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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
REBUTTAL TESTIMONY OF A. WAYNE GRAY  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
FEBRUARY 16, 2004

In my rebuttal testimony, I respond to the direct testimonies of Mr. Jay M. Bradbury and Mr. Mark David Van De Water on behalf of AT&T Communications of the Southern States, LLC. ("AT&T") and Mr. James D. Webber on behalf of MCImetro Access Transmission Services, LLC and MCI WORLDCOM Communications, Inc. ("MCI"), as to their speculations that Competing Local Providers ("CLPs") may be impaired from serving their mass market customers as facilities-based providers due to a lack of available Incumbent Local Exchange Carrier ("ILEC") collocation space in any mass markets in North Carolina.

I point out that collocation space is currently available in all of BellSouth's central offices in North Carolina, except one (the Charlotte – Old Dowd central office). The fact that these CLPs (and others) have chosen not to collocate in all of the BellSouth central offices that serve their UNE-P (unbundled loop and port) customers is irrelevant in the context of this proceeding. CLPs have had, and will continue to have, little incentive to collocate their equipment in BellSouth's central offices or request enhanced extended loops ("EELS"), as long as BellSouth is required to provide unbundled local switching.

1 I also address the CLPs' concerns regarding the timeliness of provisioning collocation  
2 space in accordance with Commission-approved performance measurements, the  
3 applicability of BellSouth's collocation rates approved by this Commission, the ability of  
4 CLPs to access their collocation arrangements pursuant to the terms and conditions  
5 contained in their interconnection agreements, and BellSouth's excellent results with  
6 respect to the collocation performance measurements adopted by this Commission.

7  
8 In addition, my testimony discusses alternatives to collocation, such as EELs, assembly  
9 points and co-carrier cross connections, which can be used to migrate existing UNE-P  
10 mass market customers to UNE-L (unbundled loops).

11  
12 I also clarify BellSouth's obligations, pursuant to the FCC's Rules, regarding the  
13 provisioning of co-carrier cross-connections ("CCXCs") between two different CLPs  
14 collocated in the same central office, and describe BellSouth's new CCXC tariff offering  
15 in BellSouth's FCC Tariff No. 1, which is now available for ordering by the CLPs.

16  
17 Finally, I explain clearly what AT&T's issue is in regard to the use of multiple company  
18 codes for ordering DS0 loops into collocation sites with different Access Customer  
19 Name Abbreviations ("ACNAs"), that have been acquired by AT&T, but never  
20 transitioned to AT&T's "ATX" ACNA. I also describe BellSouth's policy of rejecting DS0  
21 assignments from CLPs, that do not own the collocation space, to ensure that the CLP's  
22 assets/property are properly protected from unauthorized assignments, and the means  
23 by which CLPs may order wholesale switching from other CLPs.

24  
25 This concludes my summary.

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1 BELLSOUTH TELECOMMUNICATIONS, INC.

2 REBUTTAL EXECUTIVE SUMMARY OF ALFRED A. HEARTLEY, Clerk's Office

N.C. Utilities Commission

3 BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

4 FEBRUARY 16, 2004

5

6 My name is Alfred A. Heartley and my business address is 754  
7 Peachtree Street, Atlanta, Georgia 30308. My title is General  
8 Manager - Wholesale Performance and Regional Centers. I  
9 graduated from North Carolina State University in 1971 with a BS  
10 Degree in Applied Mathematics. I have over 32 years experience  
11 in the telecommunications industry working for BellSouth.

12

13 The Purpose of my rebuttal testimony is to respond to portions  
14 of the direct testimonies of Mr. James D. Webber on behalf of  
15 MCI and Mr. Mark David Van de Water on behalf of AT&T regarding  
16 the batch hot cut process.

17

18 Mr. Webber describes what he calls "the potentially chaotic  
19 situation" that could result when multiple technicians work on  
20 the main distributing frame(MDF). BellSouth has determined the  
21 number of technicians that can work simultaneously on a MDF.  
22 BellSouth intends to schedule the appropriate number of  
23 technicians of different shifts over a 24-hour period to prevent  
24 a "chaotic situation" on the MDF.

1 Mr. Van de Water extrapolates some technician work times in his  
2 direct testimony in an effort to show that BellSouth cannot  
3 handle anticipated volumes of UNE-P to UNE-L conversions and  
4 UNE-L growth to create meaningful UNE competition. My rebuttal  
5 testimony addresses the UNE volumes that BellSouth can handle  
6 based on projections in BellSouth's "worst-case" force model. I  
7 also address unmanned central offices and how BellSouth will  
8 work the UNE load in these offices as well as the dispatches  
9 required when integrated digital loop carrier (IDLC) is involved  
10 in a hot cut.

11

12 In summary, BellSouth Network Services will address any concerns  
13 that the CLPs have regarding our ability to handle the hot cut  
14 process.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY OF MILTON MCELROY JR.  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
FEBRUARY 16, 2004

The purpose of my testimony is to demonstrate that BellSouth's Batch Migration Process of Unbundled Network Element Platform ("UNE-P") service to unbundled loop ("UNE-L") service is both seamless and effective as required by the Triennial Review Order (TRO), as well as describe how BellSouth's Mass Migration process exceeds the requirements of the TRO.

Through the testing conducted by PwC, BellSouth has demonstrated that its Bulk Migration Process of UNE-P service to UNE-L service is both seamless and effective. The test corroborates the testimony of BellSouth's witness, Mr. Ken Ainsworth, that BellSouth provides a proven, seamless, high quality individual hot cut process to handle the UNE-L volumes that would likely result if BellSouth were to obtain full relief from unbundled circuit switching; and that BellSouth provides a batch hot cut process that offers additional ordering and provisioning efficiencies to enhance the same proven, seamless, quality migrations that are currently associated with individual hot cuts. This process will sufficiently support the batch conversion of a Competitive Local Provider's ("CLP's") embedded UNE-P customer base to UNE-L services.

Additionally, BellSouth has developed yet another efficient batch process option to speed the conversion from UNE-P to UNE-L as required by the TRO. The Mass

1 Migration Conversion Process has been developed with a specific purpose – to convert  
2 large numbers of CLP UNE-P facilities to CLP switching with minimal CLP involvement  
3 in the individual cutovers. To that end, the Mass Migration process is designed for  
4 UNE Zones cut by Component Economic Areas where relief for switching is granted.  
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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
REBUTTAL TESTIMONY OF W. KEITH MILNER  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
February 16, 2004

In my rebuttal testimony, I respond to the direct testimonies of Mr. Jay M. Bradbury and Mr. Steven E. Turner on behalf of AT&T Communications of the Southern States, LLC. ("AT&T"), as to their characterizations that Competing Local Providers ("CLPs") are impaired from entering the market as a facilities-based provider due to the inefficient Incumbent Local Exchange Carrier's ("ILEC's") network architecture.

I point out that during recent proceedings regarding the CLPs' eligibility for reciprocal compensation for tandem switching, CLPs uniformly argued that: (1) their switches covered very large stretches of geography; and (2) the CLP's architecture of choice featuring fewer switches and shorter loops as compared to incumbents' networks yielded significant benefits and that it is somewhat ironic that the network characteristic that these CLPs touted as advantageous in order to obtain greater compensation from BellSouth now suddenly constitutes grounds for CLP claims of "impairment."

*In addition, I also refute allegations surrounding issues such as Integrated Digital Loop Carrier ("IDLC"), Digital subscriber Line ("DSL"), and collocation requirements.*

Finally, I will respond to the flawed cost study done by AT&T implying that in the

1 absence of unbundled local switching, CLPs face practically insurmountable cost  
2 disadvantages relative to the ILECs if Unbundled Network Element Loops ("UNE-Ls")  
3 used in conjunction with their own (or a third party provider's) switching is the sole  
4 option for providing local services to mass market customers. In summary, once  
5 corrections are made to the assumptions used by AT&T, any cost "disadvantage" is  
6 much smaller than AT&T anticipated and thus does not impair a CLP's ability to  
7 compete.

8

9 This concludes my summary.

10

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1                   BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
2                                   DOCKET NO. P-100, SUB 133Q  
3                   Executive Summary of the Rebuttal Testimony of Ronald M. Pate  
4                   of BellSouth Telecommunications, Inc., filed on February 16, 2004

5  
6   My rebuttal testimony addresses certain issues contained in the direct testimony filed on January  
7   9, 2004, by Mark David Van de Water of AT&T Communications of the Southern States, LLC  
8   ("AT&T") and Sherry Lichtenberg of MCI WorldCom and MCI Metro ("MCI"). I address the  
9   following points related to the ordering of batch migrations, flow-through, the LFACS database,  
10  local number portability, and CLP-to-CLP migrations:

- 11       • My testimony explains that BellSouth implemented the change request for UNE-to-UNE  
12       batch migration as AT&T requested: a batch electronic ordering process with project-  
13       managed provisioning. When the process was implemented it provided for either  
14       coordinated or non-coordinated hot cuts, rather than AT&T's suggestion that BellSouth  
15       provision the cuts during the weekends. Nevertheless, BellSouth has agreed to add  
16       Saturday cutovers. Thus, AT&T's complaint is now moot.
- 17       • My testimony explains that although it has not agreed to establish a formal collaborative  
18       at this juncture, because of the CLPs' the position on the manual provisioning of hot cuts,  
19       BellSouth has welcomed specific proposals for changes and improvements to this or any  
20       other process that would benefit the CLPs and BellSouth. Despite the fact that the CLPs  
21       have not yet submitted any such change requests through the CCP, BellSouth has agreed  
22       to incorporate many changes, based on what it has heard during various workshops, into  
23       its already seamless and effective process for batch migrations.
- 24       • My testimony rebuts AT&T's and MCI's claims that BellSouth's flow-through  
25       performance is deficient, and that its systems cannot handle increased volume.

1 BellSouth's flow-through has improved steadily since 2002, when its last 271 application  
2 was approved, most strongly for residence resale and UNE-P. BellSouth has initiatives  
3 underway to improve flow-through for the other segments, such as LNP. As a result,  
4 BellSouth is already seeing improvement to the flow-through rate for LNP. Further,  
5 commercial volume demonstrates that BellSouth has scaled its electronic ordering OSS to  
6 meet current demands.

- 7 • My testimony corrects AT&T's mischaracterization of the data provided by BellSouth in  
8 responses to interrogatories served earlier on BellSouth. AT&T's requested that  
9 BellSouth provide the percent of migration orders (LSRs that converted service to UNE-  
10 L and UNE-P) that were fully mechanized as compared to the total number of LSRs  
11 submitted – including both electronic and manual submissions. AT&T did not ask for  
12 flow-through percentages, and BellSouth was very clear in its responses as to what the  
13 numbers did and did not represent, and the numbers did not represent flow-through.
- 14 • My testimony rebuts MCI's allegations that BellSouth's loop makeup databases contain  
15 inaccurate data and should be audited. The LFACS database is also the primary source of  
16 BellSouth's loop data. Any inaccuracies negatively affect BellSouth equally.  
17 Consequently, it is in BellSouth's best interest to ensure that LFACS remains very  
18 accurate. Inaccuracies, when they do occur, are typically associated with detailed loop  
19 makeup data, not assignment data. BellSouth is continuously updating and/or populating  
20 loop makeup data in LFACS, thus improving LFACS database on a daily basis.
- 21 • My testimony explains that BellSouth allows CLPs to reserve spare copper facilities  
22 when migrating customers, despite comments by MCI. Using the manual or mechanized  
23 loop makeup process, CLPs have the option to search for spare pairs without reserving  
24 them or to search for spare pairs and simultaneously reserve the facilities, if available.  
25 BellSouth returns a facility reservation number during the loop makeup transaction,

1           which the CLP places on the local service request. Thus, CLPs are able to determine not  
2           only that spare facilities exist, but that spare qualified facilities exist, before issuing the  
3           LSR.

4           • My testimony explains that there is no basis for MCI's concern regarding the NPAC's  
5           ability to handle the volumes of number portability transactions that would occur in a  
6           market based on UNE loops. NeuStar is the administrator of NPAC, not BellSouth.  
7           NeuStar is contractually obligated to handle industry-wide portability volumes regardless  
8           of the product. The NPAC has successfully met the increased transaction demand from  
9           BellSouth, which supports NeuStar by providing forecast information.

10          • My testimony will demonstrate that AT&T's and MCI's issues related to CLP-to-CLP  
11          migrations have nothing to do with BellSouth's already seamless and effective hot cut  
12          process. Rather, they are issues related to the CLPs' transactions with each other, and  
13          their apparent inability to cooperate with each other. After a CLP has established service  
14          to an end user with UNE-L, the CLP maintains its own records. Consequently, the CLPs  
15          should be sharing such information with each other, using fully-integratable, machine-to-  
16          machine electronic interfaces.

17          • My testimony discusses that two collaboratives are already appropriately handling CLP-  
18          to CLP issues. The "end user migration" collaborative is part of the Telecommunications  
19          Competitive Interests Forum under the auspices of the Florida Public Service  
20          Commission. The participants plan to use the rules established in Florida as guidelines  
21          for establishing rules throughout BellSouth's region. Also, the Ordering and Billing  
22          Forum, the industry standards organization, is holding a multi-provider collaborative.

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**BELLSOUTH TELECOMMUNICATIONS, INC.**  
**BEFORE THE**  
**NORTH CAROLINA UTILITIES COMMISSION**  
**DOCKET NO. P-100, Sub 133q**  
**SUMMARY OF REBUTTAL TESTIMONY OF**  
**DR. CHRISTOPHER JON PLEATSIKAS**

My rebuttal testimony responds to the economic arguments regarding market definition made by Dr. Mark T. Bryant on behalf of MCI and Mr. Joseph Gillan on behalf of CompSouth.

Dr. Bryant's submits that the *individual customer location* is the market but that for administrative practicality, the Commission may seek to use wire centers. Dr. Bryant's customer location definition is not supportable as a matter of economics because it ignores a critically important factor in determining *geographic markets*, namely "substitutability in supply." This means that even if an individual wants a service delivered to a particular location, firms that serve other, proximate, areas may be willing to serve that particular area. In such cases, the relevant geographic market is wider than the individual customer location. It should be obvious that the individual customer location in no way provides an adequate definition of the geographic market, nor is it consistent with the FCC's guidance that the market not be defined so narrowly so that a competitor serving that market alone would not be

1           able to take advantage of available scale and scope economies from serving a wider  
2           market.

3  
4           The use of wire centers as the basis for defining individual geographic markets is  
5           does not comport with relevant economic principles or the FCC's guidance. Such  
6           an approach does not reflect factors, such as mass-market advertising, that affect  
7           substitutability in supply. As a result, a firm that is considering entry into a single  
8           wire center may find such entry to be unprofitable given all of the costs of entry. In  
9           contrast, it may find that entry into a broader market would be profitable. In other  
10          words, by failing to account for *any* of the economic factors that would contribute  
11          to a wider definition of the market (such as mass-market advertising), and  
12          (possibly) because he begins his analysis with an erroneous theory that the  
13          individual consumer constitutes a market, Dr. Bryant erroneously arrives at a far  
14          too narrow market definition. Dr. Bryant also contends that because some costs  
15          may vary across wire centers, markets do not span multiple wire centers. It may be  
16          true that some costs may vary across wire centers, but cost variation is endemic  
17          within markets. Thus, cost variation within a geographic market is not a sufficient  
18          condition for dividing that area into different markets.

19  
20          A more balanced approach to market definition considers the factors that affect  
21          demand- and supply-side substitutability, including factors that contribute to the

1 capture by CLPs of scale and scope economies over an area generally wider than  
2 the individual wire center.

3  
4 For his part, Mr. Gillan does not provide any economically-based guidance to the  
5 Commission. Mr. Gillan advocates that the market definition should reflect the  
6 “competitive signature of UNE-P,” which is an approach that is not consistent with  
7 the economic principles associated with defining relevant markets. There is no  
8 economic basis for defining markets merely by evaluating the particular  
9 competitive entry strategies (in this case, UNE-P) of individual firms.

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1 Bellsouth Telecommunications, Inc.  
2 EXECUTIVE SUMMARY  
3 REBUTTAL TESTIMONY OF JOHN A. RUSCILLI  
4 BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
5 DOCKET NO. P-100, SUB 133q  
6 FEBRUARY 16, 2004  
7

8 My rebuttal testimony addresses numerous comments contained in the direct  
9 testimony filed by other witnesses in this proceeding on January 9, 2004. Specifically, I  
10 address portions of the testimony of Mr. Joseph Gillan representing CompSouth, Dr.  
11 Mark T. Bryant, Mr. James D. Webber, and Ms. Sherry Lichtenberg representing MCI  
12 WorldCom Communications, Inc. and MCIMetro Access Transmission Services, LLC  
13 ("MCI") and Mr. Stephen E. Turner and Mr. Mark D. Van de Water representing AT&T  
14 Communications of the Southern States, LLC ("AT&T"). I address the following points:

15 (1) BellSouth reiterates the intent of the FCC's Triennial Review Order<sup>1</sup> that state  
16 commissions conduct a granular analysis of markets within the state, as opposed  
17 to Mr. Gillan's interpretation that the state's role is simply to confirm that there  
18 are no exceptions to the FCC's national finding of impairment with respect to  
19 mass market switching.

20 (2) Contrary to Mr. Gillan's recommendation, it is neither necessary nor appropriate  
21 for this Commission to set market rates for switching network elements in  
22 markets where CLPs are no longer impaired.

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<sup>1</sup> *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, et al.*, CC Docket No. 01-338, et al., *Report and Order and Order on Remand an Further Notice of Proposed Rulemaking*, FCC 03-36, released August 21, 2003.

- 1 (3) Contrary to assertions by CompSouth and MCI, this Commission is not required  
2 to ensure that a statewide alternative to UNE-P is in place, but is required to  
3 determine that CLPs are not impaired in a market when either the self-  
4 provisioning or wholesale triggers are met or the market is found to be conducive  
5 to competitive entry.
- 6 (4) BellSouth disagrees with the CLPs' assertions that they cannot compete in North  
7 Carolina without UNE-P or that UNE-P encourages investment.
- 8 (5) I explain why MCI's choice of the wire center as the correct definition of  
9 geographic market is meaningless, and is, in fact, contrary to MCI's position in a  
10 previous proceeding BellSouth's proposal to use the individual UNE rate zones  
11 adopted by this Commission, subdivided into smaller areas using the Component  
12 Economic Areas ("CEAs"), represents a more appropriate definition of  
13 geographic markets.
- 14 (6) CompSouth and MCI recommend that a *de minimis* criterion be added to the  
15 triggers test by this Commission to determine whether a self-provisioning carrier  
16 can be "counted" for purposes of the test as to whether CLPs are not impaired in  
17 a given market. I explain that the *TRO* does not establish any size requirements  
18 or specific quantitative standard with regard to the triggers test.
- 19 (7) My testimony rebuts the CLPs' assertions that BellSouth's hot cut process is  
20 flawed. In the *TRO*, the FCC made a provisional national finding regarding hot  
21 cuts, but, at the same time, requested the state commissions to examine the issue  
22 more closely. The FCC held that the state commissions must adopt and  
23 implement a batch hot cut process within 9 months of the effective date of the  
24 *TRO*. The Commission's requirements are found not only in *TRO*, ¶423, but also

1 in the FCC rules at 47 C.F.R. 51.319(d)(2)(ii), which state “the state commission  
2 *shall...establish an incumbent LEC batch cut process...*”  
3 (8) My testimony explains that there is no requirement that the hot cut process mirror  
4 the seamless nature of UNE-P migrations and PIC changes, as advocated by  
5 AT&T and MCI. Contrary to AT&T’s contention, the FCC has already rejected  
6 AT&T’s proposal that the rate for hot cuts should be based on electronic loop  
7 provisioning. Finally, AT&T’s complaints that BellSouth’s North Carolina hot  
8 cut charges constitute an economic impairment to UNE-L should be seen for  
9 what it is – a ploy to perpetuate *UNE-P* rather than a serious complaint about the  
10 Commission’s rates for hot cuts.

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**EXECUTIVE SUMMARY OF MR. JAMES W. STEGEMAN  
ON BEHALF OF BELL SOUTH TELECOMMUNICATIONS, INC.  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NUMBER P-100, SUB 133Q**

**FEBRUARY 16, 2004**

My rebuttal testimony responds generally to AT&T witness Steven Turner and MCI witness, Dr. Mark T. Bryant. The BACE (BellSouth Analysis of Competitive Entry) model provides a granular analysis, considers CLP costs under a UNE-L strategy and allows consideration of an efficient CLP. I also filed a revised version of the BACE model with expanded optimization, corrected mileage, and a scenario that allows the user to view some of the intermediate BACE results. The BACE model provides this Commission with the appropriate tool and framework for performing the granular analysis set forth in the FCC's *Triennial Review Order* and should be utilized by this Commission.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
REBUTTAL TESTIMONY OF GARY TENNYSON  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
FEBRUARY 16, 2004

In my rebuttal testimony, I respond to the direct testimonies of Mr. James D. Webber on behalf of MCI, and Mr. Mark David Van de Water on behalf of AT&T with regard to Competing Local Providers' ("CLPs") proposal to mechanize the hot cut process.

My rebuttal testimony begins by discussing the Electronic Loop Provisioning ("ELP") process as to what it is, how long it would take to deploy ELP in BellSouth's region, and explaining why it is neither a viable option to consider or economically justified. In doing so, I point out that first, the existing manual hot cut process is reliable. Second, ELP cannot be justified based on its cost. Third, ELP is not the best architecture to enable Digital Subscriber Line ("DSL") and would impede DSL innovation.

Next, I describe the shortcomings of MCI's argument consisting of replacing the functionality of BellSouth's Main Distributing Frames ("MDFs") with certain automated cross-connect devices. The fact is that BellSouth is not aware of any manufacturer that offers a device of sufficient scale and complexity to replace large MDFs thereby making this solution not technically available.

I also describe the reasons why MCI's discussion of loop unbundling using GR-303-

1 compliant equipment is impractical; the fact that unbundled loops BellSouth provides  
2 CLPs meet appropriate technical standards and is not "technologically inferior" as  
3 alleged by AT&T, and why CLPs are able to benefit from Integrated Digital Loop Carrier  
4 ("IDLC") technology.

5

6 Finally, I respond to MCI's complaint regarding reduced modem speed often  
7 encountered in converting an end-user, currently served via IDLC, to an unbundled  
8 loop. I use the results of a technical trial that BellSouth conducted with ITC/Deltacom  
9 on this subject.

10

11 This concludes my summary.

12

13

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1 Bellsouth Telecommunications, Inc.  
2 REBUTTAL TESTIMONY OF ALPHONSO J. VARNER  
3 BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

4 FILED FEBRUARY 16, 2004

5 DOCKET NO. P-100 SUB 133Q

6  
7 **EXECUTIVE SUMMARY**

8  
9 My Rebuttal Testimony addresses various performance related issues  
10 raised by the MCI witnesses James Webber and Sherry Lichtenberg and  
11 AT&T witness Mark David Van De Water. The issues raised by these  
12 witnesses are largely anecdotal or are based on discussing "potential"  
13 problems that simply are not real problems. These witnesses frequently  
14 make broad allegations of existing problems, which the actual  
15 performance data contradict, and they take note of differences in  
16 processes that are not only expected, but fail to take equal note that the  
17 differences do not represent any problem at all.

18  
19 For example, with respect to the CLPs' tendency to focus on potential  
20 problems, Mr. Van De Water claims that the conversion from UNE-P to  
21 UNE-L will result in operational constraints because of the "significant  
22 blocking of trunks" that he argues is expected. As pointed out in my  
23 Rebuttal Testimony, BellSouth consistently performs at a very high level in  
24 providing CLPs with local trunking, meeting the trunk blocking criteria for  
25 all 12 months for the recent period of October 2002 to September 2003.

1 BellSouth is certainly committed to continue performing at a high level of  
2 service in providing local trunking to CLPs and Mr. Van De Water offers  
3 nothing in his Direct Testimony except the possibility of a problem.

4  
5 Regarding the second type of issue raised by the CLPs, based on  
6 allegations of existing problems that are actually not problems, there are  
7 several notable examples. First, Mr. Webber claims that regarding the  
8 provisioning of collocation space, "it is not uncommon to experience  
9 significant delays" in gaining access to this collocation space. This  
10 allegation is, however, contrary to the data. Specifically, BellSouth met  
11 100% of all collocation due dates in North Carolina from October 2002  
12 through September 2003.

13  
14 In this same manner, Mr. Van De Water alleges, with respect to UNE-L  
15 orders, substandard performance in returning Firm Order Confirmations  
16 (FOCs), failures related to scheduling hot cuts, erroneous disconnections  
17 of end users, and undue delay in reconnection. These claims are made  
18 despite the fact that for the period from October 2002 to September 2003:  
19 over 97% of the LSRs for UNE Loop orders (which includes hot cut  
20 orders) received a FOC within the intervals established by the  
21 Commission; BellSouth met the performance standard for 99% of the sub-  
22 metrics for the Average Completion Notice Interval measure; UNE Loops  
23 received more than 98% trouble-free service; and BellSouth met the  
24 performance standard 94% of the time for the Maintenance Average  
25 Duration measure. So, at every turn Mr. Van De Water's claims of poor

1 service are met by actual performance results that refute these claims.

2

3 Similarly, Ms. Lichtenberg alleges that because BellSouth's hot cut  
4 process includes some manual work this process often results in errors  
5 and delays. Yet she offers no evidence to support her allegation that the  
6 'process often results in errors and delays.' Again, the performance  
7 results contradict this claim. As pointed out in both my direct testimony  
8 and my rebuttal testimony, looking at the three primary hot cut  
9 measurements in North Carolina (Coordinated Customer Conversions,  
10 Hot Cut Timeliness, and Provisioning Troubles within 7 days of Cutover),  
11 BellSouth achieved the established standard on 100% of the sub-metrics  
12 over the 12-month period provided (October 2002 to September 2003).  
13 These results show Ms. Lichtenberg's comments to be unsubstantiated.

14

15 The final category of the CLPs' purported issues, namely cases where  
16 they identify expected differences in processes and claim that the  
17 differences are a problem, both Mr. Van De Water and Ms. Lichtenberg  
18 offer illustrations of this point. These two witnesses point out that the  
19 Order Completion Intervals for UNE-P and UNE-L are different, and on  
20 that basis conclude that UNE-L performance is inferior, implying that they  
21 are impaired as a result of the difference. These comparisons are invalid,  
22 as I pointed out in my Rebuttal Testimony, and do not indicate that CLPs  
23 are impaired due to the difference.

24

25

1           The real essence of what Mr. Van De Water and Ms. Lichtenberg allege is  
2           simply that it takes less time on average to complete UNE-P orders, which  
3           are predominantly orders requiring a records change only, and no physical  
4           work, than the time involved on average to complete UNE-L orders where  
5           some form of physical work is always required. The more important and  
6           relevant point, however, is that, as demonstrated by the data provided in  
7           my testimony, BellSouth consistently meets both the UNE-P and UNE-L  
8           standards established by this Commission for these two different  
9           functions.

10

11           *I have presented a few examples of the types of issues raised by the*  
12           CLPs in this proceeding relative to loop provisioning and the hot cut  
13           process, but these examples are representative of the unsubstantiated  
14           and speculative nature of the issues consistently raised by the CLPs. My  
15           testimony includes actual performance data, verified by independent third  
16           parties, which BellSouth provides to this Commission on a monthly basis  
17           for its review. These data provide the Commission with a demonstration  
18           of solid and consistent current performance from which the Commission  
19           may rightly infer that BellSouth will continue in the future to provide this  
20           high level of service.

21

**BELLSOUTH TELECOMMUNICATIONS, INC.'S  
SURREBUTTAL MATRIX SUMMARY OF POSITIONS  
DOCKET NO. P-100, SUB 133q**

<b>WITNESS</b>	<b>SUBJECT MATTER OF TESTIMONY</b>	<b>TRO DECISIONAL CRITERIA</b>
Kenneth L. Ainsworth	Hot cut processes	47 C.F. R. §51.319(d)(2)(ii)
Dr. Debra J. Aron	Potential deployment test	47 C.F. R. §51.319(d)(2)(iii)(B)
Randall S. Billingsley	Economic barriers to CLEC entry	47 C.F. R. §51.319(d)(2)(iii)(B)(3)
Eric Fogle	Hot cut processes	47 C.F. R. §51.319(d)(2)(ii)
A. Wayne Gray	Potential deployment test	47 C.F. R. §51.319(d)(2)(iii)(B)
Alfred A. Heartley	Hot cut processes	47 C.F. R. §51.319(d)(2)(ii)
Milton McElroy	Hot cut processes	47 C.F. R. §51.319(d)(2)(ii)
W. Keith Milner	Potential deployment test	47 C.F. R. §51.319(d)(2)(iii)(B)(3)
Ronald M. Pate	Hot cut processes	47 C.F. R. §51.319(d)(2)(ii)
Dr. Christopher Pleatsikas	Geographic market area	47 C.F. R. §51.319(d)(2)(i)
John A. Ruscilli	Policy issues	47 C.F.R. §51.319(d)(2)(i), (ii), and (iii)
James W. Stegeman	Economic Model – BellSouth's Analysis of Competitive Entry ("BACE")	47 C.F. R. §51.319(d)(2)(iii)(B)
Pamela A. Tipton	Local switching triggers	47 C.F. R. §51.319(d)(2)(iii)(A)
Alphonso J. Varner	Hot cut processes Potential deployment test	47 C.F. R. §51.319(d)(2)(ii) 47 C.F.R. §51.319(d)(2)(iii)(B)

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF KENNETH L. AINSWORTH  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

In my surrebuttal testimony, I respond to portions of the rebuttal testimonies of Mr. James D. Webber and Ms. Sherry Lichtenberg on behalf of MCI, and Mr. Mark David Van de Water on behalf of AT&T, with regard to BellSouth's hot cut processes. My surrebuttal testimony begins by addressing the Competing Local Providers' ("CLPs") criticism that BellSouth is unwilling to consider specific process changes proposed by the CLPs regarding the hot cut process. I respond that while the CLPs have chosen to make these criticisms via this docket as opposed to through operational channels, BellSouth has listened and in an effort to be responsive, agreed to make enhancements to its effective and seamless batch hot cut process.

Next, I respond to the CLPs' concerns regarding specifics of the batch hot cut process; specifically, hot cuts for Enhanced Extended Links ("EELs"), performing CLP-to-CLP migrations, web-based scheduling, same day cuts for end user accounts, interval reduction, a mechanized communication tool, SBC's process, window of time for cuts and after-hours/weekend cuts, and retail to UNE-L conversions.

I then address the CLPs' criticism as to the issue of scalability of the batch hot cut process and emphasize that BellSouth has a proven track record of staffing its centers

1 and network forces to accommodate changing and increasing loads and that  
2 BellSouth's force model accounts for different fallout rates

3

4 Next, I respond to the CLPs' argument that BellSouth does not demonstrate its ability to  
5 perform hot cuts at 'foreseeable' volumes by indicating that BellSouth has maintained  
6 high due date performance rates and given the fact that CLPs have the ability to use the  
7 batch migration process, which allows both the CLP and BellSouth extended intervals  
8 for planning, it obviously follows that BellSouth's ability to perform hot cuts in large  
9 quantities would only improve, given some idea of 'foreseeable' volumes from the CLPs.

10

11 Finally, in regard to the CLPs' concern over CLP planning and implementing the  
12 necessary collocation arrangements and other facilities needed to provide switching, I  
13 point out that the schedule, as outlined by the Federal Communications Commission  
14 ("FCC") in the Triennial Review Order ("TRO"), allows sufficient time for any reasonable  
15 CLP to fulfill their needs and that BellSouth should not be held accountable for poor  
16 planning on the part of a CLP who chooses to procrastinate and wait until the end of the  
17 27-month period to convert all of their UNE-Ps.

18

19 This concludes my executive summary.

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**BELLSOUTH TELECOMMUNICATIONS, INC.**  
**BEFORE THE**  
**NORTH CAROLINA UTILITIES COMMISSION**  
**DOCKET NO. P-100 Sub 133Q**  
**SUMMARY OF THE SURREBUTTAL TESTIMONY OF**  
**DR. DEBRA J. ARON**

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My surrebuttal testimony responds to the economic arguments made by various CLEC witnesses that typically are based on one of several themes. The first such theme reflects a desire to re-write the TRO more to the witnesses' liking, or a desire to re-argue some of the positions that were considered and rejected by the FCC in its determination of its rules. For example, MCI's Dr. Bryant and AT&T's Mr. Wood counsel this Commission to simply ignore the FCC's requirement to examine a "potential deployment" analysis. Mr. Wood argues that if potential deployment indicates "no impairment" in markets that do not pass the triggers tests, the results must be wrong, because we do not observe facilities deployment sufficient to pass the triggers tests, and because we have observed failure in the past. Besides being contrary to the directions provided by the FCC, and totally irrelevant to the task at hand, such arguments fail to consider the economic fact that CLPs select their method of competitive entry, such as UNE-P or UNE-L, *not* solely on the basis of unimpairment, which is the topic of this proceeding, but also on the basis of what is most profitable to the CLP given the options available. It is

1           therefore unreasonable from an economic perspective (as well as contrary to the  
2           plain language of the TRO) to rely solely on actual deployment as a basis for  
3           determining unimpairment.

4  
5           A second set of criticisms involves the structure of the BACE model. For example,  
6           there are subjective declarations by Mr. Wood that the model is overly sensitive,  
7           and by Dr. Bryant that it is not sensitive enough. Such subjective criticisms are, of  
8           course, without merit. In other instances, I believe that the basis of the criticisms of  
9           the BACE model is a result of a misinterpretation by the witnesses of the model's  
10          structure or how one goes about implementing an assumption change, or some  
11          combination of these. Later in my testimony, I will clarify instances where parties  
12          have misunderstood or misinterpreted the model. With regard to the various re-  
13          runs of the BACE model, I have not been entirely successful in replicating all of  
14          the results that have been described in the rebuttal testimonies. However, nothing  
15          that I have seen, replicated, or attempted to replicate changes any of my  
16          conclusions regarding the markets in which we have found that CLPs are  
17          “unimpaired” without unbundled local switching, and to a large extent, these runs  
18          demonstrate that my results are robust to a variety of assumption changes.

19  
20          The third general area of complaint pertains to the parameter estimates that I  
21          provided to the BACE model. In determining these estimates, I recognized that the  
22          FCC is very clear that the potential deployment analysis should be based on an

1 efficient CLP using the “most efficient network architecture available” and  
2 executing the “most efficient business model.” (TRO 517.) The FCC also notes  
3 that it is appropriate to “weigh[ ] advantages and disadvantages” (TRO 517) that  
4 may be available to the efficient CLP.

5  
6 While these requirements provide substantial discretion, my approach is very  
7 conservative. We model a generic, new CLP that seeks to enter the market without  
8 any customers or any real-world advantages such as a brand name. My parameter  
9 estimates, such as those regarding customer acquisition costs, General and  
10 Administrative (“G&A”) expenses, and churn are developed from existing ILEC,  
11 CLP, or industry data, which means that these estimates may be more conservative  
12 than what an efficient CLP could attain. Moreover, where appropriate data were  
13 available, I based my estimates on averages and midpoints rather than on best-of-  
14 class (or better-than-existing) ILEC, CLP, or industry figures, even though these  
15 best-in-class figures might arguably better represent the prospects of an efficient  
16 CLP executing the most efficient business model.

17  
18 The criticisms of my parameter value estimates either point to actual CLP  
19 performance, or they seek to perversely handicap the hypothetical CLP, depending  
20 on whichever contributes toward a finding of “impairment.” For example, several  
21 of the witnesses claim that the assumed market penetration in the first year for  
22 residential customers is too high. Notwithstanding the fact that they misinterpret

1           how the BACE model uses this data (it essentially cuts the market penetration in  
2           half when computing revenues for the year), even a casual glance at reality would  
3           demonstrate that real-world firms already have an existing base of UNE-P  
4           customers and that they do not start from a base of zero, as the modeled CLP does.  
5           Consistent with the FCC's directions, we could have modeled a CLP that begins  
6           with some level of UNE-P-based customers (and revenues). Instead, we adopted  
7           the conservative approach that the CLP starts with no customers at all. Witnesses  
8           such as Mr. Wood and AT&T's Mr. Klick essentially argue that this is not  
9           conservative enough for them. As I have noted, the fact that BACE models a  
10          startup reflects substantial conservatism on our part. We legitimately could have  
11          modeled a CLP as an existing, going concern with an existing base of UNE-P  
12          customers. That we did not means that there may be more real-world "non-  
13          impairment" than what is indicated by our BACE results.

14  
15          As another example, there are criticisms of my recommended residential customer  
16          acquisition costs. These costs were developed from *actual CLP expenses* as  
17          reported to investment analysts. Dr. Bryant recommends that customer acquisition  
18          costs be developed partly on the basis of what *wireless* companies incur, even  
19          though these costs may include the cost of the handset. This is unreasonable. In  
20          addition, as I describe later in my testimony, the use of actual CLP data to  
21          determine customer acquisition costs is conservative because UNE-P-based CLPs  
22          can have the incentive to spend inefficiently high amounts to acquire customers.

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There are also criticisms of the prices that I recommend for use in the BACE model. The FCC foresaw that price would be a contentious issue, and instructed us to base the modeled prices on existing prices. I therefore developed prices on the basis of existing CLP bundle prices and discounts from BellSouth's prices for *a la carte* services. Consistent with the FCC's directions, we kept prices constant over the entire time horizon of the model. Although not required by the TRO, to be consistent, we kept costs constant as well, and did not adjust them downward for any gains in productivity that an efficient CLP might arguably attain. In another example of trying to re-write the TRO, several of the witnesses recommend that we put prices on a downward trend based on speculation about the future (though none noted or complained about our declining to impose a productivity factor on costs over time).

In sum, the model that we present takes a cautious, conservative approach to switch-based CLP entry. The services that the CLP is assumed to offer are services that CLPs offer today, and the prices are based on prevailing prices. The costs associated with customer acquisition, G&A, and the like also are based on industry data. Our approach implements the FCC's requirement to consider an efficient CLP, but it does not come close to testing the limits of that requirement. Our results therefore should provide the Commission with a reasonable indication of the

1 prospects for successful economic entry by a switch-based CLP in the BellSouth  
2 territory in North Carolina.

3  
4 Section I of my surrebuttal testimony provides an overview. In Section II, I  
5 respond to interpretations that other witnesses seek to ascribe to the FCC's  
6 Triennial Review Order ("TRO"). In Section III, I respond to issues related to  
7 competition. In Section IV, I respond to criticisms and misrepresentations of the  
8 operations of the BACE model. In Section V, I respond to testimony regarding the  
9 implementation of the "efficient CLP" requirement of the TRO. Finally, in Section  
10 VI, I respond to criticisms of the various parameter values that I provided in the  
11 BACE model.

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BEFORE THE  
NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q

EXECUTIVE SUMMARY

SURREBUTTAL TESTIMONY OF  
DR. RANDALL S. BILLINGSLEY, CFA  
FILED MARCH 1, 2004

23 The purpose of my surrebuttal testimony is to critically evaluate the cost of capital-related  
24 portions of Mr. Don J. Wood's rebuttal testimony filed in this proceeding on behalf of AT&T  
25 Communications of the Southern States, L.L.C. ("AT&T"), which is dated February 16, 2004.  
26 My surrebuttal shows that most of Mr. Wood's testimony provides nothing more than  
27 unsupported speculations concerning competing local provider ("CLP") capital costs and the rest  
28 presents inconsistent and incorrect arguments that leave us with no evidence on current CLP  
29 capital costs. Importantly, Mr. Wood provides *absolutely no estimates* of CLP capital costs.  
30 Thus, his testimony provides no insight into the current capital costs faced by CLPs in general or  
31 any *specific insight into the appropriate discount rate* to be used in the BellSouth Analysis of  
32 CLEC Entry ("BACE") model.

33 Mr. Wood incorrectly argues that CLPs should be relied on exclusively to estimate the cost  
34 of capital used in the BACE model. In so doing he surprisingly speculates that CLPs that did not  
35 go bankrupt are, by definition, necessarily operating efficiently. As shown in my direct  
36 testimony in this proceeding, the average bond rating for a sample of market-traded CLPs is  
37 CCC+/CCC (see Billingsley Exhibit No. RSB-6). This is a *speculative-grade* bond rating that is  
38 associated with firms in financial distress. It is absolutely amazing that Mr. Wood argues that  
39 such firms should be used "... to make reasonable assumptions about efficient CLEC costs." The  
40 evidence obviously contradicts this. Further, Mr. Wood's reliance on unadjusted data drawn  
41 from *inefficient* CLPs is inconsistent with the Federal Communication Commission's assertion  
42 that the cost of capital should reflect a forward-looking, efficient network (see Triennial Review  
43 Order, *In Re Review of the Section 251, Unbundling Obligations of Incumbent Local Exchange*  
44 *Carriers, First Report and Order on Remand and Further Notice of Proposed Rulemaking*, FCC  
45 03-36, released August, 21, 2003, pp. 419-420, §682).

After arguing that CLPs are currently operating efficiently, Mr. Wood also argues that  
current CLP capital structures are *not* efficient, target capital structures. This is patently  
inconsistent. On one hand he argues that CLPs are efficient and a reasonable source of  
representative capital costs. Yet on the other hand he argues that their current capital structure is  
not equal to their target, optimal capital structure. His only explanation for this contradictory  
speculation concerning current CLP capital structures is that they are the result of the  
"precipitous drop in the companies' stock prices." Mr. Wood's contradictory, inconsistent  
argument does not make sense. The truth that must be faced is that CLPs are not currently  
efficient in a comprehensive sense. It is consequently reasonable to use the averaging process

1 that I do to produce a representative bounded estimate of representative CLP capital costs.  
2

3 As presented in my previously filed direct testimony in this proceeding, my cost of  
4 capital estimation approach adapts to the data problems resulting from the current troubled  
5 environment facing the CLP industry. I essentially provide "ceiling" and "floor" estimates of the  
6 industry's capital costs. Thus, I use two surrogates to measure the representative CLP's capital  
7 costs. I use the S&P 500 as a lower-bound or minimum estimate of the representative CLP's cost  
8 of capital and I also use a sample of publicly-traded CLPs that provides an upper-bound or  
9 maximum estimate of the representative CLP's cost of capital. I then provide a reasonable  
10 estimate of the industry's overall capital costs by averaging the results of my two approaches.  
11

12 My analysis indicates that a forward-looking cost of equity estimate for the representative  
13 CLP is an average of 17.55%. I also find evidence that the cost of debt of the representative CLP  
14 is an average of 9.92%. The average market value-based capital structure of firms is 58.50% debt  
15 and 41.50% equity. Combining this average capital structure with the above average costs of  
16 debt and equity produces an average pre-tax overall cost of capital for the representative CLP of  
17 13.09%. This bounded averaging approach provides the most reasonable estimate of efficient  
18 CLP capital costs in the current environment.  
19

20 In summary, I recommend that the Commission use a *before-tax* overall cost of capital of  
21 13.09% to determine the discount rate applied to the after-tax cash flows produced by the BACE  
22 business case model.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF ERIC FOGLE  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

In my surrebuttal testimony, I respond to portions of the rebuttal testimonies of Mr. Mark David Van de Water on behalf of AT&T Communications of the Southern States, LLC. ("AT&T") and Ms. Sherry Lichtenberg on behalf of MCI Metro Access Transmission Services, LLC and WORLDCOM Communications, Inc. ("MCI"), as to criticisms of the impact of BellSouth's batch ordering process on line splitting.

In response to criticism that the batch ordering process must change so that the customer's line splitting arrangement is not taken down, I point out that line splitting service is not compatible with a Unbundled Network Element Platform ("UNE-P") arrangement and since Competing Local Providers ("CLPs") that use line splitting do not, by definition, use UNE-P, there is no process that converts UNE-P customers to UNE-Ls that will affect Digital Subscriber Line ("DSL") service of the end-user customer.

Next, I address the criticism that a process is not acceptable if it does not allow the customer to retain their data provider when they move to UNE-L. I point out that if a CLP is concerned about the impact a change in the switch provider for the voice service would have on DSL service, then the CLP can easily address this concern by installing and maintaining its own splitters, and performing the voice service UNE-P to UNE-L

1 migration without any assistance from BellSouth and without any interruption of the data  
2 service.

3

4 Finally, I respond to the concern that Bellsouth's batch ordering process excludes  
5 customers who obtain DSL services via line splitting arrangements and those who  
6 would elect to move from one CLP to another. I indicate that BellSouth's batch process  
7 will, in fact, allow the migration of large numbers of CLP customers provisioned via  
8 UNE-P to UNE-L and that because there were fewer line splitting lines provisioned at  
9 the request of CLPs region-wide than BellSouth central offices, accommodating line  
10 splitting via the batch migration process hardly seems necessary.

11

12 This concludes my summary.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF A. WAYNE GRAY  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

In my surrebuttal testimony, I respond to the rebuttal testimonies of Mr. Mark David Van De Water on behalf of AT&T Communications of the Southern States, LLC. ("AT&T") and Mr. James D. Webber on behalf of MCI metro Access Transmission Services, LLC and MCI WORLDCOM Communications, Inc. ("MCI"), as to their speculations that Competing Local Providers ("CLPs") may be impaired from serving their mass market customers as facilities-based providers due to a lack of available Incumbent Local Exchange Carrier ("ILEC") collocation space in North Carolina.

I reiterate the point that just because these CLPs (and others) have chosen not to collocate in all of the BellSouth central offices that serve their UNE-P (unbundled loop and port) customers, this fact is irrelevant in the context of this proceeding. CLPs have had, and will continue to have, little incentive to collocate their equipment in BellSouth's central offices, as long as BellSouth is required to provide unbundled local switching. The only collocation issue that this Commission must decide, in accordance with the FCC's direction in the TRO, is "whether a lack of sufficient collocation space gives rise

1 to impairment in [a] market.”

2

3 My testimony clarifies BellSouth’s obligations, pursuant to the FCC’s Rules, in regard to  
4 the provisioning of co-carrier cross-connections (“CCXCs”) between two different CLPs  
5 collocated in the same central office and I describe BellSouth’s new CCXC tariff offering  
6 (called “Intra-Office Collocation Cross Connects”) in BellSouth’s FCC Tariff No. 1, which  
7 is now available for ordering by the CLPs. This offering was tariffed to comply with the  
8 FCC’s Section 201 Rules, not to preclude carriers from requesting this service offering.

9

10 I also address AT&T’s concerns regarding its ability to perform “loop splitting” between  
11 two CLPs and offer several alternatives that may be employed by AT&T to accomplish  
12 the “split” of a UNE-loop (“UNE-L”) in the state of North Carolina.

13

14 In addition to the above, I respond to AT&T’s speculation that BellSouth may not have  
15 enough collocation space for all of the CLPs in the state of North Carolina, if the CLPs  
16 were required to convert their mass market customers from UNE-P (UNE-Platform) to  
17 UNE-L. BellSouth has sufficient collocation space in North Carolina to accommodate  
18 the needs of the CLPs and is willing to work with the CLPs to ensure that whatever  
19 collocation space is needed by the CLPs is provided within the provisioning intervals  
20 ordered by this Commission. Furthermore, if the CLPs are ordered to convert their  
21 mass market customers pursuant to this Commission’s finding of no impairment in this  
22 proceeding, the conversion of the first third of the embedded base would not begin until  
23 thirteen (13) months after the issuance of the final order. Thus, the CLPs would have

1 over a year to affirm their plans for the conversion of their embedded base of UNE-P  
2 circuits.

3

4 Finally, I address AT&T's assertion that BellSouth's current procedures for handling  
5 collocation applications may be inadequate if there is a surge of requests for new  
6 collocation applications and/or augmentation applications in the future and that, as a  
7 result, CLPs will experience delays in obtaining new or additional collocation space. If  
8 BellSouth experiences a significant increase in the number of applications and  
9 determines that it is necessary to increase its current staffing levels to meet the  
10 Commission-ordered provisioning intervals and avoid the assessment of SEEMS (Self  
11 Effectuating Enforcement Measures) penalties, BellSouth is prepared to do so.

12

13 This concludes my summary.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
SURREBUTTAL EXECUTIVE SUMMARY OF ALFRED A. HEARTLEY  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100 SUB 133Q

MARCH 1, 2004

My name is Alfred A. Heartley and my business address is 754 Peachtree Street, Atlanta, Georgia 30308. My title is General Manager – Wholesale Performance and Regional Centers. I graduated from North Carolina State University in 1971 with a BS Degree in Applied Mathematics. I have over 32 years experience in the telecommunications industry working for BellSouth.

The Purpose of my surrebuttal testimony is to respond to portions of the rebuttal testimony of Mr. Mark David Van de Water on behalf of AT&T regarding the batch hot cut process. Mr. Van de Water states that it is unclear if and how BellSouth accounted for certain items in its forecast. These items include travel time to unmanned central offices, the number of shifts worked per day per central office, whether all lines after the first one in the batch were considered as additional lines for the purposes of staffing and the ratio of supervision to employees across BellSouth territory or accounted for the geographic dispersion of the central offices. I address each of these items in my surrebuttal testimony.

In summary, BellSouth Network Services will address any concerns that the Competing Local Providers (“CLPs”) have regarding our ability to handle the hot cut process.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF MILTON MCELROY, JR.  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

In my surrebuttal testimony, I respond to certain portions of the rebuttal testimonies of Mr. Mark David Van de Water on behalf of AT&T Communications of the Southern States, LLC. ("AT&T") and Ms. Sherry Lichtenberg on behalf of MCIMetro Access Transmission Services, LLC and WORLDCOM Communications, Inc. ("MCI"), as to issues related to batch migrations.

In response to criticism that the batch ordering process did not exist and was not tested during the 271 proceedings, and BellSouth has not provided documentation on how the process works, I point out that BellSouth's batch migration process was not tested during the 271 proceedings simply because it did not exist at the time. As to how the process works, I indicate that BellSouth has provided a Competing Local Provider ("CLP") information package via BellSouth's web site that does, in fact, provide the requirements, options, submission/flow process, notification process, and intervals associated with the batch process.

Finally, I address the concern about pre-implementation and post-implementation testing of BellSouth's batch process. I point out that the time for pre-implementation testing has passed because BellSouth has implemented the Bulk Migration process. As

1 to post-implementation testing, I indicate that since BellSouth has engaged  
2 PricewaterhouseCoopers ("PwC") to conduct an independent audit which observed a  
3 test of the Bulk Migration Process, as well as a number of live UNE-L migrations or hot  
4 cuts in several states, this testing should more than satisfy the need for post-  
5 implementation testing.

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7 This concludes my summary.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF W. KEITH MILNER  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

In my surrebuttal testimony, I respond to the rebuttal testimonies of Mr. Mark David Van de Water on behalf of AT&T Communications of the Southern States, LLC. ("AT&T") and Mr. James Webber on behalf of MCIMetro Access Transmission Services, LLC and WORLDCOM Communications, Inc. ("MCI"), as to criticisms of BellSouth's Analysis of Competitive Entry ("BACE") model and specific issues concerning trunk blocking.

In response to MCI's assumption that within the BACE model Competing Local Providers' ("CLPS") can serve some or all of their end users with so-called Enhanced Extended Links ("EELs"), I discuss several areas in which the default inputs to the BACE model cause the model to yield financially conservative results. I discuss BellSouth's assumptions which yield a conservative result such as the quantity of switches a CLP will operate in a Local Access Transport Area ("LATA"), the use of special access transport instead of CLP-provided transport between the CLP's central office and the BellSouth access tandem, the use of special access transport instead of CLP-provided transport between the CLP's switch and the CLP's choice of directory assistance and operator services platforms, the portion of unbundled loops provisioned as Service Level 2 ("SL2")

1 loops rather than lower priced Service Level 1 ("SL1") loops, and all cutover of  
2 unbundled loops will be priced at the current non-recurring charge ("NRC") levels  
3 rather than discounted levels.

4  
5 Finally, I respond to concerns regarding the adequacy of BellSouth's trunking  
6 facilities and begin by describing the considerations taken into account when  
7 designing and deploying trunking facilities. I address AT&T's concerns that traffic  
8 congestion and call blockage will occur due to traffic displacement once CLPs  
9 serve their customers from CLPs' switches rather than from the incumbent's  
10 switches, by providing an example of how traffic displacement might occur. I  
11 point out that while I agree that traffic displacement will occur, these situations  
12 have occurred countless times in the past and trunking engineers have  
13 successfully handled those transitions.

14  
15 In summary, once BellSouth's BACE model is fully understood by CLPs as to its  
16 *financially conservative results*, it should become apparent that any "cost  
17 disadvantage" is much smaller than CLPs anticipated and thus does not impair a  
18 CLP's ability to compete.

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20 This concludes my summary.

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1                   BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
2                                   DOCKET NO. P-100, SUB 133Q

3                   Executive Summary of the Surrebuttal Testimony of Ronald M. Pate  
4                                   BellSouth Telecommunications, Inc., filed on March 1, 2004

5

6 My surrebuttal testimony addresses certain issues contained in the direct testimony filed on  
7 February 16, 2004, by Mark David Van de Water of AT&T Communications of the Southern  
8 States, LLC ("AT&T") and Sherry Lichtenberg of MCI WorldCom and MCI Metro ("MCI"). I  
9 address the following points related to the ordering of batch migrations, CLP-to-CLP migrations,  
10 flow-through, and the ability of BellSouth to scale its systems.

- 11       • My testimony explains that BellSouth implemented the change request for UNE-to-UNE  
12       batch migration as AT&T requested: a batch electronic ordering process with project-  
13       managed provisioning. My testimony rebuts MCI's claims about a lack of  
14       documentation for using the UNE-to-UNE batch migration process. Further, my  
15       testimony explains that, if CLPs choose to use machine-to-machine interfaces, they must  
16       program their side of the interface whenever they chose to use new functionality, such as  
17       the electronic ordering functionality for UNE-to-UNE batch migrations.
- 18       • My surrebuttal testimony reinforces my rebuttal testimony about BellSouth's position on  
19       holding a formal collaborative with the CLPs about the UNE-to-UNE batch migration.  
20       Although BellSouth has not agreed to establish a formal collaborative at this juncture,  
21       because of the CLPs' the position on the manual provisioning of hot cuts, BellSouth has  
22       welcomed specific proposals for changes and improvements to this or any other process  
23       that would benefit the CLPs and BellSouth. BellSouth has agreed to incorporate many  
24       changes, based on what it has heard during various workshops, into its already seamless  
25       and effective process for batch migrations.

- 1       • My surrebuttal testimony reinforces my rebuttal testimony on issues related to CLP-to-
- 2       CLP migrations. MCI complains about related to the CLPs' transactions with each other,
- 3       and their apparent inability to cooperate with each other, not BellSouth's already seamless
- 4       and effective UNE-to-UNE batch migration process. My testimony also discusses, as in
- 5       my rebuttal testimony, that two collaboratives are already appropriately handling CLP-to
- 6       CLP issues: (1) the "end user migration" collaborative of the Telecommunications
- 7       Competitive Interests Forum under the auspices of the Florida Public Service
- 8       Commission, and (2) a multi-provider collaborative under the Ordering and Billing
- 9       Forum, the industry standards organization.
- 10      • My testimony corrects MCI's mischaracterization of the data provided by BellSouth in
- 11      responses to interrogatories served earlier on BellSouth by AT&T. BellSouth was very
- 12      clear in its responses that the numbers did not represent flow-through. AT&T did not ask
- 13      for flow-through percentages when it served the interrogatories. Further my testimony
- 14      explains that most UNE-L requests do flow through, and that BellSouth has provided
- 15      proof that it can handle the CLPs' requests.
- 16      • Finally, my testimony explains that the Florida third party test tested the ability of
- 17      BellSouth's systems to handle future CLP ordering volumes over a wide range of
- 18      products/service request types, including various UNE-L scenarios. The test found that
- 19      BellSouth's systems were capable of handling a significant increase in CLP ordering
- 20      volumes.

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**BELLSOUTH TELECOMMUNICATIONS, INC.**

**BEFORE THE**

**NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. P-100, Sub 133q**

**SUMMARY OF THE SURREBUTTAL TESTIMONY OF**

**DR. CHRISTOPHER JON PLEATSIKAS**

I have several general observations regarding the geographic market definition comments and recommendations made by Dr. Bryant, Mr. Gillan, and Mr. Bradbury. First, the various CLP recommendations are inconsistent with one another in terms of geographic area. Second, no witness proposing a wire center-based definition has provided a compelling economic rationale to explain why wire center boundaries should be used as the basis for defining relevant geographic markets. Third, some of these witnesses have separately criticized the relevance of CEAs and of UNE Zones. These criticisms are misguided because in my analysis these concepts are not used *separately* to determine relevant markets. Finally, there is an undercurrent in the testimony of the witnesses that favor using wire center boundaries as the basis for defining the market that one should conduct the impairment analysis at the wire center level first, then (possibly) decide, on the basis of those results, the extent of the geographic market. This is inconsistent with sound economic analysis and is at odds with the direction in the TRO.

1 The economies of scale and scope available to CLPs in providing switch-based services are  
2 not, in general, consistent with using wire center boundaries as the basis for defining  
3 markets in this case. Further, the fact that some CLPs might evaluate the profitability of  
4 investments in each wire center does not imply that each wire center is a relevant economic  
5 market. Relevant economic markets are determined based on demand- and supply-side  
6 substitutability. While substitutability can, in some instances, be informed by the nature  
7 and content of the financial analyses conducted by firms, the nature and content of these  
8 financial analyses are insufficient in and of themselves to establish the boundaries of  
9 relevant markets.

10

11 In general, different parts of the same economic market are not, and need not be,  
12 homogeneous in all respects. However, the UNE Rate Zone concept I employ, as I  
13 understand it, is designed to capture the variation in the cost of the loops. To the extent  
14 that other costs or revenues vary systematically with UNE Rate Zone, they will also be  
15 accounted for, at least in part.

16

17 LATAs, by themselves, are unlikely to represent relevant geographic markets because it is  
18 likely that they do not adequately reflect differences in supply substitutability. For  
19 example, there may not be reasonable substitutability in supply between UNE Zone 1 and  
20 UNE Zones 2 and 3 within a particular LATA.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
EXECUTIVE SUMMARY  
SURREBUTTAL TESTIMONY OF JOHN A. RUSCILLI  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-100, SUB 133Q  
MARCH 1, 2004

My surrebuttal testimony addresses numerous comments contained in the rebuttal testimony filed by other witnesses in this proceeding on February 16, 2004. Specifically, I address portions of the testimony of Messrs. Argenbright, Bradbury, Turner, Van de Water and Wood on behalf of AT&T Communications of the Southern States, LLC ("AT&T"), Mr. Gillan on behalf of Competitive Carriers of the South, Inc. ("CompSouth"), Dr. Bryant, Ms. Lichtenberg and Mr. Webber on behalf of MCI WorldCom Communications, Inc. and MCIMetro Access Transmission Services, LLC ("MCI") and Mr. Gildea on behalf of the Federal Executive Agencies ("FEA"). I address the following points:

- (1) BellSouth explains that there seems to be a general tendency toward selective obfuscation amongst several of the parties in their rebuttal testimony. While it is understandable that parties may have a difference of opinions on issues that require interpretation, in this proceeding where the FCC has provided clarity, several of the parties try to cloud the issues by creating unnecessary complications presumably because they do not like the clear direction given by the *TRO*.