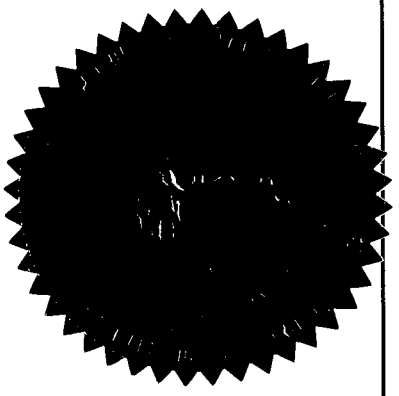
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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 5

PAGES 554 THROUGH 713

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. Adjourned at 4:47 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Chief, Office of Hearing Reporter Services FPSC Division of Commission Clerk and Administrative Services (850) 413-6732
APPEARANCES:	(As heretofore noted.)

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P R O C E E D I N G S

CHAIRMAN JABER: We are on the record. And, Mr. Hatch, you have got cross questions for Mr. Bailey?

MR. HATCH: I do indeed, but not as nearly as many as I had.

COMMISSIONER DEASON: Excellent.

CHARLES BAILEY

resumed the stand as a witness on behalf of Verizon Florida, Inc. and, having been previously sworn, testified as follows:

CROSS EXAMINATION

BY MR. HATCH:

Q Just to start off with a couple of preliminaries like we have before. Are you familiar with the term List 1 Drain?

A Yes.

Q Could you tell me what your definition of that is, please?

A List 1 Drain is the drain of the equipment when the power plant is operating in its normal state.

Q Now, were you here when Mr. Milner from BellSouth and Mr. Davis from Sprint testified as to their definitions? And they basically agreed as to what that definition was. Do you recall that?

A Yes, sir.

Q Now, in terms of a definition of List 1 Drain, let me see if you agree with this definition of List 1 Drain. It is

the maximum amount of current the equipment will draw when it is fully equipped with the most demanding circuit board and all options are functioning under a normal power plant operating condition. And that would be List 1. Would you agree with that?

A I guess I have got a subtle point to make on that. A piece of equipment has a List 1 Drain or a List 2 Drain regardless of the number of cards plugged into it. It is a function of the power plant. The power plant is operating in a normal state, in other words, negative 48-volts, it draws -- for whatever number of cards in there, it draws the List 1 Drain, okay. And then when the voltage drops and the current rises, that becomes the List 2 Drain when the power plant is in distress.

Q Let me make sure I just understand your clarification. When I put a piece of equipment in there, the equipment will have a manufacturer's designation of a List 1 Drain, is that correct?

A Yes.

Q And if it has -- it doesn't have all of the cards in it and it will draw actual power usage less than List 1 Drain, is that correct?

A It will draw a drain that you could call a List 1 Drain because it is the drain associated with the power plant operating in its normal condition. It wouldn't be -- and maybe

this point is too subtle and maybe we don't need to go any further, but it wouldn't be, for lack of a better word, the maximum List 1 Drain, because the maximum List 1 Drain would require all the cards to be plugged in. But when it has only got half the cards, that is still a List 1 Drain because it is a drain that results from the normal operation of the power plant, the normal voltage at the power plant.

Q So as I understand the distinction, you are saying that List 1 Drain is variable based on the number of cards in the equipment?

A Yes. List 1 Drain is a function of what is happening at the power plant. Is the power plant operating at its normal voltage or at the distressed voltage. That is really what defines List 1 and List 2. But for your line of questioning I don't know that it really matters, but it was just a subtle point.

Q Now, for List 2 Drain, would you agree that that definition is when the manufacturer's specification, it is the maximum amount of current that the equipment will draw when the power plant is in distress? And when I am saying distress, it is the AC power is gone, the backup generator is not operational, so it is feeding solely off the batteries, and it is at that point when the float voltage hits that lowest point and the equipment then will fail because it can't get enough electricity?

A Yes, List 2 Drain is tied to power plant in distress.

Q Turn to Page 10 of your direct, and look at Lines 20 and 21. You talk about fuse sizing, do you see that?

A Yes.

Q Now, when you talk about fuse sizing, you talk about the fuse is engineered for essentially one and a half times the load. Is that the usage, is that the List 1, or is that the List 2?

A That would be List 2.

Q Okay. And that is basically an industry standard, is that correct?

A Yes, sir.

Q Now, in your example about the dual power feeds where you have got 10 amps on the A lead and 10 amps on the B lead, if one lead fails then the other lead would pick up and it would draw 20 amps, is that correct?

A Yes.

Q Now, if it is drawing 20 amps, then that 25-amp fuse, in your example, would be too small to protect that line and it would pop that circuit, wouldn't it?

A No.

Q But that 25-amp fuse is not consistent with your industry standard of one and a half times fuse size based on your load?

A But, again, you are not making a distinction between

a load sharing configuration and a nonload sharing configuration.

Q In my example one of your -- say the B lead has failed, so it is no longer sharing in that state. And so you have one lead pulling the full 20 amps of power. And so based on your industry standard, you should have at least a 30-amp fuse?

A But this fusing wouldn't be used in a load sharing situation. In a load sharing situation you have to fuse at two and a half times the load on that feed, otherwise you're right, the fuse is not big enough. 1.25 to 1.5, that is not used in a load share situation.

Q Why not?

A Because the fuse isn't big enough.

Q You're using a smaller sized fuse in your example than what you would use in a single sized feed?

A I guess I'm confused by -- my example was let's say there is equipment in the collocation arrangement that uses 20 amps, all right. You tell me that that is a load sharing piece of equipment and that you want to draw -- of the total of 20 amps that piece of equipment requires, that you want to draw 10 amps on the A and 10 amps on the B, and you tell me that you want to fuse each feed at 25 amps. All right. So in the normal operating situation that piece of equipment draws 10 on A and 10 on B. B fails, the load from B shifts over to A. Now

A is drawing 20 amps, the fuse is at 25, it's fine.

CHAIRMAN JABER: Is that because -- Mr. Bailey, the distinction you are trying to make is when they say it is a load sharing situation, we want 10 on A and 10 on B, to you that means the fuse is going to be engineered at two and a half.

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: And is that why you believe you are talking past each other? In a load sharing situation, you have to fuse -- you have got to engineer the fuse at two and a half times.

THE WITNESS: Well, I mean, a collocation situation -- just one clarification. I would engineer the fuse at what AT&T's engineers told me they wanted the collocation fuses set at. But if you assume they are making, you know, engineering decisions and they want to load share, yes, they are going to tell me to fuse it at two and a half, so that if one of the feeds fails, the equipment is going to keep running because 25 is greater than 20.

CHAIRMAN JABER: Well, I think, though, the question then -- you are not talking past each other, it is just not getting articulated very well. The question is they haven't asked you to do load sharing, it is 10 for A, 10 for B, they have asked you to engineer it at one and a half times. Is that right, Mr. Hatch?

MR. HATCH: Not exactly.

CHAIRMAN JABER: Okay. Well, restate your question, because I think the witness is trying to understand and answer. It's just hard.

BY MR. HATCH:

Q In a redundancy situation, you have equipment that draws 20 amps. Now, you want to protect it in case for redundancy you have an alternate power source for your equipment. And so for redundancy you want to be able to handle the full load on either load in case one of them goes out. That is what the redundancy is all about, correct?

A Maybe if I could just ask a quick clarifying question.

Q Sure, absolutely.

A When you say redundancy are you coming up with the scenario where there is a piece of equipment that operates solely off one feed, and if that feed fails it operates solely off the other? Is that how you are defining it?

Q It is the same piece of equipment and will operate solely off of either feed.

A I have had a number of discussions with Verizon power engineers about, you know, what is out there in the network, what kind of equipment, and they have not been able to identify for me a piece of equipment that operates solely off the A feed, and then if that A feed fails the whole load is switched

over to B. Basically, the scenarios that you have got, you have got a load sharing situation which most of the telecommunications equipment is where it draws half of the load off of either feed and then shifts over. And then you have got some equipment that only operates off of one feed. And generally in those configurations you will have, you know, some equipment and you will take an A lead to the first shelf, a B lead to the third shelf, another A lead to the third shelf, a B lead to the fourth shelf.

And if you install the equipment in that manner, if that A lead fails, then that one shelf will go out, but the rest of the equipment keeps functioning. Those are the two types of equipment that have been communicated to me that are in the network.

Q If I have a bay of equipment, every piece of equipment in that bay is designed to feed off of both the A and the B leads under a power sharing arrangement, and the power -- and to use your example, the total draw would be 20 amps. So as long as the A lead and the B lead are working correctly, you are getting 10 from the A and 10 from the B, would you agree with that?

A Yes.

Q Now, if the B lead goes out, then all 20 amps of the equipment in my bay would be feeding off of the A lead only and it would then look like a single feed configuration, is that

correct?

A Yes.

Q And then your 25-amp fuse would not be correctly sized, is that correct?

A No. The point of the fusing is to ensure that the equipment keeps operating if one of the leads fails. You wouldn't leave that piece of equipment in a state where one of the feeds isn't working. That is something you would work to get fixed. So you order the power, and in the load sharing configuration you fuse it at two and a half so that when that lead does fail it will switch over. The equipment will keep working until you can get the other feed failed (sic). You wouldn't leave it that way long-term.

Q I agree with that.

A Okay.

Q I don't dispute that. What I'm saying is that at the point when the B lead fails, there is 20 amps of power being drawn on the A lead?

A Absolutely.

Q Then it resembles as if you had a single lead configuration, in which case that 25-amp fuse would not be the size you would otherwise put, is that correct?

A I mean, it is a configuration that needs to be fixed. I guess -- are you trying to get me to say that at that moment in time there is 20 amps on the feed and the fuse is only 25

amps.

Q Yes.

A That is absolutely correct, but the fusing has served its purpose. The fusing has kept the equipment running, and there is an issue with the feed that needs to get fixed. So I don't know that I can answer your question any additional.

Q I would agree with that. My real question is if the industry standard is one and a half times, that 25-amp fuse on a 20-amp circuit isn't consistent with that industry norm at that point in time?

A At that point in time, that is correct, and that is why you would fix the other feed so that it would be back complying with the industry norm.

Q Let's talk about your rebuttal testimony for a moment. Would you turn to Page 14 and look at Lines 6, 7, and 8. Basically, it is the last sentence in that paragraph. Now, as I understand it, what you said --

COMMISSIONER BRADLEY: What lines again?

MR. HATCH: Lines 6, 7, and 8.

BY MR. HATCH:

Q As I understand it, the biggest fuse that Verizon will put in a BDFB is 60 amps, is that correct?

A That is correct.

Q Were you here with the testimony of Mr. Milner where they were actually using and offering fuse sizes bigger than 60

amps?

A Yes, sir.

Q Based on the newer type of fuses. The TPL fuse I think is what he referred to. Are you familiar with those?

A I don't know the difference between a TPL fuse and any other kind of fuse; but, yes, I was here for the testimony.

Q Now, for a feed of greater than 60 amps based on if I needed power more than 60 amps, could I get it direct from your main power board with my own BDFB?

A Yes.

Q Now, turn to Page 15. I just want to see if there is some typo in your testimony. Look at Line 15 where you talk about List 1 being the minimum. That doesn't seem to be consistent with what we talked about as the definition earlier.

A Yes, sir, that looks to be a typo.

Q So that would be the maximum I would insert there. So where it says minimum, that should be maximum, is that correct, based on our earlier discussion?

A No, List 2 would be the maximum amount of current, because that is when the power plant is in distress. The voltage dropped, the current went up.

Q I'm sorry, I didn't mean to cut you off.

A So, no, that shouldn't be maximum. List 1, that shouldn't be maximum.

Q Then I'm confused about your -- go back to your

definition of List 1 again. As I recall it is the maximum amount that the equipment will be drawing in a steady state.

A Right.

Q That was your version. Now we have talked about a line card has a List 1, if you had more line cards your version of List 1 would go up?

A Right. I guess -- power is constant, what varies is voltage and amperage. In a List 1 situation, the voltage is high, so the current is relatively lower than if the voltage drops and the current goes up so that power will remain constant.

Q Yes, I would agree with that.

A I'm sorry, sir, maybe I'm not understanding your question.

Q We talked about List 1 being the amount of power that a piece of equipment will consume --

A Amount of current.

Q Amount of current, okay. Will consume in a steady state?

A Yes.

Q Presuming that the equipment that is there -- if it has got one card, it has got one card -- but the equipment that is there that is drawing power is fully operational and all the features are engaged. That is List 1?

A When the power plant is at its normal operating

condition.

Q Yes. Forget the stress for the moment, yes.

A Okay. Yes, that is List 1.

Q Gotcha. Now, a piece of equipment in minor amounts will operate at less than List 1 because all of the features that consume power within that piece of equipment might not be operating at any given time?

A And maybe this is where we will talk about my subtle difference.

Q I'm not trying to trap you, I'm really not.

A And I'm not trying to evade the question. It's just the definition of List 1 and List 2 is dependent upon the condition of the power plant, so if there was a piece of equipment with a light bulb that was on for a minute, all right, and the power plant is in its normal operating state, it is drawing a List 1 Drain.

If the light goes off and the power plant is still in its normal operating condition, it is still drawing a List 1 Drain. It may be a slightly different List 1 Drain, but it is a List 1 Drain because the power plant is at 48 volts.

Q Let me use your analogy with the light bulb. I've got a three-way light bulb. It has got a 40 watt, 50 watt, and a 75 watt element in it. So the List 1 Drain for that light bulb would be 75 watts, which would -- whatever the voltage times the amperage would give it.

A The equipment would have a List 1 Drain for each one of the light bulbs. That List 1 Drain may be slightly different, but, again, the reason they call it List 1 Drain is because the power plant is at 48 volts, okay.

Q Maybe I can clarify it this way. When you talk about List 1 Drains and the definition that I have been using would typically be referred to as the manufacturer's specified List 1 Drain?

A Yes. The definition you initially gave would be the manufacturer's specified List 1 Drain, yes.

Q Turn over to Page 16 of your testimony. I mean, of your rebuttal, I'm sorry. And look at Lines 1 through 4.

COMMISSIONER BRADLEY: Line 24?

MR. HATCH: Lines 1 through 4, I'm sorry.

BY MR. HATCH:

Q There it says that -- you state that List 2 Drain is a more realistic proxy for actual power usage, do you see that?

A Yes, sir.

Q Do you agree with that statement?

A No, sir, I do not.

Q When a CLEC orders power from Verizon, when they state the power that they want, isn't it correct that Verizon wants the List 2 Drain for the equipment that we specify for the power that we are going to order?

A No, that is not correct. As I stated earlier this

morning, it is up to you to design the power consumption within your collocation arrangement. I won't dictate to you whether you use List 1, List 2, or List 1-1/2. I mean, I just need to know how much power you want and what you want it fused at.

Q One final series, I believe, of questions. On Page 17 of your rebuttal, look at Line 21.

A Okay.

Q Now, I'm assuming since you have referred to Sprint's testimony it is also your position that at the point that the collo space is ready, then you should begin billing for power?

A Yes.

Q And that is based on essentially the statement that the ALEC has the capability of drawing power, is that correct?

A Yes. I mean, this is the line of questioning that you have been through with both the other witnesses, and when I did my summary this morning, yes, I agree with their positions relative to why the billing for power should begin when the space is turned over to you.

Q But when the space is turned over to us there isn't any CLEC equipment in that space, is there?

A That is true. But as the other witnesses have said, there has been a cost incurred to provide the infrastructure.

Q And so we are paying for power before we actually use it, is that correct? I mean, that is the conclusion to draw.

A You are paying for the capacity that you asked us to

create for you.

Q As well as the actual usage portion, as well, because the --

A Yes.

MR. HATCH: I'm done. Thank you, Madam Chairman.

CHAIRMAN JABER: Thank you, Mr. Hatch. Staff.

CROSS EXAMINATION

BY MR. ROJAS:

Q Good afternoon, Mr. Bailey.

A Good afternoon.

Q In your direct testimony at Page 13, Lines 6 through 10, you state, "Placing meters in the central office to monitor usage on each cable feed is not feasible from a practical 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." Can you explain or quantify the term not feasible from a practical standpoint?

A Sure. I think I talked about this this morning, but we are not sure how a metering solution would work. As I stated, we have got concerns with what is going on with SBC in Illinois. We have got the Verizon cost team working on generating cost studies so that we understand what it is going to cost to provide power. And the practical point is, you

know, if there is not a meter out there, do we have to hire a whole bunch more people to go out and do readings on the leads. And there is just a lot of issues that we don't understand. We have got people back at Verizon trying to figure out how issues like that would be resolved. But we are concerned that there is a lot of issues like that. How do you get the information from being read into the billing system, and there is just a whole lot of things to work out.

Q To your knowledge is Verizon currently metering DC power for any CLEC?

A No.

Q And this question is in regard to Issue 4. What are the safety aspects associated with fiberoptic cabling as compared to copper cabling?

A There aren't safety issues with fiber, with dieelectric fiber cable. That's why we are encouraging the ALECs to use that in entrance facilities, because the dieelectric fiber does not conduct electricity. That's why we use it on our entrance facilities. Copper, as I stated earlier, is conductive. It could lead to foreign voltages being carried into the central office and causing fires or frying equipment.

MR. ROJAS: We have no further questions.

CHAIRMAN JABER: Thank you, staff. Commissioners, do you have questions of this witness?

Redirect, Mr. McCuaig.

MR. McCUAIG: Very quickly.

REDIRECT EXAMINATION

BY MR. McCUAIG:

Q Mr. Bailey, in your capacity as an employee of Verizon, what are your responsibilities?

A I am the product manager for collocation, and I am responsible for the collocation product across the footprint. Not just in Texas or Florida, but all the states. My background is in the Verizon west states, the former GTE areas, because that's where I came from, but I also deal with the east states, as well. So I am responsible for the service offerings in the tariff and issues that relate to that.

Q What is Reggie Brown's responsibility?

A Reggie Brown is a power engineer that is responsible for the State of Florida. I guess our relationship is that he is a source for me if there is a question about the product that I need an answer to that relates to power. Reggie I is a resource that I would draw on so that I would have a better understanding and could communicate that understanding to others.

Q In the course of a proceeding like this one, would you draw on a number of folks like Reggie?

A Sure, absolutely.

Q Mr. Watkins asked you about competitive information

that could conceivably be compromised if a CLEC had to give power forecasts to an ILEC. If the CLEC were to give power forecasts to Verizon, who in Verizon would actually receive that information?

A That information would be received by the wholesale side of Verizon.

Q Are there any limitations on what the wholesale side of Verizon could do with that information?

A Yes. We would not be able to share that with the retail side of Verizon.

MR. McCUAIG: Thank you. I have no further questions.

CHAIRMAN JABER: Thank you. Mr. McCuaig, Exhibit 20 is yours, JR-1, and without objection, Exhibit 20 is admitted into the record. Mr. Bailey, thank you for your testimony today.

(Exhibit 20 admitted into the record.)

MR. McCUAIG: May the witness be excused?

CHAIRMAN JABER: Yes, absolutely.

MR. McCUAIG: Thank you.

CHAIRMAN JABER: That takes us to our last witness, Jeff King. Mr. Hatch or Mr. Self, it's your witness.

MR. HATCH: AT&T calls Jeff King to the stand.

JEFFREY A. KING

was called as a witness on behalf of AT&T Communications of the

Southern States, LLC, and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Mr. King, have you been previously sworn?

A Yes, I have.

Q Could you please state your name and address for the record, please?

A My name is Jeffrey A. King. I am employed by AT&T at 1200 Peachtree Street, Atlanta, Georgia.

Q Did you prepare and cause to be filed direct and rebuttal testimony in this proceeding?

A Yes, I did.

Q Do you have any changes or corrections to that testimony?

A In my rebuttal testimony on Page 23, Line 14, I reference the Tennessee Commerce Commission. That is Tennessee Regulatory Authority. That is the only changes.

Q Subject to that change, if I asked you the same questions as are in your direct and rebuttal testimony today, would your answers be the same?

A Yes.

MR. HATCH: Madam Chairman, I would request that Mr. King's direct and rebuttal be inserted into the record as though read.

CHAIRMAN JABER: The prefiled direct testimony of Jeffrey A. King and the prefiled rebuttal testimony of Jeffrey A. King shall be inserted into the record as though read.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF JEFFREY A. KING

ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC
AND TCG SOUTH FLORIDA, INC.

DOCKET NO. 981834-TP/DOCKET NO. 990321-TP

DECEMBER 19, 2002

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

A. My name is Jeffrey A. King. I am a District Manager in the Local Services & Access Management organization of AT&T Corp. ("AT&T"). My business address is 1200 Peachtree Street, N.E., Atlanta, Georgia 30309.

Q. FOR WHICH COMPANY ARE YOU FILING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of AT&T Communications of the Southern States, LLC, and TCG South Florida, Inc. (collectively referred to as "AT&T").

Q. HAVE YOU TESTIFIED IN OTHER REGULATORY PROCEEDINGS?

A. Yes. I previously filed testimony on behalf of AT&T regarding various cost and pricing issues with public service or utility commissions in Georgia, Florida, Tennessee, North Carolina, Louisiana, Alabama, Puerto Rico and before the Federal Communications Commission ("FCC").

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATION AND EXPERIENCE.

A. I received a Bachelor of Arts degree in Business Administration with a concentration in Industrial Administration from the University of Kentucky in

1983. I joined AT&T's Access Information Management organization in April 1986 and worked developing and testing the ordering and inventory Access Capacity Management System for electronically interfacing "High Capacity" access orders with incumbent local exchange carriers ("ILECs"). In December 1992, I joined the Access Management organization and managed customer/supplier relations on interstate access price issues, including access charge impacts and tariff terms and conditions analysis, with BellSouth Telecommunications, Inc. ("BellSouth") and Sprint LTD. In addition, my responsibilities included ILEC cost study analysis. I began supporting AT&T's efforts to enter the local services market with the implementation of the Telecommunications Act of 1996. Since July 1998, my responsibilities have included analyzing ILEC costs and recommending all cost-based prices charged by ILECs. My responsibilities also include managing the rates, terms and conditions of local interconnection agreement charges and access tariff charges that AT&T pays to ILECs in the nine-state BellSouth region.

Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

A. The purpose of my testimony is to the address the technical issues (Issues 1A-8) associated with the provisioning of collocation space, as listed in the Order Establishing Procedure in this proceeding. These issues include billing and payment of non-recurring and recurring charges, cancellation charges, justification of space reservation needs, reclaimed unused space, contractual obligations for ALECs, transfer of space from one ALEC to another, ILEC

requirement to provide copper entrance facilities, standardization of power, and space exhaustion.

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

A. There are generally 3 categories of non-recurring charges associated with collocation space: (1) Application Fee, (2) Space Preparation – Firm Order Processing and (3) Other.

(1) The applicable non-recurring Application Fee should be billed within a 30-day billing cycle of the date which the ILEC notifies the ALEC of space availability. Space availability notification occurs within 20 days of the date which the ALEC submits the collocation application.

(2) The non-recurring charge for processing the firm order for collocation space preparation is billed within a 30-day billing cycle of the date which the ILEC confirms the ALEC's Firm Order for collocation.

(3) The non-recurring charges for Other (e.g., Cable Installation, Cross-Connects, etc) are billed within a 30-day billing cycle of the date that the ALEC has accepted the requested collocation UNE (i.e., the date the ALEC has tested and interconnected its facilities to the ILEC).

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

A. Once the ALEC accepts the collocation space (i.e., cage acceptance) from the ILEC, the ILEC should bill the ALEC within a thirty (30) day billing cycle for the

floor space. Because the ALEC is generally not permitted to begin its installation process of installing equipment, power cables, and cross-connection of facilities, until the space has been accepted by the ILEC, the remaining monthly recurring charges should be deferred until the completed phase of collocation deployment by both companies. After the ALEC installs its equipment, tests and interconnects its equipment to the ILEC interoffice facilities and is provided power, the remaining applicable monthly recurring charges should be billed within a thirty (30)- day billing cycle.

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

A. There should not be a cancellation charge (i.e., a separate fee for cancellation) imposed on the ALEC when collocation space is cancelled. If a collocation request is cancelled before the preparation of the space is complete, the ALEC should be entitled to a return of the portion of the amounts already paid attributable to the work that will not be done as a result of the cancellation. Further, 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 to the ALEC. Moreover, the ILEC receives the benefit of the investment the ALEC has already made in the preparation of the space. For example, if an ALEC has a completed collocation space and then cancels, the ILEC will inherit a ready made collocation space that it can use to supply the next ALEC that orders space. In addition, to the extent that the collocation is not

complete, the ILEC still will recoup its costs for the work performed as well as the benefit of the preparation of the space already accomplished.

Q. ISSUE 2A. 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?

A. If an ILEC desires to reclaim unused space from an ALEC, the ILEC should be required to notify the ALEC in possession of the space in writing, sufficient to enable the ALEC to make a reasonable judgment as to the necessity for the reclamation. The ALEC should be allowed the opportunity to verify the ILEC's need through a site survey or other reasonable means. The ILEC must justify that any building addition is a necessity of meeting demand and not of convenience. Should the ALEC be affected by a building addition, the ILEC and CLECs should work cooperatively to limit the expense and burden, including the option that the ILEC pay its fair share of the expense to move ALECs from their space. After the ILEC has demonstrated an immediate need for space reclamation, an ALEC should then be required to show that it has need of the space within a reasonable amount of time.

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

A. The condition that would allow an ILEC to reclaim unused collocation space is when the ILEC has determined that their central office floor space is completely exhausted, has demonstrated an immediate need for the deployment of equipment

necessary to provide service for its local customers, and the ALEC has no demonstrated need for the space.

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

A. 1) If the ALEC has future plans for their collocation space and provides written notification as such to the ILEC, then the ILEC has no authority to reclaim their collocation space.

2) If the ALEC has no future plans for the designated collocation space and provides written documentation to the ILEC as such, then the ILEC should be allowed to reclaim the unused collocation space.

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

A. The ILEC must send formal written notification to the ALEC requesting reclamation of space. If the ALEC has no future plans for the collocation space, the ILEC can reclaim the space. Once the collocation space has been reclaimed, the ILEC must stop all monthly recurring billing charges to the ALEC and send formal notification to the ALEC of the stopped bill date.

Q. ISSUE 3. SHOULD AN ALEC HAVE THE OPTION TO TRANSFER ACCEPTED COLLOCATION SPACE TO ANOTHER ALEC? IF SO, WHAT ARE THE RESPONSIBILITIES OF THE ILEC AND ALEC?

A. Yes. If an ALEC has accepted collocation space from an ILEC and at that time, its requirements for collocation have changed, the ALEC should be allowed to transfer over this space to another ALEC that has expressed an interest. The

contracted ALEC should submit an application for a collocation records change to the ILEC for said collocation space. The collocation provisioning intervals should not apply as the space has already been completed. Therefore, the ALEC should be granted immediate access to the designated collocation space.

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

A. Yes. Copper technology, including copper entrance facilities, is still an integral part of the telecommunications industry. The ILECs still use copper technology within their networks to provide both basic and advanced services such as the ongoing deployment of DSL technology. An ALEC should be allowed the same opportunity to use copper plant within the context of a collocation inside the central office.

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

A. Power, as defined for purpose of charges "per amp", should be offered in one (1) amp increments. ILECs should be required to provision power in fuse size increments of 5, 10, 15, 20, 25, 30, 40, 50, 60, 70, 80, 90, 100, 120, 150, 180, 200, 225 amps, and above as available from the market. Fuse sizes of 70 amps or greater should be provisioned from the ILEC power distribution board if requested by the ALEC.

Q. ISSUE 6A: 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?

A. The ILEC's "per ampere" power rate should be based on the ALEC's actual usage such as the specified load or amps used.

ISSUE 6B: IF POWER IS CHARGED ON A PER-AMP-USED BASIS OR ON A FUSED CAPACITY BASIS, HOW SHOULD THE CHARGE BE CALCULATED AND APPLIED?

Q. PLEASE EXPLAIN WHY POWER CHARGES SHOULD BE BASED ON ACTUAL USAGE.

A. Following cost-causation pricing principles, since the ILEC incurs its expense from its power supplier based on actual usage then the ILEC (as a secondary supplier of power) should charge its customers (i.e., ALECs) based on the actual amperage used by the ALEC's installed equipment. Any deviation, or attempt to charge on a "per fused" basis, introduces opportunities for significant over recovery of the ILEC's true cost.

Q. WHAT METHODOLOGY DOES AT&T PROPOSE TO BASE POWER CHARGES ON USAGE?

A. There are two ways recommended, in priority order, to capture actual ALEC power usage: (1) metering and (2) using the List 1 Drain of installed equipment as provided by the equipment vendors.

Metering entails the actual placement of meters, or utilization of existing measurement facilities, at the power distribution board (PDB) or the battery distribution fuse bay

(BDFB) to measure actual amperage drained by the collocation equipment for which the ILEC is providing the power.

Using List 1 Drain entails using the power requirements that the collocation equipment vendor has specified as the maximum steady state drain for the equipment. The Collocation Application process requires the ALEC to provide to the ILEC the List 1 Drain of installed equipment.

AT&T believes the Commission should order the use of List 1 Drain specifications as a suitable proxy for actual usage when determining collocation power charges if meters or measuring facilities are unavailable or not economically feasible at the PDB or BDFB.

Q. HAVE ANY OTHER STATES ORDERED THE USE OF ACTUAL USAGE FOR DETERMINING COLLOCATION POWER CHARGES?

A. Yes. In its Order in ICC Docket Nos. 96-0486 and 96-0569 (Consol.), the Illinois Commerce Commission ordered the use of power meters for determining the number of amps for calculating collocation power charges. The installation of the power meters was completed in the first quarter of 2001 and the actual amperage readings from those meters are now being used as the basis for determining DC power charges.

The Tennessee Regulatory Authority ("TRA") ordered BellSouth to work out a method of usage based charges as a result of a complaint filed by MCI/Worldcom. Based on the TRA's order, the AT&T/BellSouth ICA was revised May 22, 2002, to incorporate usage based power charges and BellSouth will be reading the AT&T owned BDFB meters as the basis for usage charges where the collocation site is equipped with a BDFB. Further, Verizon (in its local service territories, including North Carolina in Docket No. P-100, Sub 133j) advocates actual "load" as the correct method of charging for power.

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

A. As also discussed in Issue 1B, an ALEC should be billed for power once power is being provided and used by the ALEC. Once equipment has been installed and activated by the ALEC the ILEC (or certified 3rd party representative) will perform a collocation site survey and record the metered power. Unless future augments occur to a collocation site metering surveys could occur quarterly. This is due to the fact that telecommunications equipment maintains a steady state power drain.

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

A. Yes, an ALEC should have the option of an AC power feed to its collocation space. This is essential to enable ALECs to place AC powered equipment in their collocation space. In addition, ALECs can also convert AC power to DC power if needed. Such conversion may also be more economical for an ALEC than purchasing DC power from the ILEC.

Q. ISSUE 8. 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 NEAR EXHAUSTION?

A. The ILEC should be responsible for notifying the ALEC community via its form of communications such as website postings or Carrier Notification Letters, of the remote terminal sites that are exhausted. For these sites pre-determined to be

exhausted, the ILEC owes to the ALEC community, a plan of action as to when new construction of a remote terminal will be completed. If the ILEC has other plans in which to relieve the exhausted conditions of the remote terminal, again, the ILEC needs to provide notification to the ALEC's of those plans with time lines and dates of anticipated completion.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBITTAL TESTIMONY OF JEFFREY A. KING

ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC
AND TCG SOUTH FLORIDA, INC.

DOCKETS NOS. 981834-TP and 990321-TP

JANUARY 21, 2003

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

A. My name is Jeffrey A. King. I am a District Manager in the Local Services & Access Management organization of AT&T Corp. ("AT&T"). My business address is 1200 Peachtree Street, N.E., Atlanta, Georgia 30309.

Q. FOR WHOM ARE YOU FILING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of AT&T Communications of the Southern States, LLC, and TCG South Florida, Inc. (collectively referred to as "AT&T").

Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER REGULATORY PROCEEDINGS?

A. Yes. I previously filed testimony on behalf of AT&T regarding various cost and pricing issues with public service or utility commissions in Georgia, Florida, Tennessee, North Carolina, Louisiana, Alabama, Puerto Rico and before the Federal Communications Commission ("FCC").

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATION AND EXPERIENCE.

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Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATION AND EXPERIENCE.

A. I received a Bachelor of Arts degree in Business Administration with a concentration in Industrial Administration from the University of Kentucky in 1983. I joined AT&T's Access Information Management organization in April 1986 and worked developing and testing the ordering and inventory Access Capacity Management System for electronically interfacing "High Capacity" access orders with incumbent local exchange carriers ("ILECs"). In December 1992, I joined the Access Management organization and managed customer/supplier relations on interstate access price issues, including access charge impacts and tariff terms and conditions analysis, with BellSouth Telecommunications, Inc. ("BellSouth") and Sprint LTD. In addition, my responsibilities included ILEC cost study analysis. I began supporting AT&T's efforts to enter the local services market with the implementation of the Telecommunications Act of 1996. Since July 1998, my responsibilities have included analyzing ILEC costs and recommending all cost-based prices charged by ILECs. My responsibilities also include managing the rates, terms and conditions of local interconnection agreement charges and access tariff charges that AT&T pays to ILECs in the nine-state BellSouth region.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address the issues raised in and to rebut the direct testimony filed in this proceeding by the BellSouth, Verizon and Sprint witnesses.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized in two parts. The first part will address the issues concerning the commencement of billing for recurring charges for billing for collocation space and arrangements (Issue 1B) and payment of non-recurring charges

for cancellation of collocation space (Issue 1C). I will also address the appropriate methodology for the billing of recurring power charges (Issue 6A). The second part of my testimony will address the issues related to collocation space exhaustion, reservation, reclamation and transfer among the ALECs (Issues 2A, 2B, 2C, 2D, 3, and 4).

PART ONE

Q. WHAT SHOULD BE THE COMMISSION'S GUIDING PRINCIPLE WHEN DECIDING THE ISSUES RELATED TO THE COMMENCEMENT OF BILLING OF RECURRING CHARGES FOR COLLOCATION SPACE AND ARRANGEMENTS AND POWER AND FOR NON-RECURRING CHARGES FOR CANCELLATION OF COLLOCATION SPACE?

A. The Commission's guiding principle when deciding the issues related to the billing and payment of recurring and non-recurring charges for collocation space and arrangements and power should be that **the ALEC should only pay for what they use when they use it, no more and no less.**

ISSUE 1B: WHEN SHOULD BILLING OF MONTHLY RECURRING CHARGES BEGIN?

Q. DOES AT&T CONCUR WITH THE ILEC'S POSITION THAT MONTHLY RECURRING CHARGES ARE APPROPRIATELY ASSESSED WHEN THE ILEC HAS COMPLETED ITS CONDITIONING AND PROVISIONING

WORK ON THE COLLOCATION SPACE AND TURNED THE COLLOCATION SPACE OVER TO THE ALEC FOR ACCEPTANCE?

A. No. At pages 8 and 9 of the Direct Testimony of BellSouth's A. Wayne Gray, Mr. Gray provides BellSouth's position that "monthly recurring charges begin on the date that the ALEC accepts the space (Space Acceptance Date)". In the testimony of Sprint-Florida witness Edward Fox and Verizon Florida witness John Ries, it appears that Sprint-Florida and Verizon Florida concur in this position.

Mr. Gray's reasoning is that "monthly recurring charges are appropriately assessed when [BellSouth] has completed its space conditioning and provisioning work and turned the 'functional space' over to the ALEC". Mr. Gray further defines functional space as "space that is completely conditioned according to the ALEC's specifications and can be immediately utilized to interconnect with BellSouth's network and/or access to BellSouth's unbundled network elements ("UNEs") in the provision of telecommunications services". AT&T, however, does not agree that the collocation space available to AT&T for acceptance on the Space Acceptance Date is "functional space" or space that can be immediately utilized to provide telecommunications services to its customers. As a result, AT&T does not believe that it is appropriate for the ILECs to commence the billing of monthly recurring charges to AT&T until the collocation space is made functional and ready for commercial use.

Q. WHY DOES AT&T NOT AGREE THAT THE COLLOCATION SPACE MADE AVAIALABLE ON THE COLLOCATION SPACE ACCEPTANCE DATE IS FUNCTIONAL AND READY FOR COMMERCIAL USE OR THAT IT IS APPROPRIATE FOR THE ILEC'S TO COMMENCE BILLING OF MONTHLY RECURRING CHARGES?

A. AT&T would define collocation space as "functional" only after its collocation equipment has been installed and that equipment has been interconnected to BellSouth's network components, tested and turned up and available to AT&T to provide commercial service to its consumer or business customer. Only after the collocation space has been made functional is it appropriate to begin the billing of monthly recurring charges for cross connection facilities and power.

Q. WHAT IS THE STATUS OF AN ALEC'S COLLOCATION SPACE ON THE DATE OF SPACE ACCEPTANCE AND WHAT ARE SOME OF THE WORK ACTIVITIES THAT ARE NECESSARY FOR THE ALEC TO PERFORM IN ORDER TO MAKE THE COLLOCATION SPACE FUNCTIONAL AND READY FOR COMMERCIAL USE?

A. At the point of the Space Acceptance Date, the ILEC will only have provided floor space, heating and air conditioning (HVAC), welded wire cage, and electrical Alternating Current (AC) outlets. After the Space Acceptance Date, the ALEC's vendor must provide the critical equipment and components and perform the provisioning activities necessary for interconnection of the ALEC's equipment to the ILEC network. After the Space Acceptance Date, prior to even beginning to deploy

equipment for interconnection to the ILEC network, the ALEC must submit a Methods of Procedure (MOP) document to the ILEC requesting to install its equipment according to the ILEC installation process and procedures. This process requires the approval from the ILEC before installation of the equipment and the necessary provisioning activities can begin.

The provisioning activities typically include the installation of the ALEC's equipment (e.g. OC48, DS1 and DS0 bays), the establishment of cross connection facilities to connect to the ILEC's designated interconnection point(s) and the establishment of power feeder cables to obtain a power source to power the installed equipment. Recently, BellSouth has instituted changes in these processes that make the equipment installation and provisioning of cross connects and power more difficult and time consuming.

Only after this installation and provisioning work is completed can an ALEC collocation space can be deemed "functional" and ready for commercial use. Prior to the date the ALEC collocation space is made "functional," it would not be appropriate for the ILEC to commence the billing of monthly recurring charges for the cross connection facilities, power and other collocation services.

Q. WHAT WOULD BE THE APPROPRIATE CHARGES FOR THE ILEC TO APPLY TO THE ALEC COMMENCING ON THE SPACE ACCEPTANCE DATE?

A. It would be appropriate for the ILEC to commence billing the ALEC the monthly recurring charge for the floor space per square foot on the Space Acceptance Date.

Q. PLEASE DESCRIBE SOME OF THE PROCESS CHANGES THAT HAVE BEEN INSTITUTED BY BELLSOUTH THAT MAKE THE PROVISIONING OF ALEC COLLOCATION EQUIPMENT MORE DIFFICULT AND TIME CONSUMING?

A. Most of the current Interconnection Agreements, particularly with BellSouth, include major provisioning process changes that have lengthened the time required to make an ALEC's collocation space "functional" and ready for commercial use.

In the past, BellSouth performed the provisioning of the cross-connect facilities and power cabling. BellSouth would engineer, install, and deliver these facilities from the BellSouth source to a meet point or Point of Interconnection. The ALEC, utilizing its designated BellSouth Certified Vendor, would only need to perform the work necessary to install its equipment and provision the cross-connect facilities and power cabling from the ALEC's collocation space to that meet point.

The new provisioning processes now require that the work previously performed by BellSouth on its side of the meet point be performed by the ALEC, utilizing its designated Certified Vendor. Under these new provisioning processes, the ALEC is responsible for the engineering, label/stenciling and installation of the 2-Wire, 4-Wire, DS1, DS3, 2-Fiber, and 4-Fiber cross connects and Power Feeder cables from

the BellSouth source or demarcation point to the ALEC's collocation space. Under the new processes put in place by BellSouth, the ALEC's designated BellSouth Certified Vendor must now perform a site visit to determine the cable lengths and type(s) of cable from the BellSouth's designated demarcation points in order to engineer the cross connection facilities cables and interconnection devices.

In addition, prior to the implementation of these provisioning process changes, the meet point or Point of Interconnection was typically located near the ALEC's collocation site or in a designated Common Access Area. This Common Access Area was normally located on the same floor as the ALEC's collocation space. Today, the point(s) of interconnection for cross connection designated by BellSouth are often times not located on the same floor as the ALEC's collocation equipment, which adds substantially to the installation intervals and time required for the ALEC to make its collocation space "functional" and ready for commercial use.

As with the new activities associated with the provisioning of cross connection facilities, BellSouth's new process changes also requires that the ALEC's designated BellSouth Certified Vendor engineer and install the Power Feeder cables that supply Direct Current (DC) power to the ALEC's collocation equipment. In order to perform this new activity, the ALEC's designated BellSouth Certified Vendor must perform a site visit to determine the "cable runs" in the designated overhead cable racking to be used to deliver power to the ALEC's from the BellSouth's power source. The ALEC's designated BellSouth Certified Vendor is also required to obtain

fuse assignments from BellSouth's ERMA database, engineer the cable size and length and install the power cables from the BellSouth main power board to the ALEC's collocation equipment. Even before the changes mandated by BellSouth, the amount of time required for the engineering and installation of the Power Feeder Cables to the ALEC's collocation space and equipment constitutes one of the longest periods in the installation interval. The process changes have only added to the provisioning time required to make the ALEC's collocation space "functional" and ready for commercial use.

Q. AFTER AN ALEC'S COLLOCATION SPACE HAS BEEN MADE "FUNCTIONAL," AS YOU HAVE DEFINED IT, WHAT ARE SOME OF THE COMMON ELEMENTS AND SERVICES THAT THE ALEC WOULD REQUIRE FROM THE ILEC ON A MONTHLY RECURRING BASIS TO MAKE COMMERCIAL USE OF THE EQUIPMENT IN THE COLLOCATION SPACE?

A. After an ALEC's collocation space is made functional and ready for commercial use, the ALEC would typically require and it would be appropriate for the ILEC to submit monthly recurring billing for (1) the actual physical collocation floor space per square foot utilized by the ALEC and for the welded wire cage; (2) the cross connect facilities (i.e. 2-Wire, 4-Wire, DS1, DS3, 2-Fiber, and 4-Fiber Cross Connects) utilized for interconnection to the ILEC's network; and (3) the power utilized by the ALEC in the commercial operation of its equipment in the physical collocation space.

Q. WHAT ARE AT&T'S OBJECTIONS TO THE ILEC'S BILLING OF MONTHLY RECURRING CHARGES COMMENCING AT THE SPACE ACCEPTANCE DATE?

A. AT&T's principal objection is that it is inappropriate for the ILEC to bill the ALEC for services and functions until being utilized by the ALEC.

Q. WHEN DOES AT&T PROPOSE THAT THE ILEC SHOULD COMMENCE THE BILLING OF MONTHLY RECURRING CHARGES TO THE ALEC'S?

A. AT&T would propose that it would be fair and equitable for the ILECs to bill the ALECs **"for the facilities and services that they use, when they use it, no more, no less".** The ILECs should commence billing to the ALEC the monthly recurring charges the floor space per square foot that the ALEC's collocation space occupies beginning at the Space Acceptance Date. The monthly recurring charges for cross connection and power facilities and other services should commence on the date that that the ALEC begins to utilize these facilities and services after its equipment becomes interconnected, tested and operational and the collocation space becomes "functional" and ready for commercial use.

Q. HOW DOES AT&T ADRESS THE ISSUE OF AN ALEC'S INORDINATE DELAY AFTER THE SPACE ACCEPTANCE DATE IN PREPARING ITS COLLOCATION SPACE TO BECOME "FUNCTIONAL?"

A. In order to address the issue of an ALEC's inordinate delay in making its collocation space "functional," AT&T would propose that the ILEC's billing for monthly

recurring charges involving cross connection and power facilities and services should begin at the date that the collocation space becomes functional and ready for commercial use or ninety (90) days after the Space Acceptance Date, whichever occurs first. The standard interval for BellSouth to prepare a collocation space for acceptance by the ALEC after submission of a Bona Fide Firm Order to proceed is ninety (90) days. If it takes BellSouth ninety (90) days to prepare the space with heating and air conditioning (HVAC), an AC power outlet and a welded wire cage, it would be appropriate and fair to give the ALEC a similar time interval to perform the much more complex and difficult activities to prepare the collocation space to become "functional" and available for commercial use.

ISSUE 1C: WHAT CANCELLATION CHARGES SHOULD APPLY IF AN ALEC CANCELS ITS REQUEST FOR COLLOCATION SPACE?

Q. DOES BELLSOUTH PROVIDE SUFFICIENT JUSTIFICATION OR SUBSTANTIATION FOR ITS POSITION THAT "NON-RECOVERABLE" EXPENSES SHOULD BE BILLED TO THE ALEC IN THE EVENT THAT THE ALEC CANCELS ITS REQUEST FOR COLLOCATION SPACE?

A. No. In the Direct testimony of BellSouth's A. Wayne Gray, Mr. Gray states that "If an ALEC cancels its order [request for collocation] anytime from the Bona Fide Firm Order to ... either the Space Acceptance Date or the Space Ready Date, the ALEC should be required to reimburse the ILEC for any non-recoverable costs (expenses) incurred by the ILEC for the work performed up to the date of cancellation is

received and acknowledged by the ILEC". While AT&T agrees that BellSouth should be reimbursed for the non-recurring expenses incurred by BellSouth for the work performed up to the point that an ALEC cancels its request for collocation, Mr. Gray does not make clear what these non-recoverable expenses are that BellSouth would seek to recover, nor how they are "not recovered" in the non-recurring charges that BellSouth bills in the process of fulfilling an ALEC's Bona Fide Firm Order.

Q. WHAT ARE THE NON-RECURRING CHARGES BILLED BY BELLSOUTH IN THE PROCESS OF FULFILLING AN ALEC'S REQUEST FOR COLLOCATION SPACE?

A. BellSouth commences the billing of non-recurring charges to the ALECs to recoup BellSouth's non-recurring expenses incurred at the time BellSouth provides its Response to the ALEC's Application for collocation. As Mr. Gray describes in his Direct testimony, after the assessment of non-recurring fees for work concerning the ALEC's Application and BellSouth's Response to the Application, a non-recurring charge is billed by BellSouth at the time the ALEC submits a Bona Fide Firm Order to proceed with the construction of the collocation site. "[T]he non-recurring fees associated with a Bona Fide Firm Order, cable installation, cable records, and security access administration are billed at the time the ALEC submits its Bona Fide Firm Order. The activities associated with installing cable, building cable records in BellSouth's central office databases, and setting up the appropriate security access records in BellSouth's security access database for the ALEC's employees and vendors would be performed on a one-time basis." Given the non-recurring charge

for these activities, it is unclear what BellSouth may later deem "non-recoverable costs."

Mr. Gray's testimony, while providing a general definition of expenses BellSouth might deem to be "non-recoverable" (i.e. "the non-recoverable cost of equipment and material ordered, provided or used; the non-recoverable cost of equipment ordered, provided or used; the non-recoverable cost of installation and removal, including costs of equipment and material ordered, provided or used; labor; transportation and other associated costs."), he fails to differentiate the non-recurring cost of those work activities and materials that are already recovered through the billing of non-recurring charges. Furthermore, Mr. Gray does not acknowledge that the cost of the work performed in preparing the collocation space by BellSouth may well be recoverable by re-leasing the pre-constructed collocation sites to the next applying ALEC.

Q. WHAT DOES AT&T PROPOSE WITH REGARD TO THE CANCELLATION CHARGES APPLICABLE TO THE ALEC WHEN AN ALEC CANCELS ITS ORDER FOR COLLOCATION SPACE AFTER THE SUBMISSION OF A BONA FIDE FIRM ORDER?

A. AT&T would propose that it would be fair and equitable for the ALEC's to pay BellSouth **"for the facilities and services that they use, when they use it, no more, no less."** BellSouth should bill to the ALEC the non-recurring charges associated with activities associated with making the collocation space available to the ALEC to occupy. If the ALEC cancels a request after the issuance of a Bona Fide Firm Order,

BellSouth should be reimbursed for the non-recurring expenses incurred by BellSouth for the work performed up to the point that an ALEC cancels its Bona Fide Firm Order. To the extent that the BellSouth work effort covered by the non-recurring charges assessed at the point of the cancellation, a pro-rata credit should be made to the ALEC's account representing work paid for but not performed.

To the extent that BellSouth seeks to bill an ALEC for alleged "non-recoverable expenses," BellSouth should be required to justify that those expenses were not recovered by the non-recurring charges previously billed or paid and that BellSouth is unable to re-lease the pre-constructed collocation space to the next applying ALEC within a reasonable amount of time.

ISSUE 6A: COLLOCATION POWER CHARGES – FUSED VERSUS USAGE BASED

Q. SHOULD ALECS BE CHARGED FOR POWER BASED ON THE SIZE OF THE FUSE OR BASED ON ACTUAL USAGE?

A. ALEC's should have the option of having their power charges billed based on the power usage consumed by the ALEC's equipment. ALEC's should not be required to have their power charges based on the "fused-capacity" as is currently required by BellSouth. This "fused capacity" based billing is a poor proxy for the power usage actually consumed by the ALEC's equipment and results in substantial overcharges to AT&T and the ALEC community. Rather than being forced to utilize BellSouth's

"fused capacity" proxy for the amount of power utilized, AT&T and the ALEC community should be permitted the option to have their power usage measured and be billed on that basis. Again, the guiding principle for the Commission in addressing this issue should be that **"the ALEC should pay for what they use when they use it, no more and no less."**

Q. PLEASE EXPLAIN WHY BELLSOUTH'S FUSED-CAPACITY BASED BILLING IS A POOR PROXY FOR THE POWER ACTUALLY BEING USED BY THE ALEC?

A. As discussed at page 12 of the Direct testimony of BellSouth's W. Keith Milner, BellSouth requires that AT&T and the ALEC community be charged for DC power based on the size of the fuse, which Mr. Milner alleges is sized at 1.5 times the anticipated load or "drain" of the ALEC equipment (referred to by the manufacturer as List 1, which is explained below). The anticipated load or "drain" utilized by BellSouth is the List 1 drain of the equipment, however the fuse is based on the sum of the List 2 drains, not the list 1 drains. The List 2 "drain" is specified by the manufacturer as the *peak drain*, which is the maximum amount of power that the equipment will consume when the power plant is in distress and nearing failure, as specified by the equipment manufacturer. This is in contrast to the List 1 drain, which is the maximum amount of power that the equipment will draw when the equipment is fully utilized under normal operating conditions. There is, however, no predictable correlation between the amount of either actual or average power that a piece of equipment uses and the size of the fuse at either 1.5 times the List 2 or List 1

drain. In other words, the size of the fuse is irrelevant to the actual amount of power used.

Q. ON PAGE 12 OF HIS TESTIMONY, MR. MILNER ATTEMPTS TO EXPLAIN A RELATIONSHIP BETWEEN FUSED AMPS AND BILLING BY STATING THAT "FOR PURPOSES OF BILLING, THE RECURRING POWER RATE [BASED ON THE FUSED CAPACITY] ASSESSED BY BELLSOUTH INCLUDES A 0.6667 MULTIPLIER TO TAKE INTO ACCOUNT THE FACT THAT AN ALEC WOULD NOT NORMALLY USE THE FULL CAPACITY OF THE PROTECTION DEVICE". MR. MILNER GOES ON TO STATE, "SO THE ALEC IS NOT PAYING FOR ANY MORE POWER CAPACITY THAN WHAT THE EQUIPMENT REQUIRES". WHY ARE MR. MILNER'S STATEMENTS MISLEADING?

A. There are several reasons why these statements are misleading.

As an initial matter, basing the fused capacity on List 2 drain, while appropriate for sizing the fuse, overstates the amount of power that the ALEC equipment will utilize under normal working conditions (i.e. List 1 drain). As I explained previously, List 2 drain is specified by the manufacturer as peak drain, which is the maximum amount of current the equipment will draw when the power plant is in distress and nearing failure.

Compounding this problem is the fact that the ALEC equipment bays are not normally fully equipped when the power is connected, yet the size of the fuse feeding the equipment bay is based on an assumption that the equipment bay is fully equipped.

The third issue that contributes to BellSouth's "fused capacity" based overcharges for power is the fact that fuse sizes are not available in single ampere increments. For example, assume a piece of ALEC equipment has a specified List 2 drain of 16 amps, requiring a fuse size of 24 amps (16 * 1.5). Since there is no 24-amp fuse available, the ALEC would be required to utilize a 30-amp fuse in its place. Therefore, BellSouth is applying billing with the assumption that the ALEC is drawing 20 amperes of power (0.6667*30). This equates to a 25% overstatement of fuse capacity actually required as well as to the billed charges. Thus, contrary to Mr. Milner's assertion, the ALEC would be paying for more power capacity than the requirements of the ALEC's equipment.

Furthermore, the option to utilize fuses in 10-amp increments with capacities between 10 amps and 100 amps is only available if the ALEC connects to the BellSouth Battery Distribution Fuse Board (BDFB). Where the ALEC opts to install its own BDFB in the collocation space (as is the case with AT&T) and connect its BDFB to the BellSouth Power Distribution Board (PDB), BellSouth requires the ALEC to purchase fuses in 225 amp increments. While AT&T does not believe that this 225-amp requirement is supported by either engineering standards or AT&T's

interconnection agreements with BellSouth, it is nonetheless a requirement that BellSouth currently imposes on AT&T and the ALEC community. In any event, this "one size fits all" 225-amp fuse requirement for connection at the BellSouth PDB only exacerbates the problems of the significant mismatch between (1) the fused capacity billed and the fused capacity needed and (2) totally skews the amount of BellSouth billed overcharges for power versus the amount of power actually used by AT&T and the ALEC community.

Q. CAN AT&T DEMONSTRATE THAT BELLSOUTH'S FUSED-CAPACITY BASED BILLING FOR POWER HAS RESULTED IN SUBSTANTIAL OVERCHARGES TO AT&T?

A. Yes. In fact, AT&T completed surveys of its Florida physical collocation sites during 2001. The surveys included an inventory of the size and number of DC power fuses as well as a reading of the actual current drain at the meter built into the BDFBs installed at the AT&T collocation sites. The results were astonishing. AT&T's primary fuses connected at the BellSouth PDB totaled 18,025 amperes. The total usage measured at the AT&T BDFBs totaled 666.97 amps. By applying the BellSouth 0.6667 multiplier for purposes of billing, AT&T could expect to be billed by BellSouth for an equivalent of 12,017 amps rather than the approximately 667 amps actually used by the AT&T equipment in the collocation space. This equates to an overcharge of approximately 1703% for what AT&T's equipment actually used.

From that same data, AT&T sampled its collocation site in the BellSouth end office at Azalea Park in Orlando that the Staff toured on January 22, 2003 as part of this Docket. The AT&T collocation site is equipped with eight power panels fused at 225 amps each at the BellSouth PDB. This consists of four panels of Load A fused at 225 amps and four panels of Load B fused at 225 amps. When a power panel of 225 amps is purchased, AT&T is provided with one A panel and one B panel under normal circumstances, as is the case at this site. The total fused power is 900 amps. At the BDFB located at the AT&T collocation space, AT&T has a total of seven 30-amp fuses to feed the equipment installed in that space for a total fused capacity of 210 amps. The total actual usage, as measured by the meters built into the AT&T BDFB, of all seven panels combined was only 9 amps. Using the BellSouth methodology for billing based the application of the of the .6667 multiplier times the fused capacity at the PDB, AT&T could expect to be billed for 600 amps (900 amps * .6667) or approximately a 6567 % power charge in excess of the actual measured usage.

Q. WHAT DOES AT&T PROPOSE TO PREVENT THE OVERBILLING OF POWER USAGE TO THE ALEC COMMUNITY?

A. The guiding principle that the Commission should use to address this issue should be that the ALEC **"should be required to pay for what they use when they use it, no more and no less."** In furtherance of this principle, ALEC's should have the option of having their power charges billed based on the power usage consumed by the ALEC's equipment. AT&T would propose two methodologies that could be used to

better approximate the actual ALEC power usage for billing of monthly recurring power charges.

Q. WHAT IS THE FIRST METHODOLOGY THAT AT&T WOULD PROPOSE THAT COULD BE USED TO BETTER APPROXIMATE THE ACTUAL ALEC POWER USAGE FOR BILLING OF MONTHLY RECURRING POWER CHARGES?

A. Actual metering of the power used by the ALEC's equipment can be performed at the ALEC's collocation space utilizing the existing measurement facilities in the ALEC's BDFB. As described by Mr. Milner at page 8, it is an option available to the ALEC to install its own BDFB inside its collocation site and order power from BellSouth's main power board (or PDB). While Mr. Milner states that this option is utilized less commonly, this is the principal configuration that AT&T uses at its physical collocation sites and those BDFB's are equipped with meters to read the actual current drain. Where AT&T or any other ALEC has chosen this configuration and has the capability to meter the actual power usage, the monthly recurring billing for power should be based on that metered usage.

While Mr. Milner states at page 12 of his Direct testimony that, "in BellSouth's view, the metering of central office power to each ALEC's collocation arrangement is not economically feasible for an ALEC ... ", that is a decision that is more appropriately left up to each individual ALEC. As is evident from AT&T's actions based on its survey's of actual usage versus billing for power based on BellSouth's fused capacity

methodology, it is economically feasible for AT&T to establish a meter at AT&T's physical collocation sites in order to measure the actual usage.

Q. WHAT IS THE SECOND METHODOLOGY THAT AT&T WOULD PROPOSE THAT COULD BE USED TO BETTER APPROXIMATE THE ACTUAL ALEC POWER USAGE FOR BILLING OF MONTHLY RECURRING POWER CHARGES?

A. When metering is not available or feasible, AT&T would propose that the monthly recurring power charges should be based on the List 1 drain requirements of the installed equipment. Using List 1 Drain entails using the power requirements that the collocation equipment vendor has specified as the maximum steady state drain for the equipment under normal working conditions. Since the List 1 Drain specifications adequately capture the power requirements of the installed equipment under normal operating conditions, these specifications should be utilized as a suitable proxy for actual usage when determining collocation power. This will sufficiently minimize, although not completely eliminate, the overcharging that has occurred for collocation power. I would note that this is the methodology used by Sprint – Florida as well as Verizon Florida.

Q. HAVE ANY OTHER STATES ORDERED THE USE OF ACTUAL USAGE FOR DETERMINING COLLOCATION DC POWER CHARGES?

A. Yes. In its Order in ICC Docket Nos. 96-0486 and 96-0569 (Consol.), the Illinois Commerce Commission ordered the use of power meters for determining the number

of amps for calculating collocation power charges. The installation of the power meters was completed in the first quarter of 2001 and the actual amperage readings from those meters are now being used as the basis for determining DC power charges. However, as explained earlier, AT&T does not necessarily believe that the Commission need go as far as requiring additional metering. As a practical solution, AT&T here requests that the Commission order the use of the List 1 Drain specifications as the basis for determining the number of amps for calculating power charges in Florida if metering options are not already in place either at the CLEC's BDFB or the BellSouth PDB and the ALEC chooses not to incur the additional costs associated with purchasing a meter.

Q. HAS ANY OTHER STATE ORDERED USAGE BASED CHARGES FOR COLLOCATION POWER?

A. Yes. The Tennessee ~~Commerce Commission~~ Regulatory Authority ordered BellSouth to work out a method of usage-based charges in a complaint filed by MCI/WorldCom. As a result of this order, the AT&T/BellSouth ICA was revised to incorporate usage based charges and will be using the AT&T owned BDFB meters as the basis for usage charges where the collocation site is equipped with a BDFB The ICA was modified to incorporate the manufacturer's specified drain (List 1) as an option.

Q. HAS AT&T ATTEMPTED TO NEGOTIATE THIS ISSUE WITH BELLSOUTH IN FLORIDA?

A. Yes. AT&T initially met with BellSouth in August 2001in an effort to negotiate usage based charges and will continue to seek the use of measured amps in lieu of the application of a minimum fuse amp requirement in determining DC power charges. However, AT&T believes that the instant proceeding is the appropriate forum for the Commission to consider a fair and efficient methodology to be used for determining collocation DC power charges.

PART TWO

ISSUE 2A: 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?

Q. DO YOU AGREE WITH THE TESTIMONY OF MESSERS GRAY, FOX AND RIES REGARDING THE NECESSITY FOR AN ALEC TO JUSTIFY ITS SPACE RESEVATION NEEDS WHEN AND ILEC IS FORCED TO CONSIDER A BUILDING ADDITION TO ACCOMMODATE FUTURE SPACE REQUIRMENTS?

A. Yes, in general. However, I do not agree entirely with each of these witnesses. I disagree with Mr. Gray's statement in his testimony that a failure of an ALEC to fully occupy its collocation space is "presumptively unreasonable." As the Commission has previously ruled and as was noted by Mr. Ries in his testimony, ILECs and ALECs may reserve space for future use under the same terms and conditions. The

Commission further allowed space reservation for a period of up to eighteen months. (See Order No. PSC-00-941-FOF-TP, p. 54, 56.) There is no presumption that an ALEC's reservation of unused space neither is unreasonable nor should there be. The responsibility for the efficient use of space within a central office belongs to all parties and all parties must work cooperatively together to insure maximum efficient use of each central office.

I disagree with the suggestions by Mr. Fox and Mr. Ries that the failure of an ALEC to install or interconnect operational equipment in a collocation space after six months from space acceptance creates an apparent presumption that the space is unused and subject to reclamation, notwithstanding the eighteen month reservation period required by the Commission and acknowledged by Mr. Fox. There are no presumptions established by the Commission against an ALEC's reservation of space and there should be none. To the extent that any presumptions are created by the Commission, such presumptions must apply equally to the ILECs and their respective use of central office space.

AT&T also disagrees with the testimony of Mr. Gray that an ALEC's retention of reserved space can result in space exhaust within a central office and necessitate a new building addition by BellSouth. As Mr. Gray noted in his testimony, an "ILEC is not required to construct additional space to provide for physical collocation when existing space has been exhausted." An ALEC's retention of space cannot cause BellSouth to make a building addition. If BellSouth deems it necessary to add to an

existing central office, it is because BellSouth's own growth cannot be accommodated by its existing facilities or by its reserved space. BellSouth's decision to make a building addition is not caused by an ALEC's retention for future growth of some portion of its collocation space.

Q. WHY IS IT IMPORTANT FOR THE ALECS TO RETAIN THEIR RESERVED SPACE WITHIN A BELLSOUTH CENTRAL OFFICE?

A. ALECs, including AT&T, order incremental space from the ILECs for collocation. AT&T orders collocation arrangements in a manner to ensure that there is sufficient room for equipment to serve current customers and to reasonably account for anticipated near term growth. In order to provide service as efficiently as possible, it is imperative for AT&T and other ALECs to have contiguous space for their current and future collocated equipment. An ALEC must have the ability to interconnect its current facilities to newly deployed growth bays in close proximity to its existing bays of equipment. The imposition of unnecessary limitations on an ALEC's ability to reserve space in the hope of forestalling exhaust will only result in a hodge-podge checker board of noncontiguous collocation spaces that make the ALEC's provision of service more difficult and less efficient. In addition, such a situation could cause the ALEC to incur unnecessary costs to cross connect its own noncontiguous collocation spaces.

Q. UNDER WHAT CONDITIONS SHOULD AN ALEC BE REQUIRED TO JUSTIFY ITS SPACE RESERVATIONS WITH A CENTRAL OFFICE?

A. An ALEC should only be required to justify its space reservations within a central office environment if the central office is totally exhausted for floor space assignments and all administrative space within the central office has been fully utilized to deploy network equipment. If an ALEC cannot justify its needs for future growth space, the ALEC should relinquish its unused floor space to the ILEC. More importantly, the ILEC must also justify its own use of space and any reservations of space in the process of assessing exhaust. If a central office has been declared exhausted, it is imperative for the affected ILEC to have an immediate plan of action to relieve this situation, especially if this office is a critical serving office.

ISSUE 2B: UNDER WHAT CONDITIONS SHOULD AN ILEC BE ALLOWED TO RECLAIM UNUSED COLLOCATION SPACE?

Q. DOES AT&T AGREE WITH BELLSOUTH'S, VERIZON'S AND SPRINT'S POSITION OF RECLAIMING UNUSED SPACE?

A. Yes, generally. As noted above in my response to Issue 2A, ILECs and ALECs may be required to justify any unused or reserved central office space. If an ALEC can reasonably justify its reserved or unused space and it is within the Commission required eighteen-month reservation window, then an ALEC's space should not be reclaimed. If an ALEC can provide no justification for its reserved space, then it should be surrendered to the ILEC. To the extent that an ILEC is not persuaded by the ALEC's justification, the dispute should be submitted to the Commission for

resolution. The ILECs should not be allowed to engage in any unilateral action to coerce the ALEC to surrender its collocation space.

ISSUE 2C: WHAT OBLIGATIONS, IF ANY, SHOULD BE PLACED ON THE ALEC THAT CONTRACTED FOR THE SPACE?

Q. DOES AT&T AGREE WITH THE TESTIMONY OF BELLSOUTH, VERIZON AND SPRINT REGARDING THE OBLIGATIONS OF THE ALECS?

A. Yes, generally. AT&T agrees that ALECs and ILECs alike must each justify their respective use and reservation of space within a central office prior to any attempts to reclaim central office space. Moreover, any disputes should be submitted to the Commission before any action by an ALEC to reclaim ALEC space.

As noted in Mr. Gray's testimony, Page 20 lines 2-3, BellSouth intends to notify ALECs collocated in a central office of the necessity to justify space retention. AT&T agrees that all ILECs should provide such notice to affected ALECs. However, when an ILEC determines that it desires to seek a review of the utilization of a particular central office that may require justification from an ALEC, the ILEC should give the affected ALECs a reasonable period of time to compile their respective justifications for retention of collocation space. The ILEC advance notice to the ALEC requesting justification for retention of collocation space supply should be no less than 60 days. At the time the ALECs' justifications are due, the ILEC

should be required to provide its justification of its own space utilization to the ALECs.

ISSUE 2D: WHAT OBLIGATIONS, IF ANY, SHOULD BE PLACED ON THE ILEC?

Q. DOES AT&T AGREE WITH THE TESTIMONY OF BELLSOUTH, VERIZON AND SPRINT REGARDING THE OBLIGATIONS OF THE ILECS?

A. Yes, generally. For a full discussion please see the response to the question under Issue 2C.

ISSUE 3: SHOULD AN ALEC HAVE THE OPTION TO TRANSFER ACCEPTED COLLOCATION SPACE TO ANOTHER ALEC? IF SO, WHAT ARE THE RESPONSIBILITIES OF THE ILEC AND ALEC'S?

Q. DOES AT&T AGREE WITH MR. GRAY'S TESTIMONY REGARING THE TRANSFER OF A COLLOCATION SPACE FROM ONE ALEC TO ANOTHER?

A. Yes, generally in regard to the transfer in a central office that is not subject to exhaust. AT&T disagrees with Mr.Gray's position that a transfer from one ALEC to another when an office is subject to exhaust is contrary to the first-come, first-served requirement. A transfer of an ALEC's collocation space to another ALEC does not

violate the first-come first-served waiting list and should not affect an ALEC's ability to transfer blocks of collocation space. The FCC's first-come, first-served rule applies to the ILEC's allocation of space within a central office and to those instances in which space becomes available to the ILEC for reassignment, such as a reclamation of space or the expansion of central office. The first-come, first-served rule should not be used to prevent mutually agreed upon transfers between ALECs.

Q. DOES AT&T AGREE WITH MR. FOX'S TESTIMONY REGARING THE TRANSFER OF A COLLOCATION SPACE FROM ONE ALEC TO ANOTHER?

A. No. As with Mr. Gray's testimony, AT&T disagrees with Mr. Fox's position that the first-come first-serve rule mandates that an ALEC not be allowed to transfer its own collocation space to another ALEC, regardless of whether the collocation space in question is in a central office subject to exhaust. Nothing in the first-come first-served rule can be reasonably construed to include a prohibition against an ALEC transferring a collocation space to another ALEC. If a central office is not subject to exhaust, then the first-come first-serve rule would apply to the ILECs assignment of space (which is available in the central office) to the first ALEC that requests collocation. There is no rational justification for precluding an ALEC from transferring its collocation space to another ALEC. In this instance, AT&T agrees with BellSouth that the first-come first-served rule does not apply when a central office is not at exhaust. With respect to those instances where the central office is subject to exhaust, AT&T reiterates it position that first-come first-serve rule was

never intended to apply to ALEC-to-ALEC transfers. This rule is limited to the ILECs' assignment of central office space and to when additional space becomes available to the ILEC for assignment.

Q. DOES AT&T AGREE WITH THE TESTIMONY OF MR. RIES REGARDING TRANSFER OF COLLOCATION SPACE FROM ONE ALEC TO ANOTHER?

A. No. Verizon takes a similar position to that of Sprint. Verizon's position would flatly prohibit any transfers of collocation space from an ALEC to another ALEC. However, Verizon's policy that prohibits transfers, but allows the ALEC to sublease its collocation space, make even less sense. Verizon argues that a transfer would subvert the first-come first-serve rule. However, if a transfer violates the first come first-served rule, then a sublease does so to at least the same degree. There is no substantive difference between acquisition of collocation space by transfer or by sublease. Moreover, Verizon's argument that a transfer would undermine Verizon's ability to control and maintain its premises is a red herring. BellSouth has a clearly established process with well-ordered steps that enable the transfer process to take place without any of the problems suggested by Verizon. There is no violation of the first-come first-served rule in either a transfer in a central office with space available or in a central office where space is at exhaust. The Commission should allow the transfer of collocation space from ALEC to ALEC in both instances.

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

Q. DOES AT&T AGREE WITH MR. MILNER'S AND MR. RIES' TESTIMONY REGARDING COPPER ENTRANCE FACILITIES INSIDE A CENTRAL OFFICE?

A. No. AT&T does agree that the trend is towards fiber optic facilities and the efficiencies that such facilities offer. However, there are still instances where copper entrance facilities remain an integral part of the telecommunications network and a segment of ALECs who deploy this type of transmission, such as radio technology. Although many technologies are using fiber as a preferred alternative, copper is still a viable technology in the telecommunications industry. As long as there are services being provided that necessitate the use of copper facilities, the ALECs should be allowed to utilize copper facilities on an as needed basis. To do otherwise would create a discriminatory situation in which an ALEC may by precluded from providing services that require copper facilities that an ILEC could provide utilizing the copper facilities in its network. More importantly, the application for copper entrance facilities by an ALEC is very rare; therefore, this should not create space constraints. Therefore the Commission should require the ILECs to allow ALECs to use copper entrance facilities. This is consistent with the Commission's previous decision on this issue.

Q. DOES AT&T AGREE WITH MR. FOX'S TESTIMONY REGARDING COPPER ENTRANCE FACILITIES INSIDE A CENTRAL OFFICE?

A. Generally yes. Mr. Fox notes the Commission's prior decision allowing ALECs to utilize copper entrance facilities, as well as the FCC's rulings. However, AT&T disagrees with Mr. Fox's argument that the availability of copper entrance facilities should be left to the discretion of the ILECs. The Commission should continue to follow its previous decisions would require ILECs to allow copper entrance facilities.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

BY MR. HATCH:

Q You did not have any exhibits with your testimony, is that correct?

A No, I did not.

Q Do you have a summary of your testimony?

A Yes, I do.

Q Could you please give that now.

A Thank you. Good afternoon now. My name is Jeff King and I am representing AT&T. There were some stipulations, so I will deal with the open issues in this particular hearing.

On Issue 1A, when should an ALEC be required to remit payment for nonrecurring charges for collocation space, billing for the application fee should commence upon receipt of the ILEC's application response indicating that the space is available, the assessment of space has been completed, and also includes a firm price quote. Billing for space preparation should commence when the ILEC confirms the ALEC's firm order for collocation. Otherwise, following cost causation principles, any other applicable nonrecurring charge should commence upon completion of the activity, service, or UNE requested by the ALEC.

On Issue 3, should an ALEC have the option to transfer accepted collocation space to another ALEC, and if so, what are the responsibilities. An ALEC should be allowed to transfer collocation space and this process is primarily a

records change activity.

On Issue 4 relative to copper entrance facilities, copper technology is still utilized in the telecom network, and if justified by the ALEC to meet its business requirements, the ILEC should be required to allow for the use of copper plant within a central office.

On Issue 5, should an ALEC -- or an ILEC, rather, be required to offer, at a minimum, power in standardized increments and what should those increments be. Power, as defined for purpose of charges per amp, should be offered in one amp increments. There are few sizes available in the marketplace ranging from as little as 5 amps up to 100 and even larger sized amps are available if you are going to power directly to a power distribution board.

Let me jump over to Issue 7. I will come back to the power Issue. On Issue 7, should an ALEC have the option of an AC power feed to its collocation space. AT&T believes that we should have the option, in addition to the convenience outlets to power any AC equipment, we should have the option of an AC power source that would allow an ALEC to convert AC power to DC power. I'm sure upon cross, et cetera, there will be the questions of all the batteries, et cetera. Again, the condition here is that there would be meeting of conditions for the NEC, the electrical codes, and safety concerns. And if those issues are satisfied that we would be allowed to be

offered the AC power source.

On Issue 8, 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 near exhaustion. The ILEC is responsible for notifying of remote sites that are exhausted, similar to central offices, and any plans that the ILEC may have to relieve that exhaustion.

On the power, Issues 6A through 6C, there is no predictable correlation between the actual power usage and fused capacity. Any attempt to tie billing to fused capacity will allow the ILEC to overrecover its costs. To ensure proper cost-recovery requires that the ALEC pay for the power actually consumed when consumed. Power consumption is determined through metering the power fed to the ALEC's collocation equipment. ALECs should have the option to pay for power based on a measured service whether physically metering power or accessing meters remotely.

And specific, I think, Madam Chairman, to one of your questions about where that metering takes place, it is measured on the DC feed because that is the dedicated cabling to that particular ALEC, in this case, and that is what you are trying to identify is the power being served to that ALEC. You technically wouldn't measure the AC because that is feeding the power plant itself which serves all users of the power plant.

Where an ALEC chooses not to meter its power usage,

billing per used amp should be based on a proxy for usage of the installed equipment. And we will have, obviously, more discussion time on how that proxy is identified and what we all mean my List 1, and List 2, and load, et cetera. And hopefully when I am done off this stand and you are able to hit me up we will have a little bit better understanding of that.

CHAIRMAN JABER: Mr. King, on the point you were trying to clarify for me before you complete your summary, the technology that has been referred to several times that starts with an M, I have forgotten the name of it.

THE WITNESS: Marconi.

CHAIRMAN JABER: Marconi?

THE WITNESS: That is a manufacturer of equipment, yes.

CHAIRMAN JABER: Marconi. Is that the technology you would propose to use to measure the service on the DC feed?

THE WITNESS: That is an option. There are other means in which to measure. There are hand-held clamp ammeters. Indeed, it does take a one-time reading. But I think, as you have heard, those are steady state drains. Generally, there may be some spikes over time, but generally it is a steady state. So taking a one-time read should satisfy what the average usage is for that equipment.

CHAIRMAN JABER: Okay. The Marconi equipment that is being used in Illinois, is it, in fact, measuring on the DC

feed?

THE WITNESS: Yes, it is. And it my understanding that it does a cumulative type, just similar to like what you would have on the side of your house. So it's a little bit more sophisticated. It also does allow for remote access. BDFBs, in fact, have built in meters that also allow for remote access, as well, depending on how it has been configured. But the equipment that is now being installed in today's environment does allow for the measurement, you know, one-time type readings.

CHAIRMAN JABER: Okay. I want you to ask these so that we can flesh the record out and parties can follow up as they deem appropriate. Are you aware of implementation concerns related to the Illinois situation? And, if so, how have those -- I guess the implementation concerns we heard earlier related to undermeasuring. And if you are aware, do you know how those problems were remedied?

THE WITNESS: I unfortunately do not have the answers to those questions. I believe the one aspect is the $3,100 per CLEC per central office. That was the price quote I think that was utilized in Illinois. But to address your specific implementation issues, no, ma'am, I'm not aware.

That really kind of concluded my summary relative to the issues in my direct and rebuttal. I believe you did have another question that you would allow through summary to

address, I think, on the power capacity.

CHAIRMAN JABER: Exactly. Commissioner Deason had asked -- I think this is where you were going. Commissioner Deason has asked for some feedback on the proposal that came today from the Sprint witness. Was that it, Commissioner Deason? Do you want to go ahead and do that so we can allow follow-up as appropriate?

THE WITNESS: I will do my best here. I guess I first want to start with the fact that, indeed, you have an AC component that comes from your power utility. You know, that from a costing perspective is a direct input into what the ratemaking should be. Under TELRIC principles, whatever the ILEC is paying the utility per used amp is what should be passed on to the ALEC per used amp. Okay.

The infrastructure, okay, is a separate component of providing DC power. You have the batteries, rectifiers, the generators, those as well as common cables that are built in, or the common cables that allow to go from the main power distribution board out to the common BDFBs that are used by the incumbent LECs to serve power. So all of those -- including the BDFB costs, as well. So all of that cost is built into the ratemaking process and is, indeed, identified independent of one another within your cost studies. I am not the cost witness in this particular hearing, but I do have some knowledge of how that is set up.

It is important to note that the DC plant is not sized on fused capacity, it is sized on usage. So when we say it is a 1,000-amp plant, or a 10,000-amp plant, it is capable of delivering 1,000 amps of usable current, okay. Probably the -- one of, I think, the areas that the Sprint witnesses went into was talking about -- I think there was confusion over engineering and how an engineer is going to look at the plant versus how you're costing, okay. The reason for developing a rate on the cost phase is to ensure that their investment is recovered effectively. That sizing of that investment is based on usage and, therefore, you have a means to have a denominator called usage. If it is a 1,000-amp plant, then you have 1,000 amps as your denominator to take your total investment and divide it by.

Now, you have utilization factors, because obviously you are not going to actually provide a full 1,000 amps out of that particular plant. So, I think as Mr. Davis identified earlier, an 80 percent threshold, and let's just use that example, so if I have a 1,000-amp plant and you are using an 80 percent utilization factor, that means if they charge for 800 amps they will recover the cost of a 1,000-amp plant. Okay. The problem that you have, and I think as our counsel has been trying to get out of some of these witnesses, you rarely -- equipment will rarely actually use its full manufacturer suggested List 1, okay. I believe that the previous witness,

you know, had varying degrees of List 1. When a manufacturer provides List 1, they are looking at it from a total basis. This is your maximum power. If you plug in everything and everything is working, all shelves of that bay are set up, this is the maximum you are going to provide. They don't give you all these varying stepping stones and say, you know, each time you do this you need to contact the ILEC, et cetera. The process is not set up that way.

The process becomes very tedious and time-consuming when you have to constantly provide an application for every time you stick in a card and now an extra amp is being, you know, drawn. The manufacturer looks at it from a total basis. And when you are providing an application to these ILECs, the List 2 in particular is being utilized to do that engineering of the power cables and to do the engineering of the fusing to support that equipment.

Indeed, AT&T in particular, we want the power cables and fuses to already be in place for the potential ultimate demand that we expect through that equipment. And that is, again, one of the advantages, I think, to some of the BellSouth practices is that they allow AT&T and other CLECs to come in as a certified vendor, whether themselves or directly with another third-party certified vendor, and allow them to put that in.

So it is irrespective -- this gets back to my correlation in the early part of my summary. There really is

no correlation between what fuse you stuck into that machine and what power you are going to draw. There are guidelines that an engineer will use to ensure that you are going to size the fuse and power feeds sufficient to not hurt your equipment. But, again, getting back to the cost-recovery, it is based on how many used amps are capable of being delivered to you. And you apply utilization factors, and you have annual charge factors that allow for that equipment to be recovered over time.

Because day one when that plant goes in at 1,000, you have no customers on it. Slowly but surely customers will come on board to where eventually over time 80 percent, as the example we used before, would be the average threshold for recovery, okay. So, I think it is important to understand that also within Verizon's practice in particular, the two and a half times, because they are doing the engineering, I almost have to kind of choke up myself because they are so concerned about control over their equipment, et cetera. But an AT&T engineer would not have engineered that at two and a half times. If it is a 20-amp List 2, okay, not List 1, then it is going to require a 30-amp fuse.

So when we were using some of those examples before of 20 amps, that is List 1, okay, which is the steady state drain under normal operating conditions of the plant, and everything is working on it, okay. If you don't have all the

shelves in, all the cards in, you will not draw List 1 as defined by the manufacturer, okay. So, when you are engineering your plant, you want to make sure that it is going to be there and you don't have to continue to do augments. I don't want technicians going out and every time I add a customer or a new piece of equipment into a shelf have somebody have to go out and replace a fuse. You know, to go from a 30-amp fuse to a 40-amp fuse.

And I think the time line was given of 45 days. That is service affecting. That is revenue affecting. One of the things, one of the big reasons AT&T places their own BDFB and draws power directly from a main power distribution board is so that we can manage the power consumption. Real-time service. You know, once I plug it in, I know I've got the power. I don't have to wait for technicians to go out. That 45 days, you know, et cetera, and wait for that. So there are service affecting reasons as to why you want to engineer your power cables and your power feed, or your power cables and your fusing at some larger level, or what the ultimate capacity of that equipment will be, versus what you are actually using, okay.

So I guess one of the things that you will find, again, within the cost proceeding is AT&T is advocating, you know, use of BellSouth's processes and cost modeling because, we believe, as one prime example is the use of certified

vendors. To suggest that we have to use a Verizon vendor, you know, to me offers an opportunity to gouge the CLEC or the ALEC in that case. And, you know, they have referenced an access tariff. I don't know about you, but I don't know of any access service that is below cost or even at TELRIC. So I am very concerned with implementation of an access tariff to support what I believe to be something through the local interconnection agreements something that is developed based on TELRIC or cost-based services.

I also wanted to note that every ILEC does require an 18-month forecast, okay. And so the engineers will use that forecast, and the engineers use the internal forecast of the ILEC themselves to help engineer the plant.

CHAIRMAN JABER: Do you provide that information under some sort of confidentiality agreement?

THE WITNESS: That is all -- yes, I believe that the data is ultimately confidential, yes. And each time, by the way, you know, there is a piece of equipment installed, you know, consistent with that forecast, an application is provided so that they know it is now in. That they know that some of that capacity is now being utilized. But an engineer looks at what the real drain on that equipment is, okay. And if in the example, probably back to the example of the 1,000-amp plant --

CHAIRMAN JABER: Mr. King, I want to you focus on the questions that the Commissioners asked you to follow-up on. So

before you get into that example, recognize that you will do some of this on cross and redirect, but just focus on what we asked you to cover.

COMMISSIONER DEASON: Madam Chairman, can I just ask a couple of direct questions and maybe I can get my questions answered.

CHAIRMAN JABER: Go right ahead.

COMMISSIONER DEASON: What do you understand to be the Sprint proposal that you heard today?

THE WITNESS: Specific to the -- well, the Sprint proposal --

COMMISSIONER DEASON: The so-called, I take it, compromise proposal or whatever you want to call it.

CHAIRMAN JABER: Increasing the power cable capacity.

THE WITNESS: Well, again, a power plant has a 1,000 amps. And if there is only 600 amps being utilized, if a CLEC comes along and asks for 50, that is not going to cause any type of augment in their plant. There has been a suggestion of would you be willing to pay for certain things. I think one aspect to deal with from a payment perspective is those power cables and the fuse sizes. Let a certified third-party vendor perform that, because indeed there really is no correlation to the actual --

COMMISSIONER DEASON: I'm sorry, Mr. King, you are not answering my question.

THE WITNESS: I'm sorry.

COMMISSIONER DEASON: What did you understand to be the Sprint proposal that you heard today? And if you don't know, that's fine.

THE WITNESS: Obviously it's easier if I had a quick summary of what Sprint actually stated. My understanding of what Sprint is proposing from a power perspective is that we provide ordered amps on the application. Again, from a process, terms and conditions standpoint where I think this particular hearing is trying to drive, that is not sufficient, because they are the driving force of the engineering of the cables and the fuses similar to the Verizon. When you tie how you are going to engineer your plant to how you are ordering power on the application, it just doesn't work. Again, which is why I'm requesting the option to measure, because the only true means is to pay for what you use.

COMMISSIONER DEASON: So you are rejecting the proposal, it's not satisfactory, correct?

THE WITNESS: Correct.

COMMISSIONER DEASON: That's all you needed to say.

CHAIRMAN JABER: And your summary is completed?

THE WITNESS: Yes, ma'am.

CHAIRMAN JABER: Okay. And, Mr. Hatch, you tender your witness?

MR. HATCH: Yes, ma'am.

CHAIRMAN JABER: Mr. Feil. Or let's start with Mr. Carver.

MR. CARVER: Thank you.

CROSS EXAMINATION

BY MR. CARVER:

Q Good afternoon, Mr. King.

A Good afternoon.

Q We have met before, but just for the record, my name is Phil Carver and I represent BellSouth.

First of all, I want to ask you a little bit about your position on Issue 3. This is one having to do with transfer of space from a collocator that is in the space to another CLEC. As I understand your position it is that the CLEC that has accepted the space should be able to transfer it to another CLEC, correct?

A Correct.

Q And that is without limitation?

A Given, obviously, that I have sat through these previous two days and I will respond directly to your question, I would have certain limitations, yes. Given the way that it has been addressed with BellSouth Witness Milner as far as identifying the process to go through with that transfer, I am in agreement with that process. I think the only issue that I had is in the application fee itself, because if it is a transfer of all and you are asking for it to be in place, to me

a full application fee is not warranted. It is more of a records change of a fee. So I guess to kind of find this compromise position, I totally agree with Mr. Milner's position with the exception of the full application fee.

Q And I'm not going ask you to recap my witness' testimony, or BellSouth witness' testimony, but just so we are on the same page, could you tell us specifically what it is that you agree to now?

A Pardon me. Now that I get to thinking, I think it was Mr. Fox that addressed your Issue 3, wasn't it?

Q Actually, on behalf of BellSouth, it was Mr. Gray.

A Right.

MR. HATCH: It might be easier if you had the reference to Mr. Gray's testimony. I'm looking for it real fast, but --

Q Well, let me try it this way. I'm sorry --

A No, I was going say, I mean, I have actually gone to Page 20 of Mr. Gray's direct testimony, which addresses his Issue 3, and I could basically say I agree with everything except on Page 22, Lines 11 through 15, which addresses the application fee. And I guess if I could interpret, again, my understanding of Mr. Gray's position on the stand when under cross examination, he acknowledged that it would not be a full application and that it would be, you know, more of a records type change. But the testimony itself does not read that way,

that's why I identified exceptions.

So I am in concurrence with BellSouth's practice under Issue 3 which goes, beginning on Line 15 of Page 20, and I guess -- well, it goes through his end. But the only exception being Lines 11 through 15 on Page 22.

Q Okay. Thank you.

COMMISSIONER DAVIDSON: If I can jump in here with a hypothetical. Just looking at your direct testimony on Issue 3, Pages 7 and 8, I have a hypothetical question. If AT&T is next in line on a wait list for collocation space at an ILEC's central office, does Covad have, in your opinion, and this is a hypothetical, the unfettered right to sell its collocation assets and rights to Florida Digital Network without objection from AT&T? You're next on the wait list.

THE WITNESS: Technically, yes. It is their space, they reserved that space. If business conditions have changed and they can satisfy the conditions for transfer, we would not object to that type of transfer.

COMMISSIONER DAVIDSON: What response should an ILEC, in AT&T's opinion, give to a CLEC who is next on the wait list and based on an interpretation of an existing regulatory regime has planned on being next for space at that central office, what should the response of the ILEC to that CLEC be?

THE WITNESS: Well, the easiest response would be they are within their right to transfer space per the

conditions of this Commission's, you know, order dealing with this particular issue.

COMMISSIONER DAVIDSON: A couple of other follow-ups to that. If CLEC-to-CLEC transfers were allowed by the FCC or the PSC, would AT&T agree to subject such transfers to ILEC approval provided that such approval not be unreasonably withheld?

THE WITNESS: I believe AT&T would be amenable to allowing the ILEC to be part of the process. I don't believe -- I think if things are reasonably conducted, you know, they should be a part of understanding, you know, what is going on within their space. I don't believe that they should unilaterally be allowed to just stop it. But, yes, I think that that is, you know, a viable arrangement.

COMMISSIONER DAVIDSON: What would be some of the criteria that you would suggest, from AT&T's standpoint, that an ILEC be entitled to fairly look at. Would outstanding indebtedness from an existing CLEC be one of those factors?

THE WITNESS: Obviously I think one of the big things in a transfer -- we have discussed certain bankruptcy issues I have heard in this proceeding, I don't know that all situations will involve a bankruptcy type situation. You have in particular with smaller carriers where you are exchanging customers, you know, I will take this market, you take that market. I think the indebtedness issue, obviously I think

there is already rules either within the interconnection agreement or tariff, you know, that would require balances to be paid, et cetera. I don't -- I would allow the interconnection agreements to deal with those. You know, if there is a disputed issue and it is following the interconnection agreement guidelines, that that should not be a valid reason to stop a transfer. If there are undisputed issues and a balance is owed, then I would agree that that balance needs to be paid.

COMMISSIONER DAVIDSON: If CLEC-to-CLEC transfers of collo space were permitted, would AT&T agree or disagree with the statement that the ILEC has a general interest in the creditworthiness of any transferee CLEC?

THE WITNESS: Well, you know, in the debacle of all this MCI stuff, this is, again, one of those areas. I'm not sure that I could address that at this time.

COMMISSIONER DAVIDSON: Thank you. I have no further questions, Chairman, at this point.

CHAIRMAN JABER: Mr. Carver.

MR. CARVER: Thank you.

BY MR. CARVER:

Q I just wanted to ask you about one specific portion of Mr. Gray's testimony, because I want to make sure specifically that you agree to these restrictions. And these are the ones that appeared in his testimony. This would be

direct testimony Page 23, Lines 21 through 24. It is the restrictions that would apply in the event of space exhaust. And I will read it, but I will wait for you to get there.

A Page 23?

Q Yes. Page 23, Lines 21 through 24. It is the beginning of the answer. Do you see that?

A Yes.

Q Okay. It says if a central office is in space exhaust, the ALEC should only be allowed to transfer collocation space if the transfer is part of a transfer of all or substantially all of the transferring ALEC's assets to another ALEC, and if the Commission has approved the transfer in the space exhausted central office. Those are the restrictions that you are agreeing to, at least in part?

A Well, I believe a condition of transfer is generally that all assets or substantially all the assets are part of that transfer, so I agree with that part. On the second part of the conditions relative to the Commission, I did have notes as to how that process actually works, and I believe it is BellSouth's -- that the ALEC has the responsibility of approaching the Commission to have approval for that transfer. I think that is reasonable to expect.

Q Okay. Thank you. With that change I don't think I need to ask you anything else about Issue 3. So let's move on to Issue 4. This is the issue having to do with the use of

copper entrance facilities in the central office, correct?

A Okay.

Q Let me ask you when did AT&T first collocate in a BellSouth central office?

A I don't have the date.

Q Okay. In your testimony a little built further on you make reference to a survey of collocation that occurred in 2001.

A Right.

Q Would that be at the beginning of the time that you collocated or did it precede that?

A I would say it preceded.

Q By several years?

A Most likely, yes.

Q Do you know -- and I don't want you to give us locations, but do you know roughly how many BellSouth central offices you are collocated in today?

A Let me try to make a quick -- I believe that AT&T currently has 34 physical collocations with BellSouth and 13 virtual collocations. We also have as part of our North Point -- we have got 25 North Point collocations. I do not know if those are in the same or different offices than the AT&T collos, and I believe MediaOne actually has two collocations, but I don't how many of those are overlapping.

Q Okay. And the numbers that you just described, those

are specific to Florida, those collocations?

A Yes, they are.

Q In the time that AT&T has been collocating in BellSouth's central offices, have you ever applied for copper entrance facilities?

A Not to my understanding.

Q Okay. Have you applied for copper entrance facilities anywhere in BellSouth's region?

A Not to my understanding.

Q Okay. And I believe you do say in your testimony that it would be a very rare occurrence, correct?

A Yes. But, and I would just qualify, I think all we are asking for is that the Commission allow for provisions, you know, to have that as an option if a business need so requires. I know that there are a number of potential futuristic technologies that would allow for the use of that copper technology to provide, you know, certain of the DSL type products, et cetera.

Q And this is the point where I want to try to understand your position. Are you saying that CLECs should be able to do this with Commission approval or without Commission approval? In other words, should they have the discretion to do it wherever they want, or should they have to go to the Commission for approval?

A Well, I think if you are -- I mean, you have the

exhaust situations that have been identified here. I mean, if there is overhead racking that cannot support it, I mean, you are technically getting into space exhaust type of determinations which I believe would already be part of an identification process to this Commission. So, I mean, you would still have to -- I mean, if would have to be feasibly accomplished.

But the point is that it is technically feasible. And if there is space available to allow it, then it should be allowed. I know that there has been identification of certain safety issues. You know, again, as long as it is done within proper electrical code guidelines and building guidelines, I don't believe it should be not -- it should be allowed.

Q But would you agree that the Commission should make that determination on a case-by-case basis?

A I am amenable to addressing it on a case-by-case basis, yes.

Q Okay. So basically, if you wanted to use copper entrance facilities at some point, if it just happened to come up, you would go to the Commission, you would present your case, they would make a determination?

A Well, I believe it would first start with the incumbent LEC. And if there is sufficient space and we can justify that we can satisfy the various -- and I believe BellSouth today offers a copper entrance facility within its

cost proceeding, but I believe it starts with the incumbent LEC. If the incumbent LEC says no, you know, I can't do it for whatever reason, and yet the ALEC believes that there, you know, could be a means to still do it, then I think at that point it would come to the Commission for final determination.

Q Okay. And are you aware that there is an FCC rule that is on point on this issue?

A Reading the testimony, I have not read that FCC specific language.

MR. CARVER: May I approach the witness?

CHAIRMAN JABER: Yes.

BY MR. CARVER:

Q Okay. I have handed you a copy of a portion of the FCC rules that is appended to the particular order in which they were passed, and the rule in question is 51.323, Subpart D(3). And actually I have placed an X by that portion of the copy. Do you see that?

A Yes, I have.

Q Okay. And reading up to the beginning of that paragraph to catch the introductory clause, it says, "When an incumbent LEC provides physical collocation, virtual collocation, or both, the incumbent LEC shall permit interconnection of copper of coaxial cable if such interconnection is first approved by the state commission." Do you see that language?

A Yes, I do.

Q And I'm not asking you for a legal opinion, but I just want to know is it AT&T's position that state commission approval would not be necessary?

A No. Again, this would be my interpretation. If this state commission says that it is a viable option and is allowed, then that is state commission approval to allow for copper entrance facilities, that it is technically feasible to do, et cetera. The actual implementation request of a CLEC still needs to be negotiated with the ILEC. And if there is a dispute, it would come back to the Commission to resolve. But I read this to say as long as this Commission says we believe that there are technical reasons why, whether today or in the future, copper entrance facilities is, you know, plausible, that they could rule to make that a possibility. And that is all we are asking for here.

Q Okay. Are you asking it to make that ruling in this proceeding, that general ruling that it is feasible?

A Yes.

Q Okay, thank you. On Issue 6, this is the power issue we have all come to be so fond of in the last day or so. I have a few questions for you. I want to ask you about an option that was discussed earlier. And this is not the Sprint proposal. This is the one that I believe was raised yesterday as a possibility. Let's assume that BellSouth provided the

option of splitting out the infrastructure from the actual energy, from the power itself. So let's say, for example, when the CLEC comes to AT&T, you tell us what you need, we build the infrastructure to support it, and you pay us for that. And I'm not quite getting -- well, let's start off with there is a recurring/nonrecurring issue, but we will get to that in a second. For now we are just talking about splitting it out. We build the infrastructure to your specifications, you pay us for that, then in a separate rate there would be a power charge which would be metered and you would pay us for whatever amperage you use. Would that be acceptable to AT&T?

A I guess part of the -- well, I have not thought through far enough to say that it would be fully acceptable. I do agree that that infrastructure can be separated from the actual AC utility usage. How you pay for that infrastructure is kind of the subject here, and I believe that it is a sizeable investment, number one, and maybe a burden, you know, to be such a high nonrecurring charge, let's say.

Part of the problem that I have with identifying infrastructure is how do you say that this is devoted to a particular CLEC or an ALEC. Batteries, rectifiers, et cetera, support the total plant. That total plant serves all carriers, and so to me it becomes difficult to actually allocate that investment specific to a CLEC.

Q So if I understand what you are saying, basically you

agree with the concept, but you couldn't give an unqualified agreement unless you knew all the details?

A Right.

COMMISSIONER DEASON: Let me ask a question at this point. You indicated you had a problem with the concept of designating a portion of the DC plant that would be available to a particular CLEC, that you don't actually physically segregate batteries or rectifiers. But you do agree with the concept that if you request a certain amount of capacity and you have that reserved, that it is for your use and no one else's use?

THE WITNESS: No.

COMMISSIONER DEASON: You do not agree with that concept?

THE WITNESS: No, sir.

COMMISSIONER DEASON: Why?

THE WITNESS: You do not reserve capacity. I tried to address that in part of my summary. That is a ratemaking issue. Those are things that are tied to utilization where you already take into account how much of that plant will be used, so you ensure that your rate recovery deals with that. So if I, you know, have a 50-amp feed because I know a year down the road I am going to need 50 amps, you know, today I only need, you know, 7 amps, okay? I will grow into that, but that from a -- I mean, you deal with that through the ratemaking process

in how you capture -- the cost of that plant, okay, it's a 1,000-amp plant, okay. And so whether I get a portion, another CLEC gets a portion, that plant can still produce 1,000 amps. They do not physically reserve it. There is a lot of jumbling between how things get engineered and how things get established for ratemaking purposes, and those are two totally separate issues.

COMMISSIONER DEASON: Well, I guess I'm having some difficulty. If you say that you need 7 amps, but you routinely ask for 50 amps, and you expect that when you grow into that that it is going to be there for you when you need it. If that is not reservation of capacity, what is that? Your example is at some point at build-out, I will just use that terminology, you are going to be utilizing 50 amps in a central office. Your initial applications only need 7. Should you pay for 7 or should you pay for 50?

THE WITNESS: I should pay for 7.

COMMISSIONER DEASON: Okay. What happens then when you get ready for that next increment of plant and it is not available because you didn't reserve it?

THE WITNESS: They have already established their ratemaking, assuming they have got -- using an 80 percent example, again, there is 200 extra amps. So when I ask for those amps, they are there.

COMMISSIONER DEASON: But somebody had to build and

pay for those amps to have them there, correct?

THE WITNESS: Exactly. And that total investment is already built into the rates, okay. There is technically not -- an engineer will want to look at things and make sure that the total infrastructure is in place to support demand. They don't size their equipment based on a six-month view of my 7 amps. They will look at the total plant, but, again, how do they recover that investment over time? That is done through our cost proceeding that you will see here. They have got annually charge factors that will account for cost of money, for depreciation, for utilization of the plant. You know, those are all -- those are the means in which they will ensure total recovery of that plant, but the denominator to use is the actual amps being used. That plant can provide 1,000 amps of usable current, okay. But in the scenario I laid out, they only need 800 amps of actual usage to recover their investment.

CHAIRMAN JABER: Let me just followup quickly on something you said I didn't understand. You acknowledged to Commissioner Deason that you believe you should only pay for the 7, not for the 50.

THE WITNESS: Correct.

CHAIRMAN JABER: And you said they have recovered it through rates. Your position is even though you have made a request for 50, but you are only using 7, BellSouth has recovered it through --

THE WITNESS: The 50 was just to help engineer the power cables and the fuses.

CHAIRMAN JABER: To be able to provide the 7 amps.

THE WITNESS: Yes. And, again, I think this kind of gets back, again, to some of Covad's line of questioning. You know, let us do the work, because the size of the fuse or the size of the cable does not drive the cost of that plant.

CHAIRMAN JABER: So your position is you have to request the 50 from an engineering standpoint to be able to feasibly use 7?

THE WITNESS: Well, the equipment says that is the -- you know, the 50 -- well, again, I don't want to get into the List 1, List 2, you know, kind of scenario.

CHAIRMAN JABER: Please, I don't want you to.

THE WITNESS: But technically, I mean, your equipment can draw up to that 50 amps, and you don't want to be augmenting, and augmenting, and augmenting.

CHAIRMAN JABER: Then that brings me back to a question I asked the other witnesses yesterday, and I should ask it of you. Then why can't we get away from a formula approach completely and just -- this is a competitive environment, why can't you all get together and come up with a market rate that acknowledges to be able to use 7 amps you had to ask for 50. There are some engineering costs; there are some labor costs; there is a time value of money. You know,

all of those things you want to get together and acknowledge. Why can't you agree on one rate? Forget formulas, forget terms and conditions.

THE WITNESS: Well, we have made headway with BellSouth, we just can't get them off the fused billing. Hopefully I will have more opportunity to explain why you would overrecover, you know, basing things on fuses, and I think you have heard some of that.

CHAIRMAN JABER: Have you proposed, though -- I'm sorry I interrupted you. Have you proposed that you get away from cost-recovery as we know it through a regulatory environment and just say, look, this rate should more than adequately compensate you for whatever you believe you have incurred, and this rate is acceptable to us, it will allow us to do business. You know, you may pay more than you would like and in some cases you may pay less.

THE WITNESS: I have been in negotiations for over two years with BellSouth.

CHAIRMAN JABER: But it sounds like you have done well with BellSouth candidly.

THE WITNESS: Well, I still have nothing in my interconnection agreement to make it happen. You know, the Tennessee Regulatory Authority has ruled that usage-based charges apply, I have drafted language to implement that in Tennessee, but it has yet to make its way into my

interconnection agreement.

CHAIRMAN JABER: Let's get back to my question. Have you not proposed some sort of one-time market rate or a negotiated rate?

THE WITNESS: I have not proposed a rate. Now, if you are talking about the metering type services -- I mean, are you addressing that component of it?

CHAIRMAN JABER: No, I'm not. I'm suggesting that you get away from the separation of infrastructure and current flows, and just account -- you know, maybe you come up with formula that says, or an approach that says if we requested anything up to 100 amps, here is what we are willing to pay. And it is up to you and they to figure out what -- how to account for the current associated with that. And you say if we have requested 100 to 250 it is a different price, and if we have requested 500 and up it is a different price. I don't know why you would, but -- and something that also adds into your projections, you know, and that rate is good as long as we meet what we said we are going to meet within 12 months.

THE WITNESS: That specific type discussion has not occurred, no. We have been working within the framework of the costs that have been developed or ruled on by the various regulatory bodies, and trying to utilize what has been defined as costs to ensure that it is applied correctly. And one of the things in this case is I have an opportunity to influence

the terms and conditions, not necessarily the rate, but the terms and conditions. How does it get applied, when does it get applied.

CHAIRMAN JABER: And I don't want to put you on the defensive, but so that I can either move off this thought and never think about it again, or to the degree we should pursue it, I would like to know. So you tell me if that approach sounds feasible to you.

THE WITNESS: I would love to say yes, it is. In the end, I think it will still come down to one party saying they don't believe they are being properly compensated, you know, and it will be what are the true costs, what are the true underlying costs.

CHAIRMAN JABER: Well, either they will accept your proposal or they won't. If they feel like they are adequately compensated, they will accept your proposal, or there is some counterproposal. But is it worth pursuing? Because you have to know me, I will think about this more, and more, and more unless you tell me it is just a bad idea.

THE WITNESS: I would love -- I am responsible for these types of negotiations, and I can only speak from history that I believe I would spend another two years negotiating that and not get anywhere.

CHAIRMAN JABER: Commissioner Deason.

COMMISSIONER DEASON: In response to my earlier

questions, I take from that that you -- it is your position that you should only pay for what you use. You accept that as a general proposition, correct?

THE WITNESS: Yes.

COMMISSIONER DEASON: Okay. And that your problem with the concept which Mr. Carver described in an earlier question, that being splitting the billing between infrastructure and usage, is that while metering the usage may adhere to the principle of paying for what you use, you are unsure about the infrastructure portion because you are ensure about how much of that infrastructure would be apportioned to you, i.e., would you get 7 amps of infrastructure billing or would you get 50 amps of infrastructure billing. Is that the crux of the issue?

THE WITNESS: That was the crux of the way the question was posed, yes, and would I agree to that concept. I believe my own counsel tried to make this Commission aware that there were certain things within Issue 6 that are directly tied to cost-recovery, and how decisions made here may cause the cost component of this case to be, you know, driven, et cetera. But the plant -- just to kind of go back to my basic principle, the plant is a 1,000-amp plant, it can produce 1,000 amps of usable current, okay? And that is your denominator. When you look at all of the investment, which is your numerator, the denominator is that 1,000 amps.

And it gets back to that is 1,000 usable amps. Not reserved capacity, if I am using 7 and reserve 50. So for each amp I use, that is one of the 1,000 that that plant is capable of providing. And, again, from a cost perspective you will have utilization factors that say, well, I can only expect to use, you know, 80 percent of it, okay. So that means they will get full recovery when 800 amps are actually delivered through that plant. That plant will still produce 1,000 amps.

Now, it may cause them to have to do some augments when in reality that plant hits 800 amps, but the cost to build or augment power plants, that is already built into your rate, as well. You know, if you look at some of the discovery, you know, they have sent in real costs to build plants, whether it is augmenting existing plants, building new plants, you know, they all have submitted those costs into that phase of the hearing. And each of those plants are augmented to produce X amount of current. You know, whether it is 1,000 amps, 3,000 amps, 10,000 amps, that is still your denominator in the crux of it all. So what whatever I use is what I should pay for.

COMMISSIONER DEASON: If there were some way that -- and this is just a hypothetical. If there were some way that when you obtain your collocation space and you made an assessment of the ultimate amperage you are going to need, if there were some way that you could provide that to yourself and not rely upon the host to provide that DC power, and if you

ultimately needed 50, would you build 50 or would you build 7, and then when you needed more build more?

THE WITNESS: We are going to build for 50.

COMMISSIONER DEASON: So if you were doing that, you would have to incur those costs up front, correct?

THE WITNESS: Maybe I misunderstood. Are you talking about AT&T as like an incumbent or --

COMMISSIONER DEASON: No. This is totally a hypothetical situation, I don't think the reality bears it out. But if you had a facility that needed ultimately 50 amps, but your initial operations only demanded 7, and it was your responsibility to provide that amperage to yourself, not depending upon an incumbent telephone company's DC power plant, would you build 50 or would you build 7?

THE WITNESS: High level, you know, without getting into all the economics, cost of money and looking out in the future, you know, most likely you are going to build it to that anticipated demand. Again, it gets back to do I want to continue to go in and augment that. Because if I build it to 7, then that means when I need amp number eight, I've got to go in and augment. That is very costly, very time consuming, very service affecting. We are not -- you know, it is not the name of the game anymore. It is quick to market, network reliability, et cetera. You want to make it as clean as possible. Get it right the first time and not have to go in

and touch that plant.

COMMISSIONER DAVIDSON: Let me just ask so I can be clear, because this is a question that I think that is in all of our minds. The answer is you would build it to 50?

THE WITNESS: Yes. I would size the infrastructure to be able to support the 50.

COMMISSIONER DAVIDSON: Thank you.

CHAIRMAN JABER: Commissioner Baez.

COMMISSIONER BAEZ: Mr. King, is there -- in your opinion is there any disagreement to the notion that you have to over-engineer based on what your anticipated consumption -- or maybe I'm getting the terms wrong, but the whole idea of having to engineer 50 in order to only use 7, is that generally ascribed to? And the numbers, maybe we are just pulling them out of the air, but --

THE WITNESS: And I am not an engineer, and I also, you know, similar to some of the other witnesses have to rely on certain subject matter experts. But I have also had certain discussions, you know, and if you take like a 10,000 amp plant, generally, you know, you could anticipate -- and I can give you some numbers that one of my subject matter experts actually gave me. A 10,000-amp plant can serve 36,000 of primary fuses, so getting to just variations of fuses, up to 36,000 fused amps. They would anticipate that to serve 24,000 amps of List 2 and 18,000 amps of List 1, and that is because they would

anticipate the actual usage to be more in the 6,000 to 9,000 range on that 10,000-amp plant. This gets back to some of the earlier discussion that telecommunications equipment, while it is steady state, will fluctuate based on what you have actually installed in that equipment. If I have only got one shelf operating, that thing is not operating at what the manufacturer defined as its List 1.

COMMISSIONER BAEZ: So is that is a yes? I mean, generally that you have to -- there is contingency built into it.

THE WITNESS: Yes. The engineer says, well, you know, I understand that -- you know, they all believe they have got this equipment, but in reality and experience I know it is only going to do these things, and they rely on that.

COMMISSIONER BAEZ: Are these plants -- the output of these plants shared not just by the CLECs, but by the host, as well?

THE WITNESS: In an ILEC central office definitely, yes.

COMMISSIONER BAEZ: So everybody is taking from the same DC plant?

THE WITNESS: Right.

COMMISSIONER BAEZ: And these things, again, there is -- I know I heard some testimony, but if you can refresh my memory, or at least based on your knowledge the increments.

There are small increments. The increment to these plants are what size? As small as what, that you know of?

THE WITNESS: Are you talking about when they may have to do an augment to a plant?

COMMISSIONER BAEZ: Uh-huh.

THE WITNESS: I mean, that will range. I mean, generally probably minimum 3,000 type and above. I would have to -- subject to checks and et cetera. I don't have specific knowledge on that.

COMMISSIONER BAEZ: So since you just said that all the inhabitants, all the users of that CO, and that includes the ILEC, as well, are all taking off of this same plant, is it possible, is it ever possible in a situation like that to tell who caused the augment? I mean, I guess --

THE WITNESS: Well, obviously there is the --

COMMISSIONER BAEZ: Who came first, but --

THE WITNESS: Yes. I mean, the last person in could be claimed to be causing the augment. But without the first threw in, you would have never gotten to that point. So, again, getting back to some cost issues, I mean, that is why you look at allocating, you know, what your anticipated total TELRIC cost, because they recognize that there will be augments, you know, that have to occur in some of these offices. Those are all accounted for in the cost phase of this proceeding on, you know, total demand. Not just the CLECs, but

also the incumbent LEC demands, as well.

COMMISSIONER BAEZ: When you file your applications with the company, and we are using the 50-amp example. Let's call it 100. When you file your application which has as its outside capacity the 100 amps, and I want us to get away from how much actual usage that represents. But does the application contain information as to how quickly the approach to that capacity is going to take place, how quickly you anticipate the approach to take place?

THE WITNESS: I don't believe that that is part of the application process, no. I have heard the Verizon and Sprint witnesses say, well, I asked for load amps and feeder amps, and that, you know, if you think you are only going to use 7 or 50, just fill in the blank on the load amps and that is what I will bill you.

Again, maybe this is another opportunity where we can drive some process behavior because all of the incumbents kind of use their application forms differently. You know, to a large degree those applications are intended to engineer the collocation space. So when they ask for load, generally AT&T is going to give you List 2, because they want you to -- and, you know, especially like Verizon and Sprint who is doing all the work themselves, I want them to size that cable, those power cables and fuse sufficient to meet the demands of my equipment.

COMMISSIONER BAEZ: But staying at a 50,000-foot level and not getting too deep into the details of sizing cables, I know that there is a lot involved, but I guess I want to try and understand if there is some cooperation, or if there is some sharing of information of projections that can serve as a better planning tool for when augments have to take place, when investment has to take place on the part of the ILEC to have plant ready for expansion, or for growth, rather, because it seems a lot of the discussion certainly yesterday with some of the ILEC witnesses intimated -- and I'm not saying that this is a valid allegation in any way, shape, or form, that bears to be proven.

But the idea that, yes, you reserve, quote, unquote, and we have heard that word used, you reserve X amount and then only use a percentage of that. The notion, or at least the suggestion being that there is an excess of plant being built and reserved based on estimates by the applicants, and because it is of no cost to you. There is no cost to you to say, you know, get me this much ready, because then you will always be sure of having enough capacity available, and you can pace your growth any way you like. You are never going to have to wait for capacity.

So, I guess my point being is there -- in your opinion is there any information that you could provide the ILECs that would add more certainty or at least better guidance

to the company as to when that outside limit of requested capacity is going to be useful. And also if that information is available, in your opinion, would it be helpful.

THE WITNESS: I believe that to a large degree it is already part of that planning process with each of the ILECs. You know, the 18-month forecast. It pretty much lays out, you know, we are currently forecasting to place X equipment over this time line, et cetera. So I think to a large degree that cooperation exists. That we do try -- I mean, we don't want them to have to do anything they don't have to. I mean, we are all trying to become efficient in this process.

And you can point fingers and say, well, there are certain carriers that are trying to game the process. AT&T does try to live to be -- you know, we are a credible company, we try to live by the rules that are provided. And so I believe that the planning process is a cooperative process today. Are there things that could be done better? You know, the market obviously is going to dictate whether your business plans are going to come to fruition as quickly or, you know, are delayed.

And I think you saw through the space exhaustion issue, you know, here when it was through one of the stipulations, we will have to justify our forecast. And I think that is done on a fairly review routine basis that you can continue to ensure that your forecast is viable, because

they are making planning decisions. The ILEC makes planning decisions around what the CLEC is doing. So we are not here to try to game the system. You know, we want them to engineer well. Obviously if they keep their costs down then, you know, that is something that can be shared, you know, or passed on to the ALECs. And hopefully that is done in the form of a TELRIC type approach to costing.

CHAIRMAN JABER: Commissioner Deason.

COMMISSIONER DEASON: Yes. I want to throw out a high level concept and just get your reaction to it. What would be wrong with the concept of splitting the billing between infrastructure and usage. And that if -- that would be an option. And that if the CLEC exercises that option they obviously would be responsible for paying for the metering costs. And once that option is elected, that the amps actually consumed based upon that metering, that that usage would be multiplied by some engineering factor to get it to an apples-to-apples comparison, if you will. Multiplied by some factor, and that would constitute a certain percentage of the capacity of the DC plant.

And just, for example, say that that resulted in usage which equated to 10 percent of the capacity of the DC plant, then your infrastructure cost would be based upon 10 percent. If that capacity was 1,000, your infrastructure cost would be based upon 100 amps. Is that something that could be

done, is that something that has already been considered, or what is your reaction to that?

THE WITNESS: Any time you introduce a factor to me, I go to the cost part of this. In other words, I don't see that as a rate application process. To me I would want that already built into the rate. So if it is used amps, then it is used times rate. You know, from a billing perspective, et cetera, it really needs to be simplified, okay?

COMMISSIONER DEASON: I guess the basic concept is if you are willing to pay the metering cost, take that metered usage and somehow applied that information to determine what is a fair share of the infrastructure cost.

THE WITNESS: Yes. And I think to get back to some of my earlier comments, that infrastructure cost is there to support the delivery of used amps. So when you develop the per amp rate for that infrastructure, it already is assuming that you are paying for what you use, okay? And the example that I laid out is even though it is a 1,000-amp plant, they are expecting to only be able to bill for 800 amps because they used an 80 percent utilization factor and to gross-up the investment. That way they knew they were going with recover their costs.

So I think it can all be dealt with within the cost proceeding. And, indeed, you know, AT&T would gladly allow for both the infrastructure and the AC component from the utility

to be billed as separate line items. However, the unit that is multiplied times that rate is the same unit. So you could combine them or keep them separate. From a costing perspective they are definitely separated. But since the unit is the same, you could technically combine it. Now --

COMMISSIONER DEASON: I thought that part of your problem was back to the 50 and 7 scenario, which, Commissioner, I think those numbers were just pulled out of the air. But you don't want to be pay infrastructure on 50 if you are using 7?

THE WITNESS: Right. The denominator is used amps in this case, so 7 is my unit.

COMMISSIONER DEASON: Okay. So I guess -- and that's the reason I'm asking would you agree with that concept, because it seems that it would follow your logic that you don't want to pay for infrastructure that you are not utilizing. Perhaps the question is not clear. If you are willing to pay for the metering and you are basically using 7 amps, your metering indicator at the end of the month or whatever the billing period is is going to indicate how much demand you placed on the infrastructure, i.e., the DC plant.

THE WITNESS: Right.

COMMISSIONER DEASON: So would you agree with that concept or not?

THE WITNESS: I agree that that is the demand on the plant, yes. And that that should be the unit applied against

the rate. The issue of capacity, reserve capacity, however you want to deem it, are all part of the cost development of that rate, part of the utilization type factors. You know, I mean, we may be talking past each other to some degree, because in the end whatever unit times the rate, as long as over time they got their cost-recovery, then everybody should be happy.

You know, what I am trying to define is -- I mean, one of the big reasons why I have to push for metering, you know -- I mean, one of the prime examples is AT&T places their own BDFB, and you heard in here that AT&T has to -- within BellSouth, for instance, they put a 225-amp fuse at their power distribution board. Well, I'm ramping up. You know, I have got future plans. But I'm being billed for 225 amps of power when in reality I may only be starting with 7 amps or 9 amps.

But the reason why AT&T has chosen to go to our BDFB arrangement and utilize space in our collocation, et cetera, is kind of back to those provisioning intervals. You know, I am managing -- I mean, why does the ILEC use a BDFB? It allows them to manage that DC power efficiently so that they don't have to continuously augment the power plant, et cetera. I mean, that is the value of the BDFB. You know, it is efficiencies.

COMMISSIONER DAVIDSON: Mr. King, I am going to sort of take it even to a more general level. Do you agree with the general principle that a CLEC should be billed for all costs

relating to power infrastructure augmentation? Assuming those costs can be measured, do you agree that the CLEC should be billed for all costs that but for the request of the CLEC the ILEC would not have incurred?

THE WITNESS: I don't believe I could agree only because these are reusable assets. The next CLEC that comes along -- I mean, you are asking me to pay for something up front, and maybe I do leave, but that asset will be reusable. It is not like everything gets blown up or torn apart, and, well, demand has changed, so I am going to take something out. No. I mean, that is not the way the planning of that office, et cetera, would take place. So I don't, you know --

COMMISSIONER DAVIDSON: Well, assuming then -- let's assume that the power infrastructure augmentation would be cost recovered on a 10 to 12-year period over the depreciable life of this particular asset, and assume that over that 10 to 12-year period there are two CLECs; CLEC 1, years one through six; CLEC 2, years seven through twelve. Could you agree with the general principle that over that period of time those two CLECs are responsible for all costs related to that power infrastructure augmentation that but for the request of the first CLEC requesting it, the ILEC would not have incurred?

THE WITNESS: Again --

COMMISSIONER DAVIDSON: It's not a tough question.

THE WITNESS: No. The answer would be no. I agree

that the ALEC is responsible for costs that it incurs, but you are talking about a capital investment that is established using annual charge factors.

COMMISSIONER DAVIDSON: Well, hold on a second. Let me jump in. I'm asking you a specific question. These are costs that but for the request of the CLEC, the ILEC would not have incurred. That is an assumption in the hypothetical. But for the CLEC's request, the ILEC would never incur that cost. That is the universe of costs I am talking about.

THE WITNESS: If it is a nonreusable asset, and it was specific to that CLEC, then that CLEC should bear responsibility.

COMMISSIONER DAVIDSON: In the second iteration of the hypothetical where two CLECs were added in, you also didn't agree with the statement that over that period of time those CLECs through some permutation are responsible for paying all costs that but for the request of the CLEC seeking power augmentation, the ILEC would not have incurred. If those two CLECs are not responsible for the costs that but for the request the ILECs would have incurred, who is?

THE WITNESS: I would go back, again, to if it is --

COMMISSIONER DAVIDSON: Well, answer first who is and then explain your answer.

THE WITNESS: Consistent with the original response, the first CLEC because we have made the assumption that it is a

nonreusable asset, or is something that is specific to that ILEC and cannot be shared among subsequent CLECs.

COMMISSIONER DAVIDSON: Well, doesn't the nonreusable concept, isn't that dealt with through a depreciation schedule? I mean, it may be that assets often have a life beyond the depreciation schedule, but in the business market that measures the life of the asset?

THE WITNESS: Right. Well, that is the delineating qualifier here. If it is a reusable asset then it is not something that that ILEC has caused and should be responsible for because it can be shared. The ILEC itself can share in that asset, whether today or five years from today. But that asset will be used.

COMMISSIONER DAVIDSON: One more question on this Issue Number 6. If Chairman Jaber took out a construction loan, for example, to expand her home, she would have to start paying down the cost immediately even though she may not able to live in that expansion for three months. And my question is do you agree that a CLEC should be billed for all costs relating -- for costs, let's not say for all costs, for costs related to power infrastructure augmentation as soon as the ILEC begins incurring those costs, which but for the request of the CLEC it would not have started incurring? This goes to the timing issue.

THE WITNESS: No.

COMMISSIONER DAVIDSON: And help me understand, using whatever general principle of project finance or economics you can point to, as to why the ILEC should not have an expectation of billing to recover costs that it is incurring now? Why should it wait for six months, a year, whatever the period of time, until, as you propose in that your testimony, AT&T actually starts receiving power at its collo?

THE WITNESS: The rate that is established generally to recover those types of assets already accounts for potential augments. It is already built into your rate recovery. So they have already started technically -- okay, they have already started receiving a higher rate than maybe what they really have in their infrastructure. Now, if two years down the road that augment situation happens, just because it happened two years down the road doesn't all of a sudden cause new direct charges to be billed. The rate already --

COMMISSIONER DAVIDSON: If you have requested -- let me jump in here. If you have requested a 50-amp plant and you are only using 7, at two years -- unless I have misunderstood the testimony, there is not going to be an augmentation until you go beyond the 50. But I'm saying let's talk about time zero, where AT&T would come in and request of BellSouth power infrastructure augmentation, the result of which, one result of which is BellSouth's incurring, say, $500,000 in costs, just as a hypothetical, to begin that construction process. Help me

understand your position that BellSouth should not, once it has incurred that cost of $500,000, start billing that to the requesting party much as the bank would bill Chairman Jaber 30 days after it gave her money to expand her home.

THE WITNESS: If the rate I'm paying does not include those types of augments, then I would agree that the augment, if it is specific to the ILEC and not reusable to others, would be responsible. And I think to get back to a real example here --

COMMISSIONER DAVIDSON: Well, I'm talking about -- let's also -- and I will let you finish that, but let's say this is time zero and this is the first new collo in a BellSouth facility. You are going in and asking them as part of your collo for a power infrastructure augmentation. You need X, Y, and Z to get up and going. From what you just said, AT&T would agree that BellSouth could start billing AT&T shortly thereafter for the costs that it is incurring to augment its power infrastructure.

THE WITNESS: Let me delineate when you see the cost to augment, because -- oh, boy. I guess, maybe this is a good time to kind of throw out the Commission order in the 2000 time frame recognized --

COMMISSIONER DAVIDSON: I mean, just try and answer sort of the question in lay terms before you start talking about orders. And maybe the hypothetical is artificial, but

that is what we are dealing with right now. If the ILEC incurs 500,000 in cost day one after AT&T has made a request, why shouldn't the ILEC be able to bill AT&T 30 days thereafter, even though the augmentation might not be complete for six months?

THE WITNESS: It gets back to the cost development itself. I mean, that would have already been accounted for in the development of the rate. From a timing perspective, you know, again, depreciated life, you know, whether it is 10 or 12 years, you expect things to happen over time. You are going to deviate up, or down, or up, or down over time, and those are accounted for as you develop your rate, okay. So when I come in, and I am the CLEC that has caused them to have a power augment, you know, that is just a function of business. But that was already accounted for, because when I start paying my rate, okay, that is when over time they will eventually get that money from me and all the other CLECs, et cetera. They will start recovering that expense. Maybe they don't get that whole $500,000 today, but that is why you have got annual charge factors to account for the cost of money down the road, et cetera. In total they will recover their costs.

COMMISSIONER DAVIDSON: Well, let me ask you if there are specific items, whether it is 500,000 for AT&T, 100,000 for another CLEC that can be discreetly identified like that, and these are out-of-pocket expenses, so to speak, for the ILEC,

help me understand why they shouldn't recover that amount more quickly?

THE WITNESS: If it is not a cost component that is built into the rate development, okay, the monthly recurring charge that I am paying, then, you know, I wouldn't disagree that the cost causer of some incidental expense would be borne by that cost causer. But, I guess, back -- the point I'm trying to make is those events -- at least the hypothetical events have or should already be captured in that cost case. In the cost proceeding you will already have accounted for those future augments, et cetera, in the rate development. And Bell may receive more money up front, you know, to account for something that is going to happen down the road over time, but the intention of the cost recovery is to ensure that they do meet over time full cost-recovery.

CHAIRMAN JABER: Mr. Carver, I'm sure we have covered all your questions.

MR. CARVER: You have actually covered a lot of them, but I do have a few more.

BY MR. CARVER:

Q Just to follow-up on some of the questions from the Commission. I believe you testified that you believe that the infrastructure is paid for in what is charged for the amperage, correct?

A Yes, today.

Q Today. And today under the interconnection agreement, AT&T pays BellSouth about $7.22 per amp, is that correct?

A Seven something, maybe 7.80.

Q Seven something?

A Yes.

Q Okay. Well, I'm going to give you a hypothetical. Since it is a hypothetical, let's assume it is $7.50. Now, if AT&T comes to BellSouth in a particular central office, and says we intend to use 50 amps of power in the equipment we are going to put in here. There, first of all, would have to be an engineering process whereby the plant would either be dedicated to AT&T or augmented to accommodate what you have told them you will use, correct?

A There would have to be an assessment of availability to support that 50 amps, whether BellSouth has to augment or not. You know, that is --

Q And that was actually part of my question, because -- well, it is a two-step process, so let me take it in two steps. First of all, if you asked for 50 amps, there would be some sort of a multiplier that would be applied to determine what the capacity is. And I really don't want to get into the engineering, so let's just assume that the fused capacity was 75 amps, correct? Well, I guess that's not a question. Let's assume that.

A That's your question.

Q I will make a statement on that one. So it is 75 amps. To the extent AT&T has told BellSouth that it intends to use 50 amps, and assuming that the engineering is such that 75 amps is the fused capacity, that BellSouth would either have to build, or augment, or dedicate to AT&T whatever it said the capacity would be, correct?

A They would have to ensure that the plant is sufficient to handle the capacity at whatever point in time, yes. That they were able to provide the power that has been ultimately requested, yes.

Q Okay. So leaving BellSouth out of it for a minute, let's say that the plant is just accommodating collocators. If there are five collocator, and each collocator tells BellSouth that they need 50 amps, then the plant is going to have to accommodate the usage that each of those five collocators have told BellSouth that it would make of the plant at any given time, correct?

A Yes. I mean, technically, you know, in a week every one of those collocators could have all of their equipment installed and be fully functional and drawing the 50 amps that they had requested. Then at that point you would be billed for the 50 amps.

Q Well, we are not quite there yet. We are still talking about what you have said you are going to use, and we

have said it is 50 amps. Before we get to the billing part, one more point. The infrastructure that would be necessary to accommodate your use would include things like rectifiers, batteries, cables, fuse bays, fuses, correct?

A Correct.

Q Okay. So let's assume in this hypothetical that AT&T tells BellSouth it is going to use 50 amps, but in a given month it only uses 3 amps. So we have agreed for purposes of this example that the per amp charge is $7.50 a month. That means that AT&T would pay BellSouth $22.50. Now, is it your testimony that that would pay for all of the infrastructure that AT&T told BellSouth it would use, that is the 50 amps worth?

A Over time it will.

Q Over time it will. So, if we built for 50, and you pay for 3, then over time somehow 3 will pay for 50?

A Because you have already beefed up your $7.50, assuming that you are only going to get 3 from me today and 20 in another two years, or whatever. I mean, that is a function of the cost development.

Q Oh, I see. So you are assuming that it is 3 this month, but it might be 20 the next month, that it might be 50 later, and it might be 60, correct? So you are assuming that your usage is going to increase, correct?

A It can increase, yes.

Q Well, that wasn't part of my hypothetical. Let's assume that you just told us to build the plant out and we have built it out to accommodate you and your usage stays at 3. Then the reality is we are not going to be paid for most of the infrastructure that we have built to meet AT&T's request, are we?

A Well, I would disagree. Again, because of the way the rate was developed, you are going to -- you have already inflated your rate assuming that carriers are not going to utilize the full amount of power, or that that amount of power will differ over time. And you are looking at things in the aggregate, including BellSouth's demand on the plant, et cetera. I mean, you are trying to make everything -- everybody is trying to make it appear as if this plant is dedicated to a CLEC or to five CLECs. That plant is dedicated to the entire industry. You know, what does BellSouth -- I mean, and you are trying to apply all of that spare capacity to the CLECs. Where is BellSouth's responsibility to manage some of that spare capacity? How do they deal with, you know, only using 3? I think we heard earlier that, you know, their equipment may actually only draw 3, but they are going to actually provision as if it is 50.

Q Well, my question really goes to the CLEC's responsibility to manage capacity. And if I understand what you are telling me, you are telling me that if you tell

BellSouth that you need 50 amps and you only use 3, then the $22.50 certainly won't pay for what BellSouth built on your behalf, but you assume that BellSouth will somehow get it back somewhere else from somebody else, or from you some other time. That is simply an assumption you are making, isn't it?

A You know, in the rate development, you know, day one you may overrecover, day ten you are going to underrecover.

COMMISSIONER DAVIDSON: I mean, I would like to know an answer to that question, too. I want to know are you making an assumption here, or are you basing this on record evidence?

THE WITNESS: Well, I can't say that I've got record evidence. I can explain that the -- I mean, how you develop costs takes these things into consideration. How do I -- the 1,000-amp plant --

COMMISSIONER DAVIDSON: Don't talk about a 1,000-amp plant. Talk AT&T hypothetically has requested, specifically requested of BellSouth power infrastructure augmentation -- a new collo, let's add in this is a new collo, and you go to BellSouth and say we want 50 amps of power. We ask you to build the infrastructure to provide us 50 amps of power. We specifically ask you that at this brand new collo. We are coming into this new facility. And you come in and for the first year only use 3 amps. And also assume that you didn't tell BellSouth, well, for our first year we are only going to use 3 amps, we want 50 amps.

THE WITNESS: The engineering had to be done on the 50 amps, because the plant needs to be capable of delivering what the CLEC requests. The fact that at any point in time that only 3 amps were actually being used, there is still that 50-amp capacity, and AT&T is not the only carrier that will eventually be there.

COMMISSIONER DAVIDSON: But why does the burden shift? I mean, I'm trying to understand this honestly. I'm not trying to be difficult and put you on the spot, but why does AT&T's request in this hypothetical -- I'm not at all suggesting that AT&T has ever asked for more power augmentation than it has used, but we are in the context of questions here. Why in the context of this hypothetical does AT&T's request for 50 amps of power infrastructure augmentation shift the burden to BellSouth to figure out what to do with that if AT&T, in fact, doesn't use all 50 amps?

THE WITNESS: The 50 amps is a capacity that that plant, you know, must generate.

COMMISSIONER DAVIDSON: At AT&T's request.

THE WITNESS: And you could make the argument that CLEC Number 2 when it asks for 50 amps, as well. Again, now there is a total of 100 amps that a plant needs to ultimately be able to provide. You know, it is difficult because I am trying to separate out how an engineer is going to look at that, you know, demand and how they size the plant versus how

you do cost development and take those considerations in. You know, the utilization of the plant, those are all built into how the rate was developed in the first place. At any point in time, if you just take a point in time and you looked, you know, at what infrastructure is sitting out there, and unfortunately this is almost like an embedded base type of situation, but, yes, you may be underrecovering at that point in time. But you may have developed your rate assuming you only needed to sell 70 amps, okay, to recover that full plant. Now, when that CLEC Number 2 came along and asked for 50 amps, now all of a sudden you are getting paid for 100 amps, but you only needed 70 amps to pay for your investment.

COMMISSIONER DAVIDSON: I understand your points, and engineers probably will look at this more rationally than nonengineer business planners and certainly probably more than lawyers and Commissioners. They take a pure science approach to it, but from --

COMMISSIONER BAEZ: Speak for yourself.

COMMISSIONER DAVIDSON: Okay. All right. I'm speaking just for me here. From the vantage of the ILEC, I would think the ILEC would be concerned if a CLEC asked for power infrastructure augmentation of 50 amps, but only used 3 amps, and the ILEC then decided, you know what, we have got another CLEC coming in, let's go ahead and allow them to use this plant. And then the very next month, the first CLEC says,

hey, we have expanded our capacity, we have all of these new lines, we are going to be using all 50 amps which we told you we would be using. Well, the ILEC is then in the position of having substituted its business judgment for the specific instruction of the CLEC, possibly to the detriment of both the ILEC and the CLEC there, because now we have got additional new capacity coming in and there is not power to handle that.

So I guess from my standpoint, if a CLEC specifically requests X, Y, and Z, the ILEC should provide X, Y, and Z and should bill the CLEC for X, Y, and Z, whatever cost it has incurred for that.

THE WITNESS: Well, obviously the power augment situation where you have -- you know, you have gone to that point, is to me a rare occasion that, you know, the engineers would have better planning judgment. And there is, like I think I mentioned earlier, there is coordination, you know, as to the equipment that is being installed. Now, every time there is an actual card put into a shelf, that may not be necessarily identified. But, you know, every equipment bay, the ILEC is notified when those things are installed.

So from an engineering planning perspective, I just don't see it being a real issue. I mean, if it becomes a cost issue, how do they in the end recover their costs? And if you want to change the denominator and assume 60 percent utilization, or 120 percent utilization to ensure that you

capture this scenario where people are reserving 50, but only using 7, then, you know, the $7.50 may now become $4, because I am paying for something that I'm not using yet.

So the rate would have accounted for it. This is not the cost proceeding, but that is where you deal with this situation. And what I am trying to do -- you know, an investment -- collocation, ironically, is the only UNE, so to speak, that people want the money up front. You know, if I am coming in the business and I think I am going to serve -- or I want a loop, I don't pay nonrecurring charges or recurring rates until that loop is turned up. They have already got the investment in the ground, there is already wires hooked up to the customer's premise.

I mean, to follow your logic, just because I started colloing and I have the potential of taking a customer, I should start paying for it. That is the reason why cost cases and the way costs are developed, they account for those things to be paid over time, that you will get your recovery over a three-year period, or a five, or ten, or twelve. You know, it is kind of back -- it is just cost causation. If I have caused you to incur the expense, and power is another one, just because they have given me a space and the space is ready, I'm not -- you know, I have no equipment to draw power against, what service is impacting that power drain? Nothing yet. So I shouldn't pay for it until I am starting to consume it.

And that is all again built into the -- I mean, whether I started paying -- you know, if I started paying day one, then I'm paying for something I'm not using, because I have no equipment there. So when I start using it, I will pay for it.

CHAIRMAN JABER: Commissioner Baez, you had a question?

COMMISSIONER BAEZ: Yes. Something you said, Mr. King, suggested or jogged a picture in my mind. Did I hear you suggest that -- and I know that you have mentioned it a couple of times, or at least suggested it a couple of times that everybody is sharing in the same capacity so that -- and forgive the term again. I know that you all don't use it normally, but your reservation of 50 amps, for example, isn't really a reservation of 50 amps. At least not physically engineering-wise, is that fair?

THE WITNESS: I mean, engineering-wise they would have ensured the plant was sufficient to handle 50 amps. The cables and the fuses would have been sufficiently engineered to ensure that, so that you didn't have to come in every other time there was some piece of equipment added or whatever, that that was engineered, you know, to support it.

COMMISSIONER BAEZ: To sustain it. But I guess what I'm trying to confirm is, and I guess the best example I can use, for instance, is a parking lot. Now, there is 500 people

that work in this building. Assuming each of them drives a car and nobody carpools, there aren't 500 parking spaces in that parking lot, because there is some formulaic calculation that goes on that says, you know, at any one given time there is really only going to be 375 cars looking for parking spaces. So even though we have 500 potential users of the parking lot, we are only going to design for 375. To your knowledge is that the way these power plants are engineered?

THE WITNESS: Yes. Because in this case it kind of comes -- I think one of the earlier analogies, the engineer will probably -- while the plant is sufficient to support 1,000 or 10,000 amps, they really only -- they will only really expect 6 to 9,000 amps to be drawn by that power plant. So I think you kind of have a similar analogy, the only difference is I think there are 500 people or 500 cars, but they only built 375 slots.

COMMISSIONER BAEZ: And what you are saying is it is exactly the opposite?

THE WITNESS: They would build it for 500 cars, because 500 cars could show up one day. But to pay for how much square footage and blacktop they had to put down, putting the lines, you know, they ensure that they have got full payment by only needing 375 cars in the lot on average.

COMMISSIONER BAEZ: And explain to me, does that concept agree with you? I mean, do you agree with that

concept?

THE WITNESS: Yes. I mean, how I just explained it is how the cost case will unfold for you.

COMMISSIONER BAEZ: Well, then I guess I'm confused. I don't see how that jibes with your maintaining that you should only pay for what you use if, in fact -- I mean, if you are agreeing with actually getting a greater cost spread over --

THE WITNESS: Let's take your parking lot example, and let's say there is a paid attendant sitting out there that wants the $5 every time somebody comes. Well, I don't come into the office every day, but the cost-recovery said I am expecting 375 of you to come in. I don't need you, CLEC 1, to be the one that comes in every day. So as long as I get 375 cars, you know, I will get my money. I mean, it's how do you ensure you get your full compensation over time for the investment that you have made.

COMMISSIONER BAEZ: Do you agree with what you just said or not? Maybe I put it -- but the example that you gave, are you in favor of that or do you agree with that?

THE WITNESS: No, I agree with that. Because in that case I may only be showing up 7 days out of the 28, and I am asking to only pay for 7. Well, there is an attendant sitting out there ready to take my money. They are only going get it 7 days when I come through, but BellSouth still had 375 cars on

average sitting in that lot. They got their money.

COMMISSIONER DEASON: Well, are you willing to take that risk that on that day that you come and you want a parking space the parking lot is full and you don't have a place to park?

THE WITNESS: You know, I would say that that has been poor engineering in the long run of this, but --

CHAIRMAN JABER: But that is not the answer to the question.

THE WITNESS: No, but if that is what happens, then so be it. But, again, I mean --

CHAIRMAN JABER: I think the question was -- we are really not joking. I know that we are making light of the hypothetical. I hope you are taking seriously, though -- I hate to offend, I don't mean to offend -- the absurdity of your argument.

COMMISSIONER BAEZ: No. And, I guess, but -- because what I am having -- well, it's actually my difficulty in understanding it, because I don't understand how I want to make someone -- I want to have the suit, even though I only usually just wear the pants, but -- I want to buy the whole suit, but I only want to pay for the pants, because I really only use the pants on a regular basis. Now, every once in a while somebody is going to die and I am going to have to wear the whole suit to a funeral, because otherwise it would tacky. But the suit

is -- essentially the jacket is hanging in the closet only for when I need it. So I don't want to pay full for the suit, I just want to pay for the pants, because that's really the only thing that I'm using. And I don't know in any other world where that actually makes sense, or I could get away with it.

THE WITNESS: To take it back into the --

COMMISSIONER DAVIDSON: Well, let me jump in there. I think it would work out. Your argument would work if Commissioner Baez and I together went to buy the suit, and said, you know what, I only want the jacket, and he only wants the pants. If you've got a couple of CLECs coming in and say together we are going to use 50 amps --

COMMISSIONER BAEZ: You are going to have to eat a lot more cheeseburgers to use my jacket. (Laughter.) But it's getting late, and we're getting silly.

CHAIRMAN JABER: This is what is happens when you make us go past 4:00 o'clock on the second day. And, Mr. Carver, I know we haven't left you any questions.

COMMISSIONER BAEZ: Madam Chairman, he wants to answer the question.

THE WITNESS: If I could.

CHAIRMAN JABER: Go ahead.

THE WITNESS: I used earlier the 80 percent utilization factor. If I go to some of your arguments in this case, it would have been 100 percent utilization, because you

would have built the lot to 500 cars, okay? So in the cost development -- and I will stick to the analogy and the way I laid it out. In this case, if you want the full suit then the utilization is 100. You are expecting -- so that is going to lower that rate tremendously, because you are expecting now to sell the whole suit, or to sell every slot for a 500-car lot, not expecting something less.

CHAIRMAN JABER: Okay. I'm going to back to Mr. Carver or do you want to follow-up? Mr. Hatch is writing redirect questions on your suit analogy, you understand.

Mr. Carver.

MR. CARVER: I have nothing further. Thank you.

CHAIRMAN JABER: Thank you. Ms. Masterton.

MS. MASTERTON: I think you guys have pretty well covered everything.

CROSS EXAMINATION

BY MS. MASTERTON:

Q I did want to ask some questions, just a few questions on the utilization. When AT&T uses 3 amps out of the 50 that they have asked Sprint to provision, however, that equates to a 6 percent utilization factor, doesn't it?

A Yes.

Q And based on a 6 percent utilization factor, Sprint's rates would have to be increased by approximately 16 times in order to recover the cost of those 50 amps, wouldn't it?

A It's law of averages. You are going to have other carriers that are going to be using 90 percent of what they gave, and it is, again, over time. That is part of the cost development is to determine what it takes to recover over time recognizing the --

Q Could you answer that --

COMMISSIONER DAVIDSON: Could you assume also that there are no other carriers, that it is just Sprint and AT&T for the purpose of just this answer to Ms. Masterton's question?

MS. MASTERTON: Yes, please.

THE WITNESS: At that point in time, yes, you are underrecovering. But because --

MS. MASTERTON: Thank you. That's all I need. Thank you.

THE WITNESS: If I --

CHAIRMAN JABER: Ms. Masterton, I let your witness elaborate, I will extend the same courtesy.

MS. MASTERTON: Okay.

CHAIRMAN JABER: You did answer yes or no, and I will allow the elaboration. Go ahead.

THE WITNESS: In the scenario that is being laid out, if you have used -- let's say the cost study used a 6 percent utilization, okay. That means the rate is real high. Well, when I come in now and I say, hey, I want 10 amps. Oh, my

gosh, I am paying them a lot of money now when they were only expecting 7. So, again, it becomes what is the right utilization understanding usage over time to ensure proper recovery.

CHAIRMAN JABER: You had follow-up questions, Ms. Masterton?

MS. MASTERTON: No, that's all I have. Thank you.

COMMISSIONER DAVIDSON: I have one question following up to Ms. Masterton's question. From just an accounting standpoint, is it possible to -- assuming one ALEC, one CLEC -- to basically cost-recover based on actual usage and adjusting the factor so that if you are using 7 amps, the rate is higher, if you are using 30 amps, the rate per amp is lower, and simply adjust based on something closer to a realtime metering of usage, whether that realtime is monthly, quarterly, et cetera, and just adjust for the reality, so that the ILEC is actually recovering based on a factor adjusted for actual usage?

THE WITNESS: I think it is -- I mean, that is a plausible scenario. Obviously, you know, you are going to have -- especially in light of how we are looking at this from a TELRIC approach versus an embedded approach, I think you are going have certain issues between the carriers as to what is the right, you know, recovery of costs. Obviously we would like to see it as a long-run incremental cost, but is it possible to come up with that type of arrangement? Yes. I

mean, I know that carriers work with utilities. You have different contract arrangements because you buy so much business, you know, you get a discount on your rate.

So, that is not to say that things can't be worked out. I think it all boils down to what, you know, is that reasonable rate. I would love to say that I think, you know, AT&T and each of the carriers that are represented here could come up with a compromise rate. History says it won't happen until a Commission determines what are the real costs and determines what that rate is.

CHAIRMAN JABER: Mr. McCuaig. Or were you done, Commissioner?

COMMISSIONER DAVIDSON: I was, thank you.

CHAIRMAN JABER: Mr. McCuaig.

MR. McCUAIG: Just a couple of questions to clarify AT&T's position on 1A. I promise not to get anywhere near Issue 6.

CHAIRMAN JABER: Thank you.

MR. McCUAIG: You're welcome.

CROSS EXAMINATION

BY MR. McCUAIG:

Q Mr. King, regarding Issue 1A, you are proposing three different bill dates for NRCs depending on whether they fall within, quote, application fee, quote, space preparation firm order processing, or, quote, other, is that correct?

A Yes.

Q And you propose that the application fee invoice be submitted by the ILEC when it notifies the CLEC of availability, is that correct?

A Yes. Let me also qualify, though, that this is another area where Verizon and Sprint, you know, both propose the so-called 50 percent up front. That is because Sprint and Verizon are doing all of the cable installations on their own behalf and not allowing the CLEC to be that vendor. That is a difference between how we are set up with BellSouth. And, again, another reason why you see AT&T coming to the table, especially in the cost proceeding, with a common model, with a common approach. We want to be able to do these things. Now, the reason why their NRCs are so high --

MR. McCUAIG: I am really just asking about the application fee right now.

CHAIRMAN JABER: Mr. McCuaig, I am going to allow him to elaborate. I am going to allow him to elaborate. You feel like he has answered your question and is going beyond it?

MR. McCUAIG: He is going into the other two parts of his proposal on 1A, which I am planning to go into. I was hoping to focus on the application fee and then --

THE WITNESS: I'm dealing only with the application fee.

CHAIRMAN JABER: Mr. King, hang on. I'm sorry, I

didn't hear the last part of what you said, Mr. McCuaig. You said you are going into the other parts anyway?

MR. McCUAIG: Right. What I am saying is that I was hoping to run through the application fee and then run through each of the other two parts. I wasn't going to ask him about the actual costs in this phase of the proceeding.

CHAIRMAN JABER: Mr. King, I want you to finish your thought, but let's focus on the question, let's answer the question, and I am sure Mr. Hatch is going to do redirect, because I saw him writing vigorously.

Go ahead, Mr. McCuaig.

THE WITNESS: Is this where I can continue my elaboration, because he was addressing the application fee.

CHAIRMAN JABER: Finish your thought.

THE WITNESS: The application fee proposal of being at 50 percent up front and 50 percent later is because they are doing that engineering and installation of things that AT&T or Covad does themselves with BellSouth, and that is why generically in my testimony you see it as I'm willing to pay the application fee up front, I don't have the 50 percent proposal. But you have to link it to how I have developed my case in the cost phase, because I am trying to change their methods and procedures in how they recover their costs as to the total docket.

BY MR. McCUAIG:

Q When I understand you to say you are willing to pay the application fee up front, does that mean you are willing to pay it when you submit your application, like any other application fee?

A Upon response, which is generally within that 15-day, I think, time line that the Commission has already ruled. It is the response that space is available, you have given me the firm price quote. Again, given that Sprint and Verizon have more cost as a part of their application than BellSouth, depending on how the rest of the case goes, you know, 50 percent may not that be bad. That is a huge up-front investment, but if the case goes --

CHAIRMAN JABER: Mr. King, it's getting late. The question was simple. By paying up front, do you mean you are willing to pay the fee when you submit the application? It is that simple, let's answer it.

MR. McCUAIG: And I am just talking about the application fee, not the nonrecurring costs at this point.

CHAIRMAN JABER: Thank you, Mr. McCuaig.

THE WITNESS: The application fee is a nonrecurring charge. But, yes, upon -- but it is upon the ILEC responding back that space is available. It is not when I actually give you the application.

BY MR. McCUAIG:

Q But you propose that the CLEC would have to pay the

application fee whether or not space is available?

A No.

Q No, the CLEC would not have to pay the application fee if there were no space available?

A I can cancel within the first 20 days of filing an application without charge.

Q Well, now let me get this straight. When the ILEC receives the application from the CLEC, it has to review that application, right?

A Uh-huh.

Q And it has to determine whether space is available either by checking records or going to the site?

A That would be part of the process, yes.

Q It has to open an account or record associated with the application, correct?

A If you are doing that, yes.

Q So the ILEC incurs these costs regardless of whether space is available for the CLEC, isn't that right?

A I'm sure there are certain administrative actions that are done, you know, in the course of business. This is just a general business-to-business arrangement that I know we have with BellSouth and potentially other carriers. And it is a situation, especially if there is no space available, I would think that that is something that would be pretty well -- pretty easily known early in the process without incurring much

cost.

Q But you wouldn't disagree with the concept that if the ALEC submits an application and the ILEC incurs costs because of that submission, the ILEC should be reimbursed for those costs?

A I would agree for those costs that are nonrecoverable.

Q Wouldn't it make more sense, then, for the CLEC to submit the application fee with the application?

A Then we get in this administrative nightmare of what if I do cancel the second or third day, you are going to have to refund me. This seems a little bit cleaner, and I think this is consistent with the BellSouth testimony. You know, once you have told me that we are good to go here and we believe we can process the application, then send the money.

Q I don't understand why you would cancel an application three days after you submitted one.

A Anything is possible. You could come back and tell me I don't have the space, and I have paid you a lot of money and I won't get it anyway.

CHAIRMAN JABER: Let's try to move this along. Mr. King, do you agree with me that the application fee is nothing more than a processing fee?

THE WITNESS: Generically, yes.

CHAIRMAN JABER: Mr. McCuaig, anything else.

MR. McCUAIG: Yes. I would like to move through the part of this issue that the witness was chomping at the bit to get at earlier.

CHAIRMAN JABER: Go ahead.

BY MR. McCUAIG:

Q You propose that the costs associated with, quote, processing the firm order for collocation space would be billed at the time of the CLEC's firm order, is that right?

A The firm order processing that would kick off the modifications to the space, yes.

Q What costs would be included in that portion of the element that you propose here?

A From a nonrecurring perspective or --

Q It's your proposal, just what is in it?

A I am following the BellSouth process with this, so it would be consistent with the cost recovery within our proposal in the cost phase here.

Q Would the cost for building a cage be included in that processing the firm order for collocation space section of your proposal in Issue 1A?

A I believe the cage actually has a separate rate, but, I mean, that is essentially what is beginning to occur is -- that is part of preparing the space is to start working on the cage, yes. But does the space preparation charges themselves include that cage? I mean, the cage itself would start being

paid upon delivery of the cage.

Q So, no, the cage -- no part of the cage costs would be included in your processing firm order part of the fee to be paid up front, is that correct?

A Correct.

Q Would the environmental conditioning necessary for the collocation space be included in that processing the firm order aspect of this rate?

A The administrative activities associated with those things are part of the space preparation, and HVAC upgrades, those kinds of things are already accounted for in monthly recurring charges. So, you know, those activities upon receipt of the service, you know, we would be paying for, you know, within the rate structure.

Q So just let me ask the punchline question. Would any of the actual construction costs be included in your rate that you would pay with the firm order?

A Given the total case construct, it would be upon receipt of that service, not within the space preparation.

Q It would be on the CLEC acceptance date that all of those nonrecurring costs come due?

A Upon delivery of the cage, for instance, yes. Yes.

Q Is that consistent with how the ILECs incur the costs necessary to do the construction work for your collocation arrangements?

A It is consistent with every other UNE, whether it is a loop, whether it is a multiplexer. I mean, any UNE or service is billed -- you're billed upon delivery of the service.

Q You're talking about something a little different here, though, aren't you? I mean, you're really not talking about a loop that is in the ground that we are turning over or a multiplexer that you would just stick in a site, you are talking about constructing a cage and changing out the HVAC and going through a construction project. Is that fair?

A I don't disagree with the activities being performed. Where I think we continue to be in disagreement is when those charges should begin.

Q And your basic position is those charges should not begin until the CLEC has control of the space regardless of whether the ILECs have previously incurred costs?

A Yes, we would pay upon delivery of the service. And I have also acknowledged that if for whatever reason, you know, you pull out, you know, including in the stipulation that we had that we would pay for any nonrecoverable expenses incurred. But, you know, to get into this administrative nightmare of trying to pay for a lot of stuff up front that may never be delivered, you know, it is just easier, deliver the service and we will pay you. I think you will find that AT&T pays every bill.

Q I can't comment on that. If Verizon engaged vendors, outside contractors to provision some of the aspects necessary to provide the collocation space that an ALEC had ordered, those vendors would expect to be paid by Verizon, wouldn't they?

A No. Those vendors would be paid directly by the ALEC. The ALEC would ensure that they are choosing from a list of certified vendors that have already been approved by Verizon, which is exactly how BellSouth operates. It is a direct relationship between the ALEC and the third party.

Q You're fighting my hypothetical and Verizon's tariff a little bit there. As you have acknowledged earlier, Verizon actually does this work itself. It acts as a middleman if it uses contractors and it basically passes those costs through to the ALECs, is that correct?

A Oh, yes, it passes the costs on.

Q But they are costs that Verizon incurs if they hire outside workers to perform the work on behalf of the ALEC?

A I don't believe Verizon incurs any costs.

Q Verizon receives invoices from those vendors that the invoices expect to be paid, correct?

A Yes, and what I am suggesting is that invoice be sent directly to the ALEC. Let the ALEC negotiate a contracted price. Create competition within this wonderful telecommunications world. Provide some jobs. I would add that

as Covad mentioned earlier --

CHAIRMAN JABER: Is there a question pending to you?

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

CHAIRMAN JABER: Staff.

MS. KEATING: Believe it or not, I actually still have one question left.

CROSS EXAMINATION

BY MS. KEATING:

Q I'm looking at the bottom of Page 9 of your direct testimony, and that is where you have indicated your prioritization that AT&T prefers metering as opposed to using a List 1 Drain. And all I'm trying to figure out is at what point AT&T's preference would switch to the List 1 Drain. Is there some delineation there?

A Currently, obviously you need a meter to measure, or if you are sending someone out, they would have to have some form of clamp on to actually go and clamp on. A crossover, I guess to be specific what we are experiencing today is that where AT&T places its own BDFB in a cage that already has meters installed, that we definitely prefer to have that meter read. It is directly related to us, easily accessible, remotely accessible in many cases, and think it is very cost-effective for that to happen. Especially if AT&T is a certified vendor, we can make our own reading and report it, you know, to the ALEC. Or to the ILEC, rather.

Q I'm not sure, but I don't think that was quite answering my question. What I want to know is is there a point at which AT&T prefers to use the List 1 Drain as opposed to metering?

A It would be a case-by-case basis. I mean, looking at the cost of what the metering is.

Q Would cost be the primary factor?

A Yes. And a lot of that is driven today by the way the rates are charged to AT&T. You know, the prime example is, you know, where I just suggested that where AT&T places their BDFB in a cage, and if we are working with BellSouth and powering to their power distribution board, we are required per Mr. Milner's testimony earlier, et cetera, to put a 225-amp fuse on that power distribution board. But their rate has the .667 multiplier in it which says I am only expecting you to use 66 percent of that fused capacity, which is closer to 150 amps. Well, there is such a large disparity between rate development and rate application that the only way to get to the crux of it is go straight to measured usage, yes.

Q Well, I really just wanted to know when you wanted to use List 1 Drain, so --

A If we have chosen not to meter, then we would default to an adjusted List 1 that would approximate usage.

Q And you would choose List 1 when you found that the costs of metering were too high, when metering is not

economically viable?

A Yes. Yes. To the extent that List 1 represented a proxy for usage.

Q Can you tell me at what point AT&T would not find metering economically viable?

A If costs were developed correctly, I mean, it is possible we wouldn't even need metering, we could use a List 1. You know, if the rate itself was developed, you know, understanding that List 1, and we all had a common understanding of what that meant, it may not be. But, again, it is because of the experience we have had with how Verizon develops their costs, or Sprint, or Bell, there is such a large disparity in how the processes are used to provide the information, that it inflates their recovery of costs.

We believe we are overcharged, and so how do I rectify it? I mean, if costs are developed right and applied right, you technically may not need to do a measured service. But that is the best way to know what you are using.

MS. KEATING: Thank you, Mr. King. Madam Chairman, that's all we have.

CHAIRMAN JABER: Commissioners, do you have any questions? Redirect? Take us home, Mr. Hatch, like quickly.

MR. HATCH: Believe it or not, there is very few redirect notwithstanding my furious writing.

REDIRECT EXAMINATION

BY MR. HATCH:

Q Do you remember Mr. Carver's example that was discussed sometime ago, 3 amps, and I think his rate was 7.80. Do you recall that?

A 7.50, I believe, was his rate; yes.

Q And so if you take his rate and you have a utilization factor of 80 percent, what does that break down into for plant versus the electric usage? You can borrow my calculator, if you like.

A $6 would be associated with plant, roughly, right, and $1.50 for usage.

Q Call it roughly.

A Did I get it close enough?

Q Yes. Now, if you are using 3 amps, that would be approximately $18 a month for plant and about $4.50 a month for electric, or for actual usage?

A Yes.

Q Now, could you run that same scenario if you are based on 50 amps. What would the amount per month for plant be?

A You would be paying $300 for the plant and you would be paying $75 for the usage based on the bifurcated, if you paid it against the $7.50. So there is 375 if you bifurcated the rate. 50 amps times -- well, you are going to get the same result.

Q And so if you look at the 50-amp scenario versus the 3-amp scenario, what is the difference between the 50-amp scenario and the 3-amp scenario?

A You would pay about 22.50 under the 3-amp scenario, and $375 under the 50 amp, if I understand your question.

Q Probably not. Basically, the electric rate under the 3-amp scenario, I think, is like 4.50, right, per month?

A Well, $1.50 times 3 is 4.50, plus the 18 for the power plant, three times six.

Q No, just the electric usage portion for the moment.

A Oh, the electric usage portion, yes, is $4.50.

Q And compare that with the electric portion under the 50-amp scenario.

A $75.

Q Is the difference?

A Correct. Well, $75 is what I would have paid under the 50 amps, so there is about $70.50 overpayment through the current process.

Q Now, the Commissioners asked you a whole bunch of different hypotheticals all along the way. I think one of them that Commissioner Davidson talked about assumed a single ILEC and a single CLEC. Do you recall that?

A Yes.

Q Is it a reasonable assumption in this telecommunications environment that you would assume a single

ILEC and a single CLEC?

A Not over the longhaul of business.

Q Now, you remember Commissioner Baez's question about the parking lot?

A I'm sorry?

Q The discussion about the parking lot.

A Yes.

Q Now, if you assume proper traffic engineering for a parking lot, would the engineering account for the growth in volume of cars?

A Yes.

Q Would proper parking engineering at the point -- what would happen with proper parking engineering in a dynamic arena when the number of cars started to approach the total number of spaces on a daily basis, what would happen?

A Well, they would relook at their total demand forecast and resize the parking lot appropriately.

Q Now, do you remember the discussion with Mr. McCuaig about using certified vendors?

A Yes.

Q And I believe in his question he talked about using contract vendor work as part of this collocation process. Do you recall that?

A Yes.

Q In your experience, would you expect that Verizon

would pay its contract vendors up front for the work they would do?

A You know, I obviously don't have personal knowledge of how Verizon pays. But I think generally from what I have seen from our world, you know, once the service is provided is when you pay the invoice. The invoice is issued upon delivery of the service.

MR. HATCH: Thank you, Madam Chairman, that is all I've got.

CHAIRMAN JABER: Thank you, Mr. Hatch.

Mr. King, thank you for your testimony.

THE WITNESS: Thank you.

CHAIRMAN JABER: There were no exhibits, so I think this brings us to the conclusion of the hearing. Ms. Keating, is there anything else that needs to come before us today before we adjourn and you have the rest of the controlling dates handy?

MS. KEATING: Well, the last thing I would like to bring up is the issue of Verizon's provision of its addition to our Exhibit 5, and I believe we have agreed that September 3rd is the date.

CHAIRMAN JABER: And the September 3rd due date will only apply for Interrogatory Request Number -- I think you said 229 yesterday, right?

MS. KEATING: That is correct.

CHAIRMAN JABER: Okay. As it relates to the rest of Exhibit 5, this Friday's date is appropriate?

MS. KEATING: That is correct.

CHAIRMAN JABER: What is this Friday's date?

MS. KEATING: Well, let's see, this is the 12th, so the 15th.

CHAIRMAN JABER: 15th, okay. So August 15th for the rest of Exhibit Number 5. And with that, Exhibit Number 5 is admitted into the record. I did not do that yesterday as a late-filed exhibit.

(Late-filed Exhibit 5 admitted into the record.)

MS. KEATING: That is correct.

CHAIRMAN JABER: Okay. Anything else?

MS. KEATING: I just wanted to point out that transcripts from this proceeding are due on the 20th, briefs will be due September 9th, and the hearing for the next phase is November 4th.

CHAIRMAN JABER: How many pages did the prehearing officer establish for the briefs?

MS. KEATING: Forty.

CHAIRMAN JABER: I would note for the record that there were some things we asked the parties to include in their brief. To the degree -- I can't imagine folks can't cover that in 40 pages, but I would leave it up to the prehearing officer's discretion to revisit that if it is appropriate. And

there is a second phase to this proceeding?

MS. KEATING: That is correct, the pricing phase.

CHAIRMAN JABER: And when is that hearing?

MS. KEATING: November 4th. Oh, I'm sorry.

MR. WATKINS: Madam Chair, the staff was --

CHAIRMAN JABER: Hang on, Mr. Watkins. You're not sure about -- hang on.

MS. KEATING: Well, I'm working off of a CASR. I have still got November 4th and 5th.

CHAIRMAN JABER: Right. That's what I have in front of me, too.

MS. KEATING: That's what's on our calendar.

CHAIRMAN JABER: Okay. So the phase two part of this hearing is November 4th and 5th.

Now, Mr. Watkins, you had something you wanted to say?

MR. WATKINS: I just wanted to say the staff greatly facilitated getting the parties together to arrive at the stipulations that were filed at the beginning of this case and probably saved us from being here much longer than we currently have been. And it sounded like some of these issues closed a great deal during the course of this hearing. To the extent that staff thinks that that may be the case, it would greatly assist the parties if we could have one session together at the coordination of the staff to see if that actually is the case

and if we can eliminate any of these issues prior to the briefing.

CHAIRMAN JABER: Well, first and foremost, let me thank you for acknowledging that, and I appreciate your comments about our staff. They are always available as facilitators. Absolutely, I would request that staff do that, and the parties initiate among yourselves some discussion and dialogue. Staff is always available to you all to use as facilitators.

And you are absolutely right, just as one Commissioner, and I would ask that my Commissioners share their thoughts, too. But as one Commissioner, I heard a lot of solutions. And I think you heard a lot of venting and frustration on our part that some of those solutions haven't been explored before today. That is not to say it is too late. We have got some time to do some work. And, Ms. Keating, absolutely try to facilitate some discussion.

COMMISSIONER DEASON: The only thing, I would agree with all of that and just add that that facilitation to the extent the parties are so inclined could also include costing and pricing matters, as well, even though that has not yet been to hearing. Any attempts in that regard certainly would be hopefully beneficial, and certainly would be appreciated.

CHAIRMAN JABER: Absolutely. And we do applaud the efforts thus far, and I think some of the discussion was -- I

know this wasn't necessarily to resolve some of the pricing issues, but certainly it can be a comprehensive package when it comes back.

Commissioners, seeing no other action that needs to come in front of us today, this hearing is adjourned. Thank you.

(The hearing adjourned at 4:47 p.m.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, 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' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 19th day of August, 2003.

JANE FAUROT, RPR
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