

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of

Petition of INTERMEDIA : DOCKET NO. 921074-TP  
COMMUNICATIONS OF FLORIDA, INC. :  
for expanded interconnection :  
for AAVs within LEC central :  
offices. :

FIRST DAY - AFTERNOON SESSION

VOLUME II

Pages 167 through 381

PROCEEDINGS:

HEARING

BEFORE:

COMMISSIONER SUSAN F. CLARK  
COMMISSIONER LUIS J. LAUREDO  
COMMISSIONER JULIA L. JOHNSON

DATE:

Monday, September 13, 1993

TIME:

Commenced at 9:30 a.m.

PLACE:

FPSC Hearing Room 106  
Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida

REPORTED BY:

JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting  
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APPEARANCES:

(As heretofore noted.)

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P R O C E E D I N G S

(Hearing reconvened at 1:30 p.m.)

(Transcript continues in sequence from Volume

I.)

COMMISSIONER CLARK: We will reconvene the hearing. Mr. Erwin, you have some questions you wanted to ask to clarify a point?

MR. ERWIN: Yes, I do. Thank you.

JONATHAN E. CANIS

resumed the stand as a witness on behalf of Intermedia Communications of Florida, Inc., and testified as follows:

RECROSS EXAMINATION

BY MR. ERWIN:

Q Mr. Canis, I'm David Erwin, I represent some of the smaller local exchange companies, those who are quite clearly not Tier I LECs.

I believe you stated in response to questions by Mr. Murphy that the non-Tier I LECs would have a general obligation to respond to requests and that the PSC would then act as an arbiter; is that correct?

A That is correct.

Q Would you agree with me that there are several things that the Commission could do in this proceeding and that the first of which is that they

1 could ignore the non-Tier I LECs and make no order  
2 applicable to them in any way?

3 A Yes.

4 Q And could they also just as easily make all  
5 of the requirements that are applicable to a Tier I LEC  
6 applicable to a non-Tier I LEC?

7 A Yes.

8 Q And is your request somewhere in the middle  
9 between those two extremes?

10 A That is correct, yes.

11 Q Okay. Now, could you indicate to me whether  
12 or not you believe that, under your scheme of  
13 regulation, that the non-Tier I LECs would be free to  
14 negotiate with AAVs the terms of any kind of  
15 collocation that might occur?

16 A I think that would be the preferable starting  
17 point, absolutely, yes.

18 Q What would another starting point be other  
19 than that, if that's not the starting point?

20 A Well, I guess what I'm getting to is we are  
21 very sympathetic to the fact that small IXC's may have  
22 unique concerns quite different from the large ones and  
23 that an appropriate collocation arrangement may in fact  
24 have to be individually negotiated. Our only concern  
25 is that, just as large IXC's have total control of their

1 central offices and we lack bargaining position with  
2 them, we also lack bargaining leverage with small ICCs.  
3 Even though the whole process would be negotiated and  
4 done on an ad hoc basis, we would ask that the  
5 Commission make itself available if the two parties  
6 could not agree to a reasonable solution to act as an  
7 arbiter.

8 Q Do you believe that in this proceeding the  
9 Commission should establish any sort of details of this  
10 regulatory scheme, such as what would be reasonable and  
11 what would not be reasonable in the negotiating  
12 process?

13 A I don't think that is necessary, no.

14 Q So you feel that simply if a bona fide  
15 request were made by an AAV that the local exchange  
16 company would then have an obligation to respond to  
17 that; and that if the details were not worked out  
18 properly to the satisfaction of both parties, that the  
19 AAV could then ask the Commission to intercede and have  
20 a proceeding or to in some fashion determine the  
21 outcome of that?

22 A That is correct.

23 Q You would not contemplate, would you, that  
24 the non-Tier I LECs would have to file any sort of  
25 tariff at this time or at any time prior to any kind of

1 request by an AAV?

2 A That is correct.

3 Q And you would not then, I gather, require  
4 that any non-Tier I LEC be bound by the terms of any  
5 other tariff that might be filed by a Tier I LEC?

6 A Assuming that the small IXC doesn't concur in  
7 that larger -- I'm sorry, in a larger LEC's tariff,  
8 yes.

9 Q All right. Do you know of any other location  
10 or state in which a regulatory scheme such as this  
11 being advanced by you might be in operation at the  
12 present time?

13 A Well, New York. New York state has  
14 established an affirmative obligation for all LECs  
15 within the state to provide collocation on reasonable  
16 demand. As it occurs, only two Tier I LECs, that is,  
17 New York Tel in Rochester, have in fact tariffed  
18 collocation. To the best of my knowledge, no smaller  
19 LEC in New York has received the bona fide request for  
20 collocation, but there is an affirmative obligation  
21 that they respond.

22 Q Just incidentally, can you tell me what is a  
23 bona fide request or what is a reasonable request in  
24 your terms for collocation?

25 A I think a request in writing that meets the



1 standards that the regulatory body has established for  
2 IXC collocation, that is, that it includes equipment,  
3 transmission equipment, that has been approved for  
4 collocation with the large, large LECs. So in other  
5 words, database, a request for, you know, installing a  
6 database in a central office would not be considered a  
7 reasonable, bona fide request, because that kind of  
8 equipment is not permitted under either the New York  
9 rules or the FCC's rules.

10 Q Would you feel that an AAV had to have any  
11 particular number of customers or any level of business  
12 or anything of that nature in order to constitute a  
13 reasonable request?

14 A I would not be in favor of artificially  
15 imposing any restrictions.

16 Q So if I understand you correctly, then you  
17 don't want artificially imposed restrictions either on  
18 the AAV or on the LEC in the negotiating process?

19 A That's correct.

20 MR. ERWIN: That's all the questions, thank  
21 you.

22 COMMISSIONER LAUREDO: May I have just a very  
23 quick question.

24 Is the part of your testimony your central  
25 argument that you make against negotiating with

1 agreements with the LECs that you would put an enormous  
2 burden on this Commission because in essence we would  
3 always be arbitrating disputes?

4 WITNESS CANIS: For a general requirement,  
5 yes, that certainly is my point. And that's why I  
6 believe very strongly that for the Tier I LECs terms  
7 and conditions must be tarified to avoid this ad hoc  
8 kind of litigation.

9 However, for non-Tier I LECs, they tend to be  
10 very -- well, to the best of my knowledge, no AAV in  
11 the country has sought collocation with a Tier II LEC.  
12 So my understanding, based on my experience to date, is  
13 that requests for collocation with Tier II LECs are  
14 going to be few and far between and handling them on an  
15 ad hoc basis should not be unduly burdensome to the  
16 Commission.

17 COMMISSIONER CLARK: Go ahead, Mr. Wiggins.

18 REDIRECT EXAMINATION

19 BY MR. WIGGINS:

20 Q Mr. Canis, in your discussions with Mr.  
21 Erwin, you referred to small IXCs. Did you mean to say  
22 small LECs?

23 A Sorry, yes, I did.

24 Q Just to get that clear.

25 Earlier today, Mr. Fons asked you a question

1 about service between a Company A and a Company B, do  
2 you remember a question to that effect?

3 A Yes, I did.

4 Q I want to refine that question and ask you a  
5 specific question. Do you know if Intermedia currently  
6 provides private line intrastate service between a  
7 Company A and a Company B where those two companies are  
8 unaffiliated?

9 A I'm sorry, is that intrastate?

10 Q Intrastate where A and B are not affiliated.

11 A Not to my knowledge. And to the best of my  
12 knowledge they are precluded from doing so by  
13 Commission order.

14 MR. WIGGINS: No further questions.

15 COMMISSIONER CLARK: Exhibits?

16 COMMISSIONER LAUREDO: May I ask a couple of  
17 questions to clear my notes?

18 COMMISSIONER CLARK: Sure.

19 COMMISSIONER LAUREDO: There was, in answer  
20 to the question, I think you agreed with the  
21 questioner, Mr. Fons, I believe, that the equipment  
22 we're talking about is off the shelf, nobody has any  
23 competitive scooping on anybody else?

24 WITNESS CANIS: Uh-huh.

25 COMMISSIONER LAUREDO: None of the people

1 involved in this case are manufacturers or R&Ds?

2 WITNESS CANIS: That's correct. To the best  
3 of my knowledge, the LECs and the AAVs buy their  
4 equipment from a number, perhaps a half a dozen or so,  
5 equipment manufacturers.

6 COMMISSIONER LAUREDO: I want to find the  
7 quote quickly because one of the arguments you make for  
8 physical collocation is that you are put in a  
9 competitive disadvantage because in essence a LEC can  
10 see what you're doing. Do you recall that?

11 WITNESS CANIS: Yes, I think I recall --

12 COMMISSIONER LAUREDO: In fact, you talked  
13 about placing the fox in charge of the hen house?

14 WITNESS CANIS: The hen house, right. Do you  
15 want that clarified?

16 COMMISSIONER LAUREDO: Yes, please.

17 WITNESS CANIS: In terms of the fox in the  
18 hen house analogy, that was more broadly targeted to  
19 issues of, you know, pricing, control over the  
20 equipment, how and when it was repaired and installed,  
21 et cetera.

22 There is one other issue, however.  
23 Certainly, in a virtual or physical collocation  
24 arrangement, once you cross-connect with LEC services,  
25 you have to tell them what you've got and what it is

1 and there's no secrets there. However, under virtual  
2 collocation, the LECs have to install that equipment  
3 for you. So under virtual collocation, an AAV  
4 essentially has to give the LECs advanced notice, "Hey,  
5 we're planning on installing this kind of equipment, we  
6 want you to do it for us." That is one difference.  
7 Again, after the fact, once that equipment is in there,  
8 everybody knows it. Under virtual, you have to give  
9 prior notice, essentially clue them in beforehand --

10 COMMISSIONER LAUREDO: It really has to do, I  
11 misunderstood you, it has to do with the definition of  
12 the services rather than the hardware related to the  
13 services; am I right?

14 WITNESS CANIS: Inasmuch as the type of  
15 hardware that you will put in will define the kind of  
16 services you may provide.

17 COMMISSIONER LAUREDO: I found the quote on  
18 Page 27. The corollary which brought the question to  
19 mind is your answering under my question you do not  
20 feel that competitive infringement, if I may call it  
21 that, from your fellow AAVs. How do you consistently  
22 make that argument? I find an inconsistency there,  
23 explain it to me.

24 WITNESS CANIS: Well, again, the concern  
25 about notice was just providing prior notice. If I



1 want to go in and put in a brand-new type of machine  
2 that will allow me to provide a service that's perhaps  
3 unusual or that I haven't provided before. Once I put  
4 that equipment in, turn it up, start providing it to a  
5 customer, it's going to appear in my tariffs and  
6 everybody is going to know that's a service I'm  
7 providing. I want people to know that. So once that  
8 kind of equipment is up and running, I have no problems  
9 with people knowing what I have in my network.

10           However, if I have to go to LEC and say,  
11 "Look, I want to provide this brand new kind of  
12 service, introduce this brand new kind of equipment,  
13 will you install it for me in three months, how long is  
14 it going to take to do it," that's a different story.  
15 It's that aspect, that kind of prior notification we're  
16 sensitive about.

17           COMMISSIONER LAUREDO: Two quick questions.  
18 The New York example you make great emphasis on. You  
19 make emphasis to the fact how the political forces  
20 including the mayor was involved in pushing the Public  
21 Service Commission to instituting that in NYNEX because  
22 of the services you outline. Is redundancy synonymous  
23 in your mind with reliability?

24           WITNESS CANIS: Yes.

25           COMMISSIONER LAUREDO: Right.

1           WITNESS CANIS: There are other determinants  
2 of reliability, but absolutely yes.

3           COMMISSIONER LAUREDO: Would you say that the  
4 push -- the Southern Bell policy, the public policy,  
5 the Southern Bell push for that policy in the state of  
6 New York, which has become kind of the case to  
7 articulate we should do that in Florida, are  
8 qualitatively different?

9           WITNESS CANIS: No, I think --

10          COMMISSIONER LAUREDO: New York is the center  
11 of the western hemisphere and there was enormous  
12 concern about the reliability of the financial markets,  
13 et cetera, et cetera?

14          WITNESS CANIS: Absolutely. However, there  
15 are a lot of businesses that are as  
16 communications-dependent as the New York Stock  
17 Exchange. Certainly your hospitals, even educational  
18 institutions, other financial services, businesses, are  
19 equally critically dependent on reliable  
20 communications.

21               Moreover, and this is one of the big,  
22 business concerns: New York was critically concerned  
23 that it was going to lose its high tech businesses to  
24 New Jersey, Pennsylvania, Connecticut, other  
25 neighboring states. And its decision to take a

1 pioneering approach to competition for communications  
2 was geared, A, on encouraging companies that already  
3 existed within the state to stay within the state, and  
4 also to lure into the state companies that would  
5 benefit from having a state-of-the-art  
6 telecommunications infrastructure. I believe that same  
7 concern is fully operative in Florida.

8 COMMISSIONER LAUREDO: I was reading from  
9 Page 11, and there you outline specifically stock  
10 brokerages and financial services institutions and  
11 their need for reliability --

12 WITNESS CANIS: Right.

13 COMMISSIONER LAUREDO: -- and I think the  
14 time period in my mind when the decision was made we  
15 had the problem in Chicago with the water seepage and  
16 the panic that happened. And to my knowledge, I'm not  
17 familiar with any such intensity of a global  
18 reliability need that Florida has. We wish we did, but  
19 you would grant me that there is some, at least in  
20 terms of degree, some difference between the New York  
21 situation and any Florida --

22 WITNESS CANIS: Well, I will, I will grant  
23 you that the New York Stock Exchange and the financial  
24 industry in New York really lended a certain air of  
25 necessity and emergency to the New York PSC's decision

1 on communications. However, the underlying issue,  
2 though, of really maintaining and fostering  
3 state-of-the-art advanced telecommunications  
4 infrastructure is something that I think applies fully  
5 to Florida.

6 COMMISSIONER LAUREDO: I asked you that when  
7 you come back in rebuttal if time permits we can go and  
8 have a little more exchange on the big picture. Let me  
9 leave with you this quote to think about between now  
10 and then. This is an article that appeared by Peter  
11 Hubbard, who is the author of the 1993 report on  
12 competition in the telephone industry. I quote, "In  
13 telecommunications, most customers don't matter. The  
14 customers who matter are the 10% who in fact generate  
15 90% of the telephone revenues. Of the 140 million land  
16 lines, only 35 million, which are the business  
17 subscribers, make up the 90% of the revenue."

18 I'm concerned of your thoughts about how the  
19 90%, or the, I guess, 105 million, nonbusiness land-  
20 line customers would benefit if we move in this  
21 direction, when you come back. I appreciate it.

22 WITNESS CANIS: My pleasure, very good.

23 COMMISSIONER JOHNSON: I have one final  
24 question for you. On page 36, Line 11, the question  
25 was posed, "Should the Commission require all special



1 access and private line providers to file tariffs?"  
2 And you stated that you didn't think so, and you went  
3 through the rationale of the competitor process and the  
4 fact that most customers can take care of themselves as  
5 the more sophisticated customers.

6 I understand the points raised by Ms.  
7 Caswell, but my question has more with respect to what  
8 they are doing in the other states. Have they been  
9 requiring the tariffing in New York and/or any of the  
10 other situations where we do have collocation?

11 A In New York for intrastate services there has  
12 always been a requirement to tariff services. And that  
13 predated collocation, so all AAVs in New York --  
14 resellers, operator service providers, everybody -- has  
15 to have a tariff.

16 On the federal level, the FCC specifically  
17 rejected requests that collocated AAVs or CAPs be  
18 required to tariff their services.

19 Well, I have to restate that. The FCC had  
20 never required that nondominant carriers, including  
21 AAVs, tariff their service. However, about six months  
22 ago, a court of appeals case interpreted the Federal  
23 Communications Act in such a way that it overturned the  
24 FCC's prior position and established that all carriers  
25 -- and again, all common carriers, including



1 nondominant carriers -- had to tariff their services.  
2 So under the Communications Act, according to the Court  
3 of Appeals, the U.S. Court of Appeals for the D.C.  
4 Circuit, but not by FCC mandate, CAPs and other  
5 nondominant carriers do have to file tariffs.

6 COMMISSIONER JOHNSON: What about other  
7 states that you mentioned in your testimony? If you're  
8 aware.

9 WITNESS CANIS: I can tell you that  
10 California does require tariffs. But again, that has  
11 nothing to do with collocation, they always required  
12 tariffs. Those are the three jurisdictions that  
13 require tariffs that I can think of offhand.

14 COMMISSIONER JOHNSON: And I just don't  
15 recall your answer. But given, I think, Ms. Caswell  
16 had brought up a point that your original rationale was  
17 based on the fact that you have more sophisticated  
18 users and that if allowed to collocate that you would  
19 then go after a more diversified market that would  
20 include less sophisticated companies, would your  
21 rationale still apply? Would you still believe that  
22 you shouldn't have to file a tariff?

23 WITNESS CANIS: Yes, Commissioner, I  
24 certainly agree that the sophistication of the customer  
25 is one aspect that should be considered. I think there

1 is a broader aspect, though, and this goes to when is  
2 regulation necessary? I think we find it in general in  
3 all jurisdictions regulation takes place to fill a gap  
4 that's not provided by market forces. So if you don't  
5 have a fully competitive kind of an industry, you need  
6 to regulate those aspects that aren't disciplined by  
7 the invisible hand of the market.

8 In the case of nondominant carriers, you  
9 know, if the concern is, "Are you going to price  
10 excessive?" well, if CAPs price excessively, you can  
11 always get service from a LEC or from another CAP, so  
12 the potential for abusive pricing just by definition  
13 does not exist in a competitive market with nondominant  
14 carriers.

15 This is very much the position that the FCC  
16 had always taken. It always took a position that it  
17 called its forbearance policy, where it found that  
18 nondominant carriers did not present a risk of  
19 unreasonable pricing or pricing abuses; and for that  
20 reason, for about ten years, never required filing  
21 until the interpretation of the Communications Act by  
22 the court forced it to do so. But I think that  
23 rationale is fully applicable in this case.

24 To the extent that you need regulation, you  
25 need it if there's a dominant carrier that can abuse

1 its control or its dominance of the market. AAVs by  
2 definition do not have that kind of market power and,  
3 therefore, I believe that a tariffing or other  
4 regulatory oversight is not necessary to prevent  
5 pricing abuses.

6 COMMISSIONER JOHNSON: At least in the short  
7 term --

8 WITNESS CANIS: No, frankly, I --

9 COMMISSIONER JOHNSON: -- if we were to allow  
10 you into the market?

11 WITNESS CANIS: That's true. If under the  
12 unlikely scenario a CAP somehow became dominant, then I  
13 certainly do agree -- in a given market, I agree you  
14 would need that kind of oversight. But certainly  
15 that's not the case now; and I think as the market  
16 becomes increasingly competitive, I believe there will  
17 be a decreasing need for that kind of oversight.

18 COMMISSIONER CLARK: Thank you, Mr. Canis,  
19 you're excused, I guess until you come up on rebuttal.

20 WITNESS CANIS: Very good, thank you.

21 COMMISSIONER CLARK: Mr. Guedel?

22 MS. CASWELL: Commissioner Clark, I would  
23 like to move Exhibit 1.

24 COMMISSIONER CLARK: Oh, yes.

25 MR. MURPHY: Staff would like to move

1 Exhibits 2, 3 and 4; and to clarify was the late-filed  
2 given Exhibit 5?

3 COMMISSIONER CLARK: Yes. Show Exhibits 1,  
4 2, 3 and 4 moved into the record without objection.

5 (Exhibit Nos. 1, 2, 3 and 4 received in  
6 evidence.)

7 COMMISSIONER LAUREDO: Do the parties already  
8 have a copy of Exhibit 1?

9 COMMISSIONER CLARK: It was just given out  
10 today.

11 (Witness Canis excused.)

12 - - - - -

13 COMMISSIONER CLARK: Go ahead, Mr. Tye.

14 MR. TYE: Thank you.

15 MIKE GUEDEL

16 was called as a witness on behalf of AT&T  
17 Communications of the Southern States, Inc. and, after  
18 being duly sworn, testified as follows:

19 DIRECT EXAMINATION

20 BY MR. TYE:

21 Q Mr. Guedel, have you been previously been  
22 sworn?

23 A Yes, I have.

24 Q Would you please state your name and business  
25 address for the record?



1           A     Yes, my name is Mike Guedel.     My business  
2 address is AT&T, 1200 Peachtree Street Northeast,  
3 Atlanta, Georgia, 30309.

4           Q     And what is your position with AT&T?

5           A     I'm a manager in the Network Services  
6 Division.

7           Q     Have you prepared and caused to be prefiled  
8 in this proceeding testimony consisting of some nine  
9 pages of questions and answers?

10          A     Yes, I have.

11          Q     Are there any changes, corrections or  
12 additions which you need to make to it at this time?

13          A     No, there are not.

14          Q     If I asked you the same questions contained  
15 in that testimony here today, would you give me the  
16 same answers contained therein?

17          A     Yes, I would.

18               MR. TYE: Commissioner Clark, I ask that Mr.  
19 Guedel's testimony be inserted into is record as though  
20 given orally.

21               COMMISSIONER CLARK: It will be inserted in  
22 the record as though read.

23

24

25



1 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

2

3 A. My name is Mike Guedel and my business address is AT&T,  
4 1200 Peachtree Street, NE, Atlanta, Georgia 30309. I  
5 am employed by AT&T as Manager-Network Services  
6 Division.

7

8

9 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
10 EXPERIENCE?

11

12 A. I received a Bachelor of Science degree in Business  
13 Administration from Miami University, Oxford, Ohio.  
14 Over the past years, I have attended numerous Industry  
15 schools and seminars covering a variety of technical  
16 and regulatory issues. I joined the Rates and  
17 Economics department of South Central Bell in February  
18 of 1980. My initial assignments included cost analysis  
19 of terminal equipment and special assembly offerings.  
20 In 1982, I worked on access charge design and  
21 development. From May of 1983 through September of  
22 1983, as part of an AT&T task force, I developed local  
23 transport rates for the initial NECA interstate access  
24 filing. Post divestiture, I remained with South  
25 Central Bell with specific responsibility for cost

1 analysis, design, and development relating to switched  
2 access services and intraLATA toll. In June of 1985, I  
3 joined AT&T, assuming responsibility for cost analysis  
4 of network services including access charge impacts for  
5 the five South Central States (Alabama, Kentucky,  
6 Louisiana, Mississippi, and Tennessee).

7  
8  
9 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES?**

10  
11 **A.** My current responsibilities include supervising  
12 analytical support activities necessary for intrastate  
13 communications services in Florida and other southern  
14 states. This includes detailed analysis of access  
15 charges and other LEC filings to assess their impact on  
16 AT&T and its customers. In this capacity, I have  
17 represented AT&T through formal testimony before the  
18 Florida Public Service Commission as well as the  
19 regulatory commissions in the states of Georgia and  
20 South Carolina.

21  
22  
23 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

24  
25 **A.** The purpose of my testimony is to recommend that the

1 Florida Public Service Commission find expanded  
2 interconnection to be in the public interest and to  
3 take the necessary steps to expedite its  
4 implementation.

5  
6  
7 **Q. WHAT IS EXPANDED INTERCONNECTION?**

8  
9 **A.** Expanded interconnection is an interconnection  
10 arrangement that permits access providers other than  
11 the local exchange companies to interconnect with the  
12 local exchange companies' networks on the local  
13 exchange companies' premises. Under this arrangement,  
14 the local exchange companies are required to provide  
15 space at designated points within their networks for  
16 locating (either virtually or physically) the equipment  
17 of competing access providers. Therefore, with  
18 expanded interconnection, end user customers can  
19 utilize the loop facilities of the local exchange  
20 companies for connection to the LEC central office and  
21 then select among available access providers the  
22 special transport services connecting the local  
23 exchange office to the desired interexchange carrier  
24 (IXC) point of presence (POP). This interconnection  
25 arrangement offers to bring the benefits of special

1 access competition to greater number of end user  
2 customers than would be possible with traditional  
3 alternative access vendor (AAV) end to end service.  
4  
5

6 **Q. HOW DOES "PHYSICAL" COLLOCATION DIFFER FROM "VIRTUAL"**  
7 **COLLOCATION?**  
8

9 **A.** For purposes of expanded interconnection, the FCC has  
10 described "physical" collocation as an arrangement  
11 whereby the competitive access provider (CAP) leases  
12 floor space (and access to the floor space) within a  
13 LEC central office for purposes of installing,  
14 maintaining and managing telecommunications equipment  
15 used in the provision of competitive access services.  
16 Under this arrangement, the CAP personnel can gain  
17 entry to their designated space within the LEC central  
18 office (generally with security escort) to install,  
19 maintain, and/or repair their own equipment.  
20

21 The FCC has described "virtual" collocation (again for  
22 purposes of expanded interconnection) as an arrangement  
23 whereby the local exchange company installs, maintains  
24 and repairs CAP designated telecommunications equipment  
25 used in the provision of competitive access services



1 within the LEC central office. Under this arrangement,  
2 the CAP can maintain monitoring and control ability,  
3 but cannot physically access the equipment within the  
4 central office.

5  
6 In either case, however, the equipment used to  
7 terminate interconnected circuits would be located in  
8 the LEC central office.

9  
10  
11 **Q. WHO SHOULD BE ALLOWED TO INTERCONNECT?**

12  
13 **A.** Interconnection opportunities should be available to  
14 all third parties including CAPs and IXC's and end  
15 users. The purpose of expanded interconnection is to  
16 promote competition and to begin to challenge the local  
17 exchange monopoly. Creating artificial barriers to  
18 entry would preclude potential competitive alternatives  
19 and only slow the competitive process.

20  
21  
22 **Q. SHOULD THE SAME TERMS AND CONDITIONS OF EXPANDED**  
23 **INTERCONNECTION APPLY TO AT&T AS APPLY TO OTHER**  
24 **INTERCONNECTORS?**



1 A. Yes. AT&T should be allowed to interconnect to the  
2 same extent and under the same terms and conditions as  
3 any other third party user.  
4  
5

6 Q. HOW WOULD THE ADOPTION OF EXPANDED INTERCONNECTION  
7 SERVE THE PUBLIC INTEREST?  
8

9 A. The adoption of expanded interconnection would  
10 facilitate the beginning of competition within the  
11 local exchange and would benefit customers in much the  
12 same way as competition in other aspects of the  
13 telecommunications industry (i.e., interexchange  
14 services or telephone sets) has benefited customers  
15 over the years. Competition facilitates customer  
16 choice and the development and production of new and  
17 innovative services designed or tailored to meet  
18 particular customer needs. Competition fosters better  
19 price performance as competing vendors vie for  
20 customers in the open market place. Competition will  
21 also assist the regulators in regulating the local  
22 exchange companies encouraging these companies to  
23 become more efficient and more responsive to customer  
24 needs.  
25

1 Q. WILL THE ADOPTION OF EXPANDED INTERCONNECTION RENDER  
2 THE LOCAL EXCHANGE COMPETITIVE?

3  
4 A. No. The adoption of expanded interconnection through  
5 this docket will represent only an initial step in the  
6 efforts to create possibilities for real competition to  
7 develop in the market for local exchange access  
8 service. First, this immediate proceeding addresses  
9 only special access services - a very small part of the  
10 local exchange monopoly. The docket does not address  
11 the local loop and the end office switches - the real  
12 core of the local bottleneck monopoly. Second, it will  
13 take some time for competitors to respond to the new  
14 opportunities offered through expanded interconnection,  
15 to develop and deploy competitive networks,  
16 particularly on a statewide basis. Interconnection is  
17 a necessary initial step to begin the introduction of  
18 competition but it alone will not guarantee the  
19 development of competition within the state and it will  
20 not directly alter the existing local exchange monopoly  
21 held by the LECs.

22  
23  
24 Q. WOULD THE ADOPTION OF EXPANDED INTERCONNECTION BE  
25 CONSISTENT WITH PREVIOUS COMMISSION DECISIONS?

1   **A.**   **Yes.**   The Florida Commission has consistently supported  
2           competition within the telecommunications industry  
3           where it has found that competition could work.  This  
4           Commission was one of the first state commissions in  
5           the country to authorize limited IntraLATA (interEAEA)  
6           toll competition shortly after AT&T's divestiture of  
7           the local exchange companies.  By Order No. 23540, the  
8           Commission expanded its prescription for intraLATA  
9           competition to included intraEAEA service, thus  
10          bringing to all Floridians the benefits of statewide  
11          interexchange (toll) competition.  Through Docket No.  
12          890183-TL, the Commission recognized the benefits of  
13          bringing competition to private line and special access  
14          customers by establishing rules for the authorization  
15          of alternative access vendors (AAVs).  The adoption of  
16          expanded interconnection would support this tradition  
17          by further facilitating the expansion of competition  
18          for special access services.

19  
20  
21   **Q.**   **WOULD YOU SUMMARIZE YOUR TESTIMONY?**

22  
23   **A.**   **Yes.**   Expanded interconnection is the next logical step  
24           toward the introduction of competition into one of the  
25           remaining monopoly preserves of the local exchange

1 companies. Expanded interconnection will facilitate  
2 competition in the market for special access services  
3 by allowing end user customers greater opportunity to  
4 reach competing access suppliers, thus bringing the  
5 benefits of competition to a larger number of special  
6 access customers. Expanded interconnection clearly  
7 serves the public interest, and its implementation  
8 should be immediately ordered by this Commission.  
9  
10

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**  
12

13 **A. Yes.**  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1           Q     (By Mr. Tye) Mr. Guedel, have you prepared a  
2 summary of your testimony?

3           A     Yes, I have.

4           Q     Would you please give us your summary at this  
5 time?

6           A     Yes. The purpose of my direct testimony is  
7 to recommend that this Commission find expanded  
8 interconnection to be in the public interest and to  
9 expedite its implementation.

10                   Expanded interconnection represents a  
11 positive attempt toward the introduction of competition  
12 into one of the remaining monopoly preserves of the  
13 local exchange companies. Traditionally, this  
14 Commission has taken the view that competition is in  
15 the public interest where competition can work, and  
16 AT&T encourages the Commission to continue that  
17 tradition by supporting this attempt to promote  
18 competition through expanded interconnection within the  
19 local exchange.

20                   In implementing expanded interconnection, the  
21 Commission should adopt the guidelines and procedures  
22 consistent with those adopted by the Federal  
23 Communications Commission in CC Docket 91141. These  
24 FCC rules are defined in Order No. 92440.

25                   Given this reality and in an absence of any

1 showing of an overriding Florida-specific public  
2 interest concern, the adoption of the FCC rules should  
3 maximize administrative efficiency and speed the  
4 development of expanded interconnection within the  
5 state. Adoption of unique intrastate rules or the  
6 prescription of collocation requirements for  
7 interconnectors at this time would only tend to impede  
8 competitive development.

9 Finally, to ensure maximum opportunity for  
10 competition to develop under expanded interconnection,  
11 the Commission should allow all potential  
12 interconnectors, including CAPs, IXC's and end users, to  
13 participate in expanded interconnection arrangements.  
14 Precluding any of these potential interconnectors from  
15 participation would only tend to frustrate the  
16 development of competition.

17 This concludes my summary.

18 MR. TYE: Thank you, Mr. Guedel.

19 Commissioner Clark, the witness is available  
20 for cross.

21 COMMISSIONER CLARK: Mr. Fons?

22 MR. FONS: No questions.

23 COMMISSIONER CLARK: Mr. Whalen? Mr. Dunbar?

24 MR. DUNBAR: Thank you, Commissioner.  
25

## CROSS EXAMINATION

BY MR. DUNBAR:

Q Mr. Guedel, I'm Peter Dunbar on behalf of Time Warner. Should collocators allow LECs and other parties to interconnect with their networks?

A I don't think they should be precluded from that but I don't think they should be ordered to do that.

Q Why should they not be required to do that?

A The concept of expanded interconnection was designed to initiate competition in a traditional monopoly environment, traditional monopoly preserve. And it is only because of the existence of the monopoly maintained by the local exchange companies that such a requirement is being placed upon those companies. None of the other interconnectors or potential interconnectors possess that monopoly at this time, or do I see them possessing it at any time in the future; therefore, I don't think the same requirements should apply.

MR. DUNBAR: Thank you, Mr. Guedel. I have no further questions.

MR. HOFFMAN: I have no questions.

MR. WIGGINS: Just a couple.

## CROSS EXAMINATION

BY MR. WIGGINS:

Q Pat Wiggins for ICI, Mr. Guedel.

So if you get interconnection, if AT&T gets expanded interconnection, what are you going to do with it? (Laughter)

A It gives us and our customers one extra choice, one other opportunity for us to connect with our customers, and we're going to look at the possibilities under it. I personally am not aware of any specific move that we're going to make immediately with respect to expanded interconnection.

Q If I'm a user that has the capacity to get some discounted WATS service from AT&T, what will your collocation do for me as a business? Would it give me some sort of cheaper access to your point of presence? And if so, how does that happen?

A Well, again, I think there's value to alternative access. If there was not some kind of value -- and value is a product of price and quality from a customer's standpoint -- if there wasn't some kind of additional value offered by alternative access vendors or CAPs, then they probably wouldn't stay in business very long.

If a customer can obtain access -- for



1 example, in a Megacom arrangement with AT&T, service  
2 Megacom -- if they can obtain the interconnection  
3 arrangement between themselves or between the LEC's  
4 central office and AT&T's office that better meets  
5 their needs, then they're going to take that and the  
6 customer should be entitled to that.

7 MR. WIGGINS: I have no further questions,  
8 thank you.

9 MR. HATCH: I have just a few questions.

10 CROSS EXAMINATION

11 BY MR. HATCH:

12 Q Good afternoon, Mr. Guedel. My name is Tracy  
13 Hatch and I'm with the Commission Staff.

14 A Good afternoon, Tracy.

15 Q Have you received a copy of Staff exhibits --  
16 it's identified on the lower left corner as MG-1. Do  
17 you have a copy of that?

18 A I have.

19 Q Do you also have a copy of what's also being  
20 passed out, a copy of AT&T's Interrogatory Responses  
21 No. 1 and 2?

22 A I have not received a copy of that yet.

23 Q It's about to arrive. (Pause)

24 Have you reviewed MG-1?

25 A I have reviewed MG-1, yes.

1 Q Would you take a moment to look at  
2 Interrogatory Responses 1 and 2? (Pause)

3 A I have reviewed them.

4 Q Is the information in both MG-1 and  
5 Interrogatories 1 and 2, was that information prepared  
6 by you or under your supervision?

7 A The information in MG-1 was prepared by me.  
8 The information in MG-2 was not prepared directly by me  
9 or under my supervision.

10 Q To your knowledge, the information in  
11 Interrogatories 1 and 2, is that accurate as far as you  
12 know?

13 A As far as I know it is accurate. I have no  
14 reason to doubt it.

15 Q And the information in MG-1 is accurate as  
16 far as you know?

17 A The information in MG-1 is accurate to the  
18 best of my knowledge, yes, sir.

19 MR. HATCH: Commissioners, could we have that  
20 marked for identification, please?

21 COMMISSIONER CLARK: You want MG-1 identified  
22 as an exhibit?

23 MR. HATCH: Yes, ma'am.

24 COMMISSIONER CLARK: That will be Exhibit 6.

25 MR. HATCH: Could also we have

1 Interrogatories 1 and 2?

2 COMMISSIONER CLARK: And that's "Responses to  
3 Interrogatories"?

4 MR. HATCH: That's correct. Can I have that  
5 marked for identification, please?

6 COMMISSIONER CLARK: Now you want 1 and 2  
7 marked? That will be Exhibit 7.

8 (Exhibit Nos. 6 and 7 marked for  
9 identification.)

10 Q (By Mr. Hatch) Mr. Guedel, with respect to  
11 the Response to Interrogatory No. 1, I believe it  
12 states there that AT&T's POPs, approximately 42% of  
13 those, are collocated; is that correct?

14 A Yes, that's what it says.

15 Q Do you have any reason to doubt that  
16 information? Would there be anything in there that  
17 would suggest anything different?

18 A Again, I did not prepare this response, but I  
19 don't have any reason to doubt it.

20 Q Do you know what the collocation arrangement  
21 is for your POPs with respect to the LEC's COs?

22 A Specifically, I don't know the details of the  
23 arrangements of interconnections. I know we share  
24 floor space in some central offices, and usually it's  
25 separate floors. But I really don't know any of the

1 parameters surrounding those agreements.

2 Q Is that collocation arrangement similar or  
3 different, or how would you describe it in comparison  
4 to the physical collocation that's being discussed here  
5 or the virtual collocation that's being discussed in  
6 this proceeding?

7 A Well, I believe it's closer to physical  
8 collocation in that we do have the option to walk into  
9 the central office and maintain and service our own  
10 equipment, although, we're using space in an office  
11 simultaneously with a local exchange company.

12 It is different enough from the physical  
13 collocation prescribed by the FCC that if we were to  
14 participate in physical collocation for the purposes of  
15 interconnection, we have to go through the same process  
16 that everybody else would to order space and have it  
17 prepared and have the cages built and so on and so  
18 forth.

19 Q How different is it from what the FCC has  
20 proposed?

21 A I'm not sure I understand the question.

22 Q You said that if you were talking about  
23 physical collocation in a sense that the FCC had  
24 proposed that you would have to go through to process,  
25 essentially, to qualify and get it --



1           A     That's correct.

2           Q     -- which would indicate that it's at least  
3 significantly different than what you have now. How is  
4 that different? Do you know?

5           A     Again, I don't know for sure the total -- the  
6 contract arrangements are the arrangements that we have  
7 with the LEC at the present time for our collocated  
8 switches or equipment. They are certainly not the same  
9 rules as I understand it, not the same terms and  
10 conditions that would be included in the tariff. I'm  
11 not sure how we pay for the floor space; it may be  
12 different under our arrangement. Again, I'm not just  
13 familiar enough with our contracts to tell you the  
14 differences.

15          Q     I would assume you're not limited to 100  
16 square foot blocks and those sorts of requirements that  
17 the FCC has imposed. Is it essentially cabling between  
18 floors where you would hook into the LEC's CO? Is that  
19 how it works, basically, or from your switch from your  
20 side to their switch on the other side of the room?

21          A     Generally, that's the way it's worked.

22          Q     Is that form of connection substantially or  
23 significantly different than what's being discussed as  
24 far as the collocation proceedings here in a technical  
25 fashion?

1           A     In a technical fashion, it's probably  
2 similar.

3           Q     For a regulatory fashion is it different?

4           A     From a regulatory fashion, it may be  
5 different this point in time.

6           Q     If you'll look at your response, AT&T's  
7 Response to Interrogatory No. 2, I believe it states  
8 there that 33% of AT&T's special access circuits are  
9 collocated with LEC COs?

10          A     It does.

11          Q     Do you know anything about the configuration  
12 of those special access circuits? How is that  
13 interconnection or collocation configured?

14          A     I do not know.

15          Q     Do you have your copy of -- I believe you  
16 provided the response to Interrogatory No. 24. Do you  
17 have that available?

18          A     Is that in the package?

19          Q     It's not in the exhibit?

20          A     Then I do not have it available.

21          Q     As I recall that question, I'll just go ahead  
22 and ask you anyway. Is it your understanding that the  
23 FCC limited collocation to the top 10% of the COs, plus  
24 COs where there is a request, or are you aware of that  
25 requirement in its collocation order?

1           A     I think initially that was true.

2           Q     Has that changed to your knowledge?

3           A     Not to my knowledge.

4           Q     Do you agree with that or is it your position  
5     that the Florida Commission should adopt a broader  
6     requirement that all COs be available for collocation?

7           A     Well, I guess initially the proper thing to  
8     do or the most efficient thing to do is to move pretty  
9     much along the same guidelines that the FCC has  
10    established. If there are reasons in the state of  
11    Florida for allowing expanded interconnection, if  
12    there's tremendous demand in the state of Florida for  
13    interconnection and central offices that are not part  
14    of the FCC's grouping, then I believe the Commission  
15    should certainly consider those as well. But I think  
16    to get this thing rolling, I think we should go,  
17    basically, with the guidelines of the FCC.

18          Q     Would you turn to your Response to  
19    Interrogatory No. 33, please? Could you review your  
20    response to that for just a moment?

21          A     Yes.

22          Q     It's still your position that you should not  
23    be required to interconnect your networks with other  
24    collocators?

25          A     That is correct, interconnect.

1 Q Would you explain why?

2 A And, again, I believe this is very similar to  
3 the question that Mr. Dunbar asked me, that the purpose  
4 of expanding interconnection is to begin to promote  
5 competition in traditional monopoly reserves, and I  
6 think the only reason the FCC would move towards  
7 collocation for the local exchange companies is that  
8 was probably the only way they felt they could begin to  
9 enter competition into these traditional monopoly  
10 areas.

11 Q When you talk about bottleneck monopoly  
12 facilities, what are you referring to?

13 A Basically, access to the local exchange  
14 customers, the local loops and the terminating  
15 equipment in the central office.

16 Q Don't you, essentially in a provision of  
17 special access and private line, duplicate those  
18 bottleneck facilities now?

19 A Again, I'm not sure I understand the  
20 question. I don't know that we do duplicate them.

21 Q When you provide a special access facility,  
22 do you not go from the customer's premise to your  
23 switch? Isn't that essentially a duplication of what  
24 the LEC would also provide or could also provide?

25 A That is an alternative arrangement to the



1   LEC, yes, for a specific customer, yes. But, again,  
2   that's an end to end, if what you're referring to is an  
3   end-to-end type of service. What an expanded  
4   interconnection will allow you to do is compete with a  
5   part of the local exchange bottleneck and leave a  
6   remaining part of it still a monopoly.

7           Q    Is it a monopoly if you can put in the same  
8   loop yourself that the local exchange company can put  
9   in?

10          A    Again, if we're talking 100% here, yeah,  
11   you're right. But a monopoly, in the sense that you  
12   have complete control of price and customer control and  
13   so on, a local exchange company still has a monopoly.  
14   Now, there are some circuits out there that alternative  
15   access providers provide -- that don't go through the  
16   local exchange. I admit that, but that doesn't  
17   challenge their monopoly.

18          Q    Is it in a sense a legal monopoly you're  
19   talking about or just simply an economic one or what is  
20   it?

21          A    Essentially, at this point in time, it's  
22   still supported by local franchises in many cases,  
23   which is a legal monopoly. It was considered a natural  
24   monopoly for quite some time. I think we're beginning  
25   to see as we walk through the telecommunications

1 industry, beginning with telephone sets and ultimately  
2 interexchange traffic and then alternative access  
3 vendors, that more and more of the traditional  
4 telecommunications network can function in a  
5 competitive environment. So I think it's probably a  
6 little bit of technology, it's probably a little bit of  
7 legal tradition that keeps it separate at this point in  
8 time.

9 Q Nothing precludes AT&T from putting in a loop  
10 from my house to wherever I want it to go as long as  
11 I'm willing to pay the freight; is that correct?

12 MR. TYE: Commissioner Clark, I think that's  
13 a legal question, I object. I think that they are  
14 still precluded from bypassing the local exchange  
15 network. I think that was a decision in Docket 880812.

16 MR. HATCH: The bypass prohibition that  
17 you're referring to is rife with exceptions. One of  
18 which being if --

19 COMMISSIONER CLARK: Wait, Tracy. Are you  
20 going to respond to his objection?

21 MR. HATCH: Yes, ma'am. His objection has no  
22 basis because there is no bypass prohibition in the  
23 sense that he's trying to raise it here.

24 COMMISSIONER CLARK: Well, wait a minute.  
25 Let me start again. Ask your question again.

1           MR. HATCH: My question is: Assuming that  
2 I'm willing to pay the price, is there anything that  
3 prohibits -- that he is aware of -- prohibits AT&T from  
4 putting in a loop from my house to wherever I want it  
5 to go. From here to Alaska for example.

6           COMMISSIONER CLARK: I'm going to let him  
7 answer the question. Do you want to object to that  
8 question?

9           MR. TYE: I object. Without any foundation,  
10 I do Commissioner. I believe that the bypass  
11 prohibition would preclude that, and that's a legal  
12 question as I understand. Now, if Mr. Hatch wants to  
13 lay down a bunch of criteria that, you know, would  
14 qualify that exception --

15           COMMISSIONER CLARK: I think he's asking for  
16 his knowledge to the extent that he has any as to what  
17 would prohibit AT&T from doing that.

18           MR. HATCH: Mr. Tye wants to know the  
19 foundation. I've been following the line of inquiry  
20 with Mr. Guedel asking what he knows about monopoly  
21 bottleneck facilities, and we're talking about the  
22 installation facilities that he -- and I'm trying to  
23 explore whether there's -- what he knows as to what the  
24 prohibitions are, if any. Is he aware of any legal  
25 prohibitions? That was the question I assume that

1 you're objecting to, but if he's aware, then he can  
2 answer. I'm not asking him on the expert legal  
3 question. If there's any economic or technical  
4 prohibitions, he's free to answer that way, too. I  
5 mean, essentially, I've already laid the foundation.

6 A From here to Alaska as you stated last, I  
7 don't know of any legal prohibitions.

8 Q (By Mr. Hatch) Are you aware of any  
9 technical or economic prohibitions?

10 A No.

11 Q So if you can put in a loop like I've  
12 described it, then there's no monopoly with the local  
13 exchange companies; is that correct?

14 A For a specific customer, if the customer  
15 wants the service and he can pay the freight as the  
16 kind of volumes that it takes to justify direct  
17 connections, customers are using direct connections  
18 today. The vast majority of customers can't do that  
19 because they do not have the volumes to justify that  
20 kind of interconnection.

21 Q And what you're attempting to accomplish  
22 through expanded interconnection and collocation is to  
23 take advantage of an embedded network so that you don't  
24 have to put in those facilities yourself; is that  
25 correct?



1           A     What we're trying to do through expanded  
2 interconnection is give customers a choice, to give  
3 them a second alternative. If a competitive access  
4 provider can provide a service at a better quality,  
5 better value to the customer, then we believe the  
6 customer should have the option of taking that. Now,  
7 granted the monopoly is going to exist. This is not  
8 going to get rid of the monopoly. It is going to give  
9 some customers another option, and that we believe is  
10 valuable.

11           Q     I hate to leave that, but I will. Should  
12 expanded interconnection include nonfiber technology?

13           A     Again, I think we should probably move along  
14 the same guidelines that the FCC has moved. Fiber is  
15 the desired choice. I believe they will entertain  
16 microwave interconnections based upon requests from  
17 carriers or from AAVs. I think that's probably a good  
18 way to go. I don't see a necessity to provide  
19 interconnection for other types of facilities.

20           Q     Does AT&T still have microwave --

21           COMMISSIONER CLARK: Wait a minute. I don't  
22 know if you answered that question yes or no. Would  
23 you ask your question again?

24           Q     (By Mr. Hatch) Should expanded  
25 interconnection include nonfiber technologies, for

1 example microwave?

2 A To the extent, yes, is the answer to that  
3 question.

4 COMMISSIONER CLARK: I wasn't sure if you  
5 were saying, no, it shouldn't or yes, it should.

6 Q Does AT&T still offer or utilize microwave  
7 for any transmission facilities, do you know?

8 A I don't know for a fact. I don't know.

9 Q Would you include wireless expanded  
10 interconnection in the nonfiber technologies? Would  
11 you offer those as well, for example, cellular, PCNs?

12 A Again, we're talking about the specific  
13 interconnection for the provision of a special access  
14 transport. If a cellular carrier wants to do that and  
15 act as an alternative access vendor, I don't think  
16 there's anything wrong with that.

17 Q I believe in your direct testimony on Page 5,  
18 look at lines 13 through 15, it's that first sentence  
19 there where you, basically, make the statement that all  
20 parties, including CAPs and IXC's and end users, should  
21 be allowed to have interconnection opportunities. Is  
22 that a fair characterization?

23 A I can't find that, but I think that's a fair  
24 characterization. What lines were that, again?

25 Q 13, 14 and 15, Page 5?

1           A     Yes.

2           Q     I believe the FCC's proceeding was limited to  
3 CAPs; is that correct?

4           A     No. The FCC allows CAPs, IXC's and end users  
5 to interconnect.

6           Q     Where end users included in the FCC  
7 proceeding?

8           A     How do you mean "included"?

9           Q     For example, I believe they took out or left  
10 out for another day information service providers and  
11 other entities like that; is that correct?

12          A     Not for the provision of special access  
13 transport in my understanding. For the purposes of  
14 interconnection, for the provision of special access  
15 transport, I believe that anyone can do that as far as  
16 the FCC's concerned. Now they said that  
17 interconnection for other purposes have been left out,  
18 but for that purpose anybody can play.

19          Q     With respect to the actual physical  
20 collocation, or even virtual collocation, all of those  
21 are going to use up finite amount of space in a CO; is  
22 that correct?

23          A     They are going to use up space in COs. Now,  
24 I'm not sure if finite is the proper word. That's  
25 somewhat dynamic.

1           Q     Unless you build a new CO or add more space  
2     to an existing CO, you're just going to have a finite  
3     amount of space to use.

4           A     Or space becomes available due to advancing  
5     technology which replaces large machines with small  
6     machines.

7           Q     No question about that. But the size of the  
8     building is going to limit what you can do with it.

9           A     Well, the size of the building is fixed  
10    unless you build on to it. No question about that.

11           COMMISSIONER CLARK: But your point is that  
12    there are -- technology is decreasing the amount of  
13    space required, and it could decrease the amount of  
14    space required faster than the number of entities  
15    seeking expanded collocation can fill up that vacated  
16    space.

17           WITNESS GUEDEL: I think that's certainly a  
18    contributing factor. I think that's very possible. I  
19    think, Commissioner, the reason that space is available  
20    today in a lot of those central offices is because of  
21    tremendous technological change that have replaced  
22    step-by-step switches with controlled or stored program  
23    switches. So yes, I think that will continue.

24           Q     When you start to allocate square footage  
25    among those who want to collocate, how do you begin to



1 allocate that square footage, simply on a  
2 first-come-first-serve basis?

3 A We support first-come-first-serve basis.

4 Q Do you make any distinctions or value  
5 judgments between an AAV that wants to collocate and an  
6 end user that wants to collocate? Is one perhaps more  
7 beneficial for collocation than another?

8 A I don't make those value judgments. Again,  
9 we're talking about provision of, again, a very  
10 definable service, which is a special access or private  
11 line transport-type service. And for purposes of  
12 collocation, I believe that should be done on a  
13 first-come-first-serve basis.

14 Q I believe it's your position, is it not, that  
15 expanded interconnection collocation gives customers  
16 choices which leads to more services at cheaper prices.  
17 Would that be fair to say?

18 A That's the potential good that can come from  
19 it, yes.

20 Q Now, if you have a series of end users that  
21 are the first in that CO, they wouldn't be provided  
22 more services and more choices and you would not have  
23 the benefits to be derived from having all those end  
24 users in ahead of you, would they?

25 A Well, a couple of things. I guess first, if

1 a end user is going to purchase that kind of space,  
2 he's going to have to have one tremendous amount of  
3 traffic to justify paying for that kind of space in the  
4 central office and the equipment, so on and so forth;  
5 basically, building his own network of a tremendous  
6 size; a size that it could, indeed, supply a whole lot  
7 of end users.

8 Odds are, if such were to take place, he's  
9 going to use some of that access capacity, sell it off  
10 and make other services available to other customers.  
11 I think it's highly unlikely that you would have enough  
12 end users of the size and capacity that could buy  
13 central office space that they could buy it all up and  
14 cabbage all the benefits for themselves. I think  
15 that's highly unlikely.

16 Q I guess my question is, would there be a  
17 greater benefit for a greater number of people if, in a  
18 sense, there was an established priority for AAVs as  
19 compared to end users in the allocation of square  
20 footage in a CO?

21 A Again, with consideration, the response I  
22 just gave you, certainly the more customers who can  
23 take advantage of these services, probably the better  
24 off things are going to be.

25 I would also maintain, however, that an end

1 user that has that kind of capacity is probably in a  
2 position to do a whole lot more than just collocate  
3 with a LEC central office. He can certainly build his  
4 own facilities just about anywhere he wants to go. So,  
5 again, I don't think it's a really feasible thing for  
6 an end user to do unless he plans to resell part of  
7 that capacity. You're right, but the scenario is  
8 highly unlikely.

9 Q Assuming the Commission ends up in that sort  
10 of a scenario, where we have to make decisions and  
11 choices, how would you recommend that the Commission  
12 essentially make that decision; what kind of criteria  
13 would you recommend?

14 A I would recommend that we make the space  
15 available on a first-come-first-serve basis.

16 Q Even if you were on the losing end?

17 A Yes.

18 Q You are aware, are you not, of the  
19 distinction made in the FCC's expanded interconnection  
20 order between Tier 1 and Tier 2 LECs?

21 A Yes, I am.

22 Q With respect to Tier 2s, they have basically  
23 left them for another day; is that correct?

24 A That is correct.

25 Q Most of the -- subject to check, would you

1 agree that most of the access lines in Florida, perhaps  
2 over 90%, are in Tier 1 LEC territories?

3 A I will accept that, subject to check.

4 Q On that basis, would it be better to mandate  
5 central office collocation or would it be just easier  
6 to leave it on a case-by-case request basis?

7 A I guess -- maybe I don't understand your  
8 question.

9 Q The Tier 1 LECs have basically been directed  
10 to provide it at the interstate level.

11 A Correct.

12 Q Within certain numbers of COs for sure and  
13 then others to follow probably.

14 A Correct.

15 Q Wouldn't it be just as easy, rather than  
16 saying the top ten, and not worry about the rest and  
17 just have it all on a case-by-case basis?

18 A Well, I guess why I'm struggling, if you  
19 don't have some kind of a rule that says the companies  
20 have to provide collocation, I'm not sure on what basis  
21 people can make the request. Certainly, the  
22 installation or the occupation of the floor space is  
23 going to be on a case-by-case basis, company specific,  
24 office specific and so on. I think what we're trying  
25 to do here is set up a framework in which those



1 companies can make those kinds of requests.

2 Q I'm not sure that I followed all that your  
3 response entailed. With respect to the LECs providing  
4 collocation, you said that's going to be done on  
5 essentially central office-by-central office basis  
6 anyway; is that correct?

7 A I think the request will come in that way.

8 Q Then if that's true, why mandate some  
9 arbitrary 10% of your COs your required to provide  
10 collocation?

11 A I think the FCC took that approach to get  
12 this thing started. Because those were the central  
13 offices, designated central offices that they felt  
14 would be the most demand in from their analysis. And  
15 this is going to get the thing to start to trial it, to  
16 see how it works and to see if everybody is happy. If  
17 they need to make changes down the road, it's better to  
18 make a 10% error than a 90% error.

19 Q Is anything magic about the 100-square-foot  
20 requirement that the FCC has imposed? Would you  
21 support more or less?

22 A I guess I really don't have a great feel for  
23 that. I'm not sure there's anything specifically magic  
24 about it. Some may need less; some may need more.

25 Q For example, would it cause you any

1 heartburn or discomfort if the Commission said, "Do  
2 collocation but not, say, 100 square feet; whatever  
3 square footage is agreed to by the parties."?

4 A Well, again I think that option is available  
5 with the FCC, also. If companies can reach a  
6 collocation arrangement, a virtual collocation  
7 arrangement, with different quantities of space, then I  
8 think they are perfectly free to work that out.

9 I think the FCC came up with the 100 square  
10 feet because they had to come up with something that if  
11 the LECs and the interexchange carriers -- excuse me,  
12 the LECs and the AAVs couldn't work out an agreement,  
13 this is what you're going to live by, okay? And that's  
14 what they want you to live by, but I don't think it's  
15 absolute. I think it be can be negotiated if the  
16 parties request it.

17 Q Would it cause you or any of the other AAVs  
18 or even the LECs, if you know, any problems or  
19 conflicts in adopting a different requirement at the  
20 intrastate level as compared to the interstate level?

21 A It may cause a problem only to the extent  
22 that -- let me think a minute. As long as it would not  
23 force carriers, force AAVs or force interconnectors to  
24 buy different spaces, for example, a 100-square-foot  
25 space to connect their interstate traffic and another

1 75-foot space to connect intrastate state traffic, I  
2 think that would be an administrative nightmare and I  
3 certainly wouldn't support that. I don't know what the  
4 magic number of square feet is. I can't speak for the  
5 AAVs and I can't speak for the LECs.

6 Q Do you support tariffing of square footage?

7 A Again, that's consistent with the FCC  
8 prescription and I think that's probably advantageous,  
9 at least initially.

10 Q Simply because of administrative difficulties  
11 in keeping track of one versus the other?

12 A I think it is somewhat administrative. It  
13 ensures, and I think the FCC's point was that it would  
14 ensure, at least help to ensure, nondiscriminatory  
15 availability of space, certainly with respect to price  
16 if these things were tariffed. And I think that's  
17 probably a good idea initially.

18 Q With respect to price, since you raised that  
19 question, there's a price set in the interstate FCC  
20 tariff; is that correct

21 A I believe there is.

22 Q Would you expect or would you be troubled if  
23 there was a different price at the intrastate level?

24 A Again, I would not be troubled if the prices  
25 were different at the intrastate level if someone could

1 explain to me where the cost difference was on space  
2 between state and interstate collocation. If there was  
3 a legitimate cost difference, then there may well be a  
4 legitimate price difference also. And, again, not to  
5 the extent that it would force customers to buy one set  
6 of space for interstate and another set of space for  
7 intrastate. That would be unacceptable.

8 Q In a sense you've anticipated my next  
9 question, but how did the FCC go about setting its  
10 tariffed price? What criteria did it use?

11 A I think the local exchange companies have  
12 proposed prices for floor space, and I'm not sure if  
13 they are approved or still under reconsideration by the  
14 FCC.

15 Q Was that basically some sort of a separated  
16 cost basis, do you know?

17 A I'm not sure if the FCC prescribed the  
18 methodology. I'm just not sure.

19 Q The FCC did not use a market-based price; is  
20 that correct?

21 A I'm not sure.

22 Q How could you have a different cost for the  
23 same square footage in a central office?

24 A I don't know.

25 Q Just curious.



1           Should we require the LECs to tariff the  
2 specific rate elements at the intrastate level in the  
3 interconnection tariffs?

4           A     Yes. Again, I think that would be consistent  
5 with the FCC prescription.

6           Q     Should those rates and elements mirror the  
7 FCC's?

8           A     Yes. I believe the structure certainly  
9 should mirror the FCC, just for the sake of consistency  
10 in administration and keeping things straight and  
11 keeping our understanding straight of exactly what is  
12 going on.

13                 Again, the prices may differ legitimately if  
14 there are cost differences that can justify those price  
15 differences. And I would not be opposed to that, but I  
16 think we should be looking at similar prices at similar  
17 costs.

18           Q     Do you know how the costs could differ for  
19 interstate expanded or a collocation arrangement versus  
20 an intrastate collocation arrangement? (Pause)

21           A     I can't think of a scenario why it would  
22 right off. I think they would be very similar. There  
23 may be some volume or density arrangements associated  
24 with intrastate that are different from interstate that  
25 could influence the costs of DACS machines or

1 interconnecting to them, but I would be suspicious.  
2 I'd have to take a hard look at that.

3 Q Should the LECs have the same pricing  
4 flexibility that the FCC has granted them at the  
5 interstate level?

6 A The zone pricing flexibility, AT&T would  
7 support the zone pricing flexibility for the local  
8 exchange companies.

9 Q Would they support any other, either lesser  
10 restrictive or more restrictive pricing flexibility?

11 A Well, I'd have to see a specific proposal. I  
12 don't know.

13 Q Are you aware of the current contract service  
14 arrangement that the LECs enjoy in Florida?

15 A With respect to private line, I believe so.

16 Q Would you view that as less restrictive than  
17 the FCC's zone pricing?

18 A I would probably see that as a little more  
19 liberal than the FCC zone pricing. I'm not asking to  
20 make a change at this point in time. I think the zone  
21 pricing ways method provides the LECs perhaps some  
22 additional flexibility; at least administratively it  
23 may be a little easier to provide flexibility to  
24 customers under a zone pricing scheme than to work up  
25 something special for everyone.

1           Q     Are you opposed to CSAs exchange company as  
2 pricing flexibility for collocation, expanded  
3 interconnection?

4           A     Could you repeat that?

5           Q     Would you be opposed to CSAs, as they are  
6 currently structured for the LECs, for purposes of  
7 expanded interconnection?

8           A     CSA?

9           Q     Contract serving arrangements.

10          A     Contract serving arrangements?

11                The fear I have of contract serving  
12 arrangements is that it would give the LECs who are  
13 still in a monopoly position an opportunity to price  
14 incredibly aggressively where they think there might be  
15 an opportunity for another interconnector to  
16 participate in the market and then price less  
17 aggressively everywhere else. And I think that defeats  
18 the purpose of what we're doing here.

19                I think what we would like to do would be to  
20 lower access charges as best we could to everybody.  
21 And by keeping something like a zone pricing plan in  
22 place, which provides a limited measure of variability  
23 plus averaging, we could expand some of the benefits to  
24 customers who even don't have an option to take a  
25 collocator, to take another interconnector at their

1 office.

2 So I will support the zone pricing plan as  
3 probably the better plan.

4 MR. HATCH: That's all we've got.

5 COMMISSIONER CLARK: Commissioners?

6 COMMISSIONER LAUREDO: A brief question.

7 On your duties as manager of Network  
8 Services, you do some strategic thinking about where  
9 AT&T is going? Is that what Network Services is all  
10 about --

11 WITNESS GUEDEL: Well, Network Services --

12 COMMISSIONER LAUREDO: -- or partially?

13 WITNESS GUEDEL: Partially. It is an  
14 extremely broad organization. My involvement is  
15 primarily with access arrangements and basically  
16 monitoring regulatory activity to ensure that AT&T is  
17 not disadvantaged in the marketplace.

18 COMMISSIONER LAUREDO: You heard me quote  
19 from an authority, I haven't verified independently the  
20 numbers, but roughly that 105 million land-line  
21 customers that are nonbusiness provide approximately  
22 10% of the revenue in the telecommunications and 35  
23 million that are business provide about 90% of the  
24 revenues. Does that sound about right?

25 WITNESS GUEDEL: Does not sound unreasonable.



1           COMMISSIONER LAUREDO: Do you believe that  
2 the local nonbusiness land-line services is subsidized  
3 by, (a), long distance charges, and, (b), by business  
4 rates?

5           WITNESS GUEDEL: The local land line?  
6 Speaking specifically of residential service as opposed  
7 to business?

8           COMMISSIONER LAUREDO: Yeah. I'm trying to  
9 be more cautious. I didn't use the word "residential,"  
10 I used "nonbusiness." But yes, I'm concerned. Let's  
11 just call them residential.

12          WITNESS GUEDEL: I have not been privy to any  
13 cost studies produced by any of the LECs that would  
14 support that one way or the other.

15          I would like to see those cost studies. I  
16 recommended in a previous docket that they be  
17 performed. And I think the Commission should take a  
18 look at those dockets to find out if and where  
19 subsidies exist.

20          COMMISSIONER LAUREDO: I'm asking you without  
21 the rigidity of exact numerical precision but just as a  
22 general sense, since you are involved in strategic  
23 planning and since you do agree with the previous thing  
24 that the 35 million business users are 90% of the  
25 revenue, almost logic would force you to conclude that

1 -- if you knew nothing about telecommunications -- that  
2 there is some degrees of subsidization for those 105  
3 million that provide only 10% of the revenue, wouldn't  
4 you? I mean, just mathematically that would jump at  
5 you, wouldn't it?

6 WITNESS GUEDEL: Yes, just mathematically  
7 that would jump at me if I didn't know anything.

8 COMMISSIONER LAUREDO: The reason I'm asking  
9 you all these silly questions is I'm trying to struggle  
10 in this case. And everybody is arguing about how all  
11 this stuff is going to lower cost, you know,  
12 competition and lower cost. And I'm trying to figure  
13 out who we're lowering costs to, and I'm trying to  
14 figure out what's going to happen to these 105 million  
15 plain old telephone people.

16 WITNESS GUEDEL: Well, I think there's two  
17 ways of looking at this thing: There is some  
18 contribution; no doubt, there's a lot of contribution  
19 that the LECs are receiving from access charges. If  
20 you compare the prices for access charges versus the  
21 costs the LEC incurred in providing access charges, for  
22 example, there's a lot of contribution there.

23 There's two things that contribution can be  
24 going to: One is subsidizing other services, which I  
25 would like to see identified if indeed that is

1 happening; or maybe some of those dollars are simply  
2 costs that could be squeezed out of the business if,  
3 indeed, competition were there to force those costs out  
4 of the business.

5           What hopefully we're going to be doing up  
6 front is forcing those extra costs out of the business  
7 so that customers in a macro sense experience better  
8 bang for the buck, if you will, to get more service for  
9 less dollars. And if we had cost studies to  
10 demonstrate to us where or if, indeed, subsidies  
11 existed, we'd have a better handle on how many costs  
12 can be squeezed out of the market.

13           COMMISSIONER LAUREDO: Well, but isn't a  
14 layman's superficial view of this thing is that if you  
15 have the total revenue base that everybody seems to be  
16 targeting -- and, you know, I'm very pro business so I  
17 understand what everybody here is all about. Everybody  
18 is going after those 35 million people.

19           WITNESS GUEDEL: Right.

20           COMMISSIONER LAUREDO: You know, that's what  
21 we're really talking about here. And there's somebody  
22 who would tell you, well, you know, you're skimming --  
23 what is the phrase? I'm not too versed in these  
24 phraseologies.

25           WITNESS GUEDEL: Cream skimming.

1           COMMISSIONER LAUREDO: But you're taking the  
2 cream of the crop and that's fine, and competition  
3 there definitely does bring a downward price for those  
4 people. But some people have asked me, "What happens  
5 to the rest of us? What happens to the 100 million  
6 residential?"

7           Can you give me any scenario where you see  
8 this mechanics or this opening up of the LEC  
9 "bottleneck," as you call it, benefiting the 105,  
10 roughly, million?

11           How is he going to benefit? If the revenues,  
12 by competition, means better prices for the business  
13 user and automatically tells you there will be less  
14 revenues. Correct? In other words, competition means  
15 me I'm going to sell you airplane parts cheaper than  
16 you can sell it.

17           WITNESS GUEDEL: Competition means I can  
18 provide greater value to you than can you get somewhere  
19 else.

20           COMMISSIONER LAUREDO: Well, normally the  
21 consumer considers value price, what he has to pay.

22           WITNESS GUEDEL: Price and performance are  
23 the two components.

24           COMMISSIONER LAUREDO: Well, assuming quality  
25 and performance, as you call value, is in terms of



1 price what I have to write the check for --

2 WITNESS GUEDEL: Right.

3 COMMISSIONER LAUREDO: -- it's going to be  
4 lower for these business people than the total pie  
5 decreases unless you have an equal increase on revenues  
6 coming from the 105 million residential.

7 WITNESS GUEDEL: Again, assuming the costs  
8 can't be squeezed out of the business and you have a  
9 solid revenue requirement and those revenue  
10 requirements can't be squeezed, then you have to look  
11 at the prices for all of your services and see what you  
12 can do; see if they're subsidized; see what's below  
13 cost. You may have to make it --

14 COMMISSIONER LAUREDO: Well, we'll stop  
15 passing judgment, because we're getting -- I'm not  
16 passing judgment, I'm just trying to identify --

17 WITNESS GUEDEL: Right.

18 COMMISSIONER LAUREDO: -- whether the  
19 subsidization is wrong. All of that is now what I'm  
20 asking you. I'm asking you, it seems to me that high  
21 probability that the little old lady is going to wind  
22 up paying more for her plain old telephone service. Is  
23 that an oversimplification?

24 WITNESS GUEDEL: I think it's an  
25 oversimplification, sir, but I --

1 COMMISSIONER LAUREDO: Do you see that as a  
2 possibility?

3 WITNESS GUEDEL: I think that's a  
4 possibility.

5 COMMISSIONER LAUREDO: Okay.

6 WITNESS GUEDEL: I think we need to look very  
7 hard at whether or not the particular person you're  
8 talking about is being subsidized and whether or not  
9 that particular person needs to be subsidized. If they  
10 need to be subsidized, we need to work out a scheme to  
11 do that. But I'm not sure that everyone needs to be  
12 subsidized if, indeed, they are being subsidized today.  
13 So we may have to look at the whole pricing structure --

14 COMMISSIONER LAUREDO: I understand that.

15 WITNESS GUEDEL: -- of all telecommunications  
16 to accommodate competition. And I think that will help  
17 everybody ultimately.

18 COMMISSIONER LAUREDO: But will you grant me  
19 that I'm on a sound basis for being at least concerned  
20 about the plain old telephone user?

21 WITNESS GUEDEL: Yes, sir. You have a  
22 legitimate concern.

23 COMMISSIONER LAUREDO: Let me ask you one  
24 last question.

25 I pretty much know, or I think I know, in

1 very general terms what all the business entities here  
2 represented do, what they want and where they want to  
3 go.

4 WITNESS GUEDEL: Uh-huh.

5 COMMISSIONER LAUREDO: Where does AT&T want  
6 to go? Do you want to become another LEC? (Laughter)

7 WITNESS GUEDEL: To my knowledge,  
8 AT&T has absolutely no intentions of becoming a local  
9 exchange company.

10 COMMISSIONER LAUREDO: Okay. That's all I  
11 have.

12 COMMISSIONER CLARK: Any more questions?  
13 (Pause) Redirect?

14 MR. TYE: Thank you, Commissioner.

15 REDIRECT EXAMINATION

16 BY MR. TYE:

17 Q Mr. Guedel, have you got Exhibit 7 before  
18 you? That's the answers to Interrogatories 1 and 2.

19 A Yes.

20 Q Okay. Now, the term "collocated" is used in  
21 those answers. Where "collocated" is used there, is  
22 that collocated in the sense that we're talking about  
23 in the terms of expanded interconnection?

24 A No. It's a different concept.

25 Q It means housed in the same office; is that

1 correct?

2 A Pardon?

3 Q Same building?

4 A Same building.

5 Q Now, if AT&T were to want to be collocated in  
6 the terms that we use that in the context of expanded  
7 interconnection, what would AT&T have to do?

8 A If AT&T wanted to be collocated for the  
9 purpose of providing expanded interconnection  
10 arrangements, they would have to do exactly what any  
11 other potential interconnector would do, and that would  
12 be to contact the LEC, ask for some floor space, pay  
13 whatever charges are associated with the construction  
14 of the floor space and any other charges that were in  
15 the tariff. They would do exactly as any other  
16 potential interconnector.

17 Q Okay. Is that what FCC ordered in its most  
18 recent decision?

19 A Yes.

20 Q Okay. Is that also the subject of the  
21 stipulation that AT&T has agreed to on this docket with  
22 respect to Issue 10?

23 A Yes, that is correct.

24 Q Mr. Guedel, you were also asked some  
25 questions about the local exchange company monopoly.



1 Does the local exchange company have a  
2 telecommunications network that virtually reaches every  
3 subscriber within the exchange?

4 A Yes, they do.

5 Q Does any AAV or any IXC that you're aware of  
6 have such a network in place in Florida today?

7 A No.

8 Q Does the existence of that network give the  
9 local exchange company substantial market power in your  
10 opinion?

11 A In my opinion, yes.

12 Q Does any other entity have that kind of  
13 market power within the local exchange?

14 A No.

15 MR. TYE: Thank you very much. I have no  
16 other questions, Commissioners.

17 COMMISSIONER CLARK: Exhibits?

18 MR. HATCH: Commissioner, I would like to  
19 move Exhibits 6 and 7.

20 COMMISSIONER CLARK: Show Exhibits 6 and 7  
21 moved into the record without objection.

22 (Exhibit Nos. 6 and 7 received in evidence.)

23 COMMISSIONER CLARK: You're excused.

24 (Witness Guedel excused.)

25

- - - - -

1           MR. TYE: Commissioner Clark, since Mr.  
2 Guedel doesn't have any rebuttal testimony, could he be  
3 excused from the hearing if he's ready to go home?

4           COMMISSIONER CLARK: As far as I'm concerned,  
5 he can be.

6           MR. TYE: Thank you.

7           COMMISSIONER CLARK: We'll take a ten-minute  
8 break.

9           (Brief recess.)

10                               - - - - -

11           COMMISSIONER CLARK: We'll reconvene the  
12 hearing.

13           I was just deciding if I was going to venture  
14 a guess at how to pronounce his name or I would let you  
15 do it. Go ahead, Mr. Hoffman.

16           MR. HOFFMAN: Thank you, Madam Chairman.

17                               PAUL KOUROUPAS

18 was called as a witness on behalf of Teleport  
19 Communications Group and, having been duly sworn,  
20 testified as follows:

21                               DIRECT EXAMINATION

22 BY MR. HOFFMAN:

23           Q     Mr. Kouroupas, would you please state your  
24 name and business address for the record?

25           A     My name is Paul Kouroupas, K-O-U-R-O-U-P-A-S.

1 My business address is 1 Teleport Drive, Suite 301,  
2 Stanton Island, New York 10311.

3 Q Mr. Kouroupas, have you prepared and caused  
4 to be filed 29 pages of direct testimony in this  
5 proceeding?

6 A Yes, I have.

7 Q Do you have any changes or revisions to your  
8 prefiled direct testimony?

9 A No, I do not.

10 Q So that if I where to ask you the same  
11 questions contained in your prefiled direct testimony  
12 today, would your answers be the same?

13 A Yes, they would.

14 MR. HOFFMAN: Madam Chairman, I would ask  
15 that Mr. Kouroupas' prefiled direct testimony be  
16 inserted into the record as though read.

17 COMMISSIONER CLARK: It will be inserted in  
18 the record as though read.

19

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25

TELEPORT COMMUNICATIONS GROUP  
DIRECT TESTIMONY OF PAUL KOUROUPAS

DOCKET NO. 921074-TP

1        1.    Q.    Please state your name and business address.

2            A.    My name is Paul Kouroupas and my business  
3                   address is One Teleport Drive, Suite 301,  
4                   Staten Island, New York 10311.

5

6        2.        Q.    What is your current position with  
7                   Teleport Communications Group Inc. (TCG)?.

8            A.    I am Manager of Regulatory Affairs.

9

10       3.        Q.    Please describe your qualifications.

11            A.    In 1988, I graduated from Temple  
12                   University cum laude with a bachelor of  
13                   arts degree in communications. In 1992, I  
14                   graduated from the Catholic University of  
15                   America Columbus School of Law with a  
16                   Juris Doctorate degree. I also received a  
17                   certificate from the Communications Law  
18                   Institute of Catholic University, in  
19                   recognition of my completion of a  
20                   curriculum specializing in  
21                   telecommunications regulation. While  
22                   attending Catholic University, I worked as  
23                   an intern in the General Counsel's office



1 of the National Telecommunications and  
2 Information Administration from September  
3 1990 to December 1990. In addition, I  
4 worked as an intern in the office of  
5 Commissioner Andrew C. Barrett of the  
6 Federal Communications Commission from  
7 June 1991 until April 1992. Since June  
8 1992, I have been employed by TCG.  
9

10 4. Q. What are your present responsibilities at  
11 Teleport Communications Group?

12 A. In my position at TCG, I am responsible  
13 for development and implementation of  
14 regulatory rules regarding  
15 interconnection.  
16

17 5. Q. What is the purpose of your direct  
18 testimony in this proceeding?

19 A. I wish to address the issues identified by  
20 the Commission set forth in Appendix "A"  
21 of the Commission's Order No. PSC-93-0811-  
22 PCO-TP.

23 6. Q. Have you read the petition filed by  
24 Intermedia Communications of Florida for  
25 an order permitting AAV provision of  
26 services thorough collocation arrangements

1 in local exchange company (LEC) central  
2 offices?

3 A. Yes, and I am familiar with the broader  
4 issues regarding private line and special  
5 access interconnection which are raised by  
6 this petition.

7

8 7. Q. Is expanded interconnection for special  
9 access and private line in the public  
10 interest?

11 A. Yes. Central office interconnection will  
12 provide significant benefits to consumers  
13 in Florida. In order to prepare for the  
14 competition they will face from collocated  
15 competitors, LECs will upgrade and improve  
16 their transmission infrastructure. All  
17 telephone company subscribers will then  
18 benefit from improved service, better  
19 quality and lower costs for the basic  
20 services transmitted over these upgraded  
21 networks. By acting upon competitive  
22 incentives to improve service to their  
23 customers, the LECs, themselves, will also  
24 benefit from competition.

25

26 Additionally, interconnection incents LECs

1 to reduce their costs and improve their  
2 efficiency. Furthermore, interconnection  
3 reduces the likelihood that LECs will  
4 experience stranded investment.

5 Interconnectors are purchasing and using  
6 portions of the LECs' networks -- portions  
7 of the network which could be stranded if  
8 large customers choose to bypass the LEC  
9 network by using alternative transmission  
10 facilities such as microwave.

11 Interconnection will allow competitive  
12 local carriers to serve unmet consumer  
13 demands for diversified telecommunications  
14 services and facilities. Interconnection  
15 can also alleviate the need for LECs to  
16 build expensive, additional capacity at  
17 ratepayer risk and expense: the LEC can  
18 simply use the facilities of the  
19 interconnector.

20

21 8. Q. How does the FCC's order on expanded  
22 interconnection impact the Commission's  
23 ability to impose forms and conditions of  
24 expanded interconnection that are  
25 different from those imposed by the FCC  
26 order?

1           A.   Florida can extend the benefits of  
2               expanded interconnection beyond the scope  
3               of the FCC order in three crucial ways.

4  
5               First, Florida should require  
6               interconnection at a DS1, DS3 and DS0  
7               level to extend the benefits of  
8               collocation to all special access  
9               customers. The FCC order required  
10              interconnection for DS1 and DS3 only.  
11              Such a restriction denies the benefits of  
12              collocation to the large number of  
13              customers who currently use special access  
14              facilities with speeds below a DS1  
15              capacity. The only way for a competitor  
16              to serve such customers under a  
17              collocation arrangement would be to  
18              purchase LEC multiplexing services and  
19              individual DS0 end links. This makes the  
20              competitor captive to the LEC's  
21              multiplexing prices and service quality,  
22              while at the same time eliminating any  
23              competitive check on the reasonableness of  
24              these multiplexing prices.

25  
26              Second, Florida should institute a "fresh



1 look" provision designed to allow  
2 consumers to exercise their new-found  
3 freedom of choice in the special access  
4 market without incurring substantial  
5 penalties for doing so.

6  
7 Consumers should be free to terminate  
8 their contracts with the local exchange  
9 carriers without fear of incurring  
10 substantial termination liabilities.  
11 Precedents for such action exist at the  
12 federal level where the FCC disallowed the  
13 imposition of any termination liabilities  
14 for customers who switched their 800  
15 service from AT&T to another carrier<sup>1</sup>, and  
16 for airlines who switched air-to-ground  
17 radiotelephone service providers.<sup>2</sup> Of  
18 course, the most famous example of such a  
19 policy dates back to Divestiture when  
20 customers were free to choose the long-  
21 distance carrier of their choice without

---

22 <sup>1</sup>See, Competition in the Interstate Interexchange  
23 Marketplace, 7 FCC Rcd 2677 (1992).

24 <sup>2</sup>See, Amendment of the Commission's Rules Relative to  
25 Allocation of the 849-851/894-896 Mhz Bands, 6 FCC Rcd 4582  
26 (1991).

1 penalty.<sup>3</sup> These actions were necessary to  
2 effectuate the FCC's pro-competitive  
3 policies, and are as necessary in the  
4 instant proceeding. Without freedom of  
5 choice, there is no competition.

6  
7 Third, Florida should permit  
8 interconnectors to provide the local  
9 transport portion of switched carrier  
10 access. The local transport portion of  
11 switched carrier access service provides  
12 transmission facilities between an  
13 interexchange carrier ("IXC") point-of-  
14 presence ("POP") and a telephone company  
15 central office ("CO"). Local transport  
16 switched access facilities are dedicated  
17 point to point high volume facilities.  
18 Although telephone companies offer these  
19 services within "switched access" service  
20 categories, the economic and technical  
21 nature of local transport circuits are  
22 much more akin to private line services.  
23 Similar to private line services, local  
24 transport carrier access is provided

---

25 <sup>3</sup>After a reasonable time, a minimal termination charge no  
greater than \$5.00 was imposed.

1           between two discrete points, namely the  
2           interexchange carrier POP and the  
3           telephone company CO. There is no  
4           "switching" or call routing involved in  
5           local transport.

6  
7           TCG estimates that local transport service  
8           represents approximately 75% of all  
9           circuits between an IXC POP and a  
10          telephone company central office. IXCs  
11          need the quality, reliability and  
12          diversity of competitive alternatives for  
13          these critical facilities. Moreover,  
14          competition for the local transport  
15          portion of switched access services  
16          dramatically increases the prospects for  
17          effective competition in traditional  
18          private line services, which is, after  
19          all, the purpose of this proceeding.

20  
21          IXCs typically require both special access  
22          and switched access services, and many  
23          combine their traffic on one facility for  
24          the inherent efficiencies of such an  
25          arrangement. TCG estimates that 75% of  
26          the circuits between an IXC POP and a

1 telephone company central office are for  
2 switched services. If TCG is able to  
3 compete for the provision of the local  
4 transport portion of switched access  
5 services on the same terms and conditions  
6 as the local exchange carriers, TCG will  
7 be better able to address the total access  
8 needs of IXCs and will be able to develop  
9 the same economies of scope and scale that  
10 local exchange carriers enjoy.

11  
12 Under current circumstances, local  
13 exchange carriers are permitted to combine  
14 access services on one facility and  
15 address the total access needs of  
16 consumers. Without similar ability,  
17 interconnectors cannot effectively  
18 compete. The imposition on  
19 interconnectors of what is essentially a  
20 line-of-business restriction handicaps  
21 interconnectors' ability to compete  
22 against "un-handicapped" local exchange  
23 carrier facilities.

24  
25 The removal of any artificial "shielding"  
26 of the vast majority of central office



1 access traffic from competitive choice  
2 allows the proven benefits of reliable,  
3 diverse and competitive central office  
4 access services to benefit Florida  
5 consumers.

6

7 9. Q. Does Chapter 364 of the Florida Statutes  
8 allow the Commission to require expanded  
9 interconnection?

10 A. Yes. Section 364.01 grants the Commission  
11 "exclusive jurisdiction" over all  
12 telecommunications matters and  
13 specifically directs the Commission to  
14 encourage cost-effective innovation and  
15 competition in the telecommunications  
16 industry if so doing will benefit the  
17 public by making modern and adequate  
18 telecommunications services available at  
19 reasonable prices. Collocation and  
20 interconnection are two essential elements  
21 of full and effective competition in local  
22 telecommunications markets and they will  
23 bring the benefits to the public which I  
24 discussed above.

25

26 Other sections of Chapter 364 similarly

1 point to interconnection as a vehicle for  
2 promoting effective competition. In the  
3 Alternative Access Vendor Docket No.  
4 890183-TL, Order No. 24877, the Commission  
5 determined that it was in the public  
6 interest and that it had statutory  
7 authority, pursuant to Section 364.337, to  
8 certificate AAVs to provide special access  
9 services. The Commission found in this  
10 Order that AAVs have benefits to offer and  
11 that by offering their services, the AAVs  
12 have spurred the LECs, themselves, to  
13 offer new services. By authorizing  
14 interconnection for AAVs and other  
15 competitors, the Commission will ensure  
16 that AAVs can offer service to many more  
17 customers who desire the diversity and  
18 other benefits that AAVs can offer.

19  
20 Section 364.16 authorizes the Commission  
21 to require connections between two or more  
22 telecommunications companies where  
23 connections can reasonably be made,  
24 efficient service obtained and such  
25 connections are necessary. When read in  
26 conjunction with the other sections

1 authorizing the Commission to certify  
2 competitive providers and to promote  
3 competition in telecommunications services  
4 in order to form a modern and efficient  
5 network for all, the Commission can  
6 interpret this section to permit it to  
7 order LECs to allow competitors to  
8 interconnect with their networks so that  
9 competitors can reach all consumers.

10  
11 10. Q. Does a physical collocation mandate raise  
12 federal and/or state constitutional  
13 questions about the taking or confiscation  
14 of LEC property?

15 A. No. The key to the fairness of  
16 interconnection to all parties is that the  
17 interconnectors compensate the LECs for  
18 the use of LEC facilities. Furthermore,  
19 the Commission is ordering interconnection  
20 for the public purpose of promoting a  
21 modern, efficient telecommunications  
22 infrastructure. Therefore, a physical  
23 collocation mandate does not constitute a  
24 taking.

25  
26 11. Q. Should the Commission require physical

1 and/or virtual collocation.

2 A. The Commission should require LECs to  
3 offer physical collocation. Physical  
4 collocation ensures that interconnectors  
5 are provided interconnection on the same  
6 terms and conditions as the LECs  
7 interconnect their own high capacity  
8 networks. A physical requirement would  
9 also allow for uniformity between state  
10 and federal requirements.

11  
12 It is important to understand that  
13 interconnection with AAV networks via  
14 either physical or virtual collocation is  
15 essentially the same as the  
16 interconnections that take place today  
17 throughout the LEC network. The  
18 technologies, equipment, and procedures  
19 are largely alike.

20  
21 Under either physical collocation or  
22 virtual collocation, a central office  
23 interconnection arrangement is composed of  
24 three essential elements: (1)  
25 interconnection cable; (2) interconnection  
26 electronics; and (3) cross-connection facility.



1           The interconnection cable is an unbroken  
2           fiber optic facility which the AAV extends  
3           from its network into the LEC central  
4           office. The cable enters into and  
5           terminates inside the LEC central office,  
6           just as the LEC's own fiber optic cable is  
7           terminated at the central office.

8  
9           The interconnection electronics are  
10          located within the LEC central office and  
11          are the most crucial element of the  
12          interconnection arrangement. The  
13          interconnection cable is terminated into  
14          the interconnection electronics, which are  
15          then used to derive individual circuits.  
16          This equipment may include optical line  
17          terminating multiplexers, DS3:DS1  
18          multiplexers, DS1:DS0 multiplexers, and  
19          digital access cross-connect systems. All  
20          of this sort of equipment is today used by  
21          the LEC in its own network, and is  
22          likewise terminated into its own fiber  
23          optic facilities. The interconnection  
24          electronics are responsible for most of  
25          the customer-visible characteristics of a  
26          carrier's service: quality, reliability,

1 speed, cost.

2

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Therefore, under either physical or virtual interconnection, the interconnection equipment must be selected by the interconnector, and the equipment must be remotely monitored, configured and controlled by the interconnector. The interconnection electronics must also be installed, upgraded, maintained, and modified at the sole discretion of the interconnector, and according to its cost and service standards.

The cross-connection facility is usually a copper (electronic) cable provided by the LEC which connects the interconnection equipment to a LEC cross connection frame (or digital access cross connect system in some cases) where the interconnector's circuit is cross connected to the interconnected services: loops, a switch port, multiplexer, etc. For special access, these cables connect the AAV equipment to a channel termination (i.e., a Special Access "loop"), a channel

1                   mileage facility, or a multiplexer. These  
2                   same interconnections take place today in  
3                   the LECs' network.

4  
5                   From TCG's experience, the only  
6                   distinction between "physical" collocation  
7                   and a workable "virtual" collocation is  
8                   ownership: in physical collocation the  
9                   AAV owns the interconnection electronics  
10                  and is able to enter the LEC central  
11                  office to perform these provisioning and  
12                  maintenance functions, whereas in virtual  
13                  collocation the LEC leases the equipment  
14                  to the AAV and performs provisioning and  
15                  maintenance for the AAV under tariff while  
16                  the AAV monitors and controls the  
17                  equipment remotely.

18  
19  
20                  The burden on a LEC between having to  
21                  offer physical and virtual collocation is  
22                  negligible whereas it is critical for an  
23                  interconnector to have the option of  
24                  choosing a physical arrangement. The  
25                  ability of interconnectors to negotiate a  
26                  virtual collocation arrangement is  
27                  hindered when a LEC knows it has no  
28                  obligation to provide physical

1 collocation. As monopoly providers, LECs  
2 have an overwhelming advantage in  
3 establishing interconnection arrangements  
4 and in tariffing interconnection terms and  
5 conditions.

6  
7 The availability of physical collocation  
8 thus serves as a "marketplace check" on  
9 the reasonableness of the LEC's virtual  
10 collocation proposals. With physical  
11 interconnection as the default  
12 interconnection method, LECs must provide  
13 reasonable virtual interconnection  
14 arrangements or else AAVs will elect  
15 physical interconnection. Only the  
16 availability of physical interconnection  
17 arrangements will compel the LECs to  
18 provide truly comparable virtual  
19 interconnection arrangements.

20  
21 Allowing the LEC to decide whether or not  
22 to provide physical collocation robs the  
23 AAV of its only negotiation leverage, and  
24 leaves it unable to compel the LEC to  
25 provide quality, cost effective  
26 collocation arrangements. The AAV is thus



1 left subject to the quality of service  
2 that the LEC wishes to give it, with no  
3 effective alternative. Because the LEC is  
4 not only the AAV's crucial supplier, but  
5 also -- from the LEC's perspective -- its  
6 primary competitor, the AAV is left in an  
7 unenviable competitive posture. The AAV's  
8 situation is akin to that which Ford Motor  
9 Company would face if it were required to  
10 use General Motors engines in all of its  
11 cars, and could not contract with another  
12 company or build its own engines. Just as  
13 Ford would be unable to influence the  
14 quality and cost of a key element of its  
15 product, so too is the AAV left without  
16 the ability to control an essential part  
17 of its service and costs if it cannot  
18 insist on physical collocation.

- 19
- 20 11. Q. What LECs should be required to provide  
21 expanded interconnection?
- 22 A. All LECs, including non-Tier I LECs (those  
23 with less than \$100 million in annual  
24 revenues from regulated service) should be  
25 included in an intrastate interconnection  
26 policy in Florida. Interconnection

1 permits the dynamic development of the  
2 telecommunications infrastructure in the  
3 most cost-effective, efficient manner.  
4 Consumers benefit from a strengthened  
5 infrastructure and an abundance of choice  
6 made possible by competition. These  
7 benefits should be available to all  
8 consumers.

- 9
- 10 12. Q. Where should expanded interconnection be  
11 offered?
- 12 A. LECs should offer expanded interconnection  
13 in all central offices, state-wide.  
14
- 15 13. Q. Who should be allowed to interconnect?
- 16 A. LECs should offer expanded interconnection  
17 for special access to all parties who want  
18 to terminate their own special access  
19 transmission facilities at LEC central  
20 offices, including AAVs, IXC's and end  
21 users.  
22
- 23 14. Q. What standards should the Commission  
24 require for physical and/or virtual  
25 collocation?
- 26 A. TCG has pursued interconnection with LECs

1 for over seven years and has found that  
2 the following standard should apply for  
3 competitive interconnection:

4 The interconnection  
5 arrangement must provide  
6 TCG with the same  
7 capability to connect its  
8 high capacity fiber optic  
9 network to the LEC's  
10 central office facilities  
11 and the LEC's ubiquitous  
12 low capacity loop network  
13 in a manner which is  
14 technically, operationally  
15 and economically comparable  
16 to the way that the LEC  
17 connects its own high  
18 capacity facilities to the  
19 LEC central office  
20 facilities and loop  
21 network.  
22

23 Basically, a competitor must be able to  
24 use its own equipment and facilities for  
25 the central office interconnection to the  
26 greatest extent possible and rely on its  
27 dominant competitor to the least extent  
28 possible. In addition, competitors must  
29 be able to select the interconnection  
30 electronics at the central office and be  
31 able to remotely monitor and control the  
32 equipment.  
33

34 TCG's interconnection standard is as  
35 equally applicable to virtual collocation

1 as it is to physical collocation. Virtual  
2 arrangements are acceptable if the  
3 characteristics of the non-located  
4 interconnection are virtually the same as  
5 the characteristics of located  
6 interconnection. This is where Florida  
7 must improve on the FCC's policies if it  
8 authorizes virtual collocation.

9  
10 The FCC's standard for virtual collocation  
11 is inadequate because it allows the LECs  
12 to install, repair and maintain equipment  
13 to meet the LEC's standards rather than  
14 the interconnector's standards. This  
15 allows the LEC to control the essential  
16 character of an AAV's services. Unless  
17 the Commission allows the AAV to define  
18 the service standards for virtual  
19 collocation, it will not facilitate true  
20 competition. TCG suggests the standard  
21 New York implemented for virtual  
22 collocation which is that it must be  
23 "technically and economically comparable  
24 to actual collocation."  
25  
26



1       15.       Q.   Should collocators be required to allow  
2                   LECs and other parties to interconnect  
3                   with their networks?

4                   A.   As monopoly providers of essential  
5                   bottleneck facilities, LECs need to be  
6                   required to provide physical collocation  
7                   to interconnectors. However, non-  
8                   dominant, competitive carriers need no  
9                   such requirement. As competition for  
10                  private line services develops, a  
11                  competitor would be foolish to reject a  
12                  collocation request and the associated  
13                  revenues. The potential interconnector  
14                  will simply move on to the next provider.  
15                  For this reason, a requirement that  
16                  collocators should provide interconnection  
17                  to the LECs and other parties is  
18                  unnecessary.

19  
20       16.       Q.   What standards should be established for  
21                   the LECs to allocate space for  
22                   collocators?

23                  A.   TCG agrees with the FCC's method of  
24                   requiring LECs to provide space for  
25                   physical collocation on a first come-first  
26                   served basis. However, we believe that

1 space will become less of a concern in the  
2 future as transmission equipment becomes  
3 smaller and available CO space increases.  
4 It is also appropriate for carriers to  
5 consider interconnection demand for  
6 central office space when remodeling or  
7 building new central offices just as they  
8 would consider future demand for other  
9 services.

10  
11 It is also important that the Commission  
12 require LECs to offer virtual collocation  
13 if physical collocation space becomes  
14 filled to capacity. They should not be  
15 permitted to turn away potential  
16 interconnectors for this reason.

- 17  
18 17. Q. If the Commission permits expanded  
19 interconnection, should it grant pricing  
20 flexibility to the LECs for special access  
21 and private line services?  
22 A. No. If competitors cannot compete for the  
23 local transport portion of switched access  
24 services, and consumers do not have  
25 effective freedom of choice, pricing  
26 flexibility for local exchange carriers is

1 inappropriate and disproportionate to the  
2 level of actual competition that will  
3 develop as a result of ICI's petition.  
4

5 The Commission must be careful not to  
6 confuse the presence of a competitor with  
7 a competitive market. AT&T recently  
8 stated that 99.866% of their access  
9 services are handled by local exchange  
10 carriers.<sup>4</sup> Clearly there is no competition  
11 for access services, even though there may  
12 be the presence of a competitor.  
13

14 Local exchange carriers do not require any  
15 pricing flexibility to compete with  
16 interconnectors when those interconnectors  
17 are unable to address 75% of the total  
18 access needs of consumers and consumers  
19 are penalized for exercising their freedom  
20 of choice in those situations where they  
21 desire to take service from a competitor.  
22

23 So long as interconnectors are handicapped  
24 with line-of-business restrictions and

---

25 <sup>4</sup>See, Communications Daily, March 25, 1993 at 1.

1 consumers are denied freedom of choice,  
2 local exchange carriers should not be  
3 permitted to "lock up" the existing  
4 special access and local transport market  
5 by lowering their prices for long-term  
6 contracts which consumers are unable to  
7 escape.

8  
9 18. Q. What collocation rates, terms and  
10 conditions should be tariffed by the LECs?

11 A. To promote uniformity and facilitate  
12 effective interconnections, LECs should  
13 tariff the following non-recurring rate  
14 elements: cage construction, power cabling  
15 and racking and the cable pull.  
16 Interconnectors should have the option to  
17 complete these tasks themselves.

18  
19 LECs should tariff the following recurring  
20 rate elements: cable space, cross-connect,  
21 floor space and electric power.

22  
23 It is critical that the Commission ensure  
24 that LECs indicate in their tariffs that  
25 they will abide by the following terms and  
26 conditions. Rearrangement charges are



1 those applied to a customer to reconfigure  
2 special services within a central office.  
3 It is crucial that these charges be non-  
4 discriminatory such that there is no  
5 difference in the charges to the customer  
6 whether the circuits remain as the LEC's  
7 circuits or are transferred from a LEC to  
8 an interconnector or from an  
9 interconnector to a LEC. Interconnectors  
10 must be given channel assignment control  
11 which refers to the determination of the  
12 assignment of individual channels on a  
13 customer circuit. An interconnector must  
14 have control over the assignments so they  
15 can be made quickly.

16  
17 Many customers of interconnectors insist  
18 that they be allowed to order and bill for  
19 end user circuits under a letter of agency  
20 authorization. Interconnectors must be  
21 permitted to use letters of agency.  
22 Escort and eviction terms must be limited  
23 to prevent LECs from using these  
24 mechanisms as a way to invalidate the  
25 usefulness of a central office  
26 interconnection arrangement. LECs should

1           only force an interconnector to relocate  
2           within a central office under extreme  
3           circumstances and must give reasonable  
4           notice to the interconnector.

5  
6           Reasonable installation time frames should  
7           be tariffed. Government compliance should  
8           be the responsibility of the LEC.

9           Interconnectors should be allowed to  
10          purchase their own insurance. There  
11          should be no restrictions placed on  
12          interconnectors by LECs regarding the  
13          types of equipment that can be installed  
14          as long as it can be used to terminate  
15          basic transmission facilities. Finally,  
16          the Commission should ensure that the  
17          LECs' liability language for  
18          interconnections is reasonable.

19  
20       19.       Q.   Should all special access and private line  
21                  providers be required to file tariffs?

22       A.   No. The Commission determined in Order  
23           No. 24877 that customers using the  
24           services of AAVs understand that they are  
25           dealing with a competitor to the LECs and  
26           can choose to go back to using the LEC for

1 all their service needs if they are  
2 dissatisfied with the AAV. The Commission  
3 concluded the filing of tariffs would  
4 provide limited benefit. If the  
5 Commission does require AAVs to file  
6 tariffs, it should adopt streamlined  
7 filing procedures (e.g., rate bands and  
8 short notice periods).

9  
10 20. Q. How would ratepayers be financially  
11 affected by expanded interconnection.

12 A. Ratepayers will benefit financially from  
13 expanded interconnection. To the extent  
14 that expanded interconnection leads to  
15 increased competition for access services,  
16 ratepayers will benefit from LEC efforts  
17 to increase efficiency and lower costs.  
18 The LEC should flow through these  
19 efficiencies and cost reduction to  
20 consumers.

21  
22 21. Q. Should the Commission grant ICI's  
23 petition?

24 A. Yes. Based on the points I've made about  
25 the benefits of expanded interconnection,  
26 the Commission should grant ICI's petition

1 to permit AAV provision of special access  
2 and private line services through  
3 collocation arrangements in local exchange  
4 company central offices.  
5

6 22. Q. Does this conclude your testimony?

7 A. Yes.  
8



1           Q     (By Mr. Hoffman) Mr. Kouroupas, so the  
2 record is clear, you have appended no exhibits to your  
3 prefiled direct testimony; is that correct?

4           A     Correct.

5           Q     Have you prepared a summary of your direct  
6 testimony?

7           A     Yes, I have.

8           Q     Would you please provide your summary?

9           A     Thank you. TCG believes that the Commission  
10 should grant ICI's petition for expanded  
11 interconnection. Expanded interconnection for special  
12 access and private line service is in the public  
13 interest and is lawful under Florida statutes. It  
14 provides significant benefits to consumers in Florida  
15 as well.

16                 TCG believes that the Commission should  
17 mirror the expanded interconnection policy developed by  
18 the Federal Communications Commission adding a few  
19 improvements.

20                 First, Florida should require interconnections  
21 at a DS-3, DS-1 and a DS-0 level to extend the benefits of  
22 collocation to smaller customers.

23                 The Commission should also institute a "fresh  
24 look" provision mirroring the latest "fresh look"  
25 provision adopted by the FCC that allows customers to

1 terminate long-term contracts of three years or greater  
2 with the LEC at a minimum penalty in order to avail  
3 themselves of the new competitive opportunities  
4 available.

5 Finally, Florida should also allow  
6 interconnectors to provide the local transport portion  
7 of switched access interconnection, which is  
8 essentially a private line service as well.

9 Most importantly, Florida should require all  
10 the LECs to offer collocation on a physical basis,  
11 leaving open the option of negotiating a virtual  
12 arrangement. The space for these arrangements can be  
13 allocated on a first-come-first-serve basis.

14 As a final matter, in regards to the issue of  
15 pricing flexibility, TCG does not believe it is  
16 appropriate at this time to grant the LECs additional  
17 pricing flexibility.

18 That's the summary of my testimony.

19 MR. HOFFMAN: Thank you, Mr. Kourpoupas.

20 He's available for cross.

21 COMMISSIONER CLARK: Mr. Wiggins.

22 MR. WIGGINS: Are you starting with me?

23 COMMISSIONER CLARK: No, you should be last,  
24 right?

25 MR. WIGGINS: With luck.

1 COMMISSIONER CLARK: Mr. Erwin.

2 CROSS EXAMINATION

3 BY MR. ERWIN:

4 Q Mr. Kouroupas, were you present in the room  
5 during the cross examination of Mr. Canis that I  
6 conducted recently?

7 A Yes, I was.

8 Q And do you have any disagreement with the  
9 answers that were given to the questions that I posed  
10 to Mr. Canis?

11 A I can't say that unequivocally. I'd need to  
12 hear the specific questions. I mean there are --

13 Q You don't remember the questions that I asked?

14 A There were some nuances to the answers that I  
15 might not have agreed with, and there are some nuances  
16 that I might have agreed with. I don't want to say  
17 flat out that I agree with everything that was stated  
18 in that exchange.

19 Q Do you agree that the non-Tier 1 LECs should  
20 be given a regulatory treatment that differs from the  
21 Tier 1 LECs?

22 A To the extent that non-Tier 1 LECs are  
23 currently regulated differently from Tier 1 LECs, those  
24 differences should continue to be reflected in the  
25 Commission's rules and policies.

1           Q     Do you believe that the non-Tier 1 LECs  
2     should have to file a tariff as a result of this  
3     proceeding?

4           A     As a result of this proceeding, the non-Tier  
5     1 LECs don't necessarily have to file a tariff;  
6     however, if they elect to provide interconnection, it  
7     should be on a tariff basis.

8           Q     Well, if they elect not to provide  
9     interconnection?

10          A     One of the positions that TCG is advocating  
11     in this proceeding is that the non-Tier 1 LECs be  
12     required to provide interconnection but to do so only  
13     upon a bona fide request. After a bona fide request is  
14     received, TCG would expect the non-Tier 1 LECs to file  
15     a tariff for that service as well.

16          Q     Well, after a request for interconnection is  
17     made by an AAV to a non-Tier 1 company and the non-Tier  
18     1 company tells you to take a hike, then what do you  
19     want us to do, or what do you want to do at that point?  
20     Do you want to do as Mr. Canis would do, and, that is,  
21     have the PSC decide what appropriate terms and  
22     conditions of interconnection might be, or do you want  
23     something else to be done?

24          A     TCG would prefer that the Commission in this  
25     proceeding confirm the fact that non-Tier 1 LECs are



1 required to provide interconnection so that they could  
2 not tell us to take a hike. We would prefer that the  
3 non-Tier 1 LECs also be required to provide it on a  
4 physical basis unless they can negotiate a satisfactory  
5 virtual arrangement with the AAV. In that instance,  
6 you know, we can go down the avenue of a virtual  
7 arrangement or a physical, depending on how the  
8 negotiations go.

9 Q Well, I'm not sure that I understand what  
10 you're saying. Do you want this Commission to set the  
11 terms and conditions for interconnection as a result of  
12 this proceeding, or do you want there to be  
13 negotiations between the AAVs and the non-Tier 1 LECs?

14 A I would prefer that the Commission establish  
15 the policy that interconnection applies to all LECs in  
16 Florida, and that the consumers throughout the state  
17 will benefit from the expanded interconnection policy.

18 Q I don't believe you answered the question,  
19 which was, do you want the Commission to establish the  
20 terms and conditions for interconnection as a result of  
21 this proceeding, or do you suggest that the AAVs and  
22 the non-Tier 1 LECs should negotiate terms and  
23 conditions, and failing that, have the matter resolved  
24 by the Commission?

25 A The Commission should establish the terms and

1 conditions in this proceeding.

2 Q Okay. Now, how likely do you think it is that  
3 there is going to be a request for interconnection of a  
4 non -- from an AAV to a non-Tier 1 LEC any time soon?

5 A I cannot make an estimation on that.

6 Q Do you know of any other companies that have  
7 granted interconnection as far as intrastate special  
8 access and private line connections are concerned?

9 A Of any non-Tier 1 company or any company?

10 Q Any companies?

11 A Any companies that have granted  
12 interconnection, yes.

13 Q Are they all Tier 1 Companies?

14 A Yes, they are all classified as Tier 1  
15 companies.

16 Q And do you have any ideas or just speculation  
17 on your part as to when you might get down to the  
18 non-Tier 1 companies insofar as requesting  
19 interconnection is concerned?

20 A It would be just speculation on my part.  
21 However, the industry is moving at such a rapid pace  
22 that it could come sooner than any of us really  
23 imagine.

24 Q If the Commission sets terms and conditions  
25 for interconnection as a result of this docket and it's

1 ten years before an AAV asks a non-Tier 1 LEC for  
2 interconnection, do you think that the rates and terms  
3 for interconnection would still be appropriate at the  
4 end of that period of time?

5 A It's hard to say whether it is or not. In  
6 the event that it is not, I imagine the non-Tier 1 LECs  
7 as well as the AAV would approach the Commission and  
8 ask for modification.

9 Q Doesn't that just sort of make double work  
10 for us right now rather than just waiting until you  
11 make a request in establishing terms and conditions at  
12 that time?

13 A It could be said that that would create  
14 double work as well in the sense that we would have to  
15 once again go through this whole process to settle the  
16 terms and conditions of interconnection from a non-Tier  
17 1 LEC to an AAV.

18 MR. ERWIN: I don't think I have any further  
19 questions. I think we can go round and round here for a  
20 long time, so I'll just terminate this line of  
21 questioning. Thank you.

22 COMMISSIONER CLARK: Mr. Carver.

23 MR. CARVER: Yes, I have a few questions.  
24  
25

## CROSS EXAMINATION

BY MR. CARVER:

Q Mr. Kouroupas, my name is Phil Carver. I represent Southern Bell.

First of all, let me ask you a few questions about your "fresh look" proposal.

In a situation which a LEC has a contract with a customer and there are some initial installation charges that are spread out over the life of that contract, under your proposal would the customer be able to terminate that contract without any termination liability?

A Yes.

Q Okay. And as a result of that, the LEC ends up losing money on the contract because they can't recoup the installation charge and the customer would still be able to terminate. In other words, despite the fact that the LEC would lose money on it?

A If there is a demonstration that the LEC will lose money, perhaps the contract -- the termination liability that would be imposed would be -- I'm sorry. The way it's sometimes handled is if it's a five-year contract and the customer terminates after three years, you redo the numbers to prorate them over three years as opposed to five and that becomes the termination



1 penalty that they would pay what they would have  
2 normally paid under a three-year contract, which is  
3 generally cheaper than a five-year contract.

4 Q Okay. So then under what -- the proposal  
5 that you have, then, the customer would have a  
6 termination liability that would be equal to any  
7 unrecovered costs?

8 A It would be equal to the cost charged for the  
9 length of time they used the facilities, yes.

10 Q Okay. Well, do you contemplate that under  
11 your proposal that there would ever be a situation in  
12 which the LEC would be unable to recover their cost?

13 A No. To the extent that the LEC is utilizing  
14 state-of-the-art electronics associated with fiber  
15 technology, those technologies -- that equipment can be  
16 deployed elsewhere in their network. They might be  
17 able to salvage a good portion of their investment.

18 Q Okay. I'm not talking so much about salvage;  
19 what I'm talking about is a contract-specific  
20 situation. Do you envision under your proposal a  
21 situation where the customer or whatever terminates the  
22 contract, and at that point, what they had paid to the  
23 LEC would not cover the cost of providing that service  
24 to the customer to that date? That's my question.

25 A That would be speculation on my part. I

1     **imagine it could occur.**

2           **Q     Okay. And if that does occur, that is, if**  
3     **the LEC loses money on the contract, I assume you would**  
4     **just pass that loss on to the ratepayer?**

5           **A     No, I wouldn't just pass that cost on to the**  
6     **ratepayer.**

7           **Q     Okay. Well, how would the LEC recover that loss?**

8           **A     As I said, there is a lot of ways the LEC can**  
9     **minimize that loss to where there may not be one.**

10          **Q     But assuming they could minimize it, though,**  
11     **then they would simply have to make that revenue up**  
12     **somewhere else, such as, for example, raising rates on**  
13     **other services?**

14          **A     Or the stockholders could take a hit on that one.**

15          **Q     Do you have a specific proposal one way or**  
16     **the other, or are you saying that it should be below**  
17     **the line or above the line?**

18          **A     I would prefer that the stockholders absorb**  
19     **that loss.**

20          **Q     I'm a little confused about your position on**  
21     **pricing flexibility. Are you against all flexibility**  
22     **or are you just against additional flexibility?**

23          **A     Additional flexibility.**

24          **Q     Okay. So you have no problem, then, with**  
25     **contract service arrangements being used for services**

1 that are subject to collocation?

2 A To the extent that the LECs currently have  
3 that pricing flexibility, we would not argue to change  
4 that policy.

5 Q Okay. So then what's been discussed in this  
6 docket, what you're really against is zone density  
7 pricing?

8 A If that's the form of pricing flexibility the  
9 LECs desire, yes.

10 Q Okay. In a situation where for a LEC to provide  
11 a service in some places in the state is less expensive  
12 than to provide it in others, do you believe that they  
13 should have to charge a statewide average price, even  
14 though that's going to be substantially above their cost  
15 for providing it in that specific location?

16 A We're discussing here the access market, high  
17 capacity lines that generally are only in population  
18 dense areas, so the statewide average pricing on those  
19 is pretty similar in the sense that all the -- you're  
20 averaging over geographically dense areas, so I don't  
21 see that there would particularly be any low cost area  
22 and a high costs area that we would be able to exploit.

23 Q Well, let me ask you the question in the form  
24 of a hypothetical. And I think I did that to begin  
25 with, but let me ask it again. If you have an area

1 where costs are substantially higher than in another  
2 area, do you believe that the LEC should be able to  
3 price above its costs as they occur in each area, or do  
4 you believe the costs above which they must price  
5 should be averaged statewide?

6 A I don't have an opinion on that, on what the  
7 LECs' pricing. I mean, that's a pricing decision on  
8 your part. I mean, is that what you're asking, if the  
9 LEC itself should have that decision?

10 Q I'm asking you to give an opinion on that.

11 A No opinion.

12 Q So then you would say also the LEC should  
13 have the freedom to make that pricing decision, though?

14 A Again, I have no opinion.

15 MR. CARVER: That's all the questions I  
16 have. Thank you.

17 CROSS EXAMINATION

18 BY MS. CASWELL:

19 Q Good afternoon, Mr. Kouroupas. Just have a  
20 few questions. I'm Kim Caswell with GTE.

21 As I understand it, you believe that  
22 interconnection should be mandated at the DS-0 as well  
23 as at the DS-1 and DS-3 levels; is that correct?

24 A Yes, it is.

25 Q Can you explain the difference between a DS-0



1 as opposed to DS-1 and DS-3 in the interconnection  
2 environment?

3 A The labels DS-3, 1 and 0 refer to the  
4 capacity of a circuit, DS-0 being the voice grade  
5 equivalent circuit able to carry one channel, DS-1  
6 moving up 24 channels, and DS-3 being 672. So it's the  
7 different labels for the different capacities. In an  
8 interconnection and a collocation arrangement, in order  
9 to serve, to interconnect to DS-0 circuits, you do  
10 require DS-1 to 0 multiplexers to be placed in the  
11 collocation facility.

12 Q And the FCC did not require interconnection  
13 at the DS-0 level, did it?

14 A No, the FCC did not.

15 Q Do you know why they did not?

16 A I'm not fully aware of the reasons why they  
17 chose that policy.

18 Q Isn't it true that interconnection at the  
19 DS-0 level would require interconnection of nonfiber  
20 facilities?

21 A In the sense that we may be interconnecting  
22 to copper facilities, that's correct.

23 Q In your testimony you seem to assume that  
24 under a virtual collocation arrangement the LEC would  
25 own the AAV's interconnection electronics. That's not

1 necessarily true, is it?

2 A We view the principal difference between  
3 physical and virtual -- actually I should say between a  
4 workable physical and workable virtual to be ownership  
5 as the sole difference.

6 Q Under the FCC's requirements, virtual  
7 collocation requirements, a LEC and an interconnector  
8 would be free to negotiate an arrangement tailored to  
9 their own particular circumstance, isn't that true?

10 A That's correct.

11 Q In your direct testimony you mention that  
12 interconnectors today are unable to address 75% of  
13 consumers' total access needs. How is that figure  
14 calculated?

15 A Based on our experience in selling access  
16 services, our indications are simply that 75% of the  
17 access needs of customers are for switched access  
18 services as opposed to the special access services.  
19 And to the extent that we're not permitted to provide  
20 the local transport portion of the switched access  
21 services, we're unable to address 75% of the market;  
22 therefore, handicapping us in the 25% of the special  
23 access market.

24 Q Okay. I have nothing further. Thank you.

25 COMMISSIONER CLARK: Mr. Tye.

1 MR. TYE: No questions.

2 COMMISSIONER CLARK: Mr. Wahlen.

3 CROSS EXAMINATION

4 BY MR. WAHLEN:

5 Q I'm Jeff Wahlen. I represent ALLTEL Florida,  
6 Inc.

7 Do you know the number of access lines served  
8 by non-Tier 1 local exchange companies in Florida?

9 A I'm not aware of the exact figure.

10 Q Would you agree, subject to check, that it's  
11 less than 3% of the access lines in Florida?

12 A I would agree to that.

13 MR. WAHLEN: Thank you.

14 COMMISSIONER CLARK: Mr. Dunbar.

15 MR. DUNBAR: No questions.

16 COMMISSIONER CLARK: Mr. Wiggins.

17 CROSS EXAMINATION

18 BY MR. WIGGINS:

19 Q Does your company have contracts with users  
20 who reach you through interconnection arrangements with  
21 the LEC?

22 A Yes, we do.

23 Q In any of those arrangements is the LEC leg  
24 to you a leg where there is no diversity or redundancy  
25 of routing?

1           A     In a physical sense, yes.

2           Q     Okay. From your customer's perspective, to  
3 the extent that you know it, does your -- your network  
4 has the diversity and redundancy of routing, though; is  
5 that correct?

6           A     Yes.

7           Q     Okay. Does that quality of your network  
8 still offer value to the customer?

9           A     Yes, it does. While we may not provide full  
10 end-to-end diversity, we at least get them halfway  
11 there, so to say, and it's better than the existing  
12 circumstances they operate under.

13                   MR. WIGGINS: Okay. No further questions.

14                   COMMISSIONER CLARK: Staff.

15                           CROSS EXAMINATION

16       BY MR. MURPHY:

17           Q     Mr. Kouroupas, I'm Charlie Murphy on behalf  
18 of the Commission Staff. Have you received a copy of  
19 Exhibits PK-1 and 2?

20           A     Yes, I have.

21           Q     I understand that there's an errata sheet  
22 that has been handed out for the deposition exhibit,  
23 but with the exception of that, are these exhibits  
24 accurate to the best of your knowledge and belief?

25           A     Yes, they are.



1           MR. MURPHY: Staff would ask that the  
2 exhibits be marked for identification.

3           COMMISSIONER CLARK: PK-1 is Exhibit 8. Am I  
4 correct, Mr. Pruitt?

5           MR. PRUITT: Yes.

6           COMMISSIONER CLARK: And PK-2 will be Exhibit 9.  
7 (Exhibit Nos. 8 and 9 marked for  
8 identification.)

9           MR. MURPHY: And Exhibit 8 would be,  
10 "Response to Staff Interrogatories," and Exhibit 9  
11 would be "Deposition Transcript with Errata Sheet."

12          Q     (By Mr. Murphy) To paraphrase, you've stated  
13 that if non-Tier 1 LECs are not required to offer  
14 collocation, the consumers will be divided into  
15 telecommunications' "haves" and "have nots"; is that  
16 correct?

17          A     That's correct.

18          Q     Who should be allowed to interconnect?

19          A     AAVs should be permitted to interconnect with  
20 the local exchange carriers, both Tier 1 and non-Tier 1.

21          Q     Should anyone else be allowed to  
22 interconnect?

23          A     TCG takes no position on whether to allow  
24 companies using nonfiber technology to interconnect  
25 with the local exchange carriers.

1 Q Should IXC's be allowed to interconnect?

2 A In order to make the Florida rules on  
3 expanded interconnection consistent with the Federal  
4 Communications' rules you can allow IXC's, end users and  
5 CAP's to interconnect or AAV's to interconnect with the  
6 LEC network.

7 Q Okay. Should the Florida Commission require  
8 the LEC's to file rate elements in their intrastate  
9 expanded interconnection tariffs which mirror the rate  
10 elements in their interstate tariffs filed with the  
11 FCC?

12 A Yes.

13 Q Do you agree with the FCC standards for  
14 allocating space?

15 A Yes, on a first-come-first-serve basis.

16 Q Where available?

17 A Where available.

18 Q If pricing flexibility for the LEC's is  
19 granted, should it be delayed?

20 A I'm sorry, could you repeat that? I didn't  
21 quite hear it.

22 Q If pricing flexibility for the LEC's is  
23 granted in this docket, should it be delayed?

24 Q Yes. One of the difficulties TCG has with  
25 the FCC's order on interconnection is the fact that

1 they grant pricing flexibility on Day One when, in  
2 fact, there is not a competitive market on Day One. It  
3 takes some time for companies to educate consumers that  
4 they even exist, and other such efforts, marketing  
5 efforts and whatnot. To grant the LECs pricing  
6 flexibility on Day One is disproportionate -- it's a  
7 disproportionate response to the level of competition  
8 that's actually out there.

9 Q How do you envision that pricing flexibility  
10 could be granted to be implemented over time? How  
11 would you see this working?

12 A You could either take an approach that brings  
13 in pricing flexibility after a certain time period or  
14 you could do it in a manner based on the number of  
15 circuits activated by AAVs. And what those exact  
16 numbers are, I'm not prepared to say at this point.

17 MR. MURPHY: That's all Staff has.

18 COMMISSIONER CLARK: Commissioners.

19 Redirect.

20 MR. HOFFMAN: No redirect.

21 COMMISSIONER CLARK: Thank you, Mr.

22 Kouroupas.

23 MR. MURPHY: Staff would move exhibits 8 and  
24 9.

25 COMMISSIONER CLARK: Without objection show

1 exhibits 8 and 9 entered into the record.

2 (Exhibit Nos. 8 and 9 received into  
3 evidence.)

4 (Witness Kouroupas excused.)

5 - - - - -

6 COMMISSIONER CLARK: Ms. Caswell.

7 MS. CASWELL: Mr. Beauvais, have you been  
8 sworn?

9 WITNESS BEAUVAIS: Yes.

10 EDWARD C. BEAUVAIS

11 was called as a witness on behalf of GTE Florida, Inc.,  
12 and, having been duly sworn, testified as follows:

13 DIRECT EXAMINATION

14 BY MS. CASWELL:

15 Q Please state your name and business address  
16 for the record.

17 A My name is Edward C. Beauvais, 600 Hidden  
18 Ridge, Irving, Texas 75038.

19 Q By whom are you employed?

20 A By GTE Telephone Operations

21 Q And in what capacity?

22 A As chief economist.

23 Q Did you submit written direct testimony in  
24 this proceeding?

25 A Yes, I did.



1           Q     Do you have any additions, corrections or  
2 deletions to that testimony?

3           A     I do not.

4           Q     So if I have ask you those same questions  
5 today your answers would remain the same?

6           A     Yes, ma'am.

7           MS. CASWELL: At this point, Commissioner  
8 Clark, I would ask to move Mr. Beauvais' testimony into  
9 the record as though read.

10           COMMISSIONER CLARK: It will be entered into  
11 the record as though read.

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**1 DIRECT TESTIMONY OF EDWARD C. BEAUVAIS, Ph.D.**

**2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

**3 A. My name is Edward C. Beauvais; my business address is 600**  
**4 Hidden Ridge, Irving, TX 75038. I am employed by GTE**  
**5 Telephone Operations as Chief Economist in the Regulatory Policy**  
**6 and Governmental Affairs Department.**

**7**

**8 Q. WILL YOU PLEASE STATE YOUR EDUCATION AND BUSINESS**  
**9 EXPERIENCE?**

**10 A. My professional resume with a partial listing of my professional**  
**11 publications and appearances is contained in Schedule ECB-1.**

**12**

**13 Q. HAVE YOU PREVIOUSLY APPEARED BEFORE THIS**  
**14 COMMISSION?**

**15 A. Yes. I have appeared before the Commission in Docket No.**  
**16 900633-TL, and in Docket No. 910757-TP, as well as in several**  
**17 workshops held by the Commission.**

**18**

**19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?**

**20 A. My testimony today addresses the policy issues raised by the**  
**21 Commission in its Order No. PSC-93-0811-PCO-TP of May 26,**  
**22 1993 in this docket concerning issues associated with expanded**  
**23 interconnection with the local exchange network. The issues I**  
**24 will present are closely interrelated, so that an integrated approach**  
**25 will enable a cohesive discussion of the policy directions**

1           necessary to satisfy the complex concerns this docket  
2           encompasses. With the further development of competition in the  
3           local exchange market, the Florida Public Service Commission  
4           ("Commission") must comprehensively address the issues facing  
5           all telecommunications providers and consumers in Florida.  
6           Complex and significant issues such as colocation, unbundling and  
7           elimination of resale restrictions and their associated impact on  
8           pricing levels and structures should not be handled through a  
9           single proceeding.

10  
11          While all of these various interconnection issues are interrelated  
12          and need to be recognized as such, expansion of competition in  
13          the local market should be approached incrementally. The  
14          successful transition to a more open, competitive marketplace  
15          requires careful balance and timing of activities. The worst  
16          possible alternative is to proceed along an "all or nothing" path  
17          and implement flash-cut measures only to arrive at an undefined  
18          competitive environment with undetermined consequences. To  
19          prevent this outcome, GTEFL urges the Commission to take a  
20          series of steps to fully investigate the impact of competition upon  
21          local exchange carriers ("LECs"), alternative access vendors  
22          ("AAVs"), other service providers and certainly the impact on  
23          consumers.

1       **Q.    COULD YOU PLEASE BE SPECIFIC AS TO WHAT STEPS YOU**  
2       **WOULD RECOMMEND IN THIS INVESTIGATION?**

3       **A.    Certainly. Specifically, GTEFL recommends that the Commission**  
4       **address the competitive impacts attendant Intermedia's petition**  
5       **as follows:**

6               **1. Address intrastate special access interconnection**  
7       **first. This is appropriate given the progress that has**  
8       **already been made by the FCC. With the exception of the**  
9       **physical colocation mandate, GTEFL believes that the FCC**  
10       **requirements can be mirrored by the Florida Public Service**  
11       **Commission for intrastate purposes. As explained below,**  
12       **GTEFL strongly believes that the FCC mandate of physical**  
13       **colocation should be eliminated.**

14              **2. Address the restructuring of switched transport.**  
15       **The FCC is also in the process of restructuring switched**  
16       **transport. See Transport Rate and Structure Pricing, Report**  
17       **and Order, CC Docket No. 91-213 (October 19, 1992).**  
18       **GTEFL recommends that the Commission adopt a policy**  
19       **consistent with the interstate dedicated/common transport**  
20       **rules and orders adopted by the FCC.**

21              **3. Address Costing and Pricing Issues. Having**  
22       **established a policy in the recently-concluded Commission's**  
23       **cross-subsidy docket to establish a set of costing**  
24       **procedures to more effectively serve the broad issues**  
25       **introduced by the Intermedia Petition, a pricing project**



1 should be initiated addressing pricing issues as well as tariff  
2 and resale restrictions. GTEFL suggests a full scale  
3 investigation of these issues either through an evidentiary  
4 hearing or a series of workshops. Completion of these  
5 workshops would not need to delay implementation of  
6 either expanded interconnection of special access services  
7 or the restructuring of dedicated/common transport.

8 4. Address issues of general unbundling. A  
9 restructuring of dedicated/common transport and resolution  
10 of the costing/pricing issues are logical foundations for  
11 initiating the unbundling phase. Because unbundling  
12 involves a fundamental restructuring of all LEC services and  
13 raises a myriad of public policy issues, a full scale eviden-  
14 tiary proceeding will be necessary to adequately review all  
15 related issues and determine the benefits and costs of  
16 unbundling.

17  
18 GTEFL urges the Commission to be prudent and exercise caution;  
19 too aggressive an agenda, trying to do everything at once, will  
20 only jeopardize the areas where immediate attention is most  
21 needed, special access interconnection and dedicated/common  
22 restructuring. Technology is increasing at such a pace that  
23 competition in telecommunications is thriving without unbundling  
24 and expanded interconnection. It is not correct to view these  
25 activities as necessary for competition. However, in order for

1 unbundling, interconnection and removal of tariff restrictions to  
2 contribute to the development of a competitive market, GTEFL  
3 believes that these actions must be done in a coordinated manner  
4 and only after a full investigation of all the facts.

5  
6 **Q. WHAT CIRCUMSTANCES RESULTED IN TODAY'S HEARINGS?**

7 **A.** The petition brought by Intermedia Communications of Florida,  
8 Inc. ("ICI") is a direct consequence of the FCC's Expanded  
9 Interconnection Order released on October 19, 1992. Expanded  
10 Interconnection with Local Telephone Company Facilities, CC  
11 Docket No. 91-141, Amendment of the Part 69 Allocation of  
12 General Support Facilities, CC Docket No. 92-222, Report and  
13 Order and Notice of Proposed Rulemaking. That Order mandates  
14 that Tier 1 local exchange companies, including GTE, permit  
15 interested parties to colocate and interconnect their special access  
16 transmission facilities within the LEC's central offices.

17 There are only two potential exceptions to this directive:

18  
19 (1) A formal state regulatory or legislative policy decision in  
20 favor of virtual colocation for expanded interconnection, or  
21 allowing LECs to choose which form of colocation to use for such  
22 interconnection; or

1           (2)    A demonstration by the LEC that a particular central office  
2           lacks sufficient space to permit physical colocation. Expanded  
3           Interconnection Order at para. 41.

4

5           **Q.    HOW DOES THE FCC DEFINE PHYSICAL COLOCATION AND**  
6           **WHAT IS THE DIFFERENCE BETWEEN IT AND VIRTUAL**  
7           **COLOCATION?**

8           **A.    It is the FCC's opinion that physical colocation will promote**  
9           **competition resulting in new services, reduced rates, and**  
10          **increased efficiency within the access market. The term physical**  
11          **colocation is defined by the FCC as a situation where the "inter-**  
12          **connecting party pays for LEC central office space in which to**  
13          **locate the equipment necessary to terminate its transmission links,**  
14          **and has physical access to the LEC central office to install,**  
15          **maintain, and repair this equipment." (Expanded Interconnection**  
16          **Order at para. 39.) In its Memorandum Opinion and Order**  
17          **adopted on June 8, 1993 in CC Docket No. 91-141, the FCC also**  
18          **defines physical colocation as the "physical placement of the**  
19          **interconnecting party's equipment in the LEC's central office."**

20

21           Under the FCC's virtual colocation guidelines, interconnectors  
22           would designate the central office equipment dedicated to their  
23           use and monitor and control their circuits terminating in the LEC's  
24           facilities. (Expanded Interconnection Order at para. 44.) The  
25           interconnector's equipment would thus be located in the LEC's



1 central office under either a physical or virtual colocation scenario.  
2 The FCC's virtual colocation scheme requires technical  
3 interconnection arrangements comparable to those anticipated  
4 with physical colocation. Also in its June 8th Order, the FCC  
5 defines virtual colocation as "interconnection adjacent to the LEC  
6 central office with economic and technical characteristics  
7 comparable to interconnection in the central office." The only real  
8 distinction is that, with virtual colocation, the demarcation  
9 between LEC and interconnector networks is neatly defined at a  
10 demarcation point very close to the central office. In a physical  
11 colocation situation, "the interconnection point would not indicate  
12 a change in ownership of cable facilities." (See Expanded  
13 Interconnection Order at para. 848 n. 201.)  
14

15 In its Order, the FCC also required LECs to file physical colocation  
16 tariffs within one hundred and twenty (120) days of the release  
17 of the Order, which was accomplished by GTE on February 16,  
18 1993 with an effective date ninety (90) days following, or May  
19 17, 1993. Included in this tariffing requirement are prices for  
20 floor space, installation non-recurring charges (NRCs), power and  
21 lighting and use of duct and riser space. The May 17th date was  
22 delayed until June 16th pursuant to ten parties filing petitions  
23 against the tariffs filed by the Local Exchange Companies (LECs)  
24 subject to the Expanded Interconnection order.  
25



1       **Q.    WAS THE FCC EXPANDED INTERCONNECTION ORDER SUBJECT**  
2       **TO ANY DISSENT WITHIN THE FCC?**

3       **A.    Yes.    The Expanded Interconnection Order was issued not-**  
4       **withstanding separate statements from Chairman Sikes and**  
5       **Commissioner Quello, both indicating serious reservations about**  
6       **mandatory physical colocation. In his dissent, Chairman Sikes**  
7       **expressed both legal and policy objections to mandatory physical**  
8       **colocation. He noted that mandatory physical colocation raises**  
9       **serious questions about a "taking" or confiscation of local**  
10      **exchange carrier property in violation of the Fifth Amendment and**  
11      **leaves unclear what problems the FCC is attempting to resolve by**  
12      **forcing LECs to offer physical colocation, especially when the**  
13      **Order itself acknowledges that some parties might prefer virtual**  
14      **interconnection arrangements. Similarly, Commissioner Quello in**  
15      **his separate statement noted that "the only real difference**  
16      **between physical colocation and virtual colocation is whether the**  
17      **local exchange carrier or the interconnector installs, maintains,**  
18      **and repairs the interconnector's equipment."**

19  
20      **Q.    HOW DOES THE FCC'S ORDER ON EXPANDED**  
21      **INTERCONNECTION AFFECT THE FLORIDA COMMISSION'S**  
22      **ABILITY TO IMPOSE FORMS AND CONDITIONS OF EXPANDED**  
23      **INTERCONNECTION THAT ARE DIFFERENT FROM THOSE**  
24      **IMPOSED BY THE FCC'S ORDER?**

25

1       **A.    The FCC's Order did not preempt the states. This Commission**  
2       **may retain some significant latitude to develop its own**  
3       **interconnection policies in accordance with state-specific**  
4       **conditions and concerns. This independent effort is essential**  
5       **since the implementation of special access interconnection greatly**  
6       **accelerates competition for local exchange services. The FCC has**  
7       **already announced and is actively pursuing the same type of rules**  
8       **for switched interconnection. The long-run impacts at the local**  
9       **and state level are likely to be much larger than the impacts at the**  
10      **federal level.**

11  
12      **The Expanded Interconnection order stated the FCC's intention to**  
13      **exempt LECs from its physical colocation requirements based on**  
14      **a formal decision by a state legislature or public utility regulatory**  
15      **agency favoring virtual over physical colocation, or allowing LECs**  
16      **to choose the form of interconnection to use for intrastate**  
17      **expanded interconnection. The June 8th Memorandum Opinion**  
18      **and Order, however, shows that the FCC intends to very narrowly**  
19      **define what constitutes a state's right in establishing its own**  
20      **policy for expanded interconnection, even on an intrastate basis.**  
21      **Absent any further actions, as a practical matter, I believe that the**  
22      **FCC has effectively, if not legally, preempted the Florida PSC.**

23  
24      **Q.    DR. BEAUVAIS, IN RESPONSE TO MY PREVIOUS QUESTIONS**  
25      **YOU INDICATED THAT "ABSENT ANY OTHER ACTION" THE FCC**

**1            WOULD HAVE ESSENTIALLY DETERMINED THE**  
**2            INTERCONNECTION POLICY FOR FLORIDA. ARE THERE ANY**  
**3            OTHER SUCH ACTIONS CURRENTLY BEING TAKEN?**

**4            A.    Yes. On December 22, 1992, GTE along with Bell Atlantic**  
**5            Telephone Companies, BellSouth Corporation and BellSouth**  
**6            Telecommunications, Inc., Cincinnati Bell Telephone Company,**  
**7            Illinois Bell Telephone Company, Indiana Bell Telephone Company,**  
**8            Inc., Michigan Bell Telephone Company, The Ohio Bell Telephone**  
**9            Company, Wisconsin Bell, Inc., Lincoln Telephone and Telegraph**  
**10           Company, Pacific Bell Telephone Company, Nevada Bell Telephone**  
**11           Company, The Southern New England Telephone Company, and**  
**12           The United Telephone Companies jointly moved the United States**  
**13           Court of Appeals for the District of Columbia Circuit for a stay**  
**14           pending the review of the FCC's Expanded Interconnection Order.**  
**15           The filing with the Court followed FCC denial on December 18,**  
**16           1992 of four Petitions For Stay filed jointly by nine LECs including**  
**17           GTE, Ameritech, Southwestern Bell, and Bell Atlantic. The Joint**  
**18           Petition for Stay submitted to the FCC developed the legal**  
**19           arguments that imposing physical colocation on LECs constitutes**  
**20           a taking of property and that the FCC had failed to justify its**  
**21           reversal of previous policy decisions on mandatory physical**  
**22           colocation. The joint petition also showed that the FCC**  
**23           requirement to tariff physical colocation in every central office**  
**24           would impose an enormous burden on LECs and that such**  
**25           burdens would cause irreparable harm since colocation in many**



1 offices may not be demanded for years, if ever. Despite the FCCs  
2 denial of the Petitions for Stay, it acknowledged that the original  
3 Expanded Interconnection Order was flawed when it issued a  
4 Memorandum Opinion and Order which significantly reduced the  
5 number of end offices and serving wire centers that are required  
6 to provide mandatory physical colocation initially. It is interesting  
7 to note that on the same day--December 18, 1992--that the FCC  
8 issued its denial of the requests for stay, Petitions For  
9 Reconsideration were filed with the FCC by the United States  
10 Telephone Association and GTE, among others. In addition, the  
11 National Association of Regulatory Utility Commissioners (NARUC)  
12 filed with the Commission objections to the actions taken by the  
13 FCC. With the issuance of its June 8th memorandum Opinion and  
14 Order, the FCC brushed aside the NARUC petition. At the  
15 moment, the only other pending action is the substantive appeal  
16 of the Expanded Interconnection Order before the United States  
17 Court of Appeals for the District of Columbia Circuit. I have been  
18 advised by GTE attorneys, that mandatory physical colocation  
19 raises a significant legal issue in that it is a taking of LEC assets  
20 in violation of the Fifth Amendment to the United States  
21 Constitution. GTE does not dispute the fact that regulatory  
22 bodies such as this Commission and the FCC have the power to  
23 regulate telecommunications services in the public interest.  
24 However, that power, as exercised by the FCC in its Order does  
25 not extend to the taking of private property.



1       **Q.   WHAT ARE THE POSSIBLE BENEFITS ASSOCIATED WITH**  
2       **EXPANDED INTERCONNECTION?**

3       **A.   The costs and benefits associated with expanded interconnection**  
4       **cannot simply be stated in terms ascribing the theoretical benefits**  
5       **usually associated with more competitive marketplaces, for the**  
6       **type of competition being introduced has atypical characteristics.**  
7       **Consider for a moment that under current authorizations in Florida,**  
8       **an AAV can construct facilities to any location for which right of**  
9       **way can be obtained. Furthermore, with certain constraints, the**  
10      **AAV can provide a variety of services over those facilities to any**  
11      **customer it might secure. AAVs or other providers of**  
12      **telecommunications services can build, purchase, lease, or rent**  
13      **real estate assets to house their terminating network equipment**  
14      **or any other facilities they might desire, subject only to zoning**  
15      **restrictions and market conditions. At any time, the AAV can**  
16      **purchase interconnection to the LEC network on the basis of filed**  
17      **access tariffs of Florida LECs. Expanded interconnection changes**  
18      **none of these, save that under the terms of the FCC's Order, the**  
19      **LEC is now compelled to enter the real estate business and make**  
20      **space available in its central offices to any party desiring such**  
21      **space. This action, of course, requires both a degree of**  
22      **unbundling and repricing of LEC services. A more accurate term**  
23      **might simply be "cheaper interconnection to the LEC network by**  
24      **non-LEC providers."**

25

1           The situation that arises is very similar to a gas station operator  
2           with a very desirable geographic location. Due to the volume of  
3           traffic which passes his store on the nearby highways, the station  
4           operator does a large volume of business. A new entrant would  
5           certainly find such a location to be very desirable to locate his gas  
6           station. Unfortunately, the spot is already taken. In traditional  
7           markets, the response would be for the new firm to either find a  
8           different location to open his business or to offer the current  
9           location owner a sufficiently high price to induce the current  
10          owner of the location to vacate and allow the new owner to  
11          assume use of the property. That is not the approach in the  
12          expanded interconnection context. In the expanded intercon-  
13          nection context, the existing station owner is required to make a  
14          portion of his facilities available to the new entrant thereby  
15          allowing the new entrant to compete with him at the same  
16          location. Certainly, this is not the typical form of geographic  
17          competition. Aside from the unique circumstances attendant the  
18          FCC decision, however, expanded interconnection increases the  
19          scope of competition in the local exchange market. As a  
20          professional economist, I support competition. However, it is  
21          important to examine the distribution of the costs and benefits of  
22          expanding competition. After all, competition brings with it costs  
23          as well as benefits.

1       **Q.   WHO WILL BE THE PRIMARY BENEFICIARIES OF EXPANDED**  
2       **INTERCONNECTION?**

3       **A.   Interconnectors, such as ICI, themselves will stand to benefit the**  
4       **most from expanded interconnection. Depending upon the relative**  
5       **price elasticities in the market for special access services, firms**  
6       **such as AAVs taking expanded interconnection may pass a**  
7       **portion of the savings along to their customers. Those customers**  
8       **are typically large business customers located in the larger**  
9       **metropolitan areas, such as Tampa. The impact upon LECs, small**  
10       **business customers and residential customers will depend on the**  
11       **manner in which specific interconnection arrangements are**  
12       **structured and the degree to which LECs are allowed by this**  
13       **Commission to respond to increasing competition by**  
14       **interconnectors. However, interconnection, especially with the**  
15       **mandate of physical colocation, may serve to harm LECs and their**  
16       **rural and residential customers.**

17

18       **Q.   WHAT ADDITIONAL BENEFITS ARE CREATED FOR CONSUMERS**  
19       **BY THE MANDATE OF PHYSICAL COLOCATION?**

20       **A.   Physical colocation may harm LECs while providing little additional**  
21       **benefits to consumers. Although expanded interconnection may**  
22       **offer some benefits by encouraging additional competition, there**  
23       **are no additional benefits created by the physical colocation**  
24       **mandate. In fact, it is difficult to construct any rational or logical**  
25       **argument that physical colocation provides additional benefits to**

1 competition that are not already available under virtual colocation.  
2 On the contrary, given the highly prescriptive nature of the FCC's  
3 Expanded Interconnection Order, any anticipated benefits to  
4 consumers as a result of expanded interconnection have been  
5 substantially diminished by restricting parties' ability to negotiate  
6 effectively.

7  
8 Indeed, the real economic consumer welfare benefit of a  
9 competitive market for a service is that mutually advantageous  
10 voluntary trades among parties are maximized. By mandating  
11 physical colocation, at least one of the parties may be forced to  
12 enter into a trade it would not elect to enter on a voluntary basis.  
13 Such compulsion violates the very spirit of competition the FCC  
14 was attempting to create through expanded interconnection. This  
15 aspect was recognized by Chairman Sikes, who stated:

16 *The highly regulatory and inflexible approach the*  
17 *Commission has adopted seems likely to create more*  
18 *concrete problems than the illusory ones it seeks to*  
19 *resolve.*

20  
21 This lack of flexibility engendered by a physical colocation  
22 requirement severely thwarts one party, the LEC, from adequately  
23 representing its own interest, negotiating effectively and fulfilling  
24 its other service obligations.  
25



1           Mandatory physical colocation will subject LEC operations to  
2           several levels of ongoing disruptions that will compromise its  
3           ability to improve and expand service in the most efficient way.  
4           Space allocation and exhaustion problems are perhaps an  
5           inevitable consequence of a physical colocation mandate. The  
6           FCC's scheme requires the LEC to provide space to  
7           interconnectors until space is "exhausted." Expanded  
8           Interconnection Order at para. 80 and Appendix B, rule  
9           64.1401(b). The Order fails to make any explicit allowance for a  
10          LEC to deny physical colocation when space remains in the central  
11          office. If central office space is allocated to interconnectors, the  
12          LEC may be forced to acquire additional space for equipment to  
13          meet the state's telecommunications needs. The result may well  
14          be increased rates for the average telephone subscriber.

15  
16          Moreover, the FCC's physical colocation scheme imposes upon  
17          LECs the burden of considering possible interconnector demands  
18          for space when remodeling or building central offices. This  
19          expectation is wholly unfair and inefficient. The LEC's capital  
20          planning process continues to become increasingly more difficult  
21          as the critical need for cost-cutting measures has grown along  
22          with competition in LEC business sectors. The FCC directive to  
23          anticipate physical colocation demands introduces an additional  
24          and unreasonable element of uncertainty into its capital planning  
25          efforts. Ultimately, ratepayers may be forced to bear the

1           increased expense flowing from this unwarranted competitive  
2           disadvantage for the LEC.

3

4           Physical colocation may also create serious space constraints  
5           which will likely lead to future unnecessary conflicts. If, for  
6           example, mandatory physical colocation within the central office  
7           is believed to confer some advantage, and not all parties can be  
8           accommodated, then some will feel that the LEC conferred an  
9           advantage to those parties obtaining physical colocation over  
10          those who did not.

11

12          Mandatory physical colocation may also lead to service  
13          arrangements which create an inefficient use of LEC central office  
14          space for any given level of demand. The measures necessary to  
15          accommodate interconnectors will directly affect LEC costs and  
16          productivity. LECs will need to set aside separate space within  
17          the central office and then provide secure access to that space.  
18          Significant new construction may be required, depending on the  
19          existing central office configurations. LECs will also be required  
20          to arrange for interconnectors' heat, air conditioning, electricity  
21          and other such services. Further, the LEC, who must accommo-  
22          date each interconnector with separate transmission cable, will be  
23          unable to promote efficiency by sharing cables and equipment  
24          among customers.

25

1 In addition to the LEC's direct costs of accommodating  
2 interconnectors in its facilities, a physical colocation rule will force  
3 the LEC to bear increased administrative expenses. Employees  
4 will need to develop charges and file tariffs to cover space rental  
5 and associated services (heating, power, etc.). As I noted earlier,  
6 LECs will be required to undertake the likely futile effort to  
7 incorporate potential future space demands in their long-range  
8 expansion and remodeling plans. Forecasts will thus need to be  
9 revised -- and additional costs incurred -- as interconnectors' plans  
10 become known.

11  
12 All of the costs flowing from a physical colocation mandate can  
13 never be recovered. Many of the most substantial, ongoing costs  
14 will remain unquantifiable because they derive from injection of  
15 inefficiencies into the day-to-day operations of the LEC. Among  
16 other things, LEC employees must suffer construction intrusions  
17 every time the office needs to be reconfigured to accommodate  
18 interconnectors. LEC personnel will lose immediate unrestricted  
19 access to all parts of their facilities, as well as the ability to freely  
20 exchange information about LEC plans and operations.

21  
22 Although the interconnectors may argue that increased inefficien-  
23 cies on the part of the LEC is a price to be paid for competition,  
24 the number of disruptions and degree of inefficiency can be

1 decreased with virtual colocation arrangements without an  
2 appreciable negative impact upon interconnectors.

3

4 Additionally, mandatory physical colocation will remove the LEC's  
5 ability to insure network security and reliability, as Chairman Sikes  
6 recognized in his dissent from the FCC's physical colocation rule.  
7 Today, one of the LEC's chief means of guarding against harm to  
8 the network is its complete discretion to control entry to its  
9 central offices. Without this authority, the potential for both  
10 inadvertent and intentional interference with LEC operations  
11 increases dramatically.

12

13 Finally, safety hazards in collocators' spaces could affect the  
14 entire central office. The LEC will have little authority over the  
15 interconnectors' activities, equipment and installation methods.  
16 Because interconnectors' areas will be locked, the ability of LEC  
17 employees to quickly and effectively respond to emergencies will  
18 be substantially diminished.

19

20 Q. GIVEN THE COSTS ASSOCIATED WITH MANDATORY PHYSICAL  
21 COLOCATION, DOES GTEFL SEEK TO HAVE THE FLORIDA  
22 COMMISSION ORDER EXPANDED COLOCATION IMPLEMENTED  
23 ON A VIRTUAL BASIS INSTEAD?

24 A. No. Although many parties may contend that virtual colocation  
25 arrangements are the most efficient, GTEFL is not advocating a



1 virtual colocation mandate any more than it is advocating one for  
2 physical colocation. Rather, GTEFL is only asking for an equal  
3 right to negotiate an expanded interconnection arrangement with  
4 its customers/competitors. GTEFL desires to maintain its property  
5 rights in its structural assets as well as to manage its businesses  
6 and fulfill its obligations to customers and stockholders, without  
7 being compelled by regulatory authority to accommodate architec-  
8 tural and rate design imperatives which impose inefficiencies in  
9 network design, provisioning and administration. With a physical  
10 colocation mandate, the LEC has no choice; it must provide  
11 physical colocation regardless of the inefficiencies or disruptions  
12 created.

13  
14 As a broader issue, at present it is far from clear that any benefits  
15 will accrue to consumers on the whole because of physical  
16 colocation. Clearly any benefits ascribed to expanded intercon-  
17 nection will accrue directly to requesting interconnectors who,  
18 unlike LECs, can customize service offerings and price beneath the  
19 LECs' tariffed rate umbrella. Likewise, the interconnectors'  
20 customers, who are typically large urban businesses with the  
21 market influence to attract competitive service vendors, will also  
22 benefit.

23  
24 GTEFL believes, however, that the benefits realized by the large  
25 players will be at the expense of the smaller ones, the rural and

1 residential customers. If the large urban business customers  
2 ~~discontinue~~ LEC tariffed services and substitute interconnectors'  
3 services, inherent contributions/subsidies which benefit rural and  
4 residential customers will be lost. These subsidies are inherent in  
5 the requirement that the LECs charge statewide averaged tariffed  
6 rates for their services despite the fact that service costs vary as  
7 a function of terrain, traffic and household density. These  
8 contributions generally support residential and rural customers,  
9 who are charged prices for service provisioning that are lower  
10 than related costs, using revenues obtained from business and  
11 urban customers, who are charged prices higher than their  
12 causally related costs.

13  
14 Any potential benefit to the rural customer is likely to be deferred  
15 to the indefinite future, due to the alternative provider's complete  
16 discretion regarding its customer selection. By contrast, the loss  
17 of the contribution and the resulting increase in rates is a very real  
18 possibility. Any proceeding which fails to fully consider the  
19 impact upon all contribution and support mechanisms could  
20 seriously deteriorate the quality and availability of service  
21 presently enjoyed by the more rural citizens of Florida.

22  
23 Q. WHILE THIS DOCKET IS CONCENTRATED ON THE ISSUES  
24 ASSOCIATED WITH EXPANDED INTERCONNECTION FOR  
25

1           **SPECIAL ACCESS, ARE THERE ANY RELATED ISSUES THE**  
2           **COMMISSION SHOULD KEEP IN MIND?**

3           **A.    Yes. Even more so than the case of expanded interconnection for**  
4           **special access, expanded interconnection for switched access is**  
5           **likely to place a very significant strain on the overall support flows**  
6           **in the industry, due to the current pricing mechanisms. Current**  
7           **pricing arrangements rely on the continued flow of contribution**  
8           **from switched access services and intraLATA toll services to**  
9           **allow GTEFL and other LECs to retain a low average basic R1**  
10          **service price. As other service providers attempt to capture a**  
11          **larger share of the transport market for switched services (in-**  
12          **cluding the provision of loops), the contribution contained in the**  
13          **prices will be eroded. Expanded interconnection for switched**  
14          **access accelerates the competitive erosion. The reason this**  
15          **matter should be considered in this docket is that once a party has**  
16          **obtained floor space under a physical colocation order, that party**  
17          **will no doubt argue that it is absolutely inefficient to not be**  
18          **allowed to use that space for both switched and special transport**  
19          **services. Thus, in establishing its policy for physical, virtual, or**  
20          **LEC-choice for special access transport facilities, the Commission**  
21          **should bear in mind that its decision will affect a subsequent**  
22          **switched access decision.**

23  
24          **Q.    WHAT LECs IN FLORIDA SHOULD BE REQUIRED TO PROVIDE**  
25          **EXPANDED INTERCONNECTION?**

1       **A.**     In principle, if expanded interconnection provides such significant  
2               benefits as are claimed by its proponents, then all LECs should be  
3               required to provide for the service, no matter what their size or  
4               where they are located. However, the FCC's order limits tariffing  
5               requirements to expanded interconnection for special access  
6               services of Tier 1 LECs only. GTEFL believes that this limitation  
7               is a reflection of the facts I described above--that the benefits of  
8               expanded interconnection are quite concentrated and the costs are  
9               diffused over a wide base. Further, in many non-urban areas, the  
10              costs associated with expanded interconnection will not be  
11              recoverable due to insufficient demand for such a service by  
12              potential interconnectors. Thus GTEFL supports a limitation to  
13              Tier 1 LECs in Florida as well. Many small LECs concur in tariffs  
14              developed and maintained by the National Exchange Carrier  
15              Association ("NECA"), which has not been required to file  
16              expanded interconnection tariffs on behalf of its member  
17              companies.

18  
19              Even though expanded interconnection requirements apply only to  
20              larger LECs, the impact of such interconnection is not, however,  
21              limited to such LECs. Expanded interconnection for intraLATA  
22              services will affect smaller LECs through the compensation  
23              arrangements that exist between large and small LECs. These  
24              arrangements specify how LECs involved in jointly providing  
25              services will be compensated for the portion of the service they



1 have provided. Expanded interconnection allows for non-LEC  
2 interconnectors to provide portions of these services. Current  
3 arrangements do not reflect this possibility or its impact. The  
4 consequences of expanded interconnection to smaller LECs cannot  
5 be limited or controlled by applying the interconnection require-  
6 ment to only the larger LECs.

7  
8 **Q. ARE DISTINCT REQUIREMENTS FOR INTERSTATE AND**  
9 **INTRASTATE EXPANDED INTERCONNECTION APPROPRIATE FOR**  
10 **FLORIDA?**

11 **A. As I have already testified, the FCC's Order does not compel this**  
12 **Commission to adopt the same requirements for intrastate**  
13 **interconnection as those at the interstate level. After all, today**  
14 **we treat interstate and intrastate services as different for pricing**  
15 **purposes. This could be continued for the case of expanded**  
16 **interconnection as well. As a practical matter, however, separate**  
17 **intrastate and interstate interconnection regimes would prove**  
18 **unworkable. For the most part, GTEFL believes that intercon-**  
19 **nection for intrastate special access services should follow**  
20 **interconnection for interstate special access services. Having a**  
21 **unified plan would certainly limit the administrative costs of the**  
22 **expanded interconnection service and remove some of the**  
23 **incentive for misreporting the jurisdictional nature of the traffic.**

1       **Q.    DOES THIS UNIFIED TREATMENT EXTEND TO ALL ASPECTS OF**  
2       **THE ISSUES ASSOCIATED WITH EXPANDED**  
3       **INTERCONNECTION?**

4       **A.    No. With regard to colocation, GTEFL strongly believes that the**  
5       **Commission should decide for itself whether it is in the public**  
6       **interest of all Florida consumers to force physical colocation on**  
7       **LECs. The FCC has allowed the states to express their view on**  
8       **this subject, even if they didn't accept the positions taken by all**  
9       **the states. Although the states were ostensibly required to take**  
10       **appropriate action by February 16, 1993, this Commission, along**  
11       **with NARUC and commissions from several other states,**  
12       **requested an extension of that deadline. While the FCC has now**  
13       **denied that petition as well, a number of local exchange providers,**  
14       **including the GTE companies, have appealed the FCC's Order**  
15       **mandating physical colocation. The Bell Atlantic Telephone**  
16       **Companies, et al. v. FCC, Petition for Review, No. 92-1619 (D.C.**  
17       **Cir. filed Nov. 25, 1992. Given the remaining uncertainty**  
18       **associated with the FCC's physical colocation rule, GTEFL urges**  
19       **the Commission to develop and be prepared to implement its own**  
20       **colocation policy. Only in this way can the Commission actively**  
21       **ensure protection of state-specific interests.**

22  
23       **Q.    SHOULD THE COMMISSION MANDATE EXPANDED**  
24       **INTERCONNECTION FOR NON-FIBER OPTIC TECHNOLOGY?**  
25

1       **A. No.** In principle, the technology involved in expanded  
2 interconnection should be irrelevant. However, practical  
3 considerations with regard to space constraints, particularly in  
4 vault space and entrance facilities to LEC central offices, imply  
5 strongly that expanded interconnection should be limited to only  
6 fiber optic technology. Traditional cable facilities are far larger  
7 than those associated with fiber and therefore could lead to far  
8 greater demands on limited space. However, if the Commission  
9 were to allow the parties seeking interconnection to negotiate  
10 their own agreement as to virtual vs. physical colocation, there is  
11 no inherent reason why an acceptable agreement as to the  
12 technology to be employed in expanded interconnection could not  
13 be agreed upon. But the final decision would have to be deferred  
14 to the owner of the property rights--the LEC. Otherwise, a party  
15 seeking interconnection via non-fiber technology could result in an  
16 immediate exhaustion and excess demand for LEC structural  
17 space. Under such conditions, the LEC must have the right to  
18 refuse expanded interconnection.

19  
20       **Q. IS ANY UNBUNDLING OF EXISTING LEC SERVICES REQUIRED TO**  
21 **IMPLEMENT EXPANDED INTERCONNECTION?**

22       **A. Yes.** While some limited unbundling is necessary to ensure  
23 effective interconnection of special access, a fundamental  
24 unbundling of all LEC services and functionalities is not needed.  
25 The rate elements for special access services are already

1 unbundled into loop, transport and termination elements and the  
2 FCC explicitly determined that unbundling, beyond the establish-  
3 ment of the interconnection charge and the "real estate" rate ele-  
4 ments, was not needed to implement expanded interconnection.  
5 Indeed, unbundling is not something that should be pursued  
6 simply for its own sake. Many significant issues exist, such as  
7 the effect on existing subsidy flows and local residential rates.  
8 Services should only be unbundled following a determination by  
9 the Commission that unbundling is an effective and necessary  
10 means of promoting fair and efficient competition. Following such  
11 a determination, specific unbundling decisions should be guided  
12 by criteria of economic and technical feasibility. The application  
13 of these criteria will ensure that LECs are capable of offering the  
14 specific network functionality on an unbundled basis and that  
15 sufficient demand exists at a price which cover the relevant  
16 incremental costs and contributes to the common overhead costs  
17 of the LEC.

18  
19 As a matter of timing, unbundling beyond that necessary to  
20 ensure effective interconnection of special access should not be  
21 addressed until the implementation of expanded interconnection  
22 is complete. The unbundling of local exchange services should be  
23 addressed in a separate proceeding (or at least a separate phase  
24 of this proceeding), as competition for basic local exchange  
25 services continues to develop.



1       **Q.   IF THE COMMISSION REQUIRES LECS TO OFFER EXPANDED**  
2       **INTERCONNECTION, SHOULD THE COMMISSION ALLOW LECS**  
3       **AND OTHER PARTIES TO INTERCONNECT WITH THE**  
4       **COLOCATING PARTY?**

5       **A.   Yes. First, it is consistent with the symmetrical treatment of all**  
6       **parties in the marketplace. Second, if the AAVs truly have a**  
7       **"better mousetrap" to offer the marketplace than do the LECs,**  
8       **then there is no reason it should be denied to any entity in the**  
9       **marketplace. Likewise, if AAV costs are lower than those of the**  
10      **LEC, there is no reason that LECs should be precluded from**  
11      **purchasing inputs from the AAVs in order to provide the services**  
12      **to its remaining customers. Clearly, the AAVs are no longer**  
13      **simply interested in providing just a "redundant" or "network**  
14      **reliability" type of offering to their established customer base.**  
15      **After all, once they are interconnected with the LEC, the end-to-**  
16      **end service is no more reliable than the weakest link. Part of the**  
17      **AAV service would be an input provided by a LEC. If LEC service**  
18      **is unreliable, then a more efficient market solution would be to**  
19      **allow the LEC to purchase services from the AAV and utilize them**  
20      **in providing its own output. One of those inputs which might be**  
21      **utilized by a LEC, or another party, is AAV floor space.**

22  
23      **Q.   A CLOSELY RELATED ISSUE, THEN, IS WHO SHOULD BE**  
24      **ALLOWED TO INTERCONNECT?**

25

1       **A.**     In its Order, the FCC proposes that expanded interconnection for  
2       special access be made available to all parties, regardless of their  
3       possible regulatory classification as Interexchange Carrier (IXC),  
4       end user, Competitive Access Provider (CAP), Enhanced Service  
5       Provider (ESP), or any other label. GTE supports this line of  
6       reasoning and believes that limiting this service to a given  
7       classification of customers is unworkable.

8  
9       It is virtually impossible to distinguish among customers. How  
10      does a LEC know the difference between an ESP and an AAV or  
11      an AAV and an IXC, or an IXC and a cellular provider? The LEC  
12      doesn't, unless the customer elects to tell it. Some customers  
13      can be placed in multiple classification. An IXC can be an ESP; a  
14      cellular provider can be an IXC; an AAV be an IXC and an ESP;  
15      a cellular provider can be a co-carrier, an ESP, an IXC, an AAV,  
16      and also appear to be an end user. Given the ability to resell LEC  
17      services, which is fundamentally what an interconnector is doing,  
18      an approved class of customers can act as an agent for any other  
19      customer. Thus, any attempt to enforce some arbitrary  
20      classification scheme is simply a waste of LEC resources. This  
21      points out the problems associated with many existing tariff  
22      applications in an increasingly competitive marketplace. Since this  
23      policy confusion crosses both special and switched access  
24      services in the Florida jurisdiction and also clearly exists at the  
25      federal level, a comprehensive reexamination of FCC as well as

1 Florida rules will be required if the benefits of expanded  
2 interconnection are truly to be realized.

3

4 Q. DOES THE COURSE OF ACTION WHICH YOU JUST DESCRIBED  
5 WITH RESPECT TO RECIPROCAL COLOCATION REQUIREMENTS  
6 AND WHO IS ALLOWED TO INTERCONNECT HAVE ANY OTHER  
7 REGULATORY IMPLICATIONS?

8 A. Yes, some rather serious ones. Essentially, what is being  
9 suggested for expanded interconnection is the elimination of  
10 resale and use and user restrictions. As currently filed, interstate  
11 access tariffs do not contain resale or sharing restrictions and  
12 therefore, these matters need not be addressed solely with  
13 respect to these tariffs. However, local tariffs do contain resale  
14 and sharing prohibitions. These restrictions exist because the  
15 local tariffs contain rate structures and rate levels which are, to a  
16 large degree, dependent on customer identity, rather than the  
17 volume of service purchased by customers. The use of resale  
18 and sharing restrictions has allowed social and public policy goals  
19 to be introduced into the rate design for LEC services. The  
20 elimination of these restrictions, while desirable as a long term  
21 policy goal, must be preceded by a comprehensive review and  
22 potential restructure of all affected services.

23

24 Q. IF THE LONG TERM EFFECTS INCLUDE A POTENTIAL  
25 RESTRUCTURE OF ALL AFFECTED SERVICES, THEN DOES

**1           EXPANDED INTERCONNECTION HAVE POTENTIALLY**  
**2           SIGNIFICANT EFFECTS ON THE JURISDICTIONAL SEPARATION**  
**3           OF LEC COSTS?**

**4       A.   Yes, expanded interconnection could have potentially significant**  
**5           effects on the jurisdictional separation of LEC costs. More**  
**6           accurately, it is the increased competition induced by**  
**7           technological changes and enhanced by expanded interconnection**  
**8           which will affect the jurisdictional separations. Switching**  
**9           equipment at LEC end offices and tandem offices is used jointly**  
**10          for local, extended area service (EAS), intraLATA toll, and**  
**11          interLATA switched access services. The total cost (or revenue**  
**12          requirement) of this equipment is allocated to the various services,**  
**13          based upon their relative minutes of use.**

**14**

**15          LEC costs associated with interoffice trunking facilities are**  
**16          likewise allocated to the above services plus private line and**  
**17          special access based upon relative use, expressed in terms of**  
**18          trunks, circuits, and miles. The costs allocated to each service**  
**19          drive the jurisdictional allocation of LEC costs.**

**20**

**21          As interexchange carriers begin to interconnect at the LECs'**  
**22          central offices and abandon existing LEC access connection**  
**23          facilities, the total LEC investment in these joint facilities will not**  
**24          disappear; rather, this investment will be reallocated among the**  
**25          services and jurisdictions which remain, based on the usage that**



1 remains on these facilities. As the interLATA access usage  
2 declines, more of the interoffice transport facility costs will be  
3 allocated to the remaining EAS and intraLATA toll services. The  
4 impact of special access interconnection will therefore result in a  
5 decrease in the cost of special access and an increase in the cost  
6 of all other LEC services.

7  
8 If and when switched interconnection is adopted, jointly used  
9 facilities will see a decrease in switched access minutes, both  
10 state and interstate, and a corresponding increase in costs  
11 allocated to all other services, including EAS and local. The  
12 jurisdictional impact of switched interconnection will be much  
13 greater than the impact of special interconnection, both because  
14 of the sheer volume, and because switched interconnection will  
15 likely result in carriers interconnecting at each end office,  
16 bypassing the tandem altogether. As the interLATA switched  
17 access minutes decline because IXCs bypass LEC tandem  
18 switches, more of the jointly used switching and exchange  
19 trunking facility costs will be allocated to intraLATA toll, EAS, and  
20 local services.

21  
22 Q. IF THE COMMISSION PERMITS EXPANDED INTERCONNECTION,  
23 WHAT PRICING FLEXIBILITY SHOULD THE LECS BE GRANTED  
24 FOR SPECIAL ACCESS AND PRIVATE LINE SERVICES?  
25

1       **A.**    In terms of pricing flexibility, there is the need to deaverage prices  
2               both on a volume basis and geographically; there will need to be  
3               a rebalancing between switched and special and between state  
4               and interstate jurisdictions, the latter as a result of the separations  
5               impacts. There are consequences beyond the narrowly defined  
6               impacts on access services, due to the contribution mechanisms  
7               embodied in LEC prices. Both the separations rules as well as  
8               the marketplace dictate these actions. If the service is  
9               competitive, and by the Federal Communications Commission's  
10              own language--"Competitive Access Providers"--it is and is  
11              becoming ever more so, then the service should be deregulated or  
12              at least detariffed. If it is not competitive everywhere and that is  
13              the rationalization for not deregulating or detariffing, then GTEFL  
14              suggests that this is an implicit recognition that geography does  
15              make a difference and that difference should be recognized in  
16              pricing flexibility granted to LECs. This will be especially true for  
17              switched access services under expanded interconnection, but is  
18              no less valid for special access and private line interconnection.

19  
20       **Q.**    **SHOULD ALL SPECIAL ACCESS AND PRIVATE LINE PROVIDERS**  
21               **BE REQUIRED TO FILE TARIFFS?**

22       **A.**    I believe that all participants in the market should be allowed the  
23               same freedom to compete, under the same terms and conditions.  
24               Therefore, if the Commission finds it appropriate that the LECs  
25               should operate subject to tariffs, then all special access and

1 private line providers should be subject to the same condition. If  
2 the competitive rivals are not required to file tariffs, then the LECs  
3 should be afforded the same degree of regulatory latitude. A  
4 strong case can be made that the unilateral requirement imposed  
5 on LECs to file tariffs actually weakens the price competition  
6 between the LEC and other parties, lessening the benefits to the  
7 ultimate consumers.

8  
9 Q. IF THE COMMISSION PERMITS COLOCATION, WHAT RATES,  
10 TERMS, AND CONDITIONS SHOULD BE TARIFFED BY THE LEC?

11 A. As I have just testified, the answer to this question depends upon  
12 whether or not the Commission requires LECs to file tariffs in the  
13 first place. If firms such as ICI are not required to file tariffs, then  
14 GTEFL and other LECs should also not have to meet such  
15 requirements. If the latter is the case, then it is not necessary to  
16 tariff any rates, terms and conditions for expanded  
17 interconnection, as they would be reached by negotiation. If  
18 tariffs are required, however, in terms of colocation, a legitimate  
19 argument can be made by LEC rivals that GTEFL and other LECs  
20 have market power in the provision of loops, including special  
21 access lines to end users, but not monopoly power; there are very  
22 legitimate and cost-effective loop substitutes available today and  
23 even more will be available in the future. However, whatever  
24 degree of market power that a LEC has in the provision of loops,  
25 it certainly does not have any market power in the provision of

1           **real estate or commercial/industrial floor space for colocation.**  
2           **Accordingly, the market can be allowed to work very efficiently**  
3           **in the pricing of floor space, should the Commission be interested**  
4           **in pursuing such a policy.**

5  
6           **To the extent that a LEC has space available in its Central Offices**  
7           **and wishes to make that space available to third parties, rental**  
8           **rates can be established based on market conditions in the area**  
9           **for equivalent kinds of space. To the extent that central office**  
10          **space is differentiated from other floor space, some premium can**  
11          **potentially be extracted. Consider the consequences if the**  
12          **Commission pursues this course of action. First, the LEC would**  
13          **be effectively replacing the Cost Allocation Manual ("CAM") with**  
14          **a market-based transaction price. If there is no effective demand**  
15          **for the rental space made available, then the price will be quite**  
16          **low, approximating the marginal cost of the floor space. If the**  
17          **demand exists, then the price which would be charged, both to**  
18          **the LEC itself and to any other party seeking to rent the space is**  
19          **the same market-based price.**

20  
21          **Suppose a market price is established, even for the sake of**  
22          **argument including pure economic rent, and the demand for the**  
23          **space exceeds the quantity of space available. The first market**  
24          **action in response to this excess demand is to raise the price of**  
25          **the floor space until the quantity demanded is in balance with the**



1 quantity available. Of course, competitors will utilize the  
2 regulatory process to complain that the price is too high. If a firm  
3 making the allegation of "price gouging" is not happy with the  
4 LEC price for floor space, the firm can simply locate elsewhere  
5 and face no competitive harm in the terms of colocation pricing,  
6 since GTEFL is maintaining its pricing policy of virtual colocation.  
7 Any appeals to the regulatory process for relief from the pricing  
8 of floor space should immediately be dismissed by the  
9 Commission as an arbitrary attempt to use the process to force  
10 delay on the LEC. Thus, in principle, the price of floor space  
11 should not be a tariffed service.

12  
13 Q. HASN'T THE FCC ALREADY REQUIRED THE TARIFFING OF  
14 FLOOR SPACE PRICING FOR INTERSTATE EXPANDED  
15 INTERCONNECTION?

16 A. Indeed it has; that is why my answer to the previous question  
17 was that in principle the price of floor space should not be subject  
18 to tariffing requirements. As I also stated earlier, a number of  
19 issues have been taken out of this Commission's hands by the  
20 FCC's actions. Since a price already exists for floor space, power,  
21 etc. in the interstate tariffs, GTEFL suggests that as a practical  
22 matter, the prices, terms and conditions in the federal tariffs  
23 should be mirrored in the state tariffs.

1       **Q.    SHOULD THE SAME TERMS AND CONDITIONS OF EXPANDED**  
2       **INTERCONNECTION APPLY TO AT&T AS APPLY TO OTHER**  
3       **INTERCONNECTORS?**

4       **A.    Yes. As I have already testified, GTEFL believes that all parties,**  
5       **regardless of their identity, should be authorized to purchase our**  
6       **access services.**

7  
8       **Q.    SHOULD THE COMMISSION REQUIRE STANDARDS FOR**  
9       **PHYSICAL AND/OR VIRTUAL COLOCATION?**

10      **A.    No. It is not necessary for the Commission to require standards**  
11      **for colocation. It is clearly possible for two parties to reach a**  
12      **mutually advantageous agreement between themselves without**  
13      **the establishment of "standards" by an outside party. If,**  
14      **however, standards are to be required, the Commission should**  
15      **establish only minimum technical standards to be agreed to by the**  
16      **parties. These minimum technical standards should be equivalent**  
17      **to what the LEC currently offers on its own services. Certainly**  
18      **nothing higher should be required, nor should more stringent**  
19      **standards be precluded. It is likely that on the basis of voluntary**  
20      **negotiations, that some parties might find higher service standards**  
21      **to be in both parties best interests, even if the more stringent**  
22      **standards result in a higher price. For example, the normal**  
23      **standard for DS-1 provisioned by a LEC may be 5 days at a price**  
24      **of x dollars. If the interconnecting party seeking colocation finds**  
25      **it desirable to establish a standard to market to its customers that**

1 a DS-1 will be provisioned in 3 days, then the price from the LEC  
2 to the interconnector might be set at a higher level  $x + y$  dollars for  
3 the higher level of service. In such cases, voluntary agreements  
4 can be reached if negotiations are allowed. However, these  
5 higher standards should not be required, simply allowed.

6  
7 **Q. WHAT STANDARDS SHOULD BE ESTABLISHED FOR THE LECs**  
8 **TO ALLOCATE FLOOR SPACE FOR COLOCATORS?**

9 **A.** As I testified above, the market, if allowed to operate, will take  
10 care of this matter without any standards being established. The  
11 FCC, however, not trusting the very market mechanisms it says  
12 it seeks to encourage, established a first-come/first-served policy  
13 for the allocation of floor space in a LEC central office. Again as  
14 a practical matter, the standards already established for obtaining  
15 space in the LEC C.O.s for interstate expanded colocation should  
16 be mirrored in the Florida intrastate arrangements.

17  
18 At the federal level, no requirement for reciprocity was placed on  
19 those parties seeking colocation from the LECs. As GTEFL has  
20 stated, we believe that reciprocal agreements are desirable, so  
21 that those parties seeking colocation with LECs should have the  
22 same standards imposed on them to allocate floor space as are  
23 imposed on the LECs. This may call for an increased level of  
24 regulation to be imposed on the AAVs in Florida than has been  
25 exercised in the past.

1       **Q.    SHOULD EXPANDED INTERCONNECTION BE SUBJECT TO A**  
2       **"NET REVENUE TEST" IN ORDER TO AVOID POSSIBLE CROSS-**  
3       **SUBSIDY CONCERNS?**

4       **A.    One of the stated purposes of the introduction of expanded**  
5       **interconnection is to increase the level and degree of competition**  
6       **within the local exchange boundaries. If this is indeed correct,**  
7       **then clearly to maximize the benefits to consumers, it is desirable**  
8       **that all competitors in the market be subject to the same types of**  
9       **incentives. The assumption generally made by economists is that**  
10      **firms will attempt to maximize profits and will introduce a new**  
11      **product, such as expanded interconnection, if such a product adds**  
12      **more to revenues than it does to costs. That is, if the net**  
13      **revenues associated with the new product are positive, stated on**  
14      **a net present value basis. As an economist, this is exactly the**  
15      **type of incentive that all firms should face. With scarce resources**  
16      **available, as a society we have no business in "wasting"**  
17      **resources where the incremental costs exceed the benefits which**  
18      **are expected to be derived. So, GTEFL's answer is that "yes",**  
19      **expanded interconnection should be subject to a net revenue test.**  
20      **If the offering does not pass such a test, this means that the**  
21      **additional costs associated with expanded interconnection exceed**  
22      **the additional revenues gained. If the LEC is to be "made whole",**  
23      **then the additional costs will have to be recovered from some**  
24      **other source. Or in short, failure to pass the net revenue test will**  
25      **imply that on the basis of total service incremental cost, the**



1 expanded interconnection product offering is being cross-  
2 subsidized. I believe that GTEFL's position in this is consistent  
3 with the decision recently reached by the Commission in Docket  
4 No. 910757-TP on cross-subsidization.

5  
6 **Q. BASED ON YOUR TESTIMONY, WOULD YOU SAY THAT**  
7 **EXPANDED INTERCONNECTION FOR SPECIAL ACCESS AND/OR**  
8 **PRIVATE LINE IS IN THE PUBLIC INTEREST?**

9 **A. GTEFL agrees that expanded interconnection can be a desirable**  
10 **offering and can promote expanded choices to customers.**  
11 **Despite this conditional endorsement of the concept of expanded**  
12 **interconnection, GTEFL remains firmly convinced that the current**  
13 **policies associated with tariff rules and applications hinder the**  
14 **ability of the LEC to compete with its non-regulated or lightly**  
15 **regulated competitors. GTEFL strongly believes that access rules**  
16 **and rate structure changes are necessary either concurrently or**  
17 **preferably prior to the availability of expanded interconnection.**  
18 **Such pricing and regulatory reforms must include:**

19  
20 a) geographic deaveraging of access services pricing;

21  
22 b) increased flexibility in the timing of making price  
23 adjustments that are timely in the market place;  
24  
25

- 1           c)    the ability to put together service packages as end-to-end  
2                   offers to customers, including the resale of AAV facilities,  
3                   with the ability to go "off-tariff" to satisfy unique customer  
4                   demands and service arrangements.
- 5
- 6           d)    Increased flexibility in the range of allowable prices to LECs;
- 7
- 8           e)    consistent treatment for all competitors in the marketplace  
9                   by regulatory bodies with recognition that AAVs, ESPs,  
10                  IXCs, cellular carriers, etc. are potential and actual LEC  
11                  competitors as well as valued customers;
- 12
- 13          f)    recognition that a firm can simultaneously be an ESP and  
14                  an AAV, or an AAV and an IXC. Any rules established by  
15                  the Commission should be blind to the identity of the party.  
16                  The LEC does not have the ability, nor does it want to,  
17                  perform the duties of the telephone police.
- 18

19           This last point, in GTEFL's opinion, is somewhat critical to  
20           establishing a focused and consistent telecommunications policy.  
21           GTEFL believes that as a matter of general business ethics, the  
22           Company should not be put in the position of giving its customers  
23           the financial incentive to misrepresent who they are and what  
24           they do. Current regulatory requirements place the LECs in this  
25           uncomfortable position.

1       **Q.   IF EXPANDED INTERCONNECTION DOES INDEED OFFER**  
2       **BENEFITS TO THE CUSTOMERS, SHOULD THE COMMISSION**  
3       **GRANT ICI'S PETITION?**

4       **A.   With the caveats I have provided above concerning pricing**  
5       **flexibility and symmetrical regulatory treatment of all players in**  
6       **the market place, GTEFL does not object to the Commission**  
7       **granting ICI's petition.**

8

9       **Q.   DOES THIS COMPLETE YOUR TESTIMONY?**

10      **A.   Yes, it does.**

11

12

1           Q     (By Ms. Caswell) Do you have a summary of  
2 your testimony for us today?

3           A     I do.

4           Q     Would you please give that?

5           A     Well, I'll try to be brief this afternoon,  
6 which is usually hard for me.

7                     But especially as the issues facing the  
8 Commission today are more of a philosophical nature  
9 rather than quantitative, the concept of expanded  
10 interconnection for special access and eventually for  
11 switched access transport as well is the immediate  
12 subject at hand.

13                    As GTE has hopefully made clear, it has no  
14 problem with expanded interconnection as a method of  
15 promoting even more competition with the established  
16 local exchange companies.

17                    My principal objection is the way the FCC has  
18 chosen to implement the concept, particularly the  
19 mandate of physical collocation to which GTE remains  
20 adamantly opposed. Now, note that I'm not opposed to  
21 physical collocation per se but to the requirement  
22 ordering GTE and other LECs to make collocation  
23 available on a physical basis.

24                    GTE believes that such a mandate goes well  
25 beyond the powers of FCC, as it constitutes a taking of



1 LEC property rights. Thus, there is a federal court  
2 case still pending challenging the constitutionality of  
3 the FCC mandate.

4 I urge the Florida PSC to allow the owners of  
5 the real property to determine for themselves the best  
6 way to satisfy expanded interconnection obligations,  
7 whether that be physical or virtual, thereby avoiding  
8 the problems the FCC seems to have created.

9 As an economist, I sincerely believe in the  
10 benefits derivable from the competitive provision of  
11 virtually any good or service, telecommunications or  
12 otherwise. However, the extent of the benefits passed  
13 to the public depends to a large extent on the pricing  
14 practices of the companies competing with each other.

15 In order to allow the customers the maximum  
16 benefit possible, all parties should be allowed to  
17 compete on an equal basis. That would immediately  
18 imply that LECs should be allowed the same pricing  
19 flexibility as AAVs already have.

20 While the principal issues are philosophical  
21 today, there are longer run quantitative issues which  
22 the Commission probably should take into account. The  
23 majority of the quantitative revenue impacts will occur  
24 following switched access to interconnection, so I have  
25 not provided any details in my testimony, as that was

1 to be deferred to a later hearing.

2 Suffice it to say that current pricing  
3 arrangements for telco-provided services rely on the  
4 continued flow of contribution from switched access  
5 services and services such as intraLATA toll.

6 Since there's no disagreement by any party  
7 that I can tell that expanded interconnection increases  
8 the degree of competition present, it can be reasonably  
9 argued that contribution margins will be compressed in  
10 the future. Expanding interconnection is simply  
11 another, albeit very significant, step on the road to  
12 full-line local exchange competition and should be  
13 properly recognized as such by the Commission.

14 MS. CASWELL: Dr. Beauvais is available for  
15 cross examination.

16 COMMISSIONER CLARK: Mr. Tye?

17 MR. TYE: I have no questions, Commissioner.

18 COMMISSIONER CLARK: I'm sorry. Mr. Erwin?

19 MR. ERWIN: Actually, I do have a couple of questions

20 CROSS EXAMINATION

21 BY MR. ERWIN:

22 Q Dr. Beauvais, I believe in your testimony you  
23 indicated that the Commission should limit its  
24 requirements in this case to Tier I LECs, did you not?

25 A That was my conclusion that that would be the

1 proper policy to follow.

2 Q And did you hear the testimony of Mr.  
3 Kouroupas where he indicated that the Commission should  
4 set standards and apply interconnection arrangements to  
5 the non-Tier 1 LECs as a result of this proceeding?

6 A I'm sorry. Was the question did I hear it?

7 Q Yes.

8 A Yes, I did.

9 Q And what's wrong with what Mr. Kouroupas has  
10 indicated?

11 A Well, I believe as a practical matter the  
12 demand is simply not there yet today and probably won't  
13 be for the foreseeable future for expanded  
14 interconnection with smaller companies.

15 There are costs that must be undertaken up  
16 front by any company to prepare for physical or virtual  
17 collocation. With no likelihood of revenues to be  
18 forthcoming within the foreseeable future, that would  
19 simply mean the smaller Tier 2 LECs would incur the  
20 costs with no offsetting revenues for the foreseeable  
21 future. And that seems to me, as a practical matter,  
22 not the correct economic policy to follow.

23 MR. ERWIN: All right. Thank you very much.  
24 That's all.

25 COMMISSIONER CLARK: Mr. Carver?

1 MR. CARVER: No questions.

2 COMMISSIONER CLARK: Mr. Tye?

3 MR. TYE: No.

4 COMMISSIONER CLARK: Mr. Fons?

5 MR. FONS: No questions.

6 COMMISSIONER CLARK: Mr. Wahlen?

7 MR. WAHLEN: No questions.

8 COMMISSIONER CLARK: Ms. Wilson?

9 MS. WILSON: No questions.

10 COMMISSIONER CLARK: Mr. Dunbar?

11 MR. DUNBAR: Thank you, Commissioner.

12 CROSS EXAMINATION

13 BY MR. DUNBAR:

14 Q Dr. Beauvais, I'm Peter Dunbar of Time Warner.

15 If you have your direct testimony, you might  
16 turn to Page 2 of it. And you also in your summary  
17 made reference to the competitive environment and the  
18 fact that competition as a result of this proceeding  
19 could be expanded.

20 In any of those descriptions of what you term  
21 as the competitive environment, to your knowledge, has  
22 it determined to be effectively competitive in Florida  
23 by this Commission?

24 A By this Commission, they have not met the  
25 standards; or no tests have been performed, no hearings



1 conducted on whether it constitutes effective  
2 competition under the Florida statutes.

3 Q Therefore, it is also your opinion that the  
4 LEC may continue to cross-subsidize these services from  
5 monopoly ratepayer funds until such time as that  
6 occurs; is that correct?

7 A I believe the statute as written allows for  
8 such cross-subsidization to take place as a matter of  
9 public policy. However, that has not been my  
10 recommendation as to how the Commission should proceed.

11 Q Was that not your opinion as expressed in  
12 testimony in prior dockets that in fact the law would  
13 permit that?

14 A I believe that is the same opinion I  
15 expressed in the cross-subsidization docket.

16 MR. DUNBAR: Thank you, Doctor. I have no  
17 further questions.

18 COMMISSIONER CLARK: Mr. Hoffman?

19 CROSS EXAMINATION

20 BY MR. HOFFMAN:

21 Q Dr. Beauvais, would you consider the  
22 University of Florida to be a large potential user of  
23 AAV services?

24 A I think it's certainly are a potential user  
25 of AAV services.

1 Q You would not consider them to be a large  
2 potential user of AAV services?

3 A I would assume they would be a relatively  
4 large user of intrastate services.

5 Q Okay. Do you know what local exchange  
6 territory the University of Florida is located in?

7 A It's in Gainesville.

8 Q Would you accept, subject to check, that it  
9 is located in a non-Tier 1 local exchange territory,  
10 ALLTEL?

11 A Could very well be.

12 MR. HOFFMAN: Thank you.

13 COMMISSIONER CLARK: Mr. Wiggins?

14 CROSS EXAMINATION

15 BY MR. WIGGINS:

16 Q Good afternoon, Dr. Beauvais.

17 A Good afternoon, sir.

18 Q Let's see where to start.

19 Physical collocation, as I understood your  
20 testimony, you're adamantly opposed to physical  
21 collocation being required; is that correct?

22 A Yes.

23 Q So you're happy to have that negotiated if  
24 the negotiations can be successful, but you do not want  
25 it to be required?

1           A     If the negotiations -- if mutually  
2 advantageous arrangements can be made between, in our  
3 case, GTE and ICI, then I certainly see no objection to  
4 making such agreements.

5           Q     All right. I want to see if I can get some  
6 of these issues down to the bottom line.

7                     In negotiating -- in negotiations between  
8 potential collocators and the LEC, are we not in a  
9 situation where one of those parties is going to be  
10 able to say "take it or leave it"?

11          A     That's probably true of any negotiations.

12          Q     Okay. And if the LEC is not required to  
13 allow physical collocation, is it in a stronger  
14 negotiating position than the would-be collocator,  
15 using the take-it-or-leave-it analysis?

16          A     I guess it would depend on how the person  
17 seeking the collocation felt about virtual versus  
18 physical. I mean, if they strongly have to have  
19 physical and they don't get physical from the LEC, then  
20 they're going to feel like they have been  
21 disadvantaged.

22          Q     On the other hand, if we were to get our way  
23 and physical were required but for negotiated  
24 agreement, we would be in a position to say "take it or  
25 leave it," we're going to take your --

1           A     Yes. And in one sense that's the position  
2     you already have as the results of FCC actions at the  
3     moment.

4           Q     Have you ever participated in collocation  
5     negotiations?

6           A     As of Friday when I left Irving, Texas, GTE  
7     has not yet received any requests anywhere in the  
8     United States for any form of interconnection;  
9     therefore, as far as I'm concerned, there haven't been  
10    any. So my answer is no, I haven't.

11          Q     Okay. I would like to talk a little bit  
12    about what I call LECs flex, LECs' flexibility of the  
13    Company in offering terms and services. (Pause)

14                Your Company has the flexibility of offering  
15    contract service arrangements, does it not?

16          A     That is correct.

17          Q     Okay. And those services are available --  
18    excuse me. Those CSAs are for tariffed services; is  
19    that correct?

20          A     The CSAs are available as a, quote,  
21    "substitute for tariffed services where competitive  
22    alternatives can be shown to exist."

23          Q     Right. And the tariffed services are these  
24    averaged rates that I've heard referred to?

25          A     They typically are tariffed service



1 offerings, which are geographically averaged in  
2 Florida.

3 Q Okay. So CSA would be a deviation from  
4 geographic average rates; is that correct?

5 A Could be, yes.

6 Q Okay.

7 COMMISSIONER CLARK: Excuse me just a minute.

8 MR. WIGGINS: Yes, ma'am.

9 COMMISSIONER CLARK: I'm having difficulty  
10 hearing. There's a lot of whispering going on.

11 Thank you.

12 MR. WIGGINS: Where did I lose them?

13 (Laughter)

14 Q (By Mr. Wiggins) Just to reiterate, contract  
15 service arrangements gives the local exchange company  
16 the ability to depart from geographically averaged  
17 rates, correct?

18 A That is correct.

19 Q All right. Where there is no tariffed  
20 service available but a customer asks for a service,  
21 you have the ability to offer that service with special  
22 assemblies; is that not correct?

23 A I believe we have the ability to put together  
24 ICBs for such a customer.

25 Q All right.

1 COMMISSIONER CLARK: ICBs?

2 WITNESS BEAUVAIS: Individual case basis.

3 COMMISSIONER CLARK: Thank you.

4 Q (By Mr. Wiggins) Are ICBs and special  
5 assemblies functionally equivalent?

6 A They are the same type of notion, yes.

7 Q How does this Public Service Commission  
8 assure that your contract service arrangements are not  
9 allowing subsidized competitive offerings?

10 A When we put together an ICB for a customer,  
11 we do so in the interest of making a profit. It is  
12 true that GTE may be a bunch of nice people, which is  
13 absolutely unquestionable, but we're also in the  
14 business of making money.

15 When we put together an ICB, we do  
16 incremental cost studies to assure that the prices that  
17 we are charging the customer cover at least our  
18 incremental cost and to make some profit contribution;  
19 and the Commission has the ability to request that at  
20 any time, as I recall -- to request to see the studies  
21 at any time.

22 Q If I understand your answer correctly, the  
23 incentives are not there for selling your product below  
24 cost but rather above your long-range incremental cost?

25 A Correct.

1           Q     Would you admit that the opportunity is there  
2     to sell your products below cost?

3           A     Yeah. I can always admit it's easy to say  
4     yes, you would sell your product below cost, but it's  
5     rather hard to understand why you would.

6           Q     Right. But do you know the type of reporting  
7     that your Company does on contract service  
8     arrangements, reporting to the Commission?

9           A     I don't believe there's any requirement to  
10    report to the Commission.

11          Q     I would like some clarification about  
12    geographically averaged rates.

13                It's my understanding that there is a  
14    requirement that MTS rates be geographically averaged.  
15    Is that your understanding as well?

16          A     That is correct.

17          Q     Are there any other rates that are required  
18    by rule or order to be geographically averaged?

19          A     Well, the same would apply to our local rates  
20    as well. Also, I guess, probably more by historical  
21    tradition, virtually all our prices are averaged across  
22    our service areas.

23          Q     That's what I really wanted to get to. Isn't  
24    it more, except for your local rates and your MTS  
25    rates, isn't it more a matter of it being the Company's

1 practice of having geographically averaged rates in  
2 your tariffs as opposed to a requirement?

3 A For our special access services?

4 Q Yes, sir.

5 A The Commission may be able to answer better  
6 than I can.

7 Historically, we have clearly averaged them.  
8 If we were to deaverage them, clearly, the implication  
9 is the prices in the less dense rural areas would  
10 increase; whereas, the price in the urban areas would  
11 tend to decrease. That has some redistributive impacts  
12 that would probably concern the Commission.

13 I don't believe there are any specific rules  
14 requiring special access within the state of Florida to  
15 be geographically averaged, but I would have to check.

16 Q Right. In any event, to the best of your  
17 knowledge, you're -- well, let me phrase this as a  
18 nonloaded question.

19 To the best of your knowledge, has your  
20 company in Florida filed tariffs or proposals  
21 requesting deaveraging of special access or private  
22 line rates for --

23 A I do not believe so.

24 Q Okay. Speaking of the prices of special line  
25 -- special access and private line rates, they now



1 cover their long-run incremental costs; is that true?

2 A I certainly hope so.

3 Q That was not always the case, was it?

4 A No, it was not always the case, especially  
5 the private line services.

6 Q How recently has it been that your private  
7 lines have been priced so they're actually making a  
8 profit?

9 A I would have to go back and look at the  
10 records. There was one time when local private lines  
11 were, I believe, on the order of \$8 or \$9 a month, and  
12 they have been increased over the past several years.

13 Q All right. I would like to turn for a moment  
14 to the concept of lost revenues. If collocation is  
15 allowed and the Company, the LECs, are allowed to  
16 aggressively, if I may use that term, aggressively  
17 reprice special access and private line in response to  
18 competition from AAVs such as Intermedia, I would like  
19 to identify where the lost, if I can use that term, the  
20 lost revenues will occur to the Company. So that's the  
21 purpose of the next couple of questions.

22 One area of lost revenues would be lost  
23 customers, wouldn't it? The customers that actually  
24 migrated to another --

25 A The customers would leave the LEC and go to

1 ICI services.

2 Q Okay. Another area of lost revenues would be  
3 lower rates of the Company?

4 A Correct.

5 Q Okay. And another area or source of lost  
6 revenues would be internal migration, customers that  
7 move from, let's say, switched access products to  
8 special access products?

9 A Correct.

10 Q Okay. All right. Can you think of any  
11 other, any other sources of revenue loss?

12 A Well, there may be, but that would seem to  
13 cover the vast majority of them.

14 Q Now, on the other side of the ledger, might  
15 there be some elasticities there that might promote use  
16 of these products?

17 A I believe there is certainly a different  
18 price elasticities have to be taken into account when  
19 calculating the effect of price changes.

20 Q Would you also take into account the nature  
21 of growth and the need for telecommunication services?

22 A Certainly, one would take those into account  
23 when estimating the price elasticities.

24 Q All right. (Pause) But in any event, if I  
25 understand your previous testimony, it would not be in

1 your Company's interest in making these pricing changes  
2 to price these services so that you would actually be  
3 losing money, you would be pricing them to make a  
4 profit?

5 A That's correct. All our services would be  
6 priced so that they cover at least their incremental  
7 mental costs and make some contributions to the  
8 overheads of the Company.

9 Q Let's talk about what we mean by  
10 "contribution," because that's a word that may have at  
11 least three meanings. Would you just go ahead and give  
12 it a shot?

13 A The definition of contribution I'm using is  
14 essentially price minus the incremental cost of  
15 provisioning; so that when the product is sold, it  
16 covers the cost of providing it plus contribution  
17 toward covering the fixed costs or other common costs  
18 of the firm.

19 As opposed to one of the contributions, we're  
20 getting the whole definition of universal service fund  
21 kind of contributions, payments by other parties to  
22 LECs.

23 Q Okay. Hopefully this isn't too big a jump.  
24 Local exchange rates for R1 service in your  
25 company in Florida, are they priced below cost?

1           A     I guess my answer is yes, they are. I think  
2     you need to disaggregate R1 services essentially into  
3     its components of access, the physical connection from  
4     the customer to the central office as opposed to local  
5     usage. If you take the definition of subsidy as  
6     something that's priced below cost, clearly the price  
7     of local usage today for the vast majority of customers  
8     is zero. And no matter how low the incremental cost  
9     per minute of use is, it is probably not zero, so,  
10    therefore, you've got an immediate, something has got  
11    to be covering those costs.

12                 In addition, you have the cost of the access  
13    loop. I've seen published estimates of it ranged from  
14    \$15 to \$18 some cases even higher per month.  
15    Incremental costs, I believe GTE's R1 complete price  
16    for basic exchange service is around \$11 a month plus  
17    the \$3 federal slick, if you would like, which would  
18    put it somewhere below incremental cost of service  
19    today.

20           Q     You mentioned in your response "universal  
21    service." Would you mind giving me your working  
22    understanding of "universal service"?

23           Q     As of today, the definition of universal  
24    service?

25           Q     Yes.



1           A     Universal service is kind of one of those  
2 dynamic concepts that says, "everybody who wants a  
3 phone ought to be able to afford one and have one." In  
4 order to do that, historically, commissions, not only  
5 in Florida but elsewhere, including the FCC, have  
6 devised policies that flow funds from other services to  
7 local to keep the price of basic service as low as  
8 possible.

9                     And, historically, it's been very successful.  
10 In excess of 90% of the customers who want a phone have  
11 one.

12           Q     That's great. My next question is, let's  
13 think about in terms of market penetration.

14                     So 90%, more or less, of the customers who  
15 want a phone have one. There are, however, some 10% of  
16 the population that do not have phones?

17           A     I suspect the number is far less than 10%.  
18 It's probably on the order of 6% or 7% today. And  
19 there will be some of that percentage that you could  
20 pay them and tell them to take telephone service and  
21 they don't want one.

22           Q     But there may, in fact, be some people who  
23 would like to have telephone service that even under  
24 today's allegedly subsidized local rates cannot afford  
25 it?

1           A     That's probably a true statement.

2           Q     Would it also be true that other people who  
3     take telephone service, of that 90%, there are some who  
4     would be vulnerable to having to drop off the loop if  
5     there were significant increases in local rates?

6           A     There is undoubtedly a subset of the  
7     population that would disconnect from service. The  
8     price elasticity demand for local services are not  
9     zero.

10          Q     Right. Okay. But there are also a very much  
11     larger percentage who are not vulnerable.

12          A     There are large percentages who would  
13     continue service even in substantial price increases,  
14     everything else being equal.

15          Q     In other words, there are a bunch of yuppies  
16     running around Florida who are getting subsidized  
17     service that don't need it?

18          A     I don't know that they're yuppies, preppies  
19     maybe. (Laughter)

20          Q     You gave the answer, you gave this  
21     information already, and I apologize for not  
22     remembering it. But what is roughly your R1 rate in  
23     Florida?

24          A     I believe GT's R1 rate is roughly \$11 per  
25     month.

1 Q Plus 3?

2 A Plus they have to pay the \$3.50 subscriber  
3 line charge.

4 Q I want to make it clear. I'm not proposing  
5 the next thing I want to say, but this is totally a  
6 hypothetical. What would happen to the market  
7 penetration in your territory if you increased your  
8 local rates \$10, you went from \$11 to \$21?

9 A The existing price elasticity demand is for  
10 local service, everything else being equal, as I'm  
11 saying. Given the cellular people keep their prices  
12 where they are, we put aside the entire issue of new  
13 personal communication wireless services, no new  
14 entrants, elasticity should be in the order of about  
15 .01, so you double the rates. So you'd see a very  
16 small percentage decrease in the number of customers  
17 that took telephone service.

18 Q In terms of market penetration, therefore,  
19 significant increases in local rates do not affect  
20 universal service?

21 A They would not.

22 Q Okay. However, that should not make us  
23 oblivious to the fact that there are those who are on  
24 the network that would fall off and who are vulnerable?

25 A There are people on the network. The

1 elasticities of the .01, .05 that are typically cited  
2 in the literature, there are subsets of the population  
3 who have price sensitivity significantly in excess of  
4 that.

5 Q Now, Commissioner Lauredo --

6 COMMISSIONER LAUREDO: Would you make sure  
7 you will be on this Commission when that happens. When  
8 the rates doubles. (Laughter)

9 MR. WIGGINS: There's only so much pain I can  
10 handle, Commissioner Lauredo.

11 Q (By Mr. Wiggins) Commissioner Lauredo has  
12 mentioned one of Dr. Huber's reports, and I think  
13 that's the geodesic report that he's referring to.  
14 When he says that 105 land-line -- 105 million  
15 land-line customers account for 10% of the revenues,  
16 and 35 million of business customers account for 90% of  
17 the revenues, without disclosing proprietary  
18 information, could you break that down to something  
19 comparable for your company?

20 A If you look at the distribution of customer  
21 usage and customer revenues, it has largely been  
22 unchanged for 20 years. The distribution of usage, and  
23 according to your revenues, follows what's called a  
24 gamma or beta distribution. It can also be  
25 approximated by a normal distribution, which means it's



1     skewed.

2                   Remember what an "F" distribution looks like  
3     from your statistics? (Laughter) Imagine what a  
4     normal distribution looks like, the bell-shaped curve,  
5     go to the right side of it and shove that sucker  
6     towards the access, and you'll get a little  
7     distribution that's crammed like that, which says the  
8     majority of the people, you know, don't generate much  
9     usage. A very small proportion generate lots of  
10    revenues to the company.

11                  The interesting thing about that, no matter  
12    where we went in the United States or, in fact,  
13    internationally, it followed the same pattern. The  
14    pattern for GTE looks fairly much like the pattern for  
15    the United States. Is that a long enough answer to a  
16    short question?

17                  COMMISSIONER LAUREDO: I would like to, in  
18    all seriousness, get a short answer to that question.  
19    I thought, in relative to my previously -- what is  
20    GTE's territory? What is the general percentage?

21                  WITNESS BEAUVAIS: The GTE distribution  
22    without -- I don't have the percentages with me. The  
23    distribution, 80/20 or 90/10, would approximate GTM,  
24    sure. (sic)

25                  COMMISSIONER LAUREDO: Thanks.

1           Q     (By Mr. Wiggins) Is it fair to say that one  
2 way to look at the reduced special access and private  
3 line rates is that it lowers the economic input calls  
4 of the customers taking those services?

5           A     I'm sorry?

6           Q     Would you like me to rephrase that?

7           A     Please.

8           Q     Let's see if I can put this in English. When  
9 and if these special access and private line rates come  
10 down in the future due to this competition, that's  
11 going to be good for the companies subscribing to these  
12 services; isn't that correct?

13          A     Most certainly they would have to be the best  
14 for them.

15          Q     When they pay less, that means the cost of  
16 their producing, the cost they incur in producing their  
17 services and goods are reduced as well?

18          A     Correct.

19          Q     And that factors into the benefits of having  
20 presumably efficient markets?

21          A     Yes.

22          Q     Thank you. I would like to, if we could,  
23 focus this question and answer session on the typical  
24 residential end user. I would like to use my mother's  
25 example, but she lives in Oviedo and that's not in your

1 territory. But I'm sure there are other mothers out  
2 there, not as sweet as mine I'm sure, but there are  
3 others out there who will never take a special access?

4 A I would assume that's correct. Unless your  
5 mother is real busy.

6 Q Or she wants to bypass me, I guess.

7 As a residential consumer who is subscribing  
8 to just standard R1 rates and Feature Group D toll  
9 service from competitive carriers such as AT&T, MCI or  
10 Sprint, what does this special access and private line  
11 competition in collocation mean for her, good or bad?

12 A I believe in the short run, if we define  
13 special access and private lines, the way they are  
14 today, there's probably very little impact on the  
15 residential customer's bill one way or the other from  
16 the provision of expanded interconnection. So Mom  
17 would be okay in the short run.

18 As we moved to switch -- on to switch,  
19 however, the contribution from switched access services  
20 is far greater than it is special, and that's when you  
21 start generating potentially all kinds of revenue  
22 impacts.

23 Q And if I understand your testimony correctly,  
24 your written testimony, is it that is such a  
25 significant move that the Commission needs to be very

1 -- I hate to use the word "cautious" but -- cautious  
2 and informed and considered as you move forward to that  
3 aspect of interconnection?

4 A I would think so. The FCC doesn't have to,  
5 as Commissioner Lauredo puts it, the FCC doesn't have  
6 to sit up there everyday when those impacts start  
7 translating themselves to local rates. They get to sit  
8 in D.C. and hide.

9 Q I hate to end on such a nice note. Let me  
10 just return to your initial position this afternoon,  
11 that essentially you are adamantly opposed to the FCC's  
12 forced physical collocation approach?

13 A Yes.

14 Q How much of your testimony and your position  
15 is contingent upon your company or others being  
16 successful in appealing the FCC order?

17 A Even if the FCC order was appealed, if I  
18 understand --

19 Q Of the affirmed --

20 A The philosophy we're putting forward stays  
21 the same. On the other hand, as a practical matter, if  
22 the FCC order is affirmed, the decisions of this  
23 Commission I think are largely moot. I don't like to  
24 say that, but the price of floor space is tariffed. We  
25 have as a LEC no way of knowing the jurisdictional



1 nature of the traffic. So the price is going to be the  
2 same, there's contamination rules that say, "If more  
3 than 10% of the traffic on a circuit is interstate, the  
4 circuit is classified as interstate." All of the rules  
5 are there at that point are under FCC rules. All you  
6 or MCI, the customer, has to tell me is it's  
7 interstate; and as a customer, mind at that point, as  
8 well as a competitor, I'm going to believe you until I  
9 catch you. The last is just a parenthetical obviously.  
10 (Laughter)

11 Q I just got a couple more question, Dr.  
12 Beauvais.

13 COMMISSIONER CLARK: I'm not sure I  
14 understood. Are you suggesting that if the FCC's  
15 decision is upheld, there's virtually nothing for us to  
16 do?

17 WITNESS BEAUVAIS: In one sense -- and I  
18 don't like to say it, but I do believe that's true.  
19 There is a price that's for floor space that GTE and  
20 other Tier 1 LECs would have in their tariffs today.

21 COMMISSIONER CLARK: And it's going to be the  
22 same whether it's interstate or intrastate?

23 WITNESS BEAUVAIS: As GTE has testified, as  
24 I've testified, GTE would recommend that if we do that,  
25 we have the same price for interstate versus

1 intrastate.

2 COMMISSIONER CLARK: Because there's no  
3 difference in the service?

4 WITNESS BEAUVAIS: There's no difference.

5 Floor space is floor space. In all fairness to  
6 interconnectors, they may not know the jurisdictional  
7 nature of the traffic either. It's becoming very hard  
8 to determine where those electrons or lightwaves come  
9 from and go to jurisdictionally.

10 And the common price for interstate and state  
11 makes sense. Furthermore, if you put on top of that  
12 the rules for contaminated circuits, if more than 10%  
13 of the minutes of use on that facility is classified as  
14 interstate, then the whole circuit is interstate. Even  
15 if 89% of it would be state for regulatory purposes,  
16 it's interstate. All I see, or anybody else would have  
17 to do is tell me, is that it's interstate, and that's  
18 available if the FCC is upheld. So they could be  
19 carrying intrastate circuits on that, but it's going to  
20 be classified as interstate. Commissioner, I don't  
21 like telling you that.

22 COMMISSIONER CLARK: I'm just interested in  
23 the practicality.

24 WITNESS BEAUVAIS: I think that's the market  
25 reality.

1 COMMISSIONER CLARK: What you're saying is  
2 it's impractical to do anything different than what --

3 WITNESS BEAUVAIS: Well, I don't think it's  
4 impractical. Well, I hope GTE and the other LECs that  
5 filed the court case win. I mean, I really believe  
6 that there is a solid case there. One safe way around  
7 that is adopting the LEC choice or the property rights,  
8 owners choice to provide it. We may very well be able  
9 to reach a mutual advantageous physical collocation  
10 arrangement with everybody who wants it. And in which  
11 case the court case -- if we win, hey, we're already  
12 there. It was mutually agreed upon. There's no  
13 coercion being put on the LEC to negotiate that space.  
14 So, yes, you do have choices available.

15 COMMISSIONER CLARK: Go ahead, Mr. Wiggins.

16 Q (By Mr. Wiggins) Do you know what percentage  
17 of the DS-3 circuits -- DS-3 services provided by  
18 General Telephone within Florida are jurisdictionally  
19 interstate? That's not a trick question.

20 A I may have the information here, I'm not  
21 sure. I can get back to you with it, or I can take a  
22 couple of minutes and try to find it. I don't know it  
23 off the top of my head.

24 Q Then would you also need a couple of minutes  
25 to determine DS-1, what percentage -- I have a deal

1 that you shouldn't be afraid to accept. Let me just  
2 ask you that on rebuttal when you get back. You're  
3 taking rebuttal, aren't you? You're not offering  
4 rebuttal testimony?

5 MS. CASWELL: No.

6 MR. WIGGINS: So much for the moment.

7 WITNESS BEAUVAIS: Does the percentage make  
8 any difference?

9 Q (By Mr. Wiggins) No. What I'm looking for  
10 is would you agree, subject to check -- I hate to do  
11 things that way -- would you agree that, subject to  
12 check, that the overwhelming majority of the DS-3  
13 services are jurisdictionally interstate?

14 A I believe that's true.

15 Q It's not worth delaying the hearing for, Dr.  
16 Beauvais. (Pause)

17 COMMISSIONER CLARK: What's happening? Is  
18 there a question for Dr. Beauvais?

19 MR. WIGGINS: Well, I'm prepared to ask  
20 another question but Dr. Beauvais seemed like he wanted  
21 to --

22 A No, I was looking.

23 MR. WIGGINS: Sorry, Commissioner.

24 Q (By Mr. Wiggins) Are you familiar with the  
25 term "carrier of last resort"?



1           A     Yes.

2           Q     I would just like to get this clarified for  
3 me and in the record. If I'm a customer of General  
4 Telephone and I ask for services and there are no  
5 facilities there to provide me services, are you  
6 obligated to provide me facilities?

7           A     It would depend on where you are, but we are  
8 obligated to provide services under reasonable terms  
9 and conditions. If you are asking for services and you  
10 live halfway out in the middle of the Everglades  
11 somewhere, we're not required to run you in our one  
12 line out there for \$11 a month.

13          Q     Is there some sort of five year return of  
14 investment rule that the Company uses for determining  
15 whether or not it's reasonable to provide service?

16          A     Not that I'm aware of.

17          Q     Let's back up a second. So if I understand  
18 your answer correctly, the carrier of last resort  
19 obligation does not mean that you're obligated to  
20 provide services under any terms and conditions. Just  
21 terms and conditions that are reasonable?

22          A     Correct.

23               MR. WIGGINS: Thank you. I have no further  
24 questions.

25               COMMISSIONER CLARK: Staff, how much do you

1 have?

2 MR. MURPHY: About 15 questions.

3 COMMISSIONER CLARK: Go ahead.

4 CROSS EXAMINATION

5 BY MR. MURPHY:

6 Q Hello, Dr. Beauvais. I'm Charles Murphy on  
7 behalf of the Staff.

8 Have you received a copy of Exhibits EB-1  
9 through 7? EB-7 is a redacted version of EB-6, which  
10 is subject to confidentiality request?

11 A Some of them are simply pieces of paper that  
12 say "exhibit."

13 Q We can get you those. Those are the two  
14 voluminous exhibits. One is the GTE FCC tariffs and  
15 the other is floor space exhibit, which was a  
16 late-filed exhibit to a deposition.

17 A Yes, then I have received them.

18 Q Are the exhibits accurate to the best of your  
19 knowledge and belief?

20 A To the best of my knowledge, they're  
21 accurate.

22 MR. MURPHY: Staff would ask that the  
23 exhibits be marked for identification.

24 COMMISSIONER CLARK: I believe the next  
25 exhibit number is 10?

1 MR. MURPHY: Yes, Commissioner.

2 COMMISSIONER CLARK: Why don't you go ahead  
3 and run through that starting with EB-1. I'm sorry,  
4 but I'm not sure I have EB-6.

5 MR. MURPHY: EB-6 is confidential. We were  
6 only going to hand it out if there were cross questions  
7 on it. We have a redacted -- 7 is a redacted version  
8 of 6.

9 Exhibit 10 would be "Response to Staff's  
10 Interrogatories." Exhibit 11 --

11 COMMISSIONER CLARK: Wait a minute. EB-1,  
12 "Interrogatories" will be Exhibit 10. EB-2.

13 MR. MURPHY: Is "Staff's First Set of PODs,"  
14 response to them.

15 COMMISSIONER CLARK: That's Exhibit 11.

16 MR. MURPHY: No. 12 would be "GTE's FCC  
17 tariffs."

18 COMMISSIONER CLARK: Okay. That's Exhibit  
19 12.

20 MR. MURPHY: No. 13 would be "Floor Space  
21 Study Documents."

22 COMMISSIONER CLARK: Okay.

23 MR. MURPHY: No. 14 would be the "Deposition  
24 Transcript."

25 COMMISSIONER CLARK: Okay. Exhibit 15.

1           MR. MURPHY: 15 is the confidential exhibit,  
2           which we would only hand out if there's cross on it.  
3           And we don't need to number EB-7. It's the redacted  
4           version just for --

5           COMMISSIONER CLARK: Let's go ahead and --  
6           you say 15 is --

7           MR. MURPHY: Is EB-6.

8           COMMISSIONER CLARK: Which is confidential.

9           MR. MURPHY: It's been given to the court  
10          reporter.

11          MR. WIGGINS: Could we get a title for EB-6?

12          MR. MURPHY: Say again?

13          MR. WIGGINS: Could I get a title for EB-6?

14          MR. MURPHY: EB-6 is "Confidential Responses  
15          to Staff Interrogatory No. 64."

16          COMMISSIONER CLARK: That's Exhibit 15.  
17          Exhibit 17, let's make that the redacted. I'm sorry,  
18          Exhibit 16 would be EB-7.

19          MR. MURPHY: Right. And regarding EB-3 and  
20          4, if people need the voluminous documents, we will  
21          provide it for them.

22          COMMISSIONER CLARK: Okay.

23          (Exhibit Nos. 10 through 16 marked for  
24          identification.)

25          MR. MURPHY: Commissioners, we also at the



1 beginning of the hearing asked and thought we had an  
2 agreement to stipulate the surveillance reports of the  
3 various LECs into the record. And we would like to do  
4 that at this time as Exhibit 17. Mr. Davis will  
5 distribute those to everyone.

6 COMMISSIONER CLARK: And that's surveillance  
7 reports for which companies, all local exchange companies?

8 MR. MURPHY: All of them that are here today.  
9 ALLTEL, Centel, United, GTE, Northeast, Southern Bell.

10 COMMISSIONER CLARK: Okay. That will be  
11 marked as Exhibit 17 surveillance reports for those  
12 companies listed. Show that entered in the record  
13 without objection.

14 (Exhibit No. 17 marked for identification and  
15 received into evidence.)

16 MR. MURPHY: Thank you.

17 MR. FONS: Commissioner Clark, could we show  
18 that as "December 1992 Surveillance Reports" just so  
19 there will be no --

20 COMMISSIONER CLARK: September?

21 MR. FONS: December 1992.

22 COMMISSIONER CLARK: Okay.

23 Q (By Mr. Murphy) Dr. Beauvais, has the  
24 Company quantified any revenue impact if pricing  
25 flexibility is not granted?

1           A     Due to expanded interconnection in Florida?

2           Q     Yes, sir.

3           A     Not that I'm aware of.

4           Q     Currently how do contract service  
5 arrangements in Florida compare with those in other  
6 states?

7           A     Do you want a detailed comparison because if  
8 you do that's going to be a long answer.

9                     Essentially, the CSAs in Florida are some of  
10 the most flexible, the GTCs, anywhere in its current  
11 40-state operation. All we have to do is essentially  
12 show that the competition exists and that we pass along  
13 incremental cost.

14          Q     Do you believe that the contract service  
15 flexibility which exists today should be continued  
16 under collocation?

17          A     Yes, at a minimum, I'd say you continue the  
18 contract service arrangement.

19          Q     You testify that you'd like to see some  
20 tariff flexibility to offer volume discounts on a  
21 geographical and central office basis; is that correct?

22          A     That's correct.

23          Q     Are you familiar with FCC Order 93726  
24 regarding zone density pricing?

25          A     With respect to expanded interconnection?

1 Q Yes, sir.

2 A Yes.

3 Q Did you participate in the GTE Service  
4 Corporation zone density pricing plan that the FCC  
5 approved in that order?

6 A I have participated in a number of them, I  
7 believe. The one we filed was partly mine, anyway.

8 Q Would it be your position that this  
9 Commission adopt the FCC plan?

10 A I believe that the FCC's policy on zone  
11 density pricing is actually too restrictive, given the  
12 presence of the cross-indexed price caps. It forces,  
13 in some cases, prices up -- in rural areas you might  
14 not want to increase as much because you have to  
15 decrease some in the urban areas in response to  
16 competition. And I don't necessarily want to have to  
17 do that in all cases.

18 Q So do you believe that the contract service  
19 is a better solution to the flexibility problem than  
20 the zone?

21 A Well, no, I think they are complimentary.  
22 The zone density price of the FCC is okay as far as it  
23 goes. It's the presence of the price cap and the dual  
24 indices where you can only move prices plus or minus 5  
25 or 10% in that zone. But because of the revenue

1 weights, it forces you if you want to lower the price,  
2 say, 10¢ in the urban area, you may have to really jack  
3 the price up in the rural area far more than you would  
4 want to.

5 Yes, I would put zone density pricing as  
6 information for consumers, if nothing else, out there;  
7 that those are available in my tariffs, assuming I have  
8 to file tariffs, as well as having the ability to go  
9 CSA.

10 Q Just so I understand, you would like the zone  
11 pricing as an option for the consumer or for the  
12 company or the contract service arrangement?

13 A What I would like to do is, essentially --  
14 let me get an assumption first. Let's assume that  
15 Florida is going to require the continuation of  
16 tariffs, so that all our services will have to be  
17 tariffed as well. Then I want my tariffs to reflect  
18 the cost and demand patterns in different geographic  
19 areas.

20 Under special circumstances or more unique  
21 circumstances, I may have to go off those tariffs, even  
22 with zone and volume discounts, so I would want both.  
23 I think they are complimentary; not necessarily  
24 substitutes.

25 Q Okay. Do you think that there needs to be a



1 broadening of the ability for contract service  
2 arrangements or is it adequate as it is?

3 A CSAs, in all honesty, are remarkably flexible  
4 today in Florida. I think, you know, the Commission  
5 should be applauded to go ahead with that in terms of  
6 pricing flexibility for the LEC. They are adequate in  
7 developing the prices. There's customer information  
8 problems associated with them, and as soon as I go to  
9 switched access interconnection, then the CSA authority  
10 will probably have to be significantly increased.

11 Q Are you aware of any states in which GTE  
12 operates that have granted expanded interconnection?

13 A We operate in Illinois and New York.

14 Q What type of interconnection was required,  
15 physical or virtual?

16 A The FCC required physical. The states -- New  
17 York, I believe, initially had started virtual and then  
18 moved to physical and the same for Massachusetts, I  
19 believe, as well as Illinois.

20 Q We may cover some of the same ground here,  
21 but do you believe that the FCC's decision to limit the  
22 interconnection mandate to Tier 1 LECs was correct?

23 A As I answered before, yes, I do.

24 Q What regulation regarding expanded  
25 interconnection do you believe is appropriate for

1 non-Tier 1 LECs?

2 A I believe for non-Tier 1 LECs the regulation  
3 for expanded interconnection should literally be  
4 approached on a case-by-case basis. After all, even  
5 for Tier 1 LECs we do have certain exchanges that would  
6 look a lot like Tier 2 LECs. One comes to mind for  
7 Wisconsin, for example.

8 We've got some pretty small exchanges out  
9 there that happen to have some rather large customers  
10 in them. Lands Inn comes to mind, in one of our  
11 exchanges, which has a huge volume of business, similar  
12 in some cases to the University of Florida. I mean,  
13 there can be a whole lot of point-to-point traffic.

14 When that is the case and an interconnector  
15 desires to establish some kind of arrangements, if they  
16 can negotiate the Tier 2 LEC, that would seem to be an  
17 appropriate way to go.

18 Q Assuming that the Commission requires  
19 tariffing, should the Commission require LECs to file  
20 rate elements in the interstate expanded  
21 interconnection tariffs which mirror the rate elements  
22 in the interstate tariffs filed with the FCC?

23 A As a practical matter, I think the answer is  
24 yes, even though we don't do so today for a lot of  
25 things. After all our state access charges are

1 different from our interstate access charges today and  
2 have been historically.

3 Q Do you agree with the FCC standard of  
4 allocating space on a first-come-first-serve basis  
5 where space is available?

6 A It's a workable standard.

7 Q Should the Florida Commission mirror the  
8 FCC's standards in allocating space?

9 A My answer would be if that's the federal,  
10 yes. To the extent possible don't duplicate or don't  
11 create new procedures that don't have to be.

12 Q If collocation for expanded interconnect is  
13 approved for intrastate special access and private  
14 line, and the terms and conditions are tariffed, what  
15 will be the status of existing contracts such as those  
16 between AT&T and GTE Florida for the lease of floor  
17 space?

18 A Existing contracts, I would argue, would  
19 probably stay in effect until they terminate, in which  
20 case new contractual arrangements would either be  
21 entered into under CSA or they would pay tariffed  
22 rates.

23 Q Okay. GTE asked the FCC to reconsider the  
24 tariffing of floor space; is that correct?

25 A That's correct.

1 Q Why was that?

2 A Because we disagree with tariffing of floor  
3 space. It was -- in our opinion, floor space is not a  
4 telecommunications service, it's a real estate service,  
5 and the FCC doesn't have the power to regulate it under  
6 their charter.

7 Q Would that argument apply to this docket as  
8 well?

9 A Yes, it would.

10 Q GTE also asked for reconsideration of "fresh  
11 look"; is that correct

12 A That's correct.

13 Q What is "fresh look" and why did you want it  
14 reconsidered?

15 A The FCC adopted the "fresh look" policy,  
16 which essentially said that any existing contracts  
17 originally over three years, subsequently modified to  
18 three years or longer, any customer of one of those  
19 contracts has the ability to walk away from the  
20 existing contract in order to take up service with ICI,  
21 Teleport or any other party perhaps offering that  
22 service now in that exchange.

23 GTE opposed that, under the notion that by  
24 and large these are sophisticated customers today; they  
25 know what is going on; they know what's been out there.



1 There's no reason to void a valid contract simply  
2 because a new option comes along. Those customers knew  
3 those options were there or were coming shortly. They  
4 could have elected to take a shorter tariff period.  
5 They did not.

6 Q Would those arguments apply in this docket as  
7 well?

8 A I believe the arguments apply in this docket  
9 as well.

10 Q One second.

11 MR. MURPHY: We have no further questions.

12 COMMISSIONER CLARK: Redirect.

13 MS. CASWELL: I have just a couple of  
14 clarification questions.

15 REDIRECT EXAMINATION

16 BY MS. CASWELL:

17 Q Mr. Beauvais, even though Chapter 364 would  
18 allow cross-subsidization in certain instances for  
19 social policy reasons, would cross-subsidization of  
20 special access and private line make any sense from a  
21 business standpoint for GTE?

22 A Well, from my point of view, the  
23 cross-subsidization of such services makes no sense for  
24 either private or public reasons.

25 Q And if price exceeds incremental cost, then

1 there is no cross-subsidization, is there?

2 A Fundamentally, that's correct.

3 Q Given the uncertainties surrounding the  
4 appeal of the physical collocation mandate, do you  
5 believe a policy of LEC choice of collocation options  
6 is best for this Commission to adopt?

7 A For the reasons I expressed earlier, I would  
8 urge the Commission to adopt the LEC choice policy as  
9 opposed to mandating either physical or virtual  
10 collocation.

11 MS. CASWELL: That's all I have. Thank you.

12 MR. HOFFMAN: Madam Chairman, before we move  
13 any further --

14 COMMISSIONER CLARK: I did not allow the  
15 Commissioners an opportunity to ask questions.

16 COMMISSIONER LAUREDO: A very brief question.  
17 I want to get a handle on your concept that -- I think  
18 you said a lot of things today, but one thing your  
19 against physical collocation because of a lot of  
20 reasons, not the least of which you call it  
21 confiscation. But you're not against the -- I'm sorry,  
22 you're against ordered physical collocation. You're  
23 not against physical collocation per se. You advocate  
24 that somehow you can come up with some mutually  
25 advantageous agreements between parties.

1                   WITNESS BEAUVAIS: That's correct.

2                   COMMISSIONER LAUREDO: Is it your opinion  
3 that the parties go in on an even playing field in  
4 negotiating to get access to your --

5                   WITNESS BEAUVAIS: I believe the parties go  
6 in on an even playing field in the sense that we've got  
7 what we've got; they've got what they've got. If they  
8 don't like the physical arrangements that we're willing  
9 to offer, they have additional choices.

10                  COMMISSIONER LAUREDO: Let me ask you this:  
11 What prohibits you from discriminating against -- one  
12 applicant against the other?

13                  WITNESS BEAUVAIS: Well, I think the  
14 marketplace will prohibit any unjust discrimination.

15                  COMMISSIONER LAUREDO: The marketplace?

16                  WITNESS BEAUVAIS: Yes, the marketplace.

17                  ICI, Teleport, potentially Time Warner, Jones  
18 Intercable in the Tampa area, all offer or are capable  
19 of offering and building and constructing networks.  
20 ICI has done a wonderful job of offering service over  
21 the past five years or so. They have been an  
22 incredibly successful company without any  
23 interconnection -- any sort of interconnection to us.  
24 When it comes to building our interconnection, clearly  
25 they have the option of building facilities to any

1 carrier or any customer as long as they can obtain  
2 right-of-way, they can put facilities out to that  
3 customer.

4 That alone is going to limit the amount of  
5 price increases that we could make. There are options  
6 other than us. There's microwave technologies to get  
7 to that customer. They can build their own. There's  
8 virtual.

9 COMMISSIONER LAUREDO: That's the one I  
10 wanted to focus on. I guess what you're saying is,  
11 when you talk about this mutually advantageous  
12 relationship or this, I guess, caveat emptor between  
13 two big boys in negotiating, "Hey, you either do it my  
14 way or you build your own system." Is that the  
15 alternative?

16 WITNESS BEAUVAIS: Or you take a virtual  
17 collocation arrangement.

18 COMMISSIONER LAUREDO: Okay. But I was  
19 focusing on your statement that you don't have a  
20 problem with physical collocation as long as you can  
21 negotiate it with the other party. And I'm trying to  
22 think through in the practical world, gee, I like that.  
23 But, you know, if you don't like me for some reason,  
24 and I have a company -- I mean, I can see a whole bunch  
25 of abuses of that. And I guess your answer is if you



1 can't -- if we can't find a tune we can dance to, build  
2 your own system," is that --

3 WITNESS BEAUVAIS: In one sense, I guess that  
4 is my answer. In another sense there's nothing really  
5 different between here and buying a car. If you've got  
6 a car I want --

7 COMMISSIONER LAUREDO: Well, it is if we have  
8 -- you happen to be a regulator industry. Cars are not  
9 yet regulated. Some would argue that they are.

10 WITNESS BEAUVAIS: The fact of regulation,  
11 that we're regulated and they are not, perhaps, is  
12 largely irrelevant to the question of negotiating  
13 power.

14 COMMISSIONER LAUREDO: Well, is it irrelevant  
15 that there was at least a partial contribution by  
16 ratepayers to the system that you are the guardian of  
17 the gate?

18 WITNESS BEAUVAIS: Well, in one sense I guess  
19 there is. I mean we're in the business of providing  
20 telephone service. And customers pay us for that for a  
21 profit. We can distribute that profit to our  
22 shareholders and keep some of it to build new  
23 facilities to further customers. I mean, that is our  
24 business, just like customers of bakeries pay for  
25 bread. The fact that customers pay for services does

1 not make them owners of the company. I'm not trying to  
2 be blunt here. We do have philosophical --

3 COMMISSIONER LAUREDO: I never made any  
4 contribution directly or so to the bakery in my  
5 hometown. I have made a contribution to the  
6 infrastructure.

7 WITNESS BEAUVAIS: I believe you did. When  
8 you bought that loaf of bread they were making a profit  
9 on that loaf of bread.

10 COMMISSIONER LAUREDO: My point is -- let me  
11 just see if I can understand. It seems to me that your  
12 position -- and I could be just reading the words  
13 wrongfully, so I want to make sure I don't get the  
14 wrong impression. It seems to be a slightly more  
15 radical position than other LECs, which are more  
16 insisting on the price flexibility as something that  
17 needs to go together with this issue in this area so  
18 that they don't, in fact, become the guy in the ring  
19 with one hand tied behind their back.

20 WITNESS BEAUVAIS: We want the pricing  
21 flexibility as well. In one sense it probably is more  
22 radical because, I guess in my opinion, it's far more  
23 free market oriented. If we want competition and  
24 competition is going to be the way of the future, I  
25 believe that competition does bring certain benefits,

1 then let's go have the competition.

2 COMMISSIONER LAUREDO: But if the competition  
3 is going to go through my system, I'm the one who says  
4 who is going to be on my system, period. And if you  
5 don't like it, you go build your own system.

6 WITNESS BEAUVAIS: Well, something along  
7 those lines. I mean, I guess that's kind of a  
8 pejorative way of putting it, but yes, they do have  
9 that option available to them.

10 We, as I've stated, believe in the concept of  
11 expanding their connection. It can be by physical or  
12 virtual arrangements. We will use one of them. If  
13 both parties agree, then I don't see where they -- you  
14 know, both parties must be better off than if they didn't  
15 agree, or why else would they get together voluntarily to  
16 do it?

17 COMMISSIONER LAUREDO: Thank you.

18 COMMISSIONER CLARK: Commissioner Johnson?

19 COMMISSIONER JOHNSON: No.

20 COMMISSIONER CLARK: Do you have any more redirect?

21 MS. CASWELL: No, we don't.

22 COMMISSIONER CLARK: Mr. Beauvais -- Dr.

23 Beauvais, you're excused. You aren't back on rebuttal,  
24 are you?

25 WITNESS BEAUVAIS: No, ma'am. But I will be

1 happy to hang around if anybody wants. I like  
2 Tallahassee.

3 MR. HOFFMAN: Madam Chairman, before we move  
4 exhibits, I am since told that the University of Florida  
5 is in Southern Bell's territory, so I used the wrong  
6 example to make my point and I withdraw my questions.

7 COMMISSIONER CLARK: Show the record corrected  
8 with your testimony.

9 MR. HOFFMAN: Thank you.

10 MR. MURPHY: Shame on Southern Bell.

11 Commissioner, Staff would move Exhibits 10  
12 through -- I forgot my audience, Commissioner Clark.

13 COMMISSIONER CLARK: 16.

14 MR. MURPHY: 16.

15 (Exhibit Nos. 10 through 16 received into evidence.)

16 (Witness Beauvais excused.)

17 COMMISSIONER CLARK: I think you may have  
18 offended two Commissioners, but that's all right.  
19 We'll go ahead and adjourn the hearing today and we'll  
20 reconvene at 9:30 tomorrow morning.

21 (Thereupon, the hearing was recessed at 4:45  
22 p.m., to reconvene at 9:30 a.m., Tuesday, September 14,  
23 1993 at the same address.)

24 (Transcript continues in sequence in Volume III.)

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