageous when compared with the charges that have been established in other parts of the country." (Tr. 568) (emphasis added). Mr.

Turner included the following chart in his prefiled testimony, depicting "a selection of the Space Availability Report Charges in states where [he has] participated in collocation proceedings" (Tr. 569):

State	Space Availability Report Charge
Texas	$204.06
Missouri	$168.04
Kansas	$168.04
Oklahoma	$168.04
California	$150.00

(*Id.*).

Mr. Turner's prefiled testimony goes on to state that "the point of these comparisons is not to suggest the absolute rate that the Commission should order for Florida, but to illustrate that the rate of $572.66 that BellSouth has put forward in Florida is completely out of range with what other states have ordered (or even that has been proposed by other the [sic] incumbent LECs)." (Tr. 569) (emphasis added).

Mr. Turner also filed testimony on this same point with the Georgia Commission in Docket 14361-U, on April 5, 2002. (Ex. 44) Mr. Turner's testimony in Georgia also contained almost verbatim the first sentence quoted above (in which he claims BellSouth's rates are outrageous when compared with others set throughout the country). The only difference was that the Georgia testimony referred to the substantially higher rate that BellSouth proposed for Space Availability Reports in the Georgia proceeding. (Ex. 44, p. 82). The chart included in the Georgia testimony, however, was as follows:

State	Space Availability Report Charge
Texas	$204.06
Missouri	$168.04
Kansas	$168.04
Oklahoma	$168.04
Massachusetts	$651.76[74]
Pennsylvania	$800.00
Virginia	$800.00
Maryland	$800.00
New Jersey	$800.00
Delaware	$800.00
California	$150.00[75]

[74] This value represents Verizon's proposed value in Massachusetts. There is no final ordered value at this time, but it is still indicative of the significant problem with BellSouth's proposed rate.

[75] This rate is the proposed rate by SBC-Pacific Bell in California and does not reflect a Commission-approved rate at this point.

Mr. Turner also stated that the purpose of this chart was to show "charges in states where I have participated in collocation proceedings" (*Id*).

Thus, when BellSouth proposed a rate in Georgia in excess of $1,000, Mr. Turner claimed it was out of line with what had been ordered around the country, and informed the Georgia Commission of eleven rates between $150 and $800. However, when BellSouth proposed a rate of $572.66 in Florida, Mr. Turner elected not to disclose to the Commission the $800 rate set in five different states, or the $651.74 rate proposed in Massachusetts. Still (amazingly) Mr. Turner gave the following testimony during cross examination regarding his Florida testimony:

> Q. Okay. Now regarding space availability reports, in your testimony on Page 42 you provide a chart that shows the rates set in five other states; correct?
> A. Yes.
> Q. And I believe you describe this chart as summarizing the selection of space availability report charges in states in which you participated in the hearings; correct?
> A. Yes.
>
> ...
>
> Q. Is it your testimony that these are representative of the cases that you've appeared in?
> A. Yes.

(Tr. 619-20).

This exchange occurred before Mr. Turner's Georgia Testimony was introduced into evidence. However, after this testimony was marked for identification, Mr. Turner admitted that to prepare his Florida testimony he "took the Georgia chart and just took out everything that is higher than what BellSouth proposed . . . [in Florida]." (Tr. 623). Mr. Turner offered no explanation for this outrageous decision not to disclose relevant information to this Commission.

The explanation, however, is obvious: Mr. Turner revealed the six rates in excess of $527.00 in Georgia because it supported his position there to do so. Since these six rates (which are obviously well above the rate BellSouth proposes in Florida do not support Mr. Turner's false claim that BellSouth's rate is "completely outrageous when compared to charges that have been established in other parts of the country" (Tr. 568), he simply elected to alter his previous Georgia testimony to mislead this Commission.

This lack of candor on the part of this witness would be appalling even if it had no ramifications beyond this particular issue. However, Mr. Turner's testimony contains nearly constant recommendations that are supported by nothing more than his opinion, "his experience," his knowledge of other (unidentified) ILECs, and his conversations with unidentified representatives of AT&T. Given the fact that he was caught during the hearing in such an obvious case of dissembling, the Commission should view with extreme wariness all testimony by Mr. Turner, and should reject every one of the many unverified opinions, claims or representations made throughout his testimony.

Although it pales in comparison to the impact of Mr. Turner's other testimony on this point, Mr. Turner also claimed that BellSouth's cost for the space availability report is overstated because he "is confident that BellSouth has at its disposal" a computer aided design (CAD) system which

could be used to develop a space availability report at a lower rate (Tr. 570). As Mr. Shell noted, Mr. Turner is, once again, wrong. BellSouth does not have such a system that can be used for this purpose (Tr. 274). Further, as Mr. Shell also testified, BellSouth is not "seeking to recover the costs of building an inventory; rather BellSouth is seeking to recover the costs that will be incurred in preparing report requested by a CLEC." (Id.).

Regarding copper entrance facilities, Mr. Turner claimed that the CLEC should not be charged for these facilities because the CLEC installs its own copper entrance facilities." (Tr. 570). As discussed previously, Mr. Turner is wrong on this point. Instead, BellSouth "always installs the entrance cable (fiber or copper) from the man hole to the splice point in the vault, therefore, the man hole contract labor is valid." (Shell Testimony, Tr. 275).

Mr. Turner's second contention regarding copper entrance facilities was that BellSouth, in effect, seeks duplicate recovery for the "connect and test" function. (Tr. 570-71) Once again, Mr. Turner appears not to understand the BellSouth Cost Study. Contrary to the assertions of Mr. Turner, as Mr. Shell testified, element H.1.58 is a new cost element, that recovers the cost to splice copper pairs. (Tr. 275). Element H.1.57, in contrast, "recovers the cost to perform functions other than splicing, e.g., pulling the entrance cable from the manhole to the vault and placing the cable on racks in the vault." (Id.). Thus, these are two separate elements that reflect separate labor activities. Once again, Mr. Turner is mistaken.

Finally, Mr. Turner contended that there should be no non-recurring charge for development of collocation cable records because "a large portion of the cost is already covered through other elements that the ALEC pays for when it purchases interconnection arrangements from BellSouth." (Tr. 571). Mr. Turner cited as a specific example the labor in the rate elements relating to circuit capacity management functions (H.7.1 through H.7.6), which he claimed duplicated labor captured

in H.1.1 and H.1.46. (*Id.*) Mr. Turner's claim is incorrect. As Mr. Shell testified, the Circuit Capacity Management ("CCM") labor time in elements H.1.1 and H.1.46 are "strictly associated with reviewing the collocation application requirements . . . , interfacing with other network groups and providing input to the final application response to the CLECs." (Tr. 277). This work takes place before the CLEC accepts the application response. After the CLEC accepts an application response by submitting a Bona Fide Firm Order ("BFFO"), "BellSouth's space preparation work begins." (*Id.*). In this phase of the provisioning process, the CCM, among other functions, "verifies equipment availability and other associated equipment requirements, ... obtains specific frame utilization information and coordinates with CLECs and/or CLECs vendors to develop the initial assignment of frame locations and works with other network groups to ensure that the actual facility assignments are included in the required databases for CLECs." (Tr. 278). In other words, one set of elements identified by Mr. Turner relates to work that the CCM group performs prior to the CLEC's submission of a BFFO. The second group of elements that Mr. Turner identified relates to CCM work that is entirely different, and that is performed at an entirely different time, i.e., after the BFFO and during the provisioning process. Thus, Mr. Turner is, once again, mistaken.

3. Floor Space

Mr. Gable correctly noted that BellSouth estimated floor space investment by developing a per square foot rate based on the sum of the cost of the most recent building additions performed by BellSouth. (Tr. 847). Mr. Gable raised three concerns about BellSouth's floor space investment. First, Mr. Gable was concerned that BellSouth has based its investment on only eight jobs. (*Id.*) However, as Mr. Shell explained, BellSouth "believes that the use of actual costs for its actual telephone-company central office building additions are reflective of costs that BellSouth will incur in providing central office floor space to CLECs on a going forward basis. There is no reason to

believe that the costs incurred recently are not reflective of future expenditures." (Tr. 286). In other words, the best way to project future costs is to develop a going forward investment figure based on the most recent costs. To this end, BellSouth used 100% of the building additions that were done during the years 2001 and 2002. (Id.). As it turns out, there were only eight such additions. Mr. Gable appears to make the conceptual point that a larger sample might produce a more statistically valid number. While this may be true, the only way that BellSouth could utilize a larger number of projects would be to use older projects, which would presumably be less reflective of future expenditures. Thus, what Mr. Gable is responding to is not so much a flaw in BellSouth's methodology as the practical limitation that arises from the fact that there have only been eight recent projects that can be used to develop this rate.

Mr. Gable also expressed concern that there is a fairly significant variation in the cost of modifications from one central office to the next, and that the documentation for BellSouth's cost studies does not explain the variation. (Tr. 848). As Mr. Shell explained, however, the variation in cost simply reflects the difference in necessary work from one central office to the next. This variation is due to the specific requirements at each central office. "For example, some building additions could trigger the need for a new air conditioning system or other high cost items." (Tr. 286). Thus, again, Mr. Gable is concerned with something that is not a flaw in BellSouth's methodology. In this case, Mr. Gable has merely pointed out the natural result of the way that the costs attributable to building additions vary.

Finally, Mr. Gable stated that the data BellSouth relied upon is not appropriate for a TELRIC cost study (Tr. 848). In essence, this point raises the same debate between Mr. Gable and Mr. Shell that was described previously in reference to DC power. Mr. Gable again noted that "the FCC's Pricing Order requires that TELRIC cost estimates be obtained by dividing the total cost associated

with the element by a reasonable projection of the actual total usage of the element." (Id.). As Mr. Shell testified in response, "BellSouth has, in fact, done this. The total cost of the building additions have been divided by the total usable square footage added, which include both space usage by BellSouth and other parties (i.e., total cost divided by actual total usage)." (Tr. 287).

Finally, Mr. Shell also noted that, contrary to Mr. Gable's conclusion, BellSouth's investment for floor space is not out of line with Sprint's and Verizon's. Specifically, Mr. Shell reached the conclusion that BellSouth's investment per square footage is greater than Verizon's but less than Sprint's. (Id.).

In contrast to the testimony of Mr. Gable, Mr. Turner's testimony amounts to nothing more than the contention "that BellSouth's investment amount is improper and non-compliant with TELRIC because he could find a way to develop a lower investment number based on data that does not relate to BellSouth's network." (Shell Testimony, Tr. 282). Specifically, Mr. Turner utilized the R.S. Means Guide of nationally compiled data to develop the floor space rate that he advocated. (Tr. 573) As Mr. Shell testified, however, "the floor space charge allows BellSouth to recover the cost of the building space being occupied by collocators. Obviously, the use of actual costs for BellSouth's actual telephone company building additions are more reflective of the costs that BellSouth will incur in providing floor space to CLECs on a going forward basis than publicly available data that does not relate to BellSouth." (Tr. 282).

Nevertheless, Mr. Turner based his proposed (predictably) lower rates entirely on data that has nothing to do with BellSouth. Further, even if Mr. Turner's reliance on R.S. Means were not conceptually flawed, there are still two problems with his approach. The first problem is that Mr. Turner makes far too much of the R.S. Means data. As Mr. Gable testified, "R.S. Means and similar construction cost estimators generally caution that the cost estimates you derive from their products,

while accurate, are 'ball park' figures." (Tr. 861). Mr. Gable also noted that "R.S. Means cautions that while its estimates are useful 'when no details are available' and 'should present a fairly accurate base figure' adjustments must be made based on the estimator's experience, local economic conditions, and local building codes. (Tr. 862).[10] Mr. Turner did not, in fact, utilize R.S. Means as a starting point. Instead, he used it as the only basis for his effort to develop a lower investment amount number, and he did not take into effect any of the other sources of information that R.S. Means identifies as the proper basis for adjustments.

The second problem is that in developing his investment number, Mr. Turner may not have relied on construction specific to telecommunications applications. Upon cross-examination, Mr. Turner stated that, in developing the floor space rate, he only used R.S. Means data that relates specifically to telecommunications. (Tr. 608). Mr. Turner also testified, however, that he performed the same sort of process in Florida that he did in Georgia for his testimony in Docket 14361-U (Tr. 607). Finally, he admitted that he testified in Georgia that in his analysis he "use[d] other parts of R.S. Means that are more general than just telecommunications applications." (Tr. 610). When confronted with his conflicting testimony from Georgia, Mr. Turner maintained that he used only telecommunications specific data in developing his proposed rate for floor space, but used non-telecommunications data for the cage construction element. (Tr. 610-11). This qualification, however, does not appear in Mr. Turner's Georgia testimony, and he offered no explanation for this omission. Given this, it is simply not possible to know how Mr. Turner really performed his analysis. We do know that the Georgia Commission rejected Mr. Turner's advocacy of this same approach in Docket 14361-U.[11] We also know that Mr. Turner chose to ignore actual costs, and

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[10] Citing, R.S. Means, at page 483.

[11] At the conclusion of the hearing, the Commission took official recognition of two Orders issued by the Georgia Commission, "Order Establishing cost-Based Rates" (Docket Number 7061-U, issued December 16, 1997) and "Order"

instead attempted to produce an artificially low rate based on a cost estimator that expressly states that it should not be relied upon without making certain adjustments, which Mr. Turner failed to make.

4. Space Preparation

Mr. Gable testified that he agreed with the concept of a space preparation charge (Tr. 851). However, he expressed concern with three aspects of BellSouth's proposed space preparation charge. First, he was concerned that the investment reflected in this element was not drawn "from a random sample that is representative of the locations where the company incurs its space preparation costs." (Tr. 852). In his Surrebuttal Testimony, Mr. Shell provided additional information to demonstrate that this is, in fact, the case. (Tr. 288-89). Second, Mr. Gable expressed concern that BellSouth's tariff is structured so that it, in effect, requires the collocator to make the space ready for itself and to make the space ready for the next occupant. (Tr. 853). Mr. Shell clarified that the language in question "requires the CLEC to remove its equipment/property and to return the space in the same condition when it was first occupied by the CLEC... The CLEC is not required to remove any items of investment (e.g. racks and power bays) BellSouth has included in its study." (Tr. 290).

Finally, Mr. Gable expressed concern that BellSouth's application of the space preparation charge may be discriminatory because BellSouth does not include similar costs for space preparation in its retail cost studies. (Tr. 854). As Mr. Shell testified, however, BellSouth does not include the same costs in its cost studies for retail services because it does not incur the same costs. Instead, "when a CLEC uses collocation to provision its network, BellSouth incurs specific costs for

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(Docket Number 14631-U, issued June 24, 2003). (Tr. 302). The Georgia Commission declined to use R.S. Means in both of these Orders.

preparing that collocation space as well as assigning a portion of that building for use only by the collocator." (Tr. 291). For BellSouth's retail services, the particular service may use anything "from the main distribution frame to a circuit switch, to a Digital Subscriber Line [S]ervice, . . . as well as high capacity services that use synchronous optical network ('SONET')" (Id.). BellSouth's infrastructure includes buildings that house these facilities. In its retail offerings, BellSouth recovers the cost of these buildings by assigning the cost on a per circuit investment basis. (Id.). Still, no retail offering requires the dedication of space and equipment that is required by collocation. Thus, there is a specific space preparation charge for collocation, because--in contrast to retail services--specific costs are incurred for dedicated space that is used only for collocation.

Mr. Turner also addressed, albeit briefly, certain aspects of BellSouth's space preparation charge. As Mr. Shell testified, however, Mr. Turner's criticisms essentially reflect his own confusion more than any flaw in BellSouth's investment calculation. Again, BellSouth's space preparation consists of four elements. Mr. Turner addresses only the central office modification element, which recovers the cost associated with "building design, construction and modification work associated with preparing a central office space for collocation." (Shell Testimony, Tr. 293). As Mr. Shell also testified, "to develop this forward-looking investment, BellSouth started with final investment data from actual projects over a certain time period." (Tr. 293). Costs that would not apply on a forward-looking basis were backed out. In his testimony, Mr. Turner specifically criticized the inclusion of investment related to "Cage Cost Set Fee, Barrier Wall, and Card Reader" (Tr. 582). Mr. Shell, however, testified that these items "were specifically backed out of the study where they may have been included in the actual projects." (Tr. 294). Thus, Mr. Turner's criticism of BellSouth's proposed space preparation charge relates to particular items that are not even included in the cost study.

5. Cage Construction

The Staff witnesses did not criticize any aspect of BellSouth's rate for cage construction. Mr. Turner, however, claimed that BellSouth's cage construction charge should be replaced with his estimate based on the R.S. Means guide.

Mr. Turner's approach is, of course, inappropriate for the reasons discussed previously. Specifically, he ignores the existence of actual data, and instead, attempts to create an artificially low number based on data that should be used for nothing more than estimation. As Mr. Shell stated, the "R.S. Means publication simply estimates construction costs based on past construction jobs and at best can only be described as an estimator." (Tr. 294).

Moreover, in Mr. Turner's pre-filed testimony, he made the conclusory statement that BellSouth's cage construction rate is too high, but he offered no explanation of this conclusion (Tr. 580). Further, Mr. Turner admitted on cross examination that his testimony did not identify any deficiency in the data that BellSouth used to determine the rate for this element (Tr. 617). Further, Mr. Turner even admitted on cross-examination that his view that BellSouth's use of augments in its cost studies is not TELRIC compliant does not apply to cage construction (Tr. 617). Finally, as stated above, Mr. Turner admitted that his development of the cage construction cost was based on R.S. Means cost estimates that are not specific to telecommunications central offices (Tr. 610). Despite all this, Mr. Turner still contended that R.S. Means should be used to develop costs for caged construction.

The absurdity of Mr. Turner's position became especially clear when, on cross examination, he testified that, even if BellSouth had a contract with a third party vendor for cage construction at the lowest price that is available in the geographic area of a particular Florida central office (i.e., "the best price that BellSouth can get in the real world"), he still would advocate the use of R.S.

Means if it would produce a lower rate. (Tr. 618). Clearly, Mr. Turner's goal is to advocate the lowest possible rate, even if it is necessary to fabricate a cost "estimate" to this end.

Finally, as Mr. Shell noted, there is no requirement that BellSouth construct the cage. Thus, if a CLEC wishes, it can have the cage constructed by a certified vendor, and it can pay the vendor the actual cost. (Tr. 294). Thus, Mr. Turner's proposal is ultimately that the Commission force BellSouth to construct the cage for the CLEC at a rate that is well below the actual amount that a third party vendor would charge BellSouth or the CLEC. There is no justification for this approach.

6. Cable Rack Capacity

As Mr. Shell testified, BellSouth develops its cable racking costs based on a systematic approach that utilizes BellSouth's standards and the procedures that are actually used for cable racking. Specifically, he testified that cable support structure costs are developed based on the follow assumptions:

- Collocator private entrance cable rack is a 5 inch width rack.
- BellSouth standards for maximum pile-up height on a 5 inch rack is 5 inches.
- The quantity and size of riser cables is at the discretion of the collocator; BellSouth's assumption was an average riser cable diameter of approximately .75 inches.
- Cable racks are equipped with cable retaining brackets and cables are run unsecured.
- Physical fill of rack is estimated at 70% of theoretical maximum or approximately 30 riser cables.

(Tr. 296).

Mr. Turner's criticism of BellSouth's cable racking investment costs consisted of an argument (and for him, a regrettably familiar one) that BellSouth's investment is too high because he can manage through a series of unlikely assumptions to develop a lower investment number. Specifically, Mr. Turner testified that he could produce a lower cost by assuming that cable rack would be 12 inches rather than five (Tr. 577). He stated that the use of a 12 inch rack was based on

his experience, but he did not cite to any carrier anywhere that uses 12 inch racks in a comparable situation. In fact, he provided no information whatsoever about the nature of his "experience" in this area. Further, Mr. Turner made the assumption (which he labels as conservative) of a seven inch pile height, but again, cites no basis for this assumption. (Id.). Moreover, Mr. Turner stated that his conclusion about the rack capacity is based on information from Bell Labs (*Id.*), but as Mr. Shell stated, "Mr. Turner does not state when the Bell Labs data was developed." (Tr. 295). Neither does Mr. Turner identify the Bell Labs study. Mr. Turner then uses this combination of arbitrary assumptions to estimate the number of DS1 cables that should be placed in the rack. Then, as Mr. Shell testified, "he converts the number of DS1 cables to the number of fiber cables using the assumption that three DS1 cables equal one fiber cable in diameter." (Tr. 296).

Thus, by making a series of groundless assumptions and using a different rack size than BellSouth uses, a different pile height, a different assumption regarding fill, and an assumption about the size of the cables that are placed, Mr. Turner is (not surprisingly) able to produce a lower investment number. BellSouth submits that it is more appropriate for the Commission to set costs based on the standards and procedures that actually exist, as opposed to methods created by Mr. Turner to develop an unrealistically low rate.

7. Fill Factors

The Staff witnesses voiced no objection to BellSouth's proposed fill factors. The gist of Mr. Turner's criticism was that BellSouth utilized a different fill factor for the point of termination (Tr. 578-79) ("POT") bay/frame than it used for other terminal equipment. Mr. Shell responded to this by testifying that there is a distinction between the POT bay terminations and other frame terminations. Specifically, "BellSouth does not require CLECs to use [the POT bay] termination and it is totally optional. (Tr. 297). In fact, the POT bay has not been a required point of

termination since 1999, and it can only be ordered as the point of demarcation by CLECs that have older Agreements in place (Id.). In other words, as Mr. Shell testified, "this is essentially a grandfathered offering." (Id.).

Therefore, this particular termination is currently a grandfathered arrangement that applies only to CLECs that are operating under older agreements. At some point, these agreements will expire, and this termination will not be available for anyone to use as the point of demarcation. Further, each of the CLECs that are utilizing this rate element under an older agreement, has a rate set forth in that Agreement for this element. Because there will be no use of this particular type of termination on a going forward basis, there is little point to adjusting the fill factor to set a different future rate that no one will use.

Issue 10: What are the appropriate definitions, and associated terms and conditions for the collocation elements to be determined by the Commission?

**BellSouth's Position: The appropriate definitions, terms and conditions for the cost elements proposed by BellSouth are set forth in Exhibits to the testimony of BellSouth's witness, W. Bernard Shell.

As Mr. Shell stated, "the appropriate definitions for the elements for which BellSouth has provided cost support" are set forth in Exhibits WBS-1 and WBS-3. (Tr. 243, Ex. 35 and 36). BellSouth's cost studies also provided additional descriptive information regarding the various elements. (Id.). Mr. Shell's testimony on this point is uncontroverted. Although AT&T stated in its Pre-Hearing Statement that both its witnesses, Mr. Turner and Ms. Murray, testified on this issue, neither of them actually addressed it at any point in their testimony. Moreover, even the position that AT&T stated in its Pre-Hearing Statement was essentially that it advocated the use of BellSouth's cost model for all ILECs, and, consistent with this, proposed that BellSouth's definitions be adopted for all. (Prehearing Order (Order No. PSC-04-0066-PHO-TP), p. 17) As discussed previously, BellSouth does not believe it is appropriate to utilize a single cost model for

all carriers. Given this, it would likely not be appropriate to use BellSouth's definitions for Verizon and Sprint. Ultimately, however, BellSouth does not take a position as to the definitions that should be used for Verizon and Sprint. The point is that Mr. Shell advocated certain definitions for use by BellSouth, and, although there may be some dispute as to whether these definitions should apply to other carriers, all parties agree that these definitions should apply for the cost elements proposed by BellSouth.

CONCLUSION

For the reasons set forth above, the Commission should adopt the collocation elements proposed by BellSouth at the rates, terms and conditions described in the testimony of BellSouth's witness, Bernard Shell.

Respectfully submitted this 1st day of April, 2004.

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