

ORIGINAL

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DIRECT TESTIMONY OF
JEFFREY KING**

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI WORLDCOM, INC.

Docket No. 990649-TP

June 8, 2000

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

A. My name is Jeffrey King and my business address is 1200 Peachtree Street, N.E., Atlanta, Georgia 30309. I am employed by AT&T as a District Manager in the Local Services & Access Management organization.

Q. BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I received a Bachelor of Arts degree in Business Administration with a concentration in Industrial Administration from the University of Kentucky, Lexington, KY, in 1983. I joined AT&T's Access Information Management organization in April of 1986 and my assignment included the development and testing of the ordering

1 and inventory Access Capacity Management System (ACMS) for
2 electronically interfacing High Capacity access orders with
3 incumbent local exchange carriers (ILECs). I worked closely with
4 the Ordering & Billing Forum (OBF) to insure industry standard
5 specifications were implemented and enforced by quality control
6 edits to maintain the integrity of the data. I joined the Integrated
7 Access Planning and Implementation organization in August of
8 1990 and performed the national ACMS User Representative role
9 for implementing Business Unit requirements, enhancements,
10 Methods & Procedures, and training. This work function also
11 required subject matter expertise of the processes to plan,
12 provision and utilize special access circuits and facilities in order to
13 optimize the effectiveness of AT&T's operational support systems
14 (OSS) to manage these processes. I joined the Access
15 Management organization in December of 1992 and managed
16 customer/supplier relations on Interstate access price issues,
17 including access charge impacts and tariff, terms and conditions
18 analysis, with BellSouth Telecommunications, Inc. and Sprint LTD.
19 In addition, my responsibilities included ILEC cost study analysis.

20 I began supporting AT&T's efforts to enter the local services
21 market with the implementation of the Telecommunications Act of
22 1996. In particular, I support AT&T's efforts to obtain cost-based
23 non-recurring rates for CLEC requests of unbundled network

1 elements (UNEs) from ILECs by analyzing ILEC non-recurring cost
2 studies and the AT&T/MCI Non-Recurring Cost Model. I also
3 interface with subject matter experts ("SMEs") on the efficient
4 processes and practices of ordering and provisioning UNEs based
5 on a least-cost, forward looking telecommunications infrastructure.
6 My organization also supports the cost models, such as the HAI
7 Model, to develop the recurring costs (i.e., capital expenditure) to
8 efficiently support the telecommunications infrastructure.

9 In July of 1998 my responsibilities increased. I am now
10 responsible for analyzing the cost and recommending all cost-
11 based prices charged by ILECs. My responsibilities also include
12 managing access charges paid by AT&T to ILECs in the nine state
13 BellSouth territory. Specifically, I advocate cost-based rates for
14 access to the ILECs' networks for the purpose of originating and
15 terminating local and toll traffic. Indeed, UNEs comprise the same
16 elements of the telecommunications network as offered by
17 BellSouth, and other ILECs, for access services.

18

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE**
20 **PUBLIC SERVICE COMMISSIONS?**

21 **A.** Yes, I have testified on behalf of AT&T in Alabama, Georgia, North
22 Carolina, Tennessee, Mississippi and Puerto Rico.

23

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

2 A. I will address the following list of issues:

3 **Issue 5:** For which signaling networks and call-related
4 databases should rates be set?

5 **Issue 6:** Under what circumstances, if any, is it appropriate to
6 recover non-recurring costs through recurring rates?

7 **Issue 13:** When should the recurring and non-recurring rates and
8 charges take effect?

9

10 **Q. ISSUE 5: FOR WHICH SIGNALING NETWORKS AND CALL-
11 RELATED DATABASES SHOULD RATES BE SET?**

12 A. FCC Rule 319(e) requires ILECs to provide access to signaling
13 networks, call-related databases, and service management
14 systems on an unbundled basis. The following list of UNEs should
15 have rates established:

16 Common Channel Signaling System 7 (CCS7) Transport,
17 including Signaling Transfer Points (STP)

18 Toll Free Calling Database (i.e., 800)

19 Line Information Data Base (LIDB)

20 Calling Name Database (CNAM)

21 911/E911 Database

22 Local Number Portability (LNP)

23 Advanced Intelligent Network Database (AIN)

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Directory Assistance Database (DA)

Daily Usage Information (e.g., ADUF, ODUF, EODUF)

As the industry evolves additional databases may be required for which future cost-based rates should also be established.

Q. ISSUE 6: UNDER WHAT CIRCUMSTANCES, IF ANY, IS IT APPROPRIATE TO RECOVER NON-RECURRING COSTS THROUGH RECURRING RATES?

A. Non-recurring costs are the efficient, one-time costs associated with establishing, disconnecting or rearranging unbundled network elements purchased from an ILEC at the request of a customer (e.g., ALEC). Non-recurring cost activities are those that only benefit the ALEC requesting the elements such as the Ordering and Provisioning processes. One thing that needs to be remembered is that nonrecurring charges must adhere to TELRIC principles. Often, in these UNE cases, nonrecurring charges are based on the activities the ILEC **has** incurred in the past. This methodology may not be TELRIC. According to TELRIC rules, non-recurring charges must be based on the activities the ILEC **should** incur if it was operating in a forward-looking least cost most efficient manner. If this principle is maintained most of the concerns about excessive nonrecurring charges that may create a

1 barrier to entry go away and any competitive based need to recover
2 TELRIC nonrecurring costs through recurring rates is eliminated.

3 Further, if the activity being performed is a one-time activity,
4 but has the potential to benefit all future users of a particular
5 telecommunications facility, the costs of the activity typically are
6 characterized as recurring. The cost of constructing a loop is one
7 example. Proper allocation of one-time costs is particularly
8 important in a competitive environment where more than one local
9 exchange carrier including the ILEC may use a particular facility at
10 different points in that facility's lifetime. If all the forward-looking
11 costs of a one-time activity benefiting multiple users are borne by
12 the first telecommunications provider to use the facility, then
13 obviously the first user will be forced to pay more than its fair share.

14 As is the case with network elements in general, the
15 Commission should ensure that NRCs are not structured in a
16 manner that forces new entrants to pay for costs that they do not
17 cause. Presently, for example, ILECs commonly "disconnect"
18 unbundled network elements by software command only (i.e.,
19 without physical disconnection of any sort). This activity is referred
20 to as 'soft dial tone' and requires no manual provisioning work. Yet,
21 the non-recurring installation charges ILECs propose to charge new
22 entrants invariably reflect the costs of physical reconnection,
23 regardless of whether the facilities in question were ever physically

1 disconnected in the first instance. Structuring NRCs so that new
2 entrants must pay for costs that the incumbent will not actually incur
3 is yet another means by which ILECs can erect excessive
4 competitive barriers to competition. Modeling costs that reflect the
5 elimination of such proposals not only minimizes initial barriers to
6 entry, but also closely links cost recovery with the manner in which
7 the costs are actually incurred.

8 To the extent that the Commission determines a non-
9 recurring charge to exceed a threshold for competitive entry, a
10 pricing policy decision would be warranted for the recovery of this
11 cost either (1) from a term payment plan (e.g., pay \$700 NRC over
12 12 months via installment payments), or (2) by including the
13 average non-recurring cost within the cost structure being
14 recovered from affected recurring UNE charge(s).

15

16 **Q. ISSUE 13: WHEN SHOULD THE RECURRING AND NON-**
17 **RECURRING RATES AND CHARGES TAKE EFFECT?**

18 A. The recurring and non-recurring rates and charges should take
19 effect immediately after the Commission approves and Orders
20 them. At such time ILEC/ALEC Interconnection agreements should
21 be amended to include the Ordered rates and charges.

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

23 A. Yes.