

confirming the order cancellation.) LENS and EDI provide a FOC to resellers in the same manner as to facilities-based CLECs.

58. The DOJ criticizes, in footnote 23 of Appendix A, the intervals at which BellSouth processes EDI orders. The DOJ apparently believes this was a unilateral decision by BellSouth, but overlooks the fact that BellSouth's initial EDI implementation was a joint development effort with AT&T. The 30-minute interval was established in the context of that joint development.

V. MAINTENANCE & REPAIR

59. The DOJ believes that, in the absence of an application-to-application interface, the BOC must demonstrate that CLEC access to these functions is equal to the level of access that the BOC provides to itself, its customers of its affiliates, in terms of quality, accuracy and timeliness. BellSouth TAFI and the CLEC TAFI are virtually identical systems, with the exceptions that the CLEC TAFI handles both business and residence and BellSouth TAFI's handling of business and residence occurs in separate machines, and that the CLEC TAFI requires a brief security screening step to protect the CLECs' privacy of records.

VI. CAPACITY AND TESTING

60. At page A-3 of the Evaluation, the DOJ discusses reasonably foreseeable demand volumes. Later, at page A-29, the DOJ cites current PIC change volumes as a basis for determining the number of changes per business day for local service in BellSouth's region. This is an inappropriate comparison, as it assumes that volumes will be the same in a mature interexchange market and an immature local exchange market. Further, the DOJ's reliance on the *Communications Daily* survey, which the DOJ cites on page A-29,

assumes that CLECs simultaneously will enter and target all markets throughout the entire BellSouth region, and that CLECs will not postpone entry in some BellSouth markets initially to pursue more lucrative markets outside the BellSouth region.

61. The DOJ claims that BellSouth's systems have limited capacity. BellSouth's systems have about **90% excess capacity**. While BellSouth initially stated the capacity of these systems conservatively as 5,000 orders per day, that significantly understates the actual capacity because that figure assumes only a ten hour production day, when in fact, the system availability is at least 20 hours per day; a more realistic statement of the capacity therefore is 10,000 orders per day. This capacity is sufficient to handle reasonably foreseeable demand, based on the current forecasts, and is still quickly scaleable. To respond further to the DOJ's concern about the relationship of the systems capacity to the CLECs' forecasted ordering volume, the initial stated systems capacity of 5,000 orders per day was based on the CLECs' forecasts. BellSouth has already **doubled** that capacity in the production machines, and has additional capacity available to geometrically increase that capacity again if needed. BellSouth's systems capacity far exceeds the CLECs forecasted usage.
62. The DOJ complains about LENS' 160 simultaneous users capacity. LENS volume testing has shown LENS is now capable of handling 300 simultaneous users, and that is using LENS' triplex of machines. There are 15 machines available for LENS if needed, thus yielding a readily-available capacity of **1500 simultaneous users**. BellSouth continues to work on more performance improvements to better this already over demand capacity. The DOJ also claimed that BellSouth had only seen an electronic ordering volume of 5,000 orders in August. Exhibit WNS-38 in my initial affidavit indicates that

for August, BellSouth received and processed **10,000** orders. In September and October, BellSouth received and processed almost 17,000 and more than 24,500 orders respectively.

VII. DOCUMENTATION & TRAINING

63. AT&T and MCI complain that BellSouth does not issue advance notice of systems changes. This is not true. BellSouth provides advance notice to the CLECs of major release system changes. For example, in September, BellSouth issued a letter to CLECs informing them of the new LENS features upcoming in the October 6, 1997 release of the electronic interfaces.
64. AT&T and ACSI claim that BellSouth has provided inadequate training on LENS, and has failed to update the LENS Users Guide. As of October 29, 1997, BellSouth has trained personnel from 66 CLECs (177 CLEC trainees) on LENS. LENS training includes an overview as well as hands-on exercises. Students are shown procedures for obtaining pre-ordering information, including customer service records, address validation, telephone numbers, features and services, and due dates. Students are also instructed on the ordering capabilities available through LENS, including conversions as-specified and conversion-as-is orders, viewing of firm order confirmations, checking the status of orders, and changing existing orders. Also, contrary to MCI's claims that BellSouth does not update its OSS documentation to reflect systems changes, the LENS User Guide (September 20, 1997 edition), which was Exhibit WNS-48 to the original Stacy OSS affidavit, instructs CLECs on using the LENS enhancements provided in the October 6, 1997 release. BellSouth has also just released the fourth issue of the TAFI Users Guide, and has updated the entire 3-ring binder Local Exchange Ordering Guide

three times thusfar this year, as well as issuing several selected pages updates. These updated guides also are available on the Internet at www.bellsouth.com/interconnection/local.

65. The DOJ, accepting the complaints of AT&T, states that BellSouth has failed to provide CLECs with the specifications, business rules, training, and other assistance needed to make our interfaces operate efficiently. On the contrary, BellSouth provides CLECs with a LENS Users Guide, a Local Exchange Ordering Implementation Guide focusing on EDI, and a TAFI Users Guide, the current versions of which are available on the public Internet at the web address given in the previous paragraph. An EDI-PC training package from Harbinger is provided to those who are interested in EDI-PC. These documents are included as Exhibits 48-51 of my original OSS affidavit. The Local Exchange Ordering Guide contains formatting requirements and the required USOCs/ordering codes and valid combinations that constitute business rules. Additionally, BellSouth distributed at the CLEC Workshop on October 30 and 31, 1997 copies of BellSouth's rejects requirements, giving further definition to business rules. BellSouth also offers regular training classes on EDI, LENS and TAFI.
66. Finally, LCI claims that BellSouth does not provide CLECs with adequate EDI training. LCI also sent BellSouth a letter of appreciation on the EDI training they had received in July, 1997, which is Exhibit WNS-4.

VIII. LOCAL CARRIER SERVICE CENTER (LCSC)

67. On p. 26 of ICI's comments, ICI introduced outdated audit information on BellSouth's LCSC. New audit information is available and attached as Exhibit WNS-5. This audit shows that the LCSCs are operationally ready.

68. Exhibit WNS-6 is the BellSouth Ordering Guide for CLECs, which is the manual ordering guide.

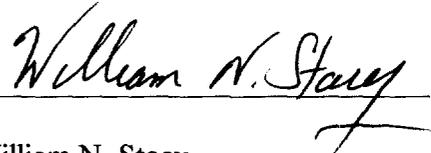
IX. MISCELLANEOUS

69. MCI claims that BellSouth's OSS does not inform CLECs if a CLEC customer changes IXCs. That is incorrect. BellSouth, via a system called CARE (Customer Accounts Records Exchange), does provide IXC PIC changes to MCI and other carriers. An IXC PIC change confirmation is sent to the carrier. BellSouth has recently received a BFR from a different CLEC to provide the CLEC a copy of this confirmation. BellSouth will educate the CLECs on this process via a CLEC letter, which will have a form for the CLEC to send to BST to get a copy of the IXC PIC change confirmation record. This CLEC capability will be available as of the first quarter of 1998. BellSouth has developed a report for AT&T that provides it with notice when an AT&T customer drops AT&T's local service.

X. SUMMARY

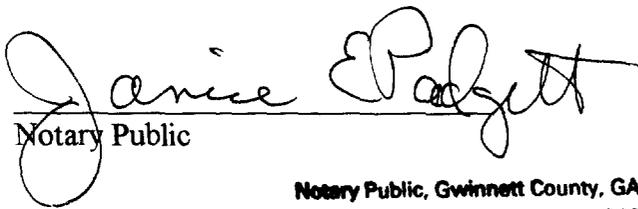
70. Section A-3 from the Michigan order states, "equivalent access . . . must be construed broadly . . . *even if the actual mechanism used to perform the function is different for competing carriers than for the BOC's retail operations.*" In summary, BellSouth's interfaces provide CLECs with equivalent access to the required information and functions, and therefore conform to the FCC's definition of non-discriminatory access.

I hereby swear that the foregoing is true and correct to the best of my information and belief.



William N. Stacy
Assistant Vice President
Interconnection Services
BellSouth Telecommunications, Inc.

Subscribed and sworn to before me this 12th
day of November, 1997.


Notary Public

Notary Public, Gwinnett County, GA
My Commission Expires Feb. 19, 2000

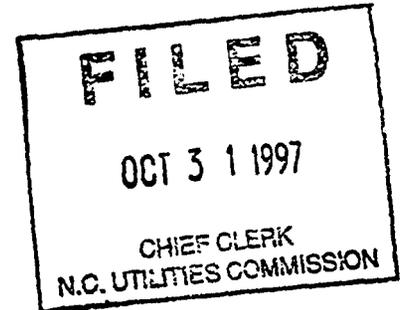
CC DOCKET NO. 97-208
STACY OSS AFFIDAVIT

EXHIBIT WNS-1
STATE OF NORTH CAROLINA'S UTILITIES COMMISSION
PROPOSED ORDER

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. P-55, SUB 1022

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION



In the Matter of

Application of BellSouth Telecommunications,)
Inc., to Provide In-Region InterLATA Services)
Pursuant to Section 271 of the Telecommuni-)
cations Act of 1996)

PUBLIC STAFF
PROPOSED ORDER

HEARD: September 22, 1997 - October 1, 1997, Commission Hearing Room 2115,
Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chairman Jo Anne Sanford, Presiding; and Commissioners Allyson K.
Duncan, Ralph A. Hunt, Judy Hunt, William R. Pittman, J. Richard Conder,
and Robert V. Owens, Jr.

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BY THE COMMISSION: On August 5, 1997, BellSouth Telecommunications, Inc. ("BST" or "BellSouth"), filed with the North Carolina Utilities Commission (the "Commission"), pursuant to the Commission's Orders in this docket of August 21, 1996 and April 24, 1997, its Notice of Intent to File, on or after December 3, 1997, a 42 U.S.C. 271 Application For InterLATA Authority with the Federal Communications Commission ("FCC"). In its notice, BellSouth requested that the Commission set this matter for hearing to respond to the FCC's request for consultation pursuant to Section 271(d)(2)(B) of the Telecommunications Act of 1996 ("TA96" or the "Act"), to consider, evaluate and approve BellSouth's Statement of Generally Available Terms and Conditions (the "SGAT") pursuant to Section 252(f) of the Act, to find that BellSouth's SGAT meets the requirements of the fourteen-point checklist set forth in Section 271(c)(2)(B) of the Act, to establish an information-gathering process to determine the presence in North Carolina of one or more "unaffiliated competing providers of telephone exchange service to residential and business subscribers," and to find that BellSouth Long Distance, Inc.'s ("BSLD"), request to enter the long distance market in North Carolina is consistent with the public interest, convenience and necessity in accordance with Section 271(d)(3)(C) of the Act.

By Order dated August 11, 1997, the Commission scheduled the matter for hearing beginning at 1:00 p.m. on Monday, September 22, 1997, required all competing local providers ("CLPs") certificated by the Commission to file monthly reports to a series of questions attached to the Order beginning on the first day of December, 1997, scheduled testimony and proposed order filing dates, and requested that the parties file their list of witnesses, the preferred order for these witnesses and approximate cross-examination times by Wednesday, September 17, 1997.

On August 29, 1997, MCI and AT&T jointly filed a Motion to Dismiss BellSouth's Notice of Intent. On September 3 1997, Time Warner filed a Motion to Dismiss or Suspend the Docket. Sprint filed a Concurrence to these motions on September 5, 1997. On September 5, 1997, BellSouth filed its response in opposition to the Motions to Dismiss. On September 10, 1997, the Commission denied the Motions to Dismiss.

Numerous other motions and pleadings have been filed in this docket, including numerous motions to intervene, and various orders have been issued by the Commission addressing those motions and pleadings. All of those motions, pleadings, and Commission Orders are matters of public record and are contained in the official files maintained by the Chief Clerk of the Commission.

At the evidentiary hearing, which began as scheduled on September 22, 1997, the parties offered the testimony of the following witnesses: BSLD - the testimony of William E. Taylor, Senior Vice President of National Economic Research Associates, Inc., Michael Raimondi, Executive Vice President of the WEFA Group, John E. Connaughton, Professor of Economics at the University of North Carolina at Charlotte and Director of the North Carolina Economic Forecast, and James G. Harralson, Vice President, General Counsel and Secretary; BST - the testimony of Alphonso J. Varner, Senior Director for Regulatory, Gloria Calhoun, Director of Regulatory Planning, Jerry W. Moore, Director in the Interconnection Operations Department, and W. Keith Milner, Director, Interconnection Operations; Intermedia Communications, Inc. ("Intermedia") - the testimony of Julia Strow, Director, Strategic Planning and Industry Policy; AT&T - the testimony of John M. Hamman, Technical Support Manager, Jay Bradbury, Manager in the Local Infrastructure and Access Management Organization, and Katherine N. Dailey, Staff Manager, Local Services Division; Negotiations Support; MCI offered the testimony of Ronald Martinez, Executive Staff Member II; AT&T and MCI jointly offered the testimony of David Kaserman, Torchmark Professor of Economics at Auburn University and Richard Cabe, economist; AT&T, MCI, CompTel, and WorldCom jointly offered the testimony of Joseph Gillan, economist; Sprint offered the testimony of Tom Nelson, Group Manager-Systems Planning and Integration and Melissa Closz, Director-Local Market Development; TCG offered the testimony of Paul Kouroupas, Vice President, Regulatory and External Affairs and Frank Hoffman, Regional Director of Carrier Relations; KMC offered the testimony of Donald Menendez, Manager of Cost Engineering; DeltaCom offered the testimony of Steven Moses, Vice President of Network Services, which was adopted by Sandra Stisher, Vice President of Information and Services and Account Services; and CaroNet offered the testimony of Christopher Darby, President and CEO.

Local Competition in North Carolina

House Bill 161

During the 1995 Legislative Session, the North Carolina General Assembly enacted House Bill 161 entitled "An Act to Provide the Public with Access to Low-Cost Telecommunications Service in a Changing Competitive Environment," which amended Chapter 62 of the North Carolina General Statutes to permit telecommunications public utilities subject to rate of return regulation pursuant to N.C.G.S. 62-133 to elect a form of price regulation in lieu of rate of return regulation and to allow competing local providers to enter the local telecommunications market where such entry is determined by this Commission to be in the public interest. House Bill 161 was effective on July 1, 1995, and

on October 4, 1995, BellSouth filed an application for an election of price regulation with the Commission under N.C.G.S. 62-133.5. BellSouth's application for price regulation was followed on October 23, 1995, by applications for price regulation by Carolina Telephone and Telegraph Company and Central Telephone Company. On November 1, 1995, GTE South Incorporated also filed an application for price regulation.

Under N.C.G.S. 62-133.5, the Commission is required, *inter alia*, to allow an electing local exchange company such as BellSouth to (1) set and determine its own depreciation rates; (2) rebalance its rates; and (3) adjust its prices in the aggregate, or adjust its prices for various aggregated categories of service, based upon changes in generally accepted indices of prices. This statute requires notice and hearing of applications for a price plan, allows different forms of price regulation between local exchange companies, and requires the Commission to approve price regulation upon finding that the proposed plan;

- (1) protects the affordability of basic local exchange service, as such service is defined by the Commission;
- (2) reasonably assures the continuation of basic local exchange service that meets the reasonable service standards that the Commission may adopt;
- (3) will not unreasonably prejudice any class of telephone customers, including telecommunications companies; and
- (4) is otherwise consistent with the public interest.

On May 2, 1996, the Commission entered orders in these dockets authorizing Commission-approved Price Regulation Plans for BellSouth, Carolina, Central, and GTE. By those Orders, the above referenced local exchange companies were required, not later than Monday, May 20, 1996, to file statements with the Commission stating whether they would accept and agree to all the terms, conditions, and provisions of the Commission-approved price regulation plans and indicate their willingness to implement those plans effective June 3, 1996. On May 20, 1996, BellSouth, Carolina, Central, and GTE each filed statements of acceptance regarding their respective price regulation plan. Pursuant to the Commission's approval of price regulation for BellSouth, BellSouth was ordered to reduce rates by \$60 million over a three-year period.

On July 3, 1995, the Commission received its first applications requesting certification as CLPs when both MCImetro Access Transmission Services, Inc. ("MCImetro"), and Time Warner Communications of North Carolina, L.P., filed for certificates. On March 12, 1996, the Commission issued its first order granting a CLP certificate. That certificate went to MCImetro. Shortly thereafter, the Commission issued CLP certificates to AT&T, Sprint, and GTE. As of October 1, 1997, the Commission had issued CLP certification to over thirty applicants, including many of the intervenors in this Section 271 proceeding.

The Telecommunications Act of 1996

On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996. Section 252 of the Act provides that an incumbent local exchange carrier receiving a request for interconnection may negotiate and enter into a binding agreement with the requesting telecommunications carrier. The Act further provides in Section 252(b) that during the period from the 135th to the 160th day after the date on which an incumbent carrier received a request for negotiation under this section, the carrier or any party to the negotiations may petition a State commission to arbitrate any open issues.

On August 19, 1997, AT&T filed a petition with the Commission pursuant to Section 252(b) of TA96 and N.C.G.S. 62-110(f), requesting that this Commission arbitrate certain terms and conditions with respect to interconnection between AT&T, as the petitioning party, and BellSouth. On August 23, 1996, MCI filed a petition also requesting that this Commission arbitrate certain terms and conditions with respect to interconnection between MCI, as a petitioning party, and BellSouth.

By Order entered in Docket Nos. P-140, Sub 50, and P-100, Sub 133, on August 19, 1996, the Commission adopted certain procedures governing the arbitration proceedings, excluding intervenors other than the Attorney General from participating in the proceedings, and scheduled the AT&T/BellSouth proceeding for hearing beginning Monday, September 30, 1996. By Order of August 28, 1996, the Commission consolidated the AT&T/BellSouth arbitration in Docket No. P-140, Sub 50, with the MCI/BellSouth arbitration proceeding in Docket No. P-141, Sub 29.

The purpose of these proceedings was for the Commission to resolve the issues set forth in the petitions by AT&T and MCI pursuant to Section 252(b)(4)(C) of the Act. The Commission was directed by the Act to ensure that its arbitration decision meets the requirements of Section 251 and any valid Federal Communications Commission ("FCC") regulations pursuant to Section 252, to establish rates according to the provisions of Section 252(d) for interconnection, services, or network elements, and to provide a schedule for implementation of the terms and conditions by the parties to the agreement.

Pursuant to Section 252 of the Act, the FCC issued a First Report and Order in CC Docket Nos. 96-98 and 95-185 on August 8, 1996 (the "Interconnection Order"). This Order adopted a forward-looking incremental costing methodology for pricing unbundled telephone network elements which an incumbent local exchange company must sell new entrants, adopted certain pricing methodologies for calculating wholesale rates on resold telephone service, and provided proxy rates for State commissions that did not have appropriate costing studies for unbundled elements of wholesale services. Several parties, including this Commission, appealed from the Interconnection Order; and on October 15, 1996, the Eighth Circuit Court of Appeals issued a stay of the FCC's pricing provisions and its "pick and choose" rule pending the outcome of the appeal. On July 18, 1997, the Court

reversed the FCC with respect to certain portions of the FCC's Interconnection Order. Upon rehearing, the Court issued a further order on October 14, 1997.

On December 23, 1996, the Commission issued Recommended Arbitration Orders ("RAOs") on AT&T's and MCI's petitions for arbitration. These RAOs required AT&T, MCI and BellSouth to jointly prepare and file Composite Agreements in conformity with the conclusions of the RAOs within 45 days. BellSouth, AT&T and MCI filed Comments and Objections to these RAOs. Comments and Objections were also filed by various parties including the Attorney General. BellSouth, AT&T, and MCI also filed with the Commission lists of unresolved items. The Commission by Orders issued on April 11, 1997, ruled on the Comments and Objections. Pursuant to these Orders, BellSouth filed signed interconnection agreements with AT&T and with MCI. As of the present date, BellSouth has signed more than thirty interconnection agreement with CLPs in its North Carolina service area.

In addition to negotiating and arbitrating private interconnection agreements with CLPs, the Act provides under Section 252(f)(1) that a Bell Operating Company (BOC) may prepare and file with a State commission a statement of the terms and conditions that such company generally offers within that State to comply with the requirements of Section 251 and the regulations thereunder. Under Section 252 (f)(2), a State commission may not approve such statement unless it complies with Section 251 and the pricing standards for interconnection, UNE's, and resale contained in Section 252(d). BellSouth filed an SGAT with this Commission on August 5, 1997, as noted above.

The Statutory Framework of This Proceeding

The Act conditions BOC entry into in-region interLATA services on compliance with certain provisions of Section 271. BOCs must apply to the FCC for authorization to provide interLATA services originating in any in-region State. The FCC must issue a written determination on each application no later than 90 days after receiving such application. In acting on a BOC's application for authority to provide in-region interLATA services, the FCC must consult with the United States Attorney General and give substantial weight to the Attorney General's evaluation of the BOC's application. Finally, the FCC must consult with the applicable State commissions to verify that the BOC has complied with the requirements of Section 271(c) of the Act.

According to Section 271(c)(1), a BOC may enter the in-region long distance business in a State in one of two ways. These are known as "Track A" and "Track B" and are as follows:

Track A: Under Section 271(c)(1)(A) – Presence of a facilities-based competitor – a Bell operating company must show that it has entered into one or more binding agreements that have been approved under Section 252 specifying the terms and conditions under which the Bell operating company is providing access and interconnection to its network facilities for the network facilities of one or more

unaffiliated competing providers of telephone exchange service to residential and business subscribers. Such telephone exchange service may be offered by such competing providers either exclusively over their own telephone exchange service facilities or predominantly over their own telephone exchange service facilities in combination with the resale of the telecommunications services of another carrier.

Track B: Under Section 271(c)(1)(B) – failure of CLP to request access – a Bell operating company can file a request for interLATA authority even if no facilities-based competition exists that would allow the Bell operating company to meet the requirements of Section 271(c)(1)(A). In this case, the Bell operating company must have filed a general statement of terms and conditions that the company generally offers to provide such access and interconnection and this statement must have been approved or permitted to take effect by the State commission under Section 252(f).

The access and interconnection provided offered either pursuant to agreements or pursuant to the SGAT must meet the requirements of the 14-point competitive checklist contained in Section 271(c)(2)(B). In addition, Section 271(d)(2)(B) of the Act requires the FCC to determine that the requested authorization will be carried out in accordance with the structural safeguards contained in Section 272, and Section 271(d)(2)(C) requires the FCC to determine that the requested authorization is in the public interest.

Although the FCC must consult with the State commission, it is clear that the FCC makes the decision on whether to grant in-region interLATA entry, subject to appellate review, and is allowed to pay little or no deference to the State commission's views. This Commission nevertheless takes its role seriously and has endeavored to fulfill its responsibilities under the Act. In this regard, we make no determination regarding BellSouth's Track A or Track B eligibility but will provide the FCC with the results of the information gathering process undertaken in connection with this proceeding. Accordingly, the questions addressed in this Order are limited to (1) whether BellSouth's SGAT complies with the requirements of the competitive checklist set out in Section 271(c)(2)(B) and (2) whether BellSouth's entry into the interLATA market is consistent with the public interest.

The requirements of the 14-point competitive checklist are as follows:

Competitive Checklist. –Access or interconnection provided or generally offered by a Bell operating company to other telecommunication carriers meets the requirements of this subparagraph if such access and interconnection includes each of the following:

- (1) Interconnection in accordance with the requirements of Sections 251(c)(2) and 252(d)(1).
- (2) Nondiscriminatory access to network elements in accordance with the requirements of Sections 251(c)(3) and 251(d)(1).

- (3) Nondiscriminatory access to the poles, ducts, conduits, and rights-of-way owned or controlled by the Bell operating company at just and reasonable rates in accordance with the requirements of Section 224.
- (4) Local loop transmission from the central office to the customer's premises, unbundled from local switching or other services.
- (5) Local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.
- (6) Local switching unbundled from transport, local loop transmission, or other services.
- (7) Nondiscriminatory access to— (a) 911 and E911 services, (b) directory assistance services to allow the other carrier's customers to obtain telephone numbers, and (c) operator call completion services.
- (8) White pages directory listings for customers of the other carrier's telephone exchange service.
- (9) Until the date by which telecommunications numbering administration guidelines, plan, or rules are established, nondiscriminatory access to telephone numbers for assignment to the other carrier's telephone exchange service customers. After that date, compliance with such guidelines, plan, or rules.
- (10) Nondiscriminatory access to databases and associated signaling necessary for call routing and completion.
- (11) Until the date by which the Commission issues regulations pursuant to Section 251 to require number portability, interim telecommunications number portability through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of functioning, quality, reliability, and convenience as possible. After that date, full compliance with such regulations.
- (12) Nondiscriminatory access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity in accordance with the requirements of Section 251(b)(3).
- (13) Reciprocal compensation arrangements in accordance with the requirements of Section 252(d)(2).
- (14) Telecommunications services are available for resale in accordance with the requirements of Sections 251(c)(4) and 252(d)(3).

For the reasons set forth below, the Commission finds and concludes that BellSouth's SGAT meets the requirements of the competitive checklist set out in Section 271(c)(2)(B) of the Act and should be approved. Moreover, this Commission finds and concludes that BellSouth's entry into the interLATA market in North Carolina is in the public interest.

COMPETITIVE CHECKLIST ITEMS

With regard to the fourteen competitive checklist items in Section 271(c)(2)(B) of the Act, the Commission makes the following findings:

ITEM I. BellSouth is providing or generally offering interconnection in accordance with the requirements of Sections 251(c)(2) and 252(d)(1).

BellSouth witness Varner testified that Section 251(c)(2) of the Act outlines the additional obligations of ILECs regarding interconnection. Specifically, an ILEC, such as BellSouth, has the duty to provide interconnection of requested telecommunications carriers' facilities and equipment with its network for the purposes of transmission and routing of telephone exchange service and exchange access. This interconnection must be provided at any technically feasible point that is at least equal in quality to that provided by the ILEC to any other party including any subsidiary or affiliate of the ILEC. Interconnection allows for the exchange of local traffic between BellSouth and a CLP over trunks terminated at specified interconnection points. Such interconnection typically involves the following components in establishing complete and efficient interconnection of networks: (1) trunk termination points; (2) trunk directionality; (3) trunk termination method; and (4) interconnection billing.

Mr. Varner testified that Section I of BellSouth's SGAT provides for interconnection of networks that satisfies the components identified above. According to Mr. Varner, the SGAT offers reasonable and appropriate interconnection at terms, conditions, and prices that are consistent with the Act and with the decisions of this Commission. To the extent that CLPs want another form of interconnection under the SGAT, these arrangements may be negotiated or the Bona Fide Request Process is available.

For trunk termination, Mr. Varner testified that BellSouth's SGAT offers CLPs interconnection at BellSouth's tandems and/or end offices for the reciprocal exchange of local traffic. For trunk directionality, BellSouth offers routing of local and interLATA traffic over a single one-way trunk group. Access traffic, as well as all other traffic utilizing BellSouth's intermediary tandem switching function, can be routed via a separate trunk group, which is typically a two-way trunk group. When traffic other than local traffic is routed on the same facilities as local traffic, the Percentage Local Use ("PLU") will determine the amount of local minutes to be billed to the other company. Mr. Varner testified that as a method of trunk termination, BellSouth offers interconnection of facilities and equipment through: (1) virtual collocation; (2) physical collocation; and (3) interconnection via purchase of facilities from either company by the other company.

According to Mr. Varner, BellSouth has recognized that a CLP might need to interconnect with another carrier besides BellSouth through a BellSouth tandem. Although this functionality is not required by the checklist, BellSouth is offering intermediary service which provides for local tandem switching and transport services for CLP connection of its

end user to a local end user of another CLP or an ILEC other than BellSouth. This functionality is available if the two parties are connected through the same BellSouth tandem.

Mr. Varner testified that the ordering and provisioning of interconnection trunking services purchased from BellSouth by a CLP are set forth in Exhibit AJV-6, the Local Interconnection and Facility Based Ordering Guide. Specifically, a CLP will order interconnection trunking services using the industry standard Access Service Request ("ASR") procedures, the same procedures that are used for switched access services. The CLP will initiate the service order process by sending the ASR to the Local Carrier Service Center ("LCSC"), the group responsible for local interconnection service order issuance, via the mechanized Exchange Access Control and Tracking ("EXACT") system. CLP interconnection requests are negotiated and coordinated on an individual case basis. Due dates are based on the availability of facilities and are communicated to the CLP via a Firm Order Confirmation ("FOC"). Interconnection services are billed using the Carrier Access Billing System ("CABS"). Through these systems, BellSouth has installed more than 22,000 local interconnection trunks in its region.

Witness Calhoun testified as to how BellSouth provides non-discriminatory access to its operational support systems as required by the Act, the FCC's orders, and previous orders of this Commission. She also provided details of BellSouth's implementation for each electronic interface, including testing, capacity, documentation, and training, and to show that each interface is generally available or in commercial use. Ms. Calhoun's testimony is discussed in greater depth as it relates to Operational Support Systems ("OSS") under checklist item II.

BellSouth witness Milner testified as to BellSouth's abilities to provide access to certain services, unbundled network elements ("UNEs") and functionalities required by Section 251 and 271 of the Act. He stated that he had recently led a team of BellSouth product and project managers on a mission to gather information to verify that BellSouth had met the 14 point checklist. Mr. Milner also testified as to the specific number of items ordered by CLPs in North Carolina and in BellSouth's nine-state region. He stated that where a CLP has not ordered a certain checklist item, BellSouth has demonstrated through end-to-end testing procedures that once the item is ordered, BellSouth can provide, maintain, and render a bill for such UNE or resold service. As a result of his investigation, Mr. Milner asserted that BellSouth provides, in a functionally equivalent manner, each of the 14-point checklist items.

AT&T witness Hamman testified that BellSouth has not met the requirements of checklist item I. He asserted that BellSouth has not worked with AT&T in good faith to provide the most efficient trunking arrangements and has delayed AT&T's ability to interconnect where technically feasible. He also stated that BellSouth has scheduled four projects related to maintenance but that BellSouth has not completed these projects. Mr. Hamman's examples were not drawn from North Carolina but from experiences that AT&T has had in Georgia.

AT&T witness Bradbury testified that BellSouth has done considerable work to develop interfaces this year. BellSouth's work has provided useful incremental improvements over the existing *ad hoc* interim interfaces. According to Mr. Bradbury, however, work remains to be done before the interfaces will allow AT&T to offer high quality service to customers in a timely manner.

Witnesses Gillan, on behalf of AT&T, MCI, CompTel, and WorldCom, and Cabe, on behalf of AT&T and MCI, testified that in their opinion BellSouth has not met checklist item I. Mr. Gillan's testimony concentrated on UNE combinations and problems he perceived with BellSouth's ability and willingness to handle requests and billing for UNEs. Dr. Cabe opined that BellSouth has not satisfied the items of the competitive checklist. His testimony, however, dealt mainly with the issue of whether BellSouth interim rates are cost based.

MCI witness Martinez testified that BellSouth has not yet implemented interconnection in part because BellSouth has not yet fully implemented collocation. He stated that MCI sent applications to BellSouth on June 27, 1997, for physical collocations at five BellSouth switches in North Carolina. These included requests for collocation at three switches in Raleigh, a switch in Cary, and a switch in Chapel Hill. According to Mr. Martinez, BellSouth initially delayed acting on these five requests but now has approved them. Given this delay, Mr. Martinez stated that the jury is still out, in his opinion, on whether BellSouth will meet its collocation obligations.

Sprint witnesses Cloz and Nelson testified that BellSouth has not satisfied the items on the competitive checklist. Ms. Cloz discussed BellSouth's proposed performance measurements filed as Attachment 1 to the SGAT. In Sprint's opinion, BellSouth's performance in providing nondiscriminatory access to network elements can only be properly evaluated through documented results and that publishing a list of performance measurements is fundamentally different from demonstrating that the stated performance targets can be met. Mr. Nelson discussed issues related to BellSouth's OSS—issues that will be discussed under checklist item II.

CaroNet witness Darby testified that CaroNet has not yet reviewed BellSouth's SGAT. He stated that CaroNet does not have an agreement with BellSouth for interconnection, although BellSouth has sent a draft interconnection agreement. He further stated that, while other CLPs and BellSouth have negotiated or arbitrated interconnection agreements for local service, CaroNet is unaware of any CLP currently offering local service or dialtone to residential and business subscribers in North Carolina.

TCG witness Kouroupas stated that BellSouth has not met all of the fourteen point competitive checklist requirements. The first checklist item requires that BellSouth provide interconnection that is at least equal in quality to that provided by BellSouth to itself. According to TCG, BellSouth is not in compliance with this requirement as the parity measurements included in the BellSouth/AT&T agreement are deficient. Moreover, Mr. Kouroupas said there was no assurance that BellSouth would perform similar

measurements for other CLPs operating in North Carolina with respect to performance measures. No performance measures are included in TCG's interconnection agreement with BellSouth, as TCG decided to enter the agreement without the inclusion of these items.

Intermedia offered the testimony of Julia Strow as evidence that BellSouth has not met the competitive checklist. Ms. Strow testified that BellSouth has refused certain interconnection requests by Intermedia and has failed to implement certain tracking and exchange processes in a timely manner. Intermedia has had problems ordering a T1 circuit as well as problems with respect to billing. According to Ms. Strow, Intermedia's persistent and continuing problems with respect to BellSouth's provisioning of unbundled loops, billing, and access to OSS, among other things, indicate that BellSouth has not fully complied with the competitive checklist.

Witnesses Stisher and Menendez agreed with the other intervenor witnesses that BellSouth has not satisfied the competitive checklist. Their testimony focused on OSS concerns which will be discussed under competitive checklist item II.

This Commission is faced with the question of whether BellSouth is offering interconnection to CLPs that is equal in quality to that which BellSouth provides itself. The Commission concludes that BellSouth satisfies the requirements of checklist item I, as it offers through its SGAT and individual interconnection agreements with CLPs interconnection facilities to meet the same technical criteria and service standards that are used with its own network. The SGAT provides for the following: (1) trunk termination points generally at BellSouth tandems or end offices for the reciprocal exchange of local traffic; (2) trunk directionality allowing the routing of traffic over a single one-way trunk group or a two-way trunk group depending upon the type of traffic; (3) trunk termination through virtual collocation, physical collocation, and interconnection via purchase of facilities from either company by the other company; (4) intermediary local tandem switching and transport services for interconnection of CLPs to each other; and (5) interconnection billing.

The intervenors argue the Commission should find that BellSouth has not satisfied competitive checklist item I, citing mainly startup problems. As Mr. Varner pointed out, however, BellSouth has been a leader among ILECs in providing procompetitive policies and actions. Data gathered by the United States Telephone Association ("USTA") shows that BellSouth has negotiated more interconnection agreements than any other Bell operating company. In fact, BellSouth has had over 600 signed agreements in its nine-state area and 79 agreements in North Carolina. Moreover, it must be remembered that the volume of agreements that BellSouth has negotiated necessitates that a myriad of different requirements be put into effect. BellSouth has spent millions of dollars and dedicated hundreds of people solely to the task of putting these interfaces in place in order to assist new CLPs in entering the local market. Mr. Varner estimated that BellSouth will spend approximately \$375 million capital and expense dollars in this process. BellSouth has established new groups dedicated solely to handling competitors' business requests.

Each CLP has an account manager or account team. New systems have been developed and are in place to handle the transactions to open the local market to competition.

Witness Varner went on to testify that BellSouth has 3,816 interconnection trunks in service to competitors in its nine state region and 300 in North Carolina. He stated that BellSouth presently has customers for 19 of its unbundled elements in North Carolina and 134 in its nine state region. While BellSouth presently has no physical collocations in North Carolina, it does have 134 virtual locations. Mr. Varner testified that BellSouth presently does not have any competitor purchasing unbundled loops in North Carolina, but it does have CLP customers taking a total of 3,500 unbundled loops region-wide.

The intervenors offered testimony detailing problems that they have had in ordering certain services from BellSouth. Most of this testimony, however, is about experience in other states and not about actual problems intervenors have encountered in North Carolina. BellSouth admits that there were some start up problems with its systems but asserts that changes have been made to correct those problems. For example, BellSouth has updated its Local Exchange Navigation System ("LENS") and Electronic Data Interchange ("EDI") systems to correct some of the earlier problems with these systems. In addition, some of the problems experienced by the CLPs have been due to their inexperience with BellSouth's interfaces. These are not problems with BellSouth's ordering or provisioning systems but are normal startup problems that occur when any new system is put in place. While BellSouth has the duty to provide interconnection at parity, the CLPs have the responsibility to learn how to use such interfaces.

Based upon the evidence presented, the Commission finds and concludes that BellSouth is providing or generally offering interconnection in accordance with the requirements of Section 251(c)(2) and 252(d)(1) and is in compliance with checklist item I.

ITEM II. BellSouth is providing or generally offering nondiscriminatory access to its network elements in accordance with the requirements of Sections 252(c)(3) and 252(d)(1).

Operation Support Systems

BellSouth witness Calhoun testified as to the interfaces that BellSouth uses for its own ordering and described the interfaces that BellSouth has put into place to provide CLPs with nondiscriminatory access to BellSouth's OSS. She stated that BellSouth provides CLPs electronic interfaces for the pre-ordering, ordering, provisioning, maintenance and repair, and billing functions that provide information in substantially the same time and manner that BellSouth provides such information to its own customer support personnel. Specifically, she described BellSouth's LENS system, which is designed to allow CLPs to obtain pre-ordering information. She also described BellSouth's EDI system, which the CLPs can use for ordering and BellSouth's Trouble Analysis Facilitation Interface ("TAFI"). Ms. Calhoun explained that the systems in-place to provide

nondiscriminatory access provide equivalent, if not better, access for CLPs to BellSouth's OSS than BellSouth's own personnel have to such systems.

BellSouth primarily uses two systems in North Carolina for internal ordering, based on whether the customer is a residence or business subscriber. BellSouth uses a system known as the Regional Negotiation System ("RNS") for most types of residential orders. For business customers in North Carolina, a system known as Direct Order Entry ("DOE") is used. DOE also is used by service representatives for customer transactions not supported by RNS. Each system accesses the necessary operational support systems and databases to obtain most pre-ordering information on a real-time, interactive basis. RNS is a new system that provides more Windows-like, point-and-click capabilities. DOE is an older system that is less user friendly (more "MSDOS" like) and relies on the use of special codes.

BellSouth has developed the LENS interface to provide CLPs with real-time interactive access to BellSouth's pre-ordering information on par with the RNS and DOE systems which BellSouth's retail representatives use to access BellSouth's databases. From a customer's perspective, Ms. Calhoun testified that the pre-ordering interactions with a CLP using LENS are indistinguishable from pre-ordering interactions with BellSouth. LENS provides real-time, interactive access to pre-ordering information, and is available to support any CLP that chooses to enter the North Carolina local market. LENS is designed to be accessed either by a dedicated line or via the Internet.

Ms. Calhoun testified that BellSouth offers the CLPs two ordering systems: EDI and EXACT. The EXACT ordering system is the same industry-standard interface used by BellSouth for processing access service requests from interexchange carriers. This interface also supports CLP "infrastructure" orders, primarily for interconnection trunking and many unbundled network elements. EDI is the electronic interface sanctioned by the National Ordering and Billing Forum ("OBF") for local request communications. Using this interface, the CLP can transmit service requests in OBF standard format to BellSouth. CLPs can purchase commercially available EDI-compatible software to use to interface with the EDI system. This software is available for CLPs of all sizes. Requests received and processed by EDI or LENS are passed to BellSouth's Local Exchange Ordering database ("LEO"), which is the same database that BellSouth, itself, uses. If a request is not properly submitted (e.g., if necessary information is omitted), the system will return error messages similar to those received by BellSouth's service representatives. LEO will pass a complete and correct service request to BellSouth's Local Exchange Service Order Generator ("LESOG") for mechanized order generation, or to a Local Carrier Service Center work list for further handling by a BellSouth service representative.

BellSouth witness Moore testified that BellSouth has organizations and processes in place to ensure service parity in its operations centers and has aggressively developed a process for handling the order, provisioning, maintenance and repair of all resold services provided to CLPs. He stated that these operations centers are established and functional as shown by comparisons of service levels. In addition, Mr. Moore stated,

BellSouth has worked hard to create efficient systems which allow CLPs access to BellSouth OSS required for pre-ordering, ordering, provisioning, maintenance, and billing functions. Interfaces for these systems were designed and developed considering CLP forecasts of work volumes. BellSouth will add capacity as needed to provide for future CLP demand.

Mr. Moore also testified that BellSouth has begun a series of tests to obtain statistically valid data to compare time intervals required for a service representative using LENS to perform certain OSS functions with time intervals required for a service representative using RNS or DOE to perform the comparable function. Specifically, BellSouth will remotely observe the order entry process in each of the systems on random days, collect a sample set of actual orders from the observations, analyze the types of orders received in the typical sample set, track the orders with four data elements (serial or sample number, system order number or telephone number, type of order, and system response time for each pre-ordering section of the order), and analyze the data collected to determine the high and low time frames for pre-ordering system responses while ordering through these systems. He presented data for the first five months of 1997 comparing BellSouth's performance for CLPs with its performance for its own retail customers. The measurements included percent of due dates met in provisioning orders for service, the trouble report rate per 100 access lines in service, the percent trouble reports resolved in less than 24 hours, the average interval from receipt of a trouble report until it is cleared, the percent of missed appointments for maintenance reports, the percent of trouble reports on the same line received within 30 days, and the percent trouble reports within 30 days of installation of new service. He stated that in every category it is clear that CLPs have received service comparable to, and in most cases better than, service received by BellSouth retail customers.

Mr. Milner testified that BellSouth has developed technical service descriptions and ordering, provisioning, and maintenance procedures for 505 of its "top" retail telecommunications services. As of May 15, 1997, more than 4,391 of these services were being resold by CLPs in North Carolina, while more than 88,000 were being resold throughout BellSouth's region. In addition, other resold services are functionally available for resale, including primary rate ISDN, E911, FlexServ, Frame Relay, LightGate service, Off Premises Extensions, optional calling plans, SMARTPath service, and Visual Director. Mr. Milner stated that testing has been conducted to verify that these services can be resold at the applicable discount and that a correct bill can be generated.

AT&T witnesses Hamman and Dailey testified that BellSouth does not meet the requirements of checklist item II. Mr. Hamman questioned whether BellSouth has in place the needed interfaces to provide CLPs with nondiscriminatory access to network elements. Ms. Dailey asserted that BellSouth performance metrics are in many cases inadequate to protect the interest of North Carolina consumers and do not include all the performance measures needed to demonstrate and monitor BellSouth's obligation to provide nondiscriminatory access to its network. She testified that AT&T supports the use of the