

ORIGINAL

**MCWHIRTER REEVES**  
ATTORNEYS AT LAW

TAMPA OFFICE:  
400 NORTH TAMPA STREET, SUITE 2450  
TAMPA, FLORIDA 33602  
P. O. BOX 3350 TAMPA, FL 33601-3350  
(813) 224-0866 (813) 221-1854 FAX

PLEASE REPLY TO:  
  
TALLAHASSEE

TALLAHASSEE OFFICE:  
117 SOUTH GADSDEN  
TALLAHASSEE, FLORIDA 32301  
(850) 222-2525  
(850) 222-5606 FAX

August 11, 1999

VIA HAND-DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Betty Easley Conference Center  
4075 Esplanade Way  
Tallahassee, Florida 32399-0870

Re: Docket Number 990649-TP

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen photocopies of the Testimony of Joseph Gillan.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me in the stamped envelope provided. Thank you for your assistance.

Yours truly,

Joseph A. McGlothlin

Handwritten notes and initials: JAM/jk, 2 enc., Stop, 1

RECEIVED & FILED

DOCUMENT NUMBER-DATE

09566 AUG 11 99

**ORIGINAL**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In the Matter of: )

Investigation Into Pricing of Unbundled )  
Network Elements )  
\_\_\_\_\_ )

Docket No. 990649-TP  
Filed: August 11, 1999

**DIRECT TESTIMONY**

**OF**

**JOSEPH GILLAN**

**ON BEHALF OF**

**THE FLORIDA COMPETITIVE CARRIERS ASSOCIATION**

DOCUMENT NUMBER-DATE

09566 AUG 11 89

FPSC-RECORDS/REPORTING 000907

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**Investigation Into Pricing of Unbundled  
Network Elements**

---

**)  
)  
)  
)  
)**  
**Docket No. 990649-TP  
Filed: August 11, 1999**

**DIRECT TESTIMONY**

**OF**

**JOSEPH GILLAN**

**ON BEHALF OF**

**THE FLORIDA COMPETITIVE CARRIERS ASSOCIATION**

**000909**

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **DIRECT TESTIMONY**

3   **OF**

4   **JOSEPH GILLAN**

5                   **ON BEHALF OF THE FLORIDA COMPETITIVE CARRIERS ASSOCIATION**

6                                   **DOCKET NO. 990649-TP**

7           **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

8           A.     My name is Joseph Gillan. My business address is P.O. Box 541038,  
9           Orlando, Florida 32854. I am an economist with a consulting practice specializing  
10          in telecommunications.

11          **Q.     PLEASE BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND**  
12          **RELATED EXPERIENCE.**

13          A.     I am a graduate of the University of Wyoming where I received B.A. and M.A.  
14          degrees in economics. From 1980 to 1985, I was on the staff of the Illinois  
15          Commerce Commission where I had responsibility for the policy analysis of issues  
16          created by the emergence of competition in regulated markets, in particular the  
17          telecommunications industry. While at the Commission, I served on the staff  
18          subcommittee for the NARUC Communications Committee and was appointed to the  
19          Research Advisory Council overseeing NARUC's research arm, the National  
20          Regulatory Research Institute.

21                   In 1985, I left the Commission to join U.S. Switch, a venture firm organized to  
22          develop interexchange access networks in partnership with independent local

1 telephone companies. At the end of 1986, I resigned my position of Vice President-  
2 Marketing/Strategic Planning to begin a consulting practice. Over the past decade,  
3 I have provided testimony before more than 25 state commissions, four state  
4 legislatures, the Commerce Committee of the United States Senate, and the  
5 Federal/State Joint Board on Separations Reform. I currently serve on the Advisory  
6 Council to New Mexico State University's Center for Regulation.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

8 A. I am testifying on behalf of the Florida Competitive Carriers Association  
9 (FCCA), a state association of carriers and national organizations committed to  
10 promoting a competitive environment for local, long distance and related  
11 telecommunications services in Florida.

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

13 A. The purpose of my testimony is to recommend which network elements should  
14 first be deaveraged in this proceeding, as well as provide the FCCA's policy  
15 recommendations to guide the Commission's deaveraging and network element  
16 pricing efforts. The deaveraging of network element prices is an important part of an  
17 overall strategy to achieve economic, cost-based rates and local competition. In  
18 addition to my testimony, FCCA is also endorsing the testimony of Dr. August Ankum  
19 who will provide a more detailed discussion of the TELRIC costing principles that  
20 should be employed to determine the underlying economic cost (i.e., Issue 3a). All  
21 remaining issues in the Commission's scheduling order are addressed by my  
22 testimony.

1 **ISSUE 1: DEAVERAGING OF UNES**

2 **Q. WHICH UNES, EXCLUDING COMBINATIONS, SHOULD BE DEAVERAGED**  
3 **(ISSUE 1A)?**

4 A. The most important UNE to deaverage at this time is the loop network  
5 element. Geographic zones have the greatest effect on the cost of those network  
6 elements whose cost structure is a function of density as well as the length of the  
7 loop. The cost of the loop network element is driven, in part, by customer density  
8 because customer density affects the ILEC's ability to use concentration and more  
9 efficient transmission technologies to aggregate loops for transport back to central  
10 office locations. Customer density also affects fill-rates and the average (i.e., per  
11 loop) cost of structure and other investment costs.

12 **Q. SHOULD ALL THE DIFFERENT TYPES OF UNBUNDLED LOCAL LOOPS**  
13 **(I.E., VOICE-GRADE, XDSL CAPABLE, DS-1, DS-3, ETC...) BE DEAVERAGED?**

14 A. Yes. As the Commission geographically deaverages the local loop network  
15 element, it should make sure that the ILECs deaverage the prices of *all* the different  
16 types of local loops consistently. For instance, the ILECs should deaverage voice  
17 grade loops, xDSL loops, as well as higher speed local loops (such as DS1 and DS3  
18 local loops).

19 **Q. ARE YOU SAYING THAT NO OTHER NETWORK ELEMENTS SHOULD BE**  
20 **DEAVERAGED?**

21 A. No. Other network elements, such as local switching, also have  
22 geographically sensitive cost characteristics. But, none of these other elements are

1 as sensitive to density factors as the local loop. As a result, the Commission should  
2 *begin* the process of deaveraging with the network element that has the most  
3 geographic cost variation and then, with time and experience, consider deaveraging  
4 other network elements in future proceedings (if necessary).

5 **Q. WHICH UNE COMBINATIONS, IF ANY, SHOULD BE DEAVERAGED (ISSUE**  
6 **1B)?**

7 A. Any UNE combination that includes a loop -- i.e., the UNE-Platform  
8 (essentially, a loop, switch and shared transport combination) and the Extended Link  
9 (essentially a loop and transport combination) -- should be deaveraged to reflect the  
10 deaverage loop price.

11 **Q. WHAT IS THE APPROPRIATE BASIS FOR DEAVERAGING UNES (ISSUE**  
12 **1C)?**

13 A. The appropriate basis to deaverage UNEs is cost. At a minimum, wire centers  
14 should be grouped into zones with similar average loop costs. Loop costs should in  
15 all cases be calculated according to forward looking economic cost principles as  
16 described in the testimony of Dr. Ankum.

17 **Q. SHOULD THE DEGREE OF DEAVERAGING BE UNIFORM FOR ALL UNES**  
18 **(ISSUE 1D)?**

19 A. Because FCCA is recommending (at this time) that only the loop UNE should  
20 be deaveraged, this issue is not relevant. However, each of the different forms of the  
21 unbundled loop network element (voice-grade, 4 wire, xDSL compatible, DS-1, DS-3,  
22 etc...) should be deaveraged on a uniform basis using the same zones.

1 **Q. SHOULD THE DEGREE OF DEAVERAGING BE UNIFORM FOR ALL**  
2 **AFFECTED ILECS FOR WHICH DEAVERAGED RATES ARE APPROPRIATE**  
3 **(ISSUE 1E)?**

4 A. No, adopting a single approach for each of the ILECs would be inappropriate  
5 at this time. The Commission should allow each ILEC some flexibility to *propose* its  
6 own zone methodology as long as such proposal accurately mirrors cost differences.  
7 For instance, Sprint-United has *already* deaveraged its loop prices in its  
8 interconnection agreement with MCI. Other ILECs should not be forced to mimic  
9 these zones, anymore than Sprint-United should be required to modify its zones to  
10 conform to a single approach. As experience is gained, it may become appropriate  
11 to require more uniformity in the future, but it does not appear necessary at this date.

12 **Q. WHAT OTHER FACTORS OR POLICY CONSIDERATIONS, IF ANY, BE**  
13 **CONSIDERED IN DETERMINING DEAVERAGED UNE RATES (ISSUE 1F)?**

14 A. Cost should be the only factor considered.

15 **Q. WHAT SUPPORTING DATA OR DOCUMENTATION SHOULD AN ILEC**  
16 **PROVIDE WITH ITS DEAVERAGE FILING (ISSUE 1G)?**

17 A. Each ILEC should provide the average TELRIC cost for each wire center,  
18 along with the number of access lines and area served (to evaluate density). In  
19 addition, the ILEC should provide its underlying cost study, complete with full  
20 documentation of all inputs and assumptions. Cost studies should also provide  
21 references back to ILEC source documents to verify input assumptions and data.

22 **ISSUE 2: COMBINATIONS OF NETWORK ELEMENTS**



1 Q. HOW CAN ONE DETERMINE WHICH UNES AN ILEC "CURRENTLY  
2 COMBINES" (51.315(B)), VERSUS THOSE WHICH ARE NOT "ORDINARILY  
3 COMBINED IN THE INCUMBENT LEC'S NETWORK" (51.315(C))?

4 A. Determining which UNEs an ILEC currently combines in the network is a  
5 relatively simple and straight-forward exercise. The fact that a particular network  
6 function or facility has been designated a network element indicates that the  
7 facility/functionality is deployed and available within the ILEC network. The only  
8 issue, then, is *how* are these network elements typically combined in the ILEC  
9 network.

10 Importantly, network elements are designed to be used together in known and  
11 predictable ways according to the interface specifications of manufacturers and  
12 industry standards. This is, after all, engineering and not improvisation.

13 The Commission should expect that entrants will seek those network element  
14 combinations that are understood by *all* parties to be ordinarily combined in the  
15 network. For instance: loops are ordinarily combined with multiplexing and transport  
16 networks; loops are ordinarily combined with switch ports; and switches are normally  
17 combined with interoffice transport facilities.

18 Standard technical publications can easily be referenced to determine other  
19 common arrangements where elements are "currently combined" in the network.  
20 One accepted source that discusses typical ILEC network arrangements is  
21 TelCordia's [formally, BellCore] BOC Notes on LEC Networks [Special Report SR-  
22 TSV-002275]. The network elements that "are currently combined" reflect

1 arrangements that are standard industry practice. As a rule, the Commission should  
2 not anticipate controversy over how ILEC networks are configured. Rather, the  
3 controversy will concern the ILEC's obligation to provide access to these  
4 arrangements -- but that is an issue separate from determining which elements are  
5 *currently combined*.

6 **ISSUE 3: COST STUDIES**

7 **Q. WHAT GUIDELINES AND SPECIFIC REQUIREMENTS SHOULD BE**  
8 **IMPOSED ON RECURRING AND NONRECURRING COST STUDIES, IF ANY,**  
9 **REQUIRED TO BE FILED IN THIS PROCEEDING (ISSUE 3A)?**

10 A. This issue is addressed in the testimony of Dr. Ankum. Of course, assuming  
11 there is no change in current law, the recurring and nonrecurring cost studies must  
12 comply with the FCC's rules concerning TELRIC cost studies.

13 **Q. FOR WHICH UNES SHOULD THE ILECS SUBMIT COST STUDIES**  
14 **SUFFICIENT TO DEAVERAGE THOSE UNES IDENTIFIED IN ISSUES 1(A) AND**  
15 **1(B) (ISSUE 3B)?**

16 A. The ILECs should submit cost studies for the following loop UNEs:

- 17 \* 2 wire analog loop
- 18 \* 4-wire analog loop
- 19 \* 2-wire ISDN/IDSL loop
- 20 \* 2-wire xDSL loop
- 21 \* 4-wire xDSL loop
- 22 \* 4-wire DS-1 loop

- 1                   •     4-wire 56/64 kbps loop
- 2                   •     Fiber-based DS-1
- 3                   \*     Fiber-based DS-3

4     **Q.     TO THE EXTENT NOT INCLUDED IN ISSUE 3(B), SHOULD THE ILECS BE**  
5     **REQUIRED TO FILE RECURRING COSTS STUDIES FOR ANY REMAINING UNES,**  
6     **AND COMBINATIONS THEREOF, IDENTIFIED BY THE FCC IN ITS**  
7     **FORTHCOMING ORDER ON THE RULE 51.319 REMAND (ISSUE 3C)?**

8     **A.     Yes. In addition to any new UNEs adopted by the FCC in its Rule 51.319**  
9     **remand proceeding, BellSouth should also file cost studies for the local switching**  
10    **network element, even if these prices are not to be deaveraged in this proceeding.**  
11    **BellSouth's rate for unbundled local switching represents a national anomaly, both**  
12    **in terms of rate level and rate structure.**

13            First, in terms of rate level, BellSouth's rate for local switching is far larger  
14    than BellSouth's rate in any other state in its region. Second, BellSouth's local  
15    switching rate structure is imposes charges solely on originating minutes. Table 1  
16    below compares BellSouth's Florida rate to the rate in other states.

17  
18  
19  
20  
21  
22

1 **Table 1: Local Switching Rate Comparison**

State	Port Charge	Originating & Terminating MOU	Originating MOU Only	
			Initial	Additional
Alabama	\$2.07	0.180¢		
Florida	\$2.00		1.75¢	0.50¢
Georgia	\$1.85	0.163¢		
Kentucky	\$2.61	0.256¢		
Louisiana	\$2.20	0.210¢		
Mississippi	\$2.11	0.238¢		
NC*	\$2.00	0.400¢		
SC	\$2.35	0.193¢		
Tennessee*	\$1.90	0.190¢		
Average (3 minute call)		0.229¢	0.917¢	

\* Interim Rates

12  
13 As Table 1 shows, BellSouth's charge to an entrant providing local service using the  
14 unbundled local switching network element in Florida (for a typical 3 minute local  
15 call) is nearly *four times* more than in the rest of the region. The Commission should  
16 reexamine the costs of this network element, both as to level and rate structure.

17 **Q. TO THE EXTENT NOT INCLUDED IN ISSUE 3(B), SHOULD THE ILECS BE**  
18 **REQUIRED TO FILE NONRECURRING COST STUDIES FOR ANY REMAINING**  
19 **UNES, AND COMBINATIONS THEREOF, IDENTIFIED BY THE FCC IN ITS**  
20 **FORTHCOMING ORDER ON THE RULE 51.319 REMAND (ISSUE 3D)?**

21 A. Yes. In particular, the Commission should establish non-recurring charges for  
22 the so-called "extended link" that is the loop and transport in combined form. In

1 addition, the Commission should confirm that the NRC for the loop/port combination  
2 established by the Commission in Docket 971140, Order PSC-98-0810-FOR-TP are  
3 still applicable to all UNE-P arrangements listed in the order.

4 **Q. WHEN SHOULD THE COST STUDIES IDENTIFIED IN ISSUES 3(B), (C),**  
5 **AND (D) BE FILED (ISSUE 3E)?**

6 A. These cost studies should be filed within 45 days of the conclusion of this  
7 proceeding.

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

9 A. Yes.

10

11

12

13

14

15

16

17

18

19

20

21

22

**CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that a true and correct copy of the Direct Testimony of Joseph Gillan has been furnished by hand delivery (\*) and U.S. Mail this 11th day of August, 1999 to:

(\*)William Cox  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Norman H. Horton, Jr.  
Messer, Caparelo & Self, P.A.  
215 South Monroer Street, Suite 701  
Tallahassee, FL 32302-1876

Tracy Hatch  
AT&T  
101 North Monroe Street, Suite 700  
Tallahassee, FL 32301-1549

Michael A. Gross  
Vice President, Regulatory Affairs  
& Regulatory Counsel  
Florida Cable  
Telecommunications Assoc.  
310 North Monroe Street  
Tallahassee, FL 32301

Nancy B. White  
c/o Nancy H. Sims  
BellSouth Telecommunications, Inc.  
150 South Monroe Street, Suite 400  
Tallahassee, FL 32301-1556

Kimberly Caswell  
GTE Florida Incorporated  
P.O. Box 110, FLTC0007  
Tampa, FL 33601-0110

Jeffrey Blumenfeld  
Blumenfeld & Cohen  
1615 M. Street, NW, Suite 700  
Washington, DC 20036

Richard Melson and Gabriel E. Nieto  
Hopping, Green, Sams & Smith, PA  
P.O. Box 6526  
Tallahassee, FL 32314

Eric J. Branfman and Morton J. Posner  
Swidler Berlin Shereff Friedman, LLP  
3000 K. Street, NW, Suite 300  
Washington, D.C. 20007-5116

Scott A. Sapperstein, Senior Policy  
Counsel  
Intermedia Communications, Inc.  
3625 Queen Palm Drive  
Tampa, FL 33619-1309

Christopher V. Goodpastor  
Covad Communications Company  
2330 Central Expressway  
Santa Clara, CA 95050

Donna Canzano McNulty  
MCI WorldCom, Inc.  
325 John Knox Road  
The Atrium Building, Suite 105  
Tallahassee, Florida 32303

James Falvey  
e.spire Communications  
133 National Business Parkway  
Suite 200  
Annapolis Junction, MD 20701

**000920**

Glenn Harris  
NorthPoint Communications, Inc.  
222 Sutter Street, 7th Floor  
San Francisco, CA 94108

Charles J. Rehwinkel  
Sprint-Florida, Incorporated  
P.O. Box 2214  
Tallahassee, FL 32316-2214

Office of Public Counsel  
Stephen C. Reilly  
c/o The Florida Legislature  
111 W. Madison Street, Room 812  
Tallahassee, FL 32399-1400

David Dimlich, General Counsel  
Supra Telecommunications and  
Information Systems, Inc.  
2620 S.W. 27th Avenue  
Miami, FL 33133-3001

Peter M. Dunbar and Marc W. Dunbar  
Pennington, Moore, Wilkinson,  
Bell & Dunbar, P.A.  
P.O. Box 10095  
Tallahassee, FL 32302

Laura L. Gallagher  
Laura L. Gallagher, P.A.  
204 South Monroe Street, Suite 201  
Tallahassee, FL 32301

Monica Barone  
Sprint Communications  
Company, Limited Partnership  
3100 Cumberland Circle  
Atlanta, GA 30339



Joseph A. McGlothlin  
Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin,  
Davidson, Decker, Kaufman,  
Arnold & Steen, P.A.  
117 South Gadsden Street  
Tallahassee, Florida 32301  
Telephone: (850) 222-2525  
Telecopy: (850) 222-5606

Attorneys for Florida Competitive Carriers Association

000921