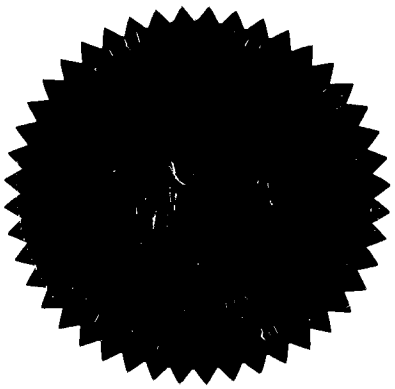
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of

PETITION OF COMPETITIVE CARRIERS FOR COMMISSION ACTION TO SUPPORT LOCAL COMPETITION IN BELLSOUTH TELECOMMUNICATIONS, INC.'S SERVICE TERRITORY.	DOCKET NO. 981834-TP
PETITION OF ACI CORP. d/b/a/ ACCELERATED CONNECTIONS, INC. FOR GENERIC INVESTIGATION TO ENSURE THAT BELLSOUTH TELECOMMUNICATIONS, INC., SPRINT-FLORIDA, INCORPORATED, AND GTE FLORIDA INCORPORATED COMPLY WITH OBLIGATION TO PROVIDE ALTERNATIVE LOCAL EXCHANGE CARRIERS WITH FLEXIBLE, TIMELY, AND COST-EFFICIENT PHYSICAL COLLOCATION.	DOCKET NO. 990321-TP



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VOLUME 4

PAGES 382 THROUGH 553

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO BAEZ
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Tuesday, August 12, 2003

TIME:	Commenced at 9:00 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	TRICIA DeMARTE, RPR Official FPSC Reporter (850) 413-6736
APPEARANCES:	(As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
19			446
20	JR-1	451	

PROCEEDINGS

(Transcript continues in sequence from Volume 3.)

CHAIRMAN JABER: Let's get started this morning. And, let's see, Mr. Hatch, where we left off last night, you said, yeah, you said you had a few questions of the witness.

MR. HATCH: That is correct, I have a few.

CHAIRMAN JABER: So let's get started.

JIMMY R. DAVIS

resumed the stand as a witness on behalf of Sprint-Florida, Incorporated, and Sprint Communications Company Limited Partnership and, having been previously sworn, testified as follows:

CROSS EXAMINATION

BY MR. HATCH:

Q Good morning, Mr. Davis. My name is Tracy Hatch. I'll be asking you a few questions on behalf of AT&T.

A Good morning.

Q Could we start with a couple of definitional things, I think, to probably get us started off, so we're all talking about the same thing as we go through these questions?

A Excuse me. Could you move that mike closer or turn it or something?

Q Sure. Are you familiar with the term of List 2 drain?

A Yes, sir.

Q What is your definition of List 2 drain?
A I would confer with what BellSouth Witness Milner was saying about List 2 drain in terms of it being sort of a maximum load that a piece of equipment would be expected to draw.
Q And you'd agree with Mr. Milner with his definition of List 1 drain as well?
A Yes.
Q Now, I'm going to go back and pick up on a couple of things that were talked about yesterday before I go any further. There was a discussion yesterday about your 50 percent nonrecurring charge and that being recovered up front. Do you recall that discussion?
A Yes, I do.
Q Now, I think you mentioned support for that that it is common for commercial construction projects to charge a deposit; is that correct?
A To charge a portion of the cost up front, yes.
Q Can you tell me any commercial construction charge -- project, rather, that charges a 50 percent deposit up front?
A Well, I have a brother that's in the construction business, and that is something that he's talked to me about in terms of needing a certain amount of capital up front to start a job. He describes his business as being very tight in terms of cash flow, and they -- in the construction business, the

margins are not that great and that would be similar in the situations we're talking about here. We're building everything here at cost, so the margins on what we're going with the funds once we receive them is nonexistent because we are by law required to do that at cost. So like the construction business with very tight margins, they do need funds up front so they can get stared on a project.

Q Does your brother charge a 50 percent deposit for each project?

A I don't know what he charges, sir.

Q So you don't know whether -- you can't identify any commercial construction project that charges a 50 percent deposit up front?

A Not specifically, no, but I just know in general that's how that industry works.

Q Does BellSouth do all of its own work in its central offices with its own personnel, meaning Sprint employees, or does it hire out --

A Well, you said, does BellSouth, do you mean Sprint?

Q I meant, Sprint. I'm sorry.

A Well, there's a mix of company labor and contract labor depending on the projects that are in front of us. We prefer to use our own labor if we can handle that load.

Q For your contract vendors, do you pay a 50 percent deposit up front?

A Well, that 50 percent is not associated with costs that haven't been incurred yet. It's associated with costs that are incurred, including material costs.

MR. HATCH: Madam Chairman, could I get the witness to answer "yes" or "no" to that question?

THE WITNESS: Well, in terms of labor --

CHAIRMAN JABER: Just a second. Hang on. Mr. Hatch, to the degree your questions can clearly be answered with an affirmative or a negative, I would agree. And I would ask the witness, you have an opportunity to elaborate.

THE WITNESS: All right.

CHAIRMAN JABER: And please be reminded that there's an opportunity for redirect, but this hearing is more efficient when you can be as concise as possible. It helps us.

THE WITNESS: I understand.

CHAIRMAN JABER: Okay. Go right ahead.

THE WITNESS: In terms, we do not pay the contractors 50 percent up front, but there are other costs that must -- you know, that 50 percent would represent: Material, engineering, and what have you.

BY MR. HATCH:

Q For your materials -- never mind. Strike that.

Can I draw from that that since you use contractors for some of your work, that you have a list of contractors that are acceptable for work in your central offices?

A Yes, of course.

Q What objection would you have to CLECs using that same list of contractors to provide their own work for their CO space in their collocation arrangements?

A Well, we have a standard interconnection agreement that covers those terms and conditions, and I would refer back to that, and that is spelled out in terms of we provide the interconnection facilities and the power cables and what have you.

Q I understand what your policy is according to your current interconnection agreement. Do you have any objection to CLECs using your certified vendors for work in their collocation spaces?

A Well, you're asking me a policy question; I'm a cost witness.

CHAIRMAN JABER: So is your answer you don't know, you have no opinion?

THE WITNESS: I'm the costing witness, and in terms of setting policy, I can't speak on behalf of everyone.

MS. MASTERTON: Mr. Fox actually provided the policy testimony on this issue, and Mr. Davis's testimony went to the cost issue. So he's not prepared or has the information to answer the policy questions.

CHAIRMAN JABER: Thank you, Ms. Masterton.

MR. HATCH: My response, Madam Chairman, is that

Mr. Davis talks a great deal about the policy issues surrounding the cost issues, and he's proffering testimony in this technical area on the policy issue particularly regarding cost.

CHAIRMAN JABER: Ms. Masterton, is Mr. Fox still here?

MS. MASTERTON: He was excused and he left.

CHAIRMAN JABER: That's not what I asked you -- oh, so he's not here.

MS. MASTERTON: Yes, he's not here. Right.

MR. HATCH: He's also identified as a witness testifying in Issue 1A, which is part of this.

CHAIRMAN JABER: Show me in the testimony where you think his testimony reaches the policy issue, Mr. Hatch.

MR. HATCH: The policy issue is related to his testimony regarding the 50 percent up-front charge which I believe is in his rebuttal testimony where he discusses the testimony of Mr. Fox.

MS. MASTERTON: It would help me and probably my witness if you could point to the exact page and line number that you're referring to.

CHAIRMAN JABER: Ms. Masterton, that's what I just asked Mr. Hatch to do. Be patient.

MR. HATCH: And it is Page -- well, they're cut off at the bottom of my copy. It looks like Page 3 and 4 of his

rebuttal and Page 5. Actually, it's really on Page 5.

CHAIRMAN JABER: "Requiring the ALEC pay for collocation elements upon completion is consistent with how Sprint incurs the cost of building the collocation elements."

Mr. Hatch, everything on Page 5 goes to the construction, how the cost is assessed, and quickly as I look at Page 4 and recall the testimony from yesterday, again, it goes to how the costs are followed, the installation labor, but here's what I'm going to do. Ms. Masterton, you need to know I'm very interested in the answer to that question as well. So I would ask that you cover it in the brief.

MS. MASTERTON: Sure. We will do that, Commissioner.

CHAIRMAN JABER: And the question, as I understand it, is, does Sprint have an objection to a CLEC's certified vendor --

MR. HATCH: It would be the ILEC's certified vendor, Madam Chairman.

CHAIRMAN JABER: Okay. The ILEC's certified vendor, what?

MR. HATCH: Performing work on behalf of CLECs to do collocation installation work.

CHAIRMAN JABER: Do you have any questions about that, Ms. Masterton?

MS. MASTERTON: I'm trying to make sure I got it all down. Does Sprint have an objection to the ILEC-certified

vendor performing work on behalf of the CLEC; is that right?

MR. HATCH: I believe that's correct. That would work.

CHAIRMAN JABER: And as the day goes on, if you feel like you need more guidance or direction, because I do want that covered in the brief, why don't you and Mr. Hatch talk about it?

MS. MASTERTON: Okay. That's a good idea.

CHAIRMAN JABER: Okay.

BY MR. HATCH:

Q Mr. Davis, what is the largest fuse capacity size for Sprint at a BDFB?

A 60 amps.

Q 60 amps?

A Yes, sir.

Q Can a CLEC place its own BDFB in a collocation space in a Sprint central office and tie directly to your power distribution board?

A We don't have an element for that at this point, but I suppose we could work that out.

Q What are your fuse size limitations, if any, on your main power board? Do you know?

A In terms of our cable connection offerings that we have, we go up to 200 amps.

Q Okay. Now, going back yesterday to our discussion, I

believe you used an example of a thousand amp power plant and then when a CLEC requests, say, 50 amps of power. Is it your position that Sprint -- well, strike that.

What happens when a CLEC orders 50 amps of power is that currently then with that order Sprint would install a cable capable of carrying 50 amps of power; is that correct?

A That is correct.

Q And that would be to the BDFB from the collocation space?

A Yes.

Q Okay. Now, when a CLEC installs equipment in its collocation space, it will put in, say, one bay. And if it does not fully equip that bay, for example, puts in one shelf and has one card on that one shelf for equipment, will it be drawing 50 amps of actual power?

A It will not perhaps at that time. It just depends on the power requirements of the equipment.

Q If I put in a bay and the bay is designed for 50 amps of power, so if I put in a shelf of equipment and I don't fully equip that equipment, then it would be drawing less than 50 amps of power; is that correct?

A Well, first of all, when you decide how large of a service to request, I'm presuming that you're looking at the requirements of your equipment and you're deciding, well, for now I want to go ahead and order this amount, you know, at

50 amps, but I know that I'm not going to be drawing that much initially. This gets to the very root of this issue in terms of where Sprint is coming from on this.

If you look at Mr. King's rebuttal testimony on Page 19, he goes into an explanation of where they went out and did an audit on some BellSouth offices, and he talked about having 18,000 fuse amps of power, you know, represented by the fuses that they have in that office. And he used a BellSouth calculator multiplier to .666 to equate that to 12,000, I suppose, load amps. Even though he didn't call them load amps, that's essentially what they are based on the use of that multiplier. And then he says that, well, we're only using about 667 amps out of the 12,000 load amps or 18,000 fuse amps. Well, that's only a utilization of 5.5 percent.

The thing that we -- I feel like we need to address here is that tremendous gap that AT&T has presented in the facts that they have put in this rebuttal testimony. Utilizing only 5.5 percent of DC power that has been ordered is really not responsible in terms of proper management of resources. BellSouth has had to provision 12,000 load amps. AT&T only wants to pay for 667 of those amps. And BellSouth is being left holding the bag for the remaining investment behind that power plant that AT&T is not willing to pay for up front.

Now --

COMMISSIONER DAVIDSON: I have a question here,

Chairman, one, I've forgotten Mr. Hatch's question.

MR. HATCH: So did I.

COMMISSIONER DAVIDSON: But, too, I'm wondering, you're testifying as to BellSouth's position and --

THE WITNESS: I'm testifying about -- I'm reading the rebuttal testimony of Mr. King, and I'm saying that the facts that are presented in that testimony is the core, I think, of what this issue truly is, that AT&T orders way too much power, and then they don't want to have to pay for it all. And that's just --

CHAIRMAN JABER: Mr. Davis, you interrupted the Commissioner's question.

THE WITNESS: I'm sorry.

CHAIRMAN JABER: Why don't we let the Commissioner ask his question.

COMMISSIONER DAVIDSON: Really, I'm interested in the points you have to make, but vis-a-vis Sprint, either Sprint's experience with AT&T or Sprint's experience with BellSouth perhaps but not so much BellSouth's experience with AT&T. I just -- I'm wondering sort of what your point is here.

THE WITNESS: Well, yesterday, there was a handout and I did get a chance to look at that a little bit, and this gap between what an ALEC is using as opposed to what they ordered just seems to be too wide. One of the things we need to address in this and, really, a way to solve this problem --

COMMISSIONER DAVIDSON: Well, on that let me interrupt again. I mean, I don't mean to cut you off you, but you had testified just a moment ago you weren't at all a policy person. So in terms of sort of a broad gap generally between what AT&T orders, I mean, talk to any gap that you may have experienced with AT&T's orders at Sprint, but to go beyond that seems to me to go into a broader policy area that you just said you weren't competent to testify to.

THE WITNESS: Well, I can testify to the impact on the costs of allowing a gap like that to continue.

COMMISSIONER DAVIDSON: Sprint's cost?

THE WITNESS: Yes, sir.

COMMISSIONER DAVIDSON: Okay.

THE WITNESS: If that gap is carried over to Sprint's network utilizing only 5.5 percent of the plant, and we talked yesterday about, well, we could adjust the rate of DC power plant consumption, that rate per amp, to allow for lower utilization, well, this relationship depicts that AT&T has ordered 18 times more power than it needs. And if we were to take our load amp rate and multiply it times 18, we would wind up with a rate of, like, $290 and that, of course -- per amp, and that, of course, is not realistic, but neither is underordering or underutilizing DC power to the extent that what I see in this testimony.

And I don't have an example of AT&T, what they have

ordered in a Sprint office as opposed to what they're using. I don't have those facts. I am using the facts that were presented in testimony to draw this inference.

COMMISSIONER DAVIDSON: Thank you.

CHAIRMAN JABER: Commissioner Deason.

COMMISSIONER DEASON: Listening to your testimony and the testimony yesterday, it just strikes me that the crux of the issue may be that there is a certain amount of cost associated with infrastructure to meet the demand if and when it ever develops based upon the order placed by the CLEC and the actual energy consumption of the equipment and the timing of that, when that begins when they grow into it, and there just seems to be a disparity between what is the infrastructure costs and the energy costs. And I asked the same question of the BellSouth witness and I ask you the same.

Have you attempted to negotiate with the CLECs or have you offered any type of option which would split out infrastructure costs from usage costs, realizing there may be some metering costs involved, but if you recover your cost, present that option? First of all, is that something that can be done? Are you willing to do it? Are there some unknown difficulties associated with that?

THE WITNESS: In terms of how we negotiated that type of agreement, we have not. And I want to make sure that I respond to each part of your question there. Is it feasible to

do so? Can you take the DC power amp -- rate per amp and divide it into the DC power infrastructure as opposed to the AC power consumption? Yes, you can. And I testified yesterday that the split is about 80/20.

In terms of what you would do with each piece part once you have that separated -- and shall I go on, or am I answering your question --

COMMISSIONER DEASON: No. Please proceed. You're on point.

THE WITNESS: All right. Let's look at the 80 percent component for a moment. That 80 percent component of the DC power rate per amp, you begin with a DC power plant investment per amp. And yesterday, I testified that -- let's say, that that's around $500 per amp. One of the suggestions was, well, what if we were to charge that entire cost up front? Well, if you take the $500 per amp and if they've ordered 50 amps, you're talking about a $25,000 investment up front. That would be the basis of the NRC that we're talking about. That's a very large hurdle for an ALEC to deal with in terms of trying to get into the business and that sort of thing.

What we have is an MRC where they can order power, say, 50 amps. They get the benefit of having 50 amps' worth of a DC power plant at their disposal, but since they have ordered and said I want 50 amps, it's like they have a 50-amp power plant. It's like they have built a 50-amp power plant for

their collocation, but they don't have the NRC, they don't have the investment costs up front. What -- the opportunity that the ALEC has is that they can pay --

COMMISSIONER DEASON: Mr. Davis, I'm going to interrupt at this point.

THE WITNESS: I'm sorry.

COMMISSIONER DEASON: I understand that.

THE WITNESS: Okay.

COMMISSIONER DEASON: And what I hear you saying is, is that, with all due respect, it's like you know better what the CLEC needs that what the CLEC is asking for. My question is a simple one. Have you sat down with them, tried to address their needs and structure something? Even though you think that it may be asinine and uneconomic and ridiculous, it's their business. And can you put together something that would meet their needs, even though you think it's not the right thing for them, it would meet their needs and recover your costs, present that as an option? And then we could all just go away from this issue.

THE WITNESS: I do have a solution I'd like to share.

COMMISSIONER DEASON: Please do.

THE WITNESS: Okay. One of the things that the ALECs were alluding to has to do with the cost of size in cable. Now, should an ALEC go ahead and rightsize the power up front, so to speak? Then one of the costs that they're going to bear

is putting in the DC power cables that deliver the power to the cage. And you were asking me about that just a few minutes ago, Mr. Hatch.

One of the solutions to -- that I feel like should be considered here is that an ALEC can go ahead and up size that cable up front based on some planned or future needs, but then when they request DC power from the ILEC, adjust that amount or request down somewhat to better fit their current needs with their business up front. And then as their business grows, they can then go back and apply for additional DC power, and subject to having the available capacity, all we would have to do is go in and increase that fuse a little bit.

For example, let's say --

CHAIRMAN JABER: On that point, one of the things we heard yesterday is when they go back and ask for additional DC power it's a 12- to 18-month process. Can you confirm or deny that?

THE WITNESS: In this situation, it would not be because what we're saying is their cable would already be sized large enough to allow a larger fuse. And so they would apply for the power, and say, okay, I'm now ready to move up from, say, 30 amps to 60 amps or whatever. They fill an application out, and they say on the application, and I want 60 amps. Our engineering looks at it to make sure that the DC power plant capacity will handle the extra 30 amps and they change out the

fuse.

CHAIRMAN JABER: So how long is that process?

THE WITNESS: Well, that shouldn't take but just a matter of weeks, I mean, a couple weeks or so. And they should have plenty of lead time in terms of knowing that they're going to need that extra capacity to submit that application ahead of time and, you know, work with us on the interval.

CHAIRMAN JABER: And this is the first time you proposed that as a solution to their request?

THE WITNESS: Yes, it is. And we haven't tried to negotiate the solution with CLECs or anything like that. But it is something we feel is workable. That way when they order their DC power up front, they're ordering on a level that's more commensurate with their current needs. And then as they grow, they can increase fuse sizes, and they don't have nearly the cost associated with increasing fuse sizes as they would adding, say, DC power cables and things like that.

And then the benefit of that, of course, is that Sprint does not have to go out and oversize DC power plant. We don't have to build 12,000 amps when they only need 600. And the ALEC doesn't -- you know, and we don't have to appropriately pass that cost along to the ALEC and the ALEC does not bear all of that cost. They only bear the costs associated with DC power that's closer to their needs, and they can grow a lot more cost-efficiently this way.

CHAIRMAN JABER: Commissioner Deason, did you have any other questions?

COMMISSIONER DEASON: Well, I would just -- I know this is extremely short notice, but if Mr. King is here, and I assume that he is, maybe he could respond to that in some manner, either in his summary or on redirect or in some fashion. I'd like to hear what AT&T's response to that proposal would be.

CHAIRMAN JABER: Mr. Hatch, you've heard the request. I think that would be beneficial to all of us.

THE WITNESS: And I would like to point out, Mr. Hatch, you were asking me earlier about a fuse size on a BDFB, and there are technical limitations to what I'm saying. The BDFB will go up to 60 amps. So certainly within the confines of a BDFB, they can oversize the DC power cable and grow the fuse until they reach that load.

CHAIRMAN JABER: Mr. Davis, I have to tell you just because we are in a hearing process and we anticipate making a decision on this shortly after the hearing does not mean that you cannot sit down with the parties represented here and try to continue to work on solutions. This Commission welcomes negotiation and, frankly, is frustrated, speaking for myself -- I really shouldn't speak for everyone else. I get frustrated when we sit through hearings like this and solutions get proposed from the Bench, and I find myself wondering why you

couldn't have had this conversation last week or the week before. That's not to say we're not here and willing to hear the testimony, and we're certainly not shy about doing our job.

But as a Commissioner, speaking for myself, there is nothing more frustrating than sitting here listing to the cross-examinations and hearing solutions through cross. And I'm not the smartest person in the world. If I can hear a solution, I find myself wondering why you all can't propose it earlier.

THE WITNESS: Yes, ma'am, I understand. And my only response to that could be that this meeting issue really came up on us pretty fast for this particular hearing.

CHAIRMAN JABER: See, but that's the whole purpose of discovery. Anyway, that's my five minutes of venting. Let's move forward.

Mr. Hatch.

And the practitioners -- I should really not direct this just at you. Practitioners have a role to play here. Discovery at a hearing is not the place for discovery. I mean, we do have two other attorneys here.

And, Mr. Hatch, you know this as well as I do. Don't do discovery at a hearing, do cross-examination at a hearing. Go ahead. That's to everyone, not just Mr. Hatch.

BY MR. HATCH:

Q With respect to your most recent proposal that was

just discussed with the Commissioners, does that -- correct me if I'm wrong, that equates to a fuse-based proposal? We would be paying some charge based on fused amps?

A Oh, no, sir. You would still be charged for your DC power based on what you put on your application.

Q Now, let's talk about your application. When I put in a collocation application, you request my power requirements, but you request List 2 drain for my equipment; is that correct?

A My understanding is we simply asked you for how much power you want to buy, how much power you want to order. We don't tie it to List 1 or List 2 drain. It's up to you.

Q Now, when you say a "load amp," are you talking about List 1 or List 2 drain or something different?

A What we're talking about is how much power you want to order. I mean, you can look at List 1 and List 2 and figure that out and put a number on the application, and we would provision the amount of power that you put on your application. Of course, you have engineers. You know that List 1 and List 2 play a role in that.

Q So what you're suggesting for us is that we take the actual load of the equipment we have today and report that and that's how you would charge us?

A What I'm suggesting is that you determine how much power you need based on where you are and where you want to

grow in some interim period of time, and you obviously have to look at the equipment needs that you have, and you tell us how much power you want. Let us provision the power for you and then perhaps use this alternative solution I mentioned a few minutes ago to allow you to grow more cost-efficiently as your needs change.

Q When Sprint puts in a bay for equipment for expansion in a central office, does it cable it and fuse it at the maximum power size for that bay?

A When we put in a bay of our own equipment?

Q Yes.

A Of course.

Q But you don't charge yourself for the power that you are requesting, simply for the power that you draw. Would that be a fair assessment?

A Sir, we incur the cost of the DC power plant.

Q So based on your proposal then it seems like for every card that I would add to my collocation rack or to my shelf, I would have to go to you and request an increase in power; is that correct?

A What you can do is do sort of an economic study. I mean, and -- because that's something you would need to do anyway in terms of meeting your business needs. If you're -- again, if you were not in the CO and you had to go out and build your own power plant, you would have to do some kind of

analysis of how much power do I need know and how much power do I need in the future, what's the cost associated with increasing that power and so forth. So that's the same thing you would need to do in this situation, is sit down, determine how much power you want, and how long would that power last you, and that at what point in the cycle of your business do you need to increase that power.

Q So under your proposal, every time I'd request an increase in some incremental piece of power, I'd have to file an application, pay you an application fee, and pay for the new fuse size?

A And these are minor augments.

Q But I might have to pay a fee for each one of those?

A Sure.

Q Let's go back to an example that you were talking about yesterday in terms of power plant sizing. Let's assume for a moment that Sprint has a current demand for a central office power plant of a thousand amps -- or, I mean, take that back.

Let's say it's 700 amps. That's your current total demand for day one. Now, in terms of building a power plant for a central office, you would build it for your current demand plus your projected demand; is that correct?

A That's correct.

Q So you would build that power plant over your

projected time frames, call it three years for just example purposes.

A As an example, sure.

Q And so you would build a power plant that produces a thousand amps; is that correct?

A Correct.

Q Now, when you talk about building a power plant, you're talking about putting in rectifiers and batteries essentially; is that correct?

A Sure and other parts, but yes.

Q You would have a backup AC generator and that sort of thing?

A Sure.

Q What other parts would be involved --

A Well, there's cabling. There would be cabling between the main power room, which would be a primary fuse board into the BDFB, use the BDFBs themselves. You would have AC entrance investment as it's coming into the building, all the infrastructure necessary to tie the generator into the system, bus bars, these huge copper bars that are really tall and thick that run throughout the office to carry these enormous amounts of power.

Q Now, when you build your thousand-amp power plant but today you're only using 700 amps, that gives you 300 amps of basically spare capacity; is that correct?

A Only for a very short period of time because you're getting very close to that point in time when we would trigger an addition. I mean, once we reach some level of capacity need, that's going to trigger a process of planning, designing, and building additional power plant.

Q Now, do you base that capacity need -- well, strike that.

So with that spare capacity, you've got room to add additional equipment before you have to build a new plant?

A Sure.

Q Okay. So if I'm a CLEC and I come in and I order 50 amps of cable size, essentially a connection that would carry 50 amps, and then you would put a fuse on that connection that would be one and a half to two times my electrical power requirement; is that correct?

A No. Our fuse size increments are --

Q One and a quarter to one and a third I think is --

A That's correct.

Q I'm sorry. I take that back.

But I'm only actually drawing 5 amps. So for purposes of the output of your power plant, you still have 295 amps of capacity left; is that correct?

A In terms of what you're drawing perhaps, but I don't know that. I mean, you've ordered -- what I do know is that you've ordered 50, and I have to take the 50 that you ordered

into account when I take away and look at my remaining margin. That's going to trigger an addition.

Q You don't dedicate a battery or a rectifier to a CLEC, do you?

A Not specifically, but we dedicate the capacity to you. I mean, the 50 amps that we dedicate to you is out of the picture, and we no longer have that 50 amps available for our own equipment or any CLEC's equipment.

Q Now, if you're doing it based on the way you propose it, if you've got 300 amps -- assume my example, 300 amps of spare capacity. You get three LECs that come in to the central office; they each request 100 amps. You're telling me that you would build a new power plant because that power plant would be exhausted?

A Absolutely. I mean, and that's what we're saying here, is if an ALEC comes in and orders way too much power, if they sit down and say, I need a hundred amps, and they're only going to use a few, we've got to take that hundred amps into consideration in terms of, do we need more DC power plant capacity? And what's happening today is, since ALECs are overordering power so much, that, you know, we do have to build that plant. And that's not necessary if an ALEC and anybody else that uses DC power is more conscious of the amount of power they truly need today.

CHAIRMAN JABER: Mr. Davis, is there a way to address

your concern by requiring a CLEC to give you a proposed schedule or giving you flexibility to come back and question the CLEC's needs?

I hear what you're saying. I mean, just in layman's common sense terms you're saying you've got to be able to plan. There is a responsibility once a request is made by a CLEC for you to meet that capacity. You plan for that capacity. I understand that. But maybe, you know, the economic conditions we live in today are not what the CLEC expected a year ago when they made the request of you. It seems like you're being rigid in not coming back to the CLEC and say, hey, do you really need this 250-amp capacity, or can we use it? Can we renegotiate your needs? Maybe the onus should be on them. Help me figure out what --

THE WITNESS: Absolutely. I think the onus should be on the ALEC. They have engineers. AT&T, gosh, they're in the communications business and have been so much longer than Sprint, much larger than Sprint. They understand how to do this business.

CHAIRMAN JABER: All right. Well, Mr. Davis, let me work with that. Let's say the onus should be on them. What is it you need? Would it help you to have a more definitive proposed time schedule for using the capacity, and what would you propose that be, that they should tell you what their needs are a year out or should it be six months out?

THE WITNESS: Well, in terms -- it would be great to have that forecast. I do believe we try to work with them on that forecast. But one of the things that we have found -- I mean, I shared yesterday that we started out with 289 collos, and we're down to 140-some I believe it is. We've had, unfortunately, ALECs to go out of business, and they provided us a forecast of power that they never did achieve.

So another advantage of this particular means of doing this is that it requires us to supply DC power plant in much smaller increments, and we in the future would run less risk of having, you know, overcapacity that we couldn't use. But I do believe we try to work with an ALEC on their application in terms of -- in fact, we spend quite a bit of time talking to them about, what are you really asking for here? You know --

CHAIRMAN JABER: Then if you do that up front, if you're doing it right now, then I guess you've shot your own concern, you've really diluted --

THE WITNESS: But I don't know --

CHAIRMAN JABER: -- your whole concern.

THE WITNESS: Excuse me. I'm sorry.

CHAIRMAN JABER: I guess I'm sort of saying the same thing Commissioner Davidson said yesterday. I really cannot get my hands around your concern and how to address your concern because you haven't shown us the extreme that you want

us to see.

Yeah, there are CLECs that have gone out of business, but there are CLECs that have survived. And I think the parties that are at this table are -- you know, they're credible and I think they have shown you that they're trying to work with you. And I've asked you yesterday and today what is it you need from this Commission, and I don't get an answer.

THE WITNESS: Okay. What we need from the Commission is to continue to enforce that an ALEC pays for the power that it orders, and that should put them in a position where they are being responsible in terms of how much power they ask for and put them in a position of working with us closer on making sure that their power needs are rightsized.

CHAIRMAN JABER: And I thought you just told me that you are working with them closely --

THE WITNESS: And we're asking the Commission to reinforce that in terms of how the rate is developed and how the rate is supplied, that an ALECs should pay for the power that they order. And with the Commission doing that and backing that, it puts us in a position of working with the ALECs much, much better. Because if we go to metering, what's going to happen is, ALECs, they're not going to have any conscience about how much power they tell us they need. They're just going to say, just give me a hundred amps, and they're not going to worry about how much they truly use. And

so we're going to have to go out and provision that hundred amps. Whereas, this way, if they know they have to pay for the amps that they order, they're going to think twice about ordering a hundred amps. They're going to order 30 or 40 or whatever they -- something closest to their true need and then grow with us using this proposal, perhaps.

CHAIRMAN JABER: Well, you've said a lot and I want to go one by one. You've got record evidence that these CLECs right here have not cared about what they have requested from you?

THE WITNESS: No, ma'am, I do not.

CHAIRMAN JABER: Okay. Let's take the second point. All you need from us is language that reinforces basically good behavior between your company and good negotiation and communication between your company and these CLECs such that we would say, we would encourage the CLECs to provide more accurate forecasts when they are requesting power from the ILEC and be cognizant of the costs that are incurred when they request power. That's a good thing.

THE WITNESS: That's a good thing. And I would add, if I could --

CHAIRMAN JABER: Go ahead.

THE WITNESS: -- that to pay for the power that they order, to give them the economic incentive to do what you just said, to be conscious about this. Because, again, as I was

saying yesterday, when they order 50 amps of power, it's like a 50-amp DC power plant.

CHAIRMAN JABER: Okay. And that was going to be my third point. You want us to address what it is they'd be paying for exactly. You have a lot of questions about metering. You've acknowledged, and prior witnesses have acknowledged, that the infrastructure costs and true power costs can be separate. If that's a showing that we ask of you in our order, you can present the costs associated with metering the true power costs. I think you've acknowledged yesterday and today that that can be done.

THE WITNESS: Well, metering is not going to solve the issue of --

CHAIRMAN JABER: That's not what I asked you.

THE WITNESS: I'm sorry.

CHAIRMAN JABER: Let's focus on what I asked you.

THE WITNESS: Okay.

CHAIRMAN JABER: You can do it. If the Commission in its infinite wisdom wants to pursue the notion of metering, you can do it.

THE WITNESS: Yes, it's technically feasible.

CHAIRMAN JABER: Now, we need to explore the cost.

THE WITNESS: Okay.

CHAIRMAN JABER: You have not presented a comparison of what it would cost to include metering as a factor versus

your argument that, pay for what you order, which might include DC and AC. You have not presented those comparisons to the CLECs; correct?

THE WITNESS: That is correct, not to the CLECs, but we can talk about it in general terms.

CHAIRMAN JABER: If this Commission were to require you to do it, you could do it.

THE WITNESS: To present the costs to the CLECs, yes, ma'am.

CHAIRMAN JABER: Okay.

Mr. Hatch.

COMMISSIONER DAVIDSON: Chairman, I have a follow-up to your question.

CHAIRMAN JABER: Commissioner Davidson.

COMMISSIONER DAVIDSON: From Sprint's standpoint, what would be the cost to Sprint of provisioning 20 amps of DC power versus 50 amps of DC power versus a hundred amps of DC power?

THE WITNESS: That gets back to the investment per amp multiplier that I mentioned, and let's suppose that that's $500. Then your three examples again -- I'm sorry. The first example was?

COMMISSIONER DAVIDSON: Twenty, 50, and a hundred.

THE WITNESS: Okay. Twenty times the $500 per amp, you're looking at $10,000; 50 amps times the 500 amps would be

$25,000; and the 100 amps times the $500 per amp would be $50,000.

COMMISSIONER DAVIDSON: Wouldn't the imposition -- strike that.

That would be just the infrastructure cost, correct, and not the actual monthly charge for power usage?

THE WITNESS: That is correct. That's the DC power plant investment.

COMMISSIONER DAVIDSON: Doesn't that cost increase by amp act as a motivator, so to speak, for the CLECs? It's hard to imagine a company agreeing to pay $50,000 for a hundred amps when they just know right now they're only going to use 20 amps. I mean, maybe they would, but from the CLEC's standpoint that doesn't look like a very rational business decision. So it looks as if the pricing of the infrastructure sends the signal to the CLEC. And, frankly, if a CLEC thinks that it may use a hundred a year from now but it's only going to use 20 right now, why shouldn't that be the CLEC's choice if they're paying Sprint, making Sprint whole to simply decide, you know, we want a hundred amps provisioned now? We think we would use that.

THE WITNESS: Well, I won't express an opinion about whether I think that's wise because I was cautioned about it a minute ago. But, yes, they could do that, and they have done that, I'm sure, is asked for a hundred amps when they don't

need a hundred amps. Yeah.

COMMISSIONER DAVIDSON: And if they ask for a hundred amps, you're going to ask for $50,000; correct?

THE WITNESS: We're going to build $50,000 worth of plant, and we're going to charge them a monthly recurring charge that will get us cost recovery on that $50,000.

COMMISSIONER DAVIDSON: Over what period of time typically?

THE WITNESS: Well, it's depreciation life associated with digital switching equipment.

COMMISSIONER DAVIDSON: Which is roughly?

THE WITNESS: It's going to be, say, 10 to 12 years.

COMMISSIONER DAVIDSON: To your knowledge, has Sprint provisioned DC power plant infrastructure, any DC power plant infrastructure for which it is not recovering cost? Has it built something at the request of a CLEC that hypothetically has just gone out of business and it's not been able to sell to another user? Are you all incurring costs, to your knowledge, for what you would deem to be unreasonable requests for DC power plant investment?

THE WITNESS: Back in -- I think it was January when we went on some tours of central offices. They were two Bell, two Verizon, two Sprint offices. And the two Sprint central offices we encountered newer DC power plant investment where the power plant rooms had to be increased in size. And also,

in both of those offices, just like anywhere else, we had some ALECs that had abandoned their collocation. So you would presume, yes, sir, absolutely, that there is capacity there that we're not receiving recovery for at this time.

COMMISSIONER DAVIDSON: Well, I don't want to presume, and I know it's tough, as you sit here on the Bench, to maybe have all the information to answer this question, but I think it is useful information to know whether there have been unreasonable requests in the past. I mean, is this concern you have arising out of some bad experience Sprint has had with a CLEC requesting an unreasonable amount of power in Sprint's view and then Sprint having to bear the burden of that?

THE WITNESS: I have no doubts we can identify cases of that, sir.

CHAIRMAN JABER: I'm sorry. I didn't hear --

COMMISSIONER DAVIDSON: Could you repeat that?

THE WITNESS: I have no doubts that we could present that type of evidence.

CHAIRMAN JABER: Why didn't you include it in your testimony? I mean, that would be compelling.

THE WITNESS: Yes, ma'am, I understand.

CHAIRMAN JABER: Are these new developments?

THE WITNESS: No, ma'am. Again, the metering issue seemed to pop up on us and move up on us pretty quick.

CHAIRMAN JABER: No, I don't think we're talking about the metering issue, though. I think the question was, can you point to examples where Sprint has had to incur a cost or fail to recover a cost because an ALEC asked for power and then went out of business?

THE WITNESS: Well --

CHAIRMAN JABER: Was that -- I don't want --

COMMISSIONER DAVIDSON: That was it. I basically was sort of wearing Sprint's hat for a moment. I would be concerned if my experience was that we had provided 500-amp DC power plants for five different CLECs and four of those went out of business in year one, but I haven't seen any evidence of that. So that's really my question. To what extent has Sprint paid the price for some type of default on what you deemed or what Sprint would deem to be an unreasonably high DC power plant investment?

THE WITNESS: Yes, sir, I understand. And I don't have those facts in front of me. And I can understand that that would certainly be compelling. And we did talk about in a discovery response about, you know, ALECs that -- where we started and so many have gone out of business, and intuitively you would expect there would be some infrastructure there where the cost is not being recovered, but we didn't give you the details, and I don't have them with me.

CHAIRMAN JABER: And, Commissioner Davidson, I'm

assuming you're asking Florida-specific examples as well.

COMMISSIONER DAVIDSON: Yes. Well, Florida-specific. And I would be interested in other examples just to know where Sprint is coming in on this. I mean, it's hard to figure out in this market where things are going and where different stakeholders are going to end up. I think it would also be not -- beyond the realm of possible for a CLEC to request a 50-amp DC power investment in year one, use 50 amps for 11 months of year one, and then due to unforeseen circumstances, a change in market conditions, a change in their business model, go out of business in the 12th month of year one. And you would be faced with the same type of scenario.

And my follow-up question is, is there any type of financing arrangement, are there any other sort of incentives, requirements, terms and conditions that can be brought into the transaction -- and I think you address some of these in your model -- that would provide assurances to Sprint that if a company is using only 20 amps of DC power monthly, you've provisioned 50, they're only using 20, that you don't have any additional concerns?

THE WITNESS: If they order 50 -- and I believe this is responsive to the question. If it's not, please let me know. If they order the 50 and pay for the 50, then we are made whole on terms of what they have requested.

COMMISSIONER DAVIDSON: Well, but you're not made

whole if they order the 50 and they pay for the 50 for one year and go out of business.

THE WITNESS: That's correct.

COMMISSIONER DAVIDSON: So how is that situation any different than if they order 50, pay you for the 50 in infrastructure, and then pay you monthly for actual power used, the CLECs having incurred the cost of metering and whatever else might be necessary to measure that monthly, how would Sprint not be made whole in that scenario? And let's make it more precise.

Assume two CLECs. CLEC 1 orders 50 amps. Sprint charges 50 amps. CLEC 1 goes out of business at the end of 12 months. CLEC 2 orders 50 amps, uses 20 amps, stays in business for 10 years and pays monthly power usage in full and incurred the cost of installing meters or any other equipment that is necessary to measure actual power use.

THE WITNESS: Okay. So what I'm hearing you say is the first CLEC comes in, orders 50 amps, and then pays for that through an NRC?

COMMISSIONER DAVIDSON: Pays for that 50 amps. You said that cost is recovered by Sprint over a depreciation life of 10 to 12 years. So assume they pay for that 50 amps whatever the monthly billings are for year one, and then they go out of business, and CLEC 2 doesn't go out of business. They pay the whole 10 to 12 years, and they also pay their

monthly usage. How would Sprint in that scenario be any better off or worse off than in the first scenario?

THE WITNESS: Well, so what I'm hearing -- and I want to make sure I understand and respond appropriately. You're saying one CLEC comes in and orders 50 amps. They use it for a year. A second CLEC comes in and also orders 50 amps and uses it for several years because they stay in business. Both CLECs pay for the DC power plant through a monthly recurring charge, but you're also looking for some other separated cost of AC power.

COMMISSIONER DAVIDSON: I'm separating out infrastructure from power.

THE WITNESS: Right.

COMMISSIONER DAVIDSON: And this will hopefully be the last time I say it.

THE WITNESS: I understand that. I'm ready to respond to your question, sir.

COMMISSIONER DAVIDSON: Thank you.

THE WITNESS: And I'm sorry. Well, as long as there are CLECs that are using 50 amps or using the capacity, yes, we'll be made whole on the DC power plant investment.

On the AC, the rate, as we have talked about, can be separated. The AC could be billed based on metered power, but you're talking about 20 percent of the total MRC, which is about $3.40, which would have to be able to absorb the cost of

metering and it may not make it.

COMMISSIONER DAVIDSON: Well, but that's for the CLEC to decide, if the CLECs are willing to do that. And my hypothetical gets to the point of where -- I mean, none of us here can forecast where the market is. Just take a look at the 401Ks. I mean, we have no idea where it's going, and to the extent possible, I think all of us up here agree that if we can avoid substituting our decision for business decisions, that that is preferable.

All right. Thank you.

CHAIRMAN JABER: Mr. Hatch.

BY MR. HATCH:

Q Let's see if I can remember where we were. One quick question. What usage level triggers a power plant expansion for Sprint?

A In terms of our cost study, we have an 80 percent utilization rate built into the cost study, which means, in your previous example, for a thousand amp plant, once we hit 800 amps, that would start the process of designing and -- planning and designing and building a new power plant.

Q So, in my example, when you start using 800 amps, when it starts essentially drawing 800 amps out of the power plant, then you'd put in place a mechanism to expand --

A In terms of how we've expressed it in the cost study, that's correct.

Q Now, in my previous -- in going back to my earlier example, let's see if I can remember it and refresh your recollection a little bit. We had 700 amps of actual usage now. We had one CLEC comes in and asks for 100 amps. Now, that's capacity. Would you agree with that?

A Yeah. The 7 close to 100 gets us to that point where we need to start some planning work.

Q Now, if that CLEC only uses 10 amps, that would not trigger a plant expansion?

A Well, it will trigger a plant expansion because we have appropriated that 100 amps that you requested on your application.

Q But if you base your power plant on utilization, which is what you said before, which is usage, then you won't reach 800 amps when you add only 10 more amps of draw. You will only have 710 amps actually being produced -- drawn from the power plant.

A Well, you asked me earlier how we fuse our bays and that sort of thing, and we fuse them based on the anticipated full power that that bay is going to draw. I mean, those are the numbers that come out of that 800 amps available, you know, and we don't bill you on fused amps. And again, let me clarify that. But we do have to take into account that amount of power that you're saying that you want to use and you want us to appropriate to you. So that full 100 amps has to come out of

that 800-amp pool.

Q The answer to that is, only if the full 100 amps is actually being drawn; is that correct?

A That is not correct, because the records that we have telling us of the power requirements for that office include your 100 amps. We are provisioning the full 100 percent capacity of what you have requested.

Q Let me try this a different way. At Sprint's central office, assuming no CLECs and no collocation, I think you explained earlier that when Sprint puts in a bay, it will put in cabling capacity for the maximum amount of power that bay will draw; is that correct?

A When Sprint puts in our own bay, you asked -- yeah. I mean, that's essentially correct, that we're going to fuse that bay to the maximum draw of that equipment.

Q Now, if that bay draws no power because there's no live equipment in it at this point, then it's no impact on your power plant?

A It is, because we have appropriated power to that bay and that's taken out of our 800-amp pool.

Q So you're suggesting to me, if you put in a bay -- and the bay, call it 100 amps, just for example purposes. In our example of 700 amps actual usage today, a 10,000-amp plant, so that 10,000 amps is a pool of power that can feed all of the equipment in the central office and all the equipment draws off

of it equally, basically; is that correct?

A Well, you just went to 10,000 amps. Did you mean a thousand?

Q I mean a thousand. I'm sorry.

A Okay. So would you repeat your question, please.

Q Yeah. Assuming our example of a thousand amps, 700 -- a thousand amp plant capacity, it'll put us at a total of 100 amps of power. Current demand is 700 amps today. Sprint puts in a bay and it runs capacity, meaning cable and fuse, to its power board, but if it's drawing no power, it has no affect on that 700 amps and the thousand amp total being produced?

A How is the bay fused? How much power is appropriated to the bay? You didn't bring that up.

Q Well, if it's a 100-amp feed, call it 125-amp breaker based on your fusing characteristics.

A Well, now, with a 125-amp breaker, you're over the 800, and definitely it's time to start planning and designing and building a plant.

Q Even though you still have 300 amps of power that is not being used?

A Well, sir, we wouldn't put in a bay without any -- you know, fused a bay without any equipment in it thinking that we're not going to use that bay. We wouldn't put the bay in. We're going to put the bay in, and we know we're going to have

equipment there, and so we appropriate power to that bay and take that out of the equation.

Q When you put in a bay, do you assume for that bay that you put in -- that you fill every shelf in that bay and every card slot is filled?

A It's going to be dependent on how things are fused because that's what the records are. That's how the records are kept on this.

Q Now, the power drain off the power plant is going to be based -- the actual drain is going to be based on the equipment you put in that bay; is that correct?

A Well, sure.

Q So if you put in one card, it will draw a certain amount of power. If you put in another card, it will draw an additional increment of power; is that correct?

A Sure.

Q But, in our example, it won't draw the full hundred amps of power; is that correct?

A It would not initially.

Q At some point in its life, as you grow your services, it may approach the full hundred amps of power consumption; is that correct?

A Sure.

Q Now, based on your example -- or based on your 80 percent utilization, you're not going to build additional

plant until that bay reaches full 800-amp consumption; is that correct?

A I don't agree with that. I mean, the fusing and how the bays are designed and what -- you know, the power that's appropriated to the bay is the driver to this.

Q So what you're telling me is you put in a bay and you cable it because of its ultimate capacity of 100 amps. In our example, that will trigger you to build new power plant even though you can supply that full bay -- or supply that bay only partially today?

A Well, understand that when we fuse it at a hundred amps it's because we expect to be putting in a hundred amps worth of draw in that bay in short enough order that it would cause us to go ahead and get the planning process going to add capacity. I mean, we wouldn't put a hundred amps on it, we wouldn't put the bay there if we weren't planning to use it. And that's what we're asking the ALECs to do obviously, is, you know, plan to use what you order and order something close to what you need.

Q If you're putting in that bay and you expect that bay will be fully utilized over a two-year period, meaning it won't reach anywhere near 100 amps for two years, why would you build a plant now until you reach your 80 percent utilization in two years?

A It takes a long time to plan, engineer, and build a

power plant. You're talking about time horizons here that could be two years before the plant comes on-line. So we have to be very careful about where we are capacity-wise at a DC power plant. I mentioned yesterday that the DC power plant has to be designed and built to manage the full capacity of that office. We can't share capacity with other DC power -- I mean, a DC power plant has to stand on its own. So we have to be very careful about this and make sure that we are properly managing and planning our capacity needs because it does take such a long time to get a power plant on-line.

Q Yes. But if it takes two years to reach the hundred amps of actual consumption, that triggers your utilization threshold. You still have 200 more amps to play with for further growth beyond that before you actually expire in terms -- or exhaust the capacity of that plant, so it's at that point you begin the process to add new plant; is that correct?

A Well, I think one of the things that -- I think a problem that we have here is you're trying to hold me specifically to this 80 percent.

Q Was that a "yes" or a "no"?

A I'm sorry. Repeat the question then.

Q It takes two years to build the total capacity of the bay that we're talking about. At the end of that line, that's when it triggers your 80 percent threshold, so you still have 200 more amps of power available for consumption, and it's at

that point because you have that margin that you then begin the process of building additional plant; is that correct?

A Based on the 80 percent utilization -- well, the answer is yes, and that's based on the 80 percent utilization that we have built into the cost study. And I think what -- a problem that we're having here is we're trying to hold too close to this 80 percent that I have actually built into the cost study. That's just a cost study parameter. In terms of the real life and what these guys really do in their DC power plants, they're not going to specifically stick to 80 percent. They're going to do what's practical and what's necessary given all the cost parameters that we were discussing yesterday. So the 80 percent is a cost parameter. It's not a hard-and-fast trigger in terms of what these guys really do with it.

Q And that 80 percent threshold, when your guys check -- they will monitor the output of that plant and the drain of that plant; is that correct?

A Well, from what I heard it is, but the gauges, as BellSouth Witness Milner testified, these are gauges of how much it's drawing at any point in time, a flash cut type thing.

Q I'm assuming that Sprint's power engineers for any given central office responsibility will have a good idea about what the total drain on that plant is at any given time; not with respect to any CLEC, but on a total aggregate basis, they should know pretty closely what the drain is; right?

A I expect they would.

Q And it's that drain that they measure and monitor that triggers your 80 percent threshold; is that correct?

A I don't -- the drain -- well, you're again --

Q "Yes" or "no"?

A Okay.

COMMISSIONER DAVIDSON: Chairman, I want to jump in here. I'm listening to all of this, and I guess I just have a general frustration. While we certainly are going to be in a position to articulate guiding principles, so much of this, it strikes me, can be negotiated between the parties. These are really terms and conditions of agreements.

And I think -- Mr. Hatch, I appreciate your concerns and questions, and you're building a record, and I'm not trying at all to suggest that you shouldn't, but so much of this will come out in the actual deal that is struck, deals that hopefully make parties whole, fairly allocate the benefits and the burdens and have the right incentives for good conduct, penalties for bad conduct, dispute resolution provisions. I'm sitting here and just wondering what we're going to do with these types of comments. So that's just a general comment that I offer.

CHAIRMAN JABER: Just to give you some feedback, I don't necessarily disagree, but I have to tell you, the last five minutes of questions are giving me a better idea of

Sprint's allegation that there is this capacity and impact to them that they can't recover. So I'm getting a better gauge in my own mind of what that impact is.

But you raised very good points, and it's what we've been saying all morning. Your questions are good, Mr. Hatch. A lot of this could have come out on discovery. I admonish all the parties. You know it's my pet peeve. Come here and do cross.

Mr. Witness, you start with a "yes" or "no." You start with a "yes" or "no." If you think you're being strategic by being difficult answering Mr. Hatch's questions or anyone else, let me tell you, the only person that thinks you're difficult is me and that doesn't help you.

THE WITNESS: I understand.

CHAIRMAN JABER: Okay. Commissioner Baez, you've had a question?

COMMISSIONER BAEZ: (Inaudible. Microphone off.)

CHAIRMAN JABER: Mr. Hatch, let's move forward and try to wrap up.

BY MR. HATCH:

Q Did you recall the question?

A No, sir.

Q And your answer was?

A I don't recall the question.

Q Oh, I'm sorry. It's the 80 percent aggregate drain

on your central office power plant that your engineers monitor, and it's that 80 percent drain that triggers your plant expansion?

A The answer is no, because they don't hold specifically to 80 percent. Eighty percent is a cost parameter.

Q What threshold generally would you expect a central office power engineer to monitor to trigger a plant expansion?

A In the real world, I'm not sure.

COMMISSIONER DEASON: Let me ask a question at this point because it's not clear to me based upon earlier testimony. What triggers expansion? Is it drain, or is it committed capacity?

THE WITNESS: My understanding it's committed capacity.

COMMISSIONER BAEZ: I had the same question.

BY MR. HATCH:

Q So in a Sprint central office where there are no CLECs, if you put in five bays because you got a good deal on the equipment, you cable them all for 100 amps, so you're talking about 500 amps, and you expect to fill those bays over time, but based on committed capacity it could trigger a plant expansion even though it could be five years before the full utilization of those bays would be used; is that correct?

A That is correct, I mean, because that capacity is

appropriated. That's my understanding.

Q Why would you do it on committed capacity as compared to actual usage? It seems like you're building more plant faster than you actually need.

A Well, it gets back to what we were saying earlier about let's try to rightsize our power needs and that will help a lot in terms of us being able to do exactly what you're suggesting.

Q On an efficient basis, you would only add increments to your power plant as you actually need them. Would that be a safe statement?

A Yes.

Q Based on actual usage?

A Well, again, I mean, I was asked a question and I responded to that. It's my understanding that the planning of a DC power plant in terms of the additions is going to be based considerably on how much capacity is appropriated.

Q Now, that capacity you're talking about would be based on your actual capacity demands today plus what you project into the future for an incremental addition to your power plant?

A That is correct. And also let me add that we don't have such a gap between our actual usage and the plant capacity when we put in bays and whatnot as what I've seen in this testimony by Mr. King.

Q So you design your plant based on committed capacity; is that correct?

A That's my understanding, yes, sir.

Q And you derive that committed capacity based on your fused capacity throughout -- for the entire equipment in the shop -- I mean, in your central office, rather?

A That's my understanding.

Q So if your entire fused capacity is, say, a thousand amps but your actual drain on your power plant is a hundred amps, you'd still build a new plant?

A We wouldn't have that kind of a gap. We wouldn't have that, you know, thousand amps of fuses and only a hundred amps of drain. We wouldn't have that kind of a gap. Our multiplier on fuses is, like, 1.25 to 1.33. You asked me about that and I testified to that earlier. And based on Mr. Milner's testimony yesterday, there's a purpose for that. There's a reason for that, and that has to do with being able to maintain the power needs of equipment in an outage situation to allow -- you know, when the batteries start to drop in voltage, they start at 48, they drop in voltage, the amperage draw on those cables has to go up to compensate so that that equipment can maintain its wattage that it needs. And so it gives room for the amperage to go up before fuses starts to pop.

Q That happens only when your power plant is in

distress, is that correct, which means that the AC power is off, your DC generator is not running, and the battery voltage is dropping because of power demand?

A Things working correctly, that is true.

Q So your example you just used would happen in very rare circumstances; is that correct?

A It is rare, but it happened to me when I was field manager.

Q I just want to make real clear here one thing. You draw a distinction between actual usage and capacity; is that correct? Those are different things to you?

A In terms of this proceeding, yes.

Q And you build your plant based on capacity, not on usage?

CHAIRMAN JABER: Mr. Hatch.

MR. HATCH: I'm just trying to make it real clear here.

CHAIRMAN JABER: You know, Commissioner Deason made it real clear, and then you asked two more questions about that. Just to give you some comfort level, they build it on committed capacity. I got it. That's all that -- right, Commissioners? Did we not get that point? We got it, Mr. Hatch.

MR. HATCH: I'll move on.

CHAIRMAN JABER: Thank you. If I get it, anybody can

get it.
BY MR. HATCH:
Q Let's talk about your -- for CLECs you provide an A lead and B lead for --
A Correct.
Q That's correct?
A Uh-huh.
Q Now, I believe in your testimony -- I guess if you want to refer to it, it's Page 7, look at Lines 4 through 7.
A Direct or rebuttal?
Q I believe it's in your direct.
COMMISSIONER BRADLEY: Which page is that again?
MR. HATCH: Page 7.
THE WITNESS: Okay.
COMMISSIONER BRADLEY: Excuse me. Which line?
MR. HATCH: Lines 4 through 7 is where the basic statement is.
BY MR. HATCH:
Q Do I draw from your testimony there that you feed all of the power over the A lead, and you don't feed any power over the B lead?
A That was the correction I made in my testimony yesterday when I got on the stand. I changed the words on Line 5 "is to" to the word "could," and then I changed the words "is to" to the word "would" on Line 6.

Now, whether power flows over the A lead only or both leads or whatever is driven by the vendor's equipment. Some vendor equipment is set up to draw half of its power from each lead. Other vendor equipment is set up to draw everything from the A side and then convert onto the B side only in a case of a failure of the A side.

Q And so basically if a CLEC uses equipment with a load balancing provision, it would draw power equally from the A lead and the B lead?

A Close to equal, yes.

Q But the total power consumption would actually be the same?

A That's correct.

Q On Page 8 of your direct testimony, if you want to turn there, on 3 and 4, basically you state that Sprint doesn't do DC power metering; is that correct?

A That's correct.

Q Now, do you do any monitoring on your power plant in the central office?

A I'm sure it's similar to what Mr. Milner said in terms of having gauges -- so the answer is yes -- gauges that give you the amount of amperage being drawn at any point in time.

Q And because telecommunications equipment operates at a fairly steady state, then that's usually representative of a

period over time?

A You would think so, yes.

Q Does Sprint do any remote monitoring of those functions?

A I don't know.

Q Do you have meters on your BDFBs?

A We do not have meters. We have the same type gauges that give you an analog readout perhaps of the draw at any point in time.

Q Have you looked at the cost of metering power?

A We have been investigating it because of a DR.

Q And what have your investigations revealed to you?

A Well, there's multiple costs. I mean, there's the cost of the metering system; there's a cost of the operation support system necessary to set up billing on the basis of being able to change the amount of power that we're billing for; there's the cost of reading the power being drawn; there's the cost of the billing itself. So we have operation support systems who support the billing, and then we have the billing itself.

And then there's the cost of underutilized plant that we've been discussing in terms of -- as depicted in AT&T Witness King's testimony that they're only using 5 and a half percent of the DC power that they ordered, and that's a tremendous cost to an ALEC -- ILEC, excuse me, in terms of

underutilized plant.

Q Now, in terms of Sprint's own monitoring of its power plant, wouldn't it be efficient or more efficient to actually do remote metering of that plant as compared to sending a guy around to every central office power plant with a little clipboard --

A In terms of reading the meters for the purpose of billing, it is more -- you would think it would be a lot more efficient to do that remotely. And thank you, because you did remind me of a cost that I had left out, and that is, the costs associated with perhaps intranet ports or other dial-up type ports so that you can do that polling and reading of that power amount.

Q How expensive have your investigations lead you -- or let me ask you a different question. Strike that.

Have you figured out or have you determined any cost type numbers for the metering that you're investigating?

A We have some of the costs prepared. We have not completed that analysis.

Q In a TELRIC environment, wouldn't you expect that remote metering, being the most efficient technology, would be the way that you would expect it to be?

A That's what I would expect, yes.

Q Turn over to Page 10 of your direct testimony. Now, at Lines 13 through 15, about Issue 6C about when you should

begin billing for power, you make the statement there that you should begin billing when the ALEC has the capability of drawing power; is that correct?

A Yes.

Q Now, in a collocation space when you have built out the space, on space acceptance day the collocator doesn't have any equipment in that space, does he?

A I don't know. It depends on their coordination, but I'm assuming that you're saying that the space is empty on acceptance, and then they have to put in their plant. So the answer would be, no, they don't have equipment in there yet.

Q So the ALEC or the CLEC doesn't have any capability himself to draw power because he doesn't have any equipment in there to draw power?

A You're not drawing power, but you're utilizing an asset that's associated with that and that being the DC power plant.

Q If I don't have any equipment in the collo space to draw power, how can I utilize the DC power plant?

A Because you've requested on your application an amount of power that you want us to provide and we have provisioned that power, and we have provisioned that power within the intervals that we're expected to. And the assets are there and we should be allowed to earn a return on that investment and also collect the revenues necessary to pay the

property tax on that investment because that investment is on our books, and also maintain that investment and depreciate that investment.

Q Basically, you want me to start paying for the power plant before I actually use it.

A We would have to do that, sir, because we were talking earlier about adding DC power plant capacity and having the capacity available to grow into, so we face the same issue.

Q So I'm assuming that was a "yes."

A That's a yes. I'm sorry.

MR. HATCH: That's all I've got. Thank you, Madam Chairman.

CHAIRMAN JABER: Thank you, Mr. Hatch.

Staff.

CROSS EXAMINATION

BY MR. TEITZMAN:

Q Mr. Davis, just one question. To your knowledge, is Sprint currently metering DC power for any CLEC?

A No, sir, we're not.

MR. TEITZMAN: No further questions. Thank you.

CHAIRMAN JABER: Commissioners.

COMMISSIONER DAVIDSON: I just wanted to commend staff on their brevity.

MR. TEITZMAN: Thank you, Commissioner.

CHAIRMAN JABER: Commissioners, any other questions

or comments?

Ms. Masterton, redirect?

MS. MASTERTON: Madam Chairman, I just have one question on redirect, and it actually involves a response that Mr. Fox gave to a question of Commissioner Deason yesterday regarding 911 access, and his response was not entirely accurate. And I've asked the parties and they don't object to me asking Mr. Davis a question that will allow him to clarify the record on that point.

CHAIRMAN JABER: Commissioner Deason, I think that's appropriate. Okay.

REDIRECT EXAMINATION

BY MS. MASTERTON:

Q Mr. Davis, were you in the room yesterday when Mr. Fox responded to Commissioner Deason's question regarding the access to 911 when a CLEC powers its equipment with AC power?

A Yes, I was.

Q Do you have any clarification to Mr. Fox's response?

A Yes, I do. The situation that Mr. Fox described was that perhaps we could run an AC power feed, allow a CLEC to put in a rectifier to convert AC power to DC power and then power their equipment and that we could offer backup on a generator. In the event of a power failure, the batteries in a telephone office take over immediately and support the equipment for a

period of time. During that time, the generator has to start up, run, warm up, get up to speed and then be able to come on-line. That takes several minutes.

Assuming that the generator works properly and starts on its own -- and I was an operations manager in the field in eastern North Carolina and do have knowledge of how this stuff operates. There are times when we would have to hand start a generator because it didn't automatically start. It is an engine like a car engine or a lawnmower, and we all have experience with the lawnmower not cranking when we're ready to cut our grass right away. So it's not a fail-safe approach to providing AC backup at all.

CHAIRMAN JABER: Help me put in perspective -- I think also the nature of the question yesterday -- and, Commissioner Deason, you can elaborate further. We also questioned whether that would serve as adequate redundancy. Is your point that it would not --

THE WITNESS: Not in --

CHAIRMAN JABER: -- be redundant?

THE WITNESS: Excuse me.

CHAIRMAN JABER: Then it wouldn't be redundant.

THE WITNESS: Not in the short term, no, ma'am, but once the generator does start and does run and does get up to speed and comes on-line, then it would supply. I've been in a CO, central office, where that happened. We went through

hurricanes in eastern North Carolina -- I'm sure you people are familiar with those as well -- and the AC power goes off, the lights go out in the CO. We have some lights in a CO that's going to be powered by that generator. And the generator in that particular situation did start, but it did take some time for it to get going and come on-line and supply power back to some of the residual lights that we had on it as well as some of the outlets that we had in the building.

So during that period of time, I mean, whatever is connected directly to AC power or whatever is being supported directly by the AC generator is not going to work, including a CLEC's equipment in a collocation space. 911 was the issue I heard about yesterday. That would go down during that period of time when the generator was not running and the AC power was off.

CHAIRMAN JABER: Commissioner Deason, did you have any other questions in that regard?

MS. MASTERTON: That was it. Thank you.

CHAIRMAN JABER: Thank you. And, Ms. Masterton, there was one exhibit, Exhibit 19.

MS. MASTERTON: Yes. And I'd like to move that into the record at this time.

CHAIRMAN JABER: Without objection, Exhibit 19 is admitted into the record.

(Exhibit 19 admitted into the record.)

CHAIRMAN JABER: And Mr. Davis may be excused.

(Witness excused.)

CHAIRMAN JABER: Commissioners, how about we take a short ten-minute break and give Mr. Bailey an opportunity to come up on the stand?

Verizon, Mr. Bailey was sworn yesterday?

MR. McCUAIG: That's correct.

(Brief recess.)

CHAIRMAN JABER: Mr. McCuaig, or is it going to be Ms. Ronis?

MR. McCUAIG: Dan McCuaig representing Verizon.

CHAIRMAN JABER: Okay. Let's go ahead and get started with Mr. Bailey.

MR. McCUAIG: Okay.

CHARLES BAILEY

was called as a witness on behalf of Verizon Florida, Inc. and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. McCUAIG:

Q Mr. Bailey, please state your name and business address for the record.

A My name is Charles Bailey. My business address is 600 Hidden Ridge, Irving, Texas.

Q By whom are you employed and in what capacity?

A I'm employed by Verizon as a product manager for

collocation.

Q Have you caused to be filed in this docket direct testimony consisting of three pages attached to Verizon's motion for leave to file that testimony?

A Yes.

Q Do you have any changes to that testimony?

A No.

Q If I were to ask you the questions contained in that direct testimony today, would the answers be the same?

A Yes.

Q Do you have any substantive changes to that testimony?

A No.

MR. McCUAIG: I would ask that Mr. Bailey's direct testimony of three pages be entered into the record as though read from the stand.

CHAIRMAN JABER: I think it would be more efficient to do it this way, and you tell me if you have a problem with that. I will recognize that the prefiled direct testimony of John Ries as adopted by Charles Bailey shall be inserted into the record as though read.

MR. McCUAIG: Okay. That's great. Thank you.

BY MR. McCUAIG:

Q Mr. Reis -- I'm sorry. Mr. Bailey.

A He's not here.

Q Thanks.

CHAIRMAN JABER: That won't be the first time we do that to you, I'm sure.

BY MR. McCUAIG:

Q Have you also adopted the rebuttal testimony of John Ries submitted January 21st in this docket?

A Yes.

Q Holding aside the biographical information contained in that testimony, do you have any changes to that testimony?

A No.

Q If I were to ask you the questions contained in that rebuttal testimony today, would the answers be the same?

A Yes.

MR. McCUAIG: I would ask that Mr. Ries's rebuttal testimony also be inserted into the record as though read from the stand.

CHAIRMAN JABER: The prefiled rebuttal testimony of John Ries as adopted by Charles Bailey shall be inserted into the record as though read.

MR. McCUAIG: Thank you.

(REPORTER'S NOTE: For convenience of the record, Mr. Bailey's direct and Mr. Ries's direct and rebuttal testimonies as adopted by Mr. Bailey were inserted in the record at Page 452.)

BY MR. McCUAIG:

Q Mr. Bailey, have you prepared a summary of your testimony?

CHAIRMAN JABER: Let me interrupt you for just a minute. John Ries had an exhibit, JR-1. Is that -- Mr. Bailey is not adopting that and there are no exhibits?

MR. McCUAIG: We were not going to insert that exhibit into the record because it was currently effective when filed back in December. The tariff has been slightly changed. References to Verizon's tariff should be made to the currently effective tariff which is publicly available on Verizon's Web site. They shouldn't refer back to the tariff that was filed with Mr. Ries's testimony.

CHAIRMAN JABER: Mr. McCuaig, I don't know want to speak for the parties. I don't whether they did or didn't have cross-examination questions on that exhibit, but had you communicated that with the parties before this morning?

MR. McCUAIG: No, we have not. We have no problem marking it and putting it in the record and if parties want to cross on it.

CHAIRMAN JABER: Well, let me get some feedback from the parties. I don't want to make a nonissue an issue unless it's appropriate.

Mr. Hatch.

MR. HATCH: I don't have any cross on the tariff.

MR. WATKINS: I believe Covad and FDN both had

questions about the tariff.

CHAIRMAN JABER: Do you have a copy of the most recent tariff?

MR. WATKINS: No, Madam Chairman. In fact, I don't know that the new tariff sections will match the sections referenced in this testimony directing the reader's attention to a Verizon tariff. If it does, then replacing it may not be a problem, but I don't know that that's the case.

CHAIRMAN JABER: Mr. McCuaig, I'd like to not create confusion and take you up on the offer to mark the exhibit. It was identified in the prehearing order, parties relied on its use at the hearing, so let's do that.

MR. McCUAIG: That sounds great, Madam Chair.

CHAIRMAN JABER: And your witness can answer questions with regard to the exhibit.

MR. McCUAIG: That's correct.

CHAIRMAN JABER: Okay. JR-1 will be identified as Hearing Exhibit 20.

(Exhibit 20 marked for identification.)

DIRECT TESTIMONY OF CHARLES BAILEY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Charles Bailey. My business address is 600 Hidden Ridge, Irving, Texas 75038.

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

A. I am employed by Verizon Communications, Inc. ("Verizon") as a Manager — Product Management / Product Development responsible for Verizon's collocation products. In this proceeding, I am representing Verizon Florida Inc. ("Verizon FL").

Q. PLEASE DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.

A. I graduated from Texas A&M University in 1987 with a Bachelor of Science degree in Electrical Engineering. In 1991, I graduated from Southern Methodist University with a Master of Business Administration degree. My employment with Contel (now part of Verizon) began in 1988 in the Network Access Bureau as an engineer responsible for the design of special access and private line circuits.

After the GTE/Contel merger in 1991, I took a job in the Access Pricing group. I held several positions of increasing responsibility within Access Pricing from 1991 to 1996. My responsibilities included development of cost and price support for switched, special, and wireless access, as

well as billing and collection service. I was also responsible for filing testimony and comments with both the Federal Communications Commission ("FCC") and state commissions.

In 1996, I joined the Network Access Services group as a Senior Product Manager responsible for implementing the Telecommunications Act of 1996 as it related to Verizon's structural space asset products. I participated in regulatory advocacy, witness training, contract negotiation support, and product line / business process modification. In 1998, I was promoted to Program Manager and coordinated the development of an inventory and reporting system for collocation. In 2000, I assumed my current position with responsibility for Verizon's collocation product line.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE REGULATORY COMMISSIONS?

A. Yes, I have testified before the state commissions in Florida and Illinois on issues relating to the pricing of special access and private line services.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this testimony is to set forth my work experience and qualifications, and to formally adopt the Direct Testimony and Rebuttal Testimony of Verizon FL witness John Ries, filed in this docket on December 19, 2002 and January 21, 2003, respectively.

II. ADOPTION OF JOHN RIES'S TESTIMONY

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY AND REBUTTAL TESTIMONY OF VERIZON FL WITNESS JOHN RIES, FILED IN THIS DOCKET ON DECEMBER 19, 2002 AND JANUARY 21, 2003, RESPECTIVELY?

A. Yes. Except for Mr. Ries's biographical information, I adopt those testimony submissions.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John Ries. My business address is 600 Hidden Ridge, Irving, Texas 75038.

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

A. I am employed by Verizon Communications as a Senior Product Manager - Collocation. In this proceeding, I am representing Verizon Florida Inc.

Q. PLEASE DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.

A. I graduated from the University of Missouri - Columbia in 1982 with a Bachelor of Arts degree in Mathematics and Statistics. My employment with GTE (now Verizon) commenced in May 1982 in the Network Planning Department. I held several positions during my first six years with Network Planning. My responsibilities included capital budgeting, capital portfolio management, implementation of enhanced support products for Network Planning, and coordination of technical responses for business customer requests. In 1988, I moved into the Business Pricing group and remained there for four years. My responsibilities there included pricing new network services for tariff offerings, as well as pricing individual case applications.

In December 1992, I became the Product Manager for Expanded Interconnection Services. My responsibilities included coordinating GTE's response to the FCC's Docket 91-141 Order on Special Access

and Switched Transport Interconnection, a task which required organizing diverse resources within GTE to determine how the Company would offer physical and virtual collocation.

In January 1998, I became Program Manager, Access Services. I was involved in analyzing competitive information relating to GTE's Network Services, as well as contract negotiations with major interexchange carriers and competitive local exchange carriers.

In January 2000, I moved into my current position, Senior Product Manager - Collocation. Over the last two years, I have been a policy witness on collocation issues and have negotiated collocation interconnection agreements.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE REGULATORY COMMISSIONS?

A. Yes, I have testified on collocation issues in California, Florida, Hawaii, Illinois, Missouri, Nebraska, New Hampshire, New Mexico, North Carolina, Rhode Island, Texas, Vermont, Washington, and Wisconsin.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony discusses Verizon's collocation policies, practices, and terms and conditions. I cover all issues designated for resolution in this docket, except for issues 9 and 10, concerning collocation rates. Verizon witness Ellis will address those issues.

Q. HOW DOES VERIZON PROVIDE COLLOCATION IN FLORIDA?

A. Verizon provides collocation under a tariff, which took effect on January 14, 2000. Prior to that, collocation was provided through negotiated interconnection agreements. Verizon's tariff addresses most of the issues in this proceeding, and my testimony is consistent with the tariff provisions. The tariff is attached as Exhibit JR-1. Various sections of the tariff are referenced throughout my testimony.

Q. WHEN SHOULD AN ALEC BE REQUIRED TO REMIT PAYMENT FOR NON-RECURRING CHARGES FOR COLLOCATION SPACE? (ISSUE 1A)

A. Once Verizon confirms that it can satisfy the ALEC's collocation request, the ALEC should be required to remit 50% of the non-recurring charges associated with the collocation arrangement. Verizon's confirmation includes a price quote and project implementation timeline. Verizon will begin to prepare the space upon receipt of the initial 50% payment, which establishes the ALEC's commitment to proceed with the requested collocation and covers a portion of Verizon's up-front costs to prepare the collocation space. The remaining 50% of the non-recurring charges are billed to the ALEC at the time space is turned over to the ALEC.

Q. WHEN SHOULD BILLING OF MONTHLY RECURRING CHARGES BEGIN? (ISSUE 1B)

A. Billing of monthly recurring charges should begin in the next billing cycle after the collocation space is turned over to the ALEC.

Q. WHAT CANCELLATION CHARGES SHOULD APPLY IF AN ALEC CANCELS ITS REQUEST FOR COLLOCATION SPACE? (ISSUE 1C)

A. Verizon does not assess "cancellation charges." Rather, depending on when the ALEC cancels its request, Verizon would charge the ALEC for the costs Verizon incurred in responding to the request. If the ALEC cancels its request for collocation space when construction is in progress and prior to acceptance of the space, Verizon would keep the engineering/augment fees submitted with the application and would assess any other non-recurring charges necessary to cover Verizon's costs incurred in providing the collocation arrangement. If the ALEC cancels the request after the collocation arrangement has been completed, the ALEC would also have to pay the monthly recurring charges, unless the ALEC provided written notice of the cancellation 30 days prior to the scheduled completion date.

Q. WHAT SECTIONS OF VERIZON'S TARIFF ADDRESS ISSUE ONE?

A. The following sections address the various aspects of bill payment and cancellation: Application Form/Fee (19.3.1.B), Notification of Acceptance/Rejection (19.3.1.C), Space Availability (19.3.2), Price Quote (19.3.3), Planning and Coordination (19.4.1), Cancellation and Acceptance Delays (19.10.3), and Billing and Payment (19.14.2).

Q. SHOULD AN ALEC BE REQUIRED TO JUSTIFY ITS SPACE RESERVATION NEEDS TO THE ILEC WHEN AN ILEC IS FORCED TO CONSIDER A BUILDING ADDITION TO ACCOMMODATE FUTURE SPACE REQUIREMENTS? (ISSUE 2A)

A. It is first important to clarify that an ILEC cannot be forced to consider a building addition to accommodate either existing collocation requests or future ALEC collocation demand. But when an ALEC has reserved space in an office that is at or near exhaust and another party (either another ALEC or the ILEC) needs the space, the ALEC should be required to justify the space reservation by showing the intended purpose of the reserved space and the forecasted year of use. These are the same showings Verizon is required to make when it requests a waiver of collocation requirements due to space exhaustion. (See Verizon Collocation Tariff at sec. 19.5.1.) Applying them to the ALEC in this analogous context satisfies the same policy of efficiently using space to meet existing needs.

Q. UNDER WHAT CONDITIONS SHOULD AN ILEC BE ALLOWED TO RECLAIM UNUSED COLLOCATION SPACE? (ISSUE 2B)

A. Under Verizon's tariff, the ALEC must begin installing collocation equipment (that is, equipment necessary for interconnection or access to unbundled network elements) within a reasonable period of time, not to exceed six months, from the date the collocation arrangement is accepted. If the ALEC does not utilize its space within that time, Verizon may reclaim that unused space. This practice assures timely and

efficient use of limited space and prevents an ALEC from warehousing space in order to keep other competitors out of a market. These are the same objectives the Commission emphasized in its May 2000 Collocation Order. (*See, e.g.*, Order No. PSC-00-0941-FOF-TP, at 54-55.)

Q. WHAT OBLIGATIONS, IF ANY, SHOULD BE PLACED ON THE ALEC THAT CONTRACTED FOR THE SPACE? (ISSUE 2C)

A. Verizon's tariff comprehensively describes the obligations of the ALEC contracting for collocation space. With regard to general obligations on use of the space, as noted, the ALEC must begin to use its space within six months. In addition, if there is not enough space to satisfy existing collocation requests, an ALEC may not house obsolete or unused equipment within its space and it must document its plans for use of reserved space. Again, Verizon has the same obligations in a space exhaust situation. (See Verizon Collocation Tariff § 19.5.1.) In order to ensure the most efficient use of space, these obligations should apply equally to all parties using space in an office.

Q. WHAT OBLIGATIONS, IF ANY, SHOULD BE PLACED ON THE ILEC? (ISSUE 2D)

A. Verizon's tariff sets forth both the ILEC's and ALEC's obligations relative to collocation arrangements. With regard to the ILEC's use of space, Verizon must justify and document its existing use of space and its future needs before it may receive a waiver of collocation requirements

at a particular site. (See Verizon Collocation Tariff § 19.5.1)

Q. WHAT SECTIONS OF THE VERIZON TARIFF ADDRESS ISSUE TWO?

A. Along with the Space Availability section (19.5.1), the following sections of Verizon's tariff also relate to this issue: Minimum/Maximum/Additional space (19.5.2), Use of Space (19.5.3), Reservation of Space (19.5.4) and Reclamation (19.5.6).

Q. SHOULD AN ALEC HAVE THE OPTION TO TRANSFER ACCEPTED COLLOCATION SPACE TO ANOTHER ALEC? IF SO, WHAT ARE THE RESPONSIBILITIES OF THE ILEC AND ALECS? (ISSUE3)

A. No. While an ALEC may sublease its collocation space to another party (pursuant to section 19.2.3 of Verizon's tariff), it may not transfer the entire space to another ALEC once the contracting ALEC decides to leave it. Verizon is responsible for the management and operation of its central offices, including collocation space. A transfer of space to a third party, without Verizon's input or knowledge, would undermine Verizon's ability to control and maintain its premises.

Allowing ALECs to transfer space to each other would also be directly contrary to the Commission's November 2000 ruling on post-waiver space availability. As the Commission knows, ILECs may receive FCC waivers of physical collocation requirements where space is exhausted. This Commission requires ILECs to keep waiting lists of ALECs that

have been denied physical collocation for lack of space in a particular office. Under this system, ALECs must be listed in the order their requests are received, so that if space later becomes available, the first ALEC application received must be given the first opportunity to take the space. (November 2000 Collocation Order at 20-21.) Allowing an ALEC to transfer space directly to another ALEC would circumvent the Commission's mandatory waiting list procedure. Without the ILEC's involvement, the ALEC could transfer the newly available space to any other ALEC, regardless of its position on the ILEC's waiting list. The ALEC could simply give the space to the highest bidder or use any other criterion it wished to allocate the space. This is exactly the kind of arbitrary and unfair result the Commission sought to prevent in its November 2000 Collocation Order. If the Commission considers allowing direct ALEC-to-ALEC transfers of space, it will necessarily have to change its post-waiver space allocation policies.

Q. SHOULD THE ILEC BE REQUIRED TO PROVIDE COPPER ENTRANCE FACILITIES WITHIN THE CONTEXT OF A COLLOCATION INSIDE THE CENTRAL OFFICE? (ISSUE 4)

A. No. Verizon will allow the ALEC to bring fiber optic facilities into the ILEC premise, but it should not be forced to provide copper facilities, which take up significantly more space within the ILEC manhole and conduit system than fiber facilities. Moreover, fiber facilities can handle high volumes of traffic at higher bandwidth over a single fiber pair. Increasing conduit space to accommodate additional copper cable is a

labor-intensive and costly exercise. Verizon's tariff sections relating to this issue are 19.4.3.D and 19.4.3.E.

Q. SHOULD AN ILEC BE REQUIRED TO OFFER, AT A MINIMUM, POWER IN STANDARDIZED INCREMENTS? IF SO, WHAT SHOULD THE STANDARDIZED POWER INCREMENTS BE? (ISSUE 5)

A. Verizon does not oppose offering power in standardized increments, as long as ALECs order and maintain a specified minimum amperage. In this regard, Verizon offers DC Power in per-amp increments, but requires a minimum of ten (10) amps for each ALEC arrangement. Ten amps is a reasonable minimum because a functioning collocation arrangement will require at least 10 amps of power. The minimum requirement is necessary for Verizon to have an opportunity to recover its costs, because while ALECs may require different quantities of power, power is not provisioned or grown at a single amp increment. Power rates must cover not only the costs specific to the particular arrangement (such as extending cabling from Verizon's power plant to a battery distribution fuse bay (BDFB); provisioning fusing, and extending cable to the collocation arrangement), but the ongoing costs of maintaining and investing in power plant infrastructure adequate to satisfy collocators' needs. While Verizon agrees to sell power on a per-amp basis, the minimum amperage requirement is consistent with the bulk nature of the costs of provisioning power and minimizes the threat of stranded investment.

Note that while fusing and power cabling material costs vary directly with the number of amps provisioned, the labor to install different size cables is closely tied to the distance and number of cables to be placed, rather than on amperage quantities. Setting non-recurring charges on a per-cable installation basis and monthly recurring charges on a single amp increment with a 10 amp minimum attains the best balance.

Q. ISSUE 6A ASKS WHETHER POWER RATES SHOULD BE BASED ON AMPS USED OR FUSED CAPACITY. CAN YOU EXPLAIN THE DIFFERENCE BETWEEN A LOAD AMP AND A FUSED AMP?

A. Telecommunications equipment that uses DC power has a manufacturer's power drain specification associated with it. For instance, a particular piece of switching or transmission equipment may require 20 amps of DC power to function. This drain on the ILEC power plant is also referred to as the power "load." Today's digital technology consistently draws a steady load amperage from the power plant, but there may be instances when it will draw more or less amperage. The power cabling feed from the ILEC power plant is fused to accommodate a spike in the power drain from the equipment before the fuse will blow and take that cable feed out of service. Typically, the fuse is engineered to 1.25 or 1.50 times the load. In the above example, Verizon would fuse the power feed at 30 amps for the 20-amp load. Therefore, the ALEC's equipment could draw up as much as 30 amps of power from the ILEC without blowing a fuse. However, based on the manufacturer's specifications, the equipment would be expected to consistently draw 20

amps of power while in service. The usual debate underlying Issue 6A is whether the ALEC should pay for the fuse power of 30 amps or the load power of 20 amps.

Q. HOW DOES THE ALEC ORDER POWER FROM VERIZON?

A. The ALEC must request the number of power cables to be provisioned to the collocation arrangement, along with the power load and fuse quantity of each individual cable. Verizon allows the ALEC to request fusing up to two and one-half times the requested load on each power feed. This approach allows the ALEC to have full redundancy on its power feeds (to allow for failure on one feed), while only paying for the power load that was ordered for its equipment. For instance, if an ALEC required 20 amps of power for its collocation arrangement, a probable configuration would request 10 amps of power on the A cable feed and 10 amps of power on the B cable feed. This would provide the ALEC with the power load required for its equipment. The ALEC could also request that Verizon fuse each cable feed at 25 amps. Therefore, if one power lead were to fail, the other feed would keep the equipment in-service. In this example, Verizon would charge the ALEC for 20 amps of power.

Q. SHOULD AN ILEC'S PER AMPERE (AMP) RATE FOR THE PROVISIONING OF DC POWER TO AN ALEC'S COLLOCATION SPACE APPLY TO AMPS USED OR FUSED CAPACITY? (ISSUE 6A)

A. Neither used amps or fused amps should apply. Consistent with

Verizon's tariff, the per-amp rate should be based on what the ALEC orders. When an ALEC orders power, it specifies the load (the typical drain, based on manufacturer's specifications) and the fused capacity (how much of a power spike the fuses should accommodate). Verizon charges for power on a per-load-amp basis, rather than charging for the total fused amps or measuring a used amount. However, because Verizon fuses each power feed based on the ALEC's application if a ALEC abuses this pricing structure and consistently draws more power than it requested, Verizon should continue to have the ability to audit power usage and impose penalties for any abuses. As shown in the previous example, while the ALEC was only charged for 20 amps of power, the ALEC had a total of 50 amps of power being delivered to its collocated equipment. All power issues, including random inspections, acceptable buffer zones, and required annual attestations, are addressed in Verizon's tariff section 19.4.2.C.

Q. IF POWER IS CHARGED ON A PER-AMP-USED BASIS, HOW SHOULD THE CHARGE BE CALCULATED AND APPLIED? (ISSUE 6B)

A. Different companies may calculate and apply per-amp charges differently, but, for Verizon, the monthly recurring charge for DC Power should be calculated on a per-load-amp (as opposed to per-fused-amp) basis and should recover the following cost components: investment in installed power plant infrastructure, labor and material to extend cabling from power plant to Battery Distribution Fuse Bay (BDFB), fuses and

fuse panels on the BDFB, and an allocated utility cost. The per-amp charge should be applied for each load amp ordered by the ALEC.

Q. SHOULD THE ILEC INSTALL METERS TO MEASURE THE ACTUAL AMPERAGE USED BY AN ALEC?

A. No. Placing meters in the central office to monitor usage on each cable feed is not feasible from a practical or cost standpoint. Metering would impose new costs on the ALEC because additional equipment would be introduced into the collocation configuration, along with additional manpower and administrative costs to read meters and bill accordingly. Verizon allows the ALEC to order only the power needed to operate its equipment when engineered using the manufacturers' specifications for industry-standard power drain. Today's digital equipment is designed to operate at a constant load, regardless of whether there is actually live traffic. In sum, metered power would raise costs and introduce inefficiency without yielding any advantages over Verizon's current practice.

Q. WHEN SHOULD AN ILEC BE ALLOWED TO BEGIN BILLING AN ALEC FOR POWER? (ISSUE 6C)

A. Verizon begins billing the monthly recurring charges once the ALEC accepts the collocation space. Because part of Verizon's significant power investment is recovered in the per amp monthly charge, Verizon is entitled to begin recovery of that investment once the ALEC accepts the arrangement.

Q. SHOULD AN ALEC HAVE THE OPTION OF AN AC POWER FEED TO ITS COLLOCATION SPACE? (ISSUE 7)

A. No. Telecommunications equipment requires DC power, so the AC power from the electric utility must be converted into DC power to run the equipment. The ALEC may request additional AC power outlets to its collocation arrangement in order to operate various testing equipment or accommodate similar activities, but the ALEC should not be permitted to request AC power feeds with an intent to convert AC power to DC power within its collocation space. Conversion of AC power to DC power for telecommunications equipment is a core infrastructure function within the central office. Attempts to bypass this function by converting power within the collocation cage would require not only conversion equipment, but also batteries and generators, such that the ALEC has a backup power supply. In addition, special construction would typically be required to isolate the ALEC's power plant from surrounding equipment and protect against the risk of fire from the battery plant. Multiple power plants within the building multiply the risk from fire and/or hazardous materials. In order to maintain the safety and integrity of the network, the conversion of AC power to DC power should be performed at the central office power plant and then distributed to various points in the central office with associated power cabling and BDFBs.

Q. WHAT ARE THE RESPONSIBILITIES OF THE ILEC, IF ANY, WHEN

AN ALEC REQUESTS COLLOCATION SPACE AT A REMOTE TERMINAL WHERE SPACE IS NOT AVAILABLE OR SPACE IS NEARING EXHAUSTION? (ISSUE 8)

A. The procedures for obtaining collocation space at a remote terminal should mirror those for a central office. The ILEC is not required to construct additional space to satisfy a collocation request. If there is no available space within the remote terminal, the ALEC should explore an adjacent solution, such as placing its own remote terminal adjacent to Verizon's terminal and establishing a network interface.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Verizon's intrastate collocation tariff has been in effect almost 3 years. That tariff builds on longstanding experience with both interstate and intrastate collocation arrangements. Verizon has approximately 250 collocation arrangements in service in Florida. Verizon's existing tariff terms should remain in place because they are working well and they adequately address the issues raised for resolution in this proceeding.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

I. INTRODUCTION AND SUMMARY OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John Ries. My business address is 600 Hidden Ridge, Irving, Texas 75038.

Q. DID YOU FILE DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, I filed direct testimony on December 19, 2002.

Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to the direct testimony of Jeffrey King, who filed direct testimony in this docket on December 19, 2002, on behalf of AT&T Communications of the Southern States, LLC and TCG South Florida, Inc. As I discuss below, several of Mr. King's proposals would deny Verizon Florida the ability to properly recover collocation costs incurred on the ALECs' behalf; other proposals are simply dangerous. Mr. King's unreasonable proposals should be rejected.

II. VERIZON FLORIDA'S SPACE PREPARATION CHARGES AND APPLICATION FEES ARE APPROPRIATE.

Q. PLEASE RESPOND TO MR. KING'S CLAIM THAT VERIZON FLORIDA SHOULD NOT BE PERMITTED TO CHARGE THE ALEC 50% OF THE NON-RECURRING SPACE PREPARATION FEE

BEFORE THE COLLOCATION ARRANGEMENT IS COMPLETED. (pp 4-5).

A. Verizon Florida charges the ALEC 50% of the non-recurring space preparation fee before Verizon Florida begins preparing the collocation space to ensure that Verizon Florida is adequately compensated if the ALEC later decides to cancel its collocation request. *See* Verizon Florida Tariff § 19.4.1. This requirement also forces the ALEC to make a decision on whether in fact it wants to proceed with collocation in a particular central office *before* Verizon Florida spends considerable time and money building the collocation arrangement, and before the ALEC takes up valuable central office space that could be used by another ALEC.

Mr. King's proposal that an ALEC pay all of the non-recurring space preparation fee[1] after the collocation arrangement is completed could deny Verizon Florida proper cost recovery and should therefore be rejected. Like many other businesses, the ALEC should be required to make a reasoned business decision on whether it wants to proceed with collocation and commit to Verizon Florida by paying a deposit. Indeed, the FCC has already held that Verizon Florida's 50% deposit requirement is reasonable. *Collocation Order* ¶ 41.[2] And Sprint fully supports this requirement. Fox Test. at 4.

Q. HAVE ALECS IN THE PAST CANCELLED COLLOCATION APPLICATIONS AFTER VERIZON FLORIDA HAD INCURRED

SIGNIFICANT COSTS?

A. Yes. In the past, a number of ALECs have cancelled collocation applications or gone out of business without paying their outstanding collocation balances. Mr. King's claim that ALECs should not have to pay anything until the collocation arrangement is completed would only make this situation worse.

Q. DO YOU AGREE WITH MR. KING'S PROPOSAL FOR APPLYING CANCELLATION CHARGES IF THE ALEC CANCELS ITS REQUEST FOR COLLOCATION SPACE? (pg 5).

A. No. Mr. King's assertion that "if the ALEC cancels its request for collocation space within 20 days after the application has been submitted to the ILEC, the application fees should be fully refundable," King Test. at 5, misses the point. The application fee recovers the costs Verizon Florida incurs to process the collocation application. Thus, regardless of whether or when the ALEC later cancels the application, that work has been performed and Verizon Florida is entitled to be compensated for it.

With respect to the space preparation charge, Verizon Florida will reimburse the ALEC for the portion of the 50% deposit that has not been used by Verizon Florida, but should be entitled to keep the rest. *See* Verizon Florida Tariff § 19.10.3. As Sprint notes, "the ALEC should reimburse the ILEC for any actual expenses incurred and not already paid." Fox Test. at 7.

Mr. King's claim that the ALEC should be refunded its entire 50% space preparation fee prepayment if it cancels a collocation application because Verizon Florida somehow benefits from the collocation space is absurd. Verizon Florida prepares the collocation arrangement only because it is requested by the ALEC. Verizon Florida generally has no use for such an arrangement. And in the rare event that Verizon Florida does use the cancelled collocation space for itself, it will refund the canceling ALEC the space preparation charge pursuant to Section 19.10.2 of Verizon Florida's tariff.[3]

In short, there is absolutely no support for Mr. King's claim that collocation charges should be refunded to a canceling ALEC regardless of whether Verizon Florida has already incurred costs for performing the work requested by the ALEC. As Mr. Gray explained, "the ILEC should not be penalized just because an ALEC changes its mind about collocating in the central office." Gray Test. at 12-13.

III. VERIZON FLORIDA'S MONTHLY RECURRING CHARGES SHOULD COMMENCE WHEN THE COLLOCATION ARRANGEMENT IS TURNED OVER TO THE ALEC.

Q. DO YOU AGREE WITH MR. KING'S CLAIM THAT CERTAIN MONTHLY RECURRING CHARGES SHOULD NOT BE BILLED UNTIL THE ALEC UNILATERALLY DECIDES TO BEGIN PROVIDING SERVICE TO END USERS? (pg 4).

A. No. Verizon Florida incurs the costs to build the collocation arrangement and should therefore begin to be compensated as soon as it delivers the arrangement to the ALEC. While Mr. King agrees that the ALEC should be required to begin paying Verizon Florida for the floor space as soon as the arrangement is turned over, he disagrees that the ALEC should begin paying other recurring charges. According to Mr. King, the other recurring charges should be deferred until the ALEC installs, interconnects, and tests its equipment. King Test. at 5. But treating floor space charges differently from other recurring charges makes no sense: Verizon Florida incurs the costs for both before the arrangement is turned over to the ALEC. Verizon Florida's cost recovery clearly should not be tied to the ALEC's unilateral decision to begin installing equipment in the collocation arrangement.

Moreover, certain aspects of the collocation arrangement are often prepared by third party vendors, who expect to be paid by Verizon Florida immediately and will not wait until the ALEC decides to install equipment. Thus, it is unreasonable to require Verizon Florida to wait to be reimbursed from the ALECs, particularly when Verizon Florida has already incurred considerable out-of-pocket costs on the ALECs' behalf. In fact, the ALEC may never decide to install equipment or may vacate the arrangement or go out of business, leaving Verizon Florida with *no* cost recovery under Mr. King's proposal.

Mr. King offers no credible explanation for why Verizon Florida should

not be able to begin billing ALECs for all collocation monthly recurring charges as soon as Verizon Florida has turned over the collocation space. Bell South's witness Mr. Gray, in contrast, cogently explained that "monthly recurring charges are appropriately assessed when [the ILEC] has completed its space conditioning and provisioning work and turned the now 'functional space' over to the ALEC." Gray Test. at 8. And Sprint's witness Mr. Fox similarly explained that "[b]illing of MRCs should begin upon acceptance of the collocation space by the ALEC," Fox Test. at 5, because once "collocation construction begins, the space is effectively dedicated to the ALEC, i.e., it is no longer available for use by the ILEC or other ALECs." *id.* at 6.

Verizon Florida should therefore be permitted to recover the costs it incurs to provision a collocation arrangement on behalf of the ALEC as soon as the arrangement is turned over to the ALEC, and should not be penalized simply because the ALEC has not timed its business plans properly. The ALEC knows when it submits a collocation application that Verizon Florida will provision the arrangement according to published intervals. Thus, if the ALEC is not ready to install equipment, it should wait to submit a collocation application. Moreover, the ALECs should not be permitted to game the system by requiring Verizon Florida to build collocation arrangements that they may never use, at no cost to the ALECs. In fact, it is my understanding that all state commissions permit the ILEC to assess recurring charges for UNEs, including collocation, as soon as the UNE or collocation arrangement is delivered

to the ALEC.

IV. THE ALECS SHOULD BE REQUIRED TO JUSTIFY UNUSED COLLOCATION SPACE.

Q. SHOULD AN ALEC BE REQUIRED TO JUSTIFY ITS UNUSED COLLOCATION SPACE BEFORE VERIZON FLORIDA IS FORCED TO EXPAND A CENTRAL OFFICE? (pp 7-8).

A. Yes. The FCC has noted that "inefficient use of space by one ALEC could deprive another entrant of the opportunity to collocate facilities or expand existing space." *Local Competition Order* ¶ 586.[4] The FCC Rules likewise provide that "[a]n incumbent LEC may impose reasonable restrictions on the warehousing of unused space by collocating telecommunications carriers." 47 C.F.R. § 51.323(f)(6).

As I explained at page 5 of my direct testimony, "reasonable restrictions" in this instance require that an ALEC possessing unused collocation space in an exhausted central office be required to justify why it should be permitted to retain that space. Verizon Florida itself must justify its unused or "reserved" space when it claims that a particular central office is out of collocation space.

Mr. King does not appear to object to Verizon Florida's requirement that the ALEC justify its need for unused collocation space, but claims that an ALEC should be allowed to retain its unused collocation space so

long as it "has future plans for [its] collocation space and provides written notification [of] such to the ILEC." King Test. at 7. Verizon Florida agrees with Mr. King, but reserves the right to seek additional documentation of the ALECs' plans for unused space, as well as to reclaim unused space, where appropriate, pursuant to Verizon Florida's tariff. *See* Verizon Florida Tariff § 19.5.6.

Q. IS MR. KING'S PROPOSAL TO PERMIT ALECS TO TRANSFER COLLOCATION SPACE TO OTHER ALECS CONSISTENT WITH THE COMMISSION'S NOVEMBER 2000 ORDER? (pg 7).

A. No. Mr. King argues that any ALEC, at its sole discretion, should be able to transfer its collocation space to any other ALEC. King Test. at 7-8. But as I explain at pages 7 and 8 of my direct testimony, the Commission's ruling of November 2000 requires ILECs to keep waiting lists of ALECs that have been denied physical collocation, and to provide collocation space on a first-come, first-served basis. (The FCC rules similarly require that Verizon provide collocation space on a first-come, first-served basis). Allowing an ALEC to transfer space directly to another ALEC would circumvent this requirement. As Sprint's expert noted, "[i]f the ALEC could transfer its unwanted space, it could bypass the next ALEC on the waiting list in favor of another ALEC." Fox Test. at 13.

Mr. King's proposal would also allow ALECs involved in joint ventures or mergers to favor their partners and/or preclude their competitors from

collocating in an ILEC's central office. His proposal may also circumvent the federal bankruptcy rules, which require an ALEC that is acquiring another ALEC to cure all outstanding indebtedness owed to Verizon Florida before it can assume the collocation arrangements owned by the acquired company.

Mr. King's recommendation that ALECs be allowed to transfer space to one another, without Verizon Florida's permission and oversight, should therefore be denied.

V. MR. KING'S PROPOSAL ON COPPER ENTRANCE FACILITIES WOULD EXHAUST VALUABLE CENTRAL OFFICE SPACE AND IS DANGEROUS.

Q. PLEASE ADDRESS MR. KING'S STATEMENTS REGARDING COPPER ENTRANCE FACILITIES. (pg 8).

A. In my direct testimony, I described the serious space exhaustion concerns that make it technically infeasible to permit ALECs to demand copper entrance facilities in a central office. Ries Test. at 8-9. Additionally, there are serious safety concerns associated with copper entrance facilities. Mr. King does not address these concerns at all; rather, he simply states generically that since copper plant "is still an integral part of the telecommunications industry," and flatly asserts, without any justification at all, that this fact means ALECs must be given "the opportunity to use copper plant." King Test. at 8. Simply because

there are still copper facilities *somewhere* in the public switched telephone network ("PSTN"), however, it does not follow that copper plant is appropriate — or even safe — for use in entrance facilities in particular.

The copper that remains in the PSTN is primarily used in the *distribution* plant — i.e., the facilities that fan out in the field to individual customer premises. By contrast, virtually all new *feeder* plant — i.e., the facilities connecting into the central office — uses fiber cable, given the enormous efficiency advantages and serious safety issues described in my testimony. Fiber is by far the more efficient cabling for aggregating and delivering higher volumes of traffic. That is why new entrance facility cable installed by Verizon is fiber, and why virtually all ALECs and third party transport providers use fiber to deliver aggregated traffic from collocation nodes to the ALEC's own network.

Q. WHAT PROBLEMS WOULD ARISE FROM ALLOWING ALECS TO USE COPPER ENTRANCE FACILITIES?

A. The two basic concerns with permitting an ALEC to introduce copper entrance facilities into a Verizon central office are safety and space exhaust.

Q. WHY DOES ALLOWING ALECS TO INSIST ON COPPER ENTRANCE FACILITIES PRESENT A SAFETY RISK?

A. The outside copper plant of a telephone network is always subject to

significant foreign voltages and currents — for example, when lightning strikes a copper wire. Both to avoid electrocution risks and to protect Verizon and ALEC central office equipment, it is absolutely essential to prevent these foreign voltages and currents from being conducted into the central offices. While Verizon takes all precautions required by industry standards and electric safety codes to manage its plant in a manner that *minimizes* these risks, these risks can never actually be *eliminated*, and Verizon has, in the past, experienced fires and equipment failures directly attributable to these external voltages.

Copper entrance facilities — especially when maintained by the ALECs without any supervision by or coordination with Verizon — present an increased safety risk. Copper cables are highly conductive and are capable of conveying foreign current and voltages into and through the central office. By contrast, fiber optic cables are non-conductive and for that reason mitigate risks of central office electrocution, fire, and equipment failures.

Q. DO SAFETY RISKS AFFECT WHETHER A GIVEN TECHNICAL ARRANGEMENT IS "TECHNICALLY FEASIBLE" WITHIN THE MEANING OF THE 1996 TELECOMMUNICATIONS ACT AND THE FCC'S RULES?

A. Yes. The FCC has specifically ruled that these kinds of safety and network reliability issues form a critical component of the technical feasibility analysis. In paragraphs 198 and 203 of its *Local Competition*

Order,[5] the FCC recognized the primacy of network safety:

> 198 . . . Specific, significant, and demonstrable network reliability concerns associated with providing interconnection or access at a particular point . . . will be regarded as relevant evidence that interconnection or access at that point is technically infeasible.
>
> 203 . . . [L]egitimate threats to network reliability and security must be considered in evaluating the technical feasibility of interconnection or access to incumbent LEC networks. Negative network reliability effects are necessarily contrary to a finding of technical feasibility.

Q. HAVE OTHER STATE COMMISSIONS RECOGNIZED THE RISKS POSED BY COPPER ENTRANCE FACILITIES?

A. Yes. The Massachusetts Department of Telecommunications and Energy ("DTE") specifically rejected a proposal to extend third-party copper cables into Verizon's (formerly Bell Atlantic's) central offices for safety reasons. The DTE found that to approve such a proposal would introduce "significant network safety and reliability risks to Bell Atlantic network facilities and personnel. The electrical connectivity properties of copper significantly increase the potential for damage to Bell Atlantic's facilities, outages or network disruption, and could possibly harm Bell Atlantic's employees."[6]

Q. PLEASE ADDRESS THE SPACE EXHAUST CONCERNS ASSOCIATED WITH COPPER ENTRANCE FACILITIES.

A. The second problem with allowing ALECs to deploy copper facilities to a Verizon central office is the potential for premature and rapid exhaust of conduit, manhole, cable vault, and riser space. A 3200 pair copper cable, which can provide up to 3200 voice grade services, is more than twice the thickness of a fiber OC-48 multiplexer, which can carry over *ten times* as many lines. Put another way, to have the same capacity as the fiber OC-48, a copper cable would have to be over twenty times as thick as the fiber cable. Moreover, these comparisons are simply for the cabling; copper cables require considerable additional bulky equipment (e.g., splice cases, protector frames, and intermediate distribution frames) that is not necessary for fiber.

The FCC has recognized "the potential adverse effects of such interconnection on the availability of conduit and riser space."[7] This Commission should do the same.

VI. MR. KING'S POWER PROPOSALS ARE INCONSISTENT WITH INDUSTRY STANDARDS.

Q. PLEASE ADDRESS MR. KING'S ASSERTION THAT FUSE SIZES OF 70 AMPS OR GREATER SHOULD BE PROVISIONED FROM THE ILEC POWER DISTRIBUTION BOARD, IF REQUESTED BY THE ALEC. (pg 8).

A. Mr. King suggests that individual ALECs should be able to dictate whether their fuse sizes of 70 amps or greater are terminated to a Battery Distribution Fuse Bay (BDFB) or to the main power plant. But BDFBs are meant to be used as secondary distribution points and are designed to shorten distribution cable lengths and to alleviate congestion at the main power distribution board. Indeed, BDFBs are not equipped to accommodate power feeds of greater than 70, or in some cases even 60, amps.[8]

In addition, Verizon Florida's engineers have a responsibility to maximize the efficiency of power distribution to the equipment of *all* ALECs as well as to Verizon Florida's own equipment; they cannot carry out that responsibility effectively if individual ALECs can dictate to them where to terminate particular power feeds. Verizon Florida will distribute DC power in accordance with Verizon technical specifications and industry standards in order to ensure the integrity and safety of the network and, more important, of the employees who work on it.

Q. PLEASE SUMMARIZE MR. KING'S PROPOSAL FOR CALCULATING POWER CHARGES. (pg 9).

A. Mr. King first recommends "the actual placement of mefers" to measure the "amperage drained by the [ALEC's] collocation equipment." King Test. at 9-10. However, Mr. King concedes, as he must, that "meters or measuring facilities [may be] unavailable or not economically feasible." *Id.* at 10. As a back-up option, Mr. King proposes charging for power

usage based on the "List 1 Drain of installed equipment as provided by the equipment vendors." *Id.* at 9.

Q. WOULD THE INSTALLATION OF METERS TO MEASURE ACTUAL USAGE BE FEASIBLE?

A. No. As I explain at page 13 of my direct testimony, placing meters to monitor usage is not feasible from a practical or cost standpoint. This point has been recognized by the FCC[9] and by ALECs in other proceedings.[10]

Q. WHAT WOULD BE THE PRACTICAL EFFECT OF USING LIST 1 DRAIN AS A PROXY FOR ACTUAL USAGE?

A. ALECs would likely use more power than they would pay for. List 1 Drain represents the manufacturer specifications for *normal* operating conditions. That is, List 1 is the *minimum* amount of power that a fully loaded piece of telecommunications equipment will draw while in use. By proposing to cap power charges at List 1 Drain, Mr. King is actually suggesting that ALECs should not have to pay for any increased power usage caused by non-ideal conditions such as the inevitable surges or spikes in current, or drops in the normal float voltage of the power system. That these increases in power drain are indeed inevitable is illustrated by the fact that manufacturers also specify a List 2 Drain for each piece of telecommunications equipment, which is enough higher than List 1 to account for expected, non-"normal" operating conditions.

While List 2 Drain would clearly be a more realistic proxy for actual power usage than List 1 Drain, Verizon Florida does not propose to tie ALECs to any manufacturer specified drainage level in charging for power. Rather, Verizon Florida engineers provision power based on *ALEC* load and fuse specifications. That is, Verizon Florida lets ALECs order power at whatever load they desire, so they can already order power corresponding to the List 1 Drain specifications of their equipment if that is what they want. Of course, doing so would put them at risk for equipment failures and/or audit penalties during voltage spikes, but the option is theirs. Thus, there is no need for the Commission to designate List 1 Drain as a proxy for actual usage.

Q. PLEASE COMMENT ON MR. KING'S ASSERTION THAT VERIZON HAS "ADVOCATE[D] ACTUAL 'LOAD' AS THE CORRECT METHOD OF CHARGING POWER" IN NORTH CAROLINA. (pg 10).

A. Mr. King's statement is correct in that Verizon did advocate — exactly as it is proposing here — that an ALEC's power charges should be based on the load amperage that it specifies it will actually require for its equipment. However, Mr. King's implication that Verizon has endorsed metering or a flat-rated usage proxy is entirely misleading and false. In every state tariff, Verizon bills ALECs for load amps as opposed to fused amps, and Verizon bills the ALECs for precisely what they order. The ALEC, on its application, specifies the amount of load amperage required for its collocation configuration (as well as the fuse capacity for each power feed), and the ALEC is billed based on that specified load

amperage. The ALEC is presumed to know its own power needs. That is what it means to say Verizon charges based on "actual" load.

Q. PLEASE ADDRESS MR. KING'S PROPOSALS REGARDING WHEN AN ILEC SHOULD BE ALLOWED TO BEGIN BILLING AN ALEC FOR POWER. (pg 11).

A. As with other collocation provisioning expenses, Mr. King would have the Commission ignore basic principles of cost recovery and allow the ALEC to unilaterally delay paying for power that Verizon Florida has incurred unrecovered costs to provision. He proposes that ALECs not be billed for power until "power is being . . . used by the ALEC." King Test. at 11.

As I explained at page 13 of my direct testimony, though, Verizon Florida incurs significant fixed investment costs to bring power to a requesting ALEC's collocation space, regardless of whether the ALEC is actually drawing current. Verizon Florida should thus be entitled to begin recovering that investment once it relinquishes collocation space to the ALEC. At that point, the ALEC actually receives the benefit of Verizon Florida's initial infrastructure investment, since, as Sprint's expert explained, "[o]n that date, the ALEC has the capability of drawing power." Davis Test. at 10. As I discuss above, the date that an ALEC installs or activates equipment within its space is not relevant to when Verizon Florida is entitled to cost recovery, and a rule permitting an ALEC to unilaterally delay Verizon Florida's recovery of the costs the

ALEC forced Verizon Florida to incur at the ALEC's request would lead to gamesmanship.

Q. HAVE OTHER STATE COMMISSIONS RESOLVED THIS ISSUE?

A. Yes. For example, in Massachusetts, the DTE recognized that ALEC power requests could lead to Verizon having to augment its power plant with additional batteries, rectifiers and/or BDFBs, and that in such instances Verizon would be "incurring up-front costs to accommodate CLEC equipment."[11] The DTE held that "Verizon's Power Consumption rate element should be assessed upon immediate occupation because Verizon reserves a portion of its DC amp capacity in response to a CLEC's collocation application," and that "[b]y recovering the Power Consumption charge once space is turned over, the cost structure will create an incentive for CLECs to be prudent in seeking to collocate, which will reduce the likelihood of Verizon incurring up-front investments that may go unused and unnecessarily exhausting CO space." *Id.* at 419-20.

In addition, as we discuss above, all of Verizon's tariffs permit it to commence billing of monthly charges, including power charges, no later than 30 days after notification that Verizon has completed the requested space.

Q. PLEASE ADDRESS MR. KING'S ASSERTION THAT ALECS SHOULD BE ALLOWED TO HAVE AC POWER FEEDS IN THEIR

COLLOCATION SPACE. (pg 11).

A. As I explained in my direct testimony, Ries Test. at 14, permitting ALECs to build multiple, separate power plants in Verizon Florida central offices significantly increases safety risks. Mr. King does not address this concern at all. Instead, he makes two entirely unsupported assertions: ALECs need an AC power feed to "place AC powered equipment in their collocation space," and it "may" be more economical for an ALEC to provide its own DC power conversion. King Test. at 11. The first is a red herring: Verizon Florida already provides AC convenience outlets in the collocation area for equipment testing purposes. It is highly doubtful that an ALEC would actually use any other kind of AC-powered equipment. Telecommunications equipment is virtually always DC-powered because with DC power, an interruption will not result in an equipment failure because the DC batteries provide a continuous flow of power until the main power source is restored; by contrast, AC-powered equipment would be subject to interruption.

In any event, permitting ALECs to run AC-powered telecommunications equipment would put a considerable additional load on the AC service panels. New investment would be required and Verizon Florida would have to conduct a new cost study and create a new rate element.

Mr. King's second assertion — that ALECs should be allowed to convert AC power to DC power because it "may" be cheaper — is directly contradicted by AT&T's own testimony in other proceedings. In the

recently concluded compliance filing proceeding before the Massachusetts DTE, AT&T witness Nurse has testified that converting AC power to DC power would require ALECs to "build an expensive DC power plant with battery back-up, rectifiers, controllers, and stand-by generation, the cost of which could be prohibitively expensive."[12] As Mr. Nurse put it, "such efforts would be duplicative and inefficient." *Id.* And AT&T witness Turner explained to the Hawaii Public Utilities Commission: "The equipment necessary to convert AC power to DC power, and provide for the various forms of emergency backup (battery and diesel generation), requires a significant amount of space"[13] — space that would be inefficiently used and would contribute to exhaustion.

Finally, as Sprint's expert notes, the uninterrupted power source ("UPS") that would be required for an ALEC to use AC power beyond testing purposes presents serious safety concerns: "UPS devices contain acid that can leak or release harmful fumes into the central office. In addition, the use of UPS devices poses a hazard during emergencies." Fox Test. at 18.

VII. VERIZON FLORIDA'S POLICY OF NOTIFYING ALECS WHEN COLLOCATION SPACE IS EXHAUSTED IS REASONABLE.

Q. PLEASE ADDRESS MR. KING'S ASSERTION THAT THE ILEC "OWES TO THE ALEC COMMUNITY A PLAN OF ACTION AS TO

WHEN NEW CONSTRUCTION OF A REMOTE TERMINAL WILL BE COMPLETED" WHEN SPACE IS NOT AVAILABLE AT A REMOTE TERMINAL OR THAT REMOTE TERMINAL IS NEAR EXHAUSTION. (pg 11).

A. Verizon Florida has made clear that it will share with ALECs and the Commission useful information that it has regarding space availability, both at central offices and at remote terminals. Verizon Florida will list on its web site every remote terminal where an application for collocation has been denied due to exhaustion. Verizon Florida will also file an exemption package with the Commission supporting the denial at each such location. The exemption package will detail any known plans for relief for the exhausted site.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

CHAIRMAN JABER: Go ahead with the summary.

BY MR. McCUAIG:

Q Mr. Bailey, you may begin with your summary.

A Good morning, Lady Chair. Good morning, Commissioners. Because of the extensive discussion yesterday on a number of issues my summary has changed. I will -- while I will briefly address all issues, I'm going to try to focus only on the issues where there was some confusion or maybe it wasn't fully addressed.

COMMISSIONER DAVIDSON: The question on the summary, though, does the summary reflect what was filed as direct testimony, or are you going beyond what was filed?

THE WITNESS: I guess there's a modification to my position on Issue 3 relative to transfer of space based on my understanding from yesterday's discussion. You want me to elaborate?

CHAIRMAN JABER: It begs the question for Verizon counsel, did you communicate that to the parties?

MR. McCUAIG: Our understanding of Issue 3 based on the issue as it was presented and based on the parties' prefiled direct testimony was focussed more on collocation space, transfer the actual space as opposed to the acquisition by one CLEC of another CLEC's arrangements and in-place customers and that sort of thing. Mr. Bailey's position with respect to our understanding of the issue space qua space has

not changed at all. What I think his testimony is going to say is that Verizon is certainly more flexible with respect to the acquisition of in-space customers, and that's just based on an understanding that was gleaned yesterday.

CHAIRMAN JABER: Commissioners, here's what I'd like to do. We certainly asked questions in that regard yesterday, so I'd like to give some flexibility. Let's hear the summary.

But, you know, personally, I've never seen you practice in front of the Florida PSC. You'll find that we avoid surprises. This is a process that lends itself to communication among the parties. I would encourage you in the future anytime there's a development, you need to communicate it to the parties. It makes for a more efficient process.

I'll allow the summary subject to whatever objections might be appropriate, but we should recognize that Commissioners asked these questions yesterday as well, so --

MR. McCUAIG: Thank you.

CHAIRMAN JABER: Go ahead, Mr. Bailey.

THE WITNESS: On Issue 1A, Verizon's position is similar to Sprint's. We've got an application fee that should accompany the application, and then the remainder of the nonrecurring charges, 50 percent of those should be provided with the firm order and 50 percent of those should be billed once the space is turned over. Beyond the reasons that Sprint has provided for that, the FCC has supported that position in

the past, and we believe it provides the proper incentives to the ALECs for ordering collocation.

On Issue 3, there was a lot of confusion on that issue yesterday. The FCC has said that the ILEC should maintain ultimate responsibility for assigning collocation space within its premises. That being the case, there should not be a rule that says the ALECs can transfer space without Verizon's permission; however, that doesn't mean that Verizon would withhold that permission unreasonably. The starting point for this process should be the methodology that BellSouth laid out in their testimony.

In addition to that, Verizon -- there's two other points that Verizon would like to see addressed. The first has to do -- Verizon would require that neither of the transferring parties have large unpaid balances. In other words, we don't want the transfer process to be used possibly as a method for circumventing the bankruptcy laws.

The second point that we would like addressed is, what is the disposition of the collo space? Is it at or near exhaust? Are there other applications pending for space in that central office? Our concern there is that there might perhaps be an issue with the FCC's first-come, first-served rules. And the last subpart of that would be, does Verizon have other need for that particular space that when looked at in the grand scheme of managing space in the central office it

might make more sense for that ALEC to be located someplace else? However, given -- the bottom line is that Verizon would take all that information and analyze it and see if it would make sense to grant permission. But I want to stress again that we would not unreasonably withhold permission to transfer space.

On Issue 4, again, for the reasons identified by BellSouth and Sprint, Verizon does not believe it's appropriate for the ILEC to be required to allow copper entrance facilities into the central office in the context of inside the central office collocation. It creates safety issues and space exhaust issues.

On Issue 5, Verizon's position is that the power rate should be one-amp increments with a 10-amp minimum.

On Issue 6, which seems to be -- or 6A and 6B would seem to be everybody's favorite issue. I'm not going to restate everything that the other parties have stated on power. The only thing that I would like to add is that Verizon's not yet convinced of the practicality and the feasibility of metering. And the reason we state that is, as far as we can tell, only one ILEC has actually implemented a metering solution and that's SBC in Illinois. And I've had conversations with Verizon engineers that have talked to their engineers, and they have said that there have been implementation issues associated with that. And so I think

that needs to be flushed out a little bit more before that conclusion can be drawn.

On 6C, again, for the reasons that BellSouth and Sprint identified, we believe that the DC power rate should begin at the time space is turned over.

On Issue 7, the Commission should understand that Verizon allows -- or provides AC convenience outlets now to the collocation arrangements. If this issue is about AC power feeds to power telecommunications equipment on a 24-hour-a-day, 7-days-a-week basis, Verizon's concern is that we're not sure how that AC power is going to be backed up. It kind of speaks to the point that the Sprint witness made a minute ago. You know, our DC plant is backed up with batteries and rectifiers. We're not sure there's a way to do that with the AC power, so there's a chance that that AC feed could fail. If everyone understands that and is okay with that, we can develop a rate for that and a service offering, but we don't have that today.

Finally, this issue is about placing batteries and rectifiers inside the telecommunications space, inside their cage to do basically what we do with our DC power plant, convert the AC to DC and back it up and everything; then Verizon does have concerns because there's safety issues associated with that. There's floor loading issues associated with that. It would take up space in the telecommunications part of the central office that otherwise would be used for

collocation.

And on Issue 8, Verizon's position is that exhaust at a remote terminal should be handled just as it is at a central office. And that concludes my summary.

CHAIRMAN JABER: Thank you, Mr. Bailey.

MR. McCUAIG: The witness is available for cross-examination.

CHAIRMAN JABER: Okay. Mr. Feil.

MR. FEIL: Thank you, Madam Chair.

CROSS EXAMINATION

BY MR. FEIL:

Q Good morning, Mr. Bailey.

A Good morning.

Q My name is Matt Feil; I'm with FDN Communications. I have a few questions for you. Let's start first with respect to Issue 3. On Issue 3, from your summary what I understood you to be saying is that everything that Mr. Gray said, the BellSouth Witness Gray said regarding transfer of collocation space from one ALEC to another you agreed with. Is that a fair statement?

A Yes, sir.

Q So to the extent your prefiled testimony was inconsistent with Mr. Gray's testimony, you abide by Mr. Gray's testimony?

A With the caveats that I laid out in my summary, yes.

Q Okay. To your recollection, did Mr. Gray say anything about unpaid balances of collocators?

A No. That's why I added that.

Q When you added that as a proviso, were you referring to just unpaid balances, disputed balances, disputed amounts, undisputed amounts? Which categorization were you referring to?

A Any type of unpaid balance.

Q So you're thinking an unpaid disputed balance even if the selling ALEC disputed the bills from Verizon that somebody would have to pay those before Verizon would approve a transfer of the collocation space. Is that what you're saying?

A No.

Q Okay.

A I didn't say that those balances had to be paid. I said that that issue needs to be addressed, that generally in a -- that issue would be addressed in a bankruptcy proceeding if that's where that was ended up or it would end up in negotiations with our collections people. I'm just saying that can't be an unresolved issue prior to the transfer of the space.

Q So you're saying if there are disputed unpaid balances, the parties would have to sit down and say, okay, this is how we're going to address this dispute over this period of time, or it's going to be filed with the Commission

or what have you?

A Yes.

Q Okay. And if it was an undisputed but unpaid balance, your position is that one of the ALECs is going to have to pay the unpaid undisputed balance?

A Yes.

Q Before Verizon would approve the transfer or process the transfer; is that --

A Yes.

Q You mentioned in your summary and also in your testimony -- I guess this is where I'm a little bit confused here on the dovetail in your summary into your -- or Mr. Ries's rebuttal testimony, more specifically.

On Page 9 of your rebuttal testimony at the top, you refer to the bankruptcy rules. You also refer to this in your summary. Which bankruptcy rules in particular are you referring to?

A My understanding is that Section 365 of the Bankruptcy Code is the applicable section, but my expertise in that area is limited to being able to tell you that's the section that applies.

Q Okay. So you don't know exactly what Section 365 of the Bankruptcy Code says?

A I know it speaks to a cure for an inquiring entity has -- there has to be a cure for the unpaid balances, but

that's the extent of my knowledge.

Q So you can't tell me whether or not that pertains -- or addresses collocation specifically or contracts or what it pertains to?

A No, sir.

Q Okay. If I could turn to Issue 6 now.

COMMISSIONER DAVIDSON: Chairman? I'm sorry. Could I jump in here on Issue 3 before we move on that?

On Page 7 of your direct, you state that while an ALEC may sublease its collocation space to another party, it may not transfer the entire space to another ALEC. You conclude that paragraph with a transfer space to a third party without Verizon's input or knowledge would undermine Verizon's ability to control and maintain its premises.

On that issue, how would a transfer of collocation space undermine Verizon's ability to control and maintain its premises in a way -- how would a transfer of space undermine Verizon's control in a way that a sublease -- let's assume it's an entire sublease -- would not?

THE WITNESS: That's an interesting question. In my preparation for the hearings, I gave that a lot of thought because the FCC has imposed the requirement for us to allow the sublease of space. They have also imposed the requirement to adhere to a first-come, first-serve basis.

COMMISSIONER DAVIDSON: Well, I'm actually trying to

get just from a practical standpoint in terms of whatever goes into control and maintaining premises. That aspect, whatever that means from Verizon's standpoint, I want to better understand how a transfer would impact that ability to maintain and control in a way that a transfer would not.

THE WITNESS: You mean a sublease?

COMMISSIONER DAVIDSON: Aside from the legal obligations, just in terms of whatever goes into maintaining and controlling, how are those two things different?

THE WITNESS: A transfer at the time this testimony was written was envisioned as a transfer where Verizon had no input into the process. It was one CLEC saying to another, hey, do you want this space? Come on over. In that scenario, I don't have any input or any control over who comes into that space, whether or not someone else might have been on a waiting list, whether or not there would have been another collocation application in process such that, okay, CLEC B applied first but CLEC A -- you know, there's this transfer agreement happening. And if there's no rules, no guidelines, no permission, CLEC A could get in there before CLEC B even though CLEC B applied first.

COMMISSIONER DAVIDSON: And explain to me -- compare that then to the situation of a sublease, and let's assume it's an entire sublease. CLEC 1 subleases its entire collocation premises to CLEC 2 pursuant to Verizon's tariff. In that

situation of a sublease, what type of control and maintenance over the premises does Verizon maintain?

THE WITNESS: First of all, in your scenario they wouldn't be able to sublease their whole space -- well, I guess they could, but they're still on the hook financially, and they're still responsible for what happens in the space. In a sublease arrangement the host is responsible for all of the space, even the space that is subleased. The billing goes to the host. They have an agreement with their guest. But from a collocation perspective, we don't bill that guest. We only bill the host. They have some agreement worked out between them to get the charges back.

So from maintenance -- I'm sorry, maybe not answering your question.

COMMISSIONER DAVIDSON: Go ahead.

THE WITNESS: In a transfer also I'm billing somebody new, and in a sublease I'm not billing somebody new. That host maintains responsibility for the space even though they let someone else in.

Did that answer your question, sir?

COMMISSIONER DAVIDSON: It did. Thank you.

If CLEC-to-CLEC transfers were allowed by the FCC or the PSC, sort of free transfer CLEC to CLEC, what would be on your top five list of reasonable terms and conditions to, for example, prevent CLECs from circumventing certain debts or to

prevent arbitrage opportunities or to otherwise avoid a negative impact on the ILEC? How would you condition transfers CLEC to CLEC if you could be granted a wish list?

THE WITNESS: Well, absolutely number one on my wish list would be that the issue of the outstanding balances be addressed. Number two would be that Verizon is granted the ability to weigh the transfer with regards to the whole central office, everything going on in the central office. Those are the top two, and the rest of the conditions that the BellSouth witness laid out. I mean, that process seems like a process that could work.

COMMISSIONER DAVIDSON: In terms of weighing the transfer regarding the whole central office, and I know that you're talking on the cuff here, but what would go into that weighing process?

THE WITNESS: Again, the issues of whether or not it's a space exhaust situation, whether or not there are other collocation applications in the pipe, so to speak, such that we need to make sure everyone is treated fairly, and thirdly would be Verizon's need -- you know, perhaps -- pretend it's an office that experienced a boom in collocation and then a contraction in the marketplace to where some of the CLECs had gone out of business and space had freed up in different areas. And maybe during the boom in building collocation we had to put a cage in a spot such that it might interfere in the future

with the build out of power plant or the build out of the switch, all we're asking is that if some scenario like that arose, that we'd have the ability to sit down and talk with the ALECs and say, look, in the future we could need this space to build out the switch or build out the power plant, you know, can we work out something for you to take this space over here which is also available? That's the kind of issue I'm talking about.

COMMISSIONER DAVIDSON: Thank you. That's all I have, Chairman.

COMMISSIONER BAEZ: Mr. Bailey, I had a question on your -- you enumerated certainly what your first priority would be in terms of this transfer process, that to be the uncollected balances or any outstanding balances. Can you walk me through -- I guess I understand what the concerns are certainly, but can you explain for me how that works as an incentive or how that works as a safeguard against the transfer, how the impact on the transfer of that space works to your advantage?

THE WITNESS: Well, we've got -- I don't know if you -- there's a process within Verizon called, you know, embargo, and basically that means if --

COMMISSIONER BAEZ: That's a heck of a word.

THE WITNESS: Yes, sir, I understand. That if we've gone -- we've been negotiating with a CLEC trying to come to a

resolution of, you know, disputed balances and, you know, there's not progress there, we would never turn down any of their current services, but we might, you know, not allow them to order new services.

COMMISSIONER BAEZ: Okay.

THE WITNESS: And so our concern is maybe the transfer process could be used to circumvent that. Basically it's just an issue of, you know, there's a disagreement between the parties about whether or not there's money to be paid, and we just think that should be resolved.

COMMISSIONER BAEZ: And maybe I'm confused about something. Are you speaking or are you referring to the unpaid balances of the transferring company or the unpaid balances of the acquiring CLEC? Because I can understand one and probably don't understand the other.

THE WITNESS: Primarily it's the unpaid balances of the transferring company, the company that's looking to get out of the space.

COMMISSIONER BAEZ: And are the balances that you're referring to specifically for collocation services or, you know, the whole -- the bulk of whatever your services are for that CLEC?

THE WITNESS: It would be collocation balances.

COMMISSIONER BAEZ: And I guess that's where I'm stuck. Can you explain for me how holding up a -- and I guess

we've heard a lot of testimony about space sitting around, not recovering costs that have been sunk in terms of infrastructure and whatnot, what the logic is behind essentially keeping that space fallow and not getting paid for under a current agreement will -- do you see what I'm getting at? I mean, if the hypothetical CLEC is not paying your collocation bills and yet here's a transfer to someone that perhaps might, how is that not in the company's interest?

THE WITNESS: Yes, sir, I understand your question. I guess from our perspective, it would be that, well, there's other collocation space that we could put them in and allow them to pay for that space, but we still have an outstanding issue with the CLEC that's trying to get out of that space with unpaid bills. You know --

COMMISSIONER BAEZ: Go ahead. I'm sorry.

THE WITNESS: No. That's all I had, sir. I'm sorry.

COMMISSIONER BAEZ: Okay. Thank you.

CHAIRMAN JABER: Commissioner Baez, if I could follow up your question. It was very helpful to me because I have to tell you that I thought your concern over balances was with respect to the company coming in, and I think that's what we heard from the BellSouth witness yesterday. So I appreciate the clarification. And I guess if the concern is with the new company coming in, I understand that because that's a relationship you're going to build for the future. And if

you've got past history of uncollectibles, I would appreciate the concern.

If your greater concern is with the company leaving, aren't there court -- isn't there a court action you could take such that you don't inadvertently penalize the new company coming in?

MS. RONIS: Madam Chair -- and please tell me if I'm out of order here -- I see that as a legal issue, and I think I can quickly put this whole issue to rest and give you some context. Would that be appropriate?

CHAIRMAN JABER: I think so, I think so. And I think you could -- the parties, if you could be real clear, why don't we just have you address it in the brief?

But, Ms. White, I thought your witness spoke to the concern related to the companies coming in. So why don't we just have you address and clarify for us in the brief what the concern is? Maybe it's both. Cite to record evidence as appropriate, and you can include the legal discussion in the brief, that's fine.

MS. RONIS: Okay. So you don't want me to answer the court action legal question?

CHAIRMAN JABER: Go ahead and answer it now, but --

MS. RONIS: What Verizon is very worried about is currently around the country there are proceedings in bankruptcy courts and even a proceeding at the FCC that

addresses the issue, what happens when a second CLEC is buying the assets of a first and he just wants to move in? The Bankruptcy Code has -- Section 365 is, if you're going to take over the contract of a first party, you must assume and cure. And I'm not expecting you to rule on that, we just don't want the CLECs to use this case to go running to the bankruptcy court and say, I don't care what the Bankruptcy Code --

CHAIRMAN JABER: Okay. Now you're getting into testimony.

MS. RONIS: Okay.

CHAIRMAN JABER: The legal question I thought you were saying you were going to address is, is there a legal remedy for addressing balances of companies that are leaving the collocation space? That's all my legal question --

MS. RONIS: And we're assuming they're in bankruptcy court already, so that's how this debate is arising. We're usually last in line, unfortunately, behind all the other creditors, and there's usually not much left for us. So we need to avail of ourselves of other Bankruptcy Code provisions, and we'll leave for that the bankruptcy court, but we don't want this Commission --

CHAIRMAN JABER: Well, I'd like for you all to address it in the brief. And to the degree there's additional information that the ALECs have, feel free to address it in the brief.

Commissioner Baez.

COMMISSIONER BAEZ: I was going to make the same suggestion you just did because there is perhaps -- that will perhaps shape what an order looks like, what language in an order may look like if there are safeguards that have to be preserved.

CHAIRMAN JABER: Thank you, Mr. Bailey.

Mr. Feil.

BY MR. FEIL:

Q One follow-up question to the -- what the Commissioners were asking. If there were balances owed by the seller entity or the buyer entity, is it correct to say that Verizon would have whatever remedies it would have against the seller and the buyer pursuant to the tariff or the interconnection agreements of those respective ALECs?

A Yes, there could be remedies laid out in the ICA and the tariff.

Q All right. Turning to Issue 6. Could I have you refer to Mr. Ries's direct testimony on Page 11? Starting there at Line 10, I want to make sure I understand your testimony here. The first sentence there -- I want to parse through this a little bit step by step. Starting with Line 10 it begins, "This approach."

A Yes, sir.

Q Okay. The idea here, as I understand it, is, one, to

have full redundancy on the power feeds, and two, that the equipment -- or excuse me, that the ALEC is paying for the power load that its equipment draws. Those are basically the two principles announced in that sentence; correct?

A Actually, power load that was ordered.

Q I'm sorry. Could you repeat that?

A Actually, power load that was ordered I think is what that sentences says.

Q Okay. Well, the power load that is ordered. Is the power load that is ordered that which the equipment can draw?

A It depends on how your engineers design your -- from Verizon's perspective, it's your responsibility to design the power consumption of your collocation arrangement. I assume you have engineers that take that into account.

Q What about in the context of a virtual collocation where Verizon actually installs the equipment?

A But you still tell us the load and the fuse that you want. You still designed.

Q Okay. And then you get into an example there starting at Line 12, "If an ALEC required 20 amps of power for its collocation arrangement." In your example here, are we assuming that the draw of the equipment is going to be 20 amps?

A Yes.

Q Okay. You say, "A probable configuration would be 10 amps of power on the A feed and 10 amps of power on the B

feed." How is that full redundancy, if you have 10 amps of power on an A feed and 10 amps of power on a B feed and the draw of the equipment, as you said, is 20 amps?

A Well, the assumption inherent in that example is that equipment load shares. In other words, in a normal operating -- when it's operating normally, it draws half the load on the A, half the load on the B. If either of the lead fails, the circuitry inside the equipment would shift the load to the other feed.

Q But if I have a 10-amp A feed and the B feed fails, how do I get 20 amps on an A feed?

A No, sir. You have 10 amps of power being drawn over that A feed. And maybe there's a misunderstanding about how you order power in Verizon. When you submit the application, you submit to me the load amps that you want and the feed amps that you want. I allow you to fuse up to two and a half times the load on any given feed, so that load that you're drawing -- that feed that you're drawing 10 amps over would be fused at 25.

Q That's not my question, Mr. Bailey.

A All right. I'm sorry. I don't understand.

Q Going into this example you said that this is equipment with a 20-amp draw. You said that we have an A feed of 10 and a B feed of 10. So if one feed fails and we're supposed to have full redundancy with a 20 amp drawing the

equipment, how do I have full redundancy in the event one feed fails?

A I think perhaps you're misreading what is in the testimony. It says, "The configuration would request 10 amps of power on the A cable feed and 10 amps of power on the B cable feed."

Q So I'm not requesting full redundancy in your example?

A You are requesting full redundancy.

Q How am I requesting full redundancy if it's a 20-amp draw on the equipment?

A Because the equipment load shares.

COMMISSIONER DEASON: I believe what it is, is you can get 20 on either one. You could do it on 20 on A or you could do 20 on B. In this example, you're just load sharing. There's redundancy because if one fails, the other has the capacity of providing the 20 amps you need.

MR. FEIL: Well, maybe that's my question.

BY MR. FEIL:

Q If I order a 10-amp feed on cable A, how is that redundancy if A fails?

A On your order you said you're going to draw 10 amps over A. You didn't tell me to fuse A at 10 amps. You would have told me to fuse A at 25 amps. So if A and B are both fused at 25 amps and in a normal operating capability they're

both drawing 10 amps, if one of the feeds fails, the equipment is going to shift the other 10 amps of load over to the other feed which will be fused at 25 amps. That feed would not fail.

Q Are you assuming that the feed is sized to carry 20 amps?

A Absolutely. When you submit the application and you tell me that you want an A feed and a B feed, 10 load on A, 10 load on B, and you tell me to fuse both A and B at 25, I have to put a cable in that will handle the capability of the fuse.

Q Okay. So you're saying that in this example the feeds are sized so that they can have the capability of carrying 20 amps of load, and that would be consistent with full redundancy?

A Yes. The feeds are fused at the level you tell me to fuse them at and that your engineers have said this will work for our equipment and our configuration.

Q I'm talking about the sizing of the feeds as well as the fuse. In your example --

A They're absolutely related. You can't fuse the feed in such a way that it wouldn't handle the load of the fuse.

Q Okay. All right. Would you agree with me, Mr. Bailey, that in this example where the equipment has a 20-amp draw, that the equipment isn't going to be able to draw 20 amps over each feed simultaneously?

A I'm sorry, sir. Could you please --

Q In the example where we have equipment with a 20-amp draw and we have two feeds both capable of carrying 20 amps, the equipment is not going to carry 20 amps over each feed simultaneously?

A That's correct.

Q Okay. Are you familiar with how the costs were developed for power in this case at all?

A No, sir.

Q Okay. As I understand your testimony and the tariff that was attached to Mr. Ries's testimony, you said that Verizon permits for fusing to be up to two and a half times the load amps of the feed; is that correct?

A Yes, sir.

Q Okay. Typically it's not two and a half times though, is it? Typically it's close to one and a half times, fusing?

A The fusing is whatever you tell us to fuse it at.

Q Have you seen any collocation? Have you viewed any collocation sites in the state of Florida?

A No, sir, I have not.

MR. FEIL: I don't have anything further.

CHAIRMAN JABER: Mr. Watkins.

CROSS EXAMINATION

BY MR. WATKINS:

Q Good morning, Mr. Bailey.

A Good morning.

Q My name is Gene Watkins; I'm with Covad Communications. While we're on that, I was going to go out of order here, but while we're on Page 11 here I just wanted to make sure because the description you have here is different than what I would normally expect in this type of an arrangement.

If you have two lines running down, each one capable of carrying 20 amps, the fuse on either one of those or both of those should be at least one and a half times its total carrying capacity or the expected carrying capacity in a redundant situation, so if it's 20 and 20, the fuse should be 30, shouldn't it, not 25?

A Not if you're using -- if you're using equipment that load shares, again, in a normal operating condition, it draws half the load on the A and half the load on the B. And the way that Verizon has designed its power offering is that if you're using equipment in that configuration, you can specify the fuse up to two and a half times the feed that's -- the load that's going to be on that feed. So, I mean, I guess the point of fusing is that if one lead fails, you want the other one to be able to carry the load; right?

Q Sure.

A And if you tell me that half the load is going to be on A and half the load is going to be on B and I allow you to

fuse it two and a half times, if that B feed fails, the A feed will be able to carry the entire load because in this example 10 amps, up to 25, it's under 20, it will be okay until, you know, the feed can get fixed or whatever.

Q I don't want to get into electrical engineering here, but if I have 20 amps going down that and it's fused for 25, I'm assuming that 20 percent more than the expected feed is less than the minimum that is required by Verizon. I mean, if two and a half is the highest amount of fused I can ask for, what's the lowest?

A I mean, it's -- I'm sorry.

Q Is it one and a half?

A That's up to you. I mean, you're responsible for designing your power arrangement.

Q Okay. If that's up to me, does Verizon have an objection to a CLEC as a certified vendor provisioning its own collo space?

A We allow CLECs to provision -- to build their own cage. That's in our tariff today.

Q You mean, you know, welding a metal cage around --

A The cage enclosure, yes, sir.

Q If BellSouth recognizes Covad as a certified vendor to run and plug in all of its electrical feeds, does Verizon do that?

A No, sir.

Q With no one other than itself?
A Right.
Q Yet you rely on us to identify the proper fusing.
A For your collocation arrangement because it's your equipment, it's your responsibility. If you don't do the fusing right and it blows, it's your equipment that is at risk, not the rest of the network.
Q So am I to understand that Verizon -- and I believe this question was asked of a Sprint witness, but would Verizon object to using an ILEC-certified vendor to run the power feeds, a Verizon-certified vendor to run power feeds?
A Generally Verizon runs those feeds itself.
CHAIRMAN JABER: Mr. Bailey, I'm interested in the answer to that question, too. Would Verizon have an objection?
THE WITNESS: Yes, ma'am, we would.
CHAIRMAN JABER: And what's the nature of the objection?
THE WITNESS: We run those feeds ourselves because the power plant affects the whole central office, and we have a responsibility to keep the office up and running and running in a safe condition and maintaining the safety of the central office for our employees. And that's a responsibility that we choose to bear ourselves.
CHAIRMAN JABER: Something must have given BellSouth an assurance in terms of whether it was liability or security,

I don't know, I'm sure you all can explore that amongst yourselves, but BellSouth allows that practice, and I'm sure that they reached a comfort level with regard to the concerns you've expressed. Have you ever explored what those assurances are to address some of the concerns you have?

THE WITNESS: No, ma'am, not to my knowledge.

COMMISSIONER BAEZ: Madam Chair, I have a question.

CHAIRMAN JABER: Commissioner Baez.

COMMISSIONER BAEZ: I guess I'm having trouble reconciling two positions or two things that you've said. I think Mr. Watkins asked you about -- or you in answer to one of Mr. Watkins' questions said that it's the CLEC's responsibility to set whatever the parameters are about how power is going to be provisioned, and yet in answer to the Chairman's question you said that it's your responsibility to maintain the safety of the entire CO. And I'm having trouble reconciling those two situations as a matter of course because you've said that you're relying on the CLEC's parameters and -- I mean, and I'm not an engineer and I'm not an electrician, but I think I heard you say that it is the CLEC's responsibility to tell Verizon as the provisioner what the design is going to look like or what the upper limits -- what the fusing is going to look like, and I guess it seems to me that that also impacts your central office, doesn't it?

COMMISSIONER BRADLEY: Wait a minute. I thought I

heard you say at the beginning of your question that it's the CLEC's responsibility to provision.

COMMISSIONER BAEZ: No, I don't think -- I guess that's what I'm trying to reconcile, Commissioner.

COMMISSIONER BRADLEY: It's a conflict.

COMMISSIONER BAEZ: It's Verizon's obligation as it states to provision, but it's the CLEC's obligation or responsibility to set the parameters about how Verizon is going to provision, and I guess I'm having trouble drawing -- you know, reconciling those two positions.

THE WITNESS: Okay. Verizon allows the CLEC to specify their load and their fuse on their collocation application because we're not in the business of engineering the collocator's space. That's up to them. However, when you take the connection back to the main power plant of the central office, okay, there is feeds to all the other equipment in the central office there. If something there is not done properly, then it could create a negative situation for the central office. So the fuse that goes in the BDFB that has the feed that connects over to the collocator's cage, I mean, that effectively isolates the collocator's cage to their little part of the central office.

Did I answer your question?

COMMISSIONER BAEZ: I'm understanding more. Just so that I can have it clear in my mind, there is nothing in the

responsibilities that you have attributed to the CLEC, there is nothing in those responsibilities that can put the whole of the central office in jeopardy?

THE WITNESS: That's correct, sir.

COMMISSIONER BAEZ: Okay.

CHAIRMAN JABER: Commissioner Deason.

COMMISSIONER DEASON: The installation of the cabling you said could not be done by a vendor hired by the CLEC; correct?

THE WITNESS: I said we prefer to do that with our own people. I suppose if there was a situation where we've got a lot of demand, we perhaps would hire a vendor to do that.

COMMISSIONER DEASON: So I guess that leads to the next question. If you're willing for there to be some type of a certified vendor that you're willing to use, why is it that you're not amenable to allowing a CLEC to use that same vendor? I mean, if you trust them to do work that you would hire out to them, why would you not trust them to do work that is hired out by a CLEC?

THE WITNESS: I'm sorry, sir. I don't know the answer to that question. I would have to go back and get input.

COMMISSIONER DAVIDSON: Commissioners, I mean, the way I look at this process, I'm drawing an analogy to -- my apartment building before I moved down here had 400 apartments

and tenants sometimes put in special requests, but the landlord always sort of handled those requests. Any cost to the landlord was paid by the tenant. And that's really sort of the analogy I'm drawing here, a landlord's control over the premises.

CHAIRMAN JABER: Mr. Watkins.

BY MR. WATKINS:

Q Mr. Bailey, have you read the discovery response from Covad to a request by Verizon to identify some of its powering costs? It was submitted in this docket.

A I haven't read any of the costs.

Q Is there a reason that a power cable used by Verizon in Tampa should be significantly more expensive than the same cable used in Miami?

A I'm sorry, I don't know anything about the costs.

Q Isn't the real reason Verizon refuses to let CLECs who are certified to provide their own electrical feeds by BellSouth to do the same thing on the other side of the state is because you significantly mark up the costs of doing the same work when you do it?

A I don't know.

MR. McCUAIG: I'm going to have to step in at this time with the Commission's indulgence.

CHAIRMAN JABER: Mr. McCuaig, your witness answered the question. He said he didn't know.

MR. McCUAIG: Right. And then it was asked again.

CHAIRMAN JABER: Well, if it was asked again, it went over my head. I only heard the question once.

MR. WATKINS: There's an opportunity to redirect here, Madam Chair.

CHAIRMAN JABER: Thank you, Mr. Watkins.

Mr. McCuaig, your witness answered the question. He said he didn't know. I only heard the question once. Any other objections?

MR. McCUAIG: No, not at all. I'm sorry.

CHAIRMAN JABER: That's all right.

Mr. Watkins, continue.

MR. WATKINS: Thank you, Madam Chair.

BY MR. WATKINS:

Q With regards to Issue Number 4, in the testimony that you adopted in the rebuttal section at Pages 9 and 10 and in the summary that you read for the Commission, you allude to a safety concern about copper entrance facilities. Could you be more specific about what your safety concerns are for those copper facilities?

A Sure. Copper by its very nature is -- it's a conductor of electricity and any use of copper in the central office you have the risk of foreign voltages being conducted into the office and, you know, potentially causing a fire or frying equipment, something like that. Verizon's position is

that both Verizon and Covad have access to the feeder and the distribution plant that goes out to the homes that, you know, Covad would want to use to provide DSL service. Okay? From a parity perspective, when we transport traffic out of our offices, we do that over fiber facilities. Those interoffice facilities, that's fiber coming into our office. The only thing that we're saying is the ALECs should be using fiber to transport traffic out of their collocation arrangement back to the rest of their network. I mean, that's our point.

Q Unless Covad has a DSLAM collocated at a remote terminal, the only way for it to reach its customers from the central office is over copper; isn't that right?

A Absolutely.

Q Now, the safety concern that you raise doesn't really arise if everything is properly engineered; isn't that right?

A The safety issue -- you can minimize the risk, you can never eliminate the risk of foreign voltages when you're using copper. The question becomes, if there is an alternative that doesn't create more risk for the central office, why wouldn't you use that alternative?

Q If that alternative cuts off the ability of a competitor of yours to reach the same customers that you are trying to be in competition, isn't that an anticompetitive effect to denying the availability of copper entrance facilities?

A Maybe we need to define what an entrance facility is. I don't understand your hypothetical. The connection that you're using for the customer's home to provide DSL is the loop that we've got in the ground today. All right? Once you get that into your collocation cage, you're taking that data traffic and you're taking that over to the Internet somewhere. All right? You're not required to use copper to transport that traffic back to the Internet. The piece that you need copper for is from the central office out to the person's home. So, I'm sorry, I'm not understanding your hypothetical about how the use of fiber to transport traffic out of your cage is creating a barrier.

Q There's no doubt that the line coming out of our collocation space out onto our network is almost always fiber; right?

A Yeah, I would assume there would be.

Q The wire coming in has got to be copper, though; right?

A The wire coming in from the person's home is copper that's already in the ground.

Q Okay. I think we're in agreement then. Oh, I wanted -- do you have any comment on Mr. Davis's proposal with regards to trying to manage this whole issue of bumping up and down the requested amps to match the anticipated or actual need?

A I guess I would want to hear first that is it, in fact, that the piece that the ALECs are looking to have metered, is it, in fact, just the AC portion? I don't know that for anybody to definitively say that you only want the AC usage piece metered. Is that -- maybe I can't ask you a question. I'm sorry.

Q Let me break it down then for you. You were here for his testimony, weren't you?

A Yes, sir.

Q Did it sound technically feasible to you?

A I mean, technical feasibility implies that there's no network reliability issues associated with it. I'm not enough of an expert to render an opinion on whether it's technically feasible or not.

Q Okay. Then one of my other concerns is, did it raise any safety concerns in your mind?

A I mean, without having a better understanding and a chance to talk to Verizon's power experts, I can't render an opinion on that.

Q Okay. So, technically, we don't know, and safety, we're not sure.

A I would need to consult with others at Verizon.

Q Would you agree with me that that proposal -- the feasibility of that proposal for CLECs is largely dependent on the cost to move up and down, or mostly up, in any one

instance?

A The cost --

Q The cost that Verizon would charge Covad if, say, Covad had the cabling to increase 10 amps and asked to increase 10 amps, what Verizon would charge Covad in that circumstance would largely determine the economic feasibility of that arrangement, wouldn't it?

A Would largely determine the --

Q Let me give you a real world example. If I am using -- did you see this chart?

A No, sir, I have not seen that chart.

Q Let me just tell you what -- if I'm using 25 amps in a collo space, and if we're working within the increments, I ask for 25 amps, and I want to bump up to 5 more amps because I expect in the next four months that I'm going to be needing 5 more amps, that's scenario one under the proposal.

Under scenario two, I ask for those 5 extra amps at the same time I ask for all of the power at the beginning of the collo arrangement. The difference between that -- what I've paid for the amps on one side and the difference in the amount that I have to pay Verizon to change the amps in the other instance, if it's cheaper for me to ask for the amps up front than it is to upgrade for 5 extra amps later, it's that disparity that will determine the economic feasibility of that proposal, isn't it?

A I don't know if that's the only issue you would look at, but that seems like that might be one of the issues you would look at.

Q Another issue would be the interval or the time it would take for Verizon at the request of Covad to increase or change the fuse out so that we could increase the amount of power we request; right?

A That could be another thing that you would want to look at.

Q Now, there was some discussion today about giving Verizon some projections about anticipated power needs out into the future. Do you recall that, the question from the Commission to the Sprint witness?

A About forecasting power?

Q Uh-huh.

A Yes.

Q Now, that would have to be done on a central office by central office basis; right?

A Yes, I would think so. I would think so, yes.

Q Do you know if Verizon would be willing to provide its competitors with its projected expansion plans out, say, 18 months on a central office by central office basis?

A I don't know.

Q So would you agree with me that the propriety of sharing with your competitor your planned expansion on a

central office by central office basis would have to be seriously considered and addressed in Mr. Davis's proposal?

A Yes, it would seem like you might have concerns there.

Q Now, with regards to metering, you agreed with -- do you agree with Mr. Milner that if the CLECs believe that it's economically feasible for them to meter in looking at all their costs, would you agree with Mr. Milner that there wouldn't be the concern or the benevolent concern that we're going to be spending too much money to manage our power?

A Would I have a concern that you're going to spend too much money to manage -- I mean, as I said in my summary, we've got -- we're not sure that it's feasible or practical to do metering. Okay? And as I mentioned, those are things that we would have to look at. I know with regards to the cost of metering there's a staff data request that we have to answer, and I think the cost people are in the process of doing that. I don't know where that stands.

Q I believe you are the first ILEC witness to say that you thought that it might not be feasible. Is there a reason you think metering might not be feasible, technically feasible?

A I didn't say "technically feasible," I said just "feasible." And the reason for that was, as I mentioned in my summary, our discussions with SBC and their experience in Illinois.

Q I believe your summary was that you talked to one of your technical people that talked to one of SBC's technical people who expressed to that -- your technician that they were having some type of implementation problem; is that right?

A Yes, sir.

Q Do you know what that was with any more specificity?

A Only a little bit. It had to do with the Marconi metering unit that they were using, and the concern of the SBC engineer was that current was leaking through that and not getting measured. So, in other words, the meter was not accurately recording the amount of current that was going to the collocation arrangement.

Q Let's assume that that is a problem, that the type of equipment that is used in these central office collocations draws generally the same amount of power over the entire 24-hour period of a day; isn't that roughly right?

A Right. You're speaking to the steady state nature of --

Q Sure.

A Okay.

Q It's like a computer. The reading off the hard drive or a blinking light doesn't drastically change the amount of power it draws over the course of a day?

A Yes.

Q So if you audited the metering of a collocation

arrangement and identified an underreporting by a particular meter, it's not very complicated calculus to correct the billing over the period between that audit and the last audit, is it?

A Well, I guess I see disputes arising there because if we go out and say that, well, this meter isn't recording right and then the ALEC says, well, oh, sure, it is, the meter is recording right, then there's a dispute about how is that going to work, or which of us is right. And then we're back to, well, I'm not paying any more for this because I think the meter was right, and then Verizon is saying, well, I think you owe me more money because we think the meter's not right, and then I guess it ends up a dispute resolution or something.

Q That's not really a feasibility issue, though, is it? That's really just a contractual negotiation issue. If the power is not going to be way underreported or way overreported, it's really just an issue of how do you deal with a dispute should it arise in the course of an audit, isn't it?

A Well, I mean, I think it is a feasibility issue because then you're diverting resources from -- you know, that might be working on something else to have this discussion about whether the power is being measured correctly and you're sending a bunch of engineers out to, you know, both check each other's readings. So -- if it's not feasibility, maybe it creates inefficiency or --

CHAIRMAN JABER: Commissioner Deason, and then Commissioner Davidson.

COMMISSIONER DEASON: Maybe you can help me. I'm having a little bit of difficulty reconciling two arguments. One -- the first argument being that it's not economically feasible or economically practical to install meters for a number of reasons. One being that 80 percent of the costs are on the infrastructure anyway. That's the testimony we've heard yesterday. And then all of a sudden I'm hearing testimony that if you install a meter and it's not calibrated exactly correctly and, say, there's a 10 percent error, all of a sudden it becomes this monstrous problems and there's just huge dollars at stake and we're going to have litigation and argument and people doing audits and tests.

To me, it's not significant, metering, the whole idea of metering. It should be just included in the overall infrastructure of cost or else it is very significant and metering perhaps is a good idea, that if the costs are so significant, it's going to cause people to litigate over a meter being calibrated 10 percent one way or the another. So which is it?

THE WITNESS: I'm sorry, sir. I can't speak to whether or not the 80/20 that was communicated yesterday was correct, but I just know in my dealings with the ALECs in the past when there's an issue of, you know, you owe us money, no,

you don't owe us money, even if that doesn't make its way all the way to the Commission, it will end up in discussions between the parties and discussions between the parties' attorneys just -- I mean, that's just kind of how things work today.

COMMISSIONER DEASON: But isn't there some level of materiality involved before you expend resources? You don't spend a dollar to collect a dime; correct? Maybe in this industry you do. I don't know.

THE WITNESS: You would hope that you wouldn't, sir. You're absolutely right.

CHAIRMAN JABER: We would hope that you wouldn't.

THE WITNESS: Yes, ma'am, I understand. Yes. It seems like there should be some kind of materiality test, but I don't know what the answer to that materiality test is.

CHAIRMAN JABER: Commissioner Davidson, you had some questions.

COMMISSIONER DAVIDSON: Yes. Thank you, Chairman.

For purposes of this question, assume that metering is economically feasible to the ILEC because the CLEC will pay for it. Whatever the costs are, assume the CLEC will, for the hypo, pay 100 percent of those costs.

THE WITNESS: Okay.

COMMISSIONER DAVIDSON: Assume that the technical reliability of metering can be established by some type of

independent third-party testing. Assume that metering is used in a particular scenario to measure the power used by a CLEC, and finally, assume that a dispute arises as to whether the particular meter is working. That dispute could arise because the ILEC raises an issue or because the CLEC raises an issue. Would Verizon object to a policy which would impose upon a particular party the cost associated with testing -- independently testing whether that meter is working?

For example, if a CLEC disputes a cost and testing is required for that meter and it's proven that the meter is working, the CLEC bears the burden of that cost. If a CLEC disputes a meter and independent testing establishes that, in fact, the meter was not working, and through whatever process, I mean, you could impose additional terms and conditions, the ILEC would pay the cost of that testing, would that be some type of fair way to assess and measure the reliability from a technical standpoint of metering?

THE WITNESS: That could be, sir. I mean, I can't commit for Verizon that, yes, we would absolutely do that, but that could be a solution.

COMMISSIONER DAVIDSON: Well, I'm not asking you to commit for Verizon. Anyone here it's probably difficult for them to commit for their company. But I'm asking for your thoughts on that in terms of a process assuming all the assumptions given. What are your thoughts on that process?

THE WITNESS: That that seems like that would present the proper incentives, that would keep parties from, you know, making frivolous claims about, you know, that meter is not working right because of the risk of having to pay the costs associated with establishing that it was.

CHAIRMAN JABER: Commissioner Bradley.

THE WITNESS: Did that answer your question, sir?

COMMISSIONER DAVIDSON: It did. Thank you very much.

COMMISSIONER BRADLEY: Under that same scenario, how much retroactive metering would be acceptable? Two years? Six months? Ninety days? Ten days?

THE WITNESS: I think we'd try to establish -- see if we could identify, you know, how long the meter had been not operating properly, but beyond that I don't know if there's rules in Florida that govern backbilling or retroactive billing items like that. Sir, I'm not comfortable rendering an opinion on that.

COMMISSIONER BRADLEY: Would that be an important element to establish if metering is instituted or allowed?

THE WITNESS: Yes, sir.

BY MR. WATKINS:

Q Mr. Bailey, because of the power usage issues that we talked about with regards to the equipment not varying very much in the amount that it draws over time, once you have an established period of metered billing, absent augments to that

equipment or additions, which we have to tell Verizon about, I believe, there shouldn't be a great variance in the amount of the power being metered, should there, particularly over time?

A Yes. You know, unless you had more equipment or plug in more cards, you know, there shouldn't be a change. I mean, it depends on what that history is based on. If the history is based on, you know, you've got two cards plugged in and then you plug in the other eight, then that's going to change the amount of power that's drawn.

Q If Verizon owned the meters, they could calibrate their meters as often as they wanted; right?

A Yes, sir, that seems to be true.

Q Moving off the metering issue. I just wanted to clarify one kind of scenario that Commissioner Davidson went through with the Sprint witness.

If Verizon has two CLECs come to it and ask for 50 amps of power, and we are working within the parameters of one of the proposals, I think, by Commissioner Deason that they would have the opportunity to pay for that plant up front in terms of the necessary additions to plant that ultimately would be imposed on Verizon, and each of them pay that fee, and one of them goes out of business within a few months, if a new CLEC comes into that same central office and says, here's my application for collocation space, I'd like 50 amps of power, does Verizon say, you know, we just had somebody go out of

business who paid for 50 amps of power that we're not using, you get that at a discount? Or does Verizon keep all that power plant for its own use and just recharge the new CLEC for the 50 amps of power plant that it's asking for?

A The new CLEC coming in would be charged the monthly recurring charge for power.

Q The question is, is if that monthly recurring charge did not recover the plant, the infrastructure additional charge, if that was paid for up front by somebody else, somebody else comes in, are you going to charge them to build plant that was already built for somebody and paid for that's not being used?

A So you're saying that there would be a nonrecurring charge for power plants or something.

Q DC power plant, sure.

A And another CLEC comes in -- or the first one that paid that leaves, and then the second one comes in and says, okay, I want power also. I think if we -- it seems like that would be covered in the FCC rules. The FCC says that if -- maybe it would, maybe it wouldn't, but the FCC says that if a collocator leaves a space and they paid nonrecurring charges, if they leave and then someone else moves into that space, we've got to pay the first guy the unamortized -- give them back the unamortized amount associated with the nonrecurring charges for that space, and then we charge the new guy those

charges. So just asking me that off the -- right here at the hearing, I'd have to go back and do some further research, but it seems like it might be somehow covered or fit into that requirement.

Q Let me get a little bit more clear about the question. If a CLEC comes in and asks for 50 amps of DC power, Verizon doesn't see that application. They immediately run out and build that, are using rectifiers. You have existing capacity that provisions that. And what the CLEC is actually paying for is kind of a -- ultimately we are adding to the total demand of Verizon's power plant. Isn't that really the circumstance rather than this kind of immediate "we build batteries for you" in your request?

A My understanding from talking to the Verizon Florida power engineer is that we handle power in the central office based on a committed basis. In other words, if we've got power committed to ALECs for collocation, that factors in to how they determine whether or not to add more power.

Q One of the elements that was kind of assumed by Mr. Davis's proposal is, is that if I ask for 10 more amps of power, it's not -- Sprint wasn't going to go through a two and a half year process to build out a new power plant for me. They were going to take that out of existing capacity. Did you glean that same assumption?

A I'm not sure. I mean, I was -- I may have stepped

out of the room for a minute. But, again, in my conversations with Verizon Florida's power engineer is that they size the power for the central office based on the power that's committed. In other words, they take into account how much the ALEC has ordered, and I don't know the process for how they do that. I'm not involved in the power engineering process.

Q All right. I just have two more questions. The first is, if the total amount of money that Verizon is going to spend to add DC capacity to cover a request from a CLEC like Covad for a certain amount of power and that is recovered rather than in a one-time charge as part of a monthly recurring charge for amps used, fused, or metered, does Verizon have an objection to ceasing that element of the monthly recurring charge once that power plant is actually paid for?

A I'm sorry. Could you give me that one more time, that question one more time?

Q If 80 percent of the monthly recurring charge -- if there's an option for me to pay up front $50,000 for DC power plant infrastructure investment or I can roll that into the monthly recurring charge that I pay for amps used, fused, or metered, whatever it is, does Verizon have an objection to ceasing that 80 percent portion of the monthly recurring charge for in-plant construction once I reach the $50,000 amount?

A I think that's a question that may be addressed in the second half of this proceeding in November. It seems to me

like that's a question for the cost witness. I don't know that I can provide you any guidance on that.

Q This is simple fairness. It's like buying a car. I can either pay for it up front or I can pay for it on a monthly basis, but I don't pay for it monthly in perpetuity. I pay for it until I get it paid for. Do you understand that analogy?

A Again, sir, I think that's a question for the cost witness.

Q And the other question was, has anybody ever requested remote terminal collocation from Verizon in Florida?

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

MS. WALKER: That's all I have.

CHAIRMAN JABER: Mr. Hatch, do you have any cross-examination questions?

MR. HATCH: Could we have a five-minute break?

CHAIRMAN JABER: How much time do you need for your questions?

MR. HATCH: Probably I would guess 30 to 45 minutes, maybe an hour depending on how it goes.

CHAIRMAN JABER: Well, I've got three or four questions I'll go ahead and ask now and maybe you can take advantage of that time. Okay? You can go through your questions and figure out what's really important and what hasn't been covered yet.

Mr. Bailey, something you said made me go back to

your two pages in your biography. Something piqued my interest. You are from Texas.

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: You work for Verizon Texas.

THE WITNESS: Yeah, I guess that's what it's called. But, yes, I work for Verizon in Texas. Yes, ma'am.

CHAIRMAN JABER: So you are not directly privy to Verizon Florida's policy with respect to how they have accounted for power needs when an ALEC from Florida has made a request?

THE WITNESS: Well, the comment that I made earlier, I made a call to the person in Florida that is responsible for power in Florida.

CHAIRMAN JABER: Who is that person? Who is your counterpart in Florida?

THE WITNESS: The person that I spoke to, his name is Reggie Brown.

CHAIRMAN JABER: Reggie Brown?

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: Is there some expertise -- and I mean this with no disrespect, is there some expertise you have through your Texas process that would make it more important for you to testify and not Reggie Brown?

THE WITNESS: I asked myself that same question, ma'am.

CHAIRMAN JABER: You should take that in a good way. I often wonder about these hearings. You guys bring the dog and pony show, and I mean no disrespect by that either, from other states, and so often I hear, well, I called our guy in Florida and here's what he said. And I've often wondered, and this is the first time I've had the courage to ask, why isn't that guy testifying?

THE WITNESS: I don't know, ma'am. My boss told me that I had to come down here and do this, so I'm here.

MR. McCUAIG: Can I try to --

CHAIRMAN JABER: No, you may not. I've got other questions. You may not. You don't get to testify.

I mean you no disrespect, but I want to delve into this a little bit more, the differences between what your knowledge is in Texas and what it is in Florida so maybe we can gain some benefit. In Texas, do you account for ALECs' needs based on committed capacity?

THE WITNESS: In Texas, I'm not responsible for the -- how the power is engineered to the central offices. That's kind of why I had to make a call to Reggie in Florida so that I would have a better understanding before I came down here to testify.

CHAIRMAN JABER: And, in fact, your responsibility in to Texas is over collocation products.

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: What does that mean?

THE WITNESS: I'm the product manager. That means I'm responsible for the collocation products and the collocation tariff that we've got out there that the ALECs purchase for. So it's my job to make sure that, you know, the stuff that's in the tariff gets into the tariff and that the service offerings are complete and that, you know, the billing can get done.

CHAIRMAN JABER: I heard you say that you're a little bit familiar with the power engineering process in Texas. I think you said that, or maybe I picked it up from these two pages, I don't really know. Is there anything in the Texas process that you are aware of that might be applicable here?

THE WITNESS: Actually, I'm probably more familiar with the Florida process just because that's what I've been preparing to speak on.

CHAIRMAN JABER: Studying for the last year.

THE WITNESS: So, no, ma'am, there's not anything from Texas.

CHAIRMAN JABER: Let me go back to something you said on metering. You said it wasn't real clear to you through the last couple of days whether we were talking about metering on the DC side or on the AC side. And just speaking for myself, I've asked questions on metering for the AC side. I didn't even realize you could meter DC.

THE WITNESS: What I was trying to ask at that point, I was just trying to make sure that's what the ALECs are asking for. I can't tell from the testimony or the proposals that have been laid out to this point whether they're envisioning taking the whole existing monthly recurring charge for DC power and saying you should meter and bill on that rate, or if their proposal is that we should, you know, as the witnesses have said, split out the infrastructure and then just meter on the AC piece.

CHAIRMAN JABER: Well, rather than have me address it and appear to be testifying, would it be helpful to you to have Mr. King address that through his summary and through his testimony?

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: Because you raise a very good clarification that we just need to address up front. For purposes of my questions, though, I'm talking about metering the current.

THE WITNESS: Okay.

CHAIRMAN JABER: I heard what you said to Commissioner Davidson's question, and, you know, making all of the assumptions, your response was very helpful. Understanding your concern over the SBC situation, do you still have those concerns if I clarify for you that the metering I'm talking about is only for the current?

THE WITNESS: Yes, because I think that's what the Marconi box is supposed to --

CHAIRMAN JABER: Just current.

THE WITNESS: Right. It's supposed to measure the current, and so, yes, ma'am, I still have the same concern.

CHAIRMAN JABER: Okay. And then my final question relates to -- we've sort of asked every ILEC how long their process is for requesting -- for an ALEC to come back and request more in terms of DC power.

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: How long is the Verizon process?

THE WITNESS: I think the -- if a CLEC comes to us and wants to augment power, I believe in the tariff that's actually a 45-day interval.

CHAIRMAN JABER: And what causes -- I don't know, I guess in a real competitive market 45 days is probably a long time, but what do you do in those 45 days, is the first question, and the second question is, can that be expedited?

THE WITNESS: Well, actually, I think that is the expedited schedule. I mean, the normal collocation -- you know, putting together a collocation arrangement, as you're well aware, is 15 days and then 90 days, and the 45 days for augments was something that I believe was negotiated and worked out in another jurisdiction and that we've tried to, you know,

roll out throughout the footprint for consistency.

CHAIRMAN JABER: Was that some time ago?

THE WITNESS: It's been a year or two.

CHAIRMAN JABER: If we -- obviously I don't know what we're going to do, but if we explored the feasibility of trying to have a quicker turnaround time as it relates to augmenting the power, do you feel like in that year's time there's been so much technological advancement, so much efficiency brought to your company that you could augment power quicker than 45 days?

THE WITNESS: No, ma'am, I don't think so.

CHAIRMAN JABER: It's not because you don't think Verizon is efficient, is it?

THE WITNESS: No, ma'am.

CHAIRMAN JABER: Commissioners, do you have any other questions? And then we'll break.

COMMISSIONER DAVIDSON: Couple of questions.

CHAIRMAN JABER: Commissioner Davidson.

COMMISSIONER DAVIDSON: If you could, turn to Issue 4, Page 8 of your direct testimony. Line 21, "Verizon should not be forced to provide copper facilities, which take up significantly more space within the ILEC manhole and conduit system than fiber facilities." Approximately how much more space by whatever measure you can use to answer that question does copper take up than fiber?

THE WITNESS: Would you like to see my visual aids?

I've been lugging these around.

COMMISSIONER DAVIDSON: Certainly.

THE WITNESS: This is a 3,000-pair copper cable. Okay. You can see the diameter on this. This is a 24 fiber cable. Okay. This cable is significantly bigger. You can fit a lot of these inside that diameter, and the capacity of this when you attach the electronics to it is many, many, many times greater than the capacity of this. Basically you're looking at 3,000 -- you can provide 3,000 lines with this cable because there are 3,000 pairs. With this -- sorry, those are getting heavy.

With the fiber and you put an OC48 on the end of it -- let's see, I've got a number here so that I didn't have to do the math on the stand. With an OC48, that's over 32,000 voice grade channels compared to the 3,000. An OC48 would just require four of those fibers. If you put OC48s on that whole 24 fiber cable, you could fit six OC48s on that, that would create over 193,000 voice grade paths as opposed to the 3,000 that you can do on the copper cable.

COMMISSIONER DAVIDSON: Other than the increased safety risk that you discuss in your rebuttal testimony and the space impact that you discuss in your direct, are there any other impacts with which you feel the Commission should be concerned?

THE WITNESS: No, sir. Those are our two concerns,

space and safety.

COMMISSIONER DAVIDSON: To your knowledge, is Verizon in any of its locations currently laying any new copper?

THE WITNESS: Not between offices, not interoffice. I mean, in a new housing development, you still have to take copper to the home, but in the interoffice facilities, no.

COMMISSIONER DAVIDSON: Thank you, Chairman. I have no other questions.

CHAIRMAN JABER: Commissioner Deason.

COMMISSIONER DEASON: I just wanted to follow up on an interesting aspect that came out in the Chairman's question, and this is, I guess, kind of a broader scope question. But it was brought out that your title is product manager, collocation; is that correct?

THE WITNESS: Yes, sir.

COMMISSIONER DEASON: Now, to me, that implies that collocation is a product, it's a revenue source for Verizon, and that you look upon the CLECs as your customers. Is that the way you view your job?

THE WITNESS: Yes, sir.

COMMISSIONER DEASON: And the way I've always known product managers is that they're in the business of satisfying customers, coming up with new innovative products, meeting needs, moving things within the company that maybe you have excess capacity on and trying to go ahead and sell those items,

provide those items. Is that the way you go about your job?

THE WITNESS: My product is a little bit different because my product is offered because the FCC requires me to. Verizon didn't get a bunch of marketing people together and decide, you know what? Collocation, that's a great idea. Why don't we go out and market that and let's make money on that? The FCC requires me to provide it.

There are rules about how much -- about how the cost studies are done and how much I can charge for it. So collocation is different than, you know, a traditional product when you think about going to the store and buying something. It's a balance between what am I required to do versus how much am I able to charge and how much revenue it creates.

When the people back at Verizon that look at that stuff look at the collocation revenue stream, they say, well, this is revenue that is very, very slim margin, perhaps it's negative margin, and so my boss doesn't come to me and say, hey, Chuck, go out there and sell as much collocation as possible, because from Verizon's perspective, you know, we're not sure that it's a positive revenue stream as related to cost.

COMMISSIONER DEASON: Well, I thought under FCC guidelines, and I assume the ones of this Commission as well, that you're not obligated to provide services below cost. Now, you may debate as what the cost standard should be, whether it

should be embedded costs, TELRIC costs, or some other costs, but that you're not obligated to provide services below cost. Do you agree --

THE WITNESS: You're absolutely right, sir. You're absolutely right. But that's where the disagreement is, is what's the appropriate cost standard and what's the cost standard for collocation relative to, you know, perhaps retail services or something that --

COMMISSIONER DEASON: So I take it by your answer that you're not provided any type of salary, a bonus the more collocation you sell.

THE WITNESS: No, sir, I'm not.

COMMISSIONER DEASON: Should you be? Would you then have an incentive to come up with innovative plans to meet your customers' needs, or is your direction from management, just make life difficult for our customers?

THE WITNESS: No, sir. My direction is not to make life difficult, but my direction is to offer the products that I'm required to offer --

COMMISSIONER DEASON: Well, should --

THE WITNESS: -- and to comply with -- I'm sorry, sir.

COMMISSIONER DEASON: Well, I'm sorry. I interrupted you. Please finish.

THE WITNESS: For the products I'm required to offer

and to comply with the rules of the FCC and the state commissions, that's what my --

COMMISSIONER DEASON: Well, can you comply with the rules of the FCC and go beyond what is required and try to meet customers' needs in a way that is beneficial to you as a provider and beneficial to your customers? Do you ever ask yourself that question, or does management at Verizon ask themselves that question?

THE WITNESS: You know, if that was the direction that came down to me, then, absolutely, you know, I would do that. I can't speak to the discussions that the executives have about whether or not to start promoting collocation or not.

CHAIRMAN JABER: Commissioner Davidson, you had a question.

COMMISSIONER DAVIDSON: Thank you, Chairman.

One follow-up. Going to Issue 7 of your direct testimony, Page 14. Beginning at Line 8, "The ALEC should not be permitted to request AC power feeds with an intent to convert AC power to DC power within its collocation space." Do you see that sentence?

THE WITNESS: That was Page 7, Line 8?

COMMISSIONER DAVIDSON: I'm sorry. Page 14, Line 8. I apologize.

THE WITNESS: Yeah, "But the ALEC should not be able

to request AC power feeds." Yes, sir, I see that.

COMMISSIONER DAVIDSON: I want to ask you a hypothetical that I've asked a couple of other witnesses. If a CLEC sought an AC power feed to its collocation space and agreed to pay the cost of installing that power feed, would Verizon have any objection to the CLEC converting DC power to AC power assuming for this hypothetical that such conversion would not negatively impact Verizon's equipment or operations?

THE WITNESS: Given your assumption that it would not negatively impact our network or operations, I don't see how I could give any other answer, but, no, we wouldn't have a problem with that. Our concern again would be, what equipment is required to do this?

The power part of the central office is different than the telecommunications space. I mean, if they have to put batteries in the telecommunications part, batteries are heavy. There's special floor loading issues there, and the batteries -- there's a chemical reaction that happens in the batteries and gases can be given off, and there's a whole lot of issues relative to safety and isolating. What if one of those batteries leak?

There's a lot of issues that need to be addressed. But if the conversion could be done and there would be no risk to the Verizon network, then that's something that we would consider.

COMMISSIONER DAVIDSON: Thank you. Thank you, Chairman.

CHAIRMAN JABER: Commissioners, do you have any other questions before we break?

COMMISSIONER BRADLEY: Yes, just one follow-up.

CHAIRMAN JABER: Commissioner Bradley.

COMMISSIONER BRADLEY: So AC conversion would be, in your opinion, more expensive than the current DC process?

THE WITNESS: It depends upon whether or not they want that backed up or not. I mean, the cord to your laptop that you plug into the wall, that converts AC power to DC power to power your laptop. The problem with that is when the AC power goes off, if your battery is not charged, your laptop goes off. So the question you have to ask yourself, if there's a lot of other equipment that's required to take the AC and convert it to DC to ensure that the power keeps going when the AC power fails -- and I'm just not sure how that would work, you know, with an AC feed, taking it into their space and then them converting it.

I'm concerned that that feed would fail because I believe it was a Sprint witness that was talking about, you know, the backup generator and some time -- it takes time to switch over. And during the time between when the AC goes off and that backup generator kicks in, that AC power is going to be down. So depending upon what equipment you've got attached

to that AC feed, you know, it could have to get reset. It could be like your VCR where it starts flashing zero, zero, zero, and you've got to put in all the programming again. I'm sorry, sir. I'm rambling. Did I answer your question?

CHAIRMAN JABER: If I understood your answer, it sounds like you need to better understand what the needs are from the ALEC before you can make a blanket statement with respect to costs and not redundancy but costs and stability, I guess, of the system. It just depends on what they need.

THE WITNESS: Right. If their need is an AC feed that it is okay if that AC feed fails, then I would think that would be a product that we could come up with.

CHAIRMAN JABER: Commissioners, let's come back at 1:45. Mr. Hatch, that's a lot of time for you to go through your questions. 1:45.

(Lunch recess.)

(Transcript continues in sequence with Volume 5.)

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STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

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 18th DAY OF AUGUST, 2003.

TRICIA DeMARTE, RPR
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