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November 13, 1997

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

RE: Dockets Nos. 960833-TP, 960847-TP, 971140 and
960757-TP

Dear Mrs. Bayo:

Enclosed for filing in the above referenced dockets on behalf of MCI Telecommunications Company/MCI Metro Access Transmission Services, Inc. (MCI) and AT&T of the Southern States Inc. (AT&T) is the Direct Testimony and Exhibits of Wayne Ellison, Michael Majoros, Bradford Cornell, Lee Selwyn, John Lynott, John Klick and Rick Bissell. These witnesses are being jointly sponsored by AT&T and MCI in this proceeding.

Copies of the foregoing are being served on all parties or record in accordance with the attached Certificate of Service. Thank you for your assistance in this matter.

Sincerely,

Tracy Hatch
Tracy Hatch

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 2
- LIN Stag
- OPC _____
- RCH _____
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11665-97

CERTIFICATE OF SERVICE

DOCKET NO. 960833-TP

I HEREBY CERTIFY that a true and correct copy of the forgoing has been furnished by U.S. Mail or hand-delivery to the following parties of record this 13th day of November, 1997:

Ms. Nancy H. Sims
BellSouth Telecommunications
150 South Monroe Street, Suite 400
Tallahassee, Florida 32301

Norman Horton, Esquire
Messer Caparello & Self, P.A.
Post Office Box 1876
Tallahassee, Florida 32302

Richard Melson, Esquire
Hopping Boyd Sams and Smith
Post Office Box 6526
Tallahassee, Florida 32314

Monica M. Barone, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850


Tracy Hatch

ORIGINAL

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

WAYNE ELLISON

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

Docket Nos. 960833-TP/ 960846-TP/971140-TP

November 13, 1997

DOCUMENT NUMBER-DATE

11665 NOV 13 97

FPSC-RECORDS/REPORTING

1 DIRECT TESTIMONY OF

2 WAYNE ELLISON

3 ON BEHALF OF

4 AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

5 DOCKET NOs: 960833-TP/960846-TP/971140-TP

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

8

9 A. My name is Wayne Ellison. My business address is 1200 Peachtree Street N.E.,
10 Atlanta, Georgia 30309. I am employed by AT&T as a District Manager in the
11 Law and Government Affairs organization.

12

13 **Q. WOULD YOU PLEASE STATE YOUR EXPERIENCE?**

14

15 A. I have 33 years experience in the telecommunications industry including 20 years
16 as a manager for C & P Telephone Company, now a part of Bell Atlantic, and 13
17 years with AT&T. At C & P Telephone Company, I worked for 7 years in the
18 outside plant engineering organization, where I was responsible for loop planning
19 and design, construction engineering, and plant utilization. I also worked 13 years
20 in the C & P Telephone Company costs and economics organization. My primary
21 responsibility within the costs and economics organization was to supervise the
22 analysis of service costs in support of the Company's rate filings. During my time
23 in the costs and economics organization I also administered plant purchases and

1 sales transactions, negotiated borderline billing agreements, and performed special
2 separations analysis.

3

4 For the past thirteen years I have been employed by AT&T. The majority of my
5 time with AT&T has been devoted to the advocacy of AT&T's positions as a
6 regulatory witness and to the analysis of information and issues in support of
7 those positions. In that regard I have been given the specific responsibility for
8 determining acceptable prices for BellSouth's network elements, transport and
9 termination, means of interconnection, and access to poles, ducts, conduits, and
10 rights-of-way under the 1996 Telecommunications Act (the "Act"). To meet this
11 later responsibility, I have participated in AT&T's negotiations with BellSouth
12 and have analyzed the cost data that BellSouth has provided to AT&T or to state
13 regulatory authorities throughout BellSouth's nine state serving area.

14

15 **Q. BASED UPON YOUR PRIOR EXPERIENCE, DESCRIBE YOUR LEVEL**
16 **OF FAMILIARITY WITH BELLSOUTH COSTS.**

17

18 **A.** I am very familiar with the basic procedures and methods followed by BellSouth
19 to develop service costs. BellSouth's procedures and methods are often in fact
20 very much like the procedures and methods I followed at C & P Telephone
21 Company to perform the same functions.

22

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION**
2 **REGARDING APPROPRIATE BELL SOUTH PRICES UNDER THE**
3 **TELECOMMUNICATIONS ACT?**

4
5 A. Yes. I provided testimony in the AT&T/BellSouth arbitration proceeding, Docket
6 No. 960833-TP. I have also provided testimony regarding this subject in state
7 regulatory proceedings in Alabama, Georgia, Louisiana, Mississippi, North
8 Carolina, South Carolina, and Tennessee.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11
12 A. The purpose of my testimony is to:

13 1. Describe the appropriate cost standard for determining network element
14 and collocation rates that comply with the 1996 Telecommunications Act
15 (the "Act").

16
17 2. Present AT&T's price recommendations for collocation and the various
18 unbundled network elements to be addressed in this proceeding. AT&T's
19 recommendations are designed to fully compensate BellSouth for use of
20 the Company's various capabilities, while concurrently promoting the
21 greatest possible development of price and service competition to the
22 maximum number of Florida consumers in the shortest possible time
23 frame.

1 **REQUIREMENTS OF THE TELECOMMUNICATIONS ACT OF 1996**

2

3 **Q. WHAT ARE THE RELEVANT REQUIREMENTS OF THE**
4 **TELECOMMUNICATIONS ACT OF 1996 WITH RESPECT TO THE**
5 **CAPABILITIES BEING PRICED IN THIS PROCEEDING?**

6

7 A. Sections 251(c)(3) and 251(c)(6) of the Act require that BellSouth provide
8 collocation and network elements on rates, terms, and conditions that are just,
9 reasonable, and nondiscriminatory. Section 252(d)(1) specifies that just and
10 reasonable rates for interconnection and network elements shall be based on the
11 cost (determined without reference to a rate-of-return or other rate-based
12 proceeding) of providing the interconnection or network element, shall be
13 nondiscriminatory, and may include a reasonable profit.

14

15 **Q. HOW SHOULD COST-BASED RATES BE DETERMINED?**

16

17 A. Rates should be set to recover Total Element Long Run Incremental Cost
18 (TELRIC), plus a reasonable contribution to forward-looking common costs.

19

20 **Q. WHAT IS TELRIC?**

21

22 A. TELRIC is the additional cost that would be borne by a wholesale-only firm using
23 efficient, forward-looking technology and operating practices to produce the

1 current output of an unbundled network element. This definition refers to the
2 total additional cost of providing the current volume of output of a UNE, which
3 must then be divided by the current volume to yield unit cost for rate purposes.
4

5 **Q. WHY IS IT NECESSARY THAT TELRIC REFLECT ONLY EFFICIENT,**
6 **FORWARD-LOOKING COSTS?**

7
8 A. Prices must be set at efficient, forward-looking costs to allow consumers to
9 receive the benefits of competition. Most importantly, prices at efficient, forward-
10 looking costs provide such benefits by allowing competition to drive BellSouth's
11 retail rates to efficient price levels. Such prices further enhance competition by
12 requiring BellSouth to operate efficiently and compete effectively. Prices at
13 efficient, forward-looking costs also encourage efficient market entry. Finally,
14 prices at efficient, forward-looking costs limit BellSouth's ability to engage in
15 anti-competitive pricing behavior. These outcomes precisely match the pro-
16 consumer goals of the Act.
17

18 **Q. WHY IS IT NECESSARY THAT TELRIC REFLECT ONLY**
19 **INCREMENTAL COST?**

20
21 A. Incremental cost is the additional cost of providing a network element, as an
22 addition to the existing mix of network elements otherwise being provided.
23 Where there are economies of scope among network elements, incremental cost

1 will be less than the cost of providing the network element on a stand alone basis.
2 Basing prices on incremental rather than stand alone cost shares such economies
3 of scope with purchasers of network elements, as would be required in a
4 competitive market.

5
6 **Q. WHAT IS MEANT BY NON-RECURRING CHARGES?**

7
8 A. With regard to this proceeding, a non-recurring charge is a charge levied by
9 BellSouth on new entrants to install, modify, or disconnect network elements and
10 other capabilities provided new entrants. Such charges are normally in addition to
11 recurring charges that new entrants pay on a monthly or usage basis to actually
12 use such capabilities.

13
14 **Q. WHAT CONSIDERATIONS ARE INVOLVED IN ESTIMATING TELRIC**
15 **FOR COSTS PROPOSED TO BE RECOVERED THROUGH NON-**
16 **RECURRING CHARGES?**

17
18 A. All of the TELRIC principles apply in developing prices to recover the costs
19 incurred in providing nonrecurring services. The estimated costs must be the
20 incremental costs of performing the studied activity, using efficient technologies
21 and operating procedures.

22

1 **Q. ARE THERE SPECIAL CONCERNS WHICH SHOULD BE**
2 **CONSIDERED BY THE COMMISSION WHEN DECIDING THE**
3 **APPLICABILITY OR LEVEL OF NON-RECURRING CHARGES**
4 **ASSESSED NEW ENTRANTS?**

5

6 A. Yes. Up-front charges imposed on new entrants can pose a significant barrier to
7 entry. As a result, incumbent local exchange carriers, including BellSouth, have
8 an incentive to load as many costs as possible into non-recurring charges to
9 discourage or delay entry. This Commission must therefore look very closely at
10 every BellSouth proposal for non-recurring charges to assure that such charges are
11 in fact appropriate, and that the charge reflects only the efficient, incremental cost
12 of performing such work.

13

14 **THE AT&T RATE PROPOSAL**

15

16 **Q. DO YOU HAVE A RECOMMENDATION REGARDING SPECIFIC**
17 **RATES THE COMMISSION SHOULD ADOPT IN THIS PROCEEDING?**

18

19 A. Yes. Non-recurring charges for customer migration, identified as Issue 2 in
20 Appendix "A" of the procedural order, should be based on the recommendations
21 of Mr. Lynott. Non-recurring charges for the Network Interface Device (NID),
22 2W/4W loop distribution, and DS1 Transport (for use with Directory Assistance
23 and Dedicated Transport) should also be based on the recommendations of Mr.

1 Lynott. Physical and virtual collocation rates should be based on the
2 recommendations of Mr. Klick and Mr. Bissell. Prices not addressed by these
3 witnesses should be based on the best available evidence of BellSouth's forward-
4 looking economic costs. AT&T will recommend prices for these additional
5 elements following review and analysis of the BellSouth cost studies. Exhibit
6 WE-1 reflects AT&T's specific recommendations.

7

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

9

10 **A. Yes.**

11

12

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Element or Capability	NRC or Collocation Model result	AT&T proposed rate
Non-Recurring Charges (NRC) - UNE Combinations		
2-wire analog loop & port		
NRC - Installation	\$0.21	\$0.21
NRC - Migration	\$0.21	\$0.21
NRC - Disconnection	\$0.21	\$0.21
4-wire analog loop & port		
NRC - Installation		See Note 1
NRC - Migration		See Note 1
NRC - Disconnection		See Note 1
2-wire ISDN loop & port		
NRC - Installation	\$0.21	\$0.21
NRC - Migration	\$0.21	\$0.21
NRC - Disconnection	\$0.21	\$0.21
4-wire DS1 loop & port		
NRC - Installation		See Note 1
NRC - Migration		See Note 1
NRC - Disconnection		See Note 1
Network Interface Device (NID)		
Per 2-wire, ISDN, ADSL, HDSL Loop, monthly charge		See Note 1
NRC		See Note 1
Sub-Loop Unbundled Elements		
Distribution, per 2-wire VG loop, including NID, monthly charge		See Note 1
NRC - Installation	\$16.04	\$16.04
NRC - Migration	\$16.22	\$16.22
NRC - Disconnection	\$15.29	\$15.29
Distribution, per 4-wire VG loop, including NID, monthly charge		See Note 1
NRC - Installation	\$43.87	\$43.87
NRC - Migration	\$53.51	\$53.51
NRC - Disconnection	\$31.60	\$31.60
Loop, including NID		
2-wire ADSL, monthly charge		See Note 1
NRC - Installation		See Note 1
NRC - Disconnection		See Note 1
2-wire HDSL, statewide average		See Note 1
NRC - Installation		See Note 1
NRC - Disconnection		See Note 1
4-wire HDSL, statewide average		See Note 1
NRC - Installation		See Note 1
NRC - Disconnection		See Note 1

Element or Capability	NRC or Collocation Model result	AT&T proposed rate
Local Switching, Monthly		
4-wire port		See Note 1
NRC		See Note 1
Operator Systems		
DA Transport		
DS1 Local Channel, per month		See Note 1
NRC - Installation		See Note 1
NRC - Disconnection		See Note 1
DS1 Interoffice Channel		
monthly charge		See Note 1
per mile, per month		See Note 1
NRC - Installation	\$11.20	\$11.20
Dedicated Transport		
Local Channel		
DS-1.544 Mbps		
NRC - Installation		See Note 1
NRC - Disconnection		See Note 1
Interoffice Channel		
DS1- 1.544 Mbps		
NRC - Installation	\$11.20	\$11.20
Physical Collocation		
Cage Construction		
Planning- NRC per request	\$3,325.43	\$3,325.43
Planning- Monthly charge per request	\$15.13	\$15.13
Grounding- per month	\$4.05	\$4.05
Cage Preparation- per month per 100 Sq. Ft. Cage	\$103.52	\$103.52
Land & Bldgs.-per month - per 100 sq. ft. Cage	\$526.51	\$526.51
Cable Racking- per month	\$20.66	\$20.66
Entrance Fiber		
Non-recurring cable installation	\$1,081.43	\$1,081.43
Monthly-per cable	\$2.46	\$2.46
Power Delivery		
Per 40 amp feed, with 2 battery returns, non-recurring	\$160.37	\$160.37
Per 100 amp feed, with 2 battery returns, non-recurring	\$209.18	\$209.18
Per 200 amp feed, with 2 battery returns, non-recurring	\$272.63	\$272.63
Power Consumption		
DC Plant, per amp	\$3.97	\$3.97

Element or Capability	NRC or Collocation Model result	AT&T proposed rate
AC usage, per DC amp	\$2.03	\$2.03
Voice Grade Circuits		
Connection to MDF, per 100 ckts., nonrecurring	\$879.58	\$879.58
Connection to MDF, per 100 ckts., per month	\$4.98	\$4.98
DS-1 Circuits		
Connection to DCS, per 28 circuits, nonrecurring	\$1,335.66	\$1,335.66
Connection to DCS, per 28 circuits, per month	\$226.51	\$226.51
Connection to DSX, per 28 circuits, nonrecurring	\$1,335.66	\$1,335.66
Connection to DSX, per 28 circuits, per month	\$11.17	\$11.17
DS-3 Circuits		
Connection to DCS, per circuit, nonrecurring	\$341.31	\$341.31
Connection to DCS, per circuit, per month	\$56.80	\$56.80
Connection to DSX, per circuit, nonrecurring	\$341.31	\$341.31
Connection to DSX, per circuit, per month	\$9.80	\$9.80
Optical Circuits		
Connection to FDF, per cable, nonrecurring	\$2,464.06	\$2,464.06
Connection to FDF, per cable, per month	\$6.43	\$6.43
Security Access		
Access Cards, per request	\$87.16	\$87.16
Entrance Fiber		
Structure Charge (per foot of innerduct per month)	\$0.0156	\$0.0156
Virtual Collocation		
Planning, per request	\$4,220.74	\$4,220.74
Land and Buildings, space to support each quarter rack used, per month	\$8.62	\$8.62
Relay rack space, per quarter rack used	\$2.03	\$2.03
Entrance Fiber		
Cable Installation, nonrecurring charge	\$987.39	\$987.39
per cable, per month	\$12.10	\$12.10
Power Delivery, per month	\$0.06	\$0.06
Power Consumption		
DC plant, per amp, per month	\$3.92	\$3.92
AC usage, per DC amp, per month	\$2.03	\$2.03
Voice Grade Circuits		
Connection to MDF, per 100 circuits, per month	\$4.98	\$4.98
DS-1 Circuits		
Connection to DCS, per 28 circuits, per month	\$226.51	\$226.508
Connection to DSX, per 28 circuits, per month	\$11.17	\$11.17
DS-3 Circuits		
Connection to DCS, per circuit, per month	\$56.80	\$56.80
Connection to DSX, per circuit, per month	\$9.80	\$9.80

Element or Capability	NRC or Collocation Model result	AT&T proposed rate
Optical Circuits		
Connection to FDF, per cable, per month	\$6.43	\$6.43
Virtual-to-Virtual Connection		
Cable Racking for Fiber, per cable, per month	\$0.19	\$0.19
Cable Racking for DS1 or DS3, per cable, per month	\$0.15	\$0.15
Equipment Maintenance and Security Escort		
Staffed Central Office, during attended hours, per quarter hour	\$10.49	\$10.49
Staffed Central Office, during unattended hours		
Initial Charge (for four hours)	\$167.88	\$167.88
Subsequent Charge, per quarter hour	\$10.49	\$10.49
Unstaffed Central Office		
Normal Business Day, per quarter hour	\$10.49	\$10.49
Non-normal Business Day		
Initial Charge (for four hours)	\$167.88	\$167.88
Subsequent Charge, per quarter hour	\$10.49	\$10.49
Entrance Fiber Structure Tariff		
Structure Charge, per foot of innerduct, per month	\$0.0156	\$0.0156
NOTES:		
(1) AT&T will recommend rates after review of BellSouth cost studies.		