BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF W. KEITH MILNER

BEFORE THE TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 97-00309

JULY 22, 2002

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

A. My name is W. Keith Milner. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375. I am Assistant Vice President - Interconnection Operations for BellSouth. I have served in my present role since February 1996.

Q. ARE YOU THE SAME W. KEITH MILNER WHO FILED DIRECT TESTIMONY ON APRIL 26, 2002?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

A. In my testimony, I will address allegations raised by parties in this proceeding regarding the means by which BellSouth has satisfied network-related items of the competitive Checklist set forth in Section 271(c)(2)(B) of the Telecommunications Act of 1996 ("the Act"). A list of acronyms used in my testimony is attached as Exhibit WKM-1.

CHECKLIST ITEM 4: LOCAL LOOP

Q. MS. TERRY MURRAY STATES THAT THE EFFECT OF BELLSOUTH REPLACING COPPER WIRES WITH FIBER-OPTIC TECHNOLOGY HAS EFFECTIVELY PLACED THE CUSTOMERS SERVED BY NEARLY HALF OF THE REMOTE TERMINALS ("RTs") IN TENNESSEE OFF-LIMITS TO DSL COMPETITION. DO YOU AGREE?

A. No. Her statement is absolutely not true. Moreover, BellSouth's decision to place fiber-optic technology in the feeder cable from the Central Office to the RT location is based solely on economics and the cost of providing facilities to serve BellSouth's customers. The decision has nothing to do with providing DSL capability for Bellsouth or its competitors.

I say her statement is not accurate because if a Competitive Local Exchange Carrier ("CLEC") wants to provide those customers who are served over fiber facilities in the feeder cable with DSL service, it has the same opportunity as BellSouth to place a remote Digital Subscriber Line Access Multiplexer ("DSLAM"), a piece of equipment that is necessary in order for the CLEC to provide DSL service, at the RT location. Ms. Murray acknowledges this is true, saying the "competitor can install a DSLAM at the RT to perform precisely the same function as the DSLAM that previously would have been located in the central office."

This is an important point that cannot be overlooked. Ms. Murray's basic complaint presumably revolves around the argument that in an all-copper world, a CLEC could

place one DSLAM in a central office, and be in a position to offer DSL service to all customers served out of that central office (provided the DSLAM was large enough). To provide DSL service in a fiber-fed Digital Loop Carrier ("DLC") environment, however, the CLEC must do exactly what BellSouth has had to do -- put DSLAMs in the individual RT locations rather than the central office. Since there are more RTs than central offices, Ms. Murray evidently concludes that CLECs must not be able to afford to install the DSLAMs for themselves, so BellSouth has placed the customers served by RTs "off limits" to CLECs.

That reasoning is nonsense. First, no CLEC would put a DSLAM in every RT. In fact, BellSouth has not installed DSLAMs (which it uses to provide DSL service in a DLC environment, just like the CLECs would use a DSLAM) in each of its RT locations. Instead, BellSouth targets locations with strong DSL sales potential. The proof of this conclusion can be found in Ms. Murray's testimony, where she acknowledges that BellSouth has 6,318 RTs in Tennessee and serves approximately 30% of its DSL customers through those RTs. I would expect Covad to do likewise and study which locations give Covad the greatest sales potential and deploy equipment in those locations.

Furthermore, placing a DSLAM in a RT is not necessarily the only solution when a Covad customer wanting DSL is served with fiber facilities in the feeder portion of the loop. Again, in order to create and market DSL services, CLECs have the same options available to them as BellSouth has for itself. Collocation of DSLAMs in BellSouth's central offices allows a CLEC such as Covad to provide its data services to those customers served entirely by copper loops (that is, customers who are not served by Digital Loop Carrier ("DLC")). For those customers who are served by DLC, one option

the CLEC has, other than to place a DSLAM in the RT, is to perform an electronic Loop Make-Up and locate an available copper loop from the demarcation point (end user's Network Interface Device ("NID")) all the way to the CLEC's collocation arrangement in the central office. Then, the CLEC would "reserve" the copper loop and issue an order for that copper loop and the customer's service would be moved from the DLC to the copper loop.

Q. NOTWITHSTANDING YOUR COMMENTS ABOUT PLACING DSLAMS IN CAREFULLY SELECTED REMOTE TERMINALS, ON PAGES 8-9 OF HER TESTIMONY, MS. MURRAY SUGGESTS THAT IN ORDER TO PROVIDE BROADBAND SERVICE AT PARITY WITH BELLSOUTH, THOUSANDS OF ADDITIONAL COLLOCATIONS OF DSLAMs WOULD BE REQUIRED AT TENNESSEE'S 6,318 RTs ON A ROUTE-BY-ROUTE BASIS. PLEASE COMMENT.

A. First, I would be surprised to learn that Covad actually deployed its DLSAMs in thousands of RT locations simply because BellSouth has deployed thousands of RTs. As I stated earlier, BellSouth has not deployed DSLAMs at every RT site and it would take time to do so. Thus, I disagree with Ms. Murray that to be at parity with BellSouth, Covad would have to collocate DSLAMs in each and every one of the thousands of RT locations. CLECs can place a DSLAM at the central office or at the RT location just like BellSouth has the capability to do. CLECs have the same capability to reach any customer of BellSouth's served from that RT location as does BellSouth. As for costs, since collocation rates are cost-based, the pro rata cost of physical collocation to the CLEC is no greater than the cost BellSouth must pay to establish a RT site. For broadband services, BellSouth faces the same hurdles and opportunities, as would any

CLEC. The potential customer segment to be served is the same for both parties so that any equipment deployed by either party involves an investment risk. For example, should BellSouth not fill up the ports on its own remote DSLAMs, it too runs the risk of not benefiting from economies of scale. CLECs are not precluded from offering DSL service where DLC is deployed. When BellSouth provides its Asymmetrical Digital Subscriber Line ("ADSL") service where DLC is deployed, BellSouth must install DSLAM equipment at the DLC location. Through the collocation process offered by BellSouth, a CLEC that wants to provide DSL service where DLC is deployed also can collocate its DSLAM equipment at BellSouth's DLC RT sites. This allows the CLEC to provide the high speed data access in the same manner as does BellSouth.

Q. ARE CLECs IMPAIRED IN THEIR ABILITY TO COLLOCATE THEIR DSLAM EQUIPMENT WITHIN BELLSOUTH'S RTs?

A. No. If sufficient space exists within a DLC RT, BellSouth will allow a CLEC to collocate its DSLAM in the RT, regardless of whether BellSouth has installed its own DSLAM at that RT. If sufficient space does not exist within the DLC and BellSouth has installed its own DSLAM at the DLC RT location, then BellSouth will make good faith efforts to augment the space at that DLC RT, such that the CLEC can install its own DSLAM at that DLC RT. In the unlikely event that BellSouth could not accommodate collocation at a particular RT where BellSouth has a DSLAM, BellSouth will unbundle the BellSouth packet switched network at that RT in accordance with FCC requirements. If sufficient space does not exist within the DLC RT and BellSouth has not installed its own DSLAM at that DLC RT location, then BellSouth will file a collocation waiver request with this Authority for that DLC RT site.

BellSouth uses various types of structures such as cabinets, huts, controlled environmental vaults ("CEVs"), etc. Huts and CEVs are usually air-conditioned; however, the cabinets are not. BellSouth uses "hardened" DSLAM equipment that can withstand extreme temperatures. Assuming Covad selects the appropriate equipment for a DLC environment, as does BellSouth, Covad should not experience any difficulties because the DSLAMs BellSouth uses for itself do not require unique arrangements for power or air conditioning.

Q. MS. MURRAY, ON PAGES 10-11 OF HER TESTIMONY, STATES "BELLSOUTH STILL HAS A TREMENDOUS COMPETITIVE ADVANTAGE IN CHOOSING WHERE TO SPEND MONEY ON RT AND NGDLC DEPLOYMENT." PLEASE COMMENT.

A. BellSouth's competitors have access to the same demographics as does BellSouth in order to develop customer profiles and markets. The "competitive advantage" to which Ms. Murray alludes is a result of an extensive undertaking, considering the risks, in both time and capital expenditures by BellSouth over the years in developing its network. Further, even though BellSouth has provided voice services for many years, BellSouth enjoys no inherent market or competitive advantage in the broadband market. CLECs and BellSouth face the same business risks relative to deployment of infrastructure necessary to facilitate providing DSL services to customers. The technology became available to both parties at the same time, and at that time, BellSouth had no incumbent advantage – the playing field was, and remains, level. As a matter of fact, BellSouth has only been deploying DSLAMs in RTs over the past few years. However, BellSouth made a conscious business decision, and took on the corresponding risk, to offer DSL

service to its customers, and BellSouth began deploying the necessary equipment. When BellSouth provides its own ADSL service where DLC is deployed, BellSouth must locate DSLAM equipment at the DLC RT location to access the copper sub-loop to the end user. A CLEC desiring to provide its DSL service where DLC is deployed must likewise collocate its DSLAM equipment at the DLC RT location. This will allow the CLEC to provide the high speed data service in the same manner as does BellSouth. CLECs thus face the same risks as does BellSouth. Ms. Murray seems to suggest that BellSouth, rather than Covad should assume all the investment risk of deploying DSLAMs and related equipment. Covad apparently wants to be in a position to benefit from BellSouth's taking on that risk without taking on those same risks for itself. That is hardly parity under the loosest use of that term. What Ms Murray is advocating is that the Authority ought to give Covad and its shareholders a benefit at the expense of BellSouth and its shareholders. If Covad is truly worried about its financial exposure, as the next paragraphs will show, Covad can minimize its investment risk by targeting specific locations for deployment and using smaller DSLAMs to get started. DSLAMs with as few as eight (8) ports are available should Covad wish to minimize its financial exposure.

Q. ON PAGES 7-8 OF MS. MURRAY'S TESTIMONY, SHE REFERENCES A JOINT DECLARATION FILING BEFORE THE FCC OF A BUSINESS CASE FOR RT COLLOCATION WHICH PURPORTEDLY CLAIMS THAT IT WOULD TAKE COVAD AN AVERAGE OF 14.2 YEARS JUST TO BREAK EVEN ON THE COST OF RT COLLOCATION. PLEASE COMMENT.

A. Presumably Ms. Murray relies on Covad's business case to try to cause the Authority to

believe that, notwithstanding what I have said above about the risks involved in providing DSL service, Covad should get some sort of advantage by having BellSouth buy the equipment Covad needs to compete with BellSouth. However, the Covad Business Case described in the Joint Declaration of Anjali Joshi, Eric Moyer, Mark Richman, and Michael Zulevic, which Ms. Murray uses to conclude that it would take Covad 14.2 years to recoup its investment in DSLAMs for RTs, is useless as any sort of analysis for the economic efficiencies of deploying DSLAMs in BellSouth's RTs. As I will explain below, Covad's analysis contains at least three fatal flaws.

First, Covad's assumed revenue per customer is wrong. Covad's Business Case assumed monthly revenue per customer of only $35. This rate is lower than the rates listed on Covad's Internet website (www.covad.com). For example, a visit to Covad's Internet website quickly reveals rates for businesses "starting at $89" and rates for residential customers "starting at $21.95 for four months…$39.95 after that." As a result, the assumed monthly rate of $35 is $54 too low for its least expensive service offered to business customers ($89) and almost $4 too low for its residential customers after the first four months. While BellSouth cannot determine Covad's true mix of business and residential customers, an assumption of 25% business and 75% residential would yield a weighted monthly average revenue per customer of $52.21 (($89 * 0.25) + (0.75 * $39.95)) beyond the first four months. Under these conservative assumptions, Covad's weighted monthly revenue per customer is incorrectly low by $17.21. Further, Covad's Business Case did not recognize revenues from any voice services (or features associated with voice services) that Covad and other CLECs could market to DSL customers.

The second error in Covad's analysis is its assumption that even after 14 years, Covad assumes it has managed to garner no more than 5% of the market for the customers served at the remote terminals in which Covad has installed DSLAMs. If Covad actually believes that after 14 years it will only have 5% of the customers, it needs to be in another business. Using the average revenue per customer per month derived from a mix of 25% business customers and 75% residence customers and a take rate as low as 10% yields significantly different economic results as I will demonstrate below.

Once one clicks the button on Covad's website titled "Why Covad", Covad makes the claim that "Covad offers DSL, IP and dial-up services to small and medium-sized businesses, home offices and home users. Our network currently covers more than 40 million homes and business and reaches approximately 40 to 45 percent of all US homes and businesses." Covad's website states further that "Covad was the first nation-wide DSL provider and today is more widely available than any other DSL provider. Covad gives its customers the greatest number of choices in ISPs and service speeds." These hardly seem like the words of a company that believes it can garner a mere 5% of the market.

Although I believe even a 10% take rate to be overly conservative for Covad, the table below depicts the financial outcomes of a 10% take rate and an average monthly revenue of $52.21:

	Year 1	Year 2	Year 3	Year 4	Year 5
Total RT Costs	$67,500,000	$0	$0	$0	$0
Cumulative Take Rate	10%	10%	10%	10%	10%
Total Customers Captured	22,500	22,500	22,500	22,500	22,500
Total Annual Revenue to Covad for Captured Customers	$14,096,700	$14,096,700	$14,096,700	$14,096,700	$14,096,700
Cumulative Revenue to Covad for Captured Customers	$14,096,700	$28,193,400	$42,290,100	$56,386,800	$70,483,500
Yearly Cash Flow	($53,403,300)	$14,096,700	$14,096,700	$14,096,700	$14,096,700

Note 1 Uses Covad's assumption for Total RT costs for collocation and DSLAMs ($67,500,000).

Note 2 Assumes Annual Revenue per Customer of $626.52.

Note 3 Total Customers Captured is determined by multiplying Covad's "Total Number of RT Customers" (225,000) * 10% Take Rate.

Note 4 Total Annual Revenue to Covad is determined by multiplying Total Customers Captured * $626.52

Note 5 Yearly Cash Flow for Year 1 is Total Annual Revenue to Covad minus Total RT Costs.

Note 6 Project goes Cash Flow positive in fifth year.

Thus, using even conservative market share capture and more realistic revenue per customer, Covad's project turns net cash flow positive during the fifth year rather than in 14.2 years.

Third, Covad assumes it will equip its DSLAMs to be capable of serving over 200 DSL customers but will serve only 15 customers per remote terminal location (Average Quantity of Customers per Remote Terminal (300) * 5% Take Rate). If Covad's expectation really is that it will serve only 15 customers from a given remote terminal site, why would Covad chose a DSLAM for its Business Case that is capable of serving hundreds of DSL customers? There are DSLAMs available to Covad that serve as few as eight (8) DSL customers (so-called "microRAMs" or "miniRAMs") that cost considerably less than Covad's assumed costs. If Covad thinks it will only serve 15 customers in a RT, then it ought to use one of these smaller DSLAMs. BellSouth has received price quotes for fully equipped 16-port miniRAMS for about $12,000 or $24,000 for a pair of miniRAMs. Adding $4000 per miniRAM for collocation and miscellaneous would bring Covad's DSLAM costs at a given location to $32,000. These miniRAMs would be capable of serving twice the number of customers that Covad has assumed, which ought to be a sufficient margin. Using these smaller DSLAMs, the RT Collocation Costs would be $24,000,000 instead of $90,000,000. ($32,000 * 750 remote Terminals.) Using appropriately sized DSLAMs in its Business Case (and a take rate of 10% and average monthly revenue per customer of $52.21) would result Yearly Cash Flows as shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Total RT Costs	$24,000,000	$0	$0	$0	$0
Cumulative Take Rate	10%	10%	10%	10%	10%
Total Customers Captured	22,500	22,500	22,500	22,500	22,500
Total Annual Revenue to Covad for Captured Customers	$14,096,700	$14,096,700	$14,096,700	$14,096,700	$14,096,700
Cumulative Revenue to Covad for Captured Customers	$14,096,700	$28,193,400	$42,290,100	$56,386,800	$70,483,500
Yearly Cash Flow	($9,903,300)	$14,096,700	$14,096,700	$14,096,700	$14,096,700

Note 1: Project is Cash Flow positive in Year 2.

As the note indicates, in this scenario, Covad's provision of DSL in one of these RTs should go cash flow positive at some point in the second year, not in the 14th year as claimed by Ms. Murray.

To summarize, Covad's Business Case is seriously flawed and can in no way be used as an analysis of the economic efficiencies derived by a project to deploy DSLAMs. As I have noted, Covad assumed monthly revenue per customer that is too low. It also assumed DSLAM costs that are too high and a take rate that is too low. When Covad's

business case is properly adjusted, it is clear that Covad can enjoy healthy returns on its investments for DSLAMs deployed in remote terminals.

Q. HOW LONG HAS BELLSOUTH BEEN DEPLOYING DSLAMS IN ITS RT LOCATIONS TO PROVIDE DSL SERVICE IN A DLC ENVIRONMENT?

A. The deployment of DSLAMs at remote terminals to provision broadband services over DSL is a relatively new endeavor for BellSouth. While BellSouth and its predecessors have been deploying loops and circuit switches in Tennessee for many years, BellSouth has been deploying DSLAMs at RTs only over the last few years.

Over that time, BellSouth has not deployed DSLAMs ubiquitously at its RTs in Tennessee. At present, the percentage of RTs equipped with DSLAMs by structure (that is, each cabinet, hut, or building) is 9.9%. The percentage of RTs equipped with DSLAMs by site (that is, all structures at the same site) is 12.1%.

Q. IF A CLEC PURCHASED A DSLAM AND COLLOCATED IT IN A BELLSOUTH REMOTE TERMINAL, COULD THAT CLEC PURCHASE UNES FROM BELLSOUTH TO CONNECT THAT DSLAM TO THE CUSTOMER'S PREMISES AND TO THE CLEC's COLLOCATION ARRANGEMENT AT A BELLSOUTH CENTRAL OFFICE?

A. Yes. Once a CLEC has collocated a DSLAM within a BellSouth RT, BellSouth will sell the CLEC a UNE subloop between the RT and the customers' premises and a UNE

subloop between the RT and the BellSouth central office. BellSouth will provide these UNEs at the rates established by the Authority.

Q. MS. MURRAY ASKS THE TRA TO REQUIRE BELLSOUTH TO OFFER CLECS AN UNBUNDLED BROADBAND LOOP. CAN YOU COMMENT ON THIS REQUEST?

A. Yes. As Mr. Ruscilli explains in his testimony, this is not the appropriate proceeding for that type of request. Having said that, what I understand Ms. Murray to be asking is for BellSouth to provide CLECs with access to BellSouth's DSLAMs that are collocated in a RT on a "line-at-a-time" basis. In other words, assume that BellSouth is using a DSLAM that BellSouth has placed in a RT in order to provide DSL service to a customer. If Covad wins that customer, Ms. Murray is asking that BellSouth provide Covad with a single UNE loop that includes the packet switching functionality that is performed by that DSLAM in that RT so that Covad can use that single UNE loop to provide DSL-based Internet access service to that customer.

Q. DOES THE "LINE-AT-A-TIME" BROADBAND LOOP YOU HAVE JUST DESCRIBED RAISE ANY "TECHNICAL FEASIBILITY" ISSUES?

A. Yes. When the customer described accesses the Internet, the data arrives at the DSLAM at the RT that serves that customer, and it is packetized and intermingled with data that is being sent to and from other customers that are served by that DSLAM. These intermingled packets are then delivered to an Asynchronous Transfer Mode ("ATM") switch that separates these packets, determines where they should be routed, and then routs them over the packet switching network to the appropriate destination.

Thus if a single DSLAM served not only BellSouth customers, but Covad customers as well, the packets of the Covad customers would be intermingled with the packets of BellSouth's customers. These intermingled packets are of no use to anyone unless and until they are run through an ATM packet switch that separates Covad's packets from BellSouth's packets and routes the respective packets to the appropriate location.

ATM switching, however, is not a UNE, and no CLEC in this proceeding has argued that it should be. The only way to provide "line-at-a-time" unbundled broadband loops as requested by Ms. Murray, therefore, is to require BellSouth to include ATM packet switching in the offering. The TRA, however, cannot order that because the FCC has declined to unbundled ATM packet switching and no CLEC has (or can) argue that it is impaired in its ability to either self-provision ATM packet switching or to obtain ATM packet switching from a third party.

Q. MR. DARNELL, TESTIFYING ON BEHALF OF WORLDCOM, ON PAGE 5 OF HIS TESTIMONY, CLAIMS "RATES FOR MANY ELEMENTS INCLUDED IN BELLSOUTH'S FILING ARE EXCESSIVE BECAUSE THEY ARE BASED ON OUT-OF-DATE TECHNOLOGY…." IS HE CORRECT?

A. No. Mr. Darnell contends that BellSouth's rates are "based on out-of-date technology and are not based on the least cost, forward looking technology available in the marketplace today." (Darnell Testimony, page 5, lines 20-21) The only "technological advance" that Mr. Darnell purports lacking from BellSouth's cost studies is the deployment of so-called dual purpose line cards used in certain types of DLC equipment.

Dual purpose line cards allow provisioning of DSL service by providing DSLAM capabilities on the line card itself rather than via a stand-alone DSLAM. At present, there are no dual purpose line cards deployed in BellSouth's DLC equipment in Tennessee.

Notwithstanding that fact, Mr. Darnell's conclusion regarding these cards still is wrong for several reasons. First, dual purpose lines cards are not applicable to the cost development of voice grade UNEs. Second, a requirement to provide CLECs unbundled dual purpose line cards would in essence be a requirement to provide CLECs access to packet switching on an unbundled basis. The FCC, however, has specifically relieved ILECs of any obligation to unbundle packet switching if certain requirements are met. BellSouth's witness John Ruscilli discusses these requirements.

Mr. Darnell further claims that inclusion of these cards would "greatly increase the capacity of BellSouth Digital Loop Carrier (DLC) network" and that the "per voice grade equivalent feeder cost [would] dramatically decline." (Darnell Testimony, page 7, lines 3-4, 5-6) Mr. Darnell is wrong. In fact, deployment of dual purpose line cards would not increase the capacity of the DLC systems, nor would it reduce the cost of feeder on a per DS0 equivalent since an additional path is required from the remote terminal to the central office (i.e., the feeder portion of the loop) to carry the data (packet) traffic split by the dual purpose line card. Furthermore, the dual purpose line card consumes additional slots in the digital loop carrier system, thus reducing its capacity rather than increasing its capacity as Mr. Darnell incorrectly claims. Mr. Darnell's claim that "the capacity of the 2-wire copper distribution plant is greatly increased" is also untrue. (Darnell Testimony, page 7, lines 11-12) Introduction of DSL on a loop does not increase the distribution

plant's capacity. A dedicated path is still required from the RT to the NID at the customer's premises.

Q. MS. COLETTE DAVIS, TESTIFYING ON BEHALF OF COVAD, ON PAGES 24-27 OF HER TESTIMONY, STATES THAT BELLSOUTH STILL REFUSES TO PROVIDE DEMARCATION POINT INFORMATION IN ACCORDANCE WITH ITS INTERCONNECTION AGREEMENT WITH COVAD. DO YOU AGREE?

A. No. During the provisioning process for designed loops, BellSouth dispatches a technician. One of the functions performed during that dispatch is to tag the loop with relevant information. Generally, BellSouth does not dispatch a technician during the provisioning of Unbundled Copper Loops - Non-designed ("UCL-ND") loops. In these cases, where BellSouth has not dispatched a technician, BellSouth has no more information than does Covad as to where the exact demarcation point is located for a given loop. In the vast majority of cases, the demarcation point is located in office suites, individual apartments, etc. If Covad cannot find the demarcation point, its employees can contact BellSouth for further assistance and BellSouth will provide the Covad employees with the same information BellSouth provides it own employees.

I would note that a trial is presently underway in Georgia and Louisiana with expansion to BellSouth's entire region on July 29, 2002, to tag all UCL-ND loops. BellSouth believes this practice will resolve Covad's concerns in this regard. This change of practice will require a dispatch during the provisioning of every UCL-ND loop to tag the circuit. At this time, no extra charge will be assessed.

I have one more point that is germane to this issue. BellSouth created UCL-ND at the request of the CLECs. Because the loop is non-designed and there is no technician dispatched, there is no tag placed on the loop to mark the demarcation point. At some point, the CLECs complaints are based on things that are the result of BellSouth acceding to earlier demands of the CLECs. My concern about this situation where the CLECs find new problems every time BellSouth solves an earlier problem for them is compounded by the fact that through June 2002, there was only one (1) UCL-ND loop ordered by a CLEC in Tennessee.

CHECKLIST ITEM 8: WHITE PAGES LISTINGS

Q. ON PAGE 21 OF EXHIBIT 1 TO MR. IVANUSKA'S TESTIMONY ON BEHALF OF BIRCH, HE OUTLINES A DIRECTORY LISTINGS ISSUE THAT LED TO THE EXCLUSION OF SOME OF BIRCH'S CUSTOMERS' LISTINGS FROM THE BELLSOUTH DIRECTORY. PLEASE DESCRIBE THE ENVIRONMENT THAT CREATED THIS SITUATION.

A. The problem Mr. Ivanuska outlined was a result of two independent actions: (1) service orders being incorrectly issued by Birch which were identified and brought to Birch's attention by BellSouth's employees and (2) BellSouth's improper handling of partial migration orders. The result was the exclusion from the BellSouth white page directory of some listing information for a few of Birch's customers. In some cases, these listings were omitted from directories that were closed for publishing for the current year, even though each CLEC has the opportunity to review their customer listings prior to directory closing. BellSouth began formal discussions with Mr. Ivanuska on May 1, 2002, and

BellSouth Advertising and Publishing Corporation ("BAPCO") became involved on May 2, 2002. At that time, the problems were fully disclosed and understood by all parties.

Q. WHAT STEPS DID BELLSOUTH UNDERTAKE TO RESOLVE THIS SITUATION?

A. BellSouth worked with BAPCO to initiate an immediate manual intervention on all CLEC listing orders so that each listing could be verified as correct by each CLEC and thus be properly included in the appropriate directory listing information. BAPCO assigned a single point of contact in its customer service center for both Birch's employees as well as Birch's customers in order to ensure immediate attention to any problems referred to the single point of contact by Birch or by its affected customers. BAPCO, on its own, initiated an immediate distribution of Birch's listing records in all BellSouth directories and provided these records to Birch for its review and approval to ensure each customer's listing was included in all future directories.

Q. MR. IVANUSKA STATES THAT BELLSOUTH DID VERY LITTLE TO COMPENSATE BIRCH'S CUSTOMERS WHO HAD THEIR LISTINGS OMITTED FROM THE DIRECTORY. IS THIS TRUE?

A. Absolutely not. BAPCO offered a free bold listing in the next white page directory as well as a free Yellow Page™ listing in the same community directory as appropriate. BAPCO offered a free bold listing in an upcoming local directory that is in a market important to the customer and offered to assist Birch in scheduling and finalizing the decision on which directory to recommend based on the customer's desires. These offerings are consistent with compensation made to BellSouth retail customers with like

situations. To date, only four (4) Birch customers out of the eighteen (18) affected have contacted BAPCO concerning compensation. BellSouth has reached agreement with three (3) of those customers and is working towards agreement with the fourth customer. BellSouth regrets any inconvenience to Birch's customers but believes it responded appropriately.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared W. Keith Milner –Assistant Vice President – Interconnection Operations, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 97-00309 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 20 pages and 1 exhibit(s).

W. Keith Milner

Sworn to and subscribed
before me on July 22, 2002

NOTARY PUBLIC

Notary Public, Gwinnett County, Georgia
My Commission Expires June 27, 2005