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February 7, 1996

GENERAL FILE COPY

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

Re: Docket No. 950984-TP
MFS/GTE & SPRINT

Dear Mrs. Bayo:

Enclosed for filing in the above referenced docket are an original and fifteen (15) copies of the Direct Testimony of Mike Guedel on behalf of AT&T.

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

Yours truly,

Michael W. Tye

Attachments

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

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

IN RE: RESOLUTION OF PETITION(S) TO ESTABLISH NONDISCRIMINATORY RATES, TERMS, AND CONDITIONS FOR RESALE INVOLVING LOCAL EXCHANGE COMPANIES AND ALTERNATE LOCAL EXCHANGE COMPANIES PURSUANT TO SECTION 364.161, FLORIDA STATUTES

DOCKET NO. 950984-TP (MFS/GTE & SPRINT)

DIRECT TESTIMONY OF

MIKE GUEDEL

ON BEHALF OF AT&T COMMUNICATIONS

OF THE SOUTHERN STATES, INC.

FEBRUARY 7, 1996

Q. WILL YOU PLEASE IDENTIFY YOURSELF?

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

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCES.

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

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

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

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

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

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is threefold:

First, I will describe in a generic sense the concept of "unbundling" and its role in interconnection arrangements.

Second, I will demonstrate why it is necessary for the incumbent local exchange companies (LECs) to unbundle their local networks.

Third, I will recommend specific guidelines for the technical arrangement and pricing of the unbundled network elements.

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

A. Unbundling is the identification and disaggregation of useful components of the local exchange network into a set of elements, or Basic Network Functions (BNFs) which can be individually provided, costed, priced, and interconnected in such a manner as to provide other telecommunications service offerings. For example, local exchange service can be "unbundled" into loops, local switching, and transport.

AT&T has identified 11 components or BNFs associated with local exchange services which may be effectively and usefully unbundled. These include: loop distribution, loop concentration, loop feeder, switching, operator systems, dedicated transport links, common transport links, tandem switching, signaling links, signal transfer points, and signal control points.

Further, it must be noted that the list of BNFs described above must not be considered static or necessarily complete. Additional functional

elements may continue to be identified as telecommunications technology evolves.

Q. WHAT GENERAL CRITERIA CAN BE USED TO DEFINE OR DETERMINE THE VIABILITY AND POTENTIAL USEFULNESS OF BNFs?

A. Several criteria can be used in defining BNFs. First, the unbundled element must represent a discrete stand-alone logical component. Second, the unbundled element must be separately measurable and billable. Third, the unbundled elements must be associated with clearly identified interface standards.

Q. WHY IS NETWORK UNBUNDLING ESSENTIAL TO THE POTENTIAL DEVELOPMENT OF LOCAL COMPETITION?

A. The incumbent local exchange companies (like GTE and Sprint/United) currently hold a monopoly on the provision of local exchange service within their respective operating territories. While competition has developed

with respect to interexchange services and some enhanced telecommunications services over the past 15 years, final access to the customer (the last mile) effectively remains the sole province of the incumbent LECs. Under the protection of local franchise, the LECs have spent hundreds of millions of dollars over the years constructing networks to reach every potential local exchange customer.

It is unlikely that a potential competitor would be willing or able to invest the capital required to duplicate this existing LEC network simply on the chance that it might attract some local service customers. Further, even if the financial resources were available, significant time would be required to obtain necessary "right of way" authorizations and to construct the duplicative network. With the requirement of building a new network, competition, if it developed at all, would develop slowly, and it would likely benefit only a very limited number of customers.

Unbundling will allow potential competitors to begin providing limited local service arrangements without incurring all of the expense of duplicating the LECs ubiquitous local network. A new entrant, for example, could begin providing service within a geographic area by installing local switching capability and purchasing unbundled loops (or links) from the incumbent LEC. This arrangement would have several advantages over the option of building all new facilities: 1) it would be far less capital intensive, 2) it would allow competition to develop much faster, and 3) it would likely bring the benefits of competition to a much larger group of customers.

Q. WILL THE UNBUNDLING OF THE INCUMBENT LEC FACILITIES/SERVICES ENSURE THAT COMPETITION WILL DEVELOP IN THE LOCAL EXCHANGE?

A. No. At this time it is not clear as to whether or not the local exchange market will ever become effectively competitive. While,

unbundling, if appropriately implemented, will tend to mitigate one of the major barriers to the development of local competition, it will not in and of itself guarantee that competition will develop.

Q. WHAT IS THE SCOPE OF THIS DOCKET WITH RESPECT TO UNBUNDLING?

A. At this point, AT&T believes that the scope of this docket will be limited to the same issues identified in the MFS/BellSouth version of this docket i.e., consideration of the unbundling of local loops (or links), and the unbundling of local switching functions including the associated cross connect arrangements.

Q. PLEASE DESCRIBE THE LOCAL LOOP FACILITY.

A. The local loop functions to connect an end user premises to the serving wire center of the local exchange company. The traditional local loop facility can be divided into three

functional sub-elements: 1) local distribution, which connects the end user premises to the feeder distribution BNF or a concentrator /multiplexor , 2) the concentrator/multiplexor which connects the distribution BNF to the feeder facility, and 3) the feeder facility which completes the connection back to the serving wire center or central office.

Q. SHOULD EACH OF THE ABOVE DESCRIBED LOOP SUB-ELEMENTS BE INDIVIDUALLY PRICED AND PROVIDED BY THE INCUMBENT LEC?

A. Yes. Each of the sub-elements must be offered and priced individually such that a potential customer need only buy the functionality that he/she desires. A customer should be permitted to purchase any one, or two, or all three of the sub-elements as required to provide loop connectivity. (In practice, however, it is not likely that the concentrator/multiplexor function will be purchased without purchasing one of the other sub-elements.)

Q. COULD YOU FURTHER DESCRIBE THE CONCENTRATOR/MULTIPLEXOR FUNCTION?

A. Yes. In a typical loop architecture, the LEC would run a large cable or large capacity loop facility (feeder cable) from a central office to some point in the field (i.e., a remote terminal). From the remote terminal, the LEC could run several smaller cables (distribution cable) in various directions to serve customers situated around that particular location. The concentrator/multiplexor functions refer to the interconnection arrangements that link the distribution facilities with feeder facilities at the remote terminal. Specifically, these interconnection functions can include simple cross connection arrangements, or more complicated channelization and/or higher level multiplexing functions (as in subscriber line carrier or similar systems).

Q. PLEASE DESCRIBE THE LOCAL SWITCHING FUNCTIONS?

A. The primary function of the local switch is to create on demand temporary paths connecting local loops to other local loops or local loops to interoffice transport facilities. Typical switching functions include: 1) recognizing service requests, 2) obtaining call specific information, 3) data analysis, 4) route selection, 5) call completion, 6) testing and recording, etc. Further, the local switching BNF must include access to unbundled Advanced Intelligent Network (AIN) triggers. These triggers will offer a new entrant certain call control capability within the LEC switch allowing it to customize its end user offerings without having to duplicate the LEC switch.

Q. WOULD YOU DESCRIBE THE CROSS CONNECTION FUNCTION?

A. Yes. The cross connect function completes the connection between an unbundled loop and a LEC switch, a new entrant switch, or a direct transport facility. This function effectively facilitates the unbundling process by allowing

a new entrant to purchase (and interconnect with) the particular pieces (and only those pieces) of the LEC network that it requires.

Q. WHAT ARE THE APPROPRIATE TECHNICAL ARRANGEMENTS FOR THE PROVISION OF SUCH UNBUNDLED ELEMENTS?

A. The overarching guideline should be to provide the unbundled elements in such a manner as to not inhibit the new entrant from providing the same quality of service as the incumbent LEC. That means that the technical arrangements used to connect the unbundled element(s) to a new entrant's network should be equal to those currently used to connect the element(s) within the LEC's own network. New entrants should have cooperatively engineered interconnection arrangements, equal service quality or performance parity, and the opportunity to interconnect at the same points or virtually the same points where practicable as the incumbent LEC.

Q. WHAT ARE THE APPROPRIATE FINANCIAL ARRANGEMENTS FOR SUCH UNBUNDLED ELEMENTS?

A. The target price for the unbundled elements should be the Total Service Long Run Incremental cost (TSLRIC) that the LEC incurs in providing them. Pricing at the TSLRIC will simultaneously ensure that the incumbent LEC recovers all of the costs that it incurs in providing the unbundled element(s) (including cost of money), while it encourages the potential development of competition by offering the unbundled element(s) (at least from a price perspective) in a competitively neutral manner.

Q. HOW WILL PRICING THE UNBUNDLED ELEMENTS AT TSLRIC PROMOTE A COMPETITIVELY NEUTRAL OFFERING?

The actual cost that the LEC incurs in providing the unbundled element, either to itself or to a new entrant, is represented by the TSLRIC. The actual cost that a new entrant

incurs is the price that it has to pay to the LEC for the unbundled element.

Therefore, if the incumbent LEC offers the unbundled element(s) at TSLRIC, then both the incumbent LEC and the new entrant will incur the same cost with respect to that unbundled element(s). With prices set at TSLRIC, neither the LEC nor the new entrant is disadvantaged. Thus the price is competitively neutral.

On the other hand, if the LEC's price is set above its TSLRIC, then the new entrant's costs (i.e., the price charged by the LEC) becomes higher than the LEC's cost. Because retail (end user) prices (of both the LEC and the new entrant) must cover all of the costs incurred in providing the respective services, pricing unbundled elements in excess of TSLRIC would provide the LEC with a competitive advantage in the retail market.

Q. WOULD YOU SUMMARIZE YOUR TESTIMONY?

A. Yes. Attempts to promote the development of local exchange competition serve the public interest. Further, it must be recognized that the general availability of facility based competition, while desirable, is not likely to develop in the near term.

Therefore, to encourage the development of potential local competition, and to encourage the breadth of competitive availability, the Commission must order each incumbent LEC to unbundle its services into the underlying BNFs.

The unbundled elements (BNFs) should be offered to new entrants under the same basic arrangements and with the same technical capabilities as they are used by the incumbent LEC in the provision of its services. To further encourage the potential development of competition, the unbundled elements should be priced at the TSLRIC incurred by each incumbent LEC in providing each element.

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

A. Yes.

CERTIFICATE OF SERVICE

DOCKET NO. 950984-TP

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U. S. Mail or hand-delivery to the following parties of record this 7th day of February, 1996:

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