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June 2, 2006

Hon. Ron Jones, Chairman
Tennessee Regulatory Authority
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Facsimile filed with the Authority on June 2, 2006

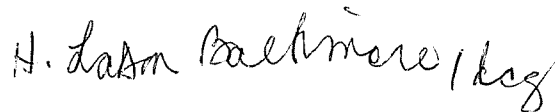
Re: Joint Filing of AT&T, BellSouth Corporation, and BellSouth's Certified
Tennessee Subsidiaries Regarding Change of Control; Docket No. 06-00093

Dear Chairman Jones:

Please find enclosed the original and four copies of the Direct Testimony of Charles E. (Gene) Watkins on behalf of DIECA Communications, Inc. d/b/a Covad Communications Company in the above-referenced matter.

Thank you for your assistance. If you have questions, do not hesitate to contact me.

Sincerely,



H. LaDon Baltimore

LDB/dcg
Enclosures
cc: Parties of Record

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

JOINT FILING OF AT&T, INC.,
BELLSOUTH CORPORATION, and
BELLSOUTH'S CERTIFIED TENNESSEE
SUBSIDIARIES REGARDING CHANGE OF
CONTROL

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DOCKET NO. 06-00093

DIRECT TESTIMONY OF CHARLES E. (GENE) WATKINS
ON BEHALF OF INTERVENOR
DIECA COMMUNICATIONS, INC. D/B/A COVAD COMMUNICATIONS COMPANY

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:)	
)	
JOINT FILING OF AT&T, INC.,)	
BELLSOUTH CORPORATION, and)	DOCKET NO. 06-00093
BELLSOUTH'S CERTIFIED TENNESSEE)	
SUBSIDIARIES REGARDING CHANGE OF)	
CONTROL)	

Pursuant to Procedural Order, DIECA Communications, Inc. d/b/a Covad Communications Company ("Covad") submits the following Direct Testimony of Charles E. (Gene) Watkins, Senior Counsel, Covad Communications.

Q. What is the purpose of your testimony?

A. The purpose of my direct testimony is to provide the Authority with Covad's position regarding some Covad-specific issues in this case.

Q. Mr. Watkins, please state your name, title and business address.

A. My name is Gene Watkins, and I am Covad's Senior Counsel for the BellSouth Region. Our regional offices are located at 1230 Peachtree Street, 19th Floor, Atlanta, GA 30309.

Q. What is your background?

A. I am a 1989 graduate of Tulane University and a 1996 graduate of Emory University Law School. Before joining Covad, I was an attorney in private practice. For four years prior to law school, I was Legislative Assistant to Congressman Stephen Neal (5th District North Carolina) in his Washington, D.C office. In that position, I was responsible for telecommunications issues, among others. Last year, Governor Fletcher appointed me to the Kentucky Broadband Task Force, and I acted as a participant on the Georgia Broadband Task Force. I

am currently President of the Competitive Carriers of the South (CompSouth) and chairman of its Regulatory Issues Committee. I am, however, only representing the positions of Covad in this direct testimony.

Q. Mr. Watkins, please describe your responsibilities at Covad.

A. As Covad's Senior Counsel for the BellSouth Region, I manage all of Covad's regulatory and legislative initiatives in the BellSouth region.

Q. Does Covad provide telecommunications services in Tennessee?

A. Yes. Covad is a facilities-based provider of broadband service to wholesale ISP, residential and small business customers in Tennessee using DSL. Covad also provides voice and broadband services to medium sized businesses using VoIP in Tennessee.

Q. Mr. Watkins, have you previously filed testimony in this proceeding?

A. No.

Q. What is Covad's issue in this case?

A. Covad is concerned over the different ways AT&T and BellSouth handle line sharing and line splitting with the CLEC community and Covad in their respective regions. Their positions are very different. AT&T provides line sharing via a commercial agreement and readily facilitates line splitting with the CLECs who executed a commercial agreement for switching. BellSouth refuses to do either unless forced. Whether the post-merged entity in this region intends to take the pro-competitive position of AT&T or the highly anti-competitive position of BellSouth will provide the Authority with a competitive litmus test indicating whether the proposed merged entity will behave anti-competitively in the event

the merger is approved. It is not in the public interest to approve the merger of an entity with the market and financial power of AT&T and BellSouth when the post-merger entity demonstrably intends to choose an anti-competitive path forward post merger. The Authority will hear a good deal of concern from various parties about the potential for anti-competitive behavior of AT&T and BellSouth in the future. Whether the new entity will choose AT&T's position or BellSouth's position regarding line sharing and line splitting will provide a very real-world indication which direction the new entity will choose.

Q. What are line sharing and line splitting?

A. Line sharing is an arrangement for the provision of very fast internet connections for typically residential or small business customers where the incumbent phone company ("ILEC") (here, BellSouth) provides the voice service to the customer and a competitive local exchange carrier ("CLEC") (here, Covad) provides the internet access. Line splitting is a similar arrangement, but another CLEC provides the voice service to the customer instead of the ILEC.

Q. What is Covad's issue with line sharing and line splitting?

A. Covad's concerns with line sharing and line splitting arise because BellSouth treats these products very differently from AT&T. Covad believes AT&T behaves in a manner consistent with the interests of consumers and competition. BellSouth does not.

Q. How do the positions of AT&T and BellSouth differ regarding line sharing and line splitting?

A. AT&T provides access to line sharing via a commercial agreement. As a consequence, consumers in the AT&T region enjoy an additional source of broadband and Internet Service Providers benefit from an alternative competitive source for wholesale broadband for their customers. BellSouth, on the other hand, refuses to provide for line sharing via a commercial agreement in Tennessee at all. The question of BellSouth's obligation to provide line sharing was presented to the Authority in the TRO/TRRO Change of Law case, and that case is still ongoing. Covad's concern here is not with legal obligations, although Covad believes BellSouth does have a legal obligation. Covad's concern is with BellSouth's refusal to negotiate a commercial agreement for line sharing when every other Regional Bell Operating Company ("RBOCs") in the country, including AT&T, and Sprint offer line sharing via a commercial agreement. With regard to line splitting, AT&T allows all the carriers who signed commercial agreements for switching to engage in line splitting in the same manner they did before signing their commercial agreements. Qwest and Verizon do so as well. BellSouth, *again* lone among the RBOCs, operates differently (and anti-competitively). BellSouth insists that the carriers who signed commercial agreements for switching, if they want to offer line splitting, engage in a significantly cumbersome ordering and provisioning process.

Q. What should the Authority do if the proposed merged entity says it will continue to take BellSouth's anti-competitive position regarding line sharing and line splitting?

A. The Authority should strongly consider that the proposed merged entity expressly intends on taking an anti-competitive path that no other RBOC in the United States takes. This is not a hypothetical. AT&T takes a reasonable position on these two issues. BellSouth does not. It is a strong indicator that the proposed merged entity will behave in the maximally anti-competitive manner available post merger. Such an indication should cause the Authority to either deny approval of the merger as not being in the public interest or impose significantly stronger conditions on the merger to guard against this kind of behavior.

Q. Has Covad taken its concerns to AT&T and BellSouth?

A. Absolutely. While those negotiations are ongoing and confidential, it is always Covad's desire to resolve its differences with other carriers in long term commercial agreements. In the event that Covad cannot convince the proposed merged entity to behave like its parent, the Authority should take note. It is a very bad sign for the future if BellSouth cannot even agree to behave like AT&T.

Q. Does that conclude your direct testimony?

A. Yes, it does.

Respectfully submitted,



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Certificate of Service

The undersigned hereby certifies that on this the 2nd day of June, 2006, a true and correct copy of the foregoing has been forwarded via electronic transmission to:

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