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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE:

INVESTIGATION INTO PRICING OF
UNBUNDLED NETWORK ELEMENTS.

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§

DOCKET NO. 990649-TP

DIRECT TESTIMONY OF JULIA O. STROW

ON BEHALF OF

INTERMEDIA COMMUNICATIONS INC.

August 11, 1999

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1 **Q: Please state your name, employer, position and business address.**

2 **A:** My name is Julia Strow. I am employed by Intermedia Communications Inc.

3 (“Intermedia”) as Assistant Vice President, Regulatory and External Affairs. My

4 business address is 3625 Queen Palm Drive, Tampa, Florida 33619.

5

6 **Q: What are your responsibilities in that position?**

7 **A:** I am a primary interface between Intermedia and the incumbent local exchange carriers

8 (“ILECs”). In that capacity, I am involved in interconnection negotiations with – and

9 arbitrations against ILECs, and in rulemaking proceedings addressing unbundled network

10 elements, interconnection, collocation, resale, and related matters. I am also responsible

11 for strategic planning and the setting of Intermedia’s state and federal regulatory policy.

12 In addition, I testify on behalf of Intermedia in federal and state proceedings dealing with

13 local competition issues.

14

15 **Q: Please briefly describe your educational background and professional experience.**

16 **A:** I graduated from University of Texas in 1981 with a B.S. in Communications. I joined

17 AT&T in 1983 as a Sales Account Executive responsible for major market accounts. I

18 subsequently held several positions with BellSouth Telecommunications, Inc.’s

19 (“BellSouth’s”) Marketing and Regulatory Departments. I joined Intermedia in April 1996

20 as Director of Strategic Planning and Industry Policy, and subsequently was promoted to my

21 current position

22

23

1 **Q: Please describe the nature of Intermedia's business.**

2 **A:** Intermedia is one of the country's largest and fastest growing integrated communications
3 providers (ICPs), providing a full range of local and long distance voice and data services
4 to business and government end users, long distance carriers, information service
5 providers, resellers and wireless carriers. Intermedia also provides Internet connectivity,
6 web site management, and private network solutions on a nationwide basis through
7 Digex, our national information service provider affiliate.

8
9 Intermedia has operated as a facilities-based communications service provider in Florida
10 beginning in 1992 with data services and moving into voice services in 1996. Intermedia
11 has five Nortel DMS 500 voice switches in the state of Florida. These switches are
12 located in Jacksonville (1), Orlando (2), Tampa (1), and Miami (1). These voice switches
13 provide a full range of local exchange services and long distance services. Intermedia
14 also has forty-seven data switches in the state of Florida. Fifteen of the forty-seven data
15 switches comprise the State of Florida frame relay network. This network is dedicated to
16 the State of Florida for use by its agencies and no commercial traffic traverses this
17 network. The commercial frame relay network in Florida is comprised of twenty-five
18 switches throughout Florida located in Daytona Beach, Ft. Lauderdale, Gainesville,
19 Jacksonville, Miami, Ocala, Orlando, Panama City, Pensacola, Tampa, Tallahassee, and
20 West Palm Beach. Intermedia also has seven (7) ATM switches in Florida located in
21 Jacksonville, Tallahassee, Orlando, Tampa, Ft. Lauderdale, and Miami. These advanced
22 telecommunications switches use packet-switched or cell-based technology for the
23 provision of many high-speed data services. At this time, Intermedia has approximately

1 33,000 customers in Florida for whom we provide local, long distance, data, private line,
2 or Internet services.

3
4 **Q: What is the purpose of your testimony?**

5 **A:** The purpose of my testimony is to provide information to enable the Florida Public
6 Service Commission ("the Commission") to establish competitively neutral long-term
7 pricing policies for unbundled network elements ("UNEs") and for combinations of
8 UNEs. In doing so, I will discuss why the Commission should, as a policy matter,
9 require deaveraging of unbundled network elements.

10
11 **Q: Can you provide background on the issues you intend to address in your testimony?**

12 **A:** Yes. In its January 26, 1999 decision, the Supreme Court unequivocally upheld the
13 Federal Communications Commission's ("FCC's") authority to define the pricing
14 methodology used by state commissions in setting rates for UNEs. The pricing
15 methodology set by the FCC in its Local Competition proceeding is total element long-
16 run incremental cost ("TELRIC"). As a threshold matter, TELRIC-pricing standards
17 should apply to all UNEs, including UNE combinations. In so doing, the Commission
18 should make clear that additional, duplicative, or hidden charges or subsidies are
19 impermissible.

1 **Issue 1: Deaveraging of UNEs.**

2

3 **Q: Did the FCC require deaveraging of UNEs in its August 8, 1996 Local Competition**
4 **Order¹?**

5 **A:** Yes. In paragraph 764 of the 1996 Local Competition Order, the FCC stated:

6 The 1996 Act mandates that rates for interconnection and
7 unbundled network elements be “based on cost...of providing the
8 interconnection of network elements.” We agree with most parties
9 that deaveraged rates more closely reflect the actual costs of
10 providing interconnection and unbundled elements. Thus we
11 conclude that the rates for interconnection and unbundled elements
12 must be geographically deaveraged.

13
14 The FCC also codified this section of the order in FCC Rule 51.507(f), which
15 states:

16 State commissions shall establish different rates for elements in at least
17 three defined geographic areas within a state to reflect geographic cost
18 differences.

19 (1) To establish geographically-deaveraged rates, state commissions may
20 use existing density-related zone pricing plans described in § 69.123
21 of this chapter, or other such cost-related zone plans established
22 pursuant to state law.

23 (2) In states not using such existing plans, state commissions must create
24 a minimum of three cost-related rate zones.
25

26 **Q: Has the FCC recently stayed this requirement?**

27 **A:** Yes. In an order released on May 7, 1999, the FCC on its own motion, stayed its rules
28 requiring geographic deaveraging of UNE rates until six months after the FCC issues an

¹ FCC, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-325, released August 8, 1996. (“1996 Local Competition Order”)

1 order finalizing and ordering implementation of universal service rules now under
2 consideration.²

3
4 **Q: Which UNEs, excluding combinations, should be deaveraged?**

5 **A:** All UNEs required by the FCC's proceeding on remand of its Rule 51.319 ("FCC's 319
6 Proceeding"), should be required. In this proceeding a minimum list of unbundled
7 network elements will be established, therefore, all UNEs that are ordered by the FCC in
8 the 319 Proceeding and any additional UNEs that may be ordered by this Commission
9 should be subject to deaveraging. Unless the ILECs demonstrates through its cost studies
10 that there is no difference in cost across different density zones, all UNEs should be
11 presumed to be subject to deaveraging. In some instances specific UNEs may not
12 demonstrate any cost sensitivity across different density zones. For example, UNEs such
13 as unbundled operational support systems may not have significant differences in
14 underlying cost across different zones since it is provided on a centralized basis. It is
15 important that cost studies be required for all UNEs in order to determine if the UNE
16 rates should in fact be deaveraged as required by the FCC's Rule 51.507.

17
18 **Q: Which UNE combinations, if any, should be deaveraged?**

19 **A:** Again, all UNE combinations required by the FCC or this Commission should be subject
20 to deaveraging unless the ILEC can demonstrate through its cost studies that there is no
21 significant differences in the underlying UNE combination costs based on density zones.
22 The UNE deaveraging requirements should be extended to combinations. There is no

² FCC, *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 99-86, released May 7, 1999.

1 policy rationale to do otherwise. In particular, the Commission should apply the
2 deaveraging requirement to the combinations of DS1 loops and DS1 interoffice transport
3 that it recently ordered in response to a request for arbitration filed against BellSouth by
4 MCImetro.³

5
6 **Q: What is the appropriate basis for deaveraging UNEs?**

7 **A:** As a general economic pricing principle, rate structures should reflect the nature of the
8 underlying costs. For example, the actual rate charged for a UNE in a specific
9 geographic location should reflect, as closely as possible, the actual forward-looking
10 costs for that element in that geographic location. In the case of UNEs, there are a
11 number of geographic factors that influence costs. These factors include, but are not
12 limited to: 1) population density; 2) average length of loops and interoffice transport; 3)
13 the extent to which the ILEC deploys Integrated Digital Loop Carrier and Digital
14 Subscriber Line technology in its loops; 4) the amount of optical fiber deployed in loops
15 and interoffice routes; and 5) whether the ILEC deploys wireless technologies in its
16 infrastructure. Therefore, the Commission should require the incumbent local exchange
17 carriers (“ILECs”) to provide cost studies in this proceeding that allow the Commission
18 and the parties to determine if UNE rates should be deaveraged on a geographic basis or
19 any other basis.

20
21
22

³ *Request for Arbitration concerning complaint of MCImetro Access Transmission Services LLC for enforcement of interconnection agreement with BellSouth Telecommunications,*

1 **Q: Do the ILECs provide retail pricing deaveraged into geographic zones?**

2 **A:** Yes. For example, BellSouth currently provides a number of its interstate special access
3 services deaveraged into three separate zones, which are based on population density.

4 These zones correspond to urban, suburban and rural areas. For example, BellSouth
5 deaverages its DS1 local channel rates into three zones, with the rates in the urban zone
6 priced about 7% below the rural zone rates, and about 4% below the suburban zone rates.
7 This deaveraged rate structure is effectively an admission by BellSouth that its costs – for
8 at least some retail rate elements – do vary by geographic location, and should create a
9 presumption on the part of the Commission that BellSouth's UNE costs are similarly
10 affected by geography

11
12 **Q: How many rate zones should ILECs be required to establish?**

13 **A:** As noted above, ILECs currently deaverage their interstate special access services into
14 three zones -- urban, suburban and rural -- and these same three zones are appropriate for
15 deaveraged UNE pricing. There is some indication that ILECs may establish additional
16 zones, however. In a very recent decision, the FCC announced that it will shortly
17 propound rules that will allow ILECs to deaverage rates for trunking services into as
18 many zones as they want. At the time this testimony was prepared, the FCC announced
19 that it has adopted these new rules, but had not yet released the text of the order, so we do
20 not have all of the details yet. In this regard, I reserve the right to supplement my
21 testimony to provide further information on this point after the FCC's order is released.
22 In light of the uncertainty posed by the FCC's very recent decision, I would propose that

1 the Commission require deaveraging of UNE rates into the three zones discussed above.

2 In case ILECs later adopt more zones for any of their tariffed retail or wholesale services
3 – either intrastate or interstate – the Commission should require that UNE rates be further
4 deaveraged into a similar number of zones.

5
6 **Q: Why is it necessary that this Commission deaverage UNE and UNE combination**
7 **rates?**

8 **A:** In order to set competitively neutral forward-looking economic costs, this Commission
9 must examine deaveraging. A UNE or UNE combination rate that is established based
10 on statewide average TELRIC costs can be inefficient if the end result is that the rate is
11 substantially above or below forward economic costs for different geographic regions
12 within the state. Setting statewide averaged rates distorts the investment decisions of
13 ALECs and therefore distorts the opening of different geographic areas to competition.
14 For example, UNE rates that are artificially high in urban and suburban areas due to
15 averaging will force ALECs to target larger customers, while lower UNE rates would
16 reduce the overall cost of interconnection and allow ALECs to target smaller customers.
17 Similarly, averaging that keeps rural UNE rates below their economic cost may promote
18 the use of technologies that are efficient in urban areas, but that are inefficient in rural
19 areas. These distortions send the wrong economic signals to both ALECs and
20 incumbents, and encourage inefficient use of embedded networks, and inefficient
21 deployment of new technologies.

1 **Q: Should the degree of deaveraging be uniform for all UNEs?**

2 **A:** Yes. Unless the underlying cost studies determine significant differences in costs based
3 on geographic location or any other factor, the degree of deaveraging should be uniform
4 for all UNEs.

5
6 **Q: What do you mean by significant differences in the costs?**

7 **A:** By significant I mean differences that are manageable. The marketplace efficiencies that
8 are available when all rates are deaveraged must be balanced with the reality that ALECs
9 and ILECs will only be able to administer only a limited number of different rates.
10 Therefore, the Commission can determine after review of all of the ILEC cost studies in
11 phase 2 of this proceeding what is significant. By using this approach, the Commission
12 can establish a uniform degree of deaveraged rates unless the cost studies dictate
13 otherwise. To make the process more efficient for the Commission, this docket should
14 only require deaveraging for loops and transport at this time. These UNEs should include
15 all forms of loops and transport, including sub-loop elements. These UNEs should also
16 include in-building wiring, to the extent that the FCC or this Commission later defines
17 these facilities as separate UNEs. These are the unbundled elements that should have the
18 most cost differences based on geographic deaveraging. Deaveraging of further
19 unbundled elements can be accomplished in later phases of this proceeding.

20
21 **Q: Should the degree of deaveraging be uniform for all affected ILECs?**

22 **A:** The Commission should establish a presumption that deaveraging should be uniform
23 among all affected ILECs. Significantly, the Commission should establish the

1 presumption that, because BellSouth currently deaverages some of its interstate services
2 into three zones, it is appropriate for BellSouth and all other affected ILECs to deaverage
3 their UNEs into three zones. This presumption can later be changed to the extent that the
4 cost studies produced in this proceeding determine that demonstrated differences in ILEC
5 cost structures do not support such a uniform approach. For example, if after reviewing
6 BellSouth's and Sprint's cost studies for unbundled signalling databases in phase 2 the
7 Commission determines that BellSouth's costs do not show a significant difference by
8 geographic region, while Sprint's costs do show a significant difference, then the degree
9 of deaveraging would not be uniform. Again, the Commission must first require the cost
10 studies to be filed by the ILECs to have the necessary information to determine the
11 degree of deaveraging warranted. The Commission can also determine from the cost
12 studies whether the degree of deaveraging should be uniform across all UNEs and across
13 ILECs.

14
15 **Q: What supporting data or documentation should an ILEC provide with its**
16 **deaveraging cost study filing?**

17 **A:** ILECs should file all appropriate documentation so that the Commission can determine
18 competitively neutral long-run economic costs of UNEs and UNE combinations.
19 Included in this documentation should be information that will allow the Commission to
20 determine if underlying costs differ because of geographic location or any other factor.
21 This information should include: 1) the extent to which the ILEC deploys Integrated,
22 Universal or Next Generation Digital Loop Carrier facilities in its local network; 2) the
23 extent to which the ILEC deploys ADSL, HDSL, SDSL and other varieties of Digital

1 Subscriber Line technology in its local networks; 3) the extent to which the ILEC deploys
2 optical fiber in its local and interoffice networks; and 4) the extent to which the ILEC
3 deploys wireless technologies in its local or interoffice networks. By providing this
4 detailed information in the ILEC cost studies, the Commission will be able to determine
5 the extent to which rates set for UNEs and UNE combinations should be deaveraged and
6 on what basis they will be deaveraged across UNEs and across ILECs.

7
8 **Q: What principles should the cost studies for UNEs and UNE combinations follow?**

9 **A:** Prices for UNEs, whether purchased singly or in combinations, should be based on a
10 forward-looking TELRIC cost methodology. Section 252 of the Act clearly expresses
11 that its cost-based pricing standard applies to all UNEs and combinations of UNEs. The
12 Commission should foreclose any effort to saddle UNEs with non-cost-based charges.
13 In particular, the Commission should ensure that UNE rates exclude any historical,
14 embedded costs, and should remove any implicit subsidies that support other ILEC
15 services.

16
17 **Q: What would be the impact to competitive markets if cost studies were not based on a
18 forward-looking TELRIC cost methodology?**

19 **A:** At this time, ILECs control many facilities that ALECs must access to reach end user
20 customers. Because there are no competitive alternatives for these facilities, there are no
21 market forces at play that would force ILECs to establish efficient rates for these
22 facilities. This provides ILECs with the incentive and the ability to impose excessive
23 costs in order to prevent ALECs from effectively competing against them. The

1 Communications Act (and the FCC's rules implementing the Act) require TELRIC
2 incremental costing of UNEs because this costing method mimics market forces and
3 produces rates that are similar to those that would result if there were competitive
4 alternatives to the ILEC facilities. Cost studies not based on a forward-looking TELRIC
5 methodology would allow ILECs to impose excessive rates for these critical network
6 components and would foreclose ALECs from providing competitive service offerings
7 throughout the state of Florida.

8
9 **Q: Should ILECs be allowed to assess "glue" charges on top of TELRIC-based rates**
10 **for UNE combinations?**

11 **A:** No. The Commission must find that where CLECs request UNEs in combination, ILECs
12 may not impose "glue" charges – either recurring or nonrecurring – in addition to
13 TELRIC cross-connection charges. The imposition of non-cost-based glue charges on
14 UNEs without question contradicts the forward-looking pricing standard established by
15 the Act and interpreted by the FCC. This position is fully consistent with the
16 Commission's recent finding in MCI's arbitration petition against BellSouth. In that
17 case, the Commission reviewed the interconnection agreement between MCI and
18 BellSouth and found that it clearly required that BellSouth combine DS1 loops with DS1
19 transport at the sum of the TELRIC-based rates for both elements, without any additional
20 non-cost elements.

21
22 To this end, the Commission should rule that ILECs may not establish separate charges
23 for cross-connects, but instead must provide cross-connects as part of the underlying

1 transmission facility UNE (either loop or transport), as such items are an integral part of
2 the transmission provided by such UNEs. Such a finding is necessary because at least
3 one ILEC in another jurisdiction has attempted to impose the equivalent of a “glue”
4 charge by introducing separate cross-connect fees.

5
6 **Q: Should any other pricing policies be established for UNE combinations?**

7 **A:** Yes. The Commission also should require that ILECs make UNEs available at volume
8 and term discounts where cost studies show that efficiencies are gained when ordered and
9 provided in large volumes and for long periods. ALECs that purchase UNEs and UNE
10 combinations in large volumes and for long term commitments should benefit from the
11 same economies of scale that ILEC’s retail and wholesale customers enjoy when they
12 purchase tariffed services from the ILEC. When an ALEC purchases large volumes of
13 UNEs from an ILEC, the ILEC realizes considerable economies of scale because such
14 bulk purchases: 1) allow the ILEC to coordinate installation and perform multiple
15 installations on the same service trip; 2) reduces order processing time and labor, and 3)
16 facilitates network planning by providing consolidated demand information. If an ALEC
17 were allowed to commit to long terms (of 2-7 years or more) when purchasing UNEs, the
18 ILEC would realize considerable benefits, including: 1) certainty of a revenue stream for
19 a prolonged period of time; 2) reduction in churn; 3) elimination of direct costs for
20 marketing, order processing, and installation; and 4) improved network planning ability
21 due to long-term demand projections. The fact that these economies exist is
22 demonstrated in the volume and term discount arrangements that ILECs routinely
23 incorporate into their state and federal tariffs, and in Custom Service Arrangements. To

1 prevent ALECs from sharing in these benefits in the same way as ILEC wholesale and
2 retail customers is both discriminatory and anticompetitive.

3
4 **Issue 2: “Currently Combined” versus “Not Ordinarily Combined”**

5
6 **Q: How can one determine which UNEs and ILEC “currently combines” (51.315(b)),**
7 **versus those which are “not ordinarily combined in the ILEC’s network”**
8 **(51.315(c))?**

9 **A:** No. The Commission is fully empowered to require ILECs to provide UNE
10 combinations in any manner it sees fit. As the Supreme Court noted, section 251(c)(3)
11 “does not say, or even remotely imply, that elements must be provided [in discrete
12 pieces] and never in combined form.”⁴ Without combinations, ILECs will have an
13 unfettered ability to impair CLEC provisioning of all telecommunication services,
14 especially advanced services. Thus, in accord with the Supreme Court’s decision, the
15 Commission should affirm that: (1) the ILECs’ section 251(c)(3) unbundling obligation
16 requires the provision of UNEs in combination and (2) section 51.315(b) of the
17 Commission’s rules requires the ILECs to provide UNE combinations such as enhanced
18 extended links (“EELs”) to CLECs. An EEL is a local loop, transport, and in some cases,
19 multiplexing combination.

20 The Commission should affirm that ILECs must provide UNEs in any feasible
21 combination, if requested to do so by a CLEC. Section 251(c)(3)⁵ of the Act requires
22 ILECs to provide CLECs with unbundled access to UNEs at any technically feasible

⁴ *AT&T Corp. v. Iowa Utils. Bd.*, 119 S. Ct. 721, 737 (1999) (“AT&T”).

1 point, including in combination. The Act endorses no specific technological means of
2 combination. Rather section 251(c)(3) requires ILECs to provide access to UNEs at any
3 “technically feasible point on rates, terms, and conditions that are just, reasonable, and
4 nondiscriminatory....”⁵

5
6 **Q: ILECs in other jurisdictions are attempting to limit UNE combinations to solely**
7 **those that are “currently combined” for an end-user. Do you agree with this**
8 **position?**

9 **A:** No. The Commission should allow any reasonable UNE combination, whether they are
10 currently combined or not. This position underscores how ILECs view ALECs – not as
11 large customers in a competitive market, but solely as competitors. When ILECs view
12 ALECs as solely a competitor, there is resistance to virtually any new arrangement that
13 might be more convenient or cost-effective for the ALEC. However, if ALECs were
14 simply large customers of ILECs, and not also competitors, this docket would not be
15 necessary. ILECs would be more than happy to combine UNEs for their largest
16 customers in any reasonable manner, and charge a reasonable fee based on incremental
17 costs, as ILECs do for large customers today throughout their territories, for the
18 preponderance of their services.

19
20 Eliminating this distinction – this discrimination – is crucial to the development of local
21 competition. I believe that state commissions and the FCC are the only bodies that can

⁵ 47 USC § 251(c)(3).

⁶ *Id.*

1 create an atmosphere where ILECs treat ALECs as their largest and best customers –
2 which, by the way, they are – and not solely as competitors to be thwarted.

3
4 This definition of “currently combined” fails to address what the ALECs fundamentally
5 require to be competitive in the local marketplace. By restricting UNE combinations to
6 this definition of “currently combined” UNEs, ALECs would be forced to essentially use
7 or mirror ILEC’s tariffed services which in turn causes the ALEC to conform to the
8 network architecture of the ILEC instead of a more efficient architecture. This would
9 effectively prevent ALECs from introducing innovative technologies and new services.

10
11 **Q: Do ILECs use UNE combinations for provision of service to its own end users?**

12 **A:** Yes. In fact, in the provision of data services to end users, many ILECs use combinations
13 of loops, transport, and multiplexing to provide connectivity. For example, ILECs
14 including Ameritech, Bell Atlantic, BellSouth, GTE, Southwestern Bell, and US West
15 provision DS-1 services – as native DS-1 or as T-1 service over HDSL – and other data
16 services (e.g., Frame Relay and ATM) to their retail end users using loop/transport
17 combinations. These data circuits are the functional equivalent of EELs, and the ILECs’
18 collective refusal to provide similar technically feasible combinations to CLECs
19 contradicts section 51.315(b) of the FCC’s rules as well as the nondiscrimination
20 requirement of section 251(c)(3) of the Act. In addition, ILECs use UNE combinations
21 to provide ISDN to customers whose serving central office is not equipped for ISDN.

1 As evidenced by their own provision of service to retail customers, UNE combinations –
2 including the EEL – are technically feasible. Thus, ILEC failure to offer the EEL
3 combination or other combinations would result in exactly the type of discrimination
4 contemplated by section 251(c)(3). As long as the UNE combination is one that
5 reasonably could be combined, it must be required. Just because the combination does
6 not physically exist today does not mean ILECs should not provide this combination.

7
8 **Issue 3: Cost Studies.**

9 **Q: What guidelines and specific requirements should be imposed on recurring and**
10 **nonrecurring cost studies, if any, required to be filed in this proceeding?**

11 **A:** As I discussed above, prices for UNEs, whether purchased singly or in combinations,
12 should be based on a forward-looking TELRIC cost methodology. Section 252 of the
13 Act clearly expresses that its cost-based pricing standard applies to all UNEs and
14 combinations of UNEs. The Commission should foreclose any effort to saddle UNEs
15 with non-cost-based charges. The only additional requirement is that all cost studies filed
16 by the ILECs should contain the necessary information to determine if differences in
17 geographic regions cause differences in costs.

18
19 **Q: For which UNEs should the ILECs submit cost studies sufficient to deaverage those**
20 **UNEs identified in Issue 1?**

21 **A:** As I stated earlier, all UNEs that are ordered by the FCC in the 319 Proceeding and any
22 additional UNEs and UNE combinations that may be ordered by this Commission should
23 be deaveraged. However, only UNEs that are determined to have significant underlying

1 cost differences through an examination of deaveraged cost studies should ultimately be
2 deaveraged. Therefore, in order to determine if the underlying costs differ by
3 geographic region and should then be deaveraged, ILECs must file cost studies for all
4 UNEs established by the FCC and this Commission.

5
6 **Q: Why is it important that the Commission examine all UNEs and UNE combinations**
7 **in this proceeding?**

8 **A:** For UNEs and UNE combinations to become truly effective in spurring facilities-based
9 competition in Florida, ALECs must have the ability to purchase them for all types of
10 loops and all types of transport (copper and fiber). ALECs are increasingly developing
11 innovative and varied business plans, focusing on new and different technologies, service
12 applications, and customer bases. For this trend to continue, these ALECs must have
13 unrestricted access to all available UNEs.

14
15 **Q: Should the Commission require the ILECs to file nonrecurring cost studies?**

16 **A:** Yes. The Commission must examine the nonrecurring cost studies associated with the
17 UNE and UNE combinations to insure that they are truly cost-based. ILECs cannot be
18 allowed to add hidden charges to the nonrecurring rates or ALECs will be effectively
19 restricted from competing and the consumers of Florida will not receive the benefit of
20 competition.

1 **Q: When should the cost studies identified in Issue 3 be filed?**

2 **A:** Costs studies should be filed 60 days after the order in this phase of the proceeding is
3 issued.

4
5 **Q: Can you please summarize your testimony?**

6 **A:** Yes. Geographic deaveraging of rates for UNEs and combinations of UNEs is required
7 by the Communications Act and is necessary for the continued development of local
8 competition in Florida. Such deaveraging should reflect three different geographic zones,
9 reflecting urban, suburban and rural areas. Additional zones should be required if ILECs
10 break their rates for wholesale and retail tariffed services down into more than three
11 zones. ILECs should also be required to offer UNEs at volume and term discounted
12 rates, to reflect in UNE rates the same efficiencies that ILEC end user and carrier
13 customers enjoy. In order to establish these rates, the Commission should require the
14 submission of cost studies that provide adequate detail on how ILECs deploy cost-saving
15 technologies, such as IDLC and DSL. All rates must reflect the TELRIC costing
16 methodology. Finally, ALECs should not be restricted in any way in their ability to
17 obtain and use UNEs.

18
19 **Q: Does this conclude your testimony?**

20 **A:** Yes.

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via U.S.

Mail and/or facsimile this 11th day of August, 1999 to the following:

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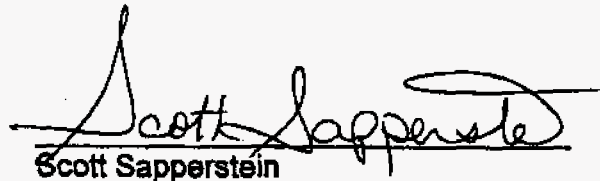
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