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June 24, 1993

VIA HAND DELIVERY

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399

Re: Petition of Intermedia Communications of Florida, Inc,
for Expanded Interconnection for AAVs within LEC central
offices, Docket No. **221074-72**

Dear Mr. Tribble:

Enclosed for filing and distribution is the original and 15
copies of the Direct Testimony of Joseph Gillan on behalf of the
Florida Interexchange Carriers Association.

Also enclosed is an extra copy of the Direct Testimony of
Joseph Gillan on behalf of the Florida Interexchange Carriers
Association. Please stamp with the date of filing and return it to
ACK me. 1

AFA _____

APP _____ Thank you for your assistance.

CAF _____

CMU _____

CTR _____

EAG _____

LEG 1

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OPC _____

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Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

DOCUMENT NUMBER-DATE

06880 JUN 24 83

7130-RECORDS/REG. DIV.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Intermedia)
Communications of Florida, Inc.) Docket No. 921074-TP
for expanded interconnection) Filed: June 24, 1993
for AAVs within LEC central)
offices)

DIRECT TESTIMONY

OF

JOSEPH GILLAN

ON BEHALF OF THE

FLORIDA INTEREXCHANGE CARRIERS ASSOCIATION

DOCUMENT NUMBER-DATE

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FPSC RECORDS/REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 DIRECT TESTIMONY OF JOSEPH GILLAN
3 ON BEHALF OF THE
4 FLORIDA INTEREXCHANGE CARRIERS ASSOCIATION

5 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

6 A. My name is Joseph Gillan. My business address is P.O.
7 Box 541038, Orlando, Florida, 32854.

8 Q. WHAT IS YOUR OCCUPATION?

9 A. I am an economist with a consulting practice specializing
10 in telecommunications policy.

11 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

12 A. I am testifying on behalf of the Florida Interexchange
13 Carriers Association (FIXCA).

14 Q. PLEASE BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND
15 RELATED EXPERIENCE.

16 A. I am a graduate of the University of Wyoming where I
17 received B.A. [1978] and M.A. [1979] degrees in
18 economics. My graduate program concentrated on the
19 economics of public utilities and regulated industries
20 with course work emphasizing price theory and
21 statistics. During graduate school, I served an
22 internship with Mountain Bell in its Demand Analysis
23 Group modeling the residential demand for local service.

24 In 1980, I joined the Illinois Commerce Commission
25 where I had responsibility for filings before the U.S.
26 District Court and the Federal Communications Commission;

1 provided staff testimony in various Commission
2 proceedings concerning the divestiture agreement (e.g.,
3 the design of LATA boundaries for Illinois, and
4 post-divestiture rate levels for AT&T and Illinois Bell);
5 and developed the access charge plan to replace both
6 interLATA and intraLATA settlements procedures. While at
7 the Commission, I served on the staff subcommittee for
8 the NARUC Communications Committee and was appointed to
9 the Research Advisory Council overseeing NARUC's research
10 arm, the National Regulatory Research Institute.

11 I have published a number of articles on
12 contemporary issues in telecommunications regulation and
13 currently serve on the Advisory Council for New Mexico
14 State University's Center for Public Utilities and as
15 Outside Faculty for the Public Utility Research and
16 Training Institute and the University of Wyoming.

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

18 A. The purpose of my testimony in Phase I of this proceeding
19 concerns a single issue:

20 Should the same terms and conditions of
21 expanded interconnection apply to AT&T as
22 apply to other interconnectors? (Issue 10)

23 (It is FIXCA's understanding that Phase I of this docket
24 will address issues involving switched access competition
25 and pricing. The intrastate switched access market is

1 far larger, and far more competitively significant, than
2 the relatively modest intrastate special access market
3 that this being considered here. Further, the issues
4 involved in switched access pricing and competition are
5 far more complex in that the entire function of switched
6 access is as an input to the production of long distance
7 service and even minor variations in switched access
8 prices, options and alternatives have serious
9 consequences for interexchange competition. Accordingly,
10 the narrow approach taken here should not be misconstrued
11 as a lack of concern with these proceedings by FIXCA or
12 its members.)

13 In general, FIXCA does not oppose granting AT&T
14 interconnection rights with one exception: To the extent
15 that AT&T inherited collocated premises as a result of
16 its historical integration with the local exchange
17 industry, FIXCA recommends that the Commission carefully
18 circumscribe its interconnection policies to prevent
19 extending (unintentionally) any advantage to these
20 preexisting relationships.

21 Q. PLEASE DESCRIBE THE SPECIAL CIRCUMSTANCES THAT CAN APPLY
22 TO AT&T.

23 A. Alone among interexchange carriers, AT&T enjoys the
24 historical legacy of having once been a part of an
25 integrated telephone industry. The objective behind the

1 AT&T divestiture was to end this integration -- and the
2 competitive advantages that sprung from it -- by
3 effecting the physical separation of AT&T's network
4 facilities from those of the local telephone company.
5 Frequently, this separation was accomplished by AT&T's
6 exit from LEC central offices; in other instances,
7 however, AT&T was extended contractual agreements which
8 allowed it to maintain collocated facilities in LEC some
9 central offices. AT&T has admitted that on a nationwide
10 basis, 28% of its POPs are collocated with LEC central
11 offices. FIXCA hopes to determine, through discovery,
12 the relevant information for central offices in Florida;
13 in particular, the percentage of AT&T's special access
14 circuits that enjoy collocated status.

15 To date, AT&T has not derived an unfair advantage
16 from its collocated premises because the local telephone
17 company has applied the same rate to AT&T's collocated
18 special access circuits as it charged to connect to the
19 POPs of other interexchange carriers. (A POP (or point-
20 of-presence) is the industry term that refers to the
21 terminus of an IXC's network where access-circuits are
22 connected to the IXC's facilities.) Because of this
23 treatment, AT&T's previous relationship with the local
24 telephone industry did not provide it with a competitive
25 advantage in the cost of special access.

1 Q. HOW IS THIS ARRANGEMENT (POTENTIALLY) CHANGED WITH
2 EXPANDED INTERCONNECTION?

3 A. "Expanded interconnection" (as the term is generally
4 used) describes the pricing that applies to companies
5 whose networks extend into the central office of the
6 local telephone company. The circuit that local
7 telephone companies sell to connect special access
8 customers to the central office is called a "local
9 channel." If the Commission authorizes "expanded
10 interconnection" for special access, then customers may
11 be able to avoid buying a "local channel" and instead use
12 a company with a collocated network to reach the central
13 office. There, instead of paying the "local channel"
14 rate, a lower "cross-connection" rate would apply to
15 connect to the services of the local telephone company.
16 The cross-connection charges have not yet been
17 established for intrastate connections. The FCC has only
18 recently acted on its review of these charges for
19 interstate connections and FIXCA intends to provide a
20 comparison of these rate levels in its rebuttal
21 testimony.

22 In essence, AT&T inherited "expanded
23 interconnection" rights with divestiture, but was not
24 afforded a pricing advantage because there was no "cross-
25 connect" rate that it could pay instead of the higher

1 "local channel" rate. If the Commission approves
2 expanded interconnection and introduces lower "cross-
3 connection" charges for collocated networks, AT&T could
4 enjoy a windfall cost reduction as it substitutes the
5 lower cross-connect charge for the local channel price
6 that it pays today. The advantage would be a direct
7 result of AT&T's predivestiture position.

8 Q. HOW DID THE FCC APPROACH THIS CONCERN?

9 A. The FCC's expanded interconnection order allows AT&T to
10 receive lower cross-connect charges so long as it has
11 first established a new, separate location in the central
12 office so that it interconnects with the local telephone
13 company in the same manner as other interconnectors.
14 This requirement, however, is insufficient because it
15 would still allow AT&T to avoid many costs that all other
16 interconnectors would incur -- including the costs to
17 extend facilities from existing network nodes to the
18 central office. Under the FCC's partial solution, AT&T
19 will still be able to obtain pricing relief for existing
20 circuits far sooner, and less expensively, than its
21 competitors -- all because of its predivestiture role.

22 Q. WHAT DO YOU RECOMMEND?

23 A. Assuming that the Commission orders expanded
24 interconnection, the Commission should take complimentary
25 steps to assure that AT&T does not benefit from an

1 "inherited headstart." Specifically, the Commission
2 should not allow AT&T to qualify for lower cross-connect
3 charges for preexisting collocated circuits in a central
4 office until: (a) AT&T establishes new facilities which
5 interconnect like any other interconnector (i.e., the
6 FCC's partial solution), and (b) expanded interconnection
7 is being purchased and made available to other
8 interexchange carriers by a collocated AAV. By waiting
9 until an AAV has begun offering cross-connection
10 capability to AT&T's competitors, the headstart that AT&T
11 would otherwise enjoy from its existing collocations will
12 be prevented.

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Joseph Gillan on behalf of the Florida Interexchange Carriers Association has been furnished by hand delivery* or by U.S. Mail to the following parties of record, this 24th day of June, 1993:

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