

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. :

SECOND DAY - AFTERNOON SESSION

VOLUME IV

Pages 549 through 692

PROCEEDINGS:

HEARING

BEFORE:

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

DATE:

Tuesday, September 14, 1993

TIME:

Commenced at 9:30 a.m.  
Concluded at 3:20 p.m.

PLACE:

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

REPORTED BY:

JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting  
SYDNEY C. SILVA, CSR, RPR  
PAMELA C. CANELL  
Official Commission Reporters

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER-DATE

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28 (Poag) BP-2	571	598
29 (Poag) BP-3	571	598
30 (Poag) BP-4	571	598
31 (Poag) BP-5	571	598
32 (Poag) BP-6	571	598
33 (Poag) BP-7	571	598
34 (Poag) BP-8	571	598
35 (Poag) CBP-1	571	598
36 (Poag) CBP-2	571	598
37 (Poag) CBP-3	571	598
38 (Poag) CBP-4	571	598
39 (Poag) CBP-5	571	598
25 & 26		598
27		598
40 (Carroll) NJC-1	667	669
41 (Carroll) NJC-2	667	669
42 (Carroll) NJC-3	667	669
43 (Eudy) Exhibit of H. E. Eudy	671	689
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P R O C E E D I N G S

(Hearing reconvened at 12:45 p.m.)

(Transcript continues in sequence from Volume  
III.)

COMMISSIONER CLARK: Call the hearing back to  
order. Mr. Wiggins?

MR. WIGGINS: Yes, ma'am. Thank you.

F. BEN POAG

resumed the stand as a witness on behalf of United  
Telephone Company of Florida, and testified as follows:

CROSS EXAMINATION

BY MR. WIGGINS:

Q Good afternoon, Mr. Poag.

A Good afternoon.

Q I want to follow up on your testimony that  
you have 17 parties collocated in your central offices.  
Are these all physical collocations?

A Yes. And I just want to clarify, when I talk  
about collocation, I'm not talking about collocation as  
per the FCC's order because these were all in place  
before then. But for all rights and purposes, they're  
collocated.

Q Including the arrangement with Intermedia was  
well before the FCC order, as well?

A Yes.



1           Q     And to clarify, you do not have separate  
2 rooms built for these with separate entrances for these  
3 entities, do you?

4           A     For most of them, we do.

5           Q     For most of them, you do?

6           A     Yeah. For almost all of them. There are a  
7 few exceptions to that, Intermedia being one of them.  
8 And in that particular case they're really only leasing  
9 primarily some frame space; but it's rare, if ever,  
10 that they need to get in there.

11          Q     This may be viewed as a strange question  
12 that's not easily answered, but do you view these as  
13 customers or competitors, these particular entities  
14 that are collocated at this point?

15          A     Both.

16          Q     Uh-huh. Are any of them competing with you  
17 for local services, such as private line and, you know,  
18 for interstate private line? (Pause)

19          A     I'm not sure. I think the answer is no.  
20 There may be some competition for some types of  
21 services; but, to be quite frank with you, I'm not real  
22 close to all of them, per se.

23          Q     Earlier today Commissioner Clark asked a  
24 question about the contract service arrangements and I  
25 would just like to make sure that both the record is

1 clear on this and me, as well.

2           Currently, for special access, let's say, in  
3 private line, your Company offers those services  
4 pursuant to tariff; and when a customer wants to take a  
5 service, that tariff lists the terms and conditions  
6 under which the service may be taken; that's correct,  
7 isn't it?

8           A     Correct.

9           Q     If a customer says to you, "I'd like to take  
10 the service from you, but Intermedia has offered me a  
11 deal that's 10% lower in terms of price than your  
12 price, and so I'm going to take their offer unless, of  
13 course, you can do better." At that point, your company  
14 is allowed to do a contract service arrangement, correct?

15          A     It's depends.

16          Q     Oh?

17          A     Yeah. Yeah. And the reason I say that, I  
18 will read you what my tariff says. And I believe that  
19 this tariff is based specifically on the Commission's  
20 order, and I'll say I did not go back and check the order.

21          Q     All right.

22          A     Let's me read you what the tariff says because  
23 I think it's important. It says, "When economically  
24 practical, customer-specific contract service  
25 arrangements may be furnished in lieu of existing

1 tariff offerings provided there is reasonable potential  
2 for uneconomic bypass of the company's services.  
3 Uneconomic bypass occurs when an alternative service  
4 arrangement is utilized in lieu of company services at  
5 prices below the company's rates but above the  
6 company's incremental cost."

7 Q Okay.

8 A So before I can determine that it's  
9 uneconomic bypass, I've got to know, number one, what  
10 the proposed price is; and then I've got to know,  
11 number two, what my incremental cost is.

12 And I want to get this in the record because  
13 I had a question on it in deposition and at the time I  
14 didn't have that information. But in our access  
15 services tariff, in Section E-12, E-12.3.1, there are a  
16 list of 14 items that are related to developing the  
17 cost associated with the contract service arrangement.  
18 And I'm not saying that you necessarily have to apply  
19 all of them, but it's items that you have to include in  
20 the development of your cost and associated price.

21 Q Okay. In the hypothetical that I gave you, in  
22 order to come down on your price enough to induce the  
23 customer to take your service, I would like for you to  
24 assume that, in fact, you do pass the cost floor implied  
25 by, actually, the tariff you just referred to. At this

1 point, you are free to enter into a contract service  
2 arrangement with the customer if in your business judgment  
3 that's a prudent thing to do; is that correct?

4 A Yes.

5 Q Okay. And that contract service arrangement  
6 would in fact be an exception to the geographical  
7 averaging that is otherwise reflected in your tariffs,  
8 that's correct, as well?

9 A Yes.

10 Q Okay. Let's assume that a customer comes to  
11 you and says, And I can't give you a hypothetical which  
12 service it might be, but, "I would like a service from  
13 you and I don't see it anywhere in your tariff. I see  
14 elements in your tariff that I think you could put it  
15 together for me, I'd like that service."

16 At that point, if you think it's prudent and  
17 the pricing can be worked out, you can do a special  
18 assembly for the customer; is that correct?

19 A That's correct.

20 Q That's also known as individual case basis  
21 approach, right?

22 A Yes.

23 Q When you do this special assembly, do you  
24 file that with the Commission?

25 A No.

1 Q Okay. The contract service arrangement, do you  
2 file the contract service arrangement with the Commission?

3 A No.

4 Q I don't know if you still do this, but do you  
5 still file quarterly reports of contract service  
6 activity with the Commission?

7 A Yes.

8 Q Okay. And then from that activity, if the  
9 Commission chooses, they can call your Company and say,  
10 "We'd like to review your contracts."

11 A Correct.

12 Q Now, the idea of giving you more flexibility  
13 in your tariffs is something I'd like to address. You  
14 have not yet filed tariffs that ask for geographically  
15 deaveraged pricing, have you?

16 A No.

17 Q Okay. You haven't been precluded from  
18 requesting that in the past, have you? Let's make it  
19 easy, in the last year or two, you could have come in  
20 and filed a tariff for that if you had chosen to?

21 A I'm trying to think. It seems to me that  
22 there was a docket, and I can not for the life of me  
23 recall which docket it was, that we had requested  
24 deaveraged pricing. And subject to check, I believe  
25 that the Commission didn't approve deaveraged pricing,



1 but I'm really vague on the specifics of that.

2 Q Well, I almost hate to ask you and open it in  
3 a question -- actually I do hate to ask you and open it  
4 in a question. But what exactly is your Company  
5 requesting the Commission to do with respect to  
6 deaveraging in this case, approve a concept or -- because  
7 there's no specific proposal in front of the Commission?

8 A No, I think essentially we're trying to get  
9 the Commission to approve a concept. And it's, quite  
10 frankly, it's almost, in my opinion -- and maybe it's a  
11 heck of a way to say it -- it's almost a moot issue.  
12 And the reason that I say that is that right today our  
13 interstate rates are somewhat higher than our  
14 intrastate rates; but with increasing competition and  
15 us making reductions in our interstate rates, at some  
16 point in time they will be lower than our intrastate  
17 rates. And when that occurs, if there are customers  
18 out there who are looking at price as an alternative,  
19 all they've got to do is jurisdictionally declare  
20 themselves interstate and we have no way of determining  
21 what that usage is.

22 So if for, you know, consistency in  
23 maintaining those intrastate revenues would seem to be  
24 a couple of reasons why they should be approved in and  
25 of themselves.

1           Q     I want to touch base on some of the area you  
2 covered in your slide presentation. And I think I want  
3 to start by asking you about what your perception of  
4 the AAVs fundamental purpose of asking for  
5 interconnection. What do you see they're really trying  
6 to accomplish when they ask for interconnection?

7           A     They're trying to take advantage of the  
8 Company's high quality, low-priced local loop facilities.

9           Q     And why do they need that?

10          A     For access to the local exchange company's  
11 customers.

12          Q     Customers. Isn't it true that by getting  
13 interconnection that it increases the market for  
14 potential customers dramatically for the AAV or CAP?

15          A     Yes. It basically, it basically keeps them  
16 from having to go out there and construct facilities to  
17 every end-user customers.

18                 And let me make a point on that, too.  
19 Because, to the extent that we're talking about high  
20 capacity services, DS-1s and DS-3s, this does not mean  
21 that the local telephone company is not going to have  
22 to go out there and construct those facilities. We may  
23 have dial tone analog lines out to these customers; but  
24 if they go out and they sell a customer a high capacity  
25 digital service, we're going to have to go out and

1 we're going to have to construct those facilities.

2 If it's a copper type facility, we're going to  
3 have to put in repeaters, we're going to have to put in  
4 apparatus cases and put terminating equipment on the  
5 customers' premises on that. They can provide their own  
6 too. But it's not like we've got high capacity services  
7 ubiquitously running to all those customers out there. So  
8 somebody may still have to do that construction.

9 Q Do you believe that the combination of the  
10 AAV and the LEC networks through collocation creates  
11 any synergy for the served area?

12 A Explain what you mean by "synergies."

13 Q Well, I'm trying hard not to testify. Of course  
14 it's never really stopped me in the past, I guess.

15 Without interconnection, you have two  
16 separate companies; with interconnection, you have two  
17 companies hooked together, right? Is there some value  
18 to the served population by having these two companies  
19 hooked together as opposed to being apart? (Pause)

20 A If it's done correctly, if it's done in a  
21 situation which allows for competition to work and it is a  
22 situation where the competition is bringing lower-cost,  
23 newer-type services to the market and they can come in and  
24 do a better job than the telephone company, then there  
25 would be some advantages and some synergies to that.

1           On the other hand, if we're going to keep the  
2 telephone company's prices fixed as an umbrella or a  
3 ceiling under which inefficient competitors can come in  
4 and put in facilities that cost more than the local  
5 exchange company's, then you've got to ask, "Is that  
6 redundancy to the benefit of the network, or does that  
7 produce synergies?"

8           So it's not -- you know, you can say,  
9 "Another network out there is great, now we've got some  
10 synergies, because we've got two of them," but at what  
11 price? And is it more efficient?

12          Q     To the extent an Intermedia or a CAP decides  
13 to invest his resources in bringing services to the  
14 public, that's private capital, isn't it?

15          A     I'm sorry, I'm losing it every now and then.  
16 Thinking too hard, I think.

17          Q     The investment in those resources by the CAP  
18 is private capital, correct?

19          A     Yes.

20          Q     I would like to turn back to the issue of  
21 prices and revenues for the Company. Yesterday, with  
22 Dr. Beauvais's cross examination, we touched briefly on,  
23 "What does this mean for the R1 user?" And I don't want  
24 to revisit all that, but I do want to touch on the long  
25 distance rates of the R1 users, such as my mother, who



1 happens to make a lot of long distance calls up this way.

2 If switched access charges are brought down  
3 for intrastate services, that should reflect and lower  
4 long distance rates for those users, correct?

5 A Absolutely. This is a point that I kind of  
6 overlooked, too, when we were talking about the 105  
7 million customers. There was a study done in Michigan  
8 several years ago and it was determined in that study  
9 that the reason some people were getting off of the  
10 network or having their service disconnected was not  
11 because of the local service rates but because of the  
12 high price that there were paying for toll rates. And  
13 they had effectively, you know, put a phone line in and  
14 then they started making some long distance calls and then  
15 they couldn't pay the bill, they would get disconnected.

16 So to the extent that we're talking about  
17 changing the way we charge for our services, if, in  
18 fact, we are talking about reducing -- I'm sorry --  
19 increasing local service rates for those customers that  
20 don't need the subsidies, we're also talking about  
21 decreasing toll rates for all of the customers. So  
22 there is an offsetting benefit.

23 Q For analytical purposes, is it useful to even  
24 think of a typical R1 user, or are there a variety of  
25 typical R1 users to figure out how they're affected by



1 these changes in pricing?

2 A Off the top of my head, I can't. We've done  
3 studies which would show that for certain types of  
4 calls maybe half the people don't make calls in a  
5 particular month; doesn't mean they don't make them the  
6 next month. But, you know, for the most part they're  
7 either making them or receiving them; otherwise, they  
8 probably don't need the phone. But yeah, except for  
9 local.

10 Q In any event, would you agree with me that to  
11 determine the effect on the R1 user, you would at least  
12 need to consider the effect on his or her long distance  
13 bill as well as the local bill?

14 A Absolutely. And a one-month study is not  
15 appropriate, it needs to be looked at over several  
16 months because there may be a particular month when a  
17 customer doesn't make a call and the next month they  
18 may make 50.

19 Q This next topic or aspect of this discussion  
20 we may not have that much agreement on. In your slide  
21 presentation, you showed essentially a revenue pie, or  
22 several actually?

23 A Yes.

24 Q If I understood you correctly, it was one of  
25 your operating assumptions in your discussions that if,

1 in fact, you lose a certain amount of money from one  
2 wedge of the pie, that that's going to need to be  
3 picked up from another segment; is that correct?

4 A Yes.

5 Q And it seemed to me that you're particularly  
6 strong on that where you felt or believed that a  
7 certain segment of the pie may not even be covering its  
8 own costs; is that correct?

9 A Yes, and I think the point that I may not  
10 have made very well, I think Mr. Tye made it very well,  
11 was when we were talking about the 1300% or 1400% that  
12 access makes or the contribution that access makes.  
13 And Mr. Beck was trying to say that, you know, if you  
14 take the local loop and you look at the cost of that  
15 and you throw in some TouchTone, some Custom Calling  
16 features and the subscriber line charge, well, you  
17 know, maybe it just about covers this incremental cost.  
18 On the other hand, you've got a service over here  
19 that's got a 1300% contribution and it's billing in the  
20 vicinity of \$350 million. When you've got a \$350  
21 million revenue source that's contributing at 1300%,  
22 there's no wonder that people want to get into that  
23 market and compete. And if they're going to get into  
24 that market and they're going to compete, given all  
25 other things are equal, rate base rate of return

1 regulation says that other side of the pie has got to  
2 grow. Now, we're doing everything we can to cut costs,  
3 but I don't think we are going to be able to cut \$350  
4 million in cost to other businesses.

5 Q But the mechanism for you to increase local  
6 rates would be a rate case, though; is that correct?

7 Let me reframe the question: Although you see  
8 a mathematical relationship between if you lower revenues  
9 here or they need to come up here in another area. And  
10 particularly in light of what you see as the disparities  
11 that you just mentioned. The truth is, it's not  
12 automatic, is it? The increases that you would seek in  
13 some other segment, such as residential, would have to be  
14 justified in some sort of proceeding; isn't that correct?

15 A Absolutely.

16 Q Okay.

17 A Yeah.

18 Q So the fact that you look at the charts and  
19 project that you would have this effect on local rates  
20 does not make that a fait accompli. You would, in fact,  
21 have to prove that to the Commission's satisfaction at a  
22 hearing?

23 A Yes.

24 Q And one would assume that Public Counsel and  
25 others might take issue with some of the points, but,

1 in any event, there would be a process to determine the  
2 appropriate result?

3 A Yes.

4 Q Were you in the room yesterday when Dr.  
5 Beauvais discussed the potential impact on local rates  
6 of allowing interconnection for special access and  
7 private line purposes?

8 A I don't remember.

9 Q Then let me just ask you straight. Do you  
10 see allowing -- do you see granting Intermedia's  
11 petition in this case for special access and private  
12 line interconnection as having any potential  
13 significant effect in itself for local rates?

14 A No. Don't get me wrong, I'm in here  
15 supporting the expanded interconnection. I'm not  
16 opposed to it. But I, again, must draw back and say  
17 that you need to do the other things that are right.  
18 You know, to let the marketplace work. And the reason  
19 for my answer is that I don't think that it's going to  
20 have, let's say, a significant impact on the rates and  
21 charges for other services is because what the FCC has  
22 already done is going to just about negate whatever you  
23 do on the intrastate side.

24 If you remember the chart I put up there,  
25 I've only got a \$5 million intrastate special access



1 bucket. If you don't do anything here with what the  
2 FCC has ordered, the reduction in interstate zone and  
3 the high density places, the loss of the switched  
4 access bleeding over to the interstate special access  
5 is going to happen. So that's why I don't see what you  
6 do here with regard to special access interconnection  
7 is going to make that much difference.

8 MR. WIGGINS: Okay. Thank you. I have no  
9 further questions.

10 COMMISSIONER CLARK: Staff?

11 MR. HATCH: Just a few, Commissioners.

12 CROSS EXAMINATION

13 BY MR. HATCH:

14 Q Good afternoon, Mr. Poag. My name is Tracy  
15 Hatch for the Staff.

16 A Good afternoon.

17 Q Going back to contract serving arrangements  
18 for just a moment, we talked about that extensively in  
19 your deposition, do you recall that?

20 A Tracy, I'm having a hard time hearing you.  
21 I'm sorry. I need you to get closer to the microphone  
22 or something.

23 Q I'm sorry about that. Before we get there, have  
24 you received a copy of the Staff exhibits, the package?

25 A Yes.



1 Q That would be BP-2 through BP-8.

2 A Yes, sir.

3 Q And also we have a package CB-1 through  
4 CBP-5.

5 A Yes, sir.

6 MR. HATCH: Just for explanatory purposes,  
7 Commissioners, the first batch, BP series is for  
8 United. The second is for Centel.

9 COMMISSIONER CLARK: Hold on a minute. What  
10 does it start with, BP what?

11 MR. HATCH: BP-2 is the first one.

12 COMMISSIONER LAUREDO: What's BP-6?

13 MR. HATCH: BP-6 is the confidential version,  
14 so you would not have a separate copy of that. BP-7 is  
15 the redacted version for recordkeeping purposes.

16 COMMISSIONER LAUREDO: CBP-1 starts for --

17 MR. HATCH: CBP-1 is also for Mr. Poag, but  
18 it is the Centel information separate from the United  
19 information. If we could get those marked for  
20 identification, please?

21 COMMISSIONER CLARK: All right. Next exhibit.

22 COMMISSIONER LAUREDO: 28.

23 COMMISSIONER CLARK: 28.

24 MR. HATCH: That would be BP-2.

25 COMMISSIONER CLARK: BP-2.

1 MR. HATCH: That's the "FCC Tariff for  
2 United."

3 COMMISSIONER CLARK: All right. The next one.

4 MR. HATCH: BP-3.

5 COMMISSIONER CLARK: All right. BP-3 is?

6 MR. HATCH: "Staff's --

7 COMMISSIONER CLARK: Exhibit for United?

8 MR. HATCH: -- First Request for Production."  
9 Yes, ma'am.

10 COMMISSIONER CLARK: What is it again, the  
11 title?

12 MR. HATCH: "Staff's First Request for  
13 Production to United."

14 COMMISSIONER CLARK: Okay. BP-3 we just did  
15 that.

16 MR. HATCH: The next one would be BP-4, which  
17 is "Staff Interrogatories."

18 COMMISSIONER CLARK: That's 30. Then 31.

19 MR. HATCH: BP-5 which is Mr. Poag's  
20 "Deposition Transcript."

21 COMMISSIONER CLARK: Okay. Exhibit 31.

22 MR. HATCH: The next one is BP-6, which is a  
23 "Confidential Response to Interrogatory No. 63."

24 COMMISSIONER CLARK: That's Exhibit 32.  
25 Exhibit 33 is the redacted version?

1           MR. HATCH: BP-7 is the redacted version of  
2 that interrogatory, yes, ma'am. And the last one is  
3 BP-8, which is "United's Responses to Several  
4 Late-Filed Deposition Exhibits."

5           COMMISSIONER CLARK: BP what?

6           MR. HATCH: BP-8. (Pause) That would also  
7 include his errata sheet to his deposition.

8           COMMISSIONER CLARK: And that's Exhibit 34.

9           MR. HATCH: The next one would be CBP-1.

10          COMMISSIONER CLARK: Okay.

11          MR. HATCH: Which is interrogatory response  
12 -- "United's Response to Staff's Interrogatories."

13          COMMISSIONER CLARK: That's Exhibit 35, CBP-1.

14          MR. HATCH: CBP-2 is "Responses to Staff's  
15 First Request for Production of Documents."

16          COMMISSIONER CLARK: That's Exhibit 36.

17          MR. HATCH: CBP-3 is "Centel's FCC Tariffs."

18          COMMISSIONER CLARK: That's Exhibit 37.

19          MR. HATCH: CBP-4 is the response to --  
20 "Confidential Response to Interrogatory No. 63 for  
21 Centel" and CBP-5 is the redacted version.

22          COMMISSIONER CLARK: All right. CBP-4 is 36  
23 and 37 is the redacted version. I'm sorry. All right.  
24 CBP-4 is Exhibit 38. And then CBP-5, the redacted  
25 version is 39. Okay.

1 MR. HATCH: Yes, ma'am.

2 COMMISSIONER CLARK: Okay. Is that it?

3 MR. HATCH: That's it.

4 COMMISSIONER CLARK: Okay.

5 (Exhibit Nos. 28 through 39 marked for  
6 identification.)

7 Q (By Mr. Hatch) Mr. Poag, have you reviewed  
8 those documents?

9 A Yes.

10 Q Is the information in there true and correct  
11 to the best of your knowledge and belief?

12 A Yes, sir.

13 Q If I'm not speaking loudly enough, let me  
14 know, I understand you're having trouble picking me up  
15 a little bit. I'll try and speak louder.

16 Going back to -- do you recall our discussion in  
17 your deposition regarding contract serving arrangements?

18 A Yes, sir.

19 Q Earlier in your discussion with Mr. Wiggins,  
20 you mentioned tariff provisions regarding contract  
21 service arrangements.

22 A Yes, sir.

23 Q And that was E.12.1; is that correct? If I  
24 caught the number right, it might be a different --

25 A It was in our access service tariff?



1 Q Yes.

2 A It's Section E.12.3.1.

3 Q And you said there are 14 items there; is  
4 that correct?

5 A Yes. That would be on the second page of  
6 that section.

7 Q Briefly describe those items for me, please?

8 A Let me read you the heading before the items.  
9 Back up to the general directions because I think it  
10 would be more meaningful if I do that.

11 Q Okay. That's fine.

12 A It says, "Rates, charges, terms and  
13 additional regulations, if applicable, for the contract  
14 service arrangements will be developed on an  
15 individual-case basis and will include all relevant cost  
16 plus an appropriate level of contribution. Cost for the  
17 specialized services or arrangements will include one or  
18 more of the following items, but may not be limited to  
19 only these items." And it then mentions labor.

20 Item 1 is Labor Engineering and Materials;  
21 Item 2, Operating Expenses, Maintenances,  
22 Administration; Item 3, Return on Investment; 4, Taxes; 5,  
23 Depreciation; 6, Any Other Identifiable Associated Cost;  
24 7, Supervision; 8, Charges Associated with Construction  
25 Provided by Another Company; 9, Charges for Securing,



1 Clearing and Retaining Private Right-of-ways; 10, Charges  
2 for Securing use of Poles or Pole Line Attachments; 11,  
3 Equipment or Space Rental or Lease Charges; 12, Expenses  
4 incurred due to damages caused by the customer or its  
5 Agents; 13, Cost for Rearrangement to Changes; 14, Support  
6 Instructors.

7 Q Now, it's your position, isn't it, that the  
8 current contract servicing arrangement system is  
9 inadequate to meet your market needs; is that correct?

10 A Yes, sir.

11 Q As I understand it, it is your position that  
12 you will allow everything essentially to be freely  
13 negotiated with no mandates or regulatory interference;  
14 is that correct?

15 A I'm not proposing that we not have tariffs.  
16 That was not what I'm trying to testify to. Testimony  
17 regarding that was just so that we wouldn't have  
18 mandatory physical collocation requirements that in  
19 that case that we could negotiate the prices. I'm not  
20 even necessarily opposed to having those prices  
21 tariffed. Okay. What I'm suggesting to you is that I  
22 want to be able to change them, but I wouldn't want it to  
23 be a mandatory thing. I want it to be my discretion at  
24 the end, a good business decision as to whether or not we  
25 do, in fact, have physical collocation at that place.

1           Q     Well, if you want to tariff them, then the  
2 rates would be set. You just want to be able to change  
3 the tariffed rates?

4           A     Yes.

5           Q     On what kind of a basis?

6           A     On a market basis.

7           Q     In a sense, you would have a tariff that  
8 wouldn't have a rate that would be consistent from day  
9 to day, would it?

10          A     Well, I don't know how often the market would  
11 change. The best of all worlds is you don't tariff it.  
12 But I'm just saying that if you feel like you've got to  
13 monitor that thing, then, you know, force me to file a  
14 tariff. But if the market changes, then I'll want to  
15 be able to change the price in the tariff. I may be  
16 able to lower it, I may have to increase it.

17          Q     And the contract service arrangements that the  
18 Commission has put forward in that structure is to allow  
19 you to respond to the market when it is inconsistent with  
20 your current tariff; isn't that correct?

21          A     It allows me to lower the price, it doesn't  
22 allow me to increase the price.

23          Q     In a competitive situation, why would you be  
24 increasing the prices?

25          A     Well, we're not talking about special access

1 services now. We're talking about floor space and we  
2 need to separate what particular service that we're  
3 talking about. In the case of the special access,  
4 we're talking about uneconomic bypass where I would  
5 need to reduce my price. I'm not proposing contract  
6 service arrangements for floor space. We need to  
7 separate those two. Help me, I'm getting confused.

8 Q Okay. Let me try and separate that out for  
9 you. For the existing CSA structure, would that be --  
10 would it be adequate for you for special access and  
11 private line?

12 A No.

13 Q I believe we went through this at great length  
14 during your deposition, as I recall. Now, it's because  
15 you believe that they are too cumbersome; is that correct?

16 A That's part of it. There's another piece to it.

17 Q In that piece?

18 A If I have bills that are going to a customer  
19 based on a tariff and somebody else walks in the door  
20 and says, "I'm going to cut your price 10%." Okay.  
21 They're not going to pick up the telephone and call me  
22 and say, "Hey, I've got a gal over here that's offering  
23 to beat your tariff price by 10%. He told me that he's  
24 a niche marketer and that they've got the latest  
25 technology. And because of the unique circumstances in

1 the way that they serve their customers, they can  
2 provide a lower price than anybody else in the world.  
3 And I just can't refuse that 10% discount that he's  
4 going to give me. Plus, they're going to give me  
5 survivability and some other things. And he showed me  
6 your price and I've seen the price in the tariff."

7           What I'm trying to drive at is a contract  
8 service arrangement is fine when a customer picks up  
9 the telephone and says, "Mr. Local Telephone Company, I  
10 have an opportunity out here from somebody else. Would  
11 you come out and counteroffer?" Unfortunately,  
12 customers don't do that. When they're receiving a bill  
13 or when somebody sticks a tariff in front of them, they  
14 accept that as your price. And then I'm going to call  
15 you up and say, "Come out here and make a  
16 counteroffer." On the other hand, if they had zone  
17 density pricing in these high density low cost areas,  
18 I'd get that price down more in line with the economic  
19 cost of providing the service. I'd get a better chance  
20 to retain these customers. I'm not going to retain  
21 them all. I'm going to lose some of them. But I'd be in  
22 a better position, and my price is more in line with the  
23 cost of providing the service. And to the extent that I  
24 can keep these people on the local telephone company's  
25 network and it continues to provide contribution to my



1 joint and common cost, then my residential customers and  
2 my other customers are better off.

3 Q Your problem with contract serving  
4 arrangements, wouldn't the second piece that you just  
5 mentioned, is that not adequately addressed simply by  
6 customer consumer information? If the businessman out  
7 there knows he can call you to seek a separate offer,  
8 then would he not logically do so? (Pause)

9 A The situation that would result if I sent --  
10 if I send every one of my customers a notice that says,  
11 "If you don't like my price, call me up and tell me  
12 that you've got a competitor and I'll reduce my price."  
13 I don't think that is reasonable or logical.

14 Q I believe one of the points that you disagree  
15 with the current contract serving arrangements is that  
16 you have to do a customer-specific cost study; is that  
17 correct?

18 A Yes.

19 Q And those items are the elements that you  
20 mentioned before that are in your tariff; is that  
21 correct?

22 A Yes, sir.

23 Q When you do your zone density pricing, don't  
24 you do exactly the same kind of cost study that's in  
25 those contracts-serving element portion of your tariff?



1    Isn't that essentially the same thing that you do for  
2    your zone density study?

3           A     No, sir. The individual customer study would  
4    be a lot easier to do, you just have to deal with the  
5    unique circumstances associated with that customer.  
6    You'd have to basically concentrate a lot of resources  
7    on that to do it.

8                   I'd say we try to -- we don't do that many  
9    let's say contract service arrangements, we do more of  
10   the special type request. I think our turnaround time  
11   is, you know, like on average 15 days with the more  
12   complex taking a lot longer and the simpler ones taking  
13   a lot less. But you'd have to do those individual  
14   unique studies.

15                   Now, with regard to a zone density type  
16   proposal, you would do a more generic type of a study.  
17   You would look at the different circumstances under  
18   which a particular type service would be installed.  
19   And you'd determine -- you may have some high cost ones  
20   in there and some low cost ones and you come up with  
21   basically what would be an average cost to do it over a  
22   widespread area. And then based on that you would  
23   develop a price that would put some contribution above  
24   whatever that incremental cost was based on the market  
25   driven by what other suppliers might be providing in

1 that market, or if they are not providing in that exact  
2 market, what they are providing in another market,  
3 which is somewhere else in the country.

4 Q Let's go back to allocation of square footage  
5 in the central office for collocation for a moment.

6 I believe you don't -- make sure I  
7 characterize everything correctly. You don't mind  
8 tariffing for special access and private line. You  
9 object to tariffing or you don't want to tariff for  
10 square footage in your CO. Is that a fair  
11 characterization?

12 A That would be my preference, yes, sir.

13 Q Why would you want to tariff for one but not  
14 for the other?

15 A On the special access now? I don't think the  
16 special access prices would be changing as much as the  
17 floor space prices. Again, it's the preference. If  
18 we, as the local exchange company, need to have  
19 tariffs, and then we're not opposed to doing the  
20 tariffing. I'm saying that's my preference that we  
21 wouldn't have to.

22 My first preference would be on the floor  
23 space; my next preference would be on the rest of my  
24 service is entirely where I would just basically tell  
25 you what my incremental cost was and then -- or tell

1 you what my price was and then let you have access to  
2 the incremental cost but --

3 Q Can the Florida Commission practically do  
4 anything different in terms of allocation of square  
5 footage than what the FCC has already done?

6 A I'm going to ask you to repeat that because  
7 somebody slammed the door back here I'm not sure I  
8 heard you exactly right.

9 Q Can the Florida Commission practically do  
10 anything different in terms of the allocation of floor  
11 space than what the FCC has already done?

12 A When you say "in the terms of allocation of  
13 floor space," that's not -- could you elaborate on that  
14 just a little bit so I can --

15 Q The FCC in terms, as I understand how your  
16 tariff is structured, it sells square footage in 100  
17 square foot blocks; is that correct?

18 A Okay. I'll be frank with you, I know that in  
19 our direct case we did not limit -- in our filing with  
20 the FCC, we did not limit it to 100 square feet. Our  
21 position on that, and I think it's stated in our  
22 tariff, is that it can be more or less; we'll work with  
23 the customers on that.

24 Q Is that tariff approved by the FCC?

25 A Yes, sir, I believe so. Yes, sir, that was

1 effective June 16th.

2 Q And so there are no minimum square footages  
3 or no definitive square footage allotments in your  
4 tariff; is that correct?

5 A I'm going to confess to not being an expert  
6 on that interstate tariff. I can't remember  
7 specifically what the tariff says. I do know that I  
8 read in our interstate filing, and I'm not exactly sure  
9 where, that we will do more or less square footage. If  
10 there is something in the tariff that says 100 square  
11 feet, it's got to be there's an out in there somewhere  
12 to do more or less.

13 Q Do you agree with the first-come-first-serve  
14 proposition for square footage in your COs?

15 A Yes, sir.

16 Q Would you have any modifications to that at  
17 all for any particular kinds of allowances for special  
18 kinds of customers or special situations?

19 A There might be. If I had two people that  
20 came to me at the same time and one of them said, "I  
21 want to put a computer in there and I want your  
22 emergency power and I want your environmental  
23 conditioning and I want your security." And the other  
24 one comes to me and says, "I want to put your  
25 transmission -- I want to put transmission equipment in

1 there," and the guy that wants to put the computer in  
2 there is willing to pay me \$30 a square foot versus the  
3 other guy that's willing to pay me \$20 a square foot,  
4 then I want to go with the \$30 a square foot.

5 Or it may be the case where I've got 200  
6 square feet available and one of them says, "I want  
7 five," and the other one says, "I want the entire 200  
8 feet." Even in that situation maybe I'm not going to  
9 get as much per foot for the one potential floor space  
10 user, but I'm going to be able to lease all 200 feet of  
11 it. So I might take a little less to lease all 200  
12 feet versus a little more for the smaller amount that  
13 would go to the other person. (Pause)

14 Q Let me give you a hypothetical.

15 If one customer comes in and wants to put in,  
16 for example, terminating equipment in your CO, and you  
17 have a separate customer that comes in and wants to put  
18 in a computer installation that needs your air  
19 conditioning and your false floors and that sort of  
20 thing, and they are both competing for the same piece  
21 of square footage; they're willing to pay the same  
22 price. How do you make those kinds of discriminations?  
23 Who do you give it to?

24 A I up the price until one of them backs out.

25 Q That's what you call a market price.



1           A     Yes.

2           Q     Could you turn to your responses to  
3 Interrogatory No. 62 in the Centel version?

4           A     I'll have to get them. I don't have them up  
5 here with me.

6           Q     They are in the package that I gave you.  
7 Yes. The exhibit package has them in it.

8           MR. CARVER: What is that, Exhibit 34?

9           MR. HATCH: CBP-1 is the technical one. Yes.  
10 The response to Interrogatory No. 62.

11           WITNESS POAG: What set was that, Tracy?

12           Q     (By Mr. Hatch) The numbers are sequential so  
13 I'm not sure that it matters which set; I'm not sure  
14 exactly which set. It's the fourth set according to  
15 this. Fourth set Interrogatory No. 62.

16           A     Yes, sir, I have it.

17           Q     Do you see at the top where it says under the  
18 heading "Physical Collocation"?

19           A     Yes.

20           Q     Come down to Item No. 4 where it says, "Floor  
21 space monthly rate per square foot"?

22           A     Yes, sir.

23           Q     Would you look at the rate under Hollywood,  
24 Mary Esther, and Tallahassee? That is \$1.17; is that  
25 correct?

1           A     Yes, sir. No, that's what is printed there  
2 is not correct.

3           Q     That was my question. If you look at the  
4 cost support it says \$1.30, and I was going to ask you  
5 why is the rate cheaper than the cost?

6           A     That was a typographical mistake in this  
7 particular tariff. There was one in the United tariff,  
8 and we've called it to our Kansas City folks' attention  
9 to it and they are fixing it.

10          Q     Do you know what the rate is going to be?

11          A     No, sir.

12          Q     It will be in excess of cost perhaps?

13          A     Yes, it will be, and I believe its in the --  
14 well, let's see. It may be in the backup in the filing  
15 where it will tell you what that number should be.

16          Q     How were the square footage costs determined,  
17 do you know? (Pause) Were they done on a  
18 central-office-by-central-office basis?

19          A     They were done on a -- I'm going to do this  
20 one, if you don't mind, subject to check, because I  
21 wasn't that close to the interstate filing. But what I  
22 believe that they did on that is, is they took the  
23 investments per square foot, divided it by the number  
24 of square foot, applied an annual charge factor to that  
25 to come up with what was called a direct cost amount;

1 and then they added to that some overhead and common  
2 costs to come back to the proposed rate.

3 Q Those rates are essentially a  
4 company-wide average as compared to a  
5 central-office-by-central-office rate?

6 A No. They were done by the individual central  
7 office.

8 Q So each central office would have its own  
9 cost calculation, essentially?

10 A Yes, sir.

11 Q Okay.

12 COMMISSIONER LAUREDO: May I ask you  
13 something?

14 In that graph on the cost support for \$1.30  
15 figure, is that what you -- you consider to be market  
16 for square footage of rent?

17 WITNESS POAG: That was based on the  
18 investment cost for that particular building, divided  
19 by --

20 COMMISSIONER LAUREDO: The investment cost.  
21 So it's not a market based?

22 WITNESS POAG: No, sir, it is not a market --

23 COMMISSIONER LAUREDO: I mean, I've never  
24 seen any square footage of anything in real state in my  
25 lifetime at \$1.30.

1 WITNESS POAG: Well, now, that's monthly.

2 COMMISSIONER LAUREDO: So this is monthly.

3 You annualize it?

4 WITNESS POAG: No, sir. That's part of the  
5 difference is that it is monthly rather than an  
6 annualized number that you're generally accustomed to  
7 looking at in real estate. But it is not based on  
8 market, and I'm not real clear on this, but I thought  
9 -- and there's some sort of a market report out that  
10 does floor space values, and I can't remember the  
11 specific name of it. I did read it when I was reading  
12 some of the interstate materials, and there was a  
13 question in one of the FCC orders as to how we had  
14 derived our cost. And we had indicated it wasn't based  
15 on market value and that the reason it wasn't was that  
16 in the time frame that we had to respond under the  
17 FCC's order, we didn't have time to go out and do  
18 market-based pricing.

19 Q (By Mr. Hatch) Mr. Poag, would there be any  
20 reason that you would have a different rate for square  
21 footage in your interstate tariff as compared to your  
22 intrastate tariff assuming the tariff square footage or  
23 floor space?

24 A I can think of a lot of reasons why it  
25 probably should be; from a practical perspective, it

1 may not be appropriate.

2 And kind of what I'm driving at there is,  
3 quite frankly, if you develop the cost the way that  
4 they were developed, and let's suppose that our central  
5 office floor space is like Commissioner Lauredo  
6 indicated looks awfully low. Okay?

7 So you're basically saying come in and rent  
8 this space for a lot less than what it would cost you  
9 if you had to go across the street and get this same  
10 space. And to me it's just a value there and you ought  
11 to get what you can for that value.

12 COMMISSIONER LAUREDO: Let me just follow up  
13 because this is one of the things that perplexes me  
14 about this question of how much you assess on square  
15 footage. I mean, you know, the three rules of real  
16 estate is location, location, location and that  
17 dictates market price.

18 However, if you take a more strict definition  
19 of market price and you say, "What is the ongoing  
20 warehouse rate," for example, for a comparable, it does  
21 not reflect the true value of the real estate in  
22 question because of the location factor. And because  
23 obviously there is a desirability; I want to be on the  
24 water as versus three miles from the water. The same  
25 construction, the same physical qualities. I want to



1 be inside a switching station versus being outside a  
2 switching station. It's not just a real estate term,  
3 it seems to me.

4 WITNESS POAG: It doesn't take into  
5 consideration the value and it -- to me it's not good  
6 business sense.

7 Q (By Mr. Hatch) Mr. Poag, United currently  
8 provides some collocation now, does it not?

9 A Yes, sir.

10 Q It's provided for a physical basis; is that  
11 correct?

12 A Yes.

13 Q Are the situations where you have collocation  
14 now, are they different than what's being proposed in  
15 the expanded interconnection tariffs at the FCC?

16 A Yes, they are different. We don't use  
17 basically that cross-connect element today. They pay,  
18 you know, whatever the standard tariff rate is or in  
19 some cases some of these things are lease-type  
20 facilities and -- they don't fall under the FCC's  
21 expanded interconnection.

22 Q Are you going to have to go back and conform  
23 each of these instances, or at least some of them, now  
24 to the FCC's tariffs?

25 A I believe we are going to have to go back and

1 look at them. That has not been done yet and we will  
2 need to do that.

3 Q During your deposition, I believe you weren't  
4 sure whether your zone pricing plan had been adopted;  
5 is that correct?

6 A Well, we haven't -- now I'm not sure -- we  
7 filed an illustrative tariff and that was approved,  
8 okay? Now, as to the exact status of the filing  
9 itself, with the rates, that wouldn't be effective  
10 until we come back and we've got an expanded  
11 interconnection situation. And to the best of my  
12 knowledge until we go back and review these other  
13 collocations or somebody else comes in under the FCC  
14 tariff, that wouldn't kick in anyway.

15 MR. HATCH: I believe that's all we have.

16 COMMISSIONER CLARK: Commissioners?

17 COMMISSIONER LAUREDO: Let me just ask you  
18 one last time on the record.

19 I have been going through the FCC rules and  
20 all and let me just tell you, from the FCC order  
21 there's a phrase called, quote, justifying all of this  
22 stuff -- one is called, quote, "Increased pressure for  
23 cost-based prices." Chairman Sykes' quote that you  
24 bring in your presentation, it talks about, quote, "the  
25 benefits of competition." And the summary position of

1 United as reflected in the Prehearing Order, it talks  
2 about, quote, "the economic benefits of competition."

3 I interpret it to mean -- and tell me if I'm  
4 correct -- when everything else is said and done all of  
5 this so-called pressure for cost-based pricing  
6 translates into an increase for R-1 type customers?  
7 And a decrease or a reduction to business users. Is  
8 that a wrong conclusion?

9 WITNESS POAG: Well, I think -- no, sir, I  
10 don't think that's wrong. I think I can add to it a  
11 little bit, though.

12 It's predominantly -- let's see, let me just  
13 drop back a little bit, if I can.

14 Historically, toll and access prices -- and  
15 predominantly toll rates going back before we got into the  
16 situation where we had the divestiture -- were set at a  
17 very high level to provide contribution to basic  
18 residential-type customers. And in a noncompetitive  
19 environment, that policy was relied on by the local  
20 exchange companies, the state regulators, and the federal  
21 regulators.

22 You still have some of that today, even at  
23 the interstate level, because 25% of the embedded cost  
24 of the subscriber line, the local subscriber line, is  
25 allocated to the interstate jurisdiction.

1           We're saying on a fully allocated basis, in  
2   United's case, you have a residential local service  
3   loop that costs \$25. Now, 25% of that is going to be  
4   recovered from the interstate jurisdiction. Now, the  
5   rest of that is recovered from the customer's local  
6   residential service rates, TouchTone and Custom  
7   Calling. But predominantly, from your intraLATA toll  
8   and your access services, when you look at that chart  
9   that I put up there before, that says, "My intrastate  
10   access charges are twice as high as my interstate  
11   access charges," and then you recognize that the  
12   interstate access charge is picking up 25% of that  
13   loop, you've got to understand that on a per-unit basis  
14   the intrastate access charge is picking up a lot more  
15   of that.

16           Now, competition, Commissioner Marshall,  
17   Commissioner Barrett, saying, "Your prices for these  
18   toll and access services are going to move in the  
19   direction of cost." As they move in the direction of  
20   cost, I think the balloon on the residential side has  
21   to increase.

22           COMMISSIONER LAUREDO: Is that what you call  
23   "price flexibility"?

24           WITNESS POAG: No, sir, that's not what I  
25   meant by price flexibility here. But that's saying

1 that we need to increase those prices because we're  
2 going to have competition over here.

3 Now, to the extent that we can price these  
4 toll and access services more in line with the  
5 competitive market, then we can retain those revenues  
6 and there can still be some contribution from those  
7 revenues to the joint and common cost to the firm, to  
8 keep residential service from going higher than they  
9 otherwise would be.

10 The big problem that I see is that over here on  
11 the residential side we have an \$8.68 average local  
12 service rate for our telephone company. That is  
13 essentially subsidizing every residential customer and --

14 COMMISSIONER LAUREDO: So you are for sort of  
15 a segregated specialized subsidization and not an  
16 across-the-board on the residential side?

17 WITNESS POAG: A targeted subsidy.

18 COMMISSIONER LAUREDO: All right. And do you  
19 believe that the competitive forces forces you to  
20 prices as to cost? Is that the basis of -- do you  
21 believe that as a general principle?

22 WITNESS POAG: No, sir, I quite frankly don't  
23 believe that we need to move residential service rates  
24 to their full cost. I think that there are some ways  
25 to continue to get some subsidies. For example, --



1           COMMISSIONER LAUREDO: Well, I meant in  
2 general, do you believe that when you have the  
3 so-called "economic benefits of competition,"  
4 quote/unquote, that we, quote, "increase pressure for  
5 cost base prices?" That's the FCC quote.

6           WITNESS POAG: Yes, sir. That's just, you  
7 know, economic theory. That's simple economic theory.

8           COMMISSIONER LAUREDO: It is an economic  
9 truism, you're saying, that when you inject the  
10 benefits of competition prices at least match or move  
11 toward cost?

12          WITNESS POAG: They will move toward cost,  
13 yes --

14          COMMISSIONER LAUREDO: Do you have any  
15 exposure to what's going on in the airline business?  
16 Do you know what the airline -- do you believe that  
17 through the competition in the airline business that  
18 ticket prices match cost, do you have any idea?

19          WITNESS POAG: On looking at some of the  
20 earnings of them, they're probably --

21          COMMISSIONER LAUREDO: No, not earnings. On  
22 the price, the measurement price of passenger mileage.  
23 Do they match cost?

24          WITNESS POAG: I can't address an individual  
25 route; because if you look at the individual routes,

1 you're going to find that they're going to price based on  
2 the market, too. And on a particular route, they may have  
3 a very high margin or a very high contribution.

4 But let me give you an example of that, and I  
5 don't know if it's still true today. But for me to get  
6 a flight to Tallahassee, depending on how far in  
7 advance I buy it or what discounts they have available,  
8 would run anywhere from about \$330 to about \$430, most  
9 of the time, somewhere in that range. And I haven't  
10 been there in a while, but a couple years ago when I  
11 went down to Miami, and I don't remember exactly, but it  
12 seemed to me the price was something in the vicinity of  
13 \$100. And the difference being the fact that from Orlando  
14 to Miami there's substantial competition on that route,  
15 whereas -- let me see if I can get my cities right.

16 COMMISSIONER LAUREDO: Well, let me tell you  
17 what I'm getting to, because I have done a lot of  
18 reading on this. But I'm telling you that system-wide,  
19 whether you take it industry-wide or whether you take  
20 airlines-specific, with very few exceptions -- in fact,  
21 only one exception -- irrespective of individual  
22 routes, tickets are not priced to cost. In fact,  
23 they're below cost.

24 That is the fundamental flaw of the system as  
25 it is today. And I just think we ought to look at it

1 as to one of the -- while we talk a lot of theory, that  
2 we ought to at least take a little time and look at  
3 where the same principles have been tried to apply to  
4 another industry and what the results have been where  
5 we have a historical database.

6 COMMISSIONER CLARK: Well, isn't -- I mean,  
7 are you talking about currently or long term? I think  
8 in the long term, price will go to cost?

9 WITNESS POAG: I understand the point.

10 COMMISSIONER LAUREDO: Long term, if you look  
11 at these numbers, you then pick up last Sunday's New  
12 York Times Magazine and you read Chairman Crandall,  
13 Chairman of American Airlines, saying, "I'm getting out  
14 of the airlines business." American Airlines in ten  
15 years won't be in the airlines business.

16 WITNESS POAG: And I can take that example  
17 that you're talking about right there and I can take it  
18 over to the Centel Company. If you look at the Centel  
19 Company -- I don't recall exactly what their rate of  
20 return is today, but it's -- so we had one of the  
21 accountants there -- but I think somewhere around 7% or  
22 8% on equity. Well, let me tell you something, their  
23 prices in the aggregate when that happens are below  
24 cost.

25 COMMISSIONER LAUREDO: Well, I'm just trying

1 to provoke some thinking beyond the narrow issues that  
2 we have here. And I think we do have some experiences  
3 in other industries with parallel concepts that we tend  
4 to overlook sometimes.

5 WITNESS POAG: Yes, sir. I don't disagree  
6 with what you're saying there. I'm sorry I tried to  
7 get it kind of route-specific, but I understand what  
8 you're saying and there's no guarantee that we're not  
9 going to have that same situation.

10 COMMISSIONER LAUREDO: And I don't even want  
11 to tell you about quality of service, and I don't want  
12 to even get into regularity of service or service  
13 across-the-board on economic routes that historically  
14 have been subsidized and mandated by the CIB. I think  
15 we need to intellectually look at these things as we  
16 pursue these things, so that we can kind of make fine  
17 tuning of -- ironically you quoted Mr. Kahn.

18 WITNESS POAG: Yes. So I hope you'll start  
19 with our access charges and our local service rates.

20 COMMISSIONER LAUREDO: But it seems to me  
21 that if there is -- going back to the specifics. So  
22 that if in the macro economics, that if there is, and I  
23 quote again, "the pressure through cost base pricing,"  
24 that's going to be carried out primarily today by the 103  
25 million people, land-line users that are basically

1 residential users. That's where the biggest gap is, even  
2 by your own charts between real cost and price.

3 WITNESS POAG: Yes, sir.

4 COMMISSIONER LAUREDO: When everything is  
5 said and done and we go through all this technical  
6 jargon, what is going to happen is we're going to have  
7 higher basic residential rates.

8 WITNESS POAG: Yeah.

9 COMMISSIONER LAUREDO: Is that a fair  
10 conclusion?

11 WITNESS POAG: Well, yes, sir. And that's  
12 what the FCC did on their side of that 25¢ I talked  
13 about being --

14 COMMISSIONER LAUREDO: Well, they did that,  
15 but then they passed the buck to us that we approve,  
16 from the \$8.36 to the \$17 that you had in your chart,  
17 they want us to do that. They want to put the  
18 mechanism in place so that this Commission has to make  
19 those decisions down the line.

20 WITNESS POAG: I think they're forcing you to  
21 make that decision.

22 COMMISSIONER LAUREDO: Yeah, I know.

23 WITNESS POAG: I think that that's happening  
24 by the fact that the regulations -- excuse me -- the  
25 decisions that they've already made are bringing that



1 down to bear.

2 COMMISSIONER LAUREDO: That's all I have.

3 COMMISSIONER CLARK: Julia? Redirect?

4 MR. WILLIS: I have no redirect and ask that  
5 Mr. Poag be excused. I move into evidence Exhibits 25  
6 and 26.

7 (Exhibit Nos. 25 and 26 received into evidence.)

8 MR. DUNBAR: He's not coming back for  
9 rebuttal?

10 COMMISSIONER CLARK: Yeah, he's coming back.

11 MR. DUNBAR: Okay. When he said excused, I  
12 thought he was leaving. I apologize.

13 MR. WILLIS: He'll be back for rebuttal.

14 COMMISSIONER CLARK: Excused for now.

15 MR. HATCH: Staff would move Exhibits 28  
16 through 39.

17 MR. BECK: Citizens move Exhibit 27.

18 COMMISSIONER CLARK: Wait a minute. Wait a  
19 minute. 28 through 39? And you're moving 27?

20 MR. BECK: Yes, ma'am.

21 COMMISSIONER CLARK: Thank you.

22 (Exhibit Nos. 27 through 39 received into  
23 evidence.)

24 (Witness Poag excused.)

25

- - - - -

1 COMMISSIONER CLARK: Mr. Canis, is he next?

2 MR. WIGGINS: Not that I'm really the one who  
3 normally does housekeeping, but was the slide show moved?

4 COMMISSIONER CLARK: Yeah, I think that was  
5 26. Exhibit 26 was the slide.

6 MR. WIGGINS: It was moved?

7 COMMISSIONER LAUREDO: It wasn't moved, it  
8 was labeled, right? 26?

9 MR. WIGGINS: It was moved.

10 COMMISSIONER CLARK: No, it was moved.

11 MR. WIGGINS: It was moved.

12 COMMISSIONER LAUREDO: It was moved.

13 MR. WIGGINS: Okay. Thank you. (Pause)

14 COMMISSIONER CLARK: Mr. Wiggins, go ahead.

15 MR. WIGGINS: Yes, ma'am.

16 JONATHAN E. CANIS

17 was called as a rebuttal witness on behalf of Intermedia  
18 Communications of Florida, Inc., and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. WIGGINS:

21 Q Mr. Canis, you were previously sworn, weren't  
22 you?

23 A Yes, I was.

24 Q Would you state your name and address for the  
25 record again, please.

1           A     My name is Jonathan E. Canis. I live at  
2     1633-B 13th Street Northwest, Washington, D.C. 20009.

3           Q     And you're the same Jonathan Canis who  
4     provided direct testimony in this docket?

5           A     Yes, I am.

6           Q     Did you also cause to be filed in this docket  
7     14 pages of rebuttal testimony?

8           A     Yes, I did.

9           Q     Do you have any changes or corrections to  
10    make to that testimony?

11          A     I have one change, or one set of changes to  
12    the testimony.

13                On Page 4, in two places, the first is on  
14    Line No. 4, strike the phrase, "In my opinion," and  
15    after the word "attorney," insert, "I have argued  
16    before the FCC that."

17          Q     Would you mind reading the entire sentence  
18    now?

19          A     Right. The sentence should therefore read,  
20    "Moreover, as a regulatory attorney, I have argued before  
21    the FCC that the LEC argument that physical collocation  
22    constitutes an unlawful taking," et cetera, et cetera.

23                MR. WIGGINS: Okay.

24                COMMISSIONER CLARK: So you argue that but  
25    you don't hold that opinion, I take it. (Laughter)

1 What's the difference?

2 MR. WIGGINS: Actually, we are trying to  
3 avoid a challenge to his expertise as someone qualified  
4 to render opinions on Constitutional law.

5 COMMISSIONER CLARK: Okay.

6 MR. WIGGINS: So, in a sense, no different  
7 than Mr. Beauvais -- Dr. Beauvais offering his opinion.

8 MR. ERWIN: Well, in that event, whatever he  
9 argues is irrelevant, is it not? (Laughter)

10 MR. WIGGINS: Well, no more Mr. Nice Guy.

11 COMMISSIONER CLARK: I didn't mean to  
12 interrupt you, maybe we'd just better on go on and see  
13 if you get any objections.

14 MR. WIGGINS: All right. Well, we were told  
15 we would.

16 A One additional change.

17 Q (Mr. Wiggins) Yes.

18 A Line 19, the phrase, "in my opinion," should  
19 be struck from that sentence. Line 19 should therefore  
20 read, "lack merit and cannot support reversals of the  
21 FCC's order on appeal." And those are the only  
22 changes to my rebuttal testimony.

23 Q (By Mr. Wiggins) Okay. So if I asked you  
24 the questions in this testimony with those changes,  
25 would your answers be the same as filed?

1           A     Yes, they would.

2           MR. FONS:   That's even worse.

3           MR. WIGGINS:  Thank you.  Take your best shot,  
4     John.

5           COMMISSIONER CLARK:  Which John?

6           MR. WIGGINS:  Both.  Both of you.  Yeah.

7           I move that this prefiled written testimony  
8     as changed be inserted into the record as though read.

9           COMMISSIONER CLARK:  It will be inserted into  
10    the record as though read.

11          MR. WIGGINS:  Thank you.

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1                                    **REBUTTAL TESTIMONY OF JONATHAN E. CANIS**

2    **Q.    PLEASE STATE YOUR NAME AND POSITION.**

3    **A.    Jonathan E. Canis, attorney with Swidler & Berlin, Chartered, Washington,**  
4           **D.C. I am submitting this testimony on behalf of Intermedia Communications**  
5           **of Florida, Inc. ("ICI").**

6    **Q.    DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

7    **A.    Yes.**

8    **Q.    WHAT IS THE PURPOSE OF THIS TESTIMONY?**

9    **A.    This testimony is offered to rebut statements made in the direct testimony of F.**  
10           **Ben Poag (for United Telephone Company of Florida), David B. Denton (for**  
11           **Southern Bell Telephone and Telegraph Company), and Edward C. Beauvais,**  
12           **Ph.D. (for GTE Florida Incorporated).**

13   **Q.    SHOULD THE COMMISSION ADDRESS ANY SWITCHED ACCESS ISSUES IN**  
14           **PHASE I OF THIS PROCEEDING?**

15   **A.    Yes, although not to the extent suggested by Messrs. Poag and Denton and**  
16           **Dr. Beauvais. Those witnesses all dedicated substantial portions of their**  
17           **testimony to discussing the revenue effects of switched services**  
18           **interconnection and competition on their respective companies, the need for**  
19           **restructure of local exchange carrier ("LEC") switched transport rates, and the**  
20           **need for changes in separations rules. These issues have all been identified**  
21           **by the Commission as the subject for Phase II of this proceeding, and are**  
22           **properly addressed therein. I am compelled to offer one observation**

1       concerning the Phase II proceeding, however: any restructuring of LEC  
2       switched transport rates must take place only in conjunction with the adoption  
3       of Commission policies specifically designed to promote direct competition for  
4       switched services -- including the expansion of mandatory central office  
5       collocation to allow cross-connection to switched services. As the LEC  
6       witnesses all testified, switched transport rate restructuring will enable LECs to  
7       better respond to competition for switched services. (Poag Testimony at 5-9,  
8       Denton Testimony at 3, Beauvais Testimony at 22) Such relief is inappropriate  
9       unless the existing regulatory barriers to full competition for switched services  
10      are eliminated, and competitive carriers have the ability to provide switched  
11      services over collocated facilities.

12             One switched service issue is relevant to Phase I of this proceeding,  
13      however. The Commission should expressly permit parties with special  
14      access collocation arrangements to provide transport for switched services,  
15      including Centrex, over their collocated facilities. The combination of special  
16      access services and switched transport over the same facilities -- a process  
17      called "ratcheting" -- is widely used by LECs. The process enables a carrier to  
18      load as much traffic as possible onto its transmission facilities, thereby  
19      maximizing the efficiency of its network. Failure to permit ratcheting on a  
20      competitive carrier's collocated facilities would deny the carrier these critical  
21      efficiencies and render it incapable of competing with LECs on an even  
22      footing.

1 Q. DO YOU AGREE WITH LEC WITNESSES THAT THE FCC'S POLICY IN  
2 FAVOR OF MANDATORY PHYSICAL COLLOCATION REMAINS AN "OPEN  
3 ISSUE."

4 A. No. The LEC witnesses all state that the Federal Communications  
5 Commission's ("FCC") policy in favor of mandatory physical collocation has  
6 been appealed by the LECs. They further state that they have been informed  
7 by their attorneys that the FCC's policy is an unconstitutional taking of the  
8 LECs' property, and that the policy is therefore likely to be reversed on  
9 appeal. (See Poag Testimony at 20, Denton Testimony at 6, Beauvais  
10 testimony at 11, 25). These assertions are incorrect on both procedural and  
11 substantive grounds.

12 After the FCC released the order adopting its physical collocation  
13 policy, a group of LECs asked the FCC to stay its order, in part on the  
14 grounds that the policy constituted an unconstitutional taking. The FCC  
15 rejected this argument and denied the stay requests. Expanded  
16 Interconnection with Local Telephone Company Facilities, 8 FCC Rcd 123  
17 (1993). Subsequently, several LECs asked the Court of Appeals for the  
18 District of Columbia Circuit to stay the FCC's order, again arguing that  
19 physical collocation was an unconstitutional taking. The court rejected these  
20 petitions, finding that the LECs failed to show that they would suffer irreparable  
21 harm as a result of the FCC's physical collocation policy. Bell Atlantic v. FCC.

1 No. 92-1619 (D.C. Cir., Jan. 19, 1993). The FCC's Order establishing its  
2 policy in favor of mandatory physical collocation is final and fully in effect -- the  
3 policy is not an "open issue."

4 Moreover, ~~in my opinion~~ <sup>I have argued before the</sup> as a regulatory attorney, <sup>FCC that</sup> the LEC argument  
5 that physical collocation constitutes an unlawful taking of the LEC's property,  
6 in contravention of the Fifth Amendment of the Constitution, is wholly without  
7 merit and does not form a viable grounds for appeal. First, the FCC's power  
8 to order LECs to provide service is beyond dispute. Yet, if the LECs'  
9 argument is valid, any action by the FCC that would require a LEC to dedicate  
10 facilities to provide a service involuntarily -- including dark fiber service, pole or  
11 conduit access, meet-point interconnection, or virtually any other service --  
12 would constitute a "taking." Such a tortured interpretation of the Constitution  
13 would undermine the authority of any regulatory body.

14 In addition, even if it is assumed for the sake of argument, that physical  
15 collocation does constitute a taking of LEC property, the Fifth Amendment  
16 only proscribes taking "without just compensation." It is abundantly clear that  
17 LECs are fully compensated for the floorspace and facilities that they dedicate  
18 to a collocated party's use. For these reasons, the LECs' "taking" arguments  
19 lack merit and, ~~in my opinion~~, cannot support reversal of the FCC's order on  
20 appeal.

21 Q. UNDER WHAT CONDITIONS SHOULD LECS BE ALLOWED TO PROVIDE A  
22 FORM OF COLLOCATION OTHER THAN PHYSICAL?



1 A. LEC witnesses argue that the Commission should adopt a standard that would  
2 not mandate either physical or virtual collocation, but would allow LECs to  
3 "negotiate" appropriate collocation arrangements with interested parties.  
4 (Poag Testimony at 20, Beauvais Testimony at 19-20, 37-38, Denton  
5 Testimony at 4) Because LECs own and control the central office, collocators  
6 have no leverage in negotiating with the LECs -- absent a Commission  
7 mandate, such a "negotiation" standard would allow LECs unilaterally to  
8 impose terms and conditions on the collocator. In addition, as Dr. Beauvais  
9 admits (Testimony at 9, 36), the FCC's policy in favor of mandatory physical  
10 collocation sets the standard for interstate collocation, and it would be  
11 inefficient for the Commission to establish an inconsistent standard for  
12 collocation for intrastate services. There are, however, two instances in which  
13 exemptions from the physical collocation requirement are reasonable.

14 The FCC's order exempts LECs from providing physical collocation in  
15 two instances: (1) if the central office lacks adequate space to accommodate  
16 physical collocation, and (2) if the LEC and the interconnecting party  
17 voluntarily negotiate a virtual collocation arrangement. I recommend that the  
18 Commission adopt these two exceptions from a mandatory physical  
19 collocation policy, subject to the conditions discussed below.

20 Regarding space availability issues, the Commission should establish an  
21 objective, verifiable evidentiary standard that will ensure that LECs are not  
22 unreasonably denying physical collocation to any party. LECs claiming that a



1        **given central office lacks space to accommodate physical collocation should**  
2        **be required to explain in detail total central office space, the amount of space**  
3        **not currently used for provision of service and the amount of space reserved**  
4        **for services that may be provided over the next three years. Such information**  
5        **should be attested by a sworn affidavit of a LEC representative. In addition, if**  
6        **a LEC's claim for exemption for any given central office is contested by a party**  
7        **seeking physical collocation, the Commission should permit verification of the**  
8        **LEC claim that inadequate space exists. Such verification could be made by**  
9        **allowing inspection of the central office by the collocator's representative, or**  
10       **by a neutral third party (such as an independent contractor approved by the**  
11       **LEC and hired by the collocator). These safeguards will ensure that LECs do**  
12       **not unreasonably deny physical collocation, and will avoid unnecessary**  
13       **litigation before the Commission.**

14                **An exemption from physical collocation for a given central office should**  
15        **also be available in cases where a virtual collocation arrangement is voluntarily**  
16        **negotiated by the LEC and collocator. As noted above, however, absent a**  
17        **Commission mandate, collocators have no power to negotiate reasonable**  
18        **collocation terms and conditions with LECs. A policy mandating physical**  
19        **collocation as a default is essential to ensure that LECs have incentive to**  
20        **negotiate a collocation arrangement that is truly equivalent to physical**  
21        **collocation.**

1 Q. DO YOU AGREE WITH MR. BEAUVAIS' STATEMENT THAT PHYSICAL  
2 COLLOCATION OFFERS NO INCREMENTAL BENEFIT OVER VIRTUAL, AND  
3 WILL IN FACT PROVE DETRIMENTAL TO THE PUBLIC INTEREST?

4 A. No. Dr. Beauvais argues that physical collocation will impose a number of  
5 "unquantifiable" costs on LECs by burdening their operations, interfering in  
6 their business plans, and raising serious concerns over security and fairness  
7 to collocating parties. (Beauvais Testimony at 14-19). In making these  
8 arguments, Dr. Beauvais resurrects a number of arguments that have been  
9 raised by LECs before the FCC, and which the FCC rejected. Indeed, we  
10 were able to anticipate these arguments, and addressed them in my direct  
11 testimony. (Canis Testimony at 28-34) While it is unnecessary to repeat these  
12 arguments here, I will reiterate that physical collocation has been provided in  
13 New York for over a year, and in Massachusetts and Illinois for lesser amounts  
14 of time, and none of the consequences predicted by Dr. Beauvais has  
15 occurred.

16 Moreover, as discussed in my direct testimony, virtual collocation  
17 imposes unnecessary costs on collocators, reduces a collocator's operating  
18 standards, and eliminates significant efficiencies. (Canis Testimony at 15-28).  
19 These costs are not hypothetical -- they are illustrated by the experience of  
20 competitive access providers that have taken virtual collocation from Illinois  
21 Bell through its state collocation tariff, which has also been in effect for over a  
22 year. The experience gained with collocation to date clearly shows that

1 physical collocation serves the public interest by promoting competition more  
2 effectively than virtual collocation.

3 Q. WHAT ELEMENTS OF EXPANDED INTERCONNECTION SHOULD BE  
4 TARIFFED?

5 A. All rates and charges associated with physical and virtual collocation should  
6 be tariffed. This includes recurring and nonrecurring charges for the following  
7 elements:

- 8 \* Central office space rental
- 9 \* Cross-connects
- 10 \* Power and other utilities
- 11 \* Cage construction
- 12 \* Cable and conduit
- 13 \* Splicing
- 14 \* Testing
- 15 \* Training
- 16 \* Order processing
- 17 \* Engineering and design
- 18 \* Central office space preparation

19 All rates should be supported with detailed cost data that is fully  
20 consistent with the cost data required by the FCC. Moreover, the Commission  
21 should require that LECs adopt uniform rate structures and costing  
22 methodologies. In addition, LECs should be prohibited from imposing any

1 contribution element in the charges for special access collocation. If they  
2 attempt to include such charges, however, the charges should be stated  
3 separately and fully supported with cost data illustrating how the amounts  
4 were derived and what services are being subsidized.

5 Experience with the implementation of the FCC's collocation policies  
6 indicates that mandating specific, uniform rate structures and cost support  
7 materials is both necessary and efficient. The LECs filed their collocation  
8 tariffs on February 16, 1993. The rates proposed in those tariffs were  
9 uniformly attacked as grossly excessive by competitive access providers,  
10 interexchange carriers and large users. The FCC subsequently suspended all  
11 of the LEC collocation tariffs and subjected them to a full investigation, which  
12 is currently in progress. Ameritech Operating Companies, DA 93-657, CC  
13 Docket No. 93-162, released June 9, 1993. Enormous resources are being  
14 devoted by the FCC and the industry to the analysis of the LEC collocation  
15 rates and charges, and the FCC has stated its intention to require LECs to  
16 provide additional cost data to support their proposed fees. Id. The analysis  
17 of the LEC charges is made more difficult because all of the LECs have  
18 established different rate elements, and use different costing methodologies.  
19 The lack of uniformity in the LEC filings has made it very difficult to determine  
20 if LECs are double-recovering costs in various rate elements, using  
21 appropriate loading factors, and identifying direct costs accurately. In light of  
22 this experience, it is clear that the Commission's review of LEC rates will be



1 facilitated by requiring uniformity among LEC rate structures and costing  
2 methodologies, and by requiring a level of cost support detail at least as  
3 stringent as that required by the FCC.

4 In addition, the extraordinary controversy over the reasonableness of  
5 the LECs' proposed rates for central office space rental and utility charges in  
6 their interstate tariffs compels rejection of the recommendation of the LEC  
7 witnesses that LECs provide these services on an off-tariff bases. (Denton  
8 Testimony at 12, Beauvais Testimony at 38).

9 Q. DO YOU AGREE WITH THE RECOMMENDATION THAT ALL PARTIES  
10 PROVIDING COLLOCATION SHOULD BE SUBJECT TO THE SAME  
11 TARIFFING REQUIREMENTS?

12 A. No. Mr. Denton (Testimony at 13) and Dr. Beauvais (Testimony at 34) argue  
13 that all carriers -- LECs, IXC's and CAPs alike -- be subject to the same tariffing  
14 treatment. Subjecting LECs and competitive carriers to the same tariffing  
15 requirements is neither necessary nor desirable. Tariffing requirements, like all  
16 forms of regulation, are necessary to ensure reasonable behavior in markets  
17 that are not subject to the discipline of the competition. As I stated in my  
18 direct testimony, (Canis Testimony at 37) unlike LECs, CAPs lack market  
19 power and do not have access to a captive base of monopoly ratepayers.  
20 Unlike LECs, CAPs cannot establish excessive rates (if they do, customers will  
21 simply buy from LECs), and cannot subsidize their rates for competitive  
22 services with monopoly revenues. Absent the threat of excessive rates, or



1 unlawful cross-subsidization, there simply is no need to impose the regulatory  
2 burden of tariffing upon CAPs.

3 **Q. WHAT STANDARDS SHOULD GOVERN VIRTUAL COLLOCATION?**

4 **A. As discussed above, contrary to the assertions of the LEC witnesses, absent**  
5 **Commission action, "negotiation" will not result in reasonable virtual collocation**  
6 **arrangements. To the extent that virtual collocation may be necessary in**  
7 **those rare instances where physical collocation is not possible, the**  
8 **Commission should establish standards to ensure that the virtual**  
9 **arrangements are reasonably equivalent to physical collocation. These**  
10 **safeguards include the following:**

- 11           \*     **Report provisioning and maintenance intervals for both LEC and**  
12                   **collocator equipment to ensure against discrimination**
- 13           \*     **Justify any overtime charges to prevent collocators from bearing**  
14                   **unwarranted costs**
- 15           \*     **Allow collocators to provide all collocated equipment at their cost**  
16                   **and disallow any LEC markups**
- 17           \*     **Allow collocators to retain title to the collocated equipment and to**  
18                   **have it removed from the collocation arrangement upon request**  
19                   **and payment of removal costs**
- 20           \*     **Require LECs to tariff and support all rate elements; to prevent**  
21                   **discrimination, do not allow individual case basis charges**

- 1           \*     Establish strict guidelines to prevent imposition of unreasonable  
2                   training costs (e.g., prohibit LECs from requiring collocators to  
3                   pay for LEC personnel training in SONET or ATM technology,  
4                   which ultimately will benefit LECs)
- 5           \*     Provide for expedited consideration of any collocator complaints  
6                   arising out of virtual collocation arrangements

7                   Of course, collocators and LECs should remain free to negotiate  
8     different arrangements, provided that all relevant rates and other information  
9     are publicly disclosed in LEC tariffs, and offered on a nondiscriminatory basis  
10    to other collocators.

11  Q.   HOW DO YOU RESPOND TO RECOMMENDATIONS THAT THE  
12       COMMISSION ADOPT A FORM OF "ZONE DENSITY" PRICING FLEXIBILITY  
13       FOR LECS?

14  A.   The LEC witnesses all support the adoption of some form of geographic rate  
15       deaveraging pricing flexibility for LECs, loosely modeled after the FCC's "Zone  
16       Density" pricing plans. (Poag Testimony at 19, Denton Testimony at 12,  
17       Beauvais Testimony at 33) LECs currently enjoy enormous pricing flexibility  
18       for their intrastate rates, and additional pricing flexibility is not merited.

19               First, the LEC claims of revenue losses to "bypass" are grossly  
20       overstated. None of the LEC witnesses specifically discusses the methods  
21       used to analyze the effects of bypass. However, I am familiar with the  
22       methods used by LECs to estimate the effects of bypass in reports to the

1 FCC. In those reports, LECs routinely used highly questionable methods,  
2 such as reporting "opportunity losses" -- comparing actual sales for a given  
3 year against sales that were projected for that period during the previous year,  
4 and attributing any shortfall to competition. In fact, the reports were so fanciful  
5 and methodologically flawed that a Federal/State Joint Board has  
6 recommended that the FCC discontinue them. Amendment of Part 36 of the  
7 Commission's Rules and Establishment of a Joint Board, 7 FCC Rcd 4285,  
8 4287 (1992).

9 In addition, the LECs already have more than adequate pricing  
10 flexibility. Since ICI entered the Florida access market, LECs have  
11 substantially reduced their special access rates. Moreover, LECs employ  
12 extensive volume and term discounted rate structures that provide substantial  
13 additional discounts to the largest service users. Finally, LECs enjoy the ability  
14 to establish customer-specific contracts for special access services, providing  
15 them with the ultimate form of pricing flexibility. The combined effect of these  
16 ratemaking practices provide LECs with enormous pricing flexibility, and belies  
17 the LEC arguments that they require zone pricing in order to compete.

18 Q. DO YOU AGREE WITH THE STATEMENT OF MR. DENTON (TESTIMONY AT  
19 7) THAT VIRTUAL COLLOCATION IS NECESSARY IF COLLOCATION IS TO  
20 BE EXPANDED TO NON-TIER 1 LECs?

21 A. No. As stated in my direct testimony, extending collocation requirements to  
22 non-Tier 1 LECs could help to expand competition to less densely populated

1        **areas and provide service alternatives to smaller users. If such**  
2        **interconnection obligations are imposed on a case-by-case basis, in response**  
3        **to bona fide requests for collocation, no undue burdens will be imposed on**  
4        **smaller LECs. (See Canis Testimony at 35)**

5    **Q. DO YOU AGREE WITH MR. DENTON'S RECOMMENDATION THAT**  
6        **COLLOCATION BE RESTRICTED TO DS1 AND DS3 SERVICES (TESTIMONY**  
7        **AT 9)?**

8    **A. No. Mr. Denton provides no technical or policy grounds for so restricting**  
9        **collocation. In order to maximize the public benefits of competition and**  
10       **customer choice, such artificial restrictions on a collocated party's ability to**  
11       **provide service must be avoided.**

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

13   **A. Yes.**



1           Q     (By Mr. Wiggins) Mr. Canis, do you have a  
2 short oral summary for your rebuttal testimony?

3           A     Yes, I do.

4           Q     Would you please give it.

5           A     My rebuttal testimony can be boiled down to  
6 three major parts. First, the LEC arguments opposing  
7 the Intermedia position all have at their bottom the  
8 assumption that LECs should be given regulatory parity  
9 with AAVs. This concept is behind the proposal that  
10 LECs be allowed to negotiate collocation arrangements,  
11 and is also behind the proposal that LECs be subject to  
12 similar or identical tariffing requirements as the AAVs,  
13 either -- that is, either the LECs should be detariffed as  
14 AAVs currently are, or AAVs should be subject to the same  
15 tariffing requirements that currently apply to LECs.

16                     This call for regulatory parity is  
17 inappropriate because LECs retain dominant status in  
18 local markets and because they control central offices  
19 that constitute bottleneck facilities.

20                     My second point is that the LEC arguments that  
21 collocation is an unconstitutional taking and their  
22 pending appeals of the FCC's collocation orders do not  
23 constitute grounds for delaying action on collocation or  
24 for adopting collocation standards that differ from the  
25 FCC's.



1           Finally, we need to make one reference to  
2 switched services. As a matter of timing, any  
3 restructuring of LEC switched access rates should take  
4 place in conjunction with the approval of switched  
5 services competition and the mandate that LECs provide  
6 collocation for switched services.

7           That completes my summary.

8           COMMISSIONER CLARK: Thank you.

9           MR. WIGGINS: The witness is available for  
10 cross examination.

11           COMMISSIONER CLARK: Mr. Erwin?

12           MR. ERWIN: No questions.

13           MR. CARVER: No questions.

14           MS. CASWELL: No questions.

15           MR. TIE: No questions.

16           MR. FONS: No questions.

17           MR. WAHLEN: No questions.

18           MS. WILSON: No questions.

19           MR. DUNBAR: No questions.

20           MR. HOFFMAN: No questions.

21           MR. WIGGINS: No questions.

22           MR. MURPHY: Staff has one question.

23                   CROSS EXAMINATION

24           BY MR. MURPHY:

25           Q     Mr. Canis, in your rebuttal testimony at Page

1 2, Lines 15 through 22, you discuss the concept of  
2 ratcheting. Is that correct?

3 A Yes, it is.

4 Q Please elaborate on what you mean by the term  
5 and how those concepts apply in the context of this  
6 proceeding which does not address switched access.

7 A The term "ratcheting" generally refers to the  
8 practice of loading both switched and special access  
9 services onto the same facilities. On the federal  
10 level, this is done routinely by LECs; and, in fact,  
11 ratcheting or perhaps by another term, but the capacity  
12 of loading both types of service onto the same  
13 facilities is a tariffed segment in all of the LEC  
14 federal tariffs that I'm aware of.

15 Currently, because on the federal level AAVs  
16 cannot provide -- cannot obtain collocation for  
17 switched services, they are not able to load both  
18 switched and special accessed services over collocated  
19 facilities. Because they do not have that ability,  
20 they cannot compete with the LECs that routinely  
21 provide ratcheting as a tariffed service.

22 It is my understanding that as this concept  
23 applies to Florida that AAVs currently are not  
24 authorized to provide switched services and, therefore,  
25 some further authorization may be necessary in order to

1 enable AAVs to provide ratcheting over collocated  
2 facilities on the intrastate level.

3 I do believe, however, that in order to allow  
4 AAVs to compete fully against LECs for intrastate  
5 services, they do require that ratcheting capability, and  
6 so I would strongly encourage this Commission to support  
7 whatever steps may be necessary to allow AAVs to provide  
8 ratcheted services.

9 Q Just so I understand, you're talking about in  
10 this proceeding as opposed to Phase II, which addresses  
11 switched access?

12 A Well, my understanding is that this issue  
13 would probably be more appropriate for Phase II,  
14 because it does get to switched services authorization.  
15 However, because in a number of the testimonies  
16 submitted by other witnesses switched service issues  
17 were raised, we did want to make our opinion on this  
18 position known at this time.

19 MR. MURPHY: Thank you.

20 COMMISSIONER CLARK: I still am sort of not  
21 understanding the point entirely on this. On the one  
22 hand, you're testifying that we can leave this issue  
23 until we decide on switched because if we're not going  
24 to allow AAVs to provide access for switched services,  
25 there is no reason to get into ratcheting.

1           WITNESS CANIS: Well, AAVs will not be able to  
2 provide ratcheted services.

3           COMMISSIONER CLARK: Because they can't  
4 provide access to switched?

5           WITNESS CANIS: Exactly, yes.

6           COMMISSIONER CLARK: All right. But Mr. Rock  
7 has advocated, let's just go ahead and let them provide  
8 that service and then pay the local exchange companies  
9 until they can provide it?

10          WITNESS CANIS: My understanding is that Mr.  
11 Rock was talking about a different kind of arrangement.  
12 He mentioned the term "switched POP extension," which  
13 is a subcategory of service. And again, I don't know  
14 if this is what he was talking about, I assume this is  
15 what he was talking about. But it works like this.

16          Let's say an IXC like AT&T is going to buy,  
17 normally buy, switched services. The central office of  
18 the LEC is over here, the IXC's point of presence is  
19 over here, and let's say that's two miles away. If the  
20 IXC bought straight switched services, it would pay a  
21 per-minute, per-mile charge; it's a distance-sensitive  
22 charge and that could be quite expensive.

23          If it bought a similar quantity of service  
24 over special access facilities, special assess services  
25 tend to be priced below the switched services. So what

1 a lot of times IXCs do is they create what they call a  
2 "closet POP," a small office that is used just to  
3 terminate service. So instead of having the IXC POP  
4 over here, they might put in a little satellite or  
5 closet POP a block away from the central office.

6 They would then take the switched service  
7 from the central office across the street to their  
8 closet POP and would terminate it there. That means  
9 they would have only one block instead of two miles to  
10 pay for distance-sensitive rates.

11 At that point they would take the switched  
12 service and buy a special access dedicated private line to  
13 go from their closet POP to their regular POP two miles  
14 away, and they would haul that traffic over the private  
15 line. This saves them -- it can, depending on the rates  
16 and the rate structure of the LEC, this could save them  
17 considerable money by avoiding certain distance-sensitive  
18 charges.

19 I'm assuming that that is what Mr. Rock had  
20 in mind when he was discussing that. So it gets a  
21 little confusing, but that's my understanding of what  
22 the application would be.

23 COMMISSIONER CLARK: I had understood it to  
24 be you're sort of using excess capacity; that instead  
25 of putting in two different facilities, one to serve



1 switch, one to serve special access, you combine them  
2 and you use, in effect, LEC capacity.

3 WITNESS CANIS: Well, that is the concept  
4 behind ratcheting. And all of these, the backbone  
5 networks for switched services have access capacity and  
6 even some of the private line services have access  
7 capacity. My understanding is the switched POP  
8 extension that I just discussed is different because  
9 it's not using excess capacity on the switched network,  
10 rather it is using a dedicated private line to provide  
11 that distance. So I think it's just an issue of what  
12 kind of facilities are being used to provide that  
13 distance transmission.

14 COMMISSIONER CLARK: Let me tell you what my  
15 concern would be: it would be that if we allow  
16 ratcheting, then they'll be even greater migration from  
17 switched services to special access services resulting  
18 in more lost revenue to the local exchange company,  
19 even though we haven't allowed AAVs to provide switched  
20 access services.

21 WITNESS CANIS: This is certainly an issue  
22 that the Commission is going to have to address because  
23 it necessarily -- authorization of full competition for  
24 switch services is a necessary precondition for  
25 realizing this kind of --

1           COMMISSIONER CLARK: So we shouldn't worry  
2 about ratcheting until the next proceeding?

3           WITNESS CANIS: My understanding is, and,  
4 again, I'm not familiar with the Florida statutes; but  
5 my understanding is some changes in the statutes or  
6 other regulatory authorization would be required before  
7 collocated AAV could transmit switched services.

8           COMMISSIONER CLARK: Because they would be  
9 providing local exchange service?

10          WITNESS CANIS: That is --

11          COMMISSIONER CLARK: Is that what you've been  
12 told?

13          WITNESS CANIS: That's what I've been told.

14          COMMISSIONER LAUREDO: May I ask a question?  
15 Are you through?

16          COMMISSIONER CLARK: Go ahead.

17          COMMISSIONER LAUREDO: Mr. Canis, how do you  
18 argue the proposition put forth by some LECs, what I  
19 call the "don't oppose but let's negotiate" argument?  
20 They don't oppose physical collocation, just let us  
21 negotiate it. What's your counter argument to that?

22          WITNESS CANIS: Well, I really believe that  
23 it's just not a viable position. From my personal  
24 experience on the intrastate level, I have negotiated  
25 collocation contracts with five different LECs. Only

1 one of those LECs was willing to do so voluntarily.  
2 The other LECs only agreed to negotiate in good faith  
3 and to establish collocation arrangement after a  
4 complaint was filed with a local regulatory body, and  
5 it was in the context of that litigation, and with the  
6 local regulators, oversight, that an appropriate  
7 collocation arrangement could actually be established.

8           The bottom line here is when a number of LEC  
9 witnesses have argued and that there are plenty of  
10 options, that you can build your own network or maybe  
11 you can use satellite facilities, there's only one  
12 bottom line here and that is: to get access to the  
13 customers located on the LEC network, you have to go  
14 through the LEC's COs.

15           The LECs own and control those COs  
16 exclusively, they do not have the incentive to  
17 facilitate entry into their markets by their  
18 competitors. And it has been my experience in other  
19 states and on the federal level that, in fact, the LECs  
20 have done everything in their power to frustrate AAVs'  
21 attempts to obtain workable and reasonably priced  
22 collocation. Because there is a dramatic disparity in  
23 their bargaining position, reliance on negotiation is  
24 not adequate to advance the goal of competition for  
25 local services.

1           **COMMISSIONER LAUREDO:** Could you give me your  
2 reaction, as well as briefly as possible, to the  
3 argument to go ahead and build your own network?

4           **WITNESS CANIS:** That's what AAVs have been  
5 doing so far, and they've been successful at it.  
6 However, they can only serve that narrow range of  
7 customers that are physically attached to their  
8 networks.

9           **COMMISSIONER LAUREDO:** Unless you expand the  
10 building of your own network?

11           **WITNESS CANIS:** To expand to the extent so  
12 that we would have the same access to LEC customers  
13 that we would obtain through collocation, we would  
14 essentially have to overbuild the entire LEC network.

15           **COMMISSIONER LAUREDO:** Let me ask you the  
16 next question. Can you give me a little bit of the  
17 vision thing? I asked the fellow from AT&T. What is  
18 it that Intermedia wants to be? What is it that this  
19 is a part of that you're driving us to, the petition?

20           **WITNESS CANIS:** Intermedia is interested in  
21 providing the full range of services that it can  
22 provide in response to the needs of its customers, and,  
23 of course, with the approval of the Commission.  
24 Intermedia started as a niche player providing very  
25 high capacity services to some IXCs. Over the years



1 we've found that we've been able to expand our list of  
2 offerings with introducing new and innovative services.  
3 We've also found that the demand for our services has  
4 spread from the largest IXC's to smaller IXC's, resellers  
5 and end users.

6 We're providing services now that we never  
7 envisioned five years ago, and, in fact, that were not  
8 technologically feasible five years ago. So we look at  
9 our role in the communication's marketplace as  
10 something that evolves with technology as demand -- as  
11 customers become acquainted with the kind of service  
12 options that are out there and as demand for these new  
13 applications grow.

14 COMMISSIONER LAUREDO: But in your testimony  
15 and throughout this testimony, I mean, this hearing is  
16 we see that there's a particular targeting to what now  
17 has been described as those services that are  
18 artificially high on the LEC's' costs because of some  
19 other social consequence, public policy consequences,  
20 that we have talked about. And that there is, again,  
21 to be overly repetitive, the 103 million other land  
22 users who are priced below cost. You certainly have  
23 not yet in all of that, or in your answer, told me that  
24 it's part of your business plan to move into those 103  
25 million probably R1 type users?



1           WITNESS CANIS: First, I disagree to the  
2 extent that some of the LEC witnesses have suggested  
3 that special access and private line services, which  
4 Intermedia now provides, the LEC services are priced  
5 well in excess of costs and provide subsidies to other  
6 services. I think that is highly unlikely. As a  
7 matter of fact, the testimony of Dr. Beauvais yesterday  
8 indicated that with competition for special access and  
9 private line services, any contribution, any earnings  
10 in excess of cost would be not significant.

11           In terms of moving into other services that  
12 may, in fact, be priced above cost for social subsidy  
13 reasons, we certainly do agree that when we start  
14 looking at switched services, there may be a need to  
15 restructure LEC current pricing structures.

16           We also believe very strongly that to the  
17 extent that subsidies are required to support service  
18 in high cost areas and rural areas, we would be willing  
19 to pay our fair share of any subsidies that may be  
20 required for those socially beneficial purposes.  
21 However, we feel very strongly that those kinds of  
22 subsidies must be made explicit. They should be  
23 identified. The services that provide those subsidies  
24 should be identified, the amount of the subsidies  
25 should be identified and the services that are

1 subsidized and the social benefits that are being  
2 derived from those subsidies should be identified.  
3 Once that happens, I think we'll be in a situation  
4 where we can promote competition for the full range of  
5 services in this state without any detrimental value to  
6 universal service.

7 COMMISSIONER LAUREDO: Okay. This so-called  
8 full range of services, if there were no barriers, no  
9 regulatory barriers, would you like -- and everybody  
10 alludes that this is the first step towards breaking  
11 down the last bottleneck and all that kind of stuff, I  
12 mean, you would, as a company, like to move into what  
13 we normally refer to as a local exchange company?  
14 Would that be a safe statement?

15 WITNESS CANIS: To my understanding,  
16 Intermedia doesn't have any business plans now to do  
17 that. My understanding is, however, and I think this  
18 is true of AAVs no matter where and how they're  
19 situated, they want to be as any competitor would.  
20 They want to be poised to enter whatever market they  
21 can to provide the full range of services that their  
22 customers demand. And to make the most maximum  
23 efficient use of their network to the extent that  
24 allows them to expand into new markets, perhaps,  
25 including residential, I think Intermedia would be

1 interested in seeing that.

2 COMMISSIONER LAUREDO: Let me give you the,  
3 so that I understand, last question.

4 Do you see qualitative since -- let's just  
5 put aside the existing LECs and we avoid all of the  
6 social and who-paid-for-the-network questions that's  
7 been alluded to. Let's just take another competitor of  
8 yours and tell me if it's qualitative.

9 Do you think there's a difference between the  
10 market position that you have and, for example, cable  
11 companies who have invested significantly higher  
12 amounts of money and infrastructure than Intermedia,  
13 that they would have a better argument to say, "I want  
14 to move into the local exchange business. And the  
15 proof of the pie is, look at all of the money I've put  
16 into it already."

17 WITNESS CANIS: In terms of existing  
18 infrastructure, it may very well be that cable  
19 companies are better positioned to provide residential  
20 services. They tend to be hooked up to residential  
21 homes as it is. Intermedia, and it's typical of other  
22 AAVs, tends to be focused on businesses and tends not  
23 to have extensive networks in residential  
24 neighborhoods. So it may very well be that in the  
25 short term a cable company may be better positioned to

1 move into residential services.

2 COMMISSIONER LAUREDO: But I really wasn't  
3 asking you whether they're better positioned or not. I  
4 was wondering what your reaction is -- someone could  
5 say that they have taken the argument about "if I build  
6 my own network" a lot farther than Intermedia has, for  
7 example. They've actually gone out and done this.  
8 They've done substantially more.

9 I'm just playing Devil's advocate. In other  
10 words, "We've traveled that road a lot further, we're  
11 putting our money into these things and we're just now  
12 -- please lift these restrictions because now we're  
13 prepared to do it," versus what other people would  
14 call more niche-market companies.

15 WITNESS CANIS: No, I definitely understand  
16 the question. I think it's important to recognize that  
17 AAV networks and cable networks serve different  
18 purposes at this point. They look to provide different  
19 types of service, and they are constructed -- the  
20 respective networks are constructed in a way that best  
21 advances their business purpose. For instance, I don't  
22 know any cable company -- and I don't profess to be an  
23 expert on cable networks, but I don't know any cable  
24 company that has a fully redundant and diverse network.  
25 That would mean they would have two lines in every home



1 in case one line gets cut. I know. I live in  
2 Washington D.C. and if we get a cable cut, my service  
3 goes out and it doesn't come back on.

4 By the same token, my understanding, again,  
5 is that cable companies just now are starting to invest  
6 heavily in fiber for their networks and even for some  
7 of their drops, drops into individual homes. AAVs  
8 extensively use fiber because that is the most  
9 efficient way of providing the very high capacity for  
10 the kinds of services that we provide requires.

11 So, again, our two networks are optimally  
12 structured to provide the kinds of respective services  
13 that we provide. So I really wouldn't say that cable  
14 is one up on AAVs or AAVs are one up on cable. Their  
15 networks are different because they serve different  
16 purposes. They each have respective strengths and  
17 weaknesses.

18 COMMISSIONER LAUREDO: Thank you.

19 COMMISSIONER CLARK: Redirect.

20 REDIRECT EXAMINATION

21 BY MR. WIGGINS:

22 Q Mr. Canis, I would like you to accept the  
23 following as true: Transport charges in Florida are  
24 nondistance sensitive.

25 A Okay. I'll accept that as true.



1           MR. FONS: Object. I don't know what  
2 redirect this is. I don't know what question was asked  
3 that's going to lead to these questions.

4           MR. WIGGINS: John, I'll do it the right way.  
5 Whenever I try to make it short it always turns out  
6 longer.

7           Q     (By Mr. Wiggins) Do you remember the  
8 questions from Commissioner Clark about ratcheting?

9           A     Yes, I do.

10          Q     And do you remember the questions about Mr.  
11 Rock's -- your attempts to explain Mr. Rock's concept  
12 of ratcheting as it applied to transport charges?

13          A     Yes, I do.

14          Q     In that explanation, did you not -- actually  
15 this is a leading question. Sorry, John.

16                COMMISSIONER CLARK: Do you want to object?  
17 I want to see Pat come up with the questions.  
18 (Laughter)

19                MR. WIGGINS: We just don't know how to  
20 direct here because it's all written.

21                COMMISSIONER CLARK: That's right. You can  
22 lead. Go ahead. If nobody objects, go ahead.  
23 (Laughter)

24          Q     (By Mr. Wiggins) In that explanation the  
25 transport charges were distance sensitive; is that

1 correct?

2 A That is correct.

3 Q If the transport charges are not distance  
4 sensitive, but, in fact, are permitted, flat, does that  
5 have any implication for the idea of ratcheting in  
6 Florida?

7 A That would mean that my interpretation of Mr.  
8 Rock's statement was not accurate. The extent to which  
9 I discussed ratcheting was reflective, the way I'm  
10 familiar with the term and the way it's applied in  
11 using intrastate rates, which are rates that I'm  
12 familiar with. So the switched POP phenomenon that I  
13 discussed there, and the respective special access and  
14 switched access rate structures that I refer to were  
15 interstate.

16 MR. WIGGINS: I have no further questions.  
17 Thank you.

18 COMMISSIONER CLARK: Thank you. You're  
19 excused, Mr. Canis.

20 (Witness Canis excused)

21 - - - - -

22 COMMISSIONER CLARK: Thank you. We'll take a  
23 break and start back with Mr. Denton.

24 (Brief recess.)

25 - - - - -

1                   **COMMISSIONER CLARK:** Call the hearing back to  
2 order. Mr. Carver, I think it's your witness.

3                   **DAVID B. DENTON**  
4 was called as a rebuttal witness on behalf of BellSouth  
5 Telecommunications, d/b/a/ Southern Bell Telephone and  
6 Telegraph Company and, after being duly sworn,  
7 testified as follows:

8                   **DIRECT EXAMINATION**

9 **BY MR. CARVER:**

10            **Q**     Mr. Denton, for the record, would you please  
11 state your name and business address again?

12            **A**     David B. Denton, 675 Peachtree Street,  
13 Atlanta, Georgia.

14            **Q**     Okay. Did you cause to be filed in this  
15 docket six pages of rebuttal testimony?

16            **A**     Yes, I did.

17            **Q**     Do you have any changes to that testimony?

18            **A**     No, I don't.

19            **Q**     If I asked you now the questions that appear  
20 in that testimony, would your answers be the same?

21            **A**     Yes.

22            **MR. CARVER:** I request that Mr. Denton's  
23 rebuttal testimony be inserted into the record as if read.

24            **COMMISSIONER CLARK:** It will be inserted into  
25 the record as though read.

1           **SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY**  
2           **REBUTTAL TESTIMONY OF DAVID B. DENTON**  
3           **BEFORE THE**  
4           **FLORIDA PUBLIC SERVICE COMMISSION**  
5           **DOCKET NO. 921074-TP**  
6           **JULY 8, 1993**  
7  
8

9   **Q. WILL YOU PLEASE STATE YOUR NAME AND BUSINESS**  
10   **ADDRESS?**  
11

12   **A. I AM DAVID B. DENTON. MY BUSINESS ADDRESS IS 675**  
13   **WEST PEACHTREE STREET, ATLANTA, GEORGIA.**  
14

15   **Q. DID YOU FILE DIRECT TESTIMONY IN THIS DOCKET?**  
16

17   **A. YES, I DID.**  
18

19   **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**  
20

21   **A. THE PURPOSE OF MY REBUTTAL TESTIMONY IS TO REFUTE**  
22   **CERTAIN POSITIONS TAKEN BY VARIOUS PARTIES IN**  
23   **THIS DOCKET.**  
24

25   **Q. BOTH TELEPORT AND SPRINT PROPOSE THAT THE FPSC**

1       **SHOULD AUTHORIZE INTERCONNECTORS TO PROVIDE THE**  
2       **LOCAL TRANSPORT PORTION OF SWITCHED CARRIER**  
3       **ACCESS IN CONJUNCTION WITH EXPANDED**  
4       **INTERCONNECTION ON INTRASTATE SPECIAL ACCESS AND**  
5       **PRIVATE LINE SERVICES. WHAT IS YOUR VIEW ON THIS**  
6       **ISSUE?**

7

8       **A. THIS REQUEST INVOLVES "RATCHETING" THE SPECIAL**  
9       **ACCESS HIGH CAPACITY SERVICE TO PROVIDE BOTH**  
10       **SPECIAL ACCESS AND PRIVATE LINE DEDICATED**  
11       **SERVICES AS WELL AS THE LOCAL TRANSPORT PORTION**  
12       **OF SWITCHED ACCESS (I.E., SHARED USE).**

13

14       **THE FCC IS ON RECORD, OF COURSE, THAT IT DOES NOT**  
15       **BELIEVE THAT INTERCONNECTORS SHOULD BE ALLOWED TO**  
16       **"RACHET" BEFORE A NEW LOCAL TRANSPORT RATE**  
17       **STRUCTURE IS IMPLEMENTED. THE FCC CORRECTLY**  
18       **RECOGNIZED THAT THE LECs WOULD FACE THE POTENTIAL**  
19       **OF LOSING SIGNIFICANT AMOUNTS OF REVENUE IF**  
20       **"RATCHETING" WERE ALLOWED BEFORE LOCAL TRANSPORT**  
21       **RESTRUCTURING OCCURS. THE FCC FOUND, THEREFORE,**  
22       **THAT "RATCHETING" IS NOT IN THE PUBLIC INTEREST**  
23       **AT THE PRESENT TIME.**

24

25       **THE FCC'S DECISION UNDERSCORES THE FACT THAT**



1 SWITCHED ACCESS COLLOCATION INVOLVES FAR GREATER  
2 PUBLIC INTEREST ISSUES THAN DOES SPECIAL ACCESS  
3 COLLOCATION. LOCAL TRANSPORT RESTRUCTURE MUST BE  
4 RESOLVED BEFORE SWITCHED ACCESS COLLOCATION CAN  
5 BE CONSIDERED. THE LECs MUST HAVE THE  
6 OPPORTUNITY TO RESTRUCTURE LOCAL TRANSPORT RATES  
7 AND READJUST PRICES PRIOR TO FACING COLLOCATION  
8 FOR SWITCHED ACCESS SERVICES.

9  
10 FINALLY, BECAUSE THESE ISSUES RELATE TO EXPANDED  
11 INTERCONNECTION FOR SWITCHED ACCESS SERVICES,  
12 THEY SHOULD NOT EVEN BE CONSIDERED IN THIS PHASE  
13 OF THESE PROCEEDINGS.

14  
15 Q. ON PAGE 5 OF MR. KOUROUPAS' TESTIMONY, HE STATES  
16 THAT THE FPSC SHOULD "... INITIATE A "FRESH LOOK"  
17 PROVISION DESIGNED TO ALLOW CONSUMERS TO EXERCISE  
18 THEIR NEW FOUND FREEDOM OF CHOICE IN THE SPECIAL  
19 ACCESS MARKET WITHOUT INCURRING SUBSTANTIAL  
20 TERMINATION PENALTIES FOR DOING SO." DO YOU  
21 AGREE WITH THIS POSITION?

22

23 A. NO. THIS DOCKET CONCERNS COLLOCATION FOR  
24 INTRALATA PRIVATE LINE SERVICES AS WELL AS FOR  
25 SPECIAL ACCESS. THERE ARE SEVERAL POINTS THAT

1 NEED TO BE MADE WITH REGARD TO THE SUGGESTION  
2 THAT THERE BE A "FRESH LOOK" PROVISION FOR  
3 PRIVATE LINE SERVICES. FIRST, THERE IS  
4 COMPETITION IN FLORIDA FOR THESE SERVICES AT THE  
5 PRESENT TIME. THE FPSC HAS ALREADY DETERMINED  
6 THAT CONTRACTS FOR THESE SERVICES ARE IN THE  
7 PUBLIC INTEREST. SECOND, MANY CONTRACT  
8 ARRANGEMENTS ARE DESIGNED TO RECOVER THEIR  
9 INSTALLATION CHARGES OVER THE LIFE OF THE  
10 CUSTOMER'S CONTRACT. THERE IS THE POTENTIAL THAT  
11 THE LECs COULD LOSE THE ABILITY TO RECOVER THESE  
12 INSTALLATION COSTS IF THE COMMISSION PERMITTED  
13 CUSTOMERS TO TERMINATE EXISTING CONTRACTS. IN  
14 OTHER WORDS, THE LECs COULD BE FORCED TO ACTUALLY  
15 PROVIDE SERVICE BELOW COST TO THESE CUSTOMERS  
16 WITHOUT BEING ABLE TO RECOVER THE COSTS AS  
17 ANTICIPATED DURING THE TERM OF THE CONTRACT.

18

19 Q. ALSO, ON PAGE 5 OF THE TESTIMONY FILED BY MR.  
20 KOUROUPAS ON BEHALF OF TELEPORT, HE STATES THAT  
21 "... FLORIDA SHOULD REQUIRE INTERCONNECTION AT A  
22 DS1, DS3 AND DS0 LEVEL...". DO YOU AGREE WITH  
23 THIS POSITION?

24

25 A. NO. PROVIDING INTERCONNECTION AT A DS1 OR DS3

1        LEVEL IS WHAT HAS BEEN CONTEMPLATED. BEING  
2        REQUIRED TO FILE INTERCONNECTION TARIFFS AT THE  
3        DSO LEVEL WOULD PLACE A LARGER REQUIREMENT FOR  
4        SPACE AND CABLING ON THE LECs. SOUTHERN BELL  
5        WOULD PREFER TO HANDLE REQUESTS FOR DSO  
6        COLLOCATION ON A CENTRAL OFFICE BY CENTRAL OFFICE  
7        BASIS.

8

9        Q. BOTH INTERMEDIA COMMUNICATIONS AND TELEPORT  
10        WITNESSES STATE THAT THE LECs NEED NO ADDITIONAL  
11        PRICING FLEXIBILITY. THE WITNESS FOR SPRINT  
12        STATES SPECIFICALLY THAT THE LECs SHOULD NOT BE  
13        ALLOWED TO HAVE VOLUME AND TERM DISCOUNTS. WHAT  
14        IS YOUR OPINION OF THESE POSITIONS?

15

16        A. THE POSITIONS TAKEN BY INTERMEDIA COMMUNICATIONS  
17        AND TELEPORT ARE SIMPLY SELF-SERVING. DENSITY-  
18        ZONE PRICING, WHICH THE FCC HAS APPROVED FOR LEC  
19        SPECIAL ACCESS SERVICES, IS AN EXAMPLE OF PRICING  
20        FLEXIBILITY THAT THE LECs SHOULD HAVE IN FLORIDA  
21        AS WELL. THE LECs SHOULD NOT BE HANDICAPPED IN  
22        THEIR EFFORTS TO BE PRICE COMPETITIVE. A PRIMARY  
23        CONCERN HERE IS THAT THE FPSC RECOGNIZE THE NEED  
24        TO KEEP THE RATES AND STRUCTURES FOR THESE  
25        SERVICES CLOSELY ALIGNED WITH THEIR INTERSTATE

1 COUNTERPARTS SO AS TO PREVENT REVENUE SHIFTS THAT  
2 COULD RESULT FROM "TARIFF SHOPPING".  
3

4 SPRINT'S CONTENTION THAT LECs SHOULD NOT BE  
5 ALLOWED TO OFFER VOLUME AND TERM DISCOUNTS IS  
6 SPURIOUS. FOR THE SPECIAL ACCESS AND PRIVATE  
7 LINE SERVICES BEING DISCUSSED IN THIS DOCKET,  
8 VOLUME AND TERM DISCOUNTS ARE APPROPRIATE. SO  
9 LONG AS PRICES ARE SET TO RECOVER THE LONG RUN  
10 INCREMENTAL COSTS OF PROVIDING THE SERVICE, IT IS  
11 NOT UNECONOMIC TO OFFER SUCH DISCOUNTS.  
12

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?  
14

15 A. YES.  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 Q (By Mr. Carver) Mr. Denton, could you please  
2 summarize your rebuttal testimony?

3 A All right. Basically, I rebut several issues  
4 found by other witnesses dealing with the interconnection  
5 of the DSO level, with the issue of whether or not there  
6 should be a "fresh look," and with the question of  
7 additional pricing flexibility for the LECs. And  
8 essentially, what I do in my rebuttal is defend the  
9 positions taken in my direct filed testimony.

10 That's my summary.

11 Q And does this conclude your summary?

12 A That concludes my summary.

13 MR. CARVER: Okay. Thank you. The witness  
14 is available for cross.

15 MR. ERWIN: No questions.

16 MR. TYE: No questions.

17 COMMISSIONER CLARK: Mr. Fons?

18 MR. FONS: Mr. Denton, do you still consider  
19 yourself to be under oath?

20 WITNESS DENTON: Yes, I do.

21 MR. FONS: I have no questions, then.

22 (Laughter)

23 MR. WHALEN: No questions.

24 MS. CASWELL: No questions.

25



## CROSS EXAMINATION

BY MR. DUNBAR:

Q Mr. Denton, do you have your rebuttal testimony or a copy of it there before you?

A Yes, I do.

Q Could you turn to Page 4 and help me clarify something, please?

A All right.

Q On Page 4, Line 3, in the middle of the line, the sentence begins, "First, there is," could you look over that sentence and the one that follows it so I could ask you a couple of questions there, please?

A All right.

Q You make reference in both the first and the second sentence to the term "services." Are you referring there to monopoly services?

A Would you explain what you mean by "monopoly services," Mr. Dunbar?

Q Are these -- are you referring to services that your company offers --

A Yes.

Q -- at this point? Are you referring to services that your Company offers in Florida?

A Yes.

Q And you don't know whether they are monopoly

1 or competitive?

2 A Well, I asked you to explain. I know what  
3 they are, they're competitive. I want to make sure I  
4 understand the terms that you're using.

5 Q Are you aware of any services that this  
6 Commission has determined to be competitive in Florida?

7 A I'm not sure --

8 MR. CARVER: Excuse me, I'm going to object  
9 to the extent he's asking for a legal conclusion about  
10 which service are competitive or not, if he's asking  
11 for interpretation of Chapter 364.

12 COMMISSIONER CLARK: Mr. Dunbar, repeat the  
13 question again.

14 Q (By Mr. Dunbar) Could you tell me whether or  
15 not the services that you are referring to at this  
16 point are monopoly services that your Company offers,  
17 is that what you're referring to here?

18 MR. CARVER: Okay. That's a different  
19 question.

20 COMMISSIONER CLARK: Okay.

21 A I can only answer your question from my  
22 economics training, there are competitors for these  
23 services, these are to me competitive services.

24 Q So you have no opinion on how this Commission  
25 considers these services? You don't know how this

1 Commission considers these services?

2 MR. CARVER: Same objection. I'm sorry, but  
3 once again, I think he's asking for legal conclusions.  
4 I think it's one thing for the witness to state his  
5 opinion about whether or not there is competition for  
6 these services, it's another thing to ask the witness  
7 legally whether they're competitive or not, and that's  
8 what I object to.

9 MR. DUNBAR: Commissioner, I asked him if he  
10 was aware of whether this Commission had classified  
11 these services as either monopoly or competitive. He  
12 either knows that this Commission has classified them  
13 that way or he doesn't know that. I've not asked him  
14 for his opinion about the services, I've asked him  
15 about this Commission's classification of services  
16 offered by his company, and I presume that he would  
17 know whether they had done that or not.

18 COMMISSIONER CLARK: What services are you  
19 asking about, Mr. Dunbar?

20 MR. DUNBAR: On Line 4, and again on Line 6,  
21 he has made reference to the term "services," and I'm  
22 asking him which services he is referring to at that  
23 point. I've asked him only to clarify that.

24 COMMISSIONER CLARK: Go ahead.

25 A The Commission as far as I know has not,

1 quote, "declared" that these services are competitive  
2 under the standards of Statute 364. But whether the  
3 Commission declares them competitive or not and  
4 whatever the statute says, they are, in fact,  
5 competitive in the marketplace. (Pause)

6 Q Okay. So what you are saying is they're  
7 monopoly services under the Commission's declaration  
8 but in your opinion they're competitive?

9 A I'm only saying that the Commission has not  
10 applied a Florida Statute declaration and reviewed them to  
11 see if they are, quote, "competitive according to the  
12 statute." But, in fact, looking at the marketplace,  
13 looking as an economist, these are competitive services  
14 without regard to what the statute test --

15 Q But under the determination or lack thereof  
16 by the Commission, they remain monopoly services under  
17 364; is that what you're saying?

18 MR. CARVER: I'm going to object.

19 COMMISSIONER CLARK: He's asking for a legal  
20 opinion, sustained.

21 MR. DUNBAR: Well, he gave me the legal  
22 opinion, Commissioner, I'm just asking him to clarify  
23 his own statement.

24 COMMISSIONER CLARK: He told you that the  
25 Commission had not declared it, but in his view as an

1 economist, it was. Now, to ask him about his  
2 interpretation of 364 I think is going beyond his  
3 expertise. (Pause)

4 MR. DUNBAR: No further questions,  
5 Commissioner.

6 COMMISSIONER CLARK: Go ahead.

7 MR. HOFFMAN: No questions.

8 MR. WIGGINS: No questions.

9 COMMISSIONER CLARK: Staff?

10 MR. HATCH: No questions.

11 COMMISSIONER CLARK: Commissioners?

12 COMMISSIONER LAUREDO: No questions.

13 COMMISSIONER CLARK: I'm not sure if it was  
14 in your testimony or not with regard to flexible pricing.  
15 I still -- after listening to Mr. Poag, is it your  
16 position you want zone density, the ability to set charges  
17 with respect to zone density; so that would be, I guess,  
18 in effect, locations-specific. But you also want the  
19 ability to do contract pricing, so that you can compete  
20 with other access providers for particular customers.

21 WITNESS DENTON: That's correct.

22 COMMISSIONER CLARK: And is it your  
23 understanding that what they're objecting to is the  
24 ability to offer other than your tariffed rate or the  
25 zone density rates to specific customers?



1                   WITNESS DENTON: That's correct. I think  
2 they're saying that we should have no additional  
3 pricing flexibility. Zone pricing would be additional  
4 pricing flexibility.

5                   COMMISSIONER CLARK: So that they'll be able to  
6 say, "Here's the rate that LEC must charge. They can't  
7 charge any different and we can charge a less rate." And  
8 you wouldn't have the ability to match that.

9                   WITNESS DENTON: That's exactly right.

10                  COMMISSIONER CLARK: Thank you. Is there any  
11 redirect?

12                  MR. CARVER: No, no. No redirect.

13                  COMMISSIONER CLARK: You're excused, Mr. Denton.

14                  WITNESS DENTON: Thank you.

15                  (Witness Denton excused.)

16                                 - - - - -

17                  COMMISSIONER CLARK: Mr. Fons?

18                  MR. FONS: Mr. Poag.

19

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21

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25

1 F. BEN POAG

2 was called as a rebuttal witness on behalf of United  
3 Telephone Company of Florida and, after being duly  
4 sworn, testified as follows:

5 DIRECT EXAMINATION

6 BY MR. FONS:

7 Q For the record, would you state your full  
8 name please?

9 A Ben Poag.

10 Q And you've previously testified today on direct  
11 testimony, is that correct, Mr. Poag?

12 A Yes, sir.

13 Q And in connection with this proceeding, have  
14 you caused to be prefiled rebuttal testimony consisting  
15 of seven pages of questions and answers dated or  
16 prefiled on July 8, 1993?

17 A Yes.

18 Q Are there any changes or corrections to that  
19 rebuttal testimony?

20 A No.

21 Q If I were to ask you the same questions today  
22 that were posed to you in your prefiled rebuttal  
23 testimony, would your answers be the same today?

24 A Yes.

25 MR. FONS: I would ask that Mr. Poag's

1 prefilled rebuttal testimony be inserted into the record  
2 as though read.

3 COMMISSIONER CLARK: It will be inserted into  
4 the record as though read.

5

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

F. BEN POAG

Q. Would you please state your name and business affiliation.

A. My name is F. Ben Poag and I am employed by Sprint/United Telephone Company of Florida.

Q. Are you the same F. Ben Poag that previously filed direct testimony in this proceeding on behalf of Sprint/United Telephone Company of Florida?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Jonathan E. Canis on behalf of Intermedia Communications of Florida, Inc. (hereinafter referred to as "Intermedia" or "ICI." In particular, I will respond to Mr. Canis' contention, at page 37 of his direct testimony, that because the local exchange

1 carriers (LECs) have the ability to offer contract  
2 servicing arrangements and individual case basis pricing,  
3 they do not need additional pricing flexibility in order  
4 to compete under expanded interconnection. Mr. Canis'  
5 contention is unwarranted and unsupported.

6  
7 Q. Why do you say Mr. Canis' contention that the LECs do not  
8 need additional pricing flexibility is unwarranted and  
9 unsupported?

10  
11 A. Mr. Canis' contention is unwarranted because he does not  
12 understand or even recognize that there is a difference  
13 between contract service arrangements (CSAs) and zone  
14 density pricing. Further, his contention is  
15 unsupportable because he fails to offer any evidence that  
16 CSAs are workable in today's competitive environment - as  
17 exemplified by the enhancement of competition provided by  
18 expanded interconnection.

19  
20 CSAs were authorized by the Commission at a time when  
21 access bypass by interexchange carriers (IXCs) was  
22 prohibited - except in very narrow circumstances - and  
23 the alternative access providers (AAVs) had not yet  
24 arrived on the scene in Florida. At that time, the only  
25 entity, other than the LEC, who could provide special



1 access was the customer himself or herself. As such,  
2 CSAs were an alternative to a customer leaving the  
3 network, but it was a little used alternative by United  
4 Telephone because by the time the Company learned of the  
5 customer's plans it was usually too late to negotiate a  
6 customer-specific solution. I am not aware of any  
7 customer coming to the Company with his or her plans to  
8 bypass or a request for a CSA. This is not surprising in  
9 that the customer had no published off-standard pricing  
10 by which to judge the economics of bypassing or staying  
11 on the LEC network, or the time it would take to develop  
12 a customer-specific response.

13  
14 What was a marginally workable solution in the past is a  
15 totally unworkable solution to competition in the new  
16 environment of AAVs and expanded interconnection. AAVs  
17 have the advantage of constructing networks and pricing  
18 their services knowing full well that the LEC is locked  
19 into study-area-wide average pricing, regardless of the  
20 network configuration, and the LEC cannot price a CSA  
21 without a special study. If, however, United Telephone  
22 is able to price special access services on the basis of  
23 zone density, rather than on a study-area-wide average,  
24 with a published price that reflects economic costs of  
25 that zone, then the Company will be better able to meet

1 competitive challenges in a timely fashion. This  
2 approach better reflects the new competitive environment  
3 and customer needs.  
4

5 Q. Mr. Canis contends that the current CSA regime not only  
6 allows the LECs a degree of flexibility to meet the  
7 competitive challenge posed by AAVs, it also imposes  
8 certain limits on that flexibility to help ensure that  
9 LECs do not unfairly cross-subsidize their competitive  
10 services. Do you agree with his contention?  
11

12 A. Absolutely not. Zone density is clearly a better  
13 alternative than CSAs in terms of providing workable  
14 flexibility while ensuring that special access and  
15 private line services are not cross-subsidized. As I  
16 noted in my previous answer, CSAs are ineffective to meet  
17 the competitive challenges posed by the AAVs. Certainly,  
18 Mr. Canis knows this and would like nothing more than to  
19 condemn the LECs to this outdated and ineffective pricing  
20 mechanism. Without the availability of zone density  
21 pricing, the AAVs will be able to construct networks and  
22 price services that are economically inefficient but  
23 still priced below United Telephone's tariffed special  
24 access and private line services. Not only does this  
25 approach greatly enhance the AAV's chances of snaring

1 away United Telephone's customer, it has the perverse  
2 effect of preventing the customer from receiving the full  
3 benefits of competition; namely, economically efficient,  
4 cost-based prices.

5  
6 Furthermore, like CSAs, zone density pricing ensures  
7 against cross-subsidy. In particular, zone density  
8 pricing requires prior approval of the zones (up to three  
9 per reporting area without further justification) and  
10 prices averaged across each zone based upon cost studies  
11 for each zone. If the prices for each zone cover the  
12 incremental cost of providing the special access and  
13 private line service in that zone, there can be no cross-  
14 subsidy. It seems rather obvious then, that zone density  
15 pricing ensures against cross-subsidy, while at the same  
16 time giving the customer the full benefits of  
17 competition.

18  
19 Q. Mr. Canis argues that the LECs have the ability and the  
20 incentive to cross-subsidize their competitive services  
21 with their non-competitive services, while the AAVs have  
22 no such incentive because their services are priced  
23 according to the dictates of the marketplace. Do you  
24 believe that United Telephone's special access and  
25 private line services do not also have to be priced

1           according to the dictates of the marketplace?

2  
3       **A. No. Quite to the contrary, United Telephone's special**  
4       **access and private line services must be priced to meet**  
5       **the dictates of the market. Indeed, the current**  
6       **competitive situation is driven in part by the fact that**  
7       **United Telephone's prices for special access and private**  
8       **line services have been priced on the traditional**  
9       **regulatory revenue requirement basis rather than in**  
10       **recognition of customer dictates and market reality.**  
11       **Technology has eradicated any network advantage the**  
12       **Company may have had in the copper-pair past. As Mr.**  
13       **Canis notes, the AAV customers are generally**  
14       **sophisticated customers who understand technology and the**  
15       **lower unit costs it provides. This describes United**  
16       **Telephone's customers as well, and unless the Company**  
17       **follows their dictates, these customers too will become**  
18       **AAV customers.**

19  
20       **Of course, if United Telephone loses these customers,**  
21       **then all of the Company's customers dependent on the**  
22       **contribution made by these services will be impacted**  
23       **adversely. The AAVs, however, do not carry the Company's**  
24       **common carrier and universal service obligations. Unlike**  
25       **United Telephone, the AAVs can choose their markets and**

1        their customers so as to achieve maximum profitability.  
2        Therefore, if United Telephone is to meet the dictates of  
3        the marketplace to price its services competitively, the  
4        Company must be granted zone density pricing flexibility.  
5        For only then can all of the Company's customers benefit  
6        from the contribution these services will be able to  
7        provide to support the Company's common carrier,  
8        universal service obligations.

9  
10      Q.    Does this conclude your rebuttal testimony?

11  
12      A.    Yes, it does.



1           MR. FONS: Mr. Poag is available for cross  
2 examination.

3           COMMISSIONER CLARK: Does anyone have any  
4 questions for Mr. Poag? Mr. Dunbar?

5           CROSS EXAMINATION

6 BY MR. DUNBAR:

7           Q Mr. Poag, if you would, turn to, if you have  
8 a copy of your rebuttal testimony, would you turn to  
9 Page 4, please.

10          A Yes, sir.

11          Q On Lines 23 and 24, towards the end of Line  
12 23 or beginning towards the end of Line 23, the phrase,  
13 "special access and private line services" appears. Do  
14 you see that phrase?

15          A Yes.

16          Q Is it your opinion that those are competitive  
17 services?

18          A Yes.

19          Q Do you know whether or not this Commission  
20 has found them to be effectively competitive services?

21          A I don't believe the Commission has tested  
22 them to see if they were effectively competitive.

23           MR. DUNBAR: Thank you, Mr. Poag.

24           COMMISSIONER CLARK: Staff?

25           MR. HATCH: No questions.

1 COMMISSIONER CLARK: Commissioners?

2 COMMISSIONER LAUREDO: No questions.

3 COMMISSIONER CLARK: Redirect?

4 MR. FONS: No redirect.

5 COMMISSIONER CLARK: You're excused, Mr.

6 Poag.

7 (Witness Poag excused.)

8 - - - - -

9 MR. ERWIN: I'd like to call Mr. Carroll.

10 Commissioner Clark, Mr. Carroll has not been sworn, he  
11 was not here when everyone was sworn in.

12 COMMISSIONER CLARK: Okay.

13 JOHN CARROLL

14 was called as a rebuttal witness on behalf of Northeast  
15 Florida Telephone Company, Indiantown Telephone System,  
16 Quincy Telephone Company and, after being duly sworn,  
17 testified as follows:

18 DIRECT EXAMINATION

19 BY MR. ERWIN:

20 Q Mr. Carroll, could you please state your  
21 name, your employer and your address?

22 A John Carroll, I'm employed at Director of  
23 Revenue Requirements and Regulatory Affairs for  
24 Northeast Florida Telephone Company, 130 North Fourth  
25 Street, MacClenny, Florida, 32063.

1           Q     Mr. Carroll, did you prepare and prefile  
2     rebuttal testimony in this docket?

3           A     Yes, I did.

4           Q     Did you file that on behalf of not only your  
5     company, Northeast, but also on behalf of the  
6     Indiantown Telephone System, Quincy Telephone Company  
7     and Southland Telephone Company?

8           A     That is correct.

9           Q     Mr. Carroll, if I were to ask you the questions  
10    under oath today, would your answers be the same as they  
11    are as reflected in this prefiled testimony?

12          A     They would be.

13               MR. ERWIN: Thank you. I tender the witness  
14    for cross examination. Due to the length of the  
15    testimony, we don't have a summary of it.

16               COMMISSIONER CLARK: And we'll insert it into  
17    the record as though read.

18               MR. ERWIN: Insert it into the record as  
19    though read. Thank you.

20

21

22

23

24

25

## REBUTTAL TESTIMONY

- 1 Q. Please state your name, employer and address.
- 2 A. John Carroll. I am employed as Director of Revenue
- 3 Requirements and Regulatory Affairs for Northeast
- 4 Florida Telephone Company, 130 N. Fourth Street,
- 5 Macclenny, Florida 32063-0485.
- 6 Q. What experience have you had in the telecommunications
- 7 industry?
- 8 A. I have worked for the Public Service Commission, the
- 9 Office of the Public Counsel, General Telephone Company
- 10 of Florida, and Northeast Florida Telephone Company,
- 11 and I have handled many matters for LECs as a
- 12 consultant. I have previously testified before the
- 13 Commission on numerous occasions.
- 14 Q. On whose behalf are you presenting rebuttal testimony?
- 15 A. I am presenting rebuttal testimony on behalf of my
- 16 company, Northeast Florida Telephone Company. I am
- 17 also here to represent the positions of Indiantown
- 18 Telephone System, Quincy Telephone Company and
- 19 Southland Telephone Company. All four of the companies
- 20 have similarities that permit combining testimony to
- 21 avoid repetition. Nevertheless, in the event that
- 22 individual company facts are needed, information could
- 23 be furnished by the companies involved.
- 24 Q. In what way are the four companies on whose behalf you
- 25 are testifying similar?

- 1           A.   Each of the companies has fewer than 12,000 access  
2               lines and annual gross revenues of less than  
3               \$8,000,000. Each company serves a rural area without  
4               any areas of highly concentrated subscribers that would  
5               be likely to attract competitive access providers, even  
6               though there is always the potential for a single high  
7               usage subscriber in any area.
- 8           Q.   What are some of the similarities and differences  
9               between those companies you represent and the Tier 1  
10              LECs which are subject to the FCC's order on expanded  
11              interconnection?
- 12          A.   There is, of course, an enormous difference in size,  
13               since the Tier 1 companies have annual revenues in  
14               excess of \$100,000,000 per year. There is,  
15               consequently, a great disparity in the quantity of  
16               service provided, even though the smaller companies  
17               believe that they provide a similar quality of service.  
18               The small, rural LECs can provide current technology  
19               but generally do not find themselves in a highly  
20               competitive environment. For example, even though the  
21               small, rural LECs have long been equal access capable,  
22               some have only recently received a request for equal  
23               access.
- 24          Q.   Have you taken a position on most of the issues which  
25               were established for this docket?



1           A.    Yes.  Our positions were set forth in our prehearing  
2                   statement, and I adopt those positions as if they were  
3                   specifically set forth in this testimony, including the  
4                   basic position that it would be contrary to the public  
5                   interest to impose a requirement on the four small,  
6                   rural LECs to permit physical collocation under the  
7                   same circumstances imposed on LECs with vastly greater  
8                   annual revenues, urban service areas and immediate  
9                   competitive pressures.

10          Q.    Has any witness suggested that small, rural LECs be  
11                   treated exactly like the Tier 1 LECs?

12          A.    Yes.  Paul Kouroupas, Teleport Communications Group, an  
13                   AAV, made such a suggestion on page 18 of his direct  
14                   testimony.  I dispute the validity of such an approach.  
15                   Instead, the Commission should be vigilant to insure  
16                   that the four small, rural LECs are not given a mandate  
17                   like the Tier 1 LECs, if doing so would tend to  
18                   disadvantage rural subscribers through pressures to  
19                   raise local rates or would in any way adversely affect  
20                   the goal of achieving universal service.  As stated by  
21                   GTE's witness, Edward Beauvais, on pages 20 and 21 of  
22                   his direct testimony, "... benefits realized by the  
23                   large players will be at the expense of the smaller  
24                   ones, the rural and residential customers.  If the  
25                   large urban business customers discontinue LEC tariffed

1 services and substitute interconnectors' services,  
2 inherent contributions/subsidies which benefit rural  
3 and residential customers will be lost."

4 Q. Do you see any other problems that might arise if small  
5 rural LECs are required to provide expanded  
6 interconnection for intrastate access when the FCC has  
7 not required such interconnection for interstate  
8 access?

9 A. Yes. Different approaches in the interstate and  
10 intrastate jurisdictions could create policing problems  
11 and increase administrative burdens.

12 Q. Does this conclude your testimony?

13 A. Yes.

1 COMMISSIONER CLARK: Mr. Carroll is tendered  
2 for cross.

3 MR. ERWIN: For cross.

4 COMMISSIONER CLARK: Does anyone have any  
5 questions? Staff?

6 MR. HATCH: Just a couple.

7 CROSS EXAMINATION

8 BY MR. HATCH:

9 Q I believe it is your position, Mr. Carroll,  
10 that the non-Tier 1 LECs should not be required to  
11 provide collocation; is that correct?

12 A That's correct.

13 Q Are you opposed to any form of collocation?

14 A We are opposed to any mandatory collocation.

15 Q If the Commission does not require that you  
16 provide collocation, how would you accommodate a  
17 request for collocation if you received one?

18 A Based on the type of request we received. If  
19 we received a request from someone who was licensed,  
20 certified by -- certificated by this Commission, we  
21 would go ahead with the request.

22 MR. HATCH: We don't have any other  
23 questions. No further questions.

24 COMMISSIONER CLARK: Commissioners?

25 COMMISSIONER LAUREDO: You want to label this?

1 COMMISSIONER CLARK: Do you have an exhibit?

2 MR. ERWIN: Yeah. Did you want to do  
3 something with these, Tracy?

4 MR. HATCH: Oh, I'm sorry. My apologies, I  
5 didn't realize I had an exhibit with Mr. Carroll.

6 Q (By Mr. Hatch) Mr. Carroll, do you have a  
7 copy of two exhibits, marked NJC-1 and NJC-3?

8 A Yes, I do.

9 Q Have you reviewed those?

10 A Yes, I have.

11 Q Is everything in there true and correct to  
12 the best of your knowledge and belief?

13 A They are correct to the best of my knowledge.

14 MR. HATCH: Commissioners, could we get these  
15 marked for identification, please?

16 COMMISSIONER CLARK: NJC-1 will be Exhibit  
17 40. NJC-3 will be Exhibit 41.

18 MR. HATCH: NJC-2 is the confidential version  
19 of NJC-3, that's why you don't have that.

20 COMMISSIONER CLARK: All right. Well, let's --

21 MR. HATCH: Do you want to change the numbers  
22 back?

23 COMMISSIONER CLARK: Yes. Exhibit 41 will be  
24 NJC-2, which is the confidential exhibit. Exhibit 42  
25 will be NJC-3, which is the redacted version.

1 (Exhibit Nos. 40, 41 and 42 marked for  
2 identification.)

3 MR. HATCH: No further questions.

4 COMMISSIONER CLARK: Any questions?

5 COMMISSIONER LAUREDO: Yeah, I have a  
6 question. Staff may be able to answer it since you're  
7 not referenced as to issues. The issue, the primary  
8 issue that you raise, is it an issue that comes to mind  
9 as it is listed in the Prehearing Order? I don't  
10 recall it. The exclusion of the, or the -- the  
11 exclusion of non-Tier 1 companies, is it specifically  
12 in the Prehearing Order?

13 MR. HATCH: Mr. Carroll's testimony references  
14 his Company's positions in the Prehearing Order and he has  
15 adopted them as his personal direct testimony.

16 COMMISSIONER LAUREDO: But what I'm asking is  
17 there is not an issue listed in the Prehearing Order  
18 that addresses this issue.

19 UNIDENTIFIED SPEAKER: Issue 8, I think.

20 COMMISSIONER LAUREDO: ?? Issue 7?

21 MR. HATCH: It's Issue 7, yes, sir. In terms  
22 of who should be required to provide collocation.

23 COMMISSIONER LAUREDO: All right. And let me  
24 ask you, on the Prehearing Order, I'm going to read it  
25 or unless you have it on your summary, the very last



1 sentence, I'm having trouble following it. The  
2 so-called, "Must have recognition by the Commission  
3 that expanded interconnection will have possible  
4 financial and rate structure impacts on them and their  
5 rural subscribers." What does "recognition by the  
6 Commission" mean? I don't --

7 WITNESS CARROLL: I don't believe I have that  
8 order.

9 COMMISSIONER LAUREDO: Okay. Well, I'll read  
10 it to you.

11 MR. ERWIN: Could you do that? Just read it  
12 to him, maybe he can respond at that point.

13 COMMISSIONER LAUREDO: Up to the last  
14 sentence, it's pretty much your statement in your  
15 prefiled testimony. And then he says, "In addition  
16 Indiantown, Northeast, Quincy and Southland must have  
17 recognition by the Commission that expanded  
18 interconnection will have possible financial and rate  
19 structure impacts on them and their rural subscribers."

20 WITNESS CARROLL: What we're trying to --

21 COMMISSIONER LAUREDO: In other words, ruling  
22 out, Non-Tier 1 companies from any decision we make  
23 would not be sufficient to you, this is an additional  
24 requirement?

25 WITNESS CARROLL: What we're advocating at

1 this point is that the small rural companies which have  
2 a very much limited stream of revenues could be harmed  
3 by the mandatory collocation and that those revenues  
4 need to be found from some other place.

5 COMMISSIONER LAUREDO: Okay. Well, if we  
6 exclude you from these requirements, that's kind of  
7 redundant. I guess you're asking also for an affirmative  
8 statement of some sort over and beyond Issue 7's  
9 resolution. Is that basically what that says?

10 WITNESS CARROLL: Yes.

11 COMMISSIONER LAUREDO: Okay. Thanks.

12 COMMISSIONER CLARK: Any other questions?

13 Redirect?

14 MR. ERWIN: I have no redirect.

15 COMMISSIONER CLARK: Thank you, Mr. Carroll,  
16 you're excused.

17 MR. HATCH: Staff would move Exhibits 40  
18 through 42.

19 COMMISSIONER CLARK: Show those moved into  
20 the record without objection.

21 (Exhibit Nos. 40, 41 and 42 received into  
22 evidence.)

23 (Witness Carroll excused.)

24

-----

25 COMMISSIONER CLARK: Mr. Whalen.

1 MR. WHALEN: ALLTEL calls Harriet Eudy.

2 HARRIET E. EUDY

3 was called as a rebuttal witness on behalf of ALLTEL  
4 Florida, Inc. and, having been duly sworn, testified as  
5 follows:

6 DIRECT EXAMINATION

7 BY MR. WHALEN:

8 Q Would you please state your name and business  
9 address?

10 A Yes. My name is Harriet Eudy. My business  
11 address is P.O. Box 550, Live Oak, Florida, 32060. I'm  
12 employed by ALLTEL Florida, Inc.

13 Q Okay. And have you been sworn?

14 A Yes, I have.

15 Q Thank you. Ms. Eudy, did you cause to be filed  
16 prepared rebuttal testimony consisting of 12 pages?

17 A Yes, I did.

18 Q Do you have any corrections to that testimony?

19 A Yes, I have two.

20 Q Could you please tell us the corrections?

21 A The first one is a typographical error on  
22 Page 4, Line 2, the word "Bradford" should be  
23 "Branford," B-R-A-N-F-O-R-D.

24 The other correction is on -- just one minute --  
25 Page 10, Line 5, "60%" should be "75%."

1           Q     Do you have any additional corrections to  
2 your testimony?

3           A     No, I do not.

4           Q     With those corrections, if I asked you the  
5 questions contained in your prepared rebuttal  
6 testimony, would your answers be the same today?

7           A     Yes, they would.

8           MR. WHALEN: Could we please have those  
9 inserted into the record as though read?

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

12           Q     (By Mr. Whalen) Ms. Eudy, did you also  
13 prepare and cause to be filed a one-page exhibit  
14 entitled, "Exhibit of H. E. Eudy?"

15           A     Yes, I did.

16           MR. WHALEN: Could we please have that  
17 identified for the record?

18           COMMISSIONER CLARK: Yes, that will be  
19 identified as Exhibit 43.

20                   (Exhibit No. 43 marked for identification.)  
21  
22  
23  
24  
25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
PREPARED REBUTTAL TESTIMONY  
OF  
HARRIET E. EUDY

Q. Please state your name and business address.

A. My name is Harriet E. Eudy. My business address is 206  
White Avenue, Live Oak, Florida, 32060.

Q. By whom and in what capacity are you employed?

A. I am employed by ALLTEL Florida, Inc. ("ALLTEL Florida"  
or the "Company") as Manager, Regulatory Matters. In  
that position, I am responsible for the preparation of  
various studies and reports filed periodically with the  
Florida Public Service Commission ("FPSC" or the  
"Commission"), general oversight of other Commission  
related matters, and monitoring of the service  
performance results filed quarterly with the Commission.

Q. Please describe your educational background.

A. I was graduated from North Florida Junior College in 1966  
with an Associate in Arts degree. I began working for



1 North Florida Telephone Company (now ALLTEL Florida) in  
2 1973, where I served in various capacities in the  
3 accounting and cost separations areas. I became a  
4 supervisor in the regulatory department in 1987, and I  
5 have held my current position in that department since  
6 1991.

7

8 Q. What is the purpose of your testimony?

9

10 A. The purposes of my rebuttal testimony are to (1) describe  
11 ALLTEL, and (2) explain why the Florida Public Service  
12 Commission should not require expanded interconnection  
13 for Tier 2 local exchange companies ("LECs") like ALLTEL  
14 at this time. This testimony is designed to rebut the  
15 direct testimony of Paul Kourpoupas, who suggests that  
16 all LECs, including non-Tier 1 LECs, should be included  
17 in a mandtory interconnection policy for Florida.

18

19 Q. Have you prepared an exhibit which you sponsor in this  
20 proceeding?

21

22 A. Yes. Exhibit 43 (HEE-1), titled "Exhibit of H. E.  
23 Eudy," consists of one document and was prepared under my  
24 direction and supervision for filing in this proceeding.

25

I.

1

2

3 Q. Please describe ALLTEL Florida, Inc.

4

5 A. ALLTEL Florida, Inc., a Florida corporation, is a wholly-  
6 owned subsidiary of ALLTEL Corporation, a Delaware  
7 corporation. ALLTEL Florida employs 236 employees and is  
8 the fifth largest local exchange company ("LEC") in  
9 Florida.

10

11 Q. What are the areas of Florida in which ALLTEL Florida  
12 provides local exchange service?

13

14 A. ALLTEL Florida renders telephone service to all or parts  
15 of thirteen (13) counties in North Central Florida.  
16 Service is provided under authority from the Commission  
17 as evidenced by Certificates of Public Convenience and  
18 Necessity. We serve all of the counties of Suwannee,  
19 Hamilton and Lafayette and parts of the counties of  
20 Alachua, Gilchrist, Bradford, Nassau, Marion, Putnam,  
21 Clay, Columbia, St. Johns, and Union.

22

23 Q. How many exchanges has ALLTEL Florida established to  
24 serve this area?

25

1     **A.**   The Company presently has twenty-seven (27) exchanges  
2           which are located at Alachua, Brad<sup>^</sup>ford, Brooker,  
3           Callahan, Citra, Crescent City, Dowling Park, Florahome,  
4           Florida Sheriffs Boys Ranch, Fort White, Hastings, High  
5           Springs, Hilliard, Interlachen, Jasper, Jennings, Lake  
6           Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose,  
7           Orange Springs, Raiford, Waldo, Wellborn and White  
8           Springs.

9  
10    **Q.**   What is the geographical size and density of the area the  
11       Company serves?

12  
13    **A.**   ALLTEL Florida's service territory is approximately 3,568  
14       square miles. As of December 31, 1992, we served 61,554  
15       access lines. This equates to approximately 17 access  
16       lines per square mile, as compared to Central Telephone  
17       Company of Florida with 302,647 access lines at  
18       approximately 48 access lines per square mile.

19  
20    **Q.**   Is there any significance to this density figure?

21  
22    **A.**   Yes. It is indicative of the type of area we serve, a  
23       predominately rural agricultural area. We serve no major  
24       urban area or city. Such an area tends to be more costly  
25       to serve, both in terms of the cost of initial

1 construction and in terms of operating and maintenance  
2 costs. Our density ratio is less than half that of the  
3 next largest LEC, Central Telephone Company of Florida,  
4 which has five times the number of access lines as ALLTEL  
5 Florida.

6

7 Q. What is the significance of these size and density  
8 statistics?

9

10 A. These size and density statistics are very significant.  
11 Because ALLTEL is smaller and has fewer customers than  
12 the Tier 1 LECs operating in Florida, it is relatively  
13 more difficult for ALLTEL to respond to competitive  
14 pressures caused by AAVs and other potential competitors.  
15 The loss of one major private line or special access  
16 large customer would make it more difficult for ALLTEL to  
17 earn its authorized rate of return without increasing the  
18 prices it charges to its basic residential and business  
19 customers. ALLTEL's ability to recover "lost" revenues  
20 from its remaining customers is less than that of Tier 1  
21 LECs which have large numbers of business and residential  
22 customers and a wide variety of vertical services over  
23 which to spread any "lost" revenues.

24

25 Q. How does ALLTEL's size compare to the size of the other

1           LECs in Florida?

2

3       **A.**   A comparison of ALLTEL's size to the size of the other  
4           LECs in Florida is shown on document one of my Exhibit  
5           (HEE-1).

6

7

II.

8

9       **Q.**   What is ALLTEL's basic position in this proceeding?

10

11       **A.**   ALLTEL has no position on the issues in this case as they  
12           relate to Tier 1 local exchange companies. As this  
13           proceeding may relate to Tier 2 companies like ALLTEL,  
14           the FPSC's policy on expanded interconnection for  
15           alternative access vendors ("AAVs") should mirror the  
16           policy recently adopted by the Federal Communication  
17           Commission, i.e., expanded interconnection should not be  
18           required for Tier 2 local exchange companies like ALLTEL.

19

20       **Q.**   Has the FCC mandated any form of expanded interconnection  
21           for Tier 2 LECs like ALLTEL?

22

23       **A.**   No. The FCC's first order on expanded interconnection  
24           for private line and special access exempted Tier 2 LECs  
25           like ALLTEL. I understand that the FCC's recent decision



1           on expanded interconnection for switched access also  
2           exempted Tier 2 LECs like ALLTEL.

3

4       **Q.**   Why did the FCC exempt Tier 2 LECs like ALLTEL from its  
5           expanded interconnection requirement?

6

7       **A.**   The reasons behind the FCC's decision to exempt Tier 2  
8           LECs from the private line/special access expanded  
9           interconnection requirement were made clear in the FCC  
10          report and order released October 19, 1992. The FCC  
11          report and order released October 19, 1992, states:

12               Small LECs argue that expanded  
13               interconnection requirements should not apply  
14               either to small LECs or to Tier 1 LECs in  
15               rural areas or in Puerto Rico because of  
16               potential adverse effects on universal  
17               service and infrastructure development, and  
18               because the demand for collocation is likely  
19               to be limited in rural area. TVS  
20               specifically states that rural areas often  
21               have only one or two large business  
22               customers, adding that the diversion of these  
23               customers' traffic would have a far greater  
24               impact than the loss of one or two customers  
25               in an urban area.

\* \* \*

1  
2 While requiring all LECs to provide expanded  
3 interconnection would ensure that customers  
4 in all areas can benefit from the expanded  
5 interconnection, it is unlikely that there  
6 would be great demand for expanded  
7 interconnection in small LEC service areas,  
8 at least in the near term. Requiring smaller  
9 LECs to offer expanded interconnection might  
10 also tax their resources and harm universal  
11 service and infrastructure development in  
12 rural areas. We believe that the demand for  
13 expanded interconnection that does exist in  
14 rural areas typically would come from a  
15 single large user. The use of expanded  
16 interconnection offered by such customers  
17 could create substantial stranded LEC  
18 investment that could not readily be reused,  
19 possible threatening economic viability of a  
20 small LEC.

21  
22 We therefore adopt our proposal to limit the  
23 requirement to Tier 1 LECs. This would  
24 ensure the availability of expanded  
25 interconnection in most urban and suburban

1                    areas where demand is likely to be greatest.

2

3                    I believe these policy reasons apply with equal force to  
4                    the decisions facing the FPSC in this docket.

5

6                    Q.    If the FPSC requires expanded interconnection for Tier 2  
7                    LECs, would ALLTEL and its customers be harmed?

8

9                    A.    Yes.

10

11                   Q.    How?

12

13                   A.    Requiring expanded interconnection for Tier 2 LECs will  
14                   serve to increase the competitive pressures faced by  
15                   ALLTEL. While ALLTEL is not opposed to competition,  
16                   ALLTEL is concerned that the increased competition from  
17                   expanded interconnection will (1) create downward  
18                   pressure on ALLTEL's private line and special access  
19                   rates, (2) result in the loss of large private line  
20                   and/or special access customers, or (3) a combination of  
21                   (1) and (2). Any of these alternatives will put pressure  
22                   on ALLTEL's other rates, especially the rates ALLTEL  
23                   charges to its basic local business and residential  
24                   customers.

25

1 Q. Are special access and private line revenues important to  
2 ALLTEL?

3  
4 A. Yes. ALLTEL's five largest private line customers  
5 account for over <sup>75%</sup> 60% of ALLTEL's intrastate private line  
6 revenues. ALLTEL's five largest special access customers  
7 account for over 30% of ALLTEL's intrastate special  
8 access revenues. ALLTEL believes that the revenues it  
9 receives from intrastate private line and special access  
10 services are important, and the loss of these revenues  
11 will create upward pressure on the basic local business  
12 and residential rates charged by ALLTEL. This would harm  
13 ALLTEL and its customers.

14  
15 Imposing mandatory expanded interconnection requirements  
16 on ALLTEL and the other Tier 2 LECs will increase the  
17 likelihood that AAVs will compete for these revenues.  
18 This, in turn, will increase the competitive pressure on  
19 ALLTEL's special access and private line rates.

20  
21 Q. Should the FPSC require Tier 2 LECs to negotiate with  
22 AAVs for expanded interconnection on a case-by-case  
23 basis?

24  
25 A. No. As shown above, the ability of Tier 2 LECs to

respond to the competitive pressures imposed by AAVs is more limited than Tier 1 LECs. The FPSC should exempt Tier 2 LECs from any mandatory expanded interconnection requirements until it observes the impact of any such requirement on Tier 1 LECs.

### III.

## Conclusion

**Q. Please summarize your testimony.**

A. This Commission should be particularly aware of and sensitive to the effect the Commission's actions in this docket might have on residential and small business customers, especially those in rural areas. This Commission's decision should have little adverse impact on these customers if (1) the Commission's decision imposes expanded interconnection obligations only on the largest LECs, the Tier 1 carriers. Consequently, this Commission should not require smaller companies serving rural areas to provide expanded interconnection. This action is consistent with the FCC's actions in the matter of expanded interconnection with local telephone company facilities.



1           While this Commission should take a significant step  
2           toward providing the benefits of competition in the  
3           provisions of telecommunications service, it should be a  
4           measured step. That measured step should include the  
5           consideration of expanded interconnection only for Tier  
6           1 companies.

7  
8           The complexity of the issues surrounding expanded  
9           interconnection and the time necessary for a state  
10          regulatory body such as the Florida Public Service  
11          Commission to carefully evaluate the merits and impacts  
12          of intrastate expanded interconnection point clearly to  
13          a limitation in the scope of this Commission's order.  
14          The application of the obligations imposed in this docket  
15          should be limited to Tier 1 LECs. In this way, the  
16          Commission can take a measured step towards providing  
17          competition, while assessing the effects of that action  
18          in giving the small LECs additional time to prepare for  
19          the advent of competition. This competition can be  
20          proportionately far more devastating for the small LECs.

21

22       **Q.**   Does this conclude your rebuttal testimony?

23

24       **A.**   Yes.

25

1           Q     (By Mr. Whalen) Could you please summarize  
2 your testimony?

3           A     Yes. This testimony is designed to rebut the  
4 direct testimony of Mr. Kouroupas, who suggests that  
5 all local exchanges companies including non-Tier I  
6 companies should be included in a mandatory  
7 interconnection policy in Florida. It is ALLTEL's  
8 basic position that Tier II companies should be  
9 exempted from the private line special access expanded  
10 interconnection requirement consistent with the FCC  
11 decision at the interstate level.

12               ALLTEL serves less than 1% of the access  
13 lines in Florida with a density ratio of only 17 access  
14 lines per square mile. This is an indicator of the  
15 rural area that we serve, making it more difficult for  
16 us to respond to competitive pressures.

17               As I indicated in my testimony, ALLTEL's ten  
18 largest private line and special access customers  
19 together account for over 60% of the total billing for  
20 those services. The loss of one major customer would  
21 make it more difficult for ALLTEL to earn its  
22 authorized rate of return without increasing the price  
23 it charges for its basic local services.

24               If we were to lose the ten customers that I  
25 just mentioned, this loss would equate to approximately

1 65 cents per access line per month if the loss were  
2 spread over our local customer base.

3 In addition, since collocation was not  
4 mandated for Tier II LECs at the federal level, ALLTEL  
5 is concerned that a state mandate will provide an  
6 incentive for potential collocators who desire to take  
7 advantage of the intrastate provision to order up  
8 intrastate services claiming interstate usage at levels  
9 less than those required under the interstate  
10 contamination rule, and that, once in place, those  
11 services can carry traffic in both jurisdictions.

12 As we have already seen, there are many  
13 uncertainties about the real effect that collocation will  
14 have upon the industry, especially the rural subscribers.  
15 It is precisely this uncertainty which troubles us.

16 ALLTEL is certainly not opposed to  
17 competition, but we are concerned that the move toward  
18 competition is managed properly, so as to provide the  
19 least threat to universal service. While are not  
20 promoting expanded interconnection for the large LECs,  
21 we feel that if it is to be required at all, it should  
22 be required for Tier I LECs initially. Once experience  
23 is gained, we will all be in a better position to judge  
24 the appropriateness of mandatory collocation for the  
25 small companies.

1                   Thank you.

2                   MR. WHALEN: The witness is available for  
3 cross examination.

4                   COMMISSIONER CLARK: Any questions?

5                   MR. MURPHY: Yes.

6                   COMMISSIONER CLARK: Go ahead.

7                   CROSS EXAMINATION

8 BY MR. MURPHY:

9                   Q     Ms. Eudy, I'm Charles Murphy on behalf of the  
10 Commission Staff. Have you received a copy of Exhibits  
11 HE-1 through HE-3?

12                  A     Yes, I have.

13                  Q     Have you had a chance to review them?

14                  A     Yes, I have.

15                  Q     Are they accurate to the best of your  
16 knowledge and belief?

17                  A     I do have two corrections, one being in the  
18 nonproprietary and confidential Exhibit HE-1, on Page  
19 11, the hand-numbered at the bottom of the page. Right  
20 in the middle of the page, the number 362,708, should  
21 instead be 447,034.

22                  Q     Yes.

23                  A     There is one other correction to the  
24 proprietary information that's contained in HE-3; and  
25 to the extent that you may refer to that in your

1 questioning, I probably should make that correction at  
2 this point.

3 MR. WHALEN: Commissioner Clark, we have  
4 prepared a revised answer to Interrogatory No. 6a.  
5 That was filed on a confidential basis along with a  
6 request for confidential classification, it has not  
7 been distributed to the parties, and I don't think Mr.  
8 Murphy intended to distribute it today. I'd like, if  
9 it's acceptable to the parties, to simply submit the  
10 revised copy to the court reporter in a confidential  
11 envelope and let the record reflect that a revised  
12 answer has been submitted.

13 COMMISSIONER CLARK: Well, let me ask you. I  
14 take it there's an HE-2 that's confidential?

15 MR. MURPHY: Correct.

16 COMMISSIONER CLARK: All right. And it's a  
17 revision to that one?

18 MR. MURPHY: Correct. And my understanding  
19 is that only the numbers would change, that it would not  
20 change the redacted version that has been distributed.

21 COMMISSIONER CLARK: All right. So why don't  
22 we -- do you have any other changes to your exhibits?

23 WITNESS EUDY: No, I do not.

24 COMMISSIONER CLARK: Okay. Why don't we go  
25 through and mark as Exhibit 44, HE-1, which is the



1 "Response to Interrogatories." We'll mark as Exhibit  
2 45 HE-2, which is the "Confidential Response to  
3 Interrogatory No. 6," and attach to it the revision  
4 supplied by Mr. Whalen. That will be Exhibit 45. And  
5 then Exhibit 46 will be HE-3, the redacted version.

6 MR. MURPHY: Thank you.

7 (Exhibit Nos. 44, 45 and 46 marked for  
8 identification.)

9 Q (By Mr. Murphy) Ms. Eudy, you've indicated  
10 that ALLTEL is not in favor of mandatory collocation;  
11 is that correct?

12 A That's correct.

13 Q If collocation is not mandated for non-Tier I  
14 LECs, how would ALLTEL accommodate a request by a  
15 collocater to collocate?

16 A On a negotiated basis.

17 Q Can you elaborate on that?

18 A We would, as Mr. Carroll has suggested, take  
19 the request of the potential collocater and have  
20 discussions with them regarding what arrangements might  
21 be reached. If it's a prudent decision on the part of  
22 all parties that are involved, we may consider some  
23 contractual arrangement to provide that collocation.

24 We're not opposed to the concept of  
25 collocation per se, we're really opposed to the

1 mandatory requirement that we provide it at this time.

2 Q If you're not able to reach an agreement,  
3 what do you envision would happen?

4 A I would presume that there would be no  
5 settlement, there would be no agreement, no arrangement.

6 Q Do you envision that the AAV would petition  
7 the Commission to require it, or what sort of  
8 proceeding would you --

9 A Possibly they would register some formal  
10 petition or some formal complaint with the Commission.  
11 I would presume that that capability exists today.

12 MR. MURPHY: Okay. No further questions.

13 COMMISSIONER CLARK: Commissioners? Redirect?

14 MR. WHALEN: No redirect.

15 COMMISSIONER CLARK: Thank you, Ms. Eudy.

16 WITNESS EUDY: Thank you.

17 MR. WHALEN: I would like to move Exhibit 43.

18 COMMISSIONER CLARK: Show Exhibit 43 entered  
19 into the record.

20 MR. MURPHY: Staff would move Exhibits 43  
21 through 46.

22 COMMISSIONER CLARK: All right. Show  
23 Exhibits 44, 45 and 46 entered into the record.

24 (Exhibit Nos. 43 through 46 received into  
25 evidence.)

1 (Witness Eudy excused.)

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3 COMMISSIONER CLARK: I think that concludes  
4 the testimony. Is there anything further that we need  
5 to take up at this time?

6 MR. HATCH: There's one housekeeping detail,  
7 Madam Chairman. Earlier in the proceeding there had  
8 been a request for a late-filed exhibit. It's been  
9 identified as Exhibit No. 5.

10 COMMISSIONER CLARK: Yes.

11 MR. HATCH: Do you want to set a time certain  
12 for that or inquire when it would be available?

13 COMMISSIONER CLARK: Yes. What's the usual  
14 time given for late-filed exhibits?

15 MR. HATCH: It varies depending on the  
16 complexity, and this one was asking to determine some  
17 costs comparisons. I'm not certain. At least 15,  
18 sometimes 30 or more days depending. Frequently, it  
19 comes in with the brief itself, but that's difficult  
20 because the parties would like it if it's going to be  
21 utilized for brief purposes.

22 COMMISSIONER CLARK: When is the transcript  
23 due?

24 MR. MURPHY: Commissioners, the transcript is  
25 due on the 24th of this month.

• • • • •

1 F L O R I D A )

2 :

CERTIFICATE OF REPORTERS

3 COUNTY OF LEON)

4 We, JOY, KELLY, CSR, RPR; SYDNEY C. SILVA,  
5 CSR, RPR; PAMELA A. CANELL, Official Commission  
6 Reporters,

7 DO HEREBY CERTIFY that the Hearing in Docket  
8 No. 920174-TP, was heard by the Florida Public Service  
9 Commission at the time and place herein stated; it is  
10 further

11 CERTIFIED that we stenographically reported  
12 the said proceedings; that the same has been  
13 transcribed under our direct supervision, and that this  
14 transcript, consisting of 691 pages, Volumes I through  
15 IV, inclusive, constitutes a true transcription  
16 of our notes of said proceedings.

17 DATED this 20th day of September, A. D.,  
18 1993.

19   
20 JOY KELLY, CSR, RPR  
21 Chief, Bureau of Reporting

22   
23 SYDNEY C. SILVA, CSR, RPR  
24 Official Commission Reporter


25   
PAMELA A. CANELL  
Official Commission Reporter  
(904) 488-5981

18 STATE OF FLORIDA)

19 :

20 COUNTY OF LEON )

21 The foregoing certificate was acknowledged  
22 before me this 20th day of September, 1993, by JOY  
23 KELLY, SYDNEY C. SILVA and PAMELA A. CANELL, who are  
24 personally known to me.

25   
EVELYN BORSCHEL  
Notary Public - State of Florida



EVELYN L. BORSCHEL  
MY COMMISSION # CC289265 EXPIRES  
May 25, 1997  
BONDED THRU TROY FAIR INSURANCE, INC.

FLORIDA PUBLIC SERVICE COMMISSION