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November 20, 2000

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

In Re: Generic Docket to Establish UNE Prices for Lines Sharing Per FCC 99-355, and Riser Cable and Terminating Wire as Ordered in TRA Docket 98-00123
Docket No. 00-00544

Dear David:

Enclosed please find an original and thirteen (13) copies of Rebuttal Testimony of Greg Darnell on behalf of MCI WorldCom Inc. in the above-referenced docket. Copies have been served on all parties of record.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

Jon E. Hastings

JEH/th

Enclosures

cc: All Parties of Record

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WORLDCOM, INC.

REBUTTAL TESTIMONY OF GREG DARNELL

BEFORE THE TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 00-00544

NOVEMBER 20, 2000

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Greg Darnell, and my business address is 6 Concourse Parkway, Suite 3200, Atlanta, Georgia, 30328.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by WorldCom, Inc. (formerly known as MCI WorldCom, Inc.) as Regional Senior Manager -- Public Policy.

Q. HAVE YOU PREVIOUSLY TESTIFIED?

A. Yes, I have testified in proceedings before regulatory commissions in Alabama, California, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, and South Carolina, as well as before the Tennessee Regulatory Authority ("TRA" or "Authority") and on numerous occasions have filed comments before the Federal Communications Commission ("FCC"). Provided as Attachment 1 to this testimony is a summary of my academic and professional qualifications.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is rebut portions of the direct testimony of Mr. John A. Ruscilli and Ms. D. Daonne Caldwell on behalf of BellSouth Telecommunications, Inc. and the direct testimony of Mr. Daniel R. Gordon on behalf of United Telephone-Southeast, Inc. and SPRINT Communications Company L.P. ("SPRINT").

Q. WHAT PORTIONS OF THIS DIRECT TESTIMONY DOES YOUR REBUTTAL TESTIMONY ADDRESS?

A. I will address in my rebuttal testimony the following portions of direct testimony filed in this proceeding: 1) Mr. Ruscilli's statements regarding the impact of TELRIC based Unbundled Network Element ("UNE") pricing; 2) Ms. Caldwell's statements regarding BellSouth's compliance with FCC TELRIC pricing rules; 3) the policy positions exposed by Mr. Gordon and Mr. Ruscilli on access to the low or high frequency portions of a loop that is provisioned through a frequency splitting device (i.e. "line splitting"); 4) Mr. Ruscilli's statements regarding UNE deaveraging; 5) Mr. Ruscilli's statements about its requirement to provide Operator Service and Directory Assistance ("OS/DA") as a UNE; and 6) BellSouth's attempt to expand the scope of this proceeding to include unbundled copper loops, High Capacity Loops (DS3 & OC3), additional UNE combinations and dark fiber loops.

I. TELRIC

Q. WHAT STATEMENTS DOES MR. RUSCILLI'S MAKE REGARDING THE IMPACT OF TELRIC-BASED UNE PRICING?

A. On page 4 of Mr. Ruscilli's direct testimony he states, "BellSouth, however, continues to maintain that the FCC's pricing rules do not permit full cost recovery." On page 9 of Mr. Ruscilli's direct testimony he states, "As I mentioned earlier, the FCC's current pricing rules result in prices being understated." In between pages 4 and 9 of Mr. Ruscilli's direct testimony, he discusses the negative effects he contends the FCC's TELRIC pricing requirements will have.

Q. HOW ARE MR. RUSCILLI'S STATEMENTS REGARDING THE IMPACT OF TELRIC BASED UNE PRICING MISLEADING AND INCORRECT?

A. The fact that the FCC's TELRIC pricing rules may not permit BellSouth to realize "full cost recovery" is not a bad thing for public policy and economic development; it is a good thing for public policy and economic development. A primary difference between BellSouth's "full" cost and TELRIC is monopoly profit. By setting UNE rates at TELRIC, competition will chip away at that monopoly profit and competitive pressures will cause those chips to be given by CLECs and BellSouth to consumers through lower retail rates. So, it is no wonder why BellSouth opposes TELRIC. TELRIC-based UNE pricing means BellSouth will eventually lose its monopoly profit, at a rate determined by competitive entry, and it will only be able to recover economic profit on those facilities.

Q. Mr. RUSCILLI CONTENDS THAT TELRIC UNE RATES ARE TOO LOW AND CLECs WILL OVER-CONSUME THE ILEC's FACILIITES AND UNDER-INVEST IN THEIR OWN FACILITIES (P. 6, LINE 18-19, P. 9, LINE 15-16). IS THIS CORRECT?

A. Absolutely not. Mr. Ruscilli is wrong on this matter. The basic fundamental premise of TELRIC is that it best approximates the outcome of a competitive market. The goal of TELRIC plus reasonable forward-looking common cost-based UNE pricing is to set UNE rates equal to what would be determined by a competitive market. Any diversion from TELRIC-based UNE pricing will cause CLECs and BellSouth to make decisions that they would not make in a competitive market. A competitive market is a market that efficiently allocates resources. Therefore, any diversion from the UNE rates that would be determined by a competitive marketplace will lead to inefficiency. TELRIC-based UNE pricing will cause CLECs to consume the correct amount of BellSouth's facilities and invest the correct amount in their own facilities.

Q. WHAT IS TELRIC?

A. "TELRIC" is an acronym for "total element long-run incremental cost." TELRIC, when applied to UNEs, is the additional cost that would be borne by a wholesale-only firm using current technology and industry's best practices to produce the current output of an unbundled network element with the benefit of a long run planning horizon, where additional cost is taken to mean beyond the cost of providing all elements other than the one under study. The concept of forward-looking costing is well established in regulation. Both a forward-looking approach and an historical cost methodology compensate an incumbent for all of its used and useful investments; the former does so based on the present market

value of a company as if it were operating in a competitive environment, rather than based upon a determination of the extent to which past investments in assets that are currently used and useful were "prudently" made. Forward-looking costing principles are key to implementing the unbundling and interconnection requirements of the Telecommunications Act of 1996 ("Act").

Q. WHY IS THE FORWARD LOOKING COSTING PRINCIPLE A KEY TO IMPLEMENTING THE UNBUNDLING AND INTERCONNECTION REQUIREMENTS OF THE ACT?

A. One of the underlying assumption of the Act is that competition is more efficient than government at regulating a market. In the transition to a competitive local telecommunications market, all regulatory initiatives should strive to mimic the results of a competitive marketplace so as to not undermine or distort the market's development. Therefore, the Act's pro-competitive purpose, and ultimately its de-regulatory purpose, will be best served if the wholesale rates, terms and conditions for the current monopoly provided UNEs are set at levels that mimic the levels that would result from an effectively competitive marketplace.

The FCC rules, promulgated in the *First Report and Order* in August 1996, define "forward-looking economic cost" as the sum of "the total element long-run incremental cost of the element," plus a reasonable allocation of forward-looking common costs. 47 CFR §51.505 (a). The TELRIC of a UNE is defined by 47 C.F.R. §51.505 (b) as:

> (T)he forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other elements.

The approach taken by the FCC, and made applicable to the States, as discussed below, is often referred to as the "scorched node" method. 47 C.F.R. §51.505 (b) (1) states:

> Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.

This methodology assumes that wire centers will be placed at the incumbent LECs' current wire centers, but that the rest of the network will be reconstructed assuming the most efficient technology for reasonably foreseeable capacity requirements. *First Report and Order* ¶ 685. The definition of "forward-looking" adopted by the FCC assumes existing switch locations as a given, and then "builds out" an interoffice and local network, based on efficient engineering practices and forward-looking (but currently available) least-cost technology.

In enacting its pricing rules the FCC specifically rejected an approach based on existing network design and technology. As such, the FCC has rejected the "full" cost recovery approach advocated by Mr. Ruscilli. Such a method, the FCC reasoned, is not based on a hypothetical network and

"is essentially an embedded cost methodology." Id. at ¶ 684. The FCC rules specifically prohibit the consideration of embedded costs in the calculation of the forward-looking economic cost of an element. 47 CFR § 51.505 (d) (1).

TELRIC as a tool for unbundling and interconnection purposes was upheld by the United States Supreme Court in *AT&T, et al. v. Iowa Utilities Board, et al.*[1] The Supreme Court's decision reversed substantial portions of the previous decision of the Eighth Circuit Court of Appeals[2] as regards the *First Report and Order*, and thus reinstated key provisions of that order, including the FCC's TELRIC pricing rules.

Q. PLEASE DESCRIBE THE SUPREME COURT'S DECISION AS IT RELATES TO TELRIC?

A. First, the Supreme Court resolved the issue whether the FCC has jurisdiction under sections 251 and 252 of the Act regarding pricing and other local competition provisions. As stated above, all of the FCC's pricing rules vacated by the Eighth Circuit were reinstated. The Supreme Court, moreover, acknowledged that the FCC has explicit authority to "design a pricing methodology,"[3] including requiring geographic

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[1] 525 U.S. 366 (1999)

[2] Iowa Utilities Board v. FCC, 120 F.3d 753 (8th Cir. 1997).

[3] Id.

deaveraging of UNE prices. In particular, the Supreme Court held that the FCC has jurisdiction to promulgate rules to guide States regarding UNE pricing.[4] The States' authority to "establish any rates for interconnection, services, or network elements" under section 252 (c) (2) is satisfied when States set rates using the FCC's forward-looking TELRIC methodology.

II. BELLSOUTH COMPLIANCE WITH FCC PRICING RULES

Q. MS. CALDWELL CLAIMS THAT BECAUSE BELLSOUTH'S PROPOSED UNE COSTS ADHERE TO TELRIC RULES, THEY ARE CONSERVATIVELY LOW BASED ON THE EIGHTH CIRCUIT'S RECENT DECISION (DIRECT P. 6-7). WHAT IS YOUR RESPONSE TO THAT DISCUSSION?

A. The Eight Circuit's July 18, 2000 Opinion concerning the FCC's TELRIC pricing rules was stayed on September 25, 2000. Therefore, the FCC's TELRIC pricing rules are in effect. Ms. Caldwell's statement that BellSouth's costs "are conservatively (low) based on the Eight Circuit's opinion" (p. 7, line 4-5) has no foundation. It is difficult, if not impossible to determine what, if anything, will ultimately result from the ILEC's continuing legal attacks on the pro-consumer FCC TELRIC pricing rules or to fully understand what the Eight Circuit meant in its opinion.

III. LINE SPLITTING

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[4] Id.

Q. MR. GORDON AND MR. RUSCILLI CONTENDS THAT A LINE SHOULD ONLY BE SHARED BETWEEN AN ILEC AND A CLEC (GORDON, DIRECT AT P. 5, LINES 5-6, RUSCILLI, DIRECT AT PP. 32-33)). DO YOU AGREE?

A. No. There is no reason why a line cannot be shared between CLECs. This has been referred to at the FCC as line splitting.

Q. WHAT REASON DO MR. GORDON AND MR. RUSCILLI GIVE FOR NOT OFFERING TO PROVIDE A LINE SPLITTER FOR TWO CLECs?

A. Both Mr. Gordon and Mr. Ruscilli give the tired monopoly reason for why they won't permit two CLECs to share a line. Their response is, they don't have to and you should not make them. The fact is, if the local market was a competitive market, they would want to provide what a customer such as WorldCom wants. It is only because the local market is not competitive that they can possibly get away with saying no to a customer. Competitive companies find a way to say yes to the needs of their customers. If a company in a competitive market fails to provide what its customer wants, that customer takes his business elsewhere. Taking its business elsewhere, however, is something that is not currently an option for WorldCom in the local exchange market. It is not as if the ILECs were not going to get paid for providing the splitter and for the CLECs use of the line.

Q. WHAT IS LINE SPLITTING?

A. Line splitting refers to the situation in which voice service is provided by a Voice-CLEC ("V-CLEC") and data service is provided on the same line by a Data CLEC ("D-CLEC") (which could also be an ILEC data affiliate or the ILEC itself). In contrast, line sharing refers to the situation in which the ILEC provides voice service and a D-LEC provides data service on the same line.[5]

Q. ARE THERE MATERIAL OPERATIONAL DIFFERENCES BETWEEN LINE SHARING AND LINE SPLITTING?

A. No. ILEC line sharing with a CLEC is virtually identical to line splitting. In both cases, the customer's (non fiber-fed) loop terminates on the Main Distribution Frame (MDF). From there, BellSouth would connect the loop to a splitter located near the MDF to separate the low-frequency voice and high-frequency data signals. The low frequency portion is then routed back to the MDF where it is connected to narrowband dial tone source (which is the same if a voice CLEC is using UNE-P). The high frequency portion is routed to advanced services equipment.

Q. AS A MATTER OF POLICY, SHOULD THE TRA REQUIRE BELLSOUTH AND SPRINT TO PROVIDE LINE SPLITTING IN A UNE-P ENVIRONMENT?

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[5] Application of SBC Communications, Southwestern Bell Telephone Company, And Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance, *Memorandum Opinion and Order,* CC Docket No. 00-65, FCC 00-238 (Rel. June 30, 2000), ¶ 324 (*"SWBT Texas 271 Order"*).

A. Yes. At present, UNE-P is the best-positioned vehicle available to CLECs with the potential to offer voice services to residential and small business customers on a scale that will provide meaningful competition to the ILECs. However, the CLECs' ability to compete in mass markets will be severely constrained if they are unable to also provision data services in a timely and cost effective manner. Line splitting will allow a V-CLEC using UNE-P to offer a full suite of features and services to its customers without having to collocate. It thus provides CLECs an efficient means to compete on a near-level playing field with the ILECs on a statewide basis. The purpose of UNE-P would be largely defeated – along with the benefits to Tennessee consumers -- if that playing field were no longer level and if, instead, V-CLECs could not cost effectively offer its customers the same suite of products that the ILECs offer their retail customers.

Q. WHAT ARE THE CONSEQUENCES IF BELLSOUTH AND SPRINT DO NOT PROVIDE UNE-P LINE SPLITTING?

A. If BellSouth and SPRINT do not provide UNE-P line splitting, it would hinder WorldCom (and other voice providers using UNE-P) from providing advanced services to its end users. This would eliminate one of the primary benefits of UNE-P -- widespread local market entry. If BellSouth or SPRINT do not provide line splitting, they would be discriminating against UNE-P purchasers by requiring end users that wish to have advanced services on the same line to be a voice customer of BellSouth's or SPRINT's. This would limit the choices available for Tennessee's consumers, and hamper the development of competition.

In the absence of line splitting, a V-CLEC serving end users via UNE-P would be forced to order, even for an existing UNE-P customer, a new xDSL capable loop, intraoffice cabling, and potentially collocation space in order to support that customer's request for data service. This will have the effect of unnecessarily increasing the CLEC's costs, making its service arrangement less efficient. Furthermore, in situations where a customer who is receiving voice and data service from the ILEC or voice service from the ILEC and data service from another D-CLEC wishes to migrate its voice service to a CLEC (using UNE-Platform), the absence of line splitting could result in the customer unnecessarily losing the data service upon transfer. Alternatively, the D-CLEC in this scenario could be forced to abandon a shared or split line and to serve the customer in some other manner. Again, the result would be that the customer would experience an interruption of service. If effective widespread competition is ever to develop in mass markets, customers with both voice and data service must be able to switch carriers without experiencing any unnecessary interruption of service. (This result also applies to CLEC customers that wish to change back to BellSouth.)

Q. IS LINE SPLITTING TECHNICALLY FEASIBLE?

A. Yes. There are no technical or operational impediments that would preclude the use of the UNE-P loop for both voice and data service. From a technical and operational perspective, line splitting over UNE-P would be provisioned in exactly the same way as line sharing. Indeed, the Texas Commission, in requiring Southwestern Bell to provide line

splitting, found that there is "no technical distinction between line sharing and line splitting."[6]

When WorldCom obtains a loop via UNE-P, it acquires the entire loop, including the high frequency portion. To accomplish line splitting, it is necessary to add electronics consisting of a splitter so that the high frequency portion of the loop can be split off and routed to a DSLAM (owned by WCOM, BellSouth or another D-CLEC.) Under this scenario, WorldCom continues to provide the voice service over the UNE-P configuration.

Q. HAS THE FCC REQUIRED LINE SPLITTING?

A. Yes. Paragraph 325 of the Texas 271 Order[7] begins by noting that ILECs are required by the FCC to provide CLECs with access to unbundled loops in a manner that allows the requesting carrier "to provide any telecommunications service that can be offered by means of that network element."[8] Paragraph 325 then continues: As a result, incumbent LECs have an obligation to permit competing carriers to engage in line splitting ***over the UNE-P*** where the competing carrier purchases the entire loop and provides its own splitter.

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[6] Arbitration Award (between AT&T and Southwestern Bell), Docket No. 22315, issued September 13, 2000, page 18.

[7] CC Docket No. 00-65, Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas, Memorandum Opinion and Order, (rel. June 30, 2000), FCC 00-238 ("Texas 271 Order").

[8] SBC Texas Order at ¶325 (internal quotes and footnote omitted).

Q. WHY IS IT SO IMPORTANT FOR THIS TRA TO AFFIRM THE ILECS' OBLIGATION TO ALLOW LINE SPLITTING?

A. For the same reasons that BellSouth wishes to be able to offer POTS and DSL services over its own lines, CLECs intending to serve mass market customers need to be able to add xDSL capabilities to their UNE-P loops. To a greater and greater extent customers are demanding packages of services that includes both voice and data. Provisioning both voice and data on a single line avoids the cost and delay of activating a second line. It also may avoid disrupting the consumer's existing phone service. Finally, it provides an efficient, cost-effective, and reliable means of meeting the consumer's need for increased bandwidth. Accordingly, line splitting has become essential in order for CLECs to become effective competitors with the ILECs.

Q. HAS BELLSOUTH AGREED TO ALLOW LINE SPLITTING OVER UNE-P?

A. It is not clear. In an ex parte letter BellSouth submitted to the FCC, a copy of which is attached as Exhibit 1, BellSouth states a willingness to facilitate line splitting between a V-CLEC and a D-CLEC. It is unclear whether BellSouth's willingness includes situations in which the V-CLEC relies on UNE-P to provision voice service to the end user. A lack of ability for V-CLECs to conduct UNE-P line splitting would undermine the ability of CLECs using UNE-P to become effective competitors. In the absence of line splitting, only the ILEC's voice

customers will be able to enjoy the benefits of a bundled voice and data service with any degree of predictability. As such, any ILEC refusal to allow UNE-P line splitting would contradict pro-competitive policies and the FCC's intentions to promote the rapid and ubiquitous deployment of advanced services to rural and urban communities. As the FCC stated in its *UNE Remand Order*:

> Although we acknowledge that not all competitive LECs will want to provide ubiquitous service across broad geographic areas, those that do will likely be disadvantaged vis-a-vis the incumbent, especially in the early stages of deployment, because the incumbent LECs still enjoy advantages of a ubiquitous network that provide them with economies of scale and the ability to reach all consumers in their service territories. It is reasonable to expect that, in many cases, competitors would want to provide ubiquitous service in order to achieve similar economies of scale that will allow them to spread the costs of construction, equipment, and marketing across as many customers as possible. It is also reasonable to expect that in some cases, the ability to serve ubiquitously will be necessary to meet consumer demand for competitive alternatives in broad geographic areas. In such cases, lack of access to the incumbent's unbundled network elements could significantly thwart the competitor's ability to respond to consumer demand. [FN169] Denying access to the incumbent's unbundled network elements, when use of alternative sources would materially diminish the competitors' ability to serve their intended geographic area, would be inconsistent with the goal of the 1996 Act to bring competition to the greatest number of customers. Indeed, the inability to provide service ubiquitously may be especially important for competitive LECs seeking to serve residential and small business customers located throughout a state.[9]

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[9] In The Matter Of Implementation Of The Local Competition Provisions Of The Telecommunications Act Of 1996, *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, CC Docket No. 96-98, FCC 99-238, (Adopted: September 15, 1999, Released: November 5, 1999) ¶ 98 ("*FCC's UNE Remand Order*").

I recommend that the TRA rule now and affirm BellSouth's obligation to permit line splitting over UNE-P. As this TRA is aware, UNE-P is a far more efficient vehicle for widespread local entry than unbundled loops. An ILEC should not be able to hinder CLECs that wish to enter local markets using UNE-P through refusal to allow line splitting.

By refusing to allow line splitting, the ILECs are discriminating against purchasers of UNE-P by requiring end user customers who wish to use advanced services to be a voice customer of the ILEC. Such discrimination is not in the public interest. In order to become effective competitors, CLECs need access to the same technical functionalities and operational procedures utilized when ILECs provide both voice and advanced services themselves, share the loop with an 'advanced services affiliate', or share the loop with another D-CLEC. The overall competitiveness of the Tennessee telecommunications market will be irreparably impaired if the ILECs are to be the only service providers that can offer a complete package of voice and advanced services over a single customer line.

Q. ARE THERE OTHER REQUIREMENTS THE TRA NEEDS TO IMPOSE IN ORDER TO ENSURE LINE SPLITTING IS PROPERLY IMPLEMENTED?

A. Yes. The TRA should also clarify that under no circumstance may BellSouth or SPRINT require voice CLECs to collocate in order to provide UNE-P line splitting. Requiring a UNE-P CLEC to collocate defeats the purpose of UNE-P by making it too costly to serve mass market customers. Furthermore, the TRA should ensure that BellSouth

and SPRINT are not permitted to break apart combinations of network elements unnecessarily for migrations from line sharing scenarios (ILEC voice and D-CLEC data or ILEC data) to UNE-P line splitting scenarios (UNE-P V-CLEC voice and D-CLEC data or ILEC data). Only by requiring BellSouth and SPRINT to keep migrations as simple as possible can the TRA keep the CLECs' cost of providing service at a reasonable level. Where cross connects are required in order to provision UNE-P line splitting (such as adding data to a UNE-P line), BellSouth and SPRINT should be required to perform the central office work -- the same central office work that it performs for itself to provision line sharing.

Finally, as discussed above, the CLECs must be able to order the UNE-P line sharing arrangement as a platform offering and must not be required to order each unbundled network element individually in order for the customer who migrates to the UNE-P CLEC's voice service to retain its data service.

Q. ARE THERE POLICY REASONS SUPPORTING WORLDCOM'S DESIRE TO PROVIDE UNE-P LINE SPLITTING?

A. Yes. As demonstrated above, line splitting over UNE-P is desirable from a public policy perspective. It is also technically feasible. In addition, it is important to note the following:

- The network configuration used by BellSouth and SPRINT to provide retail voice service is the same network configuration required for CLECs to provide voice service over UNE-P.

- It is technically feasible to migrate the voice service of a customer served by line sharing (ILEC voice and D-CLEC data or ILEC data) to a UNE-P line-splitting scenario (V-CLEC voice and D-CLEC data or ILEC data).

- It is technically feasible to migrate the voice service of a customer served by line sharing to a UNE-P V-CLEC while retaining the customer's data service (i.e. moving from line sharing to line splitting), and the UNE-P V-CLEC does not have to collocate.

- There is no physical work or rewiring in the central office required to accomplish the migration of a customer from line sharing to line splitting over the UNE-P.

- The central-office wiring work required to add D-CLEC data (or ILEC data) to a UNE-P voice loop is no different from the central-office wiring work required to add D-CLEC data (or ILEC data) to an ILEC voice loop.

- Any central office work required for line splitting is the same work BellSouth and SPRINT do for themselves to accomplish line sharing, and the line splitting network configuration is identical to a line sharing configuration (i.e. ILEC voice and D-CLEC data (or ILEC data).

- There is no technical impediment to provisioning line splitting (either via migration from line sharing or by adding D-CLEC data or the ILEC's data to a UNE-P loop).

- Collocation by the V-CLEC is not required for UNE-P line splitting.

Q. SHOULD LINE SPLITTING BE TARIFFED?

A. Yes. Line splitting should be tariffed so that the product to be consistently defined. It will enable BellSouth and SPRINT to put into place OSS processes that will facilitate the order of line-splitting at commercial volumes. Tariffing is therefore essential if CLECs are to be able to order line splitting in a timely and efficient provisioning.

Q. SHOULD THE TRA REQUIRE BELLSOUTH AND SPRINT TO PROVIDE THE SPLITTER TO CLECS REQUESTING LINE SHARING OR LINE SPLITTING ON A LINE-AT-A-TIME-BASIS?

A. Yes. The Telecommunications Act defines "network element" to include the "features, functions and capabilities that are provided by means of such facility or equipment."[10] In its *Line Sharing Order,* the FCC concluded that the high frequency portion of the loop ("HFPL") is a capability of the loop. The FCC has also stated that an ILEC must provide a requesting carrier access to UNEs along with all of the UNE's features, functions and capabilities, "in a manner that allow the requesting telecommunications carrier to provide *any* telecommunications service that can be offered by means of that network element."[11] However, in order to gain access to the high frequency portion of the UNE loop, line splitting is required. Such line splitting is accomplished by adding passive electronic equipment referred to as "splitters," a device that splits the low and high frequency portion of the loop and allows the high frequency portion of the loop to be routed to a DSLAM.

Q. WHY SHOULD BELLSOUTH AND SPRINT BE REQUIRED TO DEPLOY THE SPLITTERS IN LINE SPLITTING (NON-ILEC VOICE) SCENARIOS?

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[10] 47 U.S.C. §153(29).

[11] 47 C.F.R. §51

A. First, when WorldCom buys a loop, such as part of UNE-P, the BellSouth should provide access to all of the functionalities and capabilities of that loop, including associated electronics (such as the line splitter). Second, an ILEC furnished line splitter is an important way to allow HFPL access to be delivered in a UNE-P architecture in a manner that is efficient, timely, and minimally disruptive to the retail customer.

When UNE-P is provisioned, the service to the customer (whether voice or data) should not require any more work than is necessary. Therefore, for example, if a customer has BellSouth for voice and a D-CLEC for data, then the customer should be entitled to keep its data provider if the customer chooses to have its voice service migrated to a V-CLEC who serves via UNE-Platform. Without the option of an ILEC-furnished line splitter, a UNE-P provider may be forced to purchase collocation space (or collocate in a common area) and deploy its own splitter, and undertake a provisioning process that is lengthy, cost prohibitive, and unduly disruptive to the customer. Thus, failure by BellSouth and SPRINT to deploy line splitters effectively destroys the utility of UNE-P as a viable means of competing for residential customers who want advanced services. If BellSouth and SPRINT are not obligated at the request of a carrier to deploy the line splitters, WorldCom and other CLECs seeking to provide a bundled service of voice and data services to their customers stand to forfeit much of the benefit associated with providing local service on a broad scale using UNE-P.

There may be circumstances in which the ILEC need not provide a splitter. For example, if the ILEC provides voice and a D-CLEC provides data service with its own splitter to a customer that decides to migrate to a V-CLEC for voice using UNE-P, the most efficient method of migrating the voice service would be to leave the splitter with the D-CLEC.

Q. MR. GORDON STATES THAT COLLOCATION IS A REQUIREMENT FOR LINE SHARING (P. 10, LINE 7). IS THIS CORRECT?

A. No. Mr. Gordon has taken a negative and turned it into a positive. It is true, the FCC does not yet require ILECs to provide line splitters under Section 251 UNE provisions (even though BellSouth has agreed to provide them).[12] The current lack of Section 251 requirement for ILECs to provide splitters does not mean, however, that collocation is "required". Obviously, since BellSouth will provide splitters, collection is not required to gain access to traffic on a split line. Further, in the interest of promoting broad-based competitive entry in the State of Tennessee, WorldCom asks this TRA to exercise its authority to require BellSouth and SPRINT in this proceeding to provide access to ILEC-owned splitters on a line-at-a-time basis. The FCC has clearly stated that its requirements are the minimum necessary, and that state commissions are free to establish additional requirements, beyond those established by the FCC, where consistent.[13]

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[12] See, BellSouth interconnection agreement with DIEVA/COVAD, page 7, Exhibit 1-TN, Note, "These rates apply when DIECA purchases the splitter from BellSouth."

[13] *UNE Remand Order* at ¶¶ 154-60.

Q. HAVE OTHER STATE COMMISSIONS REQUIRED ILECS TO PROVIDE THE SPLITTER?

A. Yes. Arbitrators for the Texas Public Utilities Commission recently ruled that Southwestern Bell Telephone Company ("SWBT") "is required to provide the splitter in order to allow [the CLEC] to access the full functionality of the loop."[14] In rejecting SWBT's proposal requiring UNE-P CLECs to collocate in order to gain access to the high frequency portion of the loop, the Arbitrators reasoned:

> SWBT's proposal . . . (1) unnecessarily increases the degree of coordination and manual work and accordingly increases both the likelihood and duration of service interruptions; (2) introduces unnecessary delays for space application, collocation construction, and splitter installation; and (3) unnecessarily wastes central office and frame space.[15]

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO SPLITTER DEPLOYMENT?

A. BellSouth and SPRINT should be required to deploy splitters in a timely and minimally disruptive manner upon receipt of a CLEC's request. This obligation should not preclude CLECs from choosing to deploy and maintain their own splitters. When BellSouth or SPRINT deploys the

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[14] Southwestern Bell Telephone Company For Arbitration with AT&T Communications of Texas, L.P., TCG Dallas, and Teleport Communications, Inc. Pursuant to Section 252(B)(1) of the Federal Communications Act of 1996, Docket No. 22315, *Arbitration Award*, p. 19 (September 13, 2000).

[15] *Id.*

splitter, it should be required to provide the splitter functionality on a line-at-a-time basis. BellSouth and SPRINT should, of course, be compensated for the cost of performing the work in an efficient manner. Ideally the splitter should be located on, or as close as possible to the Main Distributing Frame ("MDF").

Q. WHY SHOULD SPLITTERS BE PLACED NEAR THE MDF?

A. Splitters should be placed near the MDF to minimize quality of service and costing concerns. Locating the line splitters near the MDF allows for the least amount of intra-office cabling. Reducing the amount of cabling minimizes the potential for service quality degradation. In addition, locating splitters near the MDF prevents placement in more remote areas of BellSouth's central offices, a result that would artificially (and could dramatically) inflate CLECs' cost of doing business.

IV. UNE DEAVERAGING

Q. MR. RUSCILLI STATES THAT "HISTORICALLY, IT HAS BEEN THE INTENT OF REGULATORS TO DEAVERAGE RATES FOR BASIC SERVICE IN AN INVERSE RELATIONSHIP TO COST". (P. 11, LINES 11-12) ASSUMING THIS IS TRUE, DOES THE TRA HAVE FLEXIBILITY TO PROP UP THIS PRACTICE THROUGH NON-COST BASED UNE RATES?

A. No. FCC rules require that UNE rate be deaveraged based on the cost differences between geographic regions.

Q. **MR. RUSCILLI STATES "GEOGRAPHICALLY DEAVERAGING UNE RATES WILL RESULT IN A RATE STRUCTURE THAT IS INCONSISTENT WITH THE EXISTING PRICING PRACTICES FOR**

RETAIL RATES FOR BASIC LOCAL EXCHANGE SERVICE...". IS THIS A PROBLEM?

A. From a proper economic development perspective, No. It is not only what the TRA is required to do but it is also good public policy. Prices should be set to avoid disturbing the efficient outcome that would result if an effectively competitive market were in place. A firm developing a business plan to enter the retail market for local exchange services would consider the options of providing its own local loop facilities or purchasing loops from an incumbent. Efficient prices would encourage entrants to build loops wherever they have an advantage that allows them to provide their own loops at lower cost. Such an entrant with an option of building facilities will want to enter, if at all, using the lowest cost means of acquiring loops. If the price of purchasing unbundled loops is an average of TELRICs of loops that really have different costs, the average price will be above TELRIC in some places and below TELRIC in others. In low cost areas, where the average price exceeds TELRIC, the entrant may find it attractive to provide its own loops, even if the entrant operates at a cost disadvantage relative to the incumbent and the purchase of loops from the incumbent would be more efficient. In high cost areas, where the average price is less than TELRIC, if entry is attractive, the entrant will purchase loops from the incumbent, even though the entrant might have a cost advantage that makes facility-based entry the efficient choice. Both of these inefficiencies are caused by maintaining an average price in a situation where costs differ and efficiency requires that those cost differences be reflected in price.

However, depending on how fast competition causes retail rate changes to occur, it may cause some political problems. The TRA should realize that as retail rates are driven towards cost by competition some customers are going to like cost-based rates a great deal and other customers will not. Further, it is probable that the majority of customers that the TRA will hear from are the customers that don't like the change, while the customers that like the change probably won't say much. This should happen over time and, if at some point it begins to impact the affordability of basic local exchange service and universal service in certain areas, the TRA may wish to address any such problems through public policy initiatives such as universal service funding.

Q. MR. RUSCILLI STATES THAT THE DEAVERAGED RATES IT PROPOSES IN THIS PROCEEDING WERE DERIVED USING THE METHODOLOGY ADOPTED BY THE AUTHORITY IN THEIR DECISION OF APRIL 25, 2000, IN DOCKET NO. 97-1262 (P. 13, LINES 10-12). DOES THIS MEAN BELLSOUTH'S DEAVERAGING METHODOLOGY HAS BEEN FOUND BY THE TRA TO PRODUCE DEAVERAGED UNE RATES THAT ARE COST-BASED?

A. No. As stated by Chairman Malone in that decision BellSouth's deaveraged UNE rates were adopted, "until such time as the Authority adopts deaveraged rates for the permanent UNE prices." Further, as stated by Director Greer in that decision, "And in adopting these figures, I want to make it clear, as you did in your comments, that this is on an interim basis, until we come to a final conclusion" and "I want to make it clear that this does not commit me to any cost model on a going-forward basis" (Docket 97-1262, April 25, 2000, Transcript, p. 17).

Q. WHY MUST THE TRA ESTABLISH COST-BASED DEAVERAGED UNE RATES?

A. First, as stated above, since UNEs are inputs that many competitors will use to determine whether and where to enter the local telecommunications market, it is essential that the rates for these inputs are cost-based so that the correct "build, buy or not enter" signals can be sent to potential market entrants. Second, the FCC announced that its stay of 47 C.F.R. § 51.507(f) (the "Deaveraging Rule") was lifted on May 2, 2000.[16]

Q. WHAT RULES ARE THERE CONCERNING HOW UNE RATES SHOULD BE DEAVERAGED?

A. All UNE rates, averaged and deaveraged, must adhere to the General Pricing Standards covered in 47 C.F.R. Section 51.503 and the Forward-Looking Economic Cost Standards covered in 47 C.F.R. Section 51.505. Further, in accordance with 47 C.F.R. Section 51.507(f), UNE rates must be deaveraged:

> State commissions shall establish different rates for Elements in at least three defined geographic areas within the state to reflect geographic cost differences.[17]

Q. AS A RESULT OF THESE RULES, WHAT CAN BE USED TO DETERMINE DEAVERAGED UNE RATES?

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[16] Federal State Joint Board on Universal Service, Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45, (rel. Nov. 2, 1999)(Methodology Order).

[17] 47 CFR § 51.507(f).

A. The only item that can be considered in determining deaveraged UNE rates is the Forward looking economic cost ("FLEC") differences caused by different geographic areas. This is because, assuming the average UNE rate is cost-based, if something other than FLEC is used to deaverage the existing rate, the resulting deaveraged rates will no longer be cost-based, and this would violate 51.503 and 51.505 of the FCC rules.

For example, if we would use the percentages of Tennessee Volunteer Football fans by city to deaverage an existing UNE rate, the resulting deaveraged UNE rates in Knoxville would be higher than the rates in Memphis. Given, however, that the percentage of Tennessee Volunteer fans has no influence over the FLEC of telecommunications, the resulting deaveraged rates would not be cost-based.

I use the noticeable strange example of Tennessee Volunteer football fans to illustrate a point. However, the same result would hold true (i.e. non-cost based deaveraged UNE rates), if something telecommunication related but not telecommunications cost related is used to deaverage existing UNE rates. For example, if BellSouth's retail rates - which are admittedly, even by BellSouth, not based on forward looking economic cost, were used to deaverage existing UNE rates, the resulting deaveraged UNE rates would likewise not be cost-based.

Q. HOW DOES BELLSOUTH PROPOSE TO DEAVERAGE EXISTING UNE RATES?

A. BellSouth proposes to lump together wire centers by retail rate group and then determine the average cost of wire centers that have the same retail rates.

Q. WHY DOES WORLDCOM OPPOSE BELLSOUTH'S PROPOSAL TO DEAVERAGE UNE RATES BY RATE GROUP?

A. WorldCom believes that deaveraged UNE rates must reflect the relative forward looking economic cost differences of the UNEs between geographic areas. BellSouth's proposal to deaverage UNE rates through the use of the average cost of wire centers that have the same retail cost is a violation of FCC rules. BellSouth's proposal to create non-cost based deaveraged UNE rates will send incorrect economic signals to the marketplace. Further, BellSouth's proposal to create the geographic zones by rate group is a thinly veiled attempt to insulate its retail rates from cost-based competition.

Q. HOW DOES BELLSOUTH'S PROPOSAL TO USE ITS RATE GROUPS TO DEAVERAGE UNE RATES INSULATE ITS RETAIL RATES FROM COST-BASED COMPETITION?

A. By first grouping wire centers together by rate group, BellSouth's deaveraging methodology inappropriately raises the wholesale UNE rates where its retail rates are high. BellSouth's deaveraging methodology, that was accepted by the TRA on an interim basis in Docket 97-1262, takes all of its wire centers that serve areas with the highest **retail rates** (e.g. not those with the highest **cost**) in the state and lumps those wire centers together in one basket. The problem with this method is that current retail rates are not an accurate determination of cost and therefore these areas

that wind up in BellSouth's first basket do not all have similar cost characteristics. Some of the areas in this basket are very low cost and some of the areas are very high cost. Therefore, by using rate groups to lump together low and high cost wire centers in the same zone, BellSouth raises the average cost of that zone, which raises the deaveraged UNE rates for that zone. The resulting higher than cost based deaveraged UNE rates insulate BellSouth's high retail rates in low cost areas from some cost-based local competition using UNEs.

Q. DOES BELLSOUTH'S PROPOSAL COMPLY WITH 47 C.F.R. 51.503?

A. No. 47 C.F.R. §51.503 requires that BellSouth's UNE prices be based on forward- looking economic cost. This rule applies to averaged and deaveraged rates of both individual UNEs and combination of UNEs. BellSouth's retail rate groups are not currently based on forward-looking economic cost. Therefore, BellSouth's proposal to deaverage UNE rates using its current rate groups as the basis for categorization would violate section 51.503 because it does not result in forward looking economic cost based, deaveraged UNE rates.

Q. DOES BELLSOUTH'S DEAVERGING PROPOSAL COMPLY WITH 47 C.F.R.51.505(d)?

A. No. 47 C.F.R. 51.505(d) states that the revenues of other services cannot be considered in the development of a UNE rate. BellSouth's proposal violates section 51.505(d) by considering the revenues of the services of its rate groups in the development of its deaveraged UNE rates.

Q. HOW CAN THE TRA IMPLEMENT A STATEWIDE UNE DEAVERAGING POLICY THAT BEST ADVANCES ITS PUBLIC POLICY AGENDA AND ALSO COMPLIES WITH THE FCC RULES?

A. SPRINT has a deaveraging proposal that can achieve this goal. SPRINT's deaveraging methodology can be objectively and equally imposed on all ILECs. The objectivity of SPRINT's proposal is a key benefit. It will also aid the Authority in the future by easing its future administrative burdens. Further, SPRINT's proposal better achieves the proper deaveraging goal than other proposals I have reviewed. This goal is to group areas with similar cost characteristics into the same UNE rate zones. As such, SPRINT's deaveraging methodology would be easy for the TRA to administer and also best achieves the proper deaveraging goal.

Q. WHAT IS SPRINT'S UNE DEAVERAGING PROPOSAL?

A. SPRINT's deaveraged UNE proposal is as follows:

> A network element's rate should be geographically deaveraged when the actual cost (TELRIC plus forward-looking common costs) of providing the element anywhere within a defined geographic area deviates significantly from the averaged price for the element across the defined area. While it is impossible to quantify with absolute precision what a "significant" deviation of actual cost from averaged price is, SPRINT believes that differences in excess of 20% are of sufficient magnitude to potentially distort competitors' investment decisions. Using this criteria, the actual cost of providing a network element anywhere within the state or a geographically defined area should be no greater

than 20% (plus or minus) of the network element's averaged price.[18]

I have been involved in deaveraged UNE proceedings and/or negotiations in all of BellSouth states and SPRINT's UNE deaveraging methodology is superior to anything that I had reviewed thus far, including the deaveraging proposal that I made in the UNE deaveraging negotiations for Tennessee. SPRINT's methodology sets a sure and concrete standard (+ or – 20%) that can be objectively and equally applied to all ILECs. This would provide the TRA with a means to quickly make rate determinations and administer rules in the future. Further, the establishment of a fixed cost deviation criteria places wire centers with similar cost characteristics in the same zone.

Q. DOES SPRINT'S DEAVERAGING PROPOSAL COMPLY WITH FCC RULES?

A. Yes.

Q. IS WORLDCOM NECESSARILY WEDDED TO THE PLUS OR MINUS 20 PERCENT BANDING PROPOSED BY SPRINT?

A. No. WorldCom believes that the banding chosen in Tennessee should capture wire centers with similar cost characteristics in the same zone. The TRA may determine that this can be done with different banding (e.g. 15% or 25%) and still abide by the FCC rules.

Q. WHAT ARE WORLDCOM'S RECOMMENDATIONS?

A. WorldCom recommends that SPRINT's deaveraged UNE cost

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[18] Direct Testimony of Michael R. Hunsucker, Before the North Carolina Utilities Commission, Docket No. P-100, SUB133d, pp. 5-6, filed June 9, 2000.

methodology be applied to average UNE loop cost by wire center determined in this proceeding for BellSouth and SPRINT. In the alternative, the TRA could permit BellSouth's deaveraging methodology to be used on an interim basis (without a finding that it produces cost-based rates or complies with the FCC rules), until a proceeding can be brought to fully address the issue of geographic UNE rate deaveraging.

V. OPERATOR SERVICE AND DIRECTORY ASSISTANCE

Q. IS THE AVAILABILITY OF OPERATOR SERVICE AND DIRECTORY ASSISTANCE AS A UNE AN ISSUE IN THIS DOCKET?

A. No.

Q. IS THE AVAILABILITY OF OPERATOR SERVICE AND DIRECTORY ASSISTANCE AS A UNE AN ISSUE IN WORLDCOM'S ARBITRATION WITH BELLSOUTH?

A. Yes.

Q. DOES MR. RUSCILLI ATTEMPT TO MAKE THE AVAILABILITY OF OPERATOR SERVICE AND DIRECTORY ASSISTANCE AN ISSUE IN THIS DOCKET?

A. Yes. On page 31 of his direct testimony, Mr. Ruscilli claims that Operator Service and Directory Assistance (elements G.1 through G.8) should be removed from its rate sheet and then on Exhibit JAR-1, page 7 of 15, Mr. Ruscilli removed OS-DA as a UNE.

Q. SHOULD THE TRA PERMIT BELLSOUTH TO EXPAND THE SCOPE OF THIS PROCEEDING TO INCLUDE THE AVAILABILITY OF OS/DA?

A. No.

Q. BELLSOUTH ASSERTS THAT IT IS NOT REQUIRED TO PROVIDE OPERATOR SERVICES AND DIRECTORY ASSISTANCE AS UNBUNDLED NETWORK ELEMENTS. DO YOU AGREE WITH THIS ASSERTION?

A. No, I don't. BellSouth is required to provide directory assistance and operator services as unbundled network elements because it is not providing customized routing which will allow WorldCom to use its own DA/OS platform effectively as an alternative to BellSouth's unbundled directory assistance and operator services.

Q. PLEASE ELABORATE.

A. The FCC has noted that the lack of customized routing effectively precludes new entrants from using their own DA/OS platform or the services of alternative OS/DA providers. The FCC stated: "Thus, we require incumbent LECs, to the extent they have not accommodated technologies used for customized routing, to offer OS/DA as an unbundled network element." (Rule 319 Remand Order, paragraph 463).

BellSouth has not offered an efficient or effective customized routing solution that will permit WorldCom to receive DA/OS traffic at its platform. Therefore, BellSouth must continue to provide OS/DA as unbundled network elements until such time as it implements an appropriate customized routing solution as proposed by WorldCom.

Q. BELLSOUTH CLAIMS THAT IT DOES OFFER CUSTOMIZED ROUTING. WHY DO YOU CLAIM THAT IT DOES NOT OFFER AN EFFECTIVE OR EFFICIENT CUSTOMIZED ROUTING SOLUTION?

A. BellSouth does not offer a customized routing solution that is efficient or of much use to a new entrant seeking to bring DA/OS traffic to its own platform. With BellSouth's line class code method, the CLEC must build or lease dedicated trunks from every end office serving its customers to the corresponding tandems. This is an extraordinarily inefficient and expensive way to provide DA/OS service. CLECs also must pay a nonrecurring charge of $200-300 per line class code per end office, which can amount to $1000 or more for each end office from which the CLEC wants to offer service. To make matters worse, BellSouth does not currently provide an electronic means to order selective routing to the CLEC's DA/OS platform. With the AIN hubbing method of selective routing, on the other hand, CLECs can share transport from the BellSouth end offices to the AIN hub, provided of course that more than one CLEC signs up to use this method. If the CLEC wishes to use its own DA/OS platform, it still must obtain dedicated trunking from the AIN hub to its platform. Also, direct trunking from certain end offices to the CLEC's DA/OS platform is required to obtain compatible feature group D signaling. As with the line class code method, BellSouth does not currently provide the ability to order AIN hub selective routing electronically. Significantly from a practical standpoint, the AIN hubbing solution may carry a price tag of almost $500,000 for initial start-up. In short, neither BellSouth's line class code method nor its AIN hubbing method provides a practical,

commercially effective method of selectively routing DA/OS traffic to an alternative DA/OS provider.

If the TRA decides to address this issue in this proceeding, BellSouth should be directed to continue providing directory assistance and operator services as unbundled network elements until such time as it implements a meaningful form of customized routing.

VI. NEW PROPOSED UNEs AND UNE COMBINATIONS

Q. HAS BELLSOUTH INAPPROPRIATELY ATTEMPTED TO EXPAND THE SCOPE OF THIS PROCEEDING TO INCLUDE NEW UNE AND UNE COMBINATIONS?

A. Yes. BellSouth has attempted to expand the scope of this proceeding to include unbundled copper loops, High Capacity Loops (DS3 & OC3), additional UNE combinations and dark fiber loops.

Q. CAN BELLSOUTH'S COST STUDIES FOR THESE NEW UNES BE ADEQUATELY ANALYZED AND ADDRESSED IN A ONE WEEK PERIOD BETWEEN DIRECT AND REBUTTAL TESTIMONY?

A. No. In other states (e.g. Florida, North Carolina) this has taken a three month discovery period (including data requests, interrogatories, depositions, cost model filing, direct testimony, rebuttal testimony) prior to a one week hearing. And I would like to add, these were aggressive time constraints.

Q. WHAT WERE THE RESULTS OF THAT ANALYSIS IN OTHER STATES?

A. In Florida, for example, BellSouth initially proposed a DS3 loop rate of $407.58 (facility termination), $11.97 (per mile) and nonrecurring cost of $910.45 (first) and $532.19 additional (Florida Docket No. 990649-TP, BellSouth Cost Calculator, Appendix A, State Average Summary, p. 4). AT&T & WorldCom's analysis of that proposal indicated that the cost based rate for a DS3 loop was $245.44 (facility termination), $4.09 (per mile) and nonrecurring cost of $48.97 (first) and $37.60 additional (Florida Docket No. 990649-TP, Exhibit JAK-1 Revised, September 11, 2000).

Q. WHAT RATES DOES BELLSOUTH PROPOSE IN TENNESSEE FOR A DS3 LOOP?

A. BellSouth proposes a DS3 loop rate of $374.24 (facility termination), $9.19 (per mile) and nonrecurring cost of $595.37 (first) and $304.50 additional. So, I would speculate, given what I have learned from the Florida proceeding, that cost-based rates for DS3 loops in Tennessee are in the $200 to $250 range for facility termination and about $4.00 per mile, and the cost-based nonrecurring charge for a DS3 loop is approximately one tenth (i.e. about $50) what BellSouth has proposed in this proceeding. However, given we have not had adequate time to analyze BellSouth's proposal in this proceeding, this is just speculation at this point.

Q. DOES BELLSOUTH USE THE SAME COST MODEL TO SUPPORT ITS UNE RATE PROPOSAL IN ALL STATES?

A. No. BellSouth has a new scorched node cost model called BSTLM that it is using in current Florida and Louisiana UNE proceedings. BSTLM is a

bottoms up cost model like WorldCom's HAI model and unlike BellSouth's TELRIC calculator used before the TRA which is a top down cost model. BellSouth's new cost model validates what WorldCom has said all along, that its cost model, HAI, produces conservatively high results. BellSouth's new BSTLM models less outside plant than HAI models. And as such, with equal inputs, produces lower costs than HAI produces (less plant should mean less cost). The problem WorldCom is now confronted with in Florida is, now that BellSouth has a bottoms up cost model that can "build" a reasonable forward looking network, BellSouth is applying embedded cost based inputs to produce non-forward looking cost based output. AT&T and WorldCom have proposed that previously approved inputs be used in BellSouth's model. The different inputs account for the majority of the difference between what BellSouth has proposed in Florida and what AT&T and WorldCom have proposed.

Q. HAS EITHER THE FLORIDA OR NORTH CAROLINA COMMISSION RULED ON BELLSOUTH'S UNE PROPOSAL?

A. Not yet.

Q. GIVEN THAT PARTIES HAVE NOT HAD ADEQUATE TIME TO ANALYZE BELLSOUTH HIGH CAPACITY UNE RATE PROPOSAL, WHAT DOES WORLDCOM RECOMMEND THE TRA DO?

A. WorldCom recommends that the TRA permit BellSouth's new High Capacity Loop rates to go in effect on an interim basis until such time as a proceeding can be established to fully address these rates and make these interim rates subject to a true up based on the results of that proceeding.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been forwarded via U.S. Mail, postage prepaid, and/or hand delivered to the following on this the 20th day of November, 2000.

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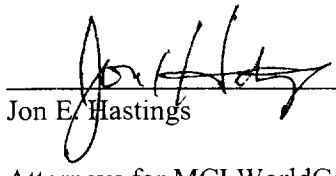

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