

there was some dispute among parties regarding the appropriate rates for interim number portability. AT&T proposed that there be no charge imposed by either BellSouth or new entrants for interim number portability. According to AT&T witness Ellison, having no charge would be consistent with the FCC's First Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 95-116 (released July 2, 1996), while BellSouth's proposal to charge the full costs on interim number portability to new entrants does not meet the FCC's requirements. (Ellison Supplemental-Rebuttal at 54.) Mr. Ellison cited the FCC's July 2, 1996 Order at paragraph 138 as follows:

[R]equiring the new entrants to bear all of the costs, measured on the basis of incremental costs of currently available number portability methods, would not comply with the statutory requirements of section 251(e)(2). Imposing the full incremental cost of number portability solely on new entrants would contravene the statutory mandate that all carriers share the cost of number portability.

(Ellison Supplemental-Rebuttal at 54-55.) Mr. Ellison added that the FCC established two criteria for competitive neutrality in cost recovery for number portability (at paragraphs 132 and 135 of the FCC's July 2, 1996 Order): (1) preventing one service provider from obtaining an appreciable, incremental cost advantage over another service provider, and (2) preventing a disparate effect on the ability of competing service providers to earn normal returns on their investment. He recommended that this Commission adopt the third of three alternatives suggested by the FCC. The suggested mechanisms included:

- (1) a distribution of costs based upon total working telephone numbers in an area,
- (2) a distribution of costs based upon total revenues minus carrier-to-carrier revenues; and
- (3) a mechanism that requires each carrier to pay for its own costs of currently available number portability measures.

To support adoption of the third suggestion, Mr. Ellison stated that the action only affects interim number portability (which will become obsolete within the next 12 to 18 months); the capability of providing interim number portability currently exists in the switching equipment of both the incumbent LECs and the new entrants (no additional investment should be required); and it is unlikely that significant revenues will be affected since demand for this service should grow slowly. (Ellison Supplemental-Rebuttal at 55-56.)

However, as a fallback position in the event the Commission prefers a mechanism requiring monetary payments, Mr. Ellison recommended a mechanism adopted by the New York commission (the Department of Public Service) for the New York metropolitan area: add switching plus transport costs, multiply by total ported minutes, and then divide by the total working telephone numbers provided by NYNEX. The charge per working telephone number times the number of ported

telephone numbers used by the new entrant would equal the charge per new entrant. The new entrant would charge the incumbent the same rate for similarly ported numbers. (Ellison Supplemental-Rebuttal at 56-57.)

The Staff recommended that the rate for interim number portability be that which resulted from the cost calculations produced by the BellSouth TELRIC model as adjusted for the Staff's recommendations.

Discussion

The Commission adopts the Staff's recommendation that the rate for interim number portability be that which results from the cost calculations produced by BellSouth's cost model, with the adjustments adopted by the Commission as discussed elsewhere in this Order. This produces a reasonable, cost-based rate for this proceeding.

4. Rates for Recombined Loop and Port UNEs

Some of the parties including AT&T and MCI renewed their request that the Commission allow UNE pricing when a CLEC requests the loop and port UNEs in order to provide a service that replicates BellSouth retail service, without adding any functions or capabilities of the CLEC's own (other than operator services). AT&T witness Ellison asked the Commission to eliminate its current restrictions regarding purchase of network element combinations. He argued that these restrictions greatly limit the scope of competition by effectively limiting competitive alternatives for most customers to resale, eliminate competition for the major elements of access service, eliminate effective regulation of BellSouth's prices and earnings, and ultimately greatly harm the consumer. (Ellison Supplemental-Rebuttal at 4-5, 6-16, 60-61.)

BellSouth witness Varner disagreed with the proposal by AT&T and MCI for a "UNE Platform" that would combine or recombine UNEs as an alternative to resale. BellSouth does not offer the "UNE Platform." Mr. Varner stated his view that the Eighth Circuit's July 1997 decision allowed CLECs to combine unbundled elements, but also made it clear that the ILEC is not required to do the combining. (Varner Rebuttal at 22.)

BellSouth charged that the intervenors' assumption that BellSouth will provide CLECs with a combined loop and port is legally flawed, ignoring this Commission's previous rulings on recombination as well as the Eighth Circuit's decision on the issue. BellSouth noted that this Commission has repeatedly held that if a CLEC combines unbundled network elements to create services identical to BellSouth's retail offerings, without adding any of its own functions or capabilities, the CLEC must pay the retail price less the applicable wholesale discount. In addition, BellSouth referred to the Eighth Circuit's decision in *Iowa Utilities Board v. FCC*, 120 F.2d at 813, to the effect that the incumbent is not obligated under the 1996 Act to combine network elements for

the CLECs. BellSouth also objected to the intervenors' raising the recombination issue in this proceeding. (BellSouth Brief at 17-21.)

AT&T also attempted to raise new arguments that BellSouth's cost studies seek to force CLECs to undertake recombination of the UNEs on BellSouth's terms under the "most inefficient conditions imaginable." (AT&T Proposed Order at 16.) AT&T cited the example of BellSouth insisting that all loops must undergo expensive conversion from a digital signal to an analog signal when no CLEC will require such conversion. Further, argued AT&T, BellSouth's proposal would require that CLECs erect buildings or purchase collocated space each time they want to recombine UNEs, when the nonrecurring costs related to collocation alone could represent many thousands of dollars. AT&T also expressed concern that BellSouth's definition of the network elements effectively limits the choices CLECs have regarding the efficient recombination of these elements. (AT&T Proposed Order at 16-18.)

The Consumers' Utility Counsel took no position on the merits of whether "rebundling" or the combination of UNEs should be leased at UNE prices or treated as resale, other than to observe that the Commission should conform with the Eighth Circuit's rulings on the issue. (CUC Brief at 29-31.)

The Staff recommended that the Commission affirm its previous decision in the arbitration dockets on this issue. AT&T, MCI, and Sprint raised this same argument to the Commission in those proceedings, and the Commission ruled against them that the recombination of BellSouth UNEs in a manner that replicates BellSouth's services, without adding any CLEC functions or capabilities (other than operator services), should be treated as resale.

Discussion

The Commission affirms its decision in the arbitration dockets on this issue (AT&T-BellSouth, Docket No. 6801-U; MCI-BellSouth, Docket No. 6865-U; Sprint-BellSouth, Docket No. 6958-U). The Commission's most recent discussion of this issue occurred following the Eight Circuit decision, and was recorded in the Sprint-BellSouth arbitration docket as follows:

The Commission reaffirms its previous decision in the AT&T-BellSouth arbitration, Docket No. 6801-U, that establishing different pricing methodologies for resold services and for UNEs is consistent with the Act, the FCC's valid regulations, and the intent of Congress in adopting the Act. The Commission's decision was not to deny recombined or rebundled UNEs to CLECs, but merely to adopt appropriate pricing and related terms and conditions when recombined UNEs are essentially resale because they replicate the incumbent LEC's retail services without adding any CLEC functions or capabilities (other than operator services).

Congress provided different pricing mechanisms for the two distinct ways to enter local markets -- through resale, or through the CLEC's own facilities which can also combine with the incumbent LEC's unbundled network elements. When the new entrant provides its customers with service identical to BellSouth's services by using only BellSouth's network elements, it is essentially reselling BellSouth's services. For such a situation, Congress directed that the reseller pay BellSouth's retail rates minus a wholesale discount based on the costs BellSouth can avoid as a result of selling to the reseller. 47 U.S.C. § 252(d)(3).

The Commission also reaffirms its corollary decision in the Order Ruling on Arbitration in GPSC Docket No. 6801-U that it shall conduct a generic proceeding to develop appropriate long-term pricing policies regarding recombination of unbundled network elements.

Following the Commission's decision at the July 15, 1997 Administrative Session to approve the arbitrated agreement as filed, over Sprint's objections, the Eighth Circuit Court of Appeals issued its decision in *Iowa Utilities Board, et al. v. FCC*, No. 96-3321 (8th Cir., July 18, 1997). The Court vacated the FCC's pricing rules primarily on the ground that pricing authority for resale and UNEs is delegated to the states, not the FCC. The Court also stated that the incumbent LEC should not be required to perform the function of rebundling UNEs. This implies that if the incumbent LEC does perform the rebundling function for the CLEC, the price to the CLEC may be different from the mere total of the underlying UNE prices. The Commission concludes that the Eighth Circuit's decision does not preclude, and is consistent with the previous arbitration decisions affirmed in this Order.

Order Approving Arbitration Interconnection Agreement, Docket No. 6958-U (August 7, 1997), at 10-11. Moreover, the Eighth Circuit issued its Order on Petitions for Rehearing on October 14, 1997 affirming that ILECs have no duty to provide unbundled network elements on a rebundled or recombined basis to new entrants, and vacating FCC Rule § 51-315(b-f) on this point. The Court stated:

[Section] 251(c)(3) does not permit a new entrant to purchase the incumbent LEC's assembled platform(s) of combined network elements (or any lesser existing combination of two or more elements) in order to offer competitive telecommunications services. To permit such an acquisition of already combined elements at cost based rates for unbundled access would obliterate the careful distinctions Congress has drawn in subsections 251(c)(3) and (4) between access to unbundled network elements on the one hand and the purchase at wholesale rates of an incumbent's telecommunications retail services for resale on the other.

In light of the rulings by the Eighth Circuit Court of Appeals, this Commission adopts no change in its previously stated policy on this issue.

Indeed, the Commission notes that this proceeding is not, and was not intended to be the "generic proceeding" to develop appropriate long-term pricing policies regarding recombination of unbundled capabilities that was envisioned in the Commission's December 4, 1996 Order Ruling on Arbitration in Docket No. 6801-U. The Commission's December 6, 1996 Procedural and Scheduling Order did not identify recombination as an issue to be considered in this case, and following a pre-hearing conference on December 16, 1996, the Hearing Officer held that recombination would not be an issue in this proceeding. Therefore the Commission need not consider any newly-raised allegations pertaining to the method(s) of recombining the UNEs, and it would not be appropriate for the Commission to reconsider its policy on the recombination issue in this proceeding, especially given the Eighth Circuit's recent decisions.

III. OTHER COST-BASED RATES

A. Nonrecurring Costs

Nonrecurring costs ("NRCs") are one-time charges associated with UNEs and are incurred, for example, when a CLEC orders a loop and a BellSouth service technician must take action to provision the order. Thus costs associated primarily with the ordering and provisioning of UNEs are reflected as nonrecurring charges for each such element. BellSouth divided its costs into recurring and nonrecurring costs, taking steps to allocate costs consistent with cost-causation principles. (Caldwell/Zarakas, Tr. 397-410.) BellSouth criticized the models sponsored by intervenors (the Hatfield, NRC, and Collocation models) on the basis that they apparently have not undergone even cursory review to ensure consistency in the treatment of recurring and nonrecurring costs. (BellSouth Brief at 8, citing Walsh, Tr. 2738.)

BellSouth witness Mr. Reid testified that BellSouth's approach for including forward-looking shared and common costs in its TELRIC cost studies utilized cost causative principles, as prescribed in the Cost Allocation Manual ("CAM") used by BellSouth, to develop appropriate shared and common costs factors. (Tr. 1032.) BellSouth's methodology, among other things, applied shared costs to nonrecurring activities through the use of the shared labor factor.

To develop its shared labor factor, BellSouth calculated the relationship by work force group between various shared costs which were attributed on the basis of salaries and wages by the total salary and wages for a Company work group. The resulting shared labor factor was used as a component in the TELRIC labor rate. (Reid Surrebuttal at 23-25.) BellSouth witness Mr. Reid argued that this methodology is an appropriate procedure, and asserted that AT&T merely disagreed with BellSouth's approach for recognizing costs associated with certain nonrecurring activities on a cost-causative basis.

The Consumers' Utility Counsel stated that BellSouth's proposed NRCs for UNE provisioning appear to severely inhibit the development of competition, and to discriminate against CLECs. (CUC Brief at 26.)

AT&T offered into evidence the rebuttal testimony of witness Art Lerma who criticized BellSouth's shared and common cost model as an unreliable and unacceptable means for calculating the shared and common costs for the shared labor rates used to establish prices for BellSouth's unbundled network elements. First, he stated that the model is not forward-looking, because it was based largely upon the embedded historical costs of BellSouth's current network. Next, Mr. Lerma questioned the accuracy of the outputs of the model. He asserted that many of the inputs are based on untested and unsupported data inputs and overall criticizes the complexity of the model. Finally, he stated that BellSouth's shared and common cost model contained numerous methodological errors. Specifically, he stated, these relate to the improper treatment of recurring costs as nonrecurring in the shared labor factors, improper attribution bases for assigning shared and common costs, and overstatement of expected costs for a local carrier service center and inadequate data to support the expected costs. (Lerma Rebuttal at 5-6.)

AT&T alleged that BellSouth erred in its methodology for calculating shared labor factors in that its model includes recovery for recurring costs. AT&T further stated that BellSouth's shared labor factors were used to determine a portion of shared costs that BellSouth believes should be recovered via the TELRIC labor rates used to price out nonrecurring costs. (Lerma Rebuttal at 30.) According to Mr. Lerma, "BST improperly assumed that recurring wholesale expenses in account/cost pools that are attributed based on salary and wages should be recovered via the shared labor rate factors and subsequently, the labor rates applied to calculate non-recurring prices." (Lerma Rebuttal at 30-31.)

AT&T also criticized the CAM attribution approach used by BellSouth to determine the portion of shared and common costs attributable to the sale of UNEs. AT&T stated that BellSouth's approach resulted in wholesale expenses for specified account/cost pools being recovered through shared labor factors as nonrecurring costs without any showing that recurring expenses have been excluded. (Lerma Rebuttal at 31.) Mr. Lerma recognized that some of the costs in the specified account/cost pools may include some increment of nonrecurring costs, however, BellSouth failed to provide supporting documentation to determine the increment of nonrecurring costs that may be attributable to certain cost pools. Because of the lack of sufficient data, AT&T proposed an adjustment to the shared labor rate factors in BellSouth's model to reflect alternative attribution bases for those cost pools attributed using salary and wages. (Lerma Rebuttal at 33.) The resulting attribution basis shifted recovery from the shared labor rate factors to the shared cost factors used to calculate recurring TELRIC rates. This adjustment reduced the shared labor rate factors to zero.

AT&T witness Ellison stated that BellSouth's proposed service order charges for loops and ports, taken together, would result in a nonrecurring charge of \$104.73 to new entrants for migrating the combined existing network element combinations of an individual customer. He calculated that

these charges would "unnecessarily" add \$6.97 to AT&T's equivalent monthly costs of serving the typical residence (assuming the customer remained with AT&T for 15 months). He asked the Commission to approve instead a cost of 23 cents (\$0.23) as proposed by AT&T witness Walsh. (Ellison Supplemental-Rebuttal at 28.)

AT&T witnesses Ellison, Walsh and Hyde also supported alternative approaches to certain NRCs based upon a nonrecurring cost model and based upon critique of BellSouth's nonrecurring cost studies. Some of that critique addresses BellSouth's proposal to include cost recovery for OSS electronic interface development within NRCs, which is an issue discussed in the next section. In general, Mr. Ellison stated, the Commission must not foreclose through excessive nonrecurring rates the otherwise viable competition that could result through efficiently priced recurring rates for network elements. (Ellison Supplemental-Rebuttal at 58.)

MCI argued that the Non-Recurring Cost Model ("NRCM") sponsored by it and AT&T is consistent with the 1996 Act's pricing standards at Sections 251(c) and 252(d) and would promote competition in Georgia's local exchange markets. MCI and AT&T developed the NRCM using a forward-looking cost methodology and a "bottoms up" estimate of the costs. (MCI Brief at 36-37, citing Tr. 2647-48.) Their NRCM assumed that pre-ordering, ordering, provisioning, repairs, maintenance, and billing processes are handled electronically through OSS in a highly automated, accurate and rapid manner with little or no human intervention. A major driver of high NRCs is labor time, with time-consuming human intervention. MCI stated that on a forward-looking basis, well-managed OSS should provide a minimal "fallout" rate, so the NRCM assumed a "conservative" fallout rate of 2 percent. MCI also suggested that OSS investment results in efficiency gains, and that in some cases no recovery in recurring or nonrecurring rates is necessary. (MCI Brief at 37-39, citing Tr. 2568-60, 2648-51, 2650).

MCI also argued that the NRCM incorporated the efficiencies of Local Digital Switches, Integrated DLC with a GR-303 interface, Digital Cross-Connect Systems and Synchronous Optical Network ("SONET") rings for transport, which provide for the maximum electronic flow-through for provisioning. MCI charged that BellSouth's nonrecurring cost model did not incorporate these efficiencies and hence overestimated manual intervention costs. (MCI Brief at 39.) MCI also stated that the NRCM recognizes, wherever possible, migrations¹⁹ and installations²⁰ as mechanized. While BellSouth modeled installation NRCs to include the cost of disconnection, the NRCM separates installation and disconnection for costing and pricing purposes. AT&T/MCI witness Richard Walsh testified that the rationale is twofold: (1) it recognizes that BellSouth should only receive disconnection revenues at the time of disconnection, which also eliminates a "time value of money"

¹⁹ Migration occurs when a customer with existing service requests a change of local service provider. (Tr. 2665-67.)

²⁰ Installation is the establishment of any new (or additional) service for an existing customer. (Tr. 2665-67.)

concern; and (2) the disaggregation of installation and disconnection costs and prices also allows the new entrant to benefit from long-standing, efficient practices with respect to Dedicated Inside Plant ("DIP") and Dedicated Outside Plant ("DOP"). (MCI Brief at 39-40, citing Tr. 2660.) MCI stated that the DIP and DOP processes allow for rapid activation or de-activation of services at an end user location without the need for physical disruption of the facility because a command from the OSS to the network element will either activate or de-activate the service. MCI added that BellSouth's current disconnect policy adheres to this principle, and urged that new entrants obtain the same benefits from the DIP and DOP processes as BellSouth. (MCI Brief at 40.)

MCI argued that BellSouth's NRC cost study did not use forward-looking, least-cost, most efficient technology and network architecture, and thus overstated necessary work functions, travel times, fallout of orders, and time necessary to complete other tasks. For example, MCI stated, BellSouth assumed manual intervention at the Local Customer Service Center ("LCSC") rather than least-cost, most-efficient OSS modeling assumptions despite FCC requirements regarding electronic interfaces. (MCI Brief at 40-, citing Tr. 2563, 2654-61, 2667, 2881-83.)

WorldCom asserted that BellSouth's NRC study yielded overstated results because it assumed that BellSouth must: (1) perform a circuit layout for every loop; (2) dispatch a technician into the field to provision every loop order; (3) treat every loop, in many respects, as if it is ordered alone; (4) perform expensive testing on every loop; (5) allow for a 20 percent "fallout" rate; and (6) apply a coordination charge to "new," in addition to existing loops. (WorldCom Brief at 20-

BellSouth countered intervenor arguments that high NRCs are a barrier to entry by stating that all business ventures carry the necessity for assuming some degree of risk and investment, and that the AT&T/MCI attempt to eliminate all but a small amount of NRCs is a ploy to shift the risk of investment associated with their entry onto BellSouth's shoulders. (BellSouth Brief at 36-37.)

BellSouth also criticized the Nonrecurring Cost Model advocated by AT&T and MCI on various grounds, including the "most central assumption" that UNE orders would automatically flow through the ordering and provisioning process using currently available OSS, processes and procedures with little or no manual intervention. According to BellSouth, this "dream may perhaps some day materialize" using Bellcore's Telecommunications Management Network ("TMN") architecture. BellSouth acknowledged that, taken at face value, the TMN architecture is not in fact assumed in the AT&T/MCI study, but stated that the study does assume that current OSS will lead to the same automatic flow-through as a theoretical system that BellSouth characterized as "pie in the sky." (BellSouth Brief at 37.) BellSouth also criticized the AT&T/MCI Nonrecurring Cost Model for its assumptions regarding dedicated facilities, and testing. (BellSouth Brief at 39-41.)

The Staff concurred with AT&T that BellSouth used improper attribution bases for attributing the shared costs. The Staff agreed that BellSouth did not provide the Commission with sufficient information to allow a determination of the amount, if any, of nonrecurring costs in specific cost pools. Therefore the Staff recommended removal of the shared costs associated with labor rates for

purposes of the nonrecurring charges (NRCs). Shared costs are not directly implicated when a technician takes action with respect to the provisioning of a UNE, and furthermore, higher NRCs tend to create more of an economic obstacle to competition, especially facilities-based competition, and in particular create an impediment on ordering the essential loop rates.

The Staff's removal of these shared costs from the NRCs caused them to be reflected instead in the shared cost factors for the recurring UNE costs. In turn, this increase in the shared cost factors for recurring costs caused a decrease in the Staff's recommended common cost factors for the recurring UNE costs. In conclusion, the Staff recommended the removal of the shared costs associated with labor rates in the nonrecurring charges which resulted in a corresponding slight increase in the recurring UNE costs. This increased BellSouth's proposed 2-wire analog loop recurring (monthly) loop rate by \$0.28, but reduced the nonrecurring charge. The Staff's recommended NRC associated with the 2-wire analog loop was \$42.54. However, the Staff noted that this also included the result of the Staff's recommendation that this NRC not include the disconnection portion of the charge, which was \$11.00 (which the Staff recommended be collected from the CLEC at the time of disconnection by the CLEC).

Discussion

Based on the evidence in the record, it appears that all parties agree on the use of some factor to attribute shared and common costs to the appropriate UNEs. The attribution and allocation of costs between recurring and nonrecurring costs is not an exact science; it requires the application of judgment. In many instances, in both regulated and market-based pricing, costs that could be considered one-time ordering and provision costs are recovered through recurring prices. At the other extreme are situations in which a customer pays a high one-time fee and enjoys very low recurring prices. Therefore this exercise requires first a consideration of attributing and allocating the costs, and then a consideration of how to develop appropriate rates to recover those costs.

The Commission finds that BellSouth used improper attribution bases for attributing these costs, and did not provide sufficient information to allow a determination of the amount, if any, of nonrecurring costs in specific cost pools. Therefore the Commission endorses the removal of the shared costs associated with labor rates for purposes of the nonrecurring charges. Only direct costs should be included in the NRCs, and shared costs are not directly implicated when a technician takes action with respect to the provisioning of a UNE. Furthermore, higher NRCs tend to create more of an economic obstacle to competition, especially facilities-based competition, and in particular create an impediment to ordering the essential unbundled loops. This would counter both the Georgia Act's and the 1996 Act's legislative goals of increasing competition, especially facilities-based competition.

Removal of these shared costs associated with labor rates from the NRCs causes them to be reflected instead in the shared cost factors for the recurring UNE costs. In turn, this increase in the shared cost factors for recurring costs causes a decrease in the common cost factors for the recurring

UNE costs, with a corresponding slight increase in the recurring UNE rates. This increases BellSouth's proposed 2-wire analog loop recurring (monthly) loop rate by \$0.28, but reduces the nonrecurring charge. The NRC associated with the 2-wire analog loop becomes \$42.54.

The Staff had recommended that BellSouth's disconnection portion of the NRC charge, in the amount of \$11.00, be removed from the up-front NRC and only charged at the time of any subsequent disconnection. BellSouth's proposal had been to calculate costs for the prospective disconnection of the UNE and charge those as part of the NRC applied at the time of connection. The Commission is not convinced that BellSouth has made an adequate showing that imposing the disconnection portion of the charge would be fair and nondiscriminatory. In various situations such as with residential customers, BellSouth does not impose a disconnection charge. Moreover, when a disconnection occurs, it is most likely that the customer is switching providers rather than entirely disconnecting (or that another customer is taking the place of the old customer), so it could be double-recovery to charge for work involved in disconnecting which occurs at the time of the new connection for the new CLEC or new customer, because there will be a new NRC for that new connection. There was also evidence (Tr. 2660) that in many instances, de-activation of services at the end user's location does not require physical disruption of the facility. The Commission does not adopt BellSouth's proposed disconnection charge within the nonrecurring charges, which means the Commission also does not adopt the Staff recommendation of collecting the disconnection charge as a nonrecurring charge later at the time of disconnection.

The following table reflects the Commission's adoption of the Staff's recommendation regarding the shared costs associated with labor rates for purposes of the nonrecurring charges:

Shared Labor Factors

WorkForce Group Factors	BellSouth	AT&T	Advocate Staff
Address & Facility Inventory (AFIG)	0.4858	0	0
Installation & Maintenance Center (IMC)	0.4858	0	0
Installation & Maintenance Spec Svcs	0.4858	0	0
CO Installation & Maintenance - Circ. & Fac.	0.2752	0	0
Trunk & Carrier Group (TCG)	0.4569	0	0
Circuit Provisioning Group (CPG)	0.2752	0	0
Access Customer Advocate Center (ACAC)	0.4280	0	0
Work Management Center (WMC)	0.4304	0	0
Network Plug-in Administration (PICS)	0.2752	0	0
Outside Plant Engineering	0.4858	0	0
Customer Point of Contact - ICSC	0.4437	0	0
Network Services Clerical	0.4851	0	0
OSPC	0.4858	0	0
OPAC	0.4858	0	0
CRT	0.4858	0	0
COIM - SW. EQ.	0.2752	0	0
RCMAG	0.2752	0	0

SW/TRK BASED TRANS	0.2752	J	0
COIMA-SFTWR	0.2752	0	0
NRC	0.4304	0	0
PAR	0.4304	0	0
EBAC	0.4304	0	0
BRC	0.4304	0	0
RRC	0.4304	0	0
FG10	0.2092	0	0
FG20	0.4304	0	0
CABS Acctg	0.4437	0	0
POTS OP	0.3106	0	0
DA OP	0.3106	0	0
Coin Coll	0.4437	0	0
Coll Rep - Res	0.4437	0	0
Coll Rep - Bus	0.4437	0	0
BO Svc Rep - Res	0.4437	0	0
BO Svc Rep - Bus	0.4437	0	0
Compt Cler	0.4437	0	0
Acct Exec	0.4437	0	0
Systems Des	0.4437	0	0
Svc Cons	0.4437	0	0
Total IOT & OSP	0.4858	0	0
Total COE	0.2752	0	0
Other than IOT, COE & OSP	0.4859	0	0

B. Electronic Interface (OSS) Cost Recovery

BellSouth proposed cost recovery of electronic interface costs associated with operational support systems ("OSS"). BellSouth's proposed rate design would require each CLEC to pay an initial \$100.00 charge, and a recurring charge of \$50.00 per month, plus a nonrecurring charge of \$10.76 for each order placed.

The Consumers' Utility Counsel, as part of its concern that BellSouth's proposed NRCs appear to inhibit competition, stated that as a policy matter the Commission should move as many as possible of the reasonable costs of OSS to the recurring charges. (CUC Brief at 26-27.)

AT&T requested that the Commission not address recovery of electronic interface costs associated with operational support systems (OSS) in the current proceeding, but in a separate proceeding that can address the details of BellSouth's cost estimates, determine what is being provided in BellSouth's proposal, and examine the extent to which such charges should apply to BellSouth and the new entrants. AT&T witness Ellison testified that the BellSouth cost submissions in this proceeding require extensive analysis by examiners experienced in the design and costing of computer operations support systems. However, he added that if the Commission does address these charges in the current proceeding, it should reject BellSouth's proposed cost recovery method and should closely examine BellSouth's costs and arrangements. Mr. Ellison criticized as an exercise of "monopoly power" BellSouth's proposal of recovering the one-time costs for developing interfaces

directly and solely from requesting carriers in the form of special nonrecurring charges. Mr. Ellison's recommended alternative would be a sharing of the costs in a "competitively neutral" manner on the basis of relative use, *i.e.* by calculating unit charges to carriers by spreading the costs across all lines (all demand), including the lines still served by BellSouth. (Ellison Supplemental-Rebuttal at 58-60.)

AT&T argued that the Commission's Supplemental Order in Docket No. 6352-U provided that the costs of "gateway" OSS interfaces be recovered from the industry, and that recovery of all OSS-related costs solely from CLECs would be contrary to this ruling and poor public policy besides. AT&T added that BellSouth has failed to present sufficient evidence to show what portion of the OSS costs it seeks are allowable.

BellSouth witness Varner testified in rebuttal to a proposal by AT&T/MCI witness Cabe who proposed that such costs must simply be borne by the carrier incurring the cost, as "a sort of ante required to enter the new local exchange market" (Cabe Direct at 36). Mr. Varner stated that BellSouth should not be required to absorb costs such as OSS costs, and that if these costs are not recovered from the CLECs who cause them, then they will have to be recovered from other customers. He argued that the CLECs are the primary beneficiaries of these systems and as such they would provide for the cost recovery. Mr. Cabe had suggested (Cabe Direct at 37) that ILECs have a strong incentive to misuse cost information and impose OSS costs on new entrants that serve as a barrier to entry, and Mr. Varner responded that BellSouth's incentive to provide and encourage the use of efficient OSSs rather than to impose costs that serve as a barrier to entry. (Varner Rebuttal at 15-18.)

The Staff agreed that the CLECs should be required to pay for at least some portion of BellSouth's costs of developing the OSS electronic interfaces, but noted that little documentation was provided in the record regarding the reasonableness of the total amounts now sought to be recovered. The Staff also expressed concern regarding the rate design that BellSouth proposed. The Staff therefore recommended a different rate design that would be more conducive to competition. The Staff recommended removing the OSS charges from within the per-order service (nonrecurring) charges, in order to avoid "chilling" the placing of orders. The Staff also recommended review of the proposed OSS cost recovery amounts, and any further review of the associated rate design, after BellSouth has implemented the long-term electronic interfaces that are currently projected for completion by December 1997.

Specifically, the Staff recommended an initial charge of \$200 per CLEC, and a monthly charge of \$550.00 per CLEC, for the use of electronic interfaces. The monthly \$550.00 charge would include up to 1,000 orders. There would also be an additional monthly charge of \$110.00 per thousand orders above the first 1,000. There would be no OSS charge within the per-order service (nonrecurring) charge.

Discussion

The Commission addressed the question of cost recovery for BellSouth's development of electronic interfaces for OSS in its Supplemental Order in Docket No. 6352-U. The Commission ruled therein that all costs incurred by BellSouth to implement these interfaces shall be recovered from the industry, although the Commission added that it would resolve any disputes regarding this matter. The Commission concludes that the CLECs should be required to pay for at least some portion of BellSouth's costs of developing the OSS electronic interfaces. However, it is true that little documentation was provided in the record regarding the reasonableness of the total amounts now sought to be recovered. The Commission will direct BellSouth to file further information on its proposed OSS cost recovery amounts, so that the Commission and its Staff may further review these costs and the associated rate design, after BellSouth has implemented the long-term electronic interfaces that were projected for completion by December 1997. The Commission Staff may make a recommendation to the Commission as to whether any further proceedings would be appropriate, following such review.

The Commission also agrees that a different rate design for the CLECs would be more conducive to competition. Thus for the rates to be charged at this time, OSS charges shall be removed from the per-order service (nonrecurring) charge, in order to avoid "chilling" the placing of orders. The initial charge for recovering OSS interface costs to be paid by each CLEC that uses the OSS interfaces shall be \$200, and there shall also be a monthly charge of \$550.00. The monthly \$550.00 charge includes up to 1,000 orders. There shall also be an additional monthly charge of \$110.00 per thousand orders above the first 1,000 each month.

C. Collocation

Collocation occurs when a CLEC shares space with BellSouth in order to provide its services. Collocation can be either physical collocation, when the CLEC uses space on BellSouth's premises, or virtual collocation which incorporates use of the CLEC's off-site equipment. In physical collocation, the CLEC uses space belonging to the ILEC to place equipment necessary for interconnection or access to unbundled network elements. 47 U.S.C. § 251(c)(6). Virtual collocation is the process by which the CLEC obtains this access when space limitations prohibit actual use of ILEC property for the placing of CLEC equipment.

The parties presented sharply differing views regarding physical collocation costs. In particular, the parties debated the construction and costs for space preparation which BellSouth proposed should be handled on an "Individual Case Basis" ("ICB") with individually negotiated charges. BellSouth proposed that a CLEC submit an inquiry, and then a BellSouth planner will verify the floor plan, and confer with the Network Capacity Management department about the projected two-year growth of BellSouth equipment. Collocators have the option of providing for their own two-year growth by requesting or reserving this additional space with their Bona Fide Firm Order. The planner will consider the ingress / egress so that, optimally, CLECs can reach their space without

passing through BellSouth equipment space. (Redmond Surrebuttal at 8-9.) The collocating CLEC would subsequently submit a Bona Fide Firm Order along with a fee, and pay half of the quoted charges prior to occupying the physical collocation space. The remaining half of the charges would be due within 30 days thereafter.

BellSouth also argued that the cost-based pricing rules apply to UNEs and interconnection service, but that there is no mandate that collocation rates be cost-based. (BellSouth Brief at 9, 42.) BellSouth also criticized AT&T and MCI's collocation model for using assumptions that the model developers did not verify as being valid in Georgia. (BellSouth Brief at 14.)

AT&T/MCI witness Crockett criticized BellSouth's collocation methods and procedures, particularly with respect to the construction of physical collocation space. For example, using wire mesh rather than gypsum as BellSouth proposed would yield substantial cost savings. Mr. Crockett pointed out that a number of ILECs throughout the rest of the country, such as Bell Atlantic, are allowing and already have built collocation enclosures using wire mesh, without any apparent safety or transmission problems. (Crockett Rebuttal at 9.) MGC witness English also testified that physical collocation is accomplished in California (with both GTE and Pac Bell) via a wire cage. (English Direct at 3.)

AT&T and MCI also sponsored a Collocation Model to determine the investment and operating costs that would be incurred by an efficient ILEC to provide collocated space in a central office, using forward-looking technology that is currently available. (MCI Brief at 45-47.) This Collocation Model recognized that it would be most efficient for ILECs to locate space for multiple collocators together, but that large blocks of space are unlikely to be available within a central office or may be located several floors away from the existing ILEC cross-connect systems. AT&T/MCI witness Klick testified that the Collocation Model assumes designing and equipping of a 550-square foot area that would provide four 100-square foot collocation areas. (Klick Direct at 9.)

AT&T/MCI's Collocation Model does not include the costs of retrofitting the central office to meet asbestos removal or ADA (Americans with Disabilities Act) requirements, nor other costs associated with repairing or remodeling existing building space, on the basis that such costs would not be consistent with the forward-looking, least-cost approach. Its "Central Office Model Layout" assumes the central office is equipped with an automated security card reading system. The investment required to construct the collocation space was separated into three categories: (1) assets shared by the four potential CLEC collocators and the ILEC; (2) assets shared by the four potential collocators but not the ILEC; and (3) assets used exclusively by one CLEC. The total cost for collocation space depends upon the requirements for elements such as connectivity, usage of power, and number of cages required by a CLEC at a particular location. For example, a CLEC may request a combination of copper connectivity such as voice grade and DS-1 (DSX), or only voice grade service. Mr. Klick testified that it would be inaccurate to sum all of the recurring costs to arrive at a grand total, because several alternative costs are presented for elements such as Power Delivery and Circuitry. He presented the results of the Collocation Model for Georgia as a printout in his Exhibit

JCK-2, and the electronic version of the model itself on diskette as his Exhibit JCK-3. (Klick Direct at 9-11.)

MCI criticized BellSouth's proposed collocation rates as overstated and inflated, creating a barrier to new entrants attempting to enter the local market. MCI cited the example of MGC, whose witness Michael English submitted prefiled testimony that was stipulated into evidence. MGC was quoted \$317,221 in NRCs by BellSouth for collocation in three central offices, half of which must be paid up front before the collocation build-out begins. (MCI Brief at 47, citing English Testimony at 3.) MCI also specifically criticized proposal to construct collocation space using middle stud and drywall construction with space at the top and base of each wall for ventilation. MCI asserted that the use of metal cage materials would provide a considerably less costly, flexible, and more consistent ambient environment for physical collocation, and provide other benefits such as appropriate grounding requirements, and increased security due to increased visibility. MCI added that physical collocation areas established in other territories incorporate the use of wire mesh cages with lighting, AC/DC power, required heating, ventilation and air conditioning ("HVAC"), and grounding. (MCI Brief at 48, citing Crockett Direct at 11-12.) MCI further argued that the use of drywall requires additional unnecessary processes and costs, and that BellSouth's proposed materials costs were excessive. MCI charged that it seeks a spartan but practical collocation space, but that BellSouth would insist on charging for a "luxury collocation condo." (MCI Brief at 48-50.)

BellSouth argued that the Collocation Model sponsored by AT&T and MCI is inconsistent with BellSouth's obligations under the FCC's collocation rules, contains unreasonable assumptions designed to "wish away" the legitimate costs incurred to fulfill a collocation request by a CLEC, and is unreliable given that even AT&T and MCI are unsure what BellSouth should build out even if it were to follow the model. (BellSouth Brief at 45.)

BellSouth witness Redmond disagreed with several aspects of the Collocation Model sponsored by AT&T and MCI. She described it as assuming a new urban central office designed for up to 150,000 lines, with 36,000 square feet in the form of three 12,000-square foot equipment floors plus a below-ground cable vault. In addition there would be 3,000 square feet on each floor, and an entire basement, for building support and administrative offices. This would equate to 15,000 square feet for four floors totaling 60,000 gross square feet. She noted that the model proponents maintain that such an office is consistent with facilities that have been constructed within the past five years. (Redmond Surrebuttal at 3-4.)

Ms. Redmond argued that such a model central office is not a realistic representation of BellSouth urban central offices, stating that no new urban central offices have been built in Georgia in over five years. She stated that BellSouth urban central offices are typically very large facilities that were built when telecommunications switches required greater footprints of floor space. Installation of today's more space-efficient switches does free up large amounts of space, but as large pockets of space have come available that space has been renovated for use as administrative offices. Ms. Redmond explained that BellSouth's method of planning physical collocation space differs from

the Collocation Model sponsored by AT&T and MCI. (Redmond Surrebuttal at 5-6, BellSouth Brief at 43-44.)

In particular, Ms. Redmond argued that the Collocation Model is not practical for real collocation arrangements for various reasons. She testified that only a very few CLECs, to date, have placed Bona Fide Firm Orders for physical collocation arrangements of 100 square feet (18.4 percent). She recognized that the model could easily be converted to two 10-foot by 20-foot cages with a center aisle, allowing for another 44.9 of the CLECs, but asserted that the model would not work for the remaining 36.7 percent of the collocators at all. Ms. Redmond also asserted that the model's placement of the POT bay and BDFB's in the center aisle is not practical. BellSouth believes that one large, commonly shared collocation space is more practical and economical for such reasons as the sharing of HVAC, lighting, alarms, controls, electrical distribution, etc. Therefore BellSouth concludes that the facilities and the spaces within them are so unique that individual planners should carefully evaluate each facility upon inquiry, for the best overall plan. (Redmond Surrebuttal at 6-7.)

Ms. Redmond also testified that out of 191 central offices in Georgia, only 45 have electronic security card systems as the Collocation Model assumes, because they cost \$10,000 per door. This is why placing collocation areas in space where ingress / egress renovations are minimal is very important to BellSouth's planning process. (Redmond Surrebuttal at 9.)

In addition, whereas the Collocation Model refers to competitive bidding for reducing construction costs, BellSouth does not bid collocation projects because that would unduly lengthen the time frame for meeting a Bona Fide Firm Order for physical collocation. Contracts with several CLECs and at least one state commission provide that this time frame will be as short as 90 days maximum; therefore, Ms. Redmond stated, projects to construct physical collocation arrangements must be negotiated with general contractors under a BellSouth master agreement. She explained that samples of projects below \$100,000 were submitted to multiple contractors in Florida, Louisiana, North Carolina and South Carolina for bids. The result was the guarantee of cost plus a percentage lower than standard for jobs of this size on negotiated projects below \$100,000. This figure was then used to negotiate the same deal with contractors in the other five BellSouth states, including Georgia. Projects of over \$100,000 are always bid unless time is a factor, in which case the project will be negotiated under the cost-plus agreement just mentioned. When time is a factor in very large projects (for example, one million dollars), the master agreement includes negotiating the cost-plus fee down as low as 4 percent. BellSouth believes that this process is cost-efficient and provides assurance, through repetition with a small number of contractors, a technical proficiency for working in BellSouth facilities. (Redmond Surrebuttal at 9-11.)

Ms. Redmond also took issue with AT&T and MCI's use of the R.S. Means data book for building construction costs. She agreed that it is perhaps the best estimating tool of its type on the market, but cautioned that it must be used in the proper context. Using a "mean" number when estimating can be misleading and can be skewed from reality, she testified; although BellSouth uses the R.S. Means occasionally, it does so only when data from previous jobs or from contractor

invoices and estimates are not available. (Redmond Surrebuttal at 12.) Ms. Redmond also criticized the AT&T/MCI approach to barriers and enclosure walls, and testified that BellSouth must use precautionary measures during construction and ensure safety through the placement of a gypsum board wall with rigid security fencing at the top to separate BellSouth equipment spaces from collocators' equipment spaces. BellSouth will use the same wall, minus the security fencing, to separate the collocators from each other when an enclosure is requested. Ms. Redmond specifically criticized the use of wire mesh fencing on the basis that it would be too easy for a maintenance worker to contact the wire fence. Further, she argued that CLECs should bear such costs as those associated with the Americans with Disabilities Act, demolition and asbestos removal when necessary, code-required upgrades, etc. Ms. Redmond concluded that the construction and the costs represented by BellSouth's estimates are fair and reasonable, and will compensate BellSouth for the legitimate expenses incurred when preparing space for physical collocation. (Redmond Surrebuttal at 14-16, 17-20.)

The Staff noted that BellSouth's cost proposal for the construction of space enclosures is \$45 per square foot. However, for space preparation BellSouth proposed an Individual Case Basis ("ICB"), which the Staff submitted is an obstacle to competition because it introduces unnecessary uncertainty into the process of obtaining physical collocation. This represents a significant economic barrier to physical collocation, and ultimately facilities-based competition. Both the Georgia Act and the 1996 Act indicate strong legislative goals of fostering greater competition, especially facilities-based competition. On the other hand, the AT&T/MCI Collocation Model assumes that the CLEC will not bear any space preparation charge, which does not appear to be reasonable. Therefore the Staff recommended that a specific, albeit reasonable charge be adopted for space preparation in order to encourage physical collocation.

In order to develop a reasonable space preparation charge on a per-foot basis, the Staff reviewed the actual experience of a CLEC, specifically MGC. MGC witness English, President of MGC's eastern region, presented testimony showing that the combined cost for space preparation for three Atlanta metropolitan locations (Buckhead, Dunwoody, and Sandy Springs) total \$317,221. Thus the average space preparation fee per location is \$105,740. (English Direct at 3.) BellSouth's collocation agreements on file with the Commission reflect that MGC has purchased 100 square feet per central office. This yields an average cost of \$1057.40 per square foot for space preparation. The Staff concluded that a reasonable specific charge of \$100 per square foot should be adopted for space preparation, and that this would be in line with BellSouth's \$45 per square foot charge for space enclosure construction. The Staff's proposed \$100 per square foot space preparation charge would be correlated to the actual enclosed collocation space. When a CLEC submits an application for physical collocation, the initial minimum amount of space would be 100 square feet, and extra space would be calculated in 50-square foot increments.

The Staff also recommended that a CLEC be able to construct a wire cage, at the CLEC's option. Therefore a CLEC should not be limited to the gypsum (plywood) as proposed by BellSouth. The Staff stated that the same rates should apply to either the wire cage or gypsum (plywood).

Discussion

The Commission agrees that approving a specific price of \$45 per square foot for the construction of space enclosures, but allowing an Individual Case Basis ("ICB") for space preparation would be an obstacle to competition because it introduces unnecessary uncertainty into the process of obtaining physical collocation. This represents a significant economic barrier to physical collocation, and ultimately facilities-based competition. Both the Georgia Act and the 1996 Act indicate strong legislative goals of fostering greater competition, especially facilities-based competition. The Commission agrees that a specific, albeit reasonable charge should be adopted for space preparation to encourage physical collocation.

The Commission notes BellSouth's argument that the cost-based pricing rules of Section 252(d) do not apply to collocation. However, Section 251(c)(6) provides that collocation be provided at rates, terms, and conditions that are just, reasonable, and nondiscriminatory. Allowing collocation rates that are reasonably based upon cost will be consistent with this statutory mandate.

The Commission has reviewed the Staff's approach to developing a reasonable, per-square foot space preparation charge, and finds it just, reasonable, and nondiscriminatory. The Commission concludes that \$100 per square foot is a reasonable specific charge for space preparation, which also comports with BellSouth's \$45 per square foot charge for space enclosure construction. The \$100 per square foot space preparation charge must be correlated to the actual enclosed collocation space. When a CLEC submits an application for physical collocation, the initial minimum amount of space should be 100 square feet, and extra space should be calculated in 50-square foot increments.

A collocating CLEC shall be permitted to have a wire cage, at the CLEC's option. Therefore a CLEC should not be limited to the gypsum (plywood) alternative, although the same rates should apply to either the wire cage or gypsum (plywood).

D. Rates for Access to Poles, Ducts, Conduits, and Rights-of-Way

Most of the parties focused more attention on other aspects of this proceeding than on the rates for access to poles, ducts, conduits, and rights-of-way. However, they generally recognized that the FCC has established formulas for computing such rates in an appropriate manner. The FCC rate for pole rental is currently \$4.20 per year. BellSouth submitted information on its computations supporting a higher rate (up to approximately \$20), but indicated that it would not seek approval for such a higher rate at this time. The Staff recommended that the Commission adopt the current rate according to the FCC formula, which produces a pole rental rate of \$4.20.

The Cable Television Association of Georgia ("CTAG") criticized BellSouth's proposed rates on the basis that they advance two inherently contradictory positions regarding pole attachments and other rights-of-way. On the one hand, stated CTAG, BellSouth proposed that rates currently in effect in numerous license agreements and interconnection agreements be used as permanent rates. (CTAG

Brief at 1, citing BST witness Scheye Direct at 18, Tr. 95.) However, BellSouth also proposed that, pending completion of the FCC rulemaking on pole attachments,²¹ the Commission may designate new rates and that this potential change in rates could be defined in the Commission's order. (Scheye Direct at 19, Tr. 96.) BellSouth's cost study calculated a recurring annual cost of \$20.46 per foot for access to poles, \$0.56 per foot for access to conduit, and \$0.44 per foot for access to inner duct. The CTAG pointed out that BellSouth's proposed cost calculations suggest an increase of 387 percent over BellSouth's current tariffed rates for access to poles at \$4.20 per foot per year, according to the FCC's formula. (CTAG Brief at 2.) The CTAG cited the testimony of Ms. Kravtin who calculated two different sets of cost results to compare with the BellSouth analysis, both of which resulted in dramatically lower cost calculations. (CTAG Brief at 7-9, citing Kravtin Testimony at 22-29, Tr. 2247-2254.)

According to the CTAG, BellSouth's cost study contained several errors in input assumptions underlying the calculation of usable and non-usable space on the pole. The CTAG contended that there is no basis in support of these key input assumptions. Moreover, the CTAG argued that BellSouth's attribution of unusable space directly conflicts with Section 224(e)(2)(3) of the 1996 Act, which provides that "a utility shall apportion the cost of providing space on a pole, duct, conduit, or right-of-way other than the usable space among entities so that such apportionment equals two-thirds of the costs of providing space other than the usable space that would be allocated to such entity under an equal apportionment of such costs among all attaching entities." The CTAG stated that BellSouth's cost study improperly apportioned 100 percent of the costs of unusable space among attaching entities, and furthermore would revise the costs prior to the FCC's planned schedule. The BellSouth formula also differs from the FCC's proposed pole attachment formula with respect to the 40 inches of safety space required under the National Electric Safety code ("NESC Clearance") as unusable space. (CTAG Brief at 4-7.)

The CTAG urged the Commission to continue to rely on the rates and terms established according to the FCC formula, rather than adopt the rates suggested by the BellSouth cost study. This formula has stood the test of time, the CTAG argued, conforms with the mandates of the 1996 Act, and promotes competition, as will any successor FCC formula that becomes applicable. (CTAG Brief at 10-11.) The FCC's current formula in setting the maximum rate for pole attachments multiplies the net (investment) cost of a bare pole by the percentage of usable space that an attachment occupies on an average pole (*i.e.*, the ratio of space occupied by the attachment to total usable space on the pole). Total usable space on the pole is defined as the space on the utility pole above the minimum grade level that is usable for the attachment of lines, cables, and related equipment. The FCC has developed over the years a number of presumptions used in the formula's calculation, including the ratio of space occupied by the attachment to total usable space, which is

²¹ Mr. Scheye's direct testimony (at 19) referenced the FCC's Notice of Proposed Rulemaking (NPRM) issued March 14, 1997 (CS Docket 97-98); Tr. 96. The FCC subsequently issued a NPRM on August 12, 1997 in CS Docket 97-151 regarding pole attachment matters incorporated by reference the comments filed in response to the NPRM cited by Mr. Scheye.

the key determining factor of the maximum rate. (CTAG Brief at 2-3, citing Kravtin Rebuttal at 8, Tr. 2233, and FCC NPRM, CS Docket 97-98, March 14, 1997, at ¶ 8 citing 47 C.F.R. § 1.14004, and FCC NPRM, CS Docket 97-151, August 12, 1997, at ¶ 16 citing Second Report and Order, 72 FCC at 69, 47 C.F.R. § 1.1402(c).) The CTAG concluded that the matter of pole attachment costs is most efficiently and fairly dealt with by the FCC, but if the Commission takes jurisdiction over pole attachment costs, that it should reject BellSouth's faulty analysis and instead adopt a formula and underlying input values that are fully consistent with those adopted by the FCC.

Discussion

The Commission concludes that it is most appropriate to adopt the current pole rental rate according to the FCC formula, which produces a rate of \$4.20 per foot per year. The Commission is cognizant that the FCC is reviewing potential revisions to the current pole attachment formula applicable to telecommunications carriers, pursuant to the 1996 Act, and released a NPRM on August 12, 1997 in CS Docket 97-151 proposing revisions that would permit the incumbent LEC to apportion costs among attaching entities so that each entity is allocated two-thirds of the amount it would be allocated under an equal apportionment of the costs of usable space among all entities attaching. The revisions are not to become effective until February 8, 2001, and any subsequent increases in rates for pole attachments would be phased in with equal annual increments over a period of five years. In the meantime, the current FCC formula has proven to be a reasonable, cost-based approach to setting pole rates.

The Commission accepts the remaining rates proposed in this docket by BellSouth with respect to access to poles, ducts, conduits, and rights-of-way. However, the Commission notes that the rate for dark fiber as an unbundled network element must be charged on a per-foot basis, and not limited to charging on a per-mile basis, consistent with the Commission's previous rulings (e.g. Dockets No. 6801-U and 6865-U) regarding rate design for this element.

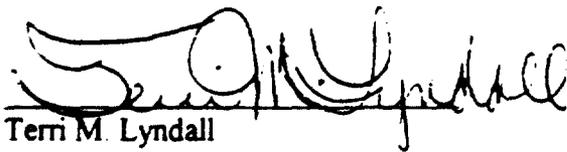
IV. CONCLUSION AND ORDERING PARAGRAPHS

The Commission finds and concludes that the rates, terms and conditions as discussed in the preceding sections of this Order should be adopted for the interconnection with and unbundling of BellSouth's telecommunications services in Georgia, pursuant to Sections 251 and 252 of the Telecommunications Act of 1996 and Georgia's Telecommunications and Competition Development Act of 1995. These will result in a balanced set of rates and charges for BellSouth's interconnection including collocation, unbundled network elements, and access to poles, ducts, conduits, and rights-of-way.

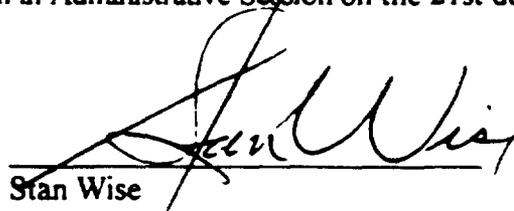
WHEREFORE THE COMMISSION ORDERS that:

- A. The cost-based rates determined by the Commission in the preceding sections of this Order, and set forth in the Price Schedule in Appendix A hereto, are established as the rates for BellSouth's interconnection, collocation, access to poles, ducts, conduits, and rights-of-way, and unbundled network elements. BellSouth shall submit such compliance filings as are necessary to reflect and implement the rates established by this Order.
- B. Following its implementation of long-term electronic interfaces for OSS functions that were scheduled for the end of December 1997, BellSouth shall submit a detailed report of its electronic interface costs for the Commission's review.
- C. All statements of fact, law, and regulatory policy contained within the preceding sections of this Order are hereby adopted as findings of fact, conclusions of law, and conclusions of regulatory policy of this Commission.
- D. A motion for reconsideration, rehearing or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.
- E. Jurisdiction over these matters is expressly retained for the purpose of entering such further Order or Orders as this Commission may deem just and proper.

The above by action of the Commission in Administrative Session on the 21st day of October, 1997.



Terri M. Lyndall
Executive Secretary



Stan Wise
Chairman

December 16, 1997

Date

12-16-97

Date

GEORGIA PUBLIC SERVICE COMMISSION									
DOCKET NO. 7061-U - APPENDIX A TO ORDER ESTABLISHING COST-BASED RATES (ISSUED DECEMBER 16, 1997)									
Cost Element				Recurring	Non		Non-Recurring		Subsequent
					Recurring	Final	Additional	Initial	
A.0	Unbundled Local Loop								
A.1	2-Wire Analog Voice Grade Loop								
A.1.1	2-Wire Analog Voice Grade Loop - Service Level 1			\$18.51		\$42.54	\$31.33		
A.1.2	2-Wire Analog Voice Grade Loop - Service Level 2			\$19.57		\$104.17	\$78.10		
A.1.3	2-Wire Analog Voice Grade Loop - Service Level 1 - Manual Order Coordination					\$38.48	\$38.48		
A.1.4	2-Wire Analog Voice Grade Loop - Service Level 1 - Order Coordination for Specified Conversation Time					\$34.22			
A.1.5	2-Wire Analog Voice Grade Loop - Service Level 2 - Order Coordination for Specified Conversation Time					\$34.22			
A.2	Sub-Loop 2-Wire Analog								
A.2.1	Loop Feeder Per 2-Wire Analog Voice Grade Loop			\$8.58		\$208.44	\$170.05		
A.2.2	Loop Distribution Per 2-Wire Analog Voice Grade Loop			\$8.12		\$207.01	\$171.32		
A.2.3	Loop Concentration - Channelization System - (Outside C.O.)			\$313.11		\$851.23	\$284.88		
A.2.4	Loop Concentration - Remote Terminal Cabinet (Outside C.O.)			ICB					
A.2.5	Loop Concentration - Remote Channel Interface - 2-Wire Voice Grade (Outside C.O.)			\$0.8838		\$8.41	\$8.38		
A.2.6	NID Per 2-Wire Analog Voice Grade Loop			\$1.10		\$2.10	\$2.10		
A.2.7	Loop Concentration - Channelization System - Incremental Cost - Manual Svc Order vs. Electronic					\$18.84	\$8.42		
A.2.8	Sub-Loop Feeder - Order Coordination for Specified Conversation Time					\$34.22			
A.2.9	Sub Loop Distribution - Order Coordination for Specified Conversation Time					\$34.22			
A.3	Loop Channelization and Co-Interface (Inside CO)								
A.3.1	Loop Channelization System - Digital Loop Carrier			\$281.78		\$308.13	\$78.33		
A.3.2	CO Channel Interface-2-Wire Voice Grade			\$0.8018		\$20.87	\$20.74		
A.3.3	Loop Concentration - Channelization System - Incremental Cost - Manual Svc Order vs. Electronic					\$18.84	\$8.42		
A.4	4-Wire Analog Voice Grade Loop								
A.4.1	4-Wire Analog Voice Grade Loop			\$25.88		\$208.85	\$170.57		
A.4.2	NID Per 4-Wire Analog Voice Grade Loop			\$1.21		\$2.10	\$2.10		
A.4.3	4-Wire Analog Voice Grade Loop - Order Coordination for Specified Conversation Time					\$34.22			
A.5	2-Wire ISDN Digital Grade Loop								
A.5.1	2-Wire ISDN Digital Grade Loop			\$25.43		\$233.38	\$180.35		
A.5.2	NID Per 2-Wire ISDN Digital Grade Loop			\$1.10		\$2.10	\$2.10		
A.5.3	2-Wire ISDN Digital Grade Loop - Order Coordination for Specified Conversation Time					\$34.22			
A.6	2-Wire Asymmetrical Digital Subscriber Line (ADSL) Compatible Loop								
A.6.1	2-Wire Asymmetrical Digital Subscriber Line (ADSL) Compatible Loop			\$13.05		\$358.73	\$325.15		
A.6.2	NID Per 2-Wire Asymmetrical Digital Subscriber Line (ADSL) Loop			\$1.10		\$2.10	\$2.10		

Cost Element			Recurring	Non Recurring	First	Non-Additional	Subsequent
A.6.3	2-Wire AD8L Loop - Order Coordination for Specified Conversion Time				\$34.22		
A.7	2-Wire High Bit Rate Digital Subscriber Line (HDSL) Compatible Loop						
A.7.1	2-Wire High Bit Rate Digital Subscriber Line (HDSL) Compatible Loop		\$9.15		\$359.73	\$325.15	
A.7.2	ND Per 2-Wire High Bit Rate Digital Subscriber Line (HDSL) Loop		\$1.10		\$2.10	\$2.10	
A.7.3	2-Wire HDSL Loop - Order Coordination for Specified Conversion Time				\$34.22		
A.8	4-Wire High Bit Rate Digital Subscriber Line (HDSL) Compatible Loop						
A.8.1	4-Wire High Bit Rate Digital Subscriber Line (HDSL) Compatible Loop		\$12.07		\$378.86	\$344.28	
A.8.2	ND Per 4-Wire High Bit Rate Digital Subscriber Line (HDSL) Loop		\$1.21		\$2.10	\$2.10	
A.8.3	4-Wire HDSL Loop - Order Coordination for Specified Conversion Time				\$34.22		
A.9	4-Wire DS1 Digital Loop						
A.9.1	4-Wire DS1 Digital Loop		\$84.52		\$428.88	\$288.18	
A.9.2	4-Wire DS1 Loop - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
A.9.3	4-Wire DS1 Loop - Order Coordination for Specified Conversion Time				\$34.52		
A.10	4-Wire 56 or 64 Kbps Digital Grade Loop						
A.10.1	4-Wire 56 or 64 Kbps Digital Grade Loop		\$28.82		\$348.55	\$241.20	
A.10.2	ND Per 4-Wire 56 or 64 Kbps Digital Grade Loop		\$1.21		\$2.10	\$2.10	
A.10.3	4-Wire 56 or 64 Kbps Digital Grade Loop - Order Coordination for Specified Conversion Time				\$34.22		
A.11	Unbundled Loops - Incremental Cost - Manual Svc Order vs. Electronic						
A.11.1	Unbundled 2-Wire Loops - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
A.11.2	Unbundled 4-Wire Loops (Excluding DS1) - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
A.11.3	ND Per 2-Wire Loops - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
A.11.4	ND Per 4-Wire Loops - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
B.0	Unbundled Local Exchange Ports and Features						
B.1	Exchange Ports [All vertical features are included in port charge]						
B.1.1	Exchange Ports - 2-Wire Analog Line Port (Res., Bus.)		\$1.85		\$17.16	\$17.16	
B.1.2	Exchange Ports - 4-Wire Voice Grade Port		\$8.47		\$17.16	\$17.16	
B.1.3	Exchange Ports - 2-Wire DID Port		\$11.35		\$61.91	\$61.91	
B.1.4	Exchange Ports - 4-Wire DID Port		\$120.80		\$89.44	\$52.48	
B.1.5	Exchange Ports - 2-Wire ISDN Port		\$13.47		\$47.37	\$47.37	
B.1.6	Exchange Ports - 4-Wire ISDN DS1 Port		\$163.16		\$168.80	\$168.80	
B.1.7	Exchange Ports - 2-Wire Analog Line Port (P&S)		\$1.85		\$17.16	\$17.16	
B.1.8	Exchange Ports - Coin Port		\$2.05		\$17.16	\$17.16	
B.1.9	Exchange Ports - 2-Wire Analog Line Port (Res., Bus.) - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
B.1.10	Exchange Ports - 4-Wire Analog Voice Grade Port - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
B.1.11	Exchange Ports - 2-Wire DID Port - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
B.1.12	Exchange Ports - 4-Wire DID Port - Incremental Cost - Manual Svc Order vs. Electronic				\$18.84	\$8.42	
B.1.13	Exchange Ports - 2-Wire ISDN Port - Incremental Cost - Manual Svc Order vs. Electronic				\$39.86	\$39.86	

Code Element	Recurring	Non Recurring	First	Additional	Initial	Subsequent
B.1.14			\$37.89	\$37.89		
B.1.15			\$18.94	\$8.42		
B.1.16			\$18.94	\$8.42		
C.0						
C.1						
C.1.1						
C.1.2						
C.2						
C.2.1						
C.2.2						
D.0						
D.1						
D.1.1						
D.1.2						
D.2						
D.2.1						
D.2.2						
D.2.3						
D.3						
D.3.1						
D.3.2						
D.3.3						
D.4						
D.4.1						
D.4.2						
D.4.3						
D.5						
D.5.1						
D.5.2						
D.5.3						
D.5.4						
D.5.5						
D.5.6						
E.0						

Cost Element					Recurring	Non-Recurring	Additional	Final	Subsequent
E.1	800 Access Ten Digit Screening								
E.1.1	800 Access Ten Digit Screening, Per Call				\$0.0004868				
E.1.2	800 Access Ten Digit Screening, Reservation Charge Per 800 Number Reserved						\$9.57		
E.1.3	800 Access Ten Digit Screening, Per 800 # Established W/O POTS Translations						\$12.81	\$1.45	
E.1.4	800 Access Ten Digit Screening, Per 800 # Established With POTS Translations						\$12.81	\$1.45	
E.1.5	800 Access Ten Digit Screening, Customized Area of Service Per 800 Number						\$4.46	\$2.23	
E.1.6	800 Access Ten Digit Screening, Multiple IntLATA CAR Routing Per CAR Requested Per 800 #						\$5.22	\$2.99	
E.1.7	800 Access Ten Digit Screening, Change Charge Per Request						\$7.33	\$0.78	
E.1.8	800 Access Ten Digit Screening, Call Handling and Destination Features					\$4.72	\$4.46		
E.1.9	800 Access Ten Digit Scng, Reserva Chng Per 800 # Reserved-Incm Cost-Manual Svc Order vs. Electr						\$18.94		
E.1.10	800 Access Ten Digit Scng, Per 800 # Eefld w/o POTS Transl -Incm Cost-Manual Svc Order vs. Electr						\$18.94		
E.1.11	800 Access Ten Digit Scng, Per 800 # Eefld with POTS Transl -Incm Cost-Manual Svc Order vs. Electronic						\$18.94		
E.1.12	800 Access Ten Digit Scng, Chng Chrg/Request-Incm Cost-Manual Svc Order vs. Electronic						\$18.94		
E.2	Line Information Data Base Access (LIDB)								
E.2.1	LIDB Common Transport Per Query				\$0.0000338				
E.2.2	LIDB Validation Per Query				\$0.0105974				
E.2.3	LIDB Originating Point Code Establishment or Change					\$50.30			
E.2.4	LIDB Incremental Cost-Manual Svc Order vs. Electronic					\$18.94			
E.3	CCS7 Signaling Transport								
E.3.1	CCS7 Signaling Connection, Per 56Kbps Facility				\$17.05	\$131.86			
E.3.2	CCS7 Signaling Termination, Per STP Port				\$133.99				
E.3.3	CCS7 Signaling Usage, Per Call Setup Message				\$0.0000354				
E.3.4	CCS7 Signaling Usage, Per TCAP Message				\$0.0000870				
E.3.5	CCS7 Signaling Usage Surrogate, Per 56Kbps Facility, Per LATA Per Month				\$340.67				
E.3.6	CCS7 - Incremental Cost - Manual Svc Order vs. Electronic					\$18.94			
F.0	Operational Support Systems (Account Establishment Charge)					\$200.00			
F.1	Operational Support Systems								
F.1.1	OSS Electronic Interface, Per First 1,000 Orders				\$500.00				
F.1.2	OSS Electronic Interface, Next 1,000 Orders				\$110.00				
G.0	Operator Services and Directory Assistance								
G.1	Operator Call Processing								
G.1.1	Oper. Call Processing - Oper. Provided Cost Per Min. - Using BST LIDB				\$0.9680266				
G.1.2	Oper. Call Processing - Oper. Provided Cost Per Min. - Using Foreign LIDB				\$1.02				
G.1.3	Oper. Call Processing - Fully Automated Cost Per Call - Using BST LIDB				\$0.0778408				
G.1.4	Oper. Call Processing - Fully Automated Cost Per Call - Using Foreign LIDB				\$0.0978884				
G.1.5	Loading Expenses Per Announcement For Branded Announcement						\$253.67	\$253.67	
G.1.6	Recording Expense Per Announcement for Branded Announcement						\$17.54	\$17.54	