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January 20, 2000

By Hand

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Proceeding to Establish "Permanent Prices" for Interconnection and Unbundled Network Elements*
Docket No. 97-01262

Dear Mr. Waddell:

Pursuant to the December 13, 1999, Notice, please find enclosed the original and thirteen copies of AT&T's Comments on Revised BellSouth Cost Studies. Copies have been served upon counsel for all parties of record as indicated on the attached certificate of service.

Sincerely,

Jim Lamoureux

Encls.

cc: Counsel for all Parties of Record (w/encls.)

FILE

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

In Re: Petition to Convene A Contested Case Proceeding to Establish Permanent Prices for Interconnection and Unbundled Elements	))))	Docket No. 97-01262

AT&T'S COMMENTS ON REVISED BELLSOUTH COST STUDIES

Pursuant to the December 13, 1999, Order issued by the Hearing Officer in this proceeding, AT&T Communications of the South Central States, Inc. ("AT&T") and MCI WorldCom, Inc. ("MCI WordlCom") submit the following comments on the cost studies filed by BellSouth Telecommunications, Inc. ("BellSouth") on December 1, 1999, in this proceeding.

INTRODUCTION

On November 3, 1999, the Tennessee Regulatory Authority ("TRA") issued its *Order re: Petitions for Reconsideration and Clarification of Interim Order on Phase I* (the "Order on Reconsideration") in this proceeding. In that Order, the TRA granted requests for reconsideration filed by various parties on certain issues, reconsidered one issue on its own motion, denied requests for reconsideration filed by various parties on certain other issues, and granted requests for clarification by various parties on certain issues. To reflect the findings in its *Order on Reconsideration*, the TRA directed parties to file compliant cost studies on November 17, 1999. By Order of the Hearing Officer on November 18, 1999, the TRA granted a request by BellSouth to file revised cost studies on December 1, 1999. Accordingly, BellSouth, AT&T, and MCI WorldCom filed revised cost studies with the TRA on December 1, 1999.

Even in its revised cost studies, however, BellSouth has not complied with the Orders of the TRA concerning four issues in this proceeding: IDLC, drop lengths, OSS recovery, and vertical features. Specifically, BellSouth has not properly revised its loop-switching combination cost studies to allow for the provision of forward-looking, TELRIC-compliant integrated digital loop carrier technology, as directed by the TRA. In addition, BellSouth's cost studies do not properly reflect the TRA's adoption of a 100 foot drop length. BellSouth also has not properly calculated or allocated its OSS recovery charge to all UNEs, as ordered by the TRA in its *Order on Reconsideration.* Finally, BellSouth continues to assess separate charges for vertical features, in contravention of the TRA's Orders. The TRA should either adjust BellSouth's prices to account for these failures, or it should order BellSouth to resubmit cost studies incorporating appropriate modifications.

I. THE TRA SHOULD MODIFY BELLSOUTH'S PROPOSED RECURRING LOOP-SWITCHING PRICES TO REFLECT USE OF 100% GR-303 INTEGRATED DIGITAL LOOP CARRIER TECHNOLOGY

BellSouth's cost studies assume that some loops are served on cooper, and some are served on Digital Loop Carrier ("DLC") systems. There is no dispute on this score. However, even in its revised cost studies, BellSouth still assumes that some of the DLC loops (12.06%) are served on Universal Digital Loop Carrier ("UDLC"), and that the remaining (87.94%) are on Integrated Digital Loop Carrier ("IDLC") (87.94%).[1] Further, BellSouth assumes that all of the loops served on IDLC are based on the older, less efficient TR-008 standard, and that none are based on the more current GR-303 standard. These assumptions result in overstated digital loop carrier investment in BellSouth's

[1] There appears to be an error in the spreadsheets in BellSouth's cost studies. Despite BellSouth's claims, it appears that BellSouth's cost studies actually still assume 100% UDLC and 0% IDLC.

loop-switching UNE combination cost studies and violate the TRA's *Order on Reconsideration* and the FCC's TELRIC pricing rules. The TRA should modify BellSouth's proposed recurring loop-switching UNE combination prices to reflect the proper assumption that all (100%) DLC loops are served by IDLC, and that all such IDLC is GR-303.

IDLC technology integrates a digital signal directly into the forward-looking digital switches deployed today by BellSouth. As a result, IDLC eliminates the need for intervening signal conversion equipment that diminishes signal quality and increases recurring costs. In addition, loop and switch combinations employing IDLC may be connected, disconnected, tested end-to-end, and migrated to CLECs through switch and signaling software, eliminating virtually all manual labor and, as a result, most non-recurring cost. The newer IDLC technology is far less costly than UDLC.

UDLC, on the other hand, is neither forward-looking, least-cost, nor efficient. Using this outdated, inferior technology, a digital signal is interrupted before reaching the switch (not required with IDLC), converted to a voice-grade analog signal at a central office terminal (not required with IDLC), and terminated on a main distribution frame (not required with IDLC). Moreover, because UDLC requires manual connects, disconnects, testing, and migration, the non-recurring costs of provisioning this technology are many times higher than the most conservative estimate of these costs using IDLC. As set forth in the TRA's January 25, 1999, *Interim Order on Phase I of Proceeding to Establish Prices for Interconnection and Unbundled Network Elements* ("Interim Order"), even BellSouth "does not dispute that IDLC is an efficient forward looking technology." *Interim Order* at 22.

Moreover, with respect to the particular form of IDLC that should be used in the cost studies, there is no legitimate dispute that GR 303 IDLC technology is forward-looking, cost saving technology. Nonetheless, BellSouth assumes in its cost studies that all IDLC loops are TR-008 and that none is GR-303.

TR-008 is a twenty (20)-plus year old technology that was not designed for today's digital networks. Instead, TR-008 was designed to make the products of vendors of switches compatible with a type of DLC prevalent at the time of Divestiture. *Carter Reb.* at 10-11. TR-008 wastes bandwidth capacity by assigning a particular "time-slot" to a transmission, whether that "slot" is or is not being used at the moment. *Id.* at 17. Thus, GR-303 allows traffic to be efficiently "concentrated." GR-303 allows for lower "concentration ratios"; *i.e.*, a lower ratio of customer lines to the number of "time-slots" provided, and thus reduces costs. Fewer ports are required in the switch, and thus investment in switching equipment, floor space, electrical power and maintenance is saved when GR-303 is used. *Id.*

Compared to the TR-008 configuration, the new generation digital loop carriers with an integrated GR-303 configuration provide an efficient local loop network in the following respects:

1) GR-303 is optimized for ISDN services. TR-008 cannot serve ISDN services.

2) GR-303 makes very efficient use of bandwidth and switch peripherals; i.e., it assigns a channel to the customer on a call-by-call basis. Thus GR-303 requires a fraction of the bandwidth and switch peripheral capacity that was previously required under TR-008.

3) GR-303 is optimized for forward-looking requirements for operations support systems ("OSS").

4) GR-303 supports digital connectivity for non-locally switched services, such as foreign exchange lines and non-switched services such as private lines.

Carter Reb. at 12. It is uncontroverted that GR-303 IDLC technology is currently available, that BellSouth currently deploys it, and that BellSouth intends to deploy more of it in the future. Indeed, BellSouth's own Loop Deployment Directives to its engineers confirm this. Thus, BellSouth's own internal guidance to its engineers specify GR-303 IDLC as forward-looking technology. The technology that BellSouth deploys today is GR-303 IDLC, not TR-808 IDLC and not UDLC. The reason is simple: As BellSouth's own engineers understand, it's the most forward-looking and cost-effective technology available.

In its *Interim Order*, even though the TRA declined to order BellSouth to provide loop-switching UNE combinations, it did order BellSouth to "offer an unbundled loop which will allow end users to obtain the same level of performance as that offered by IDLC." *Interim Order* at 23. The TRA further ordered that the price of such a loop should be "computed by calculating the combined cost of a loop connected to a switching port with all software features using IDLC technology. The loop cost would be the difference between this combined cost and the cost of an unbundled switching port with access to all software features" *Id.* at 23-24.

The original basis for BellSouth's refusal to include IDLC in its initial cost studies was the Eighth Circuit's decision vacating FCC Rule 51.315(b). Subsequent to the TRA's *Interim Order*, however, the United States Supreme Court reversed the Eighth Circuit and reinstated FCC Rule 51.315(b). Thus, in its *Order on Reconsideration*, the TRA further held:

> Not requiring BellSouth to offer IDLC to competitors on a per channel basis in serving areas where IDLC is available to BellSouth customers conflicts with the Supreme Court's decision. If BellSouth is providing

> IDLC service to its own customers in a particular area, it shall be required to provide this same IDLC to competitors to avoid giving itself preferential treatment over its competitors.

Order on Reconsideration at 22. The TRA further ordered that "cost-based rates for IDLC should be submitted as part of the compliant cost studies. ***These rates should be based on the per channel costs of a virtual loop and port being provided over IDLC.***" *Id.* (Emphasis added.) No provision was made in the TRA's order for the continued inclusion of some amount of UDLC in BellSouth's cost studies.

Nonetheless, BellSouth's cost studies in this proceeding do not assume 100% IDLC, and assume 0% GR-303 IDLC. The presumed rationale for the limited use of IDLC (and total absence of GR-303 IDLC) in BellSouth's cost studies is the embedded base of facilities in BellSouth's network in Tennessee. This clearly violates the TRA's *Order on Reconsideration*, as well as the FCC's pricing rules.

The FCC's pricing rules specifically prohibit establishing prices using cost studies "based on ***existing network design*** and ***technology that are currently in operation***," *First Report and Order* ¶ *684*, and on "historical . . . system configurations, and operating procedures." *First Report and Order* ¶ 632. Rather, the FCC's pricing rules require that cost studies reflect the costs "a carrier ***would incur in the future.***" *First Report and Order* ¶ 683, based on "***the most efficient technology available***." *First Report and Order* ¶ 690. It is thus simply irrelevant how much GR-303 IDLC BellSouth currently deploys in its network today or plans to deploy in the future. The ***only*** relevant questions are whether it is forward-looking and currently available. Since GR-303 is

forward-looking and is currently available, BellSouth is required under the FCC's TELRIC pricing rules to use 100% GR-303 IDLC in its cost studies.[2]

Indeed, this is consistent with what BellSouth has done with respect to other technology assumptions in its cost studies. Thus, even though BellSouth still deploys some analog switches, and probably will continue to do so in the future, in its cost study, it assumed 100% digital switches, because digital switches represent forward-looking technology and analog switches do not. Additionally, even though some loops in BellSouth's network may have bridge tap beyond 2,500 feet, in its cost studies, BellSouth assumed that 100% of the loops had no bridge tap beyond 2,000 feet, because that is the forward-looking configuration of bridge tap. Finally, even though BellSouth still has some copper interoffice facilities in its network today, in its cost studies, it assumed that 100% of its interoffice facilities would be served by fiber, because fiber is the forward-looking means of providing interoffice transport. There simply is no squaring these assumptions with BellSouth's failure to assume 100% GR-303 IDLC in its cost studies.

All are forward-looking technologies. All are currently available. For the last four, BellSouth follows the FCC's rules and assumes 100% usage of the forward-looking technology in its cost study. Yet, for IDLC, BellSouth ignores the FCC's rules and assumes less than 100% usage in its network. BellSouth's treatment of GR-303 IDLC is clearly inconsistent with BellSouth's assumptions as to other technology in its cost studies. Consistent with its treatment of other technology assumptions in its cost studies, consistent with the TRA's *Interim Order* and *Order on Reconsideration*, and in order to

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[2] Thus, it is no coincidence that BCPM assumes 100% IDLC, or that the cost studies Sprint uses to price UNEs assume 100% IDLC.

comply with the FCC's pricing rules, the TRA should adjust BellSouth's proposed prices to reflect 100% GR-303 Integrated Digital Loop Carrier systems.

Such an adjustment involves modifying BellSouth's loop cost studies to account for 100% IDLC, which results in a $0.94 decrease in the price of the 2-wire loop-switching UNE combination.[3] It also further involves adjusting BellSouth's loop cost studies to reflect the use of GR-303 to achieve a concentration ratio of 1 channel for every 3.5 loops.[4] This produces a further reduction of $0.81 in the price of the loop-switching UNE combination.[5] Thus, properly including GR-303 in BellSouth's loop cost studies would lower the price of the 2-wire voice grade loop-switching combinations by $1.75, for a revised price of $12.37.[6]

II. THE FCC'S THIRD LOCAL COMPETITION ORDER CONFIRMS BELLSOUTH'S OBLIGATION TO PROVIDE UNE COMBINATIONS

The FCC's *Third Report and Order*, In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98 (Nov. 5, 1999) (*"Third Local Competition Order"*) reaffirms BellSouth's legal obligation to provide UNEs in combined form, including loops and switching, at cost-based

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3 As to other loop-switching UNE combinations, AT&T and MCI WorldCom calculate that this change also results in a $0.69 increase in the recurring price for DID 2-wire combination ($10.75 to $11.44) to account for the apparent error in BellSouth's cost studies; and a $1.90 decrease in the recurring price for an ISDN 2-wire combination ($17.92 to 16.02) to adjust BellSouth's cost studies to reflect 100% IDLC.

4 This is a conservative concentration ratio assumption, since Mr. Carter recommended a concentration ratio of 1 channel for every 6 loops. *Carter Reb.* at 17.

5 As to other loop-switching UNE combinations, AT&T and MCI WorldCom calculate that this change would also result in a $1.41 decrease in the recurring price for an ISDN 2-wire combination to adjust BellSouth's cost studies to reflect a concentration ratio of one channel for every 1.33 loops.

6 The revised price of $12.37, and the revisions identified *supra* in notes 3 and 5, reflect only changes made to BellSouth's loop cost studies. AT&T and MCI WorldCom were unable to determine whether BellSouth properly accounted for GR-303 in its switching cost studies. However, it does appear that BellSouth did not do so, because the investment reflected in SCIS appears to be 48% higher than the investment recommended by Ms. Petzinger, which may be consistent with BellSouth's failure to reflect in SCIS the use of GR-303. Properly reflecting the use of GR-303 should reduce the switching component of the loop-switching UNE combination,

TELRIC prices. The FCC now has determined definitively which elements BellSouth must provide to CLECs.[7] The list of elements in revised FCC Rule 319 includes loops, local switching, and transport.[8] 47 C.F.R. § 51.319. FCC Rule 315(b) prohibits BellSouth from separating elements that it currently combines in its networks. 47 C.F.R. § 51.315(b). Therefore, because BellSouth currently combines loops, switches and transport in its network, BellSouth must provide combinations of those elements to CLECs.

Aside from the limitations concerning local circuit switching and shared transport (*see* note 8, *supra*), the FCC allowed no restrictions on the provisioning of UNEs, individually or in combined form. Indeed, the FCC found that establishment of a national list of elements that ILECs must provide furthers the goals of the Act: rapid introduction of competition; promotion of facilities-based competition, investment, and innovation; certainty in the marketplace; administrative practicality; and reduced regulation. *Third Local Competition Order* ¶¶ 124-143. It also found that "[f]or effective competition to develop as envisioned by Congress, competitors must have access to incumbent LEC facilities ***in a manner that allows them to provide the services that they seek to offer.***" *Id.* ¶ 13 (emphasis added).

The FCC reiterated that the purpose of § 251 of the Act is "to reduce the inherent economic and operational advantages possessed by local exchange carriers." *Third Local Competition Order* ¶ 3. Further, based in part on its observation of rapid growth of

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7 and thus further reduce the revised price for a 2-wire voice grade loop-switching combination. State commissions, of course, may require ILECs to unbundle additional elements, but may not remove elements from the required list. *Third Local Competition Order* ¶ 154.

8 The FCC provided an exception for local circuit switching used to serve end users with four or more lines in density zone 1 in the top fifty Metropolitan Statistical Areas provided that the ILEC provides nondiscriminatory, cost-based access to the enhanced extended link throughout zone 1. *Third Local Competition Order* ¶ 253. The FCC also found that ILECs need not unbundle shared

competition in markets where the UNE platform was made available to CLECs, (*see, e.g., id.* ¶ 12), the FCC continues to affirm the principles of TELRIC pricing and unrestricted access to UNEs individually and in combined form to promote robust competition in the local marketplace. Thus, the FCC stressed the critical importance of the availability of combinations of UNEs to the development of local competition:

> We continue to believe that the ability of requesting carriers to use unbundled network elements, including various combinations of unbundled network elements is integral to achieving Congress' objective of promoting rapid competition to all consumers in the local telecommunications market. Moreover, in some areas, we believe that the greatest benefits may be achieved through facilities-based competition, and that the ability of requesting carriers to use unbundled network elements, including various combinations of unbundled network elements, is a necessary precondition to the subsequent deployment of self-provisioned network facilities.

Id. ¶ 5. This is consistent with the FCC's recent Bell Atlantic New York 271 Order, in which the FCC affirmed that

> [T]he ability of requesting carriers to use unbundled network elements, as well as combinations of unbundled network elements, is integral to achieving Congress' objective of promoting competition in the local telecommunications markets. Using combinations of unbundled network elements provides a competitor with the incentive and ability to package and market services in ways that differ from the BOCs' existing service offerings in order to compete in the local telecommunications market.

Memorandum Opinion and Order, In the Matter of Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region InterLATA Services in the State of New York, CC Docket No. 99-295 (Dec. 22, 1999). The FCC's *Third Local Competition Order* thus confirms the legal basis of the TRA's decision in its *Order on Reconsideration* to require BellSouth to provide loop-

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transport where circuit switching is not unbundled.

switching combinations and to properly account for IDLC in the pricing of such combinations.

III. BELLSOUTH DID NOT INCLUDE IN ITS LOOP-SWITCHING COST STUDIES INPUTS IT INCLUDED IN ITS LOOP-SWITCHING COST STUDIES IN GEORGIA

In conjunction with a recent Georgia UNE combination proceeding (Docket No. 10692-U), BellSouth filed cost studies for UNE combinations, including loop-switching combinations. In its Georgia cost studies, BellSouth made changes to reflect the advance of forward-looking technology. BellSouth, however, did not make those same changes in its cost studies filed with the TRA on December 1, 1999. Admittedly, such changes were not ordered by the TRA in its *Order on Reconsideration*. However, they also were not specifically ordered by the Georgia Public Service Commission; BellSouth simply included them in its cost studies filed in that proceeding, and if they were made by BellSouth in Georgia to reflect forward-looking TELRIC assumptions, they should be made in Tennessee for the same reason.

In particular, in its Georgia cost studies, BellSouth revised its assumptions concerning the cost and capacity of digital loop carrier equipment. Such changes produced significantly lower investment costs for integrated digital loop carrier in BellSouth's Georgia cost studies. BellSouth did not make similar revisions to its digital loop carrier cost and capacity assumptions in its Tennessee cost studies, even though the equipment is the same in both its Tennessee and Georgia cost studies. As a result, BellSouth's estimated digital loop carrier investment per digital loop carrier loop is substantially lower in its Georgia cost studies than in its Tennessee cost studies. This investment difference produces a monthly 2-wire loop-switching price in Tennessee that

is $1.06 higher than it would be if the digital loop carrier cost and capacity assumptions were the same in Tennessee as in Georgia.[9]

IV. BELLSOUTH DID NOT CORRECTLY ADJUST ITS COST STUDIES TO REFLECT THE 100 FOOT DROP LENGTH ORDERED BY THE TRA

In its *Interim Order*, the TRA adopted the 100 foot drop length proposed by AT&T as the "most reasonable proposal that best represent conditions in a forward-looking environment." *Interim Order* at 19. In its revised loop cost studies, BellSouth made adjustments to change its material prices to reflect a 100 foot drop length. However, BellSouth did not adjust its contract burial and installation costs to reflect 100 foot drop lengths. AT&T and MCI WorldCom estimate that properly adjusting BellSouth's loop cost studies to revise all inputs to reflect a 100 foot drop length would reduce the recurring price of the 2-wire loop and the recurring price of the 2 wire loop-switching UNE by $0.27.[10]

V. OSS RECOVERY

In its *Order on Reconsideration*, the TRA clarified that "OSS interface costs should be recovered from all users of the new systems, whether ILECs or CLECs." *Order on Reconsideration* at 34. In addition, the TRA clarified that "each UNE should recover a portion of the OSS costs through recurring rates." *Id.* It does not appear that BellSouth's cost studies properly reflect these determinations of the TRA.

First, it does not appear that BellSouth has properly capitalized its OSS costs, as required by the TRA. As an initial step, BellSouth calculates a monthly OSS requirement

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9 As to other loop-switching combinations, AT&T and MCI WorldCom also estimate that this change would result in a $0.62 decrease in the recurring price of a DID 2-wire combination.

10 As to other loops, AT&T and MCI WorldCom calculate that this change would result in a $0.11 reduction in the recurring price of a DID 2-wire loop, and a $0.27 reduction in the recurring price of an ISDN 2-wire loop.

per service order by amortizing the previously developed OSS charge per order ($9.83) over 7 years. The procedure is inappropriate, however, because the $9.83 charge already reflects the amortization of certain OSS interface development costs over 3 years, at 0% cost of money. By using this procedure, BellSouth thus determines a charge to collect over 7 years based on fully recovering development costs over each three years. AT&T and MCI WorldCom estimate that this procedure causes BellSouth's cost estimate to be overstated by 18%.

Second, BellSouth's cost studies fail to allocate any amount to BellSouth Operations from recovery of its OSS development costs. In effect, BellSouth's cost studies assume that BellSouth derives no benefit from its OSS development, and passes the entire amount of such costs on to CLECs in the form of ordering charges. This is inappropriate, because BellSouth does derive benefits from these interfaces, which enable it to provide service more efficiently, thereby benefiting BellSouth retail customers. AT&T and MCI WorldCom believe that this also violates the TRA's *Order on Reconsideration.*

AT&T and MCI WorldCom also do not believe that BellSouth's cost studies appropriately apply the amount of the OSS development costs to all UNEs, as directed by the TRA. BellSouth, in step two of its rate development process, converts its developed "monthly cost per order" to a "monthly cost per UNE." To do this, BellSouth estimates an average of 2.5 UNEs per order. BellSouth does not identify how it arrived at 2.5, but obviously the count does not include usage-based UNEs (which also include recurring rates). As a result, this step of BellSouth's calculation process places the burden for OSS

interface recovery on an undefined sub-set of UNEs, thus violating the TRA's requirement that ***each*** UNE recover a portion of the OSS costs through recurring rates.

Moreover, BellSouth's final step in calculating its monthly charge per UNE is to multiply the "monthly charge per UNE" by a churn factor of 2.92. BellSouth provides no support for the development of this factor. However, it is clear that BellSouth's proposed rate, even if only applied to only loops and switching, will recover more than BellSouth's total OSS interface costs from CLECs, unless CLECs gain less than about 25% of the market over the next seven years. This provides a further basis for inclusion of BellSouth Operations in allocating the development costs of the ordering charge.

AT&T and MCI WorldCom estimate that including BellSouth Operations in the calculation of the ordering charge, and applying the costs to all UNEs, would produce an ordering surcharge per UNE of about 0.2% of the total amount. This would produce a substantial reduction in the ordering charge applied to the recurring prices of UNEs ordered by CLECs.

VI. BELLSOUTH'S SEPARATE CHARGES FOR VERTICAL FEATURES ARE INCONSISTENT WITH THE TRA'S ORDERS

In its revised cost studies, BellSouth still includes separate charges for vertical features, in addition to the basic recurring price for the port component of switching. This is inconsistent with the TRA's orders. In its *Interim Order*, the TRA very specifically held that "the price of the switch port should include all features." *Interim Order* at 25. It further reiterated that "the price of the switcher port should include all features with ***no additional charges***." *Id.* at 26. (Emphasis added.) The TRA's decision on this issue was based on the testimony of Ms. Petzinger. Ms. Petzinger specifically testified that it is inappropriate to establish separate prices for vertical features. *See*

Petzinger Reb. at 21-23. The TRA affirmed its decision in its *Order on Reconsideration. See Order on Reconsideration* at 30.

The evidence in the record is clear that providing vertical features does not cause BellSouth to incur additional costs beyond its "up front" switch processor costs. Therefore, the price of unbundled switching already includes the provision of all vertical features the switch is capable of providing, and CLECs should not have to pay additional fees to purchase vertical features. Vertical features are nothing more than software in the switch. The cost of this software is generally included in the initial purchase cost of the switch, and the one time "up front" costs of the switch are in no way affected by the number of customers who purchase vertical features.

To permit BellSouth to charge separate UNE rates for vertical features simply allows BellSouth to "double recover" for vertical features, violates the FCC's pricing rules requiring that UNE prices recover costs in a "manner that reflects the way they are incurred," *First Report and Order* ¶ 741, violates the TRA's orders, and erects a barrier to local competition. Moreover, the TRA's determination is consistent with orders of the Florida and Kentucky Commissions, which similarly have held that vertical features are included in the switch price and are not separately priced. In its final order adopting UNE prices in this proceeding, the TRA should order that, in paying the recurring amounts for the port and usage components of local switching, CLECs are entitled to all of the vertical features that the switches are capable of providing.

CONCLUSION

The TRA should either adjust the prices proposed by BellSouth or order BellSouth to adjust its cost studies to produce prices in accordance with the TRA's orders

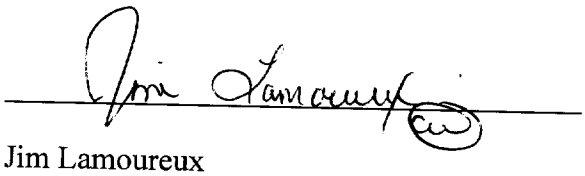
as discussed above. The following chart illustrates the potential impact of such changes on the 2-wire loop-switching UNE combination:

BellSouth Proposed Price		**$ 14.12**
Adjust typographical error in BellSouth Loop Cost Study to arrive at BellSouth asserted proportion of 87.94% IDLC and 12.06% UDLC	- $0.83	= $13.29
Adjust BellSouth Loop Cost Study to assume 100% IDLC	- $0.11	= $13.18
Adjust BellSouth Loop Cost Study to provide for 100% GR-303 with appropriate concentration ratio	- $0.81	= $12.37
Adjust BellSouth Loop Cost Study to account for higher DLC equipment capacities and lower prices	- $1.06	= $11.32
Adjust BellSouth loop cost study to reflect 100 foot drop length	- $0.27	= $11.05
Revised Price		**$11.05**

Additional changes also would have to be made to adjust the OSS recovery charge, and to eliminate the separate prices for vertical features. AT&T and MCI WorldCom respectfully request that the TRA order appropriate revisions to BellSouth's proposed UNE prices in accordance with the foregoing comments.

Respectfully submitted,

Respectfully submitted,



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January 20, 2000

NASHVILLE, TENNESSEE

In Re: Contested Case Proceeding to Establish Final Cost Based Rates for Interconnection and Unbundled Network Elements

Docket No: 97-01262

CERTIFICATE OF SERVICE

I, James P. Lamoureux, hereby certify that I have served a copy of the foregoing to the following counsel of record via U. S. First Class Mail, postage paid, this 20th day of January, 2000.

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