

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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 In the Matter of :  
 Resolution of petition(s) : DOCKET NO. 950985-TP  
 to establish nondiscrimi- :  
 natory rates, terms, and :  
 conditions for intercon- :  
 nection involving local :  
 exchange companies and :  
 alternative local exchange :  
 companies pursuant to :  
 Section 364.162, F.S. :  
 -----

FIRST DAY - AFTERNOON SESSION

VOLUME 2

Pages 170 through 239

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN SUSAN F. CLARK  
 COMMISSIONER J. TERRY DEASON  
 COMMISSIONER JULIA L. JOHNSON  
 COMMISSIONER DIANE K. KIESLING  
 COMMISSIONER JOE GARCIA

DATE: Monday, March 11, 1996

TIME: Commenced at 1:30 p.m.

PLACE: Betty Easley Conference Center  
 Room 148  
 4075 Esplanade Way  
 Tallahassee, Florida

REPORTED BY: SYDNEY C. SILVA, CSR, RPR  
 Official Commission Reporter  
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APPEARANCES:

(As heretofore noted.)

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FPSC-RECORDS/REPORTING

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**P R O C E E D I N G S**

(Hearing reconvened at 1:37 p.m.)

(Transcript follows in sequence from  
Volume 1.)

CHAIRMAN CLARK: We will reconvene this proceeding. We were just debating whether we wanted to go back and allow Commissioner Garcia the opportunity to hear the argument. (Laughter)

COMMISSIONER DEASON: I quickly pointed out he was bound by the decision.

CHAIRMAN CLARK: Mr. Edmonds?

MR. EDMONDS: Thank you.

**CROSS EXAMINATION**

BY MR. EDMONDS:

Q Good afternoon, Mr. Schleiden. Staff has a few questions for you.

First, have you reviewed United/Centel's supporting long run incremental cost information for terminating a call for local interconnection purposes?

A Have I reviewed it? Is that the question?

Q Yes.

A I have, under confidentiality.

Q And in your opinion do you believe the Company's LRIC costs are reasonable?

A I have no idea as to the accuracy of the

1 information that we looked at. There are so many  
2 questions in my mind about that that I'm really not  
3 sure.

4 Q Okay. Is it your understanding that the  
5 LRIC costs includes contribution?

6 A I believe it does, yes.

7 Q Could you explain what your understanding of  
8 what types of contribution are contained in that LRIC  
9 cost?

10 A I didn't study it in that kind of detail.

11 Q Okay. Do you believe that LRIC costs in  
12 general includes a return on investment?

13 A I am not an economist, so I really don't  
14 know all the detail that goes into them. But I  
15 believe that it does include some return on  
16 investment, yes.

17 Q Okay. Now if the interconnection rate were  
18 set at a LRIC cost, do you believe that the  
19 contribution amount that's built into that cost is  
20 sufficient for the Company?

21 A For what purpose, to recover its costs?

22 Q Yes, sir.

23 A Certainly to recover its costs, yes.

24 Q Okay. Do you believe that it would, in your  
25 opinion, would it be appropriate to allow

1 United/Centel to have contribution built into the  
2 interconnection rate for shared joint or common costs  
3 above the Company's LRIC rate? I'm not talking built  
4 into the LRIC, but added on top of it.

5 A I don't think that there ought to be any  
6 minute of use charge.

7 Let's understand my position here. My  
8 position is that the interconnection rate ought to be  
9 bill and keep. So to try to determine the rate for  
10 minute of use for some other purpose, I'd have know a  
11 little bit, a little bit more in detail as to how to  
12 respond to this line of questions.

13 Q Okay. Well, understanding that you are  
14 advocating a bill and keep arrangement, if a per  
15 minute of use rate were set, would you believe,  
16 hypothetically speaking, if it were set as a per  
17 minute of use rate, would you believe that  
18 contribution above the Company's LRIC costs would be  
19 appropriate?

20 A Well, it would depend on, I think, on what  
21 you include in contribution. If you are including in  
22 contribution some of the overhead costs, my response  
23 to that would be no. Why should we allow a company,  
24 for example, that might be -- and I'm not suggesting  
25 that Sprint-United/Centel is, but why should we allow

1 a company that has a tremendous amount of bureaucratic  
2 overhead involved in the running of their business  
3 that perhaps might be termed anything but lean and  
4 mean, why would we want to help them to perpetuate  
5 that? I would think we wouldn't want to.

6 Q Okay. How about for shared or joint and  
7 common costs?

8 COMMISSIONER JOHNSON: I didn't understand.  
9 What was the previous question?

10 MR. EDMONDS: The question is: If,  
11 hypothetically, if a per minute of use rate were set  
12 by the Commission, does Mr. Schleiden believe it  
13 appropriate that there be contribution above the  
14 Company's LRIC built into the rate?

15 COMMISSIONER JOHNSON: And your answer was?

16 WITNESS SCHLEIDEN: My response was if  
17 they're talking about things like overhead costs --

18 COMMISSIONER JOHNSON: Start off with a yes  
19 or no part and then expound.

20 WITNESS SCHLEIDEN: No.

21 COMMISSIONER JOHNSON: No. And the reason  
22 why?

23 WITNESS SCHLEIDEN: If there were overhead  
24 costs that came -- that were being added to the  
25 contribution because of a large bureaucratic overhead

1 and it was an inefficient operation, why would we want  
2 to reward such an inefficient operation?

3 COMMISSIONER JOHNSON: What if the overhead  
4 costs were prudent and weren't caused because of an  
5 overbureaucratic system?

6 WITNESS SCHLEIDEN: Well, I don't know how  
7 exactly you would determine that.

8 COMMISSIONER JOHNSON: So you would just  
9 assume that they are not prudent?

10 WITNESS SCHLEIDEN: I'm not making any  
11 specific assumptions; I'm just saying if they were,  
12 why would we want to perpetuate that?

13 COMMISSIONER JOHNSON: In my mind that's  
14 making an assumption and I was just wondering if there  
15 was a basis for it. Because you answered the question  
16 if this existed, not that it does. So I'm just asking  
17 what if it didn't exist, then wouldn't there still be  
18 overhead costs? And if they weren't due to overly  
19 bureaucratic whatever the term was, then shouldn't  
20 they be recovered? Or am I missing something?

21 WITNESS SCHLEIDEN: But if it wasn't allowed  
22 to be recovered in the local interconnection costs,  
23 then there would be incentive to diminish it.

24 COMMISSIONER JOHNSON: I think I understand.  
25 So you would say not to allow them because if we don't

1 allow those costs to be recovered the companies would  
2 have to be more efficient, it would drive them to  
3 become a more efficient company. And the other would  
4 be an incentive for them not to be as efficient?

5 WITNESS SCHLEIDEN: That's correct.

6 COMMISSIONER JOHNSON: Is that what it is?

7 Q (By Mr. Edmonds) My next question is, how  
8 would that fit in with respect to shared or joint and  
9 common costs?

10 A You're going to have to define for me I  
11 believe what you think shared and common costs are.

12 CHAIRMAN CLARK: Well, how about overhead in  
13 the salaries of some executives? Why shouldn't that  
14 be part of what is covered in this interconnection  
15 charge? I think that's the point that's trying to be  
16 made.

17 If you only cost recover long-run  
18 incremental costs through all your rates, you don't  
19 cover any of your overhead and things like that. So  
20 isn't it appropriate to allocate some of those costs  
21 in this interconnection?

22 WITNESS SCHLEIDEN: It might be. But the  
23 question is, I guess, then where do you draw the line?  
24 How do you know how lean and mean an organization is?  
25 How do you measure that?

1 Q (By Mr. Edmonds) Is it your position that  
2 exchange of traffic will be in balance?

3 A With bill and keep, yes.

4 Q Okay. Now --

5 COMMISSIONER JOHNSON: Could you go back  
6 again? What was your question? What was the  
7 question?

8 MR. EDMONDS: Was it his opinion that the  
9 exchange of traffic would be in balance, not out of  
10 balance?

11 COMMISSIONER JOHNSON: And you said?

12 WITNESS SCHLEIDEN: My answer is yes, if the  
13 bill and keep method was used.

14 COMMISSIONER JOHNSON: Now that I don't, why  
15 would bill and keep put things in balance?

16 WITNESS SCHLEIDEN: That's a good question.  
17 Let me tell you what I think it's going to drive me to  
18 do as an entrepreneur? If I can drive an imbalance in  
19 the traffic that benefits me, I will do it. And I  
20 believe I can do that through marketing techniques.

21 CHAIRMAN CLARK: I guess, if I understand  
22 you correctly, what you are saying is if you set a  
23 rate, it may be to your advantage to have more inbound  
24 traffic and you will market your service that way so  
25 they have to pay you. And with bill and keep, there

1 are no incentives to do that?

2 WITNESS SCHLEIDEN: That's correct.

3 CHAIRMAN CLARK: Okay.

4 Q (By Mr. Edmonds) If a mutual traffic  
5 exchange plan were implemented and traffic were out of  
6 balance, do you believe that the companies involved  
7 should default to a minute of use or port charge?

8 A I think if that occurred that it would be  
9 appropriate for us to readdress the issue at that  
10 time. I would not expect that to occur, however,  
11 based upon over 42 years of experience in this  
12 industry.

13 Q If that were to occur, do you have an idea  
14 of how far out of balance that the traffic would have  
15 to be before it were appropriate to readdress the  
16 issue?

17 A My guess would be it would have to be more  
18 than 10% out of balance.

19 Q Does your Company have any competing  
20 customers or clients that you provide services to?

21 A Today?

22 Q Yes.

23 A Not in the switched services arena. We  
24 provide service today as an alternate access vendor  
25 and as a private line vendor.

1 Q Okay. Would you agree that the termination  
2 of traffic on the LEC's network is provided  
3 technically in the same manner whether it is provided  
4 for the termination of toll or local traffic?

5 A Is it delivered in the same manner?

6 Q Is it?

7 A Technologically, yes.

8 Q Yes. Okay. Given that, could you explain  
9 why you advocate one rate for termination of local  
10 traffic but a different rate for the termination of  
11 toll traffic?

12 A In the termination or origination of toll  
13 traffic, I would not see the alternate local exchange  
14 company collecting the revenues. So there has to be  
15 remuneration for that in some fashion.

16 Q Would you consider it discriminatory to  
17 charge different rates for services that are provided  
18 functionally equivalent?

19 A Functionally equivalent?

20 Q Or technologically equivalent.

21 MR. CROSBY: Objection, I think they're  
22 calling for a legal conclusion, Madam Chairman. It  
23 has to do with the determination of discrimination,  
24 equivalency. I'm not sure as to the basis of his  
25 question, whether it is in law, technology, or

1 economics?

2 MR. EDMONDS: Understanding Mr. Schleiden is  
3 not a lawyer, I'm not asking him to provide a legal  
4 conclusion. But to the extent he has an opinion on  
5 it, I'm asking if he thinks his opinion is if it is  
6 discriminatory.

7 MR. CROSBY: Could I have an explanation  
8 what the "it" is?

9 MR. EDMONDS: Charging different rates for  
10 services that are technologically equivalent.

11 MR. CROSBY: Do you have any services in  
12 mind?

13 MR. EDMONDS: Termination of toll versus  
14 local traffic.

15 CHAIRMAN CLARK: You can answer that  
16 question.

17 A Do I think that it is discriminatory? is  
18 that the question?

19 Q (By Mr. Edmonds) Yes.

20 A No, I don't necessarily think it's  
21 discriminatory, no.

22 Q And why not?

23 A Well, first of all, for local  
24 interconnection, there are generally, while it is  
25 technologically equivalent, but for local

1 interconnection there is generally a lot less plant  
2 involved in terminating a local interconnection call  
3 than there is in terminating a toll call.

4 Q Okay. Let me go back to what I was asking  
5 you about, providing services to competing customers.  
6 I know you said you do not currently provide any  
7 services, any switched access services.

8 MR. CROSBY: I don't understand the  
9 question, Madam Chairman, "competing customers"?  
10 Competing with whom?

11 MR. EDMONDS: Competing with Continental.

12 CHAIRMAN CLARK: Would you state the  
13 question again for me.

14 MR. EDMONDS: The question was, does your  
15 Company have competing customers or clients that you  
16 provide services to?

17 CHAIRMAN CLARK: I think I'm going to need  
18 some clarification, too, on that. (Pause)

19 Q (By Mr. Edmonds) For other carriers that  
20 are certificated in the state of Florida, do you  
21 provide any dedicated type line services which they  
22 purchase from your Company and may, in turn, provide  
23 to another customer?

24 A Do I sell that kind of dedicated access  
25 today? Is that the question?

1 Q Any type of service, including that.

2 A As dedicated access, I do.

3 Q Okay. And what type of services would that  
4 be?

5 A They would be direct, what is referred to as  
6 special access from the carrier's POP to the end  
7 user's location. And also the only other type of  
8 service we provide today would be between two of an  
9 end user's location.

10 Q Okay. And do you provide those services at  
11 their long-run incremental costs?

12 A I do not.

13 Q And do you provide them above long-run  
14 incremental cost?

15 A I don't know --

16 MR. CROSBY: Objection, Madam Chairman, does  
17 the question have to do with rates?

18 CHAIRMAN CLARK: You need to turn on your  
19 mike.

20 MR. CROSBY: Sorry. Does the question have  
21 to do with rates?

22 CHAIRMAN CLARK: Mr. Edmonds, could you  
23 state your question again.

24 MR. EDMONDS: Yes. For those services he  
25 described that he provides.

1           CHAIRMAN CLARK: Are your rates above  
2 long-run incremental costs?

3           WITNESS SCHLEIDEN: I do not know, we do not  
4 do long-run incremental costs.

5           Q     (By Mr. Edmonds) Now I would like to ask  
6 you a few questions concerning Issue 3 in this docket.  
7 It has to do with intermediary interconnection.

8                     Intermediary interconnection is a situation  
9 which would arise when ALECs and IXC's are  
10 interconnected with the LEC but not with each other.  
11 Is that your understanding?

12           A     Yes.

13           Q     And under these conditions a call  
14 originating on one ALEC's network and terminating on  
15 another ALEC's network would have to pass through the  
16 incumbent LEC's network; is that correct?

17           A     If that's the way it was set up, yes,  
18 uh-huh.

19           Q     Okay. Now, MFS's witness, Mr. Devine, he  
20 proposes some points for the provision of intermediary  
21 interconnection. And for his proposals, I want to ask  
22 you what your opinion is on those.

23                     First, he proposes that ALECs be allowed to  
24 subtend or connect to the LEC's access tandem. Would  
25 you agree or disagree with that?

1           A     That we would be allowed to connect to the  
2 access tandem of the incumbent local exchange company?

3           Q     Yes.

4           A     I would agree with that.

5           Q     He also puts out the point that he believes  
6 that established industry standards for meet point  
7 billing should be adopted for the handling of  
8 intermediary traffic. Do you agree with that?

9           A     I would have to know a little bit more about  
10 meet point billing. We are not engaged in meet point  
11 billing at this point.

12          Q     Okay. He also proposes that ALECs who are  
13 collocated in LEC offices should be allowed to  
14 cross-connect without transiting the LEC network,  
15 meaning that they should directly connect with each  
16 other at the LEC's office. Do you agree or disagree  
17 with that proposal?

18          A     I think the local exchange company in that  
19 situation, if they have any costs, ought to be  
20 permitted to recover their costs.

21          Q     So I guess I'm a little confused. You say  
22 they should recover their costs. I guess I'm asking  
23 more. Do you believe that they should be able to  
24 cross-connect without transiting the network?

25          A     Yes.

1 Q Okay. I'm sorry, I might not have heard you  
2 then.

3 Would you have a separate rate that you  
4 would propose for that, or do you believe that it  
5 should be the same?

6 A The same as what?

7 Q The same as a situation where you were  
8 transiting the network, the LEC network.

9 A Again, my position on that is if the local  
10 exchange company has costs, they ought to be able to  
11 recover those costs.

12 Q Okay. Mr. Devine also proposes that the RIC  
13 rate element be charged and that it be collected by  
14 the ALEC performing the terminating access, similar to  
15 the way it is currently handled between LECs. Now  
16 AT&T's witness, Mr. Guedel, raised the point that it  
17 might be appropriate to eliminate the RIC altogether  
18 since there is no underlying costs associated with it.

19 Do you believe that it would be appropriate  
20 for nobody to collect the RIC for intermediary  
21 traffic?

22 A For intermediary traffic? That's where the  
23 access tandem would be used to be placed between the  
24 two.

25 The first question I have is, is there a

1 cost element that the RIC is covering? If there's a  
2 cost element that the RIC is covering, then it would  
3 probably be appropriate that the local exchange  
4 company be given the capability of recovering its  
5 costs. If the RIC is not covering a cost element,  
6 then the answer I think would be obvious that it ought  
7 not to be charged.

8 Q Okay. Can you distinguish what rates you  
9 propose for the intermediary handling of local traffic  
10 as opposed to toll traffic?

11 A The rates that I have seen I believe are  
12 two-tenths of one cent.

13 Q And which is that, for local or toll?

14 A For intermediary.

15 Q Okay. So it would be the same rate for all  
16 intermediary traffic?

17 A As long as we're talking functionally the  
18 same type of switching, yes.

19 MR. EDMONDS: Okay. Staff has no further  
20 questions, thank you.

21 CHAIRMAN CLARK: Commissioners?

22 COMMISSIONER JOHNSON: I had a couple  
23 questions. One was just a point that I wasn't clear.

24 On the question that Staff asked about the  
25 mutual traffic exchange, whether or not -- I don't

1 remember what the question was they asked about mutual  
2 traffic exchange, but I remember your answer was it  
3 would encourage parties to keep traffic out of  
4 balance, I think you suggested. And then you went on  
5 to explain why that would occur? Could you explain  
6 that again.

7 WITNESS SCHLEIDEN: If you use use minutes  
8 of use as your means of compensation, then it is going  
9 to drive behavior in the marketplace that will --  
10 that, for particularly the new entrants to local  
11 exchange, it will drive behavior that will attempt to  
12 imbalance the traffic in their favor.

13 COMMISSIONER JOHNSON: And so, I'm sorry, so  
14 I had that confused. You're talking a usage-based  
15 formula would drive the new entrants to attempt to --  
16 how would it do it? Give me an example of what would  
17 happen.

18 WITNESS SCHLEIDEN: I would be glad to.  
19 Let's assume for the moment that things are situated  
20 just the way they are today. That is, the incumbent  
21 local exchange company has 100% of the territory.  
22 Now, if you had minutes of use compensation, then if  
23 traffic were in balance -- that is, you would be  
24 essentially terminating as many calls on local  
25 interconnection as you are originating calls, or

1 minutes, really, of calls, not numbers of calls but  
2 minutes of calls -- then if you targeted companies  
3 that had a lot of incoming calls, then that would  
4 throw the traffic imbalanced in your favor so that you  
5 would be collecting more from the incumbent local  
6 exchange than they would be collecting from you.

7           COMMISSIONER JOHNSON: Why would not the  
8 mutual traffic exchange do the same thing, just the  
9 other way?

10           WITNESS SCHLEIDEN: It wouldn't matter. It  
11 wouldn't matter. If you had mutual traffic exchange  
12 or bill and keep it wouldn't matter how you market it  
13 since you are not paying for calls coming or going.

14           COMMISSIONER JOHNSON: Yeah, but the more  
15 calls you terminate on someone's, if it is out of  
16 balance, the more out of balance it is, the more  
17 favorable it is to one party or the other.

18           WITNESS SCHLEIDEN: There would be no  
19 incentive, though, to drive it out of balance.

20           COMMISSIONER JOHNSON: Wouldn't you want  
21 fewer calls terminated on your line? You would want  
22 more outgoing calls because it is costing someone  
23 else -- the more outgoing calls that you have the more  
24 it will cost the person who must terminate those  
25 calls. So wouldn't you have the incentive to try to

1 get more calls terminated on someone else's line?

2 WITNESS SCHLEIDEN: For every call that goes  
3 out, for every minute of use that goes out, for every  
4 minute of use that's terminated, let's say by the  
5 incumbent local exchange company and it's coming from  
6 my network, that's a minute of use that's originating  
7 on my network. So it would essentially gain me  
8 nothing in terms of marketing.

9 COMMISSIONER JOHNSON: Okay. I had one  
10 other question based upon earlier cross and it was a  
11 reference that was made to, I think, the Southern Bell  
12 settlement in the 105% cap. And the question was,  
13 doesn't the cap help if the traffic is not in balance?  
14 And your answer was yes.

15 How does that 105% cap help if the traffic  
16 is out of balance and who does it help?

17 WITNESS SCHLEIDEN: First of all, I think  
18 everybody understands that this is a very highly  
19 capital-intensive business. The question is then,  
20 understanding that, how do you minimize your risks?  
21 The 5% cap helps you minimize your risk, number one.  
22 But, number two, it also gives you the opportunity to  
23 recover -- if you drive traffic to an imbalance, it  
24 also helps you to recover the costs of going through  
25 the billing function itself.

1           COMMISSIONER JOHNSON: Okay. That's it.

2           CHAIRMAN CLARK: Questions, other

3 Commissioners? Redirect, Mr. Crosby.

4           MR. CROSBY: Thank you, Madam Chairman.

5                           **REDIRECT EXAMINATION**

6 BY MR. CROSBY:

7           Q     Mr. Schleiden, when you were discussing with  
8 Mr. Wahlen the ongoing negotiations, he -- with  
9 respect to trying to reach stipulation -- he used the  
10 word "rejection." Would you say that you have  
11 rejected any of the proposals that he has given you?

12           A     No. I would say that we have continuing  
13 negotiations.

14           Q     He also used the word "elimination of the  
15 line termination charge" when he was asking you about  
16 I believe it was the agreement between his Company and  
17 ICI. Do you recall that?

18           A     About the line termination charge?

19           Q     Yes, sir. He pointed out a part of the  
20 stipulation there where it called for some access  
21 charge reductions to be taken to the line termination  
22 rate element. Do you recall that conversation?

23           A     Yes.

24           Q     Is it your understanding that that line  
25 termination charge is going to be eliminated? And if

1 so, when?

2 A Well, as I understand it, they are going to  
3 make a tariff filing to eliminate that structure but  
4 not all of the rate. That is, to remove that element  
5 line termination charge from the structure, that's  
6 what they propose. There's no guarantee that they  
7 will file a tariff that will eliminate that element in  
8 the rate structure, but that most of the charges for  
9 that rate element will be moved, I think it explains  
10 in the stipulation, to the CCL.

11 Q Do you also remember his mentioning the word  
12 "free" when he spoke in terms of the port charge and  
13 the minutes of use that you discussed?

14 A I do.

15 Q Is it your belief that United is offering  
16 you any services for free?

17 A No, sir, it is not.

18 Q Commissioner Johnson asked you about the  
19 differences between terminating and originating calls  
20 when you spoke in terms of imbalance. Do you believe  
21 there is any cost difference to a company that's  
22 originating a call or terminating a call?

23 A If there are any differences they are so  
24 minute that it is not worth mentioning.

25 Q So it is your belief that a call -- a

1 company will have originating call costs and another  
2 company would have terminating call costs and they may  
3 or may not be equal?

4 A That's correct.

5 MR. CROSBY: That's all I have, thank you  
6 very much.

7 MR. WAHLEN: Could I ask one very quick  
8 question?

9 CHAIRMAN CLARK: Go ahead.

10 **RECROSS EXAMINATION**

11 BY MR. WAHLEN:

12 Q Mr. Schleiden, Mr. Crosby asked you about  
13 moving the line termination charge to the carrier  
14 common line element. I just wanted to make sure that  
15 the record is clear. Isn't it true that United has  
16 not proposed a minute of use local interconnection  
17 charge under which you would have to pay the carrier  
18 common line charge?

19 A That's true.

20 MR. WAHLEN: Thank you.

21 CHAIRMAN CLARK: Mr. Crosby, do you want to  
22 follow up at all?

23 MR. CROSBY: No, ma'am.

24 CHAIRMAN CLARK: Thank you. Thank you very  
25 much, Mr. Schleiden. Thank you. Exhibits.

1 MR. CROSBY: Continental would move Exhibits  
2 5 and 6. And Madam Chairman, we have changes and  
3 corrections to the exhibits that Staff would be  
4 handing out.

5 CHAIRMAN CLARK: Well, Exhibits 5 and 6  
6 would be admitted in the record without objection. Do  
7 you have errata sheets for the deposition or  
8 something?

9 MR. CROSBY: Thank you.

10 CHAIRMAN CLARK: Why don't we let you pass  
11 those out. Is it just to Exhibit 7, is that the  
12 errata sheet?

13 MR. CROSBY: That's correct, yes, ma'am.

14 CHAIRMAN CLARK: Okay. We'll admit without  
15 objection Exhibit 7 including the errata sheet; and  
16 without objection Exhibit 8 will be admitted.

17 (Exhibit Nos. 5, 6, 7 and 8 received in  
18 evidence.)

19 (Witness Schleiden excused.)

20 - - - - -  
21 CHAIRMAN CLARK: Mr. Engleman?

22 (Witness sworn.)

23 CHAIRMAN CLARK: Go ahead, Ms. Weiske.

24 - - - - -

25

**DANNY G. ENGLEMAN**

1  
2 was called as a witness on behalf of Time Warner AXS  
3 of Florida, L.P., and Digital Media Partners and,  
4 having been duly sworn, testified as follows:

**DIRECT EXAMINATION**

5  
6 BY MS. WEISKE:

7 Q Could you state your name and business  
8 address for the record.

9 A Danny G. Engleman, 160 Inverness Drive West,  
10 Englewood, Colorado 80112.

11 Q On whose behalf are you appearing here  
12 today?

13 A I am testifying on behalf of Time Warner AXS  
14 of Florida, L.P and Digital Media Partners.

15 Q And, Mr. Engleman, did you have prefiled in  
16 this case direct testimony dated September 22, 1995,  
17 with one exhibit attached, which is your resume?

18 A Yes.

19 Q Did you also prefile testimony dated  
20 January 5, 1996?

21 A Yes.

22 Q Did you also prefile testimony dated  
23 January 26, 1996?

24 A Yes.

25 Q And finally, did you also prefile testimony

1 dated February 6, 1996?

2 A Yes.

3 Q And if you were asked those same questions  
4 today, would your answers be the same?

5 A Yes, they would.

6 Q So I assume you have no changes or  
7 corrections to any of those testimonies?

8 A No, I do not.

9 MS. WEISKE: I would like the testimonies  
10 marked for identification, please, noting that the  
11 only exhibit we have is Mr. Engleman's resume.

12 Could you please give a brief summary --

13 CHAIRMAN CLARK: Just a minute.

14 MS. WEISKE: I'm sorry.

15 CHAIRMAN CLARK: I have some testimony that  
16 was filed on February 6 that's direct testimony. And  
17 then I have rebuttal testimony filed on January 26.

18 MS. WEISKE: But you don't have January 5 or  
19 December 22? December 22 was attached to the petition  
20 that Time Warner filed.

21 CHAIRMAN CLARK: I have direct testimony,  
22 one dated January 5.

23 MS. WEISKE: Okay.

24 CHAIRMAN CLARK: Okay. It is two pages  
25 long.

1 MS. WEISKE: Right.

2 CHAIRMAN CLARK: Okay. I believe that same  
3 testimony was filed on the 6th; is that correct?

4 MS. WEISKE: Yes.

5 CHAIRMAN CLARK: But it is the January 5th  
6 one that you want in the record; is that correct?

7 MS. WEISKE: I thought we wanted all of them  
8 in the record, Your Honor.

9 CHAIRMAN CLARK: I have, it appears to me to  
10 be, the same testimony.

11 COMMISSIONER KIESLING: On which days?

12 CHAIRMAN CLARK: I have a February 6 and a  
13 January 5, and those are direct. And then I have a  
14 January 26 that's a rebuttal.

15 MS. WEISKE: That's correct.

16 COMMISSIONER KIESLING: I don't have  
17 December 20 whatever.

18 MS. WEISKE: December 22nd was quite lengthy  
19 and was attached to our petition.

20 COMMISSIONER KIESLING: I don't have it.

21 CHAIRMAN CLARK: That was what was adopted  
22 by this direct testimony?

23 MS. WEISKE: Yes.

24 CHAIRMAN CLARK: I don't have it either.  
25 Why don't we take a ten-minute break and see if we can

1 figure this out.

2 (Brief recess.)

3

- - - - -

4 CHAIRMAN CLARK: We'll reconvene the agenda  
5 conference. Ms. Weiski, I now have a copy of some  
6 direct testimony that has an indication that it was  
7 filed on December 22nd, '95, has Document No. 12953.  
8 Is that correct?

9 MS. WEISKE: That's correct, Your Honor.

10 CHAIRMAN CLARK: Walk me through this. What  
11 am I supposed to be inserting in the record in this  
12 case?

13 MS. WEISKE: You should have the direct  
14 testimony you just referenced dated December 22, 1995,  
15 with one attached exhibit, Mr. Engleman's resume. You  
16 should have testimony dated January 5th.

17 CHAIRMAN CLARK: Okay.

18 MS. WEISKE: And then also you should have  
19 rebuttal dated January 26th.

20 CHAIRMAN CLARK: Okay.

21 MS. WEISKE: And then also testimony dated  
22 February 6th. And two of those are two pages each,  
23 very short.

24 CHAIRMAN CLARK: What is the difference, why  
25 am I inserting the two pieces, one dated January 5th

1 and one dated the 26th. Is it because one references  
2 MFS and the other references Continental?

3 MS. WEISKE: Yes.

4 CHAIRMAN CLARK: All right. Okay. The  
5 prefiled direct testimony of Mr. Danny G. Engleman  
6 dated January 22, 1995, will be inserted into the  
7 record as though read. Also, the prefiled direct  
8 testimony of Danny Engleman dated January 5th and  
9 January 26th will likewise be inserted in the record  
10 as though read. And the rebuttal testimony -- just a  
11 minute. (Pause)

12 Excuse me. The rebuttal testimony of  
13 Mr. Danny Engleman filed on January 22th -- 26th will  
14 be inserted into the record as though read.

15 In addition, the resume of Mr. Engleman  
16 which is attached to his prefiled direct testimony  
17 that was filed on December 22, 1995, will be  
18 identified as Exhibit 9.

19 (Exhibit No. 9 marked for identification.)  
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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**DOCKET NO. 950985-TP**  
**DIRECT TESTIMONY OF**  
**DANNY G. ENGLEMAN**  
**ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P.**  
**AND DIGITAL MEDIA PARTNERS**

**Q: WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

A: Danny G. Engleman, 160 Inverness Drive West,  
Englewood, Colorado 80112.

**Q: ON WHOSE BEHALF ARE YOU TESTIFYING TODAY?**

A: I am testifying on behalf of Time Warner AxS of  
Florida, L.P. ("Time Warner AxS") and Digital Media  
Partners ("DMP") (collectively "Time Warner").

**Q: ARE YOU EMPLOYED BY THOSE COMPANIES?**

A: No. My title is Director of Switch  
Technologies for Time Warner Communications  
("TWC"), which owns Time Warner AxS and is an  
affiliate of DMP.

**Q: WHAT ARE YOUR PROFESSIONAL AND EDUCATIONAL  
QUALIFICATIONS?**

1 A: Attached to my testimony as Exhibit DGE-1 is a  
2 complete list of my qualifications. However, I  
3 have had experience in a number of different  
4 aspects of telecommunications over the past sixteen  
5 years, first with U.S. West, now with Time Warner  
6 Communications. For example, I have undertaken  
7 network modernization studies for telephone central  
8 offices, interoffice facilities and operator  
9 services. In addition, I have been involved in the  
10 design of key service architectures such as the  
11 information gateway, broadband integrated services  
12 digital network (ISDN), personal communications  
13 services (PCS) and switched multi-megabit data  
14 services (SMDS). In addition, I have taught  
15 various courses as a manager of  
16 instruction/development at Bell Communications  
17 Research (Bellcore), including telephony  
18 engineering, economics, financial analysis, wire  
19 center analysis, and new types of network planning,  
20 plus a set in planning, design, and operations of  
21 telephone systems. In my current position with  
22 Time Warner Communications, my responsibilities  
23 include the development of switched service  
24 architectures and product development.

1 Q: HAVE YOU TESTIFIED BEFORE THE FLORIDA PUBLIC  
2 SERVICE COMMISSION BEFORE?

3 A. Yes, I filed direct and rebuttal testimony in  
4 Docket No. 950737-TP, Investigation into Temporary  
5 Local Telephone Number Portability Solution to  
6 Implement Competition in Local Exchange Telephone  
7 Markets.

8

9 Q. HAVE YOU EVER TESTIFIED BEFORE ANY OTHER PUBLIC  
10 SERVICE COMMISSION BEFORE?

11 A: Yes, I filed testimony before the Hawaii Public  
12 Utilities Commission, the Ohio Public Utilities  
13 Commission and the Tennessee Public Service  
14 Commission to provide evidence of Time Warner's  
15 technical capabilities in obtaining our  
16 certificates of public convenience and necessity in  
17 those states. In addition, I have testified before  
18 the Public Service Commission of Wisconsin  
19 regarding temporary service provider number  
20 portability.

21

22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

23 A. The purpose of my testimony is to support Time  
24 Warner's petition by discussing the problems with  
25 the flat rate port charge, as proposed by Sprint

1 United, to discuss the proposed tandem versus end  
2 office differential, as proposed by Sprint United,  
3 and to discuss the need for cooperative network  
4 management and design between Time Warner and  
5 Sprint United.

6

7 To allow Time Warner to efficiently use its network  
8 to offer innovative consumer products, the  
9 Commission should require the following:

- 10 • efficient and cooperative network coordination  
11 between Sprint United and Time Warner, which  
12 would include mutual network management and  
13 design
- 14 • a rate structure for mutual interconnection  
15 that enables Time Warner to develop an  
16 efficient network, which would include bill  
17 and keep for local interconnection, and  
18 imputation of appropriate interconnection  
19 costs; tariffing of interconnection rates;  
20 recognition of the impact of collocation  
21 costs; and options for Time Warner's  
22 interconnection points with Sprint United  
23 (addressed by Time Warner witness Don Wood).
- 24 • equal priority notification on outages;  
25 cooperative 911 network arrangements and

1 database access; access of Time Warner to  
2 adequate numbering resources; compensation for  
3 terminating access charges to ported numbers  
4 (addressed by Time Warner witness Joan  
5 McGrath).

6 • access to and use of existing operator and  
7 directory functions, which would include  
8 access to operator services; input of  
9 directory assistance and directory listings  
10 provided at no charge; options for the  
11 provision of directory assistance; free white  
12 page/yellow page listings for Time Warner  
13 customers; an information page in the  
14 directory for Time Warner; directories  
15 provided and distributed free of charge to  
16 Time Warner customers. These issues are also  
17 addressed by Time Warner witness McGrath.

18

19 **Q: WHAT METHOD OF INTERCONNECTION HAS SPRINT UNITED**  
20 **OFFERED TO TIME WARNER?**

21 **A:** Sprint United has offered a flat rate port charge  
22 which it says is based on its switched access rates  
23 less carrier common line and the residual  
24 interconnect charge. This charge makes certain

1 assumptions about the amount of traffic that will  
2 be carried over that port.

3

4 **Q: WHAT IS ATTRACTIVE TO TIME WARNER ABOUT A FLAT RATE**  
5 **PORT CHARGE STRUCTURE?**

6 **A:** There are several positive aspects about a flat  
7 rate port charge structure, if it is priced  
8 appropriately close to or at cost:

- 9 • First, it is administratively efficient. If  
10 it were used for all local traffic, including  
11 EAS and other local calling plans, there would  
12 be no need to measure local traffic between  
13 the two companies.
- 14 • Second, it is a known cost to both the LEC and  
15 the ALEC within a relatively large range of  
16 usage.
- 17 • Third, it is often more convenient to have the  
18 wholesale price structure (interconnection)  
19 more closely match the flat rate retail  
20 pricing environment.

21

22 **Q: WHAT ARE THE PROBLEMS WITH THE FLAT RATE PORT**  
23 **CHARGE BASED ON SWITCHED ACCESS RATES, AS SPRINT**  
24 **UNITED HAS PROPOSED?**

25 **A:** There are several problems with this approach:

- 1           •     First, switched access charge rate levels in  
2                   Florida today are loaded with contribution.  
3                   Using switched access charges for local  
4                   interconnection is inconsistent with the need  
5                   for local interconnection rates to be  
6                   separated from universal service.     High  
7                   interconnection rates will increase the risk  
8                   to new entrants such as Time Warner and hinder  
9                   their ability to compete.
- 10          •     Second, Sprint United's assumptions about the  
11                 amount of traffic that can be sent over the  
12                 port, and therefore the number of Time Warner  
13                 customers which can be served by a port, are  
14                 too high.     With Sprint United's traffic  
15                 assumptions, Time Warner will experience  
16                 blockage of traffic and will not be able to  
17                 provide the high quality service it must offer  
18                 in order to compete.
- 19          •     Third, Sprint United's interconnection  
20                 proposal reflects Sprint United's network  
21                 architecture inefficiencies by charging Time  
22                 Warner for using its tandem.     Sprint United's  
23                 network was built with relatively short loops,  
24                 and a significant number of switches  
25                 (including tandems) and, as a result of the

1 many switches, a lot of interoffice mileage.  
2 This is because it was put in place during a  
3 time that switching costs were very low  
4 relative to loop costs.

5  
6 Now, technology has made outside plant costs  
7 cheaper, and this has made it possible for new  
8 entrants such as Time Warner to construct  
9 networks with longer loops and fewer switches.  
10 To reach all of Sprint United's customers,  
11 Time Warner must interconnect at several  
12 tandem switches, incurring Sprint United's  
13 tandem switching charge. Sprint United will  
14 be able to reach all of Time Warner's  
15 customers through connection to its few  
16 switches, without paying a tandem switching  
17 charge, under Sprint United's proposal. This  
18 results in a price differential, and thus a  
19 cost to Time Warner, even if traffic is in  
20 balance.

21 • Fourth, the need to fill up the ports with  
22 traffic penalizes a company such as Time  
23 Warner, which will be serving both business  
24 and residential customers and will tend to  
25 have its customers spread over a wide area.

1 Companies serving mainly business customers  
2 will have greater concentrations in particular  
3 geographic areas, thus being able to take  
4 advantage of the trunking efficiencies of a  
5 flat rated structure. However, this is not  
6 the case with companies serving both residence  
7 and business customers. Thus, Sprint United's  
8 proposed flat rated structure disadvantages  
9 new entrants which are not niche marketers.

10 • Fifth, Sprint United has said that its flat  
11 rated port charge is only for Sprint United's  
12 local calls. It does not include EAS calls to  
13 calls outside of Sprint United, nor does it  
14 include Extended Calling Plan (\$.25 plan)  
15 calls. Sprint United plans to treat them as  
16 toll calls, for which Time Warner must pay  
17 terminating toll access charges. As a new  
18 entrant, Time Warner must at least provide the  
19 same quality and scope of service as the  
20 incumbent. If it must pay toll access charges  
21 on calls which Sprint United charges its end  
22 user customers as local (and for which Sprint  
23 United does not have to impute switched access  
24 charges today), Time Warner could be at a  
25 significant disadvantage.

1           • Sixth, having to purchase usage in large  
2           blocks of capacity, as a flat rate port charge  
3           requires, means that Time Warner must buy its  
4           capacity in lumps, which will take away Time  
5           Warner's retail pricing flexibility. Once  
6           Time Warner sends even one minute of traffic  
7           to Sprint United, it must pay the full flat-  
8           rate port charge. A similar, but additional  
9           issue occurs with overflow traffic. On  
10          occasion, if a trunk experiences an especially  
11          busy time, overflow capacity may be needed.  
12          With Time Warner's only option being a flat  
13          rate DS-1 port, the minute legitimate  
14          overflow capacity is needed, Time Warner must  
15          purchase the full port. This results in an  
16          anticompetitive windfall to Sprint United.

17

18       **Q: HOW DID TIME WARNER DETERMINE THE AMOUNT OF TRAFFIC**  
19       **IT COULD CARRY OVER A PORT AND WHETHER SPRINT**  
20       **UNITED'S PROPOSED INTERCONNECTION RATES WERE**  
21       **REASONABLE?**

22       **A:** Time Warner must determine what capacity of trunks  
23       it will require to carry its traffic either through  
24       a tandem switch or to selected end offices, at Time  
25       Warner's required standard of service to assess

1           whether Sprint United's flat rate port charge is  
2           reasonable. With a flat rate price, Time Warner's  
3           price per minute of traffic going over those ports  
4           depends on how much traffic Time Warner can send  
5           over the ports in a month (the period covered by  
6           the flat rate port charge)--the higher the usage,  
7           the lower Time Warner's cost per minute.

8

9           To determine whether the flat rate charge was  
10          reasonable, I first looked up the busy hour ccs for  
11          a DS-1 trunk from standard Poisson tables, which  
12          show the amount of traffic that various trunk  
13          capacities can handle, using different call  
14          completion performance standards. We assumed  
15          Sprint United's estimate of 10% of calls occur  
16          during the busy hour, and 2.0 ccs per customer  
17          during the busy hour. I believe that the 2.0 ccs  
18          and 10% of calls occurring during the busy hour are  
19          low estimates but will use it for the purpose of  
20          this explanation. (If higher, and Time Warner  
21          believes more realistic estimates of the number of  
22          ccs and percent of calls occurring in the busy hour  
23          are used, the results would be even less favorable  
24          for Time Warner.) This results in a total number  
25          of minutes per DS-1 port per month of 253,500. At

1 the performance level Time Warner believes it must  
2 meet in order to compete for customers (p.01 grade  
3 for service), a DS-1 trunk can handle 254  
4 customers. Sprint United's offered price of \$5,760  
5 per port means a cost to Time Warner of \$22.68 per  
6 customer. Clearly, compared to the current local  
7 exchange rate for residential customer of \$10.23,  
8 this proposed rate is anticompetitive and an  
9 automatic price squeeze. Even with a business rate  
10 of \$24.03, this causes problems for Time Warner.

11

12 Increasing the number of DS-1 ports increases the  
13 amount of traffic that can be carried over the  
14 ports, of course. But even at four DS-1 ports, the  
15 cost to Time Warner is still \$17.14, which is still  
16 too high compared to current local exchange rates  
17 and precludes Time Warner from ever serving one  
18 customer.

19

20 **Q: BUT WON'T SPRINT UNITED ALSO BE BUYING PORTS FROM**  
21 **TIME WARNER TO TERMINATE LOCAL EXCHANGE TRAFFIC?**  
22 **THUS, WON'T THERE BE A ONE-TO-ONE RELATIONSHIP**  
23 **BETWEEN THE PRICE PAID BY TIME WARNER AND THE PRICE**  
24 **PAID BY SPRINT UNITED?**

1 A: Yes, Sprint United will be buying some ports from  
2 Time Warner, and Time Warner expects to receive  
3 some revenues from Sprint United for the  
4 termination of its local exchange traffic.  
5 However, there is no guarantee that Sprint United  
6 will purchase the same number of ports as Time  
7 Warner does.

8  
9 It is also important to remember that as new  
10 entrants such as Time Warner enter the market, the  
11 quality of service they offer must be at least  
12 equal to, if not superior to the incumbents. The  
13 minute that customers perceive that Time Warner's  
14 service quality is in any way worse than the LECs  
15 will be the minute Time Warner stops attracting  
16 customers. Thus, Time Warner must be extremely  
17 careful that the capacity of its ports is  
18 sufficient so that blocking or other service  
19 degradation does not occur. Thus, Time Warner  
20 anticipates that the number of ports it purchases  
21 may be more than the number purchased by Sprint  
22 United, even if traffic is in balance.

23  
24 Further, while Sprint United proposes to charge  
25 Time Warner \$5,760 per port at its tandem, Time

1 Warner will only be able to charge Sprint United  
2 the end office rate of \$3,825 per port. Netting  
3 these two prices results in a per customer charge  
4 to Time Warner for local interconnection of \$7.62  
5 per month, using Sprint United's assumption for ccs  
6 and percent of calls in the busy hour. This charge  
7 is so high that Time Warner cannot do business  
8 under those conditions, even if Sprint United  
9 purchases the same number of ports as Time Warner  
10 does. It does not include any of Time Warner's  
11 internal costs, nor does it include colocation  
12 charges (cross connect, internal conduit, internal  
13 cable per foot, and a nonrecurring charge of \$2,500  
14 per order in every Sprint United central office  
15 Time Warner collocates). It does not include  
16 charges for remote call forwarding, directory  
17 assistance, etc. Residential customers in Sprint  
18 United's territory today pay a maximum of \$10.23  
19 for basic local service. The operating margin  
20 provided by Sprint United's price for local  
21 interconnection does not allow Time Warner the  
22 ability to compete.

23

24 **Q: SPRINT UNITED HAS PROPOSED RATES WHICH**  
25 **DIFFERENTIATE THE PRICE BETWEEN CONNECTING AT A**

1           **SPRINT UNITED TANDEM VERSUS AT A SPRINT UNITED END**  
2           **OFFICE.  WHAT EFFECT DOES THIS HAVE ON TIME WARNER?**

3    A:    Sprint United, like other incumbent LECs, has a  
4           network that has evolved over many years to become  
5           what it is today--a series of end offices and  
6           tandems interconnected in various and not  
7           necessarily efficient ways.  Most customers are  
8           served by switches which are relatively close to  
9           the customers.  If the network were redesigned  
10          today from scratch, its design would most likely be  
11          more efficient.

12

13          Because of Time Warner's inability to recover its  
14          costs using its preferred architecture, it will  
15          have an incentive to try to mirror the architecture  
16          of Sprint United, even if this were not the most  
17          efficient architecture.  Such a result would limit  
18          public policy benefits of competition, because it  
19          would reduce the dynamic efficiency benefits from  
20          entry.  Time Warner should not be constrained by  
21          Sprint United's rate design from developing its  
22          network as efficiently as possible.

23

24    **Q:    HOW SHOULD NETWORK MANAGEMENT AND DESIGN BE HANDLED**  
25    **BETWEEN SPRINT UNITED AND TIME WARNER?**

1 A: Sprint United and Time Warner should cooperatively  
2 work to install and maintain reliable  
3 interconnected telecommunications networks. Such  
4 cooperation benefits both companies and their  
5 respective customers. A cooperative effort will  
6 include, but not be limited to, the exchange of  
7 appropriate information concerning network changes  
8 that impact services to the local service provider,  
9 maintenance contact numbers, and escalation  
10 procedures. To ensure that service quality is  
11 maintained, the Commission should develop an  
12 expedited mediation and resolution procedure, and  
13 should fine companies which behave in an  
14 anticompetitive manner.

15

16 Q: PLEASE SUMMARIZE YOUR TESTIMONY.

17 A: For Time Warner to have a reasonable chance to  
18 compete so that consumers receive the benefits of  
19 local competition, Time Warner requests an  
20 interconnection arrangement that permits and  
21 encourages the following (in addition to the issues  
22 addressed by Time Warner witnesses McGrath and  
23 Wood):

24 • efficient network design by Time Warner

- 1           •     cooperative network management and design by  
2                     Time Warner and Sprint United
- 3           •     interconnection arrangements which permit Time  
4                     Warner to provide high quality service and to  
5                     operate without a price squeeze
- 6           •     no price differential between end office and  
7                     tandem interconnection.

8           In short, the Commission should develop a structure  
9                     that encourages competition by permitting Time  
10                    Warner to exercise reasonable control over its cost  
11                    of doing business.

12

13   **Q:     DOES THIS COMPLETE YOUR TESTIMONY?**

14   **A:     Yes, it does.**

15

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                                   **DOCKET NO. 950985-TP**  
3           **MFS PETITION FOR SPRINT/CENTEL/UNITED AND GENERAL**  
4                                   **INTERVENOR DIRECT TESTIMONY OF**  
5                                   **DANNY G. ENGLEMAN**  
6           **ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P.**  
7                                   **AND DIGITAL MEDIA PARTNERS**

8  
9   **Q:   WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

10  **A:   Danny G. Engleman, Time Warner Communications, 160**  
11       **Inverness Drive West, Englewood, Colorado 80112.**

12  
13  **Q:   ON WHOSE BEHALF ARE YOU TESTIFYING TODAY?**

14  **A:   I am testifying on behalf of Time Warner AxS of**  
15       **Florida, L.P. ("Time Warner AxS") and Digital Media**  
16       **Partners ("DMP") (collectively "Time Warner").**

17  
18  **Q:   HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
19       **PROCEEDING?**

20  **A:   Yes.**

21  
22  **Q:   WHAT IS THE PURPOSE OF YOUR INSTANT TESTIMONY?**

23  **A.   The purpose of this testimony is to provide the**  
24       **Commission with additional information to use in**  
25       **resolving the Metropolitan Fiber Systems of**

1 Florida, Inc. ("MFS") Petitions to establish rates,  
2 terms, and conditions for interconnection with  
3 Sprint/Centel and Sprint/United and General  
4 Telephone of Florida ("GTEFL"). To this end, and  
5 to avoid needless duplication, I adopt as  
6 Intervenor Direct Testimony in the MFS Petitions my  
7 Direct Testimony that was filed in the Time Warner  
8 Petition for the Commission to establish rates,  
9 terms, and conditions for interconnection with  
10 Sprint/United.

11

12 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

13 A: Yes, it does.

1           **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                           **DOCKET NO. 950985-TP**  
3           **(CONTINENTAL PETITION SPRINT/CENDEL/UNITED)**  
4                           **INTERVENOR DIRECT TESTIMONY OF**  
5                           **DANNY G. ENGLEMAN**  
6           **ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P.**  
7                           **AND DIGITAL MEDIA PARTNERS**

8  
9   **Q:   WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

10  **A:   Danny G. Engleman, Time Warner Communications, 160**  
11       **Inverness Drive West, Englewood, Colorado 80112.**

12  
13  **Q:   ON WHOSE BEHALF ARE YOU TESTIFYING TODAY?**

14  **A:   I am testifying on behalf of Time Warner AxS of**  
15       **Florida, L.P. ("Time Warner AxS") and Digital Media**  
16       **Partners ("DMP") (collectively "Time Warner").**

17  
18  **Q:   HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
19       **PROCEEDING?**

20  **A:   Yes.**

21  
22  **Q:   WHAT IS THE PURPOSE OF YOUR INSTANT TESTIMONY?**

23  **A.   The purpose of this testimony is to provide the**  
24       **Commission with additional information to use in**  
25       **resolving the Continental Petition to establish**

1 rates, terms, and conditions for interconnection  
2 with Sprint/Centel and Sprint/United. To this end,  
3 and to avoid needless duplication, I adopt as  
4 Intervenor Direct Testimony in the Continental  
5 Petition my Direct Testimony that was filed in the  
6 Time Warner Petition for the Commission to  
7 establish rates, terms, and conditions for  
8 interconnection with Sprint/United.

9

10 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

11 A: Yes, it does.

1           **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                   **DOCKET NO. 950985D-TP**  
3                   **(TIME WARNER AXS OF FLORIDA, L.P.**  
4                   **AND DIGITAL MEDIA PARTNERS**  
5                   **PETITION SPRINT UNITED)**  
6                   **REBUTTAL TESTIMONY OF**  
7                   **DANNY G. ENGLEMAN**  
8           **ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P.**  
9                   **AND DIGITAL MEDIA PARTNERS**

10

11   **Q:   PLEASE STATE YOUR NAME AND ADDRESS.**

12   **A:   My name is Danny G. Engleman, and my business**  
13           **address is Time Warner Communications, 160**  
14           **Inverness Drive West, Englewood, Colorado 80112.**

15

16   **Q:   ON WHOSE BEHALF ARE YOU TESTIFYING TODAY?**

17   **A:   I am testifying on behalf of Time Warner AxS of**  
18           **Florida, L.P. ("Time Warner AxS") and Digital Media**  
19           **Partners ("DMP") (collectively "Time Warner").**

20

21   **Q:   HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
22           **PROCEEDING?**

23   **A:   Yes.**

1 Q: WHAT IS THE PURPOSE OF YOUR INSTANT TESTIMONY?

2 A: The purpose of this testimony is to offer rebuttal  
3 to the direct testimony filed by Sprint United  
4 witness F. Ben Poag.

5

6 Q: WITNESS POAG TOOK EXCEPTION TO MANY OF THE  
7 ASSUMPTIONS TO TIME WARNER'S PORT CHARGE ANALYSIS  
8 IN HIS DIRECT TESTIMONY. THE RESULTS OF WITNESS  
9 POAG'S ANALYSIS IS A USAGE CHARGE OF 216,00 MINUTES  
10 OF USE PER MONTH FOR RATE DEVELOPMENT. IS THIS A  
11 REASONABLE NUMBER?

12 A: No, it is not. A 216,000 minutes of use volume  
13 over a DS-1 port per month does not give Time  
14 Warner the p.01 grade of service it requires to  
15 provide its customers with high quality service.  
16 Time Warner and Sprint United have disagreed  
17 regarding the percent of calls during the busy hour  
18 and also the estimate of CCS per customer during  
19 the busy hour throughout our negotiations. Time  
20 Warner and Sprint United agreed to use 10% of the  
21 traffic in the busy hour, and a compromise of 2.0  
22 CCS. Even, if one accepts Sprint United's estimate  
23 of 216,000 minutes of use per month, which is a  
24 fully utilized DS-1, dividing that 216,000 into  
25 Sprint United's proposed port charges of \$5760 at

1 the tandem and \$3,825 at the end office gives a  
2 price of \$.0267 per minute at the tandem and a  
3 price of \$.0177 per minute at the end office.  
4 Sprint United proposes to pay Time Warner end  
5 office interconnection, and if Time Warner locates  
6 at Sprint United's tandem, which it will have to do  
7 until it has sufficient volume to justify end  
8 office interconnection, the net Time Warner will  
9 have to pay Sprint United is \$.009 per terminating  
10 minute. This is almost the level of the mutual  
11 interconnection price, without netting, which Time  
12 Warner just negotiated with BellSouth. In  
13 addition, the BellSouth agreement contains a 5% out  
14 of balance cap.

15  
16 The proposed rate does not even consider that the  
17 time it will take before each additional DS-1 port  
18 is efficiently utilized could be significant,  
19 depending on how successful Time Warner is in its  
20 marketing efforts. The per minute of use numbers  
21 in the paragraph above are a minimum. If less than  
22 216,000 minutes of use actually occur, the price  
23 per minute goes up. For example, at the 180,000  
24 minutes of use that Time Warner believes is  
25 actually more reasonable at a p.01 grade of

1 service, the rates come out to be \$.032 at the  
2 tandem, \$.02125 at the end office, with a  
3 differential of \$.01075 per minute. These are very  
4 high interconnection rates. Even with the 22%  
5 reduction that Sprint United offered, this is still  
6 an expensive interconnection rate, since it  
7 represents usage at the fully utilized DS-1 usage  
8 level.

9

10 Time Warner believes that 1.32 CCS local usage  
11 during the busy hour is very low, and that it is  
12 not realistic based on traffic studies from  
13 multiple metro areas that Time Warner has  
14 evaluated. The initial 3.6 CCS was based on an  
15 average of the normal residential and business  
16 customer. The normal residential customer's CCS is  
17 around 3.0 with the normal business customer being  
18 around 6.0 CCS. With Time Warner's first customers  
19 being drawn from the business community, the  
20 numbers used in the analysis are very conservative.  
21 Further, witness Poag states that Time Warner has  
22 not adjusted for toll versus local and for the  
23 calls that will be completed on an intra-switch  
24 basis. On a national average, including  
25 residential and business customers, 12% of calls

1 are interLATA toll with the normal assumption that  
2 intraLATA toll is equivalent. If Time Warner  
3 adjusts its CCS estimates for these factors with  
4 Sprint United's estimate of 10% intra-switch  
5 calling, the average CCS for local usage would  
6 still be 2.43 (3.6 x .75 x .9). Further, based on  
7 other metro area calling patterns, the normal busy  
8 hour traffic for residential is around 10% and  
9 business is closer to 16%. Since Sprint United  
10 does not indicate the split between residence and  
11 business in its example, Time Warner must assume  
12 that this usage is not representative of the normal  
13 traffic between two metro type switches and that  
14 the traffic consists of a majority of residential  
15 users.

16

17 **Q: WITNESS POAG HAS ARGUED THAT TIME WARNER, HAVING**  
18 **ALREADY COLLOCATED IN SEVERAL SPRINT UNITED**  
19 **OFFICES, IS LIKELY TO DO THIS IN MANY**  
20 **CIRCUMSTANCES, WITH AN EFFECTIVE REDUCTION IN TIME**  
21 **WARNER'S INTERCONNECTION COSTS. CAN YOU COMMENT ON**  
22 **THIS ASSUMPTION?**

23 **A:** Yes. Witness Poag is not considering all of the  
24 applicable collocation costs, in addition to  
25 outside plant, transport and equipment costs. Time

1 Warner is only collocated in three Sprint United  
2 central offices for its AAV business. This is only  
3 a fraction of the Sprint United central offices in  
4 Time Warner's service area. Time Warner will not  
5 go into other Sprint United central offices until  
6 it has requirements for high use trunk groups into  
7 those offices.

8

9 **Q. WITH SPRINT UNITED'S PORT CHARGE PROPOSAL, IS IT**  
10 **REASONABLE TO BELIEVE THAT SPRINT UNITED WOULD BE**  
11 **MATCHING TIME WARNER'S TRUNKING ON A ONE-TO-ONE**  
12 **BASIS?**

13 **A.** No. Mr. Poag's analysis that the costs will offset  
14 on reciprocal trunking is not necessarily true.  
15 This statement assumes that Sprint United would be  
16 matching Time Warner trunking on a one-to-one basis  
17 from each interconnection point. Such an  
18 assumption may not be efficient or economic for  
19 either Sprint United or Time Warner. The companies  
20 should be encouraged to efficiently design their  
21 networks and should not put trunking where none is  
22 needed.

23

1 Q: WITNESS POAG DEVELOPED A TIME WARNER COST PER  
2 CUSTOMER OF INTERCONNECTION OF \$1.35 PER CUSTOMER.  
3 CAN YOU DISCUSS THE PROBLEMS WITH THIS ANALYSIS?

4 A: Yes. First, witness Poag assumed three end office  
5 connections for each tandem port. Time Warner's  
6 end office trunking will only be established for  
7 those end offices where it is economically viable.  
8 In the initial stages of competition, Time Warner's  
9 limited traffic flow will dictate that we  
10 interconnect only at the tandem level until traffic  
11 volume justifies the migration to high usage end  
12 office trunking. Placing three underutilized DS-  
13 1's to end offices versus a single DS-1 to the  
14 tandem would not decrease Time Warner's or Sprint  
15 United's costs and would introduce costly  
16 inefficiencies into our network architecture. This  
17 would occur if Time Warner built its own facilities  
18 or leased them from some other carrier. Time  
19 Warner agrees that as the customer base of Time  
20 Warner increases, the overall network will become  
21 more efficient and, potentially, the cost per  
22 customer will decrease. However, the initial costs  
23 could be so high that Time Warner could not enter  
24 into the dial tone market.

25

1           Witness Poag also states that Sprint United has  
2           internal costs necessary to provide service and  
3           that no one supplies these services to Sprint  
4           United for free. I agree with this part of his  
5           statement but, Sprint United does not have to pay  
6           supplementary charges to its competitor to be in  
7           business and the existing rates for basic services  
8           have been based on only the internal costs of  
9           Sprint United and do not include the extraneous  
10          costs that Sprint United expects Time Warner to  
11          pay. Advanced services are competitive in nature  
12          and will be driven closer to their real costs as  
13          competition increases. Time Warner stands on its  
14          assumption that services must be self supporting  
15          and that if the basic rate is not sufficient to  
16          cover the costs associated with the provisioning of  
17          that service, it will be questionable whether or  
18          not Time Warner can enter that market.

19

20       **Q: PLEASE SUMMARIZE YOUR TESTIMONY.**

21       **A:** I have taken issue with Sprint United witness  
22       Poag's assumptions regarding the amount of traffic  
23       that can go over Sprint United's ports and still  
24       have the quality of service Time Warner needs to be  
25       able to attract customers. I have also disagreed

1 with witness Poag's assumption about the number of  
2 end offices in which Time Warner can efficiently  
3 collocate, and have disagreed with his per customer  
4 cost estimate for Time Warner.

5

6 **Q: DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

7 **A: Yes. It does.**

1 CHAIRMAN CLARK: Okay, Ms. Weiske.

2 Q (By Ms. Weiske) Mr. Engleman, could you  
3 please provide a summary of those testimonies.

4 A Yes. The summaries deal --

5 CHAIRMAN CLARK: Is your mike on? Please  
6 check.

7 WITNESS ENGLEMAN: It is.

8 CHAIRMAN CLARK: The light should be off.

9 WITNESS ENGLEMAN: It is.

10 CHAIRMAN CLARK: All right. Get close to  
11 the mike.

12 A Yes. My direct testimony deals with the  
13 traffic assumptions to analyze the fixed port charge  
14 proposed by Sprint-United and the differential between  
15 a tandem and end office rate.

16 Sprint-United has proposed a 1.32 CCS and a  
17 9% of calls in the busy hour associated with this.  
18 Time Warner had proposed a 3.6 CCS with 12% to 15% of  
19 calls occurring in the busy hour. And we were agreed  
20 with them to do an analysis that would go to 2.0 CCS  
21 and 10% of calls in the busy hour to evaluate the cost  
22 on a per-customer basis given these differential  
23 charges.

24 The costs associated with this do support  
25 the bill and keep that Mr. Don Wood will address later

1 this afternoon and --

2 COMMISSIONER JOHNSON: I'm sorry, you said  
3 the costs associated with this will be supported by?

4 WITNESS ENGLEMAN: The cost that was derived  
5 from this will support the bill and keep arrangements  
6 that Mr. Wood will be proposing in his testimony.

7 COMMISSIONER JOHNSON: Okay. You have to  
8 speak directly into the microphone. I think it is  
9 because you have a deep voice it seems real muffled.

10 Q (By Ms. Weiske) Is that the end of your  
11 summary?

12 A Yes.

13 MS. WEISKE: Mr. Engleman is available for  
14 cross examination.

15 CHAIRMAN CLARK: Thank you.

16 MS. WILSON: FCTA has no questions.

17 CHAIRMAN CLARK: Mr. Crosby?

18 MR. CROSBY: Continental has no questions.

19 CHAIRMAN CLARK: Mr. Melson?

20 MR. MELSON: No questions.

21 CHAIRMAN CLARK: Mr. Logan?

22 MR. LOGAN: No questions.

23 MR. HORTON: No questions.

24 MR. RINDLER: No questions.

25 CHAIRMAN CLARK: Mr. Gillman.

1 MR. GILLMAN: Just have a few.

2 CROSS EXAMINATION

3 BY MR. GILLMAN:

4 Q Mr. Engleman, my name is Tony Gillman, I  
5 represent GTE. I truly do have just a couple  
6 questions.

7 On Page 4 of your testimony -- of your  
8 direct testimony, I believe -- where you talk about  
9 Time Warner will be offering innovative consumer  
10 products?

11 A Yes.

12 Q What sort of products are you referring to  
13 there?

14 A At this stage I probably would not or could  
15 not answer that question. We currently have  
16 development cycles going on within our labs in Denver  
17 that would look at services associated with common  
18 general signalling, possibly voice recognition,  
19 multiple different services that are directly  
20 associated with telephony, which is the piece that I  
21 deal with.

22 Q Would these services be presently offered by  
23 the incumbent LEC or may be offered by the incumbent  
24 LEC in the future?

25 A I have no idea, sir.

1           Q     On Page 5 of your testimony, specifically  
2 Lines 6 through 17, if I understand your testimony  
3 correctly, you are saying that this should be provided  
4 as part of the interconnection arrangement?

5           A     Yes.

6           Q     These lists of things?

7           A     Yes.

8           Q     And in providing that as part of the  
9 interconnection, that would be provided under a bill  
10 and keep basis as well?

11          A     I assume if it were a bill and keep  
12 arrangement that yes, that's the way it would be done.

13          Q     You would not be paying anything extra for  
14 any of these items listed on Page 5, would you?

15          A     Any of the items that we chose to use, no.

16          Q     Any of those listed on Page 5?

17          A     That's correct.

18          Q     Would you agree with me that the provision  
19 of some of these items would entail investment or  
20 expenses on behalf of the incumbent LEC to provide  
21 them?

22          A     Yes.

23          Q     And to provide these list of items that you  
24 have mentioned here, it would require common costs of  
25 the Company's network?

1 A To provide them would?

2 Q It would require the Company to incur some  
3 of the common costs of their network?

4 A I'm not sure what you are trying to get to.

5 MR. GILLMAN: I think I agree with you the  
6 way the question was worded. I think I'll withdraw it  
7 and I have no further questions.

8 CHAIRMAN CLARK: Thank you, Mr. Gillman.  
9 Mr. Wahlen?

10 MR. WAHLEN: Thank you, Commissioner.

11 **CROSS EXAMINATION**

12 BY MR. WAHLEN:

13 Q Mr. Engleman, I'm Jeff Wahlen, I'm going to  
14 ask you some questions for United and Centel. You're  
15 in charge of switch engineering for Time Warner; is  
16 that correct?

17 A I'm in charge of switch technologies for  
18 Time Warner.

19 Q Right. So one of the things you do is  
20 select which type of switches Time Warner should use  
21 as it begins its entry into the local exchange  
22 telecommunications market; is that correct?

23 A Yes, it is.

24 Q One of the reasons that you have advocated  
25 or Time Warner has advocated a bill and keep approach

1 for mutual traffic exchange is it won't be necessary  
2 to measure local minute of use; is that correct?

3 A I advocate it because the functionality is  
4 the same. I mean, on a bill and keep, these are the  
5 words that our interconnect people use. "Bill and  
6 keep" means absolutely nothing to me; it's an  
7 equivalent interconnect between two networks.

8 Q Okay. Let me ask you this. If bill and  
9 keep is not an option, you would prefer a port charge  
10 over a minute of use charge?

11 A I'm sorry, I will tell you I am not  
12 qualified to answer that question. I would defer that  
13 to either Ms. McGrath or Mr. Wood.

14 Q Okay. Let's talk about the switches you  
15 have installed in Florida. You have installed a  
16 switch in Orlando; is that correct?

17 A Yes, we have.

18 Q Isn't it true that that switch has the  
19 capability to measure the amount of local traffic  
20 that's treated, that's terminated on your network?

21 A All digital switches have the capability to  
22 measure any amount of traffic going across it.

23 Q And that's inherent in the switch?

24 A It is inherent in the switch. It requires  
25 systems to be able to figure out what to do with it.

1 Q Some of the traffic that's going to go  
2 through that switch is going to be toll, some of it is  
3 going to be local; isn't that correct?

4 A That's correct.

5 Q And it is necessary for you and Time Warner  
6 to measure the amount of toll traffic that's going  
7 through that switch; isn't that correct?

8 A On an originating basis, yes.

9 Q And you will be needing to do that whether  
10 the Commission orders a bill and keep methodology for  
11 local interconnection, or a minute of use charge  
12 methodology for local interconnection, or a port  
13 charge; isn't that correct?

14 A That we will have to measure the toll?

15 Q Yes.

16 A Yes, that's correct.

17 Q So you can tell the difference between toll  
18 and local?

19 A The numbers tell me the difference whether  
20 it is toll or local, sir.

21 MR. WAHLEN: Thank you, that's all I have,  
22 thank you.

23 CHAIRMAN CLARK: Staff?

24 MR. EDMONDS: Staff has no questions but we  
25 do have an exhibit that we need to get identified.



## REDIRECT EXAMINATION

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BY MS. WEISKE:

Q Mr. Engleman, if a call is using a ported number, can the switch identify whether the call is local or toll?

A No, it cannot. On incoming calls to our switch on a ported number, no, it cannot currently.

Q And then you were asked some questions by GTE's counsel referring to Page 5 of your testimony, Lines 6 through 17.

A Yes.

Q Are those issues also addressed by Ms. McGrath in her testimony?

A Yes, they are.

MS. WEISKE: That's all I have, thank you.

CHAIRMAN CLARK: Exhibits?

MR. EDMONDS: At this time Staff would move Exhibit 10.

CHAIRMAN CLARK: Exhibit 10 is admitted in the record without objection.

MS. WEISKE: I apologize, I can't remember --

CHAIRMAN CLARK: Exhibit 9 is Mr. Engleman's resume, it will be admitted into the record without objection.

1 Thank you, Mr. Engleman, you are excused.

2 (Exhibit Nos. 9 and 10 received in

3 evidence.)

4 (Witness Engleman excused.)

5 - - - - -

6 (Transcript continues in sequence in

7 Volume 3.)

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