BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of Determination of the cost of basic local telecommunications service, pursuant to Section 364.025, Florida Statutes.	DOCKET NO. 980696-TP

VOLUME 22

Pages 2569 through 2634

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON
COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER JOE GARCIA
COMMISSIONER E. LEON JACOBS, JR.

DATE: Thursday, October 15, 1998

TIME: Commenced at 9:00 a.m.

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

REPORTED BY: CATHY H. WEBSTER, RPR

APPEARANCES:

(As heretofore noted.)

ADDITIONAL APPEARANCES

BETH KEATING, Florida Public Service Commission, Division of Legal Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, appearing on behalf of the Commission Staff.

WITNESS INDEX

JAMES W. WELLS

EXHIBIT INDEX

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PROCEEDINGS

(Transcript follows in proper sequence from Volume 21.)

MR. HENRY: And, Madam Chairman, could I have, I guess it would be composite -- the next exhibit number, which would be I believe No. 85, and have that as the exhibits to Mr. Wells' direct testimony consisting of four exhibits; could I use Composite Exhibit No. 85?

CHAIRMAN JOHNSON: We'll mark it. And what was the title?

MR. HENRY: That would be Well's direct testimony exhibits.

CHAIRMAN JOHNSON: Okay.

(Exhibit 85 marked for identification.)

MR. HENRY: And, similarly, for his rebuttal testimony, if I could have Exhibit No. 86 be marked as a composite exhibit of Well's rebuttal testimony exhibits consisting of three exhibits.

CHAIRMAN JOHNSON: Okay.

(Exhibit 86 marked for identification.)

JAMES W. WELLS

continues his testimony under oath from Volume 21

CONTINUED DIRECT EXAMINATION

BY MR. HENRY (Continuing):

Q Mr. Wells, do you have a summary of your

testimony you could give us?

A Yes, I do.

Q Would you give that to us now?

A Thank you.

Good afternoon, Commissioners. I'm here to talk about outside plant. And that's the portion of the local loop that goes from the wire center out to the customer's premise. So I'm going to be talking about the engineering and the costing of such elements as poles, conduit, trench, cables, drops and new indoor network interface devices.

And I have 25 years of experience with the former Bell system and with AT&T, mostly in the outside plant assignments. And I have actually planned, engineered, costed, and built local loop networks.

I believe that I have two meaningful purposes to serve in this proceeding. The first is to, of course, to recommend and to defend the HAI Model released 5.0a as the most appropriate model for determining local loop costs. And the second is to offer my critical assessment of the Benchmark Cost Proxy Model and the outside plant input values of BellSouth, Sprint and GTE in this proceeding.

Now of all the models that I have seen, the HAI Model most closely conforms to the guidelines for a narrow band local access network that is least cost, most efficient, and based on currently available technology.

Furthermore, the HAI Model 5.0a outside plant input values have been repeatedly shown to be more reasonable than those of the ILECs. Now you might ask, well, how could that be.

It is certainly true that the ILECs have volumes of cost data on their embedded networks. And, of course, they have familiarity with the Florida environment. However, they have three major problems in deriving reasonable input values for cost proxy models from the data that they have.

The first is that the cost data of their existing embedded networks are not least cost and most efficient based on currently available technology. Now that's not to imply that they're lazy or whatever. It says that the embedded network is not the most efficient. That's all it's saying there.

Secondly is a top down cost data that they have, an example being loading factors, are extremely difficult to translate into input values for a bottoms up cost model. This is not what they've traditionally been used to doing with their cost data.

The third point is that the development of the ILEC input values frequently show an appalling lack of outside plant engineering judgment, either in their determination or their review.

Now on the other hand, a team of experienced outside plant engineers, which I describe in Exhibit 1 of my direct testimony, develop the HAI input values. There are hundreds of examples of outside plant engineering judgment that went into the HAI Model methodology and its input values. And these are well documented in the HAI Model description and, more importantly, from an outside plant standpoint, in the Inputs Portfolio.

Also, the HAI input values are user adjustable as needed to reflect differing local conditions.

Now as further evidence of the reasonableness of the HAI Model outside plant input values for Florida, my rebuttal testimony contains an extensive comparative analysis with the input values of the ILECs, side by side comparisons. And based on that analysis I draw six observations.

One is that there are significant differences among the input values of the ILECs for the same item. I think there has been a lot of discussion about pole costs today as an example of that.

Number two is the ILECs have adopted the BCPM national default input values for several items rather than determining or utilizing their own Florida specific input values. An example is GTE, which uses local contractors to bury cable and build underground conduit, has used the BCPM

national input values, which they're on record as saying they really don't know how they were derived.

Point number three is that in many areas there is a great deal of consistency between the input values of the ILECs and AT&T and MCI.

Number four is in several instances the input values of the HAI Model clearly reflect real world outside plant engineering judgment and are significantly more costly than the same input values for the ILECs to the BCPM 3.1.

I'll give you a couple of examples. In the buried and underground costs in urban areas, we use $45 per foot for buried. The ILECs use less than 10. And we know that it costs more in the urban area. For conduit we use $75 a foot; all the ILECs are under 15. So we've actually added judgment where we felt it was appropriate; in some cases it drives higher costs.

Point number five is that in some areas there are differing modeling assumptions. And you'll hear a lot more probably about different opinions on buried structure sharing as an example of that.

And then number six is there are numerous examples of incorrect and illogical input values derived by the ILECs employing top down accounting methodology without really having a direction or review by outside plant

engineers. And I cite an example of that being that BellSouth costs outside plant engineering for underground cable at 22 times greater for a 2400-pair of cable than for a 100-pair cable. And in reality the cost is actually quite the same.

Even though developed and used on a nationwide basis, the HAI input values do work within the HAI Model to produce outputs that are very specific to Florida. The reason being that, one, is that the salary portion of the labor content of outside plant costs are reduced from the national input value level by a Florida-specific factor of 68%.

Number two is that the placing costs are increasingly -- are increased as appropriate for difficult terrain, surface texture, rock depth, rock hardness, and water depth statistics that are all Florida-specific at a census block group level.

The HAI Model also employs, at least in the latest release, a dynamic shifting of the plant mix between buried and aerial based on Florida-specific cost factors.

Also, the customer and wire center locations are very Florida specific at the individual location level.

And the fifth point is that material costs for a cost model representing a large ILEC -- and despite the fact that Sprint may not be considered to be large enough

to get these values -- but, anyway, for the purpose of determining USF funding, material costs should represent what a large ILEC such as BellSouth or GTE would be able to get and they should not vary significantly from nationwide outside plant material costs.

Now the outside plant modeling assumptions and the input values of the HAI Model are certainly not -- and I repeat -- not intended to replicate the cost of the ILECs to build their embedded local loop networks; nor do they provide for any significant amounts of growth.

We have modeled the local loop network and cost of an efficient narrow band carrier in a competitive environment based on total long run cost principles.

Accordingly, the HAI Model is designed to most efficiently utilize the capability of currently available technology, which includes digital loop carrier remote terminal sites of up to 1800 lines with distribution cable lengths out to 18,000 feet and even longer with the use of T1 carrier extensions.

The result of this methodology and use of the technology is a reasonable least cost and most efficient network because it requires fewer remote terminal locations. And each of these has a significant fixed cost per location.

My rebuttal also addresses numerous shortcomings

of the BCPM 3.1 local loop modeling methodology. And it compares them, of course, to the HAI release 5.0a.

Some of the BCPM's deficiencies in this area include, one, the BCPM basically locates roads and then assumes that the customers are uniformly distributed along those roads; whereas the HAI Model locates customers and assumes that the roads are there to get the cable to the customers.

Number two is that the BCPM arbitrarily segments customers by using a fixed grid overlay based on latitude and longitude lines. In contrast, the customer clustering methodology of the HAI Model is really like what an outside plant engineer would do in planning and designing a real world local loop network.

The BCPM models customer locations as square lots. Now this is unrealistic and very inefficient compared to the rectangular lot modeling assumption of the HAI Model.

The BCPM models an excessive number of costly DLC remote terminal locations because it tries to constrain most distribution -- it tries to constrain most distribution cable lengths to 12,000 feet instead of the 18,000 feet that the systems are capable of supporting.

And, just to be clear here, both models do have 18,000 foot limits and do model out to 18,000 feet from the

DLCRT.

The BCPM also subdivides its carrier serving areas, which have about a thousand lines, although the digital loop carrier systems are quite capable of supporting 1800 lines.

And the last point I want to make here is that BCPM over sizes distribution cables. The way they do it is they first size for the ultimate demand based on two copper pairs to all the houses. Then they increase that amount by a cable sizing factor to allow for administrative purposes. And once they do that, then they finally round up that amount to the next available cable size. So there's a tremendous amount of spare capacity.

And to put this in perspective in round numbers because it varies by density zone, but, for example, their utilization is about 40% of copper distribution cables. That means for every 40 lines they've got about 60 spare lines.

Now if you go through the fill factors in the HAI Model and translate that into utilization, you'll find that we have about a 60% utilization. That means for every 60 customers, we've still got 40 spare lines. My contention is that is more than sufficient.

Furthermore, with currently available technology known as two-channel digital subscriber carrier, if a

customer did need a second or third or fourth line, there's enough capacity in this HAI Model solution in terms of cable and in terms of 2-pair or 3-pair drops to provide that amount of service with what's out there initially.

So the idea of putting in enormous amounts of spare capacity, because that's what they've always done, and it's time tested, is not a least cost most efficient solution based on currently available technology.

These are just but a few of the examples of how the BCPM 3.1 combined with the ILECs' input values overstate the cost of an efficient narrow band carrier that would be incurred in a competitive environment.

And in conclusion I recommend that the Florida PSC, first of all, adopt the HAI Model release 5.0a as the most appropriate model for determining local loop costs for the purpose of establishing the universal service fund in Florida. And then, secondly, that the HAI Model outside plant input values, with any justifiable user adjustments, be utilized to run the model.

Thank you very much.

MR. HENRY: Mr. Wells is available for cross.

CHAIRMAN JOHNSON: Mr. Carver.

MR. CARVER: Thank you, Madam Chairman.

CROSS-EXAMINATION

BY MR. CARVER:

Q Good afternoon, Mr. Wells.

A Mr. Carver.

Q My name is Phil Carver and I represent BellSouth.

You probably covered this in your summary, but just to confirm, you are a member of the Hatfield engineering team that develops the default inputs; is that correct?

A Yes, that's correct.

Q And all together there are six members of that team; correct?

A Yes, that's correct.

Q And how many of the default inputs -- I believe Mr. Wood told us there were 1578. How many of those are the responsibility of your team?

A We do not keep tally sheets of those, but the estimate is around 1400, our outside plant inputs.

Q Fourteen hundred. Okay. When did the team first come into existence?

A Well, it started with Mr. Donovan. And that was before my time. But I believe we would be talking in the '96, late part of '96 when Mr. Donovan began to be associated with Hatfield Associates.

And then John added several members to the team. I personally became involved in February of '97.

Q Of the 1400 or so inputs, how many of these were in place before you became a member of the team?

A Well, as I said, I don't keep a tally sheet of these things, but for purposes of being responsive, I would say most of them. There have been some additions as we go through each release where we have some new input values. But, for the most part, the input values were established back in -- When I came on board, I think it was release 2.2.2.

Q Okay. And if you can't give me a specific number, that's fine. But if you could just sort of ballpark it out of the 1400 -- I don't know -- were 1200 there when you came aboard already?

A I can only say again, I do not keep a tally sheet. I mean, I know the input values; I know the values themselves, but as far as keeping tabs on how many and what percentage, I don't do that.

Q Okay. That's fine. I just wondered if you could give me an estimate, but if you can't, that's fine.

Is it fair to say that these inputs that were there before you joined the team, that you would not be able to tell me the specifics of how they were arrived at, who suggested them, or the process with any degree of specificity that was gone through; is that correct?

A That's not totally correct. Now I can't bear

witness that I was there and witnessed it or participated in it. That's obvious. But as far as knowing who he was there and knowing the process that they used and subsequently having reviewed the values and questioned them, then I can say that I can understand what they did, but I can't bear witness that I saw it happen.

Q I just want to make sure we're on the same page. Do you remember testifying in North Carolina on February 4th, 1998?

A I'll accept that that was the date.

Q Let me read you a question and answer from that hearing. And I'm reading from page 14, line 21 through 24. "Question:" --

A Could you just hold up just a second?

Q Sure.

A And give me the reference again.

Q Page 14. This is the North Carolina transcript. Lines 21 through 24.

And do you want me to wait for you to get there?

A I'm there. Thank you.

Q "Question: Now you wouldn't be able to tell us where those inputs that were in place before you arrived came from necessarily; would you?"

And you say, "In general, I could, but not specifically. I mean, it's a process of the members of the

team at that time using their collective outside plant expertise and experience to develop the values that were needed for, you know, to run the model."

And then the next question and answer: "And if I were to go through them individually and ask who developed or say who developed this, what did they look at, and what did they do, you wouldn't necessarily be able to give me that information; would you?"

"Answer: Probably not to your satisfaction, no."

Now is that the testimony you gave in February?

A That's accurate from the transcript --

Q Okay.

A -- but it's consistent with what I just said. I was not --

Q Well, that's what I'm trying to find out.

A May I finish my answer?

Q No; I'm sorry. Go ahead. Sure.

A As I said in my previous, to answer your previous question, I was not there, so I can't bear witness. However, I know how the process worked. I know the individuals involved and I've had subsequent opportunity to ask questions and understand how it was done.

I don't see the inconsistency between what I just said then and what I said back in North Carolina on

February the -- whatever -- 4th.

Q Well, I didn't suggest it was necessarily inconsistent. I just thought we could save a little bit of time by going back to that answer and seeing if that's still your position.

So we're on the same page. Generally, you know how it worked; specifically you can't tell me exactly what they did for each input; correct?

A That is correct --

Q Okay.

A -- because, as I said, I didn't become a member of the team until late February of '97.

Q I understand.

Now let's talk about the process in general, just how it works. Would it be fair to say that the team members collectively form an opinion as to what a given input should be?

A That's pretty fair assessment. The term that I generally use, it's a consensus process.

Q Okay. And in some instances, at least, the members may reach a consensus as to what an input should be without doing any specific research; correct?

A Would you repeat that, please?

Q Yeah. In at least in some instances the team members would get together and they would form an opinion

as to what the value would be without doing any specific research; correct?

A That would be correct, but in a sense that based on our -- I forget the number -- many years of experience, we are able to formulate assumptions and methodologies and input values without doing research. In fact, all of the input values are based on our body of knowledge, if you will, of outside plant. And any research that's done is typically done afterwards to validate that the numbers are indeed reasonable.

Q So then the process is one where principally you rely on your opinions and your judgments based on your experience? You don't really tend to look at specific documents until after the fact; correct?

A Well, now I didn't say we don't look at documents. We certainly look at technical references that are generally available, but we don't go out and do what, if the previous question was do research; if that means we go out and get a quote or a bid, we don't do that, but we do look at technical references and we do draw upon our experience and background and knowledge.

Q Well, let's approach this a little bit differently. I think you've told me before that typically one team member proposes the input and then the other team members have some sort of a discussion and then the process

goes from there; is that pretty much the way it begins?

A Yes; that's fairly typical.

Q Okay. And there's not really a standard as to what someone has to have when they propose an input? In other words, they don't have to have a survey, empirical evidence? I mean, it's possible in some instances that someone can just come along and say based on my judgment as an engineer this is what the input should be and that would be enough to start the process; correct?

A I won't disagree with that. I wouldn't say it always happens that way, but it could in some instances.

Q Okay. Once again, let me make sure we're on the same page. Well, let me make sure first I understood your answer. Are you saying there are not instances where people come forward and say this is simply an opinion and start the process that way; that doesn't happen?

. Well, give you an example.

Q Could I have a yes or no, please? I want to know are there instances where the team member who proposes the value simply proposes it because that's their opinion?

A I said that that does happen --

Q Okay.

A -- but I said that that's not the only way that things happen. I'm trying to understand the second question. You asked me to give you an example where it

and in some cases a changing of the methodology, the assumption or the value, until everybody is satisfied that it's something they can support. That's the way the process works.

Q So basically one person has an opinion and the other people discuss it until you come to a common opinion and then that's the value; correct?

A Yes, but let me -- Your use of the word "opinion" is perhaps not the best use of it.

We frequently get identified things that we need to look into from various criticisms of the model or suggestions from the FCC or just our own review of the model. We look at ways to enhance it to try to meet the guidelines.

So the fact that somebody comes in off the cuff and has an opinion is not a real good characterization of what we actually do.

Someone comes in with an idea or a feedback and says these are areas where we can or should or need to improve the model and based on that we then proceed with somebody generally proposing a remedy and a value and so forth and then we try to reach consensus. So that's a better description of what happens.

Q Okay. And let me ask one more question on this area, just to see if we're on the same place.

Would you agree generally that this process is one of sort of getting a consensus opinion as opposed to a process of empirically researching what the inputs should be?

A Yes; I would agree with that.

Q Okay. Now how many of the inputs were changed by the engineering team from 4.0 version of the model to the 5.0 version?

A I don't know. I think that came up in deposition. I thought we furnished you a response on that, but I didn't do it.

Q Do you know if that's been filed?

A I do not know.

Q I haven't seen it. I just wondered.

A As I've said three times, I don't keep a tally of numbers of input values. I do the values themselves, but I don't keep a tally sheet.

Q You participated, though, in the changes from 4.0 to 5.0; didn't you?

A Yes, I did.

Q Now in your testimony you discuss various types of what you refer to as validations; correct?

A Yes, I do.

Q Now there is currently no formal process by which every input in the model is routinely validated; correct?

A Correct.

Q Has any effort been made to validate the new inputs in 5.0?

A There have been no specific efforts commissioned by a member of the team. However, in every docket that we go to now, we validate in essence our assumptions and input values relative to various models; in this case, the BCPM and all the input values of three ILECs.

So we consider that to be validation in today's time, is to look at actual ILEC input values and compare them to what we have. And we think that it does indeed validate what we do as the most reasonable approach.

Q Well, just to clarify: I'm not talking about hearings. In your testimony you talk about some validation exercises that were done with former versions of the model.

A Yes, there has been.

Q So my question is has anything like that been done for the 5.0?

A No.

Q Now has any effort been made to follow-up to see if the older inputs from previous models are still valid? In other words, if the information is still current or if it's stale now?

A No. As I said, the validation of today consists

of going to dockets and getting input values from the ILECs and looking at methodology of BCPM and ICM and others. And based on those, we then validate that the HAI Model, how it compares.

Q Now on page 24 of your testimony you talk about a validation study that you did that relates to distribution plant. And I think you said you did that for 3.1 and 4.0; is that correct?

A That's page 24 of my direct?

Q Yes. This is the Georgia census block group.

A Yes.

Q Okay. And I think you also -- Well, I'm not sure if you did, so let me just ask. That validation wouldn't -- That would not be a validation of 5.0; would it?

A No. It says right here it's 3.1 and 4.0.

Q Okay. And on page 21 of your testimony you talk about a different validation. And that relates to I believe 30 specific inputs or portions of inputs; is that correct?

A What was that page again?

Q It's page 21; it's the chart there.

A Twenty-one?

Q Uh-huh; direct.

A I think you -- Did you use the term "validation?"

This is -- What this is is a summary of the validation information that was gathered by Dean Fassett.

Q Well, my question was just the number of inputs that that relate to. As I understand it, this deals with 30 inputs or pieces of inputs; correct?

A Yes. This was prepared by Mr. Donovan. He selected 30 items out of the so-called Fassett documentation. I believe that's covered in Exhibit JWW-3 to my direct. So this is a summary of those. And the purpose of this was to address the accusation that we had low-balled the numbers. And this was merely to show that we had gathered information that in essence bracketed the value that we had used on 28 of the 30 items and on two of the 30 items we had indeed taken the lowest number.

And all this is consistent with a least cost model.

As to the number, though, this relates to 30 of about 1400 inputs; correct?

A No. In fact, all of these are not input values. Some of these are sub sets of input values. And of the 1400 -- Let's be a little bit more clear here -- six to eight hundred of those are values having to do with various types of excavation and four to five nundred are terrain factors and so forth.

So they're not -- All input values are not of

equal importance, I guess is what I'm trying to say.

Q Okay. Thank you for that.

Let's go back to my question, though. This chart represents 30 either input values or pieces of input values; in other words, an element of an input value?

A That's correct.

Q But only 30; right?

A This particular chart, yes.

Q Okay. And you told us earlier that there were about 1400 all together; correct?

A Total inputs, yes.

Q Yes.

A Outside plant.

Q Well, total inputs that are the responsibility of the engineering team?

A Yes; you are correct.

Q Okay. And I think you answered this question already, but just to confirm: This information was developed by a man named Dean Fassett?

A The source document was developed or gathered by Mr. Fassett. This particular summary was prepared by Mr. Donovan.

Q Right. And Mr. Fassett actually looked at a number of inputs beyond just these 30; correct?

A Yes. They're documented in the attachment I

referred to as well as I think in response to a late discovery; we provided the entire Fassett package.

Q And you don't know why Mr. Donovan chose to put in these 30 in the chart as opposed to some others; do you?

A My guess is that these are the ones that are reflected in bar charts in the inputs portfolio.

Q Well, and that's a guess?

A The fact that I haven't verified that, I would have to say yes, that's a guess.

Q Okay. Well, the reason I ask is because in your deposition last week you told me that you didn't know. Is this new information you're giving me now?

A I guess I'm making a guess. I have reason to believe that that may be the explanation.

Q Okay. But that's --

A My answer is still correct: I don't know for sure.

Q Thank you. And you don't know who Mr. Fassett talked to to get the underlying information that Mr. Donovan used to make this chart; do you?

A I do not know the specific vendors that he talked to, no.

Q And you haven't gone behind him and tried to talk to those same people to make sure that his information is correct?

A No, I haven't. Neither has he driven the 2,000 miles that I drove in Georgia to determine that the validation I did was correct.

Q So basically what this is, just so we're clear, is that this is something that Mr. Donovan put together based on information from Mr. Fassett and you haven't -- you don't know why Mr. Donovan picked these inputs and you don't know what Mr. Fassett did to get the underlying information?

MR. HENRY: Madam Chairman, I'm going to object to the form of that question. I counted at least four of them in there.

MR. CARVER: Well, yeah, I'm just trying to find out -- Yeah, I think he's answered all four of those individually and I just want to confirm that --

MR. HENRY: Well, then I would object that it's been asked and answered.

CHAIRMAN JOHNSON: Mr. Carver.

MR. CARVER: I have not asked and answered that question in that way. I have asked him a number of questions individually. He has given me rather long answers and in some instances it's been difficult to make sure that I understand his answer. So I just want to make sure if what I told him represents the total process. It's one question, and I think he can answer that question.

CHAIRMAN JOHNSON: If you can answer it, I'll allow you to answer it. If not, you're going to have to start over and ask it in a different way.

MR. CARVER: Okay.

BY MR. CARVER (Continuing):

Q Would you like for me to repeat it again?

A Sure.

Q Okay. This process is one in which Mr. Fassett looked at underlying facts, Mr. Donovan turned them into an exhibit, and you're testifying about it, but you don't know why Mr. Donovan picked these inputs, and you don't know what Mr. Fassett looked at to develop the underlying information; is all of that correct?

A That's not a proper characterization. First of all, I know that --

Q Well, let me just ask you what part of that is wrong?

A That's what I was getting to.

Q Thank you.

A First of all, I know that Dean went out and talked to a number of vendors and I've got the documentation that shows the information that he got. All I don't know is the name of the vendors. That's been redacted.

Okay. So to say that I don't know what Dean did

is a mischaracterization. It's all there. I know that he talked to a number of vendors. I know the numbers he got. I know that they went into the spreadsheet that's in my exhibit.

And then from all of that information, Donovan prepared this particular exhibit to show that we didn't low ball the numbers.

Now your question is the fact that I don't know the basis on which he selected all 30 of these, I don't understand what he did and why he did it, or do I agree with it; that's not correct.

I do understand what he did. I just don't know the basis upon which he selected these particular 30 items, although I think it was because they're the ones that are in the Inputs Portfolio.

So while your statement may be correct, it's certainly a mischaracterization.

Q Now you didn't go behind -- I think you said you didn't go behind Mr. Fassett, though, and check his work to make sure it was accurate?

A That is not a reasonable assumption for me to have done. If you look at the Fassett documents, like three inches of paperwork. And he talked to numbers of vendors, of which I do not know who the vendors are because that information is highly proprietary.

So the answer is no, I didn't, but that's not a reasonable expectation.

Q Okay. Let's move to a different area. I'd like to talk to you a little bit about loop lengths.

A Say again.

Q Loop lengths.

A Okay.

Q Okay. And, specifically, what I'm talking about is the length of copper loops running from the DLC.

A Okay.

Q Now, in general, just as a starting point, can we agree that AT&T's Outside Plant Engineering Handbook states that copper loops on DLC should not exceed 12,000 feet?

A That statement is in there. It's a part of the serving area concept that was formulated in the '70's. And our position is that currently available technology has superseded those limits, as many things that are in the handbook get superseded.

I mean, you could go back to open wire technology and say it's been superseded. So the fact that it's in an old document doesn't mean it's currently the practice that should be used, particularly in a model with the guidelines we're talking about here of least cost most efficient currently available technology.

Q Okay. I understood your explanation. Was your

answer that that's what the AT&T handbook says, that you shouldn't exceed 12,000 feet?

MR. HENRY: Madam Chairman, I'm going to object again. The witness says, yes, those words are in that book, and then provided his explanation. Mr. Carver apparently doesn't like it when Mr. Wells doesn't agree with his characterization, but he has answered that question. So I'm going to object to the basis that it's been asked and answered.

MR. CARVER: The question is, you know, is it -- The question is does it conform with that standard. He said the words are in the book, which I don't think is really answering it. And then he goes off on an explanation.

And the question is real simple. There's a standard. It's in the AT&T handbook. Does it conform to it or not? And I think when he says "the words are in book" and then talks for a while, it's not a clear answer.

And what I'm trying to find out is does the AT&T handbook establish that standard. And I think he can answer that yes or no.

MR. HENRY: And he did answer that yes or no and then he gave you his explanation, which you apparently didn't like.

Madam Chairman, I would let my objection stand.

CHAIRMAN JOHNSON: Okay. I'm going to allow you to answer the question. And, if you could, start off with a yes or no.

A Okay. Yes, Mr. Carver, you're correct; that is in the handbook. It's the serving area concept that was developed in the '70's. It has been superseded by currently available technology.

MR. CARVER: I'm sorry; Madam Chairman. My -- He answered my question. Now he's going on and repeating everything he repeated before. This is going to take forever, I mean, if he does a five-minute, you know, explanation over and over and over again.

The question was just is that in the book and he said yes. So I'd like to go on to my next question. I mean, I don't mean to cut him off but, I mean, I'd like for him to be responsive.

CHAIRMAN JOHNSON: Generally we allow you to elaborate, but you did; you explained it the last time. The only reason I asked you to answer it again is because I didn't remember if you said yes or no at the beginning either. But if you do need to continue to -- If you need to clarify your yes, I'll allow it.

A Thank you, Madam Chairman. I would like to, to put this in proper context.

CHAIRMAN JOHNSON: Okay.

A As opposed to a simple yes or no, which I don't think is the whole truth in this matter.

It is a design standard that's in the handbook. It has been superseded by currently available technology.

And I might also point out that the BCPM pays lip service to that standard but violates it in two ways: One is that for 26-gauge cable, the serving area concept is 9,000 feet limit. BCPM goes out to 11,100 feet. They violate the standard.

The secondly is the 12,000 feet that Mr. Carver points out, but BCPM models out to 18,000 feet from the DLCRT, just as the HAI Model does.

All I'm saying is that that standard has been superseded in both the HAI Model and the BCPM have gone beyond that standard. And I'm not saying that BCPM is wrong. I'm thinking they're in the right direction. We've just done it to the capability of the equipment today to produce a least cost model.

The whole point of this is that that standard has been superseded.

COMMISSIONER DEASON: Why hasn't the handbook been changed?

A That's a good question. First of all, the handbook is now property of Lucent Technologies. It's not an AT&T book any more. It was published in '94. And for

whatever reason -- and I suspect because Lucent is no longer in the outside plant services business, of which I was a part of that organization back then, it no longer has a compelling need to keep that book updated.

BY MR. CARVER (Continuing):

Q In the most current -- I'm sorry; Commissioner Deason.

COMMISSIONER DEASON: I did have a follow-up question.

A Yes, sir.

COMMISSIONER DEASON: Well, then if they're no longer in that business and no longer have a need to update it, why do they include it in their handbook?

A Well, sir, the handbook exist from that time it was published. And they aren't reissuing it. They just issue the old version. And for the most part it's still applicable to outside plant. It's still a good book. It's just that particularly in terms of these models you've got to take the currently available technology and apply it in a least cost solution. In the case of the serving area concept, it's been superseded. And both models know it and both models supersede it.

COMMISSIONER DEASON: Do they have any kind of disclaimer to that effect, that they haven't updated it and so some things may be superseded?

A In the AT&T handbook of '94?

Yes, sir; that's correct.

COMMISSIONER DEASON: There is a disclaimer that says that?

A No, sir; there's no disclaimer. They have not reissued a revised version, to the best of my knowledge.

BY MR. CARVER (Continuing):

Q The last time it was issued by Lucent, which was picking up on the AT&T standard, was in the '96 handbook; correct?

A I'm not aware of that, but I won't disagree. If you could show me one, I'd certainly agree with you.

Q Well, I'm asking if you are aware of that.

A I'm not aware of it.

Q Okay. So as far as you know, '94 was when that standard was current?

A To the best of my knowledge the handbook was '94. The standard goes back to the '70's.

Q Okay. Well, in '94 you were working for AT&T as an engineer; weren't you?

A Yes, I was.

Q Did you follow that standard in '94?

A I'm trying to think if we proposed anything that would have included that. I can't remember specifically, but I won't disagree that in '94, had we deployed digital

loop carrier, we mostly would have followed that particular standard in '94.

Q Okay. Now have you worked as an engineer for AT&T since then?

A I have worked as a manager over engineers up through about February '97 when I went on to -- gave up the real world of building these things and went into the witnessing world.

Q Does AT&T currently follow that standard or did they follow it when you left the company recently?

A Well, first of all, AT&T, to the best of my knowledge, is not building local loops in terms of feeder and distribution, digital loop carrier. So the answer to that is that AT&T is not doing it.

However, I would say that if AT&T were building local loop to serve areas beyond 9,000 feet of feeder, which is what the HAI Model, or 12,000-foot loops as BCPM models, that they would do so with currently available technology. And to the extent that currently available technology exceeds the serving area concept, then I'm sure AT&T would use that technology to its full capability, which is what the HAI Model does, and, to a certain extent, what BCPM does, also.

Q Mr. Wells, I have a copy of the Lucent Technologies update from October 1996. If I bring that

down and show that to you, will you accept that the standard was reissued in 1996?

A I said I would.

Q Okay. Do you want me to bring this to you?

A Mr. Carver, I trust you. I see the Lucent logo on it. So I'll go along with that.

Q Okay. Well, rather than take any more time with that, just so we're on the same page, '96 --

A Subject to check, I'll agree with you.

Q Do you know of any local exchange company that exceeds the 12,000 foot on DLC standard that's set forth in this handbook?

A Sure. In reviewing BellSouth's UNE filings, I saw a number of their loops laid out. And in many cases they've got loops from DLC that go out well beyond 18,000 feet with load coils on them. There are design standards that allow for that, a range extension, and even loaded loops.

So the answer to your question is yes; in fact, for the most part. What we're talking about here is a network to standards that would far exceed what the embedded network is in terms of quality and performance.

Q When did you make this review of the BellSouth information that you're telling us about?

A I've been in several UNE dockets where BellSouth

typically files a sample of 300 loops and I've gone through extensive review of those loops and have -- You know, and they say that this is a sample of what's out there.

Well, based on that sample I tell you that there's a lot of loops out there that are a lot longer than 18,000 feet from the DLCRT and a heck of a lot longer than 12,000 feet from the DLCRT and have load coils on them.

Q Okay. Well, I'm not talking about load coils. Let's see if we can focus the discussion here. I'm not talking about load coils and I'm not talking about what happened in the past and I'm not talking about old technology. What I'm talking about is the standard right now.

Do you know of any local exchange company right now that builds copper loops longer than 12,000 feet from the DLC to the customer?

A You say builds right now as opposed to embedded network?

Q Designs right now or builds right now, current practice; do you know of any local company?

A I don't have enough knowledge of what they're currently deploying to answer that definitively. Based on the fact that BCPM does model beyond 12,000 feet and that there's three ILECs here that support that, and knowing that the technology will go that far beyond that, I would

be surprised if they weren't doing that, but I don't have firsthand knowledge.

Q Thank you. Now when you say that this has been superseded, is there any sort of a handbook like the Lucent handbook that's followed in the industry that has reset the industry to what Hatfield follows?

A Well, first of all, the answer --

MR. CARVER: I'm sorry. Madam Chairman, could I have a yes or no? I think that was a very straightforward question.

A Yes. I apologize.

The answer is yes, and let me explain. First of all, the standards to which the HAI designs to, and to some extent the BCPM, is first of all 18,000 feet is established as the distance of which a copper pair can transmit without load coils. And that's in the outside plant engineering handbook and several other sources, the BOC notes on the network -- BOC notes on the network and others. That's a well-established standard.

So that is the one that's used to determine the upper limit of going from the DLCRT.

The other standard is that the loss in terms of decibels on a loop cannot exceed eight and a half, including the central office. And for next general digital loop carrier, the channel unit card becomes an extension of

the CO. So you've got eight and a half db loss budget and then you go to loss charts and so forth and you can determine the distance that you can go from the DLCRT on certain gauges of copper and whether or not it's aerial buried, so forth and so on, to get so far out.

And that's what we've done. That's what we've designed to. And I think BCPM has done a similar exercise to determine their limits of 11 -- of 13,600, where they start range extension, and 11,100 feet of 26-gauge cable, both of which exceed the serving area concept.

MR. CARVER: Madam Chairman, my question was is there a published guideline today that has superseded the Lucent Guideline. And I don't think there was an answer anywhere in there. I'm really doing my best to move this along, but these answers are not responsive.

MR. HENRY: Madam Chairman, I believe if we read the record back, Mr. Wells initially started into an answer and then he specifically said, "I'm sorry, the answer to your question is yes. Now let me explain."

So Mr. Carver got a yes or no answer to his question.

A And I did reference the outside plant engineering book; I referenced the BOC notes on the network; I referenced charts, which are, by the way, attached to my testimony; there is a chart in there.

So the answer is yes, there are standards. We have complied with them and so does BC -- BCPM uses similar standards.

BY MR. CARVER (Continuing):

Q So you reference the BellCore notes on the network?

A Yes.

Q Okay.

A For 18,000 feet and also I think 8 and a half db; they're both referenced in there; BOC notes on the network.

Q Yes. And on section 12, page 5 of that under 12.1.4, Carrier Serving Area, doesn't it say the maximum loop length in a CSC is 12 kilofeet for 19-, 22-, or 24-gauge cables and 9 kilofeet for 26-gauge cables? Isn't that the 12,000 foot standard right there in the BellCore notes that I just read you?

A The answer is that, yes, you've quoted the serving area concept, but there are other standards in there that apply to loop loss and there's standards in there on distance you can go without load coils. And in a least cost most efficient model based on currently available technology, those are the ruling or guidelines and standards. And the serving area concept has been superseded. And both the HAI Model and the BCPM know that and have modeled it appropriately because it's the least

cost most efficient way to model.

Q And we're going to get to that comparison in a moment, but the question is you admit that in the BellCore notes from December 1997, it sets as the standard for the CSA 12,000 feet; correct?

A It quotes the CSA standard. It also probably quotes a standard on open wire. It doesn't mean that that's currently available technology.

Q And the standard it quotes is 12,000 feet; right?

A The CSA standard is 12,000 feet.

Q Thank you.

A It also, as you pointed out, is 9,000 feet of 26-gauge cable. And both models exceed that because the technology allows them to do so.

Q We're going to get to the comparison now in just a moment.

How many loops in the Hatfield Model exceed 12,000 feet?

A Mr. Pitkin would have had that answer. I don't know.

Q Actually in his deposition Mr. Pitkin did answer that. He told us on page 99, line 8, that 84,838 loops exceed 12,000 feet. Will you accept that?

A If Mr. Pitkin said so, yes.

Q How many of BCPM exceed 12,000 feet?

A I don't know.

Q Well, Mr. Pitkin also told us on page 100, line 12 of his deposition, he said 4,291; will you accept that?

A Makes sense because they have got so many more DLCRTs; so they wouldn't have any.

Q So assuming that Mr. Pitkin's numbers are accurate, that means that the Hatfield Model has loops in excess of 12,000 feet twenty times as frequently as BCPM; correct?

A Well, I'll accept your math, but I would point out that you don't -- a design would not have anybody with service that does not meet standards.

So my answer is that both those 4,000 customers in BCPM and the whatever thousand, 80,000, if you said in HAI, are both receiving a telephone service that's within the standards and requirements of the universal service fund in the model, which would be a POTS line or a modem use.

Q Well, let's go back to what you said at the beginning of that answer where you said that the design criteria should insure that everyone or that every loop meets it. And, just to clarify, it's your position that if there is a -- say a model is trying to design to 12,000 feet and there is a single loop beyond 12,000 feet, that in your view the model is not designing to 12,000 feet;

correct?

A Engineers are not allowed to deploy --

Q Could I have a yes or no? Is that your position, that a single loop means that it is not designing to 12,000 feet if there is a single loop in excess of 12,000?

A The answer is yes.

Q Thank you.

A Engineers are not going to deploy a design that gives poor quality service to any customer. And so if you're trying to draw a comparison that BCPM only gives poor quality service to 2% and HAI gives poor quality service, in this hypothetical, to 10 or 12%, and, therefore, BCPM -- That's not right. You don't draw up a design to give poor quality service to anyone and neither model does.

Q So then based on your judgement as an engineer, what you're telling us is if BCPM exceeds the standard 20 times as frequently -- I'm sorry. If Hatfield exceeds the standard 20 times as frequently as BCPM, then you wouldn't say one model performs better than the other? You'd say they both breached the standard because they both exceeded it to some extent; correct?

A No, that's not correct. I've said the standard is 18,000 feet and that both models are within that standard and all customers in both models receive the type

of quality of service that's required of these models.

Q You are changing my question a little bit. I know you think 18,000 feet is the correct standard. The BCPM proponents say 12,000 is the correct standard. So for purposes of my question I want you to accept as a hypothetical that 12,000 feet is the correct standard. I just want to be clear on your position.

Your position is that if BCPM exceeds it one time for every twenty times Hatfield exceeds it, then there is really no significant difference between their performance as to that standard?

A The answer to your question is, yes, because if hypothetically the limit is 12 and either model exceeds it, then either model is unacceptable.

And to go to some rationale that says that this one is less incorrect and, therefore, better is not the way that this Commission should reach a conclusion and not the way an outside plant engineer would design a network.

Q And you have that opinion even though BCPM would only breach that standard if we accept it as a standard one time for every 20 times that Hatfield does? The number is simply irrelevant to your analysis; correct?

A If I've said before, if it was one customer, it would be unacceptable, not one 20 times more; one customer would be unacceptable. You don't design a network to

provide inferior service to any customer.

Q Okay. Let's move to a different area. I'd like to talk to you a little bit about the sharing factor. And, specifically, I'm talking about the sharing factor as it applies to buried distribution plant.

Now just to be clear, what this factor does is it would assume that -- well, first of all, the factor for distribution plant is 33 -- correct -- buried?

A Yes.

Q So what that means is that the Hatfield model assumes that only 33% of the support costs or the costs for support structures of this plant will be borne by the builder of the network and 67% will be borne by someone else; correct?

A Yes.

Q And today this sharing factor cannot be achieved on a statewide or a company basis; can it?

A Under current conditions, that's correct.

Q Okay. Now you would agree, wouldn't you, that this is a big ticket item? I mean, there's a lot of money involved in how this sharing factor is applied; would you not?

A I can't quantify it, but I won't -- I would agree that it's a significant factor.

Q Okay. Actually, we've made an attempt to

quantify it. And I'd like to see if you agree with this analysis.

What we did was we went into the Hatfield Model. And this is the CD-ROM that's Exhibit 6 to Mr. Wood's testimony. And went to the particular spreadsheets for buried distribution placement costs and looked at the costs that the Hatfield Model generates for the three largest companies in the state. And actually it breaks Centel and United out. So I'll just read you these figures.

There will be a little bit of arithmetic involved. You can write them down if you want; if not, that's fine.

For BellSouth it's 526.9 million; for GTE, 201 million; for United, 191.9 million; and for Centel, 58.3 million.

So all together, this particular type -- The investment for this particular of plant is 978.1 million dollars.

Okay?

A You're talking about buried distribution cable or what?

Q Yes. Will you accept that subject to check?

A I'm not familiar with the outputs of the model, so I have no expert opinion. I'm not disagreeing; I just don't know.

Q Okay. Well, they're taken from numbers that are in evidence. So if you would accept them hypothetically.

A Okay.

Q Because I just want to see what the Hatfield Model would do with that. Now according to the spreadsheet that we looked at, it applied a factor so that it assigned 33% of that to the telephone company building the network. So, in other words, the 978.1 million dollar item was reduced to 322.8 million, meaning that 655.3 million was simply taken out as an investment. It was no longer there.

Now applying those numbers, that's the way the sharing factor works; isn't it?

A Yes; that's the way the sharing factor works. And if you assume that the sharing factor is 100% or 98%, then there is, in your example, $600,000 worth of costs that are not being taken out in a most efficient environment.

And our position is that in a competitive environment, that buried structure sharing will take place far in excess of what exists today for the reasons that there will be incentive for utilities to want to share the cost of a trench that haven't existed in the past because utilities have been rate base regulated and had an incentive to do their own trench.

There will also be regulatory pressure to

minimize the number of trenches that are dug. There will also be many more utilities out there in a competitive environment, once again driving toward single trenches.

And so we see that there will be incentive as well as additional opportunity that will result in significantly more sharing of both buried and underground structure in the future.

So the ILEC position in this matter is that they haven't done -- They haven't shared trenches in the past. They don't share trenches today. And they shouldn't have to share trenches in the future. And that's kind of the way they've modeled it.

Our position is they haven't shared trenches in the past. They could share trenches today. And they should share trenches in the future.

Q Okay. So -- I'm sorry.

COMMISSIONER CLARK: Let me ask you a question: How do you share a trench?

A You coordinate with another utility. And you --

COMMISSIONER CLARK: What other utility would you coordinate with?

A The power company, the cable company. And it's not inconceivable that other utilities might also be looking to share the cost.

COMMISSIONER CLARK: What other utilities?

You've just named the ones I think would trench.

A Well, in a competitive environment there might be more than one carrier or there might be more than one power company, there might be more than one cable company, might be several telecommunications companies and so forth. So we see increased opportunities as well as incentive. And sharing trenches is a matter of you dig the trench and you dig it at a sufficient depth to accommodate all the parties and you share the cost.

COMMISSIONER CLARK: But you have to do it all at the same time; right?

A In terms of buried trenching, where you've got just no conduit, that is correct. Everybody has to get in the trench at the same time.

In the case of underground structure where you're placing conduit, then people could in essence, say, well, I want a duct and pay for that duct.

Also, we have numerous examples of builders in subdivisions who will open up trenches for all the utilities to get into, rather than have them all come in and dig their own and cut each other up. It's pretty common practice today for, you know, builders and developers to open the trench for the utilities, in which case the cost really goes down because they don't have to dig the trench themselves.

BY MR. CARVER (Continuing):

Q And this is a theory about what's going to happen in a future competitive environment; correct?

A Yes.

Q This does not happen and cannot happen today on a company-wide or statewide basis; correct?

A Well, it does not happen. Whether it could happen is a matter of difference of opinion.

Q Well, let me -- Let's go to the opinion you gave me last week in your deposition. Page 92, lines 3 through 13: "Let me ask you today, right now, do you believe a local exchange company could achieve a 33% sharing factor for support structures for buried cable?"

"Answer: As I have said on a company-wide or statewide basis, they cannot because the environment which would be conducive to that being, one, the incentive to be" -- and then you go on to give an explanation.

A week ago you told me that cannot be done today. Have you changed your testimony?

A No, I've not. As you read the testimony, I said under the current environment; the environment being one of competition and one of where you have the incentive to do so. In the past, and apparently in the present you have insufficient incentive to want to do that.

COMMISSIONER GARCIA: What is incentive? What?

They're going to dig up the cable and rebury it for the competition?

A No, sir. That's a very good question. And I can see that you've been misled in that area.

COMMISSIONER GARCIA: I'm glad.

A If you're familiar with the scorch node concept, okay, it says that for purposes of determining the cost basis for universal service fund, we go to a scorch node concept. Now I'm not qualified to give you all the economic reasons for that, but if you will accept that as the basis for it, then it says that in essence the facilities of the telecommunications carrier are eliminated or scorched, is the term that's used. And you rebuild an entire telecommunications network based on large scale projects and new technology, new equipment.

So it's a hypothetical to get at the cost basis, the appropriate cost basis.

And any misleading that you're going to go out and dig up cables and rebury them and the power company is going to get scorched is misleading; it's not correct.

COMMISSIONER GARCIA: But to assume contributions is quite a different thing than to assume an efficient network? One thing is to assume, you know, that the straightest distance between two points is a straight line. It's quite another to assume that not only are you going to

create a new network, an efficient network, but now you're going to assume contribution from other players for that network, like cable companies, like power companies, like non existent facilities-based telecommunications firm.

A Yes, sir; that's an assumption. And then in the case of pole lines and aerial, there's no dispute. There is sharing. It's physically possible to do so and there is no dispute. So that's one where there is not a big debate.

In terms of conduit, I think that it's entirely possible with coordination with other utilities that they would be willing to pay for additional ducts for their use in the future. It doesn't mean they have to go out and put in the cable right now, but the idea is you could either acquire at the time the trench is being dug or in the future you could lease ducts.

Okay. The phone company has got a lot of ducts now that were based on large course gauge cables in the past technology that are being replaced by fiber cables. So they're going to have spare ducts to lease. So the example is that you are going to lease a duct as opposed to building.

All these factors have been, for modeling purposes, have been rolled into the percent telco that we use in our structure sharing. And, like I said, there

really is not a big debate on aerial. There's not a huge debate on conduit. The big debate comes on buried.

Our position is 33; their position is virtually zero or 100%.

And I'll admit for the record that our number is aggressive. I'll also say for the record their number is not very forward looking, and ask the Commission to take all that into consideration.

COMMISSIONER CLARK: I'd like to ask that, the question a different way: Does your model of 33% assume that for all the buried plant that would be put in, buried cable that would be put in, every foot of it, at least two other utilities will share that trench?

A That would be one interpretation, but that's not the modeling premise. Okay. You take into account various combinations of multiple utilities, cases where you can lease or cases where somebody is opening the trench.

COMMISSIONER CLARK: Let me stop you a minute.

A Yes, ma'am.

COMMISSIONER CLARK: I get lost in some of your explanations.

A Okay. I'm sorry.

COMMISSIONER CLARK: You answered yes, in terms of the total investment --

A Yes, ma'am.

COMMISSIONER CLARK: -- in buried cable, it assumes that for every foot of buried cable there are at least two other utilities in that trench, or wherever it is, sharing the costs of putting it there?

A For purposes of the bottom line costs, that is an example of how one would achieve the 33; there would be two others that would share. But your characterization that every inch has two other utilities and must have two other utilities is not totally accurate. There are other ways of getting costs down without every inch of every trench being shared by two other utilities. That's all I was trying to say.

COMMISSIONER CLARK: What other ways?

A In the case where somebody else opens the trench, a developer, then the cost goes down considerably versus that. So that would be one example where you wouldn't necessarily have to have two other utilities in order to get --

COMMISSIONER GARCIA: I think in Florida, I don't even think developers do that. I mean, in Florida I think, if I'm not mistaken, the Bell companies do it directly.

Secondly, I know developers who have called me to protest about joint trenching projects by BellSouth and others because they hate them because they create an underground wall for them that makes it difficult for them

to provide other services to the property like sewer and water.

So those assumptions aren't pretty aggressive; they're outrageous because if one assumed your concept, then we would assume that hence forward everything was joint trenching and that isn't true. I happen to know it's not true in Florida.

A Once again, the criteria is least cost most efficient. And we feel like that if the proper incentives and opportunities were there to achieve least cost most efficient, that there would be significant amounts of sharing in the trenches.

And I can assure you I have seen developments where this does take place. And there are some -- There are some municipal requirements and other areas that require utilities to coordinate digging up the street.

MR. CARVER: Should I proceed?

BY MR. CARVER (Continuing):

Q Just one or two clarifying questions on this point. This assumption, this 33% sharing assumption, which you've told us can't be done today, Hatfield removes from network investment as a result of this assumption 655 million dollars, that's million dollars; correct?

A Based on the numbers you quoted previously, it would be two-thirds of that amount.

MR. CARVER: Thank you. That's all I have.

CHAIRMAN JOHNSON: Mr. Fons.

CROSS-EXAMINATION

BY MR. FONS:

Q Mr. Wells, my name is John Fons. I represent Sprint-Florida.

A Good afternoon.

Q I have a few questions concerning the cost of excavation that the Hatfield Model uses as default values. Would you agree that the excavation costs are a large driver of the costs of providing local service?

A Given that we model a majority of buried plant, I would say yes.

Q Would you turn to page 4 of 5 of your Exhibit JWW-3, which was attached to your direct testimony, which is I believe titled the "Fassett Validation Data."

A Okay.

Q And I believe that on, actually on page 3 of 5, is the beginning of what I would describe as being the excavation values, beginning with rock/saw trenching ratio; do you see that on page 3 of 5?

A Yes.

Q And the next one is manhole material and then we have manhole excavation, et cetera?

A Okay.

Q Turn to 4 of 5 and I want to ask you some questions more as a surrogate for asking questions about each and every one of these other values that are included on this exhibit.

I'd like you to turn your attention to the value titled "Normal Trenching in Dirt with Backfill Rural Feet" -- "Per Foot," I guess that is -- "/Feet, 36-Inch Depth." Do you see that?

A That's the second column of numbers?

Q Right. And immediately under that there is a bracketed number, $2.81 to $2.97; what does that mean?

A Bear with me a second. I want to verify something.

I believe what that represents is the range that's applicable to the several density zones that might be considered rural. And so the 2.81 would be probably the most or the least dense zone and the 2.97 would represent the most dense zone.

Q And what are you reading from to obtain that information?

A I'm not. I'm trying to recall what Mr. Donovan told me. And that's the best of my recollection as to what that bracket represents.

Q Just so we put this in context, you did not prepare this exhibit; did you?

A That is correct. As I said earlier, Mr. Donovan prepared this exhibit from Mr. Fassett's data.

Q And are you prepared to answer questions concerning this document which you are sponsoring in this proceeding?

A To the best of my ability, yes.

Q Let me ask you then: Would you agree with me that under this column that we are looking at, there are 21 values?

A Without counting them, I'll agree with that.

Q And immediately adjacent to each one of those values is an alphabetical letter?

A Yes.

Q And they're not in alphabetical order; are they?

A No. They're arranged in order of the cost and then the letters of the alphabet are keyed to different vendors and contractors.

Q And that is what the alphabetical letter means, a particular vendor or contractor?

A Yes.

Q And do you have some kind of a list somewhere that translates the name of that contractor or vendor from an alphabetical letter?

A I don't. I suspect Mr. Fassett does because, once again, it was very important that we redact the names

of these vendors. And so these letters were substituted to keep track of the information.

Q What do you know about these vendors and contractors?

A That they were contacted by Mr. Fassett either on the phone personally or via mail; that they represented various areas of the country; and that's, you know, the ones that responded is the data we have that was used for the purpose of validating the input values that the engineering team had come up with.

Q Do you know where each one of these contractors is located in the United States?

A I do not.

Q Does Mr. Fassett know?

A I'm sure he does.

Q And we'd have to ask Mr. Fassett?

A Mr. Fassett would say that that's proprietary. You could ask him, but that's the answer.

Q Even where they are located in the country is proprietary?

A I would ask -- Mr. Fassett would answer the question.

Q Do you know whether any of these contractors are located in the state of Florida?

A I do not know.

Q Can you tell me what criteria Mr. Fassett used to select or to solicit bids from these contractors?

A No, I do not.

Q So you don't know whether the -- for each -- Well, let me ask you this. Were each one -- Was there one criteria sent out to all contractors and were they asked to bid upon a common job?

A Yeah. Let me -- The answer is yes. I think in the documents that were furnished, Fassett documents, there's kind of a form letter and it basically describes what we're trying to do.

Q Where was that furnished?

A I was handed a copy of this yesterday, but it's called "AT&T Supplemental Response to Staff's Second Request for Production No. 3." This is the infamous Fassett data.

Within this are letters that went out. And, if I may correct my earlier statement, there was a description of what to bid on. I mean, it wasn't grabbed out of the air. And it basically said could you provide us costs for large-scale projects to do certain things. And they came back with costs.

It was not a bid or a quote in the sense that we put out a job and got bids on. It was getting vendors to provide us quotes for what they typically do work for on

large-scale projects for this type of activity, such as, in this case, trenching 36-inches deep.

MR. FONS: Since I have not been furnished a copy of that, I'm working a little bit in the dark. If I may have a moment to see if -- It was filed confidentially Monday morning?

MR. HATCH: Madam Chairman, the original discovery response that prompted this production was a production request from GTE. There was a me, too, request from the Staff and also from BellSouth. It has been provided to them, but it has been provided on a proprietary basis.

MR. FONS: I mean, I don't have it. I have not asked for it apparently. And so, therefore, I'm not entitled to it, but perhaps one of the other counsel can pick up and ask questions concerning this.

BY MR. FONS (Continuing):

Q But let's go on. And since you have the document in front of you -- And I will trust you to tell me exactly what's in there if I don't ask the question that will violate some confidentiality. Let's see if we can proceed at least half-heartedly here and quickly. I know that we're not trying to delay this.

Let me just, to summarize, in this particular column, the values that you have range from $1.50 to $6; is

that correct?

A Yes, you're correct.

Q And were the vendors on this particular column, were they the same vendors that were used on any of the other columns?

A If there is a match in the letter, then you could assume its the same vendor.

Q And the only way we would know if they were the same vendors on any of these other columns would be to look at the letters; is that correct?

A The letters substitute for the names. So the answer is yes.

Q And do you know whether or not all of these vendors, these 20 vendors, were asked to bid on the same job?

A As I've said earlier, it was not a bid on the job. It was a request in the form of a letter that says we're an engineering team; we're putting together a model; we need some cost data for large-scale projects for activities that you do; could you furnish us your costs for doing such activities.

(Whereupon, the transcript continued in Volume 23 without omission.)