Sprint.

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January 5, 2001

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

Re: Docket No. 00-00691; Sprint Communications Company L.P. Arbitration Petition with BellSouth Telecommunications, Inc.

Dear Mr. Waddell:

Pursuant to the November 9, 2000 Notice of Revised Procedural Schedule issued in this case, enclosed for filing on behalf of Sprint Communications Company L.P. are the original and thirteen copies of the prefiled testimony of Witnesses Melissa L. Closz, Mark G. Felton, Angela Oliver and Dr. David T. Reardon.

Copies of the enclosed are being provided to counsel for BellSouth.

Please contact me if you have any questions.

Very truly yours,

James B Wright

James B. Wright

JBW:sm
Enclosures
cc: Guy Hicks (with enclosures)
E. Earl Edenfield, Jr. (with enclosures)
William R. Atkinson (with enclosures)

SPRINT COMMUNICATIONS COMPANY L.P.

DIRECT TESTIMONY

OF

MELISSA L. CLOSZ

BEFORE THE

TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 00-00691

JANUARY 5, 2001

Q. Please state your name and business address.

A. My name is Melissa L. Closz. My business address is 7650 Courtney Campbell Causeway, Suite 1100, Tampa, Florida.

Q. By whom are you employed and in what capacity?

A. I am employed by Sprint as Director-Local Market Development.

Q. **Please describe your educational background and work experience.**

A. I have a Master of Business Administration degree from Georgia State University in Atlanta, Georgia and a Bachelor of Business Administration degree from Texas Christian University in Fort Worth, Texas. I have been employed by Sprint for over nine years and have been in my current position since February, 1997. I began my telecommunications career in 1983 when I joined AT&T Long Lines progressing through various sales and sales management positions. In 1989, I joined Sprint's Long Distance Division as Group Manager, Market Management and Customer Support in Sprint's Intermediaries Marketing Group. In this capacity, I was responsible for optimizing revenue growth from products and promotions targeting association member benefit programs, sales agents and resellers. I owned and operated a consumer marketing franchise in 1991 and 1992 before accepting the General Manager position for Sprint's Florida unit of United Telephone Long

Distance ("UTLD"). In this role, I directed marketing and sales, operational support and customer service for this long distance resale operation. In Sprint's Local Telecommunications Division, in 1993, I was charged with establishing the Sales and Technical Support organization for Carrier and Enhanced Service Markets. My team interfaced with interexchange carriers, wireless companies and competitive access providers. After leading the business plan development for Sprint Metropolitan Networks, Inc. ("SMNI", now a part of Sprint Communications Company Limited Partnership), I became General Manager in 1995. In this capacity, I directed the business deployment effort for Sprint's first competitive local exchange company ("CLEC") operation, including its network infrastructure, marketing and product plans, sales management and all aspects of operational and customer support.

Q. **What are your present responsibilities**?

A. My present responsibilities include leading Sprint's interconnection negotiations with BellSouth Telecommunications, Inc. ("BellSouth"). In addition, I am responsible for coordinating Sprint's entry into the local markets within BellSouth states. I also interface with the BellSouth account team supporting Sprint to communicate service and operational issues and requirements.

Q. Have you testified previously before state regulatory Commissions?

A. Yes, I have testified before state regulatory Commissions in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, New York, North Carolina, South Carolina and Tennessee.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide input and background information to the Tennessee Regulatory Authority ("TRA") regarding Sprint's Petition for Arbitration of certain issues that Sprint and BellSouth Telecommunications, Inc. ("BellSouth") discussed during the course of negotiating a renewal of their Interconnection Agreement, but were unable to resolve. Specifically, my testimony will deal with the following issues: Issue 4- UNE combinations; Issue 6- Enhanced Extended Links ("EELs"); Issue 8- Point of Interconnection; Issue 13- Provisioning intervals for physical collocation; Issue 14- Construction and provisioning interval (building permits); Issue 16- Priority of space assignment for "space exhausted" Central Offices; Issue 17- Demarcation point; Issue 18- Additions and augmentations; Issue 20- Transition from virtual collocation to physical collocation; Issue 21- Payment in advance for make-ready work performed by BellSouth; Issue 45- Proposed language for space reservation; and Issue 47- Denial of application- BellSouth's provision of full-sized, detailed engineering floor plans and engineering forecasts.

Q. Have any of the issues included in the original arbitration Petition been resolved?

A. Yes. As a result of the mediation held before the TRA staff on November 3, 2000, a number of issues were resolved as reflected in the revised Joint Issues Matrix filed on November 17, 2000. Two additional issues (Nos. 13 and 14) have been resolved since that filing as reflected in my testimony.

Issue 4: Pursuant to Federal Communications Commission ("FCC") Rule 51.315 (b), should BellSouth be required to provide Sprint at TELRIC rates combinations of UNEs that BellSouth typically combines for its own retail customers, whether or not the specific UNEs have already been combined for the specific end-user customer in question at the time Sprint places the order?

INTRODUCTION

Q. Please provide an overview of all pertinent FCC and/or Court Orders that provide the foundation or framework for the provisioning of unbundled network element (UNE) combinations.

A. In August 1996, the FCC issued its First Report and Order in Docket No. 96-98 in which they addressed the provisioning of UNE combinations and promulgated rules in Section 51.315. The following are the original rules as adopted by the FCC in August 1996:

51. 315 Combination of unbundled network elements.

(a) An incumbent LEC shall provide unbundled network elements in a manner that allows requesting telecommunications carriers to combine such network elements in order to provide a telecommunications service.

(b) Except upon request, an incumbent LEC shall not separate requested network elements that the incumbent LEC currently combines.

(c) Upon request, an incumbent LEC shall perform the functions necessary to combine unbundled network elements in any manner, even if those elements are not ordinarily combined in the incumbent LEC's network, provided that such combination is:

(1) technically feasible; and

(2) would not impair the ability of other carriers to obtain access to unbundled network elements or to interconnect with the incumbent LEC's network.

(d) Upon request, an incumbent LEC shall perform the functions necessary to combine unbundled network elements with elements possessed by the requesting telecommunications carrier in any technically feasible manner.

(e) An incumbent LEC that denies a request to combine elements pursuant to paragraph (c)(1) or paragraph (d) of this section must prove to the state commission that the requested combination is not technically feasible.

(f) An incumbent LEC that denies a request to combine elements pursuant to paragraph (c)(2) of this section must prove to the state commission that the requested combination would impair the ability of other carriers to obtain access to unbundled network elements or to interconnect with the incumbent LEC's network.

Subsequently, upon appeal, the Eighth Circuit Court vacated 51.315(b-f) on the grounds that the rules were inconsistent with Section 251(c)(3) of the Telecom Act. On January 25, 1999, the United States Supreme Court issued an order in which they reversed the Eighth Circuit's opinion on 51.315(b). The Supreme Court stated that, "In the absence of Rule 315(b), however, incumbents could impose wasteful costs on even those carriers who requested less than the whole network. It is well within the bounds of the reasonable for the Commission to opt in favor of ensuring against an anticompetitive practice."

Q. **What UNE combinations should an ILEC be required to provide ?**

A. FCC Rule 51.315(b) requires an ILEC to provide any UNE combination that the ILEC "currently combines". UNE combinations can occur in many different forms. Some carriers may want to combine loop and transport (commonly referred to as enhanced extended loop or EELs), other carriers may want to combine loop and port while providing their own transport (either through self-provisioning or through a third party) while other carriers may want to combine loop, port and transport. These examples are not intended to be all possible combinations but represent a sampling of what carriers may indeed request from an ILEC.

The standard that the Commission should employ would be one of comparability between an ILEC retail product and the UNE combination requested by a particular carrier. For example, ILECs utilize the loop, port and transport when

provisioning basic local service to end user customers, therefore, an ILEC should be required to provide a UNE combination of loop, port and transport on a wholesale basis to requesting carriers.

Q. Should there be any limitations on the retail comparability standard that the Commission should use?

A. Yes. Consistent with FCC's rules the provisioning of UNE combinations should be limited only to technical feasibility. In the short term, there may be technical or operational concerns that prevent the fulfillment of a request by a telecommunications carrier and the FCC has allowed for this in their definition of technically feasible. However, the FCC does not allow the consideration of such things as economic, accounting or billing as appropriate in making a technically feasible determination. Additionally, ILECs may not provide retail services ubiquitously throughout their service territory. In this case, the provision of UNE combinations consistent with the ILEC retail service would be limited to the appropriate retail service territory.

Q. **What is the appropriate definition of "currently combines"?**

A. Generally, there have been two positions taken on the issue of "currently combines". First, most ILECs have argued that "currently combines" means "actually combined" on a customer specific basis. In other words, the ILEC must

be providing existing service to the end user customer before a CLEC can request a UNE combination to provide service to that particular end user. The second position (and the one advocated by Sprint) is that "currently combines" means "ordinarily combines". For example, if an ILEC normally combines the requested elements in the provision of a retail service to any customer (subject to the technical limitations discussed above), then the ILEC should be required to provision the requested UNE combination to the CLEC.

Q. You state that Sprint believes that the appropriate definition of "currently combines" is "ordinarily combines". Please provide your rationale for why this is the appropriate definition.

A. Adoption of the "actually combined" definition is anti-competitive and imposes wasteful costs on both ILECs and CLECs. This "actually combined" definition requires that the ILEC must actually be providing service to the particular end user customer at the time that the CLEC requests a UNE combination. This means that the ILEC has the upper hand in a competitive sense in that the ILEC does not have to compete for new customers (i.e., customers without existing ILEC service) against a CLEC that enters the market via a UNE combination strategy. It forces the CLEC to initially provide service to the end user via resale with the associated non-recurring charges. Nothing prevents the CLEC from placing a UNE combination order the next day to convert the resale service to a UNE combination. At this point, the CLEC will incur additional non-recurring

charges and the ILEC will be required to incur wasteful costs to convert the service from resale to UNE combination. This is totally unproductive, wasteful and not beneficial to consumers. The Supreme Court, in its review of the FCC rules, affirms that a high priority should be placed on ensuring against anticompetitive practices and the imposition of wasteful costs on carriers. Please reference page 5, lines 5-9, of my testimony.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA order BellSouth to provide UNE combinations to Sprint that are "ordinarily combined" in BellSouth's network for the provision of a retail service to any customer, subject only to technical feasibility limitations.

Issue 6: Should BellSouth be required to universally provide access to EELs that it ordinarily and typically combines in its network at UNE rates?

Q. Please provide a definition and overview of EELs.

A. An EEL is an enhanced extended loop which is one form of an UNE combination. The EEL is the combining of loop and transport. It allows a CLEC to order loops from multiple ILEC wire centers and combine loops with transport to deliver loops from multiple wire centers to a single (or more) collocation site. This eliminates the need for multiple collocations with an ILEC.

Q. What has the FCC said in regards to the provisioning of EELs by ILECs?

A. The FCC addressed this issue in the Third Report and Order in Docket No. 96-98. The FCC stated in paragraph 480 of the Order that, "To the extent an unbundled loop is in fact connected to unbundled dedicated transport, the statute and our rule 51.315(b) require the incumbent to provide such elements to requesting carriers in combined form." They further state that, "... in specific circumstances, the incumbent is presently obligated to provide access to the EEL. In particular, the incumbent LECs may not separate loop and transport elements that are currently combined and purchased through the special access tariffs. Moreover, requesting carriers are entitled to obtain such existing loop-transport combinations at unbundled network element prices."

It is readily apparent that ILECs have the obligation to provision EELs at this time. The FCC has been very clear in their decision on this issue. ILECs should be required to provision EELs. In addition, the TRA has determined in another BellSouth arbitration case in Tennessee that BellSouth must offer EELs throughout BellSouth's Tennessee network at the sum of the TELRIC rates for each individual element (See ICG - BellSouth arbitration, Docket No. 99-00377, November 27, 2000 Clarification of Final Order on Arbitration, at page 3).

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA order BellSouth to universally provide access to EELs that it ordinarily and typically combines in its network at UNE rates consistent with the prior decisions of the TRA..

Issue 8: Should BellSouth be able to designate the network Point of Interconnection ("POI") for delivery of BellSouth-originated local traffic?

Q. Please describe the issue for which Sprint seeks arbitration by the TRA.

A. The issue is whether BellSouth should be able to determine the network Point of Interconnection ("POI") for delivery of its originated local traffic.

Q. Should BellSouth be able to determine the network Point of Interconnection for delivery of its originated local traffic?

A. No. As a CLEC, Sprint has the right to designate the Point of Interconnection for both the receipt and delivery of local traffic at any technically feasible location within BellSouth's network. This includes the right to designate the POI in connection with traffic originating on BellSouth's network.

Q. What is BellSouth's position on this issue?

A. BellSouth's position is that it should have the ability to designate the POI(s) for the delivery of its local traffic to Sprint.

Q. Does the FCC address the rights and obligations of ILECs and requesting carriers with respect to the designation of the network POI?

A. Yes. In its Local Competition Order[1], the FCC clearly stated that the specific obligation of ILECs to interconnect with local market entrants pursuant to Section 251(c)(2) the Act[2] engenders the local entrant's right to designate the point or points of interconnection at any technically feasible point within the Local Exchange Carrier's network:

> The interconnection obligation of section 251(c)(2) allows competing carriers to choose the most efficient points at which to *exchange* (emphasis added) traffic with incumbent LECs, thereby lowering the competing carriers' cost of, among other things, transport and termination of traffic.
>
> . . . . Of course, requesting carriers have the right to select points of interconnection at which to *exchange* (emphasis added) traffic with an incumbent LEC under Section 251(c)(2).

[1] See *First Report and Order,* CC Docket No. 96-98 (issued August 8, 1996) (hereinafter "Local Competition Order").

[2] Section 251(c)(2) provides as follows: "Interconnection. The duty to provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the local exchange carrier's network –

(A) for the transmission and routing of telephone exchange service and exchange access;
(B) at any technically feasible point within the carrier's network;
(C) that is at least equal in quality to that provided by the local exchange carrier to itself or to any subsidiary, affiliate, or any other party to which the carrier provides interconnection; and
(D) on rates, terms and conditions that are just, reasonable, and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and section 252 of this title."

Local Competition Order, at Paragraphs 172, 220, fnte. 464. In other words, Congress and the FCC intended to give CLECs the flexibility to designate the POI for the receipt and delivery of local traffic in order that the CLEC may minimize entry costs and achieve the most efficient network design. No such right is given to the incumbent carrier, only to new entrants. Sprint's right to designate the point of interconnection so as to lower its costs, including its cost of transport and termination of traffic, includes the right to designate the point of interconnection associated with traffic that originates on BellSouth's network, which Sprint must terminate.

Q. Why is the designation by BellSouth of a POI (or POIs) for the delivery of its local traffic a concern to Sprint?

A. BellSouth may wish to designate its end offices as the points of interconnection for traffic it originates. Such a designation would force Sprint to build facilities to each BellSouth end office or to pay to transport BellSouth traffic to Sprint's network. This position would be inconsistent with the FCC's Local Competition Order and the Act. Sprint is not required to extend its facilities to each BellSouth end office or to any other point designated by BellSouth. Instead, BellSouth is obligated to provide interconnection for Sprint facilities at points within BellSouth's network designated by Sprint. It is neither appropriate nor consistent with the Act and associated FCC Orders for the monopolist incumbent to increase entrant's costs and potentially decrease the entrant's network efficiencies by arbitrarily designating where in the LATA it chooses to hand its traffic off to Sprint and other local market entrants.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA Order BellSouth to allow Sprint to designate the Point of Interconnection for both the receipt and delivery of local traffic with BellSouth.

Issue 13: What are the appropriate provisioning intervals for physical collocation?

Q. What is Sprint's position on this issue?

A. This issue has been settled.

Issue 14: Is it appropriate for BellSouth to exclude from its physical collocation interval the time interval required to secure the necessary building licenses and permits?

Q. What is Sprint's position on this issue?

A. This issue has been settled. BellSouth has agreed that it will not exclude permitting time from its calculation of the time intervals within which it provisions physical collocation.

Issue 14: Should Sprint be given space priority over other CLECs in the event that Sprint successfully challenges BellSouth's denial of space availability in a given central office, and the other CLECs who have been denied space do not challenge?

Q. Please explain the issue for which Sprint seeks resolution by the TRA.

A. The issue is whether Sprint should be given priority of space assignment over other CLECs in the event that Sprint successfully challenges BellSouth's denial of space availability in a given central office when other CLECs who have been denied space do not present a challenge.

Q. What is Sprint's understanding of BellSouth's position on this issue?

A. BellSouth's position is to assign space strictly on a "first-come, first served" basis.

Q. Why does Sprint support a provision that priority of space assignment should be granted to a CLEC that successfully challenges a denial of space availability?

Q. The FCC rules establish a process whereby CLECs are afforded the opportunity to challenge the ILEC's denial of available space. Specifically, CLECs can tour the entire premises at no charge and the ILEC is required to provide certain information to substantiate their lack of space claim.

Let's assume that three CLECs have had their respective collocation applications denied and the first two CLECs chose not to tour the premises or challenge the denial. If the third CLEC chooses to challenge the ILEC and is successful, with or without Commission intervention, why should the first two CLECs be rewarded for their lack of action? In this case, it is not only appropriate to award the third CLEC the available space, but any remaining space should be provided to the first two CLECs based on their collocation application date until all requests are satisfied or space is exhausted.

Q. Why is this issue important to Sprint?

A. The process of touring BellSouth central offices is expensive for Sprint. It involves a significant commitment of time and technical resources in order to conduct a proper review. It is entirely conceivable that Sprint may invest thousands of dollars in time and resources to challenge space denial in a particular central office, receive confirmation from BellSouth that space has been identified for collocation, only to find that Sprint is still denied space because there are other CLECs that submitted applications for space in that central office before Sprint. This not only rewards the CLECs who chose not to make the investment in challenging space denial, but may have a chilling effect on future challenges since CLECs may face the prospect of making major investments in the process to no avail.

Q. What action is Sprint requesting that the TRA take on this issue?

A. Sprint is requesting that the TRA Order that Sprint's proposed contract language on this issue be adopted, as follow:

"If a CLEC that has been denied space in a BellSouth Premises chooses not to challenge BellSouth on space availability in that Premises, and Sprint has also been denied space in that Premises and later challenges BellSouth on space availability, Sprint will be give priority for space assignment if space is found to be available. Additional space would then be provided to other CLECs based on their respective position on said waiting list."

Issue 17: Collocation

(a) Who should designate the point of demarcation?

Q. What is Sprint's position on this issue?

A. Sprint should have the ability to designate the point of demarcation.

A.

Q. What is a demarcation point?

A. A demarcation point is the point at which the CLEC and ILEC facilities meet and serves as the point for which maintenance and provisioning responsibilities are split with each party assuming accountability on its side of the demarcation point.

Q. Why is it appropriate for Sprint to designate the demarcation point?

A. The location of the demarcation point will determine how much cost Sprint has to assume in order to connect its facilities to BellSouth's network. The reason this is the case is that Sprint is responsible for providing all facilities on its side of the demarcation point, and for all of the associated maintenance functions for those facilities. If BellSouth were to choose the demarcation point at a point distant from Sprint's collocation space, Sprint would have to bear the cost of cabling and the associated maintenance of such cabling to make the connection between Sprint's collocation space and the distant demarcation point. Moreover, such cabling would reside in BellSouth's "common space", which is space in the BellSouth premises over which Sprint has no responsibility or control.

Q. If the demarcation point was located in or adjacent to Sprint's collocation space, would Sprint agree that BellSouth could designate the demarcation point?

A. Yes. The concern regarding "who" chooses the demarcation point is really a matter of preventing BellSouth from arbitrarily increasing Sprint's costs in the event that BellSouth would select a demarcation point that is distant from the collocation space.

If the parties agreed that the demarcation point would be in or adjacent to the collocation space, the concern regarding who chooses the demarcation point would no longer be relevant.

(b) **Where is the appropriate point of demarcation between Sprint's network and BellSouth's network?**

Q. What is Sprint's position on this issue?

A. The appropriate point of demarcation between Sprint's collocated equipment and BellSouth's equipment is a point that is in or adjacent to Sprint's collocation space.

Q. Why does Sprint believe that the demarcation point should be designated in or adjacent to Sprint's collocation space?

A. CLEC collocation arrangements are confined to a particular area of a central office. It is only logical, then, that the CLEC's facilities should be located as near to that collocation space as possible. This minimizes the cost of collocation deployment to the CLEC because there is no requirement to provide cabling to reach a demarcation point that is located somewhere else within the BellSouth premise. Moreover, extending the demarcation point beyond the CLEC's collocation space requires the CLEC to perform installation and maintenance activities in BellSouth "common space"--- space that is outside of what Sprint controls. This further increases costs to

CLECs because of the additional cabling required and requires additional coordination efforts with BellSouth when installation and maintenance is required in BellSouth common space.

(c) Is a Point of Termination ("POT") bay an appropriate point of demarcation?

Q. Should Sprint be able to designate a Point of Termination Bay ("POT Bay") as the demarcation point?

A. Yes. Although a POT bay or frame should not be required in order for Sprint to interconnect with BellSouth, Sprint should have the ability to designate the POT bay or frame as the demarcation point if it so chooses.

Q. **What action does Sprint request that the TRA take on this issue?**

A. Sprint requests that the TRA order that Sprint should be able to designate the point of demarcation, in or adjacent to its collocation space, between Sprint's collocated equipment and BellSouth's equipment as follows:

"Unless otherwise requested by Sprint, Sprint will designate the point of demarcation in or adjacent to its collocation space. At Sprint's request, BellSouth will identify to Sprint the location(s) of other possible demarcation points available to Sprint, and Sprint will designate from these location(s) the point(s) of demarcation between its

collocated equipment and BellSouth's equipment. BellSouth will use its best efforts to identify the closest demarcation point to Sprint's equipment that is available. Each party will be responsible for maintenance and operation of all equipment/facilities on its side of the demarcation point. For 2-wire and 4-wire connections to the network, BellSouth may offer, as an option to Sprint, a demarcation point that is a common block on the BellSouth designated conventional distributing frame. Sprint or its agent must perform all required maintenance to equipment/facilities on its side of the demarcation point, and may self-provision cross-connects that may be required within the collocation space to activate service requests. At Sprint's option and expense, a Point of Termination (POT) bay, frame or digital cross-connect may be placed in or adjacent to the Collocation Space that may, at the Sprint's option, serve as the demarcation point. If Sprint elects not to provide a POT frame, BellSouth will agree to hand off the interconnection cables to Sprint at Sprint's equipment or at Sprint's designated demarcation point. When Sprint elects to install its own POT frame/cabinet, BellSouth must still provide and install the required DC power panel."

Issue 18: In instances where Sprint desires to add additional collocation equipment that would require BellSouth to complete additional space preparation work, what are the appropriate completion intervals for specific types of additions and augmentations to the collocation space?

Q. What is Sprint's position on this issue?

A. Sprint's proposed intervals for additions and augmentations are reasonable and should be adopted. Such intervals properly reflect the time and effort required to complete necessary augmentation tasks and provide both parties with certainty as to the work completion time frames. Moreover, Sprint believes that these intervals will afford Sprint with a meaningful opportunity to compete while still allowing BellSouth a reasonable time period for provisioning of augments and additions.

Q. What is Sprint's understanding of BellSouth's position on this issue?

A. BellSouth has indicated that it is not willing to commit to specific provisioning intervals for additions and augmentations at this time.

Q. What intervals does Sprint propose for additions and augmentations?

A. Sprint supports the following intervals for additions and augmentations (all intervals below reference calendar days):

Simple Augments, such as the placement of additional AC convenience outlets, or only a fuse change for additional DC power, will be provided within 20 days of receipt of a complete augment application.

Minor Augments, consisting primarily of interconnection cabling arrangements where the panels, relay racks, and other infrastructure exist will be provided within 45 days of receipt of a complete augment application.

Intermediate Augments, consisting of additional interconnect panels/blocks, cabling, DC Power arrangements, where minor infrastructure work is required, will be provided within 60 days of receipt of a complete augment application.

Major augments, requiring major infrastructure work, (e.g., cage expansion, power cabling) will be provided in 60-90 days of receipt of a complete augment application.

These augment intervals can be achieved or improved upon by the ILEC having standardized pricing for augments and the CLEC issuing a Blind Firm Order Confirmation ("FOC") upon submission of the augment application. The Blind FOC means that the CLEC is aware of its expected costs and intervals for the augments requested and wants the ILEC to proceed with the augment once its administrative work is completed without checking back with the CLEC for approval. The Blind FOC would be beneficial in instances where, for example, the CLEC simply wishes to augment the number of DS0 cable pairs delivered to its collocation space for line sharing. If the CLEC knows that it wants 400 additional DS0 pairs, and price will not affect its decision, the CLEC could issue a Blind FOC with its augment application and eliminate the need for the ILEC to check back with the CLEC once its price quote function is complete.

Simple Augments (20 days):

- Duplex (or Quad) AC convenience outlets
- DC Power requirements where only a fuse change is required

Minor Augments (45 days):

- Up to 2 DS3's (cabling only; panels, relay racks and overhead racking exist)
- Up to 400 Copper (shielded or nonshielded) cable pairs (blocks and cabling only; panels, relay racks and overhead racking exist)
- Additional overhead lighting
- Cage to cage interconnection conduit within the same collocation area
- Cable pull within same collocation area

Intermediate Augments (60 days):

- Up to 400 Copper (shielded or nonshielded) cable pairs (4 blocks)
- Arrange/install fiber cable through innerduct
- Arrange/install timing leads (No synchronization off stratum clock)
- Arrange and install fiber interconnections up to 12 fiber pairs

Major Augments (60-90 days):

- Power cables added to accommodate greater DC amperage requests within existing power panels.

- Cage expansion of 300 square feet or less immediately adjacent to a Collocator's existing cage within the collocation area as long as the collocation area does not have to be reconfigured and does not involve HVAC work
- Arrange/install bay lighting front and back up to three (3) bays

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA order that BellSouth adopt the provisioning intervals described above for additions and augmentations to Sprint's collocation space.

Issue 20: Under what conditions should Sprint be permitted to convert in place when transitioning from a virtual collocation arrangement to a cageless physical collocation arrangement?

Q. What is Sprint's position on this issue?

A. If Sprint does not request any changes to an arrangement other than to transition from virtual to cageless physical collocation, Sprint should be allowed to convert the arrangement in place. BellSouth should charge a reduced application fee for the conversion reflecting only the work directly involved in reviewing the conversion request.

Q. Are there any exceptions that should apply to the requirement that BellSouth allow conversions "in place"?

A. Yes. When the virtual collocation that Sprint is requesting be converted is less than a full bay and there is vertical commingling of equipment either with BellSouth or another CLEC, BellSouth may, at its option, choose to move the collocation arrangement to another bay, in which case the standard cageless physical collocation terms, conditions and intervals would apply.

Q. Why does Sprint believe that conversion of virtual collocation to cageless physical collocation without relocation of the arrangement is appropriate?

A. Virtual to cageless physical collocation conversion simply means that Sprint's existing virtual collocation space would be utilized to accommodate the "new" cageless physical collocation arrangement. Allowing BellSouth to require relocation of equipment under the circumstances described above would be unduly burdensome and costly to Sprint without any associated benefit.

Q. What action is Sprint requesting that the TRA take on this issue?

A. Sprint requests that the TRA require BellSouth to permit conversions in place when transitioning virtual collocation arrangements to cageless physical collocation arrangements when no changes are requested. An exception to this provision would

apply when the equipment for which conversion requested is less than a full bay. Sprint requests that the Commission adopt Sprint's proposed language as follows:

"Virtual Collocation Transition Upon request by Sprint, virtual collocation arrangements provisioned prior to the availability of physical cageless collocation in a central office shall be converted without disruption or reconfiguration of the equipment and without additional charges, except for administrative fees to process the request and if no relocation of equipment is required. Relocation may be required if Sprint is occupying space that is in less than a single-bay increment and there is any vertical commingling of equipment either with BellSouth or another CLEC. Where relocation of equipment is not required, equipment ownership will revert back to Sprint upon payment of the same charge used to sell such equipment to BellSouth; Sprint's cageless rack space will be clearly marked through floor-markings or other identification; and Sprint will comply with all security requirements applicable to cageless collocation as outlined in this Attachment."

Issue 21: Should Sprint be required to pay the entire cost of make-ready work prior to BellSouth's satisfactory completion of the work?

Q. **What is "Make-Ready work"?**

A. "Make-Ready Work" is defined in the draft interconnection Agreement between the parties as,

"...all work performed or to be performed to prepare BellSouth's Conduit Systems, Poles or Anchors and related Facilities for the requested Occupancy or attachment of Sprint's Facilities. Make-Ready Work includes, but is not limited to, clearing obstructions (e.g., by rodding Ducts to ensure clear passage), the rearrangement, transfer, replacement, and removal of existing Facilities on a Pole or in a Conduit System where such work is required solely to accommodate Sprint's Facilities and not to meet BellSouth's business needs or convenience...".

Q. What is Sprint's position on this issue?

A. Sprint should pay for half of the charges for Make-Ready Work performed by BellSouth prior to the performance of any such work, and half of the charges upon satisfactory completion of the work.

Q. What payment arrangement does BellSouth contend that Sprint is required to follow?

A. BellSouth requires that one hundred percent (100%) of the charges be paid in advance of work performance. In addition, BellSouth will not schedule performance of the work until payment is received.

Q. Why does Sprint advocate payment of half of the charges up front and half upon completion is appropriate?

A. It is reasonable and customary in situations involving contracted work to provide a portion of payment in advance and the remainder of the payment upon satisfactory completion of the work. If Sprint is required to pay for all of the work in advance, Sprint will have no leverage with BellSouth to insure that the work being done is fully completed and is satisfactory. Indeed, BellSouth will already have been fully compensated and will have no financial incentive to complete the job in a timely and accurate fashion.

Q. Are there other areas of BellSouth's business where partial up-front payments have been standard BellSouth practice?

A. Yes. BellSouth's historical practice regarding the provisioning of collocation space provided for the requesting collocator to pay fifty percent (50%) of the estimated cost for space preparation up front with the remainder being paid by the collocator upon satisfactory completion of the work. Sprint understands that BellSouth is now moving further away from substantial up-front payments and is advocating monthly recurring charges to pay for collocation space preparation. Sprint believes there is no reason why BellSouth should not apply an "up-front/upon completion" payment methodology to the performance of Make-Ready Work in conjunction with its conduit systems, poles or anchors.

Q. What is BellSouth's rationale for requiring payments up front?

A. To the best of Sprint's knowledge, BellSouth requires this payment method because this is the way they have traditionally handled such payments and it is what BellSouth has required other requesting carriers to do.

Q. What is the practical impact of BellSouth's policy on requesting carriers?

A. CLECs such as Sprint seeking to utilize BellSouth's conduit systems, poles and anchors in their infrastructure deployment efforts will have to accept the work completed by BellSouth without financial recourse. If such work is unsatisfactory, personal appeals to BellSouth management will be the only available course of action to remedy the situation. Such escalations require a lot of time and effort on the part of both BellSouth and the CLEC. In contrast, receipt by BellSouth of final payment upon work completion provides an effective incentive for timely and satisfactory completion of such work.

Q. What action is Sprint requesting that the TRA take on this issue?

A. The TRA should order BellSouth to provide for payment by Sprint of fifty percent (50%) of Make-Ready Work charges in advance and payment of fifty percent of

such charges upon satisfactory completion of such work. Specifically, Sprint requests that the Commission adopt Sprint's proposed language as follows:

> Fifty percent (50%) of all charges for Make-Ready Work performed by BellSouth are payable in advance, with the amount of any such advance payment to be due within sixty (60) calendar days after receipt of an invoice from BellSouth. BellSouth will begin Make-Ready Work required to accommodate Sprint after receipt of Sprint's initial make-ready payment. Sprint will pay the remaining fifty percent (50%) of charges for Make-Ready Work upon completion of Make-Ready Work.

Q.

A.

Issue 22: Should the Agreement contain a provision stating that if BellSouth has provided its affiliate preferential treatment for products or services as compared to the provision of those same products or services to Sprint, then the applicable standard (i.e., benchmark or parity) will be replaced for that month with the level of service provided to the BellSouth affiliate?

Q. **What is the issue for which Sprint seeks arbitration by the TRA?**

The issue is whether the measurement standard, either parity with retail operations or a pre-established benchmark, should be altered for a particular month in the event that BellSouth provides superior service to its affiliates for any performance measurement.

Q. In the event that BellSouth provides superior service to its affiliates for any performance measurement, should the measurement standard, either parity with retail operations or a pre-established benchmark, be altered for that particular month?

A. Yes. If BellSouth has provided its affiliate preferential treatment for products and services as compared to provision of those same products and services provided to any alternative local exchange carrier ("CLEC"), then the standard, either parity with retail operations or a pre-established benchmark, should be replaced for that month with the superior level of service provided to the BellSouth affiliate. This revised standard should be used to calculate all applicable penalties.

Q. What are BellSouth's parity obligations?

A. BellSouth's parity obligations under the Act require BellSouth to provide the same level of service to its competitors that it provides to itself. FCC Rule 51.305(a) states:

> An incumbent LEC shall provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the incumbent LEC's network: ... 3) that is at a level of quality that is equal to that which the incumbent LEC provides itself, a subsidiary, an affiliate, or any other party.

Also, 47 U.S.C. 251(c)(3) states BellSouth's obligation to provide nondiscriminatory access to UNEs. In those situations where BellSouth is providing a superior level of service to its affiliates, replacing the appropriate parity or benchmark standard with the level of service provided to the affiliate is the only real way in which to motivate BellSouth to meet its parity and nondiscrimination obligations.

Q. Would you give an example of how Sprint might be disadvantaged if its proposal is not implemented?

A. If BellSouth installs new service for its retail customers and for CLECs in four days but provides new installations for its affiliate in three days, the CLECs are clearly discriminated against and clearly disadvantaged, yet BellSouth is not obligated to pay financial penalties because the service it provided CLECs is in parity to that of its retail operations. The TRA's determination of the appropriate measurement standard must address what happens in the event that BellSouth provides its affiliates with better service than what it provides Sprint. Sprint recommends that the TRA require the agreement to evoke self-executing penalties in the event BellSouth provides

superior service to its affiliates for any performance measurement. Specifically, the measurement standard, either parity with retail operations or a pre-established benchmark, should be altered for that particular month to match the level of service that the BellSouth affiliate received. In other words, BellSouth must provide Sprint with non-discriminatory treatment as compared to what it provides its retail operations or its affiliates, whichever is better, or face the consequences of self-executing penalties.

Q. How would Sprint define "affiliate" for these purposes?

A. An affiliate should be defined as provided in 47 U.S.C. 153:

> The term "affiliate" means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent.

Q. How would this issue apply to the application of penalties?

A. If BellSouth has provided its affiliate or retail end-user preferential treatment of products and services over those same products and services provided to Sprint, then the standard should be replaced for that month with the level of service provided to

the BellSouth affiliate or retail end-user. This revised standard should be used to calculate all applicable penalties.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA Order that the measurement standard, either parity with retail operations or a pre-established benchmark, be altered for a particular month in the event that BellSouth provides superior service to its affiliates for any performance measurement. Sprint further requests that the TRA Order that Sprint's proposed contract language on this issue be adopted as follows:

"If it is determined that BellSouth has provided its affiliate preferential treatment of products/services over those same products/services provided to Sprint, then the standard, i.e., either parity or a benchmark, will be replaced for that month with the level of service provided to the BellSouth affiliate. This revised affiliate-based standard will be used to calculate all applicable penalties. Subsequent months will revert back to the original standard until such time that BellSouth demonstrates preferential treatment to its affiliate."

Issue 23:<u>What is the appropriate geographic disaggregation for BellSouth performance measurement data in Tennessee?</u>

Q. What is Sprint's position regarding the disaggregation of BellSouth's measurement data?

A. BellSouth should disaggregate its measurement data consistent with the manner in which it geographically disaggregates its other external or internal performance-related reports. If BellSouth has not established geographical units in Georgia smaller than statewide reporting, then BellSouth should disaggregate at the Metropolitan Statistical Area ("MSA") level.

Q. Why is it important to have the level of disaggregation specified?

A. Sprint strongly believes that disaggregation of performance measurements information is critical for CLECs to evaluate whether an ILEC is providing nondiscriminatory interconnection and access to unbundled network elements. The more measurements are "lumped" together, the more difficult it is to make this determination. If BellSouth does not geographically disaggregate below a state level, then Sprint believes that disaggregation at an MSA level is an appropriate level.

Q. Why is disaggregation at an MSA level important rather than at a state level?

A. Statewide reporting is too broad (unless an ILEC serves only a small portion of a state) to accurately identify areas of potential discrimination in service. For example, in instances where competition exists in only a few cities in a given state, statewide

reporting could mask the fact that in those cities, the ILEC may be giving far better service to its own customers than to the CLECs, even though its service to the CLECs matches its statewide performance to its own customers. Disaggregation should be done at a level that has some value and meaning. To the extent that BellSouth does not employ a smaller geographic unit to produce internal reports with respect to BellSouth's retail business, Sprint believes that the MSA constitutes a suitable default level of disaggregation. The MSA is a well-known and easily understood geographic unit. In its 1998 interim Order in connection with the Louisiana Public Service Commission's ("LPSC") ongoing performance measurements proceedings, the LPSC directed BellSouth "to report its performance measurements at the regional, state and MSA."

Issue 24: What performance measurement audit provision(s) should be included in the Agreement?

Q. What is the issue for which Sprint seeks arbitration by the TRA?

A. The issue is whether the performance measurements audit provisions in the parties' Agreement should allow only one annual, aggregate-level audit or whether the audit provisions should also include "mini-audits" as proposed by Sprint.

Q. What is Sprint's position regarding performance measurements audits?

A. Sprint proposes an "initial audit" that would include a comprehensive evaluation of the systems and procedures associated with the gathering, compilation and reporting of performance measurement data. BellSouth would pay for the services of an independent auditor to complete the initial audit and subsequent annual audits of a similar nature. In addition to a comprehensive audit, Sprint's proposal would grant Sprint the right to conduct "mini-audits" of individual performance measures and or sub-measures during the calendar year. Such mini-audits would allow Sprint to investigate anomalies encountered during the course of operation, rather than waiting until the next annual audit. When Sprint has reason to believe the data collected for a measure is flawed or the reporting criteria for the measure is not being adhered to, Sprint should have the right to conduct a mini-audit performed on the specific measure upon written request. If, 30 days after written request, Sprint believes that the issue has not been resolved to its satisfaction, then Sprint would commence the mini-audit upon providing BellSouth with 5 business days advance written notice. Sprint proposes that it would be limited to auditing five single measures during the year. Sprint would pay for the mini-audit, including BellSouth's reasonable associated costs and expenses, unless BellSouth is found to be misreporting or misrepresenting data or to have non-compliant procedures, in which case, BellSouth would pay for the mini-audit, including Sprint's reasonable associated costs and expenses. If, during a mini-audit of individual measures, more than 50% of the measures in a major service category are found to have flawed data or reporting problems, the entire service category would be re-audited at the expense of BellSouth. The

Commission should bear in mind that multiple, simultaneous audits could strain the resources of BellSouth and should allow BellSouth reasonable latitude in scheduling audits. Sprint's proposed audits validation will provide Sprint with the assessment tools needed to adequately determine whether BellSouth is fulfilling its parity obligations.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA adopt Sprint's proposed audit provisions which provide for "mini-audits" to be conducted in addition to an annual audit. Sprint's language is reflected in Attachment 9, Section 6 of the draft interconnection agreement filed by the parties in this arbitration docket.

Issue 25: Should the availability of BellSouth's VSEEM III remedies proposal to Sprint and the effective date of VSEEM III be tied to the date that BellSouth receives interLATA authority in Tennessee?

Q. What is the issue for which Sprint seeks arbitration by the TRA?

A. The issue is whether the effective date of BellSouth's VSEEM III remedies proposal should be tied to the date that BellSouth receives interLATA authority for Tennessee. This issue also directly affects the availability of VSEEM III to Sprint. BellSouth has made Sprint's acceptance of its proposed VSEEM III effective date (i.e., the date it

receives interLATA authority in Tennessee) a condition of VSEEM III availability to Sprint.

Q. BellSouth suggests the effective date for performance measurement remedies should be tied to the date BellSouth receives interLATA authority in Tennessee. Does Sprint agree?

A. No. The FCC's decision on BellSouth's application for interLATA authority pursuant to Section 271 of the Telecommunications Act of 1996 has no relevance to when BellSouth should implement a performance measurement penalty plan.

Q. When should BellSouth implement a performance measurement penalty plan?

A. Sprint must have a readily available adequate performance measurements plan and associated penalties. Upon initial deployment of BellSouth's performance measurement systems, however, this Commission could determine that an appropriate "burn-in" period for penalties should be provided for BellSouth.

Q. Why is it necessary for BellSouth to implement a penalty plan?

A. BellSouth, like all ILECs, has an obligation to provide parity service. Without the ready availability of an adequate performance measurement plan and associated penalties, there is clearly little incentive for BellSouth to provide parity service.

Sprint believes that when conduct emerges that is indicative of discriminatory treatment, sanctions must be both swift and severe. Otherwise, the markets effects of the improper conduct will surely occur and conventional monetary penalties may be far too small in relation to the business advantage to be gained by discriminatory conduct to serve as an effective deterrent. Particularly in the initial stages of competition, when the concept of local competition is a novel one for consumers, and CLECs are most dependent on ILEC services and facilities, anything that an ILEC does to degrade the quality of service provided by the newcomer can place an indelible mark against the CLEC in the eye of consumers. Such service degradation could saddle Sprint with a reputation for poor service that would be difficult to overcome. Penalties must be severe enough to change the behavior of the ILEC. This means that the penalty would outweigh the financial costs to correct the problems.

Issue 26: Should BellSouth be required to apply a statistical methodology to the SQM performance measurements provided to Sprint?

Q. Please describe the issue for which Sprint seeks arbitration by the TRA.

A. The issue is whether BellSouth should be required to apply a statistical methodology to the Service Quality Measurement ("SQM") performance measures provided to Sprint.

Q. Please describe this issue regarding the application of the BellSouth statistical methodology to Sprint's performance measurement results.

A. BellSouth has refused to provide for the application of the BellSouth statistical methodology to Sprint's performance measurement results in the proposed interconnection agreement between the parties. BellSouth initially included language delineating its statistical methodology in the draft agreement, but withdrew the proposed provisions when it learned that Sprint did not agree with BellSouth's position that its VSEEM III remedy plan should become effective when BellSouth receives InterLATA long distance authorization in a particular state.

Q. Please explain Sprint's position on this issue.

A. The application of a statistical methodology to performance measurement results should not be linked to the acceptance of BellSouth's VSEEM III remedy plan or to its effective date. While the VSEEM III plan does provide for the use of BellSouth's statistical methodology for the determination of self-executing remedy payments, that is not the exclusive purpose of such a methodology from Sprint's perspective.

Statistical methodologies were originally envisioned and designed to provide a way to determine whether there are statistically significant differences between BellSouth's performance when providing service to its own retail customers and affiliates and its performance to Sprint. The underlying rationale is that there may be slight differences in performance provided to these groups of customers that may be statistically "insignificant", and therefore such differences should not be considered indicators of "out of parity" performance by BellSouth. Without such a methodology, if BellSouth provisions a particular service type for its own retail customers in, for example, three days, and provisions that same service type for CLECs in 3.1 days, BellSouth would be seen as providing discriminatory service favoring its own customers. If such performance continued, Sprint might legitimately use such performance as the basis for a Commission complaint. The key question, lacking a statistical methodology, which by design calculates what constitutes a statistically significant difference, is "how much of a performance deficiency is too much?" A statistical methodology relieves the burden on the parties and on the Commission with oversight responsibility of applying the "eyeball approach", that is, undertaking a mere visual comparison of the data to see if it looks out of line.

BellSouth's withdrawal of its statistical methodology from the proposed interconnection agreement between the parties is illogical and will likely result in unwarranted requests for TRA intervention in performance disputes.

Q. What rationale has BellSouth provided for withdrawing its offer of the Statistical Methodology section of the Performance Measurements agreement?

A. BellSouth has advised Sprint that the Statistical Methodology is part of the VSEEM III remedy plan and was never intended to be linked to the Service Quality Measurements alone.

Q. What is Sprint's perspective on BellSouth's rationale?

A. Sprint is perplexed by BellSouth's position, particularly in light of the fact that the use of a statistical methodology was discussed in detail and at length in the Louisiana Commission's performance measurements docket, in which BellSouth has been a most active participant, long before BellSouth ever proposed its first VSEEM remedy plan. As part of the review and discussion of statistical methodologies, BellSouth employed statistical experts to assist in the design and development of the statistical approach. BellSouth's attempt to now separate the Service Quality Measurements from the Statistical Methodology is a quantum leap backwards in the use and application of CLEC service quality performance measurements.

Q. How does BellSouth's refusal to provide its Statistical Methodology in conjunction with its Service Quality Measurements harm Sprint?

A. As mentioned previously, the failure to apply the Statistical Methodology to performance measurement results makes it harder for the parties to identify where performance concerns exist. From an administrative standpoint, this means that Sprint will have to spend more time and resources interpreting the data and inevitably more time and resources debating with BellSouth about what the numbers mean. If the TRA ultimately became involved in a dispute, the TRA would likewise be required to expend additional effort interpreting the data. Applying the Statistical Methodology would make this additional administrative time and effort unnecessary.

In addition, process improvement efforts would be hard to target and would likely be delayed due to data interpretation efforts. The additional information that the statistical analysis delivers is critical to accurately pinpointing where BellSouth needs to direct its process improvement efforts. Without such an analysis, performance deficiencies would continue to impact Sprint's business for a longer period of time since determination of performance deficiencies would consume the parties' initial time and effort instead of action toward performance improvement.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA order BellSouth to include its Statistical Methodology language in the Performance Measurements Attachment of the Sprint/BellSouth Interconnection Agreement. The TRA should also state that including such

language in the interconnection agreement means that BellSouth must apply the statistical methodology to Sprint's results and produce commensurate reports.

Issue 45: Proposed language for space reservation.

(a) What is the appropriate period for the parties to reserve floor space for their own specific uses?

Q. What is Sprint's position regarding the time frame for space reservation and the requirements for BellSouth to justify its reserved space?

BellSouth and Sprint may reserve floor space for their own specific uses for the remainder of the current year, plus twelve (12) months.

Q. Please comment on Sprint's proposed period for space reservation.

A. Sprint believes that both BellSouth and Sprint should be able to reserve floor space for their own specific uses for the remainder of the current year, plus twelve (12) months. Reserving space for a longer period of time may unduly limit opportunities for collocation.

(b) Upon denial of a Sprint request for physical collocation, what justification, if any, should BellSouth be required to provide to Sprint for space that BellSouth has reserved for itself or its affiliates at the requested premises?

Q. What is Sprint's position regarding the justification of reserved space by BellSouth?

A. Upon denial of a Sprint request for physical collocation, BellSouth should provide justification for the reserved space based on a demand and facility forecast which includes, but is not limited to, three to five years of historical data and forecasted growth, in twelve month increments, by functional type of equipment (e.g., switching, transmission, power, etc.). BellSouth should provide this justification to Sprint in conjunction with its denial of Sprint's request for physical collocation. Such information would be subject to appropriate proprietary protections.

Q. What justification for its reserved space is BellSouth proposing to provide?

A. BellSouth does not offer to provide any justification for its reserved space to Sprint. Rather, BellSouth proposes only to provide justification for the reserved space to the TRA based on whatever the TRA currently requires.

Q. What is Sprint's understanding of what the TRA currently requires BellSouth to provide in conjunction with a denial of physical collocation space to a CLEC?

A. Sprint's understanding is that there are currently no formal rules or regulations in Tennessee requiring BellSouth to provide specific information to the TRA or the CLEC when collocation space has been denied. Accordingly, it appears that

BellSouth's position is that it will not provide any information since there is no formal TRA requirement to provide specific information in conjunction with a space denial.

Q. Why is the information that Sprint has requested necessary in order for Sprint to evaluate BellSouth's claim of space exhaustion?

A. The only fact-based way to conduct an evaluation of a BellSouth claim of space exhaustion is to review demand and facility forecasts, as described above, to extrapolate such forecasts to future years, and translate such calculations to the space and the square footage that BellSouth claims it will need to accommodate its future requirements. With such tools, Sprint can conduct a meaningful walk-through of the premises in question and prepare a fact-based assessment of BellSouth's space exhaustion claim.

A.

(c) Should BellSouth be required to disclose to Sprint the space it reserves for its own future growth and for its interLATA, advanced services, and other affiliates upon request and in conjunction with a denial of Sprint's request for physical collocation?

Q. What is Sprint's position on this issue?

A. In conjunction with a denial of Sprint's request for physical collocation, BellSouth should be required to disclose to Sprint the space it reserves for its own future growth and for its interLATA, advanced services, and other affiliates upon request and in conjunction with a denial of Sprint's request for physical collocation, subject to appropriate proprietary restrictions.

Q. Why does Sprint believe that BellSouth should disclose such information?

A. Space reserved by BellSouth for its affiliate organizations is space that has not been made available to requesting CLECs for collocation. Information about such reserved space is an important component of the overall evaluation of the premises in question when BellSouth has denied Sprint collocation.

Q. What action does Sprint request that the TRA take on issues 45 (a)-(c)?

A. Sprint requests that the TRA adopt Sprint's proposed language for space reservation and justification of reserved space as follows:

> "BellSouth and Sprint may reserve floor space for their own specific uses for the remainder of the current year, plus twelve (12) months. Upon denial of a Sprint request for physical collocation, BellSouth shall provide justification for the reserved space to Sprint based on a demand and

facility forecast which includes, but is not limited to, three to five years of historical data and forecasted growth, in twelve month increments, by functional type of equipment (e.g., switching, transmission, power, etc.). In estimating the space requirement for growth, BellSouth shall use the most recent access line growth rate and use the space requirement data applicable to any planned changes that reflect forward looking technology as it relates to switching, power, MDF and DCS. BellSouth shall not reserve active space that is supported by existing telecommunications infrastructure without growth forecasts to support such reservation. BellSouth shall disclose to Sprint the space it reserves for its own future growth and for its interLATA, advanced services, and other affiliates upon request and in conjunction with a denial of Sprint's request for physical collocation, subject to appropriate proprietary protections."

(d) In the event that obsolete unused equipment is removed from a BellSouth premises, who should bear the cost of such removal?

Q. What is Sprint's position on portion (d) of this issue?

A. This issue has been settled.

Issue 47: Upon denial of Sprint's application for physical collocation in a particular central office, and prior to the walk-through, should BellSouth provide Sprint with

full-sized (e.g., 24" X 36"), detailed engineering floor plans and engineering forecasts of the central office in question?

Q. What is Sprint's position on this issue?

A. Upon denial of a Sprint request for physical collocation, and prior to the premises walk-through to evaluate BellSouth's "no space" designation, BellSouth should be required to provide full-sized (e.g. 24 inch X 36 inch) engineering floor plans and engineering forecasts for the premises in question.

Q. What is BellSouth's position regarding the provision of full-sized engineering floor plans?

A. BellSouth's position is that it will provide to Sprint whatever it has been required to provide to the TRA.

Q. Why is the provision of floor plans a significant issue to Sprint?

A. ILECs must allow CLECs a meaningful opportunity to thoroughly review the information that is critical to the "no space" determination. This includes the provision of floor plans to the CLEC at least forty-eight hours prior to the tour. This time enables the CLEC to familiarize itself with the layout and equipment placement within the premises and to prepare any questions it may have regarding space

utilization. Having the floor plan in its possession in advance of the tour also allows the CLEC to prepare floor space calculations as part of its evaluation of whether or not there is space available for collocation. Furthermore, Sprint is unaware of any Commission Rule that less-than full-sized floor plans are to be provided.

Q. Why is it important to Sprint to receive the larger-sized floor plans?

A. Because of the intricate detail included in these floor plans, the availability of smaller-sized, nearly impossible to read floor plans is of little practical value to Sprint personnel. The information documented on the floor plan is critical to Sprint's ability to conduct a meaningful analysis of the premises in question and as such, only plans that are large enough to read fulfill this requirement. Sprint notes that it has agreed to review such plans subject to appropriate confidentiality agreements and to pay BellSouth for the full-sized plans. Accordingly, Sprint knows of no legitimate reason for BellSouth to refuse to provide the full-sized plans.

Q. What is BellSouth's position regarding the provision of engineering forecasts prior to Sprint's tour of a premise where it has been denied space?

A. As stated in the discussion regarding Issue 45, BellSouth refuses to provide engineering forecasts to Sprint. BellSouth's position is that it will provide only what the TRA has required it to provide in conjunction with its Petition for Waiver. Since the question of the provision of engineering forecasts was discussed at length as part

of Issue 45, Sprint refers the TRA to that testimony for further information regarding the parties' respective positions.

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA adopt Sprint's proposed language, as follows:

"Prior to the tour, BellSouth shall provide Sprint with full-sized, detailed engineering floor plans and engineering forecasts for the premise in question."

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

SPRINT COMMUNICATIONS COMPANY L.P.

DIRECT TESTIMONY

OF

MARK G. FELTON

BEFORE THE

TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 00-00691

JANUARY 5, 2001

Q. Please state your name and business address.

A. My name is Mark G. Felton. My business address is 7301 College Boulevard, Overland Park, Kansas 66210.

Q. **By whom are you employed and in what capacity?**

A. I am employed by Sprint as Manager- Local Market Development.

Q. What is your educational background and work experience?

A. I graduated from the University of North Carolina at Wilmington in 1988 with a B.S. degree in Economics. In 1992 I received a Masters degree in Business Administration from East Carolina University. I began my career with Carolina Telephone (a Sprint subsidiary) in 1988 as a Staff Associate. This was a Management Intern position that focused heavily on developmental and cross-training activities. My job responsibilities were to develop Part 36 Jurisdictional Cost Studies to be used in monthly revenue booking and budgeting. In 1989 I became a Separations Analyst with essentially the same responsibilities that I had as Staff Associate. In 1990 I became a Coordinator-Separations. In this position, I developed costs and prices for Carolina Telephone's interexchange facilities lease product. I later assumed responsibility for Carolina Telephone's optional intraLATA toll product, Saver*Service. In 1993, I was named Administrator-Local Tariffs and Regulatory Issues. In this position I maintained the General Subscriber Services Tariff for South Carolina and served as the primary point of contact for the South Carolina Public Service Authority Staff on regulatory issues. I became Competitive Analysis Manager for Sprint in 1994. In that position, I provided analytical support for the Revenues Policy group dealing with such

issues as access reform, price caps, and local competition. I assumed my current position in June, 1999.

Q. What are your current responsibilities?

A. My current responsibilities include representation of Sprint in interconnection negotiations with BellSouth Telecommunications, Inc. ("BellSouth"). In addition, I support the coordination of Sprint's entry into the local markets within BellSouth's territory. I interface with BellSouth's account team supporting Sprint by communicating service and operational issues and requirements, including escalation of service and/or support issues as necessary.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide input and background information to the Tennessee Regulatory Authority ("TRA") regarding Sprint's Petition for arbitration of certain issues that Sprint and BellSouth Telecommunications, Inc. ("BellSouth") discussed during the course of negotiating a renewal of their Interconnection Agreement, but were unable to resolve. Specifically, my testimony will deal with the following issues: resale of stand-alone Custom Calling Services; conversion of switching UNEs to market-based rate upon addition of fourth line; tandem charges for comparable geographic area; inclusion of IP telephony in the definition of "switched access traffic"; and appropriate rates for trunking associated with OS & DA.

Q. Describe Sprint and its business focus.

A. Sprint was certified by the TRA as a Competitive Local Exchange Carrier ("CLEC") on October 13, 1996 in Docket No. 96-01153. Sprint's market entry

plans include resale and facilities-based local service via its revolutionary Sprint ION sm service. Sprint will rely on BellSouth as an Incumbent Local Exchange Carrier ("ILEC") for the lease of unbundled network elements ("UNEs"), central office collocation, local number portability, directory listings, CCS7 signaling, rights-of-way and pole attachments and interoffice and interconnection trunking.

ISSUE NO. 3: Attachment 1, Resale – Resale of stand-alone vertical features

Q. Please describe the issue.

A. Sprint proposes to include language in the interconnection agreement that would allow it to purchase Custom Calling Services on a "stand-alone" basis for resale without the restriction of having to purchase the basic local service for resale.

Q. Describe what Custom Calling Services are.

A. Custom Calling Services are optional features that an end user may purchase which enhance the functionality of the local service. Custom Calling Services are retail services that are priced and purchased separately from the basic local service and are not necessary for the basic local service to function properly. Sprint believes that these services are appropriately characterized as a "telecommunications service(s)" under Section 251(c) of the Telecommunications Act of 1996 ("Act").

Q. What is BellSouth's objection to Sprint's proposal?

A. BellSouth seeks to restrict Sprint from purchasing Custom Calling Services except where Sprint also purchases the underlying basic local service. This restriction is based primarily on a tariff provision (BellSouth's General Subscriber Services Tariff, Section A13.9.2(B)) which states that "Custom Calling Services are furnished in connection with individual line residence and business main service". In other words, the purchase of any Custom Calling Service is dependent upon, or "tied" to, the purchase of local dial tone. BellSouth seeks to place this same limitation, intended for subscribers who are not telecommunications carriers, upon Sprint.

Q. Are there any federal statutes or FCC rules or Orders that require BellSouth to offer Custom Calling Services individually for resale?

A. Yes. Under Section 251(c) of the Act, BellSouth, as an ILEC, must "offer for resale at wholesale rates *any* telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers" (emphasis added). Sprint believes that Custom Calling Services are optional telecommunication services that simply provide additional functionality to basic telecommunications services. BellSouth seems to agree. In customer advertising on the BellSouth Internet website, BellSouth refers to dial tone as a "basic" service and Custom Calling Services as "optional" services. Neither Congress nor the Federal Communications Authority ("FCC") made a distinction between "basic" and "optional" telecommunications services when promulgating the resale requirement. In fact, the FCC, in ¶ 871 of the First Report and Order in CC Docket 96-98 (issued August 8, 1996) ("Local Competition Order"), noted that it found "no statutory basis for limiting the resale duty to basic telephone services".

Therefore, Sprint believes that BellSouth is under no less of an obligation to offer for resale "optional" Custom Calling Services as it is to offer for resale "basic" local telephone service.

Q. Should the tariff restriction that applies to end users also apply to Sprint?

A. No. The FCC, in its Local Competition Order, ¶ 939, found unequivocally not only that "resale restrictions are presumptively unreasonable", but also that "[i]ncumbent LECs can rebut this presumption [only] if the restrictions are narrowly tailored." The FCC explained that the presumption exists because the ability of ILECs to impose resale restrictions and limitations is likely to be evidence of market power, and may reflect an attempt by ILECs to "preserve their market position." In this case, BellSouth's attempt to "tie" provision of local dial tone and Custom Calling Services by the same carrier evidences not just its dominant market power in Tennessee, but also represents a clear attempt by BellSouth to preserve its dominant market position in the burgeoning sub-market for Custom Calling Services.

Q. Is there any technical reason why BellSouth cannot provision Custom Calling Services on a stand-alone basis?

A. No, there appears to be no technical reason that would prevent BellSouth from offering Customer Calling Services to Sprint on a stand-alone basis. These features are currently marketed to end-users separately from local dial-tone, carry an additional charge, and are subject to a service order charge. Sprint does not deny that some form of dial tone is needed to make Custom Calling Services work. However, there is no reason that the same carrier must be the provider of

both dial tone and Custom Calling Services when they are sold today separately and are two separate services.

Q. Why does Sprint seek to resell Custom Calling Services to end-users when they are not that customer's local provider?

A. Many products and services have been developed, or are under development which require a Custom Calling Service as a component for the product or service to work optimally. An example of just such a product is unified voice messaging, which allows a customer to maintain one voice mailbox for all of his or her voice messages. For this to work properly, the customer must have Call Forwarding Busy Line and Call Forwarding Don't Answer. This is just one example of a service that could be deployed using a stand-alone Customer Calling Service as a component. Many more creative applications will likely be developed in the future if Sprint is given the authority to resell stand-alone Custom Calling Services in accordance with the Act.

Q. Why doesn't Sprint simply instruct the customer to purchase the Custom Calling Services that are necessary for a Sprint product directly from BellSouth?

A. The customer could purchase these services directly from BellSouth, however, in doing so, Sprint's stature as a local carrier is diminished as compared to BellSouth. In addition, one of the major attractions in any product, and especially one as complicated as telecommunications can be, is the ease of obtaining and using the product. Certainly, Sprint would face a significant obstacle in marketing a product for which the customer was required to purchase additional

components for and assemble himself or herself. This is an obstacle that BellSouth does not have to face.

Q. Why doesn't Sprint purchase Custom Calling Services from BellSouth at retail rates?

A. Assuming that Sprint were entitled to purchase Custom Calling Services from BellSouth on that basis, this would be less than optimal for three reasons. First, Sprint would be forced to pay retail, rather than wholesale, rates. Sprint, as a telecommunications carrier, is entitled to purchase from BellSouth at wholesale prices those telecommunications services that BellSouth sells at retail to end-users. Additionally, Sprint would be penalized by paying Custom Calling Service prices that have historically subsidized basic service rates. Second, Sprint would be forced to deal with BellSouth as an end-user customer rather than as an interconnecting carrier, as Congress and the FCC intended. This might entail submitting orders over the phone or via fax rather than electronically as an interconnecting carrier would. This could also result in delayed orders, needless expense and would inhibit Sprint from acting as a peer and competitor to BellSouth. Third, if Sprint is treated as an end-user when ordering Custom Calling Services from BellSouth, Sprint could expect to receive and manage hundreds, if not thousands, of paper bills in much the same format BellSouth utilizes for its own end-users, rather than a mechanized billing system it utilizes when billing carriers with whom it has a wholesale relationship. This clearly is discriminatory, and would prevent Sprint from acting as a true competitor to BellSouth.

Q. What action does Sprint request the Authority to take on this issue?

A. Sprint requests that the Authority direct BellSouth to make stand-alone Custom Calling Services available to Sprint in a reasonable and non-discriminatory manner. In addition, Sprint requests that the Authority adopt Sprint's language as follows:

"Resale of Custom Calling Services. Except as expressly ordered in a resale context by the relevant state Authority in the jurisdiction in which the services are ordered, Custom Calling Services shall be available for resale on a stand-alone basis."

ISSUE NO. 7: Attachment 2, Network Elements and Other Services, Sections 8.4, 8.5 – conversion of switching UNEs to market-based rate upon addition of fourth line.

Q. Please describe the issue.

A. This issue deals with the appropriate rate for UNE switching for existing lines when Sprint serves a customer in density zone 1 in of the top fifty Metropolitan Statistical Areas ("MSAs") who has three lines or less and the customer adds an additional line or lines.

Q. What is Sprint's position on this issue?

A. Sprint's position is that when a Sprint customer in density zone 1 in one of the top fifty MSAs with three lines or less is served via UNE switching and the customer

adds a fourth or more lines, the three existing lines should be priced at cost-based rates.

Q. What is BellSouth's position on this issue?

A. Sprint's understanding of BellSouth's position is that UNE switching for *all* of the lines provided by Sprint to customers in zone 1 in one of the top fifty MSAs would convert to market-based rates when the customer adds a fourth line.

Q. Why does Sprint disagree with BellSouth's position?

A. FCC Rule 51.319(c)(1)(B) sets out the narrowly tailored exception to an ILEC's obligation to unbundle local circuit switching. It is clear that the FCC did not address the issue of pricing for local circuit switching for existing lines when a customer goes from 1-3 lines to 4 lines or above. There is no support in the applicable rule or the attendant discussion in ¶¶ 290-298 of the UNE Remand Order for BellSouth's proposal to re-price the first three lines when the customer adds a fourth and additional lines.

Q. What action does Sprint request the Authority to take on this issue?

A. Sprint requests that the Authority adopt its language with respect to BellSouth's obligation to offer local circuit switching on an unbundled basis. The language is as follows:

"Notwithstanding BellSouth's general duty to unbundle local circuit switching, BellSouth will provide unbundled local circuit switching for Sprint when Sprint establishes service for end users with three (3) or fewer voice-grade (DS-0)

equivalents or lines in locations where BellSouth has provided non-discriminatory cost-based access to the Enhanced Extended Link (EEL) through-out a Density Zone 1 MSA as determined by NECA Tariff No. 4 as in effect on January 1, 1999.

When a Sprint customer with three (3) or fewer voice-grade (DS-0) equivalents or lines (as defined above) at a particular location is being served via unbundled local circuit switching and such customer's requirements grow such that additional lines are ordered, the fourth line and each additional line at such customer location will be provided by BellSouth at a rate that is negotiated by the Parties for use of local circuit switching for the affected facilities.

BellSouth shall not be required to offer unbundled local circuit switching for Sprint when Sprint establishes service for end users with four (4) or more voice-grade (DS-0) equivalents or lines in locations where BellSouth has provided non-discriminatory cost-based access to the Enhanced Extended Link (EEL) through-out a Density Zone 1 MSA as determined by NECA Tariff No. 4 as in effect on January 1, 1999."

ISSUE NO. 11: Attachment 3, Interconnection, Section 6.1.6 – Tandem charges for comparable area.

Q. Please describe the issue.

A. The issue is basically comprised of two sub-parts. First, what is the appropriate test to determine if Sprint may charge the tandem interconnection rate for local traffic terminated to Sprint? Second, should the TRA be required to make the determination of whether Sprint meets the appropriate test for each individual switch in Sprint's network?

Q. What is Sprint's position on this issue?

A. Sprints position is that geographic comparability is the only test necessary to determine whether Sprint may charge the tandem interconnection. Additionally,

Sprint proposes to self-certify that its switch(es) meet the designated criteria to charge the tandem interconnection rate.

Q. What is BellSouth's position on this issue?

A. BellSouth believes that in order for Sprint to charge the tandem interconnection rate when it terminates BellSouth's originated traffic, the Sprint switch must not only serve a comparable geographic area to BellSouth's switch but must also perform a tandem switching function. BellSouth also believes that the TRA should make the determination of whether Sprint's switches meet the appropriate criteria on an individual switch basis.

Q. What is the function of the tandem switch?

A. The tandem switch serves as a hub for multiple end-office switches relieving each end office that subtends the tandem of the need to be physically connected to every other end office. The tandem switch generally performs trunk-to-trunk switching for traffic which originates in one end office switch and is destined for another end office.

Q. What is the basis for Sprint's position?

A. FCC Rule 51.711 provides for symmetrical reciprocal compensation for the transport and termination of local traffic. Section (a) of Rule 51.711 states the general rule that reciprocal compensation rates charged by interconnecting carriers be symmetrical. Subsection (a)(3) states that "(w)here the switch of a carrier other than an incumbent LEC serves a geographic area comparable to the area served by the incumbent LEC's tandem switch, the appropriate rate for the

carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate." The FCC further notes in ¶ 1090 of the Local Competition Order that transport and termination of calls originating on a competing carrier's network may incur "additional costs" depending on whether or not tandem switching is involved and that state Authoritys should establish rates accordingly: "Where the interconnecting carrier's switch serves a geographic area comparable to that served by the incumbent LEC's tandem switch, the appropriate proxy for the interconnecting carrier's additional costs is the LEC tandem interconnection rate." The meaning of this paragraph and associated rule is abundantly clear and in need of no interpretation.

Q. Is the provision of the tandem switching function a requirement for compensating CLECs at the tandem interconnection rate?

A. FCC Rule 51.711 and Paragraph 1090 of the First Report and Order do not require that the CLEC switch perform a specific functionality to entitle the CLEC to charge the tandem switching interconnection rate as long as the switch serves a comparable geographic area. The North Carolina Utilities Authority ("NCUC") ruled in the ITC^DeltaCom / BellSouth arbitration[1] that "the FCC's Order treats geographic coverage as a proxy for equivalent functionality, and that the concept of equivalent functionality is included within the requirement that the equipment utilized by both parties covers the same basic geographic area".

[1] See Order Ruling on Objections, Request for Reconsideration, and Composite Agreement, NCUC Docket No. P-500, Sub-10 (issued April , 2000), at pg. 7.

Q. Have other state Authoritys previously ruled on this issue?

A. Yes. The NCUC found in its Recommended Arbitration Order ("RAO") in the ITC^DeltaCom arbitration with BellSouth that "for reciprocal compensation purposes, DeltaCom should be compensated at BellSouth's tandem interconnection rate". On May 23, 2000 BellSouth filed its Objections and Request for Reconsideration requesting that the Authority reconsider its determination on the basis that it was "legally, factually, and procedurally flawed". On July 25, 2000 the Authority issued its Order denying BellSouth's Objections and Request for Reconsideration and affirmed its finding that ITC^DeltaCom is entitled to BellSouth's tandem interconnection rate when its switch serves a comparable geographic area as BellSouth's tandem.

Q. Has Congress or the FCC specifically stated that individual switches must be certified by a state Authority as meeting the geographic compatibility standard as set forth in FCC Rule 51.711(a)(3)?

A. No. Congress and the FCC did not establish a specific process for determining when a requesting carrier's switch meets the criteria necessary for charging the tandem interconnection rate for terminating traffic. Presumably, under BellSouth's approach, each time that Sprint deploys a new switch, Sprint and BellSouth would need to request that the Authority establish a fact-based proceeding to determine if the new switch serves a comparable geographic area as BellSouth's tandem. Such a process would be unwieldy and would take up the Authority's time for a process that was never intended.

Q. What process should be used to determine if a Sprint switch is capable of serving a geographic area comparable to a BellSouth tandem?

A. As previously stated, Sprint should be permitted to self-certify that its switch is capable of serving an area comparable to a BellSouth tandem switch. Under Sprint's proposal, if BellSouth wished to dispute Sprint's self-certification that its switch was capable of serving an area of comparable size, it would utilize the dispute resolution procedures as set forth in the Agreement. The final measure included in these dispute resolution procedures is a complaint filed with the Authority. The complaint process, however, would be used only after the Parties had worked together to resolve the dispute and exhausted all other means provided within the Agreement.

Q. What action does Sprint request the Authority to take on this issue?

A. Sprint requests that the Authority adopt Sprint's language as follows:

"The Parties shall provide for the mutual and reciprocal recovery of the costs for transporting and terminating Local Traffic on each other's network pursuant to 47 CFR § 51.711 (a). Charges for transport and termination of calls on the Parties' respective networks are as set forth in Exhibit A to this Attachment.

Where Sprint's switch serves a geographic area comparable to the area served by BellSouth's tandem switch, the appropriate rate for Sprint is BellSouth's tandem interconnection rate.

Comparable geographic area shall be determined by the capability of Sprint's switch to serve an area of approximately equal size as the relevant BellSouth tandem switch. As clarification, Sprint's switch will be deemed to serve a comparable geographic area if it is capable of serving the same number of local calling areas as the BellSouth tandem switch.

Sprint shall certify that its switches satisfy the above criteria. If BellSouth wishes to challenge such certification, it shall utilize the dispute resolution procedures set forth in this Agreement."

ISSUE NO. 12: Attachment 3, Interconnection, Sections 6.1.7, 6.7.1, 7.7.9 – inclusion of IP telephony in definition of "Switched Access Traffic"

Q. Please identify the issue in dispute.

A. BellSouth proposes to include Internet Protocol ("IP") Telephone calls in the definition of Switched Access.

Q. What is the appropriate definition of IP telephony?

A. Although BellSouth defines IP telephony as "a mode or method of completing a telephone call"[2], at issue in this proceeding is what is known as computer-to-computer or computer-to-phone IP telephony. In layman's terms, computer-to-computer IP telephony is a voice transmission made from one computer to

[2] See BellSouth Telecommunications, Inc.'s Post Hearing Brief in Docket No 11901-U before the Georgia Public Service Authority, pg. 29

another after the originating end user has dialed his or her Internet Service Provider ("ISP"). Similarly, computer-to-phone IP telephony is a voice transmission made from a computer to a telephone after the originating end user has dialed his or her ISP.

Q. What is Sprint's position on IP telephony?

A. Sprint believes that any decision on the treatment of IP Telephony (computer-to-computer or computer-to-phone) for the purposes of inter-company compensation is beyond the scope of this arbitration proceeding. The FCC, in its 1998 Federal-State Joint Board on Universal Service, Report to Congress, declined to rule on the regulatory treatment of IP telephony and further declined to subject such calls to access charges. For BellSouth to presuppose the outcome on any future FCC proceeding on this matter is inappropriate and premature. Accordingly, Sprint proposes that the interconnection agreement remain silent on this issue until a definitive ruling has been made by the FCC.

Q. What action does Sprint request the Authority to take on this issue?

A. Sprint requests that the Authority order that the Sprint / BellSouth interconnection agreement remain silent on the issue of IP Telephony pending the outcome of any FCC proceeding on the issue. Sprint also asks the Authority to adopt its definition of switched access as follows:

"Switched Access Traffic. Switched Access Traffic means the offering of transmission or switching services to Telecommunications Carriers for the purpose of the origination or termination of telephone toll service. Switched

Exchange Access Services including but not limited to: Feature Group A, Feature Group B, Feature Group D, 800/888 access and 900 access."

ISSUE NO. 29: Attachment 1, Resale, Section 4.5.1.3.3 and Attachment 2, Network Elements and Other Services, Sections 15.4.3.3 and 15.4.4.1 – Appropriate rates for trunking associated with OS & DA

Q. Please describe the issue in dispute.

A. BellSouth seeks to charge Sprint access rates for the interoffice trunking required when Sprint brands its Operator Services ("OS") and Directory Assistance ("DA").

Q. What is Sprint's position on this issue?

A. Even though the FCC, in the UNE Remand Order, relieved the ILECs of their obligation to provide OS and DA as UNEs, the FCC did not relieve the ILECs of their obligation to provide interoffice transmission facilities as a UNE.

Q. What is the applicable FCC rule for this issue?

A. FCC § 51.319(d) states:

"Interoffice Transmission Facilities. An incumbent LEC shall provide nondiscriminatory access, in accordance with § 51.311 and section 251(c)(3) of the Act, to interoffice transmission facilities on an unbundled basis to any requesting telecommunications carrier for the provision of a telecommunications service."

FCC § 51.319(d)(1)(A) states that the interoffice transmission facility network element shall include:

"(A) Dedicated transport, defined as incumbent LEC transmission facilities, including all technically feasible capacity-related services including, but not limited to, DS1, DS3 and OCn levels, dedicated to a particular customer or carrier, that provide telecommunications between wire centers owned by incumbent LECs or requesting telecommunications carriers, or between switches owned by incumbent LECs or requesting telecommunications carriers"

And, finally, § 51.319(d)(2)(B) states that an ILEC must:

"(B) Provide all technically feasible transmission facilities, features, functions, and capabilities that the requesting telecommunications carrier could use to provide telecommunications services"

Q. How do these rules apply to this issue?

A. Congress and the FCC gave requesting carriers the right to purchase UNEs, including interoffice transmission facilities, from ILECs to be used in the provision on telecommunications services. Clearly, OS and DA are telecommunications services which enhance the functionality of basic local dial-tone. BellSouth must not be permitted to impose access charges upon Sprint for a network element that Congress and the FCC intended for CLECs to be able to purchase at cost based rates.

Q. What action is Sprint requesting the Authority to take?

A. Sprint requests that the Authority order BellSouth to provide interoffice transmission facilities to Sprint at cost based rates for Sprint's use in providing OS and DA. Sprint requests that the Authority adopt Sprint's language as follows:

"Custom Branding and Self Branding require Sprint to order dedicated trunking from each BellSouth end office identified by Sprint, to either the BellSouth Traffic Operator Service Provider System (TOPS) or Sprint Operator Service Provider. Rates for trunks are set forth in Attachment A or as mutually negotiated by the Parties."

Q. Does this conclude your Direct Testimony?

A. Yes.

SPRINT COMMUNICATIONS COMPANY L.P.

DIRECT TESTIMONY

OF

ANGELA OLIVER

BEFORE THE

TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 00-00691

JANUARY 5, 2001

I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Angela Oliver. I am employed on behalf of Sprint Communications Company L.P. ("Sprint") as Regulatory Manager – Access Planning. My business address is 7171 West 95th Street, Overland Park, Kansas, 66212.

Q. Please summarize your professional background.

A. I have been employed with Sprint's Long Distance Division since July, 1999. My responsibilities as Regulatory Manager in the Regulatory Access Planning Department require me to represent Sprint's interests before state and federal regulatory Commissions regarding access and interconnection issues and to negotiate access pricing and rate structures with Local Exchange Carriers (LECs). Prior to joining the Sprint Long Distance Division, I was employed from 1996 through 1999 by McLeod USA, where I held positions of increasing responsibility in both the Law and Regulatory departments. During my tenure with McLeod, I was responsible for the company's regulatory compliance in Illinois, Wisconsin, and Indiana. Prior to my employment with McLeod, I was employed as an economic analyst with the Public Utilities Division of the Illinois Commerce Commission from 1994 to 1996. I received a Bachelors Degree in Economics from Sangamon State University in 1994 and a Masters Degree in Economics from the University of Illinois in 1996.

Q. Have you previously testified before any state regulatory Commission?

A. I have testified on behalf of the Illinois Commerce Commission on wholesale and resale issues. I also testified on behalf of McLeod USA in Illinois on certificate issues. In addition, I have testified on behalf of Sprint before the Public Service Commission of Wisconsin in docket 6720-T1-156/6720-T1-157 (AT&T Complaint against Ameritech

Wisconsin's PICC), the Michigan Public Service Commission in Case No. U-12287 (AT&T Complaint against Ameritech Michigan's intrastate access rates) and Case No. U-12321 (AT&T Complaint against GTE). In addition, I have prepared and submitted direct testimony in D.T.E. 00-54 in the matter of Sprint's Petition for and Arbitration Award of Interconnection Rates, Terms and Conditions Pursuant to 47 U.S.C. §252(b) with Bell Atlantic-Massachusetts, Inc., which will be ruled upon without an evidentiary hearing as agreed to by all parties.

II. OVERVIEW

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an explanation for two arbitration issues that affect Sprint's interconnection with BellSouth. One issue pertains to the feasibility of combining traffic of multiple jurisdictions on the same trunks. Sprint has requested that BellSouth allow the routing of certain local calls over existing access trunk facilities. I will point out the differences between Sprint's proposal versus BellSouth's proposal and explain why Sprint's proposal is more efficient and therefore, more beneficial to Tennessee consumers. In addition, I will explain how BellSouth is currently routing jurisdictionally combined traffic over existing access facilities for valid network and efficiency reasons. Sprint's proposal merely extends a routing arrangement that exists today. I will also discuss the interrelated issue of routing local 00- traffic over access trunks used for interLATA traffic. Finally, I will discuss the issue of whether BellSouth should be required to provide two-way trunks to Sprint, and whether BellSouth should be required to use those same two-way trunks for BellSouth-originated traffic.

III. LOCAL CALLS OVER ACCESS TRUNKS

ISSUE 9(a) and (b): Multi-jurisdictional traffic over any type trunk group; 00- traffic over access trunks (Attachment 3).

Q. Please describe the issue regarding combining multi-jurisdictional traffic on the same trunk group.

A. Sprint has requested from BellSouth the ability to combine multi-jurisdictional traffic over the same trunk group, regardless of whether the trunk group is ordered as access or local interconnection. This would include interLATA, intraLATA, and local traffic between the Sprint network switches and the BellSouth network switches.

Q. What is Sprint's position on this issue?

A. Competitive Local Exchange Carriers (CLECs) such as Sprint, require the flexibility in interconnecting their networks with the incumbent local exchange carrier (ILEC) networks in methods that best suit the demands and economics of the traffic; therefore Sprint believes that BellSouth should combine multi-jurisdictional traffic on the same trunk group.

Q. What is BellSouth's position on routing multi-jurisdictional traffic over the same trunk group?

A. BellSouth has not objected to the routing of multi-jurisdictional traffic over the same trunk group. BellSouth objects to Sprint's proposed language to route multi-jurisdictional traffic, where technically feasible, over any trunk group that Sprint chooses, including the trunks Sprint purchases from the BellSouth access tariff. BellSouth is in the process of determining the technical feasibility of Sprint's request. BellSouth is also proposing that the TRA order Sprint pay for any and all implementation costs associated with, or resulting from, BellSouth offering this service if Sprint's request is determined to be technically feasible.

Q. BellSouth requires segregation between interLATA and intraLATA traffic. Is it technically feasible to combine interLATA and intraLATA traffic on trunk groups between Sprint's CLEC end office and BellSouth's tandems?

A. Yes, it is technically feasible and in fact, it is an industry-wide practice to combine interLATA and intraLATA traffic on the same trunk groups. According to SR-2275 Bellcore Notes on the Networks, Issue 3, December 1997 Network Design and Configuration, Section 4.5.4 Combined Configurations,

> "In LATAs with a single access tandem, that tandem can also serve as a local (intraLATA) tandem as shown in Figure 4-16. *IntraLATA and interLATA traffic are combined on the tandem connecting trunk groups*, while the end office-to-end office high-usage groups carry only intraLATA traffic, and the end office-IXC POP groups carry only interLATA traffic. IntraLATA routing is the same as with a segregated single-tandem network. (emphasis added)

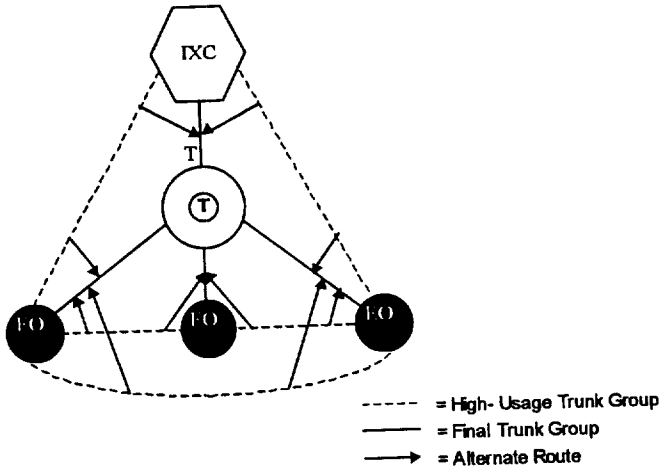
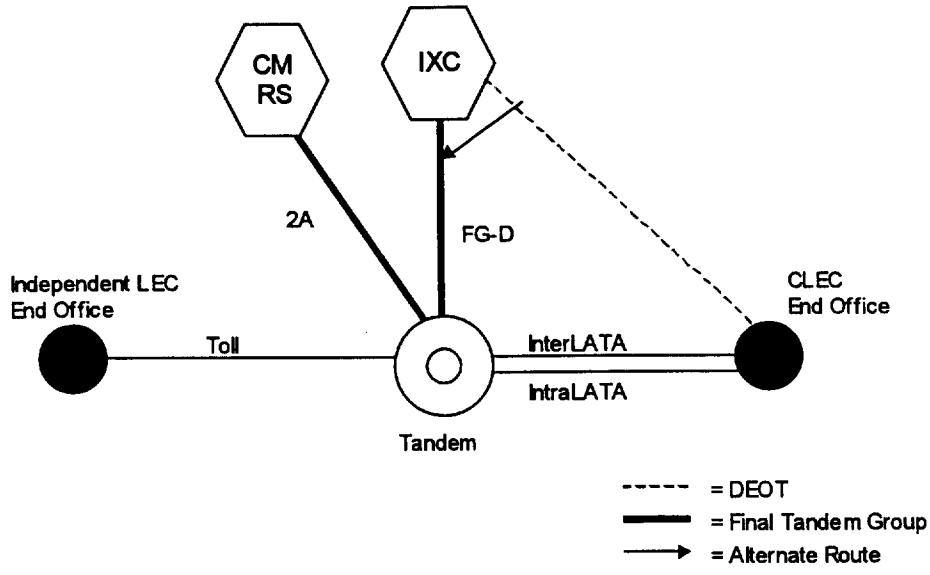


Figure 4-16. Single Tandem/Access tandem

> "Where two or more access tandems are required, the tandems can also serve as local tandems in a combined sector-tandem configuration as shown in Figure 4-17. *As with the single tandem case described above, the tandem connecting final groups carry both intraLATA and interLATA traffic.* The end office-to-end office and end office-distant tandem high-usage groups, and the intertandem final group carry only intraLATA traffic routed as a segregated, combined sector-tandem configuration. (emphasis added)

Q. Are there instances in today's network design where InterLATA and IntraLATA traffic is routed over the same trunk groups?

A. Yes, there are examples where ILECs, including BellSouth, have combined multi-jurisdictional traffic on the same trunk groups. BellSouth may very well route jurisdictionally mixed traffic over the same trunk groups for valid network engineering reasons. The following diagram is an example where Interexchange Carriers (IXCs) are not exposed to the discriminatory practice of traffic segregation that is being forced on CLECs. The diagram below depicts the inefficient topology of segregated jurisdictional trunk groups with CLECs where the same demands are not expected from non-competing wireline networks.



When Sprint as an IXC deploys a 2-way Direct End Office Trunk (DEOT) group to BellSouth end offices, and the end-user dials a 1+ intraLATA equal access call, the call is routed to the same trunk group that carries a 1+ interLATA call. In the same vein, a call terminating to the end-user may be carried on the same DEOT group regardless of the distance it traveled on Sprint's any-distance network or it may overflow to a combined

tandem group. When a carrier hands off a terminating call to a BellSouth tandem, I do not believe that the tandem can accurately determine which call would be routed to a jurisdictionally segregated trunk group to each end office or IXC.

A call from an IXC or wireless carrier may in fact be local or intraLATA, but based on the determination that it is transit traffic with a competing interconnecting network, the traffic is routed on the same interLATA trunks as access traffic and not to the local/intraLATA group. Routing multi-jurisdictional calls across the same network of trunks does not indicate that billing characteristics of the calls would be obscured. In fact an intraLATA call is still an intraLATA call. This demonstrates that combining multi-jurisdictional traffic is a common practice between BellSouth and IXCs and that combining traffic is technically feasible between BellSouth and CLECs.

The cost of underutilized switch trunk ports and transmission media can be burdensome even to incumbent carriers. Requirements by BellSouth that a developing CLEC spend capital to establish multiple trunk groups and squander precious resources to maintain a less efficient network where BellSouth does not hold itself to the same standard are discriminatory and will raise the cost of services for all CLECs and eventually for all consumers. Therefore, BellSouth should be required to provide Sprint the functionality of multi-jurisdictional trunking.

Q. Should BellSouth be required to provide Sprint the functionality of multi-jurisdictional trunking on Sprint's existing access trunks?

A. Yes. As demonstrated above, BellSouth, has the technical ability to combine multiple jurisdictions of traffic on the same trunk circuits over the same transport facilities. Sprint has in place an efficient trunking network interconnected to BellSouth's end offices and tandems. Sprint should have the opportunity to operate a network architecture similar to BellSouth and not be forced into deploying a dedicated overlay network for local traffic. Sprint should be able to use its trunk capacity where incremental traffic could be

economically added to existing trunks and use its DMS-250s or other switches as tandems.

Sprint is requesting the flexibility to use either one way or two-way trunking or a combination, for certain traffic types as specified by Sprint. Sprint is willing to work with the BellSouth network planners and engineers to deploy trunking that utilizes the most efficient network for the individual market for the benefit of all users and stakeholders.

Q. Since it is technically feasible and, in fact, normal engineering practice to combine multi-jurisdictional traffic on the same trunk group, BellSouth may have concerns other than maintaining the most robust efficient trunking network. What reason could explain BellSouth's resistance to allowing multiple traffic jurisdictions on a combined trunk group or transported on existing facilities?

A. BellSouth apparently is concerned with the bypass of the access charge compensation scheme through the "masking" of access traffic as local traffic subject to reciprocal compensation. The FCC's rules however specifically prohibit a claim of technical infeasibility based upon a claim of billing or accounting concerns. It is crucial to point out that Sprint is not attempting to circumvent the appropriate compensation for various traffic types and jurisdictions. In fact, Sprint has explicitly represented to BellSouth that it would maintain the required compensation arrangements and agrees that attempting to bypass such arrangements would constitute a violation of the interconnection agreement.

Moreover, Sprint has committed to BellSouth that Sprint will implement the necessary processes to measure and accurately report the various types of jurisdictional traffic on the combined trunk group. Any reporting system implemented by Sprint will be made available to BellSouth to audit to their satisfaction and to ensure that BellSouth is accurately compensated for the various types of traffic on the combined trunk group.

Q. What action is Sprint requesting that this Commission take on this issue?

A. Sprint requests this Commission grant Sprint the flexibility to interconnect its network with BellSouth's network in order to preserve the efficiencies Sprint has built into its all distance network. Specifically, Sprint would like the Commission to grant the flexibility to route multi-jurisdictional traffic over new and existing access and interconnection trunk groups.

Q. Please describe the interrelated issue regarding routing local 00- traffic over access trunks used for interLATA traffic.

A. Sprint requests the flexibility to use its existing or new access trunks between the Sprint network and the BellSouth network for local traffic. Sprint is also asking BellSouth to recognize operator traffic as operator traffic that cannot be segregated by predetermining jurisdiction before handing off the call to Sprint. Sprint asks that BellSouth route all 00- calls destined to Sprint over existing or new operator access trunks and recognize that some 00- traffic over those access trunks is actually local traffic. The alternate solution would be routing all 00- traffic over local interconnection trunks, some of which may be determined to be access traffic and billed accordingly.

Q. What is Sprint's position on this issue?

A. Sprint believes that BellSouth should allow Sprint to use its existing or new access trunks between the Sprint network and the BellSouth network for the routing of local traffic. In addition, BellSouth should recognize operator traffic as operator traffic that cannot be segregated by predetermining jurisdiction before handing off the call to Sprint. Once the jurisdiction of the call is determined, Sprint will pay access for access calls and local interconnection for local calls. The alternate solution

would be routing all (00-) traffic over local interconnection trunks, some of which may be determined to be access traffic and billed accordingly.

Q. What is BellSouth's position on this issue?

A. BellSouth's position is that Sprint is not prohibited from routing local (00-) traffic over existing access facilities but Sprint must pay access rates for these local calls.

Q. Has Sprint proposed contract language to BellSouth to accommodate this sort of arrangement?

A. Yes. Sprint has proposed the following language to be added to the Interconnection Agreement in Attachment 3.

> In instances where Sprint combines traffic as set Forth in this Section, Sprint shall not be precluded by BellSouth in any way from using existing facilities procured in its capacity as an interexchange carrier. In this circumstance, Sprint will preserve the compensation scheme for each jurisdiction of traffic that is combined. Sprint's failure to preserve this scheme and compensate BellSouth accordingly would constitute a violation of this Agreement.

It would be inefficient for Sprint to be required to establish trunk groups for local/intraLATA traffic when there is capacity available on the existing access network. There are tremendous network efficiencies to be gained by combining these traffic types, from a facilities, trunking, and switch port perspective. It has taken BellSouth many years to build its interoffice network, and basically, BellSouth wants Sprint to build a new separate network in a much shorter period of in order for Sprint's customers to make and receive local calls. The restrictions BellSouth is placing on

Sprint would impose precisely the type of economic barrier to entry the FCC's rules were designed to prevent.

Q. BellSouth has an integrated network for local and intraLATA, with operator services serving both. Does Sprint also have an integreated network to provide services?

A. Yes it does. Sprint integrates the IXC and CLEC network backbone facilities, and therefore, Sprint also integrates operation, administraion, maintenance and provisioning using the same corporate identity for lines using resale UNEs or facility-based switches and the same corporate identity for trunks for access or interconnection. As an efficient network owner, Sprint also manages a common integrated operator servies platform providing enhanced operator services for both IXC and CLEC operations. Sprint is an integrated service provider with an integrated network. BellSouth's attempt to treat Sprint as separate carrier networks is discriminatory and would create a less efficient, higher cost interconnection for both network owners and all consumers.

Q: Sprint currently routes operator service traffic (00-) over existing access trunks. Should 00- traffic be classified only as access?

A. No. As an efficient network owner, Sprint manages a common operator services platform to provide enhanced operator services to a number of Sprint service platforms, including the IXC and the CLEC operations. When Sprint was interconnected to BellSouth solely as an Interexchange Carrier, it may have been correct to assume that the digit sequence 00 (zero zero) was for interexchange traffic only. Today, however, Sprint

is certified as a local exchange carrier as well as an IXC and plans to offer to Sprint customers enhanced 00- operator services via its own facilities based network in competition with the LEC 0- operator services. In addition, Sprint intends on providing local services through 00- access, just as BellSouth provides local service via 0- access. The 00- service access codes exist today and do not require routing modification. When an end user presubscribed to Sprint dials 00, the call will be naturally be routed to Sprint's Feature Group D or operator access trunks regardless of the jurisdictional nature of the call and whether the destination of the call is ultimately determined to be local / intraLATA, or interLATA. The 00- call is non-jurisdictional as the call is passed from the originating network to the operator platform to receive additional voice or tone commands from the end user. Only after the call is routed for completion by the Sprint integrated enhanced services platform can the jurisdiction of the call be determined and reported. Sprint's proposal to route local calls over access facilities recognizes the reality of combining traffic regardless of jurisdiction. BellSouth, however, has refused to acknowledge that the nature of 00- calls is non-jurisdictional until after the BellSouth network hands off the call to Sprint. BellSouth's position creates a barrier to parity and the provision of enhanced services to Tennessee's consumers.

Q. What action does Sprint request that the TRA take regarding this issue?

A. Sprint requests that the TRA grant Sprint the flexibility to interconnect its network with BellSouth's network in order to preserve the efficiencies Sprint has built into its all distance network. Specifically, Sprint would like the TRA to grant it the flexibility to route local 00- traffic over new and existing access and interconnection trunk groups.

IV. TWO-WAY TRUNKS

Issue 43(a) and (b): BellSouth's Provision of Two-Way and Supergroup Trunks to Sprint, and use of two-way trunks for BellSouth's originated traffic.

Q. Please describe the issue for which Sprint seeks arbitration by the TRA?

A. The issue at hand is whether BellSouth is obligated to provide two-way interconnection trunking to Sprint upon request, or whether the provision of such trunking is predicated on the parties mutually agreeing to the use of such trunking arrangements. Additionally, when two-way interconnection trunks are provided, should BellSouth be required to use those trunks for its originated traffic?

Q. What is Sprint's position on this issue?

A. BellSouth should provide two-way interconnection trunking upon Sprint's request, subject only to technical feasibility. The provision of two-way trunking should not be subject to whether or not BellSouth agrees to provide such trunking. BellSouth should be obligated to use two-way trunks, when provided, for BellSouth's originated traffic. Two-way trunking in the context of the parties' interconnection agreement includes "two-way" trunking and "SuperGroup" interconnection trunking.

Q. What is BellSouth's position on this issue?

A. BellSouth has agreed to provide two-way trunking to Sprint where traffic volumes are too low to justify the use of one-way trunks. In all other instances, BellSouth is of the opinion that it is not obligated to use the two-way trunks, but instead, entirely at its option, can use one-way trunks to deliver its originated traffic to Sprint.

Q. Why does Sprint believe that BellSouth is obligated to provide two-way trunking upon Sprint's request?

A. FCC Rule 51.305(f) states, "If technically feasible, an incumbent LEC shall provide two-way trunking upon request." There is nothing in this Rule to suggest that the ILEC and CLEC must mutually agree to the use to two-way trunking as a condition of BellSouth making such trunking available to Sprint.

Q. Why is BellSouth's proposal to use one-way trunks to deliver its originated traffic to Sprint rather than the requested two-way trunks problematic?

A. If BellSouth refuses to use two-way trunks, the trunks effectively cease to be two-way trunks. This effectively denies Sprint the opportunity to use two-way trunks and eliminates the efficiencies that were intended and are inherent in two-way trunking arrangements.

Q. Is BellSouth obligated to provide two-way trunking?

A. Yes. As I stated above, BellSouth is obligated to provide two-way trunking to Sprint upon request consistent with FCC Rule 51.305(f) and paragraph 219 of the Local Competition Order. If BellSouth refuses to use two-way trunks, the trunks will no long be functioning as two-way trunks. Practically speaking, BellSouth's refusal to use these two-way trunks will require Sprint to operate one-way trunks, which is precisely what the FCC was trying to avoid in the sections referenced above.

Q. Are there any other FCC references which support Sprint's contention that BellSouth should be required to provide two-way trunking to Sprint upon request?

A. Yes. Paragraph 219 of the Local Competition Order states:

> Where a carrier is requesting interconnection pursuant to section 251 (c) (2) does not carry a sufficient amount of traffic to justify separate one-way trunks, an incumbent LEC must accommodate

two-way trunking upon request where technically feasible. Refusing to provide two-way trunking would raise costs for new entrants and create a barrier to entry. Thus, we conclude that if two-way trunking is technically feasible, it would not be just, reasonable, and non discriminatory for the incumbent LEC to refuse to provide it.

Paragraph 219 of the Local Competition Order does not refer to BellSouth as the carrier that may lack sufficient traffic volumes to justify one-way trunks. The relevant phrase from paragraph 219 references, "...where a carrier requesting interconnection pursuant to section 251 (c) (2)" (i.e., the CLEC, Sprint) does not have sufficient traffic volumes to warrant separate one-way trunks. To state it another way, paragraph 219 permits the CLEC, not BellSouth, to use one-way trunks if so warranted by the CLEC's traffic.

Q. Why is this issue important to Sprint?

A. Sprint views two-way trunks as the preferred trunking arrangement, in many cases, because of the efficiencies gained in switching ports and interconnecting facilities, particularly in the early stages of market entry. There simply may not be enough traffic, especially early on, to justify setting up multiple one-way trunks groups for the exchange of traffic with BellSouth. BellSouth's proposal language suggests that BellSouth has the right to refuse to provide two-way trunking if such trunking is requested by Sprint. Sprint believes that this violates both the spirit and the intent of FCC Rule 51.305 (f).

Q. What action does Sprint request that the TRA take on this issue?

A. Sprint requests that the TRA order BellSouth to provide two-way trunking to Sprint upon request. The provision of two-way trunking should incorporate both "two-way" trunking and "SuperGroup" interconnection trunking as defined in the draft interconnection

agreement. In addition, if the TRA orders BellSouth to provide two-way trunking to Sprint upon request, Sprint requests that the TRA require BellSouth to use two-way trunks for BellSouth originated traffic.

VI. SUMMARY

Q. Would you please summarize your testimony?

A. My testimony provides support for the arbitration issues that affect Sprint's interconnection with BellSouth. In order to be successful, as a competitor in the local market, Sprint requires the flexibility to combine local and intraLATA and interLATA traffic on the same trunk group without the restrictions proposed by BellSouth. BellSouth has proposed arbitrary restrictions on the type of traffic that can be placed on specific trunk groups. Sprint has demonstrated that BellSouth is currently routing jurisdictional combined traffic and it is technically feasible; therefore, BellSouth should be required to allow Sprint the opportunity to design its network using this method. BellSouth should also be required to provide two-way trunks to Sprint upon request, and to use those same trunks for BellSouth-originated traffic.

Q. What action does Sprint request the TRA to take?

A. Sprint would like the TRA to grant the following:

1)flexibility to route multi-jurisdictional traffic over new and existing access and interconnection trunk groups; 2) the flexibility to route local 00- traffic over new and existing access trunk groups; and 3) the requirement that BellSouth provide two-way trunks to Sprint upon request and to use those two-way trunks for BellSouth originated traffic. The language specifically addressing this issue can be found in Attachment 3 of the Interconnection Agreement.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

SPRINT COMMUNICATIONS COMPANY L.P.

DIRECT TESTIMONY

OF

DAVID T. REARDEN

BEFORE THE

TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 00-00691

JANUARY 5, 2001

1. INTRODUCTION

Q. Please state your full name, position, and business address.

A. My name is David T. Rearden. I am employed by Sprint Communications Company L. P. ("Sprint") as a Manager of Regulatory Policy. My business address is 8140 Ward Parkway, Kansas City, Missouri 64114.

Q. Please describe your educational background, work experience and present responsibilities.

A. I received a Ph.D. in economics from the University of Kansas in 1991 with fields of specialization in microeconomics and econometrics and a Bachelor of Arts degree in economics and history from Eastern Illinois University in 1982.

I began working for Sprint Communications Company L.P. in January of 1998. Prior to joining Sprint, I was employed on the Staff in the Utilities Division of the Kansas Corporation Commission. I began at the Kansas Commission in June 1994 as Managing Research Economist. In the summer of 1996, I was promoted to Chief of the Rate Design Section and Managing Telecommunications Economist. I supervised five tariff analysts and participated in numerous telecommunications proceedings before the Kansas Commission. Before working at the Commission, I taught economics for two years at the University of Kansas. I also taught economics for two years at Cleveland State University. Subjects taught included microeconomics, mathematical economics, public finance, and econometrics.

My current responsibilities include the development and advocacy of Sprint's regulatory policy on a wide range of issues including local market entry, Total Element Long Run Incremental Cost or TELRIC costing and pricing of unbundled network elements ("UNEs"), universal service, access charges, anti-competitive pricing of interexchange services and Section 271 applications. I have filed testimony and affidavits before the public utility Commissions in the states of California, Florida, Georgia, Kansas, Kentucky, Maryland, Nebraska, New York, North Carolina, Vermont, Wisconsin and Wyoming and before the Telecommunications Regulatory Board in Puerto Rico. I have written or contributed to numerous sets of comments filed on behalf of Sprint in several states.

2. PURPOSE, OUTLINE, AND SUMMARY OF TESTIMONY

ISSUE NO. 10; Attachment 3, Interconnection, Sections 6.1.1, 6.1.1.1, 6.9, 6..10 - definition of "Local Traffic" for purposes of Reciprocal Compensation, characterization of ISP traffic as switched access traffic.

Q. Please provide a brief description of your testimony.

A. The purpose of my testimony is to demonstrate that the appropriate mechanism for compensating local exchange carriers ("LECs") for terminating traffic to an Internet Service Provider ("ISP") is reciprocal compensation. My testimony supports the Tennessee Regulatory Authority ("Authority" or "TRA")

decisions which have consistently required incumbent local exchange carriers ("ILECs") to pay reciprocal compensation for ISP traffic delivered to a competitive local exchange company ("CLEC"). In my testimony, I request that the Authority again make the same finding.

Q. Does Sprint's position conform to the TRA's previous decisions regarding the appropriate compensation for terminating traffic to an ISP?

A. Yes. Sprint's position is consistent with the TRA's rulings on this issue that reciprocal compensation is due on ISP-bound traffic. The Authority's recent Orders on this issue include the August 4, 2000 order in Docket No. 99-00797 (the Time Warner - BellSouth arbitration) and the August 11, 2000 Order in Docket No. 99-00430 (the ITC^Deltacom - BellSouth arbitration). Carriers incur significant costs in terminating traffic to ISPs and those carriers should be afforded the opportunity to recover their costs. Reciprocal compensation is the mechanism used to recover costs associated with the termination of all other types of traffic. Termination of ISP-bound traffic ought not to be treated in a discriminatory manner. This Authority has thoroughly examined this exact same issue several times in the recent past and has concluded in each instance that reciprocal compensation should be paid for ISP-bound traffic.

Q. What is BellSouth's position regarding the appropriate compensation for terminating traffic to an ISP?

A. BellSouth's position is in direct opposition to the Authority's recent rulings on this issue. BellSouth argues that it should not pay to terminate ISP-bound traffic on a CLEC's network. This argument uses the previous jurisdictional

finding of the Federal Communications Commission ("FCC") in its Declaratory Ruling[1] that ISP-bound traffic is jurisdictionally mixed though largely interstate. As the Authority is well aware, however, this FCC Order has been vacated and remanded by the Court of Appeals for the D.C. Circuit.[2] Under BellSouth's reasoning, reciprocal compensation rates cannot apply because such rates are for local traffic only under the Telecommunications Act of 1996 ("Act"). Therefore, according to BellSouth, the reciprocal compensation provisions of the local interconnection agreement should compensate for local, but not for ISP-bound traffic.

Q. What are the main conclusions of your testimony regarding reciprocal compensation?

A. Although I am not an attorney, based upon my review of the TRA's Orders on this issue, the FCC's Declaratory Ruling and the U.S. Court of Appeals for the District of Columbia Circuit's ruling, it is clear that BellSouth and Sprint should pay reciprocal compensation for ISP-bound traffic. Therefore, the Authority should adopt Sprint's proposal on this issue.

3. RECIPROCAL COMPENSATION FOR ISP TRAFFIC

A. The Tennessee Regulatory Authority Has Jurisdiction And Authority To Order Reciprocal Compensation For ISP Traffic.

[1] *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Intercarrier Compensation for ISP-Bound Traffic*, CC Docket Nos. 96-98, 99-68, 14 FCC Rcd 3689 (1999).
[2] See *Bell Atlantic Telephone Companies v. Federal Communications Commission and United States of America*, 206 F.3d 1 (D.C. Cir. March 24, 2000) ("*Bell Atlantic*")

Q. How did the D.C. Circuit Court's recent ruling impact the FCC's previous finding regarding the mixed jurisdictional nature of Internet traffic?

A. On March 24, 2000 the U.S. Court of Appeals for the District of Columbia Circuit vacated the FCC's Declaratory Ruling. Based upon my understanding of the *Bell Atlantic* decision, the Court vacated the FCC's ruling that ISP-bound traffic is interstate in nature on the basis that the FCC did not justify its use of an "end-to-end" analysis. The *Bell Atlantic* Court also questioned the ruling in light of the FCC's reaffirmation of its decision to grant ESPs an exemption from paying access charges.[3]

The *Bell Atlantic* Court stated that the FCC's extension of an "end-to-end" analysis for jurisdictional purposes to the ISP context yielded intuitively backward results. Much of my testimony below relates to the FCC's previous Declaratory Ruling. However, the reasons explained in the Court's decision to vacate the FCC's order and remand the issue back to the administrative body only strengthens Sprint's argument that reciprocal compensation is due for termination of ISP-bound traffic. The *Bell Atlantic* opinion supports the view that a call to an ISP is like a call to a local business that then uses the telephone to order products or services. This bolsters the case for reciprocal compensation being due for Internet traffic. Also, as I discuss in more detail below, nothing in the *Bell Atlantic* Court decision affects consideration of the fact that CLECs incur real costs in terminating such traffic to ISPs. Such costs should not go uncompensated.

[3] *Bell Atlantic* at 21.

Q. In light of the FCC's and D.C. Circuit's rulings, to what extent does the Tennessee Authority have jurisdiction to regulate inter-carrier compensation for traffic to Internet Service Providers?

A. The Circuit Court's *vacatur* and remand of the FCC's Declaratory Ruling did not consider the FCC's determination in the Declaratory Ruling that state regulatory bodies have the authority to require ILEC payments to CLECs for ISP reciprocal compensation. Further, the TRA has previously determined that it has jurisdiction over reciprocal compensation for traffic delivered by CLECs to ISPs and has already ruled several times that ILECs must pay CLECs reciprocal compensation for such traffic.

Q. Has the Authority previously ruled whether ISP-bound calls are local for the purpose of reciprocal compensation?

A. Yes. This Authority has repeatedly decided that ISP-bound calls are subject to reciprocal compensation. For example, in its decision in the BellSouth--Time-Warner Telecom arbitration, the Authority stated, "The Arbitrators [the Authority acting as arbitrators] concluded that compensation should be paid for the carriage of ISP-bound traffic and that, in the absence of a federal rule governing intercarrier compensation for ISP-bound traffic, reciprocal compensation is an appropriate mechanism to effect that recovery."[4] In addition, since the Authority also took administrative notice of the record of the

[4] Final Order of Arbitration Award, In Re: Arbitration of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Time Warner Telecom of the Mid-South, L.P. Pursuant to Section 252(b) of the Telecommunications Act of 1996, p. 4.

ITC^Deltacom and ICG arbitrations when deciding the Time-Warner case,[5] payment of reciprocal compensation for ISP-bound calls is obviously the policy of the Authority.

Q. Has the Authority previously ruled that reciprocal compensation payments for the termination of ISP-bound calls should be subject to true-up following a ruling from the FCC?

A. No. BellSouth has attempted to induce the Authority in its more recent arbitrations to rule that such payments must be subject to true-up upon an order by the FCC.[6] There are two major concerns with this position. One, this is not the proper use of true-up. The issue is not just the exact rate that prevails, but whether there is to be any payment at all. Two, if the FCC order is appealed to the Courts, which seems likely, such a result will increase confusion and subject all companies to even more uncertainty concerning their revenues than seems necessary. For example, is the true-up going to be subject to a further true-up upon issuance of a final, non-appealable order? The payments should not be subject to a true-up subject to whether reciprocal compensation is owed for termination of ISP-bound calls. And the true-up should certainly not start with the initial FCC order on remand, but it should begin with a final, non-appealable order.

[5] *Id.*, p. 2.
[6] See BellSouth Motion for Reconsideration and Clarification, filed August 28, 2000 in Docket No. 99-00430, the ITC^DeltaCom arbitration. This is essentially the same as the Motion filed in the Time-Warner Telecom arbitration (consolidating the issue of reciprocal compensation with the ITC^DeltaCom and NEXTLINK (Docket No. 98-00123) arbitrations) filed April 25, 2000.

B. CLEC Costs by Themselves Justify Implementation of a Mechanism to Compensate CLECs for Terminating Traffic to ISPs.

Q. Do CLECs and ILECs incur costs when they terminate traffic to an ISP?

A. Yes. Both CLECs and ILECs incur costs for terminating traffic to ISPs.[7] In the portion of the Declaratory Ruling devoted to the Notice of Proposed Rulemaking, the FCC acknowledged that "no matter what the payment arrangement, LECs incur a cost when delivering traffic to an ISP that originates on another LEC's network." (Declaratory Ruling at ¶ 29).

Q. Would the costs be similar for an ISP-bound call originating on Sprint's CLEC network and terminating on BellSouth's network?

A. Yes, similar costs would be incurred when a Sprint CLEC end-user customer places a local call to a dial-up ISP served by BellSouth. The traffic traverses similar portions of BellSouth's network equipment and facilities.

Q. Given these factors, what do you suggest the Authority use to determine the costs of connecting a call to an Internet Service Provider?

A. The Authority should determine that it is reasonable to use BellSouth's reciprocal compensation rate as a basis upon which to develop rates in this interconnection agreement. Sprint proposes to establish a per-call charge and a separate per-minute charge for local switching. I discuss Sprint's rate structure proposal more fully below.

[7] I will use the term "terminate" in this testimony in the sense of the delivery of the traffic to the ISP and not with regard to the FCC jurisdictional analysis.

C. Dial-Up Internet Traffic Should Not Be Segmented Into A Separate Class of Traffic.

Q. Does creating a separate class of service for ISP dial-up traffic alleviate the concern about uneven traffic flow to ISPs?

A. No. There are several reasons why a separate class of service should not be created for dial-up Internet traffic. First, it does not appear that technology is sufficiently developed to separate out dial-up Internet traffic from other types of local traffic. Second, there are other types of traffic, besides Internet traffic that tend to generate a disproportionately larger amount of terminating traffic than originating. It is far from clear that Internet traffic should be singled out without examining other types of traffic and their costs. And third, CLECs and data LECs are just in the initial stages of building out their networks. Until their networks are completed, it is difficult to determine their costs of terminating ISP-bound as well as other types of traffic. Given all of these uncertainties, it appears that there is little, if any benefit to segregating dial-up Internet traffic as a separate class.

Q. Can Internet traffic presently be distinguished from other categories of telephone calls?

A. No. The equipment currently in use does not allow one LEC to positively identify ISP-bound traffic terminating to another LEC. At present, the method an interconnected carrier has for estimating ISP-bound traffic that it is terminating to a CLEC is to compare originating and terminating traffic flows between itself and the CLEC. If the ILEC is terminating significantly more

traffic to the CLEC than the CLEC terminates to the ILEC, then the ILEC typically assumes that the traffic terminating to the CLEC is ISP-bound traffic. However, it must be emphasized that the ILEC cannot definitively know whether the traffic to the CLEC is actually ISP-bound. Rather, the ILEC must conjecture that the traffic is ISP-bound based on terminating traffic ratios or holding times.[8]

Q. Is the use of terminating traffic ratios an ironclad method to determine the type of traffic being terminated?

A. No, absolutely not. CLECs and ILECs can have large quantities of terminating traffic for reasons other than terminating traffic to an ISP. There are a number of businesses and public agencies that receive more in-bound traffic than outbound. For example, if the CLEC services a city, county, or state government agency, particularly one that offers call-in help lines, (such as a county extension service) then it will have a larger amount of traffic terminating than originating. A CLEC that provides service to a talk radio station will have a significantly greater amount of terminating traffic. Similarly, a CLEC that provides service to a business office that has a Local Area Network ("LAN") and allows its employees to dial-in to the company's LAN and work from a remote location (such as the employees' homes) will have a large amount of terminating traffic. This is particularly true since employees dialing into their

[8] In some instances, ILECs have measured the traffic terminating to an ISP by asking the CLEC to identify ISP-related NXXs. However, such a method is administratively burdensome and largely unworkable. Billing records must be updated frequently to ensure accurate tracking of ISP minutes. Additionally, if an ILEC knows that a CLEC serves only ISP traffic, the ILEC could identify the trunk groups serving that CLEC and measure the traffic flowing over those trunk groups.

LAN will likely log-on and remain on-line for the greater part of a day. In fact, if an employee has a second local line at his or her house solely for the purpose of logging onto the company's LAN, the employee may simply leave the computer logged on to the LAN 24 hours a day, 7 days a week. As more companies allow their employees to work at home and log into the company's computers from home, this type of traffic has the potential to generate terminating traffic volumes even greater than that generated by dialing into ISPs. Inasmuch as the ILECs still serve the lion's share of the local business market, they are the main beneficiaries of traffic terminating to business LANs. Accordingly, it is as reasonable to review the rates paid for LAN-bound traffic terminating to the ILECs as for traffic from ILEC customers to ISPs served by a CLEC. There are clearly several situations that involve significantly higher relative amounts of terminating traffic in addition to the case of a CLEC delivering traffic to an ISP. High terminating-to-originating-traffic ratios thus do not necessarily imply that the traffic is ISP-bound.

Q. How can Internet traffic be distinguished from other categories of telephone calls?

A. There are no simple methods to separate ISP-bound traffic from voice call traffic at present. Telecommunications markets, technology, and other relevant factors are changing at a fast pace. In the future, it may be technically feasible to uniquely identify ISP traffic from non-ISP traffic. If ISP traffic can be separated and identified, it may be possible to develop specific cost studies.

D. Reciprocal Compensation Rates are the Appropriate Rates to Charge for Terminating Traffic to an ISP Pending a Final FCC Rule on Inter-Carrier Compensation.

Q. What compensation arrangement or methodology should carriers employ to compensate each other for completing a dial-up Internet call?

A. Carriers should compensate each other for completing a dial-up Internet call the same as they would for completing any other local call. This is the only mechanism to ensure that carriers are compensated for costs incurred in terminating or delivering traffic.

Q. What compensation arrangement or methodology has the FCC suggested for carriers to employ to compensate each other for completing a dial-up Internet call?

A. The FCC has yet to make a final determination regarding the appropriate compensation arrangement or methodology for carriers to use to compensate each other for completing dial-up Internet calls. But the FCC has clearly stated that reciprocal compensation is an acceptable option for the interim period. The FCC declared that state Commissions may order reciprocal compensation be paid for terminating ISP-bound traffic. And the Tennessee Authority has already ruled that it has the authority to establish reciprocal compensation for Internet traffic. A carrier incurs costs when it terminates a call on its network to an ISP. Principles of economic efficiency dictate that the carriers must be compensated for such traffic.

4. SPRINT'S RECIPROCAL COMPENSATION PROPOSAL

Q. How should reciprocal compensation rates be calculated?

A. There is only one refinement to the current rates that is necessary — and this refinement should be applied to all types of local traffic, including both voice calls and calls to ISPs: The reciprocal compensation rate for local switching should be bifurcated into a fixed call set-up charge and a separate per-minute charge. This structure for local switching was recently adopted by the Texas PUC,[9] and it places local switching cost recovery on a much sounder economic footing. A significant portion of the costs of local switching consists of set-up costs that do not vary with the duration of the call. These costs include the amount of time the switch central processor requires to set up the call, together with some SS7 network costs associated with setting up the trunk required for the call, while the variable switching costs consist primarily of the line and trunk investment portions of the switch. Today, both sets of costs are generally recovered by a single minute-of-use ("MOU") charge. As a result, there is appropriate cost recovery only for calls of average duration. The terminating carrier fails to fully recover its call set-up costs for very short calls, whereas that carrier over-recovers its costs on very long calls.

Q. Please give an example that shows how over-recovery of switching occurs on long calls.

A. Assume, as the Texas PUC found, that the average voice call lasts 3 minutes and the average ISP call is 29 minutes long.[10,11] Assume also that there is a

[9] *Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Communications Act of 1996*, Docket No. 21982, Arbitration Award, July 13, 2000, at 49.
[10] *Id.* at 47.

call set-up rate of $.0018 per call and a per-minute charge of $.0010. Under the current approach of using a blended rate, there is a single charge to recover the fixed cost ($.0018) plus the variable cost for an average duration call of 3 minutes (3 x $.0010)), or a total cost of $.0048. This results in a rate for local switching of $.0016 per MOU. The total local switching cost for a 29-minute ISP call would be $.0308 ((29 x $.0010) + $.0018). However, charging a blended rate of $.0016 per minute for this call would result in a reciprocal compensation payment of $.0464 — more than 50% above the actual local switching cost.

Q. Can local switching costs be readily separated into two elements?

A. Yes. The Telecordia SCIS switching cost model widely employed by the industry has a standard output for central processor call set-up costs. Signaling costs are not recovered, in the reciprocal compensation context, by any other charge. Thus, switching costs can be reliably separated into call setup and per MOU amounts.

Q. Do billing systems need to be modified?

A. Yes. Sprint recognizes that establishing a two-part rate for local switching requires modification of existing billing systems and proposes that the TRA give the parties a reasonable time (one year should be more than sufficient) to modify their billing systems to accommodate the two-part charge. Alternatively, having different local switching rates for different bands of

[11] In fact many customers — particularly those with second lines — may maintain a call into their ISP for several hours at a time.

holding time could satisfactorily approximate the two-part structure. Each interconnected carrier could be assigned to a band based on average hold times for that carrier, determined by traffic studies.

5. SUMMARY

Q. Please summarize Sprint's position regarding the appropriate compensation for terminating traffic to an ISP.

A. The Tennessee Authority should adopt Sprint's proposal in connection with its interconnection agreement with BellSouth regarding the inclusion of ISP traffic as local traffic for purposes of reciprocal compensation because it is consistent with the TRA's prior rulings on the subject. Until the FCC adopts a permanent rule concerning such traffic, this Authority's previous rulings on reciprocal compensation for ISP traffic should govern the parties' interconnection Agreement in this regard. Accordingly, the Tennessee Authority should order BellSouth to pay Sprint at rates that are equivalent to reciprocal compensation rates for terminating traffic to an ISP on Sprint's network using a bifurcated rate structure for switching.

Q. Does this conclude your Direct Testimony?

A. Yes.