BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of requirements arising from Federal Communications Commission triennial UNE review: Local Circuit Switching for Mass Market Customers.	))))	Docket No. 030851-TP

SURREBUTTAL TESTIMONY OF

STEVEN E. TURNER

ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC

JANUARY 28, 2004

I. INTRODUCTION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven E. Turner. My business address is Kaleo Consulting, 2031 Gold Leaf Parkway, Canton, Georgia 30114.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes. I filed Direct Testimony on December 4, 2003 and Supplemental Direct Testimony on December 22, 2003.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. WHY ARE YOU FILING SURREBUTTAL TESTIMONY?

A. I have been asked by AT&T Communications of the Southern States, LLC ("AT&T") to respond to the Rebuttal Testimony of Dr. Debra J Aron, Mr. W. Keith Milner, and Mr. John A. Ruscilli on behalf of BellSouth Telecommunications Inc. ("BellSouth"). These three witnesses have filed limited rebuttal to my Direct Testimony regarding the AT&T DS0 Impairment Analysis Tools. In my Direct Testimony, I demonstrated that an efficient CLEC would expect to incur an absolute cost disadvantage to BellSouth for providing facilities-based switched service of between $11.86 and $12.79 per month depending on the LATA within BellSouth territory. In short, my Direct Testimony supports the conclusion that hypothetical efficient CLECs face substantial, absolute cost disadvantages relative to the ILEC in each geographic market in which BellSouth has elected to challenge the FCC's national finding of impairment.

Q. HAVE BELLSOUTH'S WITNESSES OFFERED ANY EVIDENCE THAT YOUR EVALUATION OF THE COST DISADVANTAGE FACED BY CLECS IN FLORIDA DOES NOT EXIST?

A. Absolutely not. Dr. Aron simply attempts to dismiss my analysis as being "useless."[1] It is not surprising that Dr. Aron would attempt to be so trivializing of my testimony in that it is not possible for her to legitimately rebut the clear cost disadvantage CLECs face in Florida. Nonetheless, in the testimony that follows, I address her claims that this Commission should ignore these cost disadvantages and I show that the cost of impairment is a vital consideration that this Commission should evaluate in its determination regarding access to unbundled cost-based switching for CLECs in Florida.

Mr. Milner provides four high level criticisms of my impairment cost development.[2] My testimony demonstrates that these criticisms do not in any way undermine the validity of the analysis that I have performed or the resulting impairment cost that I document. In fact, most of his criticisms have nothing to do with developing the cost of impairment at all.

Finally, Mr. Ruscilli raises only one point related to the cost for hot cuts that completely misses the point of the cost calculation that I have performed.[3] In short, Mr. Ruscilli has offered no rebuttal whatsoever to the conclusion that I

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1 BellSouth Telecommunications, Inc., Rebuttal Testimony of Dr. Debra J. Aron, Before the Florida Public Service Commission, Docket No. 030851-TP, January 7, 2004, p. 29. (Hereafter referred to as "Aron Rebuttal Testimony."

2 BellSouth Telecommunications, Inc., Rebuttal Testimony of W. Keith Milner, Before the Florida Public Service Commission, Docket No. 030851-TP, January 7, 2004, pp. 13-14. (Hereafter referred to as "Milner Rebuttal Testimony."

3 BellSouth Telecommunications, Inc., Rebuttal Testimony of John A. Ruscilli, Before the Florida Public Service Commission, Docket No. 030851-TP, January 7, 2004, pp. 33-34. (Hereafter referred to as "Ruscilli Rebuttal Testimony."

reach that CLECs face systematic cost disadvantages to BellSouth that range between $11.86 to $12.79 per month depending on the LATA within BellSouth territory. This cost disadvantage is real and is a critical concern that this Commission should consider in its evaluation of whether to maintain BellSouth's requirement to provide access to unbundled switching in Florida.

III. RESPONSE TO DR. DEBRA J. ARON

Q. DR. ARON'S SOLE REBUTTAL TO YOUR TESTIMONY IS THAT YOUR ANALYSIS IS "USELESS" BECAUSE YOUR APPROACH TO IMPAIRMENT WAS "CONSIDERED AND EXPLICITLY REJECTED BY THE FCC." COULD YOU PLEASE RESPOND TO HER ASSERTION?

A. Dr. Aron's testimony is simply wrong, because my analysis is directly responsive to the FCC's express directions in the TRO.

The TRO (¶ 520) provides that a state commission "*must* consider *all factors affecting the costs* faced by a competitor providing local exchange service to the mass market." (emphasis added) And critically in this regard, the TRO (*id.*) found that "these costs would likely include (among others) the recurring and non-recurring charges paid to the incumbent LEC for . . . collocations, transport, hot cuts and other services and equipment necessary to access the [mass market customer's] loop, the cost of collocation and equipment necessary to serve local exchange customers in a wire center, taking into consideration an entrant's likely market share, the scale economies inherent to serving a wire center, and the line density of the wire center; the cost of backhauling the local traffic to the competitor's switch; other costs associated with transferring the customer's service over to the competitor; the impact of churn on the cost of customer acquisitions; the cost of maintenance, operations, and other administrative

activities; and the competitors' capital costs." Moreover, the FCC specifically held that "*State commissions should pay particular attention to the impact of migration and backhaul costs on competitors' ability to serve the market.*" *Id.* (emphasis added) That is exactly what my analysis does; it specifically focuses on the unique migration and backhaul costs that CLECs incur when they attempt to serve mass market customers without access to ILEC switching. Accordingly, my analysis is not at all "useless"; rather, it is directly responsive to the FCC's requirements.

My analysis also provides critical background data for the Commission's review of the ILECs' trigger claims, because it demonstrates that CLECs face a very sizable economic impairment (from $11.86 to $12.79 per line per month) when they attempt to serve the mass market. This is especially true when the average impairment cost is compared to the reasonably anticipated "typical" revenues that can be earned from serving "average" mass market customers. TRO ¶ 472. Accordingly, in order to obtain economically rational results from the "short form" trigger review, the Commission should establish criteria for identifying proposed trigger firms that assure those firms' actual performance in the market is persuasive evidence that they have overcome the significant economic impairment CLECs face when attempting to serve average mass market customers.

IV. RESPONSE TO W. KEITH MILNER

Q. MR. MILNER BELIEVES THAT YOUR IMPAIRMENT COST ANALYSIS IS WRONG BECAUSE OF HIS BELIEF THAT "MANY OF THE COSTS MR. TURNER ATTRIBUTES TO CLEC OPERATIONS BUT NOT TO ILEC OPERATIONS, ARE IN FACT INCURRED BY ILECS."[4] PLEASE RESPOND TO HIS ASSERTION.

A. This assertion covers two of the four criticisms that he makes of the cost analysis that I perform. If I understand Mr. Milner correctly, he believes that I should have somehow included BellSouth's customer migration costs back from the CLEC to BellSouth in developing the cost of impairment that is faced by CLECs. This is illogical. The question that my testimony and the AT&T DS0 Impairment Analysis Tools answers, in response to the TRO's requirements, is the cost disadvantage that the CLEC has in "backhauling" loops that appear in BellSouth's disparate central offices to the CLEC's own switch as compared to the cost that BellSouth incurs in connecting the same loops to its switch that is located normally on the same floor of the central office where the loops terminate. The criticisms that Mr. Milner raise regarding my failure to include BellSouth's costs for switching a customer back to its network do not make sense in light of the analysis that I perform.

Q. COULD YOU PROVIDE MORE DETAIL REGARDING HIS CONCERNS THAT YOU DID NOT INCLUDE BELLSOUTH'S "HOT CUT" COSTS?

A. Mr. Milner notes the following:

> While Mr. Turner is correct that the CLEC will incur costs associated with the hot cut to disconnect the loop serving the customer from BellSouth's switch and then re-connect the loop to the CLEC's switch, he ignores the fact that in cases where a customer chooses to return to the ILEC, these same work steps

[4] Milner Rebuttal Testimony, p. 13.

> (disconnection of the serving loop from the CLEC's switch and re-connecting the loop to the ILEC's switch) will likewise be incurred by the ILEC.[5]

Here is the problem with Mr. Milner's logic. *When the customer is migrated from BellSouth's network to the CLEC, the CLEC pays BellSouth for all of the cost that BellSouth incurs to make this migration plus the CLEC pays for its own costs as well.* However, BellSouth only incurs *some* of these costs for some of their customers – those won back from a CLEC. Yet CLECs must incur these costs for *every single customer* they acquire.

Q. WHAT IS THE OTHER COST THAT FALLS INTO THIS SAME CATEGORY?

A. Mr. Milner believes that Local Number Portability cost falls into this same category. This is not the case. Mr. Milner's notes the following:

> Mr. Turner attributes costs to perform Local Number Porting ("LNP") activities to the CLEC but does not likewise attribute those same costs to ILECs in cases where the customer chooses to return to the ILEC. In other words, the work steps required to "port" the telephone number from BellSouth's network to the CLEC's network are required to "port" the telephone number from the CLEC's network to BellSouth's network.[6]

First of all, Mr. Milner is mistaken regarding the inclusion of Local Number Porting activities or costs in the specific run made for Florida. The DS0 Impairment Analysis that was run for Florida did not include *any* costs for Local Number Portability making the fundamental premise of Mr. Milner's criticism inaccurate.

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[5] *Id.*

[6] *Id.*

Q. MR. MILNER TAKES ISSUE WITH THE COLLOCATION COSTS THAT ARE INCLUDED IN THE DS0 IMPAIRMENT ANALYSIS TOOLS. COULD YOU PLEASE RESPOND?

A. Yes. First of all, Mr. Milner asserts that the DS0 Impairment Analysis Tools has used the "most expensive type of collocation" available.[7] Mr. Milner does not even identify the type of collocation that the DS0 Impairment Analysis Tool uses (Physical Caged Collocation). Moreover, he has provided absolutely no evidence that this choice leads to higher costs for collocation. There are numerous elements associated with collocation such as space preparation, security, land and building space, power, and interconnection arrangements. All of these elements come into play in one manner or another regardless of the form of collocation that is selected. From a modeling standpoint, Physical Caged Collocation was used because it is straightforward to model and representative of what CLECs routinely use for collocation within BellSouth central offices. Mr. Milner has not even identified what he believes would be the lower cost collocation alternatives or how he believes that it would result in lower costs. Therefore, it is difficult to provide a quantifiable reply other than to say that the costs that have been incorporated into the DS0 Impairment Analysis Tools for collocation are consistent with what CLECs would expect to incur. Notably, the DSO Impairment Analysis Tools do not assess all of the costs of a collocation to serving the mass market. Indeed, one of the express purposes of these tools is to *minimize* the assigned costs for collocation by, for example, looking only at the exact "footprint" of the space needed to provide the necessary functionality to

[7] Milner Rebuttal Testimony, p. 14.

backhaul mass market loops. Further, if BellSouth believes that the floor space included in the cost development should be treated more in the manner of Cageless Collocation (for example), the breakage assumption can be changed in the model so that only the space needed just for backhaul will be included in the satellite offices. This would give an approximation of the cost for Cageless Collocation, but it is minimally different that what has already been evaluated within my filing of the DS0 Impairment Analysis Tools for Florida.

Q. DO YOU BELIEVE THAT VOICE GRADE EELS PRESENT A VIABLE ALTERNATIVE FOR CLECS TO PROVIDE SERVICE TO CUSTOMERS IN FLORIDA?

A. Once again, Mr. Milner has made assertions in his testimony without any support whatsoever. I have performed evaluations regarding the use of EELs for Voice Grade applications and I have never seen, from a cost standpoint, any EEL arrangement for voice grade service that is economically viable. The DS0 Impairment Analysis Tool gives a hypothetical large efficient CLEC every opportunity to achieve some scale economies through the use of leased backhaul and digital loop carrier equipment to make the assigned costs as low as possible. Mr. Milner appears to believe that assuming much lower volumes and using EELs instead of concentrated transport would produce a lower cost. In my experience, this is simply not the case. Further, Mr. Milner has offered no evidence on his own part to provide that EELs would lower the cost of impairment below that which I have calculated using the DS0 Impairment Analysis Tools.

Q. MR. MILNER CLAIMS THAT THE FACILITY RING PROCESSOR TOOL USED IN YOUR ANALYSIS "DOES NOT REDUCE THE TOTAL FACILITIES COSTS BY THE AMOUNT OF THE CAPACITY REQUIRED TO HANDLE THAT PORTION OF THE CAPACITY USED THAT IS NOT FOR 'BACKHAULING' LOOPS AND IS NOT USED FOR 'ENTERPRISE' CUSTOMER TRAFFIC." COULD YOU PLEASE RESPOND TO HIS CRITICISM?

A. Yes. Mr. Milner seems to have picked up on an explanation provided in my testimony and the documentation of the DS0 Impairment Analysis Tools without really evaluating what is happening within the cost model. First of all, to simply get the facts about the DS0 Impairment Analysis Tools straight, Mr. Milner is incorrect regarding this alleged error in the Facility Ring Processor ("FRP"). The FRP establishes the least cost ring architecture among the wire centers that make up the CLEC's self-provided network. It does not address any of the cost calculations regarding the allocation of transport cost to backhaul, enterprise traffic, or other uses such as interconnection. Instead, these calculations are contained within the Transport Impairment Analysis Tool.

In fact, if Mr. Milner had reviewed the calculations in the latter tool, he would have found that the cost per DS3 is developed by assuming an 80 percent fill factor on the transport. My testimony and the supporting documentation references the use of the transport network for circuits such as for enterprise traffic as an example of why we assumed such a *high* fill factor. However, other reasons justify why the fill level would be this high, including its use for interconnection facilities. Nonetheless, from a modeling standpoint, the DS3 cost per circuit that is applied to backhaul is developed using an 80 percent fill factor, regardless of whether the other circuits that contribute to that high level of fill are related to, whether they be enterprise traffic, interconnection, or any other

application. Mr. Milner has simply picked an issue with the documentation. However, the model calculates the cost for backhaul in an extremely conservative and appropriate manner – the details of which contradict Mr. Milner's criticism and the details of which Mr. Milner has found no issue with. One of the conservative assumptions in the model is that the CLEC will use self-provided transport rather than purchase special access from the incumbent. This assumption lowers the cost for transport. In short, Mr. Milner's criticism is unfounded and does not change the cost of impairment developed in the DS0 Impairment Analysis Tool.

V. RESPONSE TO JOHN A. RUSCILLI

Q. MR. RUSCILLI'S ONLY REBUTTAL IS THAT IF AT&T BELIEVES THE COST FOR A HOT CUT IS TOO HIGH, AT&T SHOULD HAVE RAISED THIS IN A COST PROCEEDING – NOT NOW IN THE TRO PROCEEDING.[8] WHAT IS YOUR RESPONSE?

A. Mr. Ruscilli has missed the point of my testimony. While I do not believe the cost for the hot cut is appropriate, my testimony is not criticizing BellSouth for the absolute level of the cost of the hot cut – that should be taken up in a cost proceeding. Instead, my testimony simply notes that the cost of the hot cut is a critical driver in the overall cost of impairment that CLECs face in Florida that cannot be ignored – a cost that contributes significantly to the overall cost of impairment for CLECs in Florida. Mr. Ruscilli's rebuttal testimony that AT&T should have complained about the level of this cost in another proceeding does not change what the cost is now. The hot cut cost that exists in Florida is what

[8] Ruscilli Rebuttal Testimony, pp. 33-34.

CLECs will be faced with and this cost leads to a large portion of the overall cost of impairment faced by CLECs in Florida. It is simply a fact that Mr. Ruscilli's testimony does nothing to change.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.