

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of : DOCKET NO. 960847-TP  
: DOCKET NO. 960980-TP

Petitions by AT&T Communications :  
of the Southern States, Inc., MCI :  
Telecommunications Corporation :  
and MCI Metro Access Transmission :  
Services, Inc., for arbitration :  
of certain terms and conditions :  
of a proposed agreement with :  
GTE Florida Incorporated :  
concerning interconnection and :  
resale under the :  
Telecommunications Act of 1996. :  
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SECOND DAY - EVENING SESSION

VOLUME 13

Pages 1495 through 1581

PROCEEDINGS: HEARING

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

DATE: October 15, 1996

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

REPORTED BY: JANE FAUROT, RPR

APPEARANCES:  
(As heretofore noted.)

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## EXHIBITS

Number:

Identified Admitted

34, 35,  
37 and 38

1528

39 WEM-1

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

(Hearing convened at 6:00 p.m.)

Whereupon,

DOUGLAS WELLEMEYER

having been called as a witness on behalf of GTE Florida, Incorporated, and having previously been sworn, continues his testimony as follows:

## CONTINUED CROSS EXAMINATION

BY MR. LEMMER:

Q Now, the numbers we are talking about in these various pages are national GTE numbers, is that correct?

A Yes, that's correct.

Q If you turn over to the next page, the second page of this five pages, down at the bottom we have a category called ordering work centers?

A Yes, that's right.

Q And I note that there was no percentage next to that category?

A That's right.

Q What does that signify?

A Actually, the general rule that was applied there is that 100 percent of the costs are avoided. However, there was a step taken first to identify in the second column from the right all of the service ordering costs. We discussed these just a little bit earlier in this

1 discussion. Service ordering costs for nonrecurring charge  
2 -- for nonrecurring ordering activities that are recorded to  
3 Account 6623. Those were first separately identified, and  
4 they were recognized to be not avoidable. As we talked  
5 about before, the retailing ordering costs and the wholesale  
6 ordering costs that are anticipated to respond to requesting  
7 carriers orders we expect to be virtually the same, at least  
8 in the interim. And so we have treated those costs as not  
9 avoidable. And, likewise, there is a small amount of costs  
10 attributable to carrier access account management and public  
11 telecommunications. After those have been set aside as not  
12 avoided, then the balance of the work center costs for this  
13 group are treated as 100 percent avoided. What you can see  
14 there is the detail analysis of 6623 in the right-most four  
15 columns results in avoided costs of \$125,188 for everything  
16 other on that the three activities I identified.

17 Q And that \$125,188 represents what?

18 A That represents the avoided costs within the 6623  
19 account for all other activities recorded to that account.

20 COMMISSIONER DEASON: Isn't that number  
21 confidential? I guess it's not anymore.

22 MR. LEMMER: I'm sorry.

23 MR. GILLMAN: I kind of got caught up in it, too.  
24 Those numbers are confidential.

25 BY MR. LEMMER:

1           Q     Now, you may have answered this question, but let  
2 me ask it again, because I'm not sure I understood it. What  
3 activities, if you look across on the ordering work centers,  
4 and the dollars you identified as avoided, what activities  
5 are reflected in that number?

6           A     Of the costs that are identified as avoided?

7           Q     That is correct.

8           A     All activities that are recorded to Account 6623  
9 with the exception of carrier account management, public  
10 telephone communications, and service ordering activities.  
11 It's all other customer services work.

12          Q     Service ordering activities involve interfacing  
13 with a customer, don't they?

14          A     Yes, they do.

15          Q     And it's GTE's position that none of those costs  
16 will be avoided when there is a service that has been  
17 resold?

18          A     GTE's position is this, all of the costs that are  
19 currently incurred for that interface with a retail customer  
20 will be avoided. And they will be replaced in entirety for  
21 every resale service that is sold with an ordering interface  
22 with a requesting carrier. We have to respond to a  
23 carrier's order to establish that resale service, and the  
24 activities that are required to perform that function are  
25 virtually identical to the activities that are required on a

1 retail basis today.

2 COMMISSIONER GARCIA: You think that they are  
3 exactly the same?

4 WITNESS WELLEMEYER: No, I did not say they are  
5 exactly the same. In fact, we have got a nonrecurring  
6 charge study that identifies specifically what activities  
7 are required. But the costs for those activities are  
8 comparable to the costs that are incurred today to respond  
9 to retail service orders from retail end users.

10 BY MR. LEMMER:

11 Q So the type of activity and the volume of activity  
12 will be identical?

13 A Yes, that's correct.

14 Q And that remains true even though there will be  
15 electronic interfaces in place?

16 A No. Actually that's probably the clarification  
17 that needs to be made. That will remain true until such  
18 time as there are direct interfaces to ordering systems.

19 Q And at the point in time that electronic  
20 interfaces is put into place, what does GTE intend to do  
21 about the discount level?

22 A I didn't hear the last part.

23 Q The value of the discount, will GTE agree to make  
24 the discount larger?

25 A Yes. Then those activities should be reflected as

1 avoided at that time, and, likewise, the costs that support  
2 GTE's nonrecurring charge proposals should be revised to  
3 reflect those economies. But it's not appropriate to do  
4 that until those economies are realized. Those interfaces,  
5 as I understand it, are probably not going to be available  
6 for a considerable period of time.

7 Q Now, do you have any analysis that you could  
8 provide that would support the contention that the type and  
9 volume of services would be identical?

10 A Well, I think simple reason tells you that. When  
11 a customer calls today to order the establishment of a line  
12 at their premise, we incur certain costs to process that  
13 order for that line. Now, if we are talking about a resale  
14 service offering, we can expect to receive a very similar  
15 order from a requesting carrier to establish a service at a  
16 customer's premise.

17 COMMISSIONER GARCIA: Aren't you receiving an  
18 order from -- I'm sorry -- from I would presume another  
19 professional, someone involved in the industry, someone who  
20 understands specifically what he needs, and that that type  
21 of order will probably be much more efficiently input? Even  
22 if it was a manual, and we forget the electronic interface,  
23 aren't you probably going to get a bulk ordering of certain  
24 services and needs of specific clients?

25 WITNESS WELLEMEYER: Well, with respect to the

1 first part of your question, I think it's likely that some  
2 of those ordering activities may result in a little bit  
3 cleaner process. The problem we experience is that there is  
4 still a validation process that has to be done for every  
5 order that's received to ensure that the entries that are  
6 entered to the local service request are all correctly  
7 entered. And to recontact the requesting carrier if any  
8 information is found to be incorrect and to validate that.  
9 And until we can establish a direct interface to the  
10 ordering system where those edits can be performed  
11 mechanically and those activities can be taken care of  
12 without human intervention, I think overall we are not going  
13 to see any significant reduction in the amount of activity  
14 that is required to support the ordering process from the  
15 requesting carriers.

16 As to the second part of your question on  
17 receiving the orders en masse, again, until we have got an  
18 interface capability or an enhancement to the ordering  
19 systems to receive orders en masse on a direct interface  
20 basis, what has to happen is we have to handle each order  
21 individually and in a manner that is virtually the same as  
22 the retail ordering activities are handled today, because we  
23 are using the very ordering systems that we use for retail  
24 services. Those are the only ordering systems we have  
25 available. And to the extent that we have had to modify

1    them to enable certain additional activities to be performed  
2    to support the wholesale process, that had been done through  
3    work-arounds in the current systems.  Until we have got  
4    enhancements made to the systems to enable direct interfaces  
5    by the requesting carriers, the activities will go on  
6    virtually the same as they are today.

7    BY MR. LEMMER:

8           Q     Let me pursue this just a little bit further.  Is  
9    it correct today that GTE has individuals who will pick up  
10   the phone when someone calls in with a request of some sort  
11   for a service?

12          A     I'm sorry, I don't understand the first part of  
13   question.

14          Q     Isn't it true that today GTE has an individual who  
15   will answer the phone, so to speak, when someone calls up  
16   for service?

17          A     Yes, that's right.

18          Q     And the same would be true when somebody calls in  
19   with some sort of service request for a pair or something  
20   like that?

21          A     Yes, that's right.

22          Q     Let's assume that AT&T takes away half of GTE's  
23   customers through resale.  Would GTE maintain that same  
24   amount, the same level of number of individuals that would  
25   answer the phone?

1           A     Well, probably not, because not all of the  
2 requesting carriers orders for resale services will be  
3 phoned in. In fact, I don't think telephone is one of the  
4 options that is available for delivery of an LSR. But, the  
5 kinds of differences in work activities that you're talking  
6 about with that question are reflected in the company's  
7 nonrecurring charge study where the activities required to  
8 support the receipt and processing of a wholesale service  
9 order were analyzed much in the way that you are starting to  
10 with that kind of a question. Would all of that kind of  
11 telephone response activity still be required, or would we  
12 use a slightly different method to receive and process the  
13 order? Those activities were analyzed by a subteam of the  
14 open market transition team in GTE. This is discussed in  
15 Mr. Trimble's testimony, I believe, in some detail.

16           Q     Is there any documentation included in this  
17 Exhibit 20 that will support the nonrecurring charges or is  
18 that all found in Mr. Trimble's testimony?

19           A     There is no documentation under Tab 20 to support  
20 that. There is some documentation to support his schedule  
21 with the proposed rates under Tab 9 of the binder that's in  
22 front of you. I believe it starts at Page A-132.

23           Q     Were you involved in the preparation of this  
24 document?

25           A     Yes, I was.

1           Q     Now, this documentation, as I look at it, has  
2 various pages with what I will call summary numbers. Are  
3 there any work papers or analyses that support these  
4 numbers?

5           A     With summary numbers, did you say?

6           Q     Well, let me rephrase my question. The documents  
7 that are included in Tab 9 to Exhibit 36, are these the  
8 documents that support the nonrecurring rates?

9           A     Yes, they do.

10          Q     There are no other work papers that support these  
11 rates?

12          A     No, there are not. These work papers relied on  
13 input from the OMT's work with respect to the definition of  
14 work activities, the identification of work times for each  
15 of those activities, and the frequencies for each of those  
16 activities.

17          Q     Is there any documentation that exists regarding  
18 that input?

19          A     No, there is not.

20          Q     Let's talk about product management, which is  
21 Account 6611. And I guess I'm back on Tab 20 now. And on  
22 Page A-455. Actually, if you would turn back a few pages to  
23 the beginning of this exhibit, which is Page A-455. As I  
24 read this exhibit, 1.76 percent of product management costs  
25 are considered to be avoided, is that correct?

1           A     Yes, that's right.

2           Q     Currently today GTE is substantially a retail  
3 offering company, isn't that correct?

4           A     Substantially a retail offering company?

5           Q     Your products and services are sold substantially,  
6 if not exclusively, at retail?

7           A     Setting aside access and some other minor  
8 services, yes.

9           Q     And so the costs that are charged to this account  
10 today are retail costs, isn't that correct?

11          A     To Account 6611?

12          Q     Correct.

13          A     Well, they are product management costs, and those  
14 product management activities are directed today largely at  
15 retail activities, as you have just characterized it.

16          Q     And so it's your testimony, then, I assume, and  
17 correct me if I'm wrong, that the reason there is only a  
18 little bit less than 2 percent that is considered to be  
19 avoided is that there are similar activities at the  
20 wholesale level that will replace the retail costs?

21          A     No. Well, I guess that's the right way to  
22 characterize it. The company's position is that GTE will be  
23 the one to continue to perform product management functions  
24 when it offers services in a wholesale environment. AT&T  
25 will not develop the products it buys from GTE for resale.

1           Q     But, again, the underlying assumption is that the  
2 type of activities and the volume of activity will be the  
3 same by GTE regardless of whether it is retail or wholesale,  
4 isn't that correct?

5           A     Yes, that's correct. Let me also point out that  
6 within Account 6611, part of the point I'm making can be  
7 seen on Page A-457, within those work centers that are  
8 grouped as carrier access work centers. On Line 78, product  
9 management --

10           MR. GILLMAN: I just wanted to advise the witness  
11 not to refer to any of the numbers.

12           WITNESS WELLEMEYER: Thank you. In Column A,  
13 which is in the account that we are talking about product  
14 management expenses, on Line 78, you can see the amount of  
15 expense that is required to support carrier product  
16 management activities today. And you can compare that  
17 easily to the total product management activities that are  
18 shown on the first page on Line 15 for Column A, and you can  
19 see there is a sizable portion of the total account  
20 currently incurred to support carrier product management  
21 activities, and there is nothing about carrier access  
22 services that is affected at all by the offering of services  
23 for resale. Those expenses will not be avoided.

24 BY MR. LEMMER:

25           Q     So then what you're telling me is that the 2

1 percent of avoided costs represent all other costs in  
2 Account 6611, is that what you're telling me?

3 A The 2 percent represents costs that are recorded  
4 to that account from other work centers, other than those  
5 that are identified in this analysis as product management  
6 work centers.

7 Q So, in fact, the carrier costs do not represent  
8 the entire amount of Account 6611, isn't that correct?

9 A The carrier amount, that's right, is not the whole  
10 account. It's just a large portion of the account.

11 Q Would you agree that in calculating the ultimate  
12 discount rate, that the appropriate denominator of that  
13 fraction is revenues?

14 A That the appropriate denominator --

15 Q Let me back up. The discount we are talking about  
16 has a numerator of avoided costs and a denominator of  
17 revenues, would you agree with that?

18 A Yes, that's correct.

19 Q Would you agree that the revenues that are in that  
20 denominator should be revenues generated by activities or  
21 services, I should say, that are subject to resale?

22 A Yes.

23 Q And exclude those services that are not subject to  
24 resale?

25 A Yes. And that is exactly what we attempted to do

1 in the modified study.

2 Q If you would turn to Page 29 of your direct  
3 testimony, please. Actually, Pages 28 and 29. These pages,  
4 and correct me if I'm wrong, but I am assuming that these  
5 pages discuss what we discussed earlier regarding lost  
6 contribution, is that correct?

7 A Yes, that's correct.

8 Q And at the bottom of Page 29, the formula that is  
9 specified down at the bottom of that page is the formula  
10 that was used by GTE to develop the discounts in the study  
11 that it is proposing to this Commission, is that correct?

12 A Yes, that's right. That formula would be used  
13 solely for rates for basic exchange services.

14 Q Now, isn't it correct that if the amount related  
15 to the lost opportunity, or, excuse me, the lost  
16 contribution were removed? In other words, it was not  
17 considered in this formula that the discount would go up?

18 A If I remove the toll opportunity cost and the  
19 access opportunity gain elements of that calculation, is  
20 that the premise?

21 Q My question is would, in fact, the discount be  
22 larger?

23 A No. I'm sorry, yes. The discount would be  
24 larger, yes.

25 MR. LEMMER: I have no further questions.

1 CHAIRMAN CLARK: Mr. Melson.

2 MR. MELSON: Thank you.

3 CROSS EXAMINATION

4 BY MR. MELSON:

5 Q Mr. Wellemeyer, I'm Rick Melson representing MCI.  
6 I'm going to try not to duplicate the questions that you  
7 have just been asked, although I have got questions  
8 obviously in some of the same areas. I want to focus for a  
9 minute on your original avoided cost study. I believe you  
10 told us that was not state-specific?

11 A That's correct.

12 Q Could you turn to Page 25 of your direct  
13 testimony?

14 A Okay.

15 Q Looking at Lines 14 through 17, is that where I  
16 see the calculation of the discount for residential service  
17 offered for resale?

18 A Yes.

19 Q And if I understand it correctly, it's \$1.36 of  
20 avoided retail costs netted against 53 cents of additional  
21 wholesale costs?

22 A That's right.

23 Q Or a net of 83 cents per line per month?

24 A Yes, that's right.

25 Q Now, on your Exhibit DEW-1, which was marked as

1 Exhibit 34, that is the opportunity cost component that you  
2 were just discussing, is that correct?

3 A Yes, it is. That's correct.

4 Q If I understand this correctly, what this tells me  
5 for the residential customers, when you lose a residential  
6 customer to resale contribution or -- it's getting late.  
7 When you lose a retail customer to resale competition, you  
8 lose a toll contribution on average of \$1.83, but you get  
9 back an access contribution of \$1.34, so you have  
10 essentially lost a contribution of 49 cents, is that  
11 correct?

12 A On a per line per month basis, that's right. And,  
13 again, the premise is that when a requesting carrier resells  
14 a basic exchange service, they will self-provide the toll  
15 service that we previously provided. And we will have no  
16 opportunity for the continuation of the support that was  
17 previously provided from toll prices.

18 Q Now, back on Page 25 of your testimony, is that  
19 49 cents taken into account already in calculating this  
20 83 cents per line per month discount, or do I have to  
21 subtract another 49 cents?

22 A It's a separate independent step. What is  
23 described on Page 25 is strictly the identification of the  
24 retail and substitute resale costs in the resale rate  
25 development. The opportunity cost component of the resale

1 rate calculation is totally independent of that.

2 Q So if we take that resale opportunity cost into  
3 account, then the monthly discount on this residential line  
4 is 34 cents, would that be correct?

5 A The difference between 83 and the 49, yes.

6 Q And similarly on the business which appears there  
7 on Lines 19 through 22, the discount for a business line  
8 would be 30 cents a month?

9 A Yes, that's correct.

10 Q And that's against -- that 30 cents relates to a  
11 total rate of what for the underlying service, the business  
12 service?

13 A I don't remember what the prevailing B-1 line  
14 rates are, \$33.

15 Q So that's roughly a 1 percent discount when all is  
16 said and done?

17 A Just looking at the results of those calculations,  
18 that's correct. But what you need to bring in here is some  
19 recognition of the fact that the contribution that used to  
20 be used to support the basic local service rate from toll  
21 now flows directly to the carrier who self-provides that  
22 toll. The cost for toll is extremely low, and the prices  
23 relative to toll are extremely high. There is some  
24 tremendous margins that were used in the established prices  
25 for toll service to provide contribution to other services.

1 Those contributions in excess of cost flow directly to the  
2 carriers when they self-provide the toll associated with  
3 resold services. So really what you have to do is you have  
4 to factor in the entire amount of that contribution into  
5 your calculation of 30 cents.

6 Q What you are doing essentially by making this  
7 adjustment is you are keeping for GTE a portion of the  
8 contribution that used to come from toll when you lose the  
9 customer to resale competition, is that a fair  
10 characterization?

11 A Well, yes, that's a good technical description.  
12 What we are keeping is the support that was inherent in the  
13 pricing structure that we operated in pre-wholesale for  
14 services that were priced lower than they otherwise would  
15 have been to meet social objectives.

16 Q Since this study was done on a nationwide basis,  
17 do you get the same 83 cents per line per month for  
18 residential in all of your states?

19 A We use that in all the states. We haven't  
20 calculated that kind of a number on a state-specific basis.

21 Q All right. Let me turn to your cost study book  
22 again, the confidential document. And I would like you to  
23 turn back to a page you have been to before, which is Page  
24 A-420. If I understand Pages A-420 and 421, that's  
25 essentially a list of all of your work centers and an

1 indication out in Column 6 as to whether the work center was  
2 included or excluded from your study, is that correct?

3 A That is exactly right.

4 Q So if I look down in the middle of that business  
5 section and see advertising and new ventures, and it says no  
6 out in that last column that means those were presumed not  
7 to be avoided?

8 A Yes, that's right.

9 Q And the same thing would be true on the next page,  
10 aviation is a no, and I believe you were already asked the  
11 G/other is a no?

12 A That's right.

13 Q Could you turn with me to Page 427, and I know  
14 this is stamped confidential information. Do you regard the  
15 description of what these work center activities is as  
16 confidential?

17 A No.

18 Q Could you read for me what new ventures consists  
19 of?

20 A Certainly. Costs associated with the development  
21 and implementation or greenhousing of new business ventures.

22 Q What is greenhousing?

23 A Well, I take that to mean the initial  
24 establishment of -- that's sort of a line of business or a  
25 product or a venture of some sort.

1 Q And because this category was classified as no,  
2 all of the costs associated with this are not taken into  
3 account in calculation of the discount, is that correct?

4 A They were classified as not avoided in this study.

5 Q And turn, then, to Page 433 and read to me the  
6 description of aviation?

7 A Provide on demand transportation for senior  
8 management and customers for both domestic and international  
9 flights.

10 Q And finally for this section, if you turn to Page  
11 A-435 where there is a description of G&A/other, and I'm not  
12 going to ask you read the whole thing. I am going to ask  
13 you what is video deployment planning?

14 A That would be advanced product planning for the  
15 video services product line.

16 Q And the way your study is done, none of those  
17 costs are deemed to be avoidable for purposes of calculating  
18 the wholesale discount?

19 A That's true. It was assumed those services are  
20 not available for resale.

21 Q And I'm going to need to ask you to turn to Tab 9,  
22 which was your nonrecurring piece of this. And if you could  
23 turn to Page A-136, revised.

24 MR. MELSON: And, Commissioners, if I might ask do  
25 you all have the revised versions of these pages? All

1 right.

2 BY MR. MELSON:

3 Q Could you tell me what customer service record  
4 research means?

5 A Yes. This is an activity that would be performed  
6 by GTE on request of a local service provider. The request  
7 would be based -- probably based on that requesting  
8 carrier's prior contact with a customer, and that customer's  
9 authorization that we provide a complete list of the  
10 services that are provided on that customer's account. We  
11 would do that on receipt of a letter of agency from the  
12 customer.

13 Q I understand your position is receipt of a letter  
14 of agency, and I understand our position is verbal  
15 authorization, but be that as it may, assume with me just  
16 for this question that verbal authorization was enough.  
17 That could be a situation where a customer has called MCI  
18 and says I would like to buy service from MCI rather than  
19 GTE, and MCI calls up GTE and says tell me exactly what  
20 service this customer has got so I can transfer as is. Is  
21 that the situation in which this charge would apply?

22 A Yes.

23 Q Okay. And the work time there in Column A, is  
24 that in minutes?

25 A Yes, it is.

1 Q So that could be the time our customer would be on  
2 hold while we were getting this information from GTE?

3 A I doubt if that is the way the process was  
4 defined, but if that is the way you wanted to go about it,  
5 that's right. I don't think it was defined as an on-demand,  
6 while-you-wait work function.

7 Q If MCI received its requested electronic interface  
8 that allowed it to look at those records directly with  
9 proper authorization, and this is a charge that would not be  
10 incurred, is that correct?

11 A It's not being, I'm sorry?

12 Q It would not be incurred, this is a cost that  
13 would not be incurred?

14 A I believe that's correct, but I'm not familiar  
15 with the specifics on the electronic interface  
16 functionalities.

17 Q All right. Now, let me ask if the customer -- say  
18 MCI makes that inquiry, pays a price that is -- I guess Mr.  
19 Trimble would tell us what a suggested price is?

20 A Yes.

21 Q MCI then places the order of -- does this activity  
22 occur again on receipt of the order when GTE actually makes  
23 the change?

24 A No.

25 Q You were asked a question earlier, I guess, about

1 the way in which work center costs were distributed to the  
2 various categories when you did your avoided cost study.  
3 And I believe you indicated, and tell me if I'm wrong, that  
4 when you didn't have another way of making the assignment or  
5 the distribution, you distribute it based on the relative  
6 revenues of that line of business?

7 A Yes, that's right.

8 Q Of the 100 percent of work center costs that were  
9 distributed, what portion of that was distributed on this  
10 default basis of relative revenues?

11 A I don't have that statistic offhand. I know it  
12 was a considerable portion of the consumer work centers and  
13 significantly less for business.

14 Q Could you turn to your rebuttal testimony at  
15 Page 5.

16 A Okay.

17 Q At Lines 12 through 14, you're talking about the  
18 rationale for why GTE will not sell services priced below  
19 cost. You say it's noteworthy that the FCC, quote,  
20 "Declined to limit," close quote, resale offerings to  
21 exclude below cost services, but did not prohibit a resale  
22 restriction.

23 A Right.

24 Q Where does that terminology "decline to limit"  
25 come from?

1           A     I hope I can find that quickly.

2           Q     Try Paragraph 956.

3           A     Yes, that's where I found it.

4           Q     Could you read to me -- read to the Commission the  
5 sentence in which that phrase appears?

6           A     The sentence reads, "Given the goal of the 1996  
7 act to encourage competition, we decline to limit the resale  
8 obligation with respect to certain services where the 1996  
9 act does not specifically do so."

10          Q     Then you go on in that paragraph to say that the  
11 FCC did not prohibit a resale restriction. Can you tell me  
12 the source of that reference?

13          A     Are we back on Page 5?

14          Q     Yes, sir.

15          A     Well, I didn't read anything in that paragraph  
16 about a prohibition against. What I took that to mean is  
17 that they declined to decide. They left that to be decided  
18 in the state.

19          Q     Okay. Well, in that case, go back to Paragraph  
20 956 one more time. And I hate to shuffle you back and forth  
21 like this. Read me the first sentence of that paragraph.

22          A     "Subject to the cross class restrictions discussed  
23 below, we read that below cost services are subject to the  
24 wholesale rate obligation under Section 251(c)(4)."

25          Q     So when you read that in conjunction with the

1 decline to limit language, wouldn't it appear to be that the  
2 FCC said we decline to limit it, we hold that it must be  
3 resold?

4 A Well, that interpretation is still not clear to  
5 me.

6 Q All right. Let's turn to Page 8 of your rebuttal.

7 CHAIRMAN CLARK: Excuse me, what did you say?

8 WITNESS WELLEMEYER: I said that interpretation is  
9 still not totally clear to me.

10 COMMISSIONER KIESLING: Could you talk into the  
11 mike.

12 WITNESS WELLEMEYER: That interpretation is not  
13 clear to me.

14 CHAIRMAN CLARK: You disagree with what Mr. Melson  
15 said?

16 WITNESS WELLEMEYER: Yes.

17 BY MR. MELSON:

18 Q Could you turn to Page 7 of your rebuttal  
19 testimony. And at Lines 12 through 15, you're talking  
20 essentially about a proposed restriction on the combination  
21 of unbundled loop and unbundled port services, is that  
22 correct?

23 A Yes, that's right.

24 Q And your rationale there is that a carrier should  
25 not be allowed to buy those elements and recombine them for

1 purpose of avoiding a higher resale rate, is that correct?

2 A Correct.

3 Q Based on the discount you have proposed, discount  
4 level you proposed and based on the loop and port prices  
5 that Mr. Trimble has proposed, is there any danger that by  
6 recombining an unbundled loop and port that you would avoid  
7 a higher resale rate?

8 A There is if you talk in terms of a PBX trunk, yes.  
9 And on the unbundled services if I compare it to proxy  
10 unbundled service rates. There is a tremendous gap between  
11 the two.

12 Q But based on your proposal, there is not that kind  
13 of a gap. In fact, based on GTE's proposed prices, the  
14 combination of the unbundled loop and unbundled port would  
15 be significantly more expensive than the resold 1-FR or  
16 1-FB, is that correct?

17 A It depends on which service you're looking at. If  
18 you're looking at the residential service rates then that  
19 would be correct.

20 Q Finally, let's turn to Page 8 of your testimony.  
21 What is the basis for GTE's proposal to offer new contract  
22 service arrangements for resale, but not to offer existing  
23 contract services arrangements for resale?

24 A The rationale?

25 Q Yes, sir.

1           A     Existing contracts -- I think this subject came up  
2     in the earlier testimony of Mr. McLeod. I would define an  
3     existing contract as any service that we have a signed  
4     agreement with the customer for. And at any point in time  
5     going forward, that is the way I would define it. If we  
6     have an agreement with a customer for a service, that is an  
7     existing contract. An existing contract service won't be  
8     offered for resale. And the reason for that is that the  
9     rates reflect specific terms and conditions that are unique  
10    to that contract service arrangement. New contract  
11    arrangements we will offer for resale willingly, and the  
12    prices will be established to reflect any avoidable  
13    retailing costs. Obviously it would be to our advantage not  
14    to include those in any pricing anyway because those are  
15    nearly always offered under competitive circumstances. Not  
16    even nearly, they are always offered under competitive  
17    circumstances.

18           Q     I just want to make sure I understand how you are  
19    using the word existing and new. You are using existing to  
20    mean any contract service arrangement that GTE has entered  
21    into either now or in the future, is that the way you are  
22    using existing?

23           A     Yes.

24           Q     All right. And the way you are using new means a  
25    situation where GTE does not have -- what you are saying, in

1 essence, is where GTE does not have a contract service  
2 arrangement with an end user, they would enter into a  
3 contract service arrangement with a carrier at an avoided  
4 individually negotiated price?

5 A It would be individually negotiated based on the  
6 requirements for the service that is requested, that's  
7 right.

8 Q And that price will be established you say on a  
9 nondiscriminatory individual case basis?

10 A Right.

11 Q So even if the Commission has established a flat  
12 percentage discount that applies across-the-board to resold  
13 services, you would not intend to apply that discount in  
14 this situation?

15 A That's correct. Those costs that that discount  
16 rate might intend to identify and exclude would be excluded  
17 explicitly in the pricing for the service. And that pricing  
18 is done on an individual case basis, so it's totally  
19 appropriate to do that.

20 MR. MELSON: I've got no further questions. Thank  
21 you, Mr. Wellemeyer.

22 CHAIRMAN CLARK: Staff.

23 CROSS EXAMINATION

24 BY MS. CANZANO:

25 Q Good evening, Mr. Wellemeyer. In your opinion,

1 are the USOA accounts provided in the FCC's order for  
2 determining the avoided cost appropriate for determining the  
3 wholesale discount under the act?

4 A No, I don't believe they are.

5 Q Well, which ones --

6 A Well, let me back up. I'm not sure I understand  
7 your question.

8 Q Are you familiar with the FCC's order?

9 A Yes.

10 Q And the USOA accounts that are listed in the FCC's  
11 order, are you familiar with those accounts?

12 A Yes, I am.

13 Q And specifically those accounts used for  
14 determining the avoided cost, are those appropriate for  
15 determining the wholesale discount under the  
16 Telecommunications Act of 1996?

17 A Yes, I believe the correct accounts are identified  
18 in the FCC's rules. Is that your question?

19 Q Yes. And you believe they are consistent with the  
20 act?

21 A I believe that it is in those accounts that you  
22 would find the avoidable or avoided costs, the costs that  
23 would not be incurred when we offer wholesale services in  
24 the way that that is described in the act. I don't agree  
25 that all of those costs should be avoided or treated as

1 avoided. But I don't think that's what the act says.

2 Q I'm sorry, I didn't hear that last part.

3 A I don't believe that the act said that they should  
4 all be avoided. The act did not say exclude all costs  
5 recorded to these six accounts.

6 Q Do you have a copy of the exhibit staff has  
7 prepared as DEW-2, consisting of your deposition transcript  
8 of September 30th, 1996?

9 A No, I don't have a copy of that with me.

10 Q One minute and your attorney will run you a copy.  
11 Have you seen it before?

12 A I saw it yesterday for the first time, yes.

13 Q Do you have any changes to make to this exhibit?

14 A I didn't find any material changes when I read it.  
15 However, in the affidavit and in the certificate of oath I  
16 am referring to as Douglas Hartshorn. I resumed my normal  
17 name on the last page.

18 Q Well, with that change, the rest of it is true and  
19 correct to the best of your knowledge, then?

20 A Yes, it is.

21 MS. CANZANO: At this time, Chairman Clark, staff  
22 would like to have this identified as an exhibit.

23 CHAIRMAN CLARK: It will be identified as  
24 Exhibit 37.

25 BY MS. CANZANO:

1           Q     And Mr. Hartshorn -- excuse me. It's very late.  
2 Mr. Wellemeyer, have you had a chance to review the  
3 late-filed deposition exhibits provided to staff, which we  
4 have prepared as DEW-2, and these are confidential  
5 deposition exhibits?

6           A     Yes, I have.

7           Q     And do you have any changes to make to those?

8           A     No, I do not.

9           COMMISSIONER KIESLING: Could I get a  
10 clarification? The deposition transcript is also DEW-2.

11           MS. CANZANO: I'm sorry. Well, that should be --  
12 we would like to have them separately identified for the  
13 record. The yellow piece of paper, I guess, we can call  
14 that DEW-3.

15           CHAIRMAN CLARK: It will be marked as Exhibit 38.

16           MS. CANZANO: Thank you. We have no further  
17 questions.

18           (Exhibit Number 37 and 38 marked for  
19 identification.)

20           CHAIRMAN CLARK: Redirect.

21           MR. GILLMAN: Thank you, Chairman Clark.

22                           REDIRECT EXAMINATION

23           BY MR. GILLMAN:

24           Q     Mr. Wellemeyer, in questioning by AT&T's attorney  
25 you were asked about carrier access service costs. How did

1 you treat those costs in respect to your modified study?

2 A Any costs that were associated with carrier access  
3 account management or billing and collection were treated as  
4 not avoided.

5 Q And if you had treated them in the opposite way  
6 that they would be avoided, how would that have affected the  
7 discount?

8 A It would have significantly increased the avoided  
9 cost discount rate.

10 MR. GILLMAN: I have no further questions.

11 CHAIRMAN CLARK: Mr. Gillman, I apologize, but can  
12 I ask you to ask your first question again.

13 MR. GILLMAN: I asked him how the carrier access  
14 services costs was treated in his modified study.

15 WITNESS WELLEMEYER: There are costs recorded in  
16 the six ARMIS accounts that were analyzed in the modified  
17 study for carrier access account management, and also for  
18 carrier access billing.

19 CHAIRMAN CLARK: Okay. Those are costs that you  
20 incur for providing access?

21 WITNESS WELLEMEYER: For providing management for  
22 carrier accounts.

23 CHAIRMAN CLARK: Okay. It's not revenue you  
24 forego?

25 WITNESS WELLEMEYER: No, it's an expense incurred

1 in the management of a carrier account.

2 CHAIRMAN CLARK: Okay.

3 MR. GILLMAN: I have nothing further.

4 CHAIRMAN CLARK: Exhibits.

5 MR. GILLMAN: I move Exhibit 34 and 35 and will  
6 hold off tomorrow for 36.

7 CHAIRMAN CLARK: Okay. 34 and 35 will be entered  
8 in the record without objection.

9 MS. CANZANO: And staff moves Exhibits 37 and 38.

10 CHAIRMAN CLARK: They will be entered in the  
11 record without objection.

12 (Exhibit Numbers 34, 35, 37, and 38 received into  
13 evidence.)

14 CHAIRMAN CLARK: We will go ahead and take a break  
15 until five after 7:00, and we will begin with Mr. Munsell.

16 (Recess.)

17 CHAIRMAN CLARK: Let's go back on the record. It  
18 would be my intention to finish with this witness, and  
19 stipulate Mr. Johnson's testimony into the record and then  
20 we would conclude for the evening. So having said that, I  
21 guess it depends on you all as to when we get out of here.  
22 Is it the case that we can stipulate Mr. Johnson's testimony  
23 into the record?

24 MR. GILLMAN: Would you like to do that now?

25 CHAIRMAN CLARK: Yes.

1           MR. GILLMAN: Chairman Clark, thanks. We have  
2 entered a stipulation, and at this time I would ask that the  
3 rebuttal testimony of Mark Eugene Johnson filed in Docket  
4 Number 960980, which was revised on October 7th, 1996, where  
5 the previously filed Pages 4 and 5 were replaced on that  
6 date, we would ask that the testimony of Mr. Johnson in this  
7 docket as revised on October 7th be inserted into the record  
8 as though read.

9           CHAIRMAN CLARK: It will be inserted in the record  
10 as though read, but I cannot tell from what I have before me  
11 that I, in fact, have the revised version. I would ask you,  
12 Mr. Gillman, to make sure that the court reporter has the  
13 correct version of it, and that the parties have the correct  
14 version of it.

15           MR. GILLMAN: Okay.

16           CHAIRMAN CLARK: With that understanding, the  
17 rebuttal testimony of Mr. Johnson will be inserted into the  
18 record as though read.

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**GTE FLORIDA INCORPORATED****REBUTTAL TESTIMONY OF MARK EUGENE JOHNSON****DOCKET NO. 960980-TP**1  
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25**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Mark Eugene Johnson. My business address is 600 Hidden Ridge, Irving, TX 75038.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

A. I work for GTE Telephone Operations as Network Planning Manger-Operator Services.

**Q. PLEASE DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.**

A. I received a Bachelor of Science degree in Industrial Technology from West Texas State University. I joined Contel in 1981 and worked in the Network Design Organization with Contel (and later, with GTE, following the GTE/Contel merger) until 1993. At that time, I moved into the Product Management-Operator Services Organization and later, during January 1996, I took over the duties I now have.

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

A. I address the operator services (OS) and directory assistance (DA) issues raised by MCI in its Petition and the Direct Testimony of MCI

1 witness Don Price. Specifically, I address issues regarding the  
2 feasibility of branding and DA listing access. The issue of routing  
3 OS and DA calls to ALECs' respective platforms is discussed in the  
4 testimony of GTEFL witness Hartshorn.

5

6 **Q. IS IT TECHNICALLY FEASIBLE FOR GTEFL TO UNIQUELY**  
7 **BRAND ALECS' SERVICES IN A RESALE OR UNBUNDLED**  
8 **ENVIRONMENT?**

9 A. No. GTE is not currently capable of providing such branding. Before  
10 branding can occur, the issue of customized routing must be  
11 resolved. As Mr. Hartshorn testifies, the requisite vendor-endorsed  
12 solution to the customized routing problem does not yet exist.

13

14 Even if the routing issue is resolved today, the branding process  
15 raises its own set of technical issues. There are two types of  
16 potential branding--called pre- and post-branding. Put simply, pre-  
17 branding occurs at the beginning of a directory assistance call. Post-  
18 branding can occur at any time during the recorded announcement on  
19 a DA call.

20

21 Pre-branding requires sufficient identification capabilities and  
22 branding capacities at the operator service switch. A dedicated trunk  
23 group is required to properly identify the OS or DA call for proper pre-  
24 branding. Additionally, the quantity of DRAM/EDRAM packs  
25 (equipment that stores and plays the branding message) required for

1 any particular OS network switch is determined by the total number  
2 of unique phrases requiring storage, total minute of audio phrasing  
3 requiring storage, and the number of simultaneous channels required  
4 to meet the traffic load. Further, an extensive amount of table work  
5 is required of GTE database management personnel within each OS  
6 network switch in setting up the unique trunk groups, routing tables,  
7 and pointers to individual branding phrasing as may be requested by  
8 MCI (and other ALECs) for their customers' OS services. Assuming  
9 all the technical problems are solved, GTEFL would, of course, need  
10 to recover from MCI (or other requesting ALEC) all of the costs  
11 associated with these tasks to provide pre-branding.

12  
13 Post-branding on OS is not, in practical terms, technically feasible  
14 because MCI would have to have all its customer designated to  
15 unique NPA/NXX groups. For resold lines and unbundled ports, of  
16 course, ALECs will share many numbers within a single NPA/NXX.  
17 GTEFL's Interactive Voice Services (IVS) system can only be  
18 equipped to provide custom post-branding for a unique NPA/NXX;  
19 therefore, MCI would have to have a unique NPA/NXX for OS post-  
20 branding to be possible.

21

22 **Q. IS IT REASONABLE TO EXPECT GTE TO ROUTE PART OF MCI'S**  
23 **OPERATOR TRAFFIC TO MCI AND ANOTHER PART TO GTEFL?**

24 **A.** No. To allow for efficient and timely system modifications and  
25 augmentation associated with branding capabilities, GTEFL must

1 know whether MCI intends to use MCI or GTEFL operators. GTEFL  
2 should not be forced to prepare for both possibilities with no  
3 commitment from MCI. Since MCI could order unique branding from  
4 GTE and then quickly transition to using its own operator platform,  
5 GTEFL would require up-front cost recovery associated with  
6 branding.

7

8 The bottom line is that MCI will only implement one option, so GTEFL  
9 should only be required to implement one option. It is reasonable  
10 to expect MCI to make a decision regarding the source of their  
11 operator platform before GTEFL makes any system modifications..

12

13 **Q. IS IT TECHNICALLY FEASIBLE TO PROVIDE DA LISTINGS**  
14 **ELECTRONICALLY?**

15 **A.** Yes, but it is GTEFL's position that the Act does not require  
16 unbundling of DA listings from DA service. The language defining  
17 the ILEC's obligation in this regard appears at section 222: "a  
18 telecommunications carrier that provides telephone exchange service  
19 shall provide subscriber list information gathered in its capacity as a  
20 provider of such service on a timely and unbundled basis, under  
21 nondiscriminatory and reasonable rates, terms and conditions, to any  
22 person upon request for the purpose of publishing directories in any  
23 format." Thus, while ILECs are obliged to provide listings for directory  
24 publishing, there is no such requirements to provide listings for DA  
25 purposes.

1           Nevertheless, GTEFL is investigating the possibility of offering its end  
2           user DA listing separately from DA service.

3

4           **Q.    IS IT TECHNICALLY FEASIBLE TO PROVIDE DATABASE**  
5           **ACCESS?**

6           A.    As I stated above, GTEFL does not believe the Act requires it to  
7           provide DA database access, apart from the obligation to provide  
8           listing for publishing purposes. In any case, it is not currently  
9           technically feasible for GTEFL to provide multiple-user access to its  
10          DA database, as the ALECs' requests would require. Before making  
11          any system modifications to allow such access, vendor-endorsed  
12          solutions would be required to ensure the security and integrity of  
13          GTEFL's database. The vendors will thus dictate the timing and cost  
14          of these solutions.

15

16          **Q.    IS OPERATOR SYSTEMS A NETWORK ELEMENT?**

17          A.    No single, pat answer to that question is possible, because operator  
18          systems includes many different components to which ALECs might  
19          request access. There are many variables, depending on the  
20          particular ALEC request. GTEFL will look at each on a case-by-case  
21          basis to determine whether the requested access is technically  
22          feasible.

23

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

25          A.    Yes. It does.

1 MR. GILLMAN: At this time we call Mr. Munsell.

2 CHAIRMAN CLARK: Has he been sworn in?

3 MR. GILLMAN: Have you been sworn in, Mr. Munsell?

4 WITNESS MUNSELL: Yes, I have.

5

6 Whereupon,

7

WILLIAM E. MUNSELL

8 having been called as a witness on behalf of GTE Florida

9 Incorporated, and being duly sworn, was examined and

10 testified as follows:

11

DIRECT EXAMINATION

12

BY MR. GILLMAN:

13

Q Would you state your name and business address,  
14 please.

15

A My name is William E. Munsell, my business address  
16 is 600 Hidden Ridge Drive, Irving, Texas, 75038.

17

Q And by whom are you employed and what do you do  
18 for them?

19

A I am employed by GTE Telephone Operations as a  
20 senior product management of switched access services.

21

Q And, Mr. Munsell, did you have cause to be filed  
22 your direct testimony which was prefiled in Docket Number  
23 960847-TP, consisting of 30 pages?

24

A Yes, I did.

25

Q And there were no exhibits to that testimony, was

1 there?

2 A That is correct.

3 Q Did you also have cause to be filed direct  
4 testimony in Docket Number 960980 consisting of two pages?

5 A I believe that's three pages. Is this the  
6 rebuttal testimony?

7 Q No, this is the direct.

8 A In 960980-TP?

9 Q Yes.

10 CHAIRMAN CLARK: Mr. Munsell, I also have direct  
11 testimony in that docket that is only two pages long.

12 WITNESS MUNSELL: I believe you. Provide me with  
13 a copy of it, though. Thank you. Yes, that is correct.

14 BY MR. GILLMAN:

15 Q Did you also have cause to file rebuttal testimony  
16 in Docket 960980 consisting of three pages?

17 A That is correct.

18 Q And were all three of these pieces of testimony  
19 prepared by you or by someone under your direction?

20 A That is correct.

21 Q Do you have any changes, additions, or  
22 modifications to any one of these testimonies at this time?

23 A I do have some minor changes to my direct  
24 testimony in 960847-TP. On Page 3, Line 20, the word truck  
25 should be trunk. And on Line 23, the same page, the word

1 pass has one s too many.

2 Q Do you have any other changes?

3 A No, I do not.

4 Q If I asked you the questions which appear on these  
5 three pieces of testimony, would your answers here today  
6 under oath be the same?

7 A Yes, they would.

8 MR. GILLMAN: At this time, Chairman Clark, I  
9 would request that the direct testimony in 960847 and  
10 960980, as well as the rebuttal testimony in 960980, be  
11 inserted into the record as though read.

12 CHAIRMAN CLARK: That testimony will be inserted  
13 in the record as though read.

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**GTE FLORIDA INCORPORATED**

**DIRECT TESTIMONY OF WILLIAM E. MUNSELL**

**DOCKET NO. 960847-TP**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is William E. Munsell. My business address is 600 Hidden Ridge, Irving, TX, 75038.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

A. I am employed by GTE Telephone Operations as Senior Product Manager-Switched Access Service.

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.**

A. I have an undergraduate degree in Economics from the University of Connecticut, and a masters degree from Michigan State University in Agricultural Economics. I joined GTE in 1982 with GTE of Florida. During the course of my career with GTE I have held positions in Demand Analysis, Pricing and Product Management.

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

A. I will describe the requirements of the Telecommunications Act of 1996 ("Act") regarding interconnection of alternative local exchange carriers ("ALECs") with the networks of incumbent local

1 exchange carriers ("ILECs") and compare those requirements  
2 against the request of AT&T for interconnection, transport and  
3 termination. First, I will generally describe interconnection,  
4 transport and termination and the issues raised by each of them,  
5 then discuss the Act's requirements. Next, I will list the open  
6 issues between the parties with regard to these network  
7 functions, and discuss in detail GTE's position on these issues.  
8 This process will show that GTE's positions are entirely consistent  
9 with both public policy and the objectives and requirements of  
10 the Act.

11

12 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

13 A. The Act requires GTE to (1) permit any requesting  
14 telecommunications carrier to interconnect with its network and  
15 (2) establish reciprocal compensation arrangements for the  
16 transport and termination of telecommunications. Further, the  
17 Act sets forth certain minimum conditions and rate standards for  
18 interconnection, transport and termination. Apparently, AT&T  
19 reads these conditions to require GTE to interconnect at any point  
20 AT&T requests, provide interconnection at below cost rates and  
21 use bill-and-keep as a billing methodology for transport and  
22 termination. While the Act allows significant flexibility in the  
23 parties' arrangements for interconnection, transport and  
24 termination, it nevertheless imposes fair and rational limits. As  
25 provided under the Act, AT&T should be permitted to

1 interconnect only at technically feasible points. Furthermore, GTE  
2 should be allowed to charge rates for interconnection, transport  
3 and termination that are just, reasonable and nondiscriminatory  
4 and that allow GTE full recovery of its costs.

5

6 **Q. PLEASE DESCRIBE THE TERMS INTERCONNECTION, TRANSPORT**  
7 **AND TERMINATION AS USED IN THE ACT.**

8 A. At their basic levels, the terms interconnection, transport and  
9 termination refer simply to functions within and between  
10 telephone networks. *Interconnection means the physical linking*  
11 *of two networks for the mutual exchange of traffic.*  
12 *Interconnection takes place at a point of interconnection.*

13

14 Transport means carrying a call between switches, or from a  
15 point of interconnection to a switch. Thus, transport may involve  
16 transmission of a call from a tandem switch to an end office  
17 switch or from one end office switch to another end office  
18 switch. (End offices are the facilities housing the switches that  
19 serve local calling areas. Each end office "subtends" a tandem  
20 switch, meaning the end office is connected via a trunk to the  
21 tandem switch. Tandem switches aggregate traffic from end  
22 offices and either redistribute that traffic to other subtending end  
23 offices, pass it on to other tandem switches or pass the traffic  
24 on to an interexchange carrier. An incumbent local exchange  
25 carrier may, but does not always, own the tandem switch which

1 its end offices subtend.) Finally, termination means switching  
2 that is performed at the end office, and the delivery of the call to  
3 the called party.

4

5 **Q. IS INTERCONNECTION A NEW CONCEPT?**

6 A. No. Interconnection has been taking place among local telephone  
7 companies for many years. Historically, local telephone service  
8 was provided in a given local calling area by a single company.  
9 This company was the local exchange carrier ("LEC") or, under  
10 the Act, an incumbent local exchange carrier ("ILEC"). If a  
11 customer wanted to call a number in the same local calling area,  
12 the ILEC was able to accomplish origination, switching and  
13 termination of the call within its own single network. If, however,  
14 the customer wished to call a number in a calling area serviced by  
15 a different ILEC, the customer's call would have to be passed to  
16 and terminated by the other ILEC's network. The two ILECs  
17 exchanged traffic through interconnection arrangements which  
18 allowed each ILEC to terminate the other ILEC's calls.

19

20 **Q. WHAT IS THE PURPOSE OF THE INTERCONNECTION**  
21 **PROVISIONS OF THE ACT?**

22 A. The Act seeks to create a competitive environment for local  
23 telephone service and, thus, requires telephone companies  
24 competing in the same local calling area to interconnect. In  
25 addition to the ILEC, there may be one or more alternative local

1 exchange carriers ("ALECs") in the same local calling area in the  
2 near future. Without interconnection, ALECs would not be able  
3 to terminate calls to customers served by the ILEC or another  
4 ALEC, and ILECs would not be able to terminate calls to ALECs.  
5 Thus, interconnection under the Act makes competition in local  
6 telephone service possible.

7

8 **Q. CAN INTERCONNECTION TAKE PLACE ANYWHERE WITHIN THE**  
9 **ILEC'S NETWORK?**

10 **A.** No. Interconnection between ILECs for the exchange of traffic  
11 between two local calling areas often takes place at mutually  
12 acceptable meet points. Under the Act, interconnection may take  
13 place only at points where interconnection is technically feasible.  
14 The following factors, among others, may frustrate or even  
15 prevent interconnection:

- 16 • compatibility of the ALEC's equipment with the ILEC's  
17 equipment at the point of interconnection;
- 18 • the number of ALECs desiring interconnection at a given  
19 point;
- 20 • whether an ILEC's switching and transport equipment can  
21 handle additional traffic; and
- 22 • to the extent that collocation of the ALEC's equipment at  
23 the ILEC's end office is necessary (see Ries Direct  
24 Testimony), physical space at an ILEC end office, tandem  
25 switch or other facility.

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Accordingly, end offices, tandem switches and mutually acceptable meet points are most often used as points of interconnection as they usually pose the fewest technical problems. Interconnection at an end office allows the interconnector access to the line equipment, and thus the customers, served by that end office. Interconnection at a tandem switch allows access to all end offices subtending that tandem.

**Q. PLEASE DESCRIBE THE COSTS INVOLVED IN INTERCONNECTION.**

A. Once an ILEC interconnects with an ALEC, the ILEC can complete the ALEC's calls by transporting and terminating those calls over its network system, and vice versa. When an ILEC or ALEC transports and terminates its own traffic, the costs of transport and transmission are part of the carrier's overall costs. With interconnection, an ILEC or an ALEC still incurs costs for the transport and termination of calls it terminates for other carriers. Thus, in interconnection agreements, ILECs and ALECs usually quantify these costs at a given rate per minute of usage.

**Q. DO TRANSPORT AND TERMINATION COSTS VARY DEPENDING ON THE NATURE OF THE INTERCONNECTION?**

A. Yes. These costs may differ depending on the extent to which

1 completion of calls from the point of interconnection involves  
2 tandem switching and transport. If an ALEC interconnects with  
3 an ILEC at an end office, the ILEC will incur the cost of switching  
4 at the end office and termination to the end user. If, on the other  
5 hand, an ALEC interconnects with an ILEC at a tandem switch,  
6 the ILEC incurs the costs of switching at the tandem office,  
7 transport to the end office, switching at the end office and  
8 termination to the end user. Thus, parties to an interconnection  
9 agreement will take into account the functions of tandem  
10 switching, transport and termination involved and generally price  
11 these elements separately.

12  
13 **Q. WILL INTERCONNECTION COSTS GENERALLY BE THE SAME**  
14 **FOR ILECS AND ALECS?**

15 **A.** No. The cost of transport and termination will generally be higher  
16 for an ILEC than an ALEC because ILEC equipment is older and  
17 also because ILEC equipment will tend to have a lower throughput  
18 than ALEC equipment. Generally, ILECs have older switches and  
19 transmission plant in their networks. ALECs are just now entering  
20 the local exchange business and are installing currently available  
21 switches and transmission plant. New equipment is often less  
22 expensive per unit of traffic than older equipment already  
23 deployed by the ILECs. With regard to GTE specifically, traffic on  
24 GTE's network is usually dispersed throughout a large network of  
25 end offices and tandem switches, which serves a relatively large

1 number of low volume residential or rural customers. By contrast,  
2 an ALEC will have relatively few end office switches which can  
3 be expected to serve a relatively large number of high volume  
4 business customers. Thus, because an ALEC's network is  
5 handling a relatively higher volume of traffic through fewer  
6 switches, an ALEC's switches and transmission plant can be  
7 expected to have a higher throughput than an ILEC's switches  
8 and transmission plant. Because the total capacity of an ALEC's  
9 network tends to be more fully utilized than the capacity of the  
10 ILEC's network, the ALEC's per unit cost for carrying that  
11 capacity will be lower than the ILEC's per unit cost.

12

13

14 **Q. WHAT ARE THE IMPLICATIONS OF THESE DIFFERING COST**  
15 **STRUCTURES FOR INTERCONNECTION AGREEMENTS BETWEEN**  
16 **ILECS AND ALECS?**

17 **A.** If a transport and termination agreement accurately reflects the  
18 true relative costs incurred by an ALEC and an ILEC for  
19 terminating each other's traffic, the agreement will, most likely,  
20 provide that the ILEC recovers its costs at a higher rate than the  
21 ALEC. If, however, a transport and termination agreement  
22 provides for symmetrical rates (i.e., each carrier charges the other  
23 the same price), the agreement does not necessarily reflect the  
24 actual costs of interconnection for each party.

25

1 Q. ARE COMPENSATION ARRANGEMENTS NORMALLY  
2 INCLUDED IN INTERCONNECTION AGREEMENTS?

3 A. Yes. Transport and termination agreements usually include a  
4 compensation arrangement to allow the parties to bill the amounts  
5 owed to one another on a periodic basis. Alternatively, transport  
6 and termination agreements may provide for a "bill-and-keep"  
7 system whereby each party keeps whatever it bills to the end  
8 user and does not pay the other party for the costs of transport  
9 and termination. Where traffic exchanged between the two  
10 carriers is approximately equal, a bill-and-keep system may be  
11 appropriate. Moreover, as discussed above, the cost of transport  
12 and termination for an ILEC is unlikely to be equivalent to the cost  
13 of transport and termination for an ALEC. As such, rendering  
14 periodic bills is quite often the only way an ILEC can recover its  
15 reasonable costs of transporting and terminating traffic for an  
16 ALEC.

17  
18 Q. WHAT ARE CARRIERS' OBLIGATIONS WITH REGARD TO  
19 INTERCONNECTION, TRANSPORT AND TERMINATION UNDER  
20 THE ACT?

21 A. Section 251(a) of the Act requires all telecommunications carriers,  
22 including ILECs and ALECs, "to interconnect directly or indirectly  
23 with the facilities and equipment of other telecommunications  
24 carriers." Section 251(b) requires all local exchange carriers,  
25 including ILECs and ALECs, "to establish reciprocal compensation

1 arrangements for the transport and termination of  
2 telecommunications."

3

4 Furthermore, Section 251(c) requires ILECs to provide, for any  
5 requesting telecommunications carrier, interconnection

6 (A) for the transmission and routing of telephone  
7 exchange service and exchange access;

8 (B) at any technically feasible point within the  
9 carrier's network;

10 (C) that is at least equal in quality to that provided by the  
11 local exchange carrier to itself or any subsidiary, affiliate,  
12 or any other party to which the carrier provides  
13 interconnection; and

14 (D) on rates, terms, and conditions that are just,  
15 reasonable, and nondiscriminatory, in accordance  
16 with the terms and conditions of the agreement and  
17 the requirements of this section and section 252.

18

19 **Q. DOES THE ACT ADDRESS THE METHOD OF PRICING**  
20 **INTERCONNECTION SERVICES?**

21 A. Although the parties are free to negotiate the price of  
22 interconnection, in the event the parties seek arbitration by a  
23 State commission under section 252 of the Act, rates for  
24 interconnection set by the State commission shall be "based on  
25 the cost (determined without reference to a rate-of-return or other

1 rate-based proceeding) of providing the interconnection. . .and.  
2 . .nondiscriminatory, and. . .may include a reasonable profit."  
3 (Act sec. 252(d)(1)(A)-(B).)

4

5 **Q. DOES THE ACT ALSO ADDRESS PRICING FOR TRANSPORT AND**  
6 **TERMINATION?**

7 A. Yes. It provides that a State commission may not consider the  
8 terms and conditions of reciprocal compensation to be just and  
9 reasonable unless such terms and conditions "provide for the  
10 mutual and reciprocal recovery by each carrier of costs associated  
11 with the transport and termination on each carrier's network  
12 facilities of calls that originate on the network facilities of the  
13 other carrier" and determine costs "on the basis of a reasonable  
14 approximation of the additional costs of terminating such calls."  
15 (Act §252(d)(2)(A)(i)-(ii).) Section 252(d) also states that such  
16 pricing standards shall not be construed to prevent parties from  
17 arranging for "the mutual recovery of costs through the offsetting  
18 of reciprocal obligations, including arrangements that waive  
19 mutual recovery (such as bill-and-keep arrangements)." (Act  
20 section 252(d)(2)(B)(i).)

21

22 **Q. HOW DID THE FCC INTERPRET THE ACT'S LANGUAGE**  
23 **REGARDING INTERCONNECTION POINTS?**

24 A. The FCC established a minimum set of technically feasible points  
25 of interconnection at end offices and tandem switches. (See

1 Order at ¶¶ 207-212.) These points are (1) the line-side of a local  
2 (i.e., end office) switch, (2) the trunk side of a local switch, (3)  
3 the trunk interconnection points for a tandem switch, (4) central  
4 office cross-connect points, (5) out-of-band signaling transfer  
5 points and (6) the points of access to unbundled elements.  
6 (Order at ¶ 212.)

7  
8 The FCC interpreted technical feasibility to require modification of  
9 ILEC equipment if necessary to facilitate interconnection. (Order  
10 at ¶ 202.) The FCC emphasized, however, that the obligation to  
11 interconnect wherever technically feasible is warranted only  
12 because an ILEC is entitled to recover from the ALEC its costs of  
13 providing interconnection, including a reasonable profit. (Order  
14 at ¶ 199.) Moreover, an ILEC may refuse interconnection if it can  
15 demonstrate specific and significant adverse impacts to network  
16 reliability and security. (Order at ¶ 203.) Finally, with regard to  
17 technical feasibility, the FCC stated that interconnection "at a  
18 particular point in a network, using particular facilities, is  
19 substantial evidence that interconnection or access is technically  
20 feasible at a given point, or substantially similar points in  
21 networks employing substantially similar facilities." (Order at ¶  
22 204.)

23  
24 **Q. DID THE FCC ESTABLISH GUIDELINES FOR THE STATES TO USE**  
25 **IN SETTING INTERCONNECTION RATES?**

1 A. Yes. The FCC required State commissions to set rates for  
2 interconnection under a forward-looking economic cost pricing  
3 methodology. (See Order at ¶¶ 630-740.) This methodology is  
4 the Total Element Long-Run Incremental Cost ("TELRIC") of  
5 interconnection, plus a reasonable allocation of forward-looking  
6 joint and common costs. (Order at ¶¶ 672-673.) In computing  
7 TELRIC, State commissions should not assume a hypothetical  
8 network. Instead, TELRIC should be computed based on the  
9 "most efficient technology deployed in using the [ILEC's] current  
10 wire center locations." (Order at ¶ 685.) TELRIC does not include  
11 embedded costs, ILEC opportunity costs, universal service  
12 subsidies or access charges. *Id.* ¶¶ 704-732. If a State  
13 commission cannot determine rates based on TELRIC for  
14 interconnection, the FCC established default rates for a number  
15 of elements including end office switching, tandem switching and  
16 transport. (See Order at ¶¶ 787-827.)

17  
18 **Q. IS A DIFFERENT PRICING STANDARD REQUIRED FOR**  
19 **TRANSPORT AND TERMINATION?**

20 A. Although the Act separates transport and termination from  
21 interconnection, and establishes separate pricing standards for  
22 them, the FCC stated that the two pricing standards are  
23 sufficiently similar "to permit the use of the same general  
24 methodologies for establishing rates under both statutory  
25 provisions." (Order at ¶ 1054.) Thus, State commissions must

1 set rates according to one of three options. First, they can set  
2 the rates for transport and termination at TELRIC plus a  
3 reasonable allocation of joint and common costs. (See Order at  
4 ¶¶ 1056-59.) Second, they can set rates at default rates pending  
5 completion of a TELRIC study. (See Order at ¶¶ 1060-62.)  
6 Third, they can impose a bill-and-keep arrangement if traffic is  
7 approximately equal. (See Order at ¶¶ 1111-18.)

8  
9 With regard to TELRIC and default rates, the FCC established the  
10 presumption that an ILEC's prices for transport and termination  
11 are a suitable proxy for an ALEC's costs of transport and  
12 termination. (Order at ¶ 1085.) Thus, the FCC ruled that TELRIC  
13 and default rates should be presumed to be symmetrical unless  
14 this presumption can be rebutted. (Order at para. 1089.)

15  
16 With regard to bill-and-keep, the FCC ruled that State  
17 commissions may impose bill-and-keep arrangements if (1) neither  
18 carrier has rebutted the presumption of symmetrical rates and (2)  
19 the volume of terminating traffic from one network to the other  
20 is "approximately equal to the volume" of terminating traffic  
21 flowing the other way "and is expected to remain so." (Order at  
22 ¶ 1111.)

23  
24 **Q. PLEASE IDENTIFY THE ISSUES THAT ARE IN DISPUTE BETWEEN**  
25 **GTE AND AT&T AND THEIR RESPECTIVE POSITIONS.**

1 A. AT&T has alleged a range of structural, pricing and billing issues  
2 with regard to interconnection, transport and termination. GTE  
3 contends that AT&T's positions on open issues are not warranted  
4 by the Act, and amount to little more than an attempt by AT&T  
5 to place GTE at a competitive disadvantage by compromising  
6 GTE's network and denying GTE recovery of its costs. The issues  
7 presented in this proceeding are:

8

9 (1) *At which points in GTE's network is GTE required to*  
10 *provide interconnection?*

11

12 **AT&T's Position:** AT&T may interconnect at any point  
13 where GTE has already provided interconnection to any  
14 other ILEC.

15

16 **GTE's Position:** AT&T may interconnect with GTE at any  
17 of the minimum technically feasible points required by the  
18 FCC. Interconnection at additional points where other  
19 ALECs have already interconnected is not presumptive.  
20 Interconnection can only occur if technically feasible, if it  
21 will not threaten network reliability or security and if GTE's  
22 costs can be recovered.

23

24 (2) *Should GTE allow AT&T to route calls between its tandem*  
25 *switches?*

1

2

**AT&T's Position:** GTE must allow AT&T to switch traffic between tandem switches ("inter-tandem switching").

3

4

5

**GTE's Position:** GTE will not provide this service absent AT&T's participation in established methods for billing inter-tandem traffic.

6

7

8

9

(3) *What should be the rate for interconnection and for transport and termination?*

10

11

12

**AT&T's Position:** GTE's rates should be equal to TELRIC, and forward looking joint and common costs aside from TELRIC would be virtually zero.

13

14

15

16

**GTE's Position:** Rates should be determined according to the Efficient Component Pricing Rule ("ECPR").

17

18

19

Pending judicial review of the FCC's Order, rates should be set at TELRIC plus forward looking joint and common costs. AT&T's estimate of GTE's forward looking joint and common costs are incorrect and have severely underestimated those costs. Additionally, GTE should be allowed a true-up of its costs should it be eventually allowed to recover its costs under ECPR.

20

21

22

23

24

25



1    **Q.    ARE AT&T'S POSITIONS CONSISTENT WITH THE PROVISIONS**  
2           **OF THE ACT?**

3    A.    No. The Act was intended to remove barriers to entry and create  
4           a level playing field for competition. It was not intended to  
5           endanger the security of an ILEC's network, require significant  
6           capital investment by the ILEC or result in the ILECs paying a  
7           subsidy to ALECs in the form of below cost rates for  
8           interconnection. Yet AT&T's approach to interconnection,  
9           transport and termination may compromise the security of GTE's  
10          network and fail to allow GTE to recover its costs, much less "a  
11          reasonable profit" as the Act permits.

12  
13          Accordingly, GTE maintains its negotiating positions on the  
14          disputed issues. To the extent these positions may be considered  
15          inconsistent with the FCC's interpretation of the Act, GTE offers  
16          alternative interim positions on several issues should the  
17          Commission determine the FCC's conclusions to be binding  
18          pending judicial review.

19  
20          Below, I elaborate on GTE's positions on the specific issues  
21          presented for resolution in this arbitration.

22  
23    **Q.    IS GTEFL REQUIRED TO PROVIDE INTERCONNECTION AT ANY**  
24           **POINT AT WHICH GTE HAS ALREADY PROVIDED**  
25           **INTERCONNECTION?**

1 A. No. While parties may have considerable flexibility as to where  
2 and how they may wish to interconnect, interconnection cannot  
3 take place at any point and in whatever manner AT&T wants.  
4 The Commission should not presume, as AT&T argues, that it is  
5 technically feasible to provide AT&T with interconnection  
6 anywhere GTE has already provided interconnection. This  
7 approach is not required by the FCC's Order, which states only  
8 that interconnection at a particular point using particular facilities  
9 is "substantial evidence" of technical feasibility at that point, or  
10 at "substantially similar points in networks employing substantially  
11 similar facilities." (Order at ¶ 204.) Accordingly, AT&T's  
12 requested point must be substantially similar and employ  
13 substantially similar facilities, and even then interconnection is  
14 only "substantial evidence" of technical feasibility--technical  
15 feasibility is not presumed.

16  
17 **Q. IS AT&T CORRECT IN ITS ASSUMPTION THAT THE COSTS OF**  
18 **INTERCONNECTION AT ANY PARTICULAR POINT IN GTE'S**  
19 **NETWORK ARE ABOUT THE SAME?**

20 A. No. It would be incorrect for the Commission to adopt this  
21 blanket presumption, advanced by AT&T, given the reality of how  
22 ILEC networks are constructed. First, switches, transmission  
23 equipment and computer software may be interoperable within  
24 the GTE network, but they are not necessarily uniform throughout  
25 the network. For example, GTE deploys a wide variety of

1 switches. While GTE may use a Northern Telecom switch in one  
2 end office, another end office in the same geographic area may  
3 use an AT&T switch. Second, interconnection of an ALEC with  
4 GTE at one point may have been the result of lengthy negotiations  
5 in which the interconnecting ALEC agreed to pay for and use  
6 certain technology that is compatible with the GTE equipment at  
7 that point. Thus, while superficially simple, AT&T is incorrect in  
8 presuming that technical feasibility at a given point implies  
9 technical feasibility at all other similar points for all other ALECs.

10

11 **Q. WHAT STANDARD SHOULD THE COMMISSION ADOPT FOR**  
12 **JUDGING AT&T'S INDIVIDUAL REQUESTS FOR**  
13 **INTERCONNECTION?**

14 **A.** The Commission should determine technical feasibility on a case-  
15 by-case basis and should consider GTE's evidence that AT&T's  
16 proposed plan for interconnection is not technically feasible at the  
17 points AT&T has requested.

18

19 **Q. ARE THERE ANY ISSUES THAT MUST BE RESOLVED BEFORE**  
20 **GTE COULD PROVIDE INTER-TANDEM SWITCHING?**

21 **A.** GTE only has one tandem in Florida. Therefore, inter-tandem  
22 trunking should not be an issue today. However, there is nothing  
23 to prevent a new entrant from establishing a tandem sometime in  
24 the future, such that the tandem switching issue might present  
25 itself later. In that case, GTE's position is that it would not

1 perform inter-tandem switching unless AT&T agreed to current  
2 methods for billing inter-tandem traffic. While interconnection  
3 generally takes place between the end office of the ALEC and the  
4 tandem switch or end office of the ILEC, interconnection at a  
5 tandem switch allows access to all end offices that subtend that  
6 tandem switch. As such, completion of calls for an  
7 interconnecting ALEC which interconnects at a tandem switch will  
8 typically involve tandem switching, transport between the tandem  
9 switch and the subtending end office and termination from the  
10 end office to the customer, but does not involve transport  
11 between tandem switches.

12  
13 AT&T apparently wishes to change this structure. Under the  
14 modified structure, in a local access and transport area ("LATA"),  
15 AT&T would interconnect at a single tandem switch, but  
16 nevertheless gain access to all end offices in the LATA, regardless  
17 of whether the end offices subtend the tandem switch where  
18 AT&T has interconnected. Accordingly, GTE would have to  
19 perform switching between tandem switches--inter-tandem  
20 switching--in order to complete AT&T calls.

21  
22 GTE cannot agree to this kind of interconnection arrangement.  
23 Such interconnection is technically possible--GTE engages in inter-  
24 tandem switching with many ILECs in order to route ILEC intra-  
25 LATA toll traffic. However, unless AT&T agrees to the billing

1 methods necessary to implement inter-tandem switching, GTE  
2 cannot allow such interconnection as there would be no way to  
3 bill for all of the network elements involved in the completion of  
4 calls from AT&T. Specific billing methods are necessary because  
5 of the way inter-tandem traffic is exchanged. Signaling  
6 information from the switch, as well as the current industry  
7 standard Automatic Message Accounting ("AMA") record format,  
8 does not identify more than one tandem switching occurrence.  
9 Thus, if more than one tandem switch is used to route a  
10 telephone call, the additional switches are not reflected in the  
11 billing record.

12

13 **Q. CAN YOU ILLUSTRATE THE NATURE OF THIS PROBLEM?**

14 **A.** Yes. If a call originates in end office "A," the call is transported  
15 to tandem switch "B," which end office A subtends. Under  
16 AT&T's proposal, the call would then be trunked to a second  
17 tandem switch "C" and then switched to end office "D," where  
18 the call would be completed. The signaling message information  
19 and AMA record only provides information that is normally  
20 necessary to complete the call--it will identify end office A,  
21 tandem switch B and the terminating end office D. **There will be**  
22 **no billing information with regard to tandem switch C.**  
23 Accordingly, the service provider that owns tandem switch C will  
24 not be able to recover tandem switching charges from the service  
25 provider that owns end office A.

1 Q. HAVE BILLING METHODS BEEN DEVELOPED FOR INTER-  
2 TANDEM SWITCHING BETWEEN ILECS?

3 A. Yes. As ILECs engage in inter-tandem switching for intraLATA  
4 toll traffic, billing methods have been developed to allow the  
5 recovery of tandem switching in the above scenario. To  
6 recognize the lack of necessary data in signaling message  
7 information and AMA records, ILECs recover the cost of inter-  
8 tandem switching through the use of various "clearinghouse"  
9 systems. In these clearinghouse systems, the end office of the  
10 ILEC originating an intraLATA toll call creates an Electronic  
11 Message Record ("EMR") call record which contains information  
12 such as the originating number, terminating number, time and  
13 date of the call. These records are forwarded by the ILEC to the  
14 clearinghouse. The clearinghouse then identifies the terminating  
15 number from the EMR call record as being served by a specific  
16 terminating ILEC and, based on the most probable pathway for  
17 the call, returns billing information to the ILECs identified as  
18 service providers of portions of the call route.

19

20 Q. ARE YOU AWARE OF ANY OTHER BILLING METHODS  
21 CURRENTLY AVAILABLE TO IDENTIFY AND RECOVER THE  
22 COSTS OF INTER-TANDEM SWITCHING?

23 A. No. Unless AT&T were willing to enter into the arrangement  
24 described above, there would be no way for GTE to recover the  
25 costs of traffic switched by its tandems. This result would run

1 directly contrary to the Act and the FCC's Order, which require  
2 that GTE recover the costs of interconnection. (See Act at §  
3 252(d)(1)(A)(i) (1996); Order at ¶¶ 29, 199, 618-24.) AT&T  
4 opposition to GTE's position would be surprising, considering that  
5 it is by no means a new entrant into the telecommunications  
6 market and is entirely familiar with access billing and switching  
7 standards. *The Commission should thus reject any request for*  
8 *inter-tandem switching.*

9  
10 **Q. DOES AT&T'S METHOD FOR CALCULATING THE COST OF**  
11 **INTERCONNECTION, TRANSPORT AND TERMINATION**  
12 **ACCURATELY REFLECT GTE'S COSTS?**

13 **A.** No. AT&T's cost calculation methodology grossly underestimates  
14 GTE's costs. As is more fully described in the testimony of GTE  
15 witness Sibley, the only appropriate method for calculating GTE's  
16 cost of interconnection, transport and termination is through use  
17 of the efficient component pricing rule ("ECPR"). Pending judicial  
18 review of the Order's mandate of TELRIC plus a reasonable  
19 allocation of forward-looking joint and common costs as a method  
20 for computing the cost of interconnection and transport and  
21 termination, GTE disagrees with AT&T's calculation of GTE's  
22 TELRIC, and AT&T's general dismissal of joint and common costs.  
23 GTE's basis for disagreeing with AT&T over this calculation is  
24 also discussed in witness Sibley's testimony and the associated  
25 economic study.

1 Q. DOES SYMMETRICAL PRICING ALLOW RECIPROCAL AND  
2 MUTUAL RECOVERY OF COSTS AS A REASONABLE  
3 APPROXIMATION OF THE COST OF TERMINATING CALLS?

4 A. No. Although required by the FCC, symmetrical pricing is  
5 completely at odds with the requirements of the Act. Section  
6 252(d)(2)(A)(i) of the Act requires that the terms and conditions  
7 for transport and termination must "provide for the mutual and  
8 reciprocal recovery by each carrier of costs . . . of calls that  
9 originate on the network facilities of the other carrier." The terms  
10 and conditions for transport and termination must "determine  
11 such costs on the basis of a reasonable approximation of the  
12 additional costs of terminating such calls." (Act at §  
13 252(d)(2)(A)(ii).)

14  
15 Symmetrical pricing between AT&T and GTE will not afford GTE  
16 recovery of its costs. AT&T's costs for terminating calls will,  
17 most likely, be less than GTE's costs for terminating calls. As  
18 discussed above, this is due to the expectation that AT&T will  
19 have deployed newer equipment in its network using a relatively  
20 higher percentage of its network's capacity. Using symmetrical  
21 pricing, AT&T will receive a subsidy from GTE, because it will be  
22 receiving far more than the cost it incurs to complete a call.  
23 Thus, GTE's costs are not a suitable proxy for determining the  
24 actual costs of interconnection, meaning that symmetrical pricing  
25 does not allow for mutual or reciprocal recovery of costs and is

1 not based on a reasonable approximation of the additional cost of  
2 terminating calls. Accordingly, the Commission should adhere to  
3 the letter and intent of the Act and allow the parties to recover  
4 their respective true costs of transport and termination.

5  
6 At a minimum, pending judicial review of the FCC's Order, the  
7 cost studies submitted by GTE justify a departure from  
8 symmetrical pricing, as GTE believes its costs for transport and  
9 termination to be significantly higher than AT&T's costs. (See  
10 Trimble testimony.) GTE's costs are thus not a suitable proxy for  
11 AT&T's costs, and symmetrical pricing is not justified.

12  
13 If, however, the Commission decides symmetrical pricing is  
14 justified pending judicial review of the Order, GTE should be  
15 allowed a true-up of its costs in the event the FCC's requirement  
16 of symmetrical pricing is eventually overturned.

17

18 **Q. IS THE BILL-AND-KEEP METHOD OF PRICING APPROPRIATE OR**  
19 **NECESSARY?**

20 **A.** No. The Act requires that transport and termination arrangements  
21 allow for "the mutual recovery of costs through the offsetting of  
22 reciprocal obligations." (Act at § 252(d)(2)(B).) Among the other  
23 possible options for mutual recovery of costs, parties may opt for  
24 "arrangements that waive mutual recovery (such as bill-and-keep  
25 arrangements)," (Order at ¶ 252(d)(2)(B)), but are not required to

1 do so. Thus, the Act does not require or permit the Commission  
2 or the FCC to impose bill-and-keep on GTE and AT&T.

3  
4 The Commission is likewise not required to impose bill-and-keep  
5 under the FCC's Order. The Order states that a State commission  
6 "may" impose bill-and-keep if neither party has rebutted the  
7 presumption of symmetrical pricing and if the volume of traffic  
8 exchanged is approximately equal. (See Order at ¶ 1111.) Not  
9 only has GTE rebutted the presumption of symmetrical pricing,  
10 but there presently exists no way for the Commission to  
11 determine whether the volume of traffic exchanged will, in fact,  
12 be equal. Thus, neither precondition has been met. Moreover,  
13 because the FCC allows State commissions to impose bill-and-  
14 keep if both preconditions are met, it has misread the statute,  
15 which clearly allows bill-and-keep arrangements but does not  
16 mandate them under any circumstances.

17  
18  
19 While GTE's preferred position is as stated above, the Company  
20 is willing to enter into a bill-and-keep compensation arrangement  
21 given certain parameters. The proposed arrangement, predicated  
22 upon approximately equivalent traffic flows, would be for the  
23 transport and termination of end user local traffic. The  
24 arrangement would specifically exclude any toll or access traffic.  
25 Also, interLATA access traffic must be carried over separate trunk

1 groups and may not be included with the local and local toll  
2 traffic.

3  
4 GTE, in an effort to expedite the competitive process, is  
5 proposing a fairly broad definition of roughly balanced. The  
6 Company is proposing that roughly balanced equate to plus or  
7 minus ten percentage points. This means that the  
8 originating/terminating split could be up to 60/40.

9  
10 GTE is willing, in the spirit of the Act, to compromise regarding  
11 the issue of bill and keep. The above definition, in conjunction  
12 with certain parameters, is a reasonable approach. The following  
13 parameters are fundamental to GTE's proposed bill-and-keep  
14 arrangement:

- 15
- 16 1. The arrangement applies to the termination of  
17 interconnected calls and does not apply to internetwork  
18 facilities.
  - 19  
20 2. The arrangement applies to local and EAS traffic only and  
21 has no implications for access (or wireless) compensation.  
22
  - 23 3. Traffic must be local end user traffic. An ALEC may not  
24 aggregate traffic other than its end user local/mandatory  
25 EAS traffic for the purposes of this arrangement.

1           4.    Traffic is assumed to be roughly balanced unless there are  
2                   records available which would indicate otherwise.  Either  
3                   party may request traffic studies be performed on not more  
4                   frequently than a quarterly basis.

5

6           5.    If traffic studies indicate that traffic is outside of the  
7                   roughly balanced range, either party may request that  
8                   billing commence utilizing agreed upon rates no lower than  
9                   GTE's TELRIC plus the appropriate joint and common costs,  
10                  as I discussed earlier in my testimony.

11

12          6.    Either party may terminate the arrangement with twelve  
13                  months notice.

14

15   **Q.    PLEASE SUMMARIZE YOUR TESTIMONY.**

16   **A.    While interconnection is a significant step towards creating a**  
17           **competitive market for local exchange services, this step is not**  
18           **intended to open up GTE's network to interconnection at any**  
19           **point for any price.  Rather, interconnection, as well as the**  
20           **transport and termination facilitated by interconnection, is**  
21           **intended to allow ALECs access to the local exchange consistent**  
22           **with the integrity of the network at a rate that is just and**  
23           **reasonable.  Accordingly, the Commission should:**

24

25           •    allow interconnection at the points specified by the FCC,

1 and determine technical feasibility for other points only in  
2 accord with the evidence set forth in this proceeding;

3

4 • reject inter-tandem switching, unless GTE can recover its  
5 costs;

6

7 • use ECPR to determine the cost of interconnection,  
8 transport and termination, or at least reject AT&T's gross  
9 underestimate of TELRIC and joint and common costs and  
10 allow GTE a true-up if TELRIC is eventually rejected on  
11 judicial review of the Order;

12

13 • reject symmetrical pricing for transport and termination, or  
14 allow GTE a true-up if symmetrical pricing is rejected on  
15 judicial review of the Order; and

16

17 • allow bill-and-keep compensation only with the parameters  
18 specified herein.

19

20 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

21 **A. Yes, it does.**

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**GTE FLORIDA INCORPORATED**  
**DIRECT TESTIMONY OF WILLIAM E. MUNSELL**  
**DOCKET NO. 960980-TP**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is William E. Munsell. My business address is 600 Hidden Ridge, Irving, TX, 75038.

**Q. ARE YOU THE SAME WILLIAM E. MUNSELL WHO FILED DIRECT TESTIMONY IN GTE'S RESPONSE TO AT&T'S PETITION FOR ARBITRATION IN DOCKET 960847-TP?**

A. Yes, I am. That Testimony was filed on September 10, 1996.

**Q. WHAT WAS THE PURPOSE OF THAT EARLIER-FILED TESTIMONY?**

A. That Testimony discussed the interconnection, transport and termination requirements under the Telecommunications Act of 1996 and set forth GTE's position on how it would comply with these requirements in response to AT&T's Petition for Arbitration.

**Q. HAVE AT&T AND MCI RAISED ESSENTIALLY THE SAME ISSUES IN THEIR RESPECTIVE PETITIONS FOR ARBITRATION?**

A. Yes, I believe the two companies have presented fundamentally the same issues for resolution through arbitration. As such, my Direct Testimony in response to A&T makes the same points GTE needs to

1           make in its direct case in this MCI arbitration. For this reason, I adopt  
2           that testimony as my Direct Testimony in this case. This approach,  
3           I believe, avoids undue repetition and is consistent with the  
4           Commission's consolidation of the AT&T and MCI Petitions into a  
5           single proceeding. If there are any MCI-specific issues and positions  
6           that must be addressed, I will do so in my Rebuttal Testimony.

7

8           **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

9           **A. Yes, it does.**

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**GTE FLORIDA INCORPORATED**

**REBUTTAL TESTIMONY OF WILLIAM E. MUNSELL**

**DOCKET NO. 960980-TP**

**Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

A. My name is William E. Munsell. My business address is 600 Hidden Ridge, Irving, TX, 75038.

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

A. Yes, I did.

**Q. PLEASE STATE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

A. The purpose of my rebuttal testimony is to address three issues introduced in MCI's Petition for Arbitration and in the Direct Testimony of Drew Caplan.

**Q. ON PAGE 18 OF MCI'S PETITION FOR ARBITRATION, MCI STATES THAT BILL AND KEEP ARRANGEMENTS CAN ONLY BE APPLIED TO THE TERMINATION OF TRAFFIC, NOT TO THE TRANSPORT OF TRAFFIC. DO YOU AGREE WITH THIS?**

A. No. While I agree with MCI that paragraphs 1111 through 1118 of the FCC's Order in 96-325 would appear to limit Bill and Keep to the termination of traffic, I do not believe that is the intention of the

1 Telecommunications Act. Specifically, Section 252 (d)(2)(B)(i) of  
2 the Telecommunications Act would appear to allow for Bill and  
3 Keep for both the transport and termination of traffic.  
4

5 **Q. MR. CAPLAN STATES ON PAGE 9 THAT "MCI MUST HAVE**  
6 **THE ABILITY TO SELECT THE LOCATION OR LOCATIONS OF**  
7 **ANY IP SO LONG AS IT IS WITHIN THE LATA THAT CONTAINS**  
8 **THE END OFFICES FOR WHICH TRAFFIC WILL BE**  
9 **EXCHANGED." DO YOU AGREE WITH THIS STATEMENT?**

10 A. No. The FCC in Order 96-325 only requires interconnection at any  
11 technically feasible point on that LEC's network. Mr. Caplan would  
12 have GTEFL interconnect at any point in the LATA, regardless of  
13 whether that point was a part of GTEFL's network.  
14

15 **Q. MR. CAPLAN STATES ON PAGE 10 THAT "AMERITECH AND**  
16 **MFS HAVE AGREED TO A SINGLE IP PER LATA." IS THIS AN**  
17 **ACCURATE STATEMENT?**

18 A. No. I have reviewed the Ameritech/MFS Interconnection  
19 Agreement for Indiana. Ameritech has not agreed to a single IP for  
20 intraLATA toll traffic. Specifically, paragraph 7.3.2 of the  
21 referenced Indiana agreement reads:

22 "Transit Service" means the delivery of certain traffic  
23 between MFS and third party LEC by Ameritech over the  
24 Local/IntraLATA Trunks. The following traffic types will be  
25 delivered: (i) Local traffic originated from MFS to such third

1 party LEC and (ii) IntraLATA Toll Traffic originated from  
2 such third party LEC and terminated to MFS where  
3 Ameritech carries such traffic pursuant to the Commission's  
4 primary toll carrier plan or other similar plan."

5 This agreement does not cover IntraLATA Toll Traffic originated by  
6 MFS and terminated to a third party LEC.

7

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

9 **A.** Yes. It does.

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1 BY MR. GILLMAN:

2 Q Mr. Munsell, do you have a summary of your  
3 testimony?

4 A Yes, I do.

5 Q And would you please give that now.

6 A Yes, I will. Good evening. The  
7 Telecommunications Act of 1996 requires GTE to, one, permit  
8 any requesting telecommunications carrier to interconnect  
9 with its network. And, two, establish reciprocal  
10 compensation arrangements for the transport and termination  
11 of telecommunications. Further, the act sets forth certain  
12 minimum conditions and rate standards for interconnection,  
13 transport, and termination.

14 The MCI and AT&T position is that these conditions  
15 require GTE to interconnect at any point within the LATA  
16 that contain the end offices for which traffic will be  
17 exchanged. Relative to the use of bill and keep as a  
18 methodology for local traffic compensation, AT&T proposes  
19 that GTEFL be required to use bill and keep for an interim  
20 period of time. While the act allows significant  
21 flexibility in the parties' arrangements for  
22 interconnection, transport, and termination, it nevertheless  
23 imposes fair and rational limits.

24 As provided under the act, AT&T and MCI should be  
25 permitted to interconnect only at technically feasible

1 points within GTEFL's network. Furthermore, GTEFL should be  
2 allowed to charge rates for interconnection, transport, and  
3 termination that are just, reasonable, and  
4 nondiscriminatory, and that allow GTEFL full recovery of its  
5 costs and a reasonable profit.

6 While interconnection is a significant step  
7 towards creating a competitive market for local exchange  
8 services, this step is not intended to open up GTEFL's  
9 network to interconnection at any point for any price.  
10 Rather, interconnection, as well as the transport and  
11 termination facilitated by interconnection, is intended to  
12 allow CLECs access to the local exchange consistent with the  
13 integrity of the network at a rate that is just and  
14 reasonable.

15 Accordingly, this Commission should allow  
16 interconnection at the points specified by the FCC, reject  
17 symmetrical pricing for transport and termination, and allow  
18 bill and keep compensation only within the parameters  
19 specified in my direct testimony. And that concludes my  
20 opening statement.

21 MR. GILLMAN: I tender the witness for cross.

22 CHAIRMAN CLARK: Who goes first?

23 MR. LEMMER: AT&T will go first. Thank you.

24 CROSS EXAMINATION

25 BY MR. LEMMER:

1 Q Good evening, I guess, by the time, Mr. Munsell.  
2 Tom Lemmer for AT&T. Just a few questions. In your  
3 testimony there is some discussion regarding cost issues.  
4 Is it fair to say that your position on what the costs for  
5 interconnection should be rely upon the pricing methodology  
6 espoused by Doctor Sibley?

7 A That is correct.

8 Q Now, regarding the issue of billing for transport  
9 between tandem switches, you recall you discussed that in  
10 your testimony?

11 A Quite a bit.

12 Q Wouldn't bill and keep resolve that problem?

13 A For local traffic, not for intraLATA toll traffic.  
14 And I might point out that in GTEFL's franchise territory  
15 today there is only one access tandem.

16 Q Would GTE be satisfied if a billing system were  
17 put in place where GTE were able to recover its appropriate  
18 TELRIC based type costs?

19 A For interLATA toll traffic, GTE would be satisfied  
20 if a billing system was put into place and the parties  
21 participated in it that allowed GTEFL to recover its  
22 appropriate costs.

23 Q Now, turning to Page 19 of your testimony, on that  
24 page there are discussions regarding interconnection and  
25 GTE's position regarding interconnection. Isn't it a fair

1 characterization of this testimony that the issue here  
2 really is a capacity issue as opposed to a technical issue?

3 A I'm sorry, can you point me specifically to where  
4 you are?

5 Q I'm looking at Page 19, and you discuss on this  
6 page -- you are responding to several questions regarding  
7 the interconnection issue. And my question is, isn't it a  
8 fair statement that GTE's concern really is a concern  
9 regarding capacity and not the technical feasibility of  
10 interconnection?

11 A No, I don't believe that is a fair  
12 characterization.

13 Q Well, there is a statement -- and I'm again  
14 looking at Page 19, where you object to interconnection at  
15 points where interconnection has already occurred. Now,  
16 isn't it true in that situation that interconnection is  
17 technically feasible?

18 A That would be correct.

19 Q So in that circumstance, then, your objection, if  
20 there were an objection at all, would have to be a capacity  
21 related objection, wouldn't it?

22 A Well, as I point out in my testimony, just the  
23 fact that interconnection has occurred it is with those  
24 facilities and those networks that have been interconnected.  
25 And using substantially similar facilities and networks, I

1 would agree that that interconnection is technically  
2 feasible in the future.

3 Q Well, wouldn't it be appropriate to ask this  
4 Commission to render a determination that interconnection  
5 should occur at points where interconnection has previously  
6 occurred and let the parties work out the details of the  
7 interconnection?

8 A I would think that that would presume that such  
9 interconnection is always technically feasible given any  
10 technology, and I don't believe that's a true statement.

11 Q But given GTE's position, isn't GTE really  
12 insisting upon having control over each request for  
13 interconnection?

14 A I believe GTEFL's position is that there are  
15 certain instances where a request for interconnection will  
16 be determined to be technically infeasible, and if the  
17 parties cannot work it out in terms of why that's  
18 technically infeasible and come to what both parties would  
19 then consider to be a technically feasible point of  
20 interconnection, that that could be brought before this  
21 Commission for settlement.

22 MR. LEMMER: No further questions.

23 CHAIRMAN CLARK: Ms. McMillin.

24 MS. McMILLIN: No questions.

25 CHAIRMAN CLARK: Staff.

## 1 CROSS EXAMINATION

2 BY MS. CANZANO:

3 Q Mr. Munsell, do you have a copy of Exhibit WEM-1,  
4 consisting of your deposition transcript from September 26,  
5 1996?6 A I do have a copy of my deposition, I don't have it  
7 marked as such an exhibit.8 Q Do you have any changes to make to that  
9 deposition?10 A I did provide an errata sheet, so to the extent  
11 that they were made, as I said, I don't have a copy of the  
12 exhibit.

13 Q Have you provided --

14 CHAIRMAN CLARK: Ms. Canzano, why don't we mark  
15 WEM-1, which is the deposition of Mr. Munsell as Exhibit 39,  
16 with the understanding that that exhibit includes the errata  
17 sheet.

18 MS. CANZANO: Thank you. Staff has no questions.

19 MR. GILLMAN: No redirect.

20 CHAIRMAN CLARK: I take it everyone is hungry.  
21 Thank you, Mr. Munsell. You are excused. And we will move  
22 Exhibit 39 into the record.

23 MS. CANZANO: Thank you.

24 (Exhibit Number 39 marked for identification and  
25 received into evidence.)

1           CHAIRMAN CLARK: Let's just take some inventory of  
2 what we have to do tomorrow. I want to assure myself that  
3 we can get it done tomorrow preferably before 5:00. I have  
4 that we have Mr. Wood, and then Mr. Trimble, and Mr. Steele  
5 would be a panel?

6           MR. GILLMAN: That's correct.

7           CHAIRMAN CLARK: And then Mr. Duncan, Mr.  
8 DellAngelo, Mr. Drew, and Ms. Menard?

9           MR. GILLMAN: Yes.

10          CHAIRMAN CLARK: Can you give me an assessment of  
11 how long your cross-examination is for Mr. Wood?

12          MR. GILLMAN: Well, Mr. Fuhr is going to be doing  
13 that cross and he went back to start preparing for tomorrow,  
14 so I don't know. I do know that there will be substantial  
15 cross. I would say an hour and a half.

16          CHAIRMAN CLARK: Staff.

17          MS. CANZANO: We have some, but I don't think a  
18 lot.

19          CHAIRMAN CLARK: I want a time.

20          MS. CANZANO: Maybe half an hour.

21          CHAIRMAN CLARK: Mr. Trimble and Mr. Steele.

22          MR. MELSON: I would guess -- let me do all the  
23 witnesses in the aggregate. I would say we have got an  
24 hour, probably about half of it for Mr. Trimble and Mr.  
25 Steele and about half of it for Doctor Duncan and a question

1 or two for three remaining witnesses.

2 CHAIRMAN CLARK: Okay. Mr. Lemmer or Mr. Hatch.

3 MR. LEMMER: We are conferring right at the moment  
4 regarding Mr. Steele and the individual he is going to be  
5 testifying with. I estimate probably around 45 minutes.  
6 And Mr. Duncan, I would estimate 15 minutes.

7 CHAIRMAN CLARK: Mr. DellAngelo.

8 MR. HATCH: Apparently 15 or 20 minutes for Mr.  
9 DellAngelo.

10 CHAIRMAN CLARK: Mr. Drew.

11 MR. HATCH: The same thing.

12 MR. PELLEGRINI: Staff would have no questions for  
13 Mr. DellAngelo, but one or two questions for Mr. Drew.

14 CHAIRMAN CLARK: I will put you down for ten  
15 minutes.

16 MR. PELLEGRINI: Okay.

17 CHAIRMAN CLARK: And Ms. Menard.

18 MS. CANZANO: About 20 minutes.

19 CHAIRMAN CLARK: And nothing from you?

20 MR. HATCH: We don't expect anything of Ms.  
21 Menard.

22 CHAIRMAN CLARK: I feel confident we can get it  
23 done. Commissioner Deason, I counted maybe five hours, so I  
24 am inclined to call it a night and we will see you tomorrow  
25 at 9:00 o'clock. Thank you very much.

(Transcript continues in sequence in Volume 14.)

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