

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions by AT&T	)	Docket No. 960847-TP
Communications of the Southern	)	Docket No. 960980-TP
States, Inc., MCI	)	
Telecommunications Corporation	)	
and MCI Metro Access	)	
Transmission Services, Inc., for)	)	
arbitration of certain terms and)	)	
conditions of a proposed	)	
agreement with GTE Florida	)	
Incorporated concerning	)	
interconnection and resale	)	
under the Telecommunications	)	
Act of 1996.	)	
	)	

## FIRST DAY - LATE AFTERNOON SESSION

## VOLUME 4

PAGES 394 through 503

## PROCEEDINGS:

## HEARING

## BEFORE:

CHAIRMAN SUSAN F. CLARK  
 COMMISSIONER J. TERRY DEASON  
 COMMISSIONER JULIA L. JOHNSON  
 COMMISSIONER DIANE K. KIESLING  
 COMMISSIONER JOE GARCIA

## DATE:

Monday, October 14, 1996

## PLACE:

Betty Easley Conference Center  
 Room 148  
 4075 Esplanade Way  
 Tallahassee, Florida

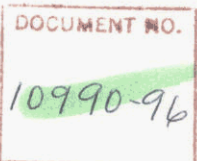
## REPORTED BY:

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## APPEARANCES:

(As heretofore noted.)

BUREAU OF REPORTING

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1 PROCEEDINGS

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

4 RAY CRAFTON

5 having been called as a witness on behalf AT&T for the  
6 Southern States, Inc., and being duly sworn, continues  
7 his testimony as follows:

8 CONTINUED CROSS EXAMINATION

9 BY MR. GILLMAN:

10 Q And isn't it also your understanding that --  
11 now, the FCC, by the way, has not required subloop  
12 unbundling; isn't that correct?

13 A That's correct. What I remember about that is  
14 that the FCC noted that providing subloop unbundling  
15 would certainly provide new entrants with a lot of  
16 flexibility. They also noted that those who argued  
17 against subloop unbundling cited primarily logistical  
18 concerns and not issues of technical feasibility. And  
19 then they said, given what we've heard in the variety  
20 and the way the local business is a local business,  
21 we're going to leave that to the states to decide  
22 whether that's the right thing to do.

23 Q And hasn't GTE agreed to subloop unbundling if  
24 it's able to do so on a case-by-case basis?

25 A Yes, I believe you have.

1           Q     So we don't have an issue then on subloop  
2 unbundling, do we?

3           A     I think the issue that remains for us,  
4 Mr. Gillman, on subloop unbundling is that we don't have  
5 a bona fide request process for your expeditious  
6 response to our requests.

7           Q     I see.

8           A     And if we were able to develop such a  
9 response, then I think we could close this matter.

10          Q     And what's your understanding of an  
11 expeditious response?

12          A     What we have constructed in drafting our  
13 interconnection agreement contemplated AT&T placing a  
14 request on the local exchange company for a network  
15 element or some other service -- it could be a very  
16 broad array of things. It could be a new network  
17 element, could be a service, who knows what. But the  
18 idea was that that request would be defined, placed on  
19 the local exchange carrier, and then what we're seeking  
20 is a time-bound response to that request. And, you  
21 know, we're talking here about responding in sort of the  
22 neighborhood of 30 days to that request, with time and  
23 cost, you know, availability dates, et cetera.

24          Q     Now, has that proposal specifically been made  
25 to GTE?

1           A     I don't know whether that was made in the  
2 course of national negotiations or not.

3           Q     So you don't really know where we are on those  
4 negotiations on that particular issue; do you?

5           A     No, I don't.

6           Q     Okay.  If -- in those situations where GTE  
7 agrees to do subloop unbundling, is it AT&T's position  
8 that they should be given access to the cross-connect  
9 point?

10          A     Could you tell me what cross-connect point  
11 you're referring to?

12          Q     Well, is that significant?  Would you have  
13 access to some cross-connect points and not access to  
14 others?

15          A     Well, cross-connect point is kind of a generic  
16 term, and I'm seeking to understand the location of the  
17 cross-connect point.

18          Q     Is the location of the cross-connect point  
19 significant to whether AT&T is going to have access to  
20 it?  I don't know.  I'm asking.

21          A     I don't know.  Why don't you try your question  
22 on me again and I'll try.

23          Q     When GTE unbundles or does subloop unbundling,  
24 does AT&T expect to be given access, as opposed to GTE  
25 doing it for them, directly to the cross-connect point,

1 such as a pedestal, or that sort of thing?

2       A     Okay, that helps. The answer is yes, we would  
3 want access to that point. That point -- let me see if  
4 I can indicate it here on the diagram. That point might  
5 reside there, or it might reside in the front yard of  
6 this consumer's home. There are a number of such  
7 cross-connect points along the subloop element, and in  
8 order to mix and match some non-GTE parties' assets with  
9 yours -- let's make an assumption that a cable company  
10 might be furnishing some of the subloop element -- we'd  
11 definitely have to get in there and make the connection  
12 between their facility and yours.

13       Q     Again, I don't want to belabor the point, but  
14 does it matter where the access point is to your  
15 position that AT&T should be entitled access to wherever  
16 the cross-connect point is?

17       A     No, it doesn't. The only -- I think the only  
18 area that was tripping me up was the cross-connect could  
19 have been resident in the central office because there  
20 are cross-connect points there too. And my answer to  
21 that would be no, we don't need access to that one. But  
22 the ones along the subloop out in the outside plant,  
23 outside the central office, we would need access to.

24       Q     And you wouldn't call GTE, or GTE would have  
25 no control of your access; is that correct?

1           A     That's not correct.

2           Q     Okay.

3           A     What we need to do, if we can agree on  
4 unbundling of the subloop, is agree upon a set of  
5 procedures.

6           Q     And what sort of procedures have you proposed  
7 to GTE in that regard?

8           A     Once again, I don't know the details of the  
9 national negotiations on that point. Mr. Shurter could  
10 have responded perhaps, but I can't.

11          Q     Were you aware that in California in -- that  
12 AT&T agreed that in GTE's subloop unbundling offers,  
13 that access would only be provided to GTE?

14          A     No, I'm not aware of that.

15          Q     Are you aware that AT&T has made that  
16 agreement in any state?

17          A     No, not aware of it.

18          Q     What states are you testifying or working on?  
19 Or is this the only one?

20          A     For the southern states.

21          Q     And you haven't reached that agreement in any  
22 of the southern states?

23          A     No. Florida is our first discussion of this  
24 with GTE in an arbitration.

25          Q     What sort of safeguards would you propose to



1 ensure that nothing, either intentional or unintentional  
2 occurs on GTE's network?

3 A Well, it would seem natural to me,  
4 Mr. Gillman, that the carriers, in this case AT&T, would  
5 notify GTE that it's about to perform some work for a  
6 particular customer in a particular enclosure device.

7 Q And how far in advance?

8 A I don't know. I haven't given that any  
9 thought. I think our plant engineers probably have a  
10 preference on that, but I don't.

11 Q Were you here when Mr. Shurter testified?

12 A Yes, I was.

13 Q And when he talked about, you know, spreading  
14 the consequences of network failure to GTE, doesn't GTE  
15 have the right to demand tight control over its network  
16 if it's going to ultimately be held for its failures?

17 A Well, I think GTE is responsible for its  
18 failures in its network.

19 Q But wouldn't we also be held responsible for  
20 potentially AT&T or some other local exchange carrier?

21 A Well, you know, I'm not an attorney, but it  
22 seems to me that depends upon the kind of agreement you  
23 sign.

24 Q That's why we don't want to sign AT&T's  
25 agreement.

1           A     I see. Okay.

2           Q     So you think we ought to be able to put in our  
3 contractual agreements protections for GTE, especially  
4 when we give up control to our network?

5           A     Yeah. I've seen other -- in some of the other  
6 cases, it sounds to me like they have done that.

7           Q     That's not unusual to do that, is it?

8           A     Again, since I'm not a contract lawyer, I  
9 couldn't tell you what's usual and unusual.

10          Q     What about the ones that you've seen. Tell me  
11 something about those.

12          A     Well, I haven't seen any of those contracts,  
13 but I get reports of what people are doing around the  
14 country.

15          Q     And the reports that you're getting, is  
16 that -- especially in the situation where a company  
17 gives up control, say over its network -- that liability  
18 is limited between the parties?

19          A     What I've seen, the example I could give you  
20 is Bell Atlantic provided access to its network  
21 interface device, and I think there was some sort of  
22 clausal stuff that went into the contract about  
23 liabilities. That's really about all I know. And  
24 that's probably a decent model, but not my field.

25                   CHAIRMAN CLARK: Mr. Gillman, how much more do

1 you have?

2 MR. GILLMAN: It's going to be a little bit.

3 CHAIRMAN CLARK: We're going to go ahead and  
4 take a few minutes break.

5 I would like to say something to you,  
6 Mr. Melson. I've been informed that, at least as of  
7 today I can refer to you as that old man at the end of  
8 the table instead of referring to you as Mr. Melson.

9 MR. MELSON: I think that's a bad rumor,  
10 Commissioner.

11 CHAIRMAN CLARK: I can truly say, I would  
12 probably choose a different kind of party for my 50th  
13 birthday, but I'm sure we all here wish you well on your  
14 50th birthday, and at least you're gainfully employed.

15 MR. MELSON: Amen.

16 CHAIRMAN CLARK: We're going to take a break  
17 until about five minutes till 4.

18 (Recess at 3:40 p.m. until 4:00 p.m.)

19 CHAIRMAN CLARK: Let's call the hearing back  
20 to order.

21 Mr. Gillman, I have some concern that we are  
22 not moving along as quickly as we need to. I want to  
23 make it clear to you that, you know, you need to ask  
24 what you need to ask, but if we could move a little more  
25 quickly, we would all appreciate it. And that -- I

1 mean, that is not just directed at Mr. Gillman, it's  
2 everyone. Three days does not seem an adequate time at  
3 the pace we're going.

4 Q (By Mr. Gillman) One quick question on the  
5 access to the cross-connect box. Who would be  
6 responsible for policing that all the safeguards are  
7 complied with on direct access to the cross-connect  
8 box? Would that be GTE?

9 A Seems to me that it could be GTE. On the  
10 other hand, that could be a joint matter for anyone who  
11 has access to that box.

12 Q As I understand your summary, AT&T's position  
13 is that they can purchase a set of unbundled elements so  
14 as to replicate any services that GTE will be offering  
15 for resale; is that correct?

16 A That's correct, because under the Act we  
17 have -- any new entrant has the ability to buy the  
18 capabilities that provide services in the network.  
19 That's practically the definition of a network element  
20 as defined in the Act.

21 Q Would you agree with me that the rates for the  
22 unbundled set of elements are going to be different from  
23 the rate for the resale of that service?

24 A I don't know how to --

25 COMMISSIONER GARCIA: Hang on for a second.

1 What was the question again?

2 Q (By Mr. Gillman) Isn't it true that the rates  
3 for purchasing all the unbundled elements that replicate  
4 the service is going to be different from the resold  
5 price of the service?

6 A I'm having a little trouble with the question,  
7 I guess, because it sounds like I'm being asked if  
8 yellow is square. Because to me --

9 Q Good question.

10 A I don't know the answer to that one either, by  
11 the way. Because to me, the capabilities are something  
12 that you buy, reassemble the services. And those are  
13 under a cost-based standard. The services that you  
14 resell are under a wholly different standard of avoided  
15 cost. So -- and they seem to me to be two very  
16 different things, as different as yellow and square.

17 Q Except what's going to be in common between  
18 the two is there's going to be a price for it; is there  
19 not?

20 A Well, there's a price for each element and  
21 there's a price for each resold service, but I guess I'm  
22 having trouble understanding the question still.

23 Q When you combine all the prices of the  
24 elements that replicate the service, and then you  
25 compare it with the service resale price, those are

1 going to be different; aren't they?

2 A I suppose since there are an infinite number  
3 of numbers, it would be purest coincidence if they were  
4 the same.

5 Q And to the extent they are different, they  
6 would invite arbitrage; would they not?

7 A I don't know whether they invite arbitrage or  
8 not. I guess it depends on what the numbers turn out to  
9 be. It seems to me that Congress, in putting unbundled  
10 elements and resale into the federal act, has provided  
11 two different mechanisms for entering the local market,  
12 and I don't know why a new entrant wouldn't make a  
13 rational business decision about what to do.

14 Q Are you aware of any switch manufacturer that  
15 has endorsed the line class code solution to customized  
16 routing?

17 A I know of switch manufacturers who have all  
18 said that it is technically feasible in their systems.

19 Q Have they endorsed a particular solution for a  
20 customized routing through the line class code scenario?

21 A I'm not aware of anybody saying that they've  
22 endorsed it to the exclusion of another option. Rather,  
23 what I have seen in the correspondence, Mr. Gillman, is  
24 the switch manufacturers saying, yes, my switch can do  
25 this.

1 Q Do you agree with the letter drafted by Lucent  
2 that was attached to Mr. Hartshorn's testimony?

3 A If you would clarify for me, is this a letter  
4 dated June 25th?

5 Q Yes.

6 A From Paul Guarneri?

7 Q Do you agree with that letter?

8 A Do I have the right letter, first of all?

9 Q Yes.

10 A Yes, I agree with the letter. I also have a  
11 follow-up message from Mr. Guarneri, where he indicated  
12 in a signed statement that people who interpret the  
13 statement in this June 25th letter where it says, we  
14 don't endorse -- I'm looking for it. "This document is  
15 intended to be a statement of fact concerning currently  
16 proposed workarounds. It is not an endorsement of any  
17 workaround by Lucent Technologies."

18 Apparently some parties have misinterpreted  
19 Mr. Guarneri's intent. In our follow-up correspondence,  
20 he says that in no way did he intend that anybody  
21 interpret that as any indication that Lucent wouldn't  
22 support warranties and wouldn't support the workaround.  
23 His statement says that he meant only to indicate in his  
24 letter this is one way to do it; it's technically  
25 feasible; that there may be other ways, but this way

1 works; and Lucent stands behind the instructions that  
2 were attached.

3 Q In the letter that was attached to  
4 Mr. Hartshorn's testimony, they didn't specifically  
5 endorse that solution, though, did they? Are you saying  
6 they've changed their position?

7 A They haven't changed their position. Rather,  
8 I think what they've done is clarified the  
9 misinterpretation that other people are doing of his  
10 letter.

11 Q Did they say they endorsed the line class --  
12 line code class solution at this point in time?

13 A What I'm hunting -- let me just hunt something  
14 up here for you and maybe I can lay this to rest.

15 I'm just going to quote in part from a piece  
16 of follow-up correspondence --

17 Q Before you do that, have you provided that  
18 letter in response to our discovery request?

19 A I don't know.

20 Q I don't think you did.

21 A Okay. Because I don't know when your  
22 discovery came in and I think this letter came in --  
23 well, it's dated 9-19, but I don't know when we got it.

24 MR. TYE: Madam Chairman, we just got it, I  
25 believe, but I'll be glad to pass it out and we can have



1 it marked, and then Mr. Gillman can ask any questions he  
2 wants about it.

3 CHAIRMAN CLARK: Mr. Gillman, do you want the  
4 letter passed out?

5 MR. GILLMAN: Yes, I do. If I could, shall I  
6 go on?

7 CHAIRMAN CLARK: Yeah. Ms. Dunson, will you  
8 make sure Mr. Gillman gets the first copy?

9 Q (By Mr. Gillman) Regarding transport, isn't  
10 it true that GTE already provides dedicated and common  
11 transport in its tariff?

12 A Yes. As I understand it, that's provided in  
13 access tariffs, among other things, today.

14 Q So GTE is willing to provide those on an  
15 unbundled basis; are they not?

16 A That's my understanding.

17 Q You talk about tandem-to-tandem switching,  
18 that's not an issue in Florida, is it, because GTE  
19 Florida only has one tandem?

20 A That's correct.

21 Q So that's not an issue between GTE and AT&T;  
22 is it?

23 A Not in Florida.

24 Q Regarding your testimony on Page 26, Line 11  
25 to 17, where you refer to data switching?

1 A I'm with you.

2 Q Are you referring to packet switched data or  
3 circuit switched data, or do you know?

4 A This is a reference to packet data.

5 Q Okay. The FCC has not required us to unbundle  
6 packet switching; have they?

7 A I don't believe they have, but I'm a little  
8 fuzzy on what that finding was.

9 Q And hasn't GTE agreed to essentially unbundle  
10 that if it can be done on a case-by-case basis?

11 A That's my understanding.

12 Q So that's not an issue either, with GTE; is  
13 it?

14 A No, that's not an issue.

15 Q On Page 20, Lines 1 and 2, you indicate that  
16 GTE must not be allowed to place any restrictions on  
17 AT&T's use of GTE's unbundled network elements.

18 A Correct.

19 Q And are you saying that even if -- even if the  
20 ALECs use the unbundled network -- or the unbundling of  
21 the network would endanger the safety of personnel or  
22 customers? Would that not be a valid restriction?

23 A I don't think it's valid for you to place  
24 restrictions on us.

25 Q Even if it may endanger the safety of either

1 the network or personnel?

2 A That seems to me to be quite an interesting  
3 hypothesis, because I can't imagine how we would ever do  
4 that.

5 Q AT&T presently interconnects with GTE's SS7  
6 networks and databases now; doesn't it?

7 A I believe that we do.

8 Q And before that interconnection was provided,  
9 industry standards were developed; were they not?

10 A I think that they were probably developed  
11 prior to the interconnection between AT&T and GTE. They  
12 were developed after some interconnections had already  
13 taken place, however.

14 Q Did you insist on developing those standards?

15 A I believe AT&T, as I recall, had a leading  
16 role in developing standards for network interconnect.

17 Q And would you agree with me that AT&T has  
18 often had a leading role in developing other national  
19 standards?

20 A Yes, it has.

21 Q And the purpose, wouldn't you agree, of  
22 national standards, is to make sure that all carriers  
23 can interconnect with other networks with a minimum of  
24 disruption to the networks or to end users?

25 A That's certainly one of the things national

1 standards do, along with allowing for electronic  
2 commerce, so that we're not Balkanized as a nation, and  
3 so that equipment manufacturers have a market that they  
4 can sell into.

5 Q And presently there are what we talk about  
6 mediation standards with respect to SS7; are there not?

7 A I am not sure what's buried in the current set  
8 of AIN standards around mediation.

9 Q I didn't ask about AIN. I'm asking about IN,  
10 Intelligent Network, and SS7. Aren't there standards,  
11 specific mediation standards, that safeguard the  
12 network?

13 A Yes. If your question is relevant to  
14 Signaling System 7 and network interconnect of say, AT&T  
15 and GTE's signaling network, my answer is yes.

16 Q And those mediation standards, they are  
17 service-specific sort of mediation standards?

18 A No. In general they are not service-specific.

19 Q On the SS7, or Intelligent Network?

20 A That's correct.

21 Q Can you describe what sort of mediation  
22 standards there are for the Intelligent Network?

23 A Well, I can't describe all of them, but some  
24 of them include flow controls of signaling message  
25 traffic back and forth, so that one element doesn't

1 overload another. Another set of controls involves  
2 what's called the gateway function, which screens  
3 messages to see that one point code, one switch or  
4 database in the signaling network is allowed to query or  
5 respond to another point code. Those are some of the  
6 things that exist today. There's a fairly complete set  
7 of network management controls in the SS7 network that  
8 has existed for years.

9 Q And they are very, very detailed, are they  
10 not?

11 A They're quite detailed, because if there's a  
12 problem there, there's a problem everywhere.

13 Q And when you say a problem everywhere, a  
14 problem throughout the network?

15 A Throughout the network, it affects call setup,  
16 as well as things like 800 service.

17 Q And of course that's why you developed  
18 mediation standards to preclude that sort of problems,  
19 correct?

20 A Yeah, except that some of the standards that  
21 are in SS7, I wouldn't term mediation. They have more  
22 to do with simple network management as opposed to  
23 controlling the information that flows back and forth  
24 between two carriers.

25 Q Now, these mediation -- and again, I'm just

1 talking about Intelligent Network, not AIN. These  
2 mediation standards reside in the STP; do they not?

3 A That's correct.

4 Q And these mediation standards would not be --  
5 would not apply if AT&T gets access directly through  
6 the -- to the service control point rather than through  
7 the STP?

8 A That's correct. And by the way, that's what  
9 we're asking for when we ask for signaling networks to  
10 be unbundled, and we recognize that the access to either  
11 a switch or to a service control point database in the  
12 SS7 network can only occur through its STP.

13 Q And GTE is in agreement with you on that?

14 A I believe that you might be. I think that's  
15 the case.

16 Q So we don't have an issue there either; do we?

17 A No, but I think we do have an issue around the  
18 ability to mix and match. Because if you take a  
19 database and the STP that it talks to, AT&T is saying  
20 that it wants to be able to choose the provider of that  
21 database and to mix that with a different provider of  
22 signaling links and with a different provider of other  
23 STPs in the network.

24 Q And it's your understanding that GTE has not  
25 agreed to that?

1           A     I haven't seen you agree to it. And so I  
2 don't believe you have, at least that's my  
3 understanding. You know, there are comments about  
4 signaling links not being able to be unbundled, which is  
5 just patently false.

6           Q     Now, Mr. Crafton, is it your testimony that  
7 the mediation safeguards or standards that you just  
8 discussed are sufficient to provide mediation for AIN  
9 messages?

10          A     And my answer is yes, when they're used in  
11 conjunction with other techniques, such as network  
12 validation testing and the existing fire walls that  
13 exist in the network, and carrier-to-carrier agreements  
14 around things like feature interaction. When it's  
15 coupled with all of these things, the answer is yes.

16          Q     And those validation tests have not yet been  
17 established; have they?

18          A     I don't know what you mean by established.  
19 They haven't been conducted.

20          Q     They're not operational yet on an  
21 industry-wide basis; are they?

22          A     Well, people do network validation tests for  
23 years. Going back to the questions to Mr. Shurter, we  
24 introduced a very robust set of network validation tests  
25 for the signaling network back in 1990 as a result of

1 that January 15th failure. So NVT, as we call it, is  
2 done all the time.

3 Q What did you call them again?

4 A Network validation tests, NVT.

5 Q Those have not yet been established,  
6 developed, conducted, for mediation for AIN, yet; have  
7 they?

8 A They have been conducted whenever -- let me  
9 put it this way, the BellSouth test is an example of  
10 that being conducted. That is exactly what that test  
11 is.

12 Q Is that --

13 A And I might add that the New York local number  
14 portability trial, which used AIN triggers to go out and  
15 query a database using the long run portability  
16 solution, that was another example of network validation  
17 testing. They actually looked for feature interactions  
18 during those tests.

19 Q Is that BellSouth test the one you mention in  
20 your testimony?

21 A Yes.

22 Q In your rebuttal?

23 A Yes.

24 Q Now, that test was between a -- did not  
25 involve any live customers; did it?



1           A     It did not involve live customers, but it was  
2 executed between BellSouth's test network and AT&T's  
3 integrated test network. And what's important for you  
4 to know about that ITN, is that it simulates the real  
5 world. It simulates the background load in the  
6 network. It is as real world as you can get and not  
7 have paying customers on the line.

8           Q     Okay. BellSouth and AT&T disagreed over the  
9 conclusions of that test; did they not?

10          A     Yes, we did disagree.

11          Q     And in fact, it was BellSouth's position that  
12 key areas such as routing, billing, air handling,  
13 network management, network security, provisioning,  
14 operations and maintenance were only handled on a  
15 de minimus basis during the test arrangement. Do you  
16 agree with that statement?

17          A     I agree with that statement. And the reason  
18 that statement is true is because the test was limited  
19 by the parties in advance, and because of time and cost  
20 considerations.

21          Q     Do you also agree with the statement that it's  
22 difficult to draw definitive conclusions from the  
23 AT&T/BellSouth AIN lab-to-lab test results?

24          A     No, I don't agree with that.

25          Q     Wasn't that the statement that BellSouth made

1 in their dissenting report?

2 A I believe it was.

3 Q So it was BellSouth's position, was it not,  
4 that you couldn't draw any definitive conclusions from  
5 that test?

6 A That was their statement, and you can  
7 certainly appreciate why they would make such a  
8 statement. They're seeking to limit the ability of new  
9 entrants, such as AT&T, to offer parity services using  
10 AIN. So they certainly had the incentive to make such a  
11 statement.

12 Q Maybe they're also seeking to avoid a  
13 situation that AT&T had in 1990.

14 MR. TYE: Could counsel be more specific?

15 WITNESS CRAFTON: That sounds like a statement  
16 rather than a question.

17 Q (By Mr. Gillman) I'm saying, couldn't that  
18 have also been their intent in making that statement, to  
19 avoid the situation that you described in 1990 where  
20 AT&T's network went down?

21 A Since I don't work for BellSouth,  
22 Mr. Gillan -- Gillman, sorry, we have a Gillan --  
23 Mr. Gillman, I can't answer. I don't know.

24 Q And then you can't also answer that their  
25 incentive in making that statement was to keep new

1 entrants out; can you?

2 A No, but it's certainly an interesting  
3 speculation; isn't it?

4 Q We talked about the ST -- the SS7 mediation,  
5 but isn't what AT&T is proposing in this case is for  
6 unmediated access to the AIN triggers?

7 A Yes.

8 Q And the reason that you're not willing to  
9 agree to mediated access, these validation tests and  
10 such, is because of the delay in the signals that are  
11 sent to AT&T's customers?

12 A Yes, that's one of the reasons. Some  
13 additional reasons include the potentially greater  
14 failure rates because of the extra equipment involved  
15 and the extra processing, and I assume that GTE would  
16 want to fold that into its prices. So we don't want to  
17 see that either.

18 Q So you don't want to have to pay for something  
19 that safeguards the network?

20 A We don't want to pay for something that's  
21 unnecessary. The safeguards are already there.

22 Q But you're proposing, are you not, in this  
23 case, a completely unmediated access to the AIN  
24 triggers?

25 A That would not be an accurate statement, so I

1 would say no. We are proposing that the access to the  
2 AIN triggers be based upon the existing protections  
3 resident in the STPs, the use of various fire walls to  
4 protect one customer's service from another, the fact  
5 that GTE is the ultimate provisioner of the switch  
6 trigger, and that the switch is also the -- has the  
7 final say in responding to a message, and the fact that  
8 we are desirous of doing network validation testing with  
9 you.

10 Q Would you agree that the -- and what you're  
11 talking about is the standard STP mediation, you're  
12 proposing to use that unmodified to mediate AIN?

13 A Yes. We're proposing to use that unmodified  
14 in conjunction with the other things I just listed.

15 Q And it's your -- I already said that.

16 Are you familiar with all the various dangers  
17 that Mr. DellAngelo talked about in his testimony?

18 A Yes, I am. And they are all effectively dealt  
19 with through the methods I described earlier.

20 Q And that's the present mediation standards  
21 that exist today?

22 A Correct, and the other things on my list.  
23 Once again, let me be careful in the way my testimony is  
24 characterized here. I'm talking about a program in  
25 which there are several things that you've got to do. I

1 am not proposing that, hey, unmediated access, that's  
2 it, that's all you need. You need to do the other  
3 things, too, that I've listed.

4 Q And those are the things that were part of the  
5 BellSouth/AT&T trial?

6 A That BellSouth/AT&T trial is an example of  
7 network validation testing, and at its best I might add,  
8 and had it gone on longer, it would have been a complete  
9 network validation test, which it was not.

10 Q Have these validation tests been installed  
11 anywhere in the country as of the present time, with end  
12 user customers?

13 A Let me explain something. Network validation  
14 tests are performed prior to turnup of customer  
15 service. So with that clarification, try me again.

16 Q The network validation tests that you refer to  
17 in the BellSouth/AT&T lab test, has that ever been  
18 expanded to end users?

19 A I would say yes, because the -- I'm sorry, to  
20 end users. I would say, no, it has not been expanded to  
21 end users. End user service has not followed any of  
22 those NVTs to my knowledge.

23 Q Now the FCC has not required this sort of  
24 unbundling of the AIN database; has it?

25 A I don't believe that they have made a -- an

1 order in that regard, no.

2 Q And they found that it was technically  
3 infeasible; did they not?

4 A I am not sure whether they used the term  
5 "infeasible."

6 Q They've been studying this question for some  
7 time now; haven't they?

8 A Yes, they have.

9 Q So they have a lot of information on the  
10 feasibility of providing this sort of unbundling; have  
11 they not?

12 A Yes, I would think so.

13 Q That's in Docket 91-346? Is that where  
14 they're studying this issue?

15 A I accept your nomination of that docket. I  
16 don't know the numbers.

17 Q And that's still an open docket; is it not?

18 A I think it is open, yes.

19 Q So theirs continue to consider the issue of  
20 whether access to the AIN database is technically  
21 feasible?

22 A They are considering AIN, and I think that's  
23 still one of the issues.

24 Q That is one of the issues that they're still  
25 considering?

1 A Ask the question again.

2 Q That docket is still open, and in that docket  
3 they are considering issues of unbundling the AIN  
4 network?

5 A Yes, I think so.

6 Q And one of the issues would, of course, be  
7 appropriate mediation standards; would they not?

8 A Yes.

9 Q Now, there are no industry-wide validation  
10 tests for AIN unbundling; is there?

11 A Yes and no. I don't think there's been  
12 anything that's included every player in the industry,  
13 but if you look at the BellSouth/AT&T trial, and if you  
14 look at the New York local number portability trial  
15 which involved, oh, golly, I think about ten carriers --  
16 maybe it's seven carriers -- there have been  
17 multi-carrier tests that involved AIN triggers. And the  
18 participants in the New York local number portability  
19 trial made an explicit statement in their report about  
20 the query and response using AIN did not require  
21 anything more than STP mediation, existing STP  
22 mediation. So that's an example of a multi-carrier  
23 trial.

24 Q Did the AIN, or the AT&T/BellSouth study a  
25 GTD-5, whether it would work with the GTD-5?

1           A       That would be in that BellSouth/AT&T test  
2 report, and I'm pretty sure the answer is no, it did not  
3 include a GTD-5.

4           MR. GILLMAN:  Chairman Clark, we have had  
5 several questions about this test report, and I would  
6 like to hand a copy to the witness and mark it as an  
7 exhibit.

8           MR. TYE:  Can we see a copy?

9           CHAIRMAN CLARK:  What about the letter from --  
10 or the memo from Lucent Technologies?  Mr. Gillman, when  
11 you get back to your microphone, we'll talk about it.

12          MR. GILLMAN:  I gave it to one of my experts  
13 and I'm going to take a look at it and I won't have many  
14 more questions.

15          CHAIRMAN CLARK:  So you don't want it as an  
16 exhibit?

17          MR. GILLMAN:  This new letter, I'm going to  
18 take a look at it right now.

19          MR. TYE:  Chairman Clark, I would ask that it  
20 be marked, in any event, since our witness referred to  
21 it.

22          CHAIRMAN CLARK:  I'm going to go ahead and  
23 mark the Lucent Technologies memo as Exhibit 7, and  
24 we'll mark as Exhibit 8 -- can you give me a title?

25          MR. TYE:  Chairman Clark, it is a Lucent



1 Technologies memo, Subject: Dialing parity of directory  
2 assistance and operator services for competitive  
3 resellers of local service, dated June 25th, 1996. And  
4 attached to the back of that letter is a conversation  
5 memo dated 9-19-96 signed by Paul J. Guarneri, I believe  
6 is the way you pronoun his name.

7 CHAIRMAN CLARK: And Mr. Gillman, what shall  
8 we title Exhibit 8, this report? It's AT&T/BellSouth  
9 ANI test report?

10 MR. GILLMAN: AIN report, I think.

11 CHAIRMAN CLARK: That will be marked as  
12 Exhibit 8.

13 MR. TYE: Could we have a copy of the AIN  
14 report?

15 MR. GILLMAN: Surely, I'm sorry. I  
16 apologize.

17 (Exhibit Nos. 7 and 8 marked for  
18 identification.)

19 Q (By Mr. Gillman) Drawing your attention,  
20 Mr. Crafton, to this letter, is that a write-up of a  
21 phone conversation.

22 A Yes. You're referring to the 9-19 letter with  
23 Mr. Guarneri's signature at the bottom.

24 Q Yeah, I guess it doesn't look like a letter to  
25 me.

1           A       Yeah, it's a record of a phone conversation,  
2 and it's my understanding is that this was -- once it  
3 was written out, it was sent over to Paul Guarneri who  
4 signed it and faxed it back.

5           Q       Okay. The Lucent letter, as well as this  
6 supplement, didn't address the GTD-5, switch; did it?

7           A       No, these addressed the 5ESS. And what  
8 happened is that on 9-19, we also called a Lee Brandis  
9 in Phoenix, who is part of the GTD-5 development team,  
10 and Lee told us that the GTD-5 is much more flexible  
11 than the 5ESS as far as the ability to do customized  
12 routing for multiple carriers. The GTD-5 could support  
13 several carriers on the same switch. The GTD-5 is  
14 flexible and it's very simple to do customized routing.

15          Q       Regarding your testimony regarding number  
16 portability, you're proposing that GTE must offer all  
17 four methods of number portability?

18          A       That's our request, yes.

19          Q       And one of those requests is the LERG. The  
20 LERG -- can you explain what the LERG number portability  
21 solution is?

22          A       Yes, I would be happy to. The LERG stands for  
23 Local Exchange Routing Guide. It contains routing  
24 instructions that are used by every carrier in the  
25 country to properly route telephone calls.

1 Q Isn't the LERG process designed to deal with  
2 low volume network rearrangements, rather than the  
3 potentially large volume of service provider moves?

4 A No, it was meant to deal with the routing of  
5 the entire United States traffic volume. And so what  
6 LERG reassignment does is it allows a block of ported  
7 numbers to be changed in the assignment guide so that  
8 that block of numbers is no longer resident in the  
9 incumbent LEC's switch, but is rather indicated as being  
10 resident in some other carrier's switch.

11 The LERG then gets disseminated so everyone in  
12 the country knows to route to that block of numbers,  
13 using the information in the LERG.

14 CHAIRMAN CLARK: Why don't you have your  
15 counsel hand it to them and you can sit there. Thanks.  
16 And Mr. Gillman, if you would, stay near a microphone  
17 when you talk. That's all right, Mr. Lackey was doing  
18 it all day long last week. So --

19 MR. GILLMAN: If Mr. Lackey was doing it, I  
20 feel honored to be able to follow in his footsteps.

21 CHAIRMAN CLARK: I thought you were going to  
22 apologize.

23 Q (By Mr. Gillman) Mr. Crafton, what's being  
24 handed to you is a -- is some documents that AT&T  
25 provided to us in response to our request for

1 production, and --

2 A Just -- she's explaining to me what I'm  
3 getting.

4 MS. CASWELL: I just want it to be clear.  
5 There are a number of documents here, and this is the  
6 cover sheet. And that's the page he's going to ask you  
7 about.

8 Q (By Mr. Gillman) Ms. Caswell, could you point  
9 out the sentence that I quoted to Mr. Crafton? Could  
10 you maybe point it out where it is since, I don't have a  
11 copy of it in front of me?

12 MS. CASWELL: Sure.

13 Q (By Mr. Gillman) And did you not make that  
14 statement in an AT&T document regarding the LERG?

15 A Well, I see the statement, and I'm trying to  
16 find out where it's coming from. (Pause) Okay, your  
17 question again, please?

18 Q Does that statement appear in that document?

19 A Yes.

20 Q And I actually read that statement out of that  
21 document and you said that wasn't true?

22 A No, because the question I answered, I guess,  
23 wasn't the one you asked. So I apologize. The question  
24 I answered was the LERG and its ability and the fact  
25 that it handles traffic all over the country. You must

1 have asked me a different question, so --

2 Q Well, I refer specifically that it refers to  
3 low volume; does it not?

4 A Right, there's a comment here about low  
5 volume.

6 Q And that seems different from saying it could  
7 be handled all over the country?

8 A Well, the LERG handles routing changes for the  
9 entire country.

10 Q On a low volume basis?

11 A On a low volume basis.

12 Q And do you perceive that as a problem with the  
13 LERG method?

14 A Well, the document you've handed me is by Penn  
15 Faust, who is an AT&T expert on local number  
16 portability. So I will defer to his opinion. If he  
17 says that's a problem, then I would say the answer is,  
18 yeah, that's a problem. By the way, I would say that we  
19 haven't claimed that LERG reassignment is problem-free.  
20 In fact, if you remember my summary, I said that all of  
21 these things have drawbacks. The ones that I listed on  
22 the easel chart are the ones that customers experience.  
23 And that's why we're focusing on LERG reassignment and  
24 route indexing portability hub, because they have the  
25 least effect on the customer.

1 Q I'm now going to draw your attention to the  
2 AT&T/BellSouth AIN report. That report was filed with  
3 the FCC?

4 A Yes, it was.

5 Q And that's the same study that you refer to in  
6 your rebuttal testimony?

7 A Yes.

8 MR. GILLMAN: At this time, Chairman Clark, I  
9 would like to move for the admission of GTE Exhibit 8,  
10 or is it Exhibit 8?

11 CHAIRMAN CLARK: I've identified it as Exhibit  
12 8. You want to move it into the record now? We usually  
13 wait until we're done.

14 MR. GILLMAN: That's fine.

15 CHAIRMAN CLARK: Okay?

16 MR. GILLMAN: That's fine. I have no further  
17 questions.

18 CHAIRMAN CLARK: Okay. Staff?

19 CROSS EXAMINATION

20 BY MS. CANZANO:

21 Q Good afternoon, Mr. Crafton.

22 A Good afternoon.

23 Q Staff will be brief. Ms. Menard discusses  
24 LERG reassignment --

25 A Thank you.

1 Q Ms. Menard discusses LERG reassignment to the  
2 1,000 number block in her testimony. Are you familiar  
3 with that?

4 A I am.

5 Q Does AT&T still want GTE to provide LERG  
6 reassignment to the 1,000 number block, or NXX, or both?

7 A We can live with LERG reassignment at the NXX  
8 level.

9 Q You can live with it, but what do you want?

10 A Well, we have -- the LERG solution works -- is  
11 most important in cases where you're dealing with a  
12 large customer and they need to port a large number of  
13 numbers. So think about cases where a company has a  
14 PBX, and behind it there may be thousands of numbers.  
15 So we can live with the case of NXX LERG reassignment.  
16 We understand that there are logistical problems with  
17 the thousands block reassignment, and that's why there  
18 is an ICCF contribution outstanding right now on this  
19 subject.

20 Q Mr. Crafton, if the Commission decides to use  
21 the LERG and say a customer wants to change back to the  
22 local exchange company, how often is the LERG updated?

23 A I don't remember the update period. It's a  
24 matter of days and weeks, though. It's not something --  
25 obviously it's not something that's updated hourly. So

1 what you're talking about here for LERG reassignment is  
2 that it's a -- it's being used for a large customer  
3 moving a large number of lines, and it's obviously got  
4 to be a preplanned move.

5 Q And I'm going to switch subjects here.  
6 Specifically, why would AT&T offer the same services  
7 that GTE provides by combining unbundled elements rather  
8 than purchasing the service at wholesale?

9 A In general, we're seeking to differentiate our  
10 service. So I agree with the thrust of your question.  
11 I mean, why would we? We want to differentiate. But,  
12 going back to the comment I made in my summary, it may  
13 be that recombining all of the elements and providing  
14 basic local service with them on the UNE platform may  
15 offer us a faster way to get into the market. If you  
16 think about the two mechanisms that the Act has provided  
17 for entry, resale and unbundling, I would just ask you  
18 to envision a race between those two platforms within  
19 the AT&T company. We're trying to race those two  
20 platforms, and whichever one we can get to Florida first  
21 wins, and that could be the UNE platform.

22 Q Mr. Crafton, do you do you have in front of  
23 you a copy of Staff Exhibit RC-3 consisting of your  
24 deposition transcript from September 25th, 1996, and  
25 attached with that are late-filed deposition exhibits?



1           A     I think I do. Let me look here. Yes, ma'am,  
2 I have that.

3           Q     Do you have any changes to make to this  
4 document?

5           A     No, I don't.

6           MS. CANZANO: Chairman Clark, at this time  
7 Staff would like to have this marked for identification  
8 as an exhibit.

9           CHAIRMAN CLARK: The next number I have is  
10 Exhibit 9.

11                   (Exhibit No. 9 marked for identification.)

12           MS. CANZANO: Thank you. It is also my  
13 understanding that AT&T stipulates into the record  
14 AT&T's Responses to GTE's First Set of Interrogatories  
15 Nos. 1 through 47. And Staff has identified that as  
16 MG-5 under witness Mike Guedel. At this time, Staff  
17 would like to have this marked for identification as an  
18 exhibit.

19           CHAIRMAN CLARK: MG-5 will be marked as  
20 Exhibit 10.

21                   (Exhibit No. 10 marked for identification.)

22           MS. CANZANO: Thank you. With this, Staff has  
23 no further questions.

24           CHAIRMAN CLARK: Commissioners? Redirect?

25           MR. TYE: Thank you, Madam Chairman. I'll try

1 to be really brief.

2 REDIRECT EXAMINATION

3 BY MR. TYE:

4 Q Mr. Crafton, you were asked early, earlier on  
5 today, way earlier on, in your cross examination, about  
6 subloop unbundling, and there were some questions  
7 Mr. Gillman put to you about GTE's, perhaps, need to  
8 conduct investigations of what facilities were out  
9 there. Do you remember those questions?

10 A I remember them.

11 Q Is it your understanding that the local  
12 companies maintain plant records?

13 A Yes, that's my understanding.

14 Q And in your opinion, would a prudent company  
15 maintain cable records to determine what facilities are  
16 out there and which customer is being served by those  
17 facilities?

18 A Yes, in my professional opinion.

19 Q Now, to the extent that it was necessary for a  
20 company to go out there and actually verify those  
21 facilities on the ground, could such an investigation  
22 delay AT&T getting the service that it needs to fulfill  
23 a customer's request for service?

24 A Yes. It certainly could delay us.

25 Q And to the extent that those investigations

1 were used for no other purpose than to delay AT&T  
2 getting the service it requests on a timely basis, would  
3 those investigations be unreasonable under the Act?

4 MR. GILLMAN: He's telling him what to testify  
5 to. It's a leading question.

6 CHAIRMAN CLARK: Mr. Tye?

7 MR. TYE: Sorry about that. I'll rephrase the  
8 question.

9 Q (By Mr. Tye) If the investigations were done  
10 for no other purpose than to delay AT&T getting the  
11 facilities that it needs, in your opinion, would that be  
12 permissible under the Act?

13 A No, I would --

14 MR. GILLMAN: Same objection.

15 CHAIRMAN CLARK: Excuse me?

16 MR. GILLMAN: Same objection, still leading.

17 CHAIRMAN CLARK: Mr. Tye.

18 Q (By Mr. Tye) What would be the consequences  
19 under the Act of GTE using such investigations for no  
20 other purpose than to delay service to an AT&T customer?

21 A Well, I would think that that's counter to the  
22 Act, and I would hope that that would not take place.

23 Q Thank you, sir. Do you recall some questions  
24 about the use of digital loop carrier that Mr. Gillman  
25 put to you earlier?

1           A     Yes.

2           Q     How many types of digital loop carrier are  
3 there, sir?

4           A     There are two predominant types of digital  
5 loop carrier. One is universal, usually referred to as  
6 a universal digital loop carrier. And the second type  
7 is an integrated digital loop carrier.

8           Q     Will there be a new generation?

9           A     Yes. There's also a form of integrated  
10 digital loop carrier that's referred to as the next  
11 generation digital loop carrier system.

12          Q     Would installation of channel banks be  
13 necessary to unbundle all three types of digital loop  
14 carrier?

15          A     No, absolutely not. Universal digital loop  
16 carriers have the ability to separate individual  
17 customers' loops at the central office, and so no  
18 channel banks are required for that technology.  
19 Universal digital loop carriers are the oldest vintage  
20 of digital loop carrier. So they represent, in some  
21 places, the embedded base, if you will. When we turn to  
22 integrated digital loop carrier systems, those are newer  
23 vintage. They have been installed because of cost  
24 savings. Those are the ones with the problems that may  
25 involve channel bank deployment or other methods to

1 separate out an individual customer's line.

2           To the extent that local exchange carriers are  
3 now deploying the next generation of integrated digital  
4 loop carriers, those systems allow separation of  
5 individual customer loops out. So once again, you don't  
6 need channel banks and you don't need other equipment to  
7 do that. So if you deal with the very old technology or  
8 you deal with the very latest, it's not required. It's  
9 only that Mr. In-Between that's a problem.

10           Q     Now, sir, do you have a copy of the document  
11 that's been marked Exhibit 7 before you? It's the  
12 letter from Lucent Technologies.

13           A     I have it. There it is.

14           Q     Okay, now, at the risk of asking a leading  
15 question, is the -- are the first two pages of that  
16 document an exhibit that's been attached to  
17 Mr. Hartshorn's testimony?

18           A     Yes.

19           Q     And could you please explain the significance  
20 of the third page of Exhibit 7?

21           A     Well, the significance of the third page is  
22 that this is the follow-up conversation with the author  
23 of the first two pages, specifically around the  
24 interpretation of the statement in his original  
25 letter -- and I'll read it, "Note, this document is

1 intended to be a statement of fact concerning currently  
2 proposed workarounds. It is not an endorsement of any  
3 workaround by Lucent Technologies."

4           And on that third page, the author then goes  
5 on to clarify that statement and ensure that readers of  
6 his document don't misinterpret it. He says that Lucent  
7 stands behind the instructions that were attached to his  
8 original two-page letter and that the changes described  
9 and transmitted by his original letter don't in any way  
10 void the warranty and would not deny the customer from  
11 getting Lucent support.

12           And I'll just quote the final sentence of his  
13 third page letter, "Lucent stands behind their system,  
14 should the customer choose that particular feature,"  
15 referring to the line class code workaround, "and  
16 configure their switch to provide the service as  
17 described in that document."

18           Q     And how does it document affect the positions  
19 taken in your rebuttal testimony?

20           A     Well, it reinforces the positions in my  
21 rebuttal testimony which go to the point that line class  
22 code solutions are feasible in the vast majority of  
23 switches used today.

24           MR. TYE: Thank you, sir. I have no further  
25 questions, Madam Chairman.

1 CHAIRMAN CLARK: Exhibits?

2 MR. TYE: AT&T moves Exhibits 5, 6 and 7.

3 CHAIRMAN CLARK: Without objection, Exhibits  
4 5, 6 and 7 will be admitted in the record.

5 MR. GILLMAN: GTE moves Exhibit 8.

6 CHAIRMAN CLARK: Exhibit 8 will be admitted in  
7 the record.

8 MS. CANZANO: And Staff moves Exhibits 9 and  
9 10.

10 CHAIRMAN CLARK: Exhibits 9 and 10 will be  
11 admitted in the record.

12 (Exhibit No. 5, 6, 7, 8, 9 and 10 received  
13 into evidence.)

14 CHAIRMAN CLARK: Thank you, Mr. Crafton.

15 (Witness Crafton excused.)

16 \* \* \*

17 CHAIRMAN CLARK: Mr. Guedel?

18 MR. TYE: AT&T calls Mike Guedel.

19 Whereupon,

20 MIKE GUEDEL

21 was called as a witness, having first been duly sworn to  
22 speak the truth, the whole truth, and nothing but the  
23 truth, was examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. HATCH:

1 Q Have you previously been sworn, Mr. Guedel?

2 A Yes, I have.

3 Q Would you please state your name and address  
4 for the record?

5 A My name is Mike Guedel. My business address  
6 is 1200 Peachtree Street, Northeast, Atlanta, Georgia  
7 30309.

8 Q And by whom are you employed?

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

11 Q Did you prepare and cause to be filed direct  
12 and rebuttal testimony in this proceeding?

13 A Yes, I did.

14 Q Do you have any changes or corrections to any  
15 of your testimony?

16 A Yes. I have a couple of typographicals I  
17 would like to repair. Page 16, Line 11 of my direct  
18 testimony, the third word from the end is "minute." It  
19 should be plural, "minutes."

20 COMMISSIONER KIESLING: I'm sorry, could you  
21 give me that again?

22 WITNESS GUEDEL: Yes, Page 16, Line 11 of my  
23 direct testimony.

24 COMMISSIONER KIESLING: Yes.

25 WITNESS GUEDEL: The word "minute" should be



1 "minutes."

2 COMMISSIONER KIESLING: Mine doesn't have the  
3 word "minute."

4 CHAIRMAN CLARK: Mine does.

5 COMMISSIONER KIESLING: This is Dr. Kaserman,  
6 right?

7 CHAIRMAN CLARK: No, Guedel.

8 MR. HATCH: Dr. Kaserman is going to be taken  
9 out of order.

10 CHAIRMAN CLARK: I'm sorry, go ahead.

11 Q (By Mr. Hatch) Subject to those changes and  
12 corrections, if I asked you the same questions today,  
13 would your answers be the same?

14 A Yes, sir, but I have a couple more typos I  
15 want to correct.

16 Q I'm sorry, I thought you were concluded.

17 A On my rebuttal testimony, Page 4, Line 23, the  
18 word "ALEC" should be possessive, "ALEC's." And on Page  
19 5, Line 17, the word "service" should be plural,  
20 "services." That's all I have.

21 Q Subject to those corrections, if I asked you  
22 the same questions today, would your answers be the  
23 same?

24 A Yes, they would.

25 MR. HATCH: Madam Chairman, we would request

1 that the direct and rebuttal testimony of Mr. Guedel be  
2 inserted into the record as though read.

3 CHAIRMAN CLARK: It will be inserted into the  
4 record as though read.

5 Q (By Mr. Hatch) Mr. Guedel, did you prepare  
6 three exhibits attached to your direct testimony  
7 identified as MG-1, MG-2 and MG-3?

8 A Yes, I did.

9 Q Were those prepared by you or under your  
10 supervision?

11 A Yes, they were.

12 MR. HATCH: Madam Chairman, could we ask those  
13 exhibits be marked for identification?

14 CHAIRMAN CLARK: They'll be marked as  
15 Exhibit 11.

16 (Exhibit No. 11 marked for identification.)  
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**DIRECT TESTIMONY OF**  
**MIKE GUEDEL**  
**ON BEHALF OF AT&T COMMUNICATIONS**  
**OF THE SOUTHERN STATES, INC.**  
**BEFORE THE**  
**FLORIDA PUBLIC SERVICE COMMISSION**  
**DOCKET NO. 960847-TP**  
**FILED: AUGUST 16, 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.

1

2

In 1982, I began working on access charge design and development. From May of

3

1983 through September of 1983, as part of an AT&T task force, I developed local

4

transport rates for the initial National Exchange Carrier Association (NECA)

5

interstate filing. Post divestiture, I remained with South Central Bell with specific

6

responsibility for cost analysis, design, and development relating to switched access

7

services and intraLATA toll. In June of 1985, I joined AT&T, assuming

8

responsibility for cost analysis of network services including access charge impacts

9

for the five South Central States (Alabama, Kentucky, Louisiana, Mississippi, and

10

Tennessee).

11

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

13

14 **A.**

My current responsibilities include directing analytical support activities necessary

15

for AT&T's provision of intrastate communications service in Florida and other

16

southern states. This includes detailed analysis of access charges and other Local

17

Exchange Company (LEC) filings to assess their impact on AT&T and its

18

customers. In this capacity, I have represented AT&T through formal testimony

19

before the Florida Public Service Commission, as well as regulatory commissions in

20

the states of Georgia, Kentucky, and South Carolina.

21

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

23

24 **A.**

The purpose of my testimony is to:

25

- 1           1 . Describe the basis for the prices recommended in this testimony for unbundled
- 2                 network elements and interconnection.
- 3           2 . Provide specific price recommendations for interconnection arrangements
- 4                 between AT&T and GTE.
- 5           3 . Provide specific price recommendations for many of the GTE unbundled
- 6                 network elements requested by AT&T
- 7           4 . Recommend procedures for establishing prices where no relevant cost data are
- 8                 currently available for other requested network elements; collocation; and
- 9                 access to poles, ducts, conduits, and rights-of-way.

10

11   **Q.    WHY IS IT NECESSARY FOR THE COMMISSION TO ESTABLISH**  
12           **PRICES FOR GTE UNBUNDLED NETWORK ELEMENTS AND**  
13           **INTERCONNECTION?**

14

15   **A.    The Telecommunications Act of 1996 (the Act) requires the local exchange**  
16           **companies, including GTE, to provide certain capabilities to new entrants in the**  
17           **local services market to facilitate the development of local competition. The local**  
18           **companies are permitted to recover their costs of providing these capabilities, but**  
19           **only to the extent that such charges conform to specific provision's of the Act's**  
20           **pricing requirements. The Commission is therefore charged by the Act to establish**  
21           **such prices as part of the arbitration process.**

22

23   **Q.    WHAT CAPABILITIES DOES THE ACT REQUIRE THAT GTE MAKE**  
24           **AVAILABLE TO NEW ENTRANTS?**

25

1 A. Section 251, paragraph (c)(2) requires that incumbent local exchange carriers  
2 provide any requesting telecommunications carrier interconnection with the local  
3 exchange carrier's network for the transmission and routing of telephone exchange  
4 service and exchange access. Paragraph (c)(3) requires the incumbent to provide to  
5 any requesting telecommunications carrier unbundled network elements. Paragraph  
6 (c)(4) requires the incumbent to offer for resale at wholesale rates any  
7 telecommunications service that the carrier provides at retail. Paragraph (c)(6)  
8 requires the incumbent to provide physical collocation and, where physical  
9 collocation is not practical, virtual collocation. Paragraph (b)(2) requires GTE to  
10 provide number portability in accordance with requirements prescribed by the FCC.  
11 Paragraph (b)(4) requires GTE to provide access to poles, ducts, conduits, and  
12 rights-of-way. The technical aspects of these prescriptions are addressed in the  
13 testimony of AT&T witness, Mr. Ray Crafton.

14  
15 **Q. WILL YOU DISCUSS PRICES FOR ALL OF THESE REQUIREMENTS IN**  
16 **YOUR TESTIMONY?**

17  
18 A. No. I will address the pricing of each of the requirements with the exception the  
19 pricing of GTE services offered for resale, which is addressed by AT&T witness Art  
20 Lerma.

21  
22 **Q. DOES THE ACT SPECIFY HOW INTERCONNECTION, NETWORK**  
23 **ELEMENTS, COLLOCATION, AND ACCESS TO POLES, CONDUITS,**  
24 **DUCTS, AND RIGHTS-OF-WAY ARE TO BE PRICED?**

25 A. Yes. The Act specifies that just and reasonable rates for the interconnection of

1 facilities and network elements “ (A) shall be (i) based on the cost (determined  
2 without reference to rate-of-return or other rate-based proceeding) of providing the  
3 interconnection or network element (whichever is applicable), and (ii)  
4 nondiscriminatory, and (B) may include a reasonable profit” 47 U.S.C.  
5 § 252(d)(1)(A)&(B). The Act further requires that compensation for transport and  
6 termination of traffic reflect costs that are a reasonable approximation of the  
7 “additional costs” of terminating such calls. In this regard, the Act does not  
8 preclude recovery through offsetting reciprocal obligations, including bill-and-keep  
9 arrangements - 47 U.S.C. § 252(d)(2). The Act specifies that collocation rates,  
10 terms, and conditions must be just, reasonable, and non-discriminatory - 47 U.S.C  
11 § 251(c)(6).

12

13 The Act also requires that the Commission consider, in its regulation of the rates,  
14 terms, and conditions for the attachments to poles, ducts, conduits, and rights-or-  
15 way, the interests of the subscribers of the services offered via such attachments, as  
16 well as the interests of the consumers of the utility.

17

18 **Q. HOW SHOULD PRICES FOR SERVICES PROVIDED TO NEW MARKET**  
19 **ENTRANTS BE DETERMINED?**

20

21 **A.** As discussed in the testimonies of Dr. David Kaserman and Joseph Gillan, prices for  
22 each of these capabilities should be set equal to direct economic cost, measured by  
23 Total Service Long Run Incremental Cost (TSLRIC) studies.

24

25 **Q. HAS GTE OFFERED TO PROVIDE NETWORK ELEMENTS TO AT&T AT**

1           **RATES EQUAL TO TSLRIC?**

2

3    A.    No. In its proposal dated July 24, 1996, GTE offered prices (on a limited number of  
4           the requested elements) that reflected a mark-up of nearly 30% above its TSLRIC  
5           cost estimate. Importantly, GTE's supporting cost study is fatally flawed and  
6           appears to have significantly overstated the TSLRIC costs.

7

8    **Q.    HAVE THESE GTE COST STUDIES BEEN REVIEWED BY A**  
9           **REGULATORY COMMISSION?**

10

11   A.    Yes. Through Decision No. 96-08-021, dated August 2, 1996, the California Public  
12          Service Commission reviewed the California version of these GTE cost studies,  
13          found the studies to be inadequate, and ordered GTE to produce new cost studies  
14          conforming to TSLRIC principles.

15

16   **Q.    WHAT IS THE BASIS FOR YOUR PRICING RECOMMENDATIONS**  
17          **DISCUSSED IN THIS PROPOSAL?**

18

19   A.    My pricing recommendations are based upon available cost data. Principally, I have  
20          utilized GTE Florida specific cost estimates developed through the Hatfield Model  
21          for pricing network elements. This Model is currently sponsored by AT&T and  
22          MCI and has been documented before the Federal Communications Commission  
23          (FCC), as well as numerous state regulatory bodies. The testimony of Mr. Wood  
24          documents the Hatfield methodology and the specific results of the model with  
25          respect to GTE Florida. Exhibit MG-3 to this testimony includes a summary of the



1 cost numbers used in my pricing recommendations.

2

3 I have also relied upon certain cost relationships contained in a loops study provided  
4 by GTE to AT&T as part of the negotiations process.

5

6

### INTERCONNECTION

7

8 **Q. WHAT IS MEANT BY THE TERM INTERCONNECTION?**

9

10 A. Interconnection refers to the act of linking two networks together such that calls or  
11 messages that originate on the network of one carrier may transit or terminate on the  
12 network of another carrier. Interconnection involves the physical linking of two  
13 networks and may include the need to collocate equipment and/or the joint use of  
14 poles, ducts, conduits, and rights-of-way. 47 U.S.C. § 251(b)(4).

15

16 **Q. WHAT COSTS ARE ASSOCIATED WITH NETWORK  
17 INTERCONNECTION?**

18

19 A. The primary component of cost within the interconnection category is the cost to  
20 AT&T and GTE of terminating traffic originated by the other company's customers.  
21 The Act specifies that each local exchange carrier has an obligation to establish  
22 reciprocal compensation arrangements for the transport and termination of such  
23 telecommunications traffic. More specifically, the Act requires that such  
24 arrangements provide for the mutual and reciprocal recovery by each carrier of costs  
25 associated with the transport and termination on each carrier's network of calls that

1 originate on the network of the other carrier.

2

3 **Q. DOES THE ACT ADDRESS THE PRICING FOR CALL TRANSPORT AND**  
4 **TERMINATION?**

5

6 A. Yes. 47 U.S.C. Section 251(b)(5) requires the establishment of reciprocal  
7 compensation arrangements and 47 U.S.C. Section 252(d)(2) requires that the  
8 reciprocal compensation reflect the additional costs of terminating telephone calls.

9

10 **Q. COULD YOU DESCRIBE THE CONCEPTS OF CALL TERMINATION**  
11 **AND RECIPROCAL COMPENSATION?**

12

13 A. Call termination is the function of receiving a call from an interconnecting company  
14 at the terminating company's switch and delivering the call to an end user customer  
15 (a customer of the terminating company).

16

17 For example, assume that two companies are offering competitive local telephone  
18 service in a given geographic territory. One company is the incumbent LEC and the  
19 other is an Alternative Local Exchange Company (ALEC). Further assume that  
20 these companies have established interconnecting facilities linking their respective  
21 switches. When a customer of the ALEC places a call to a customer of the LEC, the  
22 call is transmitted over the interconnecting facility to the LEC switch. Likewise,  
23 when a customer of the LEC places a call to a customer of the ALEC, the call can be  
24 transmitted over the same interconnecting facility to the ALEC switch. The function  
25 of call completion, in either case, includes the reception of the call at the terminating

1 company switch and the delivery of the call to the end user customer.

2

3 **Q PLEASE EXPLAIN IN MORE DETAIL THE CONCEPT OF RECIPROCAL**  
4 **COMPENSATION ARRANGEMENTS.**

5

6 A. When competition develops, each of the competing local service providers in a  
7 given territory will serve a certain number of customers. In order for each of these  
8 companies to offer ubiquitous local service to their respective customers, each  
9 provider will have to rely on the other providers to complete calls, and the provider  
10 completing the call will expect some form of compensation. Thus, during a given  
11 period, a provider may terminate calls entitling it to compensation and have its calls  
12 terminated requiring that it pay compensation. Reciprocal compensation  
13 arrangements would provide a mechanism to allow fair compensation and  
14 appropriate accounting for compensation among the various providers.

15

16 **Q. WHAT ARE THE APPROPRIATE TERMS AND PRICES FOR**  
17 **RECIPROCAL COMPENSATION ARRANGEMENTS?**

18

19 A. Initially, the best solution may be the "bill and keep" arrangement. Under this  
20 arrangement no dollars change hands. The compensation that one company offers  
21 to another for the completion of its calls is the agreement to complete the other  
22 company's calls in a like manner.

23

24 The beauty of this arrangement is its simplicity. There is no bill preparation or bill  
25 rendering involved, and there is no need to review bills for accuracy. Further, this

1 arrangement can be implemented without the development of cost studies that would  
2 be required to establish and justify specific prices.

3

4 AT&T supports the decision of the Florida Public Service Commission establishing  
5 "bill and keep" as the initial arrangement for inter-company compensation.

6

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

10

11 A. The rates charged for call termination should be set at the TSLRIC that the LEC  
12 incurs in providing the service. No additional mark-up should be allowed. A LEC  
13 should be permitted to recover the costs that it incurs in providing call termination  
14 arrangements, but it should not be allowed to exact any additional mark-up from  
15 potential competitors simply for the right to do business in its (the incumbent  
16 LEC's) territory.

17

18 The Commission should order the incumbent LEC (in this case GTE) to produce  
19 valid TSLRIC cost studies prior to establishing a specific price for this call  
20 termination and transport service.

21

22 **Q. WHAT ARRANGEMENTS SHOULD GOVERN THE INTERCONNECTION**  
23 **BETWEEN AN ALEC AND GTE FOR THE DELIVERY OF CALLS**  
24 **ORIGINATED BY AND/OR TERMINATED FROM CARRIERS TO THE**  
25 **ALEC THROUGH A GTE TANDEM SWITCH?**

1

2 A. When a local call originated by an ALEC customer traverses a GTE tandem switch  
3 to be completed through another ALEC switch, GTE should be entitled to charge the  
4 originating ALEC the TSLRIC associated with the tandem switching function.

5

6 When a toll call carried by an interexchange carrier traverses a GTE tandem switch  
7 to be completed at an ALEC end office switch, standard meet point billing  
8 arrangements should apply. Essentially, GTE would be entitled to the revenues  
9 associated with tandem switching (and also common transport if applicable, but not  
10 the residual Interconnection Charge) and the ALEC would be entitled to all other  
11 appropriate switched access charges.

12

13 **Q. WHAT SPECIFIC RATE SHOULD GTE CHARGE FOR PERFORMING AN**  
14 **INTERMEDIARY TANDEM FUNCTION PROVIDED IN THE**  
15 **COMPLETION OF A LOCAL CALL?**

16

17 A. GTE should be entitled to charge the TSLRIC based price associated with the  
18 unbundled tandem switching element. The recommended price for this function is  
19 \$.0007 per tandem switched minute of use. The development of this specific  
20 recommended price is discussed below in conjunction with the proposed prices for  
21 unbundled network elements.

22

23 **Q. WHAT ARE THE APPROPRIATE FINANCIAL ARRANGEMENTS**  
24 **REGARDING THE COMPLETION OF INTEREXCHANGE CALLS**  
25 **TERMINATED TO A NUMBER THAT HAS BEEN "PORTED" TO AN**

1           **ALEC THROUGH AN INTERIM LOCAL NUMBER PORTABILITY**  
2           **ARRANGEMENT?**

3  
4       A.     Under this scenario, the incumbent LEC is entitled to the switched access charges  
5           associated with the local transport functions (either the dedicated or  
6           tandem/common transport elements but not the Residual Interconnection Charge)  
7           required to transport the call to the incumbent's end office from which the call will  
8           be "ported" to the ALEC. The incumbent LEC is not entitled to any other switched  
9           access charges. The cost that the incumbent LEC incurs in "porting" the call to the  
10          ALEC is recovered through the interim local number portability charges. To the  
11          extent that the incumbent bills the non-transport access charges in this arrangement,  
12          the associated revenue should be remitted to the ALEC.

13  
14       **Q.     WHAT ARE THE APPROPRIATE ARRANGEMENTS FOR THE**  
15       **EXCHANGE OF INTRALATA 800 TRAFFIC WHICH ORIGINATES FROM**  
16       **AN ALEC CUSTOMER AND TERMINATES TO AN 800 NUMBER SERVED**  
17       **BY OR THROUGH GTE?**

18  
19       A.     When an 800 call is originated by a customer of an ALEC, the ALEC must first  
20           determine where to send the call by querying an 800 database. If the call is to be  
21           routed to GTE, the originating ALEC should forward the call with appropriate call  
22           detail information to GTE so that GTE can bill its 800 customer. GTE should  
23           compensate the ALEC with appropriate 800 originating access charges and an 800  
24           database query charge.

25

1 UNBUNDLED NETWORK ELEMENTS

2

3 **Q. WHAT IS AN UNBUNDLED NETWORK ELEMENT?**

4

5 A. The Act defines a network element as a facility or equipment used in the provision  
6 of a telecommunications service, including features, functions, and capabilities that  
7 are provided by means of such facility or equipment.

8

9 **Q. WHAT TYPES OF COSTS ARE ASSOCIATED WITH A NETWORK**  
10 **ELEMENT?**

11

12 A. Network element costs may include both recurring and non-recurring costs  
13 associated with the physical facilities and service requirements used to support  
14 various network configurations and capabilities.

15

16 **Q. HAS AT&T REQUESTED THAT GTE PROVIDE UNBUNDLED ACCESS**  
17 **TO NETWORK ELEMENTS?**

18

19 A. Yes. AT&T has requested access to the following twelve network elements:

20

- 21 1. Network Interface Device  
22 2. Loop Distribution  
23 3. Loop Concentrator/Multiplexer  
24 4. Loop Feeder  
25 5. Local Switching

- 1           6 . Operator Systems
- 2           7 . Dedicated Transport
- 3           8 . Common Transport
- 4           9 . Tandem Switching
- 5          10 . Signaling Link Transport
- 6          11 . Signal Transfer Points
- 7          12 . Service Control Points/Databases

8

9           The prices for all twelve requested network elements remain in dispute.

10

11   **Q.    HAS AT&T DEVELOPED A PRICE FOR A 2-WIRE COMBINED LOOP?**

12

13   **A.    Yes. Based upon the Hatfield analysis, AT&T recommends that the Commission**  
14           **establish a rate for a 2-wire composite loop at \$11.25 per line per month. This**  
15           **combined 2-wire analog loop consists of four loop subelements (network interface**  
16           **device, loop distribution, concentrator/multiplexer, and loop feeder). A complete**  
17           **listing of AT&T's recommended price for each of these subelements is included in**  
18           **Exhibit MG-1 to this testimony.**

19

20   **Q.    HAS AT&T DEVELOPED PRICES FOR RELATED 2-WIRE ISDN LOOPS**  
21           **AND 4-WIRE ANALOG LOOPS?**

22

23   **A.    Yes. Based upon the 2-wire cost estimate developed through the Hatfield model,**  
24           **and cost relationships contained in the GTE cost studies, AT&T recommends that**  
25           **the Commission establish a price for a 2-wire ISDN loop at \$11.25 - the same as the**



1 price of a standard 2-wire loop. In this case, the GTE cost information indicates that  
2 the cost of the 2-wire ISDN loops is the same as the cost of the standard 2-wire loop.

3 While AT&T disagrees with the absolute quantification of the cost estimates  
4 developed in the GTE cost study, AT&T is willing to accept the relationships that  
5 GTE's study establishes until GTE produces more accurate studies.

6

7 Likewise, AT&T recommends that the Commission establish the price for the 4-wire  
8 loop at \$13.67. This price is approximately 21.5% above AT&T's recommended  
9 price for the standard 2-wire loop and consistent with the cost relationship  
10 developed through the GTE cost study.

11

12 A complete summary of AT&T's recommended price for these local loops is  
13 contained in Exhibit MG-1.

14

15 **Q. HAS AT&T DEVELOPED A PRICE FOR A 4-WIRE DS1 LOOP AND**  
16 **RELATED CHANNELIZATION?**

17

18 A. No. At this time AT&T does not have adequate cost information to recommend a  
19 price for this type of facility. The Commission should order GTE to produce  
20 TSLRIC studies to support the pricing of these elements.

21

22 **Q. HAS AT&T DEVELOPED PRICES FOR THE LOCAL SWITCHING**  
23 **ELEMENT?**

24

25 A. Yes. The Hatfield Model estimates the cost of local switching through two cost

1 components: 1) a monthly cost for the port, and 2) a per minute cost associated with  
2 usage. The cost of the port is \$1.12 per line per month. The cost of usage is  
3 estimated to be \$0.002 per minute of use. AT&T recommends that the price for  
4 each of these components be established at these respective cost levels. AT&T  
5 acknowledges that more sophisticated cost models (assuming the availability of  
6 appropriate data) may be capable of further disaggregating switching cost by various  
7 characteristics such as: 1) originating versus terminating minutes of use, 2) first  
8 minute versus additional minutes, or 3) line to line versus line to trunk switching  
9 arrangements, etc. AT&T recommends that the Commission order GTE to produce  
10 these supporting cost studies to further refine the pricing process. However, in the  
11 interim, the recommended prices should apply to all local switching minute<sup>s</sup> of use.

12  
13 **Q. HAS AT&T DEVELOPED PRICES FOR RELATED SWITCHING**  
14 **FUNCTIONS SUCH AS CUSTOM CALLING FEATURES, CLASS**  
15 **FEATURES, ACCESS TO ADVANCED INTELLIGENT NETWORK (AIN)**  
16 **TRIGGERS, ETC.?**

17  
18 **A.** Yes. The Hatfield Model is not capable of separately identifying the cost of  
19 providing these switching features. However, the Model includes all of these costs  
20 in its development of the local switching costs described above. Therefore, a carrier  
21 purchasing the local switching port and usage components should be allowed  
22 unlimited access to these additional features at no extra charge. AT&T  
23 acknowledges that more sophisticated cost models (assuming the availability of  
24 appropriate data) may be capable of further disaggregating switching costs by these  
25 various features and functions. AT&T recommends that the Commission order GTE

1 to produce such supporting cost studies to further refine the pricing process.

2 However, in the interim, no additional charges should apply.

3

4 **Q. HAS AT&T DEVELOPED PRICES FOR THE TANDEM SWITCHING**  
5 **FUNCTION?**

6

7 A. Yes. The Commission should set a rate no higher than \$.0007 per tandem switched  
8 minute of use. This level equals the cost estimated through the Hatfield Model and  
9 is only slightly below GTE's current tandem switching rate associated with switched  
10 access service (\$.00075) - a rate believed to be in excess of TSLRIC. The  
11 Commission should order GTE to produce TSLRIC cost studies to further refine this  
12 pricing process.

13

14 **Q. HAS AT&T DEVELOPED PRICES FOR THE TRANSPORT ELEMENTS?**

15

16 A. Yes. The Hatfield Model estimates the cost for both the common and dedicated  
17 transport elements. The estimated cost of providing dedicated transport is \$3.60 per  
18 equivalent DS0 per month (a DS0 is a voice grade equivalent path or channel). The  
19 estimated cost of providing common transport is \$0.00086 per minute of use.  
20 AT&T recommends that the prices charged for these network elements be  
21 established at the respective cost level.

22

23 **Q. HAS AT&T DEVELOPED PRICES FOR SIGNALING SERVICES?**

24

25 A. Yes. The Hatfield Model estimates costs for three signaling components: links,

1           Signal Transfer Points (STPs), and Signal Control Points (SCPs). The cost of  
2           providing the A-link is \$16.83 per link per month. The cost of providing the D-link  
3           is \$8.65 per link per month. The cost of providing a TCAP or ISUP message  
4           through the STP is estimated to be \$.00003. The cost of providing a TCAP message  
5           through the SCP is estimated to be \$.00103. AT&T recommends that the price for  
6           each of these signaling components be set at its respective cost.

7

8   **Q.    HAS AT&T DEVELOPED PRICES FOR OPERATOR SYSTEMS?**

9

10  **A.**   No. The Hatfield Model is not capable of estimating the costs of unique operator  
11           function. The Commission must order GTE to produce TSLRIC studies to support  
12           unbundled operator service offerings. Exhibit MG-2 to this testimony includes a  
13           listing of operator functions and services that requires GTE cost support.

14

15           The Hatfield Model, however, does estimate GTE's total cost of providing operator  
16           systems within the state and expresses that result as a function of total switched  
17           lines. This quantification should be used to evaluate the reasonableness of  
18           anticipated GTE operator cost analyses. The Hatfield Model estimates GTE's  
19           average cost of providing operator systems to be is \$.178 per switched line per  
20           month in Florida.

21

22  **Q.    HAS AT&T DEVELOPED AN ESTIMATE OF THE NON-RECURRING**  
23  **CHARGES ASSOCIATED WITH THESE VARIOUS NETWORK**  
24  **ELEMENTS?**

25

1 A. Yes. The Hatfield Model does not have the capability of independently identifying  
2 the non-recurring costs associated with the various network elements. However, the  
3 model does include applicable carrier to carrier non-recurring costs in its estimate of  
4 the related recurring cost components. Therefore, carriers should be allowed to  
5 establish all of these unbundled network elements without assessment of non-  
6 recurring charges.

7

8 **Q. DOES EXHIBIT MG-1 LIST ALL OF THE UNBUNDLED ELEMENTS**  
9 **REQUESTED BY AT&T?**

10

11 A. No. AT&T has only recommended prices for specific elements where some form  
12 of cost support was available. Other elements must be priced following the  
13 production of cost support. Exhibit MG-2 to this testimony lists many of those  
14 additional items. AT&T recommends that the Commission order GTE to produce  
15 TSLRIC cost studies to support the pricing of each of these necessary components.  
16 In the interim, prices for these items should reflect any appropriate FCC default  
17 prices. However, once acceptable TSLRIC cost information is available, element  
18 prices should reflect the TSLRIC costs as opposed to any FCC default proxies.

19

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

21

22 A. Yes.

1 REBUTTAL TESTIMONY OF  
2 MIKE GUEDEL  
3 ON BEHALF OF AT&T COMMUNICATIONS  
4 OF THE SOUTHERN STATES, INC.  
5 BEFORE THE  
6 FLORIDA PUBLIC SERVICE COMMISSION  
7 DOCKET NO. 960847-TP  
8 FILED: SEPTEMBER 24, 1996  
9

10 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

11

12 A. My name is Mike Guedel and my business address is  
13 AT&T, 1200 Peachtree Street, NE, Atlanta, Georgia,  
14 30309. I am employed by AT&T as Manager-Network  
15 Services Division.

16

17 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
18 EXPERIENCES.

19

20 A. I received a Master of Business Administration with  
21 a concentration in Finance from Kennesaw State  
22 College, Marietta, GA in 1994. I received a  
23 Bachelor of Science degree in Business  
24 Administration from Miami University, Oxford, Ohio.  
25 Over the past years, I have attended numerous

1 industry schools and seminars covering a variety of  
2 technical and regulatory issues. I joined the Rates  
3 and Economics Department of South Central Bell in  
4 February of 1980. My initial assignments included  
5 cost analysis of terminal equipment and special  
6 assembly offerings.

7  
8 In 1982, I began working on access charge design and  
9 development. From May of 1983 through September of  
10 1983, as part of an AT&T task force, I developed  
11 local transport rates for the initial National  
12 Exchange Carrier Association (NECA) interstate  
13 filing. Post divestiture, I remained with South  
14 Central Bell with specific responsibility for cost  
15 analysis, design, and development relating to  
16 switched access services and intraLATA toll. In  
17 June of 1985, I joined AT&T, assuming responsibility  
18 for cost analysis of network services including  
19 access charge impacts for the five South Central  
20 States (Alabama, Kentucky, Louisiana, Mississippi,  
21 and Tennessee).

22

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

24

25 **A.** My current responsibilities include directing

1            analytical support activities necessary for AT&T's  
2            provision of intrastate communications service in  
3            Florida and other southern states. This includes  
4            detailed analysis of access charges and other Local  
5            Exchange Company (LEC) filings to assess their  
6            impact on AT&T and its customers. In this capacity,  
7            I have represented AT&T through formal testimony  
8            before the Florida Public Service Commission, as  
9            well as regulatory commissions in the states of  
10           Georgia, Kentucky, and South Carolina.

11

12

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

14

15    A.    The purpose of my testimony is to rebut some of the  
16           assertions and specific conclusions of two GTE  
17           witnesses in this case: William E. Munsell and  
18           Dennis B. Trimble.

19

20

21    Q.    MR. MUNSELL ARGUES BEGINNING AT PAGE 7, LINE 15 OF  
22           HIS TESTIMONY THAT AN ALEC'S COST OF PROVIDING  
23           TRANSPORT AND TERMINATION WOULD LIKELY BE LESS THAN  
24           GTE'S COST OF PROVIDING TRANSPORT AND TERMINATION.  
25           DO YOU AGREE WITH HIS POSITIONS?



1

2 A. No.

3

4 First, Mr. Munsell begins his discussion with the  
5 assertion that GTE may have older, less efficient  
6 plant and equipment which would tend to increase its  
7 costs. This argument, however, is without merit  
8 because embedded technologies have no place in a  
9 TSLRIC or TELRIC analysis. A forward looking cost  
10 analysis appropriately includes forward looking  
11 technologies. The fact that GTE may or may not have  
12 some obsolete technologies in place is not relevant.  
13 On a going forward basis, the estimated cost  
14 incurred by GTE should be based upon the most  
15 efficient technology ("reconstructed" at current  
16 wire center locations) - essentially the same  
17 technology as would be used to estimate the ALEC's  
18 cost.

19

20 Second, Mr. Munsell argues that "because the total  
21 capacity of an ALEC's network tends to be more fully  
22 utilized than the capacity of the ILEC's network,  
23 the ALEC's per unit cost for carrying that capacity  
24 will be lower than the ILEC's per unit cost." This  
25 argument also misses the mark. GTE begins the

1 competitive phase with a market share of nearly  
2 100%. The ALEC's begin with nothing. In the near  
3 term, it is, therefore, not likely that an ALEC  
4 could deploy a telecommunications network and  
5 immediately utilize that network as efficiently as  
6 GTE can utilize its network. In the longer term, it  
7 could be assumed that both GTE and the ALEC(s)  
8 deploy optimally efficient networks. But even in  
9 this case, economies of scale would tend to favor  
10 the incumbent - GTE. In other words, larger  
11 networks still tend to be more efficient at full  
12 utilization than smaller networks.

13

14

15 Q. AT PAGE 32, LINES 17 THROUGH 19, MR. TRIMBLE ARGUES  
16 THAT "IF EACH PORT CAME WITH A FULL COMPLEMENT OF  
17 VERTICAL SERVICE<sup>S</sup>, THE FULL TELRIC COST OF THE "FREE"  
18 VERTICAL SERVICES COULD EASILY EXCEED \$100 PER  
19 MONTH." DO YOU AGREE WITH THAT POSITION?

20

21 A. No. I am not sure of the costs that Mr. Trimble  
22 intends to include in his estimate, but the number  
23 appears to be unrealistically high.

24

25 A rough rule of thumb in the industry maintains that

1 an entire switching machine can be purchased for  
2 between \$100 and \$120 per port - and this price  
3 includes all of the features and functionality of  
4 the switching machine. In other words a 50,000 line  
5 switch may cost between \$5M and \$6M. Mr. Trimble's  
6 cost estimate would seem to advocate recovering  
7 nearly the entire cost of the switch each and every  
8 month that it is in service. Such a recommendation  
9 is simply not reasonable.

10

11 A better rough cut estimate of the monthly cost per  
12 complete port can be obtained through the standard  
13 formula (total investment \* annual cost factor) /  
14 12. Total investment per port can be estimated to  
15 be \$110. Annual cost factors for switching  
16 equipment typically fall into the range of .28 to  
17 .34 depending upon the how the subelements are  
18 developed. (Annual cost factors are developed to  
19 include not only recovery of the initial investment,  
20 but operational expenses, maintenance, and a  
21 reasonable profit for the company as well.)  
22 Therefore, the anticipated total monthly cost of a  
23 complete port, with all feature capability, and  
24 including a profit for the company, should be in the  
25 range of \$2.57 to \$3.12 per month - significantly

1 less than Mr. Trimble's \$100 estimate.

2

3 Q. MR. TRIMBLE IS ADVOCATING AN UNBUNDLED LOOP PRICE OF  
4 \$33.08. IS THAT PROPOSAL REASONABLE?

5

6 A. No. Mr. Trimble's recommended price is almost 3  
7 times the costs of the loop as determined by the  
8 Hatfield Model. The adoption of such a price would  
9 merely serve to stifle the development of  
10 competition in Florida.

11

12

13 Q. HOW DOES MR. TRIMBLE JUSTIFY HIS PROPOSED PRICE?

14

15 A. At this point, it is not totally clear.

16

17 Mr. Trimble states at page 25, lines 3 through 5,  
18 that GTE will achieve some margin above cost. It is  
19 not clear to me at this time as to what that margin  
20 is or whether it bears any relationship to "forward-  
21 looking" common costs.

22

23 Mr. Trimble states at page 19, lines 12 and 13, that  
24 the rate is supported by GTE's cost study. At this  
25 time, I have not had the opportunity to review this

1 study. AT&T has requested the study and associated  
2 documentation through its formal data requests, but  
3 has not yet received the documents. Each of these  
4 documents will have to be reviewed to determine its  
5 appropriateness, but it appears that GTE has  
6 overstated its estimates by a sizable margin. (GTE  
7 did provide limited cost information through the  
8 negotiations process, but as noted in my direct  
9 testimony, this information was not sufficient to  
10 determine TSLRIC costs.)

11

12

13 Q. WHAT ARE SOME OF THE ASSUMPTIONS THAT CAN CAUSE AN  
14 OVERESTIMATION OF TSLRIC/TELRIC COSTS WITH RESPECT  
15 TO LOCAL LOOP?

16

17 A. There are several.

18

19 First, the study may contain some embedded or  
20 obsolete technology. To the extent that the study  
21 includes technology that is no longer being deployed  
22 or no longer being deployed in the manner assumed by  
23 the study, then the study is mis-specified and the  
24 costs are likely overstated.

25 Second, the study must contain the appropriate

1 forward looking mix of copper versus pair-gain  
2 systems. For example, if current technology  
3 supports an efficient cross-over of 9 kilofeet, then  
4 the study should reflect a 9 kilofeet cross-over.  
5 Historical cross-over points are irrelevant, and to  
6 the extent relied upon, can overstate costs.

7  
8 Third, the study likewise should contain the  
9 appropriate forward looking mix of integrated versus  
10 non-integrated pair gain systems. Because  
11 integrated systems are significantly more efficient,  
12 an inappropriate mix favoring non-integrated systems  
13 will significantly overstate the cost.

14  
15 Fourth, annual cost factors must be appropriately  
16 developed. If the company includes, for example, an  
17 inappropriate return on equity, then it could  
18 overstate its costs. If the maintenance and  
19 operations factors are built from historical  
20 (typically less efficient) plant and systems, then  
21 the factors will tend to ascribe historical  
22 inefficiencies to the new technologies and thereby  
23 overestimate the cost.

24 These and other inputs must be thoroughly examined  
25 to validate the supporting cost study(ies).

1           However, judging from the level of GTE's price  
2           proposal with respect to local loops, it is likely  
3           that some of these inputs have been inappropriately  
4           specified.

5

6   Q.    DOES THIS CONCLUDE YOUR TESTIMONY?

7

8   A.    Yes.

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

3 A Yes, I do.

4 Q Could you please give that?

5 A Yes. Through my testimony I first describe  
6 the basis for pricing unbundled network elements and  
7 network interconnection arrangements. Second, I provide  
8 specific price recommendations for interconnection  
9 arrangements between AT&T and GTE. Third, I provide  
10 specific price recommendations for unbundled network  
11 elements requested by AT&T. And finally, I recommend  
12 procedures for establishing prices where no relevant  
13 cost data are currently available for other requested  
14 elements, such as collocation and access to poles,  
15 ducts, conduits and rights of way. The fundamental  
16 guideline for all of my pricing recommendations is  
17 TSLRIC, or the total service long run incremental costs  
18 that a company incurs in providing a particular element  
19 or service.

20 For purposes of my testimony, I would like to  
21 clarify that the methodology behind TSLRIC is  
22 essentially identical to the methodology behind TELRIC,  
23 or total element long run incremental cost, as discussed  
24 by the Federal Communications Commission in its August  
25 8th, 1996 First Report and Order in Docket CC 96-98.



1           Pricing a TELRIC allows the providers of  
2 unbundled network elements to fully recover the costs  
3 that it incurs in providing the network functionality,  
4 including earning a reasonable profit for its  
5 shareholders. Similarly, pricing a TELRIC ensures that  
6 unbundled elements are not subsidized by other service  
7 offerings or other GTE customers.

8           And pricing a TELRIC creates prices that are  
9 competitively neutral and non-discriminatory, because it  
10 ensures that competitors of the incumbent LECs pay the  
11 same price for network elements as the incumbent  
12 effectively pays to itself. Pricing above TELRIC, on  
13 the other hand, allows the incumbent LEC to effectively  
14 cut itself a special deal at the expense of potential  
15 competitors.

16           With respect to local interconnection, AT&T  
17 continues to support the bill-and-keep compensation  
18 mechanism. Under this arrangement, no dollars change  
19 hands. The compensation that one company offers to  
20 another for the completion of its calls is the agreement  
21 to complete the other company's calls in a like manner.

22           With respect to toll traffic which traverses  
23 these interconnection arrangements, AT&T recommends that  
24 standard meet-point billing and compensation procedures  
25 should apply. Both of these recommendations regarding

1 interconnection are consistent with previous orders of  
2 this commission.

3           With respect to unbundled network elements, my  
4 pricing recommendations are based primarily on the  
5 results of the Hatfield Model. The Hatfield Model is a  
6 cost analysis tool which uses publicly available  
7 information to develop company-specific cost estimates  
8 regarding the 12 unbundled network elements that AT&T is  
9 requesting of GTE. The model was developed by Hatfield  
10 Associates and is currently sponsored by AT&T and MCI.  
11 Mr. Don Wood will testify before this commission on  
12 behalf of AT&T with the expertise in understanding the  
13 Hatfield Model and the results of that model.

14           Exhibit 1 to my testimony includes my pricing  
15 recommendations, many of which are reproduced on the  
16 chart here at my right.

17           At several points in my direct testimony, I  
18 encourage the Commission to order GTE to perform TELRIC  
19 cost studies to further support the pricing of unbundled  
20 network elements. At this point, having briefly  
21 reviewed the study data made available by GTE in this  
22 proceeding, I now encourage the Commission to ignore  
23 these GTE studies and rely exclusively on the results of  
24 the Hatfield Model.

25           The cost data provided by GTE is offered in

1 summary format only. It is not verifiable, and  
2 particularly with respect to the local loop analysis, it  
3 does not appear to represent forward-looking costs.

4           With respect to other unbundled network  
5 elements, such as collocation, poles, conduits and  
6 rights of way, AT&T encourages the Commission to adopt  
7 prices based upon appropriate proxy information. In  
8 these areas, where the Hatfield Model does not produce  
9 cost estimates, the Commission must rely upon GTE data  
10 to corroborate or improve upon the proxies. Thus, the  
11 Commission should order GTE to continue work on these  
12 cost areas to provide studies consistent with  
13 forward-looking cost parameters discussed by the FCC and  
14 to provide sufficient backup and supporting  
15 documentation such that any interested party could  
16 validate the GTE studies.

17           Our rebuttal testimony highlights some of the  
18 shortcomings in GTE's approach to cost, particularly its  
19 apparent predilection to incorporate embedded  
20 technologies in its analysis. Embedded technologies are  
21 not relevant in a forward-looking analysis and as such  
22 cannot be relied upon to provide conclusive results in  
23 this proceeding. This concludes my summary.

24           MR. HATCH: Tender the witness for cross.

25           MR. MELSON: No questions from the old man at

1 the end of the table.

2 CHAIRMAN CLARK: Okay. The gray-haired old  
3 man at the end of the table?

4 MR. MELSON: I'm not sure we're going to  
5 jointly sponsor Mr. Wood. We have to have a discussion  
6 here.

7 CHAIRMAN CLARK: Mr. Fuhr?

8 MR. FUHR: Thank you. GTE does have some  
9 questions of Mr. Guedel.

10 CROSS EXAMINATION

11 BY MR. FUHR:

12 Q Mr. Guedel, let me follow through first the  
13 oral summary that you gave here just now, and then we  
14 can go into your prefiled testimony. You stated here  
15 that as far as you were concerned TSLRIC and TELRIC  
16 were -- I think I got this down right -- essentially  
17 identical methodologies. Is that what you said?

18 A That is correct, yes, sir.

19 Q Do you believe there are any differences  
20 between a TSLRIC analysis and a TELRIC analysis?

21 A No, methodologically I consider them  
22 identical. The only difference is in the item that is  
23 being studied, not the way it is being studied.

24 Q Is there any difference in the costs that they  
25 attempt to measure?

1           A     I can answer only as I answered my last  
2 question, methodologically, no, they're attempting to do  
3 the same thing. Now to the extent that you're looking  
4 at something different in a service study than you would  
5 be looking at in a element study, then your results are  
6 going to be different because services and elements are  
7 not necessarily the same thing, but methodologically  
8 you're looking at the same cost.

9           Q     Do you believe there's any difference between  
10 the two in how they measure or treat joint and common  
11 costs?

12          A     No.

13          Q     And do you use the two terms interchangeably?

14          A     Yes. I will try to use TELRIC to be  
15 consistent.

16          Q     And to be consistent with -- I think you used,  
17 actually, TSLRIC in your prefiled testimony; is that  
18 right?

19          A     I did use TSLRIC in my prefiled testimony.  
20 This was filed prior to my reading of the FCC order,  
21 which talked extensively about TSLRIC, or TELRIC, excuse  
22 me.

23          Q     Had you ever heard that phrase, TELRIC, before  
24 when the FCC first came out with its First Report and  
25 Order.

1           A     I believe I had heard about it, but I wasn't  
2 aware of what the FCC meant by it until I digested, at  
3 least to the extent I've digested today, the August the  
4 8th order.

5           Q     And in fact, have you read and examined that  
6 FCC First Report and Order?

7           A     I can say I've read a lot of it.

8           Q     Are you relying, for any of your opinions or  
9 recommendations, on anything in that First Report and  
10 Order?

11          A     Well, I'm not sure I'm totally relying on  
12 anything. I think my strongest reliance on that order  
13 would be in the case of some of the services that I've  
14 suggested in my summary that we do not feel we have  
15 adequate cost information for today, and that the  
16 Commission may need to adopt some interim proxies for  
17 those rates, for things such as collocation. Those  
18 kinds of proxies were defined by the FCC order. And to  
19 that extent I've relied upon that idea, if you will.

20          Q     In fact, have you relied on it more than just  
21 for the idea establishing a proxy rate for those  
22 elements, but are you in fact relying on it for the  
23 specific number or price that you recommend that this  
24 Commission adopt for those elements?

25          A     I think with respect to collocation, the

1 answer is yes. I believe the FCC proxy for collocation  
2 would be the currently-tariffed rates, and I think we  
3 would accept those currently tariffed rates until better  
4 cost studies were available.

5 Q Are there any other elements that you are  
6 doing that for?

7 A That's the one that comes to mind.

8 Q Is it fair to say, then, that you are not  
9 aware of any other proxy rate set forth by the FCC that  
10 AT&T is recommending?

11 A With respect to the 12 unbundled elements,  
12 which I primarily am discussing here, I'm relying on the  
13 Hatfield Model exclusively. I'm not asking for an FCC  
14 proxy. With respect to interconnection, I'm relying  
15 on -- or at least supporting bill-and-keep, which is  
16 not really a proxy, but it is something that is at least  
17 endorsed by the FCC rules, so if you want to consider  
18 that, it's also endorsed by the Public Service  
19 Commission of Florida.

20 Again, the only possible other proxies would  
21 be for things such as poles and conduits, and I'm not  
22 sure those are tariffed, or to what extent they're  
23 tariffed, or if the tariff would indeed be the  
24 acceptable proxy. There may be other possible proxies  
25 for poles and conduits.

1 Q But those are the only ones that you can  
2 recall at this time?

3 A Yes, those are the only ones that I've  
4 discussed in my testimony.

5 Q In your oral presentation here today, you  
6 criticize the GTE cost studies. Do you recall doing  
7 that?

8 A Yes.

9 Q And in fact in your prefiled testimony, you  
10 also have, in a couple of places, made such criticisms,  
11 correct?

12 A That's correct.

13 Q And for example, if you look at your direct  
14 testimony that you filed back on August 16 and you look  
15 at Page 5, Lines 5 through 6 -- I don't know if I've  
16 gotten the right spot. Actually, on the rebuttal, Page  
17 5, Lines 15, and then through Page 10 at Line 4 you have  
18 criticisms of the GTE cost study and Dr. Trimble's  
19 testimony, correct?

20 A Yes.

21 Q And on Page 6 of the direct testimony, Lines 5  
22 through 6, you have there your criticism that,  
23 "Importantly, GTE's supporting cost study is fatally  
24 flawed and appears to have significantly overstated the  
25 TSLRIC costs." Do you see that?



1 A That's in my direct testimony.

2 Q Yes, sir, Page 6 of your direct testimony.

3 A Yes, sir, I recall that language.

4 Q And that direct testimony was filed on August  
5 16; your rebuttal testimony was filed on September 24,  
6 1996. Does that sound about right to you?

7 A Sounds about right to me.

8 Q At the time you made those criticisms of the  
9 GTE cost study, you had not in fact ever looked at or  
10 read the GTE cost study that has been submitted as part  
11 of this proceeding; had you?

12 A That's correct, I had not. I had reviewed a  
13 GTE cost study that was provided to AT&T, I believe late  
14 in July in conjunction with the arbitration process.

15 Q And because you have not reviewed the cost  
16 study that was submitted in connection with this  
17 hearing, you have no ability to state what similarities  
18 or differences there may be between those two studies;  
19 is that fair to say?

20 A Could you rephrase that?

21 Q Because you have not seen and taken the  
22 opportunity to review the cost studies that GTE  
23 submitted in connection with this hearing, you have no  
24 ability to say what similarities or differences there  
25 may be with respect to the cost study that you did

1 examine earlier this summer?

2 A At the time the testimony was filed on August  
3 the 16th, that's a true statement.

4 Q And that was also -- I'm sorry.

5 A And at this point in time, following GTE's  
6 filing of its case, I was able to review, at least  
7 briefly, some of the summary documentation that was  
8 provided by Mr. Trimble, I believe, in conjunction with  
9 his testimony in this docket. So I have had the chance  
10 to at least see some similarities between the two.

11 Q Well, this, I take it, is a rather recent  
12 exercise on your part because you've also given a  
13 deposition in connection with the proceedings in this  
14 matter; have you not?

15 A Yes, I have.

16 Q And that was a deposition taken by the Staff  
17 of this Commission, correct?

18 A Correct.

19 Q And in that deposition, you were asked  
20 whether, in fact, you had reviewed the cost studies that  
21 you were purporting to criticize in this proceeding;  
22 were you not? We can go through the record if you like,  
23 or take your time.

24 A I can answer the question if you could  
25 rephrase it. I don't like the way it was phrased.

1 Q Let's try it this way. You recall giving a  
2 deposition in this matter, correct?

3 A Yes, I do.

4 Q And for the record, it was a deposition on  
5 Friday, September 27, and it was a deposition started  
6 around 2:00 and taken by the Staff of the Florida Public  
7 Service Commission. Does that comport with your  
8 recollection?

9 A September 27th, 1996.

10 Q And you recall giving that deposition?

11 A Yes, I do.

12 Q And in that deposition, the Staff asked you,  
13 did they not, about your criticisms of the GTE cost  
14 studies, correct?

15 A The Staff specifically --

16 MR. HATCH: Could we have a page and a line  
17 reference to this, please?

18 MR. FUHR: Looking at Page 25 of your  
19 deposition.

20 MS. BARONE: Commissioners, just for your  
21 information, that's Staff's Exhibit MG-4.

22 MR. FUHR: The question begins on Line --

23 COMMISSIONER KIESLING: Could you give us the  
24 page number again now that I have it? I'm right here.

25 MR. FUHR: Page 25 of the deposition, Line 17,

1 the Commission asks: "Is it your testimony that GTE of  
2 Florida's cost studies contain these assumptions, or are  
3 you just stating that they could contain these  
4 assumptions?"

5 Answer: "I have not reviewed GTE's studies  
6 that have been filed in conjunction with their  
7 testimony. So at this point I am simply saying that  
8 their studies could contain these errors."

9 A That's correct. And on September 27th, 1996,  
10 that was a true statement.

11 MR. FUHR: Chairman Clark, I would move to  
12 strike any testimony or criticism that he has of the GTE  
13 cost studies on the ground that he had not examined  
14 those cost studies at the time he filed his testimony,  
15 or even as recently as his deposition in this matter.  
16 And for him to interject new opinions and new basis for  
17 these opinions at this late date seems a little late in  
18 the day.

19 MR. HATCH: What was the basis of the  
20 objection again?

21 MR. FUHR: The basis of the objection is that  
22 the prefiled testimony and the deposition that was given  
23 did not disclose the fact that Mr. Guedel had, in fact,  
24 ever reviewed these cost studies, and to the contrary,  
25 they specifically indicated that he had not reviewed

1 them. And now he's coming in here today saying that he  
2 has recently reviewed those cost studies and that is the  
3 basis for his criticisms.

4 MR. HATCH: Madam Chairman, that's not the  
5 sole intent of all of his testimony. His testimony also  
6 includes the prior GTE cost studies that were  
7 submitted.

8 CHAIRMAN CLARK: Mr. Fuhr, I think that goes  
9 to the credibility of any comment he may make on the  
10 study. He did testify that he looked at the study you  
11 submitted in arbitration, and his deposition indicates  
12 what he knew at the time. You have asked him cross  
13 examination questions that explore what he has looked  
14 at. To that extent, I think it goes to his credibility,  
15 and I will leave the testimony in.

16 MR. FUHR: Thank you, Chairman Clark.

17 Q (By Mr. Fuhr) Mr. Guedel, you have also in  
18 your direct testimony criticized the GTE cost study on  
19 the ground that the California Public Service Commission  
20 in the OANAD proceeding had voiced some criticisms; is  
21 that correct?

22 A No, I haven't criticized the cost study based  
23 upon the California analysis. I have included in my  
24 testimony a reference to the California order indicating  
25 that that Commission found some flaws in the studies

1 also.

2 Q But in your deposition again, you indicated  
3 that you were not familiar with the cost studies that  
4 were submitted at that time, or for that matter, any  
5 changes or modifications to that cost study that GTE has  
6 made in the California proceeding; isn't that fair to  
7 say?

8 A That's correct.

9 Q And to this date, you're still not aware of  
10 what changes GTE has made to its cost study in response  
11 to any of the criticisms that it may or may not have  
12 received in California; is that correct?

13 A That's correct.

14 Q Mr. Guedel, you have proposed prices for a  
15 number of different services and elements as part of  
16 your testimony and as part of the exhibits that are  
17 attached or appended to that testimony, correct?

18 A Correct.

19 Q And I believe you indicated that for at least  
20 12 of those services or elements, you relied on the  
21 Hatfield Model in deriving the price that you were  
22 recommending to this Commission; is that correct?

23 A Yes.

24 Q And in fact, if you take your direct testimony  
25 and look at the Exhibit MG-1, do you have that there in

1 front of you?

2 A I do.

3 Q And you look at Page 1 of that exhibit marked  
4 MG-1, that contains the first several elements for which  
5 you are proposing a price, correct?

6 A Yes.

7 Q And the first column -- there are four columns  
8 in this chart of yours, correct?

9 A Correct.

10 Q And the first column simply describes the  
11 service or the element for which you are providing a  
12 price, correct?

13 A Yes.

14 Q And the second column is entitled Cost  
15 Estimate, and that is your understanding as to what the  
16 economic cost is to GTE for that service or element,  
17 correct?

18 A Correct.

19 Q The third column is entitled Cost Source, and  
20 that purports to identify the source of your information  
21 with respect to that original cost estimate, correct?

22 A Correct.

23 Q And so, for example, on the 2-wire loop, which  
24 is the first row of information contained on this chart,  
25 it states there that the cost estimate is \$11.25, and

1 that the cost source of that information is the Hatfield  
2 Model, correct?

3 A Yes.

4 Q And by that, you are indicating that the sole  
5 source of your information that the cost to GTE of a  
6 2-wire wire loop is \$11.25 is from the Hatfield Model,  
7 correct?

8 A Yes.

9 Q And in the fourth column of this chart  
10 entitled Recommended Price, that is in fact the price  
11 that you are recommending that this commission adopt or  
12 implement, correct?

13 A Yes.

14 Q And if you look at the 2-wire loop, the price  
15 that you are recommending is \$11.25, or the amount  
16 identical to that which the Hatfield Model put forward,  
17 correct?

18 A Yes.

19 Q Did you attempt to exercise any judgment of  
20 your own in determining whether the price you would  
21 recommend would be the same as, lower than, or above the  
22 estimated cost generated by the Hatfield Model for those  
23 elements for which you have identified the cost source  
24 as the Hatfield Model?

25 A For items for which I had specific costs from



1 the Hatfield Model, those numbers became my pricing  
2 recommendation.

3 Q And it was your exclusive source of  
4 information in coming up with those recommended prices,  
5 correct?

6 A Where it is so indicated, yes.

7 Q And for an example of one place where it is  
8 not indicated that way, under the 4-wire loop, you have  
9 down as the cost source of the \$13.67, GTE  
10 Study/Hatfield; do you see that?

11 A Yes.

12 Q And what is the number that the Hatfield Model  
13 reported out for the 4-wire loop?

14 A Hatfield Model did not produce a number for a  
15 4-wire loop.

16 Q Why would you then indicate that Hatfield,  
17 under the cost source category there?

18 A Okay, in -- and I believe I state that in my  
19 testimony. The 4-wire loop is based upon the \$11.25  
20 cost of a 2-wire loop as estimated by Hatfield ratioed  
21 up to represent the cost difference between 2-wire and  
22 4-wire loop as presented by GTE in some cost information  
23 that they had provided to AT&T as part of their -- a  
24 pricing recommendation that they made to AT&T. And I  
25 believe that the ratio was 21.5 percent.

1           So in other words, GTE indicated to us that  
2 the difference in cost between 2-wire and 4-wire was  
3 21.5 percent. And so we used the 21 -- or I used the  
4 21.5 percent to gross up the Hatfield 2-wire cost to a  
5 4-wire cost.

6           Q     What analysis did you do to determine whether  
7 grossing up the numbers in the manner you have  
8 determined that GTE put forward was in fact the proper  
9 factor to apply to the underlying Hatfield number that  
10 had been provided for the 2-wire loop?

11          A     I believe I stated in my testimony that we  
12 were going to use that number until better information  
13 became available. I did not necessarily accept the  
14 quantification of the GTE numbers, but I did accept the  
15 relationship between the two, unless or until something  
16 more appropriate or better came along. And I had  
17 nothing better.

18          Q     And if we look at, in the next couple of pages  
19 of Exhibit MG-1, the next two pages, nearly every  
20 element or service identified there has as its exclusive  
21 cost source the Hatfield Model, correct?

22          A     Correct.

23          Q     So the Hatfield Model is a critical and  
24 necessary underpinning for the prices that you are  
25 recommending to this commission; is it not?

1           A     Yes.

2           Q     And I gather that it is your opinion that the  
3 prices recommended by the Hatfield Model are superior to  
4 those recommended by the GTE cost study, correct?

5           A     Yes.

6           Q     And I believe you have in your testimony that  
7 you believe that the prices and the costs generated, if  
8 you will, by the Hatfield Model, are also superior to  
9 those set out by the FCC in their default proxy rates,  
10 is that correct, with the exception of the collocation  
11 and a couple of the elements that you had mentioned  
12 earlier on in your testimony?

13          A     Yes. I believe the FCC established the proxy  
14 rates as rates to be used in the advent that no other  
15 good cost information or better cost information was  
16 available. AT&T believes the Hatfield Model produces  
17 valid estimates of GTE's costs in Florida. And to the  
18 extent they produce those valid estimates of cost, that  
19 information is superior to the -- or excuse me, to the  
20 proxies that the FCC had delineated to use in the  
21 absence of any costs.

22          Q     Did you attempt to make any analysis of the  
23 reasonableness of any of the FCC's proposed proxy  
24 rates? And let me be clear, with respect to those  
25 elements and services where the Hatfield Model was

1 giving you a number on which you were able to rely.

2 A Well, I mean obviously I have looked at the  
3 proxy rates in relationship to the numbers that Hatfield  
4 has produced. I have done that.

5 Q And what I am hearing you saying is that,  
6 without regard to what the GTE cost study was or the FCC  
7 proxy rates were, your touchstone, your loadstar that  
8 you looked to with respect to many of these elements was  
9 the Hatfield?

10 A Correct.

11 Q What analysis did you do of the Hatfield Model  
12 to determine that that was a reasonable and proper model  
13 for you to rely on in recommending prices to this  
14 commission?

15 A My general understanding of the Hatfield Model  
16 is that the model produces total element long run  
17 incremental cost; it produces them in a manner that  
18 compensates or accumulates shared costs; it has an  
19 allocator in it that would compensate for any common  
20 costs, if there are any common costs, in excess of the  
21 TELRIC costs. The model is designed to do that, it's my  
22 understanding. To that extent, it meets the criteria --  
23 and we believe it meets the criteria -- that the Federal  
24 Communications laid out with respect to valid cost  
25 studies. And on that representation, I selected it as

1 the price recommendation for the elements that we've put  
2 here.

3 To the extent you are searching a more  
4 detailed understanding of the Hatfield Model, AT&T is  
5 sponsoring Mr. Don Wood, who is an expert in that model,  
6 and can tell you everything you want to know about it.

7 Q Your answer raises a couple questions I want  
8 to follow up on in a minute. But let me go back to the  
9 more narrow question that I think I asked you, or at  
10 least I was trying to ask you. My question to you is:  
11 What analysis did you do --

12 MR. HATCH: Commissioners, asked and  
13 answered. How many times is he going to pose the same  
14 question?

15 MR. FUHR: If counsel will explain to me what  
16 his answer was in terms of the analysis that he did, I  
17 would be happy to accept it.

18 CHAIRMAN CLARK: Ask your question again.

19 MR. FUHR: Thank you.

20 Q (By Mr. Fuhr) Mr. Guedel, my question to you  
21 is what analysis or investigation did you do to  
22 determine that the Hatfield Model was a reasonable model  
23 for you to rely on in proposing prices to this  
24 Commission?

25 MR. HATCH: Asked and answered. That was the

1 prior question.

2 MR. FUHR: That was the prior question. The  
3 problem is that the prior answer I got was that my  
4 understanding of the model is that it does X, Y and Z.  
5 My question is what investigation did he do? And if you  
6 would like me to break that down more specifically, I  
7 would be happy to.

8 CHAIRMAN CLARK: I'll let him answer it --

9 MR. HATCH: Withdraw my objection.

10 CHAIRMAN CLARK: -- one more time, but I  
11 thought he did answer that.

12 Q (By Mr. Fuhr) Mr. Guedel, have you reviewed  
13 the inputs into the Hatfield Model?

14 A Not in detail.

15 Q Have you reviewed them at all?

16 A I probably have looked at them, yes, some of  
17 them.

18 Q When did you do that?

19 A I would -- well, I wouldn't say for sure. It  
20 was probably in the month of July of this year.

21 Q That would have been before the First Report  
22 and Order of the FCC came out?

23 A Yes, it would have been.

24 Q And was that the most recent time that you  
25 reviewed the inputs that went into the Hatfield Model?

1           A     I'm struggling with your word "review." I  
2 have in my binder here a number of the inputs that were  
3 part of that study. I have looked at those. I am not  
4 an expert on where those came from. I'm not an expert  
5 on how the Hatfield Model processes those, if those are  
6 your questions. And Mr. Wood can talk to, again, any  
7 degree you want to talk to about that.

8           Q     Can you recall, as you sit here today, any  
9 other time or instance in which you have taken some time  
10 to review the inputs and the values that were assigned  
11 to those inputs by the Hatfield Model, other than the  
12 one instance that you've already disclosed?

13          A     Not in great detail, no. My knowledge and  
14 understanding of the Hatfield Model is at a higher level  
15 than that. Certainly I've discussed some of the  
16 inputs. For example, I've discussed the inputs of the  
17 crossover point on local loops when you move from copper  
18 to moving to -- from copper to a pair gain system, for  
19 example. I've discussed with individuals the inputs for  
20 cost of money, things such as that, but I have not done  
21 a detailed analysis of the Hatfield Model.

22          Q     Were those discussions that you just  
23 referenced -- well, strike that. With whom did you have  
24 those discussions?

25          A     I had those discussions with individuals in

1 our corporation, also with Don Wood.

2 Q Have you had those discussions with anyone  
3 else involved in the Hatfield Model?

4 A I'm not sure I understand the question.

5 Q Well, do you recall talking to anyone else who  
6 was involved in putting the Hatfield Model together with  
7 respect to the inputs or what values ought to be  
8 assigned to those inputs, other than those individuals  
9 and instances that you just discussed?

10 A I have discussed it with several individuals,  
11 and --

12 Q And I'm asking you for the names.

13 A Pardon? You want names?

14 Q Yes.

15 CHAIRMAN CLARK: Mr. Fuhr, I think we've  
16 pursued this quite enough. You have asked him what his  
17 background is. You've asked him for the review. Are we  
18 going to go through everyone he's talked to about it?  
19 He's indicated that most of the information and their  
20 witness on the Hatfield study is Wood.

21 MR. FUHR: I understand that, Your Honor, but  
22 if this witness is unable to articulate the  
23 reasonableness of any of the numbers in the Hatfield  
24 Model, and it is a blind adherence to the Hatfield  
25 Model, then I'm going to move to strike his testimony on



1 the ground that there is no basis as to the  
2 reasonableness of those numbers. And if Dr. Wood can  
3 come in and later on lay the foundation, then I assume  
4 this commission will make whatever ruling on my motion,  
5 but --

6 CHAIRMAN CLARK: How does your questioning get  
7 to that point?

8 MR. FUHR: I want to make sure that it is  
9 absolutely clear in this record that this witness has  
10 blindly followed the Hatfield Model, that he has no  
11 understanding of the inputs that went into --

12 CHAIRMAN CLARK: I don't think that question  
13 you just asked gets to that point.

14 MR. FUHR: Okay. I take that point.

15 Q (By Mr. Fuhr) Mr. Guedel, have you made any  
16 attempt to understand the structure of the Hatfield  
17 Model?

18 A I understand the structure of the model at a  
19 high level. I do not necessarily understand the way the  
20 computer model works.

21 Q Are you aware that the author and proponent of  
22 the Hatfield Cost Model is someone who has never before  
23 put together a cost model?

24 A I don't know that.

25 Q Does that affect your judgment in any way in

1 relying on the Hatfield Model?

2           A       From what I understand of the Hatfield Model,  
3 and in my discussions with people in my company who are  
4 more intimately familiar with it than I am, people who  
5 have put together the filings or the representation of  
6 the Hatfield Model before the Federal Communications  
7 Commission, the fact that we have been working on the  
8 Hatfield Model in the southern region for quite some  
9 time now, and the discussions I've had with these  
10 people, the participation that I've had on the  
11 conference calls from time to time, national conference  
12 calls, to discuss these issues, I'm pretty comfortable  
13 that the model does what I think it does. And it meets  
14 the requirements of a TELRIC analysis.

15           Q       Let's talk about why it is you feel  
16 comfortable relying on this model, and I'll follow up in  
17 a number of respects. There are certain cost principles  
18 that any cost model must satisfy if it is going to be a  
19 valid cost model; is that not correct?

20           A       That's a rather general statement. It's  
21 probably in that sense true.

22           Q       And in putting together a cost model, you are  
23 aware that there are core economic principles that need  
24 to be used in the crafting of the structure of the  
25 model, correct?

1           A     Yes.

2           Q     You recognize that as an economic discipline  
3 that needs to be applied, correct?

4           A     Yes.

5           Q     One of the principles that a valid cost model  
6 should have is that if you raise the input prices 10  
7 percent, it should result in a 10 percent increase in  
8 the output of that model. That is a fairly simple,  
9 straightforward principle that you would expect any  
10 valid cost model to satisfy before you would rely on  
11 that cost model; is that not true?

12          A     I don't understand the question. Let me say  
13 this, there are factors -- well, I guess I don't --  
14 you'll have to explain the inputs that you're talking  
15 about to me. I don't know the answer to that.

16          Q     Let's take a very simple model that has only  
17 one input.

18          A     Okay.

19          Q     If the cost of that one input went up 10  
20 percent, if there are no other inputs or costs that go  
21 into the equation, you would expect the total cost to go  
22 up 10 percent, correct?

23          A     I think the answer is mathematically correct.  
24 Now not all inputs will necessarily -- or not all  
25 outputs will necessarily go up 10 percent in a model as

1 complicated or as sophisticated as Hatfield. It's not  
2 going to do that. A 10 percent change in investment,  
3 for example, may have no impact on maintenance. So your  
4 total output, it's not going to necessarily be 10  
5 percent higher than a change in investment input.

6 Q That's a fair point. But if --

7 COMMISSIONER DEASON: Mr. Fuhr, let me ask you  
8 a question. Are you going to ask these same questions  
9 to Mr. Wood?

10 MR. FUHR: To be honest, I hadn't thought that  
11 far ahead. Some of these questions will be asked of  
12 Dr. Wood, or Mr. Wood, whatever it is.

13 COMMISSIONER DEASON: It's my understanding  
14 that Mr. Wood, or Dr. Wood, is the witness that is  
15 sponsoring the study itself. And maybe I'm  
16 oversimplifying. My understanding is that this witness  
17 is taking the results of that study and is making  
18 pricing recommendations. That is not the purpose of his  
19 testimony, to lay the foundation for the accuracy or  
20 inaccuracy of the Hatfield Model. So my concern is, is  
21 that we may be plowing ground a second time if you ask  
22 these same questions to Mr. -- or Dr. Wood, as the case  
23 may be. That's my concern. The Chairman has already  
24 expressed a concern for time constraints under which we  
25 have to process this docket. So I'm just making an

1 observation.

2 MR. FUHR: And --

3 CHAIRMAN CLARK: On that point, I think it may  
4 be well for us to go ahead and take a break until 6:00.  
5 It will give you time to look at your questions, look at  
6 Mr. Wood's testimony, and maybe we can decide who is the  
7 best witness to ask those questions of.

8 COMMISSIONER GARCIA: I just would want to add  
9 that the purpose for which you are crossing this  
10 witness, even if you were to make that point, I don't  
11 think your motion to throw this out would probably hold  
12 any weight with this Commission. So perhaps before you  
13 plow this ground continuously, as it seems, I just --  
14 I'm telling you how I'm going to vote, just so that you  
15 know.

16 CHAIRMAN CLARK: Let me point out to you that  
17 on -- this will be our dinner break. We will break  
18 until five after -- well ten after 6.

19 Let me tell everyone, you are free to bring  
20 your dinner in here, to order out and have it delivered  
21 here, and that will be the case for all three days of  
22 the hearing. I hope we don't go late Wednesday. But we  
23 will break until -- Commissioners, I said ten after 6.  
24 Would you like to start sooner, or what do you -- all  
25 right, ten after 6 we'll come back and begin again with

1 you, Mr. Guedel.

2 WITNESS GUEDEL: Thank you.

3 (Recess at 5:45 p.m.)

4 (Transcript continues in sequence in

5 Volume 5.)

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