

## **APPENDIX B**

### **South Carolina Overview and Description of Local Competitors in South Carolina**

South Carolina is the nation's 26th most populous state, with over 3.6 million inhabitants, and is the eighth most populous state in the BellSouth region.<sup>1</sup> According to U.S. census data, 54.6% of its population is in metropolitan areas. The largest metropolitan area is Greenville-Spartanburg with a population of over 572,000.

South Carolina has four LATAs (Charleston, Columbia, Greenville, and Florence) and had 6,369,318,000 interLATA access minutes in 1996.<sup>2</sup> As of 1996, there were over 1.65 million total access lines in South Carolina served by reporting ILECs, with 1.32 million served by BellSouth.<sup>3</sup> In 1996, BellSouth had in South Carolina \$540 million in local service revenues, \$274 million in access revenues (about one-fifth intrastate), and \$71 million in intraLATA toll revenues.<sup>4</sup>

Of the 83 telecommunication carriers with whom BellSouth has executed agreements as of September 30, 1997, only sixteen have been certified by the SCPSC to provide competing local telephone service in South Carolina, and only seven are certified by the SCPSC as CLECs and have approved interconnection agreements for services other than resale or cellular telephony. These are ACSI, AT&T, DeltaCom, Hart Communications, Intermedia Communications, KMC Telecom, and MCI. Most of the rest appear to be cellular providers, resellers, or other local exchange carriers in separate service areas. In its 271 application, BellSouth cites Time Warner as a potential facilities-based entrant in South Carolina. However, Time Warner has not filed for CLEC status in South Carolina<sup>5</sup> and we do not consider it a likely facilities-based entrant in the near term. US LEC and Fiber South are the only other companies that have pending CLEC certifications before the SCPSC<sup>6</sup>; neither appear to have plans to provide facilities-based services in South Carolina in the near future.

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<sup>1</sup> [www.census.gov/statab/ranks/pg01.txt](http://www.census.gov/statab/ranks/pg01.txt) as of July 1, 1995.

<sup>2</sup> Federal Communications Commission, Preliminary Statistics of Communications Common Carriers, at Table 2.6 (1996) ("FCC 1996 Preliminary Statistics").

<sup>3</sup> FCC 1996 Preliminary Statistics at Table 2.5. There were a total of 1.9 million access lines being served in South Carolina by all incumbent local exchange carriers as of the end of 1995, according to NECA. BellSouth thus had about 68% of access lines in South Carolina in 1995.

<sup>4</sup> FCC ARMIS Annual Summary Report 43-01, BellSouth South Carolina, 1996 at Table I, rows 1010, 1020 and 1030.

<sup>5</sup> Affidavit of Gary M. Wright ¶ 23 ("Wright Aff."), attached to Brief in Support of Application by BellSouth Corporation, et al. for Provision of In-Region InterLATA Services in South Carolina, CC Docket No. 97-208 (Sep. 30, 1997) ("BellSouth Brief").

<sup>6</sup> Wright Aff. at Attachment WPE-A, at 2.

As of BellSouth's application, no switches have been installed by CLECs to provide local exchange services, while BellSouth has 122 switches in the state.<sup>7</sup> As of September 11, 1997, only 1785 business lines had been resold for the entire state, and 573 to residences in BellSouth's territory.<sup>8</sup> These statistics demonstrate that actual competitive entry into South Carolina is extremely limited; BellSouth's market share of local exchange in its service area is about 99.8% based on access lines.<sup>9</sup>

To detail the competitive landscape, the Department discusses below each of the seven certified CLECs that might provide facilities-based local services in South Carolina.

### **American Communications Services, Inc. ("ACSI")**

ACSI is a facilities-based provider of competitive local telecommunication services in South Carolina<sup>10</sup> with operational local fiber networks located in Charleston, Columbia, Greenville, and Spartanburg.<sup>11</sup> It is not yet, however, an operational facilities-based local exchange service provider. "ACSI currently provides, or actively is implementing plans to provide, a variety of local telecommunication services, including, dedicated and private line, high-speed data services, IP switching and managed services, local switched voice services, and Internet services."<sup>12</sup> The SCPSC approved ACSI's negotiated interconnection agreement with BellSouth on October 28, 1996 and certified ACSI as a CLEC in August 1996.<sup>13</sup>

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<sup>7</sup> FCC ARMIS Annual Summary Report 43-05, BellSouth South Carolina, 1996 at Table IV, rows 0200 and 0201.

<sup>8</sup> Wright Aff. ¶ 24.

<sup>9</sup> 1996 8-K Quarterly Report for BellSouth Corporation and Wright Aff. ¶ 24.

<sup>10</sup> Affidavit of James C. Falvey, In the Matter of Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distances, Inc., for Provision of In-Region, InterLATA Services in South Carolina, Opposition of ACSI, CC Docket No. 97-208, ¶ 2 (October 20, 1997) ("Falvey Aff."). ACSI's business strategy is to supply customers with advanced telecommunication services through its digital SONET-based fiber optic local networks. Id. As of the date of BellSouth's Section 271 Application, ACSI had completed construction of local fiber networks in 32 markets across the country and had nine local exchange switches in operation. Id. "ACSI plans to install a total of 16 local switches by year end." Id.

<sup>11</sup> Id. ¶ 4.

<sup>12</sup> Id.

<sup>13</sup> Wright Aff. at Attachment WPE-A, at 2.

During the first quarter of 1998, ACSI plans to have an operational switch in Greenville.<sup>14</sup> ACSI currently resells BellSouth local exchange services to business customers and plans to migrate resale customers to its own facilities when the local switch is installed.<sup>15</sup>

ACSI has initiated negotiations for collocation arrangements at BellSouth's Greenville end offices and has requested the assignment of NXX codes.<sup>16</sup> ACSI has also stated that it plans to use that switch later to provide local switched services to other South Carolina cities by back-hauling traffic to Greenville as necessary.<sup>17</sup>

While "ACSI's business strategy focuses primarily on business customers," ACSI has said that it "will provide facilities-based service to residential callers through multi-tenant dwelling units ("MDUs") and shared tenant service ("STS") providers where it makes economic sense."<sup>18</sup> ACSI currently provides a high capacity connection to a STS provider in Birmingham, Alabama who, in turn, arranges service with its individual residential tenants.<sup>19</sup> ACSI has not, however, announced plans to provide residential service in South Carolina.

However, ACSI has stated that it would be interested in offering its switched facilities-based local services on a wider scale to residential customers in South Carolina when an economic ULL (Unbundled Local Loop) pricing structure is established.<sup>20</sup> ACSI asserts that "BellSouth's current pricing policies for ULLs and other UNEs have created a cost-price squeeze that currently makes it economically infeasible to serve individual residential customers directly in South Carolina."<sup>21</sup> When permanent rates have been established by the SCPSC, ACSI stated that it "will reassess the economic feasibility of providing widespread local service to individual residential customers in South Carolina."<sup>22</sup>

## **AT&T**

AT&T's entry strategy for South Carolina appears to be based on a combination of unbundled elements and resale. On February 29, 1996, AT&T requested the SCPSC to amend its certificate of public convenience and necessity to permit AT&T to offer local exchange

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<sup>14</sup> Falvey Aff. ¶ 5.

<sup>15</sup> Id. ¶ 5.

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id. ¶ 11.

<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> Id. ¶ 13.

<sup>22</sup> Id. ¶ 19.

services in South Carolina.<sup>23</sup> In March 1996, AT&T informed BellSouth that it intended to use UNEs to provide “all the network capabilities and functions needed to offer residential and business customers a wide array of basic exchange services.”<sup>24</sup> On June 10, 1996, AT&T formally requested access and interconnection from BellSouth in South Carolina.<sup>25</sup>

BellSouth and AT&T failed to reach an interconnection agreement on all terms and AT&T requested arbitration on the disputed issues. The arbitration proceeding took place in February 1997 and on March 10, 1997, the SCPSC ruled on the outstanding issues.<sup>26</sup> While the final arbitrated agreement between AT&T and BellSouth was signed on June 2 and approved by the SCPSC on June 20, AT&T still had objections to several provisions and filed an appeal with the U.S. District Court of South Carolina on July 18, 1997.<sup>27</sup>

AT&T is providing some local services over its own facilities to medium and large business customers in South Carolina.<sup>28</sup> AT&T is using its existing toll switches to route local traffic between those switches and BellSouth tandem or end offices. This service is currently provided only for intraLATA calls in South Carolina, but AT&T has indicated that it plans to file a tariff under which this service could be available to those customers as a local offering.<sup>29</sup> It is not clear when AT&T would begin offering local residential services in South Carolina.

### **ITC DeltaCom**

Delta Com is a subsidiary of ITC Holding Co. and is a regional long-distance company in the southeast that has traditionally focused on the business market.<sup>30</sup> The ITC DeltaCom network has over 2100 miles of fiber-optic cable throughout both North and South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and parts of Texas.<sup>31</sup> DeltaCom has also constructed a series of SONET-rings along its fiber routes in order to provide self-healing high capacity access and transport services.<sup>32</sup> DeltaCom is authorized to provide local

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<sup>23</sup> Affidavit of Jim Carroll on Behalf of AT&T Corp. ¶ 12 (“Carroll Aff.”), attached to AT&T Comments as Appendix-Volume V, Tab D.

<sup>24</sup> Id. ¶ 14.

<sup>25</sup> Id. ¶ 15.

<sup>26</sup> Id. ¶ 18.

<sup>27</sup> Id.

<sup>28</sup> Id. ¶ 19.

<sup>29</sup> Id.

<sup>30</sup> Wright Affidavit ¶ 15.

<sup>31</sup> Id.

<sup>32</sup> Id.

telecommunication services in South Carolina.<sup>33</sup> DeltaCom negotiated an interconnection agreement with BellSouth for South Carolina on March 12, 1997, that was approved by the SCPSC on April 3, 1997.<sup>34</sup>

During the second quarter of 1997, DeltaCom publicly announced its intention to offer local exchange service throughout its service area, including South Carolina.<sup>35</sup> In August 1997, the SCPSC approved DeltaCom's tariff for both business and residential local exchange service offerings.<sup>36</sup> Based upon DeltaCom's Confidential Exhibit provided as part of the Moses Affidavit, DeltaCom's business plans for South Carolina and the steps taken in pursuit of those plans indicate that it intends to provide residential facilities-based services in South Carolina, either through the use of a network entirely owned by DeltaCom or through the partial use of BellSouth facilities.<sup>37</sup> A recent filing by DeltaCom before the SEC states, however, that DeltaCom's business strategy is to provide local exchange services to businesses, though it does not deny that DeltaCom will provide residential, facilities-based local exchange services.<sup>38</sup> Therefore, while DeltaCom does plan "to provide facilities-based residential and business services on a widespread basis in South Carolina in the foreseeable future,"<sup>39</sup> thus there are still real questions as to when DeltaCom intends to provide residential service in South Carolina.

### **Hart Communications/Paramount**

Hart's interconnection agreement with BellSouth specifically stated that it intended to provide telecommunication services in South Carolina and interconnect its facilities, purchase unbundled network elements, and exchange traffic.<sup>40</sup> The parties also agreed to commence negotiations on the terms, conditions, and prices for local interconnection beginning on October 1, 1997 with an effective date of June 1, 1998.<sup>41</sup> Hart received SCPSC certification as a CLEC

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<sup>33</sup> Wright Aff. at Attachment WPE-A, at 2. The SCPSC certified DeltaCom in January 1997. Id.

<sup>34</sup> Affidavit of Steven D. Moses on Behalf of ITC DeltaCom, Inc. ¶ 21 ("Moses Aff."), attached to Comments of the Association for Local Telecommunications Services, CC Docket No. 97-208 (Oct. 20, 1997) as Attachment C.

<sup>35</sup> Id.

<sup>36</sup> Wright Aff. ¶ 21.

<sup>37</sup> Moses Aff. ¶ 22.

<sup>38</sup> Amendent No. 3 to Form S-1 Registration Statement Under the Securities Act of 1933, ITC\ DeltaCom, at 3 (Oct. 22, 1997).

<sup>39</sup> Id.

<sup>40</sup> Hart Communications Corporation/BellSouth Telecommunications, Inc. Interconnection Agreement, at 1, attached to BellSouth as Appendix B-Volume 1, Tab 4.

<sup>41</sup> Id. at 3.

in September 1997.<sup>42</sup> The Department has no other information concerning Hart's plans in South Carolina.

### **Intermedia Communications, Inc.**

Intermedia is authorized to provide intrastate, interexchange, and competitive local exchange services in South Carolina.<sup>43</sup> Intermedia negotiated a region-wide interconnection agreement with BellSouth on June 21, 1996.<sup>44</sup> The SCPSC approved that agreement in July 1996 and certified Intermedia as a CLEC in November 1996.<sup>45</sup>

In South Carolina, Intermedia has approximately 400 resold access lines.<sup>46</sup> Intermedia has four data switches located in Columbia, Greenville, Florence, and Charleston, South Carolina, and plans to place voice switches in Greenville and Spartanburg by the third quarter of 1998.<sup>47</sup> Intermedia requested unbundled network elements for the provision of digital data service from BellSouth over fifteen months ago.<sup>48</sup> According to Intermedia, BellSouth has failed not provided the requested unbundled digital loops and has indicated before the Florida Public Service Commission that it may not provide those loops at all.<sup>49</sup> The Department is unaware of any specific plans by Intermedia to provide additional switched services in South Carolina or whether Intermedia has filed a local service tariff.

### **KMC Telecom Inc.**

KMC is a competitive local exchange carrier, authorized to provide local exchange service in seventeen states, including at least five in BellSouth's region.<sup>50</sup> KMC and BellSouth's

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<sup>42</sup> Wright Aff., Attachment WPE-A, at 2.

<sup>43</sup> Comments of Intermedia Communications Inc. in Opposition to the Request for In-Region, InterLATA Relief, CC Docket No. CC 97-208, at 3 (Oct. 20, 1997) ("Intermedia Comments"). The veracity of Intermedia's comments were attested to by its Director of Strategic Planning and Industry Policy in an attached affidavit.

<sup>44</sup> Id.

<sup>45</sup> Wright Aff., Attachment WPE-A, at 2.

<sup>46</sup> Intermedia Comments at 3.

<sup>47</sup> Id.

<sup>48</sup> Id. at 3-4.

<sup>49</sup> Id. at 4.

<sup>50</sup> Comments of Hyperion Telecommunications, Inc. and KMC Telecom Inc. in Opposition to BellSouth's Application for InterLATA Authority in South Carolina, CC Docket. No. 97-208, at 1-2 (Oct. 20, 1997) ("KMC Comments"). Notwithstanding these comments, which do not list South Carolina as a state where KMC has been certified, BellSouth's Wright Affidavit states that KMC was approved in January 1997 as a CLEC certified in South Carolina to provide local

region-wide interconnection agreement was approved by the SCPSC on April 3, 1997.<sup>51</sup> An interconnection implementation schedule for three cities (all outside of South Carolina) was included in that agreement, however, no implementation dates were set.<sup>52</sup> KMC has stated that it provides competitive access services using its own fiber optic network in Huntsville, Alabama and resells BellSouth's local exchange service there.<sup>53</sup> KMC also resells BellSouth's local exchange service in Alabama, Florida, Georgia, and Louisiana.<sup>54</sup> KMC has begun the process of providing local exchange services over its own networks under development in North Carolina.<sup>55</sup>

KMC has not identified when it will begin to provide local exchange services in South Carolina. The Department is unaware if KMC has filed a local exchange tariff in South Carolina.

### **MCI Telecommunications Corporation**

MCI negotiated an interconnection agreement that includes the purchase of unbundled network elements from BellSouth.<sup>56</sup> MCI asserts that it intends to compete in BellSouth's region using each method of entry -- resale of incumbent services, purchasing UNEs, using MCI's own facilities, and entering into ventures with other companies to construct or utilize facilities.<sup>57</sup> Currently, it does not have separate local facilities of its own in South Carolina. MCI has stated that it intends to provide local telecommunications services to both business and residential customers through its own switches and other facilities.<sup>58</sup>

MCI has submitted limited test orders, including six residential resale orders and thirteen residential UNE combination orders in South Carolina.<sup>59</sup> It states that "the timing of additional

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exchange services. Wright Affidavit, ¶ 8; Wright Aff., Attachment WPE-A, at 2. The Department does not possess any additional information that clarifies the issue of KMC's certification.

<sup>51</sup> Wright Aff., Attachment WPE-A, at 2.

<sup>52</sup> BellSouth and KMC Interconnection Agreement, February 24, 1997, at 15-20.

<sup>53</sup> Declaration of Larry E. Miller ¶ 4, attached to KMC Comments.

<sup>54</sup> KMC Comments, at 2.

<sup>55</sup> Id.

<sup>56</sup> BellSouth and MCI Interconnection agreement. The SCPSC approved this agreement on September 14, 1997. MCI was certified as a CLEC by the SCPSC in July 1997. Wright Aff., Attachment WPE-A, at 2.

<sup>57</sup> Declaration of Marcel Henry on Behalf of MCI Telecommunications Corporation ¶ 12 ("Henry Declaration"), attached to MCI Comments.

<sup>58</sup> Id.

<sup>59</sup> Id. ¶ 15.

activity in South Carolina will depend on whether BellSouth begins to comply fully with the Act.”<sup>60</sup> MCI is testing BellSouth’s region-wide systems in Georgia and “[o]nly when BellSouth has complied with the Act fully in Georgia will it make sense for MCI to expand into the other states in BellSouth’s region.”<sup>61</sup>

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<sup>60</sup> Id.

<sup>61</sup> Id.