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July 27, 2000 EXECUTIVE CECRETARY **Guy M. Hicks** General Counsel

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VIA HAND DELIVERY

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

Re: Petition by ITC^DeltaCom Communications, Inc. for Arbitration of Certain Unresolved Issues in Interconnection Agreement Negotiations Between ITC^DeltaCom and BellSouth Telecommunications, Inc.

Docket No. 99-00430

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth's Response to Final Best Officers of DeltaCom. Copies of the enclosed are being provided to counsel of record for all parties.



Guy M. Hicks

GMH:ch Enclosure



BEFORE THE TENNESSEE REGULATORY AUTHORITY Nashville, Tennessee

REC'D REGULATOR

IN RE:

Petition by ITC^DeltaCom Communications, Inc. for Arbitration of Certain 32 Unresolved Issues in Interconnection Agreement Negotiations Between

OFFICE (

ITC^DeltaCom and BellSouth Telecommunications, Inc.

EXECUTIVE S

Docket No. 99-00430

BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSE TO FINAL BEST OFFERS OF ITC^DELTACOM COMMUNICATIONS, INC.

I. INTRODUCTION

BellSouth Telecommunications, Inc. ("BellSouth") respectfully submits this response to the proposed Final Best Offers of ITC^DeltaCom Communications, Inc. ("DeltaCom") on Issues 1(a), 4(a), 5, and 8(e). DeltaCom's proposed contract language is unreasonable and, in several instances, goes well beyond the scope of the issue upon which the parties were directed to file Final Best Offers. In fact, DeltaCom is attempting to use the Final Best Offer mechanism to obtain resolution of issues that were never even arbitrated. For these reasons, and as more fully explained below, the Tennessee Regulatory Authority ("Authority"), acting as Arbitrators, should reject DeltaCom's proposed Final Best Offers.

II. DISCUSSION

A. Should BellSouth Be Required To Comply With The Performance Measures and Guarantees For Pre-Ordering/Ordering, Resale, And Unbundled Network Elements ("UNEs"), Provisioning, Maintenance, Interim Number Portability And Local Number Portability, Collocation, Coordinated Conversions And The Bona Fide Request Processes As Set Forth Fully In Attachment 10 Of Exhibit A Of This Petition? -- Issue 1(a).

DeltaCom and BellSouth have put forth vastly different proposals concerning performance measurements and enforcement mechanisms in their Final Best Offers. DeltaCom and BellSouth disagree about the process to be utilized in determining whether BellSouth's performance is nondiscriminatory; they disagree about the standards or benchmarks that should apply for each performance measurement; they disagree about the amount of monetary payments by BellSouth, the applicable caps on such monetary payments, and even when such payments should begin. The Arbitrators must engage in a complex and factually intense inquiry to sort through these differences – an inquiry that affects not only DeltaCom and BellSouth, but the entire telecommunications industry in Tennessee. ¹

Unfortunately, there is no evidence in this record to guide the Arbitrators. In fact, the dearth of evidence necessary for the Arbitrators to make an informed decision about enforcement mechanisms renders this case indistinguishable from the circumstances confronting the Arbitrators in the BellSouth and NEXTLINK arbitration. In that case, NEXTLINK proposed a series of self-executing remedies that NEXTLINK asserted should apply in the event BellSouth failed to meet performance measures or loop provisioning intervals to which the parties had agreed. Without addressing the question of whether self-effectuating remedies such as those proposed by NEXTLINK were appropriate, the Arbitrators concluded that it was "not possible to

DeltaCom's Final Best Offers with respect to performance measurements and enforcement mechanisms go considerably beyond what the Arbitrators had even requested. For example, DeltaCom has used its Final Best Offers as an opportunity to incorporate eleven additional modifications to BellSouth's Service Quality Measurements ("SQMs") that were never discussed, let alone ordered by the Arbitrators. See DeltaCom Final Best Offers at 5-6. In addition, DeltaCom has included in its Final Best Offers a series of penalties associated with "failures" by BellSouth "related to performance reporting," which was not an issue addressed by the Arbitrators. DeltaCom Final Best Offers at 11. For example, if DeltaCom had its way, if BellSouth were late in providing performance data or reports or such data or reports were "incomplete" or "revised," BellSouth would be required to pay the State of Tennessee \$5,000 and \$1,000 per day, respectively, until such deficiencies are corrected. Nothing in the Arbitrators' Initial Arbitration Award would support inclusion of such provisions in the parties' interconnection agreement.

fashion remedies based on the evidentiary record developed in this arbitration proceeding." First Order of Arbitration Award, *In re: Petition of NEXTLINK Tennessee, LLC for Arbitration of Interconnection With BellSouth Telecommunications, Inc.*, Docket No. 98-00123, at 16 (May 18, 1999). The Arbitrators expressly declined to resolve the issue of remedies through the use of Final Best Offers, finding "that doing so would require a factual inquiry, which is ill-suited for resolution by Final Best Offers." *Id*.

The same rationale applies equally here. Resolving the issues associated with the competing remedy proposals put forth by DeltaCom and BellSouth requires an extensive factual inquiry, which is ill-suited for resolution by Final Best Offers.

A good example of the lack of evidence concerns the proposed statistical methodology for detecting discrimination, which is one of the most critical aspects of any enforcement scheme. DeltaCom has proposed use of the so-called "modified Z-test," DeltaCom's Final Best Offer, Attachment 10, at 1, which was developed in 1998 by Dr. Colin Mallows, a statistician for AT&T. Dr. Mallows developed the "modified Z-test" without the benefit of "real data," and he has since endorsed an alternative approach (which is the approach advocated by BellSouth). Direct Testimony of Colin Mallows, Docket 7892-U, at 11 (Ga. Public Service Comm'n June 20, 2000). For instance, while DeltaCom proposes use of the "modified Z-test" for sample sizes of 30 or more, according to Dr. Mallows, the test is not appropriate for sample sizes of less than 100. See "Notes On Some Analysis Of BellSouth Data," AT&T Ex Parte, at 4 (FCC July 20, 1999). Similarly, DeltaCom proposes to apply the "modified Z-test" without specifying the level of disaggregation (e.g., wire center, geography, business unit), even though, according to Dr. Mallows, such disaggregation is essential "because otherwise biases can be introduced that give the illusion of discrimination when perfect parity exists" Id. Even at the aggregate level,

DeltaCom is advocating a methodology (the so-called "K value" methodology) that was previously endorsed by Dr. Mallows, but who now advocates use of a different approach. *Id.*

Another example of the extensive factual inquiry necessary to resolve the issue of enforcement mechanisms concerns the appropriate standards and benchmarks by which BellSouth's performance is to be judged. DeltaCom's proposed standards and benchmarks come from a hodge-podge of sources, including some proposed by BellSouth, some adopted in Florida for purposes of third-party testing of BellSouth's Operational Support Systems, and some that DeltaCom apparently has simply made up.² By contrast, BellSouth has developed a parity standard where analogous processes or services exist between BellSouth and DeltaCom, detailed benchmarks where there is no BellSouth analogous process of service offering, and a category of measurements that qualify as "parity by design" in that the underlying process or activity performed by BellSouth cannot distinguish performance to BellSouth versus DeltaCom end users. The Arbitrators' choice of one of these conflicting proposals must be based upon factual evidence, which is totally lacking in this record.

BellSouth does not dispute the importance of comprehensive performance measurements and enforcement mechanisms. In fact, BellSouth has incorporated such terms and conditions into interconnection agreements with any number of CLECs, including e.spire, ICG, and KMC. However, the types of complex, factual intensive issues inherent in resolving the differences

² A good example of the arbitrariness of DeltaCom's proposal is its "benchmark" for coordinated customer conversions. According to DeltaCom, BellSouth must complete 100% of loop cutovers within 15 minutes for single loop conversions per location where facilities exist or face the payment of substantial amounts of money to DeltaCom. While BellSouth agreed to standards for coordinated customer conversions, it did not agree that its failure to meet this standard should or would trigger monetary payments, particularly since such payments are only appropriate in the event that BellSouth is performing in a discriminatory manner. That BellSouth may miss one or two loop cutovers each month does not mean that BellSouth is "discriminating" against DeltaCom, notwithstanding DeltaCom's apparent claim to the contrary.

between DeltaCom and BellSouth with respect to performance measurements and enforcement mechanisms simply cannot be resolved through Final Best Offers. The more appropriate course is to develop a full evidentiary record in a single generic proceeding in which the entire industry can participate and to adopt performance measurements and enforcement mechanism for the industry as a whole. This is precisely what the state commissions in Florida, Georgia, Louisiana, and North Carolina either have done or are in the process of doing.³

B. Should BellSouth Provide Cageless Collocation To ITC^DeltaCom 30 Days After A Complete Application Is Filed? -- Issue 4(a)

BellSouth and DeltaCom agree that cageless collocation can be provided within thirty days when no infrastructure space preparation work is required (such as upgrades to HVAC or power plant facilities). However, there are additional factors that affect the collocation provisioning interval that DeltaCom's proposal ignores.

For example, DeltaCom's proposal would obligate BellSouth to provision a cageless collocation arrangement within thirty days, even when the arrangement requires a government license or a building permit that must be secured before BellSouth can begin work on the arrangement. Most government agencies are likely to take at least thirty days to issue a license or permit. Even assuming that the issuance of the license or permit takes only a week or two, holding BellSouth to a thirty day interval under such circumstances would be unreasonable, since the time for BellSouth to actually complete the work would be substantially compressed.

³ DeltaCom would not be prejudiced during the pendency of such a generic proceeding. Under Section 252(i) of the Telecommunications Act of 1996, DeltaCom can adopt the performance measurements and enforcement mechanisms contained in the interconnection agreements BellSouth has executed with numerous CLECs, such as e.spire, ICG, and KMC. DeltaCom can enjoy the benefits of these provisions until the Authority can complete a generic docket on the performance and enforcement issues.

Likewise, under DeltaCom's proposal, BellSouth would be required to provision a cageless collocation arrangement within thirty days after the date of a firm order even when DeltaCom changes the nature of its request. For example, if DeltaCom submits a firm order for 25 square feet of cageless collocation space, but then three weeks later changes the order to request 25 additional square feet, BellSouth should have additional time to provision the now 50-foot requested arrangement. DeltaCom's proposed language makes no provisions for such contingencies. BellSouth's language is comprehensive and reasonably attempts to delineate the circumstances that can affect the interval for provisioning cageless collocation. The same cannot be said about DeltaCom's proposal.

DeltaCom's Final Best Offer on the interval for provisioning cageless collocation should be rejected for two additional reasons. First, DeltaCom has proposed a maximum provisioning interval for cageless collocation of 60 days, which is unreasonable. As DeltaCom itself appears to recognize, there may be circumstances when an HVAC system or existing power plant must be upgraded in order to accommodate a request for cageless collocation, which can affect the time within which any collocation arrangement can be completed. Yet, under DeltaCom's proposal, BellSouth would be required to upgrade HVAC, add power plant, and complete the cageless collocation arrangement within 60 days, even though such work could take considerably longer to complete.

Second, under the guise of Final Best Offers, DeltaCom has proposed an interval for provisioning adjacent collocation, which was never the subject of this arbitration. Under applicable rules of the Federal Communications Commission ("FCC"), BellSouth must "permit collocation in adjacent controlled environmental vaults or similar structures to the extent technically feasible" when space is exhausted in a particular central office. *See* First Report and

Order and Further Notice of Proposed Rulemaking, In re: Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147 ¶ 44 (Mar. 31, 1999), rev'd in part GTE Service Corp. et al. v. FCC, 205 F.3d 416 (D.C. Cir. 2000). However, the FCC recognizes that "zoning and other state and local regulations may affect the viability of adjacent collocation" as well as the incumbent's right "to exercise some measure or control over design or construction parameters...." Under DeltaCom's proposal, BellSouth would be required to design, construct, and ensure compliance with all applicable state and local regulations, including obtaining necessary permits, within 30 to 60 days. Such proposal is absurd on its face and should be rejected, even assuming adjacent collocation was properly the subject of this arbitration (which is not the case).

C. <u>Should The Parties Continue Operating Under Existing Local Interconnection Arrangements? -- Issue 5.</u>

DeltaCom submitted Final Best Offers on three issues relating to Issue 5: (i) the definition of local traffic; (ii) the treatment of transit traffic; and (iii) binding forecasts. The parties have continued to negotiate and, since the filing of Final Best Offers, have resolved the issues concerning the local traffic definition and treatment of transit traffic. Thus, the only issue remaining in dispute under Issue 5 concerns binding forecasts.

DeltaCom does not and cannot seriously dispute that the Arbitrators have previously ruled that DeltaCom is not entitled to arbitrate the issue of binding forecast since it did not raise the issue in its arbitration petition. See Report and Initial Order of the Pre-Arbitration Officer, Docket 99-00430, at 10 (Oct. 6, 1999), adopted by Order entered on December 3, 1999. Because DeltaCom was not permitted to arbitrate the binding forecast issue directly, it should not be permitted to do so indirectly through the guise of Final Best Offers.

Furthermore, notwithstanding DeltaCom's claim to the contrary, it has put forth two different proposals concerning binding forecasts. In its May 4, 2000 Final Best Offer, DeltaCom put forth one binding forecast proposal. However, in its May 12, 2000 "Amended Final Best Offers," DeltaCom attached as Appendix 2 different language concerning binding forecasts, which DeltaCom indicated it that it was "willing to accept...." Amended Final Best Offer at 6.

According to DeltaCom, the binding forecast language that it is now willing to accept was "agreed to by BellSouth with ICG in Alabama." *Id.* at 7. DeltaCom is incorrect. This language was not proposed by either BellSouth or ICG in Alabama, but rather was ordered by the Alabama Public Service Commission in an arbitration involving those two companies. The Alabama Commission found that this language was "most consistent with the reasoning and intent set forth in our prior Orders in this cause." *See* Order, *In re: Petition by ICG Telecom Group, Inc. for Arbitration of Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Docket 27069, at 2 (Apr. 17, 2000) (copy attached). Equally incorrect is DeltaCom's suggestion that this language was approved by the Alabama Public Service Commission after DeltaCom submitted its original Final Best Offer on May 4, 2000. In fact, the Alabama Commission's Order containing the language that DeltaCom is now so eager to accept was adopted on April 17, 2000, *two weeks before DeltaCom submitted its May 4, 2000 Final Best Offers.* ⁴

⁴ DeltaCom criticizes BellSouth for allegedly refusing to provide DeltaCom "with any offer on binding forecast." Amended Final Best Offers at 7. This criticism is misleading, since it suggests that DeltaCom and BellSouth negotiated the binding forecast issue prior to DeltaCom filing for arbitration, which is not the case. In fact, DeltaCom did not even raise the binding forecast issue during negotiations or in its arbitration petition and only belatedly raised the issue once the arbitration was filed, as the Prehearing Officer correctly observed. *See Report and Initial Order*, at 10. Furthermore, DeltaCom's argument conveniently ignores that DeltaCom is free to exercise its opt-in rights under Section 252(i) of the Telecommunications Act.

D. Should Language Covering Tax Liability Be Included In The Interconnection Agreement, And, If So, Should That Language Simply State That Each Party Is Responsible For Its Own Tax Liability? -- Issue 8(e).

DeltaCom has proposed a single paragraph that attempts to deal with the complex issue of tax liability. As DeltaCom admits, its proposed language does little more than set forth "the basis legal premise that both parties will abide by all federal, state, and municipal laws." Amended Final Best Offers at 8. However, unlike BellSouth's proposed language, DeltaCom's proposal makes no attempt to make clear the parties' obligations with respect to the various federal, state and local taxes and fees that may be imposed in connection with the rendering of service under the interconnection agreement. While BellSouth's language may be "laborious," the same can be said about the subject matter, which cannot be given such short shrift as DeltaCom attempts to do.

That the expired interconnection agreement executed more than three years ago was silent on the tax liability issue is irrelevant. The purpose of the interconnection agreement is to clearly define the rights and obligations of parties to avoid any disputes down the road. It is for this reason that BellSouth has proposed language that while comprehensive, clearly and concisely sets forth the tax liabilities of BellSouth and DeltaCom. It is no coincidence that this same language has appeared in many of BellSouth's interconnection agreements approved by the Authority, and has been agreed to by a number of competiting carriers in Tennessee, including AT&T. That BellSouth's proposed tax liability has been adopted by so many other carriers belies DeltaCom's claim that such language is "cumbersome and wasteful." *Id.* at 8.

III. <u>CONCLUSION</u>

For the foregoing reasons, the Arbitrators should decline to resolve Issue 1(a) through the use of Final Best Offers and should reject DeltaCom's Final Best Offers on the remaining issues and order that the language proposed by BellSouth be incorporated into the interconnection agreement with DeltaCom.

Respectfully submitted this 27th day of July, 2000.

BELLSOUTH TELECOMMUNICATIONS, INC.

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STATE OF ALABAMA



ALABAMA PUBLIC SERVICE COMMISSION P.O. BOX 991 MONTGOMERY, ALABAMA 36101-0991

JIM SULLIVAN, PRESIDENT

JAN COOK, ASSOCIATE COMMISSIONER

GEORGE C WALLACE, JR., ASSOCIATE COMMISSIONER

WALTER L THOMAS, JR

In the Matter of:

Petition by ICG Telecom Group, Inc. for Arbitration of Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996 **DOCKET 27069**



ORDER

BY THE COMMISSION:

On or about March 20, 2000, BellSouth Telecommunications, Inc. (BellSouth) submitted on behalf of itself and ICG Telecom Group, Inc. (ICG) an unexecuted final interconnection agreement between those two parties. BellSouth represented that the parties had been negotiating in good faith to submit their final agreement since the entry of the Commission's February 3, 2000 Order Denying BellSouth's Petition for Reconsideration of certain provisions of the Commission's November 10, 1999 Final Order on Arbitration in this cause. BellSouth indicated that those good faith negotiations had yielded a final agreement between the parties on all terms and conditions except those governing binding forecasts.

BellSouth submitted with its March 20, 2000 filing an exhibit containing BellSouth's best and final proposed language governing binding forecasts and the rational supporting its proposed language. BellSouth noted that ICG would be separately filing its best and final proposed language governing binding forecasts. BellSouth respectfully requested that the Commission determine which of the parties language was most appropriate for inclusion in the final agreement which would be executed by the parties.

On March 21, 2000, ICG indeed submitted its proposed language for binding forecasts. ICG included with its proposed language its explanation of why the

provisions it submitted were more consistent with the Commission's November 10, 1999 and February 3, 2000 Orders in this cause.

On March 23, 2000, BellSouth submitted a corrected Page 5 of Attachment 2 of the agreement filed with the Commission on March 20, 2000. BellSouth indicated that the revisions in question contained the final agreed upon language regarding BellSouth's provision of the Enhanced Extended Link or "EEL" to ICG.

We have reviewed the interconnection agreement submitted for approval herein and find that said agreement should be approved. With regard to the alternative proposals concerning the agreement's treatment of binding forecasts, we have determined that the final agreement should contain the binding forecast provisions set forth in Appendix A hereto. The final language governing binding forecasts chosen for inclusion in the final agreement between ICG and BellSouth is that which the Commission finds most consistent with the reasoning and intent set forth in our prior Orders in this cause.

The parties are hereby instructed to resubmit their final interconnection agreement in a manner consistent with our findings and conclusions herein. The properly executed final agreement containing the binding forecast provisions set forth in Appendix A hereto shall be effective as of the date of its proper filing with the Secretary of the Commission.

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That the binding forecast provisions attached hereto as Appendix A shall be included in the final interconnection agreement between BellSouth Telecommunications, Inc. and ICG Telecom Group, Inc.

IT IS FURTHER ORDERED BY THE COMMISSION, That BellSouth Telecommunications, Inc. and ICG Telecom Group, Inc. shall resubmit a properly executed version of the interconnection agreement approved herein which incorporates the binding forecast provisions set forth in Appendix A hereto.

IT IS FURTHER ORDERED BY THE COMMISSION, That the properly executed final agreement containing the binding forecast provisions set forth in Appendix A

DOCKET 27069 - #3

hereto shall be effective as of the date of its proper filing with the Secretary of the Commission.

IT IS FURTHER ORDERED BY THE COMMISSION, That jurisdiction in this cause in hereby retained for the issuance of any further order or orders as may appear to be just and reasonable in the premises.

IT IS FURTHER ORDERED, That this Order shall be effective as of the date hereof.

DONE at Montgomery, Alabama, this 17 km day of April, 2000.

ALABAMA PUBLIC SERVICE COMMISSION

Jim Sullivan, President

an Cook, Commissioner

George C. Wallace, Jr., Commissioner

ATTEST: A True Copy

Walter L. Thomas, Jr., Secretary

DOCKET 27069 - #4

APPENDIX "A"

APSC APPROVED LANGUAGE GOVERNING BINDING FORECASTS

- 3.6.5.1 In addition to, and not in lieu of, non-binding forecasts, ICG may provide to BellSouth a binding forecast of the trunks and switchports that BellSouth will need to interconnect with ICG in order to terminate traffic to ICG. ICG shall provide to BellSouth justification for the quantity of trunks contained within the binding forecast. The due date contained in the binding forecast shall be three months, unless otherwise agreed to, from the date the binding forecast is submitted to BellSouth.
- 3.6.5.2 BellSouth shall provide the total amount of requested trunks from either tandem or end offices depending on trunk and facilities availability.
- 3.6.5.3 A binding forecast shall not replace the ASR process of ordering trunks and BellSouth shall order the quantity of trunks from ICG set forth in the binding forecast. BellSouth shall request due dates on the trunk orders to coincide with the due dates specified in the biding forecast, and the Parties shall provision the ordered trunks by the due date.
- 3.6.5.4 To recover the cost associated with assuring that the quantity of trunk port terminations needed to meet the binding forecast are available on the agreed upon due date, ICG shall pay to BellSouth \$305.00 for the first DS1 trunk port and \$152.50 for each additional DS1 trunk port forecasted in a trunk group (i.e. between an A to Z location or BellSouth switch location to an ICG switch location).
- 3.6.5.5 If, within 180 days of installation of the trunks, 60 percent of the capacity of the trunks is not being utilized, ICG will pay BellSouth a percentage of the total monthly recurring trunk and facility charges from BellSouth's tariffs for the percentage of the trunks' capacity that is not being utilized.
- 3.6.5.6 If, within 180 days of installation of the trunks, the trunks are not being utilized to the capacity set forth above, the excess of the trunks may, after proper notice to ICG pursuant to the TSR process, be disconnected by BellSouth.
- 3.6.5.7 Utilization on BellSouth reciprocal interconnection trunk groups associated with a binding forecast shall be measured monthly and shall be measured at the time consistent busy hour. The charges as a result of underutilization as described above shall apply monthly.
- 3.6.5.8 Except in the instance of underutilization by ICG as described in section 3.6.5.5, neither Party shall charge the other for nonrecurring trunk and recurring, if applicable, trunk charges associated with a binding forecast.
- 3.6.5.9 Any trunks installed, as a result of the binding forecast, must remain in service for a period of at least 180 days.

CERTIFICATE OF SERVICE

the parties of record, via the method indicated:	July 27, 2000, a copy of the foregoing document was served on
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[] Hand	
[*] Mail	H. LaDon Baltimore, Esquire
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Overnight	211 Seventh Ave. N, # 320
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