

1 SUPRA TELECOMMUNICATIONS AND INFORMATION SYSTEMS, INC.

2 DIRECT TESTIMONY OF DAVID A. NILSON

3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

4 DOCKET NO. 040353-TP

5 OCTOBER 14, 2004

6

7 **Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH SUPRA**  
8 **TELECOMMUNICATIONS AND INFORMATION SYSTEMS, INC. AND**  
9 **YOUR BUSINESS ADDRESS.**

10

11 A. My name is David A. Nilson. I am employed by Supra Telecommunications and  
12 Information Systems, Inc. ("Supra") as Chief Technology Officer. My business address  
13 is 2620 SW 27th Avenue, 4th Floor, Miami, Florida 33133.

14

15 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND WORK**  
16 **EXPERIENCE.**

17

18 A. I have been an electrical engineer for the past 27 years, with the last 23 years  
19 spent in management level positions in engineering, quality assurance, and regulatory  
20 departments. In 1976, I spent two years working in the microwave industry, producing  
21 next generation switching equipment for end customers such as AT&T Long Lines, ITT,  
22 and the U.S. Department of Defense. This job involved extensive work with various  
23 government agencies. I was part of a three-man design team that produced the world's

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1 first microwave integrated circuit which was placed in production for AT&T within 30  
2 days of its creation. I held jobs at two different companies in quality control  
3 management, monitoring and trouble-shooting manufacturing process deviations, and  
4 serving as liaison, and auditor regarding our regulatory dealings, with the government.

5

6 I spent 14 years in the aviation industry designing both airborne and land-based  
7 communications systems for various airlines and airframe manufacturers worldwide.  
8 This included ASIC and Integrated Circuit design, custom designed hardware originally  
9 designed for the Pan American Airlines call centers, and various system controllers used  
10 on Air Force One and Two, other government aircraft including that for the Royal Family  
11 in England. I designed special purpose systems used by both the FAA and the FCC in  
12 monitoring and compliance testing. I was responsible for design validation testing and  
13 FAA system conformance testing.

14

15 Since 1992 I have been performing network and system design consulting for  
16 various industry and government agencies, including research and design engineering  
17 positions at the Argonne National Laboratories. I joined Supra Telecom in the summer  
18 of 1997. A programmer for more than 35 years, I have extensive experience in systems  
19 analysis, design, and quality assurance procedures required by various US government  
20 agencies. I have designed Internet Service Provider networks and organizations,  
21 including Supra's. I have done communications related software consulting for Fortune  
22 500 corporations such as Sherwin Williams, Inc.

23

1 I have attended extensive management and engineering training programs with  
2 Motorola, Lucent, Nortel, Siemens, Alcatel, Ascend, Cisco, Call Technologies,  
3 Southwestern Bell Telephone, Verizon, and others.

4  
5 I am the architect of Supra's network and ISP, and designer of our central office  
6 deployments and network operations. This includes planning, capacity and traffic  
7 analysis to define equipment capacity from market projections for voice services, Class 5  
8 switch design and planning, transmission, data and Internet services, xDSL, voicemail  
9 and ILEC interconnection, ordering and billing.

10

11 I have negotiated interconnection agreements with Sprint, Verizon, Ameritech  
12 (SBC), SWBT, SWBT (SBC), and BellSouth.

13

14 I participate in bill analysis and dispute resolution and am intimately familiar with  
15 BellSouth's retail and CLEC OSS systems, CRIS and CABS billing systems and  
16 standards. I have helped to resolve tens of millions of dollars in over billed charges with  
17 BellSouth alone.

18

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED?**

20

21 A. Yes, I testified before the Florida Public Service Commission (the "Commission")  
22 in numerous generic dockets and in various disputes between Supra and BellSouth  
23 regarding central office space availability, rates, requirements, specifications for

1 collocation, unbundled network elements (“UNEs”) and combinations thereof. I have  
2 participated in settlement procedures before the Commission Staff on matters relating to  
3 OSS and OSS performance against BellSouth. I have testified before the Texas Public  
4 Utilities Commission (“TPUC”) on matters of collocation regarding disputes with  
5 SWBT. I have made ex-parte presentations before the Federal Communications  
6 Commission (“FCC”) regarding the Bell Atlantic/GTE merger, the UNE Triennial review  
7 in 2002, and the Department of Agriculture regarding Network Design and Expansion  
8 policies for Competitive Local Exchange Carriers (“CLECs”). I have appeared before  
9 the FCC staff on several occasions in disputes against BellSouth regarding collocation. I  
10 have testified before regulatory arbitrators in Texas, and in commercial arbitration against  
11 BellSouth. I have been deposed numerous times by BellSouth, and SWBT. I was  
12 qualified as an expert witness in telecommunications by the TPUC in 2000. I have  
13 testified on numerous occasions in Federal District Court and Federal Bankruptcy Court.

14

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

16

17 **A.** The purpose of my direct testimony is to address the costs imposed upon Supra by  
18 BellSouth for Supra to provide a comparable service offering to that of the PreferredPack  
19 Plan offer.

20

21 **Q. WHAT ARE THE COMPONENTS THAT SUPRA WOULD HAVE TO**  
22 **PURCHASE FROM BELL SOUTH IN ORDER TO PROVIDE A**

- .

1           **COMPARABLE SERVICE OFFERING TO THAT OF BELLSOUTH'S**  
2           **PREFERREDPACK PLAN OFFER?**

3  
4    A.    In order to provide a comparable service offering to that of BellSouth's  
5    PreferredPack Plan offer, Supra would have to purchase the following components from  
6    BellSouth:

7           a.    UNE - P.1.1<sup>1</sup> – 2 Wire loop/port Combination<sup>2</sup>; Zones 1-3 consisting  
8           of:

9                i.   2 wire Analog loop, zones 1-3 (Combined form of A.1.1<sup>1,2</sup>, USOC  
10                UEPLX); and

11               ii.   Unbundled Local switch port<sup>3</sup> POTS service with extended area  
12                calling. (Combined form of B.1.1<sup>1,2</sup>, USOC UEPxx).

13           b.    UNE - B.4.13 CLASS features<sup>2</sup>-- Complete Feature Set (USOC  
14                UEPVF);

15           c.    Tariffed - Local Number Portability (USOC LNPCX);

16           d.    UNE - ADUF – LD Access Billing Data records (UNE Rates);

17           e.    UNE - ODUF – Local toll and OS/DA billing records (UNE Rates);

18           f.    Tariff (avg.) - Directory listing charges (Non-UNE)<sup>4</sup>;

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<sup>1</sup>        FPSC Orders PSC-01-1181-FOF-TP and PSC-01-2051-FOF-TP have used the term P.1.1 to refer to the combined res/biz POTS service equivalent to 1FR/1FB service. BellSouth, however, continued to use P.1.1 as the loop component and P.1.2 as the port Component in certain departments, and the PSC convention in others. This has led to double billing of port charges. Order No. PSC-02-2051-FOF-TP explicitly set out the sub-cost of the individual components as the FPSC had intended its earlier orders to be interpreted, and began using the term P.1.RESBUS to describe the combination of the A.1.1 and B.1.1 elements into UNE-P service. Supra uses the P.1.1 and P.1.RESBUS interchangeably, and the individual element designations (A.1.1 and B.1.1) when referring to the supplements and does not use the term P.1.2 to refer to the port, or P.1.1 to refer to the loop only. We believe this is closer to the FPSC intent in all three orders and as such will cause less confusion.

<sup>2</sup>        Commission designated UNE cost element per Dockets 990649-TP, 990649A-TP and 990649B-TP.

<sup>3</sup>        Residential /Business

1 g. UNE (avg.) - Unbundled usage, which varies by caller – called party  
2 location consisting of<sup>2</sup>:  
3 i. C.1.1 - End Office switching per MOU;  
4 ii. C.1.2 - End Office Trunk Port – Shared per MOU;  
5 iii. C.2.1 - Tandem Switching per MOU;  
6 iv. C.2.2 - Tandem Trunk Port – Shared per MOU;  
7 v. D.1.1 - Common Transport per mile, per MOU;  
8 vi. D.1.2 - Common Transport – Facilities termination per MOU; and  
9 h. Tariffed (avg.) – Non-unbundled usage which billed alongside UNE  
10 usage on BellSouth UNE JB ILL – Represents Operator services and  
11 Directory assistance services charges<sup>5</sup>.

12 i) Additionally, Supra would be required to purchase Privacy Director,  
13 which BellSouth does not offer as a UNE at TELRIC rates, at the BellSouth Tariff rate,  
14 less a resale discount for residential users. Privacy Director is not available in business  
15 UNE-P lines.

16 ii) The average price per line for the TELRIC UNEs listed above, based on  
17 BellSouth's \$13.95 average loop cost and BellSouth's bills to Supra from January 1,  
18 2004 to present, is approximately \$23.98.

19 iii) BellSouth charges Supra an additional \$5.45 in resale (non-TELRIC)  
20 charges consisting of \$4.65<sup>6</sup> per month, per line for Privacy Director Services,<sup>7</sup> an

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<sup>4</sup> In a UNE-P arrangement, tariffed charges are billed at the BellSouth GSST tariff rate, less a residential resale discount of 21.83%, if the tariffed service is a qualified telecommunications product or service.

<sup>5</sup> In a UNE-P service, OS/DA charges are billed as a component of UNE usage and are an average of all similarly billed customers.

<sup>6</sup> See BellSouth GSST A3 Tariff rate less the applicable resale discount.

1 average of approximately \$.31 per month per line per month for Directory Listing  
2 Charges and \$.49 for operator services and directory assistance calls.

3 iv) For Supra, the total recurring, and average usage and non-recurring costs,<sup>8</sup>  
4 for the services and features to duplicate BellSouth's PreferredPack Plan together with a  
5 statewide weighted average loop cost calculated based upon the actual distribution of all  
6 Supra UNE-P customers, totals \$29.43.

7 v) BellSouth's retail price of \$26.95 for its PreferredPack Plan is \$2.48 **less**  
8 **than** Supra's direct cost of \$29.43 to provide the equivalent service.

9

10 **Q. DOES SUPRA DISAGREE WITH BELL SOUTH'S WEIGHTED COST OF**  
11 **\$13.95 FOR AN UNBUNDLED UNE LOOP?**

12

13 A. No, but the number itself is a moving target and is largely dependent upon a)  
14 where customers choose to respond to advertising and switch to us, b) where customers  
15 move to or c) where customers were when they left Supra. As such numbers between  
16 approx \$13.40 and \$16.00 can be relevant, and the number can be seen to change as  
17 much as \$1.26 within a single month<sup>9</sup>.

18

July	August	Sept	Oct
14.75	14.65	14.71	13.45

19

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<sup>7</sup> BellSouth charges Supra \$5.95 out of its tariff, less a resale discount of 21.83%, arriving at a price of \$4.65.

<sup>8</sup> For services billed as UNE-P, retail, and resale as available.

<sup>9</sup> September 2002 to October 2002.

July UNE-P	July UNE-L	August UNE-P	August UNE-L
13.41	14.69	13.14	15.07

Table 2

1

2

3

4 **Q. WHAT IS SUPRA'S COST FOR PURCHASING A PORT AND USAGE**  
5 **FROM BELLSOUTH FOR A COMPARABLE SERVICE OFFERING TO**  
6 **THAT OF BELLSOUTH'S PREFERREDPACK PLAN OFFER?**

7

8 A. That depends on whether the DUF charges are included (as they should be) or  
9 accounted for separately. \$3.43 recurring monthly Service charge consisting of \$1.17  
10 port charge, \$2.26 features charge, and an average of \$5.69 UNE usage.

11

Port	1.17
Port CLASS Features	
DUF	1.00
<b>Total "port charges"</b>	<b>10.47</b>

12

Table 3 UNE Port charges, fixed and usage sensitive – August 2004

13

14

# ports	239,147	
Transport	\$284,525.93	\$1.19
End Office	\$978,882.05	\$4.09
OS/DA (Misc.)	\$116,760.17	\$0.49
<b>Total Usage</b>		<b>\$5.77</b>

15

Table 4 -- UNE Usage (JBILL) averages August 2004

16

17

1 **Q. SHOULD THE AMOUNT THAT BELLSOUTH CHARGES SUPRA FOR**  
2 **DUF RECORDS BE INCLUDED IN A COST ANALYSIS?**

3

4 A. Yes. Whether included in the port cost analysis, or as a separate line item, they  
5 are an unavoidable cost of doing business, whether on Supra's switch, or on BellSouth's  
6 UNE-P billed product.

7

8 **Q. WHAT IS THE AMOUNT THAT BELLSOUTH CHARGES SUPRA FOR**  
9 **DUF RECORDS?**

10

11 A. Supra pays approximately \$1.00 per month in DUF call detail records from  
12 BellSouth. Once again this is a usage sensitive number which varies by month within  
13 about 5% variance, ranging from \$0.95 to \$1.05 on any given recent month.

14

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

16

17 A. Yes.