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T.R.A. DOCKET ROOM

August 11, 2003

**Guy M. Hicks**
General Counsel

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VIA HAND DELIVERY

Hon. Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996
Docket No. 03-00119

Dear Chairman Tate:

Enclosed are the original and fourteen copies of the following rebuttal testimony on behalf of BellSouth:

| | |
|---|---|
| Keith Milner | Ron Pate |
| Kathy Blake | John Ruscilli. |

Copies of the enclosed are being provided to counsel of record.

Very truly yours,

Guy M. Hicks

GMH:ch

## CERTIFICATE OF SERVICE

I hereby certify that on August 11, 2003, a copy of the foregoing document was served on the parties of record, via the method indicated:

| | |
|---|---|
| [ ] Hand<br>[ ] Mail<br>[ ] Facsimile<br>[ ] Overnight<br>[X] Electronic | Henry Walker, Esquire<br>Boult, Cummings, et al.<br>414 Union Street, #1600<br>Nashville, TN 37219-8062<br>hwalker@boultcummings.com |
| [ ] Hand<br>[ ] Mail<br>[ ] Facsimile<br>[ ] Overnight<br>[X] Electronic | Nanette S. Edwards, Esquire<br>ITC^DeltaCom<br>4092 South Memorial Parkway<br>Huntsville, AL 35802<br>nedwards@itcdeltacom.com |
| [ ] Hand<br>[X] Mail<br>[ ] Facsimile<br>[ ] Overnight | David Adelman, Esquire<br>Charles B. Jones, III, Esquire<br>Sutherland Asbill & Brennan<br>999 Peachtree Street, NE<br>Atlanta, GA 30309 |

BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF JOHN A. RUSCILLI

BEFORE THE TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 03-00119

AUGUST 11, 2003

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is John A. Ruscilli. I am employed by BellSouth as Senior Director – Policy Implementation and Regulatory Compliance for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. HAVE YOU PREVIOUSLY FILED TESTMONY IN THIS PROCEEDING?

A. Yes, I filed direct testimony in this proceeding on August 4, 2003.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to rebut portions of the direct testimony of ITC^DeltaCom ("DeltaCom") witnesses Mary Conquest, Steve Brownworth, Don Wood and Jerry Watts filed in this proceeding on August 4, 2003.

***Issue 1: Term of the Agreement (GTC – Section 2.1; 2.3-2.6)***

***(a) Should the new interconnection agreement provide that the parties continue to operate under that Agreement or under BellSouth's Standard Interconnection Agreement pending the determination of the Commission's ruling in any future arbitration?***

***(b) What should be the length of the term of the agreement resulting from this arbitration?***

Q. DOES THE FACT THAT THE NEW AGREEMENT BECOMES EFFECTIVE ON THE DATE THAT IT IS SIGNED BY THE PARTIES ALLEVIATE MR. WATTS' CLAIMS (PAGES 8-10) THAT A THREE-YEAR CONTRACT IS INEFFICIENT?

A. Yes. Mr. Watts' concern that "the timing of regulatory orders and on-going disputes between the parties" (page 9) would cause the term of the agreement to be shortened is without merit. As discussed above, under BellSouth's proposed language, the three-year term would not begin until *after* the new agreement is executed by the parties, which would be after the issuance of the Authority's ruling in this proceeding. Any delays in the issuance of the final arbitration ruling would therefore not impact the term of the agreement.

*Issue 2: Directory Listings*

*(b) Is BellSouth required to provide an electronic feed of the directory listings of DeltaCom customers?*

Q. MS. CONQUEST STATES, AT P. 4, THAT BELLSOUTH'S TARIFF OFFERS ELECTRONIC DIRECTORY LISTING INFORMATION IN KENTUCKY, MISSISSIPPI, LOUISIANA, AND FLORIDA. IS THIS TRUE?

A. It is true that BellSouth's General Subscriber Services Tariffs (GSST) in the four states mentioned have a section for Directory Publishers Database Service. GSST A38.2.1 states, in part:

> A. The Company will provide Directory Publishers Database Service (DPDS) to an ordering customer solely for the compilation, production, publication, and distribution of a directory(ies) and/or for the sale or solicitation of advertising to be contained in a published directory(ies).
>
> **B.** Directory Publishers Database Service (DPDS) **is available and must be ordered by NPA-NXX code(s).**

However, DPDS is not the type of database that will allow DeltaCom to select and excerpt files of its own choosing. Specifically, DPDS includes all users and does not contain unique identifiers for a single CLEC's customers. As stated in my direct testimony, BellSouth is not required to provide, and does not have the system capabilities to provide, an electronic feed of directory listings as DeltaCom is requesting.

***Issue 25: Provision of ADSL where DeltaCom is the UNE-P Local Provider (Attachment 2 – Section 8.4): Should BellSouth continue providing the***

***end-user ADSL service where DeltaCom provides UNE-P local service to that same end-user on the same line?***

Q. DELTACOM'S WITNESS MARY CONQUEST ALLEGES THAT BELLSOUTH'S DSL POLICY CONSTITUTES AN ANTI-COMPETITIVE TYING ARRANGEMENT (PAGES 5-7). PLEASE RESPOND.

A. The FCC has expressly rejected arguments that BellSouth's DSL policy is anticompetitive, including the argument that BellSouth's DSL policy constitutes an unlawful tying arrangement.[1] Beyond that, DeltaCom's claim that BellSouth's policy of discontinuing its ADSL service to customers who migrate to CLECs for voice service constitutes a tying arrangement makes no sense. As I understand it, tying is a form of monopoly leveraging in which market power in one market (A) is leveraged to give competitive advantage in a more competitive market (B). Generally, a tying arrangement is an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agrees that he will not purchase that product from any other supplier. The mechanics are simple: a monopoly supplier of a <u>less</u> competitive service, service A, refuses to supply that service by itself and requires customers to also purchase service B, for which it faces more competition.

[1] See references to the FCC's *Line Sharing Order* and *Line Sharing Reconsideration Order* in my direct testimony at pp. 12-13.

What DeltaCom is arguing is just the opposite: it is arguing that BellSouth is requiring customers of its more competitive service (DSL) to also purchase its less competitive service (basic exchange voice service). This is the opposite of an anti-competitive tying arrangement. Given the definition of tying and the realities of the broadband market (that customers have multiple choices for broadband service providers), a tying argument makes no sense in this instance.

Q. YOU MENTIONED THAT CUSTOMERS HAVE MULTIPLE CHOICES FOR BROADBAND SERVICE PROVIDERS. CAN YOU PROVIDE ANY SUPPORT FOR THAT STATEMENT?

A. Yes. In addition to BellSouth, customers have a choice among DSL providers. For example, MCI recently began offering DSL service to its UNE-P customers in BellSouth's region.[2] As reflected on its website (mci.com), MCI offers customers "Neighborhood HiSpeed," which utilizes DSL technology and is designed for customers "who want unlimited local, long distance calling and high speed Internet access, plus 5 features – for one low monthly price on one bill."

Furthermore, DSL technology is *not* the only technology that supports the provision of broadband data services to consumers. Instead, it is merely one such technology. Other technologies that support the provision of broadband

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[2] MCI's HiSpeed DSL service is deployed in Georgia, and may be deployed in other states in BellSouth's region.

data services to end-users include wireless, cable modem, and satellite.[3] Moreover, DSL is not even the leading technology that supports the provision of broadband data services to consumers. As the FCC has noted, cable modem technology -- not DSL -- is leading the way in the provision of broadband service to consumers. In February 2002, for instance, the FCC stated that "[i]n the broadband arena, the competition between cable and telephone companies is particularly pronounced, *with cable modem platforms enjoying an early lead in deployment*."[4] An end user who wants broadband services, therefore, can choose among many different technologies and many different service providers.

Q. MS. CONQUEST ALLEGES ON PAGE 5 THAT BELLSOUTH'S DSL POLICY FORCES A COMPETITOR TO ENTER TWO MARKETS. IS THAT A VALID COMPLAINT?

A. No. BellSouth is not forcing DeltaCom to provide its own service for DSL and voice service. If DeltaCom wants to serve voice customers who desire DSL service, it can resell BellSouth's voice service with BellSouth FastAccess® Service ("FastAccess"), it can purchase DSL from another data

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[3] *See In the Matter of Inquiry concerning High-Speed access to the Internet over Cable and Other Facilities*, FCC Order No. 0-355 at ¶43 (September 28, 2000) ("High-speed services are provided using a variety of public and private networks that rely on different network architectures and transmission paths including wireline, wireless, satellite, broadcast, and unlicensed spectrum technologies.").

[4] Third Report, *In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, FCC Order No. 02-33 at ¶37 (February 6, 2002)(emphasis added).

provider, or it can provide DSL service itself. Thus, DeltaCom has several options available from which to choose.

Q. MS. CONQUEST STATES AT P. 6 THAT "TYING ARRANGEMENTS ALLOW A MONOPOLY TO 'CHERRY PICK' THE MOST ATTRACTIVE CUSTOMERS FROM THE MASS MARKET." IS THAT TRUE?

A. No. First, as explained above, BellSouth's DSL policy is not an anti-competitive tying arrangement. Second, BellSouth makes its DSL service available in 85% of its 198 central offices in Tennessee. However, to date, slightly over 2 percent of BellSouth Tennessee residential and business customers subscribe to BellSouth FastAccess service. If anyone is to be accused of "cherry picking", it should be DeltaCom. There are more than 98 percent of BellSouth's Tennessee customers who do not currently subscribe to BellSouth's FastAccess service; however, DeltaCom insists that it is disadvantaged if it cannot target the small percent of BellSouth's customers who are current DSL subscribers.

Q. ON PAGE 6, MS. CONQUEST STATES THAT BELLSOUTH'S DSL POLICY "PREVENTS CONSUMERS FROM OBTAINING THE VOICE PROVIDER OF THEIR OWN CHOOSING." DO YOU AGREE?

A. Certainly not. As of April 30, 2003, there are approximately 93 CLECs providing service to more than 488,000 lines, or 17 percent of the total lines in Tennessee (approximately 6 percent residential and 37 percent business). As the Authority and the FCC found in BellSouth's 271 proceedings, there is undisputed evidence of local service competition in Tennessee. Further, if DeltaCom chooses not to provide DSL service itself, by reselling BellSouth's DSL service, or by purchasing DSL service from a data provider, the customer can purchase broadband service from a number of cable providers. To state that BellSouth's policy prevents a customer's choice of local service provider is simply not true.

Q. ON PAGE 7, MS. CONQUEST CITES TWO COMMISSIONS (LOUISIANA AND KENTUCKY) THAT HAVE RULED AGAINST BELLSOUTH ON THIS ISSUE. PLEASE RESPOND.

A. In Docket No. R-26173, the Louisiana Public Service Commission ("LPSC") issued its order on April 4, 2003, clarifying its January 24, 2003 Order. The LPSC orders require BellSouth to continue to provide wholesale and retail DSL service to customers who migrate to a CLEC for voice service over UNE-P. Where a customer of a CLEC subsequently chooses to receive BellSouth's wholesale or retail DSL service, BellSouth must provide the service. However, pursuant to the order, BellSouth filed a proposal on May 1, 2003 to offer BellSouth's DSL service in such an instance over a separate line. In addition, on May 16, 2003, BellSouth filed an appeal of the LPSC's order in the U.S. District Court.

The Kentucky Public Service Commission ("KPSC") issued orders in the Cinergy Arbitration Case No. 2001-432 as follows: July 12, 2002 (Arbitration

Decision) and April 28, 2003 (Order Approving Agreement Language). BellSouth is required to provide wholesale DSL transport service (*not retail FastAccess)* to a Network Service Provider ("NSP") who serves, or desires to serve, an end-user that receives UNE-P based voice services from Cinergy. This requirement is not limited to migrating customers. On May 9, 2003, BellSouth filed an appeal of the KPSC's Cinergy orders in the U.S. District Court.

The Florida Public Service Commission ("FPSC") has issued two orders, both different from the Kentucky and Louisiana orders discussed above. In the Florida FDN Arbitration (Docket No. 010098-TP) the FPSC required BellSouth to continue providing its retail FastAccess service for customers who migrate to CLECs for voice service over UNE loops. BellSouth's Agreement Language, accepted by FDN, allows BellSouth to provide FastAccess over a separate stand-alone loop, installed on the customer's premises. In the Supra Arbitration (Docket No. 001305-TP), the FPSC ordered BellSouth to continue to provide its FastAccess service to a customer migrating to Supra's voice service over UNE-P. BellSouth has appealed that order to the United States District Court. In addition, Supra has filed a Complaint with the FPSC regarding BellSouth's compliance with the FPSC orders using a separate stand-alone loop (as in FDN); that complaint is pending before the FPSC.

Q. HAVE ANY COMMISSIONS IN BELLSOUTH'S REGION FOUND IN FAVOR OF BELLSOUTH ON THIS ISSUE?

A. Yes. There are two states that have addressed this issue and have ruled that BellSouth is <u>not</u> required to provide DSL service to an end user receiving voice service from a CLEC: (1) The North Carolina Utilities Commission ("NCUC") considered this issue in BellSouth's 271 case. In the NCUC's Consultative Opinion to the FCC in BellSouth's 271 Application for Alabama, Kentucky, Mississippi, North Carolina and South Carolina, WC Docket No. 01-150, filed July 9, 2002, at p. 204, it found:

> *"[T]he incumbent LEC has no obligation to provide DSL service over the competitive LEC's leased facilities."*

(2) The South Carolina Public Service Commission ("SCPSC") issued an Order in Docket No. 2001-19-C on April 3, 2001 in the IDS Arbitration case, which stated,

> *"Clearly, the FCC has not required an incumbent LEC to provide xDSL service to a particular end user when the incumbent LEC is no longer providing voice service to that end user. IDS's contention that this practice is anticompetitive is therefore not persuasive when BellSouth is acting in accordance with the express language of the FCC's most recent Order on the subject." (page 29)*

Q. ON PAGE 8, MS. CONQUEST CITES AN EXAMPLE OF A CHURCH IN ALABAMA WHICH WAS "UNABLE" TO MIGRATE TO DELTACOM FOR VOICE SERVICE BECAUSE BELLSOUTH WOULD NOT CONTINUE TO PROVIDE FASTACCESS TO THAT CUSTOMER. PLEASE RESPOND.

A. BellSouth is unable to address the specific situation cited because DeltaCom has not provided details of the customer or request. It is interesting that, while Ms. Conquest implies that BellSouth's policy negatively impacts potential DeltaCom customers on a wide scale, the only example she cites is an unidentified customer that is a church in Alabama. While pointing fingers at BellSouth, it is DeltaCom's policy of refusing to provide DSL service (either its own or from another DSL provider) that impacts DeltaCom's customers, in spite of the variety of choices available.

BellSouth's approach is simply to offer DSL service as an overlay to a customer's local telecommunications service to meet that customer's voice and broadband needs. Customers choose products and providers based on the best fit for their needs. BellSouth's view is that providers of products in a free marketplace should be able to differentiate their offerings to encourage customers to buy them.

As an example, Cadillac is known for its luxury. Mercedes-Benz is known for its reliability and durability. Volkswagen is known for its lower price and fuel efficiency. Customers would probably prefer to have a car built with the durability of a Mercedes-Benz, the luxurious appointments of a Cadillac, at a Volkswagen price and fuel economy. However, to my knowledge, such a vehicle does not exist; so customers must make choices that best fit their needs. The same is true in the telecommunications market in Tennessee. DeltaCom offers its own variety of local, long distance, and enhanced services. DeltaCom's service area includes service in at least three states beyond BellSouth's territory. BellSouth and DeltaCom both differentiate their service offerings to appeal to the customer markets in their targeted territories. BellSouth currently offers its customers the opportunity to purchase FastAccess as an overlay to voice service (regardless of whether the voice provider is BellSouth or a CLEC reselling BellSouth's local exchange service).

Consumers can choose which arrangement best suits their needs. For some consumers, it appears that DeltaCom's packages of services are more attractive. For other customers, BellSouth's FastAccess may be more important. This is consistent with free market choice, and there is nothing wrong in allowing customers to have different choices. In DeltaCom's world of competition, if BellSouth develops a better product or service for consumers, BellSouth must make that choice available for all consumers, including those served by BellSouth's competitors. In a sense, DeltaCom is recommending that all telecommunications services are commodity products provided by and subsidized by BellSouth that should be available to all players, except that DeltaCom gets to provide the product only to the customers it chooses to serve at the most profitable levels.

***Issue 47: Should BellSouth be required to Compensate ITC^DeltaCom when BellSouth collocates in ITC^DeltaCom collocation space? If so, should the same rates, terms and conditions apply to BellSouth that BellSouth applies to DeltaCom?***

Q. ON PAGE 22 OF DELTACOM WITNESS BROWNWORTH'S PREFILED TESTIMONY, MR. BROWNWORTH STATES THAT THIS WAS AN ISSUE IN DELTACOM'S LAST ARBITRATION WITH BELLSOUTH AND THAT "BELLSOUTH AGREED TO OPERATE UNDER THE SAME RATES, TERMS AND CONDITIONS WHEN BELLSOUTH USED ITC^DELTACOM SPACE." IS THIS STATEMENT CORRECT?

A. Yes, BellSouth did sign an agreement addressing BellSouth collocation in DeltaCom's collocated space, but this does not resolve the issue herein due to the parties' differing interpretations of what constitutes "collocation" or "collocated" equipment under the agreement. In Tennessee Docket No. 99-00430, BellSouth signed a collocation agreement with DeltaCom. It did so because it believed there to be no harm in signing an agreement, since BellSouth had no intention of electing to collocate its equipment, as this term is defined by the Act, in a DeltaCom central office for the purposes of interconnection or access to UNEs.[5]

BellSouth has not collocated its equipment at a DeltaCom Point of Presence ("POP") location or any other location for the sole purpose of interconnecting with DeltaCom's network or accessing Unbundled Network Elements

[5] The Telecommunications Act of 1996 defines the term "collocation" in Section 251, Interconnection, Section (c) (6) as: "The duty to provide, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the premises of the local exchange carrier, except that the carrier may provide for virtual collocation if the local exchange carrier demonstrates to the State Commission that physical collocation is not practical for technical reasons or because of space limitations."

("UNEs") in the provision of a telecommunications service to the end users located in DeltaCom's franchised serving area; nor does BellSouth intend to do so.

What BellSouth has actually installed at various DeltaCom POPs in Tennessee is equipment that is being used to provision its tariffed Special and Switched Access Services ordered by DeltaCom and/or DeltaCom's end user customers. Pursuant to BellSouth's Intrastate Access Tariff, BellSouth placed this equipment in various DeltaCom POP locations to provide DeltaCom with base-line services, which are then used by DeltaCom to provide its end users with particular services. The initial purpose of placing this equipment in DeltaCom's POPs was to facilitate the exchange of access traffic. Additionally, BellSouth has installed other equipment in certain locations, which utilize excess capacity on existing BellSouth terminals to exchange local traffic ordered by DeltaCom and/or DeltaCom's end user customer.

Q. WHAT IS BELLSOUTH'S PROPOSAL TO DELTACOM ON THIS ISSUE?

A. For any POPs or other DeltaCom locations that are established after the effective date of the new interconnection agreement ("future sites"), BellSouth will agree to pay mutually negotiated collocation charges for BellSouth equipment located and used solely for the purposes of delivery of BellSouth's originated local interconnection traffic if BellSouth voluntarily requests to place a POI for BellSouth's originated local interconnection traffic (reciprocal traffic) in a particular POP or other DeltaCom location. However, currently existing POPs and any other locations in which BellSouth has placed equipment, including any augments to the equipment already placed at these sites, would continue to be grandfathered and exempt from any present and future collocation charges and other requirements.

If DeltaCom requests that the DeltaCom POP or another location be designated as the POI for DeltaCom's originating traffic and where BellSouth must place equipment in order to receive this traffic, the POP or other location will NOT be deemed to be a location at which BellSouth has voluntarily chosen to place a POI for BellSouth's originated local interconnection traffic and BellSouth will not agree to compensate DeltaCom for such collocation. Further, if DeltaCom chooses the POI for both Parties' originated traffic and DeltaCom chooses to have the POI for BellSouth's originated traffic at a DeltaCom POP or other location, then such POP or other location will NOT be deemed as a location at which BellSouth has voluntarily chosen to place a POI for BellSouth's originated local interconnection traffic and BellSouth will not agree to compensate DeltaCom for such collocation.

***Issue 60: Deposits (Attachment 7 - Section 1.11):***

***(a) Should the deposit language be reciprocal?***

***(b) Must a party return a deposit after generating a good payment history?***

Q. MR. WATTS, ON PAGES 19-28, ARGUES THAT BELLSOUTH IS UNJUSTIFIED IN MAINTAINING DELTACOM'S DEPOSIT IN THE EVENT OF GOOD PAYMENT HISTORY BECAUSE "BELLSOUTH

FACES VERY LOW AGGREGATE FINANCIAL RISK FROM ITS OBLIGATION TO PROVIDE WHOLESALE SERVICES – ESPECIALLY WHEN COMPARED WITH TELECOMMUNICATIONS SERVICE PROVIDERS WITH LESS MARKET POWER."(PAGE 24.) WHAT IS YOUR RESPONSE?

A. Mr. Watts is wrong. Over the last 2 years BellSouth has suffered significant losses as the result of wholesale uncollectibles. Moreover, BellSouth has had a number of very large customers that were paying current up until the day they filed bankruptcy. Payment history is an indication of how a customer performed in the past and does not necessarily indicate how it will perform in the future. A compilation of data including how the debtor pays other suppliers, management history, company history, financial information, bond rating, (indicates the companies ability to obtain financing), all help paint a picture of how a company will perform in the future. In the event a CLEC fails to pay (after maintaining a good payment history or otherwise) BellSouth is faced with a lengthy process prior to disconnection of the service. In addition to the month for which the CLEC did not pay, BellSouth may be required to provide an additional month (or more) of service while notices are being given and the disconnection process is taking place, resulting in more than two months of outstanding debt, even if the CLEC has paid timely prior to that point.

Q. ON PAGE 22, MR. WATTS DESCRIBES BELLSOUTH'S UNCOLLECTIBLE PERCENTS FOR 2000 AND 2001 AS "EXTREMELY LOW." PLEASE COMMENT.

A. Mr. Watts uses the year 2000 and 2001 ARMIS data from BellSouth Telecommunications' (BST's) 43-04 Report to argue that BellSouth has "exaggerated its exposure from its obligation to wholesale services as a common carrier." (Page 21.) However, the 2000 and 2001 data do not display the full extent of the economic downturn. (Even though the 2002 ARMIS data was filed with the FCC in April 2003, Mr. Watts did not include that data in his testimony.) When the 2002 ARMIS data is added to the comparison, it shows a dramatic increase over the 2001 uncollectibles levels, as shown in the table below:

BST Interstate Special Access Uncollectibles Ratios
ARMIS Report 43-04

| ($000) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Interstate Special Access Revenue | $2,005,943 | $1,831,143 | $1,217,326 |
| Interstate Special Access Uncollectibles | $52,025 | $11,416 | $1,578 |
| Uncollectible Ratio | 2.59% | 0.62% | 0.13% |

BST Total Interstate Access Uncollectibles Ratios
ARMIS Report 43-04

| ($000) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Interstate Network Access Revenue | $4,537,767 | $4,491,131 | $4,086,188 |
| Interstate Access Uncollectibles | $ 107,623 | $67,982 | $31,189 |
| Uncollectible Ratio | 2.37% | 1.51% | 0.76% |

BST Total Regulated Uncollectibles Ratios
ARMIS Report 43-03

| ($000) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Total Regulated Revenue | $16,888,867 | $17,616,004 | $16,965,995 |
| Total Regulated Uncollectibles | $377,812 | $322,578 | $159,381 |
| Uncollectible Ratio | 2.24`% | 1.83% | 0.94% |

Furthermore, even looking at an additional year of uncollectibles does not show the whole picture. In addition to uncollectibles (amounts charged as uncollectibles expense and credited to the reserve for uncollectibles) reported in ARMIS for 2002, BellSouth recognized as revenue reductions $231.8 million related to certain customer specific receivables for which collectibility was not reasonably assured.

Q. FURTHER, ON PAGE 24, MR. WATTS STATES, "IT IS COMPELLING THAT THE FCC RECENTLY CONSIDERED AND REJECTED SIMILAR REQUESTS FROM BELLSOUTH." PLEASE COMMENT.

A. Mr. Watts cites the FCC's Policy Statement *In the Matter of Verizon Petition for Emergency Declaratory and Other Relief,* WC Docket No. 02-202, *Policy Statement,* Rel. December 23, 2002. Verizon filed specific revisions to its interstate access tariffs seeking to broaden its discretion to require security deposits and advance payments, and to shorten the notice period required before it may take action against customers who are not paying their interstate access bills on time. The FCC concluded (p. 14),

> *We do not believe that broadly crafted measures applicable to all customers, such as additional deposits, are necessary to strike the balance between the interests of incumbent LECs and their customers. ... We believe that narrower protections such as accelerated and advanced billing would be more likely to satisfy statutory standards.*

The FCC, therefore, did acknowledge the legitimacy of the ILEC concerns. Although it did not agree to the "broadly crafted" tariff changes requested by Verizon and other ILECs, the FCC recognized that narrower protections, including shortened intervals for discontinuance of service, may be appropriate. The problem in BellSouth's experience in negotiating with CLECs, is that they want more time, not less time; so, that would not help protect the ILECs, even though the FCC may approve such a provision in an FCC tariff.

Q. ON PAGE 24-25, MR. WATTS REFERS TO A BELLSOUTH INTERROGATORY RESPONSE, INDICATING THAT THE PARAMETERS OF BELLSOUTH'S DEPOSIT CRITERIA APPEAR TO BE SPECIFICALLY DESIGNED TO DISADVANTAGE CLECS AS A CUSTOMER CLASS. PLEASE COMMENT.

A. The interrogatory responses being referred to are apparently BellSouth's response to DeltaCom's Item Nos. 65 and 66 in North Carolina. That response (proprietary) provided information on the number of BellSouth's wholesale customers and retail customers from whom BellSouth has requested a deposit. Although DeltaCom's assertion is not true, there are a number of reasons why it may appear there is a different application of deposit criteria (as the term deposit criteria has been defined in this discovery) across our wholesale and retail segments:

- BellSouth's deposit criteria are applied consistently between wholesale and retail customers; however, the wholesale telecom market since 1996 has presented more of a risk to BellSouth in regards to the unsecured extension of credit than BellSouth's retail business customers. While BellSouth's retail business end users span across multiple industries, its wholesale market is limited.
- When both internal and external information is considered, the wholesale customers do not score as high as the retail customers. Most of our customers in the wholesale market are relatively new businesses that lack credit histories to establish credit worthiness. When their credit information is reviewed, there is usually very little information to confirm their credit worthiness. Given this lack of history, their credit score is not very high.
- Lastly, BellSouth serves approximately 600 CLECS whose approximate average monthly billing is $436K, whereas BellSouth serves approximately 1.1M retail customers in BellSouth's small business retail market and bills approximately $72 per line. This indicates BellSouth's small business market has relatively lesser risk across a much larger customer base than the CLEC customer base. The same is true for BellSouth's large business segment that serves

approximately 15K customers, billing an average of approximately $210K annually per customer.

Finally, BellSouth's credit policy is not new. Since the advent of the wholesale local market, BellSouth has negotiated security terms and conditions that include the examination of credit worthiness and the payment of deposits.

***Issue 62: Limitation on Back Billing (Attachment 7 – Section 3.5): Should there be a limit on the parties' ability to back-bill for undercharges? If so, what should be the time limit?***

Q. PLEASE COMMENT ON DELTACOM'S PROPOSAL ON PAGE 28 OF MR. WATTS' TESTIMONY THAT BACK BILLING BE LIMITED TO 90 DAYS.

A. DeltaCom's proposal is nonsensical and impractical. Due to the complexity of BellSouth's billing systems, 90 days is not a sufficient amount of time for the retrieval of billing data and records and any system programming to substantiate and support the back billing of under billed charges. While BellSouth strives to bill incurred charges in a timely manner, it should not be forced to limit back billing to 90 days.

Q. MR. WATTS, AT PAGES 28-29, CLAIMS THAT BELLSOUTH'S BACKBILLING OF DUF RECORDS UP TO THREE YEARS HAS

JEOPARDIZED DELTACOM'S ABILITY TO COMPETE. WHAT IS YOUR RESPONSE?

A. In the case of DUF records, BellSouth has been providing DeltaCom with ADUF records for the last three years, but did not bill the per ADUF record charge as set forth in their Interconnection Agreement for the period February 2000 to November 2001. DeltaCom, therefore, has had the records necessary to bill other carriers for the originating and terminating messages reported by ADUF. If DeltaCom has not billed the other carriers, that is not BellSouth's fault. As a matter of fact, DeltaCom has either billed, or has had the opportunity to bill, the other carriers for three years without having to pay BellSouth for providing the ADUF records.

***Issue 64: ADUF: What terms and conditions should apply to the provision of ADUF records?***

Q. ON PAGE 8, MS. CONQUEST CONTENDS THAT DELTACOM SHOULD NOT BE BILLED FOR ADUF RECORDS ASSOCIATED WITH LOCAL CALLS. PLEASE DESCRIBE UNDER WHAT CIRCUMSTANCES LOCAL CALLS WOULD BE INCLUDED IN ADUF RECORDS.

A. ADUF records will be generated in those circumstances when a DeltaCom end user served by an unbundled port places a call using an access code (i.e., 1010XXX) to an end user within the designated local calling area. In this situation, the call is recorded as an access call - the location of the terminating end user has no bearing on the generation of the record. Another example of an ADUF record being generated is when a facility-based CLEC (or ICO or wireless carrier) end user calls a DeltaCom end user served by an unbundled port within the designated local calling area. Again, in this situation, the call is recorded as an access call – the location of the terminating end user has no bearing on the generation of the record. DeltaCom is asking BellSouth to generate a custom report for it, excluding local calls and/or duplicate calls. BellSouth does not agree to provide custom reports for each CLEC. The reports are generated on the same basis for all CLECs, and are consistent with such reports provided by other ILECs.

Q. DOES DELTACOM CLAIM THAT BELLSOUTH'S ADUF CONTAINS RECORDS THAT ARE NOT BILLABLE?

A. Yes. BellSouth's understanding is that DeltaCom contends the ADUF records that BellSouth is sending DeltaCom are not "billable". The ADUF records that BellSouth provides are capable of being billed, provided DeltaCom has established billing arrangements with these other carriers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.