AFFIDAVIT

STATE OF GEORGIA

COUNTY OF FULTON

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Kathy K. Blake, who, being by me first duly sworn deposed and said that:

She is appearing as a witness before the Kentucky Public Service Commission in Case No. 2003-00379, Review of Federal Communications Commission's Triennial Review Order Regarding Unbundling Requirements for Individual Network Elements, and if present before the Commission and duly sworn, her testimony would be set forth in the annexed testimony consisting of 20 pages and 4 exhibits.

Kathy K. Blake

Kathy K. Blake

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 9th DAY OF FEBRUARY, 2004

Notary Public

MICHEALE F. BIXLER
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2005

BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF KATHY K. BLAKE

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

DOCKET NO. 2003-00379

FEBRUARY 11, 2004

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

A. My name is Kathy K. Blake. I am employed by BellSouth as Director – Policy Implementation for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Florida State University in 1981, with a Bachelor of Science degree in Business Management. After graduation, I began employment with Southern Bell as a Supervisor in the Customer Services Organization in Miami, Florida. In 1982, I moved to Atlanta where I have held various positions involving Staff Support, Product Management, Negotiations, and Market Management within the BellSouth Customer Services and Interconnection Services Organizations. In 1997, I moved into the State Regulatory Organization where my responsibilities included issues

management and policy witness support. I assumed my current responsibilities in July 2003.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide an overview of BellSouth's position on the issues that the Kentucky Public Service Commission ("Commission") will address in determining the geographic markets in Kentucky where competitive local exchange carriers ("CLECs") are not "impaired" without unbundled local switching – a finding that I will refer to as "impairment" in this testimony. I begin by outlining the delegation that the FCC has made to the state commissions. After discussing what the FCC has directed the state commissions to do, I introduce BellSouth's witnesses. These witnesses will explain in detail the evidence that addresses the issues that the FCC has asked the state commissions to examine, including demonstrating that CLECs are not impaired within the meaning of the Telecommunications Act of 1996 (the "Act") in specific geographic areas in Kentucky. I provide information regarding certain interpretive decisions that BellSouth has made with respect to the FCC's Triennial Review Order,[1] such as using the FCC's default demarcation point for differentiating between "mass market" customers and "enterprise" customers. I also discuss the appropriate rate for batch hot cuts. Finally, I address the availability of collocation in BellSouth's central offices.

[1] *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, et al.*, CC Docket No. 01-338, et al., *Report and Order and Order on Remand an Further Notice of Proposed Rulemaking*, FCC 03-36, released August 21, 2003 ("TRO").

Q. HAVE YOU FILED TESTIMONY ON BEHALF OF BELLSOUTH IN *TRO* PROCEEDINGS IN OTHER BELLSOUTH STATES?

A. Yes. In *TRO* proceedings underway in Florida, Georgia, North Carolina, and Alabama, BellSouth filed the policy testimony of Mr. John A. Ruscilli. In this proceeding, and as I did in the *TRO* proceedings in Tennessee, South Carolina and Louisiana, I am filing testimony presenting the same BellSouth policy and positions presented by Mr. Ruscilli.

Q. WHAT HAS THE FCC CHARGED THIS COMMISSION WITH DOING IN THIS PROCEEDING?

A. On August 21, 2003, the FCC issued its long-awaited written order in its triennial review of unbundled network elements ("UNEs"). In its written order, which I will refer to as the "*TRO*," the FCC determined that "[a]lthough we find competitors to be impaired without access to the incumbent LEC's switch on a national level when serving the mass market, we authorize state commissions to play a fact-finding role – as set forth below – to identify where competing carriers are not impaired without access to unbundled local circuit switching." (*TRO* ¶ 493). As a result of the *TRO*, the Commission established this proceeding to identify the geographic markets in Kentucky where CLECs are not impaired in their ability to serve mass market customers without the availability of circuit switching as an unbundled network element. In defining these markets, state commissions must "evaluate impairment by determining

the relevant geographic area to include in each market." (C.F.R. § 51.319(d)(2)(i)). My testimony uses the terms "geographic market area", "geographic area", and "geographic market" interchangeably.

In making its determination of whether CLECs are impaired in a given geographic area, the FCC has required state commissions to make several interrelated decisions. A state commission must first define the appropriate geographic market to which it will apply the impairment analysis outlined in the *TRO*. Next, state commissions must determine the definition for the class of customers that the FCC identified as "mass market". In the *TRO*, the FCC divides customers into two classes, "mass market" customers and "enterprise" customers. (See *TRO* ¶ 419). The FCC created a presumption that CLECs serving "enterprise" customers are not impaired even if the CLECs lack access to unbundled switching. Conversely, CLECs serving "mass market" customers are presumed to be impaired, unless a state commission determines otherwise. However, the FCC did not specify which customers comprise the "mass market" and directed state commissions to make that determination.

Once appropriate definitions of the relevant geographic areas and "mass market" customers are determined, the FCC requires state commissions to apply two "triggers" tests to see whether CLECs are impaired with respect to serving mass market customers in each defined geographic market. Both of the triggers tests are straightforward. If there are three CLECs with self-provisioned switches serving mass market customers in a given geographic market, the state commissions are required to find that CLECs are not impaired

in that geographic market. Alternatively, if there are two CLECs providing wholesale switching services to other CLECs who are providing retail service to mass market customers in a geographic market, the state commissions are required to find that CLECs are not impaired in that geographic area. To summarize, if either of these bright line tests is met in a given geographic market, the switching inquiry is complete in that area and a finding of "no impairment" is mandatory.

If neither of these "triggers" is met in a given geographic area, the FCC requires that state commissions determine whether there is sufficient *potential* for competitive deployment in any of these areas to warrant a finding of "no impairment." The "potential deployment" test is independent of the triggers tests and requires the state commissions to consider the economics of an efficient CLEC looking to provide service in a geographic market.

Finally, the FCC delegated to the state commissions the separate task of determining for which geographic markets a "batch hot cut process" is needed and to approve and implement such a batch process.

Q. PLEASE PROVIDE AN OVERVIEW OF BELLSOUTH'S TESTIMONY IN THIS PROCEEDING.

A. Consistent with the charge given to the state commissions by the FCC, I divide BellSouth's testimony into five major areas.

First, certain words and phrases used in the *TRO* must be defined, and the geographic market areas for evaluating the FCC's triggers must be established. This portion of the testimony is entitled Market Definition. Second, the geographic areas in which the FCC's "triggers" are met and no impairment is found are identified. This portion of the testimony is entitled Local Switching Triggers. Third, where the FCC's triggers are not met, the issue of "potential deployment" is addressed, and accordingly is entitled Potential for Self-Provisioning of Local Switching. Fourth, the testimony addresses BellSouth's hot cut process, entitled Batch Hot Cut Process. Finally, I end my testimony with a brief discussion of the availability of collocation space in BellSouth's central offices entitled Collocation.

MARKET DEFINITION

Q. TURNING TO THE FIRST TOPIC, WHAT ARE THE CRITICAL DEFINITIONS THAT BELLSOUTH PROVIDES?

A. BellSouth's witnesses provide a logical and economically sound definition of the "geographic markets" in which the "triggers" and other tests for impairment should be applied. As set forth by the FCC in the *TRO*, state commissions were given some parameters that must be used in defining the appropriate geographic market. Specifically, the FCC said: "In defining markets, a state commission shall take into consideration the locations of mass market customers actually being served (if any) by competitors, the variation in factors affecting competitors' ability to serve each group of customers, and

competitors' ability to target and serve specific markets profitably and efficiently using currently available technologies. A state commission shall not define the relevant geographic area as the entire state." (47 C.F.R. §51.319(d)(2)(i)). The FCC further notes that the geographic market in which the triggers and potential deployment tests are applied must be large enough to permit CLECs to realize economies of scale and scope, ruling out, as BellSouth witness Dr. Chris Pleatsikas will testify, wire centers as the market definition.

After examining a number of alternatives, BellSouth has concluded that the appropriate "geographic markets" for use in these proceedings are the individual UNE rate zones adopted by this Commission, subdivided into smaller areas using the Component Economic Areas ("CEAs") as developed by the Bureau of Economic Analysis of the United States Department of Commerce. CEAs are defined by natural geographic aggregations of economic activity and cover the entire state of Kentucky. UNE rate zones are an appropriate starting point for the market definition because, by design, they reflect the locations of customers currently being served by CLECs, which are predominantly UNE zones 1 & 2, as well as the costs that affect competitive ability to serve customers profitably. As Dr. Pleatsikas will explain further dividing UNE zones by CEAs allows for an extremely granular assessment of impairment.

In short, BellSouth's proposed geographic market definition is consistent with the existing distribution of customers and the other factors that the FCC

indicates should be considered in setting a market definition. By selecting these boundaries for the set of geographic markets to be examined under the state commission's impairment analysis, BellSouth offers a geographic market definition smaller than the entire state, but large enough so that a competitor can realize appropriate economies of scope and scale. This definition of geographic market results in 20 separate geographic markets in BellSouth's service area in Kentucky. Attached hereto as Exhibit KKB-1 is a map of the state of Kentucky showing these 20 geographic market areas. As I noted, Dr. Pleatsikas will provide further detailed information regarding the definition of "geographic market". In addition to defining the appropriate geographic market, the Commission must also establish an appropriate definition for the "mass market" customer. In this proceeding, BellSouth accepts the FCC's default delineation between "mass market" customers and "enterprise" customers - that is customers with three or fewer CLEC DS0 lines serving them are deemed "mass market" customers. This is a reasonable assumption, and is quite conservative given the FCC's direction to define the cross-over point as "where it makes sense for a multi-line customer to be served via a DS1 loop." (*TRO* ¶ 497).

LOCAL SWITCHING TRIGGERS

Q. WITH THESE DEFINITIONS OF THE RELEVANT GEOGRAPHIC MARKET AND "MASS MARKET", LET US MOVE TO THE SECOND MAJOR AREA OF THE TESTIMONY. IN WHAT GEOGRAPHIC MARKETS ARE CLECS NOT IMPAIRED WITHOUT ACCESS TO BELLSOUTH'S UNBUNDLED SWITCHING BECAUSE THE TRIGGERS TEST IS MET?

A. BellSouth's witness Pamela A. Tipton provides evidence that the self-provisioning switching trigger established by the FCC in its *TRO* is met in 2 of the 20 geographic markets in Kentucky. That is, Ms. Tipton will demonstrate that CLECs are not impaired in 2 geographic markets, because there are mass market customers in those geographic areas actively being served by at least three non-affiliated CLECs using self-provisioned switching. Ms. Tipton has obtained this evidence from the CLECs themselves and from BellSouth's business records. Although there is a second and separate "trigger" involving the situation where a CLEC obtains switching from a wholesale provider, BellSouth has not relied upon that trigger in establishing the geographic areas where CLECs are not impaired. Attached hereto as Exhibit KKB-2 is a map that indicates the geographic areas in Kentucky in which the FCC's self-provisioning switching trigger is met.

POTENTIAL FOR SELF-PROVISIONING

OF LOCAL SWITCHING

Q. REGARDING THE THIRD MAJOR AREA OF THE TESTIMONY, WHERE THE FCC'S SWITCHING TRIGGERS ARE NOT MET, WHAT EVIDENCE DOES BELLSOUTH PRESENT WITH REGARD TO "POTENTIAL DEPLOYMENT"?

A. In 6 of the remaining 18 geographic market areas where the triggers tests are not met, BellSouth's witnesses will provide evidence to demonstrate that the FCC's potential deployment test is met and that CLECs are not impaired in those markets without access to BellSouth's unbundled switching. Attached hereto as Exhibit KKB-3 is a map that illustrates the 6 additional geographic market areas in Kentucky where CLECs are not impaired without access to BellSouth's unbundled switching.

Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING BELLSOUTH'S "POTENTIAL DEPLOYMENT" CASE, AS IT RELATES TO WHETHER CLECS ARE IMPAIRED WITHOUT ACCESS TO BELLSOUTH'S UNBUNDLED SWITCHING.

A. While the "triggers" test is a "bright line" test, the FCC recognizes that the current availability of unbundled switching may influence the nature and extent of actual competition. In other words, the fact that fewer than three CLECs are self-provisioning switching to mass market customers in a

particular geographic market is not necessarily dispositive on the issue of whether impairment exists in that geographic market. To address this, the FCC created a different test that can be used to determine whether CLECs are impaired where the triggers tests are not met. In creating this alternative, the FCC instructed the state commissions to weigh three things which, taken together, constitute the "potential deployment" approach to making a "no impairment" finding where the FCC "triggers" are not met:

First, the FCC told the states to look at actual competition where it did not rise to the level necessary to meet the triggers tests. Ms. Tipton will provide testimony regarding the actual level of competition from CLECs that self-provision switching but where the triggers tests are not met.

Second, the FCC also instructed the state commissions to consider any operational barriers to entry, specifically mentioning non-discriminatory provisioning of loops, access to collocation, and access to co-carrier cross connects. BellSouth witness Mr. Alphonso Varner will present performance data establishing that BellSouth provides CLECs with such non-discriminatory access. BellSouth witness Mr. Wayne Gray discusses the availability of collocation in BellSouth's offices in Kentucky, as well as BellSouth's provision of co-carrier cross connects to any carrier who requests such cross connects.

Finally, the FCC directed the states to consider any economic barriers to entry when determining whether CLECs are impaired to serve the mass market

customer in a particular geographic market without access to BellSouth's unbundled local switching. To address the economic issues, BellSouth has commissioned the creation of a highly detailed, economic model, a CLEC business case that, in accordance with the *TRO*'s guidance, can be used to evaluate whether an efficient CLEC could economically enter individual markets without access to BellSouth's unbundled switching.

The model itself will be described and discussed by Mr. Jim Stegeman, whose company led the development of the BellSouth Analysis of Competitive Entry (BACE) Model. Dr. Debra Aron, an economist, will discuss how the model meets the criteria laid out in the *TRO*, the model's economic underpinnings, some of the model's key economic inputs and the results of the potential deployment analysis. Dr. Randall Billingsley will provide information regarding the cost of capital that has been used as an input into the model. Finally, Mr. Keith Milner will discuss the network design that the model emulates.

BATCH HOT CUT PROCESS

Q. PLEASE DESCRIBE THE FOURTH MAJOR AREA OF BELLSOUTH'S TESTIMONY ADDRESSING "HOT CUTS".

A. Apart from testimony demonstrating the results of the triggers and potential deployment analyses, BellSouth will also present testimony showing that an efficient hot cut process is in place, enabling competitors to compete by

obtaining access to BellSouth's unbundled loops and using either the competitors' own switches or wholesale switching. Further, BellSouth will present testimony demonstrating that BellSouth has a seamless and effective batch hot cut process in place that enables competitors to convert existing Unbundled Network Element – Port/Loop Combination ("UNE-P") lines to unbundled loops and switching that is not provided by BellSouth.

Q. IS THE ISSUE OF HOT CUTS COMPLEX?

A. No. The hot cut case is simple because it involves a process that has been around for 100 years – moving a jumper from one location to another. BellSouth can do it, AT&T can do it, and MCI can do it. As of November 2003, there are 1,112 lines in Kentucky served by a combination of a BellSouth unbundled loop (SL-1, SL-2 and UCL-ND) and a CLEC's switch, which demonstrates without doubt that BellSouth has a hot cut process that works.

The case is also simple because it is familiar to this Commission. The Commission expended a great deal of time and energy reviewing the provisioning of hot cuts in the Section 271 case (Case No. 2001-105). That work will inform and facilitate its decision-making in this case.

Q. WHO ARE THE BELLSOUTH WITNESSES THAT WILL TESTIFY ABOUT THE HOT CUT PROCESS?

A. There are a number of witnesses. Mr. Ken Ainsworth explains BellSouth's hot cut process that handles both the migration from a BellSouth retail customer to an Unbundled Network Element – Loop ("UNE-L") terminating in a CLEC's collocation space and the migration of a UNE-P to a UNE-L. Mr. Ainsworth also addresses BellSouth's seamless and cost-effective batch hot cut process as well as the ability of BellSouth's centers to manage the volume of hot cuts that may need to be performed if local circuit switching is no longer a UNE.

Mr. Ron Pate provides testimony that explains the ordering process BellSouth has developed for UNE-P to UNE-L Bulk Migration/batch hot cut process when CLECs migrate existing multiple UNE-P customers to UNE-L.

Mr. Al Heartley testifies that the BellSouth Network Services organization is prepared to handle the batch hot cut process as well the volume of hot cuts that may need to be performed if local circuit switching is no longer a UNE.

Mr. Milton McElroy provides testimony that presents evidence that BellSouth's Bulk Migration Process of moving UNE-Ps to UNE-Ls is both seamless and effective. The evidence is based upon testing performed by PriceWaterhouseCoopers.

Given the simple process, it should be clear that BellSouth can perform hot cuts in sufficient volumes, and with sufficient speed and accuracy, to allow CLECs to compete using UNE-L. BellSouth's witnesses will demonstrate that BellSouth absolutely can execute hot cuts in this manner, and as Mr. Varner

will explain, BellSouth's performance measurements and data demonstrate its ability to do so.

Q. GIVEN THIS COMMISSION'S EXTENSIVE EXPERIENCE WITH HOT CUTS, WHY IS BELLSOUTH DEVOTING SO MUCH TESTIMONY TO THIS ISSUE?

A. BellSouth would prefer not to do so. However, when faced with the overwhelming evidence regarding actual facilities-based competition that exists in Kentucky and the geographic areas where the FCC's triggers are met, the CLECs are likely to want to divert the Commission's attention by focusing on the hot cut process. When faced with this straightforward issue, the CLECs have resorted to delay and obstruction. For example, in New York's Bulk Migration/Hot Cuts proceeding (Case No. 02-C-1425), in an obviously circular argument, AT&T contended that "until Verizon demonstrates that it can execute a hot cut process at high volumes, we do not have a process that can handle mass market volumes in a post UNE-P world." (Falcone Testimony, Case No. 02-C-1425, filed October 24, 2003, at p. 78.) Of course, so long as UNE-P exists, CLECs have no incentive to order UNE-L, making AT&T's purported threshold impossible to meet. To further delay, AT&T has argued that state commissions must first adopt a hot cut process, but "refrain from approving those processes until appropriate metrics have been developed and approved." (Nurse Testimony, Case No. 02-C-1425, filed October 24, 2003, at pp. 8-9.) AT&T, of course, is counting on months of delay from extended negotiations about performance measures.

To complicate and obscure the straightforward issue, certain CLECs, and specifically AT&T in proceedings before the FCC, have argued, and will probably argue here, that until BellSouth makes changes to its network that would cost billions of dollars, no adequate hot cut process is possible. An adequate process, according to AT&T, will require "some form of electronic, not manual, loop provisioning." The FCC already rejected AT&T's proposal, but BellSouth anticipates with near certainty that AT&T intends to advance this very same tired old argument again. The CLECs' suggestion that BellSouth must overhaul its existing network to provide electronic loop provisioning prior to a state commission finding that BellSouth, or any ILEC, has an adequate hot cut process, whether "batch" or otherwise, is what this Commission can expect to hear. As a result, BellSouth offers extensive testimony from Messrs. Ainsworth, Varner, Pate and Heartley regarding the hot cut issues to demonstrate that nothing more is necessary.

Q. HAS THIS COMMISSION PREVIOUSLY REVIEWED THE ISSUE OF BELLSOUTH'S HOT CUT PROCESS? IF SO, WHAT WAS ITS DETERMINATION?

A. Yes. This Commission reviewed BellSouth's individual hot cut process during BellSouth's 271 proceeding and UNE Cost proceeding. In Case No. 2001-105, the Commission determined that BellSouth met the requirements of Section 271 of the Act. In the UNE Cost proceeding (Case No. 382), the Commission approved the TELRIC-based nonrecurring rates applicable to hot cuts.

Q. IN THE *TRO*, WHAT DID THE FCC REQUIRE STATE COMMISSIONS TO DO WITH RESPECT TO HOT CUTS?

A. The FCC held that the state commissions must adopt and implement a batch hot cut process within 9 months of the effective date of the Order. *See TRO* ¶423 ("specifically, we ask the state commissions, within nine months of the effective date of this Order, to approve and implement a batch cut migration process – a seamless, low-cost process for transferring large volumes of mass market customers – or to issue detailed findings that a batch cut process is unnecessary in a particular market because incumbent LEC hot cut processes do not give rise to impairment in that market."); 47 C.F.R. 51.319(d)(2)(ii) ("the state commission *shall*…establish an incumbent LEC batch cut process…"). Thus, at the conclusion of this proceeding, this Commission must order a batch hot cut process.

Q. HAS BELLSOUTH DEVELOPED SUCH A PROCESS?

A. Yes. As BellSouth witnesses Ainsworth, Pate and Heartley explain, BellSouth has developed and implemented a bulk migration process that meets the concerns expressed by the FCC.

Q. WHAT RATES DOES BELLSOUTH PROPOSE FOR THE BULK MIGRATION HOT CUT PROCESS?

A. In the *TRO*, the FCC suggested that the batch hot cut rates "should reflect the efficiencies associated with batched migration of loops to a competitive LEC's switch, either through a reduced per-line rate or through volume discounts." (*TRO* ¶ 489). For batch hot cuts, BellSouth proposes a 10% discount of the total amount of the Commission approved nonrecurring UNE rates of the elements applicable for individual hot cuts.[2] Based on a recent cost study, BellSouth determined that the nonrecurring cost for certain elements in connection with the batch hot cut process are actually lower than the ordered rate with the 10% discount. For those elements where the batch hot cut cost study results are lower than the discounted rate, BellSouth proposes to charge the CLECs the lower rate produced by the cost study. Attached is Exhibit KKB-4 that provides the rates BellSouth proposes for its batch hot cut process.

Q. DO UNE LOOP NONRECURRING CHARGES CONSTITUTE AN ECONOMIC BARRIER?

A. No. This Commission approved the UNE loop prices currently charged by BellSouth in the UNE Cost proceeding. BellSouth's proposal to offer a 10% discount off these nonrecurring prices when CLECs use the batch hot cut process is an incentive for CLECs to use that process.

[2] BellSouth will apply the net 10% discount to the Service Level 1 (SL1) loop, the Service Level 2 (SL2) loop and the Unbundled Copper Loop - Non-designed (UCL-ND) nonrecurring rate.

COLLOCATION

Q. PLEASE DESCRIBE THE FIFTH MAJOR AREA OF BELLSOUTH'S TESTIMONY ADDRESSING COLLOCATION.

A. As BellSouth witness Mr. Wayne Gray explains, physical collocation space is available in all of BellSouth's Kentucky central offices. In rare circumstances where physical collocation may not be available in the future, CLECs may elect either adjacent or virtual collocation. Through the testimony of Mr. Gray and Mr. Varner, BellSouth demonstrates that, over the past year, BellSouth has achieved outstanding performance in meeting the collocation provisioning intervals established by this Commission. A CLEC's ability to obtain collocation space is not a barrier to entry in BellSouth's markets.

Q: PLEASE SUMMARIZE YOUR TESTIMONY.

A. I anticipate that the CLECs will contest the issues in this proceeding in every way possible and throw road block after road block in the path of progress toward real competition in the telecommunications industry in Kentucky. However, the simple truth of the matter is that facilities-based competition has arrived in Kentucky and has been in place for some time. Those CLECs who have chosen to invest in the state of Kentucky have put in switches and are serving mass market customers in a number of geographic areas in the state, while other CLECs want to continue to provide services using nothing but BellSouth's network. Requiring BellSouth to provide unbundled switching at

artificially-low TELRIC prices, as is presently the case, creates disincentives for CLECs to invest in Kentucky, which no doubt explains why there is not more facilities-based competition than there is now. It is time to take the next step and begin weaning carriers like MCI and AT&T from the below-cost switching that BellSouth is currently required to offer, and time to compel these and other companies to make real investments in Kentucky that will be of real benefit over time. Any argument that BellSouth's "hot cut" process is to blame is simply a red herring. Thousands and thousands of lines have been moved from BellSouth's switches to CLEC switches. The Commission has looked at BellSouth's hot cut process and found it sufficient to support BellSouth's entry into the interLATA long distance business. There is no reason for the Commission to reach a contrary conclusion here.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

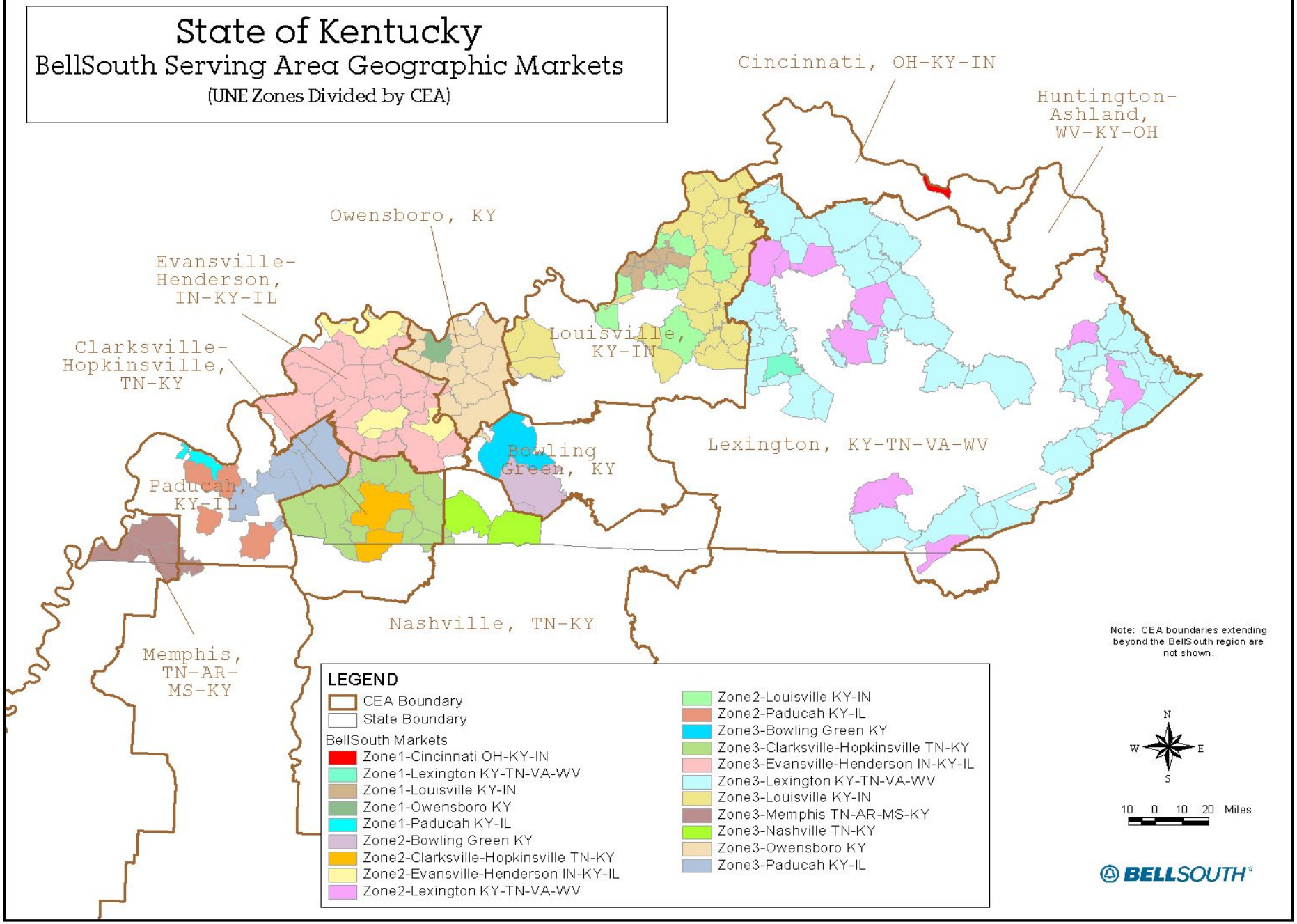
A. Yes.

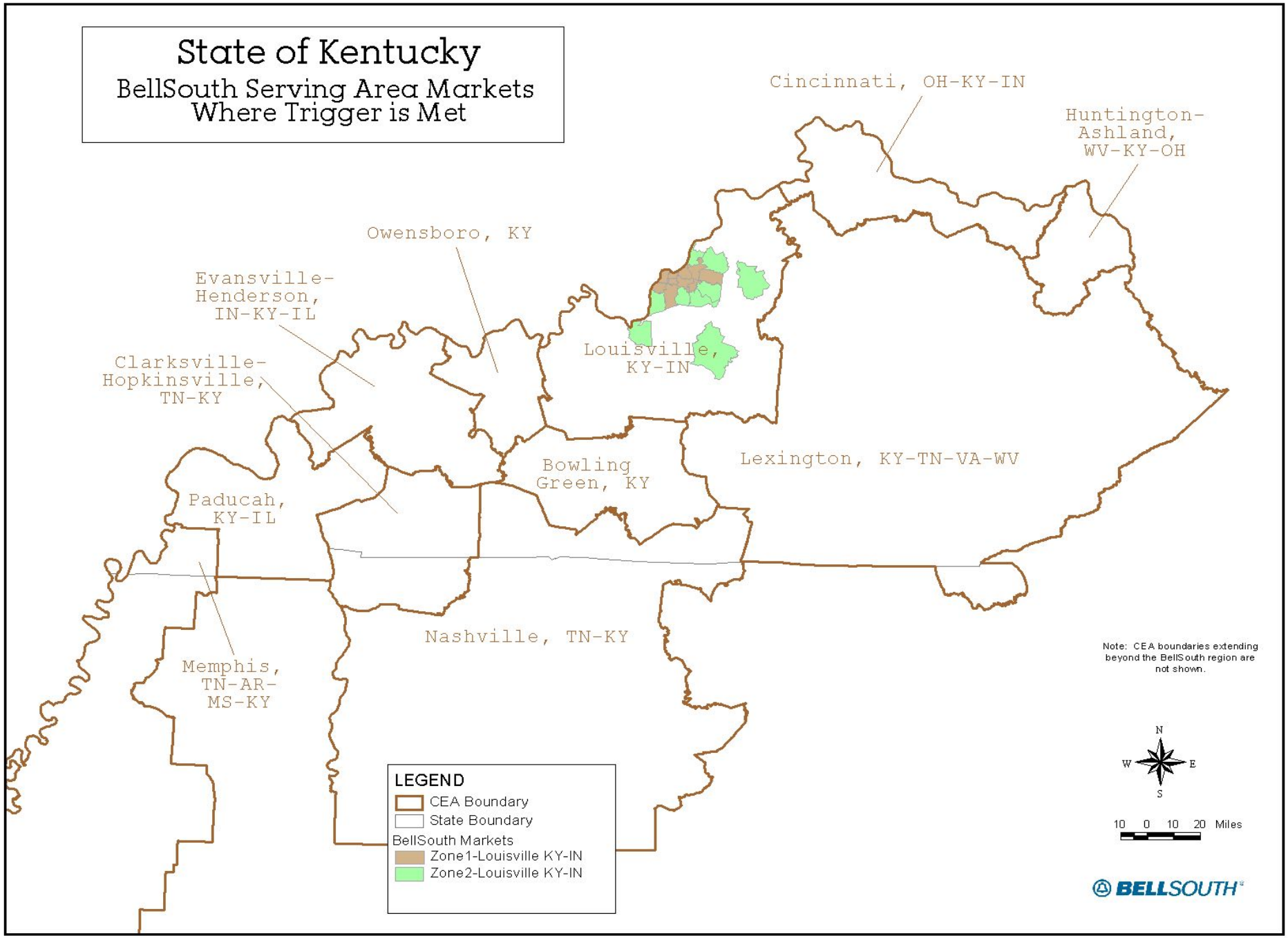
(#521495)

State of Kentucky

BellSouth Serving Area Geographic Markets

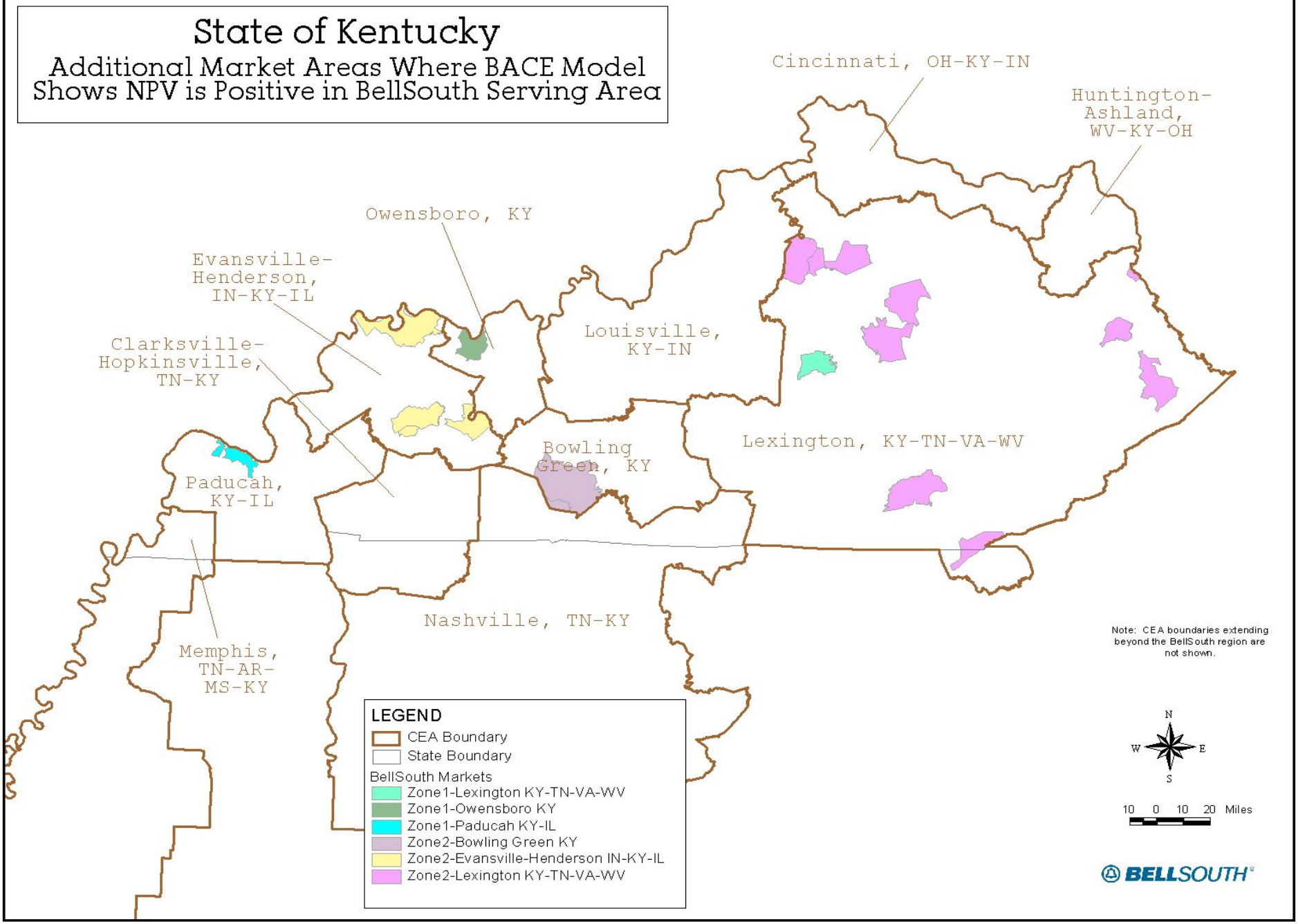
(UNE Zones Divided by CEA)




State of Kentucky
BellSouth Serving Area Markets
Where Trigger is Met
Cincinnati, OH-KY-IN
Huntington-
Ashland,
WV-KY-OH
Owensboro, KY
Evansville-
Henderson,
IN-KY-IL
Clarksville-
Hopkinsville,
TN-KY
Louisville,
KY-IN
Bowling
Green, KY
Lexington, KY-TN-VA-WV
Paducah,
KY-IL
Nashville, TN-KY
Memphis,
TN-AR-
MS-KY
LEGEND
CEA Boundary
State Boundary
BellSouth Markets
Zone1-Louisville KY-IN
Zone2-Louisville KY-IN
Note: CEA boundaries extending beyond the BellSouth region are not shown.
N
W
E
S
10 0 10 20 Miles
BELLSOUTH

State of Kentucky

Additional Market Areas Where BACE Model Shows NPV is Positive in BellSouth Serving Area



KENTUCKY - Nonrecurring Rates

		Current Rates		Proposed BHC Rates	
Cost Ref. No.	**Rate Elements**	**First Loop**	**Addtl Loop**	**First Loop**	**Addtl Loop**
SL1 Loop with Order Coordination					
A.1.1	SL1 Loop NRC	$46.66	$22.57	$37.84	$17.05
N.1.5	Order Coordination	$9.00	$9.00	$9.00	7.66*
N.1.1	Electronic Service Order	$7.88	$0.00	$7.88	$0.00
H.1.9	2-Wire Cross Connect	$24.68	$23.68	$24.68	$23.68
	TOTAL SL1 Loop Hot Cut	***$88.22***	***$55.25***	**$79.40**	**$48.39**
SL2 Loop (Order Coordination included in Loop NRC)					
A.1.2	SL2 Loop NRC	$134.89	$81.87	$118.15	48.63*
N.1.1	Electronic Service Order	$7.88	$0.00	$7.88	$0.00
H.1.9	2-Wire Cross Connect	$24.68	$23.68	$24.68	$23.68
	TOTAL SL2 Loop Hot Cut	***$167.45***	***$105.55***	**$150.71**	**$72.31**
UCL-ND with Order Coordination					
A.13.12	UCL-ND Loop NRC	$44.97	$20.89	$36.32	$15.53
N.1.5	Order Coordination	$9.00	$9.00	$9.00	7.66*
N.1.1	Electronic Service Order	$7.88	$0.00	$7.88	$0.00
H.1.9	2-Wire Cross Connect	$24.68	$23.68	$24.68	$23.68
	TOTAL UCL-ND Loop Hot Cut	***$86.53***	***$53.57***	**$77.88**	**$46.87**

Notes: * Rate based on batch hot cut cost study results