

**ORIGINAL**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

RECORDS AND REPORTING

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In Re: Investigation into Pricing )  
Unbundled Network Elements, Phase II )  
)

Docket 990649-TP

**REBUTTAL TESTIMONY OF**

**DENNIS B. TRIMBLE**

**On Behalf of**

**GTE FLORIDA INCORPORATED**

**SUBJECT: POLICY**

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CAF	_____
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June 29, 2000

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**GTE FLORIDA**

**REBUTTAL TESTIMONY OF DENNIS B. TRIMBLE**

**DOCKET NO. 990649-TP**

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

A. My name is Dennis B. Trimble and I am the Assistant Vice President - Pricing Strategy for GTE Service Corporation. My business address is 600 Hidden Ridge Drive, Irving, Texas.

**Q. ARE YOU THE SAME DENNIS TRIMBLE WHO FILED DIRECT TESTIMONY IN THIS DOCKET ON MAY 1, 2000?**

A. Yes.

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

A. I will respond to various issues raised in the direct testimonies of the Alternative Local Exchange Carriers (ALECs). Specifically, I will respond to the testimony filed by Jeffrey King, on behalf of AT&T Communications of the Southern States, Inc. (AT&T) and MCI Worldcom, Inc.; George Ford, on behalf of Z-Tel Communications, Inc. (Z-Tel); Terry Murray, on behalf of Bluestar Networks, Inc., Covad Communications Company and Rhythms Links Inc.; William Barta, on behalf of the Florida Cable Telecommunications Association (FCTA); and David Nilson, on behalf of Supra Telecommunications & Information Systems, Inc. (Supra).

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**ISSUE 5: SIGNALING NETWORKS AND CALL RELATED  
DATABASES**

**Q. Z-TEL WITNESS FORD AND SUPRA WITNESS NILSON ASK THE COMMISSION TO ESTABLISH RATES FOR VARIOUS ADVANCED INTELLIGENT NETWORK (AIN) ITEMS. DO YOU AGREE WITH THEIR PROPOSALS?**

A. No. Unlike Bell South, GTE Florida Incorporated (GTEFL or GTE) has not developed a generic Service Creation Environment (e.g., AIN Toolkit) nor has it developed a generic Service Management System. GTE has not developed these platforms because no ALEC has issued a bonafide request seeking access to these elements. There are many complex technical issues involved with providing access to these elements which must be resolved before a determination can be made whether GTE can satisfy any ALECs' specific request.

**Q. IN HIS DIRECT TESTIMONY, AT&T AND MCI WORLDCOM WITNESS KING ASKS THE COMMISSION TO DESIGNATE DAILY USAGE INFORMATION (E.G., ADUF, ODUF, EODUF) AS A UNE AND SET RATES FOR IT. (KING DT AT 4-5.) CAN YOU COMMENT ON THIS PROPOSAL?**

A. It is difficult for me to offer specific comment on Mr. King's proposal because he doesn't explain what "daily usage information" means. GTEFL does not have any databases known by the acronyms Mr. King mentions. Without knowing what Mr. King means, my general

1 observation would be that it is important to carefully define “call-  
2 related databases.” GTE’s view is that call-related databases are  
3 those SS7 databases that supply information or instructions used for  
4 “billing and collection or used in the transmission, routing, or other  
5 provision of a telecommunications service.” (FCC’s Local Competition  
6 First Report and Order, footnote 1126).

7

8 In any event, Mr. King has simply listed the items for which he  
9 believes rates should be set. He doesn’t offer any rationale as to *why*  
10 the Commission should determine these things to be SS7 call related  
11 databases and price them accordingly. This lack of supporting  
12 evidence is reason enough to reject all of the items on his list.

13

14 **ISSUE 6: RECOVERY OF NON-RECURRING COSTS THROUGH**  
15 **RECURRING RATES**

16

17 **Q. DO THE PARTIES GENERALLY AGREE AS TO WHAT TYPES OF**  
18 **NON-RECURRING COSTS SHOULD BE RECOVERED THROUGH**  
19 **RECURRING RATES?**

20 **A.** At a very high level, I believe there is some level of agreement. AT&T  
21 witness Jeffrey King seems to summarize this general understanding  
22 when he states: “Further if, the activity being performed is a one time  
23 activity, but has the potential to benefit all future users of a particular  
24 telecommunication facility, the costs of the activity typically are  
25 characterized as recurring.” (King DT at 6.) In a similar vein, Supra

1 witness David Nilson appropriately states the flip side of the pricing  
2 issue: "Task related non-recurring costs are specific to a given  
3 carrier's order for a particular service and should remain non-  
4 recurring costs." (Nilson DT at 9.)

5  
6 The disagreement arises when various ALEC witnesses propose that  
7 if a non-recurring charge exceeds some undefined, unquantified  
8 "threshold for competitive entry," the Commission should direct  
9 recovery of the non-recurring cost within an existing recurring rate  
10 element. (King DT at 7; Murray DT at 14.) The Commission should  
11 reject this proposal.

12  
13 The ALECs' approach would force ILECs to operate as "bankers" for  
14 the ALECs' and imprudent bankers, at that, because they would be  
15 forced to accept *all* the risk of non-recovery of NRCs. Supra witness  
16 Nilson chastises the ILECs for seeking "financial protection from an  
17 ALEC who cancels service early." (Nilson DT at 10.) In the real world,  
18 bankers do, in fact, implement financial measures to protect  
19 themselves from customers that default on their loans. But the ILECs  
20 are not seeking to impose any such measures on the ALEC. They  
21 are seeking only what they are due, full payment of legitimately  
22 incurred charges from the cost causer, the ALEC. This is entirely fair  
23 and reasonable. Ms. Murray complains that "the risk associated with  
24 nonrecurring charges will increase the expected return that investors  
25 will demand to provide capital to new entrants." (Murray DT at 7.) By

1 the same token, if that risk is transferred to the ILEC, then its cost of  
2 capital will increase. As between the two parties, principles of  
3 fairness and cost causation demand that the ALEC bear the risk of  
4 non-recurring charge recovery. There is no reason to force the  
5 ILEC's customers to bear the cost of an ALEC losing a customer or  
6 going out of business. Such corporate welfare would be particularly  
7 unfair and unwarranted considering that there is no evidence that  
8 non-recurring charges are a barrier to entry. The levels of competitive  
9 entry in Florida have been among the very highest in the nation and  
10 there is no sign that this trend will abate.

11

12 **Q. MS. MURRAY CRITICIZES, IN PARTICULAR, THE ILECS'**  
13 **PROPOSED NON-RECURRING CHARGES ASSOCIATED WITH**  
14 **THE PROVISION OF XDSL-CAPABLE LOOPS. (MURRAY DT AT**  
15 **12.) HOW DO YOU RESPOND TO THIS CRITICISM?**

16 **A.** As an initial matter, I don't think her discussion of specific rates is  
17 appropriate at this stage of the proceeding. Without giving any  
18 details, Ms. Murray claims there are "errors" in the ILECs' non-  
19 recurring cost studies and accuses the ILECs of "exaggerating" non-  
20 recurring cost levels. (Murray DT at 13.) It is not clear whether Ms.  
21 Murray has even analyzed GTEFL's studies or whether she is simply  
22 assuming that the ILECs will misrepresent the costs underlying the  
23 non-recurring rates. In any event, I understand that parties were  
24 directed at this stage to answer only the question of whether it is ever  
25 appropriate to recover non-recurring costs through recurring rates.

1 Specific costs and prices, including non-recurring rates, are to be  
2 addressed in later testimony and hearings.

3  
4 Even so, I can't let Ms. Murray's allegations about GTEFL's line  
5 conditioning rates stand without at least some brief comment at this  
6 point. Ms. Murray compares GTEFL's line conditioning rates with its  
7 loop rates. Those loop rates are calculated using a long-run, forward-  
8 looking methodology, which assumes that the network will be totally  
9 rebuilt from scratch. Thus, the cost of a loop reflects enormous  
10 economies of scale (e.g., thousands of loops are built at once). Loop  
11 conditioning, on the other hand, is a loop-specific event. Perhaps if  
12 Ms. Murray were to compare the cost of building just one loop with the  
13 cost of conditioning just one loop, she would see a dramatically  
14 different picture. Ms. Murray's comparison is just idle rhetoric that  
15 attempts to shroud the rational comparison of costs and the  
16 understanding of what really generates those costs.

17  
18 **ISSUE 9(B): SHOULD THE COMMISSION REQUIRE THE ILECS TO**  
19 **UNBUNDLE ADDITIONAL ELEMENTS OR COMBINATIONS OF**  
20 **ELEMENTS?**

21  
22 **Q. SUPRA WITNESS NILSON REQUESTS THAT THE COMMISSION**  
23 **DESIGNATE THE FOLLOWING AS UNES: (A) ACCESS TO**  
24 **DSLAMS IN THE CENTRAL OFFICE AND AT REMOTE**  
25 **TERMINALS, (B) WAVE DIVISION MULTIPLEXING, AND (C) XDSL-**

1           **CAPABLE LOOPS DEFINED BY DISTANCE FROM THE CENTRAL**  
2           **OFFICE. DOES GTE AGREE THAT UNE-TYPE PRICES SHOULD**  
3           **BE DEVELOPED FOR EACH OF THESE?**

4           A.    No. First, I should reiterate that a state commission must apply a  
5           “necessary and impair” test before it can require an element to be  
6           unbundled. Likewise a determination of whether it is technically  
7           feasible to unbundle an element must also be performed. I am  
8           unaware of any “necessary and impair” studies that have addressed  
9           the necessity to offer DSLAMs as a standalone element or Wave  
10          Division Multiplexing as UNEs. Supra’s request to classify these two  
11          items as UNEs must simply be rejected due to the lack of required  
12          support analysis showing that they satisfy the “necessary and impair”  
13          standard for UNEs.

14  
15          Supra’s third request for a new classification of loops based on  
16          current distance limitations for xDSL technologies should also be  
17          dismissed as an inappropriate definition for a UNE loop. As a matter  
18          of public policy, loop length should never be considered as a driver for  
19          rate deaveraging unless it is accompanied by significant differences  
20          in customer density within the wire center’s serving area. If the  
21          density characteristics are relatively homogeneous within a wire  
22          center’s serving territory, then pricing based on loop length just results  
23          in another mechanism to facilitate rate arbitrage. An alternative local  
24          exchange carrier (ALEC) can simply build its switch on the other side  
25          of town, self-provision its short loops, and then pay short-loop prices



1 to the ILEC for loops that would be long loops to the ALEC. If density  
2 characteristics are relatively homogeneous, then the appropriate  
3 factor in the setting of competitively efficient and neutral rates is the  
4 average cost in that homogeneous area. The arbitrary placement of  
5 a wire center should not make one customer more coveted than  
6 another identical customer in that homogeneous area.

7  
8 In addition, Supra's proposal to deaverage UNE loops based on  
9 length considerations appears to be inconsistent with current FCC  
10 rules. The FCC's rules are clear: they require geographically  
11 deaveraged rate zones, not different length-based rates in the same  
12 geographic zone. Webster's Dictionary defines a zone as "a region  
13 or area set off as distinct from surrounding or adjoining parts", or "one  
14 of the sections of an area created for a particular purpose", or "a  
15 specific district, area, etc. within which a uniform charge is made for  
16 transportation, mail delivery, or other service" (see, e.g., Webster's  
17 New Universal Dictionary). Supra's proposal does not fall within this  
18 definition: it does not establish rate zones, as this term is commonly  
19 defined, and it does not establish geographically deaveraged rates;  
20 instead, it establishes length-based rates that would result in different  
21 rates for UNE loops within the same geographic area.

22  
23 Finally, Supra's proposal does not address the effect of loop length  
24 specific prices on retail costing and pricing issues, or on universal  
25 service support issues. If wholesale rates are based on loop length,

1 then retail rates and universal service support must also be based on  
2 loop length, otherwise the Commission would have established  
3 arbitrary and inconsistent wholesale and retail rate structures, which  
4 would perpetuate arbitrage and economically inefficient rate  
5 structures.

6  
7 In sum, Supra's proposal for a UNE loop defined by a specific  
8 technology-driven loop length is unworkable and in conflict with  
9 current FCC rules. It must be rejected.

10

11 **Q. FCTA WITNESS BARTA CLAIMS THAT HE HAS NOT HAD THE**  
12 **OPPORTUNITY TO FULLY EXAMINE THE ILECS' COST STUDIES.**  
13 **IS THIS COMPLAINT WARRANTED?**

14 **A.** No, this complaint is not warranted with regard to GTEFL's cost study  
15 submissions. Mr. Barta repeatedly claims that the "complexity and  
16 magnitude of the ILECs' filings have prohibited a comprehensive  
17 examination of the key areas of the TELRIC studies within the  
18 ordered procedural schedule." (Barta DT at 5-6, 14-16.) In response,  
19 I would point out that the FCTA, along with the other parties in this  
20 docket, established the procedural schedule by stipulation over six  
21 months ago. These parties, including FCTA, were quite familiar with  
22 cost study filings and their level of complexity when the schedule was  
23 established. GTEFL has fully adhered to the schedule for cost study  
24 submissions. It filed a recurring cost study on April 17, 2000. The  
25 associated, non-recurring study was filed on May 1, 2000. Although

1 GTEFL understands some ALECs have had complaints about their  
2 ability to review BellSouth's cost studies, there were no such  
3 complaints with regard to GTE's studies.

4  
5 The Commission has already made substantial accommodations for  
6 the ALECs in view of their purported problems with the BellSouth  
7 studies. The issues that demand most scrutiny of the cost study  
8 methodology were moved to the September hearings. The ALECs'  
9 deadline for filing testimony on the reduced set of issues for the July  
10 hearing was also extended by a week. Still, Mr. Barta indicates that  
11 the ALECs have not been afforded adequate opportunity to do a  
12 comprehensive examination of the ILECs' studies (Barta DT at 6),  
13 such that it "may be necessary to submit supplemental direct  
14 testimony." (Barta DT at 16.)

15  
16 There is no need to give the ALECs any more opportunity than they  
17 have already had to review GTEFL's studies, and GTEFL will  
18 vigorously oppose any attempt by the ALECs to submit additional  
19 testimony out of time.

20

21 **Q. MR. BARTA ALSO FILED TESTIMONY ON ISSUES 7(t),**  
22 **EXPENSES, AND 7(u), COMMON COSTS. WILL THESE ISSUES**  
23 **BE INCLUDED IN THE JULY HEARINGS?**

24 **A.** It is my understanding that these issues will not be included in the  
25 July hearings and are not to be addressed in this round of testimony.

1                   As such, GTEFL will not respond to Mr. Barta's testimony on expense  
2                   inputs and common costs at this point, but will do so at the  
3                   appropriate time.

4

5           **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6           **A.    Yes.**

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