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September 15, 1995

Mrs. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 950985-TP

Dear Mrs. Bayo:

Enclosed for filing in the above referenced docket are an original and fifteen (15) copies of AT&T's Direct Testimony of Mike Guedel.

Copies of the foregoing are being served on all parties of record in accordance with the attached Certificate of Service.

Yours truly,

Michael W. Tye

- ACK _____
- ASA _____
- ATP _____
- CFE _____
- CFI Chase _____
- CFJ _____
- EAJ _____
- LEC L _____
- LEW 5 orig _____
- CFB _____
- RL _____
- SPJ 1 _____
- WEL _____
- OTF _____

Attachments

cc: J. P. Spooner, Jr.
Parties of Record

Max

DOCUMENT NUMBER-DATE

09116 SEP 15 95

FFSC-RECORDS/REPORTING

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

IN RE: RESOLUTION OF PETITION(S)
TO ESTABLISH NONDISCRIMINATORY
RATES, TERMS, AND CONDITIONS
FOR INTERCONNECTION IN-
VOLVING LOCAL EXCHANGE COM-
PANIES AND ALTERNATE LOCAL
EXCHANGE COMPANIES PURSUANT
TO SECTION 364.162, FLORIDA
STATUTES

DOCKET NO. 950985 -TP

DIRECT TESTIMONY OF

MIKE GUEDEL

ON BEHALF OF AT&T COMMUNICATIONS

OF THE SOUTHERN STATES, INC.

SEPTEMBER 15, 1995

DOCUMENT NUMBER-DATE

U9116 SEP 15 95

FPSC-RECORDS/REPORTING

1 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

2

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

7

8

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

11

12 A. I received a Master of Business Administration
13 with a concentration in Finance from Kennesaw
14 State College, Marietta, GA in 1994. I
15 received a Bachelor of Science degree in
16 Business Administration from Miami University,
17 Oxford, Ohio. Over the past years, I have
18 attended numerous industry schools and seminars
19 covering a variety of technical and regulatory
20 issues. I joined the Rates and Economics
21 Department of South Central Bell in February of
22 1980. My initial assignments included cost
23 analysis of terminal equipment and special
24 assembly offerings. In 1982, I began working
25 on access charge design and development. From

1 May of 1983 through September of 1983, as part
2 of an AT&T task force, I developed local
3 transport rates for the initial NECA interstate
4 filing. Post divestiture, I remained with
5 South Central Bell with specific responsibility
6 for cost analysis, design, and development
7 relating to switched access services and
8 intraLATA toll. In June of 1985, I joined
9 AT&T, assuming responsibility for cost analysis
10 of network services including access charge
11 impacts for the five South Central States
12 (Alabama, Kentucky, Louisiana, Mississippi, and
13 Tennessee).

14
15

16 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

17

18 **A. My current responsibilities include directing**
19 **analytical support activities necessary for**
20 **intrastate communications service in Florida**
21 **and other southern states. This includes**
22 **detailed analysis of access charges and other**
23 **LEC filings to assess their impact on AT&T and**
24 **its customers. In this capacity, I have**
25 **represented AT&T through formal testimony**

1 before the Florida Public Service Commission,
2 as well as regulatory commissions in the states
3 of South Carolina and Georgia.

4

5

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7

8 **A. The purpose of my testimony is twofold:**

9

10 First, I will describe in a generic sense the
11 characteristics of interconnection and
12 collocation arrangements that are necessary to
13 provide inter-carrier connections that are both
14 technically efficient and economically
15 sensible, and thus competitively effective.

16

17 Second, I will specifically address the issue
18 of mutual compensation associated with call
19 completion as described in the petition and
20 testimony of Teleport Communications Group
21 (TCG), and I will recommend a compensation
22 arrangement that is consistent with the generic
23 principles discussed above.

24

25

1 Q. WHAT IS MEANT BY THE TERM INTERCONNECTION?

2

3 A. Interconnection refers to the act of linking
4 two networks together such that calls or
5 messages that originate on one of the networks
6 may transit or terminate on the other network.
7 Traditionally, in the switched environment,
8 interconnection has taken place on either the
9 line-side or the trunk-side of a local exchange
10 company's switch. Typical interconnection
11 arrangements have included switched access,
12 cellular interconnection, Enhanced Service
13 Provider(ESP) interconnection, and the
14 interconnection of end user Customer Provided
15 Equipment (CPE) through local service
16 arrangements.

17

18 In the implementation of local competition,
19 these traditional types of interconnection will
20 still be useful, but may not be sufficient to
21 meet the all of the needs of all potential
22 interconnectors. A more open or "unbundled"
23 set of interconnection options and
24 interconnection architectures will need to be
25 made available.

1

2

3 Q. WOULD YOU DESCRIBE WHAT YOU MEAN BY "UNBUNDLED"
4 INTERCONNECTION ARRANGEMENTS?

5

6 A. Unbundling is the identification and
7 disaggregation of physical bottleneck
8 components of the local exchange network into a
9 set of "piece parts" which can be individually
10 provided, costed, priced, and interconnected in
11 such a manner as to provide other
12 telecommunications service offerings. For
13 example, local exchange service can be
14 "unbundled" into loops, local switching, and
15 transport.

16

17 AT&T has identified 11 components or Basic
18 Network Functions (BNFs) associated with local
19 exchange services which may be effectively and
20 usefully unbundled. These include: loop
21 distribution, loop concentration, loop feeder,
22 switching, operator systems, dedicated
23 transport links, common transport links, tandem
24 switching, signaling links, signal transfer
25 points, and signal control points.

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Further, it must be noted that unbundling and identification of network components identified here or in the future proceedings should not be considered static. Specific unbundled elements or "piece parts" will likely evolve along with advances in technology by which local exchange service is provisioned.

Q. WOULD YOU DESCRIBE WHAT YOU MEAN BY INTERCONNECTION ARCHITECTURES?

A. The two basic architectures for implementing interconnection are physical and virtual collocation.

Physical collocation is an arrangement whereby an interconnector leases floor space (and access to floor space) within a LEC central office for purposes of installing, maintaining and managing telecommunications equipment used in the provision of the interconnector's service(s). Under this arrangement, the interconnector can gain entry to its designated

1 space within the LEC central office (generally
2 with security escort) to install, maintain,
3 and/or repair its own equipment.

4
5 Virtual collocation is an arrangement whereby
6 the local exchange company installs, maintains,
7 and repairs the interconnector's designated
8 telecommunications equipment. Under this
9 arrangement, there is no segregated space
10 rented by the interconnector. Rather, there
11 would be equipment designated to the
12 interconnector in the central office, but the
13 actual location would be determined by the LEC.
14 The interconnector could maintain monitoring
15 and control ability, but would not be able to
16 physically access the equipment within the
17 central office.

18
19
20 **Q. ARE THERE OTHER TYPES OF INTERCONNECTION**
21 **ARRANGEMENTS?**

22
23 **A. Yes, there are other types of interconnection**
24 **where the actual point of interconnection is**
25 **not in a central office. These are generally**

1 called "mid-span meets." In a mid-span meet
2 arrangement, each carrier builds and is
3 responsible for operating trunk facilities out
4 to some agreed upon point between to central
5 offices. Another way of thinking about this
6 arrangement is that each carrier provides one
7 half of the circuit. Under such and
8 arrangement the carriers are jointly
9 responsible for the traffic traversing the
10 circuit.

11
12 In addition, there may be other interconnection
13 arrangements that LECs have used or that may be
14 useful to potential interconnectors.

15
16

17 **Q. WHAT ARE THE NECESSARY CHARACTERISTICS OF**
18 **INTERCONNECTION NEEDED TO OFFER AN EFFECTIVE**
19 **AND EFFICIENT WAY OF PROMOTING LOCAL EXCHANGE**
20 **COMPETITION?**

21

22 **A. First, interconnection must be available at all**
23 **technically and logically possible unbundled**
24 **interfaces to the LEC network.**

25

1 Second, interconnection must be made available
2 to new carriers under the same rates, terms and
3 conditions as apply to the LECs own service.
4
5 Third, it is important that no restrictions be
6 placed on interconnection standards and
7 offerings that would limit these requirements
8 to just the existing inventory of LEC network
9 functions. In order for interconnection to
10 encourage the growth of competition over time,
11 it must apply to all new LEC network services
12 as they are developed.
13
14 Fourth, LECs must not be permitted to
15 discriminate in any respect against new
16 entrants. Any discrimination in the
17 interconnection of new entrants to LEC network
18 components vis-à-vis interconnection of the
19 LEC's own services - be it in the form of
20 delays in the offering of new arrangements,
21 inferior provisioning, installation or
22 maintenance of these arrangements, or
23 uneconomic pricing of these arrangements, will
24 thwart new competition.
25

1 Furthermore, the compensation arrangements for
2 interconnection must also allow for the maximum
3 feasible development of local exchange
4 competition. To do so, carrier compensation
5 arrangements should be nondiscriminatory and
6 tariffed at rates that accurately reflect
7 underlying costs.

8

9

10 **Q. HAS TCG RAISED THESE GENERIC ISSUES OF**
11 **UNBUNDLING AND INTERCONNECTION ARCHITECTURES IN**
12 **ITS PETITION?**

13

14 **A. No. Apparently TCG and BellSouth have reached**
15 **a mutually satisfactory agreement on most of**
16 **these issues.**

17

18 The purpose of this section of testimony,
19 however, is to demonstrate the complexity of
20 the issues surrounding interconnection and the
21 need for incumbent LECs to make available an
22 extensive variety of interconnection
23 arrangements if the development of competition
24 is to have any chance at all.

25

1 While it is imperative that BellSouth make
2 available to all potential entrants the same
3 interconnection arrangements that it is
4 offering to TCG, it must be recognized that
5 these arrangements may not be sufficient. In
6 other words the TCG arrangement must not be
7 considered the generic solution to
8 interconnection.

9
10

11 **Q. WHAT IS YOUR UNDERSTANDING OF THE RELIEF THAT**
12 **TCG IS SEEKING THROUGH ITS PETITION?**

13

14 **A. TCG is seeking relief from the proposed charges**
15 **of BellSouth associated with call termination.**
16 **Call termination is the function of receiving a**
17 **call from an interconnecting company at the**
18 **terminating company's switch and delivering the**
19 **call to an end user customer (a customer of the**
20 **terminating company).**

21

22 For example, assume that two companies are
23 offering competitive local telephone service in
24 a given geographic territory. One company is
25 the incumbent local exchange company (LEC) and

1 the other is an alternative local exchange
2 company (ALEC). Further assume that these
3 companies have established interconnecting
4 facilities linking their respective switches.
5 When a customer of the ALEC places a call to a
6 customer of the LEC, the call is transmitted
7 over the interconnecting facility to the LEC
8 switch. Likewise when a customer of the LEC
9 places a call to a customer of the ALEC, the
10 call can be transmitted over the same
11 interconnecting facility to the ALEC switch.
12 The function of call completion, in either
13 case, includes the reception of the call at the
14 terminating company switch and the delivery of
15 the call to the end user customer.

16

17

18 **Q WHY ARE THE CHARGES ASSOCIATED WITH THIS TYPE**
19 **OF CALL COMPLETION REFERRED TO AS "MUTUAL**
20 **COMPENSATION" ARRANGEMENTS?**

21

22 **A.** If competition develops, each of the competing
23 local service providers in a given territory
24 will serve a certain number of customers. In
25 order for each of these companies to offer

1 ubiquitous local service to their respective
2 customers, each will have to rely on the
3 other(s) to complete calls, and each will
4 expect some form of compensation for completing
5 other companies' calls. "Mutual Compensation"
6 refers to this interdependent need for call
7 completions.

8

9

10 **Q. WHAT ARE THE APPROPRIATE TERMS AND PRICES FOR**
11 **MUTUAL COMPENSATION ARRANGEMENTS?**

12

13 **A. Initially, the best solution may be the "bill**
14 **and keep" arrangement. Under this arrangement**
15 **no dollars change hands. The compensation that**
16 **one company offers to another for the**
17 **completion of its calls is the agreement to**
18 **complete the other companies' calls in a like**
19 **manner.**

20

21 The beauty of this arrangement is its
22 simplicity. There is no need for terminating
23 companies to measure delivered traffic. There
24 is no bill preparation or bill rendering
25 involved, nor is there the need to review bills

1 for accuracy. Further, this arrangement can be
2 implemented without the development of cost
3 studies that would be required to establish and
4 justify specific prices.

5
6 This arrangement could be implemented very
7 quickly, and because the initial volumes of
8 interconnected traffic will be very small, it
9 should not burden any of the interconnecting
10 companies.

11

12

13 **Q. IS "BILL AND KEEP" A VIABLE LONG RUN SOLUTION?**

14

15 **A.** It may be. If traffic deliveries are
16 determined to be relatively balanced and the
17 costs are similar among LECs and ALECs, then a
18 bill and keep arrangement could work
19 indefinitely.

20

21 However, if effective competition for local
22 service does develop, and some of the
23 complications of measuring and billing and
24 costing are sorted out, then a more likely long
25 term scenario would include actual billing at

1 prices based upon the total service long run
2 incremental cost incurred in providing call
3 termination.

4
5 This latter method would more likely ensure
6 that each company is accurately compensated for
7 the particular services that it provides.

8
9
10 **Q. IF THE COMMISSION DETERMINES THAT A RATE FOR**
11 **CALL COMPLETION IS APPROPRIATE, AT WHAT LEVEL**
12 **SHOULD THE COMMISSION SET THE RATE?**

13
14 **A.** The rates charged for call termination should
15 be set at the Total Service Long Run
16 Incremental Cost (TSLRIC) that the LEC incurs
17 in providing the service. No additional mark-
18 up should be allowed. A LEC should be
19 permitted to recover the costs that it incurs
20 in providing call termination arrangements, but
21 it should not be allowed to exact any
22 additional mark-up from potential competitors
23 simply for the right to do business in its
24 territory.

25

1

2 **Q. WHY IS IT NECESSARY TO ESTABLISH THE RATE AT**
3 **COST?**

4

5 **A. In the current environment, the incumbent LECs**
6 **have an overwhelming market advantage. The**
7 **incumbent LECs have essentially all of the**
8 **existing customers in the local exchange**
9 **telephone market.**

10

11 **If alternative providers are to have a**
12 **competitive chance, barriers to competition, if**
13 **not completely eliminated, must be minimized.**
14 **Barriers should not be enhanced by allowing the**
15 **incumbent LECs to exact additional mark-up**
16 **through the rates charged for providing call**
17 **termination.**

18

19

20 **Q. ARE CURRENT TERMINATING SWITCHED ACCESS CHARGES**
21 **THE APPROPRIATE RATES FOR INTERCONNECTION**
22 **COMPENSATION?**

23

24

1 A. No. In fact, current terminating switched
2 access charges are not even appropriate for
3 switched access. The rates are simply too
4 high. Recognizing that the cost of providing
5 switched access is less than 5 tenths of a cent
6 per access minute of use (more likely closer to
7 3 tenths of a cent), current terminating rates
8 include a mark-up above cost in excess of 850%
9 - probably closer to 1500% or more.

10

11 By pricing interconnection services at these
12 exorbitant levels, BellSouth could effectively
13 foreclose local competition before it ever has
14 a chance to develop.

15

16

17 **Q. ARE THERE NOT ADVANTAGES TO PRICING LOCAL**
18 **INTERCONNECTION AT THE SAME RATES AS SWITCHED**
19 **ACCESS?**

20

21 A. Yes, there are advantages. Pricing these
22 services at equal levels would greatly simplify
23 the measuring, reporting and billing processes.
24 Further, from an economic standpoint,
25 recognizing that the cost of providing these

1 respective services is essentially the same, it
2 would make sense to price them the same.

3

4 But the appropriate reconciliation is not to
5 begin pricing local interconnection
6 arrangements at the inflated prices of switched
7 access. Rather, local interconnection should
8 be priced at the appropriate TSLRIC rate and
9 switched access should be reduced to that
10 level.

11

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14

15 **A. Yes.**

CERTIFICATE OF SERVICE

DOCKET NO. 950985-TP

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by next day express mail, U. S. Mail or hand-delivery to the following parties of record this 15th day of September, 1995.

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