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April 22, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Re: Docket No. 990649B-TP
Investigation into Pricing of Unbundled Network Elements (Sprint/Verizon track)

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Supplemental Surrebuttal Testimony of Dr. Timothy J. Tardiff and Francis J. Murphy on behalf of Verizon Florida Inc. in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at 813-483-2617.

Sincerely,

Kimberly Caswell

on

KC:tas
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into Pricing of)
Unbundled Network Elements) Docket No. 990649B-TP
)

SUPPLEMENTAL SURREBUTTAL TESTIMONY OF

DR. TIMOTHY J. TARDIFF

AND

MR. FRANCIS J. MURPHY

ON BEHALF OF

VERIZON FLORIDA INC.

April 22, 2002

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK.

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SUPPLEMENTAL SURREBUTTAL TESTIMONY OF

DR. TIMOTHY J. TARDIFF

AND

MR. FRANCIS J. MURPHY

Q. DR. TARDIFF, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Timothy J. Tardiff. I am a Vice President at National Economic Research Associates ("NERA"). My business address is 1 Main Street, Cambridge, MA 02142.

Q. MR. MURPHY, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Francis J. Murphy. I am the President of Network Engineering Consultants, Inc. ("NECI"), located at 5 Cabot Place, Suite #3, Stoughton, MA 02072.

Q. ARE YOU THE SAME DR. TARDIFF AND MR. MURPHY THAT PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes. We filed joint Surrebuttal Testimony on March 18, 2002.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

1 A. We evaluate herein Z-Tel Communications Inc.'s ("Z-Tel") witness Dr.
2 George S. Ford's updated comparison of Verizon Florida Inc.'s
3 ("Verizon") costs and BellSouth's costs. We show that Dr. Ford has
4 not remedied the fundamental flaws identified in our March 18, 2002
5 joint Surrebuttal Testimony. Dr. Ford's computations are not based
6 upon the most recent version of the Federal Communications
7 Commission's ("FCC") universal service model (the "Synthesis
8 Model"). Moreover, Dr. Ford's supplemental testimony contains
9 unsupported calculations that purportedly "mirror" those employed by
10 the FCC in Section 271 Orders. Dr. Ford's questionable and
11 unexamined updated cost comparisons provide no useful information
12 that the Florida Public Service Commission ("Commission") can use to
13 evaluate Verizon's Integrated Cost Model - Florida ("ICM-FL") or
14 determine Verizon's forward-looking costs of providing unbundled
15 network elements ("UNEs") in Florida.

16
17 **Q. HAS DR. FORD USED THE OUTPUT FILES PRODUCED BY THE**
18 **MOST RECENT VERSION OF THE SYNTHESIS MODEL TO**
19 **PREPARE THE UPDATED COMPARATIVE COST ANALYSIS**
20 **CONTAINED IN HIS SUPPLEMENTAL TESTIMONY?**

21 A. No. Dr. Ford's allegedly "updated" comparative cost analysis uses the
22 same output files produced by the same obsolete and error-ridden
23 version of the Synthesis Model used to perform the comparative cost
24 analysis contained in his January 30, 2002 Revised Rebuttal
25 Testimony. The outputs Dr. Ford relied upon in his Revised Rebuttal

1 Testimony and Supplemental Testimony are based upon the January
2 2000 release of the Synthesis Model. (Murphy/Tardiff Surrebuttal at 9-
3 10.)

4

5 The fact that Dr. Ford has not updated the data produced by the
6 Synthesis Model can be shown by comparing specific worksheets
7 posted on the web site Z-Tel identified in response to discovery
8 relating to Dr. Ford's Rebuttal Testimony ([www.egroupassociates.com](http://www.egroupassociates.com/download.htm)
9 /[download.htm](http://www.egroupassociates.com/download.htm).) (Z-Tel's Response to Verizon's First Request For
10 Production Of Documents (No. 1).) The documents available for
11 download clearly show that Dr. Ford's updated exhibit are based on the
12 same Synthesis Model output files used to produce the comparative
13 cost analysis in his Rebuttal Testimony. For example, all of the
14 numbers in the "Summary" worksheets for GTE Florida found in the
15 original file ("ztelhcpm.zip") and updated file ("flvzup.zip"), both posted
16 on the aforementioned web site, are identical. Further, both of these
17 "Summary" worksheets are identical to the corresponding worksheet of
18 the file containing the results that the FCC posted on its web site on
19 January 20, 2000 (available at [http://www.fcc.gov/wcb/tapd/hcpm](http://www.fcc.gov/wcb/tapd/hcpm/welcome.html)
20 /[welcome.html](http://www.fcc.gov/wcb/tapd/hcpm/welcome.html)).

21

22 Thus, despite Dr. Ford's and Z-Tel's statements to the contrary (Ford
23 Supplemental Testimony at 1; Z-Tel's Response to Verizon's Motion
24 for Extension of Time to File Surrebuttal Testimony), Dr. Ford's
25 updated analysis is not based on the results produced by the most

1 recent version of the Synthesis Model (released on December 18,
2 2001) and its associated inputs, and thus does not reflect the
3 corrections that have been made to the Synthesis Model's algorithmic
4 errors since January 2000, nor the updated demand data contained
5 therein. (See Murphy/Tardiff Surrebuttal Testimony at 10-11 (noting
6 that the December 18, 2001 release of the Synthesis Model changed
7 the line counts (i.e., demand) and the usage data employed by the
8 Synthesis Model).) As such, Dr. Ford's supplemental testimony fails to
9 remedy the numerous model platform and input errors identified in our
10 joint Surrebuttal Testimony.

11

12 **Q. WHAT CHANGES HAS DR. FORD MADE IN HIS UPDATED**
13 **COMPARATIVE COST ANALYSIS?**

14 A. Based on the limited analysis we were able to perform due to
15 significant time constraints, Dr. Ford's incorrect suggestion that he has
16 used the most recent vintage of the Synthesis Model, and the absence
17 of documentation, it appears that Dr. Ford's updated calculations (and
18 revised exhibit GSF-SR12) are nothing more than an unsupported
19 attempt to replicate the calculations made by the FCC in certain
20 Section 271 Orders -- Dr. Ford has done nothing to remedy his use of
21 an outdated and fatally-flawed version of the Synthesis Model.
22 Contrary to Dr. Ford's assertions, his supplemental testimony does not
23 definitely establish that he has succeeded in "mirroring" the
24 calculations used by the FCC in these Section 271 Orders. (Ford
25 Supplemental Testimony at 1.) For example, rather than modify the

1 Synthesis Model to reflect the changes made by the FCC for Section
2 271 purposes (see e.g., *Application of Verizon Pennsylvania Inc., et. al*
3 *for Authorization To Provide In-Region, InterLATA Services in*
4 *Pennsylvania*, FCC 01-269 at ¶ 65 fn. 249 (Sept. 19, 2001)), Dr. Ford
5 has attempted to make the adjustments outside of the model.
6 Moreover, his workpapers include no documentation or explanatory
7 notes. Thus, despite Dr. Ford's assertions that he made the same
8 calculations used by the FCC in its Section 271 Orders (Ford Revised
9 Rebuttal Testimony at 21; Ford Supplemental Testimony at 1), he
10 never establishes that he has in fact done what he claims.

11
12 Moreover, as we discussed in our Surrebuttal Testimony, even if Dr.
13 Ford had correctly implemented the changes made by the FCC to the
14 Synthesis Model for Section 271 purposes, Dr. Ford's comparative
15 cost analysis is fundamentally flawed. (Murphy/Tardiff Surrebuttal
16 Testimony at 4.) First, the Synthesis Model is incapable of accurately
17 identifying the relative cost differences between two carriers operating
18 in the same state. In the Section 271 context, the FCC uses the
19 Synthesis Model to compare the costs of the same incumbent local
20 exchange carrier ("ILEC") across two different states. The FCC has
21 never used, nor authorized the use of, the Synthesis Model to compare
22 the costs of two ILECs operating in the same state. (Ford Depo. Tr. at
23 51-52, 85-86, 103, 104 106.)

24
25

1 **Q. DO THE CHANGES MADE BY DR. FORD PRODUCE ACCURATE**
2 **AND RELIABLE RESULTS?**

3 No. The changes made by Dr. Ford produce inaccurate and counter-
4 intuitive results. For example, although Dr. Ford attempts to adjust the
5 switching costs in his updated exhibit GSF-SR12 to include total usage
6 rather than just the local usage included in exhibit GSF-11 to his
7 Rebuttal Testimony (see Murphy/Tardiff Surrebuttal at 16-17), his
8 updated exhibit continues to show higher switching costs per line for
9 BellSouth than Verizon. As we discussed in our Surrebuttal
10 Testimony, this result makes no sense. As the FCC noted in its
11 Massachusetts 271 Order, switched costs per line are a function of the
12 number of lines per switch and the relative number of remote switches
13 in the network (i.e., the Synthesis Model produces lower switching
14 costs when switches are larger and when there are relatively more
15 remotes). (See Memorandum Opinion and Order, *Application of*
16 *Verizon New England Inc., et. al for Authorization to provide In-Region,*
17 *InterLATA Services in Massachusetts*, 16 FCC Rcd 8488 at ¶ 23
18 (2001).) Thus, according to the Synthesis Model, because BellSouth
19 has a larger average switch size (33,000 lines versus 26,000 lines) and
20 a greater proportion of remote switches (30 percent versus 13
21 percent), its switching costs should be lower than Verizon's. However,
22 the end-office switching investment per line produced by the Synthesis
23 Model for Verizon is higher than that of BellSouth -- a completely
24 counterintuitive result.

25

1 Similarly, Dr. Ford's results are still based on faulty transport
2 calculations, which AT&T, WorldCom, and HAI Associates have
3 admitted are erroneous, and in fact have attempted to remedy in
4 recent proceedings in other states. (Indeed, the FCC's December 18,
5 2001 release does not even remedy these known errors.) As such, Dr.
6 Ford's transport cost comparisons are essentially useless.

7

8 **Q. WHAT IS YOUR OVERALL ASSESSMENT OF DR. FORD'S**
9 **RELATIVE COST COMPARISONS?**

10 A. For the reasons discussed above and in our Surrebuttal Testimony, Dr.
11 Ford's misguided attempt to compare the cost estimates derived from
12 an obsolete version of the Synthesis Model for Verizon and BellSouth
13 produces invalid and meaningless results. Dr. Ford's fundamentally
14 flawed comparative cost analysis provides no useful information upon
15 which the Commission can rely in evaluating the ICM-FL's platform,
16 algorithms or inputs. In short, the Synthesis Model was never
17 designed nor intended to measure the cost differences between
18 carriers providing UNEs in the same state. Dr. Ford's use of the
19 Synthesis Model in this proceeding does not produce valid relative cost
20 estimates, let alone accurate absolute cost levels for carriers operating
21 in Florida.

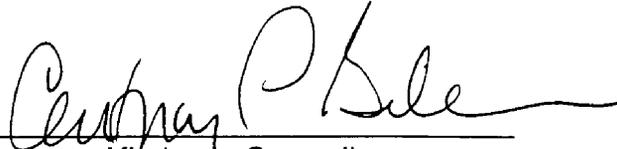
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23 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL SURREBUTTAL**
24 **TESTIMONY?**

25 A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Supplemental Surrebuttal Testimony of Dr. Timothy J. Tardiff and Francis J. Murphy in Docket No. 990649B-TP were sent via electronic mail and/or U.S. mail on April 22, 2002 to the parties on the attached list.



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