

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Sprint) Docket No. 961173-TP
 Communications Company Limited)
 Partnership d/b/a Sprint for)
 arbitration with GTE Florida)
 Incorporated concerning)
 interconnection rates, terms,)
 and conditions, pursuant to the)
 Federal Telecommunications Act)
 of 1996.)

SECOND DAY - MID MORNING SESSION

VOLUME 6

PAGES 664 through 815

PROCEEDINGS: HEARING

BEFORE: COMMISSIONER DIANE K. KIESLING
 COMMISSIONER JOE GARCIA

DATE: Friday, December 6, 1996

PLACE: Betty Easley Conference Center
 Room 152
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: LISA GIROD JONES, RPR, RMR

APPEARANCES:

(As heretofore noted.)

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RECORDED WITH DATE

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RECORDING

I N D E X - VOLUME 6

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EXHIBITS

NUMBER	IDENTIFIED	ADMITTED
18 - (Menard) WEM-1	671	812
19 - (Menard) Price Comparison	761	812

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1 PROCEEDINGS

2 (Transcript continues in sequence from
3 Volume 5.)

4 COMMISSIONER KIESLING: I can proceed without
5 Commissioner Garcia to get the preliminary part done if
6 there's no objection.

7 MS. CASWELL: No objection.

8 COMMISSIONER KIESLING: Otherwise I have to
9 wait. Okay.

10 BEVERLY Y. MENARD

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

13 DIRECT EXAMINATION

14 BY MS. CASWELL:

15 Q Please state your name and business address.

16 A Beverly Y. Menard, P. O. Box 110, Tampa,
17 Florida 33601.

18 Q By whom are you employed and what is your
19 position?

20 A I'm employed by GTE Florida Incorporated. My
21 current position is Regional Director - Regulatory and
22 Industry Affairs.

23 Q Are you adopting the direct testimony of
24 Donald McLeod in this proceeding?

25 A Yes, I am.

1 Q Are there any changes to that testimony?

2 A Yes, there are.

3 Q Would you give those to us?

4 A We filed replacement pages for
5 qualifications. So what that would mean in Mr. McLeod's
6 testimony, pages 1, 2 and Page 3 through Line 2 would be
7 stricken and replaced by my qualifications, and then I
8 have some additional things to strike starting on Page
9 19, Line 20 through Page 20 --

10 COMMISSIONER KIESLING: I'm sorry, I'm still
11 on -- still at the substituting pages stage. So which
12 pages now are going to be --

13 WITNESS MENARD: On Page 19, Line 20, through
14 Page 20, Line 22.

15 Q (By Ms. Caswell) Are you also adopting -- I'm
16 sorry, so if I asked you the questions in that testimony
17 today, would your answers remain the same?

18 A Yes, they have would.

19 Q And are you also adopting the rebuttal
20 testimony of Don McLeod in this proceeding?

21 A Yes, I am.

22 Q Are there any changes to that rebuttal
23 testimony?

24 A On Page 1, Lines 6 and 7 would be replaced by
25 my name and business address.

1 Q So that if I asked you those questions in that
2 testimony today, the answers would remain the same?

3 A Yes, they would.

4 COMMISSIONER KIESLING: I just want to ask you
5 to stop for a second. I don't seem to have any rebuttal
6 testimony of either Witness Munsell or Witness McLeod.
7 All I have is direct.

8 MS. CASWELL: Let me see if we can find some
9 extra copies.

10 COMMISSIONER KIESLING: It may be in here and
11 I'll have to look. (Pause) Okay, I've got it. It
12 wasn't tabbed and pulled out.

13 Q (By Ms. Caswell) Okay, Ms. Menard, are you
14 also adopting the direct testimony of William Munsell in
15 this proceeding?

16 A Yes, I am.

17 Q Do you have any changes to that testimony?

18 A We filed replacement qualifications. So on
19 Page 1, Lines 5 through 20 would be struck and replaced
20 with my qualifications, and then we're withdrawing some
21 testimony starting at Page 17, Line 18, all of Page 18,
22 and Page 19 through Line 5.

23 COMMISSIONER KIESLING: Let me just -- that
24 was Page 17, Line 18?

25 WITNESS MENARD: Yes, ma'am.

1 COMMISSIONER KIESLING: Through?

2 WITNESS MENARD: Page 19, Line 5.

3 COMMISSIONER KIESLING: Thank you.

4 WITNESS MENARD: The next one is on Page 28,
5 starting at Line 13, withdrawing Page 29, 30 and Page 31
6 through Line 8, and on Page 32, Lines 14 and 15.

7 Q (By Ms. Caswell) And with those changes, if I
8 asked you the same questions in that testimony today,
9 would your answers remain the same?

10 A Yes, they would.

11 Q Are there any exhibits to any of the
12 testimony?

13 A We haven't done rebuttal.

14 Q I'm sorry. Are you also adopting the rebuttal
15 testimony of Bill Munsell in this proceeding?

16 A Yes, I am.

17 Q And do you have any changes to that
18 testimony?

19 A Yes, I do. On Page 1, Lines 6 and 7 would be
20 replaced by my name and address. On Page 2, starting at
21 Line 21, we're withdrawing that testimony, Page 3 and
22 Page 4 through Line 7.

23 Q With those changes, if I were to ask you the
24 same questions today, would your answers remain the same?

25 A Yes, they would.

1 Q And are there two exhibits or one exhibit
2 attached to the rebuttal testimony, I'm sorry, of
3 William Munsell, labeled WEM-1?

4 A Yes, there is.

5 MS. CASWELL: Commissioner Kiesling, at this
6 time I would like to ask that the direct testimony of
7 Don McLeod as adopted by Bev Menard be inserted into the
8 record as though read, as well as the rebuttal testimony
9 of Don McLeod, adopted by Beverly Menard, and the direct
10 testimony of -- I'm sorry?

11 COMMISSIONER KIESLING: Let me do them, just
12 to keep the record clear, the direct and rebuttal of
13 Mr. McLeod will be inserted into the record as though
14 read.

15 MS. CASWELL: And I would also ask that the
16 direct and rebuttal testimony of William Munsell as
17 adopted by Ms. Menard be inserted into the record as
18 though read.

19 COMMISSIONER KIESLING: Be so inserted.

20 MS. CASWELL: And I would also like Exhibit
21 WEM-1 attached to the rebuttal of Munsell marked for
22 identification.

23 COMMISSIONER KIESLING: It will be marked as
24 Exhibit 18.

25 (Exhibit No. 18 marked for identification.)

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GTE FLORIDA INCORPORATED

DIRECT TESTIMONY OF BEVERLY Y. MENARD

DOCKET NO. 961173-TP

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH GTE FLORIDA INCORPORATED (GTEFL).

A. My name is Beverly Y Menard. My business address is One Tampa City Center, Tampa, Florida 33601-0110. My current position is Regional Director - Regulatory and Industry Affairs

Q. WILL YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE?

A. I joined GTEFL in February 1969. I was employed in the Business Relations Department from 1969 to 1978, holding various positions of increasing responsibility, primarily in the area of cost separations studies. I graduated from the University of South Florida in June of 1973 receiving a Bachelor of Arts Degree in Business Administration with an Accounting Major. Subsequently, I received a Master of Accountancy Degree in December of 1977 from the University of South Florida. In March of 1978, I became Settlements Planning Administrator with GTE Service Corporation. In January of 1981, I was named Manager-Division of Revenues with GTE Service Corporation, where I was responsible for the administration of the GTE division of revenues procedures and the negotiation of settlement matters with AT&T. In November of 1981, I became

1 Business Relations Director with GTEFL. In that capacity, I was
2 responsible for the preparation of separations studies and connecting
3 company matters. Effective February 1987, I became Revenue
4 Planning Director. In this capacity, I was responsible for revenue,
5 capital recovery and regulatory issues. On October 1, 1988, I
6 became Area Director - Regulatory and Industry Affairs. In that
7 capacity, I was responsible for regulatory filings, positions and
8 industry affairs in eight southern states plus Florida. In August 1991,
9 I became Regional Director - Regulatory and Industry Affairs for
10 Florida. I am responsible for regulatory filings, positions and industry
11 affairs issues in Florida.

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1 Vice President (East) in October 1994. In March 1996, I accepted my
2 present position.
3
4

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
6 PROCEEDING?

7 A. The purpose of my testimony is to: 1) discuss some general topics
8 that may be applicable in the contract between GTE and Sprint, as
9 well as (2) describe GTE's negotiations with Sprint, and (3)
10 summarize GTE's Response to fundamental issues raised in Sprint's
11 Petition. But first, I will briefly discuss the Telecommunications Act of
12 1996 and the FCC's implementing rules as they relate to GTE's
13 pricing proposal.
14

15 The Telecommunications Act and the FCC's Rules
16

17 Q. PLEASE COMMENT ON THE TELECOMMUNICATIONS ACT OF
18 1996 (THE ACT) AND THE IMPLEMENTING RULES ADOPTED BY
19 THE FEDERAL COMMUNICATIONS COMMISSION IN ITS FIRST
20 REPORT AND ORDER.

21 A. The Act itself is unprecedented, and makes fundamental changes to
22 the local telecommunications industry. Specifically, the Act is
23 intended to encourage competition by requiring incumbent local
24 exchange carriers (ILECs) such as GTE to provide interconnection
25 and access to unbundled network elements at cost-based rates, and

1 to offer services for resale at wholesale rates based on an ILEC's
2 avoided costs.

3
4 The FCC's rules, however, contradict the Act on several significant
5 points. For example, Sprint requests interconnection, services, and
6 unbundled elements under § 251(c) of the Act. The prices for these
7 facilities and services are subject to the pricing standards set forth in
8 § 252(d)(1)-(3). The Act expressly provides that the **State**
9 **Commissions** have exclusive authority to establish and apply these
10 standards. The FCC, however, has set out detailed rules and
11 methodologies of its own for these pricing standards, precluding
12 States from considering other methodologies. The FCC also
13 purported to establish "default proxy rates" for wholesale services and
14 unbundled elements that States may adopt as interim rates pending
15 a hearing on the merits. These rules have been stayed by the recent
16 decision of the Eighth Circuit Court of Appeals. Thus, they no longer
17 have a legal effect in the current arbitrations.

18
19 One thing that was most troubling about the FCC's First Report is that
20 it established "default proxy rates" for wholesale services and
21 unbundled elements for potential adoption as interim rates pending
22 a hearing on the merits. GTE is very concerned with such a proposal.
23 First, as now apparently confirmed by the Eighth Circuit, the FCC
24 improperly assumed the State's rate-setting function and exceeded
25 its statutory authority. Second, we believe the FCC's default rates

1 are erroneous. And while Sprint may disagree with us, we are
2 entitled to a hearing on the merits as well as an opportunity to present
3 our case *before* rates can be imposed upon GTE. In fact, when the
4 FCC for its own part denied the Motion for Stay requests filed by
5 GTE, SNET and U.S. West, even it acknowledged at ¶ 27 that the
6 proxy prices must be replaced with cost studies when they become
7 available and that the appropriate prices may exceed the proxy
8 ceiling. Of course, the FCC's denial of the stay motion has now been
9 reversed, and its proposed default proxy rates have no effect at this
10 time.

11
12 A related concern is that the recombining of unbundled elements
13 contemplated by the FCC Order would allow bypass of access
14 charges and also allow avoidance of the appropriate resale pricing
15 standards. The FCC's Order violates the intent of the Act, that is, not
16 to change the level and application of carrier access charges. For
17 example, the Order arbitrarily sets end office switching prices at the
18 proxy range of 2 to 4 mils, and it arbitrarily reduces the residual
19 interconnection charge (RIC) to three-quarters of its former level. As
20 a further example, it established without hearing or cause a sunset
21 period for application of carrier common line charges and the three-
22 quarters of the RIC.

23
24 Along these same lines, I would like to note that in my experience,
25 regulatory bodies have devoted more time to general rate

1 proceedings and other, more "common" regulatory matters than to
2 this proceeding, where the Commission must resolve fundamental
3 issues resulting from the reorganization of an entire industry. We
4 recognize that the time lines are imposed by federal law, not State
5 commissions, but we need to ensure that the fundamental issues --
6 such as those relating to pricing and costing -- receive the attention
7 they deserve.

8
9 **Q. SHOULD THE FCC'S PROXY RATES BE IMPOSED ON GTE ON**
10 **AN INTERIM BASIS WHILE THESE ISSUES ARE BEING**
11 **CONSIDERED?**

12 **A** The Court of Appeals' decision staying the FCC's rules mandates that
13 the "proxy rates" default cannot be applied in this proceeding. Even
14 absent this decision, the proxy rates should not be imposed on GTE
15 on an interim basis. As demonstrated by other witnesses, the default
16 rates are too low to cover GTE's costs. Were the FCC's default rates
17 used even in the interim, there can be no mechanism fashioned to fix
18 the problem after the fact. "Truing up" rates is not an adequate
19 solution. If unbundled rates are set at levels below cost, new entrants
20 will have the ability to attract more customers than they otherwise
21 would be capable of attracting away from GTE. Once this excessive
22 share loss occurs, it would be impossible for the State to correct for
23 the problem from a customer perspective. In other words, while it is
24 conceivable that the State could order retroactive treatment from a
25 revenue perspective, the market cannot be retroactively corrected

1 It is very costly to win back a customer once lost to another
2 competitor. GTE would be irreversibly harmed by the "proxy rates"
3 default, even if the Commission allowed for a retroactive "true-up"
4 mechanism. For all these reasons, and for the reasons set forth in
5 GTE's Arbitration Brief and Response, GTE believes that the FCC's
6 proxy rates should not be applied.

7
8 **Q. MAY THE COMMISSION ADOPT RATES ON AN INTERIM BASIS**
9 **AND, IF SO, DOES THE COMMISSION HAVE THE AUTHORITY TO**
10 **APPROVE A TRUE-UP MECHANISM TO ACCOMMODATE**
11 **DIFFERENCES IN FINAL RATES FROM THOSE IMPLEMENTED**
12 **ON AN INTERIM BASIS?**

13 **A.** Yes, the Commission has such authority, provided that it adopts
14 GTE's proposed rates as the interim rates. Should the Commission
15 adopt proposed rates, which are below GTE's costs, and later order
16 a true-up to compensate GTE, the Commission will be effecting the
17 same unconstitutional taking that the FCC's proposed pricing rules
18 committed. As I discussed earlier, those pricing rules, including the
19 default proxy rates, were stayed by the United States Court of
20 Appeals for the Eighth Circuit. Moreover, low interim rates, even with
21 a true-up, would cause irreparable harm to GTE's market share,
22 business reputation and good will as I previously explained.

23
24 I want to make clear, however, that even GTE's proposed rates do not
25 reflect all of GTE's costs, including, for example, GTE's stranded

1 investment. This issue is addressed in GTE's Economic Report
2 (along with the need to rebalance rates). GTE strongly believes it is
3 entitled to recover all of its costs, and this position was an important
4 part of GTE's Motion to Stay the FCC's First Report and Order.
5 Therefore, any order of this Commission or any agreement between
6 the parties must permit GTE recovery of all of its costs.

7

8 **Q. HAS GTE PROPOSED ITS OWN PRICES FOR WHOLESALE**
9 **SERVICES, UNBUNDLED ELEMENTS, AND INTERCONNECTION?**

10 **A.** Yes, it has. However, the prices for these network elements are not
11 compensatory due to GTE's current distorted rates. Wholesale rates
12 and retail rates must be consistent and rational for all the rates set.
13 Yet, GTE's wholesale rates for unbundled elements reflect market
14 considerations, while GTE's retail rates were set with certain public
15 policy goals in mind, most notably the goal of universal service.
16 These goals allowed prices for some services to be set below their
17 economic costs, while other services were priced far above costs as
18 a source of contribution for the below-cost services. Other examples
19 of distorted ratemaking policy goals included statewide rate averaging
20 and class of service pricing. As long as GTE was the single provider,
21 the public policy goals could be achieved without harm to the
22 Company or its customers.

23

24 Now, however, competition has been introduced in the local
25 exchange market. In that event, there arises a mismatch between,

1 on the one hand, the pricing methodology historically used for
2 determining retail and wholesale rates (where rates will not uniformly
3 reflect costs) and, on the other hand, the cost-based pricing required
4 by the Act for unbundled elements and interconnection

5
6 For this reason, GTE respectfully requests that the Commission move
7 expeditiously to establish a uniform and consistent set of pricing
8 policies that can be applied to the pricing of all of GTE's services --
9 retail, wholesale, and unbundling

10
11
12 **Background on Sprint Negotiations**

13
14 **Q. WOULD YOU BRIEFLY DESCRIBE THE HISTORY OF GTE'S**
15 **NEGOTIATIONS WITH SPRINT?**

16 **A.** Yes. The parties have held numerous meetings to discuss the
17 requirement that Sprint set forth in its initial requirements document,
18 which is Sprint's Term Sheet, attached as Exhibit 3 to Sprint's
19 petition. During the course of those meetings, the parties described
20 their individual approaches to the items Sprint had requested. They
21 did not fully complete negotiations, although they covered many
22 topics in their discussions and endeavored to exchange views.

23
24 **Q. HOW DID GTE APPROACH ITS NEGOTIATIONS WITH SPRINT?**

25 **A.** GTE fully recognizes its obligations as an incumbent local exchange

1 carrier (ILEC) under the Act and is committed to seeing that
2 Congress' objectives in enacting this legislation are achieved. To this
3 end, GTE approached its negotiations with Sprint with a pro-
4 competitive spirit to provide Sprint interconnection, access to
5 unbundled network elements and the provision of services for resale
6 on a nondiscriminatory basis. This does not mean, of course, that
7 GTE was (or is) prepared to have either its customers or
8 shareholders subsidize any ALEC's foray into the local exchange
9 market. To the contrary, Congress intended, and the Act makes
10 clear, that GTE must be fully compensated for its provision of
11 interconnection, unbundled elements or resold services to Sprint.

12

13 **Q. WAS THE NEGOTIATION OF A NATIONAL AGREEMENT THE**
14 **PURPOSE OF THE PARTIES' DISCUSSIONS?**

15 **A.** No. While the parties agreed to negotiate as many issues as
16 possible at a national level, GTE made clear to Sprint from the
17 beginning that state-specific agreements would be required once we
18 reached consensus on all matters that could be treated consistently
19 on a national level.

20

21 **Q. DID THE PARTIES TRY TO KEEP TRACK IN WRITING OF THE**
22 **PROGRESS ON ISSUES?**

23 **A.** Yes. As early as January, 1996, GTE began working with Sprint to
24 reach mutually agreeable terms and conditions for the resale of
25 GTE's service in California. On April 18, 1996, Sprint requested the

1 commencement of negotiations with GTE for interconnection in each
2 of GTE's other 26 franchise areas. Initially, progress on issues were
3 documented in writing or some form of a worksheet. On June 5,
4 1996, Sprint provided GTE with their initial "term sheet" to serve as
5 the basis for ongoing discussions. GTE provided Sprint a
6 corresponding "term sheet" on June 7, 1996. Negotiations came to
7 a standstill July 16, 1996, as Sprint indicated that it could not agree
8 to cost and pricing proposals presented by GTE and it was in Sprint's
9 best interest to wait for the FCC Order due August 8, 1996 before
10 pursuing negotiations further. Sprint has since developed a revised
11 Term Sheet Matrix incorporating requirements of the FCC Order and
12 based on Sprint's view, summarizes areas of agreement and
13 disagreement between our companies. GTE has advised Sprint it
14 would be more appropriate to address these issues in the context of
15 full blown contractual language in order to avoid any
16 misunderstanding on the issues

17
18 Contract Between Sprint and GTE

19
20 **Q. DID THE PARTIES EXCHANGE CONTRACT LANGUAGE?**

21 **A.** Not really. GTE and Sprint have provided to each other initial and
22 subsequent revisions to their individual model agreements. The
23 approach taken by Sprint is entirely different than that which GTE
24 would agree to. Sprint has merely taken their "Term Sheet" and
25 incorporated the terms and associated language into a document

1 titled "Resale and Interconnection Agreement". The Sprint "Term
2 Sheet" and "Term Summary" are unto themselves generally too
3 vague in describing the Sprint and GTE positions. The complexity of
4 the issues involved does not lend itself to a matrix approach.

5
6 GTE believes that the Commission should not work from Sprint's
7 contract, and that it is premature to require filings of proposed
8 interconnection agreements from either party. GTE proposes that the
9 proper and efficient way to proceed in this arbitration would be to
10 permit the parties to submit proposed contract language at a later
11 time after they have negotiated the issues. That course of action
12 should narrow issues on contract language, help to identify which
13 issues need resolution by arbitration and which issues are subject to
14 likely agreement once cost and pricing issues are resolved.

15
16 **Q. DID GTE HAVE A POSITION ON COST AND PRICING IN THE**
17 **NEGOTIATION?**

18 A. Yes. GTE consistently maintained that any agreement to technical,
19 business, and administrative issues necessarily awaited resolution of
20 how GTE would be compensated for the elements, services, or
21 modifications required by Sprint's terms.

22
23 **Q. PLEASE DESCRIBE WHETHER THE MATRIX THAT SPRINT**
24 **SUBMITTED IN THE ARBITRATION IS A NEGOTIATION**
25 **DOCUMENT.**

1 A. It is not. The matrix is organized in the same manner as Sprint's
2 requirements document. And the parties, in discussing those
3 requirements, exchanged views as I already have stated. *But* the
4 views listed in that summary as "GTE's Position" were not written or
5 reviewed by GTE, and in many instances they do not reflect GTE's
6 position.

7

8 Summary of GTE's Response

9

10 Q. PLEASE SUMMARIZE GTE'S RESPONSE TO SPRINT'S PETITION.

11 A. In this summary, I have divided the issues into the following major
12 categories: (1) "Most Favored Nation treatment", (2) wholesale
13 services; (3) unbundled elements; (4) interconnection; (5) "back
14 office" issues such as ordering, provisioning, and systems
15 implementation, functions that take place in the "back office" and that
16 customers are usually not aware of. Finally, I address briefly a
17 number of discrete questions raised by Sprint.

18

19 "Most Favored Nation" Treatment

20

21 Q. ARE THERE SPECIFIC ISSUES IN DISPUTE WITH RESPECT TO
22 "MOST FAVORED NATION" TREATMENT?

23 A. Yes. Sprint's position is that, as required by the FCC's Order, any
24 price term and/or condition offered to any carrier by an ILEC shall be
25 made available to Sprint on a most favored nation's ("MFN") basis

1 and the ILEC shall immediately notify Sprint of the existence of such
2 better prices and/or terms and make the same available to Sprint
3 effective on the date the better price and/or term became available to
4 the other carrier. Sprint's position is based solely upon Rule 51 809
5 This rule has been stayed by the Eighth Circuit and is of no legal
6 force.

7

8 **Q. IS SPRINT ENTITLED TO "MOST FAVORED NATION"**
9 **TREATMENT ON INDIVIDUAL TERMS AND CONDITIONS?**

10 A. No. Sprint's position is based on FCC Rule 51 809. The Eighth
11 Circuit's opinion stayed this Rule and described why it inhibits the
12 negotiation process mandated by Congress. Consistent with the Act,
13 GTE is willing to offer any ALEC, including Sprint, the same contract
14 negotiated with any other ALEC. This fully satisfies the requirements
15 of the statute.

16

17 **Q. WHAT IS SPRINT'S POSITION ON "MOST FAVORED NATION"**
18 **TREATMENT?**

19 A. Sprint is asking for more than is required by the Act. Under the guise
20 of "non-discrimination" in prices, Sprint asserts that it is entitled to
21 "pick and choose" those portions of an agreement between GTE and
22 any other ALEC, and have it inserted into its agreement. In other
23 words, it wants to make sure it gets the same or better terms than any
24 other ALEC. This is contrary to the purposes of the Act.

25

1 Q. HOW IS SPRINT'S PETITION CONTRARY TO THE PURPOSES OF
2 THE ACT?

3 A The Act was designed to encourage negotiation between the parties
4 and specified arbitration of only the subset of unresolved issues as
5 a last resort. Inherent in the negotiation process are trade-offs e.g.,
6 Party A will concede on issue X if Party B will agree to A's position on
7 issue Y. Particular issues may be more important to Sprint for
8 example, than for another potential entrant. Thus, the negotiations
9 between Sprint and GTE would produce an agreement that might be
10 quite different than as between GTE and another ALEC.

11
12 Sprint, however, does not want negotiation and compromise. It wants
13 "most favored nation" treatment so that all the material terms in the
14 agreements will be the same among the ALECs. In other words,
15 Sprint wants to "pick and choose" from various ALEC agreements in
16 order to obtain individual contract terms that are most favorable to
17 Sprint. This result is, of course the very opposite of competition.

18
19 Sprint's position -- if accepted by this Commission -- would destroy
20 the negotiation process. Therefore, GTE's position is that each
21 agreement is the product of comprehensive negotiations. Any party
22 desiring to obtain the terms of another agreement must abide by that
23 agreement in its entirety.

24
25

1 Q. SHOULD THE PRICES, TERMS AND/OR CONDITIONS UNDER
2 WHICH SERVICES OR FACILITIES ARE PROVIDED BY GTE TO
3 ONE CARRIER BE MADE AVAILABLE TO ALL CARRIERS?

4 A. No. The FCC Order did not intend to usurp the negotiation process
5 by incenting the ability for ALECs to "pick and choose" terms in any
6 and all agreements. Any normal sound business contract would not
7 include a most favored nation clause because an agreement would
8 never be finally binding. To do so would be to eliminate any and all
9 incentive to the negotiation process and the individuality of the
10 request. Each ALEC is unique and asking to negotiate for terms,
11 conditions and rates that are appropriate to their individual requests
12 based on their individual requirements. This is fundamental to
13 establishing a fully competitive market place

14
15 Q. ARE THE PARTIES IN DISPUTE WITH RESPECT TO
16 GEOGRAPHICAL DEAVERAGING?

17 A. Yes. It is Sprint's position that, as required by the FCC Order, an
18 ILEC must geographically deaverage its cost-based unbundled
19 elements. Furthermore, Sprint states that geographic deaveraging
20 must be accomplished in a manner such as Zone Density by office
21 and not on specific routes or capacity dedicated to individual carriers
22 and deaveraging should reflect cost differences due to transmission
23 facility sizes on ILEC facilities and on such facilities the price to each
24 interconnecting carrier shall be equal per unit of traffic thus sharing
25 the economics of scale equally with each interconnecting carrier (e.g.,

1 a LEC could establish loop prices reflecting underlying cost
2 differences, but the price per loop to a customer location should not
3 vary by volume purchased by an individual carrier)
4

5 GTE's position is that negotiation is the most appropriate and
6 effective way to attain terms and conditions that will best produce a
7 competitive marketplace and should not be required to geographically
8 deaverage cost-based unbundled elements. As I stated previously,
9 a uniform and consistent set of pricing policies must be established
10 and applied to the pricing of all of GTE's services -- retail, wholesale,
11 and unbundling.
12

13 Wholesale Services

14 **Q. WHAT SERVICES WILL GTE OFFER ON A WHOLESALE BASIS**
15 **TO SPRINT?**

16 **A.** GTE will offer all the services it currently offers on a retail basis
17 except for those set forth in the testimony of GTE's wholesale
18 services/avoided cost witness. The services GTE will not offer on a
19 wholesale basis include, for example, below-cost residential services,
20 promotional services, and services that are already provided on a
21 wholesale basis (e.g., special access sold to carriers and private line
22 services offered predominately to carriers).
23

24

25

Q. WHY DOES GTE EXCLUDE THESE SERVICES?

1 A Let me first address GTE's position with respect to below-cost
2 services. Under GTE's current rates, certain services are priced
3 below cost. These services receive contributions from other services,
4 such as intraLATA toll, access, and vertical and discretionary
5 services, all of which are priced above incremental cost. If GTE were
6 required to offer its below-cost services on a wholesale basis, then
7 other carriers would (1) obtain avoided-cost discounts for both below-
8 cost and above-cost services, and (2) be able to pocket the
9 contributions from the above-cost services that had been used to
10 price the other services below-cost. Accordingly, GTE could not
11 cover its total costs unless these services are excluded from GTE's
12 wholesale offerings or are repriced to cover their costs.

13
14 Second, GTE should not be required to offer services such as
15 promotions on a wholesale basis; otherwise GTE would not be able
16 to differentiate its retail services from those of competing carriers.
17 Put another way, a competitor will be able to offer any service it wants
18 on any terms and conditions it desires to attract new customers, and
19 GTE needs this same flexibility to respond to competition on a retail
20 basis and give its customers more choices.

21
22 For example, if GTE offers a special promotion to its customers but
23 is required to provide that same promotion to Sprint on an avoided
24 cost basis, then GTE could never differentiate its offerings from those
25 of Sprint. Importantly, GTE would have absolutely no incentive to

1 develop additional promotions and other new services that would
2 benefit customers because Sprint could take and use them for its own
3 marketing and economic advantage. In fact, GTE could never
4 differentiate its offerings from Sprint's. This result is contrary to the
5 purpose of the Act by limiting choices to customers. The Act should
6 be implemented in a manner that allows all carriers to respond to
7 competition, including GTE.

8
9
10 **Q. HOW SHOULD THE SERVICES GTE OFFERS ON A WHOLESALE
11 BASIS BE PRICED?**

12 A. These services should be priced as follows: Retail price minus GTE's
13 actual avoided cost, plus the wholesale costs GTE incurs, plus
14 opportunity cost. GTE's resale/avoided cost witness describes GTE's
15 avoided cost methodology whereby costs are excluded on a work-
16 element basis as opposed to using broad account categories. In this
17 way, GTE's methodology captures GTE's true avoided costs, in
18 accordance with the Act's requirements.

19
20 **Unbundled Elements**

21
22 **Q. PLEASE DESCRIBE THE UNBUNDLED ELEMENTS GTE WILL
23 PROVIDE TO SPRINT.**

24 A. GTE will offer on an unbundled basis the following.
25

- 1 (1) the loop, which is in general the transmission facility which
2 extends from a main distribution frame to the customer
3 premises,
4
- 5 (2) the port, which in general is the line card and associated
6 peripheral equipment on a GTE end office switch that serves
7 as the hardware termination for the customer's exchange
8 service on that switch, generates dial tone and provides the
9 customer a pathway to the public switched telecommunications
10 network,
11
- 12 (3) transport, by which I mean the transmission facility which
13 extends from a main distribution frame (MDF) to either another
14 MDF or a meet point with transport facilities of Sprint
15 (unbundled transport is provided under rates, terms and
16 condition of the applicable access tariff),
17
- 18 (4) signaling, which in general is SS7 signaling and transport
19 service in support of Sprint's local exchange service, and
20
- 21 (5) certain databases in accordance with the rates, terms and
22 conditions of the applicable switched access tariff
23

24 This description of unbundling means that Sprint may subscribe to
25 and interconnect to whatever of these unbundled elements it

1 chooses, and may combine these unbundled elements with any
2 facilities or services that Sprint may itself provide, pursuant to the
3 following terms first, the interconnection shall be achieved by
4 expanded interconnection/collocation arrangements Sprint shall
5 maintain at the wire center at which the unbundled services are
6 resident, second, that each loop or port element shall be delivered to
7 Sprint's collocation arrangement over a loop/port connector
8 applicable to the unbundled services through tariffed or contract
9 options, and third, Sprint shall combine unbundled elements with its
10 own facilities but shall not recombine GTE unbundled elements

11

12 **Q. SPRINT WANTS TO BE ABLE TO OBTAIN UNBUNDLED**
13 **ELEMENTS FROM GTE AND THEN REASSEMBLE THEM TO**
14 **OFFER END-TO-END SERVICE. WHAT IS GTE'S POSITION ON**
15 **THIS ISSUE?**

16 **A.** As I alluded to earlier when describing the nature of Sprint's access
17 to the GTE unbundled elements, GTE strongly believes that Sprint
18 should not be permitted to unbundle and then reassemble GTE's
19 network. Such a proposal by Sprint would render meaningless the
20 Act's required distinction between unbundled elements and wholesale
21 services -- that they be priced under different cost methodologies

22

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24 **Q. HOW SHOULD THE PRICES FOR UNBUNDLED ELEMENTS BE**
25 **SET?**

"Back Office" Issues

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Q. PLEASE DISCUSS GTE'S POSITION ON ISSUES SUCH AS OPERATOR SUPPORT SYSTEMS, BILLING, PROVISIONING, MAINTENANCE, SYSTEMS INTERFACES, AND OTHER "BACK OFFICE" ISSUES.

A. GTE believes that many of these issues need to be approached on an industry-wide basis, especially as they relate to GTE, which operates in 28 states. System interfaces are an important issue not just for Sprint but for all competitive carriers that want to interconnect with GTE. For example, GTE uses a standard, nationwide billing system, and it would not be appropriate for each state to establish unique interface standards that simply will not work in a single system that serves many states and many competitive carriers. For this reason, GTE believes these back office issues are best resolved in an industry-wide setting or workshops after the fundamental issues of pricing and costing are resolved on a state-specific basis. A key issue that unites all of these issues is the very important element of cost. As and when changes are to be made to satisfy Sprint's particular desires, the carrier causing the change – in this case Sprint – must pay for the cost of making the change.

The issues relating to specific back office functions and systems are discussed in the testimony of various GTE witnesses in this arbitration

1 Q. MAY THE INTERCONNECTION AGREEMENT ULTIMATELY
2 ACHIEVED BETWEEN GTE AND THE PETITIONING ALECs BE
3 MODIFIED BY SUBSEQUENT TARIFF FILINGS?

4 A. Yes. But tariffs will continue to be filed from time to time pursuant to
5 the Commission's rules and requirements. The Commission should
6 not be hamstrung from having full authority to review and approve
7 those tariffs at the time they are filed based upon all the
8 considerations pertinent at that time, including the public interest and
9 the competitive nature of the market

10
11 Q. AS A WHOLESALE VENDOR OF SERVICES, SHOULD GTE BE
12 REQUIRED TO PROVIDE ADVANCE NOTICE TO ITS WHOLESALE
13 CUSTOMERS OF CHANGES TO GTE'S SERVICES?

14 A. Yes. This issue of notification needs to be addressed in three
15 categories of changes. First, changes to existing service, such as
16 price changes, or discontinuance of an offering; second, deployment
17 of new technology; and third, network changes, such as new NXX's,
18 end-office homing arrangements, and NPA splits. GTE is prepared
19 to give notification to ALEC customers for these types of changes in
20 certain time frames.

21
22
23 Q. PLEASE DESCRIBE IN WHAT MANNER GTE WILL PROVIDE
24 NOTIFICATION OF CHANGES TO EXISTING SERVICES AND IN
25 WHAT TIME FRAME.

1 A. For changes to existing services, GTE will file applicable tariffs with
2 the Florida Public Service Commission (FPSC). A tariff filing is, in
3 purpose and effect, a public notification. That is, all ALEC's have
4 equal access to the FPSC and will have notice of changes upon filing
5 of the tariff. Typically, tariff filings are made in advance of the
6 effective date of the tariff. The period between the filing date and the
7 effective date therefore would be the advance notification period.
8 Because the FPSC controls the approval process and time line
9 associated with tariff filings, GTE believes this is an appropriate
10 method of providing advance notification of changes to existing
11 services.

12

13

14 **Q. WHY COULDN'T GTE INFORM ALECS OF UPCOMING FILINGS**
15 **AND THEIR ASSOCIATED DETAILS PRIOR TO THE FILING**
16 **DATE?**

17 A. Many times, the specific details of a filing are not known to GTE much
18 more than a day or two prior to the actual filing. In today's market,
19 where service development cycle times are constantly being
20 compressed, details regarding ordering, billing, feature availability,
21 and price level are determined literally days or hours before a filing.
22 It would be impossible to anticipate all aspects of a filing days in
23 advance, much less months in advance, of the actual filing itself.

24

25

1 Q. PLEASE DESCRIBE IN WHAT MANNER NOTIFICATION FOR THE
2 DEPLOYMENT OF NEW TECHNOLOGY WOULD BE MADE AND
3 IN WHAT TIME FRAME.

4 A. For the deployment of new technology into the network, GTE would
5 be willing to meet periodically with interested ALECs, on an
6 individualized basis, to hold joint planning meetings to discuss the
7 deployment of new technology and the introduction of new service
8 offerings. Local exchange carriers, including GTE, frequently do this
9 now in the LEC/IXC relationship. Utilizing a similar process, advance
10 notification of new technology and new offerings typically occurs six
11 months or more in advance of general availability, although full
12 details of the new technology are not available until later in the
13 planning and development process. For this reason, notice of the
14 deployment of new technology cannot be subject to a standardized
15 rule regarding advance notification, but must be handled by the two
16 parties on a case-by-case basis. GTE suggests that each ALEC
17 contact its GTE Account Manager to establish a schedule for planning
18 meetings.

19
20 Q. PLEASE DESCRIBE IN WHAT MANNER NOTIFICATION FOR
21 NETWORK CHANGES WOULD BE MADE AND IN WHAT TIME
22 FRAME.

23 A. Notification already exists today in GTE's local exchange company-
24 IXC relationship. GTE routinely sends information pertaining to a
25 number of network changes to many IXC's, Sprint included.

1 regarding, for example, equal access conversions, NPA/NXX
2 additions, NPA splits, CLLI code changes, and CLLI code
3 assignments. Additionally, GTE provides to many IXCs a network
4 activity schedule which includes equal access cut dates, C O
5 conversion cut dates, intraLATA equal access conversion schedules,
6 new host/remote relationships, and tandem re-homes

7

8 **Q. WOULD GTE AGREE TO MAKE THIS INFORMATION AVAILABLE**
9 **TO REQUESTING ALECs?**

10 **A.** Yes. Although many small ALECs may not desire all of the
11 information that GTE typically provides to large carriers such as
12 AT&T and Sprint, GTE would be willing to provide the data mentioned
13 in my last answer to ALECs who desire to do business with us.

14

15 **Q. SHOULD GTE BE REQUIRED VIA THE CONTRACT OR**
16 **COMMISSION ORDER TO IMPLEMENT A PROCESS AND**
17 **STANDARDS THAT WOULD ALLOW EVERY INTERCONNECTING**
18 **ALEC TO SET ITS OWN STANDARD OF SERVICE TO WHICH GTE**
19 **WOULD BE HELD WHEN RENDERING SERVICES FOR RESALE,**
20 **INTERCONNECTION, OR UNBUNDLED NETWORK ELEMENTS?**

21 **A.** No. GTE already plans to provide service quality that is non-
22 discriminatory and equal to that which GTE provides to itself and its
23 affiliates. GTE believes that it should not be required to adhere to
24 different metrics and to different standards of performance for
25 different ALECs. This would be onerous, particularly when multiple

1 ALECs begin to operate in the various markets. It is already difficult
2 enough to address differing quality standards among the 28 states in
3 which GTE operates given different approaches taken by the various
4 commissions. To divide up that measurement process and standards
5 levels further among various ALECs would be totally unworkable and
6 impose a tremendous and useless burden on GTE. Further, it would
7 not benefit the ALECs, for GTE already is committed to providing
8 them non-discriminatory treatment with respect to the quality
9 standards set in the public interest in each state.

10

11 **Q. DOES GTE HAVE A POSITION ON THE TERM OF ANY**
12 **AGREEMENT WITH GTE AND SPRINT?**

13 **A.** Yes. GTE believes the term of the agreement should be limited to no
14 more than two years. Given the unprecedented scope of the Act and
15 all the issues raised, it would not be prudent to enter into a long-term
16 contract.

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

19 **A.** Yes.

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GTE FLORIDA INCORPORATED

REBUTTAL TESTIMONY OF DONALD W. McLEOD

DOCKET NO. 961173-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. *My name is Beverly A. McLeod. My business*
 My name is Donald W. McLeod. My business address is 600 Hidden
address is One Tamps City Center, Irving,
 Ridge, Irving, Texas *Florida 33401-0110. My current*
position is Regional Director
Regulatory and Industry Affairs.

Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I did

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will address certain policy areas in which GTE and Sprint have not
 yet reached an agreement

Q. SHOULD THE FINAL AGREEMENT BETWEEN SPRINT AND GTE
 IMPOSE MATERIAL AND RECIPROCAL OBLIGATIONS WITH
 RESPECT TO MATTERS OTHER THAN RECIPROCAL
 COMPENSATION ARRANGEMENTS FOR TRANSPORT AND
 TERMINATION?

A. Yes. Reciprocal arrangements will promote competition. Sprint has
 represented in its petition that it will give the same terms as an ILEC
 as it receives as an ALEC

1 **Q. SHOULD GTE BE LIABLE FOR NETWORK FRAUD CAUSED BY**
2 **GTE'S NEGLIGENCE?**

3 A GTE should not be liable for damages incurred as a result of an
4 intentional act of a third party, such as fraudulently gaining
5 unauthorized access to the GTE network. Such risks should rest with
6 Sprint, since the fraud is associated with Sprint's end users. GTE will
7 cooperate with Sprint to investigate, minimize and take corrective
8 action in cases of fraud.

9
10 **Q. SHOULD GTE BE RESPONSIBLE FOR A PASS-THROUGH WHEN**
11 **IT FAILS TO MEET COMMISSION-APPROVED SERVICE**
12 **STANDARDS?**

13 A Where GTE has been given written notice by Sprint of any known
14 violation of network standards, an adequate opportunity to correct the
15 situation, the opportunity to participate and respond to potential
16 Commission actions, and GTE is responsible for the violation, GTE
17 will agree to reimburse Sprint for any fines or forfeitures ultimately
18 imposed by the Commission.

19
20 **Q. SHOULD A SEPARATE CONTRACT BE REQUIRED FOR TRAFFIC**
21 **WHERE SPRINT FUNCTIONS AS AN AGGREGATOR OR TANDEM**
22 **PROVIDER?**

23 A GTE's position on a bill-and-keep method for local traffic is explicitly
24 predicated upon approximately equal Sprint and GTE end user traffic.
25 Therefore, it is inappropriate in a bill-and-keep environment to have

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non-Sprint end users' traffic terminate to GTE. GTE would require a separate agreement with any third party for local traffic termination.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

1 GTE FLORIDA INCORPORATED

2 DIRECT TESTIMONY OF BEVERLY Y. MENARD

3 DOCKET NO. 961173-TP

4

5 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
6 POSITION WITH GTE FLORIDA INCORPORATED (GTEFL).

7 A. My name is Beverly Y. Menard. My business address is One Tampa
8 City Center, Tampa, Florida 33601-0110. My current position is
9 Regional Director - Regulatory and Industry Affairs

10

11 Q. WILL YOU BRIEFLY STATE YOUR EDUCATIONAL
12 BACKGROUND AND BUSINESS EXPERIENCE?

13 A. I joined GTEFL in February 1969. I was employed in the Business
14 Relations Department from 1969 to 1978, holding various positions
15 of increasing responsibility, primarily in the area of cost separations
16 studies. I graduated from the University of South Florida in June of
17 1973 receiving a Bachelor of Arts Degree in Business Administration
18 with an Accounting Major. Subsequently, I received a Master of
19 Accountancy Degree in December of 1977 from the University of
20 South Florida. In March of 1978, I became Settlements Planning
21 Administrator with GTE Service Corporation. In January of 1981, I
22 was named Manager-Division of Revenues with GTE Service
23 Corporation, where I was responsible for the administration of the
24 GTE division of revenues procedures and the negotiation of
25 settlement matters with AT&T. In November of 1981, I became

1 Business Relations Director with GTEFL. In that capacity, I was
2 responsible for the preparation of separations studies and connecting
3 company matters. Effective February 1987, I became Revenue
4 Planning Director. In this capacity, I was responsible for revenue,
5 capital recovery and regulatory issues. On October 1, 1988, I
6 became Area Director - Regulatory and Industry Affairs. In that
7 capacity, I was responsible for regulatory filings, positions and
8 industry affairs in eight southern states plus Florida. In August 1991,
9 I became Regional Director - Regulatory and Industry Affairs for
10 Florida. I am responsible for regulatory filings, positions and industry
11 affairs issues in Florida.

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1 GTE FLORIDA INCORPORATED
2 DIRECT TESTIMONY OF WILLIAM E. MUNSELL
3 DOCKET NO. 961173-TP
4

5 Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.

6 A. My name is William E. Munsell. My business address is 600 Hidden
7 Ridge, Irving, TX 75038
8

9 Q. BY WHOM ARE YOU EMPLOYED, AND WHAT IS YOUR
10 POSITION?

11 A. I am employed by GTE Telephone Operations as Senior Product
12 Manager-Switched Access Service
13

14 Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND WORK
15 EXPERIENCE.

16 A. I have an undergraduate degree in Economics from the University of
17 Connecticut, and a masters degree from Michigan State University in
18 Agricultural Economics. I joined GTE in 1982 with GTE of Florida.
19 During the course of my career with GTE, I have held positions in
20 Demand Analysis, Pricing and Product Management.
21

22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

23 A. The purpose of my testimony is to identify the issues that are
24 disputed between GTE and Sprint relating to interconnection and
25 transport and termination.

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Q. HOW IS YOUR TESTIMONY STRUCTURED?

A My testimony will be presented in five sections. Section A is a general description of interconnection, transport and termination and the issues raised by each. Section B is a discussion of the Act's requirements. Section C sets forth the respective parties' open issues with regard to these network functions. Section D discusses GTE's position on these issues and Section E provides a brief summary

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.

A The Telecommunications Act of 1996 (the "Act") requires GTE to (1) permit any requesting telecommunications carrier to interconnect with its network and (2) establish reciprocal compensation arrangements for the transport and termination of telecommunications. Further, the Act sets forth certain minimum conditions and rate standards for interconnection, transport and termination. Sprint's position is that these conditions require GTE to interconnect at any point in GTE's network that Sprint requests, provide interconnection at rates below cost, and use bill-and-keep as a billing methodology. While the Act allows significant flexibility in the parties' arrangements for interconnection, transport and termination, it nevertheless imposes fair and rational limits. As provided under the Act, Sprint should be permitted to interconnect only at technically feasible points within the ILEC's network. Furthermore, GTE should be allowed to charge rates for interconnection, transport and termination that are just, reasonable

1 and nondiscriminatory and that allow GTE full recovery of its costs
2 and a reasonable profit

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SECTION A: DESCRIPTION OF TRANSPORT, INTERCONNECTION
AND TERMINATION

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Q. PLEASE DESCRIBE WHAT IS MEANT BY THE TERMS
9 INTERCONNECTION, TRANSPORT AND TERMINATION AS USED
10 IN THE ACT.

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A. At their basic levels, the terms interconnection, transport and
12 termination refer simply to functions within and between telephone
13 networks. Interconnection means the physical linking of two networks
14 for the mutual exchange of traffic. The terms are more fully described
15 in the Implementation of the Local Competition Provisions in the
16 Telecommunications Act of 1996, First Report and Order, CC Docket
17 No. 96-98, FCC 96-325 (released Aug. 8, 1996) (the "Order") ¶ 176.

18

19

Interconnection takes place at a point of interconnection. Transport
20 means carrying a call between switches, or from a point of
21 interconnection to a switch. Thus, transport may involve transmission
22 of a call from a tandem switch to an end office switch or from one end
23 office switch to another end office switch. End offices are the
24 facilities housing the switches that serve local calling areas. Each
25 end office "subtends" a tandem switch, meaning that the end office is

25

1 connected via a trunk to the tandem switch. Tandem switches
2 aggregate traffic from end offices and either redistribute that traffic to
3 other subtending end offices, pass it on to other tandem switches or
4 pass the traffic on to an interexchange carrier. An incumbent local
5 exchange carrier may, but does not always, own the tandem switch
6 which its end offices subtend.

7

8 Termination means switching that is performed at the end office, and
9 the delivery of the call to the called party.

10

11 Interconnection has been taking place among local telephone
12 companies for many years. Historically, local telephone service was
13 provided in a given local calling area by a single company. This
14 company was the local exchange carrier ("LEC") or, under the Act, an
15 incumbent local exchange carrier ("ILEC"). If a customer wanted to
16 call a number in the same local calling area, the ILEC was able to
17 accomplish origination, switching and termination of the call within its
18 own single network. If, however, the customer wished to call a
19 number in a calling area serviced by a different ILEC, the customer's
20 call would have to be passed to and terminated by the other ILEC's
21 network. The two ILECs exchanged traffic through interconnection
22 arrangements which allowed each ILEC to terminate the other ILEC's
23 calls.

24

25 **Q. WHAT IS THE PURPOSE OF THE INTERCONNECTION**

1 **PROVISIONS OF THE ACT?**

2 A The Act seeks to create a competitive environment for local telephone
3 service and, thus, requires telephone companies competing in the
4 same local calling area to interconnect. In addition to the ILEC, there
5 may be one or more alternative local exchange carriers ("ALECs") in
6 the same local calling area in the near future. Without
7 interconnection, ALECs would not be able to terminate calls to
8 customers served by the ILEC or another ALEC, and ILECs would not
9 be able to terminate calls to ALECs. Thus, interconnection under the
10 Act makes competition in local telephone service possible.

11

12 **Q. WHAT DETERMINES WHERE INTERCONNECTION WILL TAKE**
13 **PLACE BETWEEN TWO LECs?**

14 A Interconnection between ILECs for the exchange of traffic between
15 two local calling areas takes place at mutually acceptable meet
16 points. Under the Act, interconnection may take place only at points
17 where interconnection is technically feasible. The following factors,
18 among others, may frustrate or even prevent interconnection:

19

20 • compatibility of the ALEC's equipment with the ILEC's
21 equipment at the point of interconnection,

22

23 • the number of ALECs desiring interconnection at a given point,

24

25 • whether an ILEC's switching and transport equipment can

1 handle additional traffic, and

2

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- to the extent that collocation of the ALEC's equipment at the ILEC's end office is necessary, the availability of physical space at an ILEC end office, tandem switch or other facility.

6

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Accordingly, end offices, tandem switches and mutually acceptable meet points are most often used as points of interconnection as they usually pose the fewest technical problems. Interconnection at an end office allows the interconnector access to the line equipment, and thus the customers served by that end office. Interconnection at a tandem switch allows access to all end offices subtending that tandem.

14

15 **Q. PLEASE DESCRIBE THE MANNER IN WHICH COSTS ARE**
16 **INCURRED WITH RESPECT TO INTERCONNECTION**
17 **TRANSPORT AND TERMINATION.**

18 **A.** Once an ILEC interconnects with an ALEC, the ILEC can complete
19 the ALEC's calls by transporting and terminating those calls over its
20 network system, and vice versa. When an ILEC or ALEC transports
21 and terminates its own traffic, the costs of transport and transmission
22 are part of the carrier's overall costs. With interconnection, an ILEC
23 or an ALEC still incurs costs for the transport and termination of calls
24 it terminates for other carriers. Thus, in interconnection agreements,
25 ILECs and ALECs usually quantify these costs at a given rate per

1 minute of usage

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Q. WILL THE COSTS OF INTERCONNECTION BE THE SAME FOR AN ILEC AS FOR AN ALEC?

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A. No. The cost of transport and termination will generally be higher for an ILEC than an ALEC because ILEC equipment is older and also because ILEC equipment will tend to have a lower throughput than ALEC equipment. Generally, ILECs have older switches and transmission plant in their networks. ALECs are just now entering the local exchange business and are installing currently available switches and transmission plant. New equipment is often less expensive per unit of traffic than older equipment already deployed by the ILECs. With regard to GTE specifically, traffic on GTE's

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1 network is usually dispersed throughout a large network of end offices
2 and tandem switches which serves a relatively large number of low
3 volume residential or rural customers. By contrast, an ALEC will have
4 relatively few end office switches which can be expected to serve a
5 relatively large number of high volume business customers. Thus,
6 because an ALEC's network is handling a relatively higher volume of
7 traffic through a fewer number of switches, an ALEC's switches and
8 transmission plant can be expected to have a higher throughput than
9 an ILEC's switches and transmission plant. Because the total
10 capacity of an ALEC's network tends to be more fully utilized than the
11 capacity of the ILEC's network, the ALEC's per unit cost for carrying
12 that capacity will be lower than the ILEC's per unit cost.

13
14 Therefore, if a transport and termination agreement accurately
15 reflects the true relative costs incurred by an ALEC and an ILEC for
16 terminating each other's traffic, the agreement will, most likely,
17 provide that the ILEC recovers its costs at a higher rate than the
18 ALEC. If, however, a transport and termination agreement provides
19 for symmetrical rates (i.e., each carrier charges the other the same
20 price), the agreement does not necessarily reflect the actual costs of
21 interconnection for each party.

22
23 **Q. ARE COMPENSATION ARRANGEMENTS NORMALLY INCLUDED**
24 **IN INTERCONNECTION AGREEMENTS?**

25 **A.** Transport and termination agreements usually include a

1 compensation arrangement to allow the parties to bill the amounts
2 owed to one another on a periodic basis. Alternatively, transport and
3 termination agreements may provide for a "bill-and-keep" system
4 whereby each party keeps whatever it bills to the end user and does
5 not pay the other party for the costs of transport and termination.
6 Where traffic exchanged between the two carriers is approximately
7 equal, a bill-and-keep system may be appropriate. Moreover, as
8 discussed above, the cost of transport and termination for an ILEC is
9 unlikely to be equivalent to the cost of transport and termination for
10 an ALEC. As such, rendering periodic bills is quite often the only way
11 an ILEC can recover its reasonable costs of transporting and
12 terminating traffic for an ALEC.

13

14 SECTION B: THE "ACT"

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16 **Q. WHAT ARE THE REQUIREMENTS OF THE ACT WITH REGARD**
17 **TO INTERCONNECTION, TRANSPORT AND TERMINATION?**

18 **A.** Section 251(a) of the Act requires all telecommunications carriers,
19 including ILECs and ALECs, "to interconnect directly or indirectly with
20 the facilities and equipment of other telecommunications carriers" (47
21 U.S.C. § 251(a)(1) (1996)). Section 251(b) requires all local
22 exchange carriers, including ILECs and ALECs, "to establish
23 reciprocal compensation arrangements for the transport and
24 termination of telecommunications" (47 U.S.C. § 251(b)(5) (1996)).

25

1 Furthermore, Section 251(c) requires ILECs to provide, for any
2 requesting telecommunications carrier, interconnection

3
4 (A) for the transmission and routing of telephone
5 exchange service and exchange access.

6
7 (B) at any technically feasible point within the carrier's
8 network.

9
10 (C) that is at least equal in quality to that provided by
11 the local exchange carrier to itself or any subsidiary,
12 affiliate or any other party to which the carrier provides
13 interconnection, and

14
15 (D) on rates, terms, and conditions that are just,
16 reasonable, and nondiscriminatory, in accordance with
17 the terms and conditions of the agreement and the
18 requirements of this section and section 252.

19
20 (47 U.S.C. § 251(c)(2)(A)-(D) (1996))

21
22
23 **Q. DOES THE ACT ADDRESS THE METHOD FOR PRICING**
24 **INTERCONNECTION SERVICES?**

25 **A.** Although the parties are free to negotiate the price of interconnection,

1 in the event the parties seek arbitration by a State commission under
2 section 252 of the Act, rates for interconnection set by the State
3 commission shall be "based on the cost (determined without
4 reference to a rate-of-return or other rate-based proceeding) of
5 providing the interconnection and nondiscriminatory, and
6 may include a reasonable profit" (47 U.S.C. § 252(d)(1)(A)-(B)
7 (1996))

8
9 With regard to transport and termination, the Act provides that a State
10 commission may not consider the terms and conditions of reciprocal
11 compensation to be just and reasonable unless such terms and
12 conditions "provide for the mutual and reciprocal recovery by each
13 carrier of costs associated with the transport and termination on each
14 carrier's network facilities of calls that originate on the network
15 facilities of the other carrier" and determine costs "on the basis of a
16 reasonable approximation of the additional costs of terminating such
17 calls" (47 U.S.C. § 252(d)(2)(A)(i)-(ii) (1996)) Section 252(d) also
18 states that such pricing standards shall not be construed to prevent
19 parties from arranging for "the mutual recovery of costs through the
20 offsetting of reciprocal obligations, including arrangements that waive
21 mutual recovery (such as bill-and-keep arrangements)" (47 U.S.C. §
22 252(d)(2)(B)(i) (1996))

23
24 **Q. WHAT IS THE EFFECT OF THE FCC ORDER 96-325 OF AUGUST**
25 **8, 1996 ON INTERCONNECTION ARRANGEMENTS?**

1 A The FCC, interpreting these provisions, established a minimum set of
2 technically feasible points of interconnection at end offices and
3 tandem switches (Order, ¶¶ 207-212). These points are (1) the line-
4 side of a local (i.e. end office) switch, (2) the trunk-side of a local
5 switch, (3) the trunk interconnection points for a tandem switch, (4)
6 central office cross-connect points, (5) out-of-band signaling transfer
7 points and (6) the points of access to unbundled elements (Order ¶
8 212). Furthermore, the FCC interpreted technical feasibility to require
9 modification of ILEC equipment if necessary to facilitate
10 interconnection (Order ¶ 202). The FCC emphasized, however, that
11 the obligation to interconnect wherever technically feasible is
12 warranted only because an ILEC is entitled to recover from the ALEC
13 its costs of providing interconnection, including a reasonable profit
14 (Order ¶ 199). Moreover, an ILEC may refuse interconnection if it can
15 demonstrate specific and significant adverse impacts to network
16 reliability and security (Order ¶ 203). Finally, with regard to technical
17 feasibility, the FCC stated that interconnection "at a particular point
18 in a network, using particular facilities, is substantial evidence that
19 interconnection or access is technically feasible at a given point, or
20 substantially similar points in networks employing substantially similar
21 facilities" (Order ¶ 204).

22
23 **Q. DOES THE FCC ORDER PROVIDE GUIDANCE ON HOW STATE**
24 **COMMISSIONS ARE TO SET RATES FOR INTERCONNECTION?**

25 A The pricing aspects of the FCC's Order has been stayed pending the

1 8th Circuit's decision regarding the constitutionality of the Order.
2 That Order required State commissions to set rates for
3 interconnection under a forward-looking economic cost pricing
4 methodology (Order ¶¶ 630-740). This methodology is the Total
5 Element Long-Run Incremental Cost ("TELRIC") of interconnection,
6 plus a reasonable allocation of forward-looking joint and common
7 costs (Order ¶¶ 672-673). In computing TELRIC, State commissions
8 should not assume a hypothetical network. Instead, TELRIC should
9 be computed based on the "most efficient technology deployed in
10 using the [ILEC's] current wire center locations" (Order ¶ 685).
11 TELRIC does not include embedded costs, ILEC opportunity costs,
12 universal service subsidies or access charges (Order ¶¶ 704-732).
13 If a State commission cannot determine rates based on TELRIC for
14 interconnection, the FCC established default rates for a number of
15 elements including end office switching, tandem switching and
16 transport (Order ¶¶ 787-827).

17
18 **Q. HOW DOES THE FCC ORDER ADDRESS TRANSPORT AND**
19 **TERMINATION PRICING?**

20 **A.** Although the Act separates transport and termination from
21 interconnection, and establishes separate pricing standards for them,
22 the FCC stated that the two pricing standards are sufficiently similar
23 "to permit the use of the same general methodologies for establishing
24 rates under both statutory provisions" (Order ¶ 1054). Thus, State
25 commissions must set rates according to one of three options. First,

1 **POSITIONS.**

2 A Although contract language has yet to be worked out, I understand
3 that Sprint and GTE seem to have agreed in principle to a range of
4 interconnection issues that will not be addressed here. However,
5 there are some general issues yet to be resolved. GTE contends that
6 Sprint's positions on open issues are not warranted by the Act, and
7 amount to little more than an attempt by Sprint to place GTE at a
8 competitive disadvantage by compromising GTE's network and
9 denying GTE recovery of its costs.

10
11 (1) *At which points in GTE's network is GTE required to provide*
12 *interconnection?*

13
14 **Sprint's Position:** Sprint may interconnect at any feasible
15 point and have one point of interconnection per local calling
16 area or LATA.

17
18 **GTE's Position:** Sprint may interconnect with GTE at any of
19 the minimum technically feasible points required by the FCC.
20 Interconnection at additional points where other ALECs have
21 already interconnected is not presumptive. Interconnection
22 can only occur if technically feasible, if it will not threaten
23 network reliability or security and if GTE's costs can be
24 recovered.

25

1 (2) *Should GTE allow Sprint to route calls between its tandem*
2 *switches?*

3

4 **Sprint's Position:** GTE must allow Sprint to switch traffic
5 between tandem switches ("inter-tandem switching")

6

7 **GTE's Position:** GTE will not provide this service absent
8 Sprint's participation in established methods for billing inter-
9 tandem traffic

10

11 (3) *What should be the rate for interconnection and for transport*
12 *and termination?*

13

14 **Sprint's Position:** GTE's rates should be equal to TELRIC,
15 and forward looking joint and common costs

16

17 **GTE's Position:** Rates should be determined according to
18 the Market-Oriented Efficient Component Pricing Rule ("M-
19 ECPR")

20

21 Pending judicial review of the FCC's Order, rates should be set
22 at TELRIC plus forward looking joint and common costs.

23

24

25

Additionally, GTE should be allowed a true-up of its costs
should it be eventually allowed to recover its costs under M-
ECPR

1 I am generally aware of these positions on pricing, with
2 respect to transport and termination, although pricing is
3 addressed by other witnesses

4

5 (4) *Should the rate for transport and termination be symmetrical?*

6

7 **Sprint's Position:** The FCC's Order requires symmetrical
8 rates that are set according to GTE's costs

9

10 **GTE's Position:** Rates for transport and termination should
11 not be symmetrical as such rates would not provide for mutual
12 and reciprocal recovery of costs

13

14 Pending judicial review of the FCC's Order, a comparison of
15 cost studies by GTE and Sprint should justify a departure from
16 symmetrical pricing

17

18 (5) *Should bill-and-keep be used as a reciprocal compensation*
19 *arrangement for transport and termination?*

20

21 **Sprint's Position:** At least for an interim period, a bill-and-
22 keep system should be used

23

24 **GTE's Position:** While GTE's preferred position is
25 asymmetrical rates as stated above, the Company is willing to

1 enter into bill and keep arrangements initially, but only where
2 traffic is approximately equal and other specified parameters
3 are met. As and when traffic becomes out of balance by plus
4 or minus 10%, then individual charges should be issued.

5

6 (6) *Should Sprint be required to route traffic to GTE over multiple*
7 *trunk groups?*

8

9 **Sprint's Position** Yes, Sprint should be allowed to combine
10 local, intraLATA toll, and interLATA access traffic over a single
11 trunk group, unless it can be shown to be not technically
12 feasible

13

14 **GTE's Position:** GTE requires that a minimum of two trunk
15 groups be provisioned, one trunk group for local and
16 intraLATA toll traffic not routed to and from an interexchange
17 carrier, and a second trunk group for access traffic routed to
18 and from interexchange carriers. GTE requires a minimum of
19 two trunk groups in order to create AMA terminating access
20 records on the local/intraLATA toll trunk group. The
21 terminating access records enable GTE to bill Sprint for
22 transport and termination for local and intraLATA toll traffic
23 originated by Sprint end users. Certain switches in GTE's
24 network are designed such that GTE cannot route terminating
25 traffic from an interexchange carrier to a trunk group where

1 AMA terminating access records are created. The second
2 trunk group (which carries access traffic destined to and from
3 an interexchange carrier), is not measured by GTE, and
4 therefore the terminating traffic from an interexchange carrier
5 is routed to this trunk group.

6

7 (7) *What installation standards should be followed in the*
8 *provisioning of facilities to the POI?*

9

10 **Sprint's Position:** GTE should be required to complete
11 installation of facilities to the POI in 30 days or less.

12

13 **GTE's Position:** Determination of the installation interval for
14 the facility between the POI and the GTE switch should be
15 negotiated between the two parties. The two parties could
16 agree to allow an outside source to complete construction of
17 the facility if costs or interval cannot be agreed to.

18

19

20 **SECTION D: GTE'S POSITION**

21

22 **Q. ARE SPRINT'S POSITIONS CONSISTENT WITH THE PURPOSES**
23 **OF THE ACT?**

24 **A.** The Act was intended to remove barriers to entry and create a level
25 playing field for competition -- it was not intended to endanger the

1 security of an ILEC's network, require significant capital investment
2 by the ILEC or result in ILECs paying a subsidy to ALECs in the form
3 of below cost rates for interconnection. Yet an unlimited approach to
4 interconnection, transport and termination may compromise the
5 security of GTE's network and fail to allow GTE to recover its costs,
6 much less "a reasonable profit" as the Act permits

7

8 Accordingly, GTE herein maintains its negotiating positions on the
9 disputed issues. To the extent these positions may be considered
10 inconsistent with the FCC's interpretation of the Act, GTE offers
11 alternative interim positions on several issues should the Commission
12 determine the FCC's conclusions to be binding pending judicial
13 review, including the 8th Circuit's decision on the constitutionality of
14 the FCC Order

15

16 **Q. IS THE ASSERTION CORRECT THAT GTE MUST PROVIDE**
17 **INTERCONNECTION AT ANY POINT WHERE GTE HAS ALREADY**
18 **PROVIDED INTERCONNECTION?**

19 **A.** No. While parties may have considerable flexibility as to where and
20 how they may wish to interconnect, interconnection cannot take place
21 at any point and in whatever manner a new entrant wants. The
22 Commission should not presume that it is technically feasible to
23 provide a new entrant with interconnection anywhere GTE has
24 already provided interconnection. This approach is not required by
25 the FCC's Order, which states only that interconnection at a particular

1 point using particular facilities is "substantial evidence" of technical
2 feasibility at that point, or at "substantially similar points in networks
3 employing substantially similar facilities" (Order, ¶ 204). Accordingly,
4 a new entrant's requested point must be substantially similar and
5 employ substantially similar facilities, and even then interconnection
6 is only "substantial evidence" of technical feasibility -- technical
7 feasibility is not presumed.

8

9 **Q. IS IT A CORRECT ASSUMPTION THAT COSTS OF**
10 **INTERCONNECTION AT ANY PARTICULAR POINT IN GTE'S**
11 **NETWORK ARE ABOUT THE SAME?**

12 **A** It would be incorrect for the Commission to adopt such a blanket
13 presumption given the reality of how ILEC networks are constructed.
14 First, switches, transmission equipment and computer software may
15 be interoperable within the GTE network, but they are not necessarily
16 uniform throughout the network. For example, GTE deploys a wide
17 variety of switches. While GTE may use a Northern Telecom switch
18 in one end office, another end office in the same geographic area
19 may use an Lucent switch. Second, interconnection of an ALEC with
20 GTE at one point may have been the result of lengthy negotiations in
21 which the interconnecting ALEC agreed to pay for and use certain
22 technology that is compatible with the GTE equipment at that point.
23 Thus, while superficially simple, it is incorrect in presuming that
24 technical feasibility at a given point implies technical feasibility at all
25 other similar points for all other ALECs.

1 Q. SHOULD THERE BE A CHARGE FOR THE PROVISION OF THE
2 POINT OF INTERCONNECTION?

3 A. On the trunks which ride the facility, GTE assesses an ordering
4 charge for ALEC-initiated orders. On the facility that each party
5 would construct to the point of interconnection, the compensation
6 should be left to be worked out on a case-by-case basis, as the
7 facility might be 100% GTE's, or 100% the ALEC's, or some split
8 between them.

9

10 Q. ARE THERE ANY CRITICAL ISSUES THAT MUST BE RESOLVED
11 BEFORE INTER-TANDEM SWITCHING CAN BE PROVIDED?

12 A. GTE only has one tandem in Florida. Therefore, inter-tandem
13 trunking should not be an issue today. However, there is nothing to
14 prevent a new entrant from establishing a tandem sometime in the
15 future, such that the tandem switching issue might present itself later.
16 In that case, GTE's position is that it would not perform inter-tandem
17 switching unless Sprint agreed to current methods for billing inter-
18 tandem traffic. While interconnection generally takes place between
19 the end office of the ALEC and the tandem switch or end office of the
20 ILEC, interconnection at a tandem switch allows access to all end
21 offices that subtend that tandem switch. As such, completion of calls
22 for an interconnecting ALEC which interconnects at a tandem switch
23 will typically involve tandem switching, transport between the tandem
24 switch and the subtending end office and termination from the end
25 office to the customer, but does not involve transport between tandem

1 switches.

2

3 Sprint, however, wants to change this structure. In a local access and
4 transport area ("LATA"), Sprint wishes to interconnect at a single
5 tandem switch, but nevertheless gain access to all end offices in the
6 LATA, regardless of whether the end offices subtend the tandem
7 switch where Sprint has interconnected. Accordingly, GTE would
8 have to perform switching between tandem switches -- inter-tandem
9 switching -- in order to complete Sprint calls.

10

11 GTE cannot agree to this kind of interconnection arrangement. Such
12 interconnection is technically possible -- GTE engages in inter-
13 tandem switching with many ILECs in order to route ILEC intra-LATA
14 toll traffic. However, unless a new entrant agrees to the billing
15 methods necessary to implement inter-tandem switching, such
16 interconnection is not technically feasible from a practical standpoint
17 because there would be no way to bill for all of the network elements
18 involved in the completion of calls from the new entrant. Specific
19 billing methods are necessary because of the way inter-tandem traffic
20 is exchanged. Signaling information from the switch, as well as the
21 current industry standard Automatic Message Accounting ("AMA")
22 record format, does not identify more than one tandem switching
23 occurrence. Thus, if more than one tandem switch is used to route a
24 telephone call, the additional switches are not reflected in the billing
25 record.

1 Q. CAN YOU ILLUSTRATE THE NATURE OF THE PROBLEM?

2 A. The problem can be shown with a brief illustration. If a call originates
3 in end office "A," the call is transported to tandem switch "B," which
4 end office A subtends. The call would then be trunked to a second
5 tandem switch "C" and then switched to end office "D," where the call
6 would be completed. The signaling message information and AMA
7 record only provides information that is normally necessary to
8 complete the call -- it will identify end office A, tandem switch B and
9 the terminating end office D. **There will be no billing information**
10 **with regard to tandem switch C.** Accordingly, the service provider
11 that owns tandem switch C will not be able to recover tandem
12 switching charges from the service provider that owns end office A.

13

14

15 Q. HAVE BILLING METHODS BEEN DEVELOPED FOR INTER-
16 TANDEM SWITCHING BETWEEN ILECS?

17 A. Yes, where ILECs engage in inter-tandem switching for intra LATA
18 toll traffic, billing methods have been developed to allow the recovery
19 of tandem switching in the above scenario. To recognize the lack of
20 necessary data in signaling message information and AMA records,
21 ILECs recover the cost of inter-tandem switching through the use of
22 various "clearinghouse" systems. In these clearinghouse systems,
23 the end office of the ILEC originating an intraLATA toll call creates an
24 Electronic Message Record ("EMR") call record which contains
25 information such as the originating number, terminating number, time

1 and date of the call. These records are forwarded by the ILEC to the
2 clearinghouse. The clearinghouse then identifies the terminating
3 number from the EMR call record as being served by a specific
4 terminating ILEC and, based on the most probable pathway for the
5 call, returns billing information to the ILECs identified as service
6 providers of portions of the call route. GTE is not aware of any other
7 method for ensuring that carriers providing inter-tandem switching are
8 reimbursed for their costs.

9
10 **Q. ARE YOU AWARE OF ANY OTHER BILLING METHODS**
11 **CURRENTLY AVAILABLE TO IDENTIFY AND RECOVER THE**
12 **COSTS OF INTER-TANDEM SWITCHING?**

13 **A.** No. Unless a new entrant were willing to enter into such an
14 arrangement, there would be no way for GTE to recover the costs of
15 traffic switched by its tandems. This result would run directly contrary
16 to the Act and the FCC's Order, which requires that GTE recover the
17 costs of interconnection (47 U.S.C. § 252(d)(1)(A)(i) (1996), Order, ¶¶
18 29, 199, 618-24). Sprint's position is thus surprising, considering that
19 it is by no means a new entrant into the telecommunications market
20 and is entirely familiar with access billing and switching standards.
21 The Commission should thus reject Sprint's request for inter-tandem
22 switching out of hand.

23
24 **Q. DOES SPRINT'S METHOD FOR CALCULATING THE COST OF**
25 **INTERCONNECTION, TRANSPORT AND TERMINATION**

1 **ACCURATELY STATE GTE'S COSTS?**

2 A. No. Pending judicial review of the Order's mandate of TELRIC plus
3 a reasonable allocation of forward-looking joint and common costs as
4 a method for computing the cost of interconnection and transport and
5 termination, GTE disagrees with Sprint's calculation of GTE's
6 TELRIC, and Sprint's general cap on joint and common costs. GTE's
7 basis for disagreeing with Sprint over this calculation is discussed in
8 the direct testimony of Mr. Trimble and/or other GTE cost witnesses.

9

10 **Q. DOES SYMMETRICAL PRICING ALLOW RECIPROCAL AND**
11 **MUTUAL RECOVERY OF COSTS AS A REASONABLE**
12 **APPROXIMATION OF THE COST OF TERMINATING CALLS?**

13 A. Although required by the FCC, symmetrical pricing is completely at
14 odds with the requirements of the Act. Section 252(d)(2)(A)(i) of the
15 Act requires that the terms and conditions for transport and
16 termination must "provide for the mutual and reciprocal recovery by
17 each carrier of costs . . . of calls that originate on the network facilities
18 of the other carrier." The terms and conditions for transport and
19 termination must "determine such costs on the basis of a reasonable
20 approximation of the additional costs of terminating such calls" (47
21 U.S.C. § 252(d)(2)(A)(ii) (1996))

22

23 Symmetrical pricing between Sprint and GTE will not afford GTE
24 recovery of its costs. Sprint's costs for terminating calls will, most
25 likely, be less than GTE's costs for terminating calls. As discussed

1 above, this is due to the expectation that Sprint will have deployed
2 newer equipment in its network using a relatively higher percentage
3 of its network's capacity. Using symmetrical pricing, Sprint will
4 receive a subsidy from GTE, because it will be receiving far more
5 than the cost it incurs to complete a call. Thus, GTE's costs are not
6 a suitable proxy for determining the actual costs of interconnection,
7 meaning that symmetrical pricing does not allow for mutual or
8 reciprocal recovery of costs and is not based on a reasonable
9 approximation of the additional cost of terminating calls. Accordingly,
10 the Commission should adhere to the letter and intent of the Act and
11 allow the parties to recover their respective true costs of transport
12 and termination.

13
14 At a minimum, pending judicial review of the FCC's Order, the cost
15 studies submitted by GTE justify a departure from symmetrical
16 pricing, as GTE believes its costs for transport and termination to be
17 significantly higher than Sprint's costs. See Direct Testimony of
18 Dennis Trimble and attachments thereto. GTE's costs are thus not a
19 suitable proxy for Sprint's costs, and symmetrical pricing is not
20 justified. The FCC's Order can be read to limit the right to rebut the
21 presumption to the requesting ALEC as opposed to the ILEC (Order,
22 ¶ 1089). Such a reading, however, is illogical -- if an ALEC can prove
23 higher costs than the ILEC, thus justifying a departure from
24 symmetrical pricing, there seems to be no reason an ILEC cannot
25 similarly make such a showing, nor does the Act give any indication

1 that an ILEC should be barred from doing so. Moreover, the FCC
2 stated that State commissions could impose bill-and-keep if, among
3 other things, "neither carrier has rebutted the presumption of
4 symmetrical rates" (Order ¶ 1111) (emphasis added). Hence, the
5 Order actually does allow both parties to challenge the presumption
6 of symmetrical pricing.

7
8 If, however, the Commission decides symmetrical pricing is justified
9 pending judicial review of the Order, GTE should be allowed a true-up
10 of its costs in the event the FCC's requirement of symmetrical pricing
11 is eventually overturned.

12
13 **Q. IS THE BILL-AND-KEEP METHOD OF PRICING APPROPRIATE OR**
14 **NECESSARY?**

15 **A.** The Act requires that transport and termination arrangements allow
16 for "the mutual recovery of costs through the offsetting of reciprocal
17 obligations" (47 U.S.C. § 252(d)(2)(B)). Among the other possible
18 options for mutual recovery of costs, parties may opt for
19 "arrangements that waive mutual recovery (such as bill-and-keep
20 arrangements)," but are not required to do so. Thus, the Act does
21 not require or permit the Commission or the FCC to impose bill-and-
22 keep on GTE and Sprint.

23
24 The Commission is likewise not required to impose bill-and-keep
25 under the FCC's Order. The Order states that a State commission

1 "may" impose bill-and-keep if neither party has rebutted the
2 presumption of symmetrical pricing and if the volume of traffic
3 exchanged is approximately equal (Order ¶ 1111). Not only has GTE
4 rebutted the presumption of symmetrical pricing, but there presently
5 exists no way for the Commission to determine whether the volume
6 of traffic exchanged will, in fact, be equal. Thus, neither precondition
7 has been met. Moreover, because the FCC allows State
8 commissions to impose bill-and-keep if both preconditions are met,
9 it has misread the statute, which clearly allows bill-and-keep
10 arrangements but does not mandate them under any circumstances.

11

12 While GTE's preferred position is as stated above, the company is
13 willing to enter into a bill and keep compensation arrangement given
14 certain parameters. The proposed arrangement, predicated upon
15 approximately equivalent traffic flows, would be for the transport and
16 termination of end-user local traffic. The arrangement would
17 specifically exclude any toll or access traffic. Also, interLATA access
18 traffic must be carried over separate trunk groups and may not be
19 included with the local and local toll traffic.

20

21 GTE, in an effort to expedite the competitive process, is proposing a
22 fairly broad definition of roughly balanced. The Company is
23 proposing that roughly balanced equates to plus or minus ten
24 percentage points. This means that the originating/terminating split
25 could be up to 60/40.

1 GTE is willing, in the spirit of the Act, to reach a compromise position
2 regarding the issue of bill and keep. This definition, in conjunction
3 with certain parameters, provides a reasonable approach.

4

5 The following parameters are fundamental to GTE's proposed bill and
6 keep arrangement.

7

8 1) The arrangement applies to the termination of interconnected
9 calls and does not apply to internetwork facilities.

10

11 2) The arrangement applies to local and EAS traffic only and has
12 no implications to access (or wireless) compensation. For
13 purposes of traffic compensation, local and EAS calling
14 scopes are as defined in the GTE exchange services tariff,
15 and does not include optional wide area calling scopes.

16

17 3) Traffic must be local end-user traffic. An ALEC may not
18 aggregate traffic other than its end-user local/mandatory EAS
19 traffic for the purposes of this arrangement. Toll/access type
20 traffic should be compensated via access charges.

21

22 4) Traffic is assumed to be roughly balanced unless there are
23 records available which would indicate otherwise. Either party
24 may request traffic studies be performed on not more
25 frequently than a quarterly basis.

- 1 5) If traffic studies indicate that traffic is outside of the roughly
2 balanced range, either party may request that billing
3 commence utilizing agreed-upon rates no lower than GTE's
4 TELRIC plus the appropriate joint and common costs
5
6 6) Either party may terminate the arrangement with twelve
7 months' notice
8
9

10 **SECTION E: SUMMARY**

11
12 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

13 A. While interconnection is a significant step towards creating a
14 competitive market for local exchange services, this step is not
15 intended to open up GTE's network to interconnection at any point for
16 any price. Rather, interconnection, as well as the transport and
17 termination facilitated by interconnection, is intended to allow ALECs
18 access to the local exchange consistent with the integrity of the
19 network at a rate that is just and reasonable. Accordingly, the
20 Commission should

- 21
22 • allow interconnection at the points specified by the FCC, and
23 determine technical feasibility for other points only in accord
24 with the evidence set forth in this proceeding.
25

- 1 • reject inter-tandem switching, unless GTE can recover its
2 costs;
- 3
- 4 • use M-ECPR to determine the cost of interconnection,
5 transport and termination, or at least reject Sprint's gross
6 underestimate of TELRIC and joint and common costs and
7 allow GTE a true-up if TELRIC is eventually rejected through
8 judicial review of the Order;
- 9
- 10 • reject symmetrical pricing for transport and termination, or
11 allow GTE a true-up if symmetrical pricing is rejected through
12 judicial review of the Order; and
- 13
- 14 • allow bill-and-keep compensation only within the parameters
15 specified herein.
- 16

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

18 **A. Yes, it does.**

19

20

21

22

23

24

25

1 GTE FLORIDA INCORPORATED

2 REBUTTAL TESTIMONY OF WILLIAM E. MUNSELL

3 DOCKET NO. 961173-TP

4

5 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

6 A. My name is ^{Beverly Y. Menara} William E. Munsell. My business address is ^{One Tampa} 600 Hidden
 7 ^{Center, Tampa, Florida 33601-1000. My current position} Ridge, Irving, TX 75038 ^{is Regional Director - Regulatory}
 8 ^{and Industry Affairs.}

9 Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?

10 A. Yes, I did.

11

12 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

13 A. The purpose of my testimony is to present GTE's position on
 14 interconnection issues that were addressed in Mr. Key's testimony

15

16 Q. TO THE EXTENT THAT THERE IS MORE THAN ONE TANDEM
 17 SWITCH IN GTE'S OPERATING TERRITORY, WHY SHOULD
 18 SPRINT BE REQUIRED TO ESTABLISH A POINT OF
 19 INTERCONNECTION (POI) AT EACH TANDEM?

20 A. As explained in my Direct Testimony (pp. 22-25), if Sprint was
 21 allowed to establish a POI at a single tandem and terminate traffic to
 22 end offices sub-tending a second tandem, the signaling and
 23 Automatic Message Accounting (AMA) record which is created on a
 24 Sprint-originated call would not allow subsequent tandem switching
 25 providers to recognize the tandem switching event and thus recover

1 their costs. The attached Exhibit No. WEM-1 illustrates the difference
2 between GTE's position and Sprint's request. This exhibit describes
3 why network providers would not be able to recover their costs under
4 Sprint's proposal

5

6 **Q. WHO SHOULD BE RESPONSIBLE FOR THE COSTS OF**
7 **SPRINT'S INTERCONNECTING TO GTE'S NETWORK?**

8 A GTE believes that the issue of cost recovery for interconnection is
9 best left to negotiation. Nevertheless, because Sprint has raised this
10 issue in this arbitration, GTE points out that the FCC's Order 96-325,
11 paragraph 200, states that "to the extent incumbent LECs incur costs
12 to provide interconnection or access under sections 251(c)(2) or
13 251(c)(3), incumbent LECs may recover such costs from requesting
14 carriers." GTE is thus justified in seeking cost recovery from Sprint

15

16 GTE agrees with Sprint that a meet-point arrangement is a technically
17 feasible manner of interconnection. It does not, however, agree that
18 the FCC's Rule 51.321 defines the parties' responsibility for the costs
19 of constructing interconnection facilities

20

21 **Q. DOES GTE AGREE THAT SPRINT SHOULD BE PERMITTED TO**
22 **MIX LOCAL, INTRALATA TOLL, AND INTERLATA ACCESS ON A**
23 **SINGLE TRUNK GROUP?**

24 A No. Sprint must order a minimum of two trunk groups, the first for
25 local and intraLATA toll traffic not routed to and from an

1 interexchange carrier, and a second for access traffic routed to and
2 from interexchange carriers. At least two trunk groups are required
3 to create AMA terminating access records on the local/intraLATA toll
4 trunk group. The terminating access records enable GTE to bill
5 Sprint for transport and termination for local and intraLATA toll traffic
6 originated by Sprint end users.

7

8 Certain switches in GTE's network are designed so that GTE cannot
9 route terminating traffic from an interexchange carrier to a trunk group
10 where AMA terminating access records are created. The second
11 trunk group (which carries access traffic destined to and from an
12 interexchange carrier), is not measured by GTE, and therefore the
13 terminating traffic from an interexchange carrier is routed to this trunk
14 group.

15

16 **Q. ASSUMING THAT SINGLE TRUNK GROUPS ULTIMATELY WILL**
17 **BE PROVIDED, SHOULD THEY BE AVAILABLE WHEN SPRINT**
18 **CAN MEASURE AND REPORT USAGE, OR SHOULD THEY BE**
19 **AVAILABLE ONLY AFTER GTE CAN MEASURE USAGE?**

20 **A.** They should be provided only after GTE can measure usage. GTE
21 will be the party billing Sprint for local traffic transport and termination
22 and should not be placed in the position of relying on the payor
23 (Sprint) to provide the necessary records to GTE to bill transport and
24 termination charges to Sprint.

25

1 Q. IS MR. KEY CORRECT IN BELIEVING THAT THERE ARE NO
2 TECHNICAL FEASIBILITY ISSUES ASSOCIATED WITH MIXING
3 TRAFFIC ON A SINGLE TRUNK GROUP?

4 A. No. This is not just a traffic identification problem, as Mr. Key seems
5 to believe. (Key Direct Testimony at 39.) My answer above explains
6 why it is not technically feasible for the traffic from the two trunk
7 groups to be combined into one trunk group.

8

9 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

10 A. Yes, it does.

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1 Q (By Ms. Caswell) Ms. Menard, do you have a
2 summary of the testimony?

3 A Yes, I do.

4 Q Please give that to us.

5 A GTE strongly believes that Sprint should not
6 be permitted to unbundle and then reassemble GTE's
7 network. Such a proposal by Sprint would render
8 meaningless the Act's required distinction between
9 unbundled elements and wholesale services, that they be
10 priced under different cost methodologies.

11 The Act requires each party to recover its
12 true cost of transport and termination. GTE Florida's
13 rates for terminating Sprint's traffic should be
14 cost-based. Rates should be set in accord with the
15 M-ECPR. GTEFL will permit Sprint to interconnect at any
16 of the minimum technically feasible points required by
17 the FCC. Sprint's most favored nation proposal would
18 permit it to pick and choose provisions from GTE
19 Florida's various agreements with other ALECs.

20 Sprint's position, if adopted by the
21 Commission, will destroy the Act's intended negotiation
22 process in which a comprehensive agreement is produced
23 out of concessions and compromise from both parties. If
24 Sprint wants terms from an agreement with another ALEC,
25 it must abide by the entire agreement rather than just

1 those items that might be most favorable to it. In
2 addition, FCC Rule 51.809 has been stayed by the 8th
3 Circuit.

4 My testimony also covers general policy issues
5 which have been addressed in detail by the prior
6 witnesses. GTE is confident the Commission will decide
7 this case based solely on the record before it.

8 MS. CASWELL: Ms. Menard is available for
9 cross.

10 MR. BOYD: Thank you.

11 CROSS EXAMINATION

12 BY MR. BOYD:

13 Q Good morning, Ms. Menard. I'm Everett Boyd on
14 behalf of Sprint. In your summary, you refer to, I
15 believe, the N-ECPR?

16 A M-ECPR.

17 Q And that's the GTE's pricing methodology; is
18 that --

19 A That is correct, that's been filed in this
20 docket.

21 Q And is that the same methodology that was
22 filed in the AT&T and MCI docket?

23 A Yes, it is.

24 Q And that's the methodology that was rejected
25 by the Commission in its vote in that docket?

1 A Yes.

2 Q Let me ask you, please, ma'am, with regard to
3 Issue 3, the rebundling issue.

4 A Yes.

5 Q And let me get you to clarify. Is it GTE's
6 position that Sprint should not be able to purchase each
7 of the elements necessary for local service and then --
8 and provide it in that fashion?

9 A It is GTE's position that Sprint should not be
10 able to unbundle the piece parts of local service and
11 have GTE recombine them back so that you get the same
12 service but at a much lower price.

13 Q And let's talk about for basic local service,
14 which is really what we're talking about on this issue;
15 isn't it?

16 A Yes.

17 Q What are those elements?

18 A It would be your loop, the local switching,
19 the port and any usage charges and any vertical
20 features, depending on what version you use of local
21 switching.

22 Q What about the digital cross-connect? Is that
23 not required to provide the basic service?

24 A As far as when I consider the loop, that is
25 the connections in the switch are part of that loop

1 price.

2 Q Well, the digital cross-connect is a separate
3 element that's been priced; is it not?

4 A Yes, and what that element is used is if
5 someone buys a loop and has collocation into my central
6 office, then you use a digital cross-connect to
7 cross connect between their facilities and my
8 facilities.

9 Q So we have the loop, the local switching and
10 the port, plus usage?

11 A Correct.

12 Q Now, does that also include the NID?

13 A The NID is part of the loop.

14 Q In GTE's position, for instance, could --
15 Sprint could provide its own switch and purchase a loop
16 and a -- and the port facility from GTE; could it not?

17 A If Sprint is providing its own switch, it does
18 not need a port from GTE Florida.

19 Q And is GTE's position on this Issue 3 of
20 rebundling, does it include an instance where Sprint
21 would provide its own switch and purchase the loop from
22 GTE?

23 A No, because that's what we envision the Act
24 actually contemplates, is that either you provide the
25 loop and I provide the switch, or I provide the loop and

1 you provide the switch.

2 Q Can Sprint purchase the other elements and
3 provide its own NID to provide the local service?

4 A If you want to provide your own NID, you would
5 want to piece part the loop, because otherwise you're
6 paying for the NID twice, and I know of no reason why
7 someone would do the NID on the side of a building and
8 nothing else.

9 Q Well, does your position on rebundling, would
10 it include the instance where Sprint would provide its
11 own NID and purchase the other elements from GTE?

12 A I don't know. I've never thought of that
13 possibility. I would have to think about that.

14 Q The rebundling position that you've referred
15 to and that's discussed in the testimony that you've
16 adopted is the same position that GTE took in the AT&T
17 and MCI docket; is it not?

18 A That's correct. And it's also the position
19 we're taking in the 8th Circuit Court.

20 Q And I believe the portion of the Act that the
21 Staff recommendation and the Commission relied upon was
22 Section 251(c)(3). Are you familiar with that section?

23 A Basically.

24 Q It refers to the LEC providing such unbundled
25 network elements in a manner that allows requesting

1 carriers to combine such elements in order to provide
2 such telecommunications service. Does that sound right?

3 A Looking to find my -- I've got the pages mixed
4 up in my copy here.

5 Q I believe it's on Page 157. Are you looking
6 at the recommendation?

7 A Oh, I can look at the recommendation. What
8 page?

9 Q 157.

10 A Yes, I see that reference.

11 Q And that section of that contains no
12 prohibition against recombining elements; does it?

13 A It doesn't contain a prohibition, but it
14 also -- our reading of the statute doesn't allow --
15 doesn't mandate it either, and isn't contemplated by the
16 Act.

17 Q But that section contains no prohibition
18 against recombining the elements; does it?

19 A No, but it contemplates that the other party
20 is providing part of a network for those unbundled
21 elements.

22 Q In your reading of that section?

23 A That is correct, and the position that a lot
24 of parties are taking in the 8th Circuit Court.

25 Q Do you agree, Ms. Menard, that when a CLEC or

1 an ALEC takes unbundled elements to provide services, it
2 faces greater risks than providing those services by
3 resale?

4 A As I understand how it is contemplated that
5 some carriers are going to do it. So far I haven't
6 understood the risk, because they're going to order the
7 unbundled element from me, and under the FCC order I
8 have to recombine all the elements, so I don't know what
9 the risk is. They have to do nothing.

10 Q So is the answer to that no?

11 A I think the answer is no, yes. That's
12 correct.

13 Q So you disagree with the FCC's order at
14 paragraph 334 where the FCC states that they also face
15 greater risk, with the preface being --

16 A I don't have the FCC order with me, but I --
17 just because the FCC makes a statement in their order
18 does not necessarily mean that I agree with it.

19 Q But you disagree with that statement?

20 A I disagree with that statement.

21 COMMISSIONER GARCIA: Let me make sure I
22 understand. You disagree with their logic behind the
23 statement of the risks involved with unbundling, right?

24 WITNESS MENARD: Well, when we're talking
25 about it in the aspect of doing -- where GTE is required

1 to do all the combining back, which is what is allowed
2 under the interpretation of this issue, I don't
3 understand how there's a risk. I'm doing all the work.
4 I've got to do all the putting the network together.
5 All they're ordering is piece parts at a lower rate. I
6 don't know what the risk is. It's different if you're
7 talking about the risk of how I thought the statute
8 contemplated unbundled elements, where they're providing
9 part of a network and then I'm providing part of the
10 network. Then I agree, there is more risk in that type
11 environment than a pure resale environment. But under
12 the FCC's interpretation, they don't have to provide a
13 single network piece and buy all the unbundled elements
14 from GTE Florida, and GTE Florida has to put them all
15 together however the ALEC requests us to. So I'm hard
16 pressed to understand how there's any risk.

17 COMMISSIONER GARCIA: Thank you.

18 Q (By Mr. Boyd) And I want to just clarify one
19 aspect of this issue. The joint marketing prohibition
20 that was discussed in the BellSouth case under 271, that
21 only arises under the RBOC scenario and doesn't have any
22 applicability to GTE; does it?

23 A That is correct.

24 Q So the -- really, the only question that GTE
25 has is this arbitrage?

1 A Well, arbitrage concern, plus the intent of
2 what it was intended under the Telecommunications Act.

3 Q One of the goals of the Act -- I believe we've
4 had it discussed -- is to encourage facilities-based
5 competition; is it not?

6 A That is my understanding, yes.

7 Q And would you agree that an ALEC who purchases
8 your elements and starts to provide services, it would
9 be easier for that ALEC to convert to facilities-based
10 by dropping in one of its own facilities -- one of the
11 elements, than starting over from a resale standpoint?

12 A My initial reaction is I don't understand how
13 it would be any easier. In one case I tell GTE I want
14 to resell a B-1. The other case, I say I want these
15 four elements -- you know, I mean, the orders are all
16 going to be mechanized. I don't understand why there's
17 any difference. And then later you disconnect an
18 element? I don't see how there's any difference.

19 Q We talked about before, the ALEC just could
20 add its switch to that configuration and --

21 A But then all he has to do is place an order to
22 disconnect the B-1 and connect the loop. Either way,
23 he's going to have to place a second order when he
24 changes his network, and I would think it would be
25 simpler to just buy the resale element, and then later

1 come in and disconnect the resale element and buy a
2 loop.

3 Q If the Commission's ruling in the AT&T and MCI
4 dockets becomes effective and those two companies are
5 permitted to rebundle the elements of GTE, don't you
6 agree that Sprint should be permitted to do the same
7 thing?

8 A Well, what I'm really hoping is before that
9 becomes effective the circuit court overturns that FCC
10 order.

11 Q No, I understand. But could you answer my
12 question?

13 A I know of no reason why Sprint should be
14 treated differently than AT&T and MCI in that aspect.

15 Q And if they were, it would put them in a
16 competitive disadvantage; wouldn't it?

17 A Oh, yes, because of the difference in the
18 discounts they get, yes, it would.

19 Q And it would mean that they were being treated
20 discriminatorily?

21 A On that aspect, yes.

22 Q Let me ask you about the access charge. As I
23 understand it, under the Commission's ruling in the AT&T
24 and MCI docket, in the -- if an ALEC purchases local
25 service to resell it, purchases it at wholesale, GTE

1 will keep the access charges; will it not?

2 A That is my understanding of the ruling, yes.

3 Q And the same will apply if the local service
4 is provided by the ALEC, by purchasing the rebundled
5 elements?

6 A That's what the order says. How it's going to
7 work, I'm not sure.

8 Q But that's what it says?

9 A That's what it says.

10 Q And only when the ALEC provides its own switch
11 and does the switching would it then be able to take
12 those access charges?

13 A That's what it says. The problem is going to
14 be once they take the unbundled elements, I lose my
15 ability to assess access charges. So I don't know how
16 we're going to do that.

17 Q You're concerned about how you measure the
18 minutes, or separate the minutes and then bill for it?
19 Is that what you're saying?

20 A Yes. I have no way of doing it once they do
21 unbundled elements.

22 Q Well, there can be some form of either
23 measurement or allocation to separate the toll minutes
24 from the local minutes; can't there?

25 A What I'm saying is once they do some of the

1 unbundled -- the capabilities that are there in our
2 systems today no longer are there, and so we may have to
3 do major system modifications to be able to do something
4 about it.

5 Q If the ALEC purchases your local service,
6 which includes your switch, you're saying you don't have
7 a way to separate the traffic and measure that for
8 access charges?

9 A No. What I'm talking about is when we were
10 doing the unbundled elements and I recombine them all
11 together. That is the concern on how I'm going to have
12 the capability of measuring all the traffic.

13 Q But if it means enabling you to charge access
14 charges, you're going to come up with a way to do it;
15 aren't you?

16 A I'm sure we will work on that.

17 Q And I want to try to get that in the context
18 of this position and with -- versus the resale aspect.
19 In the resale arena, GTE's position is you shouldn't be
20 required to resale residential service?

21 A Below-cost services.

22 Q Because it's below cost. So that's
23 residential?

24 A That's correct.

25 Q You can resale business at the -- if the

1 decision stands, at the 13 percent discount?

2 A 13.04 percent, yes.

3 Q And then on the rebundling aspect, if the ALEC
4 takes it in that format to provide the local service,
5 GTE's position is -- well, number one, that they can't
6 do it to provide local service; isn't that correct?

7 A If they are not going to provide any of the
8 network themselves, yes.

9 Q So GTE's position is that Sprint can't
10 purchase the elements and rebundle them and provide
11 residential service?

12 A That is correct.

13 Q Nor can they purchase them and rebundle them
14 and provide local business service?

15 A That is correct.

16 Q So under GTE's positions, the only way that
17 Sprint could compete for residential service is to do it
18 on a facilities basis?

19 A That's correct. In the short term, that is
20 correct.

21 Q And the only way that Sprint could compete in
22 the business market is on the -- on a wholesale basis at
23 the 13 percent discount?

24 A Or do --

25 Q Or use facilities?

1 A Correct.

2 Q Let me ask you to take a look at the chart.
3 Commissioner, if I can have just a second to get this
4 chart ready. (Pause)

5 Ms. Menard, that chart is -- and for the
6 Commission's information -- the rates that were adopted
7 in the MCI/AT&T docket. I believe --

8 A Page 136 of the Staff recommendation.

9 Q Yes, ma'am. Thank you. And on the three
10 elements that we talked about necessary to provide the
11 local service was the -- was the loop, the switch -- the
12 loop, the local switching and the port; is that right?

13 A Well, the port is part of the local switching.

14 Q And so those rates, if we're talking basic
15 service, is the \$20 and 4.75; is that right?

16 A That is correct.

17 Q And then there's usage on top of that?

18 A That is correct.

19 Q And your testimony was -- I mean the NID is
20 included in that arrangement under the loop?

21 A In the \$20 loop rate.

22 Q So that's 24.75?

23 A That is correct.

24 Q Now -- and maybe we can work on clarifying
25 something. The usage rate under the originating minutes

1 is .004; isn't it?

2 A Yes.

3 Q And the terminating side is dot -- on the
4 chart and on the exhibit, the chart that's in the
5 recommendation says 0.0375.

6 A Correct.

7 Q Based on your recollection of the cost data in
8 that docket, should that be .00375?

9 A I have no idea.

10 MS. BARONE: Commissioner Kiesling, if I may
11 interject something at this moment. Staff has filed a
12 recommendation -- in fact they filed it yesterday
13 because there is a typo in this chart. The correct
14 number should be 0.00375.

15 COMMISSIONER KIESLING: And on which line does
16 that go?

17 MS. BARONE: That's the usage terminating
18 minute charge, which is -- if Mr. Boyd could --

19 MR. BOYD: Is it this one?

20 MS. BARONE: Yes.

21 COMMISSIONER KIESLING: What should it be?

22 MS. BARONE: It should be 0.00375.

23 COMMISSIONER KIESLING: So it's off by a
24 magnitude of ten?

25 MS. BARONE: Yes, ma'am, point, yes.

1 Q (By Mr. Boyd) So before usage, the price is
2 \$24.75?

3 A Correct.

4 Q And the -- what is the -- would you agree that
5 GTE's highest residential rate is \$11.81?

6 A Yes.

7 Q So in that scenario, there's no arbitrage at
8 all; is there?

9 A I don't understand what you mean, arbitrage.

10 Q If Sprint wants to compete on a residential
11 market by purchasing unbundled elements, they have to
12 buy them for \$24.75 before usage, and your highest
13 current rate is \$11.81?

14 A That is correct.

15 Q So that's not an arbitrage situation; is it?

16 A That is correct, for GTE.

17 Q For Sprint, as a competitor.

18 A Well, I mean, what Sprint is going to get --
19 number one, what we're talking about on those costs is
20 what it costs me for providing that 11.81 service. And
21 today, the way I make up that difference, is from the
22 other services. By definition, if Sprint takes over the
23 service, number one, they're going to take the toll. So
24 that contribution they're going to get to help cover
25 part of that differential in cost just like I do today.

1 Q Okay, but on the basic service, Sprint has to
2 buy it for 24.75, and your highest rate is 11.81?

3 A That's correct, what we've been talking about
4 in this docket of below-cost services.

5 Q Now, we had prepared this chart, and based on
6 what you've told us, the NID comes out and the
7 cross-connect comes out. So instead of 27.80, plus
8 usage, it's 24.75; isn't it?

9 A Right.

10 Q So it would be correct? And so that's in the
11 residential side. Now, what is the -- what is your
12 highest one-party business rate, as you read that?
13 Would you agree that it's 29.90?

14 A Yes.

15 MR. BOYD: Commissioner, if I could address --
16 approach the chart for a moment. I'll speak loudly.

17 COMMISSIONER KIESLING: No. You'll have to
18 speak into a mike. I don't care how loudly you speak,
19 but it must be into a mike.

20 MR. BOYD: Thank you.

21 COMMISSIONER KIESLING: You're welcome.

22 Q (By Mr. Boyd) I want to make sure the chart
23 is accurate. We agreed that we should take out the NID
24 element and the cross-connect. So this number is 24.75?

25 A Correct.

1 Q And comparing it to the resale arrangement,
2 the discount off of your tariff rate of the 13.04
3 percent would produce a wholesale rate of \$10.27?

4 A Subject to check, yes.

5 Q So you agree from Sprint's scenario, there's
6 no way -- no advantage gained by doing it by -- by
7 purchasing it through the unbundled elements?

8 A That is correct.

9 Q And on the business side, compared to your
10 highest B-1 tariff of 29.90, the comparable rate is \$26,
11 taking the discount?

12 A Subject to check, I would agree with that.

13 Q Now, in addition, under -- when the local
14 switching is purchased as an element, there's usage
15 charges that apply; are there not?

16 A That is correct.

17 Q And do you know what a general estimate of
18 GTE's average monthly minutes of use is?

19 A Off the top of my head, no, I don't remember.

20 Q You have no figure?

21 A No figure. I mean, to me, where you're going
22 to especially buy the unbundled elements is the rates
23 you don't have up there for PBX, which is \$52.05.

24 Q And if we were to buy the PBX rate at 52 --

25 A .05.

1 Q -- 52.05, the comparable rate is a 13 percent
2 discount off of that?

3 A Compared to 24.75.

4 Q But in addition to the 24.75, Sprint would pay
5 usage --

6 A That is correct.

7 Q -- on all the minutes of use; would they not?

8 A That is correct.

9 Q And the reason -- one of the reasons that GTE
10 prices the PBX rate at over \$50 is because it's a high
11 usage service; isn't it?

12 A That's one of the reasons. The other reason
13 is to subsidize residential service.

14 MS. BARONE: Commissioner Kiesling, may I ask
15 if Sprint has a copy of this that Staff can look at?
16 It's difficult to see from here.

17 MR. BOYD: I do. I've got to get my hands on
18 it. Would you like me to take a second? I'll get it.

19 MS. BARONE: And we would like to know if
20 you're going to mark this as an exhibit.

21 MR. BOYD: Yes, I will. Commissioner -- could
22 we assign that a number?

23 COMMISSIONER KIESLING: Sure. Do you have a
24 copy that I can have that is the same as what's up
25 there?

1 MS. CASWELL: I need a copy as well.

2 MS. BARONE: Staff would like to ask questions
3 on that, so it might be helpful to us to take a break at
4 some point so we can take a look at that.

5 COMMISSIONER KIESLING: All right. Do you
6 have a copy of that exhibit for everyone, or is now a
7 good time to take a break so you can get that?

8 MR. BOYD: No, I have it here, Commissioner.
9 If I may approach the bench.

10 COMMISSIONER KIESLING: I think Mr. Garcia
11 needs one also.

12 MR. BOYD: I'm sorry.

13 COMMISSIONER KIESLING: Okay, we should make
14 the changes on ours that you have made up there?

15 MR. BOYD: I'll be happy to.

16 COMMISSIONER KIESLING: I'm doing it on mine.
17 I assume everyone else can do it on theirs.

18 MS. BARONE: If he could just state them in
19 the microphone, because I can't see them from here, I
20 would appreciate that.

21 COMMISSIONER KIESLING: I can tell you, he
22 crossed out NID for \$1.45. He crossed out cross-connect
23 for \$1.60 and then retotalled that to 24.75.

24 MS. BARONE: Thank you.

25 COMMISSIONER KIESLING: And I will assign this

1 No. 19, Exhibit 19 for identification.

2 (Exhibit No. 19 marked for identification.)

3 Q (By Mr. Boyd) Now, Ms. Menard, in addition to
4 the usage -- well, let me back up. If Sprint purchases
5 local service on a wholesale basis to resell it, it does
6 not pay usage charges, does it?

7 A Well, it depends on whether they order the
8 flat-rate service or the message-rate service. If you
9 order message-rate service, you would pay usage charges.

10 Q But to purchase the basic residential
11 service --

12 A Sprint can choose to purchase it on a
13 flat-rate basis and not pay usage.

14 Q And your tariffed rate of \$11.81 is a flat
15 rate; is it not?

16 A It is.

17 Q And the B-1 rate of 29.90 is a flat rate;
18 isn't it?

19 A Yes, it is.

20 Q And in those scenarios, it's no usage?

21 A That is correct.

22 Q So the note on the chart where it says no
23 usage under the resale arrangement is correct; is it
24 not?

25 A For those rates that you have shown there,

1 yes, it is.

2 Q Yes, ma'am. Now, in addition to the recurring
3 charges, when Sprint purchases either arrangement, they
4 have to pay recurring charges; do they not? Excuse me,
5 nonrecurring charges?

6 A Yes, they do.

7 Q And in both scenarios, you would have the
8 service order charge of 47.25 and the customer service
9 record charge of 5.25; would you not?

10 A You wouldn't necessarily have the customer
11 service record charge. Depends on whether you get the
12 information from the customer or GTE on what the
13 customer currently has. That charge -- if the customer
14 tells you, I've currently got call forwarding and basic
15 service, you don't need to pay that charge.

16 Q Would you agree, subject to check, that the
17 prices we've got shown under nonrecurring charges are
18 those that were adopted by the Commission in the AT&T
19 and MCI case?

20 A Subject to check.

21 Q And if Sprint purchases as an element this
22 basic service, it will also have to pay an installation
23 charge for both the loop and the port; will it not?

24 A Yes, it will.

25 Q And if it purchases the service on a wholesale

1 basis, it doesn't pay those two charges; does it?

2 A That is correct.

3 Q Would you agree then in that scenario Sprint
4 would have a higher cost of acquiring that client
5 because of those nonrecurring charges than in the resale
6 arena?

7 A Yes, I would, because there's more cost
8 involved.

9 Q So they would have more capital invested in
10 that client? They would have a bigger investment in the
11 client?

12 A They would have a bigger investment, yes, also
13 a higher probability of making a much larger return.

14 Q They wouldn't have a higher opportunity of
15 making -- have an opportunity to make a higher return if
16 their -- in the residential setting, would they, if
17 they're paying \$24.75 for that service instead of
18 10.27?

19 A That is correct. But I do not envision any
20 carrier ordering that for an R-1 customer.

21 Q And if Sprint has a larger investment in
22 acquiring the client, they have a higher risk; do they
23 not?

24 A Yes. And like I said, they also have a higher
25 potential for a higher rate of return. That's part of

1 being a business.

2 Q Has GTE done any studies as far as what a
3 churn rate is likely to be in this ALEC -- or in the
4 competitive market?

5 A I am not aware -- I'm sure there's been some
6 studies done. I have not seen them.

7 Q What is GTE's local service churn rate?

8 A Gosh, my recollection from -- I'm trying to
9 think from our latest thing on the rate case, 60,000
10 customers a month, or something, leave or come. I don't
11 remember the exact figures. We have a lot of connects
12 and disconnects.

13 Q And so part of the risk of a -- of any
14 participant in the market is acquiring a new customer,
15 having an investment in that customer and then losing it
16 to a competitor?

17 A Just like it is today in the IXC market.

18 Q Exactly. Just for reference, Ms. Menard and
19 Commissioners, the nonrecurring charges in the AT&T and
20 MCI recommendation occur on Page 138, and that's what's
21 duplicated on the chart.

22 COMMISSIONER KIESLING: I appreciate your
23 testimony, but I think the question was of Ms. Menard,
24 and you may want to show her that page and have her
25 verify --

1 WITNESS MENARD: I will agree to that subject
2 to check.

3 Q (By Mr. Boyd) Thank you. What percentage of
4 GTE's access lines are PBX lines, Ms. Menard?

5 A Unfortunately, I did not look at that type
6 data before this hearing.

7 Q On the order of magnitude of 5 or 6 percent?
8 Does that sound right?

9 A I really don't have a feel for percent.

10 Q Now you've referred to the loss of intraLATA
11 toll for these customers who are being competed for.

12 A Yes, sir.

13 Q Now, Florida -- this commission has already
14 adopted intraLATA competition on a 1+ base; haven't
15 they?

16 A That's correct, and that's why once we're
17 losing the resale we believe we will lose the toll for
18 all the customers.

19 Q But you're at risk today to lose intraLATA
20 toll because of the 1+ dialing; aren't you?

21 A Definitely. This just makes it much greater.

22 MR. BOYD: Commissioner, if I may approach the
23 witness to refresh her recollection with a document, and
24 I'll show it to Mr. Gillman first. (Pause)

25 Q (By Mr. Boyd) Ms. Menard, is the document

1 that I've shown you helpful to refresh your recollection
2 with regard to the order of magnitude of GTE's access
3 lines that are PBX?

4 A Yes. On the -- on this 1994 report, the
5 percent of local access line revenues, the PBX is about
6 6 percent. And what that type report doesn't show you
7 is there are only like 6 percent of those local
8 revenues, but those customers may represent 80 percent
9 of my revenues of the company.

10 Q Is that a breakdown of units or of revenues?

11 A What we typically say is 20 percent of the
12 customers generate 80 percent of the revenue of the
13 company.

14 Q Now let me turn to another issue relating to
15 pricing, which I believe your testimony touches on from
16 a general policy standpoint, and I understand GTE's
17 position to be that the rates that were approved for the
18 element pricing in the AT&T and MCI docket were
19 inadequate?

20 A Yes.

21 Q Now, as I understand, one method to gauge the
22 adequacy of the -- those pricing for the elements would
23 be to, in effect, price out all of your units, assuming
24 that all lines were purchased under that arrangement?

25 A Yes.

1 Q And GTE has about 1.9 million lines?

2 A I thought the number was closer to 2.2
3 million, but I'll accept 1.9 million.

4 Q Do you remember the -- you heard Mr. Trimble
5 yesterday refer to a -- if you extrapolate his figure,
6 produce revenue, if all lines were purchased under a --

7 A Unbundled.

8 Q -- unbundled element, it would produce
9 revenues of about 600 million?

10 A I heard his testimony. I have not seen his
11 calculations.

12 Q And in making that evaluation, what I believe
13 he compared it to was the comparable, present day
14 company revenue from the local side?

15 A That's my recollection of the testimony.

16 Q Now, let me look back to -- you're doing the
17 calculation based on the elements producing about
18 \$600 million of revenue. If all of those lines were
19 purchased on the basis of unbundled elements, it would
20 mean that GTE was providing the switching and they would
21 keep the access charges as we've discussed a moment ago,
22 under the Commission's vote; would it not?

23 A That is correct, and they would lose all the
24 toll.

25 Q Your assumption is they would lose all the

1 toll?

2 A Given I've almost completed my conversion of
3 it, yes, and based on all my negotiations I've been
4 having with carriers, yes, that is my assumption.

5 Q And the local switched access revenues on the
6 chart that Mr. Trimble was using were almost
7 321 million; were they not?

8 A I have no idea. I have not looked at that
9 testimony recently.

10 Q Let me refer you to, it's Exhibit 13, DBT-1,
11 do you have that?

12 A I don't have it.

13 MR. BOYD: May I approach the witness?

14 COMMISSIONER KIESLING: Sure.

15 Q (By Mr. Boyd) And on Page 1 of 2 of DBT-1,
16 which is a part of Exhibit 13, the -- and I believe you
17 refer to the 1995 data. Do you recall?

18 A It's my recollection this is 1995 data.

19 Q And this shows the switched access is just
20 under \$321 million; doesn't it?

21 A That's what this figure shows.

22 Q So if the price-out for local service, all the
23 lines on an unbundled element produces 600 million, in
24 doing that comparison, you would have to add back in
25 that switched access revenue; wouldn't you?

1 A Add it back in? The comparison he was doing
2 was how much revenue we would lose. I don't understand
3 why I need to add this back in. And of course to add it
4 all back in, you're assuming no one is providing any
5 unbundled elements themselves.

6 Q In that approach he's assuming all the lines
7 are served on a unbundled basis; is it not?

8 A To do the calculation to determine what type
9 discount the unbundled elements gave, that calculation
10 was done on the assumption that no one was providing any
11 of their facilities and GTE was providing all the
12 unbundled elements.

13 Q And if what you're comparing -- really what
14 you should do --

15 COMMISSIONER KIESLING: Let me just try to
16 understand. Are you crossing something in the testimony
17 she has provided, or are you trying to ask her questions
18 about Mr. Trimble's testimony?

19 MR. BOYD: I'm asking her questions about
20 GTE's pricing policy that the witnesses that she adopted
21 said were inadequate -- would be inadequate if their
22 proposal was not adopted by the Commission. And I think
23 this goes to show that that pricing is indeed
24 appropriate. It happens to be that this methodology was
25 used by Mr. Trimble, but she has said that it's an

1 appropriate means to do a comparison.

2 MS. CASWELL: May I respond?

3 COMMISSIONER KIESLING: Well, I just was
4 asking him a question. If you have an objection or
5 something, you can state it, but I was just trying to
6 understand what part of her testimony I should be
7 looking at to follow this cross.

8 MS. CASWELL: Yes. Ms. Menard is offered as a
9 general policy witness and she can answer the questions
10 to the best of her ability, but she is not adopting
11 Mr. Trimble's testimony, nor is she offered to testify
12 in detail as to any of the cost information.

13 COMMISSIONER KIESLING: Thanks for clarifying
14 that.

15 MR. BOYD: I'll try to wrap it up this way.

16 Q (By Mr. Boyd) If you're doing the assumption
17 for comparison purposes, of all lines being serviced by
18 ALECs purchasing unbundled elements, GTE's revenue would
19 be the rates approved by the Commission times the number
20 of lines, would it not, in that hypothetical?

21 A In the hypothetical replicating the
22 calculation that I understood Mr. Trimble to do, that is
23 the calculation he did.

24 Q And in addition, if that's the assumption,
25 that all lines were provided on the basis of unbundled

1 elements, with GTE providing the switching, GTE would
2 also get the revenue from switched access; would it not?

3 A In that hypothetical, yes.

4 COMMISSIONER KIESLING: How much more do you
5 have, Mr. Boyd?

6 MR. BOYD: Probably about 15 minutes.

7 COMMISSIONER KIESLING: Okay, we'll finish
8 your cross before we take a break.

9 MR. BOYD: Thank you.

10 Q (By Mr. Boyd) Let me ask you, Ms. Menard,
11 about the issue of the most favored nation issue.

12 A Yes.

13 Q And GTE's position is if Sprint desires to
14 avail itself of any provision in an earlier or another
15 contract, that it has to take that whole agreement.

16 A What GTE's position is, is Sprint has two
17 alternatives on how they can get a provision from
18 another contract: They can accept the whole contract,
19 or they can negotiate a contract that includes those
20 terms.

21 Q I've heard some reference to a terminology of
22 doing pick and choose in chunks. Have you heard that?

23 A Not directly, but I can accept that
24 terminology.

25 Q And that would be where Sprint would, say,

1 take the entire resale portion of an agreement with
2 another carrier and adopt it?

3 A That's my understanding of what you mean by
4 that terminology, yes.

5 Q And GTE is opposed to that?

6 A Yes, because, for instance, let's take the two
7 agreements that I've done that have been approved by
8 this Commission with ICI and MFS. In those two
9 agreements I have different interconnection rates and I
10 have different number portability rates. And part of
11 the reason why they're different is because both of
12 those sets of rates are different, and therefore they
13 are not discriminatory. Any carrier can get the MFS
14 agreement, or any carrier can get the ICI agreement.
15 They can't pick and choose the elements between those
16 two agreements.

17 Now, they can come to me to negotiate and
18 maybe I will agree to combine them in some different
19 thing, but probably to do that, I may then want some
20 other element to be different.

21 Q And if, rather than in arbitration today we
22 were in negotiation, vis-a-vis the MCI/AT&T result,
23 Sprint would have to take the entire agreement
24 between -- with GTE with those two parties, under your
25 position?

1 A Well, there we're get to go a slightly
2 different thing. If you were talking about an agreement
3 that I had negotiated with AT&T and MCI, that's fully
4 the case. Given that it's an arbitrated case that's
5 under appeal to the 8th Circuit, I don't know what my
6 position would be once I have a contract with AT&T where
7 I will be willing to offer that to another carrier,
8 until those appeals are finalized.

9 Q Well, let's assume -- and maybe you just gave
10 me the advance answer. But if the AT&T and MCI
11 arbitration becomes final and effective, and after all
12 appeals -- which sometimes take a long time, I guess,
13 don't they? But assuming that becomes final and
14 effective and you're negotiating with an ALEC, is it
15 GTE's position that in order to get the benefit of --
16 for instance, the resale rates, that party -- that ALEC
17 has to take the entire agreement with that company?

18 A No, not necessarily. What I'm saying is that
19 carrier would have a choice: He can take the ICI
20 agreement; he can take the MFS agreement. By then I may
21 have five other agreements out there, different
22 agreements he can take, or we can sit there and
23 negotiate as the Act contemplates and then he can pick
24 and request items from different agreements, but it is
25 then a negotiation process, not a unilateral

1 Sprint-gets-to-pick.

2 Q Are you familiar with the GTE agreement with
3 MFS that was submitted to the Commission for approval?

4 A Yes. I negotiated that contract.

5 Q And the Commission approved it in the -- in
6 its order issued just a few -- a couple weeks ago,
7 November 20th?

8 A Well, they've actually approved two different
9 MFS agreements.

10 Q And the agreement that was approved on
11 November the 20th -- and for reference, that was Order
12 No. PSC 96-1401; wasn't it?

13 A Subject to check, yes.

14 Q I'm looking at Page 164 of the recommendation
15 in the MCI case. And that agreement, GTE agreed to
16 provide access to the dark fiber, I guess for
17 interconnection purposes?

18 A Well, yes and no. The actual agreement --
19 unfortunately I didn't have my lawyers work with me
20 enough on the words so everybody could understand it.
21 In that case what MFS had asked for was dark fiber for
22 interconnection. Our position was GTE policy was not to
23 provide dark fiber. Their position was, well, what if
24 someday maybe you change your mind and decide to provide
25 dark fiber? And so we put in the language that if

1 available. And what that language means is if GTE ever
2 decides to offer dark fiber and if I have facilities
3 available, then MFS has a right to them.

4 Q Well, the language in the contract simply says
5 "if available," doesn't it?

6 A That's correct. But what I'm telling you is,
7 that's what we negotiated. It is not clear from that
8 "if available" language.

9 Q And in the AT&T and MCI case, the Staff, based
10 on Section 252(i) of the Act, said that because you had
11 offered it in those circumstances to MFS, you should be
12 required to offer it under those circumstances to AT&T
13 and MCI; did they not?

14 A Yes, they did, and we disagree with that
15 interpretation, because my position is AT&T and MCI can
16 have the MFS agreement with that language anytime they
17 want.

18 Q But in the AT&T and MCI docket, the Staff's
19 recommendation was approved by the Commission that
20 required you to also make it available, just that
21 provision, to AT&T and MCI, under the same terms and
22 conditions?

23 A That is my understanding of what the
24 Commission has voted, yes.

25 Q On this MFN question, do you agree that ALECs

1 with larger resources and market power will have the
2 ability to negotiate from a stronger position than
3 smaller ALECs?

4 A Not necessarily, but it can occur, yes, and
5 that's why our position is we'll offer that contract
6 that I negotiated with that stronger ALEC to any small
7 ALEC.

8 Q Now in the MFN contract that we just referred
9 to, GTE has a most-favored nation clause in it; does it
10 not?

11 A That's correct, consistent with GTE position,
12 MFS can elect another contract, full contract, with all
13 the same items in it that's in the MFS contract.

14 Q May I have just a moment? (Pause)

15 MR. BOYD: Commissioner, if I may approach the
16 witness, let me show her the order.

17 COMMISSIONER KIESLING: Do you suppose
18 somebody else at your table could kind of carry things
19 back and forth to the witness so we don't take that
20 amount of time?

21 MR. BOYD: And we'll provide a copy to the
22 commissioners. This is, Commissioner Kiesling, the
23 order that the Commission took official recognition of
24 at the beginning of the case yesterday.

25 MS. BARONE: Do you have one extra copy for

1 Staff?

2 COMMISSIONER KIESLING: Why don't we, before
3 we worry about copies, how extensive are you going to
4 question about this? Is it just one item or --

5 MR. BOYD: Yes, ma'am, just one item.

6 MS. BARONE: Just identify it for me, then.

7 That would be fine.

8 MR. BOYD: It's paragraph XIV.

9 COMMISSIONER KIESLING: What page?

10 MR. BOYD: On Page 27.

11 Q (By Mr. Boyd) And is that paragraph the MFN
12 provision that I just asked you about?

13 A Yes, the option to elect other terms, yes.

14 Q And it's your interpretation of this provision
15 that it requires MFS to take the entire contract with
16 another carrier?

17 A Yes, because it says they may adopt the rates,
18 terms and conditions offered to the other party. The
19 rates, terms and conditions that I offered to MFS is
20 this entire agreement, not individual piece parts of
21 that contract.

22 Q In the second -- the beginning of that
23 provision, though, it refers to, if during the term of
24 the agreement either party provides arrangements similar
25 to those described herein to a third party.

1 A That is correct.

2 Q Doesn't refer to a contract with a third
3 party. The language used is --

4 A The language used was MFS language that says
5 "arrangements." The contemplation was it would be
6 agreements.

7 Q But what the Commission has to go on at this
8 point is the language of the contract?

9 A Well, not necessarily. Since I negotiated the
10 contract, I can tell you what the contract meant.

11 Q But this is what you put in the contract?

12 A This is what the contract document shows.

13 COMMISSIONER KIESLING: How much more do you
14 have, Mr. Boyd? And you can't say 15 minutes.

15 MR. BOYD: This is my last page here. And
16 it's only half full. Really, just a couple questions,
17 Commissioner.

18 Q (By Mr. Boyd) Ms. Menard, I believe your
19 testimony also touches on, again, from a general policy
20 standpoint of the pricing for -- under the reciprocal
21 compensation, the pricing of -- in this instance it's
22 transport and local termination?

23 A Yes.

24 Q And I'm looking for reference at Page 202 of
25 the Staff recommendation in Docket No. 950985. Let me

1 ask you -- that was the -- is that the interconnection
2 docket?

3 A Yes.

4 Q The Florida Generic Interconnection docket?

5 A Yes.

6 Q And you sponsored the cost study in that
7 docket relating to local termination?

8 A Yes, I did.

9 Q And the cost that was demonstrated by that
10 study in that docket was less than two-tenths of a cent
11 per minute for local call termination?

12 A That's correct. It was a portioned LRIC
13 study, plus it was our first try at doing TSLRIC
14 studies, and we have provided later information to the
15 Commission in the arbitration cases.

16 Q And is the Commission Staff's description of
17 your study in that paragraph accurate?

18 A With the cost studies we had at the time of
19 those hearings, that is an accurate statement.

20 Q And let me just ask you, if the rates and
21 prices adopted by the Commission in the MCI and AT&T
22 case are upheld and become effective, is there any
23 reason why Sprint shouldn't have the same prices and
24 rates for those same services?

25 A If you get everything identical to what AT&T

1 and MCI have -- which to me is not the case because we
2 have stipulated different agreements on terms and
3 conditions with Sprint than AT&T and MCI -- there could
4 be a reason for us to have different rates between AT&T,
5 MCI and Sprint.

6 Q Is what you're saying, in -- just as in this
7 case, some of the issues were agreed to by the parties
8 and not submitted to arbitration, right?

9 A And those issues were agreed to differently
10 between Sprint and GTE than they were between the
11 arbitration in the AT&T/MCI case.

12 Q Well, by like token, you negotiated some of
13 the issues with AT&T, for example, that you didn't
14 submit to arbitration?

15 A Correct.

16 Q And is what you're saying both the negotiated
17 and arbitrated issues get rolled together and that's a
18 total package?

19 A As far as what we will put together in a
20 contract, yes.

21 Q And if Sprint is to get the same rates for the
22 elements and the compensation and the wholesale prices,
23 it would have to take the entire agreement, both
24 negotiated and arbitrated?

25 A Yes.

1 Q And you've just said that some of those issues
2 that have been negotiated have been negotiated with
3 slightly -- or with different results?

4 A That is correct, but that's also why we can
5 negotiate a contract that would have part from different
6 places.

7 Q So because we have some provisions of our
8 agreements that are different, the only way, for
9 instance, in your position, that Sprint would be able to
10 use the AT&T resale rate of 13.04 percent, the discount,
11 is if they took the whole AT&T and MCI contract?

12 A That's correct, except for the reason why
13 we're here. And the Commission in this case could
14 decide to give you the same resale rate.

15 Q Thank you. That's all I have, Commissioner.

16 COMMISSIONER KIESLING: All right, how much
17 does Staff have? Just an estimate?

18 MS. BARONE: Quite a bit.

19 COMMISSIONER GARCIA: Give me an estimate
20 because I'm trying to get a plane out of Tallahassee.

21 COMMISSIONER KIESLING: And we were going to
22 be done at noon.

23 MR. COX: I would estimate an hour.

24 MS. CASWELL: I have probably about ten
25 minutes.

1 COMMISSIONER KIESLING: Then we're going to
2 take a 15-minute break. We will reconvene at ten
3 minutes to 12 and we'll go until we finish.

4 (Recess from 11:35 a.m. until 11:57 a.m.)

5 COMMISSIONER KIESLING: Any objection to us
6 going ahead without Commissioner Garcia? He was
7 supposed to be right behind me, but we both got on long
8 distance calls of some sort and had trouble getting
9 back.

10 Is that no, there's no objection?

11 MR. GILLMAN: No objection.

12 MR. FINCHER: No objection.

13 COMMISSIONER KIESLING: Then Staff, you may
14 proceed with cross.

15 CROSS EXAMINATION

16 BY MR. COX:

17 Q Good morning, Ms. Menard. I'm Will Cox
18 appearing on behalf of Commission Staff.

19 A Good morning.

20 Q You stated earlier with regard to the most
21 favored nations issue that you believe Sprint can take
22 entire agreements. So is it your understanding that --
23 strike that. So is GTEFL willing to give AT&T/MCI, or
24 AT&T/GTE, agreements that result from the arbitrations?

25 A No. What I didn't fully explain in my prior

1 answer is GTE's position is we believe the most favored
2 nation clause applies to negotiated agreements. So I'm
3 willing to give Sprint any negotiated agreement I do in
4 full. And as I discussed partially in one of my prior
5 answers, one of the problems with the AT&T agreement is
6 going to be it's an arbitrated agreement, and as even,
7 you know, as I heard the discussion at the agenda, the
8 commissioners had concerns on following parts of the FCC
9 order until the FCC order is fully resolved. I'm not --
10 there are things in that order that I strongly disagree
11 with. Even though I will have to file an agreement with
12 those, I would not be willing to offer that to anyone
13 else. It's only fully negotiated agreements.

14 Q If I understood you correctly, earlier you
15 stated that the arbitrated issues and the negotiated
16 issues surrounding this proceeding would become one
17 agreement; is that correct?

18 A My understanding of the Commission decision is
19 that we will file it all into one agreement, yes.

20 Q Isn't it true that the resolved issues in this
21 proceeding have been withdrawn?

22 A Yes, but I'm still going to have to file an
23 agreement covering what we've resolved, and the
24 arbitrated case, as I understood the AT&T/MCI, and what
25 I contemplate, you can't have part of an agreement. So

1 it will be one agreement that includes both the resolved
2 terms, plus what the Commission decides on the
3 arbitrated issues.

4 Q With regards to those withdrawn issues and the
5 negotiated agreement surrounding those withdrawn issues,
6 so you won't be submitting those withdrawn issues as a
7 separate negotiated agreement?

8 A No, because it wouldn't be a full agreement.

9 MS. BARONE: We're trying to understand, then,
10 if they've been withdrawn from this proceeding
11 completely, how could they be submitted in an arbitrated
12 agreement at the end of the proceeding?

13 WITNESS MENARD: I think maybe we're talking
14 at cross purposes. This is my MFS agreement. I will
15 end up with a Sprint agreement. That Sprint agreement
16 necessarily has to cover all terms and conditions for
17 interconnection, unbundling and resale between the two
18 of us. In that agreement are going to be sections of
19 the agreement that we have withdrawn from this
20 arbitration or never filed in the arbitration because
21 they were already agreed to. Those will have to be part
22 of the agreement. And I thought, as I understood part
23 of the discussion I heard on Monday, I assume we're
24 going to have an obligation that I'll end up saying that
25 Section 12, paragraphs 1 through 5, are from the

1 arbitration case, and Section 14, whatever paragraphs,
2 are from the arbitration case. The rest of the
3 agreement will be what we've negotiated outside of the
4 arbitration case.

5 MS. BARONE: So you -- it's not your
6 understanding that you would submit a negotiated
7 agreement to this Commission that would be subsumed into
8 the arbitrated portions of an agreement later on?

9 WITNESS MENARD: I assumed we would file one
10 agreement with the Commission that would include both
11 arbitrated positions and the negotiated positions.
12 Because otherwise it's not a complete agreement.

13 MS. BARONE: Can we go off the record for a
14 moment?

15 COMMISSIONER KIESLING: Sure. (Pause)

16 MS. BARONE: For the record, I need to confer
17 with counsel because this is not my understanding. I
18 need to confer with the counsel from Sprint and from
19 GTE.

20 MS. CASWELL: I think it may be a matter of
21 the interpretation of the recommendation that's been
22 approved in the AT&T case.

23 COMMISSIONER KIESLING: That's what I thought
24 it was too. So whatever we decided in the AT&T case,
25 ultimately it was going to be one agreement, so that the

1 negotiated portion would be subsumed into the arbitrated
2 agreement, so that when we give our final stamp of
3 approval to an agreement, it's only one agreement.

4 MS. CASWELL: And I believe that was our
5 understanding as well.

6 MS. BARONE: It was my understanding from
7 discussions with counsel that they were withdrawing the
8 issues from this proceeding and that they would submit a
9 negotiated agreement that would be approved separately
10 under the negotiated standard, and that an agreement
11 would result from this arbitration proceeding.

12 COMMISSIONER KIESLING: I thought that this
13 was a procedural issue in this case. So it's not
14 something we have to decide right now; is it?

15 MS. BARONE: Commissioner Kiesling, if I may
16 clarify, the Act states that there are resolved issues
17 and unresolved issues that would be submitted in an
18 arbitration agreement. And the Commission did vote that
19 in that event the arbitration standard would apply, but
20 it's my understanding that those issues have been
21 withdrawn completely from this proceeding, so that there
22 would be two separate agreements.

23 MR. GILLMAN: With the AT&T -- I mean there
24 were issues that weren't arbitrated, and those issues
25 will be part of the total arbitrated agreement. So it's

1 not really any different in this case where the issues
2 have been withdrawn. I mean, if we had started this
3 arbitration today, we would only have those seven
4 remaining issues. I don't see a difference between what
5 we did in AT&T and what we did here.

6 COMMISSIONER KIESLING: Is there a problem
7 that I'm not comprehending?

8 MR. BOYD: I'm not sure -- of course the other
9 dockets were not our case. But my understanding is what
10 you decided there was if an agreement is submitted that
11 has both arbitrated and negotiated terms, what standard
12 would apply. And they decide -- and you decided that
13 you would apply the -- whatever section standard, one
14 standard or another. But it was a conditional, if it's
15 submitted in that way. It was not a -- I don't think it
16 was framed as an order directing it to be submitted one
17 way or the other.

18 MS. BARONE: I was just trying to clarify for
19 the record what was going to happen with the withdrawn
20 issues, and I think we've clarified that at this point.

21 COMMISSIONER KIESLING: Okay. Is everyone
22 else in agreement that that's clear? I mean, I don't
23 see any reason to be cross-examining a witness over a
24 procedural question. That's --

25 MR. BOYD: I agree. And I was conferring over

1 here when Kim was talking, so I'm not sure we've agreed
2 to any procedure.

3 MS. BARONE: I was trying to ask the question
4 because Ms. Menard brought it up earlier, and I was
5 trying to clarify what she meant.

6 COMMISSIONER KIESLING: Let me just make clear
7 for the parties that Mr. Cox has not been an attorney
8 here for a long time, I mean for a long period. He
9 hasn't been a lawyer here for a long time. He's only
10 been here a short time. Does that make sense?

11 MR. BOYD: Sure. That's fine.

12 COMMISSIONER KIESLING: And Ms. Barone had
13 asked if there was a need to help clarify in his cross
14 examination, would it be acceptable for her to step in.
15 And I told her that would be acceptable, and I did not
16 run that past the parties. I mean, we're not attempting
17 to double team.

18 MR. BOYD: That's certainly fine with us.

19 MS. CASWELL: We don't have a problem with
20 that.

21 I would add that, Monica, I think this is a
22 procedural issue explicitly in the case, and --

23 MS. BARONE: Yes, it is.

24 MS. CASWELL: Okay, so we can discuss it there
25 as well, our understanding?

1 MS. BARONE: Yes. Yes.

2 COMMISSIONER KIESLING: Okay, you may -- we
3 actually -- I don't know what part was off the record.
4 Was any of that off the record?

5 THE REPORTER: No.

6 COMMISSIONER KIESLING: Good. I think it did
7 need to be on the record, so I'm glad you stayed on the
8 record. And we will back on the record and you can
9 proceed with your cross.

10 Q (By Mr. Cox) Staff has several more questions
11 regarding the most favored nations issue. And I would
12 like to refer to the direct testimony you've adopted
13 from Mr. McLeod in this proceeding. On Page 14, it's
14 noted, on Lines 12 through 15, that consistent with the
15 Act, GTE is willing to offer any ALEC, including Sprint,
16 the same contract negotiated with any other ALEC. Could
17 you please refer to the portion of Section 252(i) of the
18 Telecommunications Act of 1996 that supports your
19 position?

20 A Certainly. Basically, what it says is I've
21 got to make available any interconnection service or
22 network element provided under agreement, approved under
23 the section, to which is a party to any other requesting
24 carrier upon the same terms and conditions as those
25 provided in the agreement.

1 COMMISSIONER KIESLING: He was asking you to
2 cite to where you were looking at.

3 WITNESS MENARD: That's 252(i) of the
4 agreement. And what I talked about earlier is,
5 therefore, when it says, for instance, where I've got
6 interconnection in this MFS agreement at a certain rate,
7 if another carrier wants that same rate, he can get it
8 by getting the whole agreement because then I am giving
9 him the same interconnection at the same terms and
10 conditions that I gave it to MFS, because part of those
11 terms and conditions is the entire agreement.

12 Q (By Mr. Cox) I'm still not quite sure how
13 that language requires the whole agreement.

14 A Well, it says that I give them any
15 interconnection, service or element under the same terms
16 and agreement -- same terms and conditions as those
17 provided in the agreement. And our position is the
18 terms and conditions of agreement are the entire
19 agreement. And therefore, that's why, as I discussed
20 earlier in the ICI agreement, I have different
21 interconnection rates and different number portability
22 rates between the ICI agreement and the MFS agreement.
23 And any carrier can choose which set of rates they want
24 and get the whole agreement.

25 Q As I read the Act, it states that a local

1 exchange carrier shall make available any
2 interconnection service or network element provided
3 under an agreement. So it's not saying the entire
4 agreement.

5 A But it's saying any element that I provide in
6 that agreement I've got to be willing to give to another
7 carrier. We have no problem with that. It says also,
8 though, "under the same terms and conditions." Our
9 position is if you want that element, the same terms and
10 conditions mean you take the whole contract.

11 Now, a carrier can come to me and say, I want
12 this one from this contract, this one from this
13 contract, and then we'll negotiate, and then I end up
14 with a third contract that's different from either one
15 of the other two.

16 Q Also on that page, Page 14, Lines 19 through
17 24, specifically Line 23, you state that Sprint wants to
18 get the same or better terms than any other ALEC?

19 A Yes.

20 Q How would Sprint get better terms than any
21 other ALEC?

22 A For instance, let's assume they accepted my
23 ICI agreement, okay? And then -- so they're comparable
24 with ICI. Then if they have the most favored nation, as
25 they want it, which was with individual elements and all

1 specific terms, then they can let's say another
2 agreement I have has a lower interconnection rate, they
3 go in and say now I want this new rate. They now have
4 better rates than ICI. So they can continually look for
5 the lowest one out there and keep getting better and
6 better.

7 Q So you're saying by picking and choosing they
8 would get a better agreement?

9 A Yes.

10 Q Isn't it true that the Commission ordered
11 intraLATA presubscription so that customers would have a
12 choice of its intraLATA carrier?

13 A Yes, that's my understanding of why they
14 ordered it.

15 Q Isn't it true if a customer chooses Sprint as
16 its local carrier, that the customer may still choose
17 GTEFL as its intraLATA toll carrier?

18 A That is true. However, I know there's some of
19 the carriers I'm negotiating with, their position is
20 they will not take the customer for local service unless
21 they presubscribe to them for toll.

22 Q Where is that understanding coming from?

23 A Negotiations with other ALECs that I'm
24 negotiating with, and all the -- everything you read in
25 the press where everyone wants to be the full service

1 provider. I cannot imagine any carrier taking a
2 customer and not wanting to presubscribe the toll to
3 themselves.

4 Q Would you also agree that GTEFL wouldn't
5 necessarily lose toll revenue if a customer chooses
6 Sprint to be its local carrier because that customer
7 could choose GTE to be its intraLATA toll carrier?

8 A He could choose, but like I said, I think the
9 probability is pretty slim that that will occur.

10 Q Why do you think that that probability is
11 slim?

12 A Because of what Sprint is going to offer the
13 customer to go to him for local service, he is going to
14 go to him for all his services. And customers -- we
15 have many, many customers who want one bill. They are
16 not going to want two bills.

17 Q I would like to refer you to Page 7 of
18 Mr. McLeod's testimony where the truing up issue is
19 referred to.

20 A Yes.

21 Q And you're talking about the idea of GTE
22 truing up rates if there were differences in final rates
23 from those implemented on an interim basis?

24 A Correct.

25 Q If the Commission were to allow a trueup, what

1 type of mechanism would you recommend to the Commission
2 to go with this trueup process?

3 A No different than you do in any rate case.
4 However, as I understood, I assumed what -- if the
5 Commission does like they did in AT&T case, we won't be
6 resolving many interim rates. Most of the rates will be
7 final rates.

8 Q Referring to Page 8 of Mr. McLeod's testimony,
9 Lines 16 through 22, and it states that based on
10 universal service goals, prices for some services are
11 set below their economic costs. What services requested
12 by Sprint in this docket did GTE recommend prices below
13 their economic costs?

14 A We didn't recommend any. We're talking about
15 the rates that have been set by this Commission that are
16 below cost, namely the residential rates.

17 Q So which specific services?

18 A Residential rates.

19 Q On Page 17 of Mr. McLeod's testimony, Lines 1
20 through 3, it states that loop prices should not vary by
21 volume. Why is this true?

22 A I thought that what that's talking about is
23 Sprint's position.

24 Q Page 17 of -- (Pause)

25 A That's Sprint's position, is that the cost

1 should not vary by volume. The testimony was just
2 referencing that's one of the areas we have a dispute
3 on.

4 Q Strike that question then. If loop prices
5 shouldn't be geographically deaveraged by volume, how
6 would you recommend that loops be deaveraged?

7 A Well, GTE's position, as we've testified in a
8 number of other dockets, is the loop rates should not be
9 deaveraged until we rebalance our rates, because the end
10 user rates that they're going to compete against, using
11 those unbundled loop rates, are set just the opposite
12 way.

13 Q Staff also has several questions regarding the
14 testimony of Mr. Munsell. Page 7 of Mr. Munsell's
15 testimony states that -- on Line 17 through 20, that the
16 cost of transport and termination will generally be
17 higher for an ILEC than an ALEC, because ILEC equipment
18 is older, and also because ILEC equipment will tend to
19 have a lower throughput than ALEC equipment. What does
20 GTE consider older? An age range, for example.

21 A Well, what we're talking about -- in my case,
22 we're talking about equipment that's been installed over
23 a long variety of years. And most of the ALECs are in
24 the process now of installing brand new switches so that
25 they're 1996, 1997 vintage switches.

1 Q Given the definition of older that you've just
2 mentioned, is GTE Florida's equipment considered older?

3 A Yes, because I've got offices that have been
4 there for many years.

5 Q If that's true, has greater time elapsed for
6 the recovery of the equipment's cost compared to the
7 amount of time elapsed for the recovery of the cost of
8 new equipment?

9 A My understanding is we had some of the
10 discussion yesterday as far as some of the technology
11 and the declining costs. My understanding is the
12 embedded cost of my equipment with the historical PSC
13 depreciation rates is probably at a higher level than if
14 I were to go out and buy a new piece of equipment. So
15 it is not -- because of the age, it still hasn't been
16 fully depreciated enough to correspond to the new
17 technology. That's why the discussion you've heard
18 before on stranded investment and obsolete, historical
19 investment.

20 Q So would it be reasonable to assume that more
21 of the cost of the old equipment would have been
22 recovered compared to the cost recovered for the new
23 equipment?

24 A No.

25 Q And why would you say no?

1 A Because let's assume on a hypothetical that
2 I've bought a piece of equipment for \$10 million and
3 I've had it for five years and the depreciation life for
4 the Commission is 20 years, so it's now down to net of
5 seven and a half million, but I can go out and buy the
6 piece of gear today at 5 million. That's why we're
7 talking about the difference.

8 Q In the statement at Line 17 through 20 that I
9 read earlier, what did you mean by throughput?

10 A Throughput, what we're talking about is, for
11 instance, I have some very small offices, and if you
12 look at the small offices, your cost per unit is a much
13 higher, because you have so much more fixed cost in the
14 switch, so, you know, you don't get the same volume of
15 traffic through the office. And the throughput is --
16 what we're talking about is the volume of the traffic
17 that you'd have through that office. And a new carrier
18 is mainly going to be doing new business customers which
19 have a high throughput, higher volume of traffic.

20 Q I want to refer you to Pages 7 and 8 of
21 Mr. Munsell's direct testimony, Line 25. You state that
22 "traffic on GTE's network is usually disbursed through
23 a large network of end offices and tandem switches,
24 which serves a relatively large number of low volume
25 residential or rural users. By contrast, an ALEC will

1 have relatively few end office switches which can be
2 expected to serve a relatively large number of high
3 volume business customers." Do you expect ALECs to go
4 after high volume, high revenue business customers?

5 A Yes.

6 Q By expecting ALECs to serve customers through
7 just a few end offices, or very few -- a few end
8 offices, do you mean you expect the ALEC to concentrate
9 facilities in a small area where large volume customers
10 are concentrated?

11 A Well, for instance, one of the carriers I'm
12 negotiating with is going to put a switch in Orlando to
13 handle both Orlando and Tampa business customers. So
14 that's what we're talking about in that type instance.

15 Q But do you expect the -- the ALEC to
16 concentrate facilities in a small area --

17 A As far as --

18 Q -- where the large volume customers are
19 concentrated?

20 A As far as building facilities, yes. That's,
21 for instance, where the AAVs have been building, is they
22 build in my downtown Tampa -- they build where -- as far
23 as building facilities. But as far as using facilities,
24 they'll use what facilities they need. So the
25 facilities by definition will tend to be concentrated

1 because that's where the business customers are.

2 Q Are you familiar with GTE's MetroLAN service?

3 A Somewhat. I signed a tariff filing to file it
4 at the Commission, but I don't remember every tariff
5 that we have.

6 Q Are you familiar with the synchronous optical
7 network or SONET type services?

8 A Generally, yes.

9 Q What customers are these services targeted at?

10 A Your larger business customers and your
11 carriers.

12 Q Do you know when this service was tariffed in
13 Florida? Would you agree, subject to check, that it was
14 October 30th, 1994?

15 A That sounds about right for MetroLAN, yes,
16 subject to check.

17 Q I realize you're not an engineer, but in your
18 opinion, would you agree or would you -- excuse me,
19 would you expect MetroLAN to be provisioned using old
20 equipment?

21 A No, MetroLAN by its nature is fiber.

22 Q And this question refers to Page 28 of
23 Mr. Munsell's direct testimony, Lines 20 through 22.

24 A Those have be strucken -- struck.

25 Q Page 16 of Mr. Munsell's direct testimony,

1 Lines 17 through 25, states that rates should be
2 determined using the M-ECPR?

3 A Yes.

4 Q M-ECPR?

5 A Yes.

6 Q How does the M-ECPR differ from the ECPR?

7 MS. CASWELL: I object to that question to the
8 extent that it calls for detailed knowledge of the
9 M-ECPR. Dr. Sibley was presented for that purpose.

10 Q (By Mr. Cox) Just asking for your general
11 understanding.

12 A I really couldn't tell you much of the
13 differences. I rely on the economic people to do that.

14 Q Do you have any idea what the differences in
15 the contribution levels that result by using the M-ECPR
16 for pricing, as opposed to using the ECPR for pricing?

17 A I don't recollect seeing anything showing that
18 difference.

19 Q Next question refers to Page 19, Lines 12
20 through 18, and talks about how services GTE offers on a
21 wholesale basis should be priced.

22 A What page are you on?

23 Q Page 19, Lines 12 through 18 of Mr. Munsell's
24 testimony.

25 MS. CASWELL: I think the line reference might

1 be wrong.

2 WITNESS MENARD: Yes, because that's
3 installation intervals.

4 Q (By Mr. Cox) Excuse me. That was referencing
5 Mr. McLeod's testimony.

6 A Give me the reference again.

7 Q Sure. Page 19, Lines 12 through 18 of
8 Mr. McLeod's direct testimony, it talks about how
9 services GTE offers on a wholesale basis should be
10 priced.

11 A Yes, sir.

12 Q States that they should be priced as follows:
13 Retail services, minus GTE's actual avoided costs, plus
14 the wholesale costs GTE incurs, plus the opportunity
15 cost?

16 A Yes.

17 Q How does GTE define opportunity cost, to the
18 best of your knowledge?

19 A To the best of my knowledge, what that
20 reference is referring to is the testimony of
21 Mr. Wellemeier where he had the -- unfortunately I don't
22 have the testimony with me, so I'll speak from memory --
23 the proposal of the different rates, whether a carrier
24 uses GTE for toll or not. But that's what we're talking
25 about there on the opportunity cost, to reflect the loss

1 of contribution for toll.

2 Q I realize that you stated earlier that you
3 weren't familiar with the M-ECPR, but do you know
4 whether the M-ECPR includes the opportunity cost?

5 A My recollection is sometimes it does and
6 sometimes it doesn't because, for instance -- because of
7 the constraint on standalone costs. So like, for
8 instance, off the top of my head and subject to check,
9 you know, where GTE's proposal was a loop rate of like
10 \$33, if we were to get all the opportunity costs, we
11 would need a rate of like \$65. So, no, M-ECPR does not
12 get all the opportunity costs.

13 Q In those cases, or if the opportunity cost is
14 included in the M-ECPR, then how would GTE's rates for a
15 retail service differ from that of a wholesale service
16 charged to a reseller?

17 A Repeat the question again.

18 Q Sure. If the opportunity cost was included in
19 the M-ECPR, then how would GTE's rates for a retail
20 service differ from those of a wholesale service charged
21 to a reseller?

22 A I think by definition, even though you go
23 through the different calculations, on wholesale you're
24 subtracting net avoided costs, and on the unbundled type
25 elements where you're using M-ECPR, you have potentially

1 some contribution but you're still constrained by the
2 standalone costs, you still have a difference in the
3 rates, they would not be the same, because of the manner
4 of which retail rates have historically been set.

5 Q My last questions refer to Exhibit 19 that was
6 presented by Sprint today. On exhibit -- the chart
7 behind you, Exhibit 19.

8 A Yes.

9 Q You have it in front of you? On Exhibit 19,
10 it shows the GTE chart is \$11.81 for an R-1, and that
11 contribution to cover all the costs associated with an
12 R-1 is recovered through other services, such as
13 vertical services. And Sprint will pay \$24.75, which is
14 more than double GTE's retail rate, when it purchases
15 unbundled elements to recreate an R-1. Therefore, is it
16 true that Sprint incurs greater risk to recover that
17 cost?

18 MS. CASWELL: Could you define greater risk,
19 relative to what or whom?

20 MR. COX: I think -- (Pause)

21 COMMISSIONER GARCIA: Could we maybe ask the
22 question again, while they're discussing what the
23 question meant, because now I lost -- it seemed obvious
24 when you asked it and now --

25 MR. COX: Sure. Sprint will pay \$24.75, which

1 is more than double GTE's retail rate when it purchases
2 unbundled elements to recreate an R-1. Therefore, is it
3 true that Sprint incurs greater risk to incur that
4 cost?

5 COMMISSIONER GARCIA: I think that's pretty
6 obvious. What did you want specified?

7 MS. CASWELL: Do you mean greater risk
8 relative to whether they purchased it as an unbundled
9 service or some type of --

10 COMMISSIONER GARCIA: Yes. I'm saying yes,
11 but I would assume that that's what you meant.

12 WITNESS MENARD: I would agree that they have
13 a higher financial burden buying the unbundled loop, and
14 as we discussed earlier, they also have a higher
15 potential to get more return when they buy unbundled
16 services.

17 Q (By Mr. Cox) Are the differences between the
18 \$24.75 and the \$26 on this chart -- are you clear where
19 I'm talking about on the chart?

20 A Yes, I know the two figures you're
21 referencing.

22 Q Are they attributable to the cost or
23 contribution -- to the cost or to the contribution?

24 A I'm having a problem understanding how to
25 answer the question. Let's see. Easier is, to me, to

1 talk from the 29.90 versus the 24.75. If we're talking
2 about 29.90 that is the rate that is currently set for a
3 B-1 customer that includes the cost of the loop, the
4 port and usage on a flat-rate basis. The \$26 is taking
5 the current tariff rate and, theoretically at least,
6 subtracting the avoided costs I will avoid when I resell
7 it to an ALEC and therefore will not have that
8 differential in cost anymore. I don't know if I've
9 answered your question or not.

10 Q Just -- can you just pin it down in one
11 statement what the difference was attributable to,
12 between 24.75 and \$26?

13 A That the \$26 that starts with my \$29.90, which
14 includes the loop, the port and usage for a B-1 customer
15 and includes my retail costs. If I then net my avoided
16 cost, I get to your \$26 figure, and I would say they're
17 reasonably comparable, but the \$26 includes some usage
18 and the \$24.75 does not.

19 Q So is that difference attributed to cost or
20 contribution?

21 A I don't see that there's a difference, because
22 I'm talking from the same cost figures. I mean, to me,
23 the difference between the \$26 and \$24.75 is usage.

24 MR. COX: That concludes Staff's questions.
25 Thank you, Ms. Menard.

1 COMMISSIONER KIESLING: Any questions,
2 Commissioner?

3 MS. CASWELL: Yes, I do have some redirect.

4 COMMISSIONER KIESLING: Redirect.

5 REDIRECT EXAMINATION

6 BY MS. CASWELL:

7 Q Ms. Menard, I would like you to refer to the
8 chart behind you once more, and I would like to ask you
9 a few questions about that. If GTE is required to
10 resell its local loop, how much would it lose just --
11 let me rephrase this. If it's required to resell its
12 local loop instead of having Sprint take the unbundled
13 elements that make up that loop, how much would GTE lose
14 on that transaction, the resale transaction?

15 A You would lose the approximately \$14
16 difference between the 24.75 which recovers its cost and
17 the \$10 that does not recover its costs.

18 Q And would it also lose contribution from
19 services -- from --

20 A From other services we've discussed,
21 specifically that we would lose the toll, and then
22 depending on what they do on other services.

23 Q And in an AT&T case was GTE permitted the
24 opportunity to somehow recover that contribution that it
25 would lose?

1 A Not to my knowledge.

2 Q Do you think there's any disadvantage as far
3 as GTE is concerned in selling a loop for 10.27 that
4 costs 24.75 to provide?

5 A Yes, and that's why we've had some of the
6 discussion by some of the prior witnesses. And GTE's
7 position is number one, of course, we do need to do
8 something on rebalancing rates, and that's why we are
9 following so closely the universal service and the
10 access charge reform, because that may help solve part
11 of this problem, or the problem may still exist, because
12 the rates are not set under the premise that -- these
13 rates that we're currently operating under were not
14 designed for a competitive environment.

15 Q And if rates are rebalanced, would the problem
16 that Sprint pointed out, as it perceives the problem
17 with regard to the spread between unbundled rates and
18 resale rates, would that problem go away if rates were
19 rebalanced?

20 A Yes.

21 Q And does GTE support rebalancing?

22 A Yes.

23 Q I believe that Mr. Boyd asked you earlier if
24 you saw any advantage in Sprint taking unbundled
25 elements rather than a service on a resale basis. And

1 is it your understanding that the Act is intended to
2 give any advantage to particular types of competitors?

3 A No. I thought what the Act contemplated is
4 that carriers had a choice, either they could do a
5 resale basis or they could be a facilities-based carrier
6 and buy unbundled elements.

7 Q Is there any obligation in the Act to ensure
8 profits to resellers?

9 A Not to my knowledge.

10 Q I'm going to take you back to some questions
11 about the MFN that you discussed with Staff, as well as
12 Mr. Boyd. Were the -- well -- was Staff involved in
13 GTE's negotiations with MFS or ICI?

14 A They were not directly involved. They just
15 were involved in approving the agreements.

16 Q And did Staff, in your opinion, misconstrue
17 the dark fiber language in GTE's contract with MFS?

18 A Yes.

19 Q And what would have been the proper
20 construction of that language?

21 A As we discussed, that if GTE ever decides to
22 offer dark fiber and if there is facilities available,
23 and like we said, as far as most favored nation, I would
24 only be willing to do that agreement in conjunction with
25 a full negotiated agreement, that condition.

1 Q I think you mentioned that the contracts with
2 ICI and MFS were approved by the Commission. And in
3 that approval process did the Staff or the Commission
4 raise any issues with regard to discrimination because
5 the contract prices and terms were different?

6 A Not to my knowledge.

7 Q I believe in your discussion earlier with
8 Mr. Boyd you pointed out that GTE's position on the
9 unbundling versus resale distinction, and the rates
10 associated with that distinction was supported by
11 several parties in the 8th Circuit. Do you recall who
12 some of those parties were?

13 A Yes. As I briefly discussed a little bit,
14 GTE -- and of course what the court has done is they are
15 consolidating parties. So the GTE brief is actually a
16 GTE and Bell brief. And then there's the -- I've read
17 the brief of the four congressmen who filed supporting
18 that also. I have not read all the other briefs due to
19 my work schedule and arbitration cases. I haven't seen
20 the rest of the briefs that have been filed so far.

21 MR. BOYD: Commissioner, I would move to
22 strike the reference to the brief submitted by the four
23 congressmen. I think we went through that yesterday,
24 and that was -- the objection was sustained. I move to
25 strike the reference in her testimony.

1 COMMISSIONER KIESLING: I'm not going to
2 strike it. She hasn't tried to tell us what it says or
3 what their position was, so, I mean, I just -- she just
4 said what she's read.

5 MR. BOYD: She's read it?

6 COMMISSIONER KIESLING: Yes. If they go
7 further than that, then you can renew your objection.

8 Q (By Ms. Caswell) Ms. Menard, do you have any
9 indication that Congress meant to impose two sets of
10 wholesale rates for identical services?

11 A No, I do not, and that is supported by the
12 brief.

13 COMMISSIONER KIESLING: No. You just wait a
14 minute. You were here. I've struck all reference to
15 that brief and the substance of it, and I'm going to
16 strike your statement that it's supported by the brief.

17 Q (By Ms. Caswell) Maybe I should be a little
18 clearer. Is there any indication in the Act that
19 Congress intended to impose two sets of rates?

20 A No, because you have one set of section for
21 unbundled elements for network provided carriers, and
22 you have a set of resale requirements.

23 Q I believe you discussed a trueup with Staff
24 earlier?

25 A Yes.

1 Q Would that trueup of rates remedy any market
2 share loss problems?

3 A No, it would not.

4 MS. CASWELL: Those are all the questions, I
5 have. Thank you.

6 MR. BOYD: We would move Exhibit 19.

7 COMMISSIONER KIESLING: Let me find my
8 exhibits.

9 MS. CASWELL: We would like to move Exhibit 18
10 in please.

11 COMMISSIONER KIESLING: Let me do them in
12 number order.

13 MR. BOYD: I'm sorry. I forgot that she
14 had --

15 COMMISSIONER KIESLING: That's all right. 18
16 is admitted without objection. And 19?

17 MS. CASWELL: I don't have any objection to
18 its admission. I would just point out that the NRCs are
19 accepted subject to check.

20 COMMISSIONER KIESLING: All right. And it is
21 being used as a demonstrative exhibit and not as a
22 substantive proof of anything that's in it.

23 MS. CASWELL: I misunderstood what it was
24 being used for.

25 MR. BOYD: No, ma'am, I think we're moving it

1 into evidence. It is already -- we're moving it into
2 evidence in the form that it's -- that it's in and for
3 the purpose that it was used by the witness. And I
4 believe the witness confirmed most -- all the numbers
5 subject to check.

6 COMMISSIONER KIESLING: Right. And that's my
7 point, they were confirmed subject to check. And if --
8 since we do not have the other documents as part of the
9 record here, then if there is some difference, then they
10 can bring that up in their brief.

11 MR. BOYD: Absolutely.

12 COMMISSIONER KIESLING: I am not admitting
13 this as proof of those facts.

14 MR. BOYD: That's fine.

15 COMMISSIONER KIESLING: That's all I'm
16 saying.

17 MR. BOYD: Yes, ma'am.

18 COMMISSIONER KIESLING: 19 is admitted.

19 (Exhibit Nos. 18 and 19 received into
20 evidence.)

21 COMMISSIONER KIESLING: Anything further from
22 any of the parties? Do we need to talk about the
23 briefing schedule or any of those matters?

24 MR. BOYD: Commissioner, may I have just a
25 moment to discuss one matter with Mr. Gillman?

1 COMMISSIONER KIESLING: Sure. We may not keep
2 Commissioner Garcia's attention, but --

3 COMMISSIONER GARCIA: I'm all right.

4 (Discussion off the record.)

5 COMMISSIONER KIESLING: Are you ready to go
6 back on the record?

7 MR. BOYD: Yes, ma'am.

8 COMMISSIONER KIESLING: All right, back on the
9 record.

10 MR. BOYD: I want simply to clarify. I've
11 discussed it with Mr. Gillman so the record will be
12 accurate. Witness Stahly referred to a statement by the
13 chairman of GTE Corporation, Charles Lee, to the effect
14 of the Company was on target to achieve annual operating
15 cost savings of a billion dollars by 1997. And he
16 attributed it to the GTE annual report, and I wanted to
17 clarify, by stipulation, that that appeared, rather, not
18 in the annual report, but rather in an interview --
19 well, it's a statement of Mr. Lee, the chairman, that
20 appears in GTE's current web site page as opposed to the
21 annual report.

22 COMMISSIONER KIESLING: All right. Is
23 everyone comfortable with that clarification?

24 MS. BARONE: Yes, ma'am.

25 MR. GILLMAN: GTE is comfortable.

1 MS. BARONE: And I would note that briefs are
2 due on the 18th and I ask that late-filed exhibit that
3 Mr. Steele is to submit be submitted at that time.
4 That's late-filed Exhibit 14 which reflects the
5 depreciation rates.

6 COMMISSIONER KIESLING: Okay. Anybody got any
7 confusion over briefing schedules? If not then this
8 proceeding is adjourned.

9 (Hearing concluded at 12:45 p.m.)
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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3 WE, ROWENA NASH HACKNEY, Official Commission
4 Reporter, and H. RUTHE POTAMI, Official Commission
5 Reporter, LISA GIROD JONES, RPR, RMR,

6 DO HEREBY CERTIFY that the hearing in this
7 cause, Docket No. 961173-TP, was heard by the Florida
8 Public Service Commission at the time and place herein
9 stated; it is further

10 CERTIFIED that we reported in shorthand the
11 said proceedings, and that this transcript, consisting
12 of 815 pages, Volumes 1 through 6, inclusive,
13 constitutes a true and accurate transcription of notes
14 of said proceedings.

15 DATED THIS 9th DAY OF December,
16 1996.

17 Rowena Nash Hackney
18 ROWENA NASH HACKNEY
19 Official Commission Reporter

20 H. RUTHE POTAMI, CSR, RPR
21 Official Commission Reporter

22 Lisa Girod Jones
23 LISA GIROD JONES, RPR, RMR
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