BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 25, 1999

IN RE:	)	
	)	
PETITION FOR ARBITRATION BY	)	
ITC^DELTACOM COMMUNICATIONS,	)	**DOCKET NO. 99-00430**
INC. WITH BELLSOUTH	)	
TELECOMMUNICATIONS, INC.,	)	
PURSUANT TO THE	)	
TELECOMMUNICATIONS ACT OF 1996	)	

REBUTTAL TESTIMONY OF DON J. WOOD
ON BEHALF OF ITC^DELTACOM COMMUNICATIONS, INC.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don J. Wood, and my business address is 914 Stream Valley Trail, Alpharetta, Georgia 30022.

Q. ARE YOU THE SAME DON J. WOOD WHO PRESENTED DIRECT TESTIMONY ON BEHALF OF ITC^DELTACOM IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to BellSouth's position on issues 2(b)(ii) and 2(b)(iii), 4(a), and 6(a) through 6(e). In doing so, I will respond to arguments made by BellSouth witnesses Varner, Taylor, and Milner.

Issue 2(b)(ii) - Until the Authority makes a decision regarding UNEs and UNE combinations, should BellSouth be required to continue providing those UNEs and combinations that it is currently providing to ITC^DeltaCom under the interconnection agreement previously approved by this Authority?

Issue 2(b)(iii)

a) Should BellSouth be required to provide to ITC^DeltaCom the following combinations:

- **(1) Loop Port Combinations**
- **(2) Loop Transport UNE Combinations**
- **(3) Loop UNE connected to Access Transport?**

b) If so, at what rates?

Issue 6(a) - What charges, if any, should BellSouth be permitted to impose on ITC^DeltaCom for BellSouth's OSS?

Issue 6(b) - What are the appropriate recurring and nonrecurring rates and charges for:

(1) two-wire ADSL/HDSL compatible loops,
(2) four-wire ADSL/HDSL compatible loops,
(3) two-wire SL1 loops,
(4) two-wire SL2 loops, or
(5) two-wire SL2 loop Order Coordination for Specified Conversion Time?

Q. MR. VARNER ARGUES THAT RECENT DECISIONS BY THE UNITED STATES SUPREME COURT AND THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT IMPACT THE STANDARDS TO BE APPLIED BY THIS AUTHORITY WHEN RESOLVING THE ISSUES IN THIS PROCEEDING. DO YOU AGREE?

A. Yes. Since the Authority heard evidence and issued its Interim Order in Docket No. 97-01262, the Supreme Court issued an opinion on a number of issues that were outstanding at the time Docket No. 97-01262 was heard. As a result of this decision, the Eighth Circuit Court reinstated a number of FCC rules that it had previously vacated. The Authority's decision in this proceeding should, and must, take into consideration these reinstated rules. As a result, the Authority's previous conclusions in Docket No. 97-01262 must be evaluated in light of the new legal standards that are to be applied.

I strenuously disagree, however, with Mr. Varner's assertions that the Authority should not, and need not, apply the law as it currently stands in this proceeding because the applicable law may change in the future. BellSouth should not be able to avoid providing UNEs that it is currently legally obligated to provide, at the rates at which it is currently legally obligated to provide them, merely because Mr. Varner is predicting -- with no basis whatsoever for such a prediction -- that those requirements will change in

the future. Mr. Varner would have the Authority act on speculation. I urge the Authority to base its decision on the pronouncements of the Supreme Court.

Q. IN ITS RESPONSE TO ITC^DELTACOM'S PETITION, BELLSOUTH HAS REFERRED TO ANY ATTEMPT TO UPDATE THE AUTHORITY'S CONCLUSIONS IN DOCKET NO. 97-01262 AS A "COLLATERAL ATTACK" ON THE AUTHORITY'S ORDER. IS SUCH A CHARACTERIZATION ACCURATE?

A. Absolutely not. In fact, the Authority explicitly recognized at page 2 of its order that issues were pending in federal courts, including the Supreme Court. It was clear at that time that modifications to the Authority's conclusions might prove necessary when the Supreme Court ruled on this outstanding issues. When reaching its decision in Docket No. 97-01262, the Authority clearly (and at that time reasonably) based certain of its decisions (e.g. its decision regarding treatment of IDLC facilities at pages 22-24) on the fact that the Eighth Circuit Court had stayed the FCC rule requiring incumbent local exchange companies to make UNEs available without physically separating them. The Supreme Court has now upheld the FCC and the rule has been reinstated.

As a result, Mr. Varner's assertion in his testimony that the Authority is bound in this proceeding by its conclusions in Docket No. 97-01262 is both factually incorrect and clearly inconsistent with the language throughout the order that the Authority was making certain decisions based on the status of the law at that time. For these same reasons, BellSouth's inflammatory language that characterizes ITC^DeltaCom's request that a limited number of updates to the Authority's conclusions now be made in order to reflect

current legal requirements as a "collateral attack" on the Authority's order does nothing to assist the Authority with the resolution of the disputed issues in this proceeding. Far from being an "attack" on the Authority's order, ITC^DeltaCom's requests are fully consistent with the language of the order in which the Authority stated that its decisions were based on the Eighth Circuit's stay of certain FCC requirements. It is reasonable for the Authority's conclusions to now be updated as necessary to comply with the decisions of the federal courts.

Mr. Varner and BellSouth would have the Authority believe that the fundamental issue to be addressed in this proceeding is "*based on the legal requirements in effect in 1998*, what UNEs and related capabilities must be offered and what rates should apply?" I would submit that the fundamental issue is the following : "*Based on the legal requirements in effect today*, what UNEs and related capabilities must be offered and what rates should apply?" As the Authority correctly made clear in its order, these are two distinct questions.

Q. DOES THE PROCESS OF UPDATING CERTAIN OF THE AUTHORITY'S CONCLUSIONS REACHED IN DOCKET NO. 97-01262 MEAN THAT EACH OF THE AUTHORITY'S CONCLUSIONS IN THAT PROCEEDING MUST BE RELITIGATED?

A. No, and ITC^DeltaCom is not proposing to do so. As I stated in my direct testimony, the majority of the Authority's decisions as described in the Interim Order, if made permanent, would fully comply with the FCC rules. With regard to a subset of issues that are

specifically impacted by the re-instatement of the FCC rules, the conclusions reached by the Authority in Docket No. 97-01262 can be used as a starting point to resolve the issues in dispute in this proceeding. Changes in the legal and regulatory environment dictate the following:

(1) The Authority's conclusions must be updated to reflect the resolution of the outstanding disputes by the federal courts,

(2) For any issues for which the Authority elected not to reach a decision pending the resolution of the outstanding disputes by the federal courts, a conclusion consistent with the decisions of the courts should now be made, and

(3) Updates should be made, as necessary, to ensure ongoing compliance with the current requirements.

To be clear, while it is essential that each of these three categories of updates be made, it is not necessary to relitigate the entire Docket No. 97-01262 proceeding. The Authority's decisions on most issues related to UNE pricing are unaffected. Consistent with this approach, ITC^DeltaCom is recommending only specific, targeted updates in this proceeding.

Q. MR. VARNER ARGUES THAT BECAUSE OF ISSUES CURRENTLY PENDING BEFORE THE FCC AND EIGHTH CIRCUIT COURT, "THE MOST REASONABLE COURSE" IS FOR THE AUTHORITY TO CONTINUE TO APPLY ITS CONCLUSIONS FROM DOCKET NO. 97-01262. DO YOU AGREE?

A. No. As described above, the most reasonable course is for the Authority to resolve the issues in dispute in this arbitration based on the existing legal requirements, including those articulated by the Supreme Court. Mr. Varner is advocating that the Authority

resolve these issues by applying the legal standards that were in effect twelve to twenty-four months ago and which have been superseded by decisions of the federal courts. In the alternative, Mr. Varner is inviting the Authority to join him in idle speculation regarding the likely outcome of the proceedings pending before the Eighth Circuit Court and FCC. The Authority should decline Mr. Varner's invitation, and simply apply the law.

Mr. Varner is correct that the conclusion of the Eighth Circuit Court's investigation into the FCC's pricing rules, and the FCC's investigation into the UNEs that must be provided, may impact the legal and regulatory environment here in Tennessee and in other states.[1] His suggestion that there is something unique about the current situation -- one in which certain legal requirements apply which may be changed in the future -- is unfounded, however. At the time the Authority addressed the issues in Docket No. 97-01262, even greater uncertainty regarding future legal requirements existed: key issues were before the Supreme Court. When reaching its conclusions in that proceeding, however, the Authority applied the legal standards that were in place at the time. It did not rely on the legal standards that had been in place two years previously, and it did not engage in speculation regarding possible future standards (in fact it declined to do so and instead cited to the then-current status of the law upon which it was reaching its decision). ITC^DeltaCom is now asking that the Authority take exactly the same approach in this proceeding; specifically to resolve the issues in dispute by applying the legal standards that currently exist, recognizing that updates to its conclusions may prove necessary if those

[1]Of course, it is also possible that the conclusion of these investigations will have no impact at all.

legal standards change in the future. In a changing legal and regulatory environment, this is the only reasonable course of action.

Q. WHAT LEGAL REQUIREMENTS HAVE CHANGED SINCE THE AUTHORITY ISSUED ITS ORDER IN DOCKET NO. 97-01262 THAT NEED TO BE CONSIDERED IN THIS PROCEEDING?

A. Two key elements of the Supreme Court decision need to be considered by the Authority in this proceeding. First, the FCC's pricing rules have been reinstated. As a result, rates for UNEs must comply with the requirements of the FCC's August 8, 1996 Interconnection Order and associated rules. The fact that the Eighth Circuit Court is currently investigating the merits of various challenges to these rules in no way changes the fact that these rules are in effect today. Again, the Authority should apply the requirements that are in place today, and decline Mr. Varner's invitation to speculate on whether any aspect of these rules may change in the future.

Second, the FCC rule that prevents incumbent local exchange companies, such as BellSouth, from insisting on providing only physically separated UNEs (and thereby imposing "wasteful interconnection costs on new entrants") was upheld. Pursuant to the Supreme Court decision, BellSouth must now provide combinations of UNEs if BellSouth "currently combines" the functionality represented by those UNEs in its own network. This requirement has implications for both the cost and availability of certain UNEs.

Mr. Varner's observation that a final determination of which UNEs must remain connected and functional, as well as the prices for those combinations, will depend upon

the outcome of further proceedings before the FCC and Courts was simply irrelevant at the time he wrote it and has been rendered moot by the recent action of the FCC. Existing legal requirements allow this Authority to determine that the combinations of UNEs being sought should be provided by BellSouth, and mandate that the rates be based on the FCC's pricing rules. As it did in Docket No. 97-01262, the Authority should apply law as it currently exists; not as it previously existed and not as BellSouth hoped and speculated it might exist in the future.

Q. YOU STATED THAT A RECENT FCC DECISION HAS RENDERED MR. VARNER'S ARGUMENTS MOOT. WHAT HAS THE FCC DECIDED?

A. Mr. Varner argues that until the FCC completes its rulemaking related to rule 51.319, "there is no minimum list of UNEs that BellSouth is required to offer." Mr. Varner goes on to state that "even though the FCC's rule 51.315(b) (pre-existing combinations) [sic] has been reinstated by the Eighth Circuit, it cannot be effectively applied until the FCC reestablishes the UNE list in FCC rule 51.319 that was vacated by the Supreme Court.

As Mr. Varner must now acknowledge, the FCC has made such a determination. On September 15, 1999, the FCC issued a press release describing its conclusions in the rulemaking referred to by Mr. Varner. As a result, the situation described by Mr. Varner in his testimony has now changed: the is a minimum list of UNEs that BellSouth is required to offer, and rule 51.315(b) can now be effectively applied because the FCC has reestablished the rule 319 UNE list. Each of the UNEs requested by ITC^DeltaCom is on

the FCC list, and pursuant to rule 51.315(b), combinations of these UNE must also be provided.

Q. YOU STATED THAT THE FCC'S PRICING RULES FOR UNES HAVE BEEN REINSTATED. DID THE AUTHORITY APPLY THESE RULES WHEN REACHING ITS DECISIONS IN DOCKET NO. 97-01262?

A. In part, although important assumptions in the BellSouth cost studies permitted by the Authority to be used are inconsistent with the FCC methodology. Of course, at the time the Authority reached its conclusions regarding these assumptions is was under no obligation to apply the FCC's rules.

Specifically, FCC rule 315(b) requires BellSouth to provide UNE combinations if it currently combines the functionalities associated with those UNEs in its network. The reinstatement of this rule has two pricing-related implications. First, BellSouth must provide these UNE combinations at cost-based prices consistent with FCC rules 51.505 through 51.511. Second, certain of BellSouth's costs for individual UNEs are directly impacted by its assumption that it would be physically separating these UNEs from its network any time they were to be provided. Since this is no longer the case, a number of BellSouth's cost study assumptions must be changed. The result of these changes will be a decrease in the cost and price for these UNEs.

Q. MR. VARNER REFERS TO RULE 315(B) AS THE RULE RELATED TO "PRE-EXISTING COMBINATIONS" AND UNES THAT ARE "CURRENTLY COMBINED." IS HIS CHARACTERIZATION ACCURATE?

A. No. Rule 315(b) contains no such language. Mr. Varner has taken upon himself to re-write the FCC rule in a way that limits its application. Mr. Varner's reference to "currently combined" UNEs suggests that BellSouth is obligated to provide combinations of UNEs only if the specific underlying network facilities are currently connected. That is simply not the case. Rule 315(b) requires that "[e]xcept upon request, an incumbent ILEC shall not separate requested network elements that the incumbent LEC currently *combines*" (emphasis added). There can be no dispute that BellSouth currently *combines* local loops and switch ports (creating a loop port combination) and local loops and transport facilities (creating the extended loops that ITC^DeltaCom is requesting). Because BellSouth currently *combines* these elements of its network, pursuant to rule 315(b) it must make these elements available to CLECs on a combined basis and at prices that reflect the cost that would be incurred to provide these network elements in combination (pursuant to rules 51.505 through 51.511). In summary, I urge the Authority to apply the rules as they are written, and to decline Mr. Varner's invitation to rewrite the FCC rules in a way that serves BellSouth's interests and prevents the development of competition.

Q. YOU STATED THAT UPDATES TO THE CONCLUSIONS IN DOCKET NO. 97-01262 MAY BE NECESSARY IN ORDER TO "ENSURE ONGOING COMPLIANCE"

WITH THE CURRENT LEGAL REQUIREMENTS. DO YOU HAVE AN EXAMPLE OF SUCH AN UPDATE?

A. Yes. Clearly, "forward-looking" costs developed pursuant to the requirements of the FCC Interconnection Order and related rules must reflect current estimates of forward-looking network design and operations, both of which directly impact cost. BellSouth's nonrecurring rate for an ADSL compatible loop illustrates the need for current information. Since BellSouth produced its cost study in Docket No. 97-01262, it has updated its FCC Tariff No. 1 for ADSL service in a way that suggests a much lower cost has been calculated (one fourth to one fifth the level of the previous calculation). As ITC^DeltaCom witness Mr. Hyde describes in his testimony, BellSouth's nonrecurring cost and rate for its ADSL service can be made directly comparable to its nonrecurring cost and rate for its ADSL-compatible UNE loop. When this new information is considered, it becomes clear, as Mr. Hyde points out, that a cost-based nonrecurring rate for an ADSL-compatible loop is significantly less than the amount previously advocated by BellSouth.

Issue 6(a) - What charges, if any, should BellSouth be permitted to impose on ITC^DeltaCom for BellSouth's OSS?

Q. IN YOUR DIRECT TESTIMONY REGRADING ISSUE 6a, YOU ARGUED THAT EACH CARRIER, INCLUDING BELLSOUTH AND ITC^DELTACOM, SHOULD BE RESPONSIBLE FOR THE DEVELOPMENT OF ITS OWN OPERATIONAL SUPPORT SYSTEMS ("OSS"), AND THAT EACH CARRIER SHOULD BEAR ITS

OWN COSTS OF DOING SO. HAS THE BELLSOUTH TESTIMONY ON THIS ISSUE CHANGED YOUR OPINION?

A. Not at all. As I stated in my direct testimony, I support the Authority's conclusions in its Interim Order that OSS development costs should be recovered from all providers of service who benefit from these systems, including the incumbent LECs. I am addressing this issue only because BellSouth has presented testimony (as it did in Docket No. 97-01262) that CLECs should be required to incur the costs of their own OSS and BellSouth's.

When the misstatements of fact in the testimony of BellSouth witness Taylor are corrected, it becomes clear that the application of the FCC's pricing rules preclude BellSouth from recovering the OSS costs that it seeks to recover.

Q. WHAT IS YOUR OVERALL REACTION TO DR. TAYLOR'S TESTIMONY IN THIS AREA?

A. While Dr. Taylor pays lip service to the FCC's requirements regarding OSS costs, the positions he takes in his testimony are inconsistent with the FCC's rulings in a number of significant respects. In the end, Dr. Taylor's position seems to be that BellSouth is entitled to recover the OSS costs BellSouth says it has incurred, regardless of how inefficient they may be and no matter how distant they are from the FCC's TELRIC principles for pricing UNEs that Dr. Taylor agrees -- as he must -- are the appropriate and legally mandated standard.

Q. DR. TAYLOR'S TESTIMONY DISCUSSES WHAT HE CALLS A "TRADE-OFF" BETWEEN OSS DEVELOPMENT COSTS AND OSS USAGE COSTS. WHAT IS YOUR REACTION TO THIS DISCUSSION?

A. The discussion seems to be designed to confuse the entire OSS issue by inviting the reader to infer that there may be *many* combinations of up-front and on-going costs that could be deemed by the Authority to be "efficient." Dr. Taylor's bottom line is that "whatever type of platform should emerge, it is certainly the case that – for a given level of quality – the technology platform should minimize the present value of the *combined* OSS development and OSS use costs associated with it. This minimization would take into account the economic trade-off between OSS development and OSS use costs discussed above."

In competitive markets, the technology employed to provide particular goods or services is not necessarily the lowest cost technology – it is the lowest cost technology capable of providing goods or services *of the quality demanded by the market.* For example, when Sprint began advertising an all-fiber long-distance backbone with its "pin drop" commercials, AT&T was forced to convert its copper and microwave network to fiber at a substantial expense, even though continued use of its existing network to provide long-distance service would have been the lower-cost solution. At the same time AT&T was making this investment, long-distance rates continued to decline. I can agree with the above-quoted statement by Dr. Taylor *only* because he recognizes that the *quality* of service demanded by the market can impose requirements that do not necessarily "minimize the present value of the combined OSS development and OSS use costs." The

problem with the balance of Dr. Taylor's testimony on OSS is that it completely ignores the implications of this constraint.

Because incumbent local exchange companies ("ILECs"), including BellSouth, do not provide UNEs (including OSS) in a competitive environment, purchasers of UNEs have no ability, through marketplace interaction, to impose a quality requirement on BellSouth, *particularly* in the OSS arena. The poor quality of BellSouth's OSS performance was discussed in the direct testimony of ITC^DeltaCom's witnesses. Recognizing this, the FCC *imposed* an OSS standard on the ILECs by requiring that they provide OSS capable of full electronic flow-through, which will minimize the time and cost required to provision UNEs and provide these services on a non-discriminatory basis to all users of the ILECs' OSS. The mere fact that BellSouth has failed, so far, to meet this requirement should not mean – as Dr. Taylor argues – that it gets to price its OSS services on the basis of existing, inefficient legacy systems or that it should be entitled to assess the costs of upgrading these systems to its customers. Contrary to Dr. Taylor's suggestion otherwise, *neither* of these actions could be sustained in a competitive environment. Because regulation should seek to mimic the behavior of competitive markets, this Commission should reject BellSouth's efforts to take advantage of its market power in Tennessee to impose inefficient prices for OSS on ITC^DeltaCom (and other CLECs).

Q. DR. TAYLOR OBSERVES THAT THE 1996 ACT MAKES NO MENTION OF OSS. HE ASSERTS, THEREFORE, THAT THE FCC HAS NEVER SPECIFICALLY

LIMITED RECOVERY TO SOME, BUT NOT ALL, OSS-RELATED COSTS, AND CONCLUDES THAT "THE FCC HAS INTENDED ALL ALONG THAT THE PROVIDER OF OSS SHOULD BE ABLE TO RECOVER *ALL* COSTS RELATED TO THE DEVELOPMENT AND USE OF OSS." IS HIS ASSERTION CORRECT?

A. No. This is an excellent example of the sort of sleight of hand that permeates Dr. Taylor's testimony. The fact that the 1996 Act makes no specific mention of OSS certainly does not mean that any cost (of any magnitude) that BellSouth chooses to label as "OSS" is somehow legitimized. Nowhere does the issue of efficiency enter into Dr. Taylor's discussion, and in fact if his logic is applied BellSouth would be able to recover *any* "incremental" OSS cost, regardless of how inefficiently it is incurred by BellSouth.

Such a result runs counter to the clear language of the FCC in its *First Report and Order*. For example, ¶690 requires that TELRIC not only be forward-looking, as Dr. Taylor concedes, but that it be based on the "most efficient technology available" -- a requirement that Dr. Taylor ignores. In fact, the last sentence of ¶685 (a paragraph quoted by Dr. Taylor, but not in its entirety) states "[w]e, therefore, conclude that the forward-looking pricing methodology for interconnection and unbundled network elements should be based on costs that assume that wire centers will be placed at the incumbent LEC's current wire center locations, but that the *reconstructed* local network will employ *the most efficient technology* for reasonably foreseeable capacity requirements." Thus, the FCC *explicitly* rejects the notion that prices for UNEs (and OSS) can be based on the technology deployed in the existing network, and specifically

envisions prices based on *reconstruction* of the network using *the most efficient technology*.

This requirement of the FCC pricing rules is directly at odds with the assumption in the BellSouth cost studies (and noted by the Authority) that "existing network configurations and engineering practices" will be used. For this reason, BellSouth's version of TELRIC is inconsistent with the FCC's version which now -- pursuant to the decision of the Supreme Court -- must be applied.

Q. DR. TAYLOR ARGUES THAT THE OPERATIVE ECONOMIC PRINCIPLE IS COST CAUSATION, AND IMPLIES THAT ITC^DELTACOM'S WITNESSES HAVE IGNORED THIS PRINCIPLE. IS HE CORRECT?

A. No. While I agree that the principle of cost causation is important, I disagree that this principle has been ignored by ITC^DeltaCom witnesses when reaching their conclusions.

It is important to note that Dr. Taylor defines the issue of cost causation in terms of the particular *user* of a network element. But the FCC's *First Report and Order* defines cost causation in terms of the element itself, not in terms of who is using the element (as I discuss below, the FCC's approach to cost causation is consistent with its other requirements for TELRIC, while Dr. Taylor's approach is inconsistent with TELRIC). For example, ¶691 reads:

> Any function necessary to produce a network element must have an associated cost. The study must explain with specificity why and how specific functions are necessary to provide network elements and how the associated costs were developed. Only those costs that are incurred in the provision of the network elements *in the long run* shall be directly

attributable to those elements. Costs must be attributed on a cost-causative basis. Costs are causally-related to the network element being provided if the costs are incurred *as a direct result of providing the network elements, or can be avoided, in the long-run, when the company ceases to provide them* (emphasis added).

The reason Dr. Taylor adopts a perspective on cost causation that is inconsistent with the FCC's is clear -- by doing so he supports BellSouth's efforts to require that CLECs, such as ITC^DeltaCom, be responsible for the costs that each will incur to develop its own OSS *and* BellSouth's "incremental" costs associated with providing OSS that meets the FCC's technical requirements. Dr. Taylor's theory (like BellSouth's objectives) is in direct conflict with other FCC requirements, however. ¶690, for example, requires that "[t]he increment that forms the basis for a TELRIC study shall be *the entire quantity of the network element provided.*" As a result, even if the Authority were to find that ITC^DeltaCom should pay some portion of BellSouth's OSS costs as well as its own, the FCC's TELRIC standard requires that these costs be calculated by placing *all* forward-looking, most-efficient OSS costs in the numerator, and dividing by *all* users of OSS -- including BellSouth (and its retail customers) -- in the denominator.[2]

[2] As I argued in my direct testimony, the most straight-forward way to address this issue would be for the Authority to require that each telecommunications carrier be responsible for development and deployment of its own OSS – ITC^DeltaCom to serve its retail (and, potentially, wholesale) customers, and BellSouth to comply with the FCC's order (which will serve both its retail and wholesale customers). If the Authority were to ignore the "total element" requirement of TELRIC and, instead, adopt an incremental approach, the economically correct way to implement this approach on the forward-looking basis advocated by Dr. Taylor would be (1) to calculate the forward-looking economic cost of installing the state-of-the-art OSS system, required by the FCC, for BellSouth customers, only, (2) to calculate the forward-looking economic cost of installing the state-of-the-art OSS system, required by the FCC, for *both* BellSouth customers and new entrants, and (3) subtracting (1) from (2). I believe the resulting incremental costs would be very near zero.

Q. DR. TAYLOR ARGUES THAT THE FCC'S APPROACH WOULD CAUSE INEFFICIENT ENTRY. DO YOU AGREE?

A. No. Dr. Taylor argues that "[w]here social policy mistakenly attempts to ensure the entry and survival of suppliers that are less efficient than incumbents, consumers typically end up paying for those protections in the form of higher prices or poorer service." There are two problems with Dr. Taylor's statement. First, it would be equally accurate to say that where social policy mistakenly attempts to ensure the survival of *incumbents* that are less efficient than other suppliers, consumers typically end up paying for those protections in the form of higher prices and poorer service. This, however, is the result that Dr. Taylor seeks to achieve.

Second, the FCC has already considered and rejected Dr. Taylor's arguments. At ¶679, the FCC described TELRIC as follows:

> Adopting a pricing methodology based on forward-looking costs, economic costs best replicates, to the extent possible, the conditions of a competitive market. In addition, a forward-looking cost methodology reduces the ability of the incumbent LEC to engage in anti-competitive behavior. Congress recognized in the 1996 Act that access to the incumbent LEC's bottleneck facilities is critical to making meaningful competition possible. As a result of the availability to competitors of the incumbent LEC's unbundled elements at their economic cost, consumers will be able to *reap the benefits of the incumbent LEC's economies of scale and scope, as well as the benefits of competition*. Because a pricing methodology based on forward-looking costs simulates the conditions in a competitive marketplace, it allows the requesting carrier to produce efficiently and to compete effectively, which should drive retail prices to their competitive levels. We believe that our adoption of a forward-looking cost-based pricing methodology should facilitate competition on a reasonable and efficient basis by all firms in the industry by establishing prices for interconnection and unbundled elements based on costs similar to those incurred by the incumbents, which may be expected to reduce the regulatory burdens and economic impact of our decision for any parties,

including both small entities seeking to enter the local exchange markets and small incumbent LECs (emphasis added).

Dr. Taylor's attempt to reargue these issues adds nothing but empty words to this proceeding; even if his arguments had merit (and they do not), the FCC's pricing rules are the applicable legal standard.

Q. DR. TAYLOR ARGUES THAT YOUR SUGGESTION THAT ALL RATEPAYERS SHOULD HELP TO DEFRAY THE COSTS OF OSS IS WRONG BECAUSE "MR. WOOD IGNORES THE FACT THAT THE OSS DEVELOPMENT COSTS BELLSOUTH PRESENTED IN THE GENERIC UNE DOCKET PERTAIN *SOLELY* TO THE SYSTEMS BELLSOUTH HAS DEVELOPED TO SERVE CLECS LIKE ITC." IS HE RIGHT?

A. No. For all the reasons described above, the Authority's conclusions in its Interim Order were correct and Dr. Taylor is wrong. The FCC's TELRIC principles require that OSS prices to be paid by CLEC entrants like ITC^DeltaCom be based on the *total* quantity of the element produced – that is, on the basis of OSS provided to *all* users, not just CLEC users.

Q. DR. TAYLOR IS ALSO CRITICAL OF BASING COSTS ON WHAT HE TERMS A "HYPOTHETICAL" NETWORK, AND ARGUES THAT THE FCC REJECTED THIS STANDARD. IS HE CORRECT?

A. No. Much of the discussion in ¶¶683 through 685 of the *First Report and Order* focused on the difference between a "scorched earth" approach to cost development – which would have developed costs without regard to *existing* wire center locations – and a "scorched node" approach – which requires forward-looking, most efficient technology be deployed under the assumption that wire centers will continue at existing locations. The FCC determined that scorched node was the proper approach. As noted earlier, however, ¶685 of the *First Report and Order* specifically contemplates a "reconstructed" network that would employ "the most efficient technology." In the OSS context, it seems clear that this would require calculation of costs on the basis of the electronic, full flow-through basis required by the FCC. As I said in my direct testimony, failure to adopt this standard would provide a disincentive for BellSouth to migrate quickly and efficiently to these systems.

Q. DR. TAYLOR ARGUES THAT BELLSOUTH HAS NO INCENTIVE TO USE EXCESSIVE RATES FOR OSS TO RAISE BARRIERS TO ENTRY, BECAUSE BELLSOUTH "HAS A KEEN ECONOMIC INTEREST IN BEING ABLE TO PARTICIPATE IN THE INTERLATA LONG DISTANCE MARKET." WHAT IS YOUR REACTION TO THIS STATEMENT?

A. Certainly Congress and the FCC have established the statutory and regulatory requirements in a manner designed to use entry into the long-distance market as an incentive for ILECs such as BellSouth to do what is required in order to achieve authorization to enter the long-distance market. This, however, does not prevent

BellSouth from seeking to interpret these requirements in a manner that is inaccurate and self-serving in an effort to raise the costs of competitive entry or to prevent it altogether. As I have demonstrated in several contexts above, Dr. Taylor repeatedly ignores or misstates the current requirements in an effort to persuade this Authority that BellSouth should be entitled to pass through whatever it asserts are its incremental OSS costs, with patent disregard for the extensive determinations by the FCC regarding how these costs should be developed. While the application of these FCC determinations was optional in Docket No. 97-01262, it is now required.

Issue 6(b) - What are the appropriate recurring and nonrecurring rates and charges for:
(1) two-wire ADSL/HDSL compatible loops,
(2) four-wire ADSL/HDSL compatible loops,
(3) two-wire SL1 loops,
(4) two-wire SL2 loops, or
(5) two-wire SL2 loop Order Coordination for Specified Conversion Time?

Q. YOU DESCRIBED THE IMPORTANCE OF APPLYING THE FCC'S PRICING RULES TO THE INVESTIGATION OF OSS COSTS. DOES THE APPLICATION OF THE FCC'S TELRIC METHODOLOGY WHEN RESOLVING ISSUE 6b REQUIRE UPDATES TO OTHER CONCLUSIONS FROM DOCKET NO. 97-01262?

A. Yes. When applying any forward-looking costing methodology, including the FCC's TELRIC, it is necessary to ensure that the inputs and assumptions to the cost study reflect forward-looking efficient values. If significant changes occur in the values of these inputs and assumptions it is necessary to reflect those values in the cost studies.

BellSouth's calculation of nonrecurring costs for UNEs illustrates this point in two ways. First, BellSouth's assumptions regarding both the work tasks that must be performed and time necessary to perform each task are a function, in part, of its overall cost study assumption that existing network configurations, engineering practices, and operational practices can be used to conduct a forward looking cost study. The Authority has, to date, not required BellSouth to change these assumptions. Application of the FCC's TELRIC methodology requires that these assumptions now be examined in the light of a different standard. Work tasks that BellSouth may perform pursuant to its existing engineering or operational practices cannot be included in its cost study if it fails to demonstrate that such tasks would be undertaken by an efficient carrier on a forward looking basis, if such a carrier were unconstrained by BellSouth's past and current operations. Similarly, the time assumed for the completion of such tasks must reflect the time required by an efficient carrier on a forward looking basis, again unconstrained by BellSouth's past and current methods of operation. In short, the reinstatement of the FCC's pricing rules based on its TELRIC principles requires a cost study to ignore how BellSouth has incurred these nonrecurring costs, and instead determine how BellSouth -- if operating efficiently -- ought to incur these costs.

Issue 2(b)(ii) - Until the Commission makes a decision regarding UNEs and UNE combinations, Should BellSouth be required to continue providing those UNEs and combinations that it is currently providing to ITC^DeltaCom under the interconnection agreement previously approved by this Commission?

Issue 2(b)(iii)

a) Should BellSouth be required to provide to ITC^DeltaCom the following combinations:

(1) Loop Port Combinations

(2) Loop Transport UNE Combinations

(3) Loop UNE connected to Access Transport?

b) If so, at what rates?

Q. IN YOUR DIRECT TESTIMONY, YOU STATED THAT CLECS MUST BE ABLE TO EASILY AND RELIABLY ORDER UNES AND COMBINATIONS OF THOSE UNES, INCLUDING THOSE THAT INCLUDE LOCAL SWITCHING. MR. VARNER HAS ARGUED THAT BELLSOUTH HAS NO OBLIGATION TO PROVIDE UNES THAT INCLUDE LOCAL SWITCHING. IS HE RIGHT?

A. No. Mr. Varner's claim was apparently based on his *prediction* that when its Rule 319 proceeding is complete, the FCC will have concluded that local switching need not be offered as a UNE. Mr. Varner offered no basis for his prediction, other than his observation that this is the position taken by BellSouth in its Comments before the FCC. Fortunately, Mr. Varner's predictions regarding the future outcome of FCC proceedings did not create a binding requirement on this Authority (nor does it eliminate one).

Mr. Varner's predictions proven to have been misguided. As I described previously in my testimony, the FCC has now concluded its investigation into the list of UNEs (and combinations thereof) that BellSouth must offer. The FCC's list includes the following:

> (1) loops, including loops used to provide high-capacity and advanced telecommunications services;
> (2) network interface devices;

(3) local circuit switching (except for larger customers in major urban markets);
(4) dedicated and shared transport;
(5) signalling and call-related databases; and,
(6) operations support systems.

Mr. Varner goes on to make similar claims about BellSouth's obligation to provide combinations of UNEs (FCC Rule 315(b)). In doing so, Mr. Varner ignores the fact that the Supreme Court found that "in the absence of Rule 315(b), however, incumbents could impose wasteful costs on even those carriers who requested less than the whole network. It is well within the bounds of the reasonable for the Commission to opt in favor of ensuring against an anticompetitive practice," and that the Eighth Circuit court reinstated this rule. Mr. Varner and BellSouth now know which UNEs must be provided, both separately and in combination.

As I described previously in my testimony, Mr. Varner has attempted in his testimony to unilaterally re-write rule 315(b) in an apparent last-ditch effort to support his conclusion that BellSouth is not obligated to provide the UNE combinations that ITC^DeltaCom is seeking in this proceeding. Whether the Authority "shrugs off" or "laughs off" Mr. Varner's efforts in this regard is not important. What is important is that BellSouth *currently combines* loops/switch ports and loops/transport facilities in its network. As a result, pursuant to rule 315(b) it must make these UNEs available as combinations to CLECs.

Q. MR. VARNER GOES ON TO ARGUE THAT BELLSOUTH IS NOT OBLIGATED TO PROVIDE EXTENDED LOOPS TO ITC^DELTACOM. DO HIS ARGUMENTS HAVE MERIT?

A. No. BellSouth's position on this issue is simply an attempt to impose higher costs on ITC^DeltaCom. As Mr. Hyde points out in his rebuttal testimony, the use of extended loops allows ITC^DeltaCom to offer service without establishing expensive collocation space in each BellSouth central office. If BellSouth can somehow prevent ITC^DeltaCom from utilizing this more efficient arrangement, it can create a barrier to entry: in order to provide service to the customers served by a given BellSouth central office, ITC^DeltaCom would be required to incur the expense of establishing a collocation arrangement in that office. With extended loops, however, ITC^DeltaCom could serve those same customers in a more timely and less expensive way by utilizing a previously established collocation space.

BellSouth's arguments in support of its refusal to provide extended loops are paper thin. First, BellSouth cannot legally refuse to provide these facilities. An extended loop consists of an unbundled loop from the retail customer to the serving central office, and a transport facility from the serving central office to the central office in which ITC^DeltaCom has a collocation space. If an extended loop is viewed as a UNE loop and UNE transport, then the extended loops currently in use by ITC^DeltaCom are, without question, facilities that BellSouth "currently combines" and therefore -- pursuant to the decision of the Supreme Court -- BellSouth must provide them in order to comply with applicable law. If an extended loop is viewed as a UNE loop and interoffice transport

purchased from the access tariff (such an access purchase may be made because the access service is provided at higher quality than the corresponding UNE transport), then BellSouth again has no basis to refuse to provide this capability. ITC^DeltaCom has the right to purchase both an unbundled loop and access transport from the applicable BellSouth tariffs, pay BellSouth the tariffed rates, and utilize those capabilities to provide service to a retail customer.

Second, Mr. Varner's claim that BellSouth never intended to provide ITC^DeltaCom with extended loops appear disingenuous at best. As Mr. Hyde points out, paragraph IV B14 of the existing interconnection agreement between BellSouth and ITC^DeltaCom explicitly refers to an agreement for good faith efforts by the parties to "mutually devise and implement" these facilities. It is inescapable, therefore, that either (1) Mr. Varner's assertion that BellSouth never intended to provide extended loops is inaccurate, or (2) BellSouth never intended to comply with the provisions of its interconnection agreement with ITC^DeltaCom.

Third, it is difficult to understand how BellSouth could have "accidentally" provided ITC^DeltaCom with an extended loop. It is simply beyond credibility, however, to believe that it then repeated this mistake 2500 times. A much more likely scenario is that BellSouth provided extended loops to ITC^DeltaCom pursuant to the terms of the existing interconnection agreement, but at some point realized that ITC^DeltaCom was effectively (and reasonable efficiently) utilizing these facilities to provide service to retail customers. In order to create an effective barrier to entry (and ultimately to keep

competitive entry a manageable levels), BellSouth decided to violate the existing agreement and discontinue offering extended loops.

Fourth, Mr. Varner's claim that BellSouth never intended to provide extended loops is inconsistent with BellSouth's recent actions in other states. As recently as June 28, 1999, BellSouth produced a cost study showing the cost for nine different kinds of extended loops.[3] Clearly, while BellSouth may not favor the provision of extended loops because they permit CLECs to offer service to customers in a reasonably efficient way, it nevertheless expects to do so and has gone to the efforts to conduct a cost study of nine different kinds of extended loops.

Issue 6(d) - What should be the appropriate recurring and non-recurring charges for cageless and shared collocation in light of the recent FCC Advanced Services Order No. FCC 99-48, issued March 31, 1999 in Docket No. CC 98-147?

Q. IN YOUR DIRECT TESTIMONY ADDRESSING ISSUE 6d, YOU STATED THAT BELLSOUTH'S RATES FOR VIRTUAL COLLOCATION (ADJUSTED TO REMOVE CERTAIN COSTS) SHOULD BE USED AS INTERIM RATES FOR CAGELESS COLLOCATION UNTIL BELLSOUTH PERFORMS A COST STUDY FOR CAGELESS COLLOCATION THAT COMPLIES WITH THE APPLICABLE FCC TELRIC COSTING PRINCIPLES. MR. VARNER HAS ARGUED THAT BELLSOUTH'S *PHYSICAL* COLLOCATION RATES SHOULD APPLY TO A CAGELESS COLLOCATION ARRANGEMENT. IS HE RIGHT?

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[3]Georgia Public Service Commission Docket No. 10692-U, BellSouth Unbundled Network Element Combinations Cost Studies, dated 6/11/99 and updated 6/28/99.

A. No. There is apparently a fundamental misunderstanding by Mr. Varner regarding the nature of a cageless collocation arrangement.

Q. PLEASE DESCRIBE THE CHARACTERISTICS OF A CAGELESS COLLOCATION ARRANGEMENT.

A. The FCC describes cageless collocation in the Advanced Services Order as an alternative collocation arrangement to physical collocation because it does not require the use of a cage. This is not, however the only distinction the FCC makes. As noted in the Advanced Services Order at ¶42, "caged collocation space results in the inefficient use of the limited space in a LEC premises, and we consider the efficient use of collocation space to be crucial to the continued development of the competitive telecommunication market."" The FCC proceeded to state that the "incumbent LECs must allow competitors to collocate in any unused space in the incumbent LEC's premises, without requiring the construction of a room, cage, or similar structure, and without the creation of a separate entrance to the competitor's space." The FCC further noted that "incumbent LEC's must permit competitors to have direct access to their equipment." They also required at ¶43 that incumbent LECs "make collocation space available in single-bay increments" to ensure that competitors only have to purchase space sufficient for their needs.

Q. WHAT FORM OF COLLOCATION DOES A CAGELESS ARRANGEMENT MOST CLOSELY RESEMBLE?

A. The FCC's description of cageless collocation mirrors the characteristics of a virtual collocation arrangement. The exception is that under a virtual collocation arrangement, the competing provider does not have physical access to the incumbent LEC's premises and their equipment is under the physical control of the incumbent LEC (including installation, maintenance and repair responsibilities). From a costing perspective, however, the characteristics of a virtual collocation arrangement are more applicable to a cageless arrangement than are those of a physical collocation arrangement. Like virtual collocation, cageless collocation involves a collocator's equipment placed within the ILEC equipment lineups without using a segregated area of the central office. In cageless collocation, however, the collocator retains ownership of the collocated equipment. As a result, training charges are unnecessary and maintenance costs are not incurred by BellSouth.. The only major difference between the costs associated with a virtual arrangement and a cageless arrangement are those associated with installation, maintenance and repair of the collocating carrier's equipment.

Until BellSouth produces, and the Authority adopts, the results of a cost study for cageless collocation consistent with FCC's TELRIC pricing rules, interim rates should be based on BellSouth's rates for virtual collocation with appropriate adjustments to remove costs associated with installation, maintenance and repair of ITC^DeltaCom's equipment.

Issue 4(a) - Should BellSouth provide cageless collocation to ITC^DeltaCom 30 days after a firm order is placed?

Q. MR. MILNER ARGUES THAT THE FCC'S ADVANCED SERVICES ORDER DOES NOT ADOPT SPECIFIC PROVISIONING INTERVALS FOR THE NEW COLLOCATION ARRANGEMENTS. DOES THE FCC IMPOSE ANY REQUIREMENTS ON INCUMBENT LECS THAT WOULD ACCELERATE PROVISIONING OF THE NEW COLLOCATION ARRANGEMENTS?

A. Yes. The FCC at ¶40 of the Advanced Services Order requires "incumbent LECs to make each of the new arrangements outlined below available to competitors as soon as possible, *without* waiting until a competing carrier requests a particular arrangement, so that competitors will have a variety of collocation options from which to choose" (emphasis added). The FCC went on to say that the parties can agree to different terms and conditions than required in the Order through voluntary negotiation. Given the requirement by the FCC that BellSouth take a proactive approach to making these new forms of collocation available to competitors, the time frame required to provision a new arrangement once requested ***must*** be less than would otherwise be required. ITC^DeltaCom requests that the interval for provisioning a cageless arrangement from the time of request be 30 days.

BellSouth's proposal that the interval be a maximum of 90 business days under normal conditions and 130 business days under extraordinary conditions reflects is simply unreasonable for at least two reasons. First, it completely fails to consider the FCC's requirement in the Advance Services Order that BellSouth take proactive efforts to identify such space so that no provisioning delay will be necessary when a CLEC such as ITC^DeltaCom makes a request for cageless collocation. Second, BellSouth's proposed

provisioning interval fails to reflect the fact that the interval that should be significantly shorter for cageless collocation than for walled or caged collocation. In a cageless arrangement, BellSouth will not need to determine if room exists within its central office for the construction of a physically separated space, design the enclosure, or have it constructed. Since competitors will occupy space in existing climate-controlled areas in existing equipment line-ups, the total provisioning time should be much shorter than for a traditional physical caged arrangement.

Issue 6(c) - Should BellSouth be permitted to charge ITC^DeltaCom a disconnection charge when BellSouth does not incur any costs associated with such a disconnection?

Q. IN YOUR DIRECT TESTIMONY ADDRESSING ISSUE 6c, YOU STATED THAT BELLSOUTH SHOULD NOT BE PERMITTED TO IMPOSE DISCONNECT COSTS ON ITC^DELTACOM THAT WILL PERMIT IT TO RECOVER COSTS NOT ACTUALLY INCURRED OR TO DOUBLE RECOVER ITS COSTS. HAS BELLSOUTH EFFECTIVELY ADDRESSED THIS ISSUE IN ITS TESTIMONY?

A. No. As the Authority correctly concluded in its Interim Order, BellSouth should only be permitted to impose disconnect costs if costs are actually incurred. BellSouth has offered no demonstration that the costs of a physical disconnection of a facility are not duplicative of the costs of the facility installation.

Issue 6(e) -Should BellSouth be permitted to charge ITC^DeltaCom for conversions of customers from resale to unbundled network elements? If so, what is the appropriate charge?

Q. ISSUE 6e RELATES TO THE IMPOSITION OF CHARGES BY BELLSOUTH WHEN CONVERTING FROM A RESALE TO A UNE PROVISIONING SCENARIO. HAS BELLSOUTH EFFECTIVELY ADDRESSED THIS ISSUE IN ITS TESTIMONY?

A. No. Mr. Varner has argued that it is premature to address the issue because BellSouth has no statutory obligation to provide combinations of UNEs. As described previously in my testimony, Mr. Varner is wrong. The Supreme Court upheld the FCC rule requiring that BellSouth provide such combinations of UNEs, and the Eighth Circuit court subsequently reinstated the FCC rule. Resolution of this issue is certainly timely given BellSouth's existing legal obligations.

The fact remains that when Mr. Varner's inaccurate characterizations of the Supreme Court decision are set aside, BellSouth has not provided any cost data to support its claim that such costs exist. Clearly, the imposition of unnecessary charges for the conversion of a customer from resale-based to UNE-based service will create an artificial barrier to the development of facilities-based competition in Tennessee.

Issue 2(a)(i) - Should BellSouth be required to comply with performance measures and guarantees for pre-ordering/ordering, resale, and unbundled network elements ("UNEs"), provisioning, maintenance, interim number portability and local number portability, collocation, coorindated conversions and the bona fide request processes as set forth fully in Attachment 10 of Exhibit A to this Petition?

Q. ISSUE 2(a)(i) RELATES TO THE IMPOSITION OF CHARGES BY BELLSOUTH FOR PROVIDING ITC^DELTACOM A DOWNLOAD OF THE RSAG. HAVE THE PARTIES RESOLVED THIS ISSUE?

A. No. BellSouth has not justified its cost to provide the RSAG downloads to ITC^DeltaCom. ITC^DeltaCom has requested that BellSouth provide ITC^DeltaCom with a detailed itemized list of the costs BellSouth believes it incurs for delivering the initial and subsequent RSAG downloads to ITC^DeltaCom. As expressed in Exhibit DJW-2, which is attached to my rebuttal testimony, ITC^DeltaCom has a number of concerns with BellSouth's RSAG proposal.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

EXHIBIT DJW-2
TO REBUTTAL TESTIMONY OF DON WOODS

ITC DELTACOM

700 Boulevard South, Suite 101 ► Huntsville, AL 35802 ► 1-256-382-3843
FAX 1-256-382-3936

October 5, 1999

VIA FACSIMILE

Ms. Parkey Jordan
General Attorney
BellSouth Telecommunications, Inc.
Legal Department – Suite 4300
675 West Peachtree Street
Atlanta, Georgia 30375-0001

Re: RSAG Proposal

Dear Parkey:

In response to your letter dated September 23, 1999, regarding BellSouth's offer to provide ITC^DeltaCom a download of the RSAG database and monthly updates, we request several important clarifications.

First, we understood from our negotiating session that BellSouth's offer was to provide the initial download of the RSAG database at a one time $50,000 charge. If, ITC^DeltaCom requested "additional" nonproprietary information, the cost would increase to $87,500. It is unclear, however, what "additional" information BellSouth would be providing, and why this "additional" information would cost another $37,500. Therefore, ITC^DeltaCom respectfully requests that BellSouth provide an explanation as to what information it is willing to provide for $50,000, and what information it is willing to provide for $87,500, plus or minus fifteen percent (15%).

Second, based on BellSouth's September 23, 1999, estimated cost proposal, ITC^DeltaCom requests that BellSouth provide a detailed itemized list of its costs for delivering the initial and subsequent RSAG downloads to ITC^DeltaCom.

Third, ITC^DeltaCom requests that BellSouth identify each carrier that has requested the RSAG database, the estimated cost BellSouth quoted each company, the final cost agreed to for each company, the information being provided to each company and indicate by company whether BellSouth has provided the requested RSAG information.

Fourth, ITC^DeltaCom requests clarification as to whether BellSouth recognizes efficiencies in providing the initial download to more than one requesting carrier. ITC^DeltaCom does not believe that it should be responsible for the full cost of the RSAG download if, and when, other carriers have requested this database. Put another way, ITC^DeltaCom should not be responsible for the full cost unless it is the only participating CLEC – the cost should be borne by all participating CLECs in the aggregate.

Fifth, ITC^DeltaCom seeks clarification as to why BellSouth believes that a "license" agreement is appropriate and necessary to provide the RSAG downloads to ITC^DeltaCom.

Sixth, ITC^DeltaCom requests that BellSouth provide a complete list and description of the fields contained in the RSAG database. In addition, ITC^DeltaCom requests that BellSouth clearly indicate which fields BellSouth claims are confidential, an explanation as to why BellSouth believes these field are confidential, and whether BellSouth is willing to provide these fields to ITC^DeltaCom.

Please respond to this letter no later than Friday, October 15, 1999. We look forward to your response and timely resolution of this matter.

Sincerely,

Nanette Edwards bjm

Nanette Edwards
Senior Manager - Regulatory Attorney

cc:
Tom Alexander
Vickie McHenry