

## FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of : Docket No. 921074-TP  
: Docket No. 930955-TP  
Expanded Interconnection : Docket No. 940014-TP  
Phase II and Local : Docket No. 940020-TP  
Transport Restructure : Docket No. 931196-TP  
----- Docket No. 940190-TP

## FIRST DAY - MORNING SESSION

## VOLUME 1

Pages 1 through 169

## PROCEEDINGS:

## HEARING

## BEFORE:

CHAIRMAN J. TERRY DEASON  
COMMISSIONER SUSAN F. CLARK  
COMMISSIONER JULIA L. JOHNSON

## DATE:

Monday, August 22, 1994

## TIME:

Commenced at 9:30 a.m.

## PLACE:

FPSC Hearing Room 106  
101 East Gaines Street  
Tallahassee, Florida

## REPORTED BY:

JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting  
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Official Commission Reporter  
and  
LISA GIROD JONES, RPR, CM

FLORIDA PUBLIC SERVICE COMMISSION

DOCUMENT NUMBER-DATE

09227 SEP-76

FPSC-RECORDS/REPORTING

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## P R O C E E D I N G S

(Hearing convened at 9:30 a.m.)

CHAIRMAN DEASON: Call the hearing to order, please. Read the notice, please.

MS. CANZANO: Pursuant to notice issued June 28, 1994, in this docket, a hearing has been set for this time and place. The purpose of the hearing is set forth in the notice.

CHAIRMAN DEASON: Thank you. Take appearances.

MR. CARVER: Phillip Carver, on behalf of Southern Bell, 150 West Flagler Street, Suite 1910, Miami, Florida.

MS. PEED: Mary Jo Peed, on behalf of the Southern Bell, Suite 4300, 675 West Peachtree Street, Atlanta, Georgia, 30375.

MR. FONS: John P. Fons, of the law firm of Macfarlane, Ausley, Ferguson and McMullen, Post Office Box 391, Tallahassee, Florida 32301, appearing on behalf of United Telephone Company of Florida and Central Telephone Company of Florida.

MS. KAUFMAN: Vicki Gordon Kaufman, McWhirter, Reeves, McGlothlin, Davidson and Bakas, 315 South Calhoun Street, Suite 716, Tallahassee, Florida 32301 on behalf of the Interexchange Access Coalition.

MR. ADAMS: Danny Adams, Wiley, Rein and

1 Fielding, 1776 K Street Northwest, Washington, DC, 20006,  
2 on behalf of the Interexchange Access Coalition.

3 MR. HOFFMAN: Kenneth A. Hoffman, of the law  
4 firm of Rutledge, Ecenia, Underwood, Purnell and Hoffman,  
5 P. O. Box 1551, 215 South Monroe Street, Suite 420,  
6 Tallahassee, Florida 32302. And I will also enter an  
7 appearance for Ms. Teresa Marrero, Regulatory Counsel,  
8 Telecommunications Group, Inc., One Teleport Drive, Suite  
9 301, Staten Island, New York, 10311, appearing on behalf  
10 of Teleport Communications Group, Inc.

11 MS. WILSON: I'm Laura Wilson, Post Office Box  
12 10383, Tallahassee, Florida 32302, appearing on behalf of  
13 the Florida Cable Television Association.

14 MR. DUNBAR: Peter Dunbar, on behalf of the  
15 Pennington and Haben law firm, 215 South Monroe,  
16 Tallahassee, Florida, also entering an appearance for  
17 David L. Swafford, Class B Practitioner, both on appearing  
18 on behalf of the Time Warner AxS of Florida, LP.

19 MR. TYE: Michael W. Tye, 106 East College  
20 Avenue, Suite 1410, Tallahassee, Florida 32301, appearing  
21 on behalf of AT&T Communications of the Southern States,  
22 Inc.

23 MR. WIGGINS: Patrick K. Wiggins, of the law  
24 firm of Wiggins and Villacorta, Post Office Box 1657,  
25 Tallahassee, Florida 32302, on behalf of Intermedia



1 Communications of Florida, Inc. I would like to enter an  
2 appearance for Marsha Rule of the same law firm and also  
3 for Pat Kurlin, General Counsel, Intermedia Communications  
4 of Florida, Inc., 9280 Bay Plaza Boulevard, Suite 720,  
5 Tampa 33619.

6 MS. CASWELL: Kim Caswell, on behalf of GTE of  
7 Florida, P.O. Box 110, Mail Code 7, Tampa, Florida 33601.

8 MR. WAHLEN: Jeff Wahlen, of MacFarlane, Ausley,  
9 Ferguson and McMullen, P. O. Box 391, Tallahassee,  
10 Florida, appearing on behalf of ALLTEL Florida, Inc.

11 MR. ERWIN: I'm David B. Erwin, of the firm of  
12 Young, van Assenderp and Varnadoe, 225 South Adams Street,  
13 Tallahassee, Florida, appearing on behalf of Northeast  
14 Florida Telephone Company and Quincy Telephone Company.

15 MS. BRYANT: Chanthina Bryant, on behalf of the  
16 Sprint Communications Company, Limited Partnership, 3065  
17 Cumberland Circle, Atlanta, Georgia 30339. Also appearing  
18 with me is Everett Boyd from the Ervin, Varn law firm, P.  
19 O. Drawer 1170, Tallahassee, Florida 32302.

20 MR. MELSON: Richard Melson, of the law firm  
21 Hopping Boyd Green and Sams, Post Office Box 6526,  
22 Tallahassee, appearing on behalf of MCI Telecommunications  
23 Corporation. I would also like to enter an appearance for  
24 Michael J. Henry, 780 Johnson Ferry Road, Atlanta,  
25 Georgia, also on behalf of MCI.

1 MR. BECK: Charlie Beck and Earl Poucher, Office  
2 of the Public Counsel, 111 West Madison Street, Room 812,  
3 Tallahassee, Florida 32399-1400, appearing on behalf of  
4 the Florida citizens.

5 MS. CANZANO: Donna L. Canzano -- did we get all  
6 the parties? I think so.

7 CHAIRMAN DEASON: I believe so.

8 MS. CANZANO: Donna L. Canzano, Tracy Hatch and  
9 Michael Billmeier, 101 East Gaines Street, Tallahassee,  
10 Florida 32399-0863, appearing on behalf of the Commission  
11 Staff.

12 MS. JEAN WILSON: Jean Wilson and Prentice  
13 Pruitt, same address, counsel to the Commissioners.

14 CHAIRMAN DEASON: Preliminary matters?

15 MS. CANZANO: Yes, there are several. First, I  
16 think we would like to address proposed stipulations and  
17 ask that the Commissioners recommend accepting them at  
18 this time.

19 CHAIRMAN DEASON: Commissioners, are you  
20 prepared at this time to address the proposed  
21 stipulations?

22 COMMISSIONER CLARK: Where are they?

23 CHAIRMAN DEASON: They're in the prehearing  
24 order.

25 MS. CANZANO: On Page 64 of the prehearing

1 order, we, the parties, have agreed to stipulate Issues  
2 Nos. 1, 2, 9, 11 and 13; and after the prehearing order  
3 came out the parties have also agreed to Issue No. 10, of  
4 which I have passed out proposed language to the court  
5 reporters and to the Commissioners.

6 CHAIRMAN DEASON: Commissioners, if you need a  
7 few minutes to further review those, we can take a break  
8 at this time. Or if you feel comfortable in going  
9 forward?

10 COMMISSIONER CLARK: I need a few minutes.

11 CHAIRMAN DEASON: Okay. Would it be best to  
12 take a break now so that we can know whether the  
13 stipulations are acceptable or not before we proceed any  
14 further?

15 COMMISSIONER CLARK: That's fine.

16 CHAIRMAN DEASON: Okay. We'll take ten minutes.  
17 Unless -- are there any other preliminary matters we can  
18 go ahead and address?

19 MS. CANZANO: Yes.

20 CHAIRMAN DEASON: Let's do those and then we'll  
21 take a brief recess and further review the stipulations.

22 MS. CANZANO: Okay. Staff would like to  
23 identify -- have official recognition of a number of  
24 orders. I have distributed them to the parties and to the  
25 Commissioners and court reporters.

1 CHAIRMAN DEASON: All of these are either PSC or  
2 FCC orders?

3 MS. CANZANO: That is correct.

4 CHAIRMAN DEASON: And we routinely recognize our  
5 own orders and normally we recognize orders of the FCC as  
6 well; is that correct?

7 MS. CANZANO: Yes, it is.

8 CHAIRMAN DEASON: And all parties have this  
9 list, I take it?

10 MS. CANZANO: They should.

11 CHAIRMAN DEASON: Is there any objection to the  
12 Commission recognizing any of the orders contained in the  
13 Staff-provided list?

14 Very well, let the record reflect there is no  
15 objection. What I would propose to do is simply  
16 identify this listing as an exhibit; that way, it would  
17 prevent the necessity of having to read each one of  
18 these at this time and it may be more expeditious. So  
19 this listing will simply be identified as Exhibit No. 1.  
20 And without objection, that exhibit will be admitted  
21 into the record.

22 Hearing no objection, it is admitted. And it  
23 is simply for the purposes of listing the orders that  
24 will be officially recognized.

25 (Exhibit No. 1 marked for identification and

1 received in evidence.)

2 MS. CANZANO: Thank you.

3 CHAIRMAN DEASON: Any other preliminary matters?

4 MS. CANZANO: Yes. FCTA has a concern about one  
5 of its witnesses which it would like to address.

6 MS. WILSON: Thank you, Mr. Chairman. I found  
7 out on Friday at 3:30 that my witness, Bill Kingsley, had  
8 been involved in a boating accident and had sustained  
9 injuries to both of his legs, making him unable to travel  
10 from Philadelphia down here for the hearing.

11 Upon learning that, I was able to find a  
12 substitute witness. His name is Jeff Smith, and he is  
13 the Vice President and General Counsel of Comcast  
14 Cellular and the Deputy General Counsel of Comcast. He  
15 will be available and is competent to testify on the  
16 issues addressed in this docket. He will be available  
17 to testify on Tuesday.

18 I have checked with the other parties and I  
19 believe that I can say that there are no objections to  
20 this. And I will need some accommodation if you are  
21 agreeable to take him out of order on Tuesday.

22 CHAIRMAN DEASON: Any objection to having  
23 Mr. Smith substitute for Mr. Kingsley and having Mr. Smith  
24 appear on Tuesday? I believe there's no objection. We  
25 will certainly endeavor to make that accommodation.



1 MS. WILSON: Thank you.

2 CHAIRMAN DEASON: Any other preliminary matters?

3 MS. CANZANO: I believe Ms. Kaufman has one.

4 MS. KAUFMAN: Thank you, Mr. Chairman. I

5 actually have two. The first is that, pursuant to Rule  
6 25-22.008(2)(b), I would like to sponsor the appearance of  
7 Mr. Danny Adams on behalf of the Interexchange Access  
8 Coalition. Mr. Adams is with the firm of Wiley, Rein and  
9 Fielding, in Washington, DC; and he's a member of the  
10 Washington, DC and Arizona Bars and has practiced before  
11 utility regulatory bodies in Mississippi, Louisiana,  
12 Minnesota and Illinois.

13 CHAIRMAN DEASON: Is that Adams or Allen?

14 MS. KAUFMAN: It's Adams, A-D-A-M-S.

15 CHAIRMAN DEASON: Okay. I believe that that is  
16 according to Commission-established procedure to allow the  
17 sponsoring. Is there any objection? I believe there is  
18 no objection, that will be fine.

19 MS. KAUFMAN: Thank you, Mr. Chairman.

20 Secondly, IAC would like to address for a  
21 moment the order of witnesses. And Mr. Gillan now  
22 appears -- this is on Page 6 of the prehearing order --  
23 he now appears following Mr. Lee and before Mr. Carroll.  
24 In other words, right in the middle of the LECs' case.

25 Mr. Gillan will be available beginning

1 tomorrow and he will be able to be here Wednesday and  
2 Thursday if that's necessary. And we would ask that he  
3 be moved to follow Mr. Hendrix so that he appears at the  
4 conclusion of the LECs' direct case.

5 CHAIRMAN DEASON: Any objection to making that  
6 change in the order of witnesses?

7 MS. KAUFMAN: And, Mr. Chairman, the same  
8 request would be made on the order of rebuttal witnesses.

9 CHAIRMAN DEASON: Okay. For direct, he would  
10 follow Mr. Hendrix; and then on the rebuttal, he would  
11 follow Mr. Hendrix there also; is that correct?

12 MS. KAUFMAN: Yes, sir.

13 CHAIRMAN DEASON: And he will be available  
14 beginning tomorrow?

15 MS. KAUFMAN: Yes. I'm not exactly sure what  
16 time, hopefully, some time in the morning tomorrow.

17 CHAIRMAN DEASON: Okay. Any objection to that  
18 change in order? Very well.

19 MS. KAUFMAN: Thank you.

20 MS. CANZANO: Staff has one other preliminary  
21 matter, and that's that we didn't provide any copies of  
22 the tariffs in our exhibits but they are available upon  
23 request if anybody would like them. There have been 22 of  
24 them that have been filed and they're voluminous.

25 CHAIRMAN DEASON: Any other preliminary matters?

1 MR. MELSON: Chairman Deason, Richard Melson.  
2 MCI is interested in monitoring this proceeding, we don't  
3 have any witnesses and are not actively participating. I  
4 would like to be excused if I could from further  
5 participation at the hearing.

6 CHAIRMAN DEASON: You certainly may be excused.  
7 Mr. Erwin.

8 MR. ERWIN: Yes. Assuming there will be  
9 acceptance of the stipulations, I would like to also see  
10 if there's a possibility of having Mr. Carroll excused  
11 from appearing as a witness in the proceeding. And then I  
12 would like to remain a party, but I would like to have  
13 permission not to be present during the proceedings but  
14 simply remain to receive copies of orders and so forth.

15 CHAIRMAN DEASON: Okay. We're about to take a  
16 recess and we'll come back and address -- I believe  
17 everybody is ready to address the stipulations. So we can  
18 address the stipulations and then we can address  
19 Mr. Carroll's appearance.

20 COMMISSIONER CLARK: Mr. Chairman, I can move  
21 approval of the stipulations.

22 COMMISSION JOHNSON: Second.

23 CHAIRMAN DEASON: It has been moved and  
24 seconded. Show that all the stipulations as contained in  
25 the prehearing order are approved.

1 MS. CANZANO: And No. 10 also?

2 CHAIRMAN DEASON: That would include No. 10. Is  
3 that part of the motion?

4 COMMISSIONER CLARK: Yes.

5 CHAIRMAN DEASON: Very well, 10, also. It was  
6 my intention that 10 was being included.

7 Now, Mr. Erwin, we can address Mr. Carroll.  
8 Since those stipulations have been approved, it is your  
9 desire that Mr. Carroll not appear as a witness in these  
10 proceedings?

11 MR. ERWIN: That's correct, sir.

12 CHAIRMAN DEASON: Okay. Any objection to  
13 Mr. Carroll not appearing as a witness? There being no  
14 objection, you may show that Mr. Carroll will not appear  
15 and can be excused. And I believe it is your desire that  
16 you also be excused but remain a party to these  
17 proceedings.

18 MR. ERWIN: That's correct.

19 COMMISSIONER CLARK: Just so I'm clear, you're  
20 withdrawing his testimony?

21 MR. ERWIN: That's correct.

22 COMMISSIONER CLARK: Okay.

23 CHAIRMAN DEASON: Mr. Carroll's testimony will  
24 be withdrawn. And Mr. Erwin, even though we would like to  
25 have you with us here for the next few days, you may be

1 excused.

2 MR. ERWIN: Thank you, Mr. Chairman.

3 CHAIRMAN DEASON: Any other preliminary matters?

4 MS. CANZANO: None that I'm aware of.

5 CHAIRMAN DEASON: I'm going to ask all witnesses  
6 that are present and will be testifying either today or  
7 sometime this week to please stand and raise your right  
8 hand.

9 (Witnesses collectively sworn.)

10 CHAIRMAN DEASON: Thank you. Please be seated.

11 Mr. Wiggins, I believe your witness is first.

12 Oh, I'm sorry. We're going to do opening  
13 statements, aren't we?

14 MR. WIGGINS: That was my understanding.

15 CHAIRMAN DEASON: I guess I was just hoping that  
16 we would forget. Okay. Is there any particular order  
17 contemplated in the presentment of the opening statements?

18 MS. CANZANO: I haven't contemplated one.

19 CHAIRMAN DEASON: Why don't we just make it  
20 simple and just follow basically the order of witnesses  
21 and, therefore, Mr. Wiggins, you'll be first.

22 MR. WIGGINS: That's much better. (Laughter)

23 Good morning. I think as you will see in this  
24 hearing that a lot of time and testimony will be spent  
25 on the redesign of local transport. Those are issues



1 that are not at the heart of Intermedia's concern. The  
2 cluster of issues that Intermedia will be addressing in  
3 this proceeding and in its posthearing brief are the  
4 expanded interconnection issues for switched access.

5           Essentially, what's going on here is this  
6 Commission needs to determine whether this is in the  
7 public interest. And we think that the record will show  
8 that clearly it is; that this is the next necessary but  
9 not sufficient step to bring competition to the local  
10 market.

11           This Commission has already established and is  
12 well-aware of the benefits of this competition, the  
13 introduction of new technology, the important  
14 introduction of system redundancy for users that are so  
15 dependent on information services, innovation, customer  
16 choice, price competition that equals cost reduction for  
17 the customers who use the services.

18           Now, against these benefits you will hear  
19 concerns about the revenue effect of allowing expanded  
20 interconnection for switched access. But in this  
21 context, those are very insignificant because all we're  
22 talking about is the pipeline, the dedicated link  
23 between the central office and the IXC POP for  
24 intrastate purposes. You will see that that's just a  
25 very small part. In fact, I think the LEC witnesses

1 will attest that what they're concerned about is the  
2 next step, what happens when this competition moves over  
3 into the switching part.

4 Another thing you will be asked to address  
5 today and in the final order is what are the terms and  
6 conditions of expanded interconnection? Well, in a  
7 sense that should be a no-brainer. Switched and  
8 special, they're going to have to be the same. This  
9 Commission is going to need to be consistent with the  
10 FCC, so there's not going to be a lot of controversy  
11 about that. Oh, I'm sure you will hear something about  
12 physical collocation being unconstitutional, but other  
13 than that, it is not going to be a big problem.

14 Perhaps more contentious will be the statutory  
15 boundaries. If I understand the LEC testimony positions  
16 correctly, there's some concern that even once you get  
17 this all put together and you get local transport  
18 restructured, that Intermedia and other AAVs will not be  
19 able to provide the transport because they're called  
20 switched services. Well, they're clearly not switched  
21 services; they're point-to-point dedicated transport;  
22 they meet the statutory definition of private line and  
23 they're allowed.

24 In fact, one of the significant things about  
25 this docket that might be overlooked is that it is

1 leading to the unbundling of the local network, or it's  
2 that next step from unbundling. Because now we're  
3 unbundling transport from switching. What previously  
4 were being offered together as products, switched  
5 products, switching and transport are now being split so  
6 that the end users, the IXC's in this case, can choose  
7 between the vendor of the switching and the vendor of  
8 the transport.

9 In fact, it is this unbundling plus the  
10 interconnection within the competitive network that is  
11 creating the synergy or will create the synergy that  
12 delivers the benefits of competition to the end users.  
13 And that's why we have Mr. Metcalf here today as our  
14 witness.

15 We don't need a witness to tell you about the  
16 interconnection arrangements, because we already went  
17 through that the last time. We want the Commission to  
18 hear within the context of public interest what it is  
19 the users want and what they're looking for from the  
20 network as it evolves.

21 Now, If the promise of interconnection and  
22 unbundling is competition, what is the response of the  
23 LECs? Well, it's classic. They want to bundle and load  
24 up their traffic and commit their users to long-term  
25 contracts, to lock out competitors such as Intermedia,

1 and to knock out emerging competition. Now, I'm not  
2 inferring this, just read Mr. Beauvais' text. They say  
3 right there, "We want the flexibility to cut whatever  
4 market price we want so we can lock these people up."

5 The reason they want to do that is they say  
6 that there's competition in the local market that's  
7 emerging and they need this flexibility.

8 Well, there is some competition. Intermedia  
9 has done a good job. The LECs are having to respond.  
10 They are having to get sharper. But never forget that  
11 right now the LEC can combine voice, data, dedicated and  
12 switched over their pipelines. The only thing  
13 Intermedia can do is private line and special access,  
14 dedicated type services. That's only a small segment of  
15 the local market so there is no equal competition there  
16 at all.

17 Sooner or later the Commission is going to  
18 have to allow Intermedia and the other AAVs to combine  
19 these products in order for there to be the emerging --  
20 the competition that the LECs say that are there to  
21 justify their flexibility.

22 In this context, I would like to suggest sort  
23 of a radical notion. And that is, if you look at the  
24 statutory definition of private line, you will see that  
25 with this unbundling that, once you have expanded



1 interconnection, Intermedia and other AAVs can transport  
2 switched local traffic from the user to the switch of  
3 the LEC. That's an end-to-end, point-to-point service,  
4 exclusive use of the end-user customer, handed off to  
5 the LEC. Now, we've not asked for that in this docket  
6 because this petition that initiated this was for  
7 switched and special access purposes.

8           If that's all that was going on here, that  
9 would be it and that's probably enough. But there is a  
10 wild card that the Commission must consider, and that's  
11 the existence of private network alternatives, such as  
12 VSAT. This puts some pressure on the Commission and on  
13 the LECs and on outfits such as Intermedia, because if  
14 there are not the range of prices and services that  
15 these large users need from the LEC and from Intermedia,  
16 they're going to go to VSAT. They're going to go off  
17 the loop. And when they go off the loop, there are  
18 really significant revenue effects on everyone.

19           There is a place for VSAT and private lines.  
20 There is a place for Intermedias and AAVs, and there  
21 will obviously always be a very large place for the LEC.  
22 But what the Commission should be driving towards is a  
23 system that allows the customer to get the best choices  
24 of all these pieces, not to drive a large user to VSAT  
25 because prices are too high at the LEC or that the



1 service combinations aren't appropriate. You want all  
2 those to be there so people use the appropriate  
3 resources. And that's what we should be going toward.  
4 And I think what that requires is cost-based pricing,  
5 unbundling and interconnection in a competitive market.  
6 Thank you.

7 CHAIRMAN DEASON: Thank you, Mr. Wiggins.  
8 Mr. Wahlen, do you have an opening statement?

9 MR. WAHLEN: No, sir.

10 CHAIRMAN DEASON: Mr. Tye?

11 MR. TYE: Thank you, Mr. Chairman.

12 Commissioners, the expanded interconnection  
13 sections of this case are not as important to AT&T as  
14 local transport. With respect to expanded  
15 interconnection, we say we support expanded  
16 interconnection along the same lines as the FCC. Local  
17 transport restructure is an issue that's very important  
18 to AT&T. AT&T supports local transport and restructure.  
19 We think it will more accurately reflect the underlying  
20 cost associated with the provision of transport  
21 services.

22 But in adopting a system of local transport  
23 restructure here and improving tariffs, we think it's  
24 very important for this Commission to ensure revenue  
25 neutrality; that is, when you approve local transport

1 restructure for a given LEC and when you approve that  
2 LEC's tariff, you need to make sure that the LEC does  
3 not receive any more revenue or any less revenue than it  
4 would have received under the old structure. And that's  
5 something that we're going to get into in these hearings  
6 because part of the -- one of the issues that is  
7 implicit in the way some of the LECs have proposed their  
8 local transport tariffs is whether or not you would use  
9 historical network or reconfigured network. And AT&T's  
10 witness, Mr. Guedel will address that issue.

11           Essentially, we think you should adopt local  
12 transport restructure along the same lines as approved  
13 by the FCC. Thank you very much.

14           CHAIRMAN DEASON: Ms. Caswell?

15           MS. CASWELL: The Commission has two important  
16 policy decisions to make in this proceeding: First, how  
17 should switched access expanded interconnection be  
18 implemented, if at all; and second, how should local  
19 transport be structured? This Commission has already  
20 committed to expanded interconnection for special access.  
21 GTE believes that a switched access interconnection policy  
22 can also be in the public interest if it is implemented in  
23 the right way.

24           The most fundamental action the Commission  
25 should take is to revise its physical collocation rule

1 established in Phase I of this proceeding. In June, the  
2 U.S. Court of Appeals found the FCC's physical  
3 collocation mandate to be a taking and vacated it.

4 This Commission's physical collocation ruling  
5 suffers from the same constitutional infirmities. In  
6 fact, because this Commission has explicitly found that  
7 it has no authority to take the LEC's property,  
8 elimination of the physical collocation rule is the only  
9 option.

10 GTE recommends that the Commission replace  
11 physical collocation with a policy of allowing LECs and  
12 interconnectors to negotiate their own collocation  
13 arrangements. This approach will allow the parties  
14 maximum flexibility to define arrangements tailored to  
15 each particular situation. If the Commission declines  
16 to permit negotiation, the only other viable alternative  
17 is a policy of mandatory virtual collocation as the FCC  
18 has implemented.

19 Local transport is the second major concern in  
20 this docket. If consumers are to receive the benefits  
21 of transport competition, the uneconomic equal charge  
22 rule must be changed. In its place, the Commission  
23 should adopt a local transport structure that mirrors  
24 the interstate structure that has already been  
25 implemented. That structure uses special access rates as

1 the basis for setting new transport rates. These rates  
2 exceed long-run incremental cost and recognize the LEC's  
3 need to meet competitive challenges and retain customers  
4 on its network.

5 GTE recommends use of a reconfigured network  
6 in determining the rates for local transport. As a  
7 result of transport restructuring, IXCs will rearrange  
8 their networks in the most economical manner. They have  
9 already begun this process as a result of the FCC's  
10 transport decision. As such, GTE has developed local  
11 transport units and rates that reflect the reconfigured  
12 environment. If historical rather than reconfigured  
13 network is used, GTE cannot recover the revenues lost  
14 when IXCs reconfigure to lower their costs.

15 In addition, GTE has included certain  
16 enhancements in its local transport filing. It seeks  
17 zone pricing flexibility and CSA authority for switched  
18 access services, which is consistent with the  
19 Commission's special access interconnection decision.  
20 GTE further proposes discounts for customers which  
21 commit to specified usage levels and time periods.  
22 Without this additional flexibility, GTE will suffer  
23 competitive disadvantages relative to competitors which  
24 can accommodate customers with innovative pricing and  
25 service arrangements.

1           Finally, GTE strongly opposes any attempt to  
2 address imputation for toll services in this proceeding.  
3 This docket, already complex enough, is intended to  
4 address access, not toll. The Commission cannot make  
5 any imputation decision without gathering more evidence.  
6 If it wishes to investigate imputation, GTE recommends  
7 initiation of a separate docket. Thank you.

8           CHAIRMAN DEASON: Thank you.

9           Mr. Carver?

10          MR. CARVER: Thank you, Mr. Chairman. First of  
11 all, I would like to talk a little bit about expanded  
12 interconnection. Certainly, switched access  
13 interconnection and special access are not the same, but  
14 they are very similar in many regards. And for that  
15 reason Southern Bell believes that for the most part your  
16 Phase II order should track very closely the Phase I  
17 order.

18          Having said that, there are three things that  
19 I want to talk about specifically because I think  
20 they're very important, and I think they'll figure  
21 prominently in this hearing. The first has to do with  
22 competition and is the issue of price flexibility for  
23 the LECs.

24          Now, in Phase I for special access, you have  
25 granted zone density pricing to the LECs, and we're



1 going to ask you to do the same thing for switched  
2 access services that will compete with the services of  
3 the interconnectors. We're also going to ask you to  
4 grant the LECs pricing flexibility in the form of term  
5 and volume discounts, which is exactly the same thing  
6 that the FCC has done for interstate purposes.

7           Now you're going to hear from some parties who  
8 will tell you that you shouldn't grant LECs pricing  
9 flexibility now, or you shouldn't grant it at all  
10 because instead, they will say, that you should give the  
11 non-LEC competitors a chance to catch up. Our position,  
12 though, is that competition should come about as quickly  
13 as possible in the way that will benefit customers as  
14 much as possible. And we believe that if all the  
15 parties who can provide services are allowed to price  
16 compete immediately, that it's going to result in  
17 quicker benefits to the customers for the services. And  
18 we think pricing flexibility will accomplish that.

19           The second thing I want to talk about with  
20 expanded interconnection also deals with competition,  
21 and that's reciprocal collocation. In Phase I you ruled  
22 that for special access interconnection, the  
23 interconnectors did not have to allow the LECs to  
24 reciprocally collocate. Frankly, there was a lot of  
25 testimony on that in Phase I, and we hope to explore

1 that a little bit more in Phase II, because we believe  
2 that the LECs should interconnect with, or be allowed to  
3 interconnect, with non-LECs, just as the non-LECs should  
4 be allowed to interconnect with the LECs.

5 Again, we believe that the type of competition  
6 that's going to be of the most benefit to customers is  
7 the type that gives them the widest choice of  
8 alternatives to meet their telecommunications needs, and  
9 we think that in a system where everyone interconnects  
10 with everyone else without restriction, that that's  
11 going to come about more quickly.

12 The third thing I want to talk about with  
13 expanded interconnection is what's happening at the FCC.  
14 As you know, the FCC originally ordered mandatory  
15 physical collocation, as did this Commission in Phase I.  
16 A federal court ruled that that was not legally proper.  
17 So on remand, the FCC has ordered mandatory and virtual  
18 collocation. The exception to that is if a local  
19 exchange company wants to offer physical interconnection  
20 instead, they may do that. In other words, the LECs  
21 have the choice which type to offer. We think that's  
22 the appropriate result, and we're going to ask you to do  
23 the same thing in this docket for intrastate purposes.  
24 Certainly, I think, at this point, parties would agree  
25 that in some form expanded interconnection is in the

1 public interest, but we do believe that the LECs should  
2 have the choice of what form to offer.

3           Now, as to LTR, I think all the parties can  
4 agree on one thing, and that's that the current  
5 structure needs to be changed. And I want to talk a  
6 little bit about the current structure. It came  
7 originally out of the modification of final judgment,  
8 and it's called the equal charge rate structure. And  
9 under that structure, each user of transport services is  
10 charged on a per-minute-of-use basis, and they're  
11 charged regardless of the type of facility that they  
12 use. The purpose of this rule originally was to try to  
13 foster the development of emerging competition in the  
14 market for interexchange carriers. Certainly, it's done  
15 that over the past ten years or so, but the rule has  
16 outlived its usefulness. It also had a big problem  
17 then, and it has a big problem now, and that's that it  
18 doesn't encourage the efficient use of the public  
19 switched network. So, again, I think everyone is in  
20 agreement that the structure should change. The real  
21 issue is what it should change to and how the rates  
22 should be handled.

23           About 70% of the access traffic is interstate,  
24 and perhaps for that reason this topic came up first at  
25 the FCC. And, in fact, Southern Bell submitted to the

1 FCC for interstate purposes a tariff that's exactly the  
2 same as the one that we're going to ask you to approve  
3 for intrastate services. And last year the FCC did  
4 approve that tariff. Now, we've also made the same  
5 request of the commissions in every state that we do  
6 business. And the intrastate tariff that will be before  
7 you has also been approved so far in South Carolina,  
8 North Carolina, Kentucky, Alabama, and in Tennessee, I  
9 believe it's been approved by an administrative judge,  
10 but we're awaiting a final decision.

11           You'll hear testimony from some parties,  
12 specifically, I think, from the Interexchange Coalition  
13 and from Sprint, that you should not approve our tariff  
14 because they'll tell you that it's discriminatory in the  
15 rates it charges. We believe that it's not  
16 discriminatory because we're not charging different  
17 prices to different customers for the same service.  
18 Instead we're charging different prices for different  
19 services. And by definition, that's not price  
20 discrimination.

21           We also believe that you should approve the  
22 tariff for two very compelling reasons: One, is there  
23 is a real need to have consistency in access charges  
24 between the interstate and the intrastate jurisdictions.  
25 And to the extent our tariff is the same in both places,

1 obviously, it will accomplish that.

2           The second reason is that we believe the  
3 tariff, and we believe the evidence will demonstrate,  
4 that the tariff is tailored to the current market, that  
5 it suits that market, and, again, it will serve  
6 competition to approve it.

7           Finally, some parties will raise two things  
8 that they claim are problems with our tariff. They will  
9 say that it may have a negative impact on customers in  
10 rural areas and they may say also that it will have an  
11 impact on providers of interexchange services other than  
12 LECs. We don't believe that's the case, and we believe  
13 that the evidence will show that it will not have  
14 impacts on either of those parties. Thank you.

15           CHAIRMAN DEASON: Ms. Kaufman?

16           MS. KAUFMAN: Mr. Chairman, Mr. Adams will make  
17 our opening statement.

18           CHAIRMAN DEASON: Very well.

19           MR. ADAMS: Thank you. The Interexchange Access  
20 Coalition is composed of five smaller interexchange  
21 carriers, so-called third-tier carriers. Our interest in  
22 this docket is in the local transport restructure element.

23           What I want to emphasize this morning as we  
24 start out is that the local transport restructure aspect  
25 of this case is not complicated. It's, in fact, very



1 simple. Despite all the witnesses and all the economic  
2 mumbo jumbo that we're going to hear, the real issue is  
3 -- the real disagreement over the parties is over a  
4 single issue, and that policy issue is: Should the LECs  
5 be required to price local transport on the basis of  
6 cost, as we advocate, or should they be free to engage  
7 in discriminatory market-based pricing without regard to  
8 cost, as the LECs contend?

9           As Mr. Carver mentioned, there are many points  
10 of agreement. For example, no party argues in favor of  
11 keeping the equal charge rule. No party opposes  
12 mirroring the FCC's rate structure. No party opposes  
13 unbundling the entrance facility charges. No party  
14 opposes revenue neutrality for the LECs. In fact, IAC  
15 does not even challenge the specific prices that the  
16 LECs propose for the DS-3 services. The only  
17 disagreement we have is over the LECs' prices for DS-1,  
18 tandem-switched transport and the residual  
19 interconnection charge. They propose one set of prices.  
20 We propose another. Those three prices are the only  
21 difference between their position and ours. And  
22 importantly, both sets of prices would give the LECs  
23 revenue neutrality.

24           The difference between their price proposals  
25 and ours is, of course, how they are derived. We base

1 our prices on the incremental cost differences of  
2 providing the services. We allocate additional  
3 above-cost contribution in equal proportions among the  
4 services so that purchasers of DS-1s or tandem-switched  
5 transport are not paying proportionally more  
6 contribution than users of DS-3 services. Mr. Carver  
7 says these are all different services. But that  
8 confuses me as to why they're in this docket and why  
9 they've all been under the equal charge rule up to this  
10 point. I think they're all access transport services  
11 purchased by interexchange carriers. It just so happens  
12 that some carriers are large enough to be able to  
13 purchase one and take advantage of it and others are  
14 not.

15           The LECs don't argue that their prices are  
16 cost-based. Instead they advocate prices based on market  
17 factors. This means they want to price the DS-3s, where  
18 they fear competition, at or near their incremental  
19 cost. They want to price DS-1s and tandem-switched  
20 transport, where competition is much less likely to  
21 develop, well above incremental cost, forcing purchasers  
22 of those services, such as IAC members, to pay a  
23 disproportionate level of contribution.

24           I think it's noteworthy that when the LECs  
25 consider imputation, where they have to decide what

1 they're going to pay, they want to pay the cost rather  
2 than the rates, if they pay anything at all.

3           Small interexchange carriers object to this  
4 scheme strenuously because they're the purchasers of  
5 tandem-switched transport, they will be forced to pay  
6 disproportionately higher contribution. Their main  
7 competitor, AT&T, is the one who escapes paying the same  
8 level of contribution by purchasing DS-3s. That's why  
9 AT&T is here today supporting the local exchange  
10 carriers. Obviously, AT&T is a hugely formidable  
11 competitor without the advantage of non-cost-based  
12 discriminatory rates. With that advantage, many small  
13 interexchange carriers will be gravely threatened. So  
14 policy choice for access transport restructure is  
15 simple: Should the LECs be required to price  
16 interoffice transport without undue discrimination on  
17 the basis of cost, or should the Commission move away  
18 from its current policies and allow the LECs to price on  
19 market basis that requires smaller interexchange  
20 carriers to pay much more contribution than large ones?  
21 The Commission will enhance the future of competition by  
22 choosing cost-based rates. Thank you.

23           CHAIRMAN DEASON: Ms. Bryant?

24           MS. BRYANT: Thank you, Mr. Chairman. I will  
25 begin this morning by saying that overall Sprint supports

1 the Commission's initiative in examining expanded  
2 interconnection for switched access and local transport  
3 restructuring. Sprint believes that the Commission should  
4 develop a more competitive local access market by adopting  
5 a policy requiring expanded interconnection for switched  
6 local transport services. With the adoption of switched  
7 interconnection, Sprint supports the LEC's restructuring  
8 of local transport services as long as an appropriate  
9 cost-based pricing methodology is used in developing the  
10 rates for these services.

11 This brings me to Sprint's particular interest  
12 in this proceeding, which is twofold: One, to assure  
13 non-discriminatory pricing associated with local  
14 transport restructuring; and should the Commission adopt  
15 a policy providing for pricing flexibility that it  
16 assure these plans are based on the underlying economic  
17 cost.

18 To minimize the cost of a competitive access  
19 environment while providing for a level playing field,  
20 LECs should have the opportunity to restructure local  
21 transport services. However, in so doing, the  
22 Commission must be assured that the rates established  
23 for unbundled switched transport are fair to all access  
24 customers that purchase these services in providing end  
25 user telecommunications services. If the LECs place the



1 | burden of common cost recovery on captive IXC customers,  
2 | the benefits of competition in the IXC market could be  
3 | greatly jeopardized. The proposed rate structures  
4 | discriminate in favor of larger access customers to the  
5 | detriment of smaller IXCs like Sprint.

6 |         The same caution is warranted for increasing  
7 | the level of pricing flexibility for switched access  
8 | services. Any proposals for LEC pricing flexibility  
9 | must be based on the underlying economic cost of  
10 | providing the service. Again, one class of IXCs should  
11 | not be required to contribute more to the recovery of  
12 | LEC common cost than another class of IXCs.

13 |         In summary, Sprint believes that the rates  
14 | proposed in some of the LEC's LTR tariffs are unfair in  
15 | that they treat similarly situated customers differently  
16 | based on size and on volume. In addition, the same  
17 | holds true for pricing flexibility plans since these  
18 | rates are not justified by their underlying costs.  
19 | Thank you.

20 |         CHAIRMAN DEASON: Mr. Hoffman?

21 |         MR. HOFFMAN: Thank you, Mr. Chairman. I'll be  
22 | brief. Teleport Communications Group is an alternative  
23 | access vendor operating in a number of different states  
24 | and is certified as an AAV in Florida under the name of  
25 | TCG America. First, let me say that Teleport supports



1 many of the statements made by Mr. Wiggins on behalf of  
2 Intermedia.

3           You've heard from many of the parties so far,  
4 and there seems to be some consensus that in this  
5 proceeding it would be appropriate for the Commission to  
6 follow many of the decisions that it made in Phase I.  
7 And I think that you'll see in this proceeding that some  
8 of the disputes will center on where different parties  
9 disagree on some of those issues. And let me just  
10 quickly address two of them. The first deals with  
11 reciprocal collocation mandates.

12           It is our opinion and our position in this  
13 proceeding that the policy reasons supporting the  
14 Commission's conclusion in Phase I that a reciprocal  
15 collocation mandate is inappropriate for  
16 interconnectors, 0apply as well to Phase II of this  
17 proceeding involving switched access. Those policy  
18 reasons essentially were that there is no reason to  
19 impose such a requirement on an interconnector who is  
20 not a monopoly provider, who is not a bottleneck  
21 provider. And as you heard from Teleport in the last  
22 proceeding in Phase I, and will hear from Teleport in  
23 this proceeding, an AAV such as Teleport would be  
24 foolish to reject an interconnection request, and would  
25 be foolish to reject the revenue that comes with that.

1           Secondly, with respect to the issue of  
2 mandatory physical collocation, in Phase I, involving  
3 special access and private line, this Commission found  
4 that it was appropriate to mandate physical collocation.  
5 And since that time, there has been an opinion issued by  
6 a federal appellate court which reversed the FCC's  
7 similar decision that there should be a mandatory  
8 physical collocation requirement. That opinion makes no  
9 mention of Florida law, Florida constitutional law,  
10 Florida statutory law. Whether or not it should apply  
11 in Phase II of this proceeding and in Phase I of this  
12 proceeding to reverse the Commission's decision, in my  
13 judgment, is a legal issue which will probably be  
14 briefed by the parties at the conclusion of the hearing.

15           However, what Teleport's witness has suggested  
16 in its prefiled testimony, and that testimony is  
17 supported by other witnesses in this case, is that the  
18 answer is to follow the FCC's recent mandate of virtual  
19 collocation, but to order virtual collocation in a  
20 manner which is technically, operationally and  
21 economically comparable to physical collocation. Thank  
22 you.

23           CHAIRMAN DEASON: Mr. Fons?

24           MR. FONS: Thank you, Mr. Chairman. I'll make  
25 it very brief. We've been at it for 20 minutes and you've

1 probably heard everything on the landscape. There are  
2 three main issues in this Phase II. If you'll recall in  
3 Phase I, we addressed special access. We're addressing  
4 switched access in this proceeding.

5         The three issues are whether or not you're  
6 going to mandate physical or virtual collocation. The  
7 second issue is whether there's going to be pricing  
8 flexibility for the LECs; and the third issue is a new  
9 starter, and that is the local transport restructure.  
10 We've heard a lot about physical collocation, virtual  
11 collocation. We heard a great, great deal in Phase I  
12 about pricing flexibility. The only issue that really  
13 stands different is the local transport restructure.

14         But let me go back and quickly address  
15 physical versus virtual. You've heard both sides of the  
16 issue. From United and Centel's standpoint, we believe  
17 that this Commission ought to allow the parties to  
18 negotiate whatever form of interconnection is most  
19 appropriate for the given parties in a given situation,  
20 rather than trying to mandate anything. We've all heard  
21 that the FCC has now chosen virtual collocation in  
22 response to the Court of Appeal's decision. We have no  
23 problems with virtual collocation. We have no problems  
24 with physical collocation, if the parties can negotiate  
25 appropriate terms and conditions for those different

1 types of interconnection.

2           The second issue was pricing flexibility. And  
3 you heard a great deal about that in Phase I with regard  
4 to special access, and in your wisdom you chose to grant  
5 that the LEC's pricing flexibility in the form of  
6 continued use of the contract service arrangements and  
7 to use zone density pricing. We think that the --  
8 nothing has changed in the interim, that the evidence  
9 will again show that in this proceeding, in this phase  
10 of the proceeding, that pricing flexibility is warranted  
11 for the LECs as they face new and increased competition.  
12 Because if you approve expanded interconnection for  
13 switched access, you've now opened up the second piece  
14 of the network to competition, a very important piece.  
15 And while it's starting off with local transport, it's  
16 sure to go on to the next step once you have expanded  
17 collocation.

18           And within the local transport restructure  
19 which everyone has addressed to take care of the problem  
20 that has continued because of the equal charge per unit  
21 of traffic mandate out of the modified final judgment  
22 and the FCC's orders, we've now got a new scenario, and  
23 the FCC recognized, when they expanded interconnection  
24 for switched access and they also required the  
25 restructure of the local transport to let others provide



1 it, that there was an element in the local transport  
2 which contributed substantially to the support of local  
3 rates and if you have competition for that and people  
4 can go and use someone else to provide that particular  
5 piece of the switch that there's going to be dollars at  
6 risk; dollars that will go away from the LEC as these  
7 others enter the market and even as the LECs now are  
8 substituting dedicated facilities for the switched  
9 facilities in the local transport, and that's called a  
10 residual interconnection charge. And there's  
11 substantial dollars involved here for United/Centel  
12 somewhere in the neighborhood of \$18 million, \$20  
13 million a year that are at risk.

14           The residual interconnection charge is  
15 something that is not going to endure for long. The FCC  
16 has not said it's going to be there forever. They will  
17 change it eventually. There will be pressure, the  
18 competitive pressure to take that away, so you must bear  
19 that in mind as people tell you there's no really  
20 change. The LECs are guaranteed the continued flow of  
21 dollars. That's not true. They are not guaranteed  
22 anything because not only will the RIC go away sometime  
23 in the future, but when you have got special access also  
24 available to the IXC's they are going to take their  
25 traffic off of switched and put it on special and there



1 is no RIC on special. So with no more minutes of use  
2 going through the switches, which is the way you  
3 calculate the RIC, as those minutes go away then the  
4 dollars go away so we will not recover it.

5 So as you listen to all this testimony, bear  
6 in mind that the landscape is changing, that the  
7 decisions that you'll be making in this particular  
8 docket don't just stop with this docket, don't just  
9 impact the LECs, the IXCs, the AAVs, it also impacts the  
10 whole area that you must look at in your public interest  
11 determination and that's ultimately the consumer. Thank  
12 you.

13 CHAIRMAN DEASON: Ms. Wilson.

14 MS. WILSON: Thank you, Mr. Chairman. I'll be  
15 brief. We concur in the comments previously made by both  
16 Intermedia and Teleport. We believe that expanded  
17 interconnection for switched access is in the public  
18 interest and is consistent with the FCC's treatment of  
19 switched access. We believe that you do have the  
20 authority to require a physical collocation standard, but  
21 if you do not do so in Phase II, we believe and would ask  
22 that you require the LECs to implement a virtual  
23 collocation in a manner that is technically, economically  
24 and operationally equivalent to a physical collocation  
25 standard. Thank you.

1 CHAIRMAN DEASON: Mr. Dunbar.

2 MR. DUNBAR: Thank you, Mr. Chairman. Other  
3 than to adopt our basic position that appears in the  
4 Prehearing Order, Time Warner waives its time.

5 CHAIRMAN DEASON: Thank you. Mr. Beck.

6 MR. BECK: We waive opening statements.

7 CHAIRMAN DEASON: Okay. Does Staff have any  
8 opening statement?

9 MS. CANZANO: No, but what about Mr. Melson?

10 CHAIRMAN DEASON: Mr. Melson has been excused.  
11 But I see he is still here.

12 I think that concludes all opening statements.  
13 If I've missed anyone, please let me know. I don't  
14 believe I have.

15 Okay. I believe we're prepared to take the  
16 first witness.

17 MS. CANZANO: That's correct.

18 CHAIRMAN DEASON: Before we do, we're going to  
19 take ten minutes.

20 (Brief recess taken.)

21 - - - - -

22 CHAIRMAN DEASON: Call the hearing back to  
23 order. Mr. Wiggins.

24 MR. WIGGINS: Call to the stand Mr. Douglas S.  
25 Metcalf.

DOUGLAS S. METCALF

was called as a witness on behalf of Intermedia Communications, Inc. and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WIGGINS:

Q Would you state your name for the record, please?

A Douglas S. Metcalf.

Q And your occupation and business address?

A I am with Communications Consultants, Inc., 1600 -- I'm sorry, Post Office Box 1148, Winter Park, Florida 32790. And generally, I'm here on behalf of the Ad Hoc Committee, but in this instance on behalf of Intermedia.

Q Did you cause to be filed in this docket 16 pages of prefiled written direct testimony?

A Yes, sir.

Q Do you have any changes to make to that testimony?

A Yes, sir. I have three small changes. On Page 2 of that testimony I neglected to put in American Express as one of the clients of Ad Hoc, or one of the members of the Ad Hoc Committee. Telecredit, which is listed there at the bottom, has now merged with and been

1 renamed Equifax. And finally, on the back of the  
2 testimony, there is a map of Florida which shows the  
3 northern loop of the state of Florida's DMS SunCom  
4 Network. And there are two copies of that. There  
5 should only be one. Those two are exactly the same.

6 Q Other than those changes, if I asked you the  
7 questions contained in the testimony, would your answers  
8 be the same?

9 A Yes, sir.

10 MR. WIGGINS: Mr. Chairman, I move that the  
11 prefiled testimony be inserted in the record as though  
12 read.

13 CHAIRMAN DEASON: Without objection it will be  
14 so inserted.

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1 Q: Please state your name, business affiliation, address, and  
2 on whose behalf you are testifying?

3 A: My name is Douglas S. Metcalf. I am President of  
4 Communications Consultants, Inc., 631 S. Orlando Avenue,  
5 Suite 250, Winter Park, Florida 32790-1148. CCI provides  
6 regulatory, tariff and management assistance to clients  
7 using or providing services affected by regulation. My  
8 responsibilities include the examination of costing  
9 methodologies and rate design policy. As most of the  
10 parties in Florida proceedings are aware, I usually appear  
11 before this Commission on behalf of the Florida Ad Hoc  
12 Telecommunications Users' Committee (Ad Hoc). I am  
13 appearing today with the encouragement of several Ad Hoc  
14 members, but at Intermedia Communications of Florida, Inc.'s  
15 (ICI) behest, in support of ICI's request that the  
16 Commission use its statutory authority to the fullest extent  
17 possible to promote competition in the provision of local  
18 services by allowing AAVs such as ICI to provide more than  
19 just private line and special access services within their  
20 Dedicated Transport Services (DTS).

21 Q: What is the Florida Ad Hoc Telecommunications Users'  
22 Committee?

23 A: It is an ad hoc group of large users of business telephone  
24 services within the state of Florida. The members are major  
25 customers of the local exchange companies (LECs) and the  
26 alternative access vendors (AAVs). They are vitally



1 interested in the fairness of any tariff structure or rate  
 2 and policy changes affecting business services, including  
 3 the more competitive telecommunications market that should  
 4 result from these hearings. Ad Hoc's current members are:  
 5 Advantis (Sears/IBM) Honeywell Protection Svcs.  
 6 Alarm Assn. of Florida NationsBank of Florida  
 7 Barnett Technology Publix Supermarkets  
 8 Corp. Seimens/Stromberg-Carlson  
 9 Burdine's Southeast Switch (HONOR  
 10 Dean Witter Reynolds Group)  
 11 Florida Informanagement State of Florida - DMS  
 12 Svcs. (FIS) SunTrust Service Corp.  
 13 First Union National ~~Equifax~~ ~~Telecredit, Inc.~~  
 14 Bank ~~Western Union~~  
 15 Great Western Bank American Express  
 16 Harris Corporation

17 Q: What is the purpose of your testimony?

18 A: The purpose of my testimony is to support ICI's call for  
 19 expanded competition to the fullest extent allowable under  
 20 law.

21 Q: Does this call for expanded competition contemplate non-LECs  
 22 providing both dedicated and switched services between  
 23 non-affiliated entities?

24 A: Yes, it does.

25 Q: Do you believe such competition would be in the public

1 interest?

2 A: Yes, I do. Such competition would encourage users to take  
3 advantage of new, upgradeable technology and to purchase  
4 facilities for their efficiency and cost, not because there  
5 is only one supplier.

6 Further, expanded competition will discourage large users  
7 from purchasing private networks and facilities such as VSAT  
8 and microwave which have several detrimental longer term  
9 consequences for business users, the other remaining network  
10 users, the Commission and ultimately the LECs and IXC's.

11 Q: Would this Commission's granting of expanded interconnection  
12 for switched access transport aid in the development of  
13 competition in Florida?

14 A: Yes. In the FCC's proceeding for expanded interconnection  
15 for switched transport, Tier 1 LECs were required to offer  
16 expanded opportunities to interconnect with their switched  
17 networks for interstate switched transport. AAVs and other  
18 interconnectors would be able to offer transmission between  
19 LEC central offices and IXC's points of presence. The FCC  
20 generally set the terms and conditions for switched access  
21 transport as it had for special access. They found that  
22 expanded interconnection for switched transport would  
23 increase the scope of access competition, bringing the  
24 telecommunications industry closer to a more competitive  
25 network.

1 Concurrent with both the FCC's decision and the restructure  
2 of local transport rates, the Florida Commission must adopt  
3 policies specifically designed to eliminate regulatory  
4 barriers to full competition for switched services. The  
5 most logical way for the FPSC to accomplish this, is to base  
6 its expanded interconnection policies on the structure  
7 already established by the FCC. The FPSC has already  
8 accomplished this in its decisions regarding expanded  
9 interconnection for special access. It would not make  
10 economic or technical sense to establish a different policy  
11 for switched access transport.

12 Q: What kinds of telecommunications services would business  
13 users like to see offered by AAVs such as ICI?

14 A: For large users, telecommunications costs are generally  
15 their third largest expense item after salaries and rent.  
16 Users have developed sophisticated networks to allow them to  
17 take advantage of every technological advancement they can  
18 so as to better succeed in their very competitive  
19 industries. However, their telecommunications networks are  
20 often somewhat inefficient because of regulatory  
21 restrictions which do not permit users to maximize the  
22 amount of data which can be pumped over the communications  
23 paths they buy from suppliers.  
24 In Florida for instance, users cannot purchase paths from  
25 ICI to carry both their data and their switched traffic.

1 Regulatory restraints currently permit users to send  
2 switched traffic to the LEC only over LEC facilities, even  
3 though it might be more efficient to purchase bulk capacity  
4 (which I'll often refer to in this testimony as "pipes")  
5 from an AAV. The AAV is not being asked to "switch" the  
6 traffic in some way, only to transport it to the appropriate  
7 LEC or IXC for switching and distribution. Further, from  
8 AAVs, users can only purchase dedicated paths for  
9 intracompany private line traffic and to carry toll traffic  
10 directly to their IXC. If users want dedicated pipes for  
11 transporting lots of data between them and a large customer,  
12 current regulatory barriers again make the LEC the only  
13 source. These restraints are inefficient, expensive, and  
14 counterproductive to what should be the Commission's long  
15 term goal of a competitive market fully utilizing wireline  
16 carrier based, publicly shared facilities.

17 Q: What is the major concern that the Commission should have  
18 with the current regulatory barriers?

19 A: From the users' perspective, limitations which restrict AAVs  
20 to carrying only data causes users to look at private  
21 network alternatives. VSAT performs the data function well,  
22 but does not handle voice traffic well. If users had  
23 facilities-based or wire-line alternatives which could carry  
24 voice and data on the same pipe and distribute DS-1s where  
25 they needed to go, they would have the incentive to stay on



1 the network where the LEC and AAVs could compete for their  
2 business. Residential users, LECs and IXC's would benefit  
3 because the revenue provided by these large users would  
4 still be available to supplement a portion of the revenue  
5 requirement.

6 Efficiency means utilizing dedicated circuits to the maximum  
7 extent possible, and packing them to whatever capacity will  
8 allow users the level of quality they require.

9 Q: Is there any technical reason why the circuits large users  
10 desire to purchase from AAVs cannot be found?

11 A: No, most dedicated paths provided by LEC or AAV suppliers  
12 will meet the technical requirements of the users. The  
13 limitation is strictly a regulatory one.

14 Q: How can ICI's dedicated paths be of any use to large users  
15 in carrying traffic that will be terminated as local  
16 switched traffic?

17 A: With the Commission's decision to require expanded  
18 interconnection, AAVs such as ICI will have direct high  
19 capacity links between their fiber rings and the LEC's  
20 central office. Thus, all traffic carried by the AAV has  
21 the potential of being delivered to the LEC via the AAV's  
22 expanded interconnection facility. This opens up a whole  
23 new world for the AAVs and introduces great opportunities in  
24 improving the state's infrastructure for handling the  
25 communications needs of large users. Backup and disaster



1 recovery plans in particular would be enhanced by these  
2 interconnections.

3 Q: Specifically, what does the large user want the competitive  
4 market to offer?

5 A: Business users want all of their telecommunications service  
6 to be available from several competitive suppliers. Users  
7 know that a competitive market will produce the best  
8 combination of price and quality, as well as the most new  
9 and advanced offerings.

10 At this time, large users would like basic dedicated  
11 transport service which can carry all of their traffic,  
12 whether it is private line, switched local or switched long  
13 distance to designated points for either termination or  
14 distribution. Large users do not want to have to place  
15 their private line traffic over one circuit from one vendor,  
16 and their switched traffic over another circuit from or to  
17 another vendor. And now with expanded interconnection, AAVs  
18 are well situated to compete to meet this fundamental need  
19 of the large user.

20 Q: Would any of these offerings have direct benefits for other  
21 than large users?

22 A: Although many of the services appear today to benefit only  
23 the large users, as the technology is refined and costs come  
24 down, these services will prove to be a boon to all users.  
25 This is best demonstrated in the bells and whistles that are

1 now available on customer premise equipment (CPE). Most of  
2 the features on our home phones were only available to large  
3 companies in the not-too-distant past.

4 Whether every new offering directly benefits every user, or  
5 perhaps just large users, is relatively unimportant,  
6 however. Not allowing competition for needed services  
7 creates a vacuum which private network equipment suppliers  
8 (VSAT and microwave) fill. Losing large user revenue to  
9 private networks causes a permanent loss of that revenue to  
10 all of the LECs and IXC's, as well as the citizens.

11 Q: Could you give the Commission an example of how a large user  
12 might actually use these dedicated transport services?

13 A: Yes. In a competitive DTS market, large users could  
14 purchase a DS-3 from one vendor. That circuit consists of  
15 28 DS-1s or 672 individual channels or paths which can be  
16 used for any voice or data purpose.  
17 Those DS-1s or paths could be divided up among the user's  
18 various needs so that all local switched traffic could be  
19 aggregated and sent over a few DS-1s to the LEC for  
20 switching and termination. The long distance or toll  
21 traffic could be delivered over other DS-1s within the same  
22 pipe directly to one or two IXC's. Finally, their dedicated  
23 data and intracompany voice traffic could be distributed  
24 over a few dedicated DS-1s to other intracompany locations  
25 as well as to non affiliated large customers. For instance,

1 Sun Bank has several DS-1s directly between them and Walt  
2 Disney World, a very large customer.

3 The ability to buy a single DS-3 at an economical rate, and  
4 pack all of a user's traffic onto it rather than buy more  
5 costly (per unit) DS-1s from the LECs and some AAVs, makes  
6 more sense from an economic and network management point of  
7 view.

8 Q: So large users are looking to vendors to provide general DTS  
9 as a fundamental component of its telecommunications system?

10 A: Absolutely, and large users are currently shopping for DTS  
11 and are pitting the LECs against AAVs such as Intermedia.  
12 That shopping effort does not always allow for an 'apples to  
13 apples' comparison because of the restrictions placed on the  
14 users and the AAVs. But when similar circuits can be found  
15 from several vendors, then we set up a competitive basis  
16 where the user achieves his goal of the best combination of  
17 price and quality. Moreover, what is interesting about the  
18 competition between LECs and AAVs in DTS is that the AAVs  
19 have been sufficiently effective, even under current  
20 regulatory restrictions, to spur the LECs to use bundling to  
21 achieve a competitive advantage.

22 Q: But the Commission has current restrictions on the services  
23 AAVs can provide. What if we keep them?

24 A: With the current rules, you're not just telling the AAVs  
25 they can't sell transport, you're telling large users we

1       can't buy it, and we can! We just look at the other  
2       available suppliers of substitute VSAT-type products. If  
3       their offerings show a cost effective return over a  
4       reasonable period of time, users buy private networks. The  
5       Commission, the citizens, the LECs, the IXC's and the AAVs  
6       then lose us as a customer. We take our revenue and apply  
7       it elsewhere, and leave all of you the continuing network  
8       costs of our abandoned facilities. That may be inefficient,  
9       or spiteful or stupid of us, but everyone becomes a loser  
10      because of it.

11    Q: From your perspective, is the provision of DTS by both LECs  
12      and AAVs effectively competitive?

13    A: Technically, the DTS services are fully competitive. All  
14      communications paths carry information. The paths  
15      themselves can't distinguish between switched and dedicated  
16      or data and voice traffic. Any path can technically carry  
17      any type of information. Nevertheless, because of  
18      regulatory entry barriers, DTS is not perfectly competitive.  
19      Specifically, regulatory restraints prevent ICI or any other  
20      AAV from providing some specific services that large users  
21      want, services that would keep the users on some vendor's  
22      publicly shared network.

23      These regulatory restraints notwithstanding, LECs are  
24      nevertheless already feeling and reacting to the effective  
25      competitive presence of AAV DTS offerings. For example,



1       LECs have bundled their services in order to gain a  
2       competitive advantage and to keep some large users on their  
3       services.

4   **Q:** Presumably the benefits of some of this bundling results in  
5       lower prices for large users. Isn't that sufficient?

6   **A:** Not totally. While this competitive pressure can save large  
7       users some money, it still doesn't make the market  
8       competitive in such a way that you manage your network to be  
9       efficient and cost effective. If the LECs limit their  
10      concessions because they know we can't go anywhere else and  
11      get the total package we want at the price we're willing to  
12      pay, they cause us to look elsewhere.

13     Speaking not as a large user, but as an expert who has  
14     observed the business thought process and logic that users  
15     go through when making network decisions, I have seen them  
16     open themselves to the private network option because they  
17     had no competitive wireline suppliers other than their LEC.  
18     Believe me, when you start computing the return on  
19     investment of a VSAT network, against the prices available  
20     today from the LECs without wireline competitors, it doesn't  
21     take long to give that option serious consideration.

22   **Q:** Please demonstrate the problem in financial terms we can  
23       understand.

24   **A:** I have used a perfect example several times before with the  
25       PSC staff, the LECs and the IXC's. Attachment A to this



1 testimony is the northern loop of the DS-3 network which  
2 belongs to the State of Florida, Department of Management  
3 Services (DMS). DMS runs the state's SunCom network, and  
4 supplies telecommunications services to many counties,  
5 municipalities and educational institutions throughout  
6 Florida. The numbers are those that were quoted by AT&T  
7 when DMS last put their network out for bid. Two things are  
8 abundantly clear from this example. The rate for 593 miles  
9 of competitively available DS-3 service was \$21,000 per  
10 month, while the monopoly LEC rates for drops in only five  
11 cities was \$23,000 per month. As the exhibit shows, some of  
12 these drops were a matter of feet in length at collocated  
13 points.

14 My point with this example is that a competitive access  
15 provider or a microwave equipment vendor could provide those  
16 drops at significant savings from the \$2,350+ average that  
17 the LECs are charging for each drop. The state's telecom  
18 managers have made a policy decision that they will not  
19 purchase capital equipment like microwave gear to eliminate  
20 these very short loops. Because of the current regulatory  
21 restrictions, they can't use an AAV for these drops because  
22 much of the SunCom network is switched voice traffic.  
23 Therefore, the department had no choice but to pay these  
24 egregious LEC rates.

25 Other large users, faced with similar cost disparities for

1        their local loops, would and have made the decision to buy  
2        microwave equipment and cut out the LEC for these legs. Of  
3        even more concern to the Commission should be those users  
4        who looked at the costs and payback, and decided to buy VSAT  
5        and cut out the LECs and the IXC's.

6        Private network owners rarely return to wireline facilities  
7        because the private network never becomes totally obsolete  
8        or breaks down all at once. Instead, private networks are  
9        repaired and improved a piece at a time, and a total  
10       decision regarding a change back to a competitive wireline  
11       alternative never gets made.

12    Q: What dangers do you see in allowing the Commission's current  
13       regulatory interpretation to continue?

14    A: I see two problems. First, the LECs are using this time of  
15       exclusive provisioning of bundled services within DTS to  
16       launch preemptive strategies for tying up large customers to  
17       long term contracts. This lessens the market available to  
18       AAVs when they are finally able to compete for a user's  
19       total business. If enough of the market is tied up by  
20       long-term contracts, there may not be enough to ever  
21       establish real competition or competitors for this type  
22       service.

23       Second, users who want to evaluate alternatives to LEC  
24       offerings now look at VSAT and microwave networks, which is  
25       dangerous for all wireline carriers and vendors. If a

1 competitive market for switched voice and dedicated data  
2 transport were available, it seems logical that the pricing  
3 for that DTS service would drop, making wireline  
4 alternatives a more cost effective option.

5 Q: Clearly your desire to see more AAV competition would  
6 benefit users and the AAVs. Should the LECs be allowed to  
7 have more flexibility so they too can compete in pricing?

8 A: If it turns out after some period that the playing field is  
9 less than level and that the LECs need more flexibility,  
10 yes. When I have participated in other proceedings for Ad  
11 Hoc, I have often heard AAVs state that the LECs have  
12 significant flexibility with their Contract Service  
13 Arrangement (CSA) and Individual Case Basis (ICB) authority,  
14 and I have certainly seen that in some of proposals I have  
15 reviewed for large users. If the Commission allows AAVs to  
16 compete for a user's total transport requirements, the LECs  
17 still have these ICB and CSA options, and should be  
18 permitted more flexibility if it's needed. The more  
19 competitive flexibility that both the LECs and the AAVs  
20 have, the better -- particularly as it relates to competing  
21 with VSAT and microwave vendors.

22 I understand that ICI disagrees with my slant on this point,  
23 and has taken the opposite position in this docket. ICI  
24 contends that the LECs have sufficient flexibility with  
25 their CSAs and ICBs, and that loosening up any more would be

1       premature until AAVs can carry bundled services via DTS. I  
2       understand their position and if I were ICI would probably  
3       say the same thing.

4       In sum, give the AAVs an initial chance to compete for all  
5       of the transport traffic that DTS can handle. Then, when  
6       and if it's necessary, you will have ample opportunity to  
7       increase LEC flexibility.

8   Q: Would you be in favor of more flexibility for the LECs even  
9       if current regulatory restrictions on AAVs are maintained?

10  A: That is a tough question. On the one hand, I want whatever  
11       the large user can get that will serve its needs at the  
12       lowest cost so it doesn't have to leave the network. To  
13       prevent user departure, additional flexibility for the LEC  
14       seems desirable in the short run. However, if AAVs are kept  
15       out of the transport of "switched traffic" over the long  
16       run, the LECs will continue using their current and  
17       additional flexibility strategically to keep or knock AAVs  
18       out of the arena. Large users want network choices and  
19       competition.

20  Q: What is your recommendation to the Commission in this case?

21  A: The Commission should recognize that transport is  
22       competitive, and that the opportunity for a more perfectly  
23       competitive market is being harmed by not allowing full  
24       competition for switched transport now. Some large user  
25       revenue is being lost, possibly forever, to capital

1 equipment and private networks which will never be as  
2 technically superior as the services that the AAVs and LECs  
3 can provide. Private networks are cost effective and  
4 attractive alternatives, however, because competition has  
5 not been allowed in the DTS market, an event that would have  
6 lowered the rates for DTS service and would have made a  
7 better business case for staying on some wireline carrier's  
8 network. The beneficiaries of that competition is all  
9 users, not just the large ones.

10 Q: Does this conclude your testimony?

11 A: Yes, it does.

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1 Q (By Mr. Wiggins) Do you have a summary of  
2 your testimony, Mr. Metcalf?

3 A Yes, sir, I do.

4 Q Would you give that, please?

5 A Good morning, Commission. As you know, I  
6 generally testify on behalf of the Ad Hoc -- Florida  
7 Ad Hoc Telecommunications Users Committee before this  
8 Commission, and I have often appeared to discuss the  
9 impact on large users of proposals that are before you,  
10 and most often in recent proceedings, I've discussed  
11 their impact on competition.

12 I am here today on behalf of Intermedia for  
13 much the same purpose, to discuss competition and the  
14 benefits of this proposal -- of some of the proposals to  
15 the large users. Several issues are going to be decided  
16 in this proceeding, and I am struck by the number of  
17 different opinions the parties have on the impact of  
18 interconnection and flexibility. And I hope that what  
19 should be one of the major goals of this proceeding does  
20 not get lost in the detail and the controversy, and that  
21 is, how do you retain large business user revenue and  
22 contribution on some company's network and eliminate the  
23 erosion to VSAT and other non-wire line alternatives?

24 Somewhat less of a problem, but it could  
25 become a future concern depending on how these issues

1 play out in other states, is how do you keep the revenue  
2 and the growth in Florida as opposed to other states  
3 where competition is allowed to flourish? Large users  
4 want new technology. They want increased services, more  
5 choices of vendors and offerings. They want service  
6 redundancy in case of interruption. And I can't  
7 overestimate how important that is. We're way past the  
8 days where people can do backups every night and things  
9 like that. You've got to have on-line running systems.  
10 And that requires a redundant wire line backup, and you  
11 only get that if you have some other alternative  
12 carriers. We also want competitive prices and we want  
13 good service. In short, what we want is competition.

14           There is an unfilled need for alternative  
15 vendors within the local exchange market for many of the  
16 services large users must have in today's competitive  
17 markets -- the latest technology, redundancy, and I've  
18 previously mentioned those.

19           As far as flexibility, which will become, I'm  
20 sure, one of the bigger controversies, it is the users'  
21 position that it's important first to have a competitive  
22 market. Let some flexibility out there, have some AAVs,  
23 have some alternative carriers, and let the market  
24 develop. And then once that has occurred, if the  
25 playing field seems to be leveling a little too quickly

1 or something, you have the opportunity to give the LECs  
2 and the dominant carriers more flexibility. You want a  
3 fully competitive market.

4 And secondly, the LECs do have to have some  
5 flexibility so they can add new services. This is going  
6 to become a technology game over the next few years.  
7 Our clients are the primary purchasers of technology,  
8 though all the users of Florida become the beneficiaries  
9 as spillover products come up, and we think it's  
10 important that flexibility be granted to both sides, but  
11 first to the AAVs.

12 Competition serves the public interest. The  
13 permanent loss of revenue to VSAT users, and I emphasize  
14 permanent loss, when people go to VSAT networks, as  
15 Barnett Bank has done, as First Union has done, that's  
16 revenue that does not come back. It is important that  
17 flexibility be allowed so that some of that revenue can  
18 be retained and a more competitive market can develop.  
19 The more competitive market, presumably, will bring  
20 prices down to the point where those users will choose  
21 to stay on some company's network where the business can  
22 be interchanged.

23 A discussion of switched transport and DTS,  
24 the Ad Hoc Users believe that you've already granted  
25 switched transport of DTS because right now an awful lot

1 of our clients purchase, from the LECs and from  
2 Intermedia and other AAVs, dedicated service that takes  
3 all of their traffic from them to their Megacom  
4 locations at the IXC's. That is nothing more than  
5 switched traffic, but the ICIs don't do the switching.  
6 They pass it off. That's what I'm suggesting ought to  
7 happen in this case.

8           Redundancy, again, I can't overemphasize  
9 redundancy. Ad Hoc has been very, very consistent in  
10 its positions and in its requests over the last several  
11 years. We have continually requested cost-based pricing  
12 using consistently applied cost methodologies for all  
13 services to allow the benefits of new technology to be  
14 available to all users, again, not just us.

15           We want to allow increased competition as a  
16 way to keep second and third tier IXC's in the market,  
17 and we think that the equal contribution that's been --  
18 that has been suggested by one of the parties is the way  
19 to do that. If you freeze out the competitive  
20 companies, there will be no competition. You can't have  
21 it if one guy owns 99% of the market. I urge you not to  
22 create another PBX versus ESSX pricing problem by  
23 allowing one company or one tier of IXC's to pay  
24 significantly lower prices while the other ones have to  
25 pay higher prices. It has a major impact on



1 competition. In summary, I urge you to allow the  
2 development of competition within the state through some  
3 of the proposals that we've made.

4 Q That concludes your summary?

5 A Yes, sir.

6 MR. WIGGINS: Mr. Metcalf is available for cross  
7 examination.

8 CHAIRMAN DEASON: Let me inquire. Have we  
9 contemplated any specific order of cross examination, or  
10 would it suffice just to go down the table?

11 MS. CANZANO: I think it would make more sense  
12 just to go down the table.

13 CHAIRMAN DEASON: Any objection to doing it that  
14 way? Very well. Mr. carver?

15 MR. CARVER: Mr. Chairman, I have one  
16 preliminary matter. Intermedia and Southern Bell have  
17 agreed to stipulate that Intermedia's responses to our  
18 first set of interrogatories can be entered into the  
19 record. They were, however, responded to by someone  
20 different than this witness, so I don't know if it would  
21 be appropriate to put them in as an exhibit now or at some  
22 other point.

23 CHAIRMAN DEASON: Mr. Wiggins?

24 MR. WIGGINS: Whatever is most easily -- however  
25 it is most easily accomplished.



1 CHAIRMAN DEASON: Let's go ahead and identify  
2 those -- is it interrogatory responses?

3 MR. CARVER: Yes, Responses to Southern Bell's  
4 First Set of Interrogatories.

5 MR. WIGGINS: Before -- Phil, thank you. I'm  
6 sorry to interrupt you. I just realized that I did not  
7 take the time to have Mr. Metcalf's exhibit attached to  
8 his prefiled testimony identified, Mr. Chairman. I  
9 apologize for that. So that could be No. 2.

10 CHAIRMAN DEASON: Since I've already got these  
11 interrogatories written down on the line, we'll identify  
12 those as 2. And we will identify the prefiled exhibit  
13 attached to Mr. Metcalf's prefiled testimony as  
14 Exhibit 3.

15 MR. WIGGINS: Thank you.

16 (Exhibit Nos. 2 and 3 marked for  
17 identification.)

18 MR. CARVER: To the extent that there's a  
19 stipulation that these can go into the record, I'd like to  
20 go ahead and ask they be admitted into evidence.

21 CHAIRMAN DEASON: First of all, are all parties  
22 aware of this stipulation and this information going into  
23 the record? Is there any objection -- let me state it  
24 that way. Is there any objection to responses to Southern  
25 Bell's first set of interrogatories by Intermedia? Any

1 objection to those being admitted into the record?

2 MS. KAUFMAN: We don't have any objection,  
3 Mr. Chairman, if we could just be provided with a copy.

4 CHAIRMAN DEASON: There being no objection, show  
5 that Exhibit 2 is admitted into the record.

6 (Exhibit No. 2 received in evidence.)

7 CHAIRMAN DEASON: You may proceed.

8 CROSS EXAMINATION

9 BY MR. CARVER:

10 Q Good morning, Mr. Metcalf.

11 A Good morning, sir.

12 Q My name is Phil Carver and I represent  
13 Southern Bell.

14 Let me ask you first of all, do you have any  
15 awareness of Intermedia's need or lack of need for DSO  
16 level of interconnection?

17 A No, sir.

18 Q If you'd refer to your testimony, and I'm  
19 going to ask about a fairly large section. Your  
20 testimony at Pages 9 and 10, you talk there about  
21 competition -- and I'm not going to read your testimony,  
22 if that's okay with you, because it is a large section.  
23 But you talk there about competition to provide services  
24 to large users between AAVs and LECs; is that correct?

25 A Yes, sir.

1 Q Okay. Can I take it from your testimony that  
2 you believe that there already exists competition to  
3 provide transport services to these customers?

4 A On a very limited basis, yes, sir. I mean  
5 there's not a widespread number of AAVs right now.  
6 Where they have their loops there is competition. But  
7 only for a segment of the market. Again, right now they  
8 are limited in what they can request from us, or what we  
9 can purchase from them; basically private line capacity  
10 between us and the IXCs and private line capacity  
11 between us and other affiliated entities, so that's not  
12 exactly the full range of needs that the large users  
13 have.

14 Q Okay. But on Page 9, Lines 10 and 11, you  
15 have the statement "large users are currently shopping  
16 for DTS and are pitting the LECs against AAVs, such as  
17 Intermedia."

18 A That's correct. Where we can, we are, and  
19 within the services that they are allowed to offer that  
20 we can purchase, we are.

21 Q Are microwave providers also providing that  
22 same type of service?

23 A Yes, sir. Again, I believe my opening  
24 statement addressed VSAT. And I'm sorry, I tend to use  
25 VSAT as the alternative for private networks, but, yes,

1 microwave and VSAT are alternatives also.

2 Q Let me ask you a little bit about your  
3 position on pricing flexibility for the LECs. If I  
4 understand your direct testimony correctly, your  
5 personal position is different than ICI's; is that  
6 correct?

7 A Yes, sir, a little bit.

8 Q Okay. Let me read you a portion of your  
9 testimony, and then I'd like for you to explain it a  
10 little bit more. And I'm going to read from Page 14,  
11 beginning at Line 23 and going through Page 15, Line 3,  
12 and you say there the following: "ICI contends that the  
13 LECs have sufficient flexibility with their CSAs and  
14 ICBs and that a loosening up any more would be premature  
15 until AAVs can carry bundled services via DTS. I  
16 understand their position, and if I were ICI, would  
17 probably say the same thing."

18 My question is what do you mean by that  
19 statement, that if you were ICI you would probably say  
20 the same thing?

21 A Well, I think ICI presumes that you've got all  
22 the flexibility you need. And I guess, if you look at  
23 my summary, I make kind of the same statement; that you  
24 have more flexibility right now to carry more services  
25 for the large users than any other entity out there

1 because you're the primary provider.

2 Q Well, my question, though, is why do you  
3 believe ICI has a different position than you do?

4 A Well, I think they are really saying -- I  
5 think that the different position might be that they  
6 don't think that there's any reason for you to have more  
7 flexibility, and I think there's a reason for you to  
8 have more flexibility as the market develops and there  
9 may be an uneven playing field developing or something.

10 Q Would you say that they are taking the  
11 position that they are simply to advance their own  
12 competitive interest?

13 A Well, I think that they are in business and  
14 they would like very much to continue to secure a fair  
15 amount of our business. Our business being the  
16 large-users business.

17 Q So that would be a "yes"?

18 A That would be a "yes, but."

19 Q Okay. A couple more questions I want to ask  
20 you, and let me put this to you in the form of a  
21 hypothetical.

22 For the purposes of these two questions, two  
23 or three, I want you to assume that we're talking about  
24 a product, an access product, that can be offered by  
25 both the LEC and by an AAV. And I want you also to



1 assume that both of them, at least, are pricing to cover  
2 their costs. In other words, no one is improperly  
3 pricing under cost.

4 If the AAV is the most efficient competitor,  
5 that is, if they have lower cost, then they are going to  
6 be able to price lower than the LEC, regardless of how  
7 much pricing flexibility the LEC has; isn't that  
8 correct?

9 A Maybe on that specific service, yes.

10 Q Okay. That's really the only one I'm talking  
11 about, and I understand your position on other services,  
12 but that question is just limited to that hypothetical.

13 A But I want to make the point that right now,  
14 with the bundling programs that you are offering large  
15 users, you're tying up one service that you might  
16 overprice in the instance you just described, and yet  
17 making concessions in other services, and yet bundling  
18 this thing up, tying up significant portions of the  
19 market, and those -- and so while we might be able to  
20 buy an element from the AAVs at a lower price, the fact  
21 that you have bundled several services makes that more  
22 attractive and we can't have that deal unless we take  
23 the whole deal, and that might be that we accept the  
24 fact we pay the higher prices on the smaller element, on  
25 the single thing you just described.

1 Q Okay. I don't think you really answered my  
2 questions. Do you need to hear the hypothetical again?

3 A All right.

4 Q Would you like me to repeat it?

5 A Yes, go ahead, repeat it.

6 Q Again, we're talking about a particular  
7 service, and on this service both the LEC and the AAV  
8 can provide this service, and they are both pricing to  
9 cover their cost. Now, I want you to assume that the  
10 AAV is the more efficient competitor; that is, that  
11 their costs are lower. With that hypothetical, the LEC  
12 cannot underprice the AAV regardless of how much pricing  
13 flexibility they have. Wouldn't you agree with that?

14 A You cannot -- right now, I would say you --  
15 the rules are that you cannot price them if to  
16 underprice the AAV you have to go below your cost.

17 Q Okay. Now, let me ask the question from the  
18 opposite direction. Same hypothetical, but let's assume  
19 that the LEC has lower cost, okay. Let's also assume  
20 that the LEC is not granted pricing flexibility so that  
21 it can't lower its prices down to its cost. The end  
22 user is going to pay a higher price in that situation  
23 than if the LEC could lower its price down to its cost;  
24 isn't that true?

25 A Yes, sir.

1 MR. CARVER: Okay. Thank you. I have no  
2 further questions.

3 CHAIRMAN DEASON: Mr. Fons.

4 CROSS EXAMINATION

5 BY MR. FONS:

6 Q Good morning, Mr. Metcalf.

7 A Good morning, Mr. Fons.

8 Q I have just a few questions.

9 Are you familiar with this Commission's  
10 decision in Phase I of this proceeding?

11 A Generally, yes, sir.

12 Q And are you aware that in Phase I of this  
13 proceeding this Commission authorized the LECs to continue to  
14 use CSAs and to implement zone density pricing?

15 A Yes, sir.

16 Q Do you agree with that decision?

17 A I think -- I think -- yes, sir.

18 MR. FONS: I have no further questions.

19 CHAIRMAN DEASON: Mr. Hoffman?

20 MR. HOFFMAN: I have no questions.

21 CHAIRMAN DEASON: Ms. Caswell.

22 MS. CASWELL: I do have a few questions.

23 CROSS EXAMINATION

24 BY MS. CASWELL:

25 Q Good morning, Mr. Metcalf. I'm Kim Caswell

1 with GTE Florida.

2 Mr. Metcalf, AAVs are not permitted today to  
3 carry switched traffic; is that right?

4 A I'm sorry, ma'am.

5 Q Is it correct that AAVs today are not  
6 permitted to carry switched traffic?

7 A That's correct.

8 Q But you believe that they should be able to  
9 carry switched traffic; is that true?

10 A No, ma'am, that's not correct. I believe they  
11 ought to be able to transport switched traffic and hand  
12 it off to you to be switched.

13 Q But isn't that transport of switched traffic  
14 considered to be part of switched access?

15 A Well, it is the way you have bundled the  
16 service, but right now they are allowed to carry  
17 switched traffic to Sprint and to MCI and to AT&T, which  
18 is exactly, in my mind, the same thing; exactly the same  
19 thing. They are carrying switched traffic and they are  
20 turning it over to those users to be switched and  
21 forwarded, and that's exactly what I'm suggesting ought  
22 to be done with you.

23 Q And do you know if that interpretation is  
24 consistent with this Commission's interpretation

25



1 MR. CARVER: Okay. Thank you. I have no  
2 further questions.

3 CHAIRMAN DEASON: Mr. Fons.

4 CROSS EXAMINATION

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7 A Good morning, Mr. Fons.

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10 decision in Phase I of this proceeding?

11 A Generally, yes, sir.

12 Q And are you aware that in Phase I of this  
13 proceeding this Commission authorized the LECs to continue to  
14 use CSAs and to implement zone density pricing?

15 A Yes, sir.

16 Q Do you agree with that decision?

17 A I think -- I think -- yes, sir.

18 MR. FONS: I have no further questions.

19 CHAIRMAN DEASON: Mr. Hoffman?

20 MR. HOFFMAN: I have no questions.

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6 permitted to carry switched traffic?

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9 carry switched traffic; is that true?

10 A No, ma'am, that's not correct. I believe they  
11 ought to be able to transport switched traffic and hand  
12 it off to you to be switched.

13 Q But isn't that transport of switched traffic  
14 considered to be part of switched access?

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16 service, but right now they are allowed to carry  
17 switched traffic to Sprint and to MCI and to AT&T, which  
18 is exactly, in my mind, the same thing; exactly the same  
19 thing. They are carrying switched traffic and they are  
20 turning it over to those users to be switched and  
21 forwarded, and that's exactly what I'm suggesting ought  
22 to be done with you.

23 Q And do you know if that interpretation is  
24 consistent with this Commission's interpretation

25

1 of the Florida Statutes on what AAVs can do?

2 Q Right now this Commission -- the presumption  
3 is that we're talking switched transport and we connect  
4 the switching, we bundle the switching with the  
5 transport, and I'm trying to say you bundle the  
6 switching with the transport in the local exchange, but  
7 you don't bundle the switching with the transport when  
8 it goes to an IXC for interLATA or interstate traffic.  
9 I don't see the difference. And I think it's fully  
10 within the Commission's interpretation to be able to  
11 change that; absolutely, within it. They can't allow,  
12 according -- regulatorily, they cannot change the fact  
13 that you have to do the switching. But I think they can  
14 change the fact that you have to do the transport.

15 Q So it would be a change from the current  
16 interpretation of the statute as you understand it?

17 A It would be within the rights that the  
18 Commission has to say, "Wait a minute. We think this  
19 should be unbundled and from now on ICI and the other  
20 folks can carry their own traffic."

21 Q Right, but that's a change in the Commission's  
22 current --

23 A That's a change from right now.

24 Q Thank you.

25 I believe, Mr. Metcalf, in your opening

1 statement you indicated that it's important to retain  
2 contribution on some companies' network. When you refer  
3 to the word "contribution" there, what do you mean?

4 A What did I mean?

5 Q Yeah.

6 A Profit. Right now when a large user leaves  
7 the network and goes to VSAT or leaves the network and  
8 takes microwave or something and uses that to beam up  
9 and come down in their own locations with their own  
10 towers and their own dishes, you lose the revenue; they  
11 lose the opportunity for the revenue; the IXC's lose the  
12 revenue; the citizens lose the revenue, we all lose the  
13 revenue because the revenue is gone. We've now  
14 purchased capital equipment, we put it totally on a  
15 private network and it's gone, and it doesn't come back.

16 It's my belief that if the AAVs are a  
17 legitimate alternative to you for local transport, that  
18 our clients, if the price is better and the efficiency  
19 is better and the technology is better, our clients  
20 ought to be able to leave and go to the AAVs, use them  
21 to get to the IXC's and keep the revenue on somebody's  
22 network. Then in a year or two when you get your act  
23 together or get more flexibility or come up with the  
24 same technology or even better technology, you have the  
25 opportunity to come to the large users and say, "Come on

1 back. We've got a better deal." And with nothing more  
2 than a few cross-connects, that can occur. The revenue  
3 didn't leave somebody's network. But when the revenue  
4 leaves to a private network it does not come back. It  
5 didn't come back with Barnett, it didn't come back with  
6 First Union, and it almost didn't come back with Publix.  
7 And that's a point we discussed in the General Telephone  
8 case last year.

9 Publix was three weeks from making its  
10 decision until this case started, and then all of a  
11 sudden they said, "Well, maybe things will change," so  
12 they put the business decision to leave the network --  
13 leave the network -- they put that decision on hold  
14 pending the results of competition and this docket. And  
15 they'd like to see themselves be able to talk to an  
16 alternative carrier and stay on somebody's network.  
17 It's the only way that you retain some portion of the  
18 revenue and that the business users can meet their  
19 technology needs.

20 Q So getting back to my original question,  
21 contribution, as you understand, it means profit.

22 A Yes, ma'am.

23 Q That's the way you're using it.

24 A Yes, ma'am.

25 MS. CASWELL: That's all I have. Thank you,



1 Mr. Metcalf.

2 CHAIRMAN DEASON: Ms. Bryant.

3 MS. BRYANT: No questions, Mr. Chairman.

4 CHAIRMAN DEASON: Mr. Tye.

5 MR. TYE: I have no questions, Mr. Chairman.

6 CHAIRMAN DEASON: Staff?

7 MS. CANZANO: I have a few questions.

8 CROSS EXAMINATION

9 BY MS. CANZANO:

10 Q This question is regarding reciprocal  
11 interconnection. In Phase I the Commissioners  
12 encouraged rather than mandated that collocators allow  
13 LECs and other parties to interconnect with their  
14 networks. Do you believe the Commissioners should  
15 change this decision?

16 A To encourage the LECs and the AAVs to  
17 interconnect their networks? Is that what you're  
18 asking?

19 Q To encourage it rather than mandate it, do you  
20 think that the Commissioners should change that policy?

21 A Ma'am, I think that to do what I want to do,  
22 which is allow them to carry my switched traffic and  
23 transport it to the LECs for switching, it's got to  
24 happen. So, absolutely, I think it needs to be  
25 mandated.



1 Q In the past --

2 CHAIRMAN DEASON: You're going to have redirect  
3 on that one, aren't you? (Laughter)

4 I'm sorry. Go ahead.

5 Q (By Mr. Canzano) In the past the LECs have  
6 endorsed the Commission's complaint process as a means  
7 to resolve disputes among parties. Would this be an  
8 adequate way to resolve reciprocal interconnection  
9 disputes?

10 A I don't have a opinion on that. Sure.

11 Q Now we're switching gears here to tariffing  
12 requirements.

13 Do you believe that all switched transport  
14 providers should be required to file tariffs?

15 A I believe that tariffs are not as necessary  
16 for AAVs as for LECs, because, frankly, the AAVs are  
17 never going to price higher than the LECs or are very  
18 unlikely to price higher.

19 I think a similar example would be the IXC  
20 market. AT&T basically files tariffs and they reflect  
21 the ceilings for everyone, and I believe that would  
22 happen within the DTS market, too.

23 There may be a time when -- when the LECs will  
24 want a purchase from the AAVs. And if they do, there  
25 probably ought to be some sort of a price list or tariff

1 there, but -- so you may need a tariff in the future,  
2 but I don't think it's as important for the AAVs as the  
3 LECs.

4 MS. CANZANO: That concludes Staff's questions  
5 for Mr. Metcalf. However, Staff has talked to  
6 Mr. Wiggins, and we would like to have marked for  
7 identification a exhibit of Intermedia's Response to  
8 Southern Bell's Second Set of Interrogatories. And like  
9 Mr. Carver had said earlier, that Mr. Metcalf did not  
10 prepare this response, another employee of Intermedia did,  
11 and we would like to stipulate that. And I believe we  
12 have a stipulation.

13 MR. WIGGINS: Yes, we're comfortable with it.  
14 We stipulate it into the record.

15 CHAIRMAN DEASON: Okay. We will identify the  
16 response to Southern Bell's Second Set of Interrogatories,  
17 1 through 9, as Exhibit No. 4. Intermedia indicates that  
18 there is no objection to this exhibit being admitted. Is  
19 there any objection by any other party? There being no  
20 objection, Exhibit No. 4 will be admitted. You have no  
21 further questions.

22 (Exhibit No. 4 marked for identification and  
23 received in evidence.)

24 MS. CANZANO: No further questions.

25 CHAIRMAN DEASON: Commissioners? Redirect.

1 MR. WIGGINS: Yes, sir.

2 REDIRECT EXAMINATION

3 BY MR. WIGGINS:

4 Q Let's revisit reciprocal interconnection for  
5 just a minute, Mr. Metcalf.

6 With respect to the terms and conditions of  
7 the LEC, let's say Southern Bell collocating with  
8 Intermedia or some other AAV's hub, is it your belief  
9 that the Commission should mandate that interconnection  
10 or do you believe they should be left to negotiate that  
11 without a mandate?

12 A I would think that this is a business  
13 decision. You ought to be able to just negotiate it,  
14 like business people do.

15 Q Do you recall Mr. Carver's questions about the  
16 head-to-head competition between the LEC and the AAV on  
17 discrete services and the pricing of those services  
18 reflecting the cost? Do you remember that general line  
19 of questions?

20 A Uh-huh.

21 Q Let me ask you. In the market, do your  
22 clients typically have needs where there are single  
23 services competing head-to-head between the AAV and the  
24 LEC?

25 A No, sir.

1 MR. WIGGINS: I have no further questions.

2 CHAIRMAN DEASON: Exhibits?

3 MR. WIGGINS: Yes, I am finished. I would like  
4 to move Exhibit 3 be admitted.

5 CHAIRMAN DEASON: Without objection, Exhibit 3  
6 is admitted.

7 Thank you, Mr. Metcalf.

8 (Exhibit No. 3 received into evidence.)

9 (Witness Metcalf Excused.)

10 - - - - -

11 CHAIRMAN DEASON: Mr. Wahlen?

12 MR. WAHLEN: Thank you, Mr. Chairman. ALLTEL  
13 calls Harriet Eudy to the stand, please.

14 HARRIET E. EUDY

15 was called as a witness on behalf of ALLTEL Florida,  
16 Inc. and, having been duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MR. WAHLEN:

19 Q Would you please state your name?

20 A My name is Harriet E. Eudy.

21 Q And by whom are you employed?

22 A I am employed by ALLTEL Florida, Inc.

23 Q Ms. Eudy, did you prepare and cause to be  
24 filed prepared direct testimony consisting of 14 pages  
25 on July 15, 1994?

1           A     Yes, I did.

2           Q     Do you have any corrections or changes to that  
3 testimony?

4           A     No, sir.

5           Q     If I were to ask you the questions contained  
6 in that testimony today, would your answers be the same?

7           A     Yes, sir.

8           MR. WAHLEN: Mr. Chairman, we would request that  
9 the testimony be inserted into the record as though read.

10          CHAIRMAN DEASON: Without objection, it will be  
11 so inserted.

12          MR. WAHLEN: Thank you.

13          Q     (By Ms. Wahlen) Ms. Eudy, attached to your  
14 prepared direct testimony did you include an exhibit  
15 designated HEE-1, consisting of two pages?

16          A     Yes, sir.

17          MR. WAHLEN: Mr. Chairman, we would like to have  
18 that exhibit identified for the record, please.

19          CHAIRMAN DEASON: It will be identified as  
20 Exhibit No. 5.

21          MR. WAHLEN: Thank you.

22                (Exhibit No. 5 marked for identification.)  
23  
24  
25



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
PREPARED DIRECT 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 direct testimony are to (1) describe  
11 ALLTEL, and (2) explain why the Florida Public Service  
12 Commission should not require mandatory switched access  
13 expanded interconnection for Tier 2 local exchange  
14 companies ("LECs") like ALLTEL at this time, and (3)  
15 explain ALLTEL's position on the local transport issues  
16 in this case.

17  
18 Q. Have you prepared an exhibit which you sponsor in this  
19 proceeding?

20  
21 A. Yes. Exhibit 5 (HEE-1), titled "Exhibit of H. E.  
22 Eudy," consists of one document and was prepared under my  
23 direction and supervision for filing in this proceeding.  
24  
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. As of March 31, 1994, ALLTEL Florida had  
8 179 employees and was the fifth largest local exchange  
9 company ("LEC") in 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, Bradford, 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, 1993, we served 61,327  
15       access lines. This equates to approximately 17 access  
16       lines per square mile, as compared to Central Telephone  
17       Company of Florida with 320,088 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 advent of competition for customers using switched  
16 access will make it more difficult for ALLTEL to earn its  
17 authorized rate of return without increasing the prices  
18 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           switched access for alternative access vendors ("AAVs")  
16           should mirror the policy recently adopted by the FCC.

17  
18      **Q.**   Has the FCC mandated any form of expanded interconnection  
19           for Tier 2 LECs like ALLTEL?

20  
21      **A.**   No. The FCC's first order on expanded interconnection  
22           for private line and special access exempted Tier 2 LECs  
23           like ALLTEL. I understand that the FCC's recent decision  
24           on expanded interconnection for switched access also  
25           exempted Tier 2 LECs like ALLTEL.

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

3  
4 A. The reasons behind the FCC's decision to exempt Tier 2  
5 LECs from the private line/special access expanded  
6 interconnection requirement were made clear in the FCC  
7 report and order released October 19, 1992. The FCC  
8 report and order released October 19, 1992, states:

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

23 \* \* \*

24 While requiring all LECs to provide expanded  
25 interconnection would ensure that customers

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

18  
19 We therefore adopt our proposal to limit the  
20 requirement to Tier 1 LECs. This would  
21 ensure the availability of expanded  
22 interconnection in most urban and suburban  
23 areas where demand is likely to be greatest.

24  
25 I believe these policy reasons apply with equal force to

1 the decisions facing the FPSC in the second phase of this  
2 docket.

3

4 Q. As it relates to non-Tier 1 LECs, should the FPSC's  
5 decision in Phase II of this proceeding mirror its  
6 decision in Phase I?

7

8 A. No. I understand that the United States Court of Appeal  
9 for the District of Columbia Circuit has recently issued  
10 an opinion that strongly suggests that the Phase I Order  
11 (Order No. PSC-94-0285-FOF-TP, issued March 10, 1994) is  
12 unlawful insofar as it requires certain physical  
13 collocation.

14

15 Q. Did the Phase I Order require mandatory physical  
16 collocation for non-Tier 1 LECs?

17

18 A. No. As it relates to non-Tier 1 LECs, the Phase I Order  
19 states:

20

21 Upon review, only the Tier 1 LECs shall  
22 be required to offer expanded  
23 interconnection as a tariffed generally  
24 available service. We also find it  
25 appropriate to allow non-Tier 1 LECs to  
negotiate provision of the service in

1 response to bona fide requests. If the  
2 terms and conditions of such a request  
3 cannot be reached, the Commission will  
4 review the matter on a case-by-case  
5 basis.

6 Order No. 94-0285 at 145.

7  
8 Q. Why shouldn't the FPSC adopt this policy in this phase?

9  
10 A. While the language from the Phase I Order quoted above  
11 can be construed different ways, that language implies  
12 that the Commission may lawfully require a non-Tier 1 LEC  
13 to offer physical collocation on terms and conditions  
14 approved by the FPSC if the parties are unable to reach  
15 an agreement on a negotiated basis. Insofar as the  
16 recent Court of Appeals decision strongly suggests that  
17 the FPSC may not lawfully do so, the FPSC should not  
18 adopt this position as its policy in Phase II. Instead,  
19 the FPSC should follow the lead of the FCC and impose no  
20 requirements on non-Tier 1 LECs like ALLTEL.

21  
22 Q. If the FPSC requires mandatory expanded interconnection  
23 for Tier 2 LECs, would ALLTEL and its customers be  
24 harmed?



1     A.    Yes.

2

3     Q.    How?

4

5     A.    Imposing an expanded interconnection for switched access  
6           on Tier 2 LECs will serve to increase the competitive  
7           pressures faced by ALLTEL. While ALLTEL is not opposed  
8           to competition, ALLTEL is concerned that the increased  
9           competition from expanded interconnection will (1) create  
10          downward pressure on some of ALLTEL's switched access  
11          rates, (2) result in the loss of large switched access  
12          customers, or (3) a combination of (1) and (2). Any of  
13          these alternatives will put pressure on ALLTEL's other  
14          rates, especially the rates ALLTEL charges to its basic  
15          local business and residential customers.

16

17          Likewise, for the FPSC to impose mandatory physical  
18          collocation on Tier 2 LECs would limit ALLTEL's ability  
19          to control it property.

20

21     Q.    Are switched access revenues important to ALLTEL?

22

23     A.    Yes. While ALLTEL's switched access revenues are not  
24           primarily dependent on a small number of large customers,  
25           the loss of one or two large switched access customers to

1 an AAV would have an adverse impact on ALLTEL and its  
2 customers. The loss of switched access revenues will  
3 create upward pressure on the basic local business and  
4 residential rates charged by ALLTEL. This would harm  
5 ALLTEL and its customers.

6  
7 Imposing mandatory expanded interconnection requirement  
8 for switched access on ALLTEL and the other Tier 2 LECs  
9 will increase the likelihood that AAVs will compete for  
10 these revenues. This, in turn, will increase the  
11 competitive pressure on ALLTEL's switched access rates.

12  
13 III.

14 Local Transport

15  
16 Q. Please describe ALLTEL's interest in the local transport  
17 part of this proceeding.

18  
19 A. ALLTEL has traditionally concurred in the local transport  
20 tariff of Southern Bell. Since ALLTEL expects to concur  
21 in the new local transport tariff rates and structure  
22 filed by Southern Bell, we agree with the testimony of  
23 Jerry Hendrix with regard to the local transport issues.

24  
25 Q. Will ALLTEL mirror Southern Bell's new LTR tariff for

1 each of the individual rate elements?

2

3 A. No. In order to achieve revenue neutrality, the residual  
4 interconnection rates will be different for those LECs,  
5 like ALLTEL, that concur in Southern Bell's tariff.

6

7 Q. How does Southern Bell's LTR tariff affect the MABC?

8

9 A. We agree with Southern Bell that the current MABC plan,  
10 rates, and rate structure should remain in place until  
11 LTR is fully implemented and the Commission determines  
12 that it is appropriate to introduce the proposed  
13 transport structure into the MABC.

14

15 Q. How would Southern Bell's Zone Density Pricing tariff  
16 filing affect ALLTEL?

17

18 A. ALLTEL does not expect to concur in Southern Bell's Zone  
19 Density Pricing tariff and would not expect to be  
20 affected by this filing. If, however, there is any  
21 residual effect on ALLTEL because of changes in the rates  
22 Southern Bell charges ALLTEL for carrying its traffic, we  
23 would elect to make a tariff filing to achieve revenue  
24 neutrality.

25

## IV.

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 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.

Q. Does this conclude your rebuttal testimony?

A. Yes.

1 Q (By Mr. Wahlen) Ms. Eudy, would you please  
2 summarize your testimony.

3 A Yes, sir. Just briefly. In regards to the  
4 Issues of interconnection, we have stipulated to Issue  
5 9, so I feel that no further summary is necessary.  
6 And as concerning the local transport issues, we do  
7 basically concur in the positions taken by Southern Bell.

8 That concludes my summary. Thank you.

9 MR. WAHLEN: Ms. Eudy is available for cross  
10 examination.

11 CHAIRMAN DEASON: Mr. Carver, you shouldn't have  
12 any questions.

13 MR. CARVER: I don't.

14 CHAIRMAN DEASON: Any questions?

15 MR. TYE: No questions, Mr. Chairman.

16 MR. WIGGINS: Just a short question, hopefully,  
17 if I can frame it short.

18 CROSS EXAMINATION

19 BY MR. WIGGINS:

20 Q Ms. Eudy, you were in the room for  
21 Mr. Metcalf's testimony?

22 A Yes, I was.

23 Q Did you hear his concerns about large users  
24 leaving the LEC loop and also the land line to go to  
25 VSAT?



1           A     I heard that.

2           Q     Is that a legitimate concern from the smaller  
3 LEC's perspective?

4           MR. WAHLEN: Commissioners, I hate to  
5 do this, to start this off, but I don't think this is  
6 within the scope of Ms. Eudy's direct testimony.  
7 It's cross examination on another witness' testimony.

8           All of her testimony related to Issue 9, that  
9 has been stipulated. I don't think ALLTEL has an issue  
10 or an interest in any of the other expanded  
11 interconnection issues, and I think Mr. Wiggins'  
12 question is beyond the scope of her testimony.

13           CHAIRMAN DEASON: Mr. Wiggins?

14           MR. WIGGINS: It is my understanding that the  
15 gravamen of Ms. Eudy's testimony is that we.  
16 need Issue 9, and the position on Issue 9, stipulated  
17 as is because of the incredible vulnerability of the  
18 smaller LECs to a small cluster of large users  
19 leaving their local loop and forced interconnection  
20 to precipitate that untimely could have unfortunate  
21 consequences for their R-1 and smaller  
22 business users. And that is the heart of her testimony  
23 and that is why everyone is stipulating to Issue 9.

24  
25

1           The question I'm asking is, does that concern  
2 also relate to them -- to departure from the land line  
3 altogether to go to private systems serviced by VSAT? I  
4 think it is connected, and it is in direct response to  
5 her testimony.

6           If Mr. Wahlen doesn't want her crossed on  
7 that, she should not be up to -- her testimony need not  
8 go into the record.

9           CHAIRMAN DEASON: With that, I will overrule the  
10 objection and I will allow the question. To the extent  
11 the witness has an opinion or knowledge on the subject  
12 matter, she may express it.

13          Q     (By Mr. Wiggins) So is that a legitimate  
14 concern from your perspective?

15          A     Would you please explain the term VSAT?

16          Q     Yes, ma'am. Well, let me just reframe the  
17 question. Is it a legitimate concern from either your  
18 Company's perspective or the smaller LECs' perspective  
19 that your large users might choose to leave your system  
20 altogether and go to microwave systems or private  
21 systems?

22          A     I feel that ultimately that might be a  
23 concern, maybe less so in the near term as for the large  
24 companies -- than for the large companies.

25          MR. WIGGINS: Thank you. I have no further

1 questions.

2 CHAIRMAN DEASON: Staff?

3 CROSS EXAMINATION

4 BY MR. BILLMEIER:

5 Q Ms. Eudy, this is about Issue 22.

6 Is it true that you concur in Southern Bell's  
7 access tariff and have adopted their position in the  
8 local transport issues because you will be charging  
9 the same rates that are approved for them anyway?

10 A Yes.

11 Q Are there any other reasons you adopted  
12 Southern Bell's positions?

13 A We basically concur in the positions that  
14 Southern Bell has taken regarding these issues.

15 Q Okay. In your testimony, you spoke of the  
16 modified access base compensation plan.

17 A Yes.

18 Q Can you explain what that is and what it is  
19 designed to accomplish?

20 A Yes, sir. The modified access base  
21 compensation plan is a plan that has been  
22 adopted by the State Commission in Florida on  
23 the carriage of intraLATA toll switched traffic,  
24 whereby each local exchange company becomes a primary  
25 carrier in its own service territory and bills the

1 end user for any originating MTS traffic and retains  
2 that revenue on an originate-and-keep basis and  
3 pays the terminating company to complete that traffic.  
4 They pay access charges to the terminating LEC.

5 Q Is it true that you agree with Southern Bell  
6 that the current MABC plan should remain in place until  
7 local transport is fully implemented and the Commission  
8 determines that it is appropriate to introduce the  
9 proposed transport structure?

10 A Yes, sir.

11 Q What do you believe has to happen for a local  
12 transport to be fully implemented?

13 A Well, I am aware that there are decisions that  
14 will take place at the federal level that could affect  
15 what happens here to the extent that the Commission may  
16 decide to adopt a uniform structure. I simply think  
17 that there are enough uncertainties at this point so  
18 that it would be unwise to require modification of such  
19 a sophisticated system, data system, as we have for the  
20 MABC plan. Which, assuming that something does happen  
21 that this becomes an interim structure, we'd simply  
22 have to do it all over again.

23 Q Have you received a copy of the response to  
24 Staff interrogatories, the exhibit that we have  
25 proffered? It's response to Staff Interrogatories Nos.

1 1 through 7 and 9 through 17.

2 A Yes.

3 Q Have you had a chance to review it?

4 A Briefly.

5 Q Was the information in this exhibit prepared  
6 by you or by someone under your supervision?

7 A Yes.

8 Q Are they accurate to the best of your  
9 knowledge and belief?

10 A Yes, sir.

11 MR. BILLMEIER: Mr. Chairman, Staff would ask  
12 that this exhibit be numbered for identification.

13 CHAIRMAN DEASON: It will be identified as  
14 Exhibit No. 6.

15 (Exhibit No. 6 marked for identification.)

16 MR. WAHLEN: If Staff has nothing further, we  
17 would move Exhibit 5 into evidence.

18 CHAIRMAN DEASON: Without objection, Exhibit 5  
19 is admitted. Staff wish to move Exhibit 6?

20 MR. BILLMEIER: Staff moves Exhibit 6.

21 CHAIRMAN DEASON: Without objection, Exhibit 6  
22 is also admitted.

23 (Exhibit Nos. 5 and 6 received in evidence.)

24 CHAIRMAN DEASON: Thank you, Ms. Eudy.

25 MR. WAHLEN: Mr. Chairman, with the Commission's



1 permission, if Ms. Eudy and I could be excused from  
2 further participation in this hearing? We would like to  
3 file a brief, but don't feel it necessary to stick around  
4 for the rest of this.

5 CHAIRMAN DEASON: You may be excused.

6 MR. WAHLEN: Thank you.

7 (Witness Eudy excused.)

8 - - - - -

9 CHAIRMAN DEASON: Mr. Tye.

10 MR. TYE: Thank you, Mr. Chairman. AT&T calls  
11 Mike Guedel.

12 MIKE GUEDEL

13 was called as a witness on behalf of AT&T Communications  
14 of the Southern States, Inc. and, having been duly  
15 sworn, testified as follows:

16 DIRECT EXAMINATION

17 BY MR. TYE:

18 Q Mr. Guedel, have you been sworn?

19 A Yes, I have.

20 Q Would you please state your name and business  
21 address for the record?

22 A My name is Mike Guedel. My business address  
23 is AT&T, 1200 Peachtree Street Northeast, Atlanta,  
24 Georgia, 30309.

25 Q And by whom are you employed and in what

1 capacity?

2 A I'm employed by AT&T as a manager in the  
3 Network Services Division.

4 Q Mr. Guedel, did you prepare and cause to be  
5 prefiled in this proceeding direct testimony consisting  
6 of some 18 pages?

7 A Yes, I did.

8 Q And did you also prepare and cause to be  
9 prefiled in this proceeding supplemental direct  
10 testimony consisting of some six pages?

11 A Yes, that is correct.

12 Q Now, was there also an exhibit attached to  
13 your initial direct testimony?

14 A Yes, there was.

15 Q Are there any changes, corrections or  
16 additions which you wish to make to either your direct  
17 testimony or your supplemental direct testimony at this  
18 time?

19 A Yes, I have one change to my supplemental  
20 direct testimony.

21 Q Okay. Could you give us that change?

22 A Yes. On Page 5, the question reads, "Should  
23 the LECs be granted additional pricing flexibility in  
24 conjunction with expanded interconnection?" Strike that  
25 entire answer and replace it with the following:

1           "AT&T does not oppose the approval of zone  
2 pricing plans consistent with the plans approved by the  
3 FCC, provided the LECs meet all of the other  
4 requirements for expanded interconnection and  
5 collocation prescribed by the FCC."

6           Q     Now, is the change that you just gave us  
7 consistent with the position that AT&T took on this  
8 issue in its prehearing statement?

9           A     Yes, it is.

10          Q     Okay. Mr. Guedel, with that change noted, if  
11 I were to ask you the same questions contained in your  
12 testimony here today, would you give me the same answers  
13 contained therein?

14          A     Yes, sir, I would.

15          Q     Okay. Now, with respect to your exhibit, was  
16 the exhibit prepared by you or under your direction and  
17 supervision?

18          A     Actually, the exhibit was extracted from an  
19 FCC order and it was attached to the testimony by me.

20          Q     Is the information contained on that exhibit  
21 true and correct to the best of your knowledge?

22          A     Yes, it is.

23               MR. TYE: Mr. Chairman, I would ask that  
24 Mr. Guedel's exhibit be marked for identification. I  
25 believe as Exhibit 7.

1 CHAIRMAN DEASON: It will be so identified.  
2 (Exhibit No. 7 marked for identification.)  
3  
4  
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25

1 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

2

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

6

7

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
9 EXPERIENCE.

10

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



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

6  
7  
8 Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

9  
10 A. My current responsibilities include directing analytical  
11 support activities necessary for intrastate  
12 communications services in Florida and other southern  
13 states. This includes detailed analysis of access  
14 charges and other LEC filings to assess their impact on  
15 AT&T and its customers. In this capacity, I have  
16 represented AT&T through formal testimony before the  
17 Florida Public Service Commission, as well as the  
18 regulatory commissions in the states of South Carolina  
19 and Georgia.

20  
21  
22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

23  
24 A. The purpose of my testimony is Twofold:  
25

1 First, I will recommend that the Commission order the  
2 restructure of local transport consistent with the  
3 structure recently approved by the Federal Communications  
4 Commission for Interstate access service, and

5  
6 Second, I will recommend that the Commission approve  
7 expanded interconnection for switched access services.  
8

9  
10 I. LOCAL TRANSPORT RESTRUCTURE  
11  
12

13 Q. WOULD YOU DESCRIBE THE GENESIS OF THE FEDERAL  
14 COMMUNICATIONS COMMISSION (FCC) ORDER APPROVING THE  
15 INTERIM RESTRUCTURE OF LOCAL TRANSPORT SERVICE?  
16

17 A. The FCC long recognized that the structure of local  
18 transport charges (prior to restructure) was not  
19 reflective of the underlying costs that the LECs incur in  
20 providing the service. The original structure was based  
21 upon the "equal charge" requirement of the Modification  
22 of Final Judgment (MFJ) - the court decree under which  
23 AT&T divested itself of the Bell Operating Companies  
24 (BOCs). This rule required that the charges for local  
25 transport be equal per unit of traffic. The rule,

1       however, ignored the fact that the cost of providing  
2       those units might differ based upon the network  
3       configuration used to serve particular IXCs. For  
4       example, one form of transport (common transport)  
5       requires the use of a tandem switching machine, whereas  
6       another form (dedicated transport) does not require the  
7       tandem switch. Clearly the cost of providing transport  
8       under these unique arrangements is different, however,  
9       under the "equal charge rule," the rates charged had to  
10      be exactly the same.

11  
12  
13   **Q.   WHAT WAS THE BASIS FOR THE "EQUAL CHARGE" RULE?**

14  
15   **A.**   It is my understanding that the rule was prescribed as an  
16       effort to encourage competition in the interexchange  
17       market at a time when AT&T's share of that market was  
18       exceptionally high. The rule effectively offered  
19       competitors, or potential competitors of AT&T, an  
20       artificial (non-cost based) advantage with respect to the  
21       purchase of access service. The need for the rule was  
22       clearly recognized as temporary, and the decree specified  
23       an expiration date of September 1, 1991.

1 Q. IN LIGHT OF THE EXPIRATION OF THE EQUAL CHARGE RULE, WHAT  
2 ACTION HAS THE FCC TAKEN?

3  
4 A. When the "equal charge rule" expired in September of  
5 1991, the FCC sought to implement a more cost causative  
6 structure for the local transport rate elements. On  
7 August 31, 1991, through the issuance of an Order and  
8 Notice of Proposed Rulemaking, the FCC initiated a  
9 proceeding to consider alternative transport structures.  
10 By November 22, 1991, over 50 companies or organizations  
11 had offered comments to the FCC on these issues, and by  
12 January 22, 1992, over 40 companies or organizations had  
13 offered reply comments to the FCC through this  
14 proceeding. Following this extensive investigation, the  
15 FCC adopted its interim transport restructure balancing  
16 three stated objectives:

17  
18 1) encourage the efficient use of transport  
19 facilities by allowing pricing that reflects cost,

20  
21 2) facilitate full and fair interexchange  
22 competition, and

23  
24 3) avoid interference with the development of  
25 interstate access competition.

1       The structure, and the associated prices, became  
2       effective December 30, 1993.

3

4

5   **Q.   WHY HAS THE TRANSPORT RESTRUCTURE BEEN DESCRIBED AS**  
6       **"INTERIM?"**

7

8   **A.   The FCC has adopted this structure as "interim,"**  
9       recognizing the need for ongoing investigation of issues  
10      surrounding local transport. While the plan was  
11      recognized as a significant improvement over the existing  
12      "equal charge" approach, the FCC sought to monitor its  
13      effects through implementation, and gather additional  
14      data prior to confirming a "long term" solution. For  
15      instance, one thing the FCC intends to review is the  
16      appropriateness and need for the RIC. The FCC has  
17      anticipated that this structure will remain effective for  
18      about two years, during which time the FCC will continue  
19      its investigation and seek further comment from the  
20      parties regarding price and structure issues.

21

22

23   **Q.   PLEASE DESCRIBE THE COMPONENTS OF THE RESTRUCTURED LOCAL**  
24       **TRANSPORT SERVICE?**

25



1 A. The restructured service includes four basic rate  
2 elements: 1) a flat-rated Entrance Facility charge which  
3 covers the link between the LECs serving wire center  
4 (SWC) and the IXC's point of presence (POP); 2) a flat-  
5 rated Dedicated Direct Truck Transport charge which  
6 covers transport between (a) the LEC SWC for the IXC POP  
7 and the terminating LEC end office, or (b) the LEC SWC  
8 for the IXC POP and the LEC access tandem; 3) a usage-  
9 based Tandem Switched Transport element for transport of  
10 tandem switched traffic between the SWC for the IXC POP  
11 and the terminating LEC end office (this element includes  
12 both an interoffice transmission charge and a tandem  
13 charge); and 4) a usage based Residual Interconnection  
14 Charge (RIC), a contribution element paid by all access  
15 customers that interconnect with the LEC switched  
16 network. My Exhibit I provides a graphic representation  
17 of the transport structure (selected from CC Docket 91-  
18 213, Report and Order and Further Notice of Proposed  
19 Rulemaking, Adopted September 17, 1992).

20

21

22 Q. HOW WERE THE RATES FOR THE TANDEM SWITCHED TRANSPORT  
23 ELEMENT ESTABLISHED?

24

25 A. Under the interim restructure prescribed by the FCC, the

1 tandem switched transport charges were designed to  
2 recover both the cost of the tandem switching and the  
3 cost of the required interoffice transmission. The rate  
4 for tandem switching, however, was set to recover only  
5 20% of the interstate revenue requirement associated with  
6 tandem switching. The intrastate proposals of BellSouth  
7 and GTE "mirror" the respective rates approved in the  
8 interstate arena.

9  
10  
11 Q. HOW WERE THE RATES FOR THE RESIDUAL INTERCONNECTION  
12 CHARGE (RIC) ESTABLISHED?

13  
14 A. The RIC was established as a "keep whole" element. The  
15 rate was set to recover 80% of the revenue requirement  
16 associated with tandem switching (discussed above) plus  
17 all additional revenue required to make the restructure  
18 "revenue neutral" to the LEC. Company specific rates  
19 were developed by estimating the amount of revenue that  
20 the company would receive from the proposed restructured  
21 rate elements (excluding the RIC), determining the  
22 difference between that amount and the revenue amount  
23 that it would expect to receive from the current  
24 transport structure, and then set the price of the RIC to  
25 recover that difference. The FCC specifically required

1 the LECs to develop these charges based upon historical  
2 demand configurations and historical minutes of use. The  
3 FCC states at paragraph 51 of its First Memorandum  
4 Opinion and Order on Reconsideration, adopted July 21,  
5 1993:

6  
7 Because of LEC incentives to project  
8 reconfigurations in a manner that would maximize the  
9 interconnection charge, and because of the  
10 difficulty of evaluating those projections, we  
11 conclude that the LECs should be required to use  
12 historical facility demand in computing the initial  
13 interconnection charge.

14  
15 For the same reasons, the Florida Public Service  
16 Commission should likewise require the LECs to use a  
17 historical network configuration in developing the  
18 intrastate interconnection charge.

19  
20  
21 Q. WHAT IS AT&T'S POSITION ON THE LEVEL OF THE RIC?

22  
23 A. As noted above, the RIC represents a residual  
24 contribution element - i.e. a rate element with no direct  
25 underlying costs. For this reason, the charge should

1 ultimately be eliminated in both the federal and state  
2 jurisdictions. Recognizing, however, the "revenue  
3 neutral" nature of the proposed RIC (assuming the basis  
4 of historical network configuration described above) and  
5 the limited scope of this docket, the Commission should  
6 not delay the implementation of the transport restructure  
7 to address this issue at this time.

8  
9  
10 Q. DO THE PROPOSED INTRASTATE LTR FILINGS "MIRROR" THEIR  
11 RESPECTIVE INTERSTATE LOCAL TRANSPORT OFFERINGS?

12  
13 A. All of the companies have "mirrored" the structure  
14 approved by the FCC and ordered effective December 30,  
15 1993. Further, both GTE and BellSouth have "mirrored"  
16 their individual interstate rates for: 1) entrance  
17 facilities, 2) direct trunk transport, and 3) tandem  
18 switching. The level of the interconnection charge,  
19 however, is unique in all cases reflecting the companies'  
20 efforts to maintain "revenue neutrality" within the state  
21 jurisdiction.

22  
23  
24 Q. SHOULD THE COMMISSION APPROVE THE PROPOSED RATE  
25 STRUCTURE?

1 A. Yes, the Commission should approve the proposed rate  
2 structure as filed. This structure will more accurately  
3 reflect the underlying costs associated with the  
4 provision of transport services. In addition, the  
5 restructure will facilitate the introduction of expanded  
6 interconnection services.

7  
8  
9 Q. WHAT CRITERIA SHOULD THE COMMISSION USE TO EVALUATE THE  
10 APPROPRIATENESS OF THE PROPOSED INTERCONNECTION CHARGES  
11 (RICS)?

12  
13 A. The Commission should approve interconnection charges  
14 that maintain revenue neutrality for the LEC with respect  
15 to local transport service. The LECs, however, should  
16 not be permitted to artificially inflate the level of the  
17 RIC by developing the price based upon opportunistic  
18 assumptions of network configurations. Further,  
19 assumptions of the network arrangement, minutes of use,  
20 and the related revenue requirement components supporting  
21 the "revenue neutral" calculation should all be of the  
22 same point in time.



## II. EXPANDED INTERCONNECTION-SWITCHED

### Q. WHAT IS EXPANDED INTERCONNECTION?

A. Expanded interconnection is a collocation arrangement that permits access providers other than the local exchange companies to interconnect with the local exchange companies' networks on the local exchange companies' premises. Under this arrangement, the local exchange companies are required to provide space at designated points within their networks for locating (either virtually or physically) the transmission equipment of competing access providers. Therefore, with expanded interconnection, customers can utilize the loop facilities of the local exchange companies for connection to the LEC central office and then select among available access providers the switched transport services connecting the local exchange office to the desired interexchange carrier (IXC) point of presence (POP). Interconnection offers to bring the benefits of switched access competition to greater number of customers than would be possible with traditional alternative access vendor (AAV) end to end service.

1 Q. HOW DOES "PHYSICAL" COLLOCATION DIFFER FROM "VIRTUAL"  
2 COLLOCATION"

3  
4 A. For purposes of expanded interconnection, the FCC has  
5 described "physical" collocation as an arrangement  
6 whereby the competitive access provider (CAP), IXC or  
7 other customer leases floor space (and access to the  
8 floor space) within a LEC central office for purposes of  
9 installing, maintaining and managing telecommunications  
10 equipment used in the provision of local transport  
11 services. Under this arrangement, the interconnector can  
12 gain entry to its designated space within the LEC central  
13 office (generally with security escort) to install,  
14 maintain, and/or repair their own equipment.

15  
16 The FCC has described "virtual" collocation (again for  
17 purposes of expanded interconnection) as an arrangement  
18 whereby the local exchange company installs, maintains  
19 and repairs interconnector designated telecommunications  
20 equipment used in the provision of competitive access  
21 services within the LEC central office. Under this  
22 arrangement, the interconnector can maintain monitoring  
23 and control ability, but cannot physically access the  
24 equipment within the central office.

25

1 In either case, however, the equipment used to terminate  
2 interconnected circuits would be located in the LEC  
3 central office.  
4  
5

6 Q. WHO SHOULD BE ALLOWED TO INTERCONNECT?  
7

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

17 Q. SHOULD COLLOCATORS BE REQUIRED TO ALLOW LOCAL EXCHANGE  
18 COMPANIES (LECS) AND OTHER PARTIES TO INTERCONNECT WITH  
19 THEIR NETWORKS?  
20

21 A. No. The purpose of expanded interconnection is to  
22 facilitate the entry of potential competitors into the  
23 monopoly preserves of the LECs. Because none of those  
24 potential competitors possess a monopoly, interconnection  
25 requirements are not necessary, and, in fact, would tend

1 to frustrate rather than encourage the development of  
2 competition.

3  
4 This recommendation is consistent with the Commission's  
5 finding in Phase I of this Docket (see Order No. PSC-94-  
6 0285-FOF-TP issued on March 10, 1994, pp.17-18).

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

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

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

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

21  
22  
23 Q. WOULD THE ADOPTION OF EXPANDED INTERCONNECTION BE  
24 CONSISTENT WITH PREVIOUS COMMISSION DECISIONS?

25



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

22  
23  
24 Q. WOULD YOU SUMMARIZE YOUR TESTIMONY WITH RESPECT TO  
25 EXPANDED INTERCONNECTION?

1 A. Expanded interconnection is the next logical step toward  
2 the introduction of competition into the monopoly  
3 preserves of the local exchange companies. Expanded  
4 interconnection will facilitate competition in the market  
5 for switched transport services by allowing customers  
6 greater opportunity to offer competitive services, thus  
7 bringing the benefits of competition to a larger number  
8 of customers. Expanded interconnection clearly serves  
9 the public interest, and its implementation should be  
10 immediately ordered by this Commission.

11

12

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14

15 A. Yes.

16

17

18

19

20

21

22

23

24

25

1 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

2

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

7

8

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

11

12 A. I received a Master of Business Administration with a  
13 concentration in Finance from Kennesaw State College,  
14 Marietta, Georgia in 1994. I received a Bachelor of  
15 Science degree in Business Administration from Miami  
16 University, Oxford, Ohio. Over the past years, I have  
17 attended numerous industry schools and seminars  
18 covering a variety of technical and regulatory issues.  
19 I joined the Rates and Economics Department of South  
20 Central Bell in February of 1980. My initial  
21 assignments included cost analysis of terminal  
22 equipment and special assembly offerings. In 1982, I  
23 worked on access charge design and development. From  
24 May of 1983 through September of 1983, as part of an  
25 AT&T task force, I developed local transport rates for

1 the initial NECA interstate access filing. Post  
2 divestiture, I remained with South Central Bell with  
3 specific responsibility for cost analysis, design, and  
4 development relating to switched access services and  
5 intraLATA toll. In June of 1985, I joined AT&T,  
6 assuming responsibility for cost analysis of network  
7 services including access charge impacts for the five  
8 South Central States (Alabama, Kentucky, Louisiana,  
9 Mississippi, and Tennessee).

10  
11  
12 Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

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

1 Q. ARE YOU THE SAME MIKE GUEDEL WHO FILED DIRECT TESTIMONY  
2 IN THIS PROCEEDING ON MAY 23, 1994 AND REBUTTAL  
3 TESTIMONY ON JUNE 27, 1994?

4

5 A. Yes.

6

7

8 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT  
9 TESTIMONY?

10

11 A. The purpose of my supplemental direct testimony is to  
12 present AT&T's positions regarding expanded  
13 interconnection in light of the U.S. Court of Appeals  
14 decision vacating the Federal Communications Commission  
15 (FCC) prescription for mandatory physical collocation.

16

17

18 Q. PLEASE DESCRIBE THE EFFECT OF THE U.S. COURT OF APPEALS  
19 RULING OF JUNE 10, 1994 REGARDING THE FCC'S  
20 PRESCRIPTION FOR EXPANDED INTERCONNECTION.

21

22 A. Through its decision, the Court of Appeals vacated the  
23 mandatory "physical collocation" provision of the FCC's  
24 expanded interconnection order, and remanded the  
25 concept of "virtual collocation" to the FCC for further



1 review and consideration. Therefore, at this point,  
2 there is no FCC (interstate) policy regarding  
3 collocation. The FCC is expected to formulate a new  
4 policy, but the time frame for the completion of that  
5 work has not been announced.

6  
7  
8 Q. SHOULD THE COMMISSION MODIFY ITS PHASE I ORDER IN LIGHT  
9 OF THE DECISION ISSUED BY THE U.S. COURT OF APPEALS FOR  
10 THE D.C. CIRCUIT ON JUNE 10, 1994?

11  
12 A. Yes. In Phase I of this docket, the Florida Public  
13 Service Commission adopted a mandatory physical  
14 collocation standard consistent with that of the FCC.  
15 The decision of the court renders the Phase I ruling  
16 inconsistent with whatever the interstate policy  
17 becomes and sets it up for possible similar legal  
18 challenges. For these reasons, the Commission needs to  
19 reconsider its order in Phase I.

20  
21 However, because there are advantages to having a  
22 consistent standard across the state and interstate  
23 jurisdictions, the Commission should defer the  
24 modification of its phase I order until the FCC has  
25 established a new interstate policy. That policy

1 should serve as a useful guide to the development of an  
2 intrastate standard.

3

4

5 Q. SHOULD THE COMMISSION CONTINUE TO ENCOURAGE PHYSICAL  
6 COLLOCATION?

7

8 A. Yes. Expanded interconnection (collocation) is  
9 designed to facilitate the beginning of competition  
10 within the monopoly preserves of the local exchange  
11 companies. Because "physical collocation" most closely  
12 duplicates the connecting arrangements of the incumbent  
13 monopolist, it offers the greatest hope for the  
14 development of some competition. Other forms of  
15 interconnection arrangements offer less promise.

16

17

18 Q. SHOULD THE LECs BE GRANTED ADDITIONAL PRICING  
19 FLEXIBILITY IN CONJUNCTION WITH EXPANDED  
20 INTERCONNECTION?

21

22 A. ~~Additional pricing flexibility (zone, density pricing)~~  
23 ~~plans consistent with the plans approved by the~~  
24 ~~was originally granted to the LECs by this Commission~~  
25 ~~in Phase 1 of this docket concurrent with the mandate~~  
~~requirements for expanded interconnection and~~  
~~for physical collocation. Through those proceedings,~~  
collocation prescribed by the FCC.

1 ~~The LECs convinced the Commission that expanded~~  
2 ~~interconnection would offer a competitive threat~~  
3 ~~significant enough to justify this pricing flexibility.~~  
4 ~~AT&T did not oppose the "zone density pricing"~~  
5 ~~arrangements ultimately approved by this Commission.~~

6  
7 ~~To the extent that LEC interconnection tariffs continue~~  
8 ~~to meet the requirements of the Phase I order (and the~~  
9 ~~original FCC order in CC Docket 91-141) including all~~  
10 ~~requirements for physical collocation, AT&T will not~~  
11 ~~oppose pricing flexibility similar to that granted by~~  
12 ~~this Commission in Phase I of this Docket. However, if~~  
13 ~~a LEC's tariff does not meet the Phase I requirements,~~  
14 ~~then additional pricing flexibility should not be~~  
15 ~~considered.~~

16  
17  
18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19  
20 A. Yes.

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

3           A     Yes, I have.

4           Q     Okay. Would you please give that summary at  
5 this time?

6           A     Yes. This docket deals with two broad issues,  
7 the restructure of the local transport element of  
8 switched access and consideration of the public interest  
9 merits of expanded interconnection. My direct testimony  
10 has addressed both of these issues. My summary is  
11 organized individually, and I will address the local  
12 transport restructure first.

13                   The proposed restructure of local transport  
14 rate element will replace the current structure that has  
15 been based upon the concept of the so-called equal  
16 charge rule. That rule prescribed that charges for  
17 local transport be equal per unit of traffic delivered or  
18 received. The rule, however, ignored the fact that the cost  
19 of providing those units might differ based upon the network  
20 configurations used to serve particular IXCs.

21                   For example, one form of transport, common  
22 transport, requires the use of tandem switching  
23 machines. Whereas, another form, dedicated transport,  
24 does not require the use of a switch. Clearly, the cost  
25 of providing transport under these unique arrangements



1 is different. However, under the equal charge rule, the  
2 rates charged had to be exactly the same.

3         The equal charge rule was adopted by the MFJ  
4 court as an exception to its general pricing standard  
5 that all rates should be cost-justified. The rule  
6 effectively offered competitors or potential competitors of  
7 AT&T an artificial -- that is, noncost-based -- advantage with  
8 respect to the purchase of access service in an effort to  
9 stimulate competition immediately following AT&T's divestiture  
10 of the Bell operating companies.

11         The need for this rule was clearly recognized  
12 as temporary and the decree specified an expiration date  
13 of September 1, 1991.

14         At the expiration of the equal charge rule,  
15 the FCC began what became a two-year investigation to  
16 find a more appropriate cost-based structure for local  
17 transport. During the course of that investigation the  
18 FCC received comments, recommendations from some 50  
19 parties, including many of the parties appearing before  
20 this Commission today.

21         Considering all those needs and concerns, the  
22 FCC adopted its interim structure balancing three stated  
23 objectives: First, encourage the efficient use of  
24 transport facilities by allowing pricing that reflects  
25 costs; number two, facilitate full and fair



1 interexchange competition; and, three, avoid interference with  
2 the development of interstate access competition.

3           BellSouth's intrastate local transport filing  
4 mirrors that balanced structure. The adoption of this  
5 tariff should encourage more efficient use of the local  
6 exchange network and provide an opportunity for  
7 competition to develop in the provision of some access  
8 services, and it will do so in a manner that  
9 transitionally balances the needs of various  
10 telecommunications concerns. Therefore, the Commission  
11 should approve BellSouth's proposed local transport  
12 restructure as filed.

13           The local transport restructure filings of  
14 GTE, United and Centel, however, are flawed with respect  
15 to one critical aspect of the FCC's prescription for  
16 restructuring local transport. These companies have  
17 chosen to calculate the residual interconnection charge  
18 on the basis of an assumed hypothetical network, a  
19 network that does not exist today and one that may never  
20 exist. The use of such an assumed network tends to  
21 artificially inflate the level of the RIC, as the LECs  
22 are naturally motivated to assume network configurations  
23 that would maximize the interconnection charge.

24           Recognizing this potential for abuse, the FCC  
25 ordered the LECs to file local transport rates based

1 upon existing network configurations. In order to  
2 prevent a similar potential abuse here in Florida, this  
3 Commission should order these companies, GTE, United and  
4 Centel, to refile their intrastate local transport  
5 tariffs to reflect historical network configurations.

6           Turning now to expanded interconnection. The  
7 adoption of expanded interconnection would serve the  
8 public interest in the state of Florida. The expanded  
9 interconnection would facilitate the beginnings of  
10 competition within the local exchange and would benefit  
11 consumers in much the same way as competition in other  
12 aspects of the telecommunications industry, i.e.,  
13 services and telephone sets, have benefited customers  
14 over the years.

15           Competition facilitates customer choice and  
16 development in production of new services designed or  
17 tailored to meet particular customer needs. In  
18 addition, competition fosters better performance as competing  
19 vendors vie for customers in the open marketplace.

20           The FCC has ordered expanded interconnection  
21 for both special and switched interstate access  
22 services. Through its most recent order, the FCC has  
23 required that Tier 1 LECs provide virtual collocation  
24 arrangements with a noted exception or waiver of that  
25 requirement in those central offices where a LEC chooses

1 to offer physical collocation.

2 In addition, the FCC has included specific  
3 requirements for collocation with respect to types of  
4 facilities to be interconnected, points within the LEC  
5 network where interconnection or collocation should be  
6 ordered, and related tariff and pricing issues.

7 Recognizing, that the same facilities and  
8 collocation arrangements can most likely be used to  
9 provide both state and interstate services, the process  
10 and potential success of the interconnection collocation  
11 experiment will be facilitated by the adoption of  
12 consistent rules and requirements across the two  
13 jurisdictions. Therefore, barring any discovery of any  
14 unique circumstances within the state of Florida that  
15 would require the development of different rules, this  
16 Commission should adopt interconnection rules and  
17 regulations consistent with those prescribed by the FCC  
18 for interstate arrangements.

19 It must be noted, however, that the adoption  
20 of expanded interconnection will not render the local  
21 exchange competitive. Expanded interconnection  
22 represents only an initial step in the efforts to create  
23 possibilities for real competition to develop in the  
24 market for local exchanges services. Interconnection is  
25 a necessary initial step to begin the introduction of

1 competition, but it alone will not guarantee the  
2 development of competition within the state and it will  
3 not directly alter the existing local exchange monopoly  
4 held by the LECs.

5 MR. CARVER: Finally, let me add that the  
6 purpose of expanded interconnection is to facilitate the  
7 entry of potential competitors into the existing monopoly  
8 preserves of the local exchange company. It is therefore  
9 not necessary, and indeed not advisable, for reciprocal  
10 collocation efforts to be ordered by this Commission.

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

12 Mr. Chairman, I would ask that Mr. Guedel's  
13 direct testimony and his supplemental direct testimony,  
14 as amended, be copied into the record as though read.

15 CHAIRMAN DEASON: Without objection, it will be  
16 so inserted.

17 MR. TYE: Thank you, sir. Mr. Guedel is  
18 available for cross.

19 (For convenience of the record Mr. Guedel's  
20 testimony was inserted at Page 112.)

21 CROSS EXAMINATION

22 BY MR. CARVER:

23 Q Good morning, Mr. Guedel.

24 A Good morning.

25 Q First of all, let me ask you a question or two

1 about local transport. Do you have any estimates on the  
2 impact of local transport restructure on AT&T, that is  
3 the Southern Bell proposal?

4 A I have no numbers on Florida.

5 Q Can you quantify it by percentage or --

6 A Again, in Florida, I don't.

7 Q Let's shift gears and talk a little bit about  
8 expanded interconnection. Judging from your testimony  
9 and from your summary, I take it that you believe that  
10 expanded interconnection should be ordered in a way that  
11 will ultimately benefit customers; is that fair?

12 A Yes, I think that's fair.

13 Q And would it also be fair to say that you  
14 believe that generally speaking the customers will  
15 benefit by having more choices as to how to meet their  
16 service needs?

17 A Yes.

18 Q Now, Mr. Guedel, you believe, don't you, that  
19 interconnectors should not be required to allow local  
20 exchange companies to interconnect with their networks;  
21 is that right?

22 A That is correct.

23 Q Aren't there going to be instances, though,  
24 where denying LECs reciprocal interconnection is also  
25 going to deny some service options to particular



1 customers?

2       A     I think that's a possibility, but I think it's  
3 overridden by the fact that it would foreclose  
4 competition, it would foreclose the interests of  
5 potential competitors if additional restrictions are  
6 placed upon those competitors. We have to keep in mind  
7 here that offering an advantage to a potential  
8 competitor may allow that competitor to get a start in  
9 the market. Offering the same advantage to the  
10 incumbent monopolies may only ensure that the monopoly  
11 exists forever, and that's what we want to try to avoid.

12       Q     So -- well, let me ask this. The arrangement  
13 that you're advocating, that is where non-LECs can  
14 interconnect with LECs but there's no reciprocal  
15 interconnection; under that arrangement, basically,  
16 expanded interconnection benefits non-LECs but it  
17 doesn't benefit LECs; is that fair?

18       A     I think it benefits end users. I think that's  
19 where we're going with this.

20       Q     But as between the two of them, it basically  
21 gives an advantage or gives a benefit to the non-LECs,  
22 but if there's no reciprocal interconnection it really  
23 doesn't do anything for the local exchange companies,  
24 does it?

25       A     I think it does give an advantage to the

1 interconnector. It gives them another option to  
2 collocate with the local exchange companies, and I think  
3 that's consistent with some of the things that were done  
4 in 1984. For example, the equal charge rule, the  
5 five-mile rule, the 55% discounts that were given to  
6 interexchange carriers other than AT&T in order to  
7 stimulate the market at a point in time when AT&T had a  
8 very large market share. If you would have given those  
9 same advantages to AT&T, I think we probably could have  
10 better defended our market position, but again, it would  
11 not have promoted competition. And the same issues are  
12 at stake here; if you give the same advantage to the  
13 incumbent with the great market share that you give to  
14 the potential competitors, all you're going to do is  
15 ensure the existence and continuation of the monopoly.  
16 And we don't want to do that. That is not in the  
17 interest of the customers.

18 Q Let me ask a hypothetical question. Let's say  
19 that in a particular situation, a local exchange company  
20 is trying to give service to their customers, and the  
21 way to give that particular customer the best service,  
22 that is the best quality, the best price, is to  
23 reciprocally interconnect with someone who has  
24 interconnected with their network because of where they  
25 are. In that particular arrangement, do you think the

1 local exchange companies should allowed to reciprocally  
2 interconnect so that they can give the best service  
3 possible to the customer?

4 A I don't oppose reciprocal interconnection; I  
5 oppose mandatory reciprocal collocation. If a LEC can  
6 work out a deal with an interconnector, that's fine.

7 Q So then in that situation, basically the  
8 interconnector would control the situation though,  
9 depending on how they priced the interconnection, what  
10 they charged, what the terms were, and maybe the  
11 customers would get the benefit of that and maybe they  
12 wouldn't; is that correct?

13 A I think that is a possibility, recognizing  
14 interconnectors have limited locations and Bell has a  
15 great deal of locations, those one or two examples, no  
16 doubt, could have.

17 Q Let me ask you about a particular situation,  
18 and this one has to do with -- well, let's see, Southern  
19 Bell propounded to AT&T some interrogatories. I believe  
20 it was the first set of interrogatories. Answers were  
21 provided by AT&T on August 16th, 1994, and you answered  
22 those on behalf of AT&T; is that correct?

23 A That is correct.

24 Q Now I understand that this interrogatory  
25 answer contains some proprietary information. So what

1 I'm going to try to do is just sort of characterize the  
2 situation in a way that won't give anything away that  
3 you want to be kept proprietary. So let me just ask you  
4 generally if this is what happened. A customer of  
5 Southern Bell came to AT&T and asked for space to  
6 collocate Southern Bell equipment. AT&T quoted them a  
7 price. The price was not acceptable to the customer,  
8 and the collocation arrangement did not happen. Is that  
9 correct?

10 A The collocation didn't -- the customer asked  
11 us. The collocation rates did not happen. I'm not sure  
12 price was the only consideration. It's my understanding  
13 the customer had another option and he took it. But the  
14 other facts are correct.

15 Q So you're saying that you don't have personal  
16 knowledge of why the customer didn't collocate?

17 A That's correct.

18 Q Let me put it this way: If -- or rather let  
19 me ask a follow-up. If that customer had elected to  
20 collocate, or to collocate Southern Bell's equipment in  
21 effect, with the ATA presence there, that would have  
22 given them another way to meet their service needs that  
23 they didn't get because they weren't able to collocate;  
24 isn't that correct?

25 MR. TYE: I object to the form of the question.



1 I don't think it's been established that the customer was  
2 unable to collocate. I think that the customer rejected  
3 the offer, it's my understanding.

4 CHAIRMAN DEASON: Perhaps you could just  
5 rephrase the question or lay some further foundation.

6 Q (By Mr. Carver) Well, let's just assume that,  
7 for whatever reason, the customer found collocation in  
8 this particular instance not to be in their best  
9 interest, it just didn't work for them. What I am  
10 trying to get at is if it had been workable, that would  
11 have given them another way to meet their service needs?

12 A There was another way for them to meet their  
13 service needs. In fact, it was another way. They  
14 simply didn't take that way.

15 Q And again, you don't have personal knowledge  
16 whether the reason they didn't take it was because of  
17 the price that AT&T was charging?

18 A I do not.

19 Q Let me ask you -- well, again, I'm not going  
20 to reveal the number, but in your interrogatory answer,  
21 you state that these particular charges that were quoted  
22 to the customer were developed on an individual case  
23 basis, and they may not be representative of charges  
24 developed for future arrangements; is that correct?

25 A That is correct.



1 Q Without revealing anything proprietary, could  
2 you tell us the method by which AT&T arrived at the  
3 price it quoted to the customer?

4 A I can give you a generic description of things  
5 we consider. I don't have the specifics on that case,  
6 but generally, the non-recurring portion has to do with  
7 any kind of construction arrangements or modifications  
8 of our facilities that we have to do in order to locate  
9 the customers' equipment. The recurring charges  
10 generally consider space, and if necessary, escort  
11 service to bring customers into that space.

12 Q To the best of your knowledge, would a local  
13 exchange company have to do all those things also when  
14 providing expanded interconnection?

15 A To the best of my knowledge, under the  
16 collocation arrangements that the federal communication  
17 has prescribed, the local exchange companies do that on  
18 a rather generic basis. They establish a non-recurring  
19 charge, and they establish monthly space rates, and  
20 that's tariff, and at that point in time nothing else  
21 has to be done tariff wise or pricing wise. It's  
22 already done. And they do have to do the preparations  
23 and things like that, yes.

24 Q Can you tell us about some of the factors that  
25 -- well, to use your language, that might cause charges

1 developed for future arrangements to be different than  
2 those in this particular instance?

3 A Well, again, this was a particular customer,  
4 particular equipment. It took a certain amount of  
5 space. It demanded a certain amount of power. It  
6 required a certain amount of customer escorts, if you  
7 will. Those are all variables. They vary with the job  
8 that's being done. And so those things could affect the  
9 price. It could have happened in a POP where we simply  
10 didn't have space available, and in that case we  
11 probably couldn't have offered the service.

12 Q Let's assume that the space was available.  
13 Did AT&T build in a particular profit margin on this  
14 particular collocation request?

15 A I don't know the answer to that.

16 Q Do you know if -- well, let's assume there was  
17 a profit margin. Do you think that's a reasonable  
18 assumption, given the way you typically do business?

19 MR. TYE: I object to the question. If the  
20 witness doesn't know, he doesn't know, and I don't think  
21 it's fair to ask him to assume.

22 CHAIRMAN DEASON: I think it's a different  
23 question, and if he thinks it's reasonable to assume that,  
24 the witness can state if he thinks it's reasonable or not.

25 WITNESS GUEDEL: The only thing I feel fairly

1 comfortable of, it's priced above its incremental cost.  
2 Beyond that, I don't know.

3 COMMISSIONER CLARK: Let me ask you, if it's  
4 priced above its incremental cost, doesn't that mean  
5 there's a profit in there?

6 WITNESS GUEDEL: It means there's a  
7 contribution, yes.

8 COMMISSIONER CLARK: All right.

9 MR. CARVER: Excuse me, just a moment.

10 Q (By Mr. Carver) Do you anticipate that in  
11 future collocation requests, that AT&T might have a  
12 higher or lower profit margin built in depending on  
13 exigent factors?

14 A As stated, everything is an individual case  
15 basis, there's a lot of factors. I can't speculate as  
16 to what those actual numbers would be.

17 Q Do you anticipate there might ever be a  
18 situation where AT&T just didn't want the LEC to  
19 collocate so they would price prohibitively?

20 A I don't know the answer to that question. I  
21 would think if we didn't want them to locate, we would  
22 not -- if we had a reason for not doing that, we simply  
23 wouldn't make an offer.

24 Q And if this commission doesn't order  
25 reciprocal collocation, then of course you'll have the

1 option of not allowing the LEC to collocate, or of  
2 pricing reciprocal collocation prohibitively; isn't that  
3 correct?

4 A If this Commission does not order mandatory  
5 collocation, we will not have to allow collocation.  
6 Keep in mind, we're in the same position as a variety of  
7 the other competitors who are working the interexchange  
8 business today, we need to make a profit. And if we  
9 have space that's available that's sitting idle and  
10 we're not earning any money on that space, we don't have  
11 any captive customers that can pick up the tab, we're  
12 probably going to be encouraged to do the best we can to  
13 make as much money as we can out of those assets. It  
14 would be foolish not to. So we do have an encouragement  
15 to do it, but there wouldn't be a regulatory mandate to  
16 do it.

17 MR. CARVER: Thank you. That's all I have.

18 CHAIRMAN DEASON: Mr. Fons.

19 CROSS EXAMINATION

20 BY MR. FONS:

21 Q Good morning, Mr. Guedel.

22 A Good morning, Mr. Fons.

23 Q Let's talk a little bit about the local  
24 transport restructure. Are you familiar with the  
25 residual interconnection charge associated with the

1 local transport restructure?

2 A Yes.

3 Q Are you familiar the basis upon which the FCC  
4 determined that the -- and let's just call it RIC so I  
5 don't have to keep saying the longer term -- how the RIC  
6 was calculated?

7 A I believe so, yes.

8 Q And am I correct that the RIC was imposed in  
9 order to keep revenue neutrality for the LECs with the  
10 implementation of local transport restructure?

11 A Yes, there were two components to the RIC.  
12 One was the -- 80% of the revenue requirement identified  
13 with tandem switching was shifted to the RIC charge by  
14 the Federal Communications Commission, and then the  
15 reminder of the RIC is the key to the whole element.

16 Q In this local transport that we're talking  
17 about, this has historically been a part of switched  
18 access?

19 A Yes.

20 Q And this is the piece of the facility between  
21 the LEC's end office, the end office that serves the  
22 customer, and the IXC's POP, or point of presence?

23 A End of serving wire center of the POP, yes.

24 Q And if there is a tandem, then the facility  
25 between that tandem and the IXC POP is an entrance



1 facility; is that correct?

2 A Well, the entrance facility goes between the  
3 POP and the serving wire center of the pop. The tandem  
4 would be in between the serving wire center of the POP  
5 and the serving wire center --

6 Q You're correct. I misstated it, but that's  
7 what I was inquiring into.

8 COMMISSIONER CLARK: You need to say that again  
9 because I didn't catch the distinction.

10 MR. CARVER: WITNESS GUEDEL: okay. The  
11 entrance facility connects the interexchange carrier's POP  
12 with the serving wire center of the interexchange carrier  
13 POP, and that's generally the LEC office that's closest to  
14 the POP. The other transport, the dedicated and common  
15 transport facilities, begin at that serving wire center,  
16 and they go to the serving wire center of the end user  
17 customer. They may go through a tandem. They may go  
18 directly wire center to wire center.

19 Q (By Mr. Fons) And that wire center is just  
20 another -- in some instances would be a central office,  
21 a switch; isn't that correct?

22 A Yes.

23 Q And we're talking about switched access on the  
24 local transport restructure; isn't that correct?

25 A Transport was a switched access element. We

1 recently incorporated a switched access element into  
2 various components, some dedicated, some switched.

3 Q Does the local transport restructure involve  
4 the entrance facility?

5 A Yes.

6 Q So you can have a local transport would apply  
7 not only to the piece between the serving wire center  
8 and the end office serving the customer, but also  
9 involves between the serving wire center that serves the  
10 IXC and the IXC's pop?

11 A Yes.

12 Q Within the local transport on the interstate  
13 basis, was that priced on a per mile basis?

14 A Historically?

15 Q Yes.

16 A It was priced in various ways, but generally  
17 had a mileage component. Sometimes there was a fixed  
18 component and a mileage component.

19 Q In Florida did the local transport have a  
20 fixed component alone, or did it also have a mileage  
21 component?

22 A In Florida it had a mileage component

23 Q In Florida?

24 A Yes.

25 Q On intrastate basis?

1           A     Excuse me, I'm wrong. It had a minute  
2 component.

3           Q     Didn't have a mileage component, did it?

4           A     Did not have a mileage component. I  
5 apologize.

6           Q     In -- does the local transport, though, look  
7 any different than a special access, a pipe, a pipeline  
8 between two points?

9           A     Without the tandem switch, they're going to  
10 look very much alike.

11          Q     And in the -- the local transport restructure,  
12 coupled with the expanded interconnection for switched  
13 access, allows entities other than the LEC to provide  
14 the switched transport; isn't that correct?

15          A     That's the intention, to encourage potential  
16 competitors to get started in that market.

17          Q     And it also means, does it not, that with the  
18 -- also the expanded interconnection for special access,  
19 that IXCs can move traffic off of the switched access  
20 and give it to an entity other than the LEC for handling  
21 it as if it were special access; isn't that correct?

22          A     Yes, you can do that, if you have a customer  
23 with a quantity of data to do that.

24          Q     And if you move the traffic off of special  
25 access to -- I'm sorry, off of switched access to

1 special access, there would be no minutes of use counted  
2 at the tandem, would there?

3 A Well, I guess the answer is yes. If we move  
4 everything to a dedicated facility -- and I might point  
5 out we could have done that even without alternative  
6 access vendors, we can do that within the scope of the  
7 LEC's own tariff -- there would not be a tandem  
8 switching element.

9 Q And isn't the -- let's go back to the RIC for  
10 a moment.

11 COMMISSIONER CLARK: Did you say yes or no?

12 WITNESS GUEDEL: I said yes, I think.

13 COMMISSIONER CLARK: So you can avoid the  
14 minutes? You wouldn't have minutes of use on the tandem  
15 by using the special access?

16 WITNESS GUEDEL: Oh, absolutely. And if you buy  
17 dedicated transport under the restructure and you don't  
18 use a tandem, you don't have any tandem to receive it.

19 COMMISSIONER CLARK: So you avoid a cost  
20 element?

21 WITNESS GUEDEL: Yes, you do.

22 Q (By Mr. Fons) The RIC that we talked about  
23 earlier, that was calculated or is to be calculated  
24 under the FCC's procedures by developing minutes-of-use?

25 A The RIC is a residual and is divided by

1 minutes -- the quantity of dollars is divided by a  
2 quantity of minutes to come up with the RIC.

3 Q And those are historical minutes?

4 A According to the FCC, yes.

5 Q Okay. How is the RIC collected?

6 A How is the RIC collected? The RIC is  
7 collected on a per-minute-of-use basis for transport  
8 services, and that applies to transport services carried  
9 by the local exchange company. It is also collected by  
10 the local exchange company on transport services carried  
11 by other vendors under an interconnection arrangement.

12 Q So long as the service that's being billed by  
13 the LEC or the AAV is a switched access service; isn't  
14 that correct?

15 A As long as it's a substitute for switched  
16 transport, yes, sir.

17 Q So that if traffic is shifted from switched  
18 access to special access, then there is no counting of  
19 the minutes-of-use for the collection of the RIC, is  
20 there?

21 A Well, I think that's true. At any point when  
22 you can switch your traffic from a switched arrangement  
23 to a special arrangement, either to a local company's  
24 special arrangement or to an alternative's special  
25 arrangement, you bypass switched access charges, yes.



1 Much more efficient in some cases.

2 Q The RIC then is an element which can be  
3 avoided or bypassed by the IXC, isn't it?

4 A In a limited number of cases, yes, sir.

5 Q It can be avoided or bypassed by the IXC;  
6 isn't that correct?

7 A Yes, in a limited number of cases.

8 Q What do you mean, "a limited number of cases"?

9 A The only way that the RIC can be bypassed is  
10 by switching traffic from switched access to special  
11 access. Now, that can only be done for customers who  
12 have enough traffic to justify a direct pipe to an  
13 interexchange carrier. It cannot be bypassed for the  
14 vast majority of customers.

15 Q And are you talking about DS3 or DS1 or DS0?

16 A Generally DS1 and above.

17 Q And have you done any studies as to how much  
18 traffic a customer must have in order to justify a DS1?

19 A No.

20 Q Is justification of the DS1 limited to only  
21 very large customers.

22 A A DS1 is equivalent to 24 voice grade  
23 channels, so effectively you're connecting 24 voice  
24 grade channels directly to an interexchange carrier. To  
25 keep them filled up, it would take a significant amount

1 of traffic.

2 Q Do you have an idea of how much traffic?

3 A I do not right now, no, sir.

4 Q Can you give me a ballpark figure on a  
5 per-customer per-month basis to justify a DS1?

6 A Not today, sir.

7 Q Would special access also be possible on a  
8 fractional DS1?

9 A I don't believe AT&T is involved in any of  
10 that. I'm not sure if others are.

11 Q Do you know whether any AAVs are providing  
12 fractional DS1s?

13 A I don't know.

14 Q But the RIC can be avoided, can it not?

15 A Yes, for certain specific limited  
16 arrangements, the RIC can be avoided.

17 COMMISSIONER CLARK: May I interrupt just a  
18 minute? Mr. Guedel, what do you understand a fractional  
19 DS1 to be?

20 WITNESS GUEDEL: A fractional DS1 is one or more  
21 voice grade equivalent circuits. So you could take a DS1,  
22 which has 24 voice grades, you could separate that and  
23 maybe deliver three of those to one customer, and five to  
24 another, and six to another, so it would be a fractional  
25 DS0 circuit.

1           COMMISSIONER CLARK: Well, if that's the case,  
2 could you send one of those lines into a building and  
3 aggregate unrelated traffic, unrelated entity traffic, and  
4 use special access and avoid the RIC?

5           WITNESS GUEDEL: My concern would be that I  
6 couldn't bill that, I wouldn't know who had what lines.  
7 because once the pipe comes into my POP, the DS1, I  
8 recognize the DS1.

9           I think some kind of switching equipment on  
10 premise may be able to solve that problem in a  
11 shared-tenant service environment; and I guess there are  
12 limited shared-tenant service environment arrangements  
13 here in Florida. But I don't know outside of having  
14 another switch in there how we could do that.

15          COMMISSIONER CLARK: You would have to have a  
16 switch at the premises?

17          WITNESS GUEDEL: I think that's a way to do it.  
18 There may be another way, but that way I think would work.  
19 And I don't know another way.

20          COMMISSIONER CLARK: Well, could you do it on a  
21 flat rate charge? If you got enough people, just say, you  
22 know, "We're not going to measure the traffic but here's  
23 your flat rate," and it would be a better service or a  
24 more economical service to them than using switched  
25 access. I'm trying to judge the likelihood of moving

1 traffic from switched to special by what you call  
2 fractional.

3 WITNESS GUEDEL: The difficulty there is that  
4 the only reason a customer would buy or want a special  
5 line to AT&T would be to utilizing an AT&T service. So we  
6 do have to bill on those services. We could bill a flat  
7 rate on the special piece but we would have to bill each  
8 customer on usage, for example, in a Megacom-type of  
9 environment. And I don't think we can do that today.

10 COMMISSIONER CLARK: Unless you have a switch at  
11 the premises.

12 WITNESS GUEDEL: Or a switch somewhere.

13 COMMISSIONER CLARK: Okay.

14 Q (By Mr. Fons) You have a switch at your POP,  
15 don't you, Mr. Guedel?

16 A Yes.

17 Q So you wouldn't have to provide this end  
18 facility from your POP to the customer, you could either  
19 get that either from the LEC or an AAV, couldn't you?  
20 You do it every day, you get your --

21 A Sure, absolutely. The only thing I'm saying  
22 is that if a DS1 pipe comes into my switch, I don't know  
23 who is on which one of those fractions, it's all one  
24 customer to me.

25 Q But if the customers -- if you're being

1 delivered ANI from the customer you'd know which  
2 customer it is, wouldn't you?

3 A But I'm not sure that I am technically capable  
4 to do that.

5 Q How about delivery of traffic to that end  
6 user? It goes both ways, doesn't it? You get traffic  
7 from a customer but you also deliver it, don't you?

8 A Yes, you do deliver traffic.

9 Q And that information is on whatever call or  
10 message is coming across, isn't it, as to which customer  
11 it is supposed to go?

12 A Yes, it is. But again, that has to be sorted  
13 at a switch; and if it all goes over one DS1, there has  
14 to be a shared-tenant type switch at the premise to  
15 break it out into customers.

16 Q You're saying that your switch at your POP  
17 couldn't do that?

18 A I'm saying to my knowledge we could not do  
19 that in the 4-E.

20 Q Well, I know that AT&T is quite interested in  
21 reducing switched access charges; is that a correct fair  
22 assumption, Mr. Guedel?

23 A Yes.

24 Q And you'll look for every opportunity you can  
25 to reduce your switched access charges?



1           A     That's a true statement, given, you know,  
2 maintaining our levels of quality and those kinds of  
3 things, but yes.

4           Q     Have you made any assumption on your part as  
5 to how long the RIC can endure?

6           A     I don't know about enduring, John. I've  
7 stated in my testimony that I think it should go away as  
8 quickly as possible. I believe that. I think the FCC  
9 would consider getting rid of it if they could find a  
10 way to do that. I hope it goes away soon, John.

11          Q     And if it does go away, do you know what  
12 revenue impact that will have on the LECs?

13          A     It would be different for everyone and it  
14 would depend on how it went away and things like that.

15          Q     But if it did go away, then the LEC would have  
16 to find some way to get those revenues somewhere else,  
17 wouldn't the LEC?

18          A     If it were done away with on a phase-out and  
19 the market continues to grow at the extent the market  
20 has been growing in the past for things like switched  
21 access services, a lot of the potential lost revenues  
22 from the RICs would be eaten up in growth. So I think  
23 it would depend completely upon the methodology in which  
24 the RIC was eliminated to determine the impact on the  
25 LEC.

1 Q But before the RIC is eliminated, you would  
2 agree that some substitute needs to be found to replace  
3 those revenues for the LEC?

4 A Well, yeah, the RIC is a revenue-neutral  
5 element; and if we want to maintain revenue neutrality,  
6 it must be maintained at that particular level today.

7 Q AT&T uses AAVs in Florida, does it not?

8 A I think so.

9 Q Do you know whether the AAVs in Florida have  
10 to file tariffs with this Commission for the services  
11 that they provide?

12 A I don't know that they do.

13 Q Do you know whether the AAVs have to file any  
14 tariffs at the FCC for the interstate services that they  
15 provide?

16 A I don't know.

17 Q Do you know whether or not AT&T has contracts  
18 with AAVs in Florida?

19 A That would be my assumption.

20 Q Do you know how the AAVs charge AT&T for  
21 services that they provide, both special access type  
22 services and switched access type services?

23 A No, I do not.

24 Q Do you know whether AAVs provide both DS1 and  
25 DS3 access or facilities to IXCs?

1           A     I believe they provide both.

2           Q     Do you know how the AAVs price their DS1 and  
3 DS3 services?

4           COMMISSIONER CLARK: Mr. Guedel, would you  
5 explain what DS1 and DS3 are?

6           MR. FONS: Sorry.

7           WITNESS GUEDEL: Yes. DS1 is a digital  
8 transmission service that is basically 1.4 megabit  
9 service, it provides 24 voice grade equivalent channels,  
10 it can be broken down into 24 channels. A DS3 is --  
11 again, a digital carrier service that embodies 28 DS1s, so  
12 it effectively can carry 672 voice grade channels.

13          COMMISSIONER CLARK: Okay. Is there a DS2?

14          WITNESS GUEDEL: There was a DS2 protocol at one  
15 time but it's never been implemented.

16          Q     (By Mr. Fons) Does AT&T provide DS1 and DS3  
17 service to its customers?

18          A     I believe we do.

19          Q     And do you know how AT&T prices its DS1  
20 vis-a-vis its DS3 service?

21          A     I'm not familiar with our pricing.

22          Q     Mr. Guedel, are you familiar with this  
23 Commission's order in Phase I of expanded  
24 interconnection?

25          A     I'm familiar with it.

1           Q     Are you familiar with what order the  
2 Commission issued with regard to pricing flexibility for  
3 the LECs?

4           A     I believe the Commission granted them zone  
5 pricing flexibility consistent with what the FCC had  
6 ordered in its Docket 91141.

7           Q     And did the Commission also allow the LECs to  
8 continue to use CSAs, or contract service arrangements,  
9 with customers?

10          A     Yes.

11          Q     Are you opposed to the Commission's decision  
12 in Phase I?

13          A     No.

14          Q     Let me ask you about your position on, I  
15 believe it is, Issue 15, which you have now changed your  
16 testimony to conform with. You say there that, "AT&T  
17 does not oppose the approval of zone pricing plans  
18 consistent with plans approved by the FCC providing the  
19 LECs meet all of the other requirements for expanded  
20 interconnection and collocation as prescribed by the  
21 FCC."

22                   What do you mean by the latter part of that  
23 answer, "meet all of the other requirements"?

24          A     Basically, they would offer the mandatory  
25 virtual collocation, they would offer it from the same

1 offices and make it available from the same offices or  
2 rating points that they would make it available under  
3 the FCC rules, things like that.

4 Q Has AT&T in the past collocated its facilities  
5 with that of any LECs?

6 A At divestiture we did.

7 Q And was that mandated or were the terms of  
8 that interconnection negotiated with the LECs and --  
9 between the LECs and AT&T?

10 A In that case, the equipment was, by nature of  
11 history, already collocated. And I believe through the  
12 plan of reorganization a lot of costs and things were  
13 derived -- probably separated costs since it was done  
14 primarily in the federal arena. And what became SNFA  
15 arrangements were arrived at between AT&T and the local  
16 exchange companies for compensation of those collocated  
17 equipment.

18 Q Did those SNFA arrangements -- and you're  
19 going to have to ask him, Commissioner Clark, what SNFA  
20 stands for. Were those SNFA arrangements between AT&T  
21 and the Bell operating companies rather than with the  
22 independent LECs?

23 A I believe that to be the case.

24 Q So you had instances where you were  
25 collocating and may still collocate with LECs. Do you



1 know whether or not those arrangements were negotiated?

2 A I don't know.

3 Q Do you believe that the LECs and the AAVs or  
4 other interconnectors including IXCs who can collocate  
5 should be able to negotiate the arrangements?

6 A Would you repeat that, John?

7 Q Do you believe that the LECs and the AAVs and  
8 IXCs and others who can collocate ought to be able to  
9 negotiate the arrangements for collocation?

10 A Yes. I do believe they ought to be able to  
11 negotiate, but the local exchange companies should be  
12 mandated to provide virtual collocation. Now, once  
13 that, those rates, those tariffs are in place, that's  
14 the standard, they can negotiate anything they want to  
15 that better meets individual needs and individual  
16 arrangements. But I do support the mandatory  
17 collocation.

18 MR. FONS: I have no further questions.

19 COMMISSIONER CLARK: Mr. Guedel, when you  
20 negotiated, if that's what you did, AT&T with local  
21 exchange companies other than the Bell companies, wasn't  
22 it a situation where you already had facilities in there  
23 and were simply negotiating how to price it?

24 WITNESS GUEDEL: At divestiture, that's the  
25 case, yes.

1           CHAIRMAN DEASON: We'll take a lunch recess at  
2 this time. And we will reconvene at 1:30.

3           (Thereupon, lunch recess taken at 12:17 p.m.)

4           (Transcript continues in sequence in Volume 2.)

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