

Commissioners:
LILA A. JABER, CHAIRMAN
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON



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Public Service Commission

State of Florida

April 2, 2003

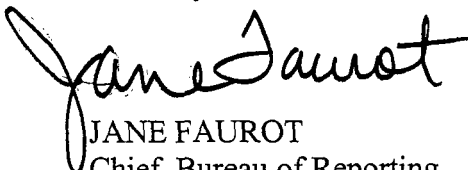
To: All Parties of Record

RE: DOCKET NO. 011666-TP
CORRECTIONS TO TRANSCRIPT OF HEARING HELD 03-10-03

The prefiled testimony of Kevin C. Collins was inadvertently omitted from the record. The transcript has been amended and the prefiled testimony inserted.

Please accept our apology for any inconvenience this may have caused you or members of your staff.

Sincerely,


JANE FAUROT
Chief, Bureau of Reporting

Attachment (1)
JF:rlm

DOCUMENT NUMBER-DATE
03116 APR-28
FPSC-COMMISSION CLERK

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3 DOCKET NO. 011666-TP

4 In the Matter of

5 PETITION BY GLOBAL NAPS, INC.
6 FOR ARBITRATION PURSUANT TO 47
7 U.S.C. 252(b) OF INTERCONNECTION
8 RATES, TERMS AND CONDITIONS
9 WITH VERIZON FLORIDA INC.
10 _____ /

9 ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE
10 A CONVENIENCE COPY ONLY AND ARE NOT
11 THE OFFICIAL TRANSCRIPT OF THE HEARING,
12 THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

12 VOLUME 2

13 Pages 166 through 307

14 PROCEEDINGS: HEARING
15 BEFORE: COMMISSIONER J. TERRY DEASON
16 COMMISSIONER BRAULIO L. BAEZ
17 COMMISSIONER CHARLES M. DAVIDSON
18 DATE: Monday, March 10, 2003
19 TIME: Commenced at 9:30 a.m.
20 Concluded at 10:35 a.m.
21 PLACE: Betty Easley Conference Center
22 Room 148
23 4075 Esplanade Way
24 Tallahassee, Florida
25 REPORTED BY: TRICIA DeMARTE, RPR
 Official FPSC Reporter
 (850) 413-6736
24 APPEARANCES: (As heretofore noted.)

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I N D E X

WITNESSES

NAME:	PAGE NO.
PETER D'AMICO	
Stipulated Prefiled Direct Testimony Inserted	169
Stipulated Prefiled Supplemental Direct Testimony Inserted	192
Stipulated Prefiled Rebuttal Testimony Inserted	200
TERRY HAYNES	
Stipulated Prefiled Direct Testimony Inserted	202
Stipulated Prefiled Supplemental Direct Testimony Inserted	235
Stipulated Prefiled Rebuttal Testimony Inserted	253
Stipulated Prefiled Surrebuttal Testimony Inserted	268
KAREN FLEMING	
Stipulated Prefiled Direct Testimony Inserted	280
JONATHAN B. SMITH	
Stipulated Prefiled Direct Testimony Inserted	290
KEVIN C. COLLINS	
Stipulated Prefiled Rebuttal Testimony Inserted	300
CERTIFICATE OF REPORTER	307

1 thoughts?

2 Okay. Let me just take this opportunity to express
3 my appreciation on my behalf and my fellow Commissioners for
4 all of the work that's been done prior to this point to get us
5 to this stage and the accommodations which were reached to have
6 testimony inserted into the record. We look forward to your
7 briefs and to resolving this matter. Thank you all for your
8 participation. This hearing is concluded.

9 (Hearing concluded at 10:35 a.m.)

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(REPORTER NOTE: The prefiled rebuttal testimony of
Kevin Collins was inadvertently omitted from the transcript.
Therefore, Mr. Collins' prefiled rebuttal testimony is inserted
into the record at this point.)

1 **Q. MR. COLLINS, PLEASE STATE YOUR FULL NAME AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Kevin C. Collins. My business address is 711 Van Ness,
4 Suite 300, San Francisco, CA 94102.

5

6 **Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?**

7 A. I am employed as "Staff Manager - Economic Issues" by the Verizon
8 Services Organization. In this position, I am responsible for the
9 accuracy and reliability of Verizon's incremental cost models in the
10 pricing of network services.

11

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
13 **BUSINESS EXPERIENCE.**

14 A. I received a Bachelor of Science in Economics from California State
15 Polytechnic University Pomona and a Masters of Science in Economics
16 from the University of North Texas. I have also completed one year of
17 the Ph.D. program in economics at the University of Washington.

18

19 I began working for Verizon, then GTE, in 1986 as a Rates and Tariffs
20 Administrator responsible for the costing and pricing of local services for
21 the GTE telephone operating company in Washington, Oregon, Idaho,
22 and Montana. In 1991, I accepted the position of Staff Administrator -
23 Toll Pricing, where I was responsible for the costing and pricing of all
24 usage-based services for GTE's operating areas in the Northwest,
25 California, and Hawaii. In 1993, I assumed the position of Staff

1 Administrator - Access Pricing, in which I was responsible for the
2 development of switched access service discount plans and the costing
3 and pricing of all ancillary services (e.g., billing and collection, directory
4 assistance, operator services, etc.) in twenty-eight states. In 1994, I
5 accepted the position of Section Manager - New Services Pricing, where
6 I was responsible for the costing and pricing of all new and non-
7 traditional services in twenty-eight states. In 1996, I became the Section
8 Manager - Cost Models and Methods, in which I was responsible for the
9 completion of cost studies for network services in all GTE operating
10 areas. I assumed my present position at the end of 1996.

11

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
13 **BODIES?**

14 A. Yes. I have testified in Verizon regulatory proceedings in California,
15 Oregon, Washington, Texas, Indiana, Pennsylvania, Wisconsin,
16 Nevada, New Mexico, New York, New Jersey, North Carolina, New
17 Hampshire, Vermont, Ohio and Illinois.

18

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

20 A. My testimony responds to the testimony of Global witness Selwyn that
21 the incremental costs of transporting calls beyond a local calling area to
22 a single point of interconnection ("POI") in each LATA are "*de minimis*."
23 Along with Verizon witnesses D'Amico and Haynes, I highlight why Dr.
24 Selwyn's analysis is not relevant to the disputed issues in this arbitration
25 as well as why it is a flawed analysis.

1

2 Q. WOULD IT BE APPROPRIATE FOR THE COMMISSION TO USE DR.
3 SELWYN'S TRANSPORT ANALYSIS AS A PROXY FOR
4 ESTIMATING THE IMPACT OF GLOBAL'S INTERCONNECTION
5 PROPOSALS?

6 A. No. This Commission has already determined Verizon's TELRIC-based
7 costs for UNEs such as interoffice facilities transport and switching in *In*
8 *re: Investigation Into Pricing of Unbundled Network Elements*
9 *(Sprint/Verizon Track)*, Docket No. 990649B-TP (PSC-02-1574-FOF-
10 TP). Global has not disputed Verizon's rates in this arbitration. Dr.
11 Selwyn has admitted that the impact of Global's interconnection
12 proposals will be to increase transport and switching on Verizon's
13 network. Specifically, Dr. Selwyn testified that "the overall transport
14 distance involved will be greater, on average, if Verizon Florida provides
15 'LATA-wide transport' rather than 'local calling area transport.'" See
16 Direct Testimony of Selwyn at page 35, lines 9-19. Moreover, Dr.
17 Selwyn stated that "in some LATAs with more widely dispersed
18 exchanges, the routing can involve two ILEC tandem buildings rather
19 than one." In light of the Commission's previous adjudication of
20 Verizon's rates, the impact of Global's interconnection proposals can be
21 estimated by applying the Commission-ordered rates to the admitted
22 increase in transport and switching on Verizon's network. Although
23 Verizon disagrees with, and has appealed, the Commission-ordered
24 rates in Docket No. 990649B-TP, these are nevertheless the governing
25 rates unless and until altered by the Commission or a court.

1

2 **Q. HAS VERIZON ESTIMATED THE IMPACT OF GLOBAL'S**
3 **INTERCONNECTION IN THIS MANNER?**

4 A. No. As Verizon witnesses D'Amico and Haynes explain, a cost analysis
5 is simply not relevant to any of the pending disputes. As Verizon
6 witness D'Amico explained, the dispute associated with Verizon's
7 VGRIP proposal was not the level of costs, but which carrier should bear
8 them. Mr. D'Amico also explained Verizon's updated contract proposal,
9 which permits Global to interconnect at one point on Verizon's network
10 in a LATA, with each party bearing responsibility for facilities on its side
11 of the POI (Issues 1(a) and (b)). See Rebuttal Testimony of D'Amico at
12 1-2. As discussed by Verizon witness Haynes, Issues 4 (local calling
13 area issue) and 5 (virtual NXX issue) relate to drawing the line between
14 traffic that is subject to reciprocal compensation and traffic that is not.
15 See Rebuttal Testimony of Haynes at 4. In none of these issues is the
16 Commission asked to measure Verizon's "cost" beyond the local calling
17 area to a single POI.

18

19 **Q. NOTWITHSTANDING RELEVANCE, IS DR. SELWYN'S ANALYSIS**
20 **VALID?**

21 A. No. Dr. Selwyn's analysis is seriously flawed from a methodological
22 perspective. The most critical flaw arises from his inappropriate mixing
23 of dedicated and common/shared transport to calculate his purportedly
24 *de minimis* transport figure.

25

1 Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN DEDICATED AND
2 COMMON/SHARED TRANSPORT.

3 A. Dedicated transport is a "pipe" (in common industry usage) that is
4 devoted to one transmission path. In the case of Verizon and Global, it
5 would be a pipe devoted to a Verizon/Global transmission path. The
6 FCC-approved rate structure for dedicated transport provides that
7 Verizon recover its costs through flat-rated charges. See 47 C.F.R.
8 § 51.509(c) ("Dedicated transmission link costs shall be recovered
9 through flat-rated charges").

10

11 By contrast, as its name suggests, common or shared transport is a pipe
12 used by multiple carriers to share the capacity of the transporting pipe.
13 The costs of shared facilities between tandem switches and end offices
14 are recovered on a usage-sensitive basis. See 47 C.F.R. § 51.509(d)
15 ("The costs of shared transmission facilities between tandem switches
16 and end offices may be recovered through usage sensitive charges").

17

18 Q. HOW DOES DR. SELWYN INAPPROPRIATELY MIX DEDICATED
19 AND COMMON/SHARED TRANSPORT IN HIS CALCULATION?

20 A. Dr. Selwyn started with the Commission-approved rate of \$70.00 for a
21 tariffed *dedicated* DS-3 facility in Florida and divided it by an arbitrary
22 8.9 million minutes of use to estimate the "voice-grade transport cost
23 per-minute per mile of \$0.00000787." Direct Testimony of Selwyn at
24 pages 41-42. "Minutes of use," however, is a usage-sensitive concept
25 that is not appropriate for dedicated transport because dedicated

1 transport is recovered on a flat-rated basis. Put simply, he *mixed*
2 apples with oranges.

3

4 **Q. WHY IS IT INVALID TO DIVIDE THE UNDISPUTED RATE FOR A DS-
5 3 DEDICATED TRANSPORT FACILITY BY 8.9 MILLION MINUTES
6 OF USE PER MONTH?**

7 A. Dr. Selwyn has artificially imposed the scale and scope economies of
8 common transport facilities on a dedicated transport application. It is
9 this misapplication of scale and scope economies that allows Dr. Selwyn
10 to improperly manipulate Verizon's undisputed tariffed DS-3 transport
11 rate in order to come up with what he believes to be a "*de minimis*" cost.
12 Dr. Selwyn attempts to explain away this error by stating that his
13 analysis attempts to translate a tariffed DS-3 interoffice facility rate into a
14 per minute amount. See Direct Testimony of Selwyn at 44. As
15 discussed above, however, this is not how the cost for a dedicated
16 facility is measured.

17

18 **Q. AT PAGES 38, 39 AND 41 OF HIS TESTIMONY, DR. SELWYN
19 ASSUMED THAT FROM EVERY VERIZON END OFFICE, VERIZON
20 WILL SEND GLOBAL 8.9 MILLION MINUTES OF TRAFFIC PER
21 MONTH. IS THIS A REASONABLE ASSUMPTION?**

22 A. No. Instead of relying upon current data between the parties, Dr.
23 Selwyn relied on data from a Georgia proceeding involving a different
24 incumbent carrier (BellSouth). Specifically, Dr. Selwyn's assumption is
25 premised on the testimony of a BellSouth witness in a proceeding before

1 the Georgia Public Service Commission that 8.9 million minutes of traffic
2 per month is equivalent to a DS-3 level. See Direct Testimony of
3 Selwyn at page 38, note 39. Dr. Selwyn's assumption is not reasonable
4 for use relative to Verizon, because Dr. Selwyn made no effort to
5 determine the likely monthly average number of minutes the parties
6 would exchange in Florida. Dr. Selwyn even admitted that not every
7 Verizon end office will generate this much traffic to Global. See *id.* at
8 44.

9

10 **Q. DR. SELWYN ARGUES ON PAGES 45-46 OF HIS TESTIMONY**
11 **THAT VERIZON "ENJOYS SCALE ECONOMIES THAT ARE NOT**
12 **AVAILABLE TO CLECs." IS THIS AN ACCURATE STATEMENT?**

13 A. No. Dr. Selwyn fails to consider the fact that Global can purchase
14 UNEs. UNEs are, by design, intended to give CLECs access to the very
15 same scale economies enjoyed by the ILECs.

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

18 A. Yes.

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STATE OF FLORIDA)
:
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, TRICIA DeMARTE, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 13th DAY OF MARCH, 2003.

Tricia DeMarte
TRICIA DeMARTE, RPR
FPSC Official Commission Reporter
(850) 413-6736