BELLSOUTH

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Guy M. Hicks
General Counsel

April 13, 2000

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Contested Cost Proceeding to Establish Final Cost Based Rates for Interconnection and Unbundled Network Elements*
Docket No. 97-01262

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s response to the Staff's Data Request of April 10, 2000. Copies of the enclosed are being provided to counsel of record for all parties.

Very truly yours,

Guy M. Hicks

GMH:ch
Enclosure

205343

Request: Can BellSouth derive geographically deaveraged UNE rates for at least three (3) zones from the results of the TELRIC Calculator Model for Tennessee?

Response: As AT&T has previously observed, BellSouth's TELRIC Calculator does not generate loop costs on a geographically deaveraged basis. *See* AT&T's Motion In Limine, at 5 (filed February 17, 1998). Nevertheless, it is possible to derive geographically deaveraged loop rates for at least three (3) zones from the results of BellSouth's TELRIC Calculator. However, because the loop costs determined by the TELRIC Calculator are based on a sample statistically valid only at the state level, another cost model must be utilized to develop the ratios of the zone costs to the average statewide costs. AT&T has previously objected to such an approach, insisting that introducing another model "in this proceeding as the basis for establishing de-averaged loop rates would substantially prejudice the parties ...." *See Id.* at 6. AT&T apparently has had a change of heart, however. As evidenced by its March 31, 2000 filing in this docket setting forth AT&T's proposed rates, it appears that AT&T has embraced BellSouth's cost studies completely and totally abandoned its Hatfield Model as the basis for establishing rates in this proceeding. Thus, if BellSouth's TELRIC Calculator is to be used to establish rates for unbundled loops in Tennessee, another cost model other than Hatfield must be used to develop the ratios for geographic deaveraging purposes, notwithstanding AT&T's prior objections to such an approach.

For Tennessee, BellSouth advocates the Federal Communications Commission's ("FCC's") Hybrid Cost Proxy Model ("HCPM") and the national inputs as proposed by the FCC. In its Ninth Report and Order; Forward-Looking Mechanism for High Cost Support for Non-Rural Carriers (Dockets 96-45 and 97-160), the FCC selected the HCPM as the "model of choice" for use in determining high cost universal service support. In its Tenth Report and order in those same dockets, the FCC further defined input value for use in the HCPM.

Use of the HCPM should not be construed as BellSouth's endorsement of the model, its output results, or the input values, particularly with respect to determining the cost of unbundled network elements. While BellSouth would have preferred to use the Benchmark Cost Proxy Model ("BCPM"), the Authority has not decided whether to adopt BCPM for purposes of determining the level of universal service support. As a result, HCPM is an appropriate mechanism to develop the ratios for geographic deaveraging.

As stated earlier, ratios must be developed in order to deaverage the statewide rates for the various unbundled loops at issue. The process is relatively straightforward:

1) Develop loop costs by wire center using the HCPM and FCC inputs.

2) Partition the wire centers in Tennessee into rate groups based upon the General Subscriber Tariff. BellSouth believes the use of rate groups more closely reflects geographic differences than the process of arbitrarily ranking wire centers. Additionally, rate groups maintain communities of interest that have been established over time.

3) Classify rate groups into one of three zone designations.

4) Calculate the average monthly cost per loop in each zone.

5) Compare the zone average cost as determined by the HCPM to the state average as determined by the HCPM cost to determine the ratio.

6) Apply the ratios to the statewide UNE rates to deaverage the costs into zones.

Listed below are the results of this process:

Zone 1 (Rate Groups 4 & 5): 88.42% of the statewide average
Zone 2 (Rate Group 3): 115.48% of the statewide average
Zone 3 (Rate Groups 1& 2): 151.00% of the statewide average

Applying these ratios to the statewide loop rates BellSouth has proposed the Authority adopt results in the following deaveraged loop rates:

		TENNESSEE		
		Zone 1	Zone 2	Zone 3
UNE LOOPS (Recurring Rates)	Statewide Loop Rate[1]	88.42%	115.48%	151.00%
2-wire analog voice grade loop - service level 1	**$ 17.00**	$ 15.03	$ 19.63	$ 25.67
2-wire analog voice grade loop - service level 2	**$ 21.34**	$ 18.87	$ 24.64	$ 32.22
4-wire analog voice grade loop	**$ 31.70**	$ 28.03	$ 36.61	$ 47.87
2-wire ISDN digital grade loop	**$ 28.63**	$ 25.31	$ 33.06	$ 43.23
2-wire asymmetrical digital subscriber line (ADSL) compatible loop	**$ 17.80**	$ 15.74	$ 20.56	$ 26.88
2-wire high bit rate digital subscriber line (HDSL) compatible loop	**$ 13.95**	$ 12.33	$ 16.11	$ 21.06
4-wire high bit rate digital subscriber line (HDSL) compatible loop	**$ 17.82**	$ 15.76	$ 20.58	$ 26.91
4-wire DS1 digital loop	**$ 74.17**	$ 65.58	$ 85.65	$ 112.00
4-wire 56 or 64 kbps digital grade loop	**$ 39.93**	$ 35.31	$ 46.11	$ 60.29

Zone Make-up
Zone 1 (RG4-5) =Nashville, Knoxville
Zone 2 (RG3) = Clarksville, Jackson
Zone 3 (RG1-2) = Columbia, Cumberland City

[1] **Statewide loop rates from BellSouth's 3/31/00 rate proposal.**

CERTIFICATE OF SERVICE

I hereby certify that on April 13, 2000, a copy of the foregoing document was served on the parties of record as indicated:

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